

## Market Summary – May 1, 2017

*For the week ending April 28*

*This summary is provided by BMT Wealth Management.*

---

### **A Good Week for Cable News**

The one thing that was not in short supply last week was the bevy of headline stories that hit the newswires.

The week started off last Sunday (April 23) with results from the first round of the French presidential election. The top-two vote getters, centrist Emmanuel Macron and far-right candidate Marine Le Pen, offer different approaches to the French voters.

Global capital markets reacted strongly to the upside through mid-week, as Macron is favored in the polls to secure the win in the May 7 runoff election. Le Pen is an advocate of withdrawing France from the EU, and markets reacted positively to the lower probability of a “Frexit.”

On Wednesday (April 26), the Trump administration announced the outline of its plan for tax reform. The key components include a reduction in the corporate tax rate to 15%, a reduction in personal income tax rates, and a reduction in the number of personal income tax brackets from seven to three (10%, 25% and 35%).

The immediate market reaction was lukewarm, as the plan lacked certain details, particularly with respect to the tax rate that would apply to the one-time repatriation of corporate cash held overseas. Further, there are concerns about how the lower tax revenues will be offset with revenue/cost cuts and the political opposition in Congress.

### **Oh, Yes, Those Earnings Reports!**

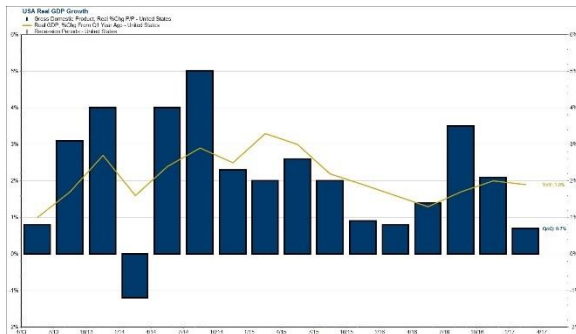
Amid the politics and the announcement of critically important fiscal measures, last week was extremely busy in terms of earnings releases. According to FactSet, Inc., 56.6% of S&P 500 companies have reported first quarter 2017 earnings through Friday (April 28), with a blended earnings growth rate 12.23% higher than the first quarter of 2016. The Financial Services sector is leading the way, sporting a 17.71% increase, with 51% of the sector’s constituents having reported.

For the week, the S&P 500 advanced approximately 1.5% in price. The ten-year U.S. Treasury bond ended the week to yield 2.28%, about three basis points (0.03%) higher than the previous week’s close.

### **A Disappointing First Quarter U.S. GDP Release**

The “advance estimate” of first quarter 2017 Real GDP was released on Friday (April 28), indicating a quarter-over-quarter increase of just +0.7%, which was below consensus expectations of +1.0%. According to the Bureau of Economic Analysis, the weaker showing was due to a quarterly slowdown in consumer spending, as well as a decline in private inventory building, the latter being a very volatile component.

**U.S. Real GDP Growth:  
Four Years Ended 3/31/2017**



Source: FactSet, Inc.

As indicated in the graph above, the first quarter of each of the past several years has exhibited weakness. In this year's first quarter, warmer

weather contributed to lower utility sales. Also, auto sales were a positive contribution, but came off the torrid pace of the last several quarters.

### Food for Thought

In our view, the importance of fiscal measures (both tax and regulatory), which are necessary to propel GDP growth in 2017 and beyond, cannot be overstated. Corporate profitability is the key element in supporting equity prices on a sustained basis. The bond market's reaction and the roughly 34 basis point (-0.34%) decline in the ten-year U.S. Treasury yield since mid-March indicates that not all investors are convinced.

---

## BMT in the Press

Bryn Mawr Trust professionals are regularly sought after by the media for their insights on financial matters. The following are some recent highlights.

### Tips for Investing in Municipal Bonds (4/21/2017)

Jim Barnes, Senior Vice President and Director of Fixed Income at BMT, shared strategies for investing in municipal bonds with [U.S. News & World Report](#). Jim explained that investors in higher tax brackets should consider municipal bonds as fixed income investments due to their tax exemption.

### Healthy Profits Push Stocks Higher Yet; Nasdaq Crosses 6,000 (4/25/2017)

[The Associated Press](#) turned to Ernie Cecilia, Chief Investment Officer at BMT, for his market analysis regarding the strength in the markets on April 24-25. Ernie explained there were a number of positive developments, including the favorable start to first quarter earnings reporting season.

---

*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.*

*By clicking on the links above, you will be directed to websites that are not operated or controlled by Bryn Mawr Trust. Bryn Mawr Trust is not responsible for the content on or availability of the linked websites. Bryn Mawr Trust does not endorse or guarantee any products or services made available on the linked websites and makes no representation or warranty regarding the accuracy of the information contained on the linked websites. If you have any questions or concerns about the information provided on the linked websites, please contact that third party directly.*

© 2017 The Bryn Mawr Trust Company

**BMT Wealth Management**  
**Harry R. Madeira, Jr. (“Gary”) | Executive Vice President**  
**610.581.4791 | [gmadeira@bmtc.com](mailto:gmadeira@bmtc.com)**  
**[bmtc.com/wealth](http://bmtc.com/wealth)**