



## Market Summary – October 3, 2016

*For the week ending September 30*

*This summary is provided by BMT Wealth Management.*

### Macroeconomic Insights & Analysis

Last week was relatively quiet in terms of the U.S. economic data that was released.

U.S. GDP and corporate profit figures were revised upwards, but they continue to support the slow growth, “muddle through” economy narrative. In addition, the financial markets did not have much of a reaction to the first presidential debate on Monday (Sept. 26).

Comments from Fed members last week did garner some attention by the markets. Based on remarks that were publicly released, we believe it is reasonable to conclude that the Fed is more divisive than usual in terms of the future direction of monetary policy.

Housing market data was a little soft, but it continued to show that the housing recovery is still intact. In fact, there has been a gradual increase in the number of new housing units under construction (“Housing Starts”) since the 2008-2009 recession.

**Housing Units Started  
2001 – 2016 (Monthly Level)**



Source: FactSet, Inc.

### Equity Markets

The equity markets had a fair amount of intraweek volatility last week. When the trading week concluded, however, markets finished roughly flat.

Energy stocks rallied based on a tentative agreement to cut oil production by OPEC members. Negative press involving Deutsche Bank adversely impacted the Financials sector.

Recently, the Utilities and Telecoms sectors have lagged behind the broad market by a fair amount – nearly 10% over the past three months. The two sectors were top performers during the first half of 2016. While it is not conclusive by any means, the “defensive/yield-oriented” trade might be starting to unwind.

### Fixed Income Markets

The U.S. Treasury market gave up some of its long-term gains on Friday (Sept. 30) after investor credit concerns regarding Deutsche Bank somewhat eased. The two-year and 30-year U.S. Treasury yields ended the week at 0.76% and 2.32%, respectively.

Although investors have revised lower their expectations for the future path of interest rates, in the short-term, they are pricing in a roughly 60% chance that the Fed will move the target range higher before the end of the year.

## Our Take

Equity markets have remained in a narrow trading range since the Brexit vote in June, and they have been essentially flat over the past two months. This is not too surprising from our standpoint, given that we think stocks are reasonably valued at this juncture.

The third quarter earnings season is rapidly approaching and will be a focus for investors in the month of October. Other catalysts that will

influence stock prices in the final months of 2016 include the two remaining Fed meetings (one each in November and December) and the upcoming presidential and congressional elections.

In fixed income, given the amount of central bank intervention over the years, we do not believe taking on excessive duration or credit risk in search of yield is the prudent course of action at this time.

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## 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.

### ***The Wall Street Journal: Market Wrap (9/30/2016)***

Ernie Cecilia, BMT's Chief Investment Officer, joined [The Wall Street Journal's](#) "What's News" podcast to share his market outlook at the beginning of the fourth quarter of 2016. Ernie explained that he is closely following events such as the presidential election, central bank activity, and upcoming jobs reports to see how they impact equities' performance.

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