

## Today's Commentary

American markets regained some ground after Monday's pull back with the S&P 500 and Dow Jones Industrial Average both gaining 0.84 percent while the Nasdaq rose 0.43 percent. The S&P/TSX composite was relatively flat and ended the session at 12,660. Ben Bernanke, the chairman of the Federal Reserve, gave a dovish testimony in front of a Senate committee yesterday, easing markets concerns that the Fed's quantitative easing program would end anytime soon. 10 year bond yields in both the US and Canada are around 1.85 falling from over 2 percent earlier in the month. The Japanese yen has appreciated over the last two sessions as fall out from Italy's election reverberates through the market. The yen appreciated by 4 percent against the euro and 3 percent against the U.S. dollar in the immediate aftermath of the election and continued to climb at a more muted pace yesterday. U.S. Durable Goods Orders were down 5.2 percent, the consensus was for a 4 percent decline.

Italy had its first debt auction since its election, raising 6.5 billion euros worth of Long Term bonds - Including 4 billion 10 year bonds at an average rate of 4.83 percent. The rates were the highest since last October. Italian bond auctions are heavily supported by domestic banks. Meanwhile the decision to bail out Banca Monte dei Paschi might be put on hold as the current caretaker government might elect to postpone the bailout and leave the decision to a newly formed government. Beppe Grillo, who ran an anti-austerity campaign and won 25 percent of the popular vote, is opposed to the current bailout plan and wants a parliamentary investigation into the dealings of the bank. The bank has been accused of using derivatives to hide losses that occurred when the crisis swept through the markets in 2008 and 2009.

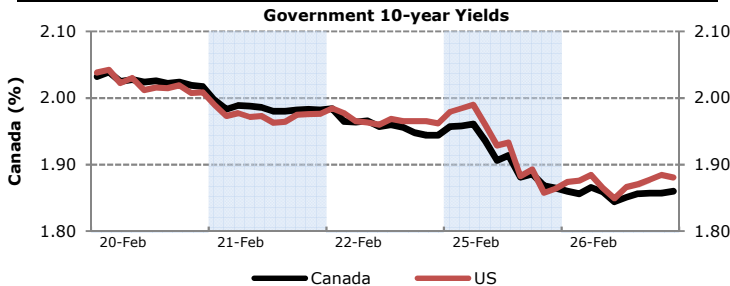
Data shows that there has been a record level of credit expansion in China, raising fears of an overheating economy. Total new loans reached \$400 billion in January, which is up more than 50 percent over December. There are fears that the sharp expansion could lead to a rise in inflation, which the government will have to contain by tightening policy. 60 percent of the total increase came from non-bank financing or the so called "shadow banking" sector. This is particularly worrisome for investors as they level of regulatory scrutiny over such lending is considered to be weak. Chinese officials have tried to increase their oversight of the sector and in December a move was made to restrict the financing options available to local governments. The surge in lending came on the back of measures put into place last year to revive the economy, as the government increased the pace of infrastructure investment and allowed banks to loosen their lending policies.

## Today's Major Economic Releases

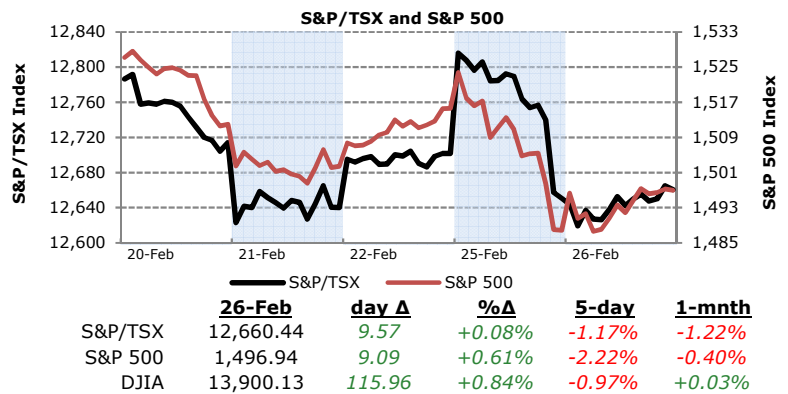
United States	Period	Survey	Actual	Prior
Durable Goods Orders	31-Jan	-4.0%	-5.2%	4.6%

