

## Today's Commentary

The S&P/TSX Composite rose slightly to close at 12,831, due to strong performance in gold stocks and an optimistic outlook for Canadian Pacific Railway (CP) 2013 earnings, which pushed shares to an all-time high of \$116.22. Gold saw a 0.31 percent gain to close at \$1,666 ahead of a Fed announcement that is expected to reaffirm loose monetary policy. Financials fell slightly following Moody's downgrade of six Canadian banks on Monday. Research in Motion (RIM) dropped 3.4 percent as investors took caution before the launch of BlackBerry 10 on Wednesday, a pivotal moment for the company. Meanwhile, risk assets in Japan continue to rally and consumer confidence in Canada has reached highs not seen since 2011.

The US Economy unexpectedly contracted in Q4 of 2012, declining at an annualized rate of 0.1 percent. This was a large reversal from the Q3 pace of 3.1 percent. The slowdown was largely driven by a 15 percent reduction in federal spending - most significantly in defense spending which fell 22.2 percent. Overall outlays by all levels of government fell by 6.6 percentage points and, combined with a decrease in inventory levels, subtracted 2.6 percentage points from growth. These numbers were offset by a 2.2 percent advance in personal consumption expenditures, an increase in residential fixed investment of 15.3 percent, and an expansion in corporate spending on equipment and software. The ADP Employment Report also showed that payrolls increased by 192 thousand in January, beating the average consensus numbers. The numbers reinforce the view that today's Fed statement will indicate that the Central Bank expects to continue its balance-sheet expansion for the foreseeable future.

Japanese junk bonds have rallied sharply along with the Nikkei 225 index on optimism regarding Prime Minister Abe's aggressive fiscal and monetary policies. Sharp Corp.'s bonds maturing in 2014 have risen from 46 yen to 77 yen per 100 yen face value since November, despite the firm's admission that there is "material doubt" as to whether it will survive. Tepco's 2017 bonds are yielding just 3.3 percent, even though it owns nuclear power plants in one of the world's most seismically active regions. There is growing concern that prices in capital markets are not reflecting fundamental valuations, as economic stimulus incentivizes investment in risky assets. Japanese corporate bonds yield an average of just 0.63 percent. The director of credit trading at Barclays Plc, Taketoshi Tsuchiya, stated this week that "The market has become bullish to the point of euphoria."

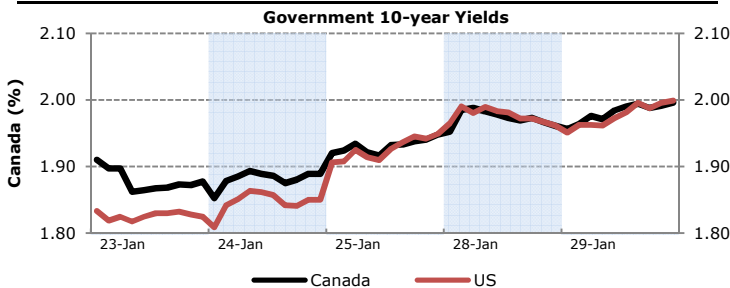
The Daily Roll is written by MFE Candidates Dipanker Koirala and Jan Varsava in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.

## Today's Major Economic Releases

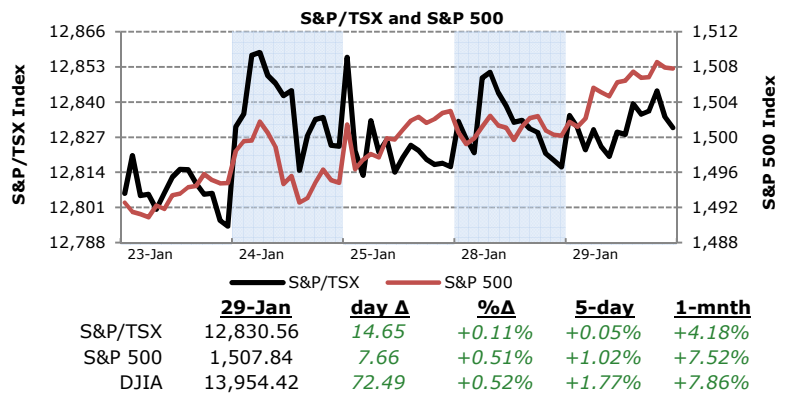
United States	Period	Survey	Actual	Prior
ADP Employment Change	31-Jan	172k	192K	215k
GDP QoQ (Annualized)	Q4:12	1.0%	-0.1%	3.1%

