



Market Summary – July 2, 2018

For the week ending June 29

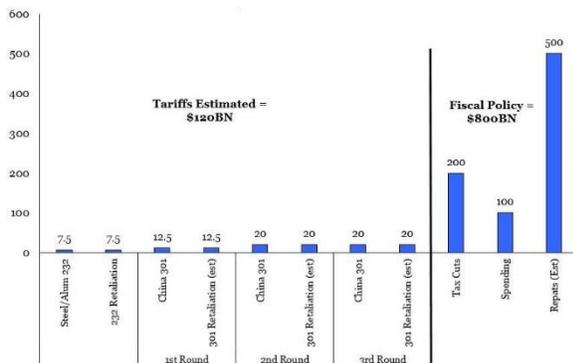
This summary is provided by BMT Wealth Management.

Trade Fears Take Center Stage

Financial markets have encountered more volatility thus far in 2018 than they have in the last several years. Early last week, volatility hit the equity markets in the form of fears of trade tariff wars with China.

The graph below places the potential impact of tariffs with China (\$120 billion; left-hand side of the graph) with the monetary impact on the U.S. economy of fiscal policy measures in the form of tax cuts, spending, and estimated repatriation of funds (\$800 billion; right-hand side).

Comparing the Size of Tariffs with Incremental Fiscal Policy: Calendar Year 2018, \$BN



Source: Strategas Research Partners

Clearly, the impact of fiscal policy measures is more significant to the U.S. economy than the tariff risks with China.

However, it should be emphasized that the impact of extended trade wars with China, or the

EU, would be more problematic should strong U.S. economic growth begin to falter.

Market Overview

With June now in the rearview mirror, the S&P 500 eked out a small gain amid the volatility, rising +0.62% in the month. The outperformance of small-cap stocks remained evident through the month of June.

As noted in the graph below, small-cap stocks (orange line), as represented by the Russell 2000 Index, rose +7.66% for the first six months of 2018, beating the large-cap-weighted S&P 500 Index (blue line), which rose a lesser +2.65% for the period.

U.S. Equity Returns by Market Capitalization: 12/31/2017 – 6/30/2018



Source: FactSet, Inc.

The ten-year U.S. Treasury bond ended last week to yield 2.86%, lower by 4 basis points (-0.04%) for the week. Yields at the short end of the curve were little changed for the week.

Looking Ahead

U.S. economic growth continues at a solid pace, with estimates of very strong 3% - 4% GDP growth forecast for the second calendar quarter.

We expect second-quarter earnings reporting season to be favorable for most of corporate America. Trade-war rhetoric and other headline makers will continue to keep volatility alive in the financial markets over the near term.

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.

Amazon Makes More Trouble for the Dow by Ruining Walgreens Debut (6/28/2018)

As Amazon's purchase of PillPack shook up the pharmaceutical industry this week, [Bloomberg](#) turned to Ernie Cecilia, Chief Investment Officer at BMT, for comment. Ernie underscored the often-disruptive nature of Amazon's rumored and actual intrusions to business models.

Stock Market Outlook: A Market That Giveth and Taketh Away (6/29/2018)

In a recent [NerdWallet](#) article, Ernie Cecilia provided expert commentary on two of investors' most pressing concerns this summer – the possibility of an inverted yield curve and rising interest rates. In response to these developments, Ernie recommended keeping your portfolio diversified, as well as allocating more to small-cap stocks and bonds with shorter-duration maturities.

The views expressed herein are those of Bryn Mawr Trust as of the date above and are subject to change based on market conditions and other factors. Past performance is no guarantee of future results. This publication is for informational purposes only and should not be construed as a recommendation for any specific security or sector. Information has been collected from sources believed to be reliable, but has not been verified for accuracy.

Securities and insurance products: (1) are not bank deposits; (2) are not insured or guaranteed by the FDIC or any other government agency; (3) are not obligations of, or guaranteed by, any financial institution; and (4) involve investment risks, including the potential for fluctuations in investment return and the possible loss of principal.

By clicking on the links above, you will be directed to websites that are not operated or controlled by Bryn Mawr Trust. Bryn Mawr Trust is not responsible for the content on, or availability of, the linked websites. Bryn Mawr Trust does not endorse or guarantee any products or services made available on the linked websites and makes no representation or warranty regarding the accuracy of the information contained on the linked websites. If you have any questions or concerns about the information provided on the linked websites, please contact that third party directly.

© 2018 The Bryn Mawr Trust Company

BMT Wealth Management
Ernest E. Cecilia, CFA | Chief Investment Officer
610.254.2030 | ececilia@bmtc.com
bmtc.com/wealth