# Market Summary – September 26, 2016

## *For the week ending September 23*

*This summary is provided by BMT Wealth Management.*

### Economics

Clearly the big news last week came on Wednesday afternoon (Sept. 21), when the Federal Reserve (the Fed) concluded its two-day meeting and left current interest rates unchanged. Chairwoman Janet Yellen indicated that, "We judged that the case for an increase had strengthened, but decided for the time being to wait for continued progress toward our objectives."

Policy makers also reduced their estimates for long-run economic growth, and in what has been somewhat of a recurring theme, reduced their outlook for future rate hikes.

The expectations are now for just one increase this year (the Fed meets again in November and December), followed by two increases next year, and three each in 2018 and 2019.

Recent comments from certain members of the Federal Open Market Committee had led investors to believe that the Fed might increase rates at last week's meeting. With the announcement that the Fed is still in a holding pattern, equity markets initially rallied and bond yields moved modestly lower.

### Equity Markets

Equities, as measured by the S&P 500 Index, closed essentially flat on Monday (Sept. 19) and were largely unchanged at the close of trading on Tuesday. The Index was in the same kind of a holding pattern prior to the Fed's announcement about interest rates on Wednesday afternoon.

Then, when news came as to the Fed's decision about rates, the S&P 500 moved sharply higher to close out Wednesday with a gain of over 1%.

For the week, the Index was up 1.2%, bringing its year-to-date total return to 7.6%.

International equities also performed well last week, as the MSCI EAFE Index, which measures the equity market performance of developed markets outside of the United States and Canada, closed with a gain of 3.2%. Emerging market stocks, as reflected by the MSCI EM Index, moved higher by 3.6%.

### Fixed Income

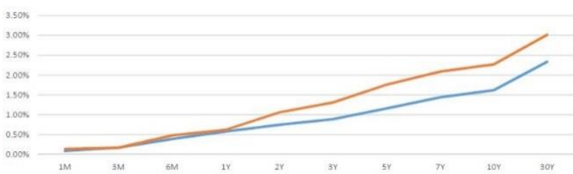
Treasury prices moved modestly higher (yields lower) across the curve last week.

The biggest changes were seen at the front end of the curve, where yields on 90-day Treasury Bills moved lower by 11 basis points (0.11%).

The long end of the curve saw a similar decline, as the yield on 30-year Treasuries declined by approximately 10 basis points (0.10%).

Interestingly, as the chart below displays, given all the cross currents in the bond market during calendar 2016, the yield on shorter-dated obligations have remained largely unchanged. Longer-dated securities, however, have actually declined in yield – likely due to the ongoing reassessment of the underlying strength of the U.S. economy and inflationary pressures.

**U.S. Treasury Yield Curve**
**9/23/2016 (blue line) vs. 12/31/2015 (orange line)**




*Source: FactSet, Inc.*

## Our View

After a relatively stable trading pattern during much of July and August, equities have seen an increased level of volatility during the month of September. Upcoming noteworthy events, including two Fed meetings and the Presidential and Congressional elections, will likely dictate whether the recent volatility will continue over the balance of the year.

Nearing the close of the third quarter, domestic equities have posted solid results for the year. Given the current interest rate and economic environment, we continue to view stocks as appropriately valued.

With respect to fixed-income monies, we believe the prudent course is to limit duration, structure, and credit risk within portfolios.

## *BMT in the Press*

Bryn Mawr Trust professionals are regularly sought after by the media for their insights on financial matters. The following is a highlight from the past week.

**Markets Climbing a Wall of Worry (9/19/2016)**
Ernie Cecilia, Chief Investment Officer at BMT, appeared live on Fox Business' "Countdown to the Closing Bell" to discuss what is driving the markets. Ernie explained why he is monitoring the Federal Reserve's monetary policy and how any changes will affect portfolios and investors.

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