



Market Summary – May 14, 2018

For the week ending May 11

This summary is provided by BMT Wealth Management.

Tame Inflation Data

Inflation fears abated this past week, after the Producer Price Index and the Consumer Price Index recorded weaker-than-expected numbers. Investors welcomed the news, but are still anticipating three additional rate hikes from the Federal Reserve (the Fed) in 2018.

The Producer Price Index increased 0.1% in April, the lowest monthly increase so far this year. A decline in food prices during the month was the primary driver. The Core Producer Price Index, which strips out food and energy prices, was up a modest 0.2% in April.

The Core Consumer Price Index was up 0.1% in April, also the lowest monthly increase this year. Declining automobile and airline prices contributed to the lackluster inflationary data in April. Over the past year, the Index is up 2.1%.

As the chart below illustrates, consumer prices have leveled off from their jump earlier in the year.

Core Consumer Price Index
Year over Year, 5/31/2017 – 4/30/2018



CPI YOY Index (US CPI Urban Consumers Less Food & Energy YOY NSA) Graph 129 Da Copyright© 2018 Bloomberg Finance L.P. 11-May-2018 05:38:05

Source: Bloomberg Finance L.P.

Investor concerns related to rising prices have yet to notably materialize, although the federal funds futures market is still reflecting a better than 50% probability that the Fed will raise the federal funds target rate an additional 75 basis points (0.75%) this year.

The next key Federal Open Market Committee announcement is scheduled for June 13.

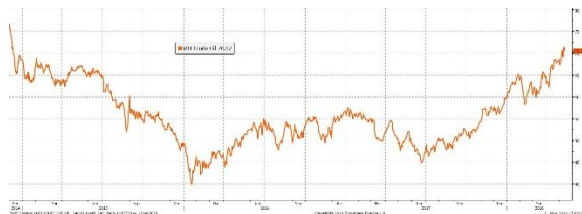
Financial Markets: Rising Equity Prices, Oil Prices, and Bond Yields

Investors' risk appetite for equities picked up last week, as the Dow Jones Industrial Average closed each day in positive territory. Trade rhetoric and geopolitical tensions eased, while subdued inflation helped keep bond yields in check.

The S&P 500 Index participated in the rally and increased roughly 2.50%, the largest weekly advance in two months. The Energy and Financial sectors led the way, returning 4.02% and 3.62%, respectively. The Utility and Consumer Staple sectors were the only two sectors finishing in the red, down -2.16% and -0.37%, respectively.

Energy companies received a boost from rising oil prices, which continued to benefit from increased demand as well as potential conflicts in the Middle East. West Texas Intermediate (WTI) crude oil closed last Thursday (May 10) at \$71.36, the highest level since December 2014.

WTI Crude Oil
12/1/2014 – 5/11/2018



Source: Bloomberg Finance L.P.

Overseas, developed and emerging markets both ended the week with positive returns. The MSCI EAFE (international developed markets) Index and the MSCI Emerging Markets Index were up 0.78% and 1.82%, respectively.

U.S. Treasury bond yields increased across the yield curve, although the ten-year yield stopped short of closing above the psychological threshold of 3.00%. The two-year and ten-year ended the week at 2.54% and 2.97%, respectively.

Credit spreads tightened on the week, coinciding with rising equity prices, while the U.S. dollar was mostly unchanged.

Our View

Corporate earnings continue to be a positive catalyst for stocks, given the jump in revenue growth during the first quarter. We remain focused on company fundamentals, and still maintain that asset and sub-asset class diversification and fund and security selection are of the utmost importance in these latter stages of the economic and market cycles.

Rising short-term bond yields and a flattening yield curve have provided investors with the opportunity to earn additional yield without having to take on extensive duration risk. We continue to focus on the short to intermediate part of the yield curve.

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 Mixed After Iran Announcement; Dollar Gains: Markets Wrap (5/8/2018)

As the U.S. announced its stance on the Iran Nuclear Deal, [Bloomberg](#) asked Ernie Cecilia, Chief Investment Officer at BMT, about how this is impacting stock market activity. As markets often fluctuate amid geopolitical tensions, Ernie indicated that today's announcement was largely in line with expectations.

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