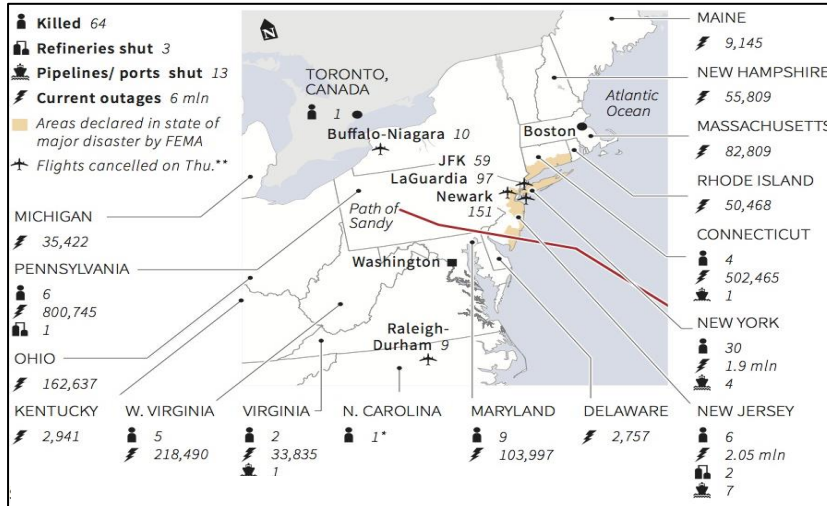


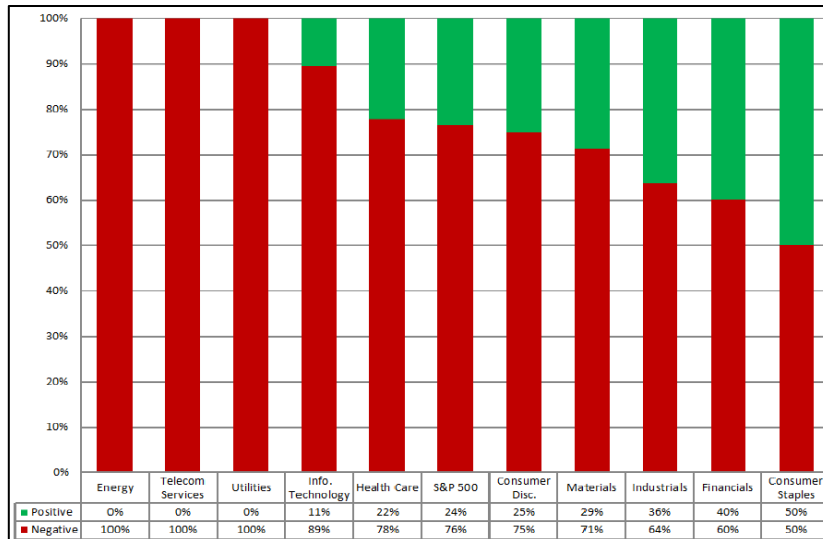
# Market Recap

## Impact of Hurricane Sandy



Source: FEMA: FlightAware: Reuters

## S&P 500 Positive and Negative Preannouncements



Source: FactSet

Hurricane Sandy will drain billions of dollars from the economy at a time when it already is struggling. Within the affected area, sales at retailers, restaurants, and car dealers are likely to decline. Some of this economic activity will be delayed or shifted to other areas such as home repair. Overall, forecasters believe that the storm will cause the economy to grow more slowly in the final three months of the year than it did over the summer, when the economy grew at a modest 2% annual rate. Latest estimates are for a decline of 0.6% off prior growth estimates in the fourth quarter. This however does not capture the complete impact, since GDP measures economic output of goods and services but not the wealth destroyed. Early estimates are that the storm has already caused roughly \$20 to \$25 billion in damage to property. By comparison, Hurricane Irene last year caused \$15 billion in total property damage.

As they report earnings this quarter, many companies are not only reviewing the last three month's results but are also providing guidance for future earnings. October was a particularly active period for earnings guidance, as 126 companies gave their forecast for the fourth quarter and current fiscal year. Overall, 52 companies have issued negative EPS guidance, while just 16 companies have issued positive guidance. If the current rate holds, the 76% (52 out of 68) negative guidance ratio would be the highest level of negative preannouncements since Factset began tracking in 2005.

# Market Recap

## Vehicle Sales: Automobiles and Light Trucks

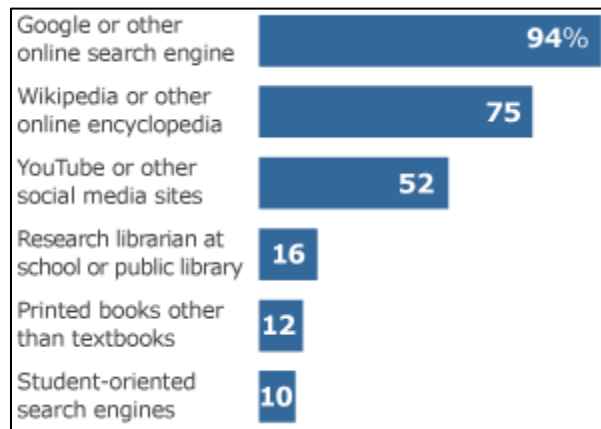


Source: U.S. Department of Commerce

Automobile sales have risen to their highest level since before the 2008 recession. September sales were close to 15 million vehicles on an annualized basis, surpassing even the period inflated by “Cash for Clunkers.” Meanwhile, total incentive spending per vehicle was just \$2,227. In 2008, the three U.S. auto makers averaged an outlay of \$3,545 per sale. Higher effective prices and reduced overhead have aided the U.S. auto makers’ profitability at home, even as the market is nearly two million vehicles smaller than in the years leading up to the financial crisis. While the situation abroad remains challenged, expectations for U.S. sales remain upbeat. One reputable auto industry expert, Edmunds, has increased its 2013 forecast to 15 million vehicles. The average passenger vehicle on U.S. roads sits at a record 11 years old, leading many to believe that the replacement cycle will accelerate. The level of auto lending is back to pre-crisis levels, and more leases are expiring in 2013 compared with 2012.

Technology has had a profound impact on students’ research habits. According to the Pew Research Center’s Internet & American Life Project Survey, 77% of advanced placement (AP) and National Writing Project (NWP) teachers surveyed indicate that the internet and digital search tools have had a “mostly positive” impact on their students’ research work. However, 87% say these technologies are creating an “easily distracted generation with short attention spans” and 64% say today’s digital technologies “do more to distract students than to help them academically.” The internet has opened up a vast world of information for today’s students. However, internet search engines have conditioned students to expect to be able to find information quickly and easily, which many believe has diminished the depth and quality of students’ research skills.

## Top and Bottom 3 Sources for a Typical Research Assignment



Source: Pew Research

**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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