



Market Summary – April 10, 2017

For the week ending April 7

This summary is provided by BMT Wealth Management.

Macroeconomic Review: Hard Data vs. Soft Data

On the heels of March's robust Conference Board Consumer Confidence survey, the ISM Report for March, which reflects data on both the Non-Manufacturing and Manufacturing sectors, provided further evidence about the degree of optimism consumers and businesses have regarding future economic prospects.

While the ISM Report slightly missed consensus expectations, it did not provide any evidence that the U.S. economy is on the verge of weakening. Survey reports, or "soft data," released from international developed countries (UK, Japan, and continental Europe) have also been strengthening, and they tell a similar story in terms of participants being sanguine about future economic conditions.

In the United States, economic reports reflecting the prior month's activity, or "hard data," such as auto sales and employment, were not indicative of a contracting economy, but were meaningfully below consensus expectations.

Delving into the employment report a little deeper, Nonfarm Payrolls increased by just 98,000 jobs, and there were downward revisions to jobs added in prior months. In addition, average hourly earnings rose 0.2% month/month (2.7% year/year), the unemployment rate fell to 4.5%, the under-employment rate (U-6, as measured by the U.S.

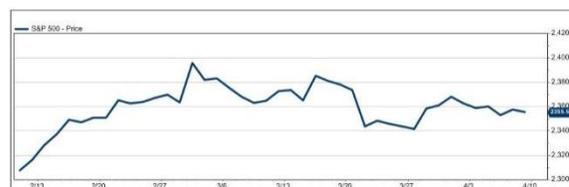
Bureau of Labor Statistics) fell to 8.9%, and the labor force participation rate remained at 63.0%.

The forward-looking views contained in survey data are quite positive. In our opinion, they will eventually need to translate into actual economic output and corporate sales/earnings in order for the market to continue trading at forward valuation multiples above historical averages.

Equity Market Overview

U.S. equity markets remain in a relatively tight trading range, which has been the case since mid-February (see the chart below). Last week, the S&P 500 experienced a very modest decline and fell -0.3%, despite a U.S. airstrike in Syria and a lackluster Bureau of Labor Statistics payroll report.

S&P 500 Index:
Two-Month Price Level, 2/7/2017 – 4/7/2017
Data comprises daily market closing prices



Source: FactSet, Inc.

Energy was the top-performing sector last week and rallied given an uptick in oil prices. Financials stocks were the laggards and were adversely affected by a modest flattening of the yield curve.

Attention this week, barring any unforeseen geopolitical events, will likely shift to first quarter 2017 corporate earnings, with several large banks reporting.

Fixed Income Review

Like equities, bond markets did not experience material price fluctuations last week relative to the prior week, despite plenty of potential market-moving catalysts. Last week, the two-year U.S. Treasury yield increased three basis points (0.03%), while the ten-year dropped a basis point (0.01%), an overall yield curve flattening of four basis points (0.04%).

Minutes from the Federal Open Market Committee's most recent meeting were released on Wednesday (April 5) and revealed that the

Fed is considering a more expedited reduction in its balance sheet, which is expected to commence in late 2017, as opposed to early 2018. It seems more likely that the Fed will discontinue reinvestments as bonds mature, rather than sell positions outright.

Our View

Equity markets, which are fully valued in our opinion, may have to grapple with a more hawkish stance by the Fed, especially if economic data materially strengthens. That said, a continued acceleration in corporate profits, fueled by not-yet-enacted fiscal reform measures, could be the fodder needed for stocks to break out to the upside, despite less accommodative monetary policy.

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 Rise Modestly Ahead of Trump-Xi Meeting, U.S. Jobs Report (4/6/2017)

Ernie Cecilia, Chief Investment Officer at Bryn Mawr Trust, spoke with [TheStreet](#) to share BMT's current market outlook. Ernie explained that his team is keeping a close eye on tax-reform proposals made by the new administration, as those changes could significantly impact company valuations.

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