

Weekly Market Overview

December 31, 2018



Peter Sorrentino, Chief Investment Officer, Comerica Asset Management

The rally in the broad market last week was driven by consumer discretionary stocks, up 1.71%, followed by basic materials, up 1.5% in something of a relief rally, and lastly by health care that recovered 1.37%, as the surprise of the Federal Court ruling on the Affordable Care Act (ACA) faded. Thanks to limited market liquidity in the holiday trading sessions, small cap stocks added 1.5%, versus the 0.25% gain for the blue-chip averages. In global markets, we witnessed the emerging markets regaining favor, picking up 0.3%, while the developed markets slipped fractionally lower. Apart from precious metals, commodity prices fell across the board by mid-single-digit percentages, which at year-end is not unusual as speculators have historically closed out positions. While the last month was harrowing for equity investors, it was a shot in the arm for bondholders of all types. The magnitude of the 'risk-off' trade can be seen in the three-line exhibits, as Treasury, municipal and corporate term structures were all driven back down by the flood of money into fixed income. So much so that demand for short intermediate U.S. Treasury obligations produced an inversion in the one- to three-year maturity range.

During the closing week of 2018, we witnessed a classic short covering rally. This is where speculators believe that a stock is overvalued and will soon experience a dramatic price decline. They then borrow the stock and sell it in the open market, creating what is known as a short position. Once said decline takes place, the speculator repurchases the stock at the lower price and pockets the difference as a gain. Last week, the stocks that rallied the most had the largest standing short positions. Not knowing what the political winds might bring next year, speculators were eager to lock in these gains before year-end. As the quarter ends, we can see in the performance numbers listed in the table that the market took on a decidedly defensive tone. Utility stocks were the only ones able to post a positive return for the quarter and the year. Shares of health care companies, while still falling 9.97% for the quarter, did manage to post a positive 5.01% for the year. If past is prologue, those groups that perform the best in the downturn are generally the leadership in the next advance, but until this decline has run its course, we will have to hold judgment for a while.

On behalf of the Comerica team, I want to wish you a Happy and Prosperous New Year.

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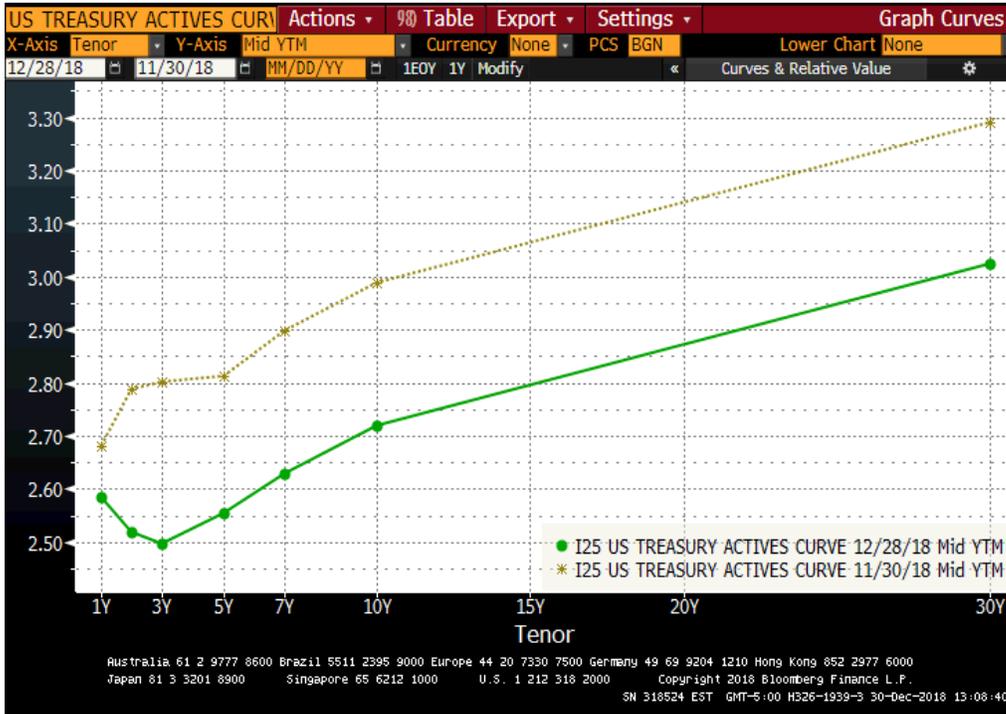


Exhibit 1 (Source: Bloomberg)

