

Weekly Market Overview

October 1, 2018



Peter Sorrentino, Chief Investment Officer, Comerica Asset Management

The third quarter ended on a sour note, with scant enthusiasm for positive groups and considerable disdain for weaker sectors. Beginning with the week's positives, information technology and health care ended the quarter with gains approaching 1%. Technology held a slight advantage adding 0.97% for the week, closing out the quarter with an 8.44% gain. Health care, while in second place last week at 0.93%, was the top performer during the third quarter with a 14% advance. Weakness was widespread and pronounced as evident in the 4% declines in materials and financial service shares. Industrials and consumer staples suffered losses of 2% last week. Weakness was not confined to our shores, as the developed markets of the MSCI EAFE[®] Index slipped 1.1%, while the MSCI Emerging Market Index did somewhat better, posting only a 0.34% loss. Positive economic results for the U.S. served to push interest rates slightly higher last week, with the ten-year U.S. Treasury bond edging up to a 3.12% yield, while the benchmark thirty-year Treasury held a yield of 3.13%. Energy prices added another week of gains, as crude oil tacked on 3.5%, and natural gas managed a 1% gain. Elsewhere in commodity prices, industrial metals slipped roughly 1%, and agricultural prices lost just over 1%, pulled down by a 2.44% drop in wheat following two weeks of strong price recovery.

The third quarter demonstrated that the market is evolving along with the economy, and no longer an equity monolith; divergent performance is manifesting itself. While overall stock price volatility remains subdued, performance volatility among market sectors, global markets and asset classes is diverging. So far in 2018, simply being invested is no assurance of successful investment. No clearer examples of this are evident to anyone overweight in financial services or energy shares. Despite crude oil and natural gas prices finishing higher for the quarter, energy shares fell fractionally. In what should be ideal conditions with financial markets and interest rates both higher, shares of banks and asset managers failed to advance. Exhibit 1 provides a global perspective on market returns. The far right-hand column is adjusted to reflect the impact of currency changes for a U.S. investor.

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News		Settings		World Equity Indices													
Standard		Movers		Volatility		Ratios		Futures		Δ AVAT		10D		%Chg YTD		USD	
1) Americas	RMI	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	%Ytd	%YtdCur								
11) DOW JONES	<input type="checkbox"/>		26458.31	+18.38	+0.07%	-7.17%	09/28	+7.04%	+7.04%								
12) S&P 500	<input type="checkbox"/>		2913.98	-0.02	+0.00%	+1.39%	09/28	+8.99%	+8.99%								
13) NASDAQ	<input type="checkbox"/>		8046.35	+4.38	+0.05%	-4.64%	09/28	+16.56%	+16.56%								
14) S&P/TSX Comp	<input type="checkbox"/>		16073.14	-131.48	-0.81%	-1.74%	09/28	-0.84%	-3.43%								
15) S&P/BMV IPC	<input type="checkbox"/>		49504.16	-142.75	-0.29%	-8.85%	09/28	+0.30%	+5.34%								
16) IBOVESPA	<input type="checkbox"/>		79342.42	-657.67	-0.82%	+9.47%	09/28	+3.85%	-15.07%								
2) EMEA																	
21) Euro Stoxx 50	<input type="checkbox"/>		3399.20	-50.59	-1.47%	+50.04%	09/28	-2.99%	-6.22%								
22) FTSE 100	<input type="checkbox"/>		7510.20	-35.24	-0.47%	+15.90%	09/28	-2.31%	-5.80%								
23) CAC 40	<input type="checkbox"/>		5493.49	-46.92	-0.85%	+20.79%	09/28	+3.41%	-0.04%								
24) DAX	<input type="checkbox"/>		12246.73	-188.86	-1.52%	-0.02%	09/28	-5.19%	-8.35%								
25) IBEX 35	<input type="checkbox"/>		9389.20	-138.30	-1.45%	+25.42%	09/28	-6.52%	-9.63%								
26) FTSE MIB	<input type="checkbox"/>		20711.70	-799.37	-3.72%	+111.43%	09/28	-5.22%	-8.38%								
27) OMX STKH30	<input type="checkbox"/>		1662.36	-14.02	-0.84%	+29.35%	09/28	+5.42%	-2.96%								
28) SWISS MKT	<input type="checkbox"/>		9087.99	-24.23	-0.27%	+13.92%	09/28	-3.13%	-3.86%								
3) Asia/Pacific																	
31) NIKKEI	<input type="checkbox"/>		24120.04	+323.30	+1.36%	-1.95%	09/28	+5.95%	+5.01%								
32) HANG SENG	<input type="checkbox"/>		27788.52	+72.85	+0.26%	-11.34%	09/28	-7.12%	-7.29%								
33) CSI 300	<input type="checkbox"/>		3438.86	+35.27	+1.04%	+13.37%	09/28	-14.69%	-19.18%								
34) S&P/ASX 200	<input type="checkbox"/>		6207.56	+26.35	+0.43%	+6.53%	09/28	+2.35%	-5.30%								

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Exhibit 1 (Source: Bloomberg)

EQUITIES					S&P 500® SECTORS			
DOMESTIC			INTERNATIONAL			YTD		12MTH
	LEVEL	YTD		LEVEL	YTD			
DJIA	26548.31	7.04%	FTSE 100	7510.2	-5.80%	Energy	7.46%	12.93%
S&P 500®	2913.98	8.99%	HANG SEN	27788.52	-7.29%	Material	-2.73%	4.01%
S&P 400	2019.55	6.26%	MSCI EAFE®	1973.6	-0.99%	Cons Disc	20.62%	32.52%
S&P 600	1061.92	13.42%	MSCI EMG	1047.92	-7.49%	Cons Stpl	-3.35%	2.93%
						Health Care	16.63%	18.35%
						Financials	0.09%	8.69%
						Technology	20.62%	31.49%
						Industrial	4.84%	11.16%
						Utilities	2.72%	2.93%
						KEY INTEREST RATES		
						LIBOR OVERNIGHT		2.1714%
						LIBOR 3 MONTH		2.3984%

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NOTE: IMPORTANT INFORMATION

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