

## Today's Commentary

Since our last Daily Roll in December a considerable amount has happened that is worth summarizing. The fiscal cliff negotiations protracted into the new year, with a bill being signed on January 2nd calling for tax increases for those earning \$400K and up. Automatic reductions in spending and a vote to raise the debt ceiling were delayed for two months, setting up another potential battle between Democrats and Republicans in the coming months. Equities rallied after the vote, and equity mutual funds in the US saw some of the largest net inflows on record. The S&P 500 is up 3.24% year to date, ending yesterday at 1472.34. Shinzo Abe swept to victory in Japan in late December on the back of calls for an aggressively stimulative policy and followed up by announcing a \$147 billion stimulus bill and encouraging the BoJ to double its inflation target to 2%. As a result the USD/JPY has weakened to 88.13.

President Obama is taking a hard line against Republicans in the debate to raise the U.S. borrowing limit. On Monday he stated that not voting for an increase would be both "irresponsible" and "absurd". Some Republicans, on the other hand, are using the debate as leverage to argue for more fiscal spending cuts. Senate Republican Leader Mitch McConnell says "The president and his allies need to get serious about spending, and the debt-limit debate is the perfect time for it." A failure to reach an agreement could lead to a technical default on government debt in March. At the same time, cuts to fiscal spending in the fragile U.S. economy would surely have an adverse impact on growth. Obama likened the Republicans efforts to compromise on the two issues to "negotiation with a gun at the head of the American people."

A highly publicized confrontation is developing between New York hedge fund managers William Ackman of Pershing Square Capital and Daniel Loeb of Third Point. The conflict concerns Herbalife, a multi-level marketing company in the nutritional supplement business. Ackman has declared Herbalife, which has been operating for 32 years, "the best-managed pyramid scheme in the history of the world", and taken a \$1 billion short position in the company. Meanwhile, Loeb calls the claims "preposterous" and revealed last week that his firm holds a \$350 million stake in Herbalife. Ackman doubts Herbalife's reported \$4 billion in sales are legitimate, and suggests that revenues are being generated primarily by recruiting new sales people. The company now finds itself at the center of an SEC inquiry. So far the market has been siding with Loeb, as shares climbed 10% on Monday.

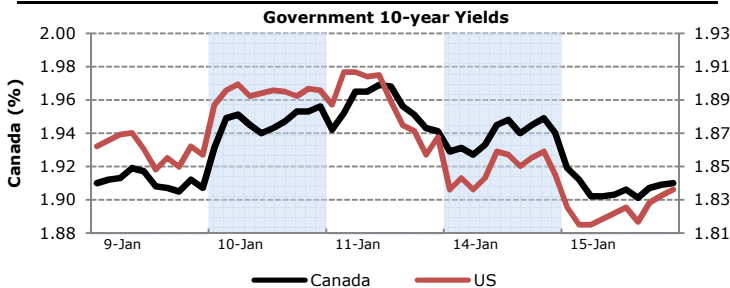
The Daily Roll is written by MFE Candidates Dipanker Koirala and Jan Varsava in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.

## Today's Major Economic Releases

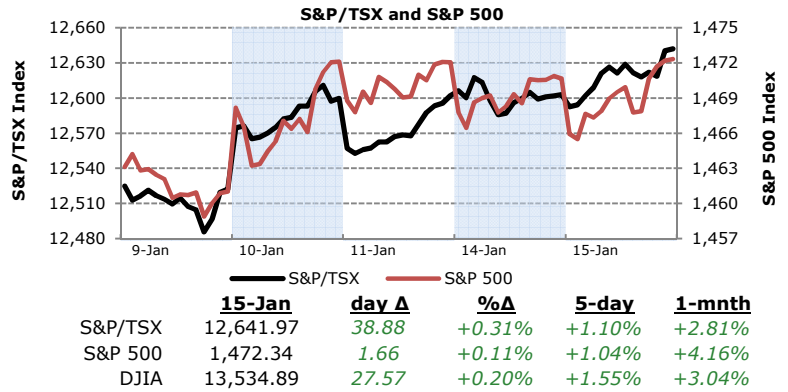
United States	Period	Survey	Actual	Prior
Industrial Production	31-Jan	0.3%	0.3%	1.1%
Consumer Price Index (MoM)	31-Dec	--	0%	-0.3%

