

Today's Commentary

Markets ended on a high note Friday as the S&P 500 and DJIA closed at five-year highs of 1486 and 13,649 respectively. Meanwhile, the S&P/TSX Composite is closing in on its 52-week high, with a Friday close of 12,725. The index is up 2.35 percent since the year began. Markets were lifted by materials and energy stocks which responded favorably to the positive growth report from China. Research in Motion led the technology group with a 7 percent gain as investors anticipate the release of a new line of smartphones at the end of the month, while Apple, Google, and IBM all report quarterly earnings this week. U.S. markets are poised for a flat open Monday, with trading ending early due to the Martin Luther King Holiday.

Fourth quarter GDP growth in China exceeded expectations at 7.9 percent. However, 2012 marks China's slowest year over a 13 year period, as the country has averaged growth near 10 percent for the past thirty years. At the same time, the country is dealing with soaring real estate prices, particularly near financial centers such as in Beijing, where some apartments have seen a 1000 percent appreciation in the past decade. Rising prices carry the risk that the government will be forced to tighten monetary policy even while growth remains below average. Investment accounts for nearly half of Chinese GDP, which has led to concerns that the country will be faced with industrial overcapacity unless it can grow domestic consumption.

Some Euro-zone finance ministry officials are expressing discontent with the planned implementation of the European Stability Mechanism (ESM). Last summer, it was agreed that the ESM would be used to inject capital directly into failing banks, thereby avoiding large government bailouts such as that which became necessary in Ireland. However, Germany, Finland, and the Netherlands are now suggesting that a bank's home government should maintain some degree of responsibility for these capitalization efforts. They argue that direct investment in a struggling bank carries too much risk to the ESM, and that this could rapidly deplete its lending capacity. Much of Europe's south, on the other hand, maintains that it is necessary to sever the link between banks and sovereigns in order to curtail systemic risk across the Euro-zone.

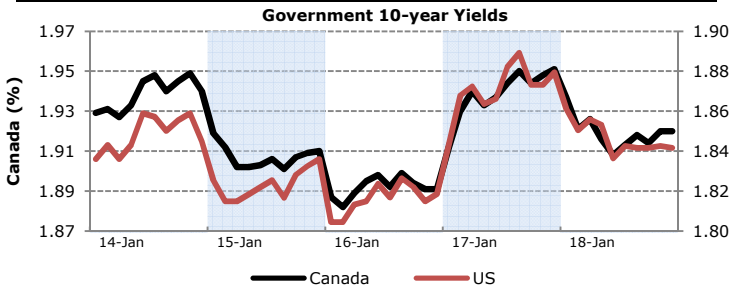
The Daily Roll is written by MFE Candidates Dipanker Koirala and Jan Varsava in partnership with the Rotman Finance Association. Please email dailyroll@economics.utoronto.ca to subscribe/unsubscribe.

Today's Major Economic Releases

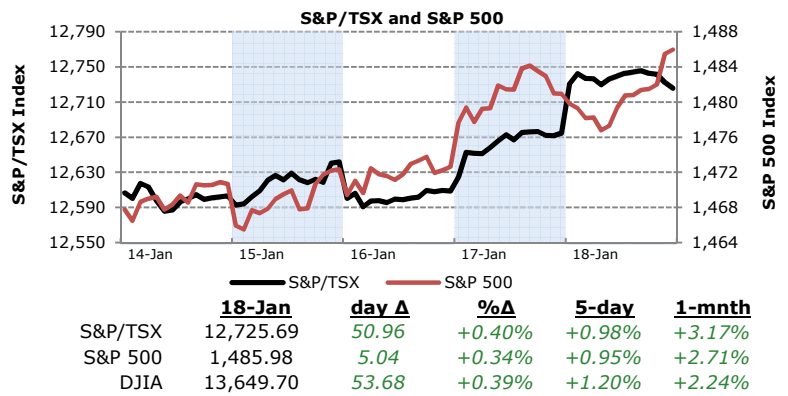
United States	Period	Survey	Actual	Prior
None Scheduled				

