Weekly Market Overview

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Comerica Wealth Management

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The U.S. markets were again an island of relative calm in a sea of global turmoil. The S&P 500® Index managed a fractional gain last week of 0.66%, and the S&P 600 Small-Cap Index managed a slightly better showing of 0.80%. The global markets fared less well with developed markets of the MSCI EAFE® Index slipping 1.18%, as the exodus from emerging markets sent the MSCI Emerging Market Index down 3.71%. Fully half of the decline registered by the emerging markets was currency-related, as the U.S. dollar continued to exhibit strength versus other currencies. This flight to safety was also apparent in U.S. Treasury yields, as demand pushed rates down last week from the five-year maturity mark out to the thirty-year. Interestingly, however, unlike past interest rate retreats, the back up in interest rates did not appear to influence investors' preference for growth stocks over value stocks. Notably, the Russell 1000 Value Index gained 0.97% last week as compared to the 0.26% gain posted by the Russell 1000 Growth Index. Equity sector performance looked defensive with consumer staples posting the strongest gains, up 3.43%, followed by the 2.89% gain in utility shares. Health care and industrials tied for third place with gains of 1.6%. The energy sector suffered the largest decline for the week, losing some 3.56%, as crude oil prices continue to surrender recent gains. The price per barrel of WTI crude closed the week at $65.91, down 9.16% from its July 10th high, as North American output continues to grow. Industrial and precious metals were off roughly 3.33% last week, but it was a very positive week in agricultural commodities, as U.S. soybean prices rallied 4.2%.

One of the greatest threats to the equity market has been the stagnation in productivity growth. Since peaking in 2014, profit margins have been declining due to weak productivity growth. One of our fundamental positions in support of an extended economic cycle is that we would see a ramp up in business spending aimed at increasing productivity due to tight labor markets and the new tax incentives making reinvestment financially rewarding. This week, the Bureau of Labor Statistics released its report on second quarter productivity showing that productivity had increased 2.9% for the quarter, which produced a decline of 0.9% in unit labor costs. As you can see in Exhibit 1, one of the driving factors behind the economic expansion of the 1990s was the increase in productivity and the resulting decline in unit labor costs. That cycle was strong enough that productivity overwhelmed inflation. In essence, so long as the rate of productivity growth was higher than the rate of inflation, the latter did not matter as much. While this is only a single data point, it is what we thought was likely to occur.

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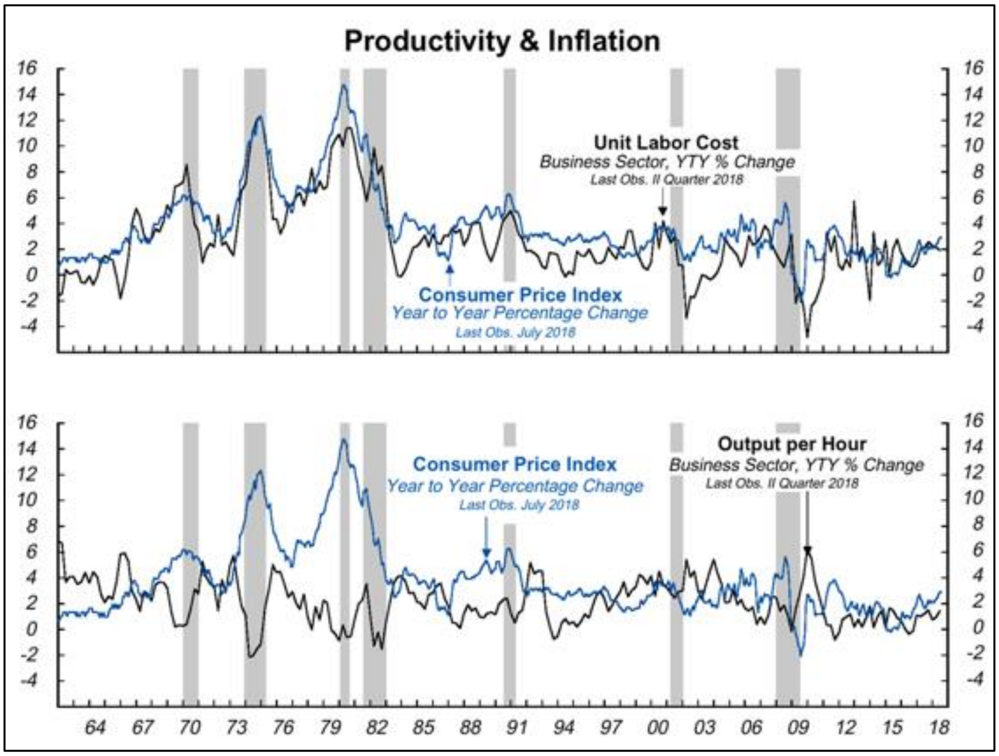

Exhibit 1 (Source: Crandall, Pierce & Company) Note: Shaded areas represent recessionary periods

EQUITIES						S&P 500® SECTORS		
DOMESTIC			**INTERNATIONAL**				**YTD**	**12MTH**
	LEVEL	**YTD**		**LEVEL**	**YTD**	Energy	2.17%	20.27%
DJIA	25669.32	3.84%	FTSE 100	7558.59	-8.28%	Material	-2.28%	10.92%
S&P 500®	2850.13	6.60%	HANG SEN	27213.41	-9.46%	Cons Disc	14.83%	29.26%
S&P 400	2010.19	5.77%	MSCI EAFE®	1927.78	-3.67%	Cons Stpl	-2.20%	2.44%
S&P 600	1072.59	14.56%	MSCI EMG	1022.37	-9.99%	Health Care	11.28%	18.89%
						Financials	1.73%	16.51%
COMMODITIES			**CURRENCIES**			Technology	16.63%	32.14%
	LEVEL	**YTD**		**LEVEL**	**YTD**	Industrial	1.50%	13.99%
Gold	1184.25	-9.10%	MXN/DLR	18.8906	4.07%	Utilities	5.33%	3.49%
Silver	14.80	-12.60%	DLR/EUR	1.1438	-4.72%	**KEY INTEREST RATES**		
WTI	65.91	9.09%	DLR/GB	1.2749	-5.65%	LIBOR OVERNIGHT		1.9169%
Nat Gas	2.95	-0.24%	CDN/DLR	1.3061	-3.75%	LIBOR 3 MONTH		2.3119%

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NOTE: IMPORTANT INFORMATION

Unless otherwise noted, all statistics herein obtained from Bloomberg.

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