

Weekly Market Overview

October 15, 2018



Peter Sorrentino, Chief Investment Officer, Comerica Asset Management

Well, that was certainly exciting. Let us get to the numbers straight away and then make some assessments of the implications. For the week-ending October 12, 2018, here is how the major indices and market sectors performed:

S&P 500[®] Index	(4.15%)	Materials	(6.73%)
Russell 2000[®] Index	(5.23%)	Financials	(5.61%)
MSCI-EAFE[®] Index	(3.96%)	Energy	(5.39%)
MSCI-Emerging Market Index	(2.06%)	Health Care	(3.41%)
Russell 1000 Growth/Value Indices	(4.02% / 4.4%)	Communication Services	(3.03%)
Technology	(3.79%)	Utilities	(1.27%)
Consumer Discretion	(3.35%)		
Consumer Staples	(1.98%)		
CBOE VIX	43.79%		

Source: Bloomberg

As evidenced in the declines for industrials, materials and, to some extent energy as well, there are mounting concerns on the impact of tariffs and sanctions, even with the successful conclusion of the negotiations with Canada and Mexico. The catalyst for this goes back to interest rates. As the ten-year Treasury note closed in on a 3.25% yield, it threatened to break out of a multi-year range. This breakout set off a fear of the unknown among equity investors, many of whom have only known declining rates in their careers. Rather than wait and see what might unfold, many elected to head for the exit. For the record, the yield never got to 3.25%. The flow of funds overwhelmed supply, and the yield ebbed to 3.1498% by the close on Thursday. It was reassuring to see that after a long period of relatively low volatility, this sudden spike did not result in market disruptions. There was adequate liquidity for orderly trading, and there were no reports of large price gaps during the most frenetic episodes last week. There is always informational content in market downturns, and this one was no exception. The concern that the market leadership was over extended and too narrow was not a major element of this episode. As such, it would be safe to assume that investors are still relatively convinced of the economic growth story. The political uncertainty factor played a much greater role in last week's selling, even down to the capitalization differential, as investors picked transparency and liquidity over valuation and earnings momentum. A positive development last week was the revival of the derivatives market, which in recent years has been missing in action, resulting from the flood of zero cost money the monetary interventions of the central banks created. Now, with short rates climbing and volatility beginning to stir, the incentives to hedge market action have returned, as no longer can losing trades be warehoused due to the cost of carry. There were numerous trades with notional values over a billion dollars hitting the tape last week, as investors sought not only to hedge off risk, but to also profit from a potential rebound.

With earnings reporting season set to get underway, it is reasonable to expect that this episode is not over, and headlines will have an impact. The markets reacted well Friday morning to news before the open that Presidents Trump and Xi Jinping were scheduling a meeting, and the U.S. Treasury announced it was not designating China a currency manipulator, thus sparing us a weekend of dread and parallels to an October weekend in 1987.

Weekly Market Overview

October 15, 2018



Peter Sorrentino, Chief Investment Officer, Comerica Asset Management

EQUITIES						S&P 500® SECTORS		
DOMESTIC			INTERNATIONAL				YTD	12MTH
	LEVEL	YTD		LEVEL	YTD			
DJIA	25339.99	2.51%	FTSE 100	6995.91	-11.41%	Energy	3.58%	10.27%
S&P 500®	2767.13	3.50%	HANG SEN	25801.49	-13.99%	Material	-9.60%	-5.89%
S&P 400	1871.25	-1.54%	MSCI EAFE®	1850.76	-7.10%	Cons Disc	11.29%	20.79%
S&P 600	965.38	3.11%	MSCI EMG	980.09	-13.43%	Cons Stpl	-6.04%	-1.17%
S&P 100	1233.66	4.27%	NIKKEI	22694.66	0.17%	Health Care	11.71%	12.46%
						Comm Serv.	-4.26%	3.97%
						Financials	-3.97%	3.14%
						Technology	13.46%	20.21%
						Industrial	-1.12%	3.51%
						Utilities	3.30%	1.43%
COMMODITIES			CURRENCIES			KEY INTEREST RATES		
	LEVEL	YTD		LEVEL	YTD			
Gold	1217.05	-6.58%	MXN/DLR	18.8599	4.24%	LIBOR OVERNIGHT		2.2694%
Silver	14.58	-13.92%	DLR/EUR	1.1559	-3.72%	LIBOR 3 MONTH		2.4364%
WTI	71.34	18.07%	DLR/GB	1.3169	-2.55%			
Gasoline	1.94	7.94%	RMB/DLR	6.922	-6.00%			
Nat Gas	3.16	7.04%	CDN/DLR	1.3019	-3.44%			

Weekly Market Overview

October 15, 2018



**Peter Sorrentino, Chief Investment Officer, Comerica Asset Management Group
1717 Main Street, 3rd Floor, Dallas, Texas 75201 / 214.462.6690**

NOTE: IMPORTANT INFORMATION

Unless otherwise noted, all statistics herein obtained from Bloomberg.

