

## Today's Commentary

North American equities extended their explosive gains made on Tuesday with a more modest rise on Wednesday. The bullish markets resulted from an upbeat housing starts release that reached a four year high. The release was enough to overpower disappointing earnings releases from IBM and Intel, whose shares fell yesterday. The S&P 500 advanced 0.41% yesterday, while the Dow remained relatively flat - likely because IBM and Intel are both contained within the 30 stock index. The S&P/TSX rose 0.43% yesterday, with the largest gains made in Energy and Metals & Mining. As has been the trend lately, Canadian and US government bonds decreased to accompany a gain in Equities. US 10 year interest rates rose 10 basis points yesterday to 1.81%. Overseas, the euro rose to a one month high at \$1.312 USD while Spanish and Italian yield rates plummeted.

The European summit will commence today where European Union leaders will meet in Brussels over the next two days. In a pre-summit address, German Chancellor Angela Merkel pitched a new European aid fund in an effort to boost competitiveness. One of her major goals is to increase economic coordination in the European Union. To meet this goal, she proposed a watchdog with veto power over national budgets - although this was met with a negative reaction. The aura of "solidarity" heading into the summit may have helped boost Spanish and Italian debt - Spanish 10 year bond yields are now trading at a 6 month low at 5.39% on confidence that Greece will not be given the boot from the EU.

US stock futures declined this morning following a disappointing jobless claims report. Initial jobless claims for the US rose sharply last week to 388K, well above estimates of 365K. There have been mixed results in earnings this morning: Morgan Stanley and Travelers Cos. Gained over 2% each due to third quarter earnings beating estimates, while Philip Morris declined 2.3% as earnings trailed forecasts.

The Chinese economy grew at its slowest rate since early 2009 in the third quarter of 2012. Chinese GDP grew at a 7.4% annualized pace in the third quarter, bringing a total growth of 7.7% this year to date. The target that the Chinese government has set is 7.5%

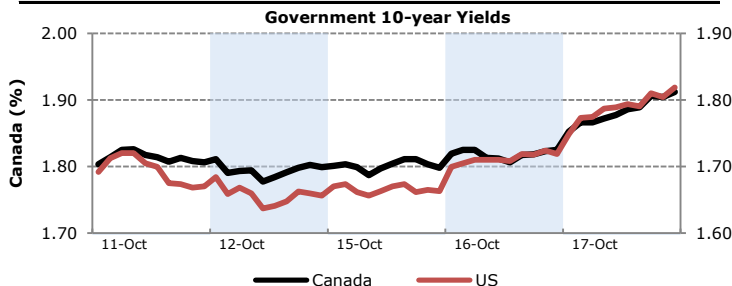
The Daily Roll is written by MFE Candidates Calum MacBeth and Chris Watson in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.

## Today's Major Economic Releases

United States	Period	Survey	Actual	Prior
Leading Indicators		0.2%	--	-0.1%
Continuing Claims		3275K	3252K	3273K
Initial Jobless Claims		0.1K	388K	388K

