

## Today's Commentary

Financial market fell deep into the red around the world yesterday, as global equities fell the most since July. A slew of lagging earnings releases yesterday hinted that the economy is indeed continuing to slow. DuPont, 3M and Alfa Laval AB all turned discouraging results. The shrinking Spanish GDP also fueled investor concerns. The S&P 500 sagged 1.4% to 1413.11, the lowest it has been since Sept. 5. The Dow lost nearly 2%, falling 243.36 points to 13102.5. Commodities were also pulled down on concerns of future demand, with the S&P GSCI commodity index retreating 1.4%. Oil fell to a three month low; WTI crude finished the day at \$86.67/barrel. This of course helped to wreak havoc on the S&P/TSX, which plummeted by 177.7 points, with all sectors declining by at least 0.2%. The markets seem poised to rebound today as stock futures on the S&P 500 are up this morning. Facebook shares skyrocketed in after-hours trading yesterday after third quarter earnings were reported to increase by 32%, well ahead of estimates.

Rising household debt levels, spurred by rising housing prices, may lead Bank of Canada governor Mark Carney to raise interest rates for the first time in more than two years. Carney announced yesterday that the bank would keep its overnight rate at 1% for the near future, but also commented that as household debts continue to rise to record levels action may be necessary. This would contrast policy relaxations that other Group of Seven nations have been implementing to combat their respective cooling economies. Canadian housing prices have risen 56% since mid-2005 and have helped push consumer debt to 165.8% of disposable income - higher than the peak US consumer debt level prior to that country's property disaster. The CAD fell prior 0.5% before Carney's announcement, but quickly pared those losses and ended the day at \$0.9924 USD.

Spain's woes continue to mount after the country extending its streak of GDP contractions to a fifth straight quarter. The country also announced yesterday that its deficit will reach a staggering 7.3% of GDP this year, as the cost of bailing out banks has taken its toll on the Spanish economy. Investors quickly jumped ship on Spain's treasuries, sending prices downwards for a third consecutive day. Coincidentally, this streak of falling bond prices started after Prime Minister Mariano Rajoy told reporters that he feels no pressure to seek a full sovereign bailout. Yields on Spain's 10-year bond rose 13 basis points yesterday, ending at 5.62%. Italian and Greek 10-year yields also jumped skywards yesterday, rising 10 and 47 basis points, respectively.

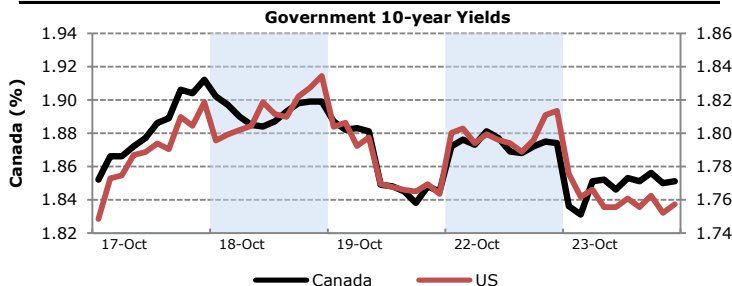
The Daily Roll is written by MFE Candidates Calum MacBeth and Chris Watson in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.

## Today's Major Economic Releases

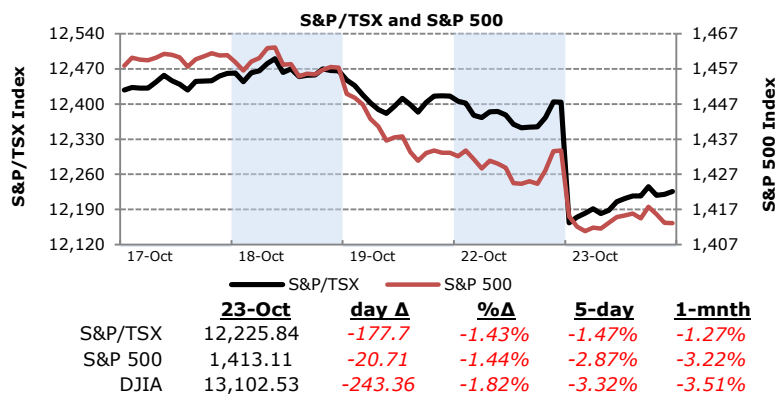
United States	Period	Survey	Actual	Prior
MBA Mortgage Applications		--	-12%	-4.2%
New Home Sales		385K	--	373K

