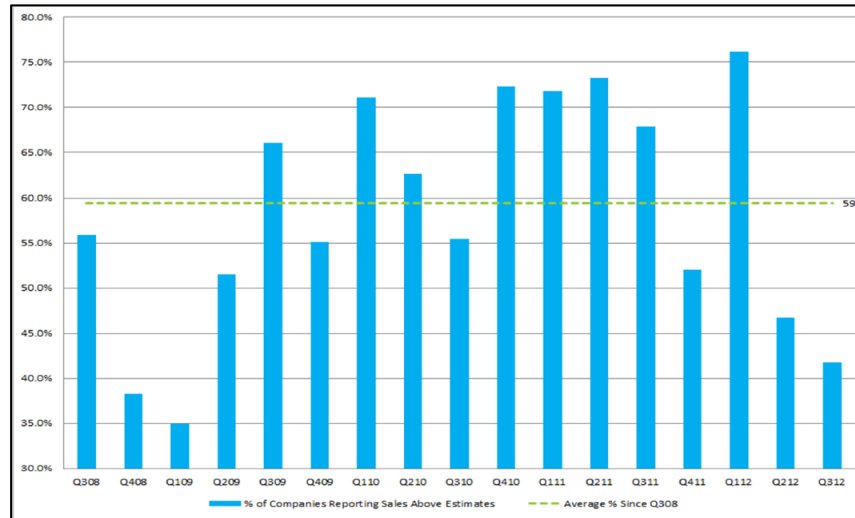


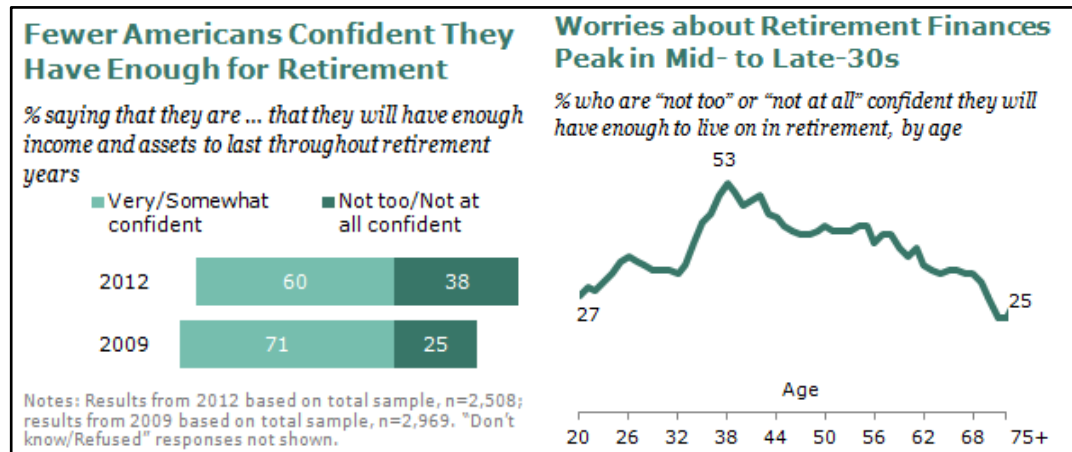
# Market Recap

Percent of Companies Reporting Sales Above Estimates



Of the ninety-eight (98) S&P 500 companies that have reported third quarter earnings, 70% have reported above-consensus estimates. This percentage is comparable to the average over the past four quarters. However, as of October 19, only 42% of companies had reported sales above estimates. This percentage is well below the average of 55% recorded over the past four quarters and would be the lowest percentage since Q1 2009. The disparity between the top-line sales growth rate versus the bottom-line earnings rate is reflective of the quality of earnings. The long-term prospect for growth is contingent on sales improvement. Profit growth can be driven by a number of non-sales related factors (expense control, share repurchases, depreciation, etc.). Companies and analysts have already begun to lower expectations for fourth quarter earnings. Twenty-one companies have pre-announced negative earnings guidance for Q4 2012, while just one company has issued positive guidance. Thus far, analysts have slightly lowered their growth estimates for Q4 2012 (to 9.4% from 9.6%).