Canada	Period	Survey	Actual	Prior
None Scheduled				

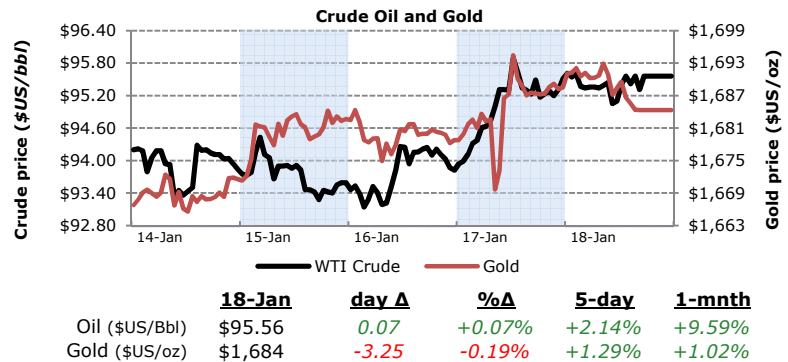
Interest Rates



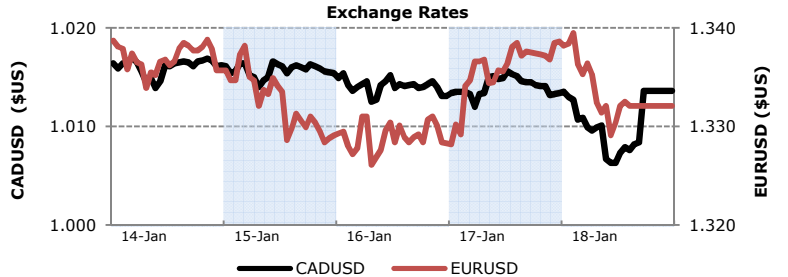
Equities



Commodities



Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	18-Jan	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$0.992	+0.006	0.985	0.989	0.999
EURUSD	\$1.332	-0.006	1.334	1.323	1.316
USDJPY	¥90.10	+0.220	89.180	84.41	76.20

Government 10-year Yields

	18-Jan	day Δ	Historical levels		
			-1 mnth	-3 mnths	-1 year
Canada	1.92%	-0.031%	1.85%	1.85%	2.01%
United States	1.84%	-0.038%	1.80%	1.76%	1.98%

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>

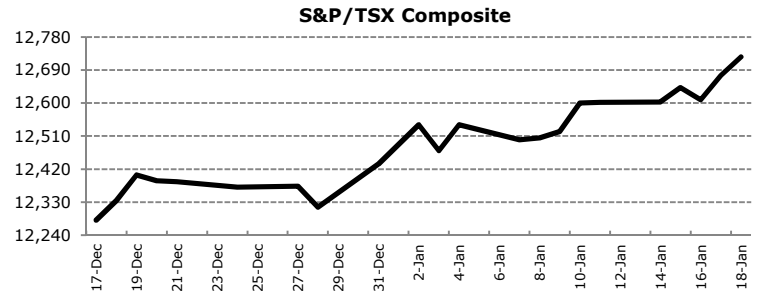
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	<u>18-Jan</u>	<u>day Δ</u>	<u>%Δ</u>
S&P/TSX	12,725.69	50.96	+0.40%

	<u>Trailing S&P/TSX</u>	<u>TSX 60</u>
5-day	+0.98%	+1.05%
1-month	+3.17%	+3.22%
3-months	+2.08%	+2.46%
6-months	+9.90%	+10.31%
12-months	+3.23%	+3.77%



TSX Sector Returns

	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
C. Discretionary	+0.24%	+2.65%	+5.33%	+18.64%
C. Staples	-1.20%	-0.24%	+0.25%	+20.21%
Energy	+0.45%	+0.61%	+2.43%	-8.07%
Financials	+0.59%	+1.30%	+3.08%	+12.08%
Healthcare	+0.03%	+0.36%	+4.92%	+8.78%
Info Tech	+2.23%	+5.49%	+6.87%	+16.48%
Industrials	+0.54%	+1.29%	+7.53%	+14.76%
Materials	+0.08%	-0.15%	+2.67%	-12.20%
Metals & Mining	+0.46%	-0.73%	+6.01%	-15.69%
Telecom	+0.85%	+1.84%	+0.81%	+8.78%
Utilities	+0.28%	+1.45%	+5.29%	+3.84%