Canada	Period	Survey	Actual	Prior
None Scheduled				

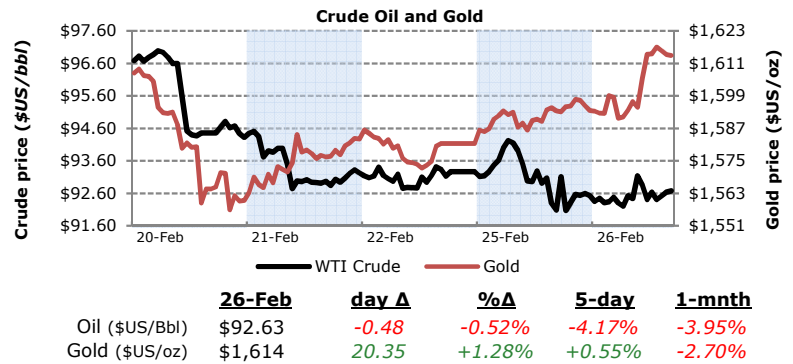
## Interest Rates



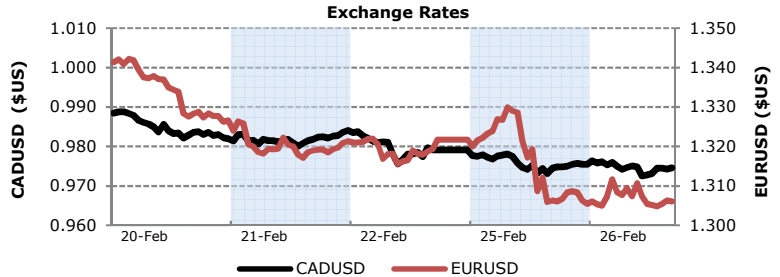
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	26-Feb	day Δ	Historical levels		
USDCAD	\$1.026	-0.000	-5 days	-1 mnth	-1 year
EURUSD	1.306	-0.000	1.339	1.346	1.328
USDJPY	¥91.98	+0.160	93.570	90.91	81.56

Government 10-year Yields

	26-Feb	day Δ	Historical levels		
Canada	1.86%	-0.005%	-1 mnth	-3 mnths	-1 year
United States	1.88%	0.017%	1.95%	1.72%	2.01%
			1.95%	1.63%	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>

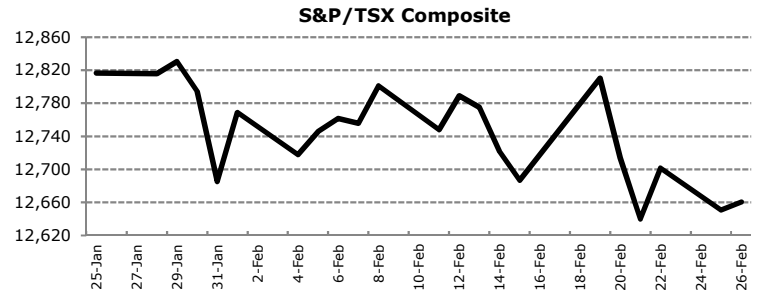
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	<b>26-Feb</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	12,660.44	9.57	+0.08%

	<b>Trailing S&amp;P/TSX</b>	<b>TSX 60</b>
5-day	-1.17%	-1.03%
1-month	-1.22%	-1.22%
3-months	+3.90%	+4.13%
6-months	+4.79%	+5.70%
12-months	-0.51%	+0.69%



### TSX Sector Returns

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	-0.22%	-1.92%	-0.81%	+14.04%
C. Staples	+0.36%	-0.77%	+2.04%	+27.10%
Energy	-0.57%	-2.27%	-3.65%	-15.41%
Financials	+0.15%	-0.54%	+1.12%	+11.97%
Healthcare	-1.01%	-0.81%	+1.99%	+9.49%
Info Tech	-0.94%	-3.05%	-6.01%	+8.29%
Industrials	+0.14%	-1.80%	+2.92%	+16.49%
Materials	+0.90%	-1.41%	-6.67%	-22.87%
Metals & Mining	+0.56%	-5.59%	-12.15%	-25.41%
Telecom	-0.07%	-0.58%	+3.56%	+14.59%
Utilities	-0.21%	+0.16%	-2.46%	-0.32%