Canada	Period	Survey	Actual	Prior
None Scheduled				

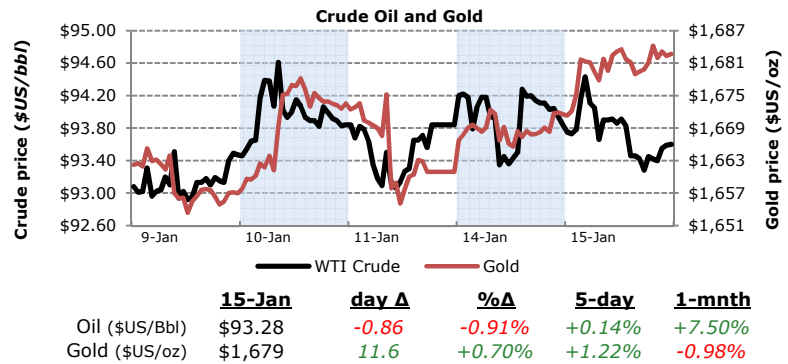
## Interest Rates



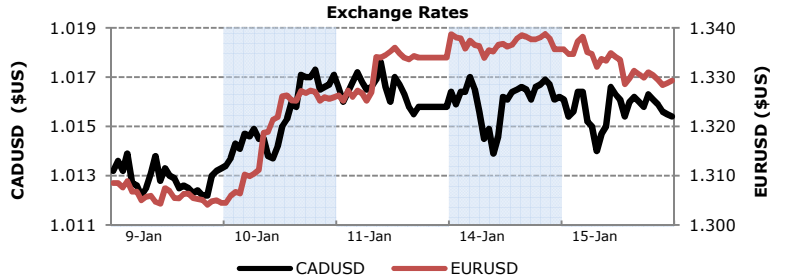
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	15-Jan	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$0.984	+0.001	0.987	0.986	1.002
EURUSD	\$1.331	-0.008	1.308	1.316	1.322
USDJPY	¥88.79	-0.690	87.050	83.52	76.70

	Government 10-year Yields		Historical levels		
	15-Jan	day Δ	-1 mnth	-3 mnths	-1 year
Canada	1.91%	-0.030%	1.79%	1.91%	1.93%
United States	1.84%	-0.009%	1.70%	1.82%	1.86%

## 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>

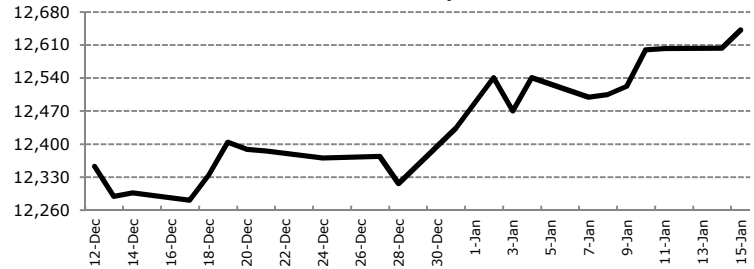
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**S&P/TSX Composite**

	<b>15-Jan</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	12,641.97	38.88	+0.31%
<b>Trailing S&amp;P/TSX TSX 60</b>			
5-day	+1.10%	+1.27%	
1-month	+2.81%	+2.98%	
3-months	+3.37%	+3.85%	
6-months	+9.79%	+10.26%	
12-months	+3.36%	+3.74%	



**TSX Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+0.58%	+1.58%	+3.88%	+17.10%
C. Staples	+0.27%	+1.09%	+1.10%	+22.35%
Energy	+0.40%	+0.35%	+2.88%	-6.83%
Financials	+0.17%	+0.33%	+2.75%	+11.67%
Healthcare	+0.57%	+1.41%	+6.61%	+10.24%
Info Tech	-1.05%	+6.52%	+2.88%	+15.68%
Industrials	-0.12%	+2.40%	+7.09%	+15.88%
Materials	+0.56%	+1.90%	+1.08%	-12.70%
Metals & Mining	+0.24%	+0.52%	+5.52%	-12.17%
Telecom	+0.56%	+0.15%	-0.52%	+8.12%
Utilities	+0.76%	+1.97%	+5.68%	+4.22%

