Weekly Market Overview

September 10, 2018

Comerica Wealth Management

Peter Sorrentino, Chief Investment Officer, Comerica Asset Management

The market started September on a down note despite another strong employment report and solid manufacturing trends. Housing was once again softer than forecast in terms of volume, but pricing and inventory showed no signs of impending peril. The bulk of U.S. equity prices were off fractionally for the week; however, the energy and technology sectors were down 3% and 2.6%, respectively. The former reflected a 3.6% drop in the price of crude oil, and the latter was a reaction to sobering comments from the management of KLA-Tencor on the prospect of weaker growth in the semiconductor market. Last week, advancing stocks were confined to the typically-defensive consumer staples and utility sectors. What makes that somewhat of an anomaly was that interest rates trended higher following last week's positive reports on employment and manufacturing. Rising rates have typically been a negative for shares of utilities. Global equity markets had a much tougher time last week as both the MSCI EAFE® Index and Emerging Market Index were down considerably more than the 0.96% decline experienced by the S&P 500® Index. The MSCI EAFE® Index posted a 2.89% loss last week, and the MSCI Emerging Market Index fell 3.12%. Commodity prices were widely dispersed, as witnessed by the 3.6% drop in crude oil and the 3.9% gain for corn, while the balance of the domestic commodity market fell somewhere in between. As alluded to earlier, the bond market did respond to last week's economic data as witnessed by the yield on the U.S. ten-year Treasury bond moving up from 2.86% to finish the week at 2.9388%.

In researching the potential impact of both the imposed and threatened trade tariffs, I came across something I was initially unaware of: the world's fifth largest exporter, right behind Japan, is the Netherlands at $6,524 billion in 2017. So far, in all the back and forth, they have managed to stay out of the headlines. On the trade issue, the U.S. is solidly in second, just ahead of Germany, but well behind China, so it is a bigger deal for the Chinese, but we are not immune to it either. What is worth noting is the composition of that trade, as fully 90% of the world's electronics are sourced within an hour drive of the city of Shenzhen, and in the fields of research, China graduates more scientists and engineers than India, the U.S. and Russia combined, producing a flood of breakthroughs and new patents. But before we cower in fear, it should be noted that, last week, the population research arm of the United Nations formally forecast what many have long thought: the repercussions of the one-child policy. According to the report, China will begin to experience not only an aging population, but a declining one beginning around 2030, and accelerating to 2050 at a rate far faster than that experienced by Japan and Western Europe. As a nation, they have accomplished in thirty years what other nations have taken centuries to accomplish, but then they must, as time may be their most limited resource.

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EQUITIES						S&P 500® SECTORS		
DOMESTIC			INTERNATIONAL				YTD	12MTH
	LEVEL	YTD		LEVEL	YTD	Energy	2.47%	16.78%
DJIA	25916.54	4.84%	FTSE 100	7277.7	-9.43%	Material	-1.16%	9.82%
S&P 500®	11347.54	7.41%	HANG SEN	26973.47	-10.26%	Cons Disc	17.95%	31.42%
S&P 400	2027.25	6.67%	MSCI EAFE®	1905.44	-4.66%	Cons Stpl	2.96%	10.30%
S&P 600	1081.15	15.48%	MSCI EMG	1022.98	-9.84%	Health Care	13.00%	14.11%
						Financials	2.30%	19.67%
COMMODITIES			CURRENCIES			Technology	17.50%	30.33%
	LEVEL	YTD		LEVEL	YTD	Industrial	3.26%	14.34%
Gold	1196.93	-8.13%	MXN/DLR	19.3218	1.75%	Utilities	4.51%	1.14%
Silver	14.17	-16.32%	DLR/EUR	1.1551	-3.78%	**KEY INTEREST RATES**		
WTI	67.75	12.13%	DLR/GB	1.2925	-4.35%	LIBOR OVERNIGHT		1.9188%
Nat Gas	2.78	-5.99%	CDN/DLR	1.3166	-4.51%	LIBOR 3 MONTH		2.3313%

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NOTE: IMPORTANT INFORMATION

Unless otherwise noted, all statistics herein obtained from Bloomberg.

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