Canada	Period	Survey	Actual	Prior
None Scheduled				

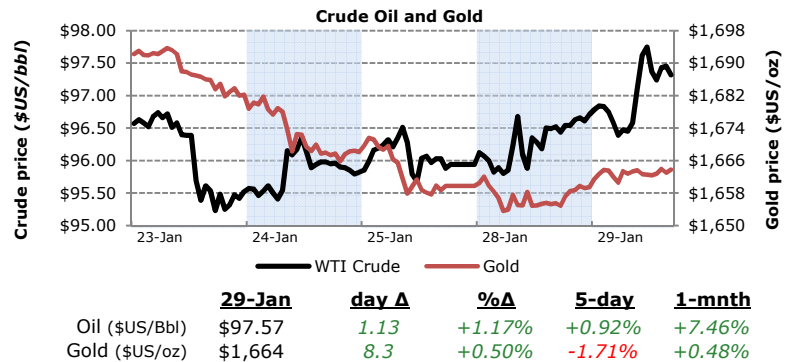
## Interest Rates



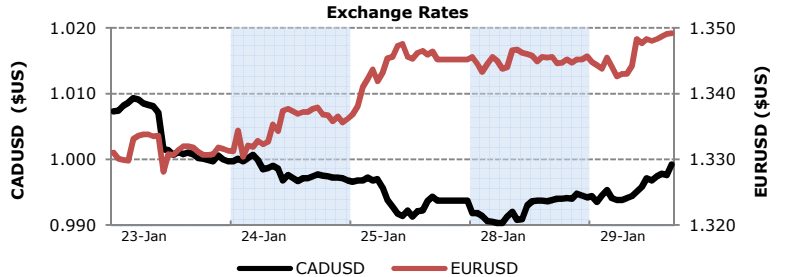
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	29-Jan	day Δ	Historical levels		
			-5 days	-1 mnt	-1 year
USDCAD	\$1.001	-0.005	0.992	0.997	1.001
EURUSD	\$1.349	+0.004	1.332	1.322	1.320
USDJPY	¥90.73	-0.130	88.710	85.96	77.61

	29-Jan	day Δ	Historical levels		
			-1 mnt	-3 mnths	-1 year
Government 10-year Yields					
Canada	2.00%	0.035%	1.77%	1.79%	1.94%
United States	2.00%	0.038%	1.70%	1.69%	1.84%

## 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>

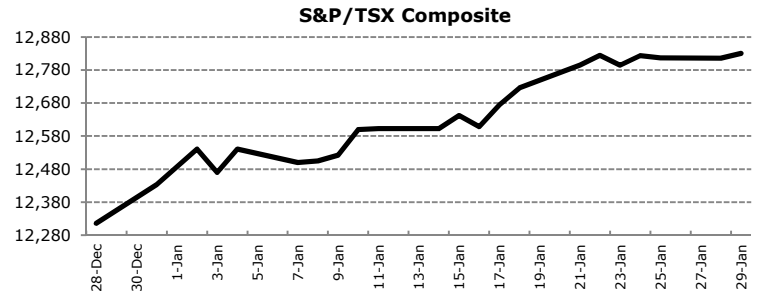
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	<u>29-Jan</u>	<u>day Δ</u>	<u>%Δ</u>
<b>S&amp;P/TSX</b>	12,830.56	14.65	+0.11%

	<u>Trailing S&amp;P/TSX</u>	<u>TSX 60</u>
5-day	+0.05%	+0.26%
1-month	+4.18%	+4.49%
3-months	+4.21%	+4.68%
6-months	+9.04%	+9.96%
12-months	+2.92%	+3.86%