**TSX Top Performers**

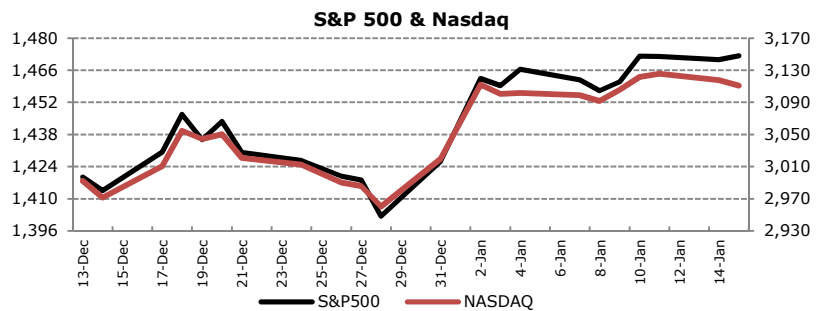
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Centerra Gold Inc	+6.61%	+10.01%	+12.49%	-45.78%
Fortuna Silver Mines Inc	+4.82%	+12.01%	+1.33%	-22.41%
Gabriel Resources Ltd	+4.62%	+12.40%	+4.21%	-57.96%
Precision Drilling Corp	+4.52%	-1.38%	+7.41%	-13.79%
Silvercorp Metals Inc	+4.29%	+3.18%	-12.93%	-31.52%

**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>
Niko Resources Ltd	-4.12%	-9.91%	+2.88%	-78.81%
Chorus Aviation Inc - B	-3.29%	+0.00%	+8.04%	+49.82%
Research In Motion	-2.93%	+21.14%	+2.81%	-15.36%
Sherritt International Co	-2.35%	-1.69%	+11.44%	-5.04%
Banro Corporation	-2.33%	+5.78%	-3.62%	-34.89%

**US Indices**

<i>Trailing</i>	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
15-Jan	1,472.34	13,534.89	3,110.78
1-day	+0.11%	+0.20%	-0.22%
5-day	+1.04%	+1.55%	+0.61%
1-month	+4.16%	+3.04%	+4.69%
3-months	+2.24%	+0.82%	+1.52%
6-months	+8.52%	+5.93%	+6.96%
12-months	+14.22%	+8.96%	+14.76%



**S&P 500 Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+0.69%	+1.79%	+5.97%	+22.67%
C. Staples	+0.31%	+1.88%	+1.36%	+12.87%
Energy	+0.38%	+1.34%	+4.04%	+5.75%
Financials	+0.40%	+0.97%	+7.59%	+24.07%
Healthcare	-0.16%	+1.67%	+3.54%	+18.00%
Info Tech	-0.53%	-0.23%	+2.90%	+11.43%
Industrials	+0.32%	+1.80%	+4.76%	+10.97%
Materials	+0.04%	+0.99%	+7.17%	+8.01%
Telecom	-0.93%	-1.82%	-1.60%	+13.55%
Utilities	+0.31%	+0.47%	+1.67%	+1.66%

**DJIA Top Performers**

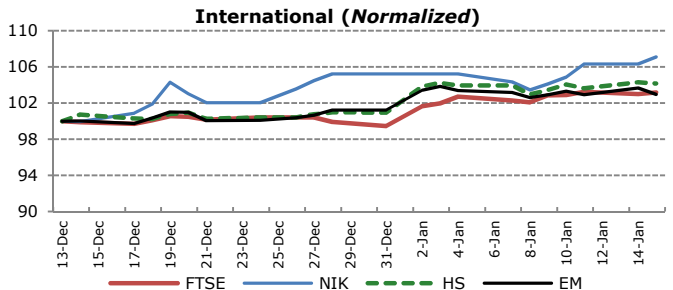
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Microsoft Corp	+1.15%	+2.49%	+1.49%	-0.92%
Caterpillar Inc	+1.10%	+1.78%	+8.11%	-4.11%
Jpmorgan Chase & Co	+1.02%	+1.87%	+9.01%	+32.84%