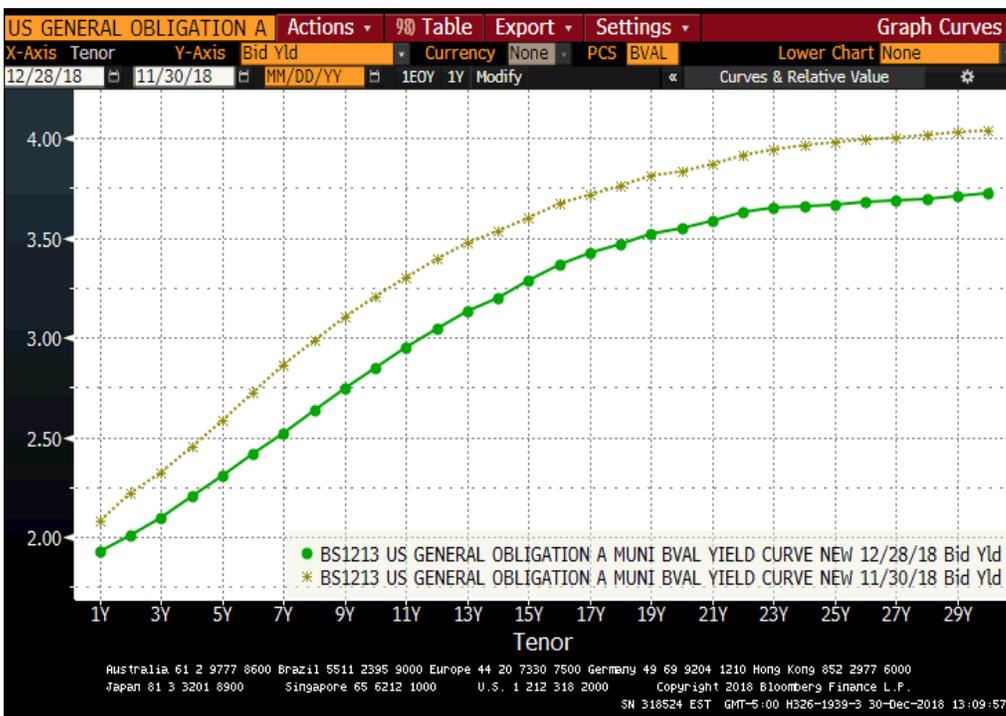


Exhibit 2 (Source: Bloomberg)

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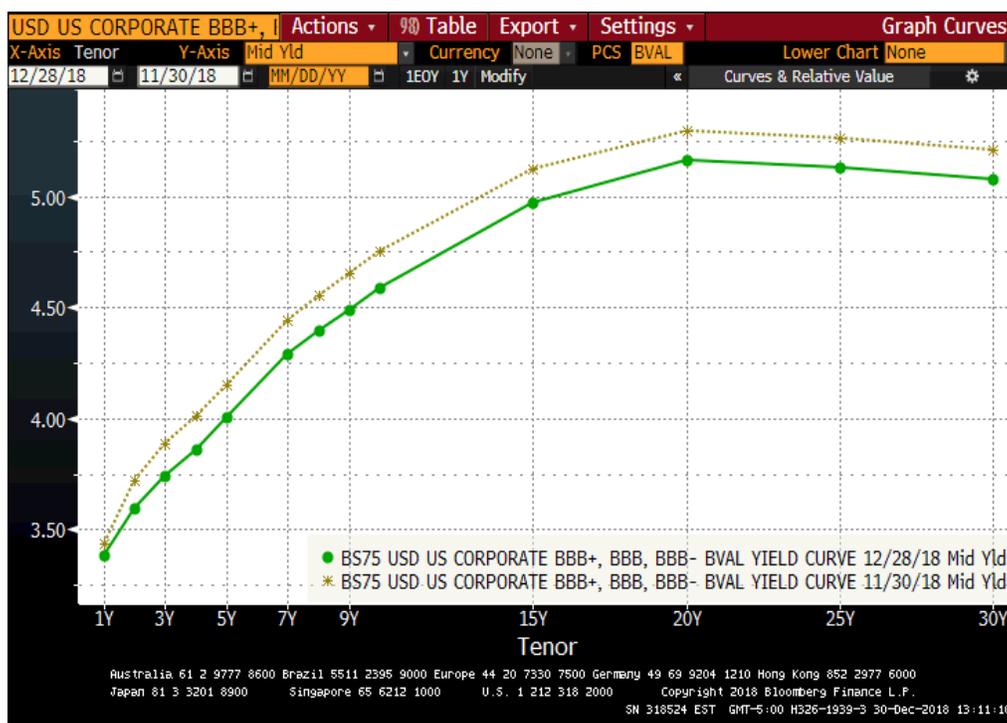


Exhibit 3 (Source: Bloomberg)

EQUITIES					S&P 500 [®] SECTORS			
DOMESTIC		INTERNATIONAL			3 MONTH		YTD	
	LEVEL	YTD		LEVEL	YTD			
DJIA	23062.4	-6.70%	FTSE 100	6733.97	-17.66%	Energy	-24.13%	-18.46%
S&P 500 [®]	2485.74	-7.03%	HANG SEN	25504.2	-14.94%	Material	-13.04%	-15.42%
S&P 400	1646.49	-13.37%	MSCI EAFE [®]	1712.32	-13.70%	Cons Disc	-17.32%	-0.27%
S&P 600	840.21	-10.26%	MSCI EMG	962.63	-14.76%	Cons Stpl	-5.60%	-8.76%
S&P 100	1104.34	-6.66%	NIKKEI	20014.77	-10.15%	Health Care	-9.97%	5.01%
						Comm Serv.	-13.47%	-12.81%
						Financials	-13.98%	-13.90%
						Technology	-18.12%	-1.23%
						Industrial	-18.16%	-14.20%
						Utilities	1.16%	3.91%
COMMODITIES		CURRENCIES			KEY INTEREST RATES			
	LEVEL	YTD		LEVEL	YTD			
Gold	1278.27	-1.88%	MXN/DLR	19.6587	0.00%	LIBOR OVERNIGHT		2.3924%
Silver	15.38	-9.17%	DLR/EUR	1.1444	-4.67%	LIBOR 3 MONTH		2.7970%
WTI	45.33	-24.98%	DLR/GB	1.2699	-6.02%			
Gasoline	1.33	-26.29%	RMB/DLR	6.8785	-5.40%			
Nat Gas	3.30	11.85%	CDN/DLR	1.3638	-7.82%			

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

NOTE: IMPORTANT INFORMATION

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