TSX Top Performers

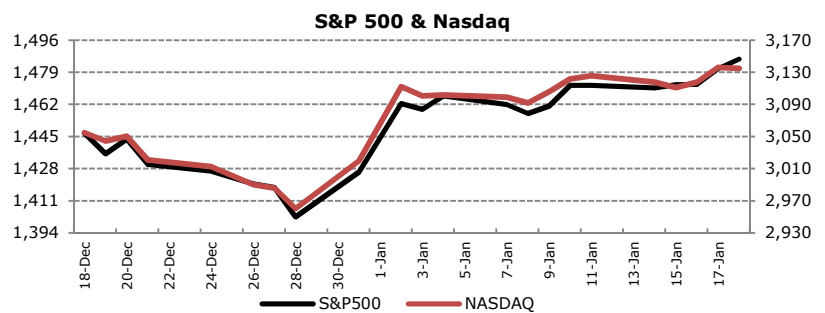
	<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
Research In Motion		+7.02%	+18.03%	+16.63%	-11.69%
Birchcliff Energy Ltd		+4.69%	+4.99%	-2.77%	-42.41%
Petrobank Energy & Resour		+3.37%	-7.07%	-6.24%	-19.10%
Nevsun Resources Ltd		+3.36%	+5.48%	+19.65%	-21.62%
Turquoise Hill Resources		+3.20%	-6.04%	+15.36%	-51.29%

TSX Worst Performers

	<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
Shoppers Drug Mart Corp		-5.19%	-2.45%	-0.56%	+2.89%
Centerra Gold Inc		-4.14%	+2.70%	+8.57%	-46.46%
Banro Corporation		-4.11%	-6.67%	-2.78%	-38.19%
Kirkland Lake Gold Inc		-3.71%	+4.85%	+3.02%	-61.18%
Jean Coutu Group Inc-Clas		-3.62%	+0.95%	+1.36%	+13.13%

US Indices

	<u>S&P 500</u>	<u>DJIA</u>	<u>Nasdaq</u>
Trailing			
18-Jan	1,485.98	13,649.70	3,134.71
1-day	+0.34%	+0.39%	-0.04%
5-day	+0.95%	+1.20%	+0.29%
1-month	+2.71%	+2.24%	+2.62%
3-months	+1.97%	+0.74%	+2.01%
6-months	+8.25%	+5.74%	+6.53%
12-months	+13.60%	+8.51%	+13.18%



S&P 500 Sector Returns

	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
C. Discretionary	+0.18%	+1.96%	+3.97%	+21.48%
C. Staples	+0.38%	+1.50%	+2.00%	+13.33%
Energy	+0.90%	+2.29%	+3.36%	+5.39%
Financials	+0.15%	+0.30%	+4.04%	+23.20%
Healthcare	+0.37%	+1.12%	+3.04%	+17.86%
Info Tech	-0.33%	-0.54%	+0.56%	+9.72%
Industrials	+1.00%	+2.22%	+4.21%	+11.22%
Materials	+0.55%	+0.83%	+5.58%	+6.95%
Telecom	+0.78%	-1.90%	-1.94%	+12.80%
Utilities	+0.86%	+0.91%	+0.16%	+2.42%

DJIA Top Performers

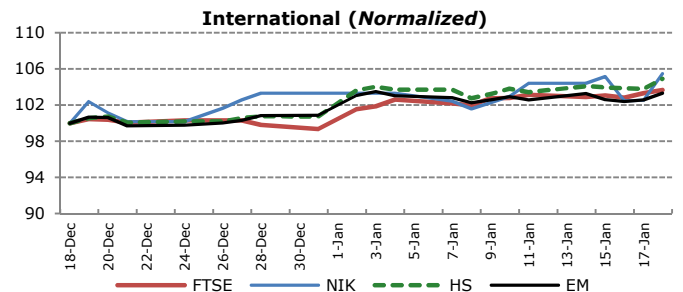
	<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
General Electric Co		+3.47%	+4.31%	+2.54%	+19.07%
Caterpillar Inc		+2.01%	+2.55%	+8.17%	-5.60%
Du Pont (E.I.) De Nemours		+1.36%	+1.82%	+4.68%	-1.51%