Canada	Period	Survey	Actual	Prior
None Scheduled				

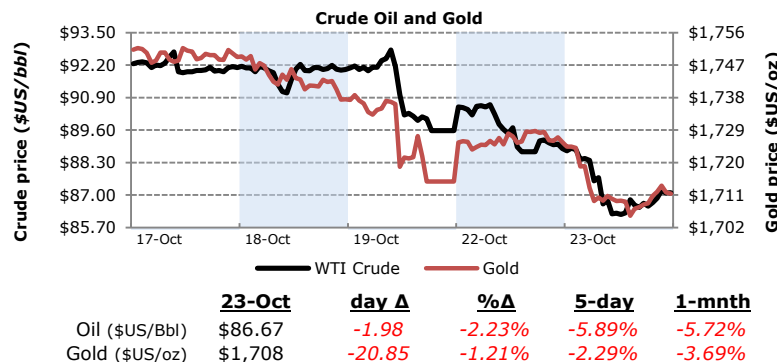
## Interest Rates



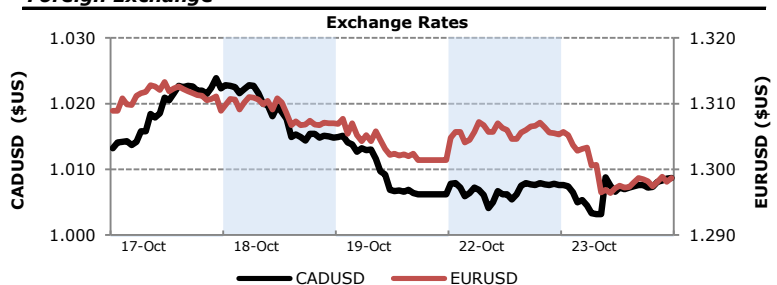
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	23-Oct	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$0.992	+0.000	0.987	0.979	1.014
EURUSD	\$1.299	-0.007	1.305	1.293	1.375
USDJPY	¥79.85	-0.090	78.890	77.85	78.05

	Government 10-year Yields		Historical levels		
	23-Oct	day Δ	-1 mnth	-3 mnths	-1 year
Canada	1.85%	-0.023%	1.85%	1.59%	2.37%
United States	1.76%	-0.056%	1.75%	1.40%	2.23%

## 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.

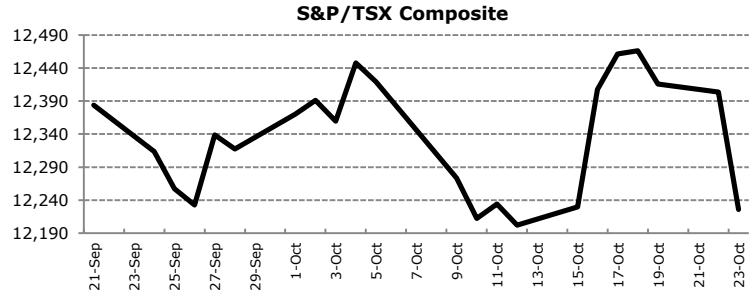
<http://www.rotman.utoronto.ca/financeassociation>

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	<b>23-Oct</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	12,225.84	-177.7	-1.43%
<b>Trailing S&amp;P/TSX</b>			
5-day		-1.47%	-1.54%
1-month		-1.27%	-1.11%
3-months		+5.89%	+5.94%
6-months		+1.98%	+2.17%
12-months		+2.31%	+2.31%