Canada	Period	Survey	Actual	Prior
None Scheduled				

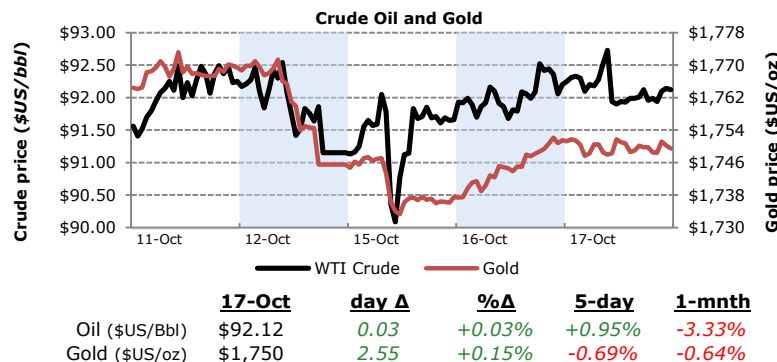
## Interest Rates



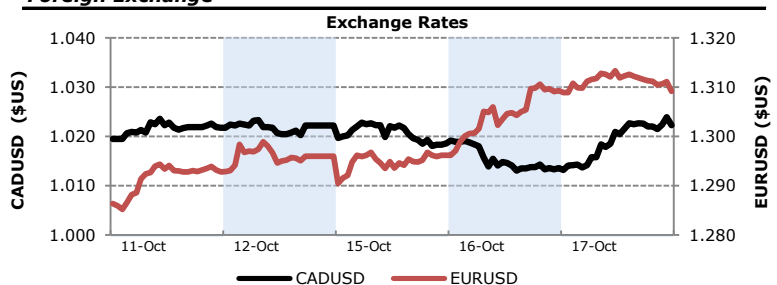
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	17-Oct	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$0.978	-0.009	0.982	0.974	0.991
EURUSD	\$1.312	+0.006	1.288	1.305	1.419
USDJPY	¥78.93	+0.040	78.180	78.82	75.95

	Government 10-year Yields		Historical levels		
	17-Oct	day Δ	-1 mnth	-3 mnths	-1 year
Canada	1.91%	0.087%	1.95%	1.66%	2.31%
United States	1.82%	0.100%	1.84%	1.51%	2.18%

## Master of Financial Economics Program



The Master of Financial Economics Program at the University of Toronto is a collaborative program of the Department of Economics and the Rotman School of Management. The program's key objective is to provide a broad understanding of Financial Theory and the Economics framework upon which that theory is based. Students follow a three-term, 16-month program, with 12 one-term courses and a four-month summer internship. For more information on the program and its students please see the website below.

<http://www.economics.utoronto.ca/index.php/index/mfe/>

## Rotman Finance Association



The purpose of the Rotman Finance Association is to bridge the gap between classroom financial theory and finance-based careers by offering students industry speaker sessions, alumni networking seminars and competitions. For more information please see the website below.

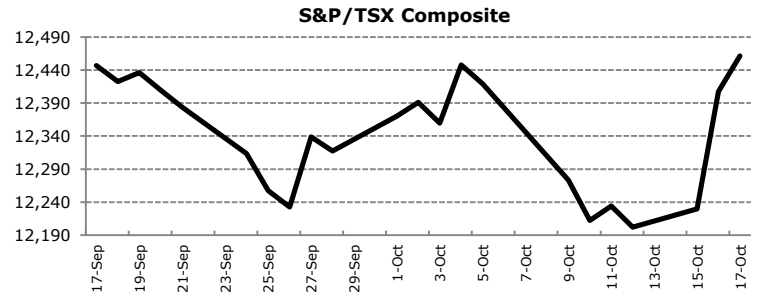
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	<b>17-Oct</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	12,461.25	53.55	+0.43%
<b>Trailing S&amp;P/TSX TSX 60</b>			
5-day		+2.04%	+2.18%
1-month		+0.12%	-0.11%
3-months		+7.69%	+7.67%
6-months		+2.67%	+2.76%
12-months		+4.51%	+4.51%



**TSX Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnth</b>
C. Discretionary	+0.10%	+1.71%	+0.68%	+12.41%
C. Staples	+0.15%	+1.10%	+2.13%	+14.86%
Energy	+1.43%	+3.87%	-1.30%	+2.13%
Financials	+0.36%	+1.88%	+1.17%	+8.07%
Healthcare	-0.39%	+2.21%	+1.70%	+25.01%
Info Tech	+0.17%	+2.16%	+2.47%	-10.41%
Industrials	-0.41%	+1.82%	-0.62%	+18.71%
Materials	+0.55%	+1.52%	-0.77%	-8.12%
Metals & Mining	+1.40%	+4.76%	-1.93%	-1.89%
Telecom	-0.11%	+0.62%	+2.06%	+10.03%
Utilities	+0.52%	+0.50%	+1.75%	-1.58%

