

## Today's Commentary

The S&P 500 closed Friday's session at 1502.96, which is the third time since March 2000 that the index has closed above this level. On the Canadian side of the border the S&P/TSX composite closed at 12816.63. Both the US and Canadian 10 Yr government bonds are hovering around 2%, the first time they have reached this level since April of 2012. Investors are keeping an eye on the comments that will result from a two-day Fed meeting starting tomorrow to see if there will be any indication of a change in easing policy from the Central Bank. Optimism over earnings and the nascent recovery could be short lived as political negotiations around spending cuts near. In Japan, the aggressive easing policy continues to drive speculation around further weakening of the yen, which sits at 90.81 yen per dollar, after briefly reaching 91.25.

The negotiations over \$1.2 trillion in spending cuts that were pushed back as part of the fiscal cliff deal at year end are poised to pick up again over the coming weeks. The so called sequester is set to take effect on March 1<sup>st</sup> and involves \$600 billion cuts each to defense and other discretionary spending. Though the signs point to greater Republican co-operation around raising the debt ceiling, some influential lawmakers have stated that the GOP is well willing to come to a deal to avoid the spending cuts. Failure to avert the sequester are projected to reduce growth by 0.7 percentage points in 2013 - coupled with the expiration of the payroll tax cut which has already hit consumer confidence, the recovery in employment and housing would take more time.

Japan's economy minister, Akira Amari, fielded criticism that Japan was guilty of manipulating the yen's exchange rate at the World Economic Forum in Davos on Saturday. Amari stressed that it was the Bank of Japan's decision to pursue monetary easing, and that the organization remains politically independent of the LDP party. Furthermore, he emphasized that their policy is focused on growing the Japanese economy, and that the effect on the yen's exchange rate was not a primary concern. Amari replied to critics, stating that "You might think there's a deliberate policy to drive down the value of the yen, but we in government refrain from commenting on the exchange rate of the yen." However, Bank of Korea Governor Kim Chong-soo argued that "the pace of change is also a problem. They did it too hastily." The debate is sure to draw more attention going forward, as an anonymous European Central Bank source told Reuters, "I guess this is a G20 issue that needs to be addressed there. It is potentially dangerous and we should avoid (currency wars)."

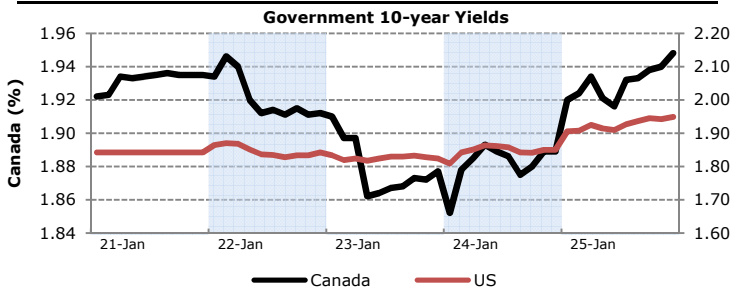
The Daily Roll is written by MFE Candidates Dipanker Koirala and Jan Varsava in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.

## Today's Major Economic Releases

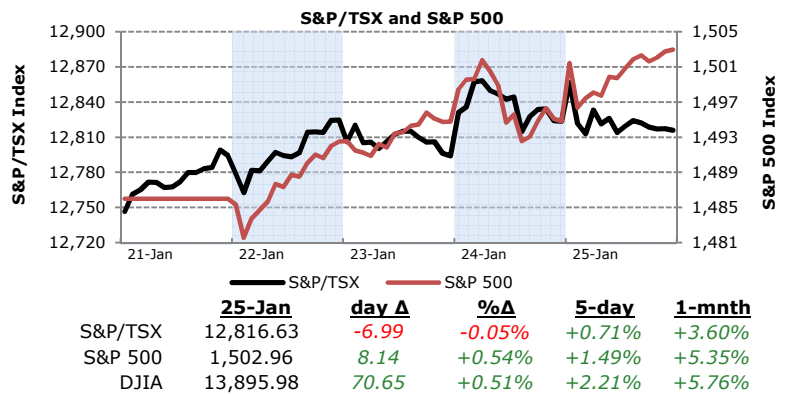
United States	Period	Survey	Actual	Prior
Durable Goods Orders	31-Jan	2%	4.6%	0.7%

