BRYN MAWR TRUST

Market Summary – April 30, 2018

For the week ending April 27

This summary is provided by BMT Wealth Management.

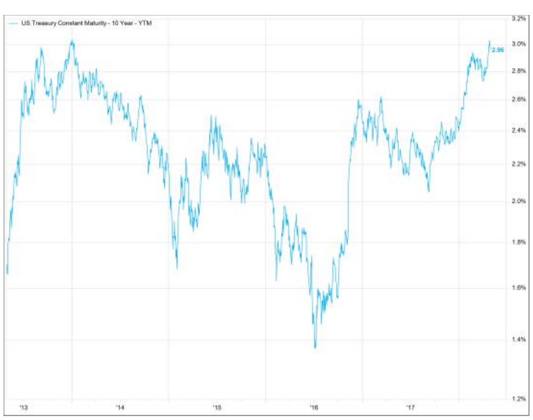
10-Year Yields Hit Four-Year High

With the Federal Reserve in tightening mode and inflationary forces looking to be on the rise, albeit from low levels, investors have been focused on longer-term interest rates.

The 10-year U.S. Treasury started the year yielding 2.40%, and after approaching 3.0% back in February, was finally able to attain that level last Tuesday (Apr. 24). It then fell back a bit late in the week, to finish out trading on Friday (Apr. 27) at 2.96% – exactly where it had started the week.

Still, breaching the 3.0% level is clearly something of a psychological hurdle for the market, particularly since, as the graph below illustrates, this is the first time that 10-year Treasury yields have been above 3.0% in more than four years.

10-Year U.S. Treasury Constant Maturity: Five Years Ending 4/27/2018



Source: FactSet, Inc.

One of the next big influencers of interest rates will arrive this Friday (May 4), when the U.S. Department of Labor announces the unemployment rate and the growth rate in average hourly earnings for the month of April.

It was a similar announcement back in February that signaled a more meaningful pickup in wages, even though the ensuing reports have been a bit more muted on that front.

S&P 500 Finishes the Week Largely Unchanged

Volatility continued in the equity markets, with the S&P 500 Index declining by more than 1.0% on Tuesday, the day that 10-year U.S. Treasury yields breached 3.0%. Stocks bounced back sharply on Thursday (Apr. 26), however, ending higher by better than 1.0%.

For the week as a whole, the S&P 500 was (nearly) literally unchanged, with a loss of -0.0001%.

Emerging markets, as measured by the MSCI Emerging Markets Index, turned in the worst performance from a geographic standpoint, declining by better than -1.0% for the five-day period. International equities (MSCI EAFE Index) registered a return of -0.25% for the week.

Year to date, the S&P 500 Index, MSCI EAFE Index, and MSCI Emerging Markets Index are all in positive territory, but just barely so, with meager gains of less than 1.0%.

Is This as Good as It Gets?

Report cards in the form of quarterly earnings announcements have been issued en masse over the past couple of weeks. With more than one-half of the S&P 500 constituents having now reported, the tally is impressive.

According to data compiled by Strategas Research, 79% of S&P 500 companies have exceeded earnings estimates, while 72% have exceeded revenue estimates.

But, with interest rates trending higher and the current economic expansion soon to be the second longest on record, the question has become, "Is this as good as it gets?"

While we certainly acknowledge the impact of higher interest rates, in this case, we believe they are being led higher by a strong economy that continues to be on sound footing. Further, the positive impact of the recent tax cuts has yet to be fully felt by the economy.

That said, we remain vigilant as to increasing inflationary pressures and the effect they would have on financial assets.

With the unemployment rate at levels that many economists consider fully employed, one metric that will continue to merit attention is the growth rate in hourly wages. The next data point on this front arrives this Friday at 8:30 a.m. (ET), when the Department of Labor releases its jobs report for the month of April.

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.

TREASURIES - Moderate Retracement in Yields After Two Weeks of Flattening (4/19/2018)
As concerns of a flattening yield curve persist, Jim Barnes, Director of Fixed Income at BMT, spoke with Reuters to put things into perspective. Jim pointed to positive economic growth trends as one of the main reasons why he doesn't believe investors will see a flattening this year.

U.S. Stocks Retreat but Post Weekly Gains (4/20/2018)
In the midst of earnings season, *The Wall Street Journal* asked Ernie Cecilia, Chief Investment Officer at BMT, how he is analyzing these reports on behalf of clients and what they indicate about the overall health of the market.

Economy Fears Spark Stock Market Rout After Bonds Punch Through 3% (4/24/2018)
Ernie Cecilia spoke with Bloomberg to decipher corporate earnings reports. Ernie explained that in addition to earnings data, he is also monitoring how rising interest rates and geopolitical tensions may impact the markets.

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