## Retirement Savings



Source: Pew Research

According to the Pew Research Center, Americans today are more concerned about their retirement finances than they were at the end of the recession in 2009. Thirty-eight percent (38%) of respondents indicated that they are "not too" or "not at all" confident that they will have enough income and assets for their retirement, up from 25% in March of 2009. An analysis of these surveys also shows a major shift in the age pattern that prevailed at the end of the recession. Concerns about retirement affordability are now more heavily concentrated among younger and middle-aged adults than among those closer to retirement age. In 2009 it was "Gloomy Boomers" in their mid-50s who were the most worried about their retirement nest eggs. Today, retirement worries peak among adults in their late 30s. This is also the age group that has suffered the steepest reductions in household wealth in recent years.

# Market Recap

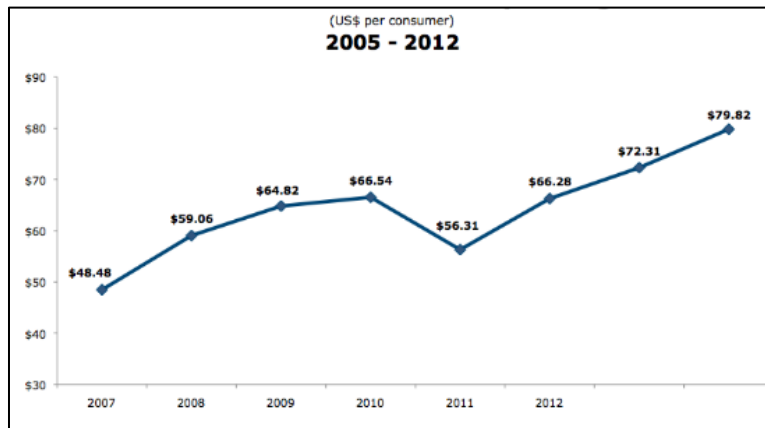
## S&P 500 versus MSCI Emerging Markets Index



Source: MSCI Barra; Factset; WSJ

Since the 2008 financial crisis, global economic shocks such as Europe's debt crisis and a slowdown in China have convinced many investors to shift from Emerging Markets to the perceived safe haven of the U.S. As a result, the MSCI Emerging Markets index remains 25% lower than its October 2007 highs, while the U.S.-based S&P 500 index is only 7% off of its 2007 level. The investment tide may be turning. So far this year, investors have poured a net \$23 billion into emerging-market stock funds, with \$9 billion of that coming since the beginning of August. At the same time, investors have pulled a net \$7.1 billion from U.S. equity funds, with half of that since the beginning of August. The latest trends reflect a growing view among some investors that emerging-market stocks are primed for larger gains than their U.S. counterparts. These investors point to the unprecedented levels of stimulus being pushed into financial markets by global central banks, lowering interest rates and driving investors into riskier assets. That has already inflated U.S. stocks and is perhaps finding its way into emerging markets next.

## Halloween Spending Per-Person



Source: National Federation of Retailers

According to the National Retail Federation, a record 170 million (7 out of 10) Americans plan to celebrate Halloween this year. This is the highest participation rate in NRF's 10-year survey history. Consumers are expected to spend more than in past years, with average spending of \$79.82 on decorations, costumes, and candy, up from \$72.31 a year ago. Total Halloween spending is expected to reach \$8 billion. Of the people celebrating Halloween this year, more than half (51.4%) will decorate their home and 45% plan to dress in costume. More than one-third will throw or attend a party and/or will take children trick-or-treating. These trends make Halloween one of the fastest growing "holidays" for retailers.

**Contact:** If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at [www.harbourcapitaladvisors.com](http://www.harbourcapitaladvisors.com).

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