**TSX Top Performers**

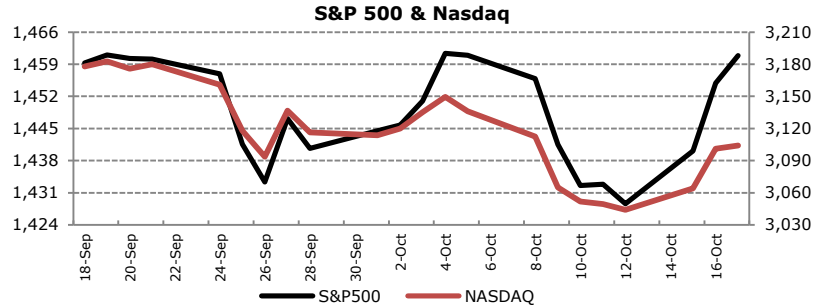
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnth</b>
Celtic Exploration Ltd	+45.09%	+45.89%	+39.47%	+4.74%
Birchcliff Energy Ltd	+7.91%	+13.97%	+32.27%	-38.39%
Paramount Resources Ltd -	+6.68%	+8.57%	+27.31%	-0.94%
Tourmaline Oil Corp	+6.63%	+10.63%	+12.04%	-1.46%
Trilogy Energy Corp	+6.09%	+2.18%	+16.00%	-16.09%

**TSX Worst Performers**

<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnth</b>
Kirkland Lake Gold Inc	-4.86%	-8.10%	-15.77%	-42.59%
Endeavour Silver Corp	-4.36%	-4.25%	-11.58%	-13.07%
Catamaran Corp	-3.03%	+1.35%	+7.38%	+74.07%
China Gold International	-2.46%	-2.70%	-0.50%	+24.92%
Poseidon Concepts Corp	-2.09%	+1.75%	-8.33%	NA

**US Indices**

<i>Trailing</i>	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
17-Oct	1,460.91	13,557.00	3,104.12
1-day	+0.41%	+0.04%	+0.10%
5-day	+1.98%	+1.59%	+1.72%
1-month	-0.02%	+0.03%	-2.35%
3-months	+7.13%	+5.87%	+6.67%
6-months	+5.04%	+3.37%	+2.01%
12-months	+21.66%	+18.95%	+18.71%



**S&P 500 Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnth</b>
C. Discretionary	+0.60%	+2.05%	+0.05%	+25.15%
C. Staples	+0.22%	+0.96%	+1.58%	+18.60%
Energy	+1.18%	+3.34%	-0.60%	+14.76%
Financials	+1.21%	+2.21%	+1.35%	+33.59%
Healthcare	-0.02%	+2.38%	+3.93%	+27.94%
Info Tech	-0.80%	+1.30%	-4.18%	+17.30%
Industrials	+0.65%	+2.71%	+0.10%	+20.62%
Materials	+0.86%	+3.96%	+0.51%	+17.19%
Telecom	+0.98%	-1.87%	-2.43%	+23.28%
Utilities	+1.25%	+1.59%	+3.50%	+10.09%

**DJIA Top Performers**

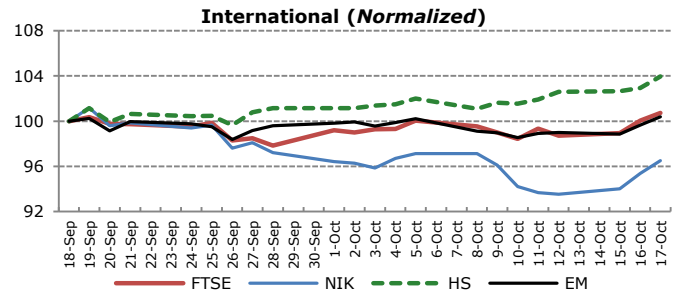
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnth</b>
Alcoa Inc	+2.68%	+5.40%	-6.71%	-9.47%
Johnson & Johnson	+2.08%	+4.08%	+3.70%	+10.21%
Walt Disney Co/The	+2.05%	+2.11%	-0.11%	+54.07%

**DJIA Worst Performers**

<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnth</b>
Intl Business Machines Co	-4.91%	-2.52%	-2.99%	+12.15%
Intel Corp	-2.51%	+0.14%	-6.76%	-6.88%
Unitedhealth Group Inc	-1.56%	-1.96%	+3.21%	+23.49%