**TSX Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	-1.13%	-1.83%	-1.45%	+9.57%
C. Staples	-0.74%	-1.32%	+1.64%	+12.28%
Energy	-1.97%	-2.01%	-3.53%	-3.85%
Financials	-1.30%	-0.53%	+0.89%	+6.24%
Healthcare	-1.13%	-2.63%	+0.08%	+22.51%
Info Tech	-0.69%	-2.75%	+0.22%	-12.36%
Industrials	-0.66%	-1.86%	+0.90%	+12.31%
Materials	-2.09%	-1.41%	-3.75%	-5.90%
Metals & Mining	-2.26%	-0.85%	+0.45%	-3.93%
Telecom	-0.22%	-1.06%	+1.30%	+8.41%
Utilities	-0.40%	-0.35%	+0.65%	-2.06%

**TSX Top Performers**

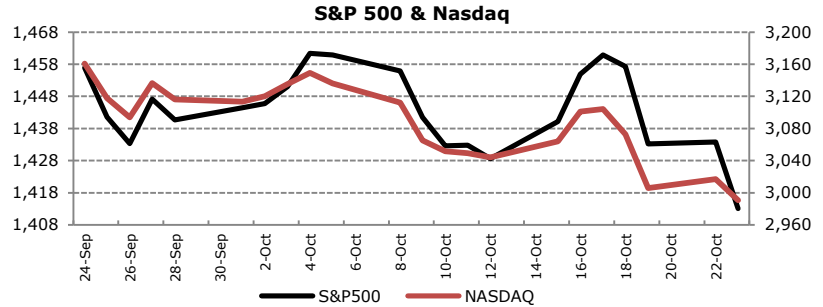
	<b>Ranked by 1-day</b>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Harry Winston Diamond Cor		+6.60%	+5.32%	+15.73%	+19.37%
Birchcliff Energy Ltd		+2.94%	+3.96%	+23.13%	-43.93%
Tourmaline Oil Corp		+2.87%	+7.09%	+6.60%	-3.66%
Toromont Industries Ltd		+1.72%	-1.21%	-4.31%	+1.82%
Fairfax Financial Hldgs L		+1.49%	+3.69%	+5.44%	-8.98%

**TSX Worst Performers**

	<b>Ranked by 1-day</b>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Silver Wheaton Corp		-5.47%	-3.18%	-2.64%	+21.02%
Torex Gold Resources Inc		-5.47%	-2.56%	-12.44%	+33.80%
Legacy Oil + Gas Inc		-4.72%	-5.40%	-10.24%	-30.12%
Centerra Gold Inc		-4.39%	-11.17%	-8.58%	-47.44%
Crew Energy Inc		-4.23%	-0.65%	+1.32%	-31.56%

**US Indices**

	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
Trailing			
23-Oct	1,413.11	13,102.53	2,990.46
1-day	-1.44%	-1.82%	-0.88%
5-day	-2.87%	-3.32%	-3.57%
1-month	-3.22%	-3.51%	-5.96%
3-months	+4.63%	+3.00%	+3.47%
6-months	+3.38%	+1.36%	+0.67%
12-months	+14.12%	+10.96%	+13.38%



**S&P 500 Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	-0.81%	-2.29%	-3.20%	+17.29%
C. Staples	-1.33%	-2.75%	-2.43%	+12.31%
Energy	-2.36%	-3.08%	-3.79%	+5.07%
Financials	-1.64%	-1.58%	-0.07%	+20.82%
Healthcare	-1.40%	-3.04%	-0.51%	+21.14%
Info Tech	-1.26%	-4.89%	-7.98%	+12.91%
Industrials	-1.12%	-2.35%	-2.13%	+12.24%
Materials	-3.02%	-3.74%	-3.84%	+8.72%
Telecom	-1.01%	-0.98%	-6.07%	+19.74%
Utilities	-0.90%	-0.31%	+1.70%	+5.18%

