The Bryn Mawr Trust Company

WEALTH MANAGEMENT DIVISION

Weekly Market Summary July 14, 2014

Global equity markets stumbled a bit last week under the weight of events in the domestic and international arenas. The markets were not shaken as equities finished higher off their mid-week lows to close down on average 1%. News from Europe on Thursday regarding Portuguese bank trouble roiled the markets on the heels of the FOMC 's "stay the course statement" on Wednesday.

On the day prior (Tuesday) to the release of the FOMC minutes, the domestic equity market, as measured by the S&P 500, declined 0.70% in sloppy trading. The rhetoric leading up to the day's trading activity was negative but lacked any fundamental underpinning. The market made adjustments to certain overvalued areas such as social media, internet and biotech. Social media high fliers Twitter (TWTR) and LinkedIn (LNKD) were down 7% and 6.3% respectively on the day. We see it as a healthy sign that the market is making valuation adjustments and believe that there will continue to be rotations underneath the broad market level based on valuation.

The June FOMC minutes were released on Wednesday (7/9) and, in general, the minutes point to a central bank that will move gradually and remain data dependent. The better economic data, particularly on employment, gave the hawks on the Committee a little more ammunition for an earlier shift in policy. The plan to end Quantitative Easing (QE) in the form of monthly purchases of treasury and mortgage securities is on track and slated to end in October. If economic data continues to be upbeat during the second half of this year, discussion will center on when the Fed will begin to tighten policy more directly.

The question raised in some circles is not the "when" but the "why". That is, why will either the Fed or the bond market begin to raise rates (effectively tighten). If rates rise due to monetary induced inflation (reflation) or a disorderly shrinking of the Fed's balance sheet then the possibility of an equally disorderly market environment (equities & fixed income) rises. However, if rates rise due to an improvement in final demand and therefore better top line growth, then the likelihood for higher share prices rises equally. Both rates and equity prices can rise simultaneously, if driven by better business conditions and profitability. This was certainly the case in the late 1990's, as well as in the middle of the last decade.

At Bryn Mawr Trust, we see selectivity within and between asset and sub asset classes becoming more critical in portfolio construction. Appreciation will be a function of revenue and earnings and, in our opinion, not valuation expansion. M&A activity, share buybacks and dividend hikes should be part of the second half landscape. In our opinion, U.S. equity markets remain attractive versus their global counterparts on the bases of growth, valuation and stability.

The U.S. calendar will produce new economic data this week on Retail Sales, Empire State Manufacturing Survey, Import/Export Prices, PPI, Industrial Production, Housing Market Index, and Housing Starts. Later in the week, additional reports on Jobless Claims, Philadelphia Fed Survey, Consumer Sentiment, and Leading Indicators will be issued.

Market Indices for the Week Ending 7/11/2014

US MARKETS	Index	W/W*	YTD*	TTM*
S&P 500 Index	1967.57	-0.90%	6.45%	17.10%
NASDAQ Comp.	4415.49	-1.57%	5.72%	22.65%
Dow Jones Ind. Avg	16943.81	-0.73%	2.21%	9.57%
Russell 2500	464.62	-2.98%	-0.32%	11.91%
S&P Midcap 400	1411.48	-2.26%	5.14%	15.58%
S&P Smallcap 600	667.14	-3.67%	0.24%	14.26%

WORLD MARKETS	Index	W/W*	YTD*	TTM*
Frankfurt (DAX)	9,666.34	-3.42%	1.20%	18.48%
Hong Kong (Hang Sang)	23,233.45	-1.33%	-0.31%	9.19%
London (FTSE 100)	6,690.17	-2.56%	-0.87%	2.24%
Tokyo (Nikkei 225)	15,164.04	-1.77%	-6.92%	4.53%
MSCI Emerging Markets	1,058.67	-0.53%	5.58%	11.99%
MSCI EAFE	1,945.25	-1.82%	1.55%	13.68%

Sector Weightings for the S&P 500	% of S&P 500	MTD*	QTD*	YTD*
Telecom	2.44%	1.96%	1.96%	3.75%
Utilities	3.04%	-3.20%	-3.20%	12.69%
Materials	3.51%	-0.06%	-0.06%	7.41%
Technology	18.98%	1.22%	1.22%	9.34%
Industrials	10.47%	0.04%	0.04%	2.95%
Health Care	13.41%	1.19%	1.19%	10.99%
Financials	16.00%	-0.30%	-0.30%	3.73%
Cons. Staples	9.60%	1.35%	1.35%	5.17%
Cons. Discretionary	11.90%	0.96%	0.96%	0.84%
Energy	10.65%	-1.43%	-1.43%	10.06%

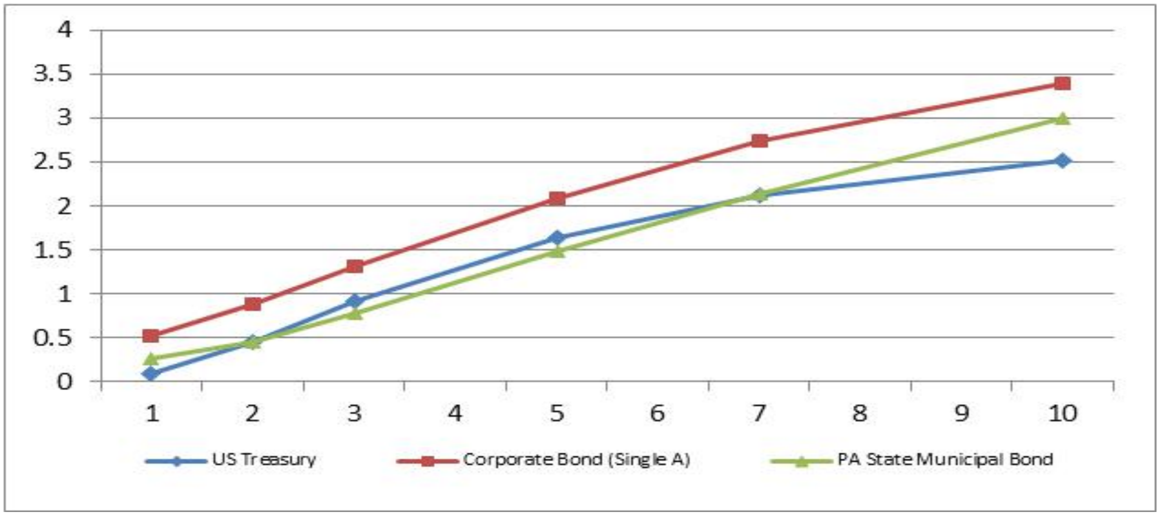
FIXED INCOME Yields	2 YR	5 YR	10 YR
US Treasury	0.45%	1.64%	2.52%
PA State Municipal Bonds	0.45%	1.49%	3.01%
Corporate Bonds	0.89%	2.10%	3.40%

* W/W = Week Over Week

* YTD = Year to Date

* TTM = Trailing Twelve Months

Fixed Income Income Yield Curves



Source: Bloomberg, L.P.

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