



Market Summary – January 23, 2017

For the week ending January 20

This summary is provided by BMT Wealth Management.

Economic Overview

It was relatively quiet on the economic data front last week. Reports such as CPI, Industrial Production, and Capacity Utilization did not pose a major risk to the reflation story that the financial markets have embraced since the Nov. 8 election.

After all the anticipation leading up to the inauguration of Donald Trump as President on Friday (Jan. 20), the market's reaction afterwards has been fairly muted. Many market pundits thought Trump's inauguration speech would include either details about his economic policies that would lift equities, or something that would cause a flare-up in volatility. Despite all the media attention, Inauguration Day turned out to be a non-event from a financial market standpoint.

Equities

Global equity markets had a somewhat quiet week last week, with very modest gains and losses being realized.

Earnings season kicked off last week, and based on preliminary data, we have seen a modest pickup in top- and bottom-line numbers, with no major concerns surfacing. Year-over-year comps for certain sectors, such as Energy, should be easy to beat. The question is how much has been priced into the market.

One negative outlier is the retail industry, given the release of sub-par holiday sales data. In our view, the continued shift to e-commerce is a major factor behind the struggles of "brick and mortar" retail, and it is not necessarily an ominous sign of a weakening consumer.

International markets had outperformed over the first two weeks of this year, which is partially attributed to a weakening U.S. dollar. That trend slightly abated this past week, with most international markets modestly trailing their U.S. counterparts.

Despite recent depreciation, the U.S. dollar has strengthened quite considerably since 2011. Continued upward movement could negatively impact large U.S. multinational companies as well as U.S. investors' holdings of foreign securities.

**U.S. Dollar (Indexed to 100)
20 Years Ending 1/20/2017**



Source: FactSet, Inc.

Fixed Income

The U.S. Treasury yield curve ended last week 7 basis points (+0.07%) steeper, when comparing the two-year and 10-year U.S. Treasury yields. Higher-than-expected inflationary data contributed to higher yields on the longer part of the yield curve. Investors are expecting annual inflation over the next 10 years to hover around 2.0%.

The market has moved up its expectations for a rate hike to May from June, following comments from Federal Reserve Chair Janet Yellen, who indicated that there would likely be three rate

hikes in 2017. Interestingly, many investors are still only positioned for two rate hikes this year.

Investment grade corporate debt continues to outperform U.S. government bonds thus far in 2017, as it did last year. Much optimism remains around U.S. economic growth, leading to reduced risk aversion in the bond market.

Our View

In sum, we see continued volatility within markets, as the details and timing of various legislative initiatives are debated in the legislative branches of Congress.

The views expressed herein are those of Bryn Mawr Trust as of the date above and are subject to change based on market conditions and other factors. Past performance is no guarantee of future results. This publication is for informational purposes only and should not be construed as a recommendation for any specific security or sector. Information has been collected from sources believed to be reliable but have not been verified for accuracy.

Securities and insurance products: (1) are not bank deposits; (2) are not insured or guaranteed by the FDIC or any other government agency; (3) are not obligations of, or guaranteed by, any financial institution; and (4) involve investment risks, including the potential for fluctuations in investment return and the possible loss of principal.

© 2017 The Bryn Mawr Trust Company

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