

## Today's Commentary

Monday brought about a day of calm in the North American equity markets following Friday's huge slide for the indices. Both the S&P 500 and Dow Jones Industrial Average had minor increases of 0.04% and 0.02% on the day. US sectors had mixed results in trading yesterday, but Info Tech reigned supreme with an increase of 0.95%, buoying the S&P 500 into the green. The Canadian S&P/TSX index was marginally in the red, contrasting its southern counterparts with a decline of 0.1% yesterday. The big story here was a large 1.43% decline in the Energy sector as those companies were weighed down by falling oil and gas prices. WTI crude prices fell 1.47% to \$88.73 per barrel marking the third straight day of declines for oil. Natural gas prices were the biggest losers on the day, as the NYMEX prompt fell 4.56% before the day's close. Gold and silver prices were up as investors looked for safe-haven investments, while industrial metal prices were down. Investors also went to the market looking to sell US and Canadian treasuries. Long term government bonds in both countries were sold off yesterday, pushing rates up for everything longer than a 6-month maturity in the US and a 12-month maturity in Canada.

Spain released its gross domestic product numbers for Q3 2012 this morning. The country's GDP fell for a fifth straight quarter, contracting by 0.4%, adding further pressure on Prime Minister Mariano Rajoy to seek additional European aid. The 0.4% decline matches the country's performance in Q2 and compares to economists' estimates of a 0.7% decline for this quarter. Spanish bonds declined on this news as investors continue to lose faith in Spain's ability to repay its debt. The yield rate on Spanish two year bonds rose by ten basis points to 2.97%, while the ten year yields rose four basis points to 5.53%. Meanwhile, German bunds gained.

A survey by BMO indicates that nearly 75% of Canadians will feel financial strain if mortgage rates were to rise even modestly. BMO will release a report later today on housing confidence, coming at a time when economists are growing increasingly concerned about household debt levels and housing prices. The survey also said that homeowners expect housing prices to rise by 2% in the next year; this includes an optimistic view of GTA housing prices, contrary to what economists have predicted. The survey suggests that consumers will be sensitive to changes in prices - a 5% rise would cause the number of homeowners considering buying property within the next five years to decline from 46% to 36%.