**DJIA Top Performers**

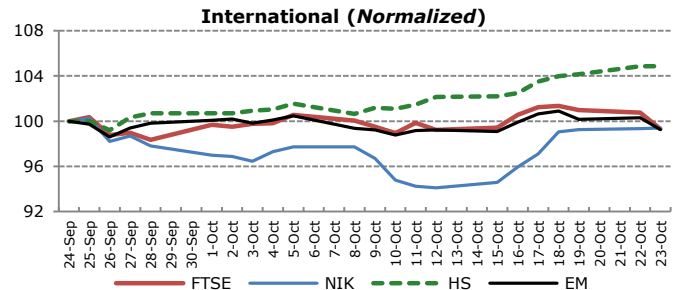
	<b>Ranked by 1-day</b>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Intel Corp		+0.61%	-3.40%	-6.70%	-12.20%
Microsoft Corp		+0.14%	-5.01%	-10.21%	+3.13%
Home Depot Inc		-0.47%	+1.46%	+3.92%	+68.26%

**DJIA Worst Performers**

	<b>Ranked by 1-day</b>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Du Pont (E.I.) De Nemours		-9.06%	-9.03%	-12.64%	-1.82%
3M Co		-4.11%	-5.84%	-4.81%	+7.97%
Alcoa Inc		-3.52%	-1.79%	-3.83%	-17.01%

**International Markets**

	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
Trailing				
Last Close	5,797.91	9,014.25	21,697.55	996.82
1-day	-1.44%	+0.04%	+0.68%	-1.04%
5-day	-1.24%	+3.60%	+2.60%	-0.65%
1-month	-0.93%	-1.05%	+4.64%	-0.97%
3-months	+4.77%	+5.95%	+10.47%	+9.24%
6-months	+2.34%	-5.53%	+3.27%	-1.11%
12-months	+5.63%	+3.86%	+20.37%	+8.34%



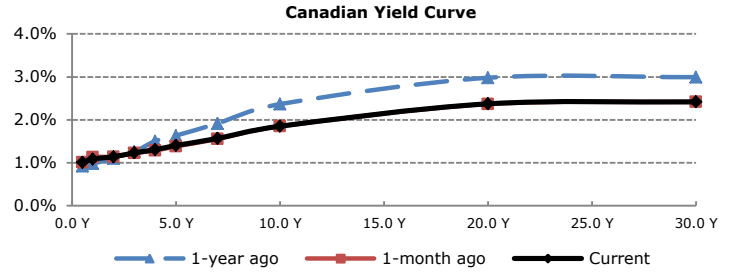
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## Interest Rates

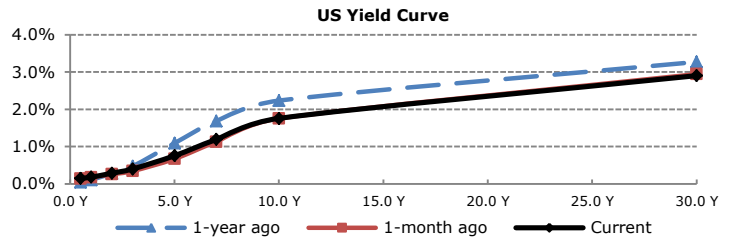
### Canadian yield curve

	23-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.97%	-	1.00%	0.92%	0.89%
6-mnth	1.01%	-	1.01%	0.94%	0.92%
12-mnth	1.09%	+0.03%	1.13%	0.98%	0.98%
2-year	1.14%	+0.05%	1.14%	0.96%	1.10%
5-year	1.40%	+0.02%	1.38%	1.15%	1.63%
10-year	1.85%	-0.02%	1.85%	1.59%	2.37%
20-year	2.37%	-0.03%	2.37%	2.18%	2.98%
30-year	2.42%	-0.03%	2.42%	2.22%	2.99%

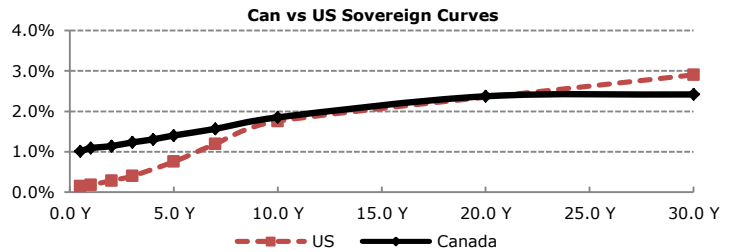
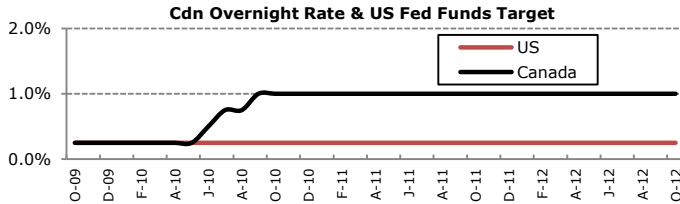