**International Markets**

<i>Trailing</i>	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
Last Close	5,910.91	8,806.55	21,416.64	1,010.85
1-day	+0.69%	+1.21%	+0.99%	+0.75%
5-day	+2.32%	+2.45%	+2.38%	+1.89%
1-month	+0.30%	-3.85%	+3.67%	-0.18%
3-months	+5.01%	+0.59%	+10.08%	+8.33%
6-months	+2.50%	-6.95%	+4.15%	-0.90%
12-months	+8.72%	-0.82%	+13.47%	+7.42%



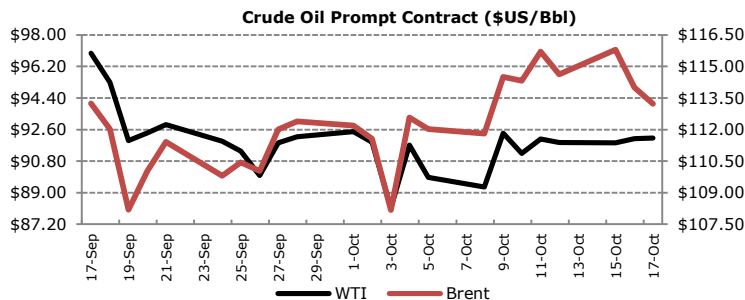
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### Nymex WTI Crude Oil

(\$US/Bbl)	17-Oct	day Δ	%Δ	5-day	1-mnth
Prompt	\$92.12	+\$0.03	+0.03%	+0.95%	-3.33%
Cal 13	\$94.37	+\$0.11	+0.12%	+1.14%	-2.62%
Cal 14	\$92.90	+\$0.29	+0.32%	+1.39%	-1.03%

(\$US/bbl)	Q1-13	Q2-13	Q3-13	Q4-13	2014
Consensus Forecast	\$100.00	\$99.50	\$102.00	\$103.00	\$101.00
Current Forward	\$93.53	\$94.53	\$94.83	\$94.58	\$92.90



### Inventory Levels (as of Oct-12)

(MBbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	369,230	+2,860	337,426	319,411
Motor Gas	197,128	+1,720	214,389	200,481
Distillates	118,664	-2,218	171,756	140,851

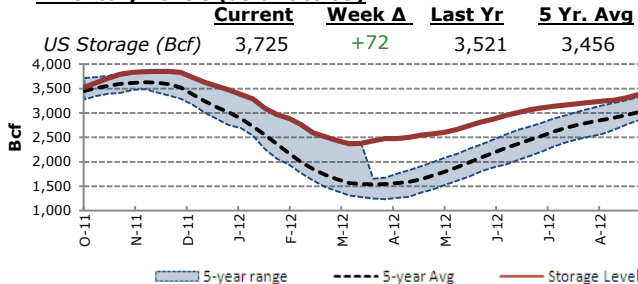
### UK Brent Crude Oil

(\$US/Bbl)	17-Oct	day Δ	%Δ	5-day	1-mnth
Prompt	\$113.22	-\$0.78	-0.69%	-0.97%	+1.06%

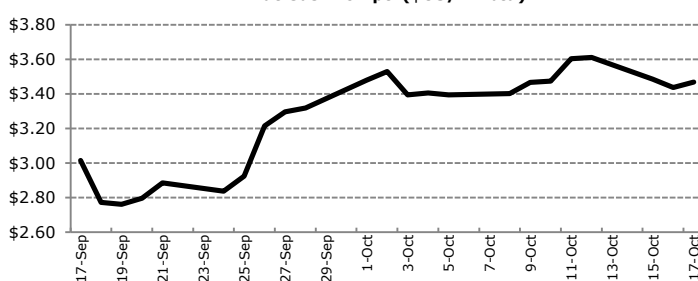
### Nymex Natural Gas

(\$US/MMbtu)	17-Oct	day Δ	%Δ	5-day	1-mnth
Prompt	\$3.47	+\$0.03	+0.96%	-0.14%	+25.14%
Nov12-Mar13	\$3.83	+\$0.05	+1.42%	+0.65%	+18.72%
Apr13-Oct13	\$3.96	+\$0.05	+1.31%	+0.32%	+15.28%
Nov13-Mar14	\$4.31	+\$0.04	+1.00%	+0.30%	+12.52%
Apr14-Oct14	\$4.17	+\$0.04	+0.94%	-0.51%	+9.96%

