

Weekly Market Overview

December 3, 2018



Peter Sorrentino, Chief Investment Officer, Comerica Asset Management

Domestic and foreign markets staged an impressive rebound upon returning from the Thanksgiving weekend. The week saw reasonably good news from the G-20 summit, despite the tensions over Russia and Ukraine. Federal Reserve Chairman Powell spoke, and despite using the exact same phrase as his predecessors, "We are data dependent," Fed observers declared the chairman has blinked and has begun rolling down rate hike forecasts. This reverberated through both equity and bond prices, as the ten-year Treasury rallied, sending the yield back below 3% to close the week at 2.988%. This led to a resurgence among the large-cap growth stocks, sending the NASDAQ Index up 5.64% and the S&P 500® Index up 4.71%. It was a good week all around as international markets were higher as well, with the MSCI EAFE® up 0.95% and the MSCI Emerging Market Index up 2.74%, led by the 3.25% gain for the Nikkei and the 2.25% gain for the Hang Seng. Among domestic stocks, all sectors turned in positive results last week, led by health care (+6.97%), technology (+6.02%) and consumer discretionary (+5.85%). Commodity markets were mixed, as grain prices added roughly 3%, and precious metals declined slightly, while industrial metals and energy prices were fractionally higher.

With the recent focus on trade, energy and stock prices, it would not be surprising for investors to have missed the brewing bond market storm. The Sears bankruptcy filing and mounting concern regarding the financial health of General Electric are the early warning signs for bond investors. In Exhibit 1, you can see the change in yield differential between U.S. Treasury rates and those of triple B corporate debt since the start of the quarter. Even though Treasury yields have declined, corporate yields are moving higher. We are encouraging investors to reduce credit and term risk; stretching for yield should be avoided.

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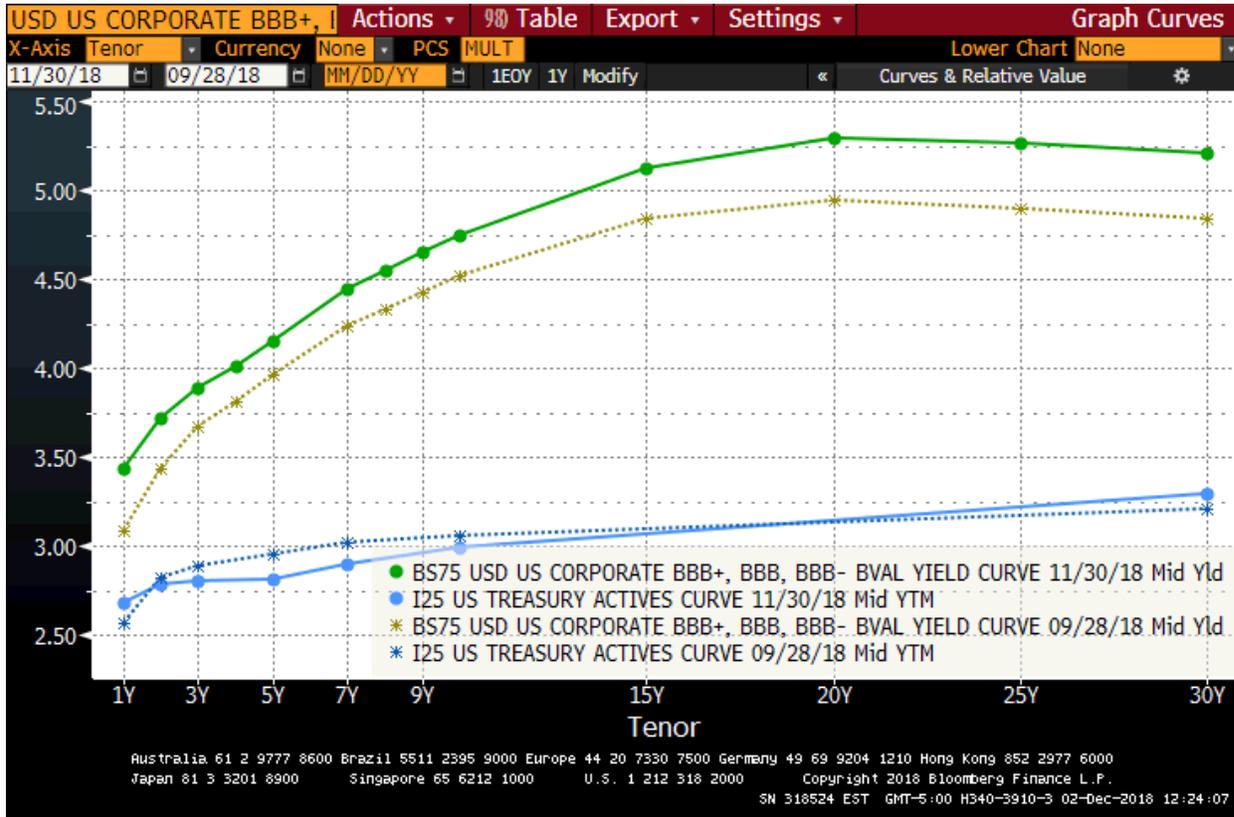


Exhibit 1 (Source: Bloomberg)

EQUITIES					S&P 500 [®] SECTORS			
DOMESTIC			INTERNATIONAL			YTD	12MTH	
	LEVEL	YTD		LEVEL	YTD			
DJIA	25538.46	3.31%	FTSE 100	6980.24	-14.31%	Energy	-6.21%	-2.41%
S&P 500 [®]	2760.17	3.24%	HANG SEN	2650675	-11.52%	Material	-8.38%	-5.80%
S&P 400	1878.65	-1.15%	MSCI EAFE [®]	1809.56	-8.92%	Cons Disc	10.03%	12.65%
S&P 600	962.95	2.85%	MSCI EMG	994.72	-12.02%	Cons Stpl	0.80%	2.78%
S&P 100	1225.19	3.55%	NIKKEI	22351.06	-2.85%	Health Care	16.50%	15.97%
COMMODITIES			CURRENCIES					
	LEVEL	YTD		LEVEL	YTD			
Gold	1220.52	-6.32%	MXN/DLR	20.3558	-3.48%	Comm Serv.	-5.66%	-0.64%
Silver	14.20	-16.13%	DLR/EUR	1.1317	-5.73%	Financials	-1.98%	-0.32%
WTI	50.93	-15.71%	DLR/GB	1.2749	-5.65%	Technology	8.93%	9.56%
Gasoline	1.40	-22.08%	RMB/DLR	6.9605	-6.52%	Industrial	-2.90%	0.09%
Nat Gas	4.61	56.18%	CDN/DLR	1.3292	-5.42%	Utilities	8.47%	2.18%
					KEY INTEREST RATES			
					LIBOR OVERNIGHT		2.1775%	
					LIBOR 3 MONTH		2.7361%	

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1717 Main Street, 3rd Floor, Dallas, Texas 75201 / 214.462.6690

NOTE: IMPORTANT INFORMATION

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