



## Market Summary – January 3, 2017

*For the week ending December 30, 2016*

*This summary is provided by BMT Wealth Management.*

### A Brief Look Back at 2016

After a rough beginning, 2016 turned out to be a good year for the U.S. economy and U.S. equity markets, while bond yields reversed course and trended higher.

The following is a quick glance at some of the notable turnarounds experienced in 2016.

**Economics:** The U.S. economy grew at a 3.50% annualized pace in the third quarter, compared to 0.8% and 1.4% in the first quarter and second quarter, respectively.

**Equity Markets:** The S&P 500 Index opened 2016 by declining -4.96% in January, but ended the year up 11.95%.

**Fixed Income:** The 10-year U.S. Treasury yield dropped 35 basis points (0.35%) in January, but ended 2016 at 2.45%, up 18 basis points (0.18%) for the year.

We will address these topics more thoroughly in our Economic & Market Quarterly piece to be published later this month.

The narrative and data below speak to the economic and financial market highlights in the final week of the year.

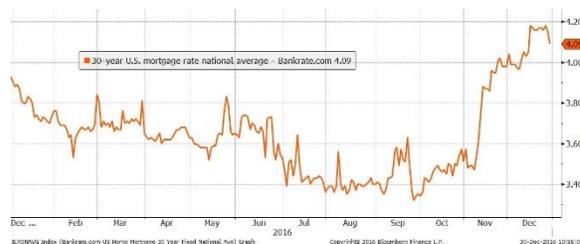
### Economics

Consumer confidence is reaching levels not seen in more than 10 years. Improving labor market conditions, higher wages, and an overall more optimistic outlook to economic growth are

contributing to higher levels of consumer sentiment. Last week, it was announced that the Conference Board Consumer Confidence Index had jumped to 113.7 in December, compared to 109.4 the prior month.

In the housing market, pending home sales dropped in November by 2.5%, after increasing the prior two months. Interestingly, the drop coincides with rising mortgage rates that may weigh on home purchases in 2017. According to Bankrate.com, the 30-year U.S. mortgage rate national average rose from 3.51% on Oct. 31 to 4.09% on Dec. 29, an increase of 58 basis points (0.58%).

**30-Year U.S. Mortgage Rate National Average over Past Year**



Source: Bloomberg Finance L.P.

### Equity Markets

The S&P 500 Index ended the year on a sour note, dropping 1.08% last week. Information Technology and Financial Services companies were the worst performers, down 1.45% and 1.37%, respectively. All 10 sectors ended the week in the red.

The U.S. dollar gave back some of its yearly gains, losing 0.47% on the week, coinciding with a drop in equity prices and bond yields. The drop in the U.S. greenback provided a boost to gold and oil prices, with both ending the week up over 1.00%.

### Fixed Income

U.S. Treasury yields ended lower across the yield curve last week, in relatively light trading. The two-year and 10-year U.S. Treasury yields dropped 1 basis point (0.01%) and 9 basis points (0.09%), respectively, ending the week at 1.19% and 2.45%. Last week's U.S. Treasury auctions received good demand, as investors took advantage of the recent increase in bond yields.

Regarding monetary policy, investors are anticipating two rate hikes in 2017, compared to the Fed's own forecast of three rate hikes.

Currently, investors are applying a roughly 70% probability that the next rate hike will come this June.

### Our View

After U.S. equity markets provided very favorable returns in 2016, we will be monitoring corporate earnings and revenue growth closely in 2017 to determine appropriate equity valuations and returns. There is much optimism surrounding anticipated pro-growth policies from the incoming administration, but they have yet to be tested.

In the fixed income markets, the recent run up in bond yields has stabilized, but we continue to believe a cautious stance on maturity risk is warranted.

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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 are some recent highlights.

#### Global Stocks Slip after Wall Street Drop (12/29/2016)

Ernie Cecilia, Chief Investment Officer at BMT, spoke with [The Wall Street Journal](#) to share his market outlook at year-end. Ernie explained that he will continue to keep a close eye on equities in 2017, especially as the new administration's cabinet selections and policies come into focus.

#### Bloomberg Markets: Cecilia on Opportunities in the Market (12/30/2016)

On the last day of trading in 2016, [Bloomberg Radio](#) turned to Ernie Cecilia for his market outlook. Ernie explained where he is finding value on behalf of his clients and what areas of the market he will be watching in the New Year.

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**BMT Wealth Management**  
**Harry R. Madeira, Jr. (“Gary”) | Executive Vice President**  
**610.581.4791 | [gmadeira@bmtc.com](mailto:gmadeira@bmtc.com)**  
**[bmtcwealth.com](http://bmtcwealth.com)**