BMT
BRYN MAWR TRUST

Market Summary – April 3, 2017

For the week ending March 31

This summary is provided by BMT Wealth Management.

Economics

Last week, U.S. economic growth for the fourth quarter of 2016 was revised slightly higher, led by consumer spending. In 2017, however, consumer spending is off to a slow start, despite surging consumer-confidence levels.

The U.S. economy grew at a revised annualized rate of 2.1% during the final quarter of 2016, driven by upward adjustments to consumer spending. Personal consumption jumped 3.5% during the period, compared to the initial report of 3.0%, as consumers ramped up spending on necessities and services. The improvement during the fourth quarter coincided with rising consumer sentiment, which has remained very strong so far in 2017.

The Conference Board Consumer Confidence level increased to 125.6 in March, the highest level in more than 16 years (since December 2000), compared to 114.8 the prior month.

Conference Board Consumer Confidence Index
3/31/2000 – 3/31/2017:
Consumer Confidence Reaches 16-Year High

Source: Bloomberg Finance L.P.

Interestingly, despite the robust consumer confidence levels, personal spending has been fairly muted in 2017, rising only 0.2% and 0.1% in January and February, respectively. After a modest spending spree to close out 2016, consumers have become more patient about their purchases.

Equity Markets

The Dow Jones Industrial Average ended its eight-day losing streak last Tuesday (March 28) in dramatic fashion, increasing 151 points. The rally was sustained, and the Index ended the week up 0.32%. Investors continued to focus their attention on potential fiscal policies related to tax reform and infrastructure spending, and their impact on economic growth and corporate earnings.

The S&P 500 Index also ended last week in the black, up 0.82%. The Energy and Consumer Discretionary sectors were the best performers, up 2.21% and 1.66%, respectively. Energy companies benefited from the rebound in oil prices, which were up roughly 6.0% on the week. Utilities were the worst-performing sector, down -1.18% on the week.

The S&P Index recorded a 6.07% return in the first quarter of 2017, its best quarterly performance in over a year (since the fourth quarter of 2015).

Fixed Income

U.S. Treasury bond yields bounced around last week, but ended the week mostly unchanged. The two-year and 30-year U.S. Treasury yields ended Friday (March 31) yielding 1.26% and 3.01%, respectively.

The "belly" of the curve (the five-year and ten-year maturity area of the yield curve) experienced a modest drop in yields, as a cautious tone from William Dudley, president of the Federal Reserve Bank of New York and vice chairman of the Federal Open Market Committee, left investors pondering the extent of further rate hikes this year.

Inflation expectations have remained anchored around 2.00%, the Federal Reserve's (the Fed's) target for annual inflation. The Fed has two meetings scheduled for the second quarter of this year, on May 2-3 and June 13-14. Currently, investors are anticipating a 56% chance the Fed will raise its target rate at the June meeting.

Our View

In our view, the U.S. equity market remains fully valued relative to future earnings expectations, although it still looks attractively valued relative to the yield on the ten-year U.S. Treasury bond.

As first quarter earnings reporting season approaches, investors remain optimistic. We will be monitoring earnings closely to determine whether current valuations are sustainable, given the price-growth to earnings-growth gap that has widened over the last several quarters.

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.

Stocks Close Mostly Higher as Energy Jumps 1%; UK Starts Brexit Process (3/29/2017)
Ernie Cecilia, Chief Investment Officer at Bryn Mawr Trust, spoke with CNBC.com to explain how the prospect of policy changes by the presidential administration is affecting market activity.

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