



## Market Summary - January 28, 2019

*For the week ending January 25*

*This summary is provided by BMT Wealth Management.*

### Macroeconomic Overview

Last week was relatively light in terms of the volume of economic reports released in the United States. None of the macro data materially affected financial markets.

The weakness in recent housing data is showing no visible signs of abating, as existing home sales, gathered by the National Association of Realtors, missed consensus estimates last week. The slowdown in housing is at least partially attributed to rising mortgage rates and limited supply.

Initial jobless claims continued to trend lower and have reached levels last seen in the late 1960s which further captures the strength of the U.S. labor market.

This upcoming week will be a bit busier on the economic front. Investors will get the opportunity to weigh in on this year's first FOMC (Federal Open Market Committee) meeting on Wednesday and January's employment report on Friday. It will also be interesting to see if the recent weakness in consumer confidence persists after The Conference Board releases its latest findings on Tuesday.

### Financial Market Recap

Equity markets began last week in negative territory and closed out the week with a slight loss, -0.21% for the S&P 500 Index. The equity markets got a boost on Friday after a deal was announced to reopen the U.S. government after a prolonged shutdown.

International equities fared a bit better than their U.S. counterparts and closed out the week with modest gains with the MSCI EAFE Index appreciating 0.50% and the MSCI Emerging Markets Index rising 1.40%.

Most economic sectors closed out the week with modest losses, as the first earnings season for 2019 has started to ramp up. Overall, technology stocks were the positive outliers, while energy stocks lagged after a sharp rally off December lows.

On the fixed income side, interest rates fell across the yield curve in advance of this Wednesday's FOMC meeting. The 2-year and 10-year U.S. Treasury yields closed out the week at 2.60% and 2.75%, respectively. Credit spreads widened slightly this past week but have tightened considerably since the end of last year as investor preference has moved back to favor riskier assets.

### Market Approaches Key Resistance Levels

The chart on the next page illustrates how sharp equities have rallied off the lows since December 24, 2018. One thing to note in the chart is the short-, intermediate-, and longer-term pricing trends as denoted by the 50-Day Exponential Moving Average (gold line), 100-Day Exponential Moving Average (red line), and 200-Day Exponential Moving Average (blue line), respectively. While pricing trends are not necessarily predictive of future returns, the inability of stock prices to rise above trend lines could adversely impact investor sentiment.

*(article continued on next page.)*

S&P 500 Index Price Level and Moving Average Data  
6 Months Ending 1/25/19



Source: FactSet, Inc.

While we observe market technical data and are cognizant of existing trends, most of our time is spent conducting fundamental research.

Since we are now in the middle of earnings reporting season, most of our time will be spent parsing through the latest round of financial statement data and guidance from management teams to see if concerns over tariffs, peak growth and margins, and weakening sentiment are negatively affecting corporate results. Through Friday (January 25), 22% of S&P 500 companies have reported financial results, with a year-over-year blended growth rate of +10.88% for earnings and +6.1% for revenues.

## Bonus Content

# PODCAST: The Importance of Credit Quality in Selecting Fixed Income Investments

The BMT Wealth Management podcast provides commentary on what's moving the financial markets, financial planning, and other timely business and monetary topics relevant to many of our clients.

Jen Fox, President of BMT Wealth Management, met with Jim Barnes, Director of Fixed Income, to discuss credit developments in the bond market. Given the long period of low borrowing costs, many companies have increased the amount of debt on their balance sheets. Jim and Jen discussed the importance of credit analysis in the current economic environment as well as specific metrics the BMT Fixed Income Team utilizes when assessing the overall credit quality of an issuer.

[Listen online at bmt.com/wealth](http://bmt.com/wealth)

(transcript available)

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