DJIA Worst Performers

	<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
Intel Corp		-6.31%	-3.41%	+1.38%	-14.21%
American Express Co		-1.58%	-2.38%	+3.75%	+18.97%
Bank Of America Corp		-1.24%	-4.21%	-1.85%	+60.83%

International Markets

	<u>FTSE 100</u>	<u>Nikkei</u>	<u>Hang Seng</u>	<u>MSCI EM</u>
Trailing				
Last Close	6,154.41	10,913.30	23,601.78	1,080.74
1-day	+0.36%	+2.86%	+1.12%	+0.71%
5-day	+0.54%	+2.45%	+1.45%	+0.72%
1-month	+3.68%	+9.98%	+4.92%	+3.30%
3-months	+4.01%	+21.49%	+9.68%	+6.65%
6-months	+8.24%	+25.06%	+22.67%	+16.10%
12-months	+7.93%	+27.63%	+19.89%	+10.18%



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Nymex WTI Crude Oil

(\$US/Bbl)	18-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$95.56	+\$0.07	+0.07%	+2.14%	+9.59%
Cal 13	\$96.41	+\$0.22	+0.23%	+2.06%	+5.94%
Cal 14	\$93.57	+\$0.30	+0.32%	+1.38%	+2.83%

(\$US/bbl)	Q2-13	Q3-13	Q4-13	Q1-14	2014
Consensus Forecast	\$94.50	\$96.75	\$98.00	\$100.00	\$98.00
Current Forward	\$96.71	\$96.85	\$96.06	\$95.00	\$93.57

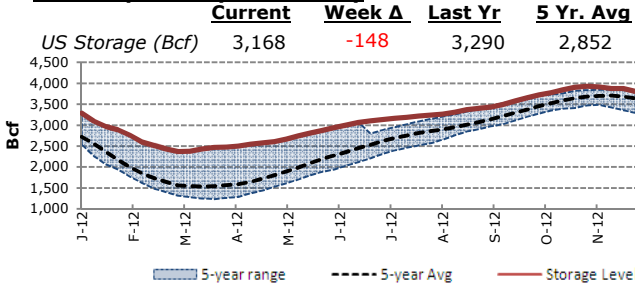
Inventory Levels (as of Jan-11)

(MMbbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	360,302	-951	337,426	319,411
Motor Gas	234,995	+1,910	214,389	200,481
Distillates	132,430	+1,686	171,756	140,851

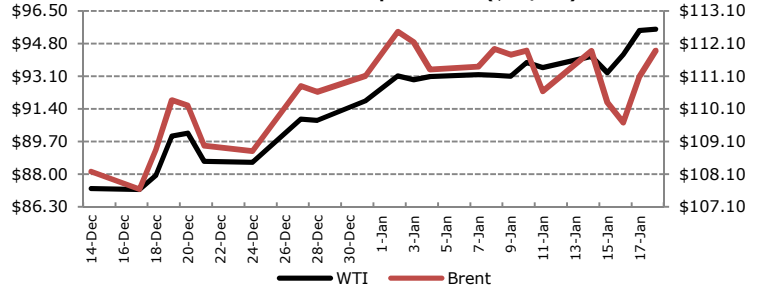
Nymex Natural Gas

(\$US/MMbtu)	18-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$3.57	+\$0.07	+2.06%	+7.18%	+4.33%
Feb13-Mar13	\$3.61	+\$0.07	+1.90%	+6.51%	-10.11%
Apr13-Oct13	\$3.71	+\$0.06	+1.70%	+5.71%	-7.06%
Nov13-Mar14	\$4.09	+\$0.05	+1.30%	+4.16%	-1.89%
Apr14-Oct14	\$4.07	+\$0.05	+1.19%	+3.07%	-1.61%

Inventory Levels (as of Jan-11)