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

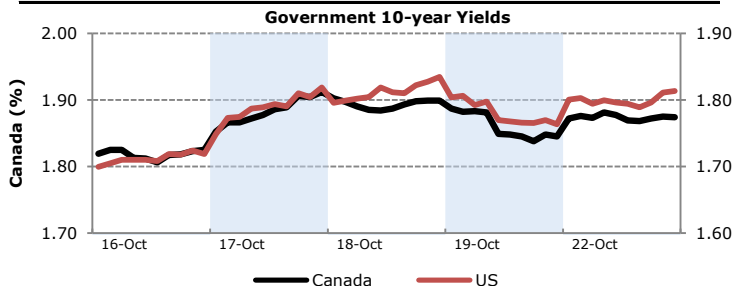
**United States**

Period	Survey	Actual	Prior
None Scheduled			

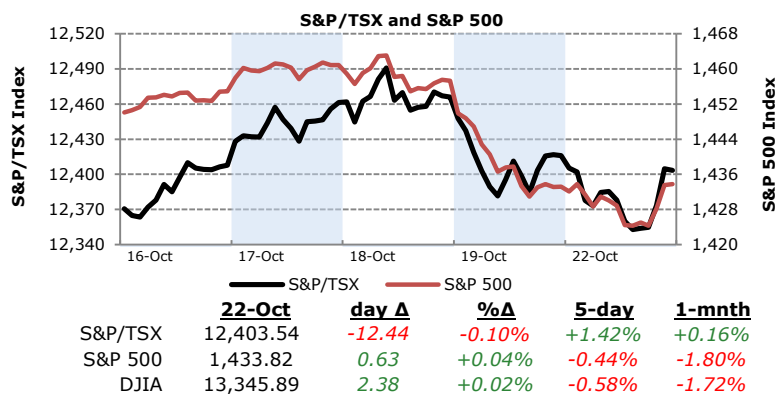
**Canada**

Period	Survey	Actual	Prior	
Retail Sales (MoM)	31-Aug	0.3%	0.3%	0.7%

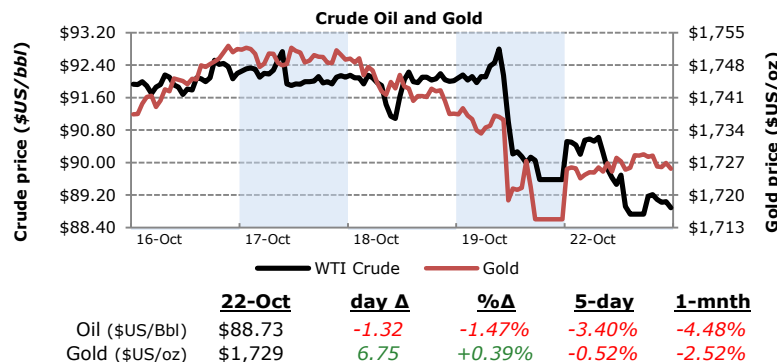
## Interest Rates



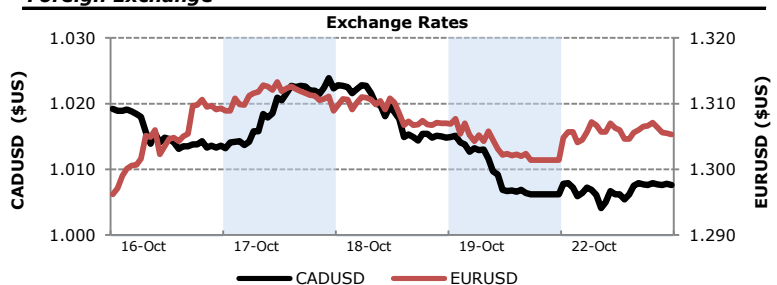
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	22-Oct	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$0.992	-0.001	0.981	0.976	1.020
EURUSD	\$1.306	+0.004	1.295	1.298	1.370
USDJPY	¥79.94	+0.620	78.650	78.17	78.37

Government 10-year Yields

	22-Oct	day Δ	Historical levels		
			-1 mnth	-3 mnths	-1 year
Canada	1.87%	0.029%	1.85%	1.58%	2.36%
United States	1.81%	0.050%	1.75%	1.39%	2.22%

## 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.

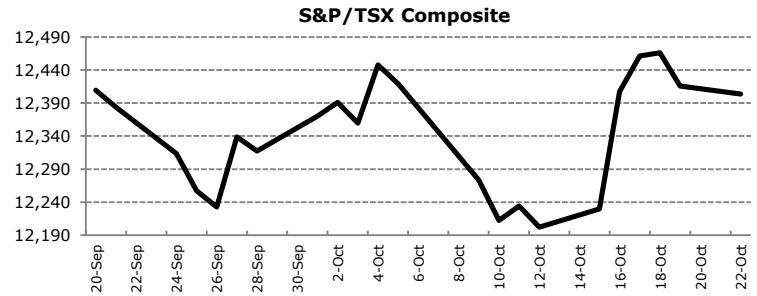
<http://www.rotman.utoronto.ca/financeassociation>

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	<b>22-Oct</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	12,403.54	-12.44	-0.10%
<b>Trailing S&amp;P/TSX TSX 60</b>			
5-day	+1.42%	+1.65%	
1-month	+0.16%	+0.52%	
3-months	+6.72%	+7.03%	
6-months	+2.11%	+2.46%	
12-months	+3.80%	+4.00%	



**TSX Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+0.14%	+0.62%	-0.32%	+10.83%
C. Staples	+0.06%	+0.25%	+2.39%	+13.11%
Energy	-1.43%	+1.71%	-1.59%	-1.92%
Financials	+0.15%	+1.88%	+2.22%	+7.65%
Healthcare	+0.33%	+0.23%	+1.22%	+23.91%
Info Tech	-0.52%	-1.11%	+0.92%	-11.75%
Industrials	-0.36%	+0.16%	+1.56%	+13.05%
Materials	+1.14%	+2.79%	-1.70%	-3.89%
Metals & Mining	+0.70%	+3.97%	+2.78%	-1.71%
Telecom	-0.57%	-0.17%	+1.53%	+8.66%
Utilities	+0.13%	+0.57%	+1.06%	-1.66%

