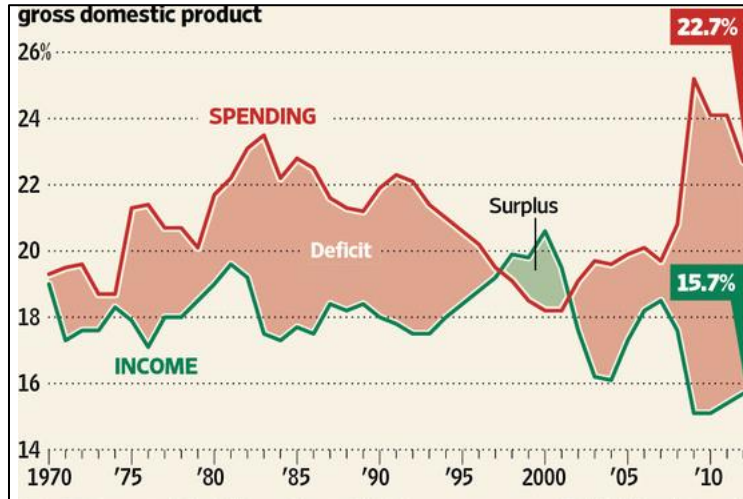


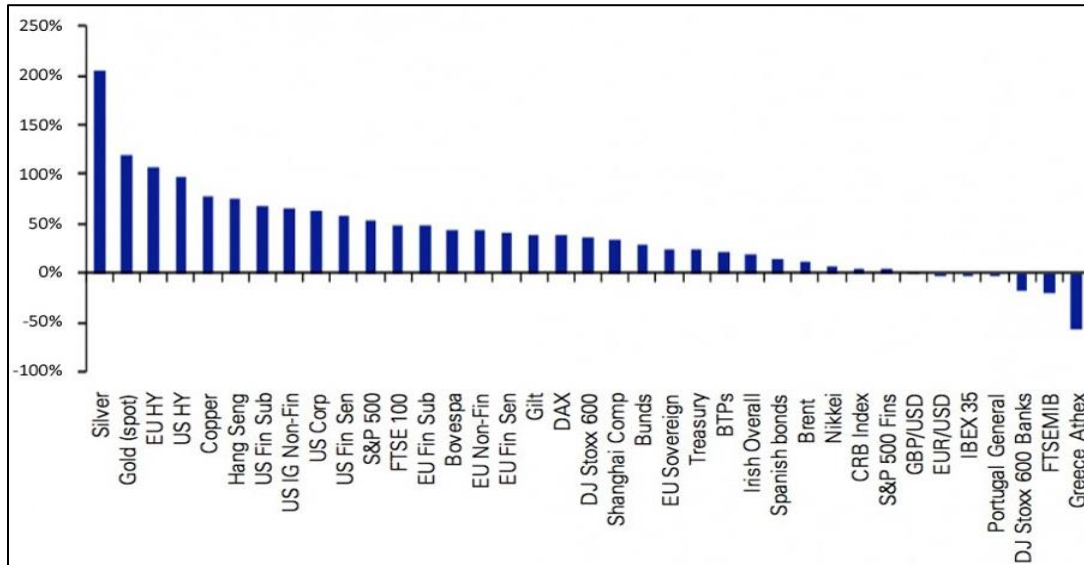
# Market Recap

## Federal Income and Spending as a Percentage of GDP



Source: WSJ

## Financial Assets Performance During Obama Presidency (Nov, 4, 2008 to Nov. 5, 2012)



Source: Bloomberg; Deutsche Bank

With the election behind us, the nation's political leaders have turned their attention to the looming fiscal cliff. Pressure to come to a resolution is extraordinary. Initial statements from lawmakers have been conciliatory to their adversaries but firm in adhering to their principles. Going over the cliff would not only risk another recession but would also intensify anxiety about the dysfunction of the political system. Economists from the Congressional Budget Office detailed new warnings of its view that, if policymakers fail to act before the end of the year, the economy will contract by 0.5% and the unemployment rate will jump from 7.9% to 9.1% by the end of 2013. If all of the spending cuts and tax increases are avoided, the CBO estimates that GDP may grow by 1.7% next year. Waiving just the cuts in domestic and defense spending would add 0.75% to economic growth by the end of 2013. Extending all Bush-era tax cuts but excluding extension of the payroll tax cut would add about 1.5% to GDP.