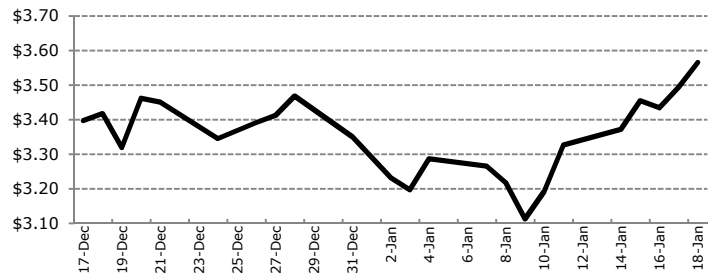
Crude Oil Prompt Contract (\$US/Bbl)



UK Brent Crude Oil

(\$US/Bbl)	18-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$111.89	+\$0.79	+0.71%	+1.13%	+3.95%

Nat Gas Prompt (\$US/MMbtu)



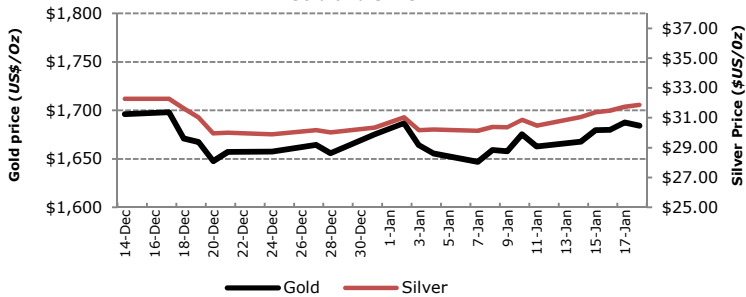
Alberta Natural Gas

(\$CAD/GJ)	18-Jan	day Δ	%Δ
AECO Feb-13	\$2.99	+\$0.05	+1.7%

Precious Metals

\$US/oz	18-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,684.30	-\$3.25	-0.2%	+1.3%	+1.0%	-2.2%
Silver	\$31.87	+\$0.12	+0.4%	+4.6%	+2.7%	-0.7%
Platinum	\$1,669	-\$23.25	-1.4%	+2.3%	+5.0%	+3.1%

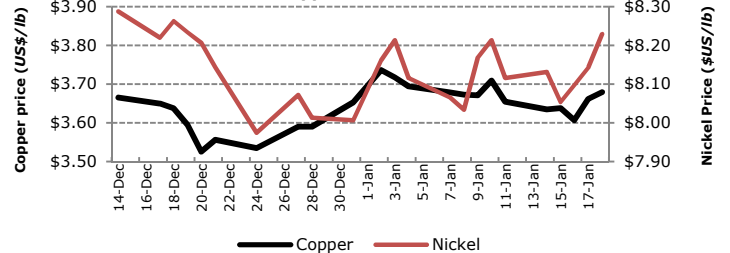
Gold and Silver



Industrial Metals

\$US/lb	18-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.68	+\$0.02	+0.5%	+0.7%	+2.3%	+1.1%
Nickel	\$8.23	+\$0.09	+1.1%	+1.4%	-0.1%	+3.1%
Zinc	\$1.00	+\$0.03	+2.6%	+0.8%	-0.9%	+8.1%
Aluminum	\$0.92	+\$0.01	+1.1%	-2.1%	-2.1%	+2.2%
Uranium	\$42.00	+\$0.00	0.0%	0.0%	-5.6%	-4.5%

Copper and Nickel



Agriculture & Other

	18-Jan	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$7.28	+\$0.03	+0.4%	+2.6%	+3.5%
Wheat (\$US/bu)	\$7.91	+\$0.10	+1.3%	+4.8%	-1.8%
Soybeans (\$US/bu)	\$14.29	-\$0.01	-0.1%	+4.1%	-0.1%
Rough Rice (\$US/cwt)	\$15.16	-\$0.08	-0.5%	-0.4%	-2.2%
Sugar #11 (¢US/lb)	¢18.37	¢0.05	-0.3%	-4.2%	-4.5%
Lean Hogs (¢US/lb)	¢88.08	¢0.00	+0.0%	+1.1%	-3.7%
Live Cattle (¢US/lb)	¢129.83	¢1.05	-0.8%	-3.5%	-5.9%
Cotton No.2 (\$US/lb)	\$0.79	+\$0.01	+1.0%	+3.9%	+3.5%
Lumber (\$US/Mbft)	\$362.30	-\$7.10	-1.9%	-4.9%	-0.7%