### TSX Top Performers

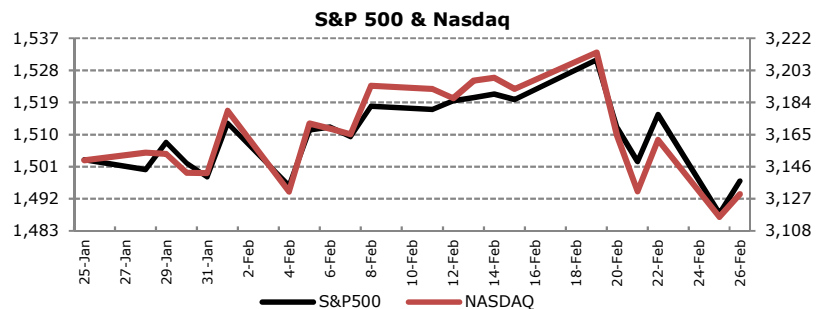
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Oceanagold Corp	+7.41%	+2.76%	-5.09%	+1.16%
Tahoe Resources Inc	+7.10%	+4.60%	-5.66%	-23.51%
Bankers Petroleum Ltd	+5.61%	+5.99%	-2.27%	-39.44%
Maple Leaf Foods Inc	+4.40%	+5.04%	+13.16%	+28.48%
Transcontinental Inc-CI A	+4.07%	+3.64%	+7.29%	+0.95%

### 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>
Parkland Fuel Corp	-12.50%	-14.75%	-13.18%	+19.99%
Freehold Royalties Ltd	-5.98%	-5.94%	-6.66%	+7.11%
Trican Well Service Ltd	-5.21%	-12.58%	-2.86%	-21.48%
Calfrac Well Services Ltd	-5.19%	-12.81%	-3.64%	-10.58%
Trinidad Drilling Ltd	-5.06%	-6.38%	-7.66%	-13.57%

### US Indices

	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
<i>Trailing</i>			
26-Feb	1,496.94	13,900.13	3,129.65
1-day	+0.61%	+0.84%	+0.43%
5-day	-2.22%	-0.97%	-2.61%
1-month	-0.40%	+0.03%	-0.64%
3-months	+6.45%	+7.19%	+5.14%
6-months	+6.08%	+5.64%	+1.95%
12-months	+9.61%	+7.06%	+5.60%



### S&P 500 Sector Returns

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+0.98%	-2.50%	-2.04%	+16.63%
C. Staples	+0.35%	-0.35%	+2.91%	+15.14%
Energy	+0.93%	-3.13%	-1.55%	-0.23%
Financials	+0.48%	-3.29%	-0.92%	+18.31%
Healthcare	+0.27%	-1.67%	+0.10%	+19.05%
Info Tech	+0.63%	-2.17%	-0.21%	-0.37%
Industrials	+0.59%	-2.96%	-0.72%	+8.14%
Materials	+1.09%	-3.69%	-5.26%	+0.27%
Telecom	+0.77%	+0.85%	+3.23%	+17.47%
Utilities	+0.34%	-0.34%	+1.28%	+5.27%

### DJIA Top Performers

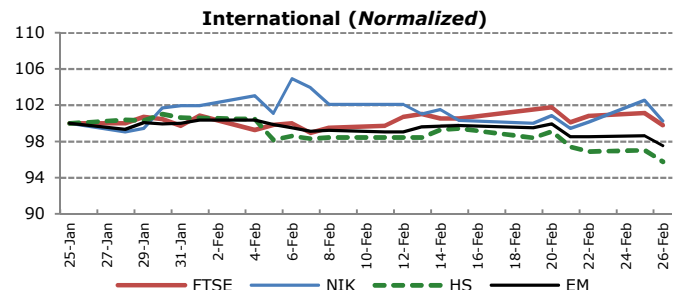
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Home Depot Inc	+5.69%	+0.01%	-0.38%	+43.96%
Hewlett-Packard Co	+3.78%	+17.17%	+16.48%	-24.61%
Intel Corp	+1.73%	-2.42%	-1.81%	-23.47%

### 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>
Unitedhealth Group Inc	-0.47%	-6.37%	-5.34%	-4.81%
Cisco Systems Inc	-0.29%	-4.01%	-2.60%	+2.13%
Merck & Co. Inc.	-0.24%	+0.47%	-2.39%	+11.19%