**TSX Top Performers**

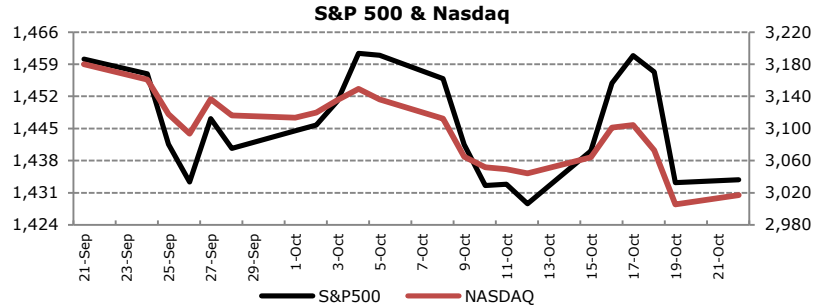
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Petrominerales Ltd	+5.96%	+11.14%	-1.45%	-67.63%
Niko Resources Ltd	+5.64%	-9.84%	+7.97%	-75.21%
Capstone Mining Corp	+5.28%	+10.68%	+0.78%	-12.50%
Pretium Resources Inc	+4.55%	+4.06%	-0.89%	+46.37%
Gabriel Resources Ltd	+4.50%	+6.91%	+12.62%	-64.90%

**TSX Worst Performers**

<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Progress Energy Resources	-9.28%	-10.36%	-10.36%	+36.67%
Advantage Oil & Gas Ltd	-6.91%	-3.45%	-5.45%	-26.17%
Birchcliff Energy Ltd	-5.44%	+6.80%	+19.62%	-43.93%
Nexen Inc	-4.41%	-4.79%	-2.20%	+44.30%
Encana Corp	-3.95%	+4.53%	+1.74%	+8.25%

**US Indices**

<i>Trailing</i>	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
22-Oct	1,433.82	13,345.89	3,016.96
1-day	+0.04%	+0.02%	+0.38%
5-day	-0.44%	-0.58%	-1.54%
1-month	-1.80%	-1.72%	-5.13%
3-months	+5.22%	+4.08%	+3.13%
6-months	+4.01%	+2.43%	+0.55%
12-months	+15.79%	+13.02%	+14.39%



**S&P 500 Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	-0.41%	-0.66%	-2.41%	+18.26%
C. Staples	+0.04%	-1.16%	-1.11%	+13.82%
Energy	-0.43%	+0.79%	-1.46%	+7.62%
Financials	-0.02%	+0.72%	+1.59%	+22.83%
Healthcare	+0.01%	-0.64%	+0.90%	+22.86%
Info Tech	+0.95%	-2.16%	-6.81%	+14.34%
Industrials	-0.30%	-0.22%	-1.02%	+13.51%
Materials	+0.36%	+1.61%	-0.85%	+12.10%
Telecom	-0.45%	+0.02%	-5.12%	+20.96%
Utilities	-0.38%	+0.91%	+2.63%	+6.14%

**DJIA Top Performers**

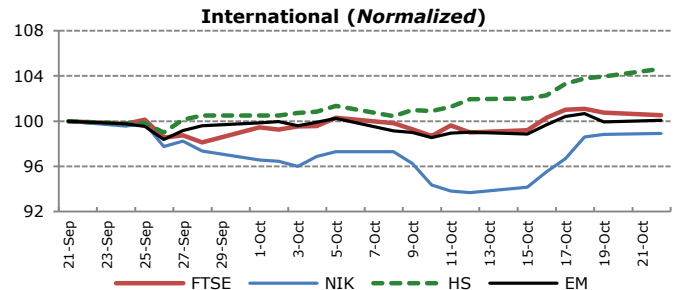
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Hewlett-Packard Co	+1.59%	+1.66%	-16.37%	-42.06%
Unitedhealth Group Inc	+1.58%	-1.65%	+0.64%	+17.99%
Caterpillar Inc	+1.45%	+2.74%	-7.24%	-2.64%

