Market Summary – March 6, 2017

For the week ending March 3

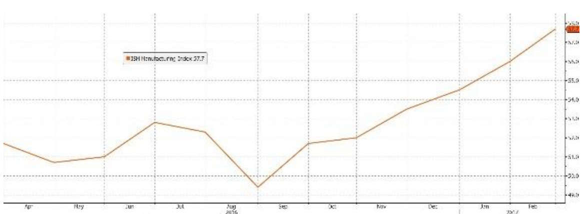
This summary is provided by BMT Wealth Management.

Economics

The U.S. economy continued to improve in February, as both the manufacturing and non-manufacturing sectors expanded at the fastest pace in more than a year. The positive data continues to catch the attention of Federal Open Market Committee (FOMC) members, who will be meeting again next week, on March 14-15.

The ISM Manufacturing Index jumped to 57.7 in February, compared to 56.0 the prior month. It was the sixth consecutive month U.S. manufacturing has been in expansionary territory, and it was the best month for manufacturing since 2014. The negative impact of a strengthening U.S. dollar appears to be waning, and the overall outlook for the sector continues to improve.

ISM Manufacturing Index:
Increased for Six Consecutive Months,
9/2016 – 2/2017



Source: Bloomberg Finance L.P.

The service sector, which comprises roughly 90% of the U.S. economy, also performed very well last month. The ISM Non-Manufacturing Index was recorded at 57.6 in February, its best month since 2015. Business and consumer optimism continues to improve, a positive sign for ongoing economic growth. Businesses have focused their attention on potential corporate tax reform, while consumers have benefitted from a much-improved labor market.

Last week investors digested numerous comments from participants of the FOMC. Most notably, William Dudley, vice chair of the FOMC and president of the Federal Reserve Bank of New York, indicated a potential need to adjust monetary policy in the near future, given the overall strength of, and ongoing improvements in, the U.S. economy. Investors have now priced in three rate hikes in 2017, consistent with the FOMC's forecasts.

Equity Markets

The S&P 500 Index experienced a big jump following President Trump's first address to a joint session of Congress last Tuesday evening (Feb. 28). The Index reached a new high on Wednesday (March 1), before giving up some of its gains late in the week, but it still ended the week in positive territory. Investors remained optimistic regarding the likelihood of potential tax reform and infrastructure spending, and the positive impacts such changes in fiscal policy could have on economic growth.

The S&P 500 Index increased 0.71% last week, led by the Financial and Energy sectors, which were up 2.08% and 1.45%, respectively. Financial companies continued to benefit from the expected rising rate environment.

Telecommunications was the worst-performing sector, ending the week in the red, down -1.07%.

For the year, the S&P 500 Index is up 6.85%.

Fixed Income

U.S. Treasury yields jumped higher across the yield curve this past week, following comments made by members of the FOMC. Investors are anticipating a slightly more aggressive tightening cycle from the Fed in 2017. The two-year U.S. Treasury yield and 10-year U.S. Treasury yield both increased approximately 17 basis points (0.17%) and ended the week at 1.31% and 2.48%, respectively.

Robust investor demand for credit has continued in 2017, leading to tighter credit spreads and relative positive performance compared to U.S. government issuers. U.S. credit is up 1.10% through Feb. 28 this year, compared to U.S. government securities, which are up 0.49%. Corporations were actively issuing debt last week, taking advantage of investor demand and the benign, although rising, interest rate environment.

Our View

The equity markets have started the year on a very high note, reflecting much investor optimism and high expectations for fiscal policy. Although encouraged by the market's steady upward momentum, we continue to believe company fundamentals and earnings will ultimately determine equity valuations and future performance.

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.

Markets Rally After Trump Address, Despite the Lack of Policy Details (3/1/2017)
Ernie Cecilia, Chief Investment Officer at BMT, joined NPR Marketplace to provide BMT's outlook as markets hit new highs the day after President Trump's first address to a joint session of Congress. Ernie offered insight as to the focus of the president's speech and why the equity markets were reacting positively.

linked website. If you have any questions or concerns about the information provided on the linked website, please contact that third party directly.

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