Commodity ETFs

	18-Jan	day Δ	%Δ	5-day	1-mnth
\$CAD					
HBP Crude Oil U	\$4.76	+\$0.03	+0.6%	+4.6%	+17.5%
HBP Nat Gas U	\$13.24	+\$0.63	+5.0%	+14.6%	+9.2%
HBP Comex Gold	\$16.80	-\$0.01	-0.1%	+1.6%	-0.5%
\$USD					
US Crude Oil	\$34.77	+\$0.10	+0.3%	2.08%	+6.2%
US Nat Gas	\$20.10	+\$0.48	+2.4%	7.37%	+2.6%
PSDB Agriculture	\$27.87	+\$0.04	+0.1%	0.36%	-0.8%
PSDB Base Metals	\$18.92	+\$0.15	+0.8%	-0.68%	-0.1%

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Interest Rates

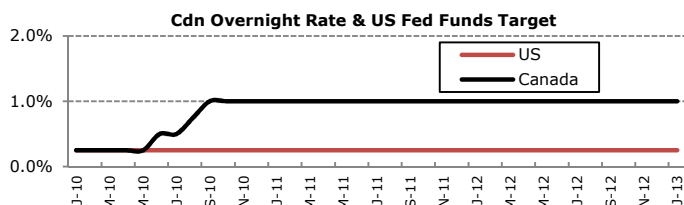
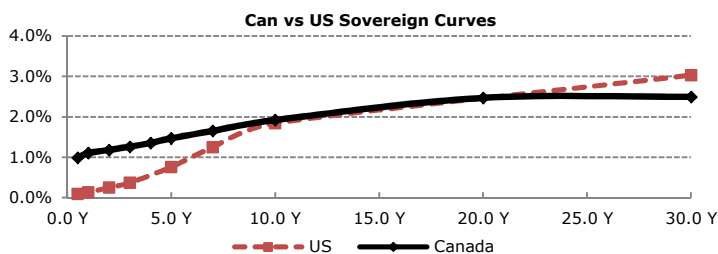
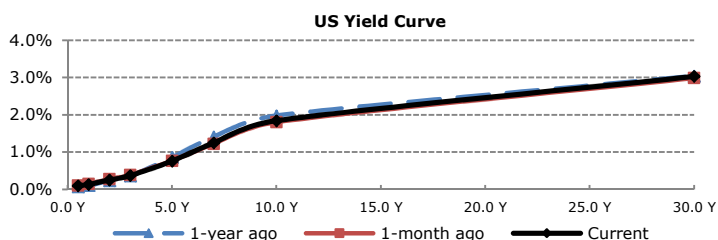
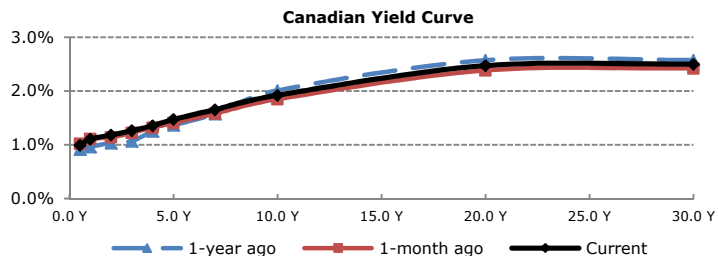
Canadian yield curve

	18-Jan	day Δ	<i>Historical Levels</i>		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.92%	-	0.95%	0.96%	0.83%
6-mnth	0.99%	-	1.02%	1.01%	0.91%
12-mnth	1.10%	-0.00%	1.11%	1.06%	0.96%
2-year	1.18%	-0.02%	1.14%	1.09%	1.03%
5-year	1.47%	-0.02%	1.41%	1.37%	1.36%
10-year	1.92%	-0.03%	1.85%	1.85%	2.01%
20-year	2.47%	-0.02%	2.38%	2.38%	2.57%
30-year	2.50%	-0.02%	2.42%	2.43%	2.57%