### US yield curve

	23-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.10%	+0.01%	0.10%	0.10%	0.01%
6-mnth	0.15%	+0.01%	0.14%	0.14%	0.05%
12-mnth	0.18%	-	0.17%	0.17%	0.11%
2-year	0.29%	-0.02%	0.26%	0.22%	0.28%
5-year	0.75%	-0.03%	0.67%	0.55%	1.09%
10-year	1.76%	-0.06%	1.75%	1.40%	2.23%
30-year	2.90%	-0.07%	2.94%	2.45%	3.27%



	Current	Prior	Next Meeting	Survey
Cdn Overnight	1.00%	1.00%	4-Dec-12	1.00%
US Fed Funds	0.25%	0.25%	24-Oct-12	0.25%



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

Spot	23-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
USDCAD	\$0.992	+0.000	0.979	1.016	1.014
EURUSD	\$1.299	-0.007	1.293	1.216	1.375
USDJPY	¥79.85	-0.090	77.85	78.16	78.05
GBPUSD	\$1.595	-0.006	1.622	1.550	1.595
AUDUSD	\$1.027	-0.006	1.043	1.031	1.035

Spot	23-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
CADJPY	¥80.46	-0.116	79.54	76.97	76.99
CADAUD	\$0.982	+0.005	0.980	0.955	0.953
GBPCAD	£1.583	-0.006	1.588	1.574	1.617
EURJPY	¥103.69	-0.720	100.67	95.03	107.29
EURAUD	\$1.27	-0.000	1.24	1.18	1.33

## Economic Releases

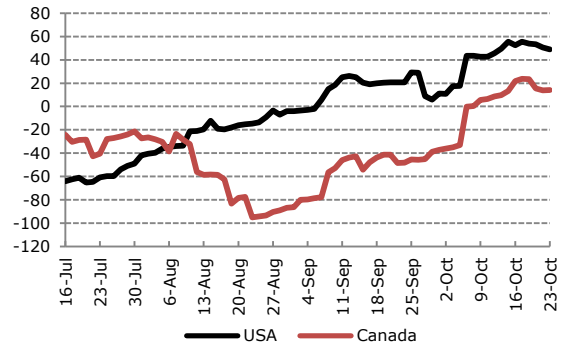
### United States

	Period	Survey	Actual	Prior
Wed, Oct 24	MBA Mortgage Applications	--	-12%	-4.2%
Wed, Oct 24	New Home Sales	385K	--	373K
Thu, Oct 25	Durable Goods Orders	7.5%	--	-13.2%
Thu, Oct 25	Continuing Claims	3260K	--	3252K
Thu, Oct 25	Initial Jobless Claims	370K	--	388K
Fri, Oct 26	GDP QoQ (Annualized)	1.9%	--	0%

### Canada

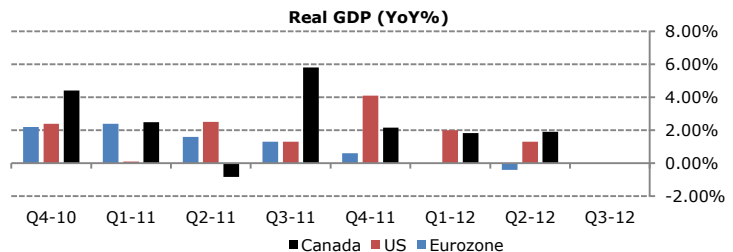
	Period	Survey	Actual	Prior
Tue, Oct 23	Retail Sales (MoM)	0.3%	0.3%	0.7%

### 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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