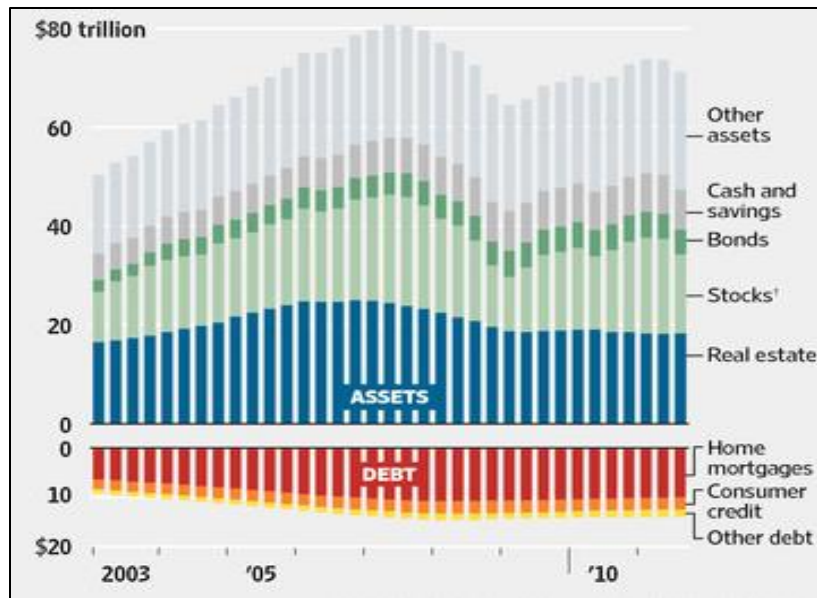


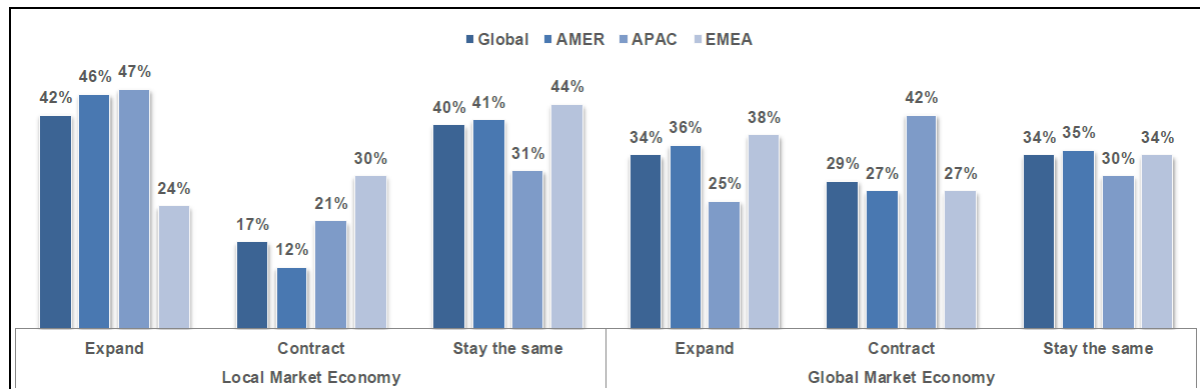
Market Recap

U.S. Household Balance Sheet



Source: Federal Reserve; WSJ

CFA LOCAL AND GLOBAL MARKET OUTLOOK FOR 2012



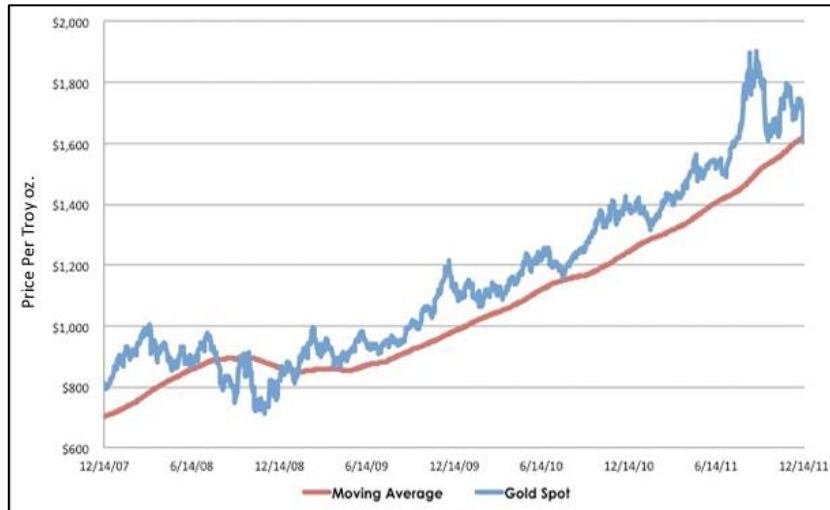
Source: CFA Institute

According to the Federal Reserve, U.S. household balance sheets took a step back during the third quarter as stock values fell and home prices continued to drift lower. Households' net worth—the value of homes and investments, minus debts and other liabilities—fell \$2.4 trillion to \$57.4 trillion from the second to the third quarter. It was the steepest decline since the fourth quarter of 2008. Typically when people see their wealth shrink abruptly, they curtail spending. Not so this quarter. Despite the current setback, consumers were undeterred from spending. One theory is that inflationary pressures let up slightly, while consumers' access to credit improved modestly. Further, the stock market recovered a good deal of the value it lost since the summer. Lastly, the job market has improved lately, as have confidence readings. These factors are thought to support spending for the time being.

The CFA Institute conducts an annual survey of its members to seek input and gather feedback on market sentiment, performance, and market integrity issues. One of the surveyed issues gauged the level of optimism that members felt about their local economy versus that of the global market. The results showed that members tend to be more optimistic about the health of their local economy than that of the market at large. The BRICs are especially optimistic about their local economic prospects, while Europe is largely negative on economic prospects in 2012. A significantly higher proportion of members in APAC (Asia Pacific) than in AMER (Americas) and EMEA (Europe Middle East and Africa) feel the global market economy will contract in 2012. Overall sentiment is seen as being neutral and suggests a very low (but not recessionary) level of overall growth in 2012.

