Weekly Market Overview

October 29, 2018

Comerica Wealth Management

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Last week marked what appears to be the start of a correction for the technology-laden NASDAQ, as that exchange has fallen 11.52% from its August 29th high. Similarly, the Russell 2000® Index has declined 12.54% over the same period. The remainder of the market, including the widely-followed S&P 500® Index, sat just above the 10% correction threshold at 9.16%. The selling fell hardest early in the week on energy (-7.1%), industrials (-5.6%) and finance (-5.3%), as investors handicap a perceived downturn in the business cycle. Traders were quick to focus selling pressure on the shares of companies reporting anything other than stellar earnings with glowing forecasts, while ignoring those that did. Global markets have declined as well. The slope of their decline is shallower than the decline in the U.S.; the MSCI EAFE® Index fell 3.87%, and the MSCI Emerging Market Index fell 3.29% last week, versus the 3.95% registered by the S&P 500 Index. The U.S. dollar was only fractionally stronger last week; thus, it did not exacerbate the decline in foreign asset values as it has been doing during other selloffs earlier this year. In commodities, crude oil continues to struggle, while grains, livestock and industrial metals appear to, for the moment, have found equilibrium. The outlier in the energy space is domestic natural gas, which continues to inch up from $3 an Mcf, after struggling for over two years to break and hold that level. The long-awaited promise of exporting domestic liquified natural gas is beginning to bear fruit. U.S. Treasury bonds continue to find favor with investors, so much so that rates have been pushed back down to levels of last spring. This is not the case for municipal or corporate issues; the term structure for those obligations continues a gradual, largely parallel, shift upward.

Market corrections are harrowing periods where it is easy to be overtaken by the fear of loss and financial peril. It is even more important during these times to focus on the execution of a well-engineered plan. Rebalancing investments in a fast-moving market is nerve-wracking, but the rewards make it worth the effort. Below, I have included a rather involved exhibit detailing the corrections and bear markets since 1978. It includes the duration of the declines, as well as the time required to recover. While these periods seem to grind on, in truth they happen, and we recover to move even higher. At the bottom of the table, you can see how the correction of earlier this year played out. The point is that, we plan knowing full well these periods will occur and build our return assumptions around them.

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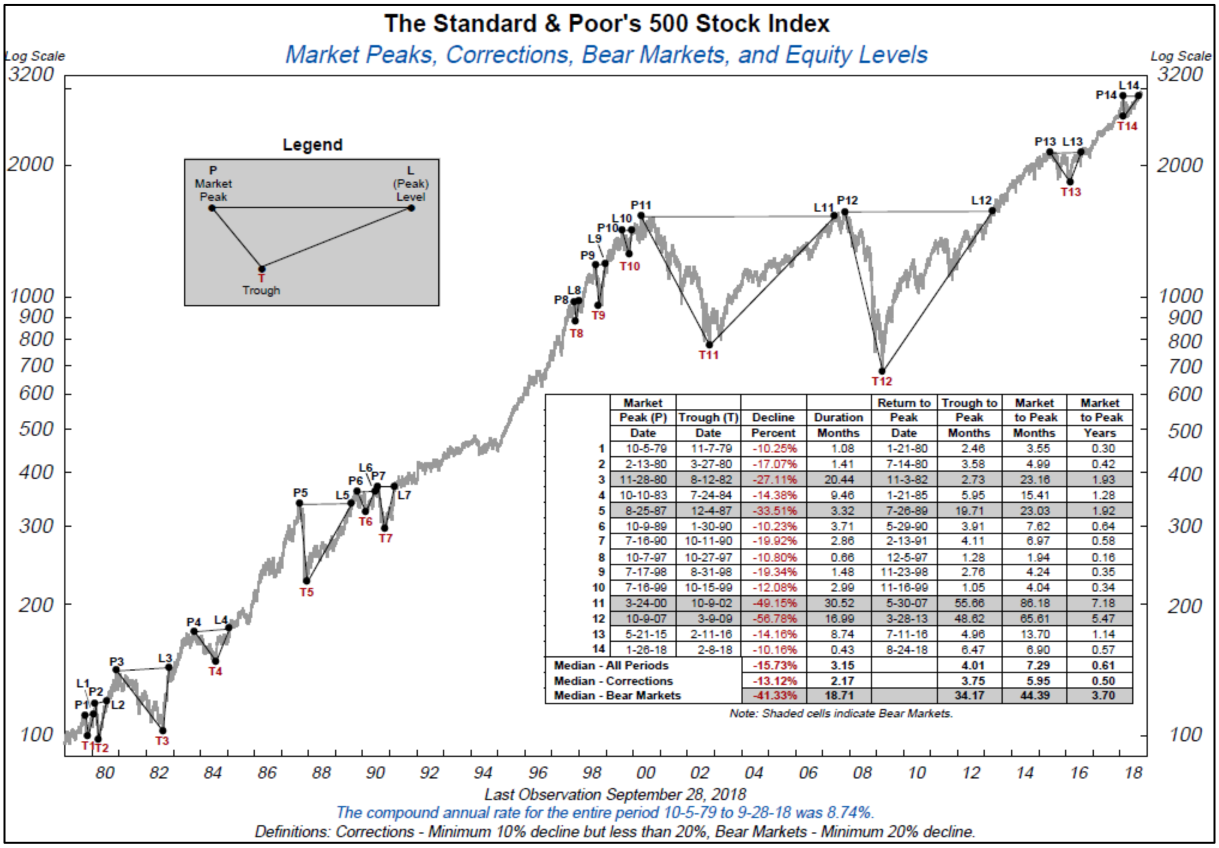

