Market Summary – January 9, 2017

For the week ending January 6

This summary is provided by BMT Wealth Management.

Close, but No Cigar!

The Dow Jones Industrial Average came within a rounding error (0.37 points) of hitting the unprecedented 20,000 level last week. The Index hit a level of 19,999.63 at 12:43 p.m. on Friday, Jan. 6, garnering media attention and the bright lights of the cameras on the floor of the New York Stock Exchange.

This quirky, old, and narrowly defined Index has been driven up in price to this rarefied level by a handful of stocks, primarily financials and industrials, since the Nov. 8 Election Day close. After languishing for four months in the wake of the post-Brexit rally, the Index rose 9.1% to Friday's zenith, before backing off and closing the week at 19,963.80.

The broader S&P 500 closed the week with a gain of 1.7%. Small cap issues, as measured by the Russell 2000, advanced less than 1% (+0.7%).

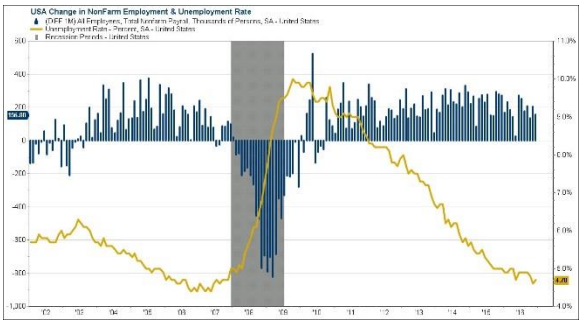
Jobs, the Fed, and Bonds

The major economic release last week was the December labor report on Friday morning (Jan. 6).

The graph below highlights monthly U.S. non-farm payroll employment (blue bars) over the last 15 years. Friday's release indicated that non-farm payroll employment rose by +156,000 new jobs in December, in line with the previous day's release from ADP of +153,000 new jobs.

The November jobs gain was revised up to +204,000 from +178,000, producing a three-month average gain of +165,000/month. The labor participation rate was little changed at 62.7%. The civilian unemployment rate, at 4.7%, was also little changed. The decline in the civilian unemployment rate (gold line) since the 2008-09 recession (shaded area) is quite pronounced.

Change in Non-Farm
Employment & Unemployment Rate
12/2001 – 12/2016



Source: FactSet, Inc.

Bond yields initially fell on the weaker-than-expected ADP numbers on Thursday (Jan. 5), with the ten-year U.S. Treasury bond declining in yield to 2.35%.

The other issue in play was the release of the Federal Open Market Committee's December meeting minutes. The minutes reaffirmed a gradual approach to raising short-term rates going forward, but also raised some questions about the effects of a more stimulative fiscal policy and the potential headwinds for growth caused by a stronger dollar.

Friday's release of employment data appeared to assuage fears of slower growth, despite the lower pace of job growth in December relative to November. The ten-year U.S. Treasury bond closed the week at 2.42%.

Our View

We have maintained that the "pro-business" agenda that appears to be developing for the incoming administration and legislative branches of Congress is encouraging.

Regarding equities, correlations have been declining since September 2016, making selectivity once again a key determinant of outcomes. We see more volatility ahead, as the details of fiscal stimulus, tax policy, and regulation, to name just a few key issues, are unveiled. The likely direction of bond yields remains higher, given these events.

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 recent highlight.

How to Take the Emotion Out of Investing (1/4/2017)
T. Michelle Jones, CFP, Vice President and Portfolio Manager at BMT, explained to TheStreet how she helps clients make important investment and financial planning decisions without letting their emotions lead them astray. Michelle mentioned that education is the key to controlling emotions. She also emphasized the value of working with a financial professional who can align a plan with long-term goals.

BMT Wealth Management
Ernest E. Cecilia, CFA | Chief Investment Officer
610.254.2030 | ececilia@bmtc.com
bmtcwealth.com