This is not a complete analysis of every material fact regarding any company, industry or security. The information and materials herein has been obtained from sources we consider to be reliable, but Comerica Wealth Management does not warrant, or guarantee, its completeness or accuracy. Materials prepared by Comerica Wealth Management personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of Comerica Wealth Management, including investment banking personnel.

The views expressed are those of the author at the time of writing and are subject to change without notice. We do not assume any liability for losses that may result from the reliance by any person upon any such information or opinions. This material has been distributed for general educational/informational purposes only and should not be considered as investment advice or a recommendation for any particular security, strategy or investment product, or as personalized investment advice.

Diversification does not ensure a profit or protect against a loss in a declining market. Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The investments and strategies discussed herein may not be suitable for all clients. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations.

Comerica Wealth Management consists of various divisions and affiliates of Comerica Bank, including Comerica Bank & Trust, National Association; World Asset Management, Inc.; Comerica Securities, Inc.; and Comerica Insurance Services, Inc. and its affiliated insurance agencies. World Asset Management, Inc. and Comerica Securities, Inc. are federally registered investment advisors. Registrations do not imply a certain level of skill or training. Comerica Bank and its affiliates do not provide tax or legal advice. Please consult with your tax and legal advisors regarding your specific situation.

Non-deposit investment products offered by Comerica and its affiliates are not insured by the FDIC, are not deposits or other obligations of or guaranteed by Comerica Bank or any of its affiliates, and are subject to investment risks, including possible loss of the principal invested. Past performance is not indicative of future results. Information presented is for general information only and is subject to change.

The S&P 500® Index, S&P MidCap Index, S&P 600 Index and Dow Jones Wilshire 5000 (collectively, "S&P® Indices") are products of S&P Dow Jones Indices LLC or its affiliates ("SPDJI") and Standard & Poor's Financial Services, LLC and has been licensed for use by Comerica Bank, on behalf of itself and its Affiliates. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P") and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). The trademarks have been licensed to SPDJI and sublicensed for certain purposes by Comerica Bank, on behalf of itself and its Affiliates. Nothing herein is sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, any of their respective affiliates (collectively, "S&P Dow Jones Indices") or Standard & Poor's Financial Services LLC. Neither S&P Dow Jones Indices nor Standard & Poor's Financial Services, LLC make any representation or warranty, express or implied, to the owners of the content herein, or any member of the public regarding the advisability of investing in securities generally or in particular strategies or the ability of any particular strategy to track general market performance. SPDJI and Standard & Poor's Financial Services, LLC only relationship to Comerica Bank, on behalf of itself and its Affiliates with respect to the S&P® Indices is the licensing of the Indices and certain trade marks, service marks, and/or trade names of S&P Dow Jones Indices and/or its licensors. The S&P Indices are determined, composed and calculated by S&P Dow Jones Indices or Standard & Poor's Financial Services, LLC without regard to Comerica Bank and its Affiliates or any of the content herein. S&P Dow Jones Indices and Standard & Poor's Financial Services, LLC have no obligation to take the needs of Comerica and its Affiliates or the owners of any of the content herein into consideration in determining, composing or calculating the S&P Indices. Neither S&P Dow Jones Indices nor Standard & Poor's Financial Services, LLC are responsible for and have not participated in the determination of the prices, and amount of any particular strategy or the timing of the issuance or sale of any particular strategy or in the determination or calculation of the equation by which any particular strategy is to be converted into cash, surrendered or redeemed, as the case may be. S&P Dow Jones Indices and Standard & Poor's Financial Services, LLC have no obligation or liability in connection with the administration, marketing or trading of any particular strategy. There is no assurance that any particular investment product based on the S&P Indices will accurately track index performance or provide positive investment returns. SPDJI is not an investment advisor. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

Weekly Market Overview

October 15, 2018



**Peter Sorrentino, Chief Investment Officer, Comerica Asset Management Group
1717 Main Street, 3rd Floor, Dallas, Texas 75201 / 214.462.6690**

NOTE: IMPORTANT INFORMATION

NEITHER S&P DOW JONES INDICES NOR STANDARD & POOR'S FINANCIAL SERVICES, LLC GUARANTEES THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE WAM STRATEGIES OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES AND STANDARD & POOR'S FINANCIAL SERVICES, LLC SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES AND STANDARD & POOR'S FINANCIAL SERVICES, LLC MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES, OR MERCHANT ABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY COMERICA AND ITS AFFILIATES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P INDICES OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES OR STANDARD & POOR'S FINANCIAL SERVICES, LLC BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD-PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND COMERICA AND ITS AFFILIATES, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

"Russell 2000® Index" is a trademark of Russell Investments, licensed for use by Comerica Bank and World Asset Management, Inc. The source of all returns is Russell Investments. Further redistribution of information is strictly prohibited.

MSCI EAFE® is a trade mark of Morgan Stanley Capital International, Inc. ("MSCI").

FTSE International Limited ("FTSE") © FTSE 2016. FTSE® is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data.