Market Summary – February 6, 2017

For the week ending February 3

This summary is provided by BMT Wealth Management.

Economics

The U.S. labor market continues to demonstrate resiliency in 2017, as U.S. employers added 237,000 workers to their payrolls in January, the highest addition since July of last year. For comparison purposes, in 2016, U.S. employers increased their payrolls by an average of roughly 170,000 jobs per month.

Also worth noting, the unemployment rate ticked up to 4.8% in January, along with a modest rise in the labor participation rate to 62.9%.

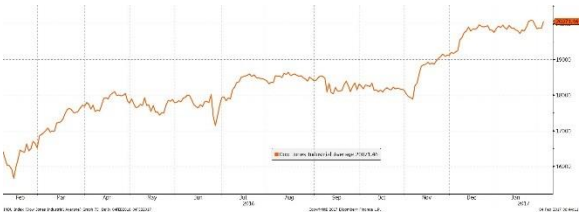
Surprisingly, wage growth increased at a very subdued 0.1% in January, compared to an increase of 0.4% the prior month. The deceleration potentially indicates more slack in the labor market than what was otherwise noted within the employment data. Of course, wage growth has been an area of high importance to the Federal Reserve (the Fed), which convened last week in its first meeting of 2017.

At last week's meeting of the Federal Open Market Committee, the Fed left the overnight rate unchanged at its current range of 0.50% to 0.75%, as expected, while noting that the inflation rate continues to move closer to its 2.0% objective. It was received as an essentially benign report, as the Fed stopped short of providing any direction for potential monetary policy changes at its next meeting on March 15.

Equity Markets

After trading below 20,000 for most of last week, the Dow Jones Industrial Average rallied 187 points on Friday (Feb. 3) and closed at 20,071, within 30 points of its record high. This was due, in part, to investors' reactions to Friday's positive labor market report as well as the subdued wage growth noted above. Low inflation may give the Fed more time to consider removing monetary stimulus from the economy.

Dow Closed above 20,000 for Second Consecutive Week



Source: Bloomberg Finance L.P.

The S&P 500 Index also performed very well on Friday, jumping 17 points, only 1 point away from its record high. It closed Friday at 2,297, up 0.16% on the week.

For the week, the Healthcare sector stood out as the best performer, up 2.51%, followed by the Consumer Staples and Utility sectors, which were up 1.16% and 1.05%, respectively. The Telecommunications sector lagged behind and was down -1.90% on the week.

Fixed Income

The short to intermediate part of the U.S. Treasury yield curve ended last week down 2-4 basis points (0.02% – 0.04%). The low inflationary data is a positive for fixed income investors and their purchasing power.

The two-year and 10-year U.S. Treasury yield ended the week at 1.20% and 2.47%, respectively.

Investors continued to favor investment grade credit issuers over U.S. government securities last week, opting for the higher yield. Investment grade issuers have taken advantage of investor demand by raising capital in the bond market. Last week, Apple, Microsoft, and AT&T all came to the market with sizeable deals.

Our View

Monetary and fiscal policy continue to receive much attention by investors, and rightfully so. Depending on the overall direction of, and policy actions by, the president and Congress (particularly with regard to tax cuts), economic growth will most likely be impacted.

We continue to favor high-quality issuers within both the equity and fixed income asset classes, and believe the fundamentals will support performance in the long run.

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.

What Women Need to Know About Planning for Health Care in Retirement (1/31/2017)
U.S. News & World Report called upon Ellen Jordan, CFP, Senior Vice President at BMT, to explain how women can plan ahead for health care costs in retirement. Ellen emphasized the importance of frequently assessing retirement savings strategies and researching long-term care options in advance.

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