



## The Bryn Mawr Trust Company

WEALTH MANAGEMENT DIVISION

### Weekly Market Summary September 8, 2014

Global equity markets ended the first week of September to the upside. On a year-to-date basis, U.S. and emerging equity markets, particularly in Asia, Africa and Latin America, have outperformed equities in the developed markets of the Eurozone and Japan, as well as the emerging markets of Eastern Europe. Markets in Eastern Europe have been disrupted by the conflict in eastern Ukraine, which may be in some stage of resolution, although skeptics doubt the sustainability of the truce.

The 10-year U.S. Treasury Bond ended the week at 2.46%, up rather significantly from the 2.34% close at the end of August. Friday's modest rise in yield (+0.01%) came as a surprise to some participants, given the weaker than expected labor statistics for August. Nonfarm payroll employment rose 142,000 for the month versus consensus estimates for a gain of 230,000 new jobs. The results were generally viewed as an exception to an otherwise improving trend. The unemployment rate was rounded down to 6.1% (from 6.2%). The average workweek held steady at 34.5 hours and average hourly earnings rose a modest 0.2%, not creating concern on the wage push inflation front.

In spite of weaker than expected August payrolls, most economic releases portray a U.S. economic recovery that is broadening in scope. A leading indicator of activity is the Institute for Supply Management (ISM) Manufacturing Index. The August Index released earlier last week of 59.0 exceeded the prior month (57.1) and consensus (56.8) rather handily, as strength was driven by new orders.

The strength of the U.S. recovery, in contrast to the Eurozone, has caused the Euro to decline versus the U.S. dollar. In addition, the European Central Bank (ECB) cut overnight rates further to 0.05% (from 0.15%) and is in discussion for a possible version of a "Fed-like QE." These events caused the Euro to decline about 6% since late July versus the U.S. dollar - a 14-month low versus the greenback.

At the current level of the S&P 500, the Price/Earnings Ratio (P/E) is just under 16 times on a forward basis, which represents a general market that, in our opinion, is fairly valued. At Bryn Mawr, we continue to view U.S. equity markets as more attractive versus their global counterparts on the bases of growth, valuation and stability. As risks rise given the length of the price recovery and the eventual shift in the Fed's stance in conducting monetary policy, we believe that careful diversification and valuation sensitivity are among the keys to performance and managing risk.

This week's economic calendar is lighter than last week but there are a number of releases, including: July Consumer Credit (9/8) and Wholesale Trade (9/10), as well as the weekly release of Jobless Claims (9/11). Friday's (9/12) calendar includes a number of important markers, such as August Retail Sales; the University of Michigan Consumer Sentiment reading for early September and July Business Inventories.

### Market Indices for the Week Ending 9/5/2014

US MARKETS	Index	W/W*	YTD*	TTM*
S&P 500 Index	2007.71	0.55%	8.62%	21.30%
NASDAQ Comp.	4582.90	0.55%	9.73%	25.22%
Dow Jones Ind. Avg	17137.36	0.34%	3.38%	14.84%
Russell 2500	471.54	0.36%	0.56%	13.66%
S&P Midcap 400	1440.01	0.69%	7.26%	20.13%
S&P Smallcap 600	672.04	0.64%	0.98%	15.60%

WORLD MARKETS	Index	W/W*	YTD*	TTM*
Frankfurt (DAX)	9,747.02	2.92%	2.04%	18.36%
Hong Kong (Hang Sang)	25,240.15	2.01%	8.30%	11.58%
London (FTSE 100)	6,855.10	0.52%	1.57%	4.94%
Tokyo (Nikkei 225)	15,668.68	1.58%	-3.82%	13.04%
MSCI Emerging Markets	1,096.83	0.57%	9.39%	14.76%
MSCI EAFE	1,925.51	0.08%	0.52%	10.40%

Sector Weightings for the S&P 500	% of S&P 500	MTD*	QTD*	YTD*
Telecom	2.39%	0.38%	1.85%	3.64%
Utilities	3.02%	0.77%	-2.03%	14.06%
Materials	3.50%	0.17%	1.65%	9.25%
Technology	19.31%	-0.02%	5.11%	13.54%
Industrials	10.27%	0.53%	0.18%	3.09%
Health Care	13.70%	0.49%	5.21%	15.40%
Financials	16.17%	0.44%	2.86%	7.01%
Cons. Staples	9.45%	0.82%	1.80%	5.65%
Cons. Discretionary	11.96%	0.63%	3.55%	3.42%
Energy	10.23%	-1.55%	-3.16%	8.13%

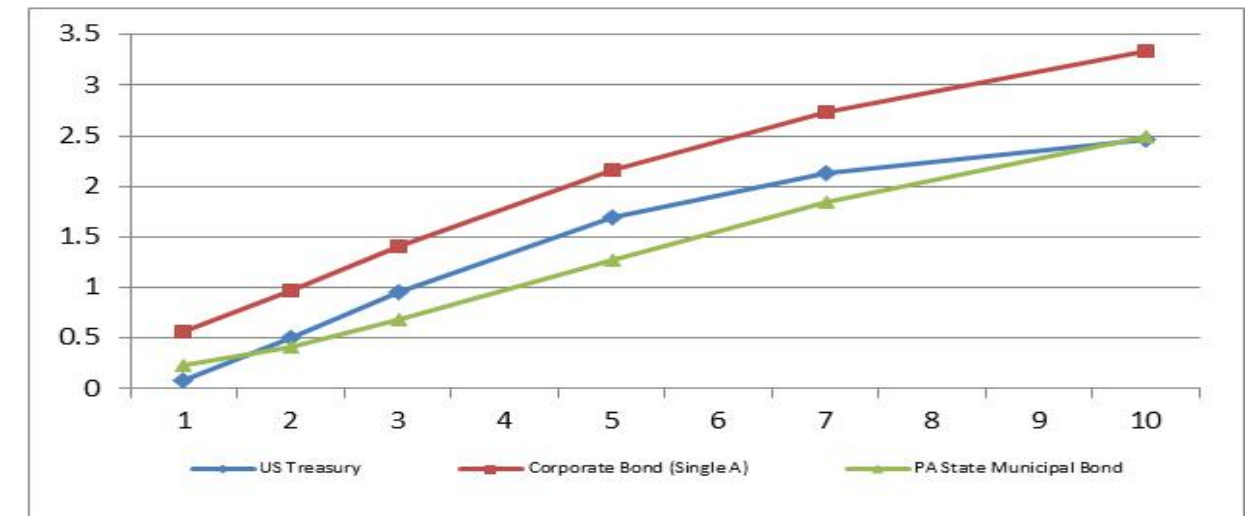
FIXED INCOME Yields	2 YR	5 YR	10 YR
US Treasury	0.51%	1.69%	2.46%
PA State Municipal Bonds	0.41%	1.28%	2.49%
Corporate Bonds	0.98%	2.16%	3.33%

\* 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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