**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>
Hewlett-Packard Co	-2.48%	+7.41%	+12.07%	-35.83%
Verizon Communications In	-1.46%	-2.62%	-3.96%	+13.01%
Merck & Co. Inc.	-1.08%	+1.64%	-1.54%	+16.55%

**International Markets**

<i>Trailing</i>	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
Last Close	6,117.31	10,879.08	23,381.51	1,073.48
1-day	+0.15%	+0.72%	-0.14%	-0.67%
5-day	+1.05%	+2.64%	+1.17%	+0.34%
1-month	+3.30%	+11.72%	+3.43%	+2.94%
3-months	+5.37%	+26.83%	+10.56%	+7.86%
6-months	+7.96%	+24.70%	+22.46%	+15.91%
12-months	+8.53%	+27.99%	+21.75%	+12.65%



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**Nymex WTI Crude Oil**

(\$US/Bbl)	15-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$93.28	-\$0.86	-0.91%	+0.14%	+7.50%
Cal 13	\$94.17	-\$0.93	-0.98%	-0.16%	+4.14%
Cal 14	\$91.91	-\$0.90	-0.97%	-1.01%	+1.71%

(\$US/bbl)	Q2-13	Q3-13	Q4-13	Q1-14	2014
Consensus Forecast	\$95.00	\$98.00	\$98.14	\$99.00	\$98.00
Current Forward	\$94.36	\$94.59	\$94.02	\$93.14	\$91.91

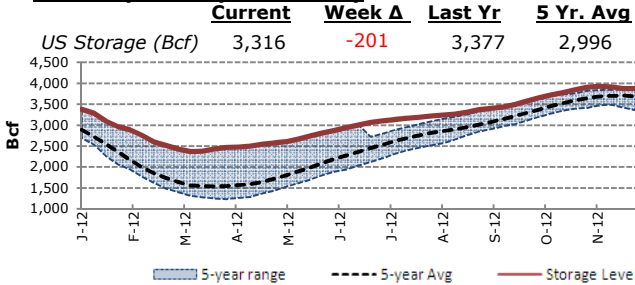
**Inventory Levels (as of Jan-04)**

(MMbbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	361,253	+1,314	337,426	319,411
Motor Gas	233,085	+7,412	214,389	200,481
Distillates	130,744	+6,777	171,756	140,851

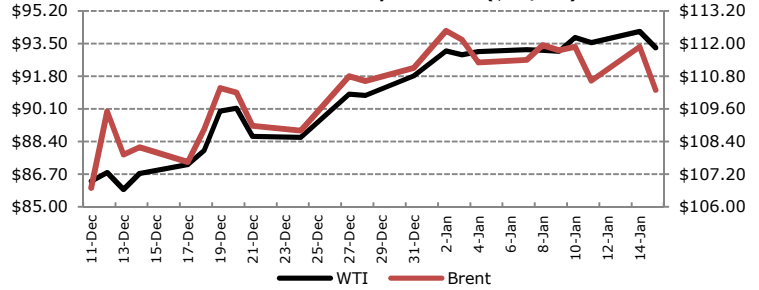
**Nymex Natural Gas**

(\$US/MMbtu)	15-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$3.46	+\$0.08	+2.43%	+7.36%	+3.23%
Feb13-Mar13	\$3.50	+\$0.07	+1.95%	+6.29%	-14.18%
Apr13-Oct13	\$3.60	+\$0.05	+1.47%	+5.18%	-10.89%
Nov13-Mar14	\$4.00	+\$0.04	+1.11%	+3.15%	-5.19%
Apr14-Oct14	\$3.99	+\$0.03	+0.84%	+1.77%	-4.55%

**Inventory Levels (as of Jan-04)**



**Crude Oil Prompt Contract (\$US/Bbl)**

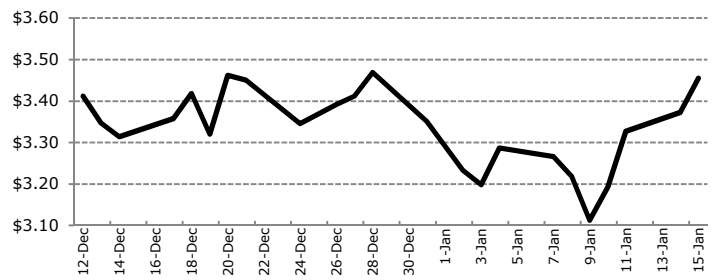


WTI Brent

**UK Brent Crude Oil**

(\$US/Bbl)	15-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$110.30	-\$1.58	-1.43%	-1.47%	+0.73%