US yield curve

	18-Jan	day Δ	<i>Historical Levels</i>		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.07%	-	0.05%	0.09%	0.04%
6-mnth	0.10%	-0.01%	0.10%	0.14%	0.07%
12-mnth	0.13%	-0.01%	0.15%	0.17%	0.10%
2-year	0.25%	-0.01%	0.27%	0.29%	0.23%
5-year	0.76%	-0.03%	0.77%	0.75%	0.86%
10-year	1.84%	-0.04%	1.80%	1.76%	1.98%
30-year	3.03%	-0.04%	2.99%	2.93%	3.04%

	Current	Prior	Next Meeting	Survey
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)

	Spot	18-Jan	day Δ	<i>Historical Levels</i>		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$0.992	+0.006		0.989	0.994	0.999
EURUSD	\$1.332	-0.006		1.323	1.302	1.316
USDJPY	¥90.10	+0.220		84.41	79.32	76.20
GBPUSD	\$1.587	-0.012		1.625	1.600	1.583
AUDUSD	\$1.051	-0.004		1.048	1.033	1.071

	Spot	18-Jan	day Δ	<i>Historical Levels</i>		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥90.85	-0.320		85.37	79.82	76.31
CADAUD	\$0.959	-0.003		0.965	0.974	0.935
GBP CAD	£1.574	-0.003		1.607	1.590	1.581
EURJPY	¥119.98	-0.230		111.65	103.28	100.29
EURAUD	\$1.27	-0.001		1.26	1.26	1.23

Economic Releases

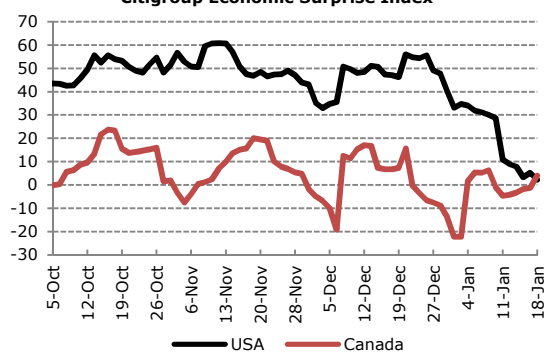
United States

		Period	Survey	Actual	Prior
Tue, Jan 22	Existing Home Sales	31-Dec	5.1M	--	5.04M
Thu, Jan 24	Leading Indicators	31-Dec	0.4%	--	-0.2%
Thu, Jan 24	Continuing Claims	12-Jan	3200%	--	3214%
Thu, Jan 24	Intial Jobless Claims	19-Jan	355K	--	335K
Fri, Jan 25	New Home Sales	31-Dec	385K	--	377K

Canada

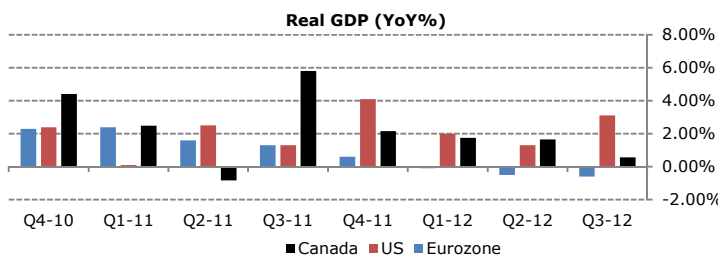
		Period	Survey	Actual	Prior
Tue, Jan 22	Retail Sales (MoM)	30-Nov	-0.1%	--	0.7%
Fri, Jan 25	BOC CPI Core (YoY)	31-Dec	1.4%	--	1.2%
Fri, Jan 25	Consumer Price Index	31-Dec	1.2%	--	0.8%

Citigroup Economic Surprise Index



Economics

	Q4-11	Q1-12	Q2-12	Q3-12	2012E
Canada					
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%
US					
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%
China					
Real GDP	8.90%	8.10%	7.60%	7.40%	7.70%



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