



## Market Summary – September 19, 2016

*For the week ending September 16*

*This summary is provided by BMT Wealth Management.*

### Economics

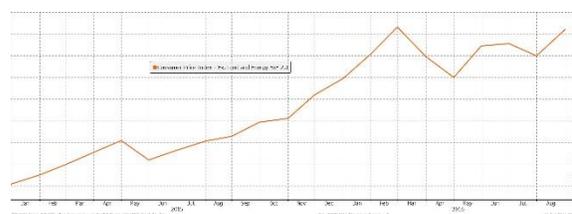
The U.S. Federal Reserve (the Fed) will meet this week to discuss the overall strength of U.S. economic growth and determine whether any change to monetary policy is necessary. Two economic reports from last week regarding advance retail sales and consumer prices will most likely contribute to the Fed's overall economic assessment and monetary policy discussion.

Advance retail sales dropped -0.3% in August, compared to a 0.1% increase the prior month. The decline follows four consecutive monthly advances and adds uncertainty to the consumer's ability to maintain strong spending levels noted in the second quarter. Interestingly, the drop in consumer spending was somewhat offset by modestly higher consumer inflation.

The core consumer price index, which excludes food and energy, increased 0.3% in August, its highest monthly increase since February. Medical care services and shelter expenses contributed to the increase.

Over the past year through August, core prices have increased 2.3% and have remained above 2.0% year-over-year each month in 2016.

**Consumer Price Index  
(Excluding Food and Energy) 2015-16:  
Above 2.0% YoY Each Month in 2016**



Source: Bloomberg Finance L.P.

### Equity Markets

The U.S. equity markets rebounded from their poor performance two weeks ago, as investors' appetite for risk increased modestly.

The S&P 500 Index rose 11 points and ended last week at 2,139, roughly 50 points lower than its record high recorded on Aug. 15, 2016.

The Index returned 0.59% on the week last week, led by the information technology and utility sectors, which were up 3.05% and 2.50%, respectively. The energy sector was the worst-performing sector, dropping -2.90%.

So far in 2016, the Index is up 6.34%. In 2015, the Index returned 1.37%.

## Fixed Income

The U.S. Treasury yield curve steepened on the week last week, with the difference between the two-year and 30-year U.S. Treasury note yield increasing 5 basis points (0.05%). The two-year dropped a basis point and ended the week at 0.77%, while the 30-year increased 4 basis points and ended the week at 2.43%.

A couple of items worth noting:

The 30-year jump in yield was partially attributable to a weak 30-year U.S. Treasury auction, while credit spreads were roughly unchanged on the week.

We will be listening very closely to the press conference following this week's Federal Open

Market Committee meeting, looking for any clues regarding future monetary policy actions.

## Our View

We continue to believe the U.S. equity markets are priced appropriately and at reasonable valuations. As the third quarter ends and the earning season approaches, we expect companies' revenue growth to play an important role in dictating equity performance for the remainder of the year.

In fixed income, we continue to believe limiting duration risk makes sense, given the low interest rate environment and the amount of price risk embedded in the yield curve.

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