### International Markets

	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
<i>Trailing</i>				
Last Close	6,270.44	11,398.81	22,519.69	1,042.71
1-day	-1.34%	-2.26%	-1.32%	-1.11%
5-day	-1.70%	+0.23%	-2.70%	-2.00%
1-month	-0.22%	+4.32%	-4.50%	-2.47%
3-months	+8.36%	+21.41%	+3.01%	+4.78%
6-months	+8.55%	+25.67%	+13.28%	+8.00%
12-months	+5.65%	+18.15%	+5.20%	-2.33%



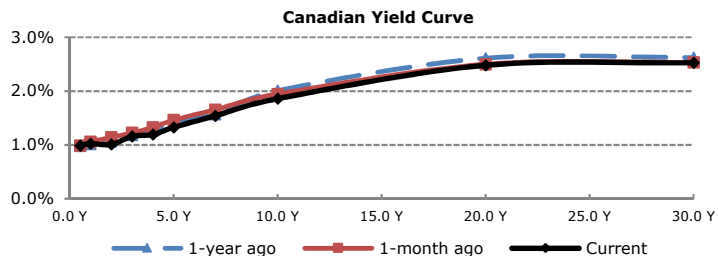
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## Interest Rates

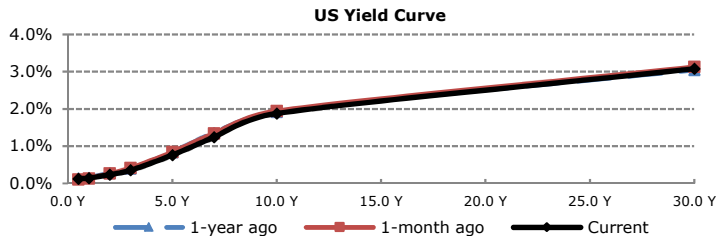
### Canadian yield curve

	<b>26-Feb</b>	<b>day Δ</b>	<i>Historical Levels</i>		
			<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
3-mnth	0.96%	-	0.92%	0.95%	0.94%
6-mnth	0.99%	-	0.99%	1.02%	0.98%
12-mnth	1.02%	-0.00%	1.06%	1.07%	1.02%
2-year	1.01%	-0.01%	1.14%	1.09%	1.06%
5-year	1.33%	-0.01%	1.46%	1.31%	1.42%
10-year	1.86%	-0.01%	1.95%	1.72%	2.01%
20-year	2.48%	-0.00%	2.50%	2.26%	2.61%
30-year	2.53%	-	2.54%	2.30%	2.63%

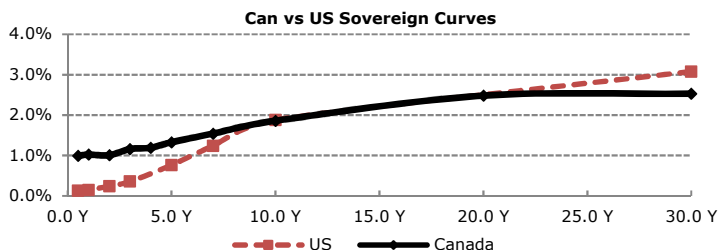
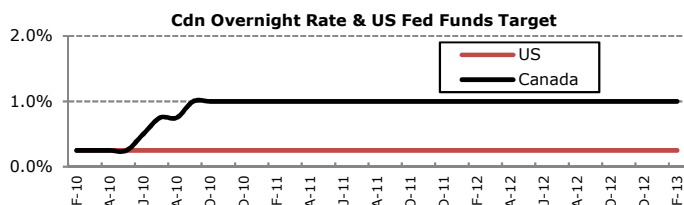


### US yield curve

	<b>26-Feb</b>	<b>day Δ</b>	<i>Historical Levels</i>		
			<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
3-mnth	0.11%	-0.00%	0.07%	0.09%	0.10%
6-mnth	0.13%	+0.01%	0.11%	0.14%	0.14%
12-mnth	0.15%	-	0.14%	0.17%	0.16%
2-year	0.24%	+0.00%	0.27%	0.26%	0.29%
5-year	0.76%	+0.00%	0.85%	0.63%	0.84%
10-year	1.88%	+0.02%	1.95%	1.63%	1.93%
30-year	3.08%	+0.02%	3.13%	2.80%	3.05%