### TSX Sector Returns

	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
C. Discretionary	-0.06%	+1.02%	+6.12%	+21.57%
C. Staples	+0.37%	+0.46%	+0.51%	+23.13%
Energy	+0.02%	+0.92%	+4.96%	-8.48%
Financials	-0.10%	+0.71%	+4.33%	+14.04%
Healthcare	+0.41%	+3.03%	+9.58%	+12.53%
Info Tech	-1.59%	-2.93%	+12.38%	+15.59%
Industrials	+0.86%	+1.57%	+9.39%	+17.61%
Materials	+0.65%	-3.80%	+0.51%	-18.28%
Metals & Mining	-0.04%	-2.29%	+3.29%	-16.36%
Telecom	+0.54%	+2.11%	+2.73%	+12.35%
Utilities	+0.28%	+0.27%	+5.79%	+5.91%

### TSX Top Performers

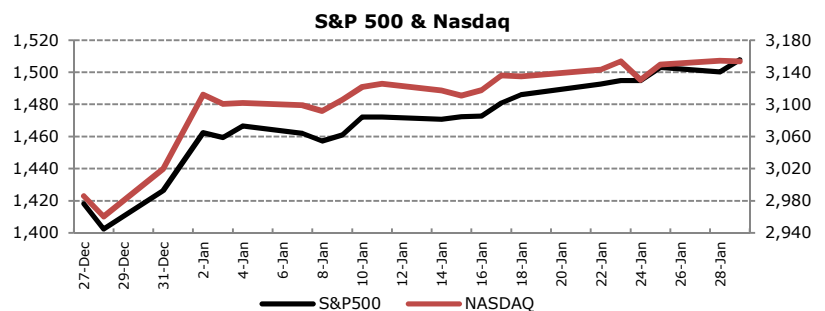
	<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
First Majestic Silver Cor		+6.38%	-3.78%	-6.19%	-9.57%
Fortuna Silver Mines Inc		+5.78%	-6.44%	+4.99%	-38.27%
Aurico Gold Inc		+4.89%	-5.56%	-6.29%	-22.67%
Endeavour Silver Corp		+4.18%	-7.90%	-6.47%	-34.15%
Aurizon Mines Ltd		+3.98%	-0.84%	+41.14%	-14.70%

### 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>
Semafo Inc		-6.23%	-12.24%	-7.67%	-56.81%
Research In Motion		-3.44%	-11.44%	+33.70%	-7.97%
Pengrowth Energy Corp		-3.05%	-7.87%	-5.54%	-52.12%
Banro Corporation		-2.49%	-18.69%	-11.32%	-53.09%
Gabriel Resources Ltd		-2.34%	-8.09%	+5.04%	-58.95%

### US Indices

	<u>S&amp;P 500</u>	<u>DJIA</u>	<u>Nasdaq</u>
Trailing			
29-Jan	1,507.84	13,954.42	3,153.66
1-day	+0.51%	+0.52%	-0.02%
5-day	+1.02%	+1.77%	+0.33%
1-month	+7.52%	+7.86%	+6.53%
3-months	+6.79%	+6.46%	+5.55%
6-months	+8.79%	+6.72%	+6.61%
12-months	+14.55%	+10.22%	+11.97%



### S&P 500 Sector Returns

	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
C. Discretionary	-0.37%	+1.00%	+8.51%	+22.16%
C. Staples	+0.58%	+1.42%	+7.13%	+15.33%
Energy	+1.57%	+2.17%	+11.17%	+8.40%
Financials	+0.42%	+0.88%	+7.91%	+23.73%
Healthcare	+1.11%	+2.02%	+9.36%	+20.69%
Info Tech	-0.02%	-0.46%	+3.74%	+7.35%
Industrials	+0.29%	+1.23%	+9.02%	+11.70%
Materials	+0.58%	-0.24%	+7.38%	+6.40%
Telecom	+1.41%	+1.85%	+3.28%	+20.53%
Utilities	+0.77%	+1.32%	+5.90%	+5.19%