Canada	Period	Survey	Actual	Prior
None Scheduled				

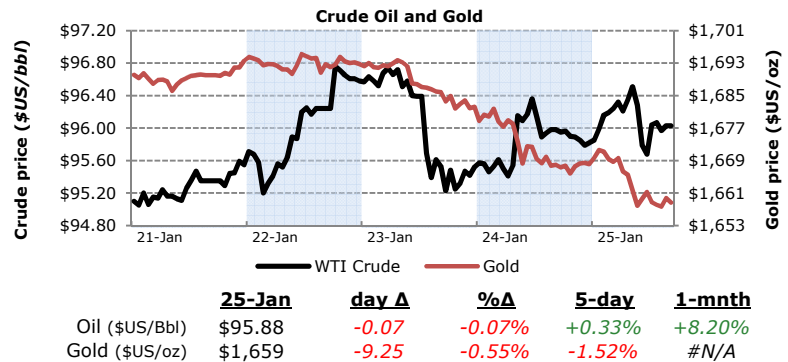
## Interest Rates



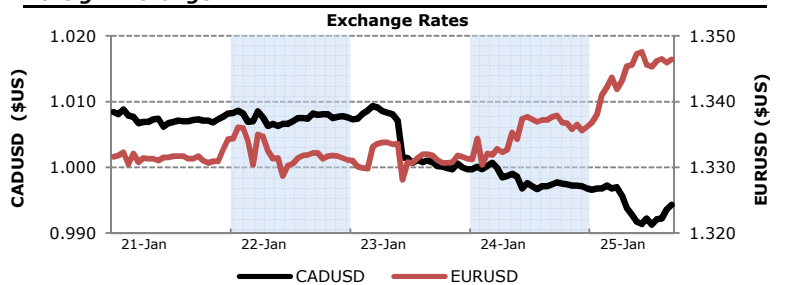
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	25-Jan	day Δ	Historical levels		
			-5 days	-1 mnt	-1 year
USDCAD	\$1.006	+0.003	0.992	0.994	0.996
EURUSD	\$1.346	+0.009	1.332	1.322	1.326
USDJPY	¥90.91	+0.580	90.100	85.63	77.04

Government 10-year Yields

	25-Jan	day Δ	Historical levels		
			-1 mnt	-3 mnths	-1 year
Canada	1.95%	0.059%	1.82%	1.84%	2.02%
United States	1.95%	0.099%	1.75%	1.75%	1.93%

## 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>

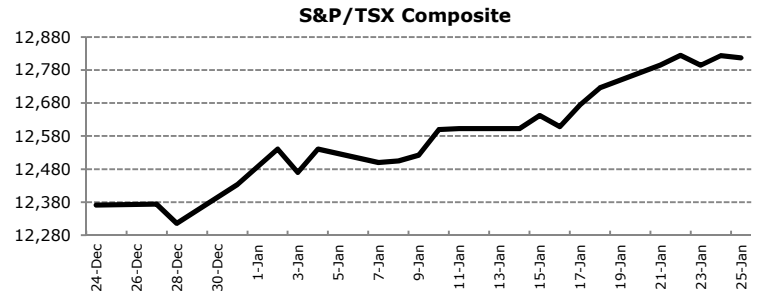
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	<b>25-Jan</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	12,816.63	-6.99	-0.05%

	<b>Trailing S&amp;P/TSX</b>	<b>TSX 60</b>
5-day	+0.71%	+0.97%
1-month	+3.60%	+3.70%
3-months	+4.20%	+4.72%
6-months	+11.52%	+12.44%
12-months	+2.21%	+2.96%



**TSX Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+0.06%	+1.52%	+6.25%	+19.68%
C. Staples	+0.29%	+0.42%	+0.26%	+21.47%
Energy	+0.30%	+1.79%	+4.61%	-9.28%
Financials	+0.10%	+1.19%	+2.87%	+10.86%
Healthcare	+1.14%	+3.05%	+7.59%	+10.63%
Info Tech	-0.03%	+3.50%	+18.17%	+22.41%
Industrials	-0.21%	+0.93%	+7.67%	+15.24%
Materials	-1.06%	-2.04%	+1.05%	-16.11%
Metals & Mining	-0.49%	-0.88%	+4.17%	-16.58%
Telecom	-0.39%	+0.59%	+1.10%	+9.69%
Utilities	+0.05%	+0.38%	+5.00%	+4.81%

