BMT
BRYN MAWR TRUST

Market Summary – October 17, 2016

For the week ending October 14

This summary is provided by BMT Wealth Management.

Economics

During a light week on the economic calendar last week, investors had a couple of reports to keep them busy: advance retail sales and the minutes from the September 21 Federal Open Market Committee (FOMC) meeting.

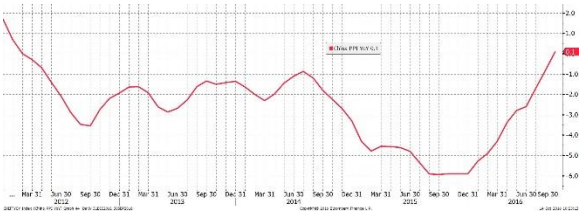
U.S. consumer spending ended the third quarter on a high note, as retail sales jumped 0.6% in September, compared to a -0.2% decline the prior month. Modest wage gains coupled with continued company hiring provided an overall boost to consumer spending.

Personal consumption is expected to be another bright spot for economic growth when the third quarter U.S. gross domestic product figures are released later this month.

Minutes from the September FOMC meeting released last week revealed that the Federal Reserve (the Fed) is getting closer to altering monetary policy. The Fed acknowledged that economic data continued to improve, while the U.S. economy is better positioned for higher interest rates. The Fed would like to see more economic data supporting their views, leaving the door open for a possible rate hike before the end of the year.

Also worth noting, Chinese data last week provided mixed signals regarding the overall health of the Chinese economy. On the negative side, Chinese exports dropped 10% year-over-year in September, the largest decrease since earlier in the year. On the positive side, however, Chinese producer prices rose during the same time period for the first time in more than four years.

Chinese Producer Price Index
12/31/2011 – 9/30/2016
YoY Increased in September 2016



Source: Bloomberg Finance L.P.

Equity Markets

The S&P 500 Index ended last week in the red for the second consecutive week. Risk aversion has increased in October, as investors headed for the sidelines with much to think about: third quarter earnings season, potentially higher rates from the Fed, the U.S. presidential and congressional elections, and ongoing Brexit concerns.

The Index dropped -0.95% last week, led by the healthcare and material sectors, which were down -3.22% and -1.19%, respectively. The utility and telecom sectors both ended the week in positive territory, as investors took advantage of the recent price declines.

Fixed Income

U.S. Treasury yields ended last week higher across the yield curve, while increasing inflation expectations left the curve steeper on the week. The two-year and 30-year U.S. Treasury yields increased one basis point (0.01%) and 11 basis

points (0.11%), respectively, and ended the week at 0.84% and 2.56%.

Yields were driven up on longer-dated U.S. Treasury securities. This was due to rising inflation concerns resulting from current and expected accommodative monetary policy from the Fed.

Credit spreads were modestly wider on the week, coinciding with a drop in the equity market.

Our View

As the third quarter earnings season gets underway, we will continue to monitor company earnings very closely to determine whether any adjustments to valuations are necessary.

In fixed income, duration risk remains a focus, as U.S. Treasury yields continued trending higher this past week.

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.

Wall Street Sells Off Amid Weak Earnings, Election Jitters (10/11/2016)
Reuters called upon Ernie Cecilia, Chief Investment Officer at BMT, for his take on the markets and how current events are impacting their activity.

BMT Wealth Management
Harry R. Madeira, Jr. ("Gary") | Executive Vice President
610.581.4791 | gmadeira@bmtc.com
bmtcwealth.com