### DJIA Top Performers

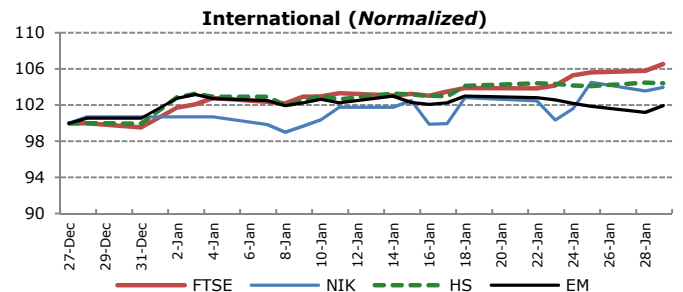
	<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
Pfizer Inc		+3.20%	+3.82%	+11.29%	+33.38%
Verizon Communications In		+1.71%	+1.30%	+2.58%	+21.21%
Merck & Co. Inc.		+1.70%	+1.06%	+7.43%	+16.96%

### 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>
Hewlett-Packard Co		-3.17%	-4.46%	+20.47%	-39.21%
Cisco Systems Inc		-1.33%	-0.43%	+6.84%	+8.79%
Walt Disney Co/The		-0.68%	+2.39%	+9.85%	+40.60%

### International Markets

	<u>FTSE 100</u>	<u>Nikkei</u>	<u>Hang Seng</u>	<u>MSCI EM</u>
Trailing				
Last Close	6,339.19	10,866.72	23,655.17	1,069.88
1-day	+0.71%	+0.39%	-0.07%	+0.74%
5-day	+2.59%	+1.46%	-0.02%	-0.85%
1-month	+6.98%	+4.54%	+4.36%	+1.39%
3-months	+9.39%	+21.70%	+9.97%	+7.99%
6-months	+12.65%	+26.85%	+22.72%	+13.60%
12-months	+10.57%	+22.91%	+15.38%	+5.24%



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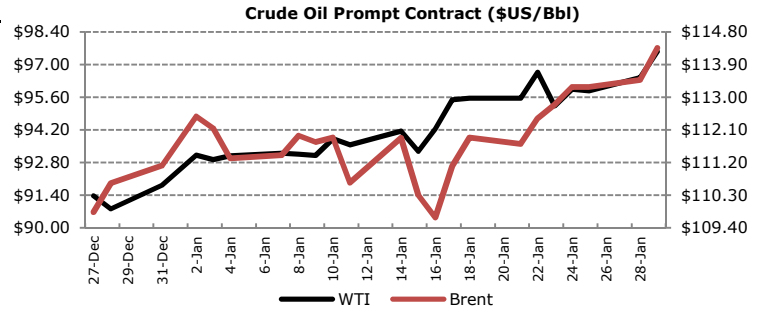
### Nymex WTI Crude Oil

(\$US/Bbl)	29-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$97.57	+\$1.13	+1.17%	+0.92%	+7.46%
Cal 13	\$98.06	+\$0.96	+0.99%	+0.99%	+10.98%
Cal 14	\$94.31	+\$0.44	+0.46%	+0.40%	+6.83%

(\$US/bbl)	Q2-13	Q3-13	Q4-13	Q1-14	2014
Consensus Forecast	\$94.50	\$96.75	\$98.14	\$101.00	\$98.25
Current Forward	\$98.33	\$98.55	\$97.47	\$96.07	\$94.31

### Inventory Levels (as of Jan-18)

(MMbbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	363,115	+2,813	337,426	319,411
Motor Gas	233,257	-1,738	214,389	200,481
Distillates	132,938	+508	171,756	140,851



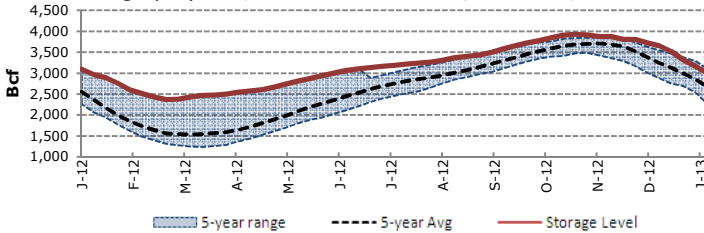
(\$US/Bbl)	29-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$114.36	+\$0.88	+0.77%	+1.73%	+3.38%

