



Market Summary - April 15, 2019

For the week ending April 12

This summary is provided by BMT Wealth Management.

Economic Data: All eyes on low inflation

Last week, the Federal Reserve (Fed) released its minutes from the March 19-20, 2019 FOMC meeting. The minutes indicated the current low inflationary environment remains a primary concern of the Fed given the strong labor market and above average economic growth outlook. As the year progresses, the Fed expects inflation will gradually trend higher but believes for now, a federal funds target rate in the range of 2.25% to 2.50% is appropriate.

Benign inflationary data reported on April 10, 2019 supported the Fed's concerns. The Core Consumer Price Index increased a very modest +0.1% in March and +2.0% over the past year. The latter number has been declining since mid-2018 when it reached 2.4%.

US CPI Urban Consumers Less Food & Energy YoY NSA
December 31, 2017 – March 31, 2019



Source: Bloomberg Finance L.P.

Although the U.S. economy has been growing at an above average growth rate, the Fed also noted within their minutes concerns regarding a weakening global economy and the spillover effects it could have to the U.S. economy and inflation. Interestingly, on Tuesday, April 9, 2019 the International Monetary Fund downgraded their global economic growth forecasts for 2019 to +3.3% from a +3.5% in January.

Financial Markets: Investor optimism continues

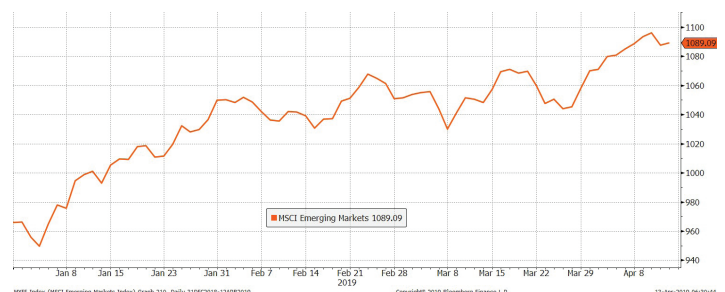
Equity investors remain optimistic that a dovish Fed and low inflation will be supportive to ongoing economic growth and corporate profits. The S&P 500 index rose +0.56% for the week just ended, led by the Financial and Telecommunication sectors that were up +2.10% and +1.81%, respectively.

The Financial Sector received a boost from JPMorgan, the nation's largest bank, after the company announced better than expected earnings during its April 12, 2019 earnings update.

Also, worth noting, Chevron's \$33 billion acquisition of Anadarko Petroleum Corp received much attention from investors when announced on April 12, 2019, but it wasn't enough to pull the Energy Sector into positive territory. The Energy Sector dropped -0.17% last week.

Overseas, the developed markets (MSCI EAFE) and the emerging markets (MSCI Emerging Market) indices were up +0.29% and +0.41%, respectively. For the year, the emerging markets are up +13.19%.

MSCI Emerging Markets Index
December 31, 2018 – April 12, 2019



Source: Bloomberg Finance L.P.

Financial Markets: U.S. Treasury yields increase during the week

U.S. Treasury yields trended higher last week with the two-year U.S. Treasury yield and the 10-year U.S. Treasury yield increasing five (0.05%) and seven (0.07%) basis points, respectively, and closed at 2.39% and 2.57%. The 2- to 10-year part of the yield curve modestly steepened.

Investors continued to favor U.S. corporate bonds over U.S. government bonds last week, a familiar theme thus far in 2019. The low interest rate environment remains supportive for corporate borrowing costs. Through April 12, 2019, intermediate U.S. corporate bonds returned 3.81% compared to intermediate U.S. government bonds return of 1.17%.

Looking Ahead

This week, international trade data will be reported on April 17 while consumer spending data will be reported on April 18. Both pieces of information will provide valuable insight on the impact of the ongoing trade disputes as well as the consumer's contribution to economic growth.

Bonus Content

PODCAST: Q1 2019 Market Report

Ernie Cecilia, Senior Vice President and Chief Investment Officer at BMT Wealth Management, sits down to reflect on the fourth quarter of 2018 through the lens of the recently closed first quarter of 2019. He also looks ahead at the financial markets and how they affect investments. Ernie also provides analysis of our globally-connected economy with a look at the IMF's global growth forecast and international manufacturing data, trade and tariffs, and consumer demand.

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(transcript available)

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