



Market Summary – June 11, 2018

For the week ending June 8

This summary is provided by BMT Wealth Management.

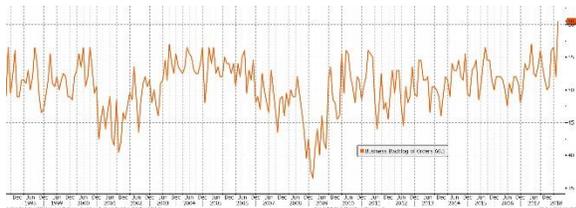
U.S. Economy Remains Robust

Economic data released last week indicated that the U.S. economy is picking up momentum, after growing at an annualized rate of 2.2% in the first quarter of this year.

The ISM Non-Manufacturing Index recorded better-than-expected results for May, as the U.S. service sector remained healthy and in expansionary territory. The service sector, which makes up roughly 90% of the U.S. economy, is experiencing high levels of back orders, a potential indication of continued economic strength in the months ahead.

A subset of the ISM Non-Manufacturing Index, referred to as the ISM Non-Manufacturing Report on Business Backlog of Orders Index, jumped to the highest level on record in May. The chart below captures the data from inception through the end of May.

**ISM Non-Manufacturing Report on Business Backlog of Orders Index:
7/31/1997 – 5/31/2018**



Source: Bloomberg Finance L.P.

This positive data follows the very good employment and U.S. manufacturing reports that were released for May. The Federal Reserve will be combing through the statistics when the

Federal Open Market Committee meets this week to determine future monetary policy actions.

Overseas, the European Central Bank (ECB) will be meeting this week to discuss the future of its quantitative easing program. Although economic growth lags that of the United States, there is much speculation that the European economy is strong enough to operate with less support from the ECB's accommodative monetary policies.

Financial Markets: Rising Equity Prices

Last week, investors had much to digest regarding emerging market volatility, Italy's new government, trade rhetoric, and, of course, the summit between the United States and North Korea. In the end, equities posted a solid performance on the week, both domestically and abroad.

The S&P 500 Index ended the week up +1.66%, its third consecutive week posting a positive return. All sectors within the S&P 500 ended in the black, except for the Utility sector, which was down -3.02%. The Telecommunications and Consumer Discretionary sectors were the best-performing sectors, up +3.36% and +3.21%, respectively.

For the year, the S&P 500 Index is up +4.84%.

Overseas, the MSCI EAFE (developed international) Index and the MSCI Emerging Markets Index were up +0.96% and +0.54%,

respectively. Uncertainty regarding the fiscal policy direction of Italy's new government, as well as the currency volatility in Brazil and Turkey, were not enough to deter investors from participating in the equity rally.

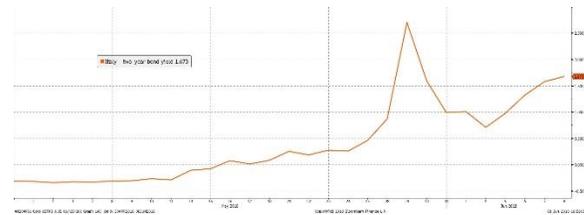
Financial Markets: Rising Bond Yields

In fixed income, U.S. Treasury yields increased modestly across the yield curve, as demand for the safe-haven asset eased throughout the week. The two-year and 10-year U.S. Treasury yields ended the week at 2.49% and 2.95%, respectively.

U.S. credit spreads tightened last week, while investor inflation expectations inched higher.

In Europe, Italian yields spiked again on investor concerns related to Italy's new government and fiscal agenda. The sovereign's two-year bond yield jumped roughly 66 basis points (+0.66%) and ended the week at 1.67%. Interestingly, the yield was in negative territory less than one month ago.

Two-Year Italian Sovereign Bond Yields: 4/30/2018 – 6/8/2018



Source: Bloomberg Finance L.P.

Looking Ahead

While central banks in the United States, Europe, and Japan are meeting to discuss monetary policy and their respective economies this week, we will be monitoring statements closely, looking for any indication of more/less aggressive monetary policy actions.

In the United States, inflation data for May will be released tomorrow (June 12), and retail sales data for last month will come out on Thursday (June 14). They will provide additional color on the U.S. economy.

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.

How to Adjust Your Budget Once Your Kids Leave the Nest (5/31/2018)

[U.S. News & World Report](#) sought expert insight from Paul Gaudio, Wealth Planning Strategist at BMT's Princeton-based Wealth Specialty office, on how parents should adjust their financial plans once their kids leave the nest. Paul advised against collecting any new debts and underscored the importance of building retirement savings during this period of transition.

Late Push Sends Nasdaq to Record High; Bonds Gain: Markets Wrap (6/4/2018)

In a roundup of the day's market activity, [Bloomberg](#) turned to Ernie Cecilia, Chief Investment Officer at BMT, for BMT's view on the behavior of the equity markets. Ernie explained that fundamental factors (economic growth, strong corporate earnings, relatively benign interest rates) have been the primary

drivers of financial asset pricing, as headline events (North Korea, Iran, trade, etc.) instill a measure of volatility over shorter time periods.

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