**DJIA Worst Performers**

<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Microsoft Corp	-2.23%	-5.12%	-10.34%	+3.09%
General Electric Co	-1.50%	-4.15%	-3.68%	+33.05%
Merck & Co. Inc.	-1.17%	-0.24%	+3.50%	+39.37%

**International Markets**

<i>Trailing</i>	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
Last Close	5,882.91	9,010.71	21,697.55	1,007.31
1-day	-0.22%	+0.09%	+0.68%	+0.12%
5-day	+1.33%	+5.05%	+2.60%	+1.21%
1-month	+0.52%	-1.09%	+4.64%	+0.07%
3-months	+4.09%	+3.93%	+10.47%	+7.52%
6-months	+1.92%	-5.76%	+3.27%	-1.39%
12-months	+7.18%	+3.82%	+20.37%	+9.48%



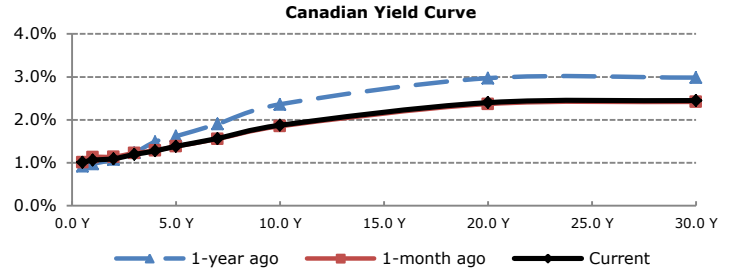
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## Interest Rates

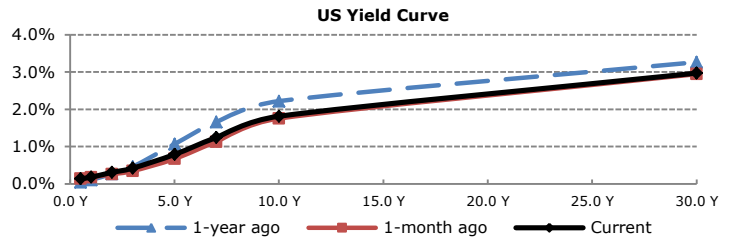
### Canadian yield curve

	22-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.96%	-	1.00%	0.91%	0.88%
6-mnth	1.01%	-	1.01%	0.94%	0.92%
12-mnth	1.06%	-	1.13%	0.96%	0.98%
2-year	1.10%	+0.01%	1.14%	0.93%	1.08%
5-year	1.38%	+0.02%	1.38%	1.12%	1.62%
10-year	1.87%	+0.03%	1.85%	1.58%	2.36%
20-year	2.40%	+0.02%	2.37%	2.16%	2.97%
30-year	2.45%	+0.02%	2.42%	2.20%	2.98%

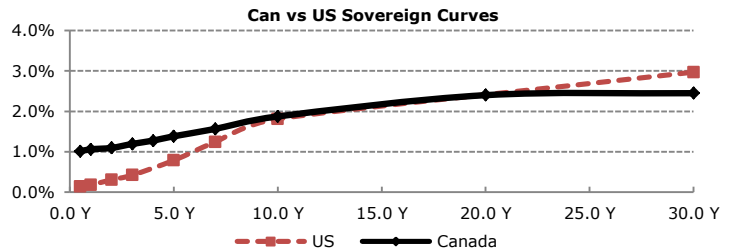
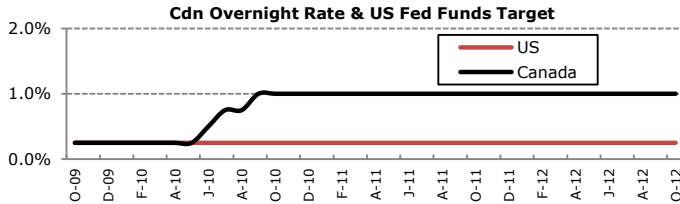


