

Today's Commentary

Markets declined on Monday as investors awaited a U.S. federal budget deal that has yet to materialize. The S&P/TSX composite shed 57 points to close at 12,787, while the Dow and S&P 500 declined 0.84 and 0.6 percent respectively. Base metals and oil prices both fell as Chinese manufacturing data missed September estimates. The real estate sector helped support the TSX after Brookfield Property Partners LP announced plans to buy out shareholders of Brookfield Office Properties Inc. in a \$5 billion deal. According to Statistics Canada, GDP rebounded from a 0.5 percent decline in June to a 0.6 percent gain in July, with goods production rising 1.2 percent.

The failure to reach a budget deal on Monday has jeopardized paycheques for about 800,000 U.S. government employees. While the impasse is not expected to last for long, it could impact negotiations regarding the federal debt ceiling. If the debt ceiling is not raised by October 17, treasury yields could be pushed upward as investors lose confidence in the government's ability to pay its creditors. Nevertheless, many fund managers are using weakness in U.S. equities as a buying opportunity. According to Bank of America-Merrill Lynch strategists, "the risk of a 10 percent correction brought about by political brinkmanship [is] a low probability event." Indeed, pullbacks in the market during previous government shutdowns have typically been shortlived. The impending debt ceiling debate will likely have a greater impact on markets.

Japanese Prime Minister Shinzo Abe has announced that the government will raise the national sales tax from 5 percent to 8 percent in April of 2014. Abe's goal is to half the current budget deficit - which stands at 10 percent of GDP - by 2016 and completely balance it by 2021. Japan currently faces the heaviest debt load in the developed world, with public debt standing at more than 200 percent of GDP, and previous governments have had little success reigning in public spending. Critics point out that this small measure is unlikely to wipe out the primary deficit in the stated time frame. The Japanese government also has a delicate balancing act as they try to end 15 years of low growth and deflation through massive fiscal and monetary stimulus. Economists estimate that the tax increases could reduce 0.8 to 1.2 percent of growth in the fiscal year starting next April. Prime Minister Abe has promised to offset some of the impact of these taxes but has not formally outlined a policy measure to do so.

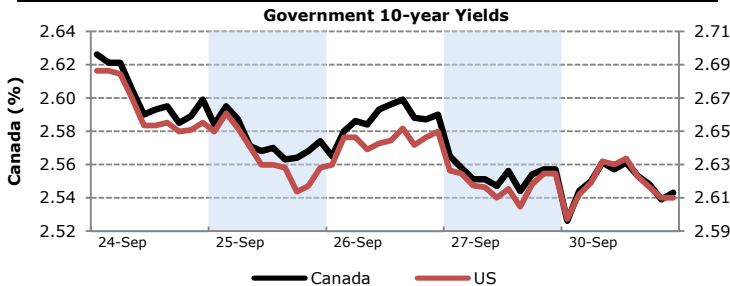
The Daily Roll is written by MFE Candidates Dipanker Koirala and Jan Varsava in partnership with the Rotman Finance Association. Please email dailyroll@economics.utoronto.ca to subscribe/unsubscribe.

Today's Major Economic Releases

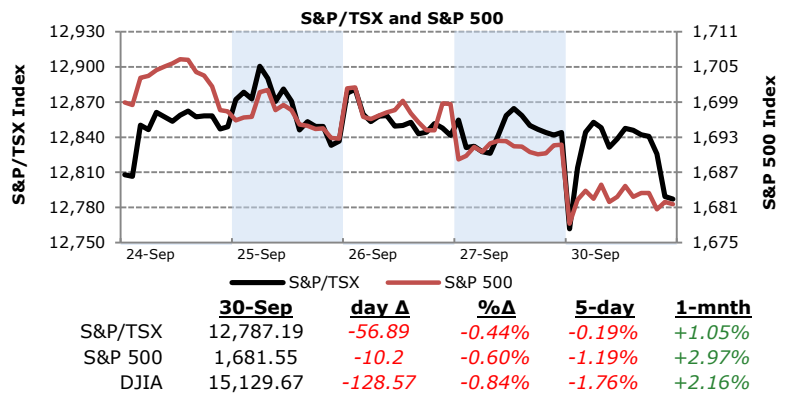
United States	Period	Survey	Actual	Prior
ISM Manufacturing	30-Sep	55	55.7	55.4

Canada	Period	Survey	Actual	Prior
None Scheduled				

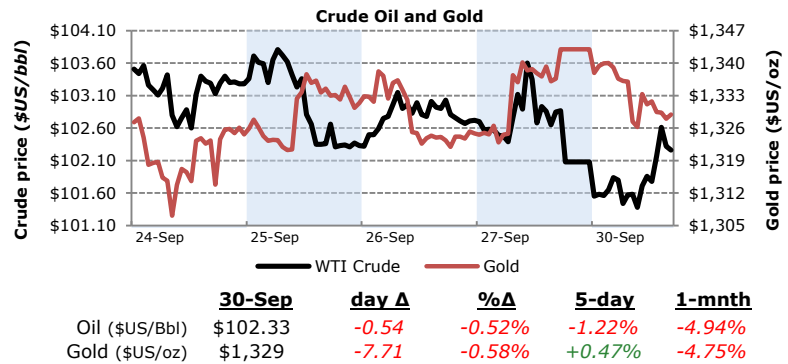
Interest Rates



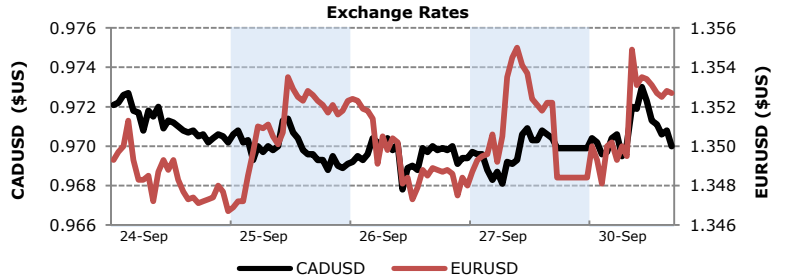
Equities



Commodities



Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	30-Sep	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$1.031	+0.000	1.028	1.053	0.980
EURUSD	\$1.353	+0.000	1.349	1.324	1.302
USDJPY	¥98.27	+0.030	98.850	98.35	78.48