### Nymex Natural Gas

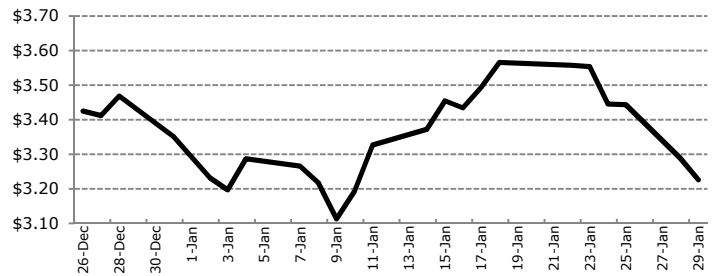
(\$US/MMbtu)	29-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$3.23	-\$0.06	-1.92%	-9.33%	-5.45%
Apr13-Oct13	\$3.41	-\$0.09	-2.46%	-7.86%	-3.71%
Nov13-Mar14	\$3.82	-\$0.12	-2.95%	-6.67%	-2.85%
Apr14-Oct14	\$3.93	-\$0.04	-0.95%	-3.70%	+0.52%
Nov14-Mar15	\$4.20	-\$0.08	-1.96%	-4.19%	+2.51%

### Inventory Levels (as of Jan-18)

	Current	Week Δ	Last Yr	5 Yr. Avg
US Storage (Bcf)	2,996	-172	3,098	2,676



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

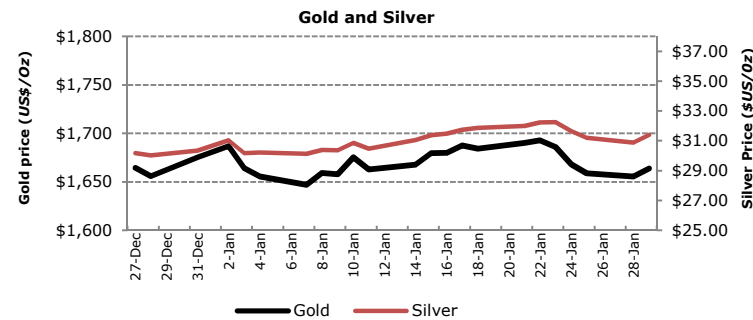


### Alberta Natural Gas

(\$CAD/GJ)	29-Jan	day Δ	%Δ
AECO Feb-13	\$2.83	+\$0.05	+1.8%

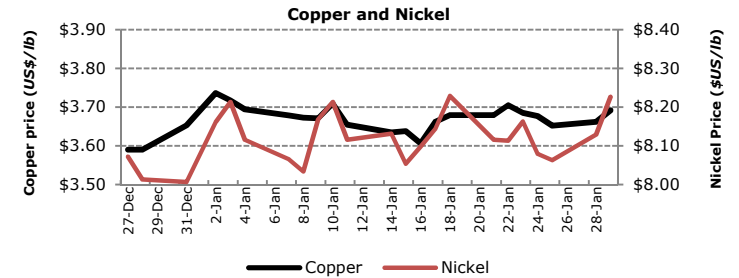
### Precious Metals

\$US/oz	29-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,663.80	+\$8.30	+0.5%	-1.7%	+0.5%	-3.3%
Silver	\$31.41	+\$0.53	+1.7%	-2.6%	+4.6%	-2.6%
Platinum	\$1,679	+\$16.00	+1.0%	-1.0%	+10.3%	+7.0%



### Industrial Metals

\$US/lb	29-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.69	+\$0.03	+0.8%	-0.4%	+2.8%	+4.9%
Nickel	\$8.23	+\$0.10	+1.2%	+1.4%	+2.7%	+9.5%
Zinc	\$1.02	-\$0.01	-0.5%	+1.5%	+0.8%	+11.9%
Aluminum	\$0.91	+\$0.00	0.0%	0.0%	-1.1%	+5.8%
Uranium	\$43.75	-\$0.15	-0.3%	+2.9%	+1.4%	+5.4%