### Inventory Levels (as of Oct-05)



### Nat Gas Prompt (\$US/MMbtu)

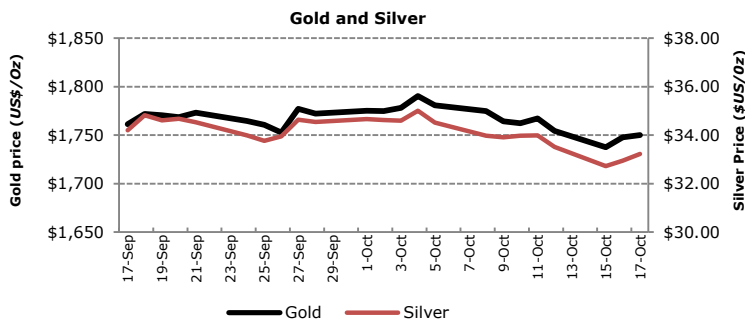


### Alberta Natural Gas

(\$CAD/GJ)	17-Oct	day Δ	%Δ
AECO Nov-12	\$3.03	+\$0.00	+0.0%

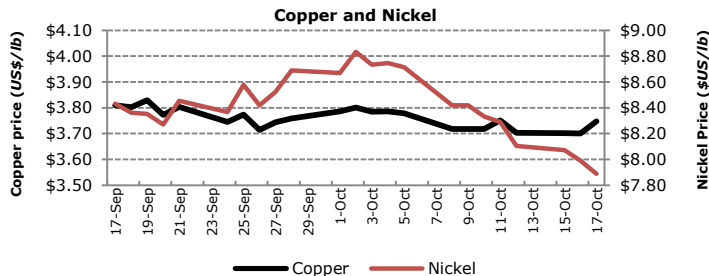
### Precious Metals

\$US/oz	17-Oct	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,750.15	+\$2.55	+0.1%	-0.7%	-0.6%	+10.7%
Silver	\$33.22	+\$0.27	+0.8%	-2.2%	-2.9%	+21.9%
Platinum	\$1,665	+\$21.75	+1.3%	-0.5%	-0.0%	+17.4%



### Industrial Metals

\$US/lb	17-Oct	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.75	+\$0.05	+1.3%	+0.8%	-1.6%	+6.1%
Nickel	\$7.89	-\$0.10	-1.3%	-5.3%	-6.4%	+4.1%
Zinc	\$0.93	-\$0.00	-0.3%	-3.9%	-8.3%	-0.6%
Aluminum	\$0.88	+\$0.00	0.0%	-3.3%	-10.2%	+1.1%
Uranium	\$44.00	+\$0.00	0.0%	-0.9%	-8.3%	-11.8%



### Agriculture & Other

	17-Oct	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$7.46	+\$0.07	+1.0%	+1.2%	-0.3%
Wheat (\$US/bu)	\$8.56	+\$0.09	+1.0%	-1.6%	-2.5%
Soybeans (\$US/bu)	\$15.09	+\$0.15	+1.0%	-0.9%	-9.6%
Rough Rice (\$US/cwt)	\$15.14	+\$0.27	+1.8%	+0.7%	-1.0%
Sugar #11 (¢US/lb)	¢20.11	-¢0.06	-0.3%	-5.4%	-3.2%
Lean Hogs (¢US/lb)	¢79.18	+¢0.58	+0.7%	+1.4%	+7.9%
Live Cattle (¢US/lb)	¢127.60	+¢0.92	+0.7%	+0.8%	-0.5%
Cotton No.2 (\$US/lb)	\$0.78	+\$0.03	+4.0%	+8.0%	+3.4%
Lumber (\$US/Mbft)	\$316.80	+\$10.00	+3.3%	+9.2%	+9.5%

### Commodity ETFs

\$CAD	17-Oct	day Δ	%Δ	5-day	1-mnth
HBP Crude Oil U	\$4.66	-\$0.01	-0.2%	+1.3%	-9.8%
HBP Nat Gas U	\$17.22	+\$0.35	+2.1%	+1.8%	+32.8%
HBP Comex Gold	\$17.49	+\$0.06	+0.3%	-0.7%	-0.3%