	Market Peak (P) Date	Trough (T) Date	Decline Percent	Duration Months	Return to Peak Date	Trough to Peak Months	Market to Peak Months	Market to Peak Years
1	10-5-79	11-7-79	-10.25%	1.08	1-21-80	2.46	3.55	0.30
2	2-13-80	3-27-80	-17.07%	1.41	7-14-80	3.58	4.99	0.42
3	11-28-80	8-12-82	-27.11%	20.44	11-3-82	2.73	23.16	1.93
4	10-10-83	7-24-84	-14.38%	9.46	1-21-85	5.95	15.41	1.28
5	8-25-87	12-4-87	-33.51%	3.32	7-26-89	19.71	23.03	1.92
6	10-9-89	1-30-90	-10.23%	3.71	5-29-90	3.91	7.62	0.64
7	7-16-90	10-11-90	-19.92%	2.86	2-13-91	4.11	6.97	0.58
8	10-7-97	10-27-97	-10.80%	0.66	12-5-97	1.28	1.94	0.16
9	7-17-98	8-31-98	-19.34%	1.48	11-23-98	2.76	4.24	0.35
10	7-16-99	10-15-99	-12.08%	2.99	11-16-99	1.05	4.04	0.34
11	3-24-00	10-9-02	-49.15%	30.52	5-30-07	55.66	86.18	7.18
12	10-9-07	3-9-09	-56.78%	16.99	3-28-13	48.62	65.61	5.47
13	5-21-15	2-11-16	-14.16%	8.74	7-11-16	4.96	13.70	1.14
14	1-26-18	2-8-18	-10.16%	0.43	8-24-18	6.47	6.90	0.57
Median - All Periods			**-15.73%**	**3.15**		**4.01**	**7.29**	**0.61**
Median - Corrections			**-13.12%**	**2.17**		**3.75**	**5.95**	**0.50**
Median - Bear Markets			**-41.33%**	**18.71**		**34.17**	**44.39**	**3.70**

Exhibit 1 (Source: Crandall, Pierce & Company)

EQUITIES

DOMESTIC	LEVEL	YTD	INTERNATIONAL	LEVEL	YTD
DJIA	24688.31	-0.13%	FTSE 100	6939.56	-15.12%
S&P 500®	2658.69	-0.56%	HANG SEN	24717.63	-17.66%
S&P 400	1795.1	-5.55%	MSCI EAFE®	1777.76	-10.75%
S&P 600	932.15	-0.44%	MSCI EMG	939.55	-16.99%
S&P 100	1189.06	0.50%	NIKKEI	24717.63	-6.27%

COMMODITIES	LEVEL	YTD	CURRENCIES	LEVEL	YTD
Gold	1233.53	-5.32%	MXN/DLR	19.3523	1.59%
Silver	14.70	-13.23%	DLR/EUR	1.1389	-5.13%
WTI	67.59	11.87%	DLR/GB	1.2817	-5.15%
Gasoline	1.82	0.88%	RMB/DLR	6.9435	-6.29%
Nat Gas	3.19	7.86%	CDN/DLR	1.3091	-3.97%

S&P 500® SECTORS

	YTD	12MTH
Energy	-5.59%	1.16%
Material	-14.80%	-12.48%
Cons Disc	5.63%	12.18%
Cons Stpl	-3.23%	4.44%
Health Care	7.24%	8.30%
Comm Serv.	-7.76%	2.33%
Financials	-8.29%	-3.95%
Technology	9.14%	11.30%
Industrial	-7.75%	-3.27%
Utilities	4.18%	0.58%

KEY INTEREST RATES

LIBOR OVERNIGHT	2.1768%
LIBOR 3 MONTH	2.5204%

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NOTE: IMPORTANT INFORMATION

Unless otherwise noted, all statistics herein obtained from Bloomberg.

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