### Agriculture & Other

	29-Jan	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$7.30	+\$0.00	+0.0%	+0.1%	+5.1%
Wheat (\$US/bu)	\$7.77	-\$0.02	-0.3%	-0.3%	-0.2%
Soybeans (\$US/bu)	\$14.52	+\$0.04	+0.3%	+0.0%	+2.4%
Rough Rice (\$US/cwt)	\$15.53	+\$0.18	+1.1%	+0.8%	+1.7%
Sugar #11 (¢US/lb)	¢18.38	¢0.35	-1.9%	+1.4%	-5.4%
Lean Hogs (¢US/lb)	¢89.63	¢0.58	+0.6%	+1.5%	-0.6%
Live Cattle (¢US/lb)	¢132.98	¢0.43	-0.3%	+1.9%	-3.1%
Cotton No.2 (\$US/lb)	\$0.82	+\$0.01	+1.7%	+3.1%	+10.4%
Lumber (\$US/Mbft)	\$352.30	-\$0.40	-0.1%	-0.3%	-8.4%

### Commodity ETFs

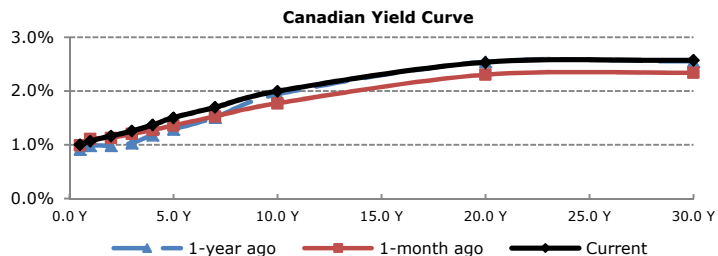
	29-Jan	day Δ	%Δ	5-day	1-mnth
<b>\$CAD</b>					
HBP Crude Oil U	\$4.88	+\$0.08	+1.7%	+1.2%	+13.2%
HBP Nat Gas U	\$11.01	-\$0.24	-2.1%	-15.9%	-12.7%
HBP Comex Gold	\$16.56	+\$0.07	+0.4%	-1.6%	#VALUE!
<b>\$USD</b>					
US Crude Oil	\$35.29	+\$0.35	+1.0%	0.80%	+6.3%
US Nat Gas	\$18.36	-\$0.19	-1.0%	-8.06%	-4.2%
PSDB Agriculture	\$27.75	-\$0.04	-0.1%	0.36%	-1.2%
PSDB Base Metals	\$19.11	+\$0.11	+0.6%	0.05%	-0.4%

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## Interest Rates

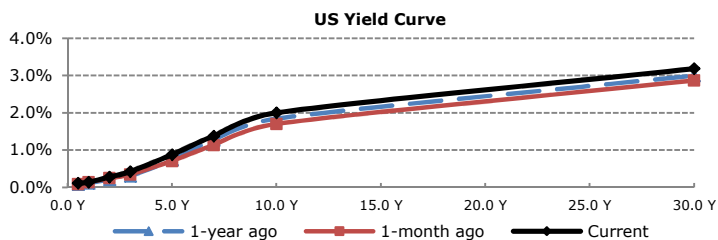
### Canadian yield curve

	29-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.92%	-	0.92%	0.99%	0.87%
6-mnth	1.00%	-	0.99%	1.02%	0.91%
12-mnth	1.07%	-0.00%	1.11%	1.06%	0.98%
2-year	1.16%	+0.01%	1.13%	1.07%	0.99%
5-year	1.50%	+0.02%	1.36%	1.34%	1.28%
10-year	2.00%	+0.04%	1.77%	1.79%	1.94%
20-year	2.53%	+0.03%	2.30%	2.34%	2.54%
30-year	2.57%	+0.03%	2.34%	2.38%	2.55%

