BMT
BRYN MAWR TRUST

Market Summary – October 16, 2017

For the week ending October 13

This summary is provided by BMT Wealth Management.

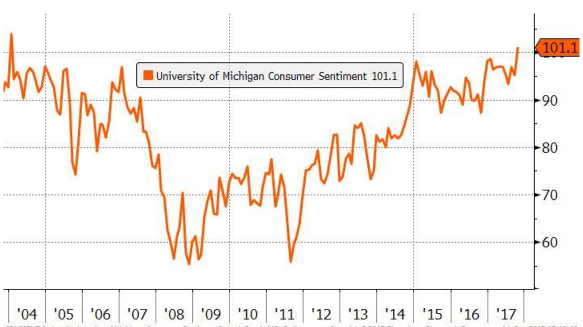
Economics

Economic data last week reflected an upbeat U.S. consumer, healthy consumer spending, and continued subdued inflation.

To begin, the University of Michigan Consumer Sentiment Index increased to 101.1 in October, compared to 95.1 the prior month. A rising index level indicates that consumers are, broadly speaking, more confident about the economy.

As illustrated in the chart below, consumer sentiment is at its highest level since 2004.

University of Michigan Consumer Sentiment Index
10/2003 – 10/2017



Source: Bloomberg Finance L.P.

U.S. consumers are feeling good about the U.S. economy and are optimistic that economic growth will continue into 2018. Low unemployment and rising equity markets have been positive factors contributing to consumer sentiment. Low unemployment supports consumer finances, while higher equity markets increase household wealth. Coinciding with increasing confidence levels, consumer spending is also on the rise.

Retail sales jumped 1.6% in September, the highest increase in more than two years. To be fair, the consecutive hurricanes that hit the United States last month provided a boost in items related to energy, autos, and building materials. When excluding such items, sales were still up, but by a more modest 0.4%.

Also last week, the Consumer Price Index indicated a surge in consumer prices in September, as expected, due to storm-related higher energy costs. The Consumer Price Index was up 0.5%, compared to 0.4% the prior month. When stripping out the more volatile food and energy components, however, consumer prices barely budged during the month and were up 1.7% over the past year.

Equity Markets

Stocks ended the week on a positive note, with the S&P 500 Index closing Friday (Oct. 13) in the black, a couple of points shy of a new record high. The Index increased 0.17% last week, the fifth consecutive week the Index has generated positive returns.

The Real Estate sector led the Index higher and was up 1.81%, while AT&T's roughly -7.50% weekly return dragged the Telecom sector lower. The Financial sector also dipped on the week and was down -0.86%, as earnings announcements from JPMorgan, Wells Fargo, and Citigroup collectively did not impress investors enough to push the sector into positive territory.

Overseas, the international markets continued their resilience in 2017, with developed international and emerging markets both ending the week higher, up 1.63% and 2.08%, respectively.

Emerging markets continue to be the star performer in 2017, given the MSCI Emerging Markets Index's return of more than 30% through Friday.

Fixed Income

Inflation fears remained subdued last week, leading to a drop in bond yields in the intermediate part of the yield curve. The ten-year U.S. Treasury yield dropped nearly 10 basis points (0.10%), compared to the two-year U.S. Treasury yield, which barely moved and ended the week at 1.50%.

Investors believe the Federal Reserve is on track to raise rates again in 2017, providing support to the short-term two-year yield.

Looking ahead to next year, investors are monitoring closely the race for the Federal Reserve Chairman position currently held by Janet Yellen. Her term ends on Feb. 3, 2018, leaving much speculation about who her replacement will be if she is not appointed to a second term.

Our View

Equity markets continue to march higher, both domestically and abroad, while bond yields have resumed their upward trend after taking a breather in the middle of the year. Volatility remains subdued, and economic fundamentals appear to support continued economic growth.

As we close in on the end of the year, we believe keeping our eye on the ball is extremely important. Negative factors can undoubtedly weigh on the current positive sentiment, leading to market reversals. Now is not the time to become complacent. Instead, we believe that adhering to our investment philosophy and thought process remains of the utmost importance.

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.

Nasdaq Rises to Record Close as Wall Street Bets on Strong Earnings Season (10/13/2017)
In the midst of earnings season, CNBC turned to Ernie Cecilia, Chief Investment Officer at BMT Bryn Mawr Trust, for analysis of the markets' reaction to the reports released thus far. Ernie explained that earnings remain the key driver of stock prices, and he noted that, to date, 2017 has been a positive year for revenue growth.

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