

Weekly Market Overview

November 26, 2018



Peter Sorrentino, Chief Investment Officer, Comerica Asset Management

In a holiday-abbreviated week, the major market indices all managed to cross the threshold into correction territory, that being a decline of 10% or more from the market peak registered in early September. One encouraging statistic from last week was the drop in trading volume. In past declines that span holidays, trading volume has remained elevated, but last week it fell almost in line with that of 2017. All of which is to say that this does not look like a race for the exits. In fact, a recent survey of institutional portfolio allocations found that U.S. equities are at roughly 30%, the lowest level of exposure since the end of 2015. To be sure, this correction has been painful, having erased over \$3 trillion in market capitalization so far.

Last week, it was the former market leadership that bore the brunt of the selling pressure, with technology falling 6.2%, communication services off 4.9% and consumer discretionary issues off 4.5%. The only sector able to resist the tide was utilities, buoyed again by falling interest rates, enabling the group to post a gain of 0.11%. As you might expect, the decline had a definite flavor to it, as large growth stocks pulled down their respective benchmarks. The S&P 500[®] Index fell 3.6%, while the S&P 600 Index lost only 2.2%. The Russell 1000 Growth Index declined 4.7%, while the Russell 1000 Value Index lost only 2.25% for the week. International equities fared much better last week, as the MSCI EAFE[®] Index declined just 1.12%, and the MSCI Emerging Market Index fell 1.74%. Despite headlines to the contrary, commodities were mixed, save once again for crude oil, as the price of West Texas Intermediate lost another 7.7%, finishing the week at \$50.42 per barrel. Agricultural prices saw grains slipping fractionally, while livestock prices rose slightly. Industrial and precious metals declined fractionally as well. The term structure of interest rates has once again flattened, with the yield differential between two-year and thirty-year U.S. Treasury debt now at just one half of one percent.

Investors worldwide are haunted by the prospect of impending recession and are seizing upon random data points to support the premise. A quick reminder here that the market has predicted seven of the last three recessions, so it is by no means a foolproof indicator. Again, our view is that this is a late cycle economy and, as such, we will experience the ascendance of business spending versus consumer spending, the rise of smaller stocks over large ones and faster growing emerging economies over decelerating larger ones. Nothing that has occurred thus far has compelled us to alter that outlook. Oil prices are falling, thus reducing inflation pressures and supporting not only consumer spending but the prospects for import-dependent emerging economies. Business spending plans for 2019 and beyond, while slowing slightly from 2018 levels, are still roughly twice the recent five-year average. This spending is serving to boost productivity that, in turn, accelerates profit growth. Once again, whether the glass is half empty or half full depends upon what you want to see.

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EQUITIES						S&P 500 [®] SECTORS		
DOMESTIC			INTERNATIONAL				YTD	12MTH
	LEVEL	YTD		LEVEL	YTD			
DJIA	24285.95	-1.75%	FTSE 100	6952.86	-14.22%	Energy	-9.39%	-3.18%
S&P 500 [®]	2632.56	-1.54%	HANG SEN	25927.68	-13.47%	Material	-10.67%	-7.78%
S&P 400	1824.88	-3.98%	MSCI EAFE [®]	1793.85	-9.79%	Cons Disc	3.27%	8.02%
S&P 600	937.56	0.14%	MSCI EMG	969.17	-14.30%	Cons Stpl	-2.11%	2.34%
S&P 100	1161.4	-1.84%	NIKKEI	21646	-5.14%	Health Care	9.90%	11.49%
						Comm Serv.	-10.59%	0.49%
						Financials	-5.66%	0.98%
						Technology	2.63%	1.16%
						Industrial	-6.76%	-0.99%
						Utilities	5.53%	0.36%
COMMODITIES			CURRENCIES			KEY INTEREST RATES		
	LEVEL	YTD		LEVEL	YTD			
Gold	1223.05	-6.12%	MXN/DLR	20.4061	-3.66%	LIBOR OVERNIGHT		2.1770%
Silver	14.29	-15.63%	DLR/EUR	1.1337	-5.56%	LIBOR 3 MONTH		2.6912%
WTI	50.42	-16.55%	DLR/GB	1.2814	-5.17%			
Gasoline	1.39	-22.67%	RMB/DLR	6.9485	-6.36%			
Nat Gas	4.31	45.89%	CDN/DLR	1.3238	-5.04%			

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NOTE: IMPORTANT INFORMATION

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