



Market Summary – September 6, 2016

For the week ending September 2

This summary is provided by BMT Wealth Management.

The Economy, Fed Policy, and the U.S. Dollar

Economic data released last week was generally positive. One exception was Thursday's (Sept. 1) release of the Institute for Supply Management manufacturing index, which fell to a reading of under 50, indicating an economy that is contracting.

The most anticipated data, however, was Friday's (Sept. 2) release of August employment data by the Bureau of Labor Statistics. Non-farm payroll employment rose by 151,000 new jobs in August, below the consensus of 180,000 new jobs. The civilian unemployment rate was unchanged at 4.9%. The net increase in new jobs came from the service sector. The July numbers were modestly revised up and the June figures were modestly revised down, with the three-month "run rate" averaging +232,000 new jobs per month.

Crude oil prices came off their recent highs of approximately \$50 per barrel (West Texas Intermediate) on August 19, before declining to the \$44/barrel area as we moved into Labor Day weekend. Prices had been elevated by optimism that OPEC oil ministers will agree to production quotas at the International Energy

Forum in Algeria on Sept. 20-21. However, two larger-than-expected inventory reports by the U.S. Energy Information Administration and a stronger U.S. dollar in late August deflated some of that upward momentum.

The U.S. dollar had weakened between late July and mid-August, coming into the mid-August release of the Federal Open Market Committee's (FOMC's) July minutes. The minutes indicated a lack of unanimity as to the near-term direction of monetary policy. In the days following the minutes' release, several Fed governors expressed more hawkish tones in various speeches and presentations.

Fed Chair Janet Yellen reaffirmed the possibility of a rate hike this year, when she made the following comment at a symposium in Jackson Hole, Wyo., on Aug. 26: "In light of the continued solid performance of the labor market and our outlook for economic activity and inflation, I believe the case for an increase in the federal funds rate has strengthened in recent months."

The currency then weakened again coming into and after the release of the August employment data on Friday.

The graph below reflects the U.S. Dollar Index, which is an index of the value of the U.S. dollar relative to a basket of foreign currencies.

U.S. Dollar Index (Price/Quarter-to-Date)



Source: FactSet, Inc.

Equity Markets

The S&P 500 ended the month of August virtually unchanged, rising a scant +0.14% on a total return basis. During the month, this bellwether index hit new highs essentially coincident with the release of the July FOMC minutes. Small/mid-cap domestic stocks, as measured by the Russell 2500, fared better, rising +0.80%. Trading volume was constrained, given the heavy summer vacation period.

International developed markets ended the month lower (-0.21%) as measured by MSCI EAFE. Emerging markets fared well in August and were ahead 14.55% on a year-to-date basis through Aug. 31. These markets gave up

some price gains in the latter part of August, as the U.S. dollar rose in value relative to other currencies.

Equity markets rose modestly in price on Friday (Sept. 2), after the release of the weaker-than-forecasted August employment data.

Fixed Income Markets

Two-year and ten-year U.S. Treasury yields ended last week with little net change, closing the week at yields of 0.79% and 1.60%, respectively.

In the wake of the August employment data, the market's view of the likelihood of a rate hike this year (December) is "50-50," as measured by Fed Funds futures.

Our Take

We continue to believe that the domestic equity markets are fairly valued based on most valuation measures. The focus on the Fed and the possibility of 2016 rate hike should create a more volatile market backdrop as we enter the last third of the calendar year, which includes U.S. elections in November.

Our view regarding the fixed income markets has been to remain neutral as to duration and reduce exposure to credit.

BMT in the Press

Bryn Mawr Trust professionals are regularly sought after by the media for their insights on financial matters. The following are some recent highlights; please visit our website for links to the articles.

Making Better Women Investors (8/12/2016)

Ellen Jordan, Senior Vice President at BMT, joined the [Money Tree Investing Podcast](#) to explain how female breadwinners can enhance their wealth. Ellen discussed investing challenges women face today, and how she helps her female clients overcome these roadblocks to become more comfortable with their financial plan.

Five Mistakes Estate Executors Make (8/24/2016)

Adelina Kieffer, Senior Vice President at BMT, spoke with [LifeHealthPro](#) about the most common mistakes estate executors make. Adelina explained many of these missteps can be avoided by planning ahead and consulting with a trained professional.

Stocks Fall as Investors Await Janet Yellen's Speech; Materials Lag (8/24/2016)

Ernie Cecilia, Chief Investment Officer at BMT, spoke with [CNBC.com](#) about current market activity ahead of Federal Reserve Chairwoman Janet Yellen's upcoming speech. Ernie explained he pays close attention to the remarks made by members of the Fed, as they could offer clarity on the timing of future interest rate increases.

Wall Street Drops as Weak Data Raises Growth Worries (9/1/2016)

Ernie Cecilia spoke with [Reuters](#) to explain what he's observing in the stock market. Ernie explained that because the Fed is so data-dependent in its decision making, he carefully monitors economic data on behalf of his clients.

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