### US yield curve

	22-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.09%	-	0.10%	0.10%	0.02%
6-mnth	0.14%	-	0.14%	0.14%	0.05%
12-mnth	0.18%	+0.01%	0.17%	0.16%	0.11%
2-year	0.31%	+0.01%	0.26%	0.21%	0.27%
5-year	0.79%	+0.04%	0.67%	0.54%	1.07%
10-year	1.81%	+0.05%	1.75%	1.39%	2.22%
30-year	2.97%	+0.04%	2.94%	2.45%	3.26%



	Current	Prior	Next Meeting	Survey
Cdn Overnight	1.00%	1.00%	23-Oct-12	1.00%
US Fed Funds	0.25%	0.25%	24-Oct-12	0.25%



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

	Spot	22-Oct	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$0.992		-0.001	0.976	1.022	1.020
EURUSD	\$1.306		+0.004	1.298	1.206	1.370
USDJPY	¥79.94		+0.620	78.17	78.18	78.37
GBPUSD	\$1.602		+0.001	1.623	1.551	1.595
AUDUSD	\$1.032		-0.001	1.046	1.022	1.033

	Spot	22-Oct	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥80.57		+0.755	80.05	76.49	76.81
CADAUD	\$0.976		+0.002	0.979	0.957	0.949
GBPCAD	£1.589		-0.001	1.585	1.585	1.628
EURJPY	¥104.41		+1.130	101.46	94.31	107.39
EURAUD	\$1.27		+0.005	1.24	1.18	1.33

## Economic Releases

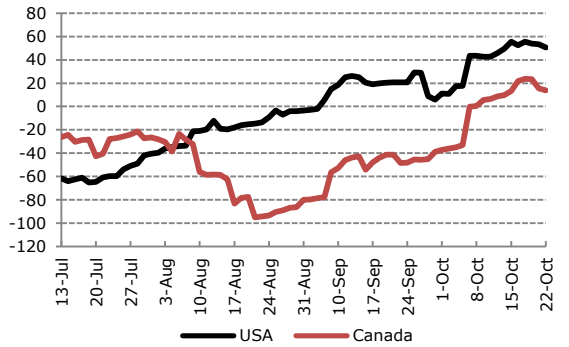
### United States

	Period	Survey	Actual	Prior
Wed, Oct 24	MBA Mortgage Applications	19-Oct	--	-4.2%
Wed, Oct 24	New Home Sales	30-Sep	385K	373K
Thu, Oct 25	Durable Goods Orders	30-Sep	7.5%	-13.2%
Thu, Oct 25	Continuing Claims	13-Oct	3261.5K	3252K
Thu, Oct 25	Initial Jobless Claims	20-Oct	370K	388K
Fri, Oct 26	GDP QoQ (Annualized)	30-Sep	1.9%	0%

### Canada

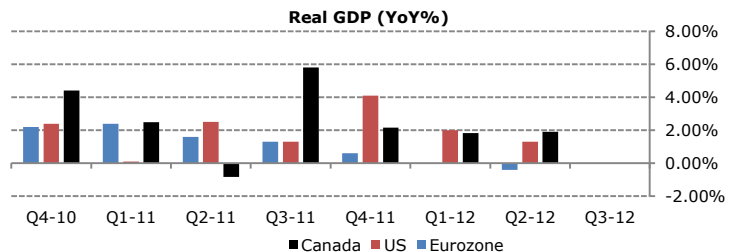
	Period	Survey	Actual	Prior
Tue, Oct 23	Retail Sales (MoM)	31-Aug	0.3%	0.7%

### Citigroup Economic Surprise Index



## Economics

	Q4-11	Q1-12	Q2-12	Q3-12	2012E
<b>Canada</b>					
Real GDP	2.15%	1.82%	1.90%	NA	2.00%
CPI	2.70%	2.33%	1.57%	1.23%	1.70%
Unemployment	7.50%	7.20%	7.20%	7.40%	7.30%
<b>US</b>					
Real GDP	4.10%	2.00%	1.30%	NA	2.10%
CPI	3.30%	2.83%	1.90%	1.70%	2.00%
Unemployment	8.50%	8.20%	8.20%	7.80%	8.10%
<b>China</b>					
Real GDP	8.90%	8.10%	7.60%	7.40%	7.70%



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