**TSX Top Performers**

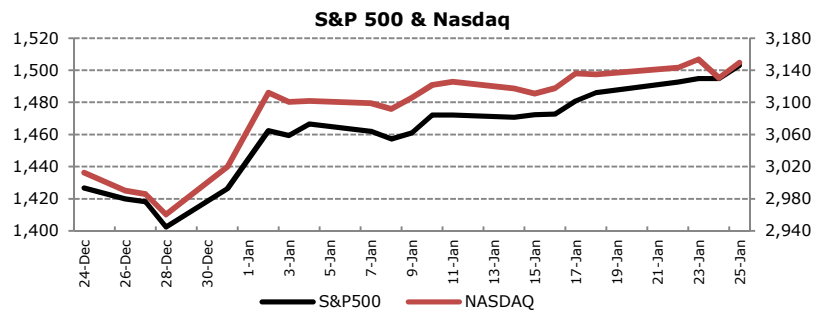
	<b>Ranked by 1-day</b>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Petrominerales Ltd		+4.56%	+3.33%	+21.67%	-50.33%
Pacific Rubiales Energy C		+3.61%	+3.98%	+4.45%	-3.41%
Bonterra Energy Corp		+3.15%	-0.78%	+6.21%	-8.82%
Transglobe Energy Corp		+3.13%	-1.49%	-10.06%	-9.59%
Potash Corp Of Saskatchewan		+3.05%	+6.81%	+11.62%	-2.90%

**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>
Premier Gold Mines Ltd		-6.65%	-8.52%	-7.83%	-31.13%
Eldorado Gold Corp		-5.33%	-9.06%	-8.33%	-17.95%
New Gold Inc		-5.02%	-12.72%	-9.03%	-17.22%
Nevsun Resources Ltd		-4.95%	-12.77%	+2.28%	-36.45%
Alamos Gold Inc		-4.73%	-5.53%	-13.49%	-26.42%

**US Indices**

	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
Trailing			
25-Jan	1,502.96	13,895.98	3,149.71
1-day	+0.54%	+0.51%	+0.62%
5-day	+1.49%	+2.21%	+0.44%
1-month	+5.35%	+5.76%	+4.55%
3-months	+6.37%	+6.05%	+5.48%
6-months	+12.34%	+9.62%	+10.35%
12-months	+13.34%	+8.93%	+11.76%



**S&P 500 Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+1.03%	+2.24%	+7.49%	+22.80%
C. Staples	+0.51%	+1.08%	+4.59%	+13.24%
Energy	+0.87%	+2.73%	+7.32%	+5.23%
Financials	+0.47%	+1.96%	+6.52%	+23.10%
Healthcare	+0.76%	+1.94%	+6.85%	+19.34%
Info Tech	+0.12%	-0.87%	+1.54%	+6.58%
Industrials	+0.42%	+2.34%	+6.95%	+11.02%
Materials	+0.38%	+1.64%	+6.66%	+6.76%
Telecom	+0.36%	+1.70%	+0.38%	+15.56%
Utilities	+0.55%	+2.42%	+3.05%	+3.49%

**DJIA Top Performers**

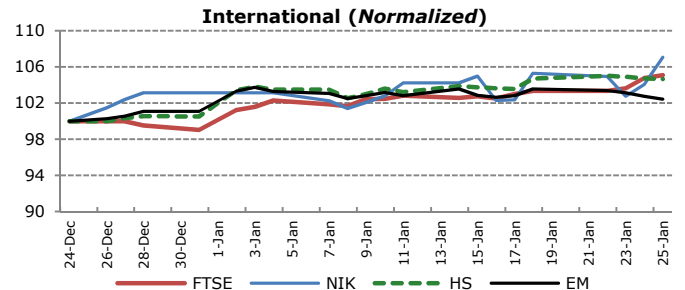
	<b>Ranked by 1-day</b>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Procter & Gamble Co/The		+4.02%	+5.14%	+7.77%	+16.87%
Jpmorgan Chase & Co		+1.70%	+1.55%	+8.11%	+29.50%
Johnson & Johnson		+1.12%	+1.40%	+5.57%	+16.67%

**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>
Wal-Mart Stores Inc		-1.13%	+0.22%	+0.63%	+15.96%
Caterpillar Inc		-1.06%	-0.13%	+9.26%	-12.19%
Boeing Co/The		-0.39%	-0.31%	-1.24%	+2.03%