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



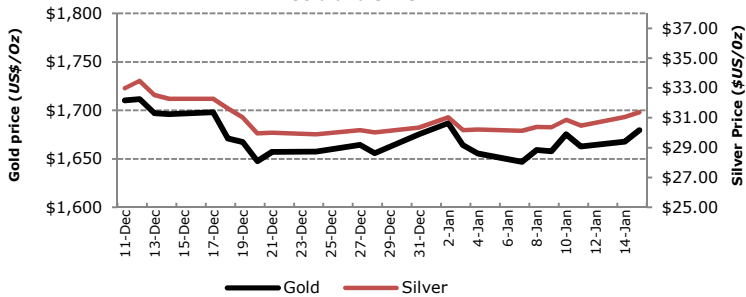
**Alberta Natural Gas**

(\$CAD/GJ)	15-Jan	day Δ	%Δ
AECO Feb-13	\$2.91	+\$0.05	+1.7%

**Precious Metals**

\$US/oz	15-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,679.45	+\$11.60	+0.7%	+1.2%	-1.0%	-4.0%
Silver	\$31.38	+\$0.33	+1.1%	+3.3%	-2.8%	-5.5%
Platinum	\$1,683	+\$26.00	+1.6%	+6.4%	+4.1%	+1.1%

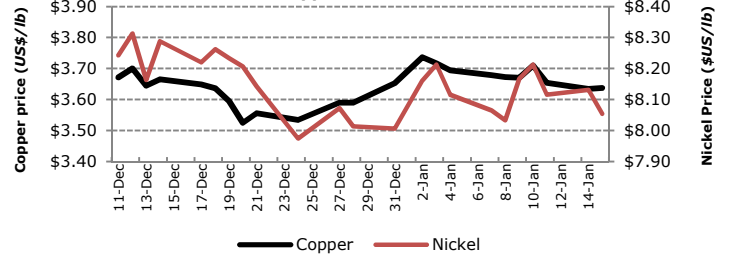
**Gold and Silver**



**Industrial Metals**

\$US/lb	15-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.64	+\$0.00	+0.1%	-0.9%	-0.8%	-2.9%
Nickel	\$8.05	-\$0.08	-1.0%	+0.3%	-2.8%	+2.1%
Zinc	\$0.97	-\$0.02	-1.9%	-1.0%	-4.6%	+4.7%
Aluminum	\$0.91	-\$0.03	-3.2%	-1.1%	-6.2%	+3.4%
Uranium	\$42.25	+\$0.25	+0.6%	0.0%	-7.1%	-4.0%

**Copper and Nickel**



**Agriculture & Other**

	15-Jan	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$7.31	+\$0.06	+0.9%	+6.1%	-0.0%
Wheat (\$US/bu)	\$7.83	+\$0.16	+2.1%	+4.3%	-3.8%
Soybeans (\$US/bu)	\$14.14	-\$0.04	-0.3%	+1.9%	-5.2%
Rough Rice (\$US/cwt)	\$15.06	+\$0.00	+0.0%	-1.0%	-4.2%
Sugar #11 (¢US/lb)	¢18.62	¢-0.28	-1.5%	-0.3%	-2.1%
Lean Hogs (¢US/lb)	¢87.60	¢-0.25	-0.3%	-2.6%	-3.1%
Live Cattle (¢US/lb)	¢134.43	¢-0.32	-0.2%	-1.4%	-1.7%
Cotton No.2 (\$US/lb)	\$0.76	+\$0.01	+0.9%	+1.5%	+1.5%
Lumber (\$US/Mbft)	\$376.90	-\$10.00	-2.6%	+0.2%	+4.4%

