



Market Summary – June 26, 2017

For the week ending June 23

This summary is provided by BMT Wealth Management.

Macro Insights

Last week was relatively quiet in terms of economic data released in the United States and abroad.

One noteworthy release was the most recent New Home Sales report, which provided continued evidence of ongoing recovery in the U.S. housing market in the aftermath of the 2008-09 financial crisis.

The housing market decline was quite severe in 2008-09 relative to prior recessions, and as indicated by the chart below, the pace of acceleration has been slow, but gradual. The slow recovery in housing mirrors the below-trend growth that has been indicative of this economic cycle.

**U.S. New Home Sales:
15 Years Ending 5/31/2017**



Source: FactSet, Inc.

On Thursday (June 22), the results of the annual Dodd-Frank Act supervisory stress tests were released, which indicated that all 34 banks

participating in the examination were adequately capitalized to weather a severe economic downturn. The news warranted little attention by the market, given that a positive outcome had been largely discounted.

Looking ahead, a potentially bigger market mover, at least for the Financial Services sector, is the Wednesday (June 28) release of a second round of bank examinations known as the Comprehensive Capital Analysis and Review. This report will determine whether banks are able to distribute more capital to shareholders.

Equity Markets

Despite a recent bout of mostly lackluster economic reports, concerns over the degree of leverage in the Chinese economy, and Congress' inability thus far to deliver on the fiscal policy front, equity markets continue to drift higher.

The S&P 500 Index closed out last week with a small gain. The Healthcare and Information Technology sectors, both large constituents of the growth-style indices in the U.S. stock market, were positive outliers. Information Technology stocks recovered somewhat from the rotation away from higher growth, momentum-oriented stocks that took place earlier in June. Healthcare stocks were favored by investors as concerns of future drug price controls were alleviated based on comments coming out of Washington regarding healthcare reform.

The Energy sector is one area of the market that continues to struggle. Oil prices declined further last week and are approaching bear market territory. The inability of oil to stay above key technical support levels could result in a continued selloff in energy stocks.

Fixed Income

Last week was relatively quiet on the fixed income front, as well. The yield curve flattened again, signifying that fixed income markets are not as optimistic as their equity brethren regarding the prospects for economic growth.

Despite the selloff in the Energy sector, credit spreads have remained stable, with the exception of low-quality issuers in the exploration and production industry. This differs dramatically from early 2016, when high-yield spreads widened quite abruptly and the equity markets plummeted.

Our View

News flow and price action this past week have not warranted any change in our current views of the equity and fixed income markets.

We continue to believe that interest rates will gradually drift higher, and the current environment of slow but steady growth should be supportive of equity valuations. However, we also continue to believe that fiscal policy needs to deliver in order for the current expansion, which is already long in duration based on historic measures, to stay on track.

Further weakness in leading indicators and continued gridlock in Washington could cause us to reassess our views. As equity correlations continue to decline, company fundamentals will continue to drive our thought process as we navigate through the current investment environment.

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.

Treasury Yields Slip as Traders Bet on Slower Rate-Hike Cycle (6/20/2017)

[MarketWatch](#) sought expert insight from Jim Barnes, Director of Fixed Income at Bryn Mawr Trust, about recent activity in the bond market. Jim explained that his team pays close attention to remarks made by the Fed, as they could indicate the pace of future interest rate hikes.

S&P 500 Rises as Energy Tries to Snap 4-Day Losing Streak (6/23/2017)

[CNBC.com](#) turned to Ernie Cecilia, Chief Investment Officer at Bryn Mawr Trust, for BMT's take on recent market activity, with a focus on the Dodd-Frank and Fed stress tests.

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