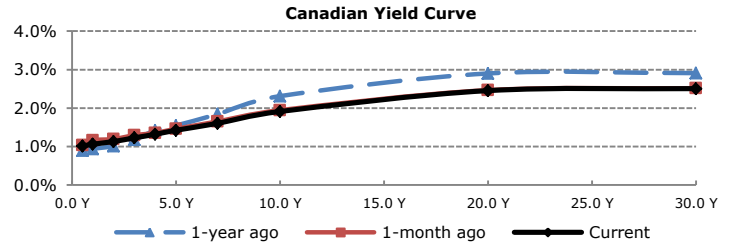
\$USD	17-Oct	day Δ	%Δ	5-day	1-mnth
US Crude Oil	\$34.10	-\$0.03	-0.1%	+0.8%	-4.6%
US Nat Gas	\$22.37	+\$0.17	+0.8%	+0.2%	+15.0%
PSDB Agriculture	\$29.04	+\$0.17	+0.6%	+0.0%	-2.8%
PSDB Base Metals	\$18.79	+\$0.24	+1.3%	-1.1%	-5.2%

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## Interest Rates

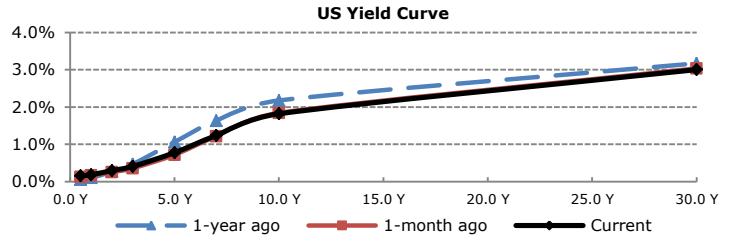
### Canadian yield curve

	17-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.97%	-	1.00%	0.91%	0.87%
6-mnth	1.01%	-	1.04%	0.93%	0.90%
12-mnth	1.06%	-	1.17%	0.99%	0.94%
2-year	1.13%	+0.05%	1.20%	0.98%	1.02%
5-year	1.43%	+0.08%	1.46%	1.19%	1.55%
10-year	1.91%	+0.09%	1.95%	1.66%	2.31%
20-year	2.45%	+0.07%	2.47%	2.24%	2.90%
30-year	2.51%	+0.06%	2.52%	2.28%	2.91%

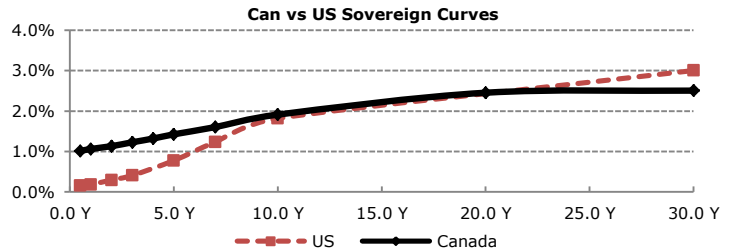
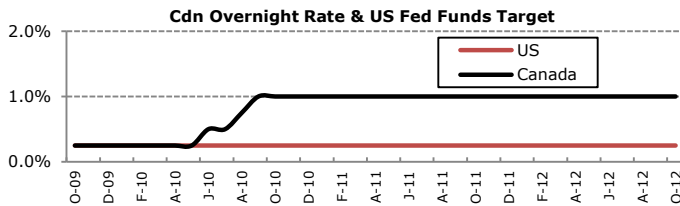


### US yield curve

	17-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.11%	+0.02%	0.09%	0.08%	0.02%
6-mnth	0.15%	+0.01%	0.12%	0.13%	0.06%
12-mnth	0.18%	+0.02%	0.17%	0.16%	0.10%
2-year	0.29%	+0.03%	0.25%	0.21%	0.27%
5-year	0.78%	+0.09%	0.72%	0.61%	1.06%
10-year	1.82%	+0.10%	1.84%	1.51%	2.18%
30-year	3.00%	+0.09%	3.04%	2.61%	3.17%



	Current	Prior	Next Meeting	Survey
Cdn Overnight	1.00%	1.00%	23-Oct-12	1.00%
US Fed Funds	0.25%	0.25%	23-Oct-12	0.25%