	<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%	20-Mar-13	0.25%



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

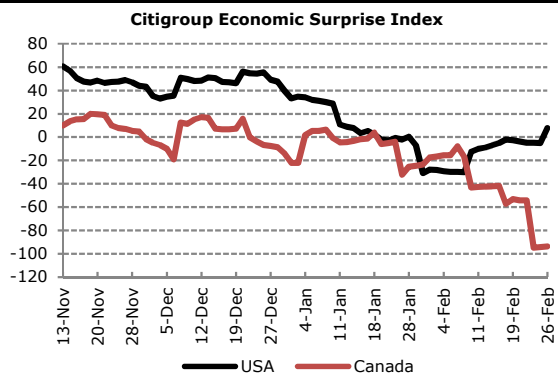
	<b>Spot</b>	<b>26-Feb</b>	<b>day Δ</b>	<i>Historical Levels</i>		
				<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
USDCAD	\$1.026	-0.000		1.006	0.994	0.990
EURUSD	\$1.306	-0.000		1.346	1.297	1.328
USDJPY	¥91.98	+0.160		90.91	82.08	81.56
GBPUSD	\$1.513	-0.004		1.580	1.603	1.583
AUDUSD	\$1.023	-0.003		1.042	1.047	1.064

	<b>Spot</b>	<b>26-Feb</b>	<b>day Δ</b>	<i>Historical Levels</i>		
				<b>-1 mnth</b>	<b>-3 mnths</b>	<b>-1 year</b>
CADJPY	¥89.63	+0.159		90.38	82.62	82.35
CADAUD	\$0.953	+0.002		0.954	0.962	0.949
GBP CAD	£1.552	-0.004		1.589	1.592	1.568
EURJPY	¥120.14	+0.210		122.32	106.47	108.27
EURAUD	\$1.28	+0.003		1.29	1.24	1.25

## Economic Releases

### United States

		<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
Tue, Feb 26	New Home Sales	31-Jan	380K	437K	369K
Tue, Feb 26	Consumer Confidence	28-Feb	62	69.6	58.6
Wed, Feb 27	Durable Goods Orders	31-Jan	-4.0%	-5.2%	4.6%
Thu, Feb 28	Continuing Claims	16-Feb	3140K	--	3148K
Thu, Feb 28	Initial Jobless Claims	23-Feb	360K	--	362K
Thu, Feb 28	GDP QoQ (Annualized)	31-Mar	0.5%	--	0%
Fri, Mar 01	Personal Income	31-Jan	-2.4%	--	2.6%
Fri, Mar 01	ISM Manufacturing	28-Feb	0.1	--	53.1

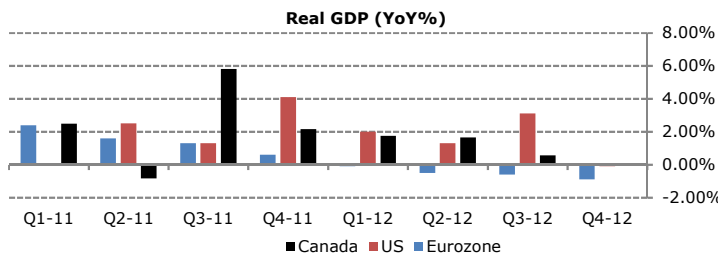


### Canada

		<b>Period</b>	<b>Survey</b>	<b>Actual</b>	<b>Prior</b>
Fri, Mar 01	GDP MoM	31-Dec	-0.2%	--	0.3%

## Economics

	<b>Q1-12</b>	<b>Q2-12</b>	<b>Q3-12</b>	<b>Q4-12</b>	<b>2013E</b>
<b>Canada</b>					
Real GDP	1.74%	1.65%	0.57%	NA	1.80%
CPI	2.33%	1.57%	1.23%	0.93%	1.50%
Unemployment	7.20%	7.20%	7.30%	7.10%	7.15%
<b>US</b>					
Real GDP	2.00%	1.30%	3.10%	-0.10%	1.80%
CPI	2.83%	1.90%	1.70%	1.90%	1.80%
Unemployment	8.20%	8.20%	7.80%	7.80%	7.70%
<b>China</b>					
Real GDP	8.10%	7.60%	7.40%	7.90%	8.10%



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