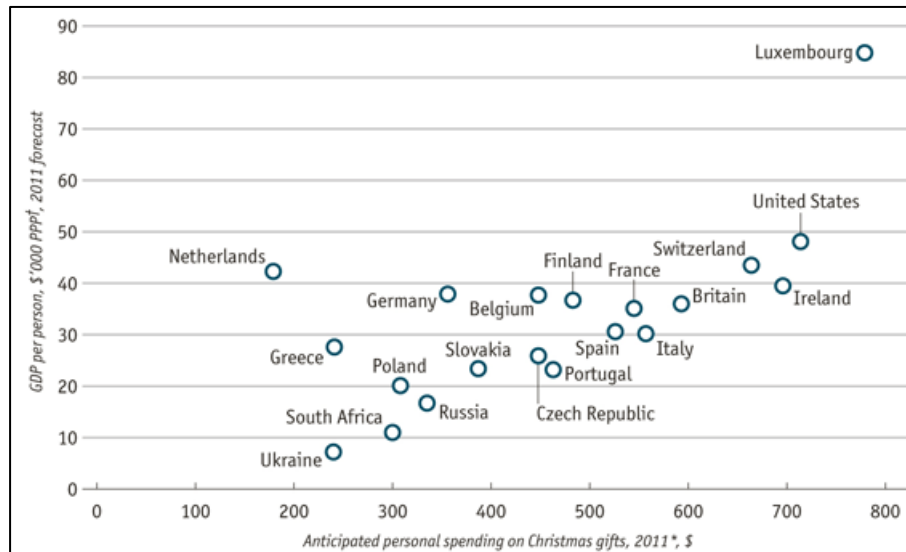
Market Recap

Gold Spot Price vs. 200-Day Moving Average



Source: Bloomberg

Christmas Spending



Source: Gallup; IMF

This week, gold futures fell nearly 7%, sinking below the \$1,600 level for the first time in three months. The decline also put gold past some long-held technical levels, which then exacerbated the selloff. Gold prices fell below their 200-day moving average for the first time since the financial crisis of 2008. A break below the 200-day average usually marks the start of a bear market. A drop in the euro signaled a new level of anxiety about the region's debt crisis, and investors sought cash instead of gold as the safest asset. Gold's move comes as traders are squaring their positions and locking-in profits ahead of the year-end. Many strategists view the current move as more than a correction. They believe that it represents a fundamental shift in assets by money managers who are going to wait until the beginning of the new year to reassess anything other than cash.

As we enter the final frenzied days of holiday shopping, we thought it would be interesting to look at international spending on the holiday. Based on Gallup polls and other data sources, Christmas spending is highly correlated to national wealth. The chart shows how much individuals in countries in Europe, plus the U.S. and South Africa, plan to spend on Christmas shopping this year, plotted against national GDP. Perhaps alarming to merchants in Amsterdam this time of year, the Netherlands is a noticeable outlier from the historical trend (spending less than expected based upon their GDP level). For those looking for a place to vacation this holiday season, they may want to consider Luxembourg. Lightly-taxed Luxembourgers are big outliers and are exceedingly generous with their Christmas spending.

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.

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