Although past performance is not an indicator of future results, a look at the best- and worst-performing asset classes from the time President Obama was elected on November 4, 2008 until this week's elections presents some interesting findings. Precious metals were the top performers. This was largely attributed to the Federal Reserve's policy of low interest rates during the period. While the easy money policy benefited gold and silver, the U.S. dollar lost 15.2%. High-yield bonds ranked as another top performer, returning 77.7% since the last election. That was even better than the S&P 500. U.S. Treasury bonds generated a 48.9% return over the last four years. As for the stock market, domestic stocks posted impressive gains, most especially relative to international and emerging markets.

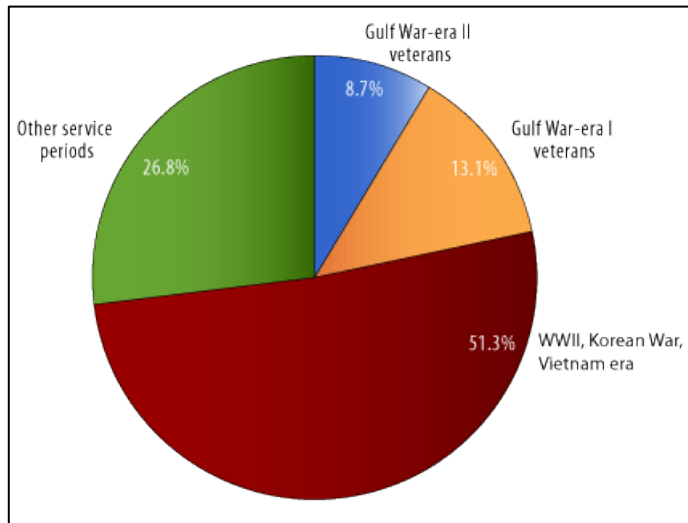
# Market Recap

## Percentage of Employer-Provided Health Coverage in 2011



Source: Kaiser Commission; WSJ

## Veterans by Period of Service



Source: U.S. Bureau of Labor Statistics

One trend buried in the latest employment data is that some employers are hiring part-time workers instead of full-time employees. Many attribute the trend to the newly-legislated requirement that large companies provide health insurance for full-time workers. Many retailers, restaurants, and hotels have started to limit schedules of hourly workers to below 30 hours a week, the threshold at which large employers would need to offer workers a minimum level of insurance or pay a penalty beginning in 2014. The shift is one of the first significant steps by employers to avoid some of the burdens of the healthcare law. Supporters of the healthcare overhaul suggested that most large employers already covered workers voluntarily, so requiring others to do so was important to level the playing field between businesses. Companies in industries that already offer full benefits have indicated that they are not planning major changes due to the law.

On Veterans Day, we pay tribute to all those who have served in America's military – living or dead – and give special thanks to those living veterans who have served their country in war or peacetime. Veterans Day - originally named Armistice Day - was established in 1926 through a Congressional resolution and became a national holiday in 1938. While WWI officially ended on June 28, 1919 with the signing of the Treaty of Versailles, November 11<sup>th</sup> is celebrated in remembrance that fighting ceased seven months prior as an armistice between the Allied nations and Germany went into effect on the 11<sup>th</sup> hour of the 11<sup>th</sup> day of the 11<sup>th</sup> month of 1918. Armistice Day was renamed Veterans Day in 1954. Today, we honor more than 22 million veterans: 2.6 million who served in WWII, 2.8 million in the Korean War, 7.8 million in the Vietnam War, 5.3 million during the Gulf War eras (1990 to present), and 6 million in peacetime.

**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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