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

Spot	17-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
USDCAD	\$0.978	-0.009	0.974	1.007	0.991
EURUSD	\$1.312	+0.006	1.305	1.228	1.419
USDJPY	¥78.93	+0.040	78.82	78.59	75.95
GBPUSD	\$1.615	+0.004	1.624	1.573	1.610
AUDUSD	\$1.038	+0.011	1.046	1.043	1.073

Spot	17-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
CADJPY	¥80.72	+0.768	80.90	78.01	76.63
CADAUD	\$0.985	-0.002	0.982	0.952	0.940
GBPCAD	£1.579	-0.010	1.583	1.584	1.595
EURJPY	¥103.56	+0.580	102.84	96.51	107.76
EURAUD	\$1.26	-0.007	1.25	1.18	1.32

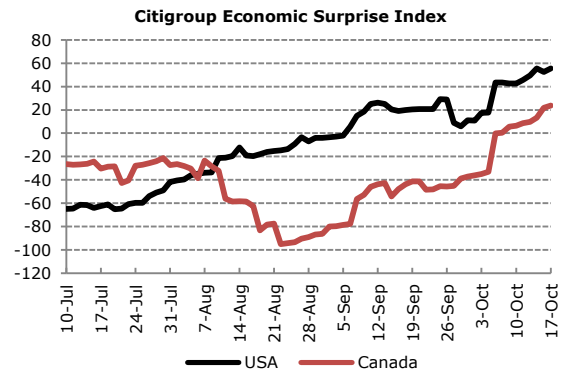
## Economic Releases

### United States

	Period	Survey	Actual	Prior
Mon, Oct 15	Advance Retail Sales	0.8%	1.1%	0.9%
Tue, Oct 16	Industrial Production	0.2%	0.4%	-1.2%
Tue, Oct 16	Consumer Price Index (MoM)	0.5%	0.6%	0.6%
Wed, Oct 17	MBA Mortgage Applications	--	-4.2%	-4.2%
Wed, Oct 17	Housing Starts	770K	872K	750K
Thu, Oct 18	Leading Indicators	0.2%	--	-0.1%
Thu, Oct 18	Continuing Claims	3275K	3252K	3273K
Thu, Oct 18	Initial Jobless Claims	0.1K	388K	388K
Fri, Oct 19	Existing Home Sales	4.74M	--	4.82M

### Canada

	Period	Survey	Actual	Prior
Tue, Oct 16	Manufacturing Sales (MoM)	0.45%	1.5%	1.5%
Fri, Oct 19	BOC CPI Core (YoY)	1.4%	--	1.6%
Fri, Oct 19	Consumer Price Index	1.3%	--	1.2%



## Economics

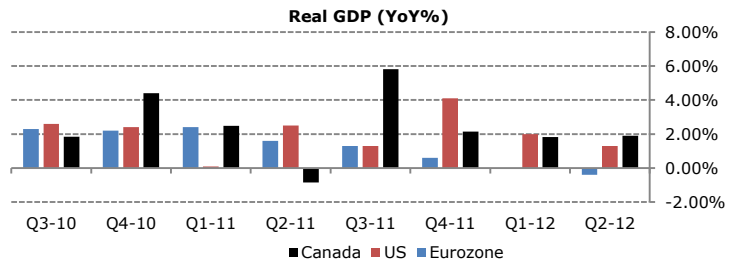
Canada	Q3-11	Q4-11	Q1-12	Q2-12	2012E
Real GDP	5.81%	2.15%	1.82%	1.90%	2.00%
CPI	3.00%	2.70%	2.33%	1.57%	1.70%
Unemployment	7.20%	7.50%	7.20%	7.20%	7.30%

US	Q3-11	Q4-11	Q1-12	Q2-12	2012E
Real GDP	1.30%	4.10%	2.00%	1.30%	2.10%
CPI	3.77%	3.30%	2.83%	1.90%	2.00%
Unemployment	9.00%	8.50%	8.20%	8.20%	8.10%

China	Q3-11	Q4-11	Q1-12	Q2-12	2012E
Real GDP	9.10%	8.90%	8.10%	7.60%	7.70%



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