**International Markets**

	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
Trailing				
Last Close	6,284.45	10,926.65	23,580.43	1,069.12
1-day	+0.31%	+2.88%	-0.08%	-0.29%
5-day	+2.11%	+0.12%	-0.09%	-0.38%
1-month	+5.55%	+8.40%	+4.61%	+2.43%
3-months	+8.26%	+20.67%	+8.12%	+7.01%
6-months	+14.30%	+30.61%	+24.91%	+18.05%
12-months	+9.81%	+23.00%	+17.26%	+6.95%



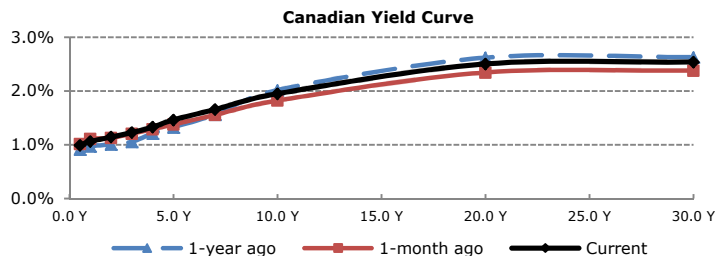
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## Interest Rates

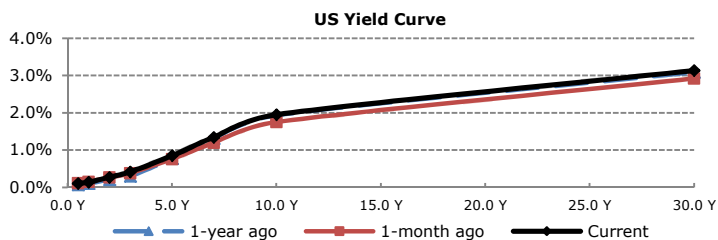
### Canadian yield curve

	<b>25-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%	-	0.92%	1.00%	0.86%
6-mnth	0.99%	-	1.01%	1.03%	0.91%
12-mnth	1.06%	-0.01%	1.11%	1.09%	0.97%
2-year	1.14%	+0.02%	1.13%	1.12%	1.01%
5-year	1.46%	+0.05%	1.38%	1.39%	1.32%
10-year	1.95%	+0.06%	1.82%	1.84%	2.02%
20-year	2.50%	+0.05%	2.34%	2.37%	2.62%
30-year	2.54%	+0.05%	2.38%	2.42%	2.63%

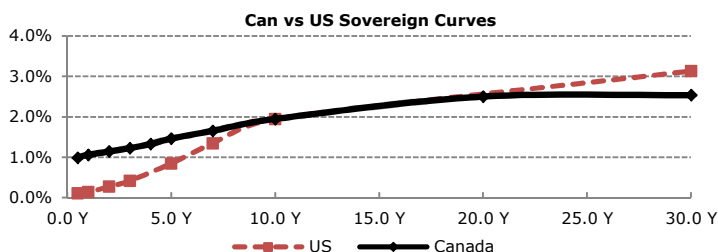
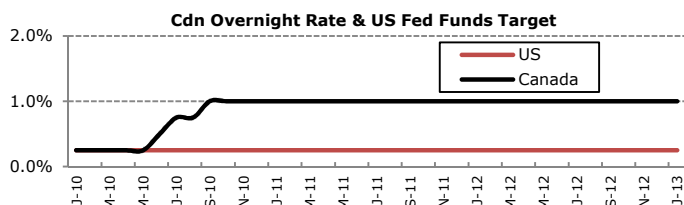


### US yield curve

	<b>25-Jan</b>	<b>day Δ</b>	<i>Historical Levels</i>		
			<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
3-mnth	0.07%	-0.01%	0.06%	0.11%	0.05%
6-mnth	0.11%	+0.01%	0.11%	0.15%	0.07%
12-mnth	0.14%	+0.01%	0.15%	0.17%	0.10%
2-year	0.27%	+0.03%	0.27%	0.30%	0.21%
5-year	0.85%	+0.08%	0.76%	0.76%	0.77%
10-year	1.95%	+0.10%	1.75%	1.75%	1.93%
30-year	3.13%	+0.09%	2.92%	2.90%	3.09%