**Commodity ETFs**

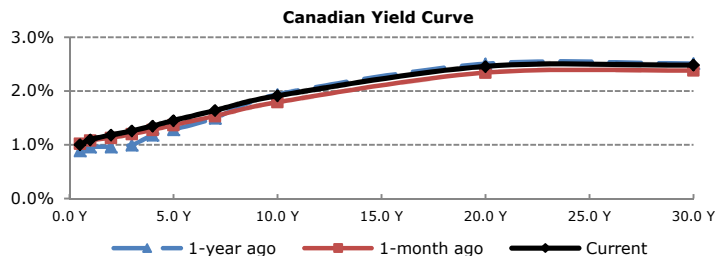
	15-Jan	day Δ	%Δ	5-day	1-mnth
<b>\$CAD</b>					
HBP Crude Oil U	\$4.54	-\$0.07	-1.5%	+0.0%	+13.8%
HBP Nat Gas U	\$12.25	+\$0.41	+3.5%	+12.0%	-1.9%
HBP Comex Gold	\$16.71	+\$0.10	+0.6%	+1.1%	-2.2%
<b>\$USD</b>					
US Crude Oil	\$33.99	-\$0.29	-0.8%	0.09%	+6.2%
US Nat Gas	\$19.35	+\$0.37	+1.9%	6.49%	+1.5%
PSDB Agriculture	\$27.86	-\$0.01	-0.0%	0.80%	-2.4%
PSDB Base Metals	\$18.76	-\$0.06	-0.3%	-1.47%	-3.2%

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## Interest Rates

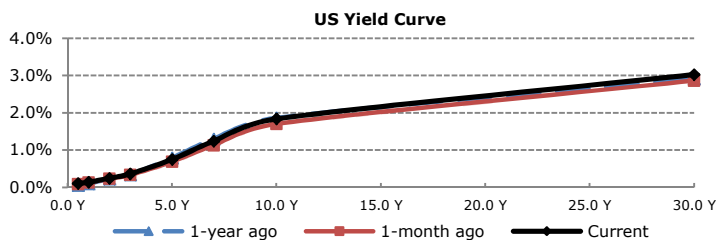
### Canadian yield curve

	<b>15-Jan</b>	<b>day Δ</b>	<i>Historical Levels</i>		
			<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
3-mnth	0.92%	-	0.96%	0.96%	0.80%
6-mnth	1.00%	-	1.02%	1.00%	0.89%
12-mnth	1.09%	-0.02%	1.08%	1.06%	0.96%
2-year	1.18%	-0.01%	1.13%	1.13%	0.96%
5-year	1.45%	-0.03%	1.37%	1.43%	1.28%
10-year	1.91%	-0.03%	1.79%	1.91%	1.93%
20-year	2.46%	-0.02%	2.34%	2.45%	2.51%
30-year	2.48%	-0.03%	2.38%	2.51%	2.51%

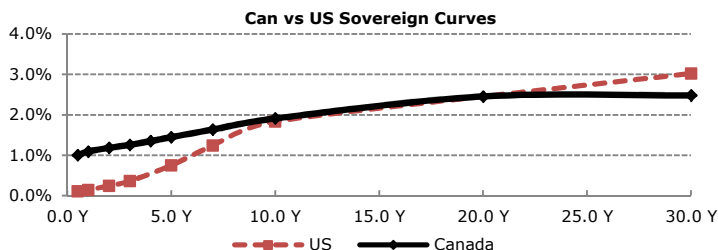
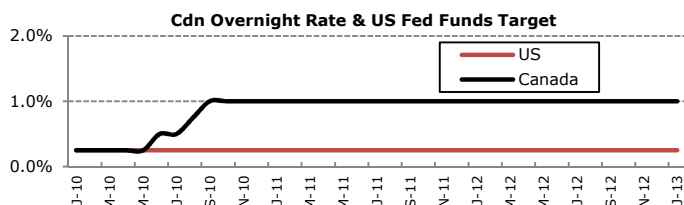


### US yield curve

	<b>15-Jan</b>	<b>day Δ</b>	<i>Historical Levels</i>		
			<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
3-mnth	0.08%	+0.01%	0.03%	0.11%	0.02%
6-mnth	0.11%	+0.01%	0.09%	0.15%	0.05%
12-mnth	0.14%	+0.01%	0.13%	0.18%	0.10%
2-year	0.25%	+0.00%	0.23%	0.29%	0.22%
5-year	0.75%	-0.01%	0.69%	0.78%	0.79%
10-year	1.84%	-0.01%	1.70%	1.82%	1.86%
30-year	3.03%	-0.01%	2.86%	3.00%	2.91%



