

# Weekly Market Overview

September 3, 2018



*Peter Sorrentino, Chief Investment Officer, Comerica Asset Management*

The U.S. equity market closed out the summer vacation season on a positive note, with all major indices posting gains last week. Carrying the market higher were the stalwarts of large-cap momentum: consumer discretion (up 1.79%) and technology (1.78%). Only consumer staples (-0.52) and utilities (-0.48) posted declines. Unlike prior episodes where prices for utility shares declined, the interest rate environment was largely supportive last week, as Europe was again confronted with recalcitrant politicians in Rome threatening to ignore E.U. budget mandates. This threat is serving to send Europe once more to the relative safety of U.S. Treasury securities and pushing the MSCI EAFE® Index down 0.72%. The emerging markets posted a modest rebound last week, with the MSCI Emerging Market Index advancing 0.55%. Commodity prices also enjoyed a generally positive week as industrial metals, grains and energy prices rose around 1% on average. U.S. crude oil prices, as measured by West Texas Intermediate, are once more closing in on the \$70 per barrel price. This barrier has withstood two prior attempts to breach this year only to see prices subside as production and inventory data quickly snuffed out further strength. This time, however, with U.S. sanctions on Iran and Russia serving to tighten global supply, we will likely see a sustained move over the \$70 threshold.

Returning to the topic of emerging markets, much was written last week about a new crisis being upon us and a contagion appearing likely. While there is some degree of validity in those admonitions, it should also be pointed out that concurrent to the recent weakness in those markets has been an effort by the Bank of China to weaken the Chinese currency to cushion the Chinese economy from some of the negative economic impacts of the current trade spat with the U.S. Given that China is a more significant customer than the U.S. for these economies, it is likely this has been more of a factor than the internal politics of Turkey or Argentina. Exhibit 1 seems to bear this out, as you can see the peak of the Chinese foreign exchange interventions seems to coincide well with the recent trough in emerging market equity prices. The Bank of China appears to have concluded its actions for now. It will be interesting to see if last week's rebound in emerging markets continues.

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Exhibit 1 (Source: Bloomberg)

| EQUITIES    |          |        |               |          | S&P 500® SECTORS |                    |               |
|-------------|----------|--------|---------------|----------|------------------|--------------------|---------------|
| DOMESTIC    |          |        | INTERNATIONAL |          |                  | YTD                | 12MTH         |
|             | LEVEL    | YTD    |               | LEVEL    | YTD              |                    |               |
| DJIA        | 25964.82 | 5.04%  | FTSE 100      | 7432.42  | -7.52%           | Energy             | 4.75% 21.03%  |
| S&P 500®    | 2901.52  | 8.52%  | HANG SEN      | 27888.55 | -7.20%           | Material           | 0.66% 9.21%   |
| S&P 400     | 2044.7   | 7.58%  | MSCI EAFE®    | 1962.05  | -1.88%           | Cons Disc          | 19.37% 31.64% |
| S&P 600     | 1098.36  | 17.31% | MSCI EMG      | 1055.96  | -6.99%           | Cons Stpl          | -4.34% 0.58%  |
| COMMODITIES |          |        | CURRENCIES    |          |                  | Health Care        | 13.31% 16.22% |
|             | LEVEL    | YTD    |               | LEVEL    | YTD              | Financials         | 2.37% 16.37%  |
| Gold        | 1199.39  | -7.94% | MXN/DLR       | 19.1087  | 2.88%            | Technology         | 21.03% 32.83% |
| Silver      | 14.52    | 14.25% | DLR/EUR       | 1.1593   | -3.43%           | Industrial         | 2.59% 12.97%  |
| WTI         | 69.88    | 15.66% | DLR/GB        | 1.292    | -4.39%           | Utilities          | 3.33% 1.01%   |
| Nat Gas     | 2.90     | -1.90% | CDN/DLR       | 1.3065   | -3.78%           | KEY INTEREST RATES |               |
|             |          |        |               |          |                  | LIBOR OVERNIGHT    | 1.9149%       |
|             |          |        |               |          |                  | LIBOR 3 MONTH      | 2.5356%       |

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## **NOTE: IMPORTANT INFORMATION**

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