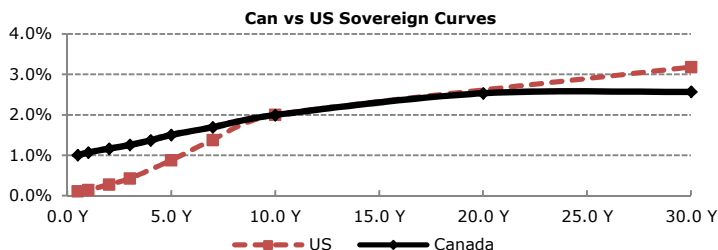
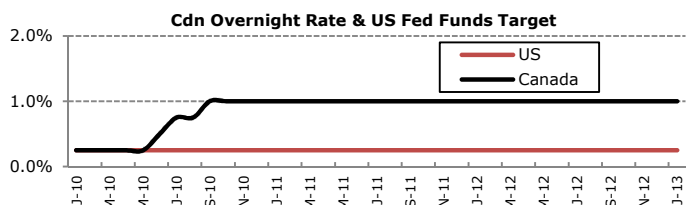


### US yield curve

	29-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.07%	+0.01%	0.03%	0.11%	0.05%
6-mnth	0.11%	+0.01%	0.09%	0.15%	0.08%
12-mnth	0.14%	-	0.14%	0.17%	0.11%
2-year	0.28%	+0.00%	0.25%	0.28%	0.21%
5-year	0.88%	+0.01%	0.71%	0.72%	0.74%
10-year	2.00%	+0.04%	1.70%	1.69%	1.84%
30-year	3.18%	+0.04%	2.87%	2.86%	3.00%



	Current	Prior	Next Meeting	Survey
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)

	Spot	29-Jan	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$1.001	-0.005		0.997	0.999	1.001
EURUSD	\$1.349	+0.004		1.322	1.296	1.320
USDJPY	¥90.73	-0.130		85.96	79.63	77.61
GBPUSD	\$1.576	+0.007		1.615	1.607	1.576
AUDUSD	\$1.048	+0.006		1.037	1.037	1.067

	Spot	29-Jan	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥90.65	+0.356		86.20	79.68	77.50
CADAUD	\$0.954	-0.000		0.967	0.965	0.936
GBP CAD	£1.578	-0.002		1.611	1.606	1.578
EURJPY	¥122.41	+0.160		113.61	103.18	102.43
EURAUD	\$1.29	-0.004		1.27	1.25	1.24

## Economic Releases

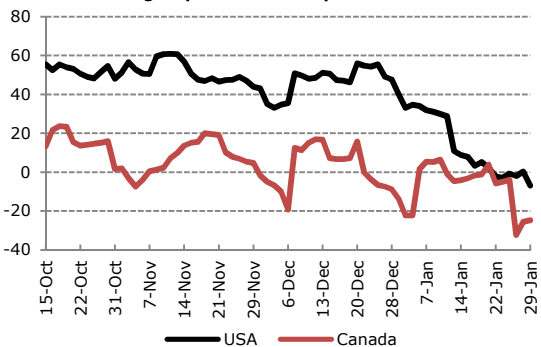
### United States

		Period	Survey	Actual	Prior
Mon, Jan 28	Durable Goods Orders	31-Dec	2%	4.6%	0.7%
Tue, Jan 29	Consumer Confidence	31-Jan	64	58.6	65.1
Wed, Jan 30	ADP Employment Change	28-Feb	172K	192K	215K
Wed, Jan 30	GDP QoQ (Annualized)	31-Dec	1.1%	-0.1%	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	350K	--	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

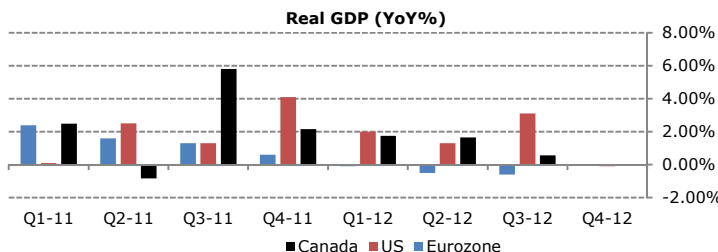
		Period	Survey	Actual	Prior
Thu, Jan 31	GDP MoM	30-Nov	0.2%	--	0.1%

### Citigroup Economic Surprise Index



## Economics

	Q1-12	Q2-12	Q3-12	Q4-12	2012E
<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%	-0.10%	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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