	<b>Current</b>	<b>Prior</b>	<b>Next Meeting</b>	<b>Survey</b>
Cdn Overnight	1.00%	1.00%	0-Jan-00	#N/A
US Fed Funds	0.25%	0.25%	0-Jan-00	#N/A



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

	<b>Spot</b>	<b>15-Jan</b>	<b>day Δ</b>	<i>Historical Levels</i>		
				<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
USDCAD	\$0.984	+0.001		0.986	0.987	1.002
EURUSD	\$1.331	-0.008		1.316	1.305	1.322
USDJPY	¥88.79	-0.690		83.52	78.89	76.70
GBPUSD	£1.607	-0.001		1.617	1.611	1.573
AUDUSD	\$1.057	-0.000		1.057	1.028	1.066

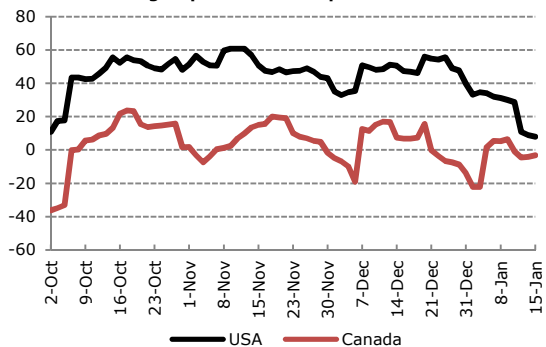
	<b>Spot</b>	<b>15-Jan</b>	<b>day Δ</b>	<i>Historical Levels</i>		
				<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
CADJPY	¥90.21	-0.746		84.73	79.95	76.56
CADAUD	\$0.962	-0.001		0.960	0.986	0.937
GBPUSD	£1.581	-0.001		1.594	1.590	1.576
EURJPY	¥118.14	-1.600		109.90	102.98	101.39
EURAUD	\$1.26	-0.007		1.25	1.27	1.24

## Economic Releases

### United States

		<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
Tue, Jan 15	Advance Retail Sales	31-Dec	0.2%	0.5%	0.3%
Tue, Jan 15	Producer Price Index (MoM)	31-Dec	-0.1%	-0.2%	-0.8%
Wed, Jan 16	Industrial Production	31-Jan	0.3%	0.3%	1.1%
Wed, Jan 16	Consumer Price Index (MoM)	31-Dec	--	0%	-0.3%
Thu, Jan 17	Housing Starts	31-Dec	890K	--	861K
Thu, Jan 17	Continuing Claims	5-Jan	3150K	--	3245K
Thu, Jan 17	Initial Jobless Claims	12-Jan	366.5K	--	371K

### Citigroup Economic Surprise Index

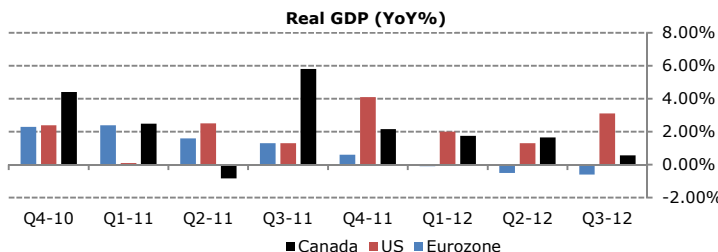


### Canada

		<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
Fri, Jan 18	Manufacturing Sales (MoM)	30-Nov	1%	--	-1.4%

## Economics

	<b>Q4-11</b>	<b>Q1-12</b>	<b>Q2-12</b>	<b>Q3-12</b>	<b>2012E</b>
<b>Canada</b>					
Real GDP	2.15%	1.74%	1.65%	0.57%	2.00%
CPI	2.70%	2.33%	1.57%	1.23%	1.60%
Unemployment	7.50%	7.20%	7.20%	7.40%	7.30%
<b>US</b>					
Real GDP	4.10%	2.00%	1.30%	3.10%	2.30%
CPI	3.30%	2.83%	1.90%	1.70%	2.10%
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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