	<b>Current</b>	<b>Prior</b>	<b>Next Meeting</b>	<b>Survey</b>
Cdn Overnight	1.00%	1.00%	6-Mar-13	1.00%
US Fed Funds	0.25%	0.25%	30-Jan-13	0.25%



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

	<b>Spot</b>	<b>25-Jan</b>	<b>day Δ</b>	<i>Historical Levels</i>		
				<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
USDCAD	\$1.006	+0.003		0.994	0.997	0.996
EURUSD	\$1.346	+0.009		1.322	1.294	1.326
USDJPY	¥90.91	+0.580		85.63	79.65	77.04
GBPUSD	\$1.580	+0.001		1.614	1.611	1.582
AUDUSD	\$1.042	-0.003		1.038	1.037	1.080

	<b>Spot</b>	<b>25-Jan</b>	<b>day Δ</b>	<i>Historical Levels</i>		
				<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
CADJPY	¥90.38	+0.287		86.12	79.88	77.35
CADAUD	\$0.954	-0.000		0.969	0.967	0.930
GBP AUD	£1.589	+0.006		1.605	1.606	1.576
EURJPY	¥122.32	+1.490		113.24	103.05	102.16
EURAUD	\$1.29	+0.012		1.27	1.25	1.23

## Economic Releases

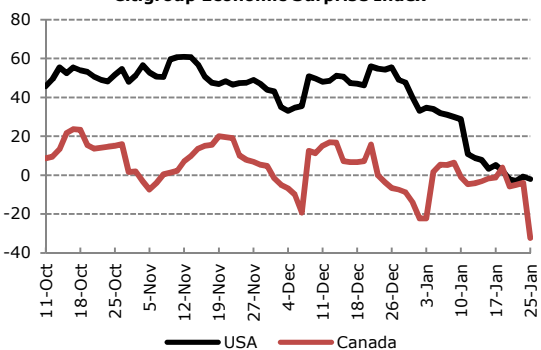
### United States

		<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
Mon, Jan 28	Durable Goods Orders	31-Jan	2%	4.6%	0.7%
Tue, Jan 29	Consumer Confidence	31-Jan	64	--	65.1
Wed, Jan 30	ADP Employment Change	31-Jan	165%	--	215%
Wed, Jan 30	GDP QoQ (Annualized)	31-Dec	1.1%	--	3.1%
Thu, Jan 31	Personal Income	31-Dec	0.8%	--	0.6%
Thu, Jan 31	Continuing Claims	19-Jan	3171K	--	3214K
Thu, Jan 31	Initial Jobless Claims	26-Jan	355K	--	330K
Fri, Feb 01	ISM Manufacturing	31-Jan	0.1	--	50.7
Fri, Feb 01	Nonfarm Payroll	31-Jan	161K	--	155K
Fri, Feb 01	Unemployment Rate		41305	7.8%	7.8%

### Canada

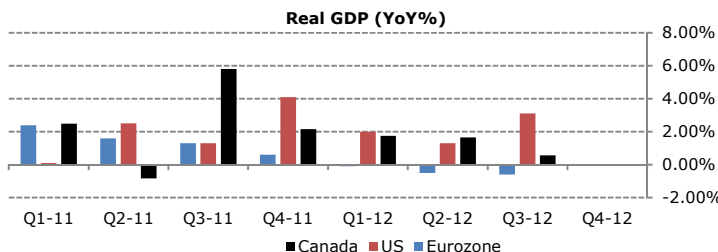
		<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
Thu, Jan 31	GDP MoM	30-Nov	0.2%	--	0.1%

### Citigroup Economic Surprise Index



## Economics

	<b>Q1-12</b>	<b>Q2-12</b>	<b>Q3-12</b>	<b>Q4-12</b>	<b>2012E</b>
<b>Canada</b>					
Real GDP	1.74%	1.65%	0.57%	NA	2.00%
CPI	2.33%	1.57%	1.23%	0.93%	1.60%
Unemployment	7.20%	7.20%	7.40%	7.10%	7.30%
<b>US</b>					
Real GDP	2.00%	1.30%	3.10%	NA	2.30%
CPI	2.83%	1.90%	1.70%	1.90%	2.10%
Unemployment	8.20%	8.20%	7.80%	7.80%	8.10%
<b>China</b>					
Real GDP	8.10%	7.60%	7.40%	7.90%	7.70%



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