Government 10-year Yields

	30-Sep	day Δ	Historical levels		
			-1 mnth	-3 mnths	-1 year
Canada	2.54%	-0.014%	2.62%	2.41%	1.73%
United States	2.61%	-0.015%	2.78%	2.47%	1.63%

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>

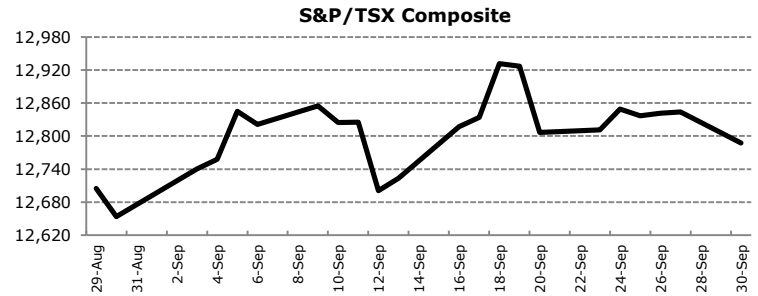
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	30-Sep	day Δ	%Δ
S&P/TSX	12,787.19	-56.89	-0.44%

	Trailing S&P/TSX	TSX 60
5-day	-0.19%	-0.32%
1-month	+1.05%	+0.79%
3-months	+5.43%	+5.37%
6-months	+0.29%	+0.21%
12-months	+3.81%	+4.27%



TSX Sector Returns

	1-day	5-day	1-mnth	12-mnths
C. Discretionary	-0.64%	-1.00%	+3.22%	+36.32%
C. Staples	-0.65%	+0.56%	+0.48%	+27.41%
Energy	-0.49%	+0.17%	+2.11%	+1.58%
Financials	-0.57%	+0.03%	+1.82%	+17.46%
Healthcare	-1.25%	-1.10%	-3.94%	+22.64%
Info Tech	-0.83%	-2.03%	-1.88%	+38.15%
Industrials	-0.66%	-0.36%	+4.72%	+25.19%
Materials	-0.36%	-0.10%	-5.12%	-33.75%
Metals & Mining	-1.22%	-0.90%	+4.05%	-11.28%
Telecom	-0.72%	-1.81%	+2.68%	+4.68%
Utilities	-0.18%	+0.00%	+1.93%	-10.46%

TSX Top Performers

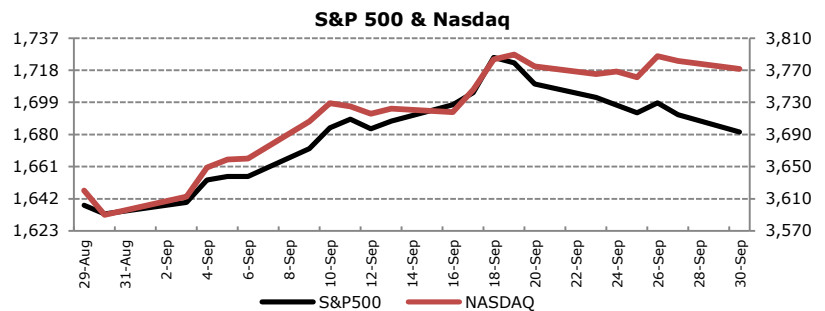
	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Petrominerales Ltd		+51.16%	+61.78%	+84.60%	+58.23%
Brookfield Office Propert		+14.17%	+12.41%	+17.15%	+24.97%
Paramount Resources Ltd -		+4.23%	+4.78%	+7.50%	+19.98%
Lightstream Resources Ltd		+3.92%	+3.63%	+3.78%	-40.67%
Tahoe Resources Inc		+3.23%	+8.74%	-1.38%	-7.39%

TSX Worst Performers

	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Pacific Rubiales Energy C		-5.57%	-5.26%	+2.92%	-11.15%
Rubicon Minerals Corp		-5.07%	+0.00%	-19.63%	-64.50%
Torex Gold Resources Inc		-5.00%	-1.48%	-16.88%	-37.26%
Hudbay Minerals Inc		-4.10%	+0.84%	+21.97%	-11.94%
Blackpearl Resources Inc		-4.08%	-6.00%	-8.74%	-48.07%

US Indices

	S&P 500	DJIA	Nasdaq
Trailing 30-Sep	1,681.55	15,129.67	3,771.48
1-day	-0.60%	-0.84%	-0.27%
5-day	-1.19%	-1.76%	+0.16%
1-month	+2.97%	+2.16%	+5.06%
3-months	+4.69%	+1.48%	+10.82%
6-months	+7.16%	+3.78%	+15.42%
12-months	+16.72%	+12.60%	+21.03%



S&P 500 Sector Returns

	1-day	5-day	1-mnth	12-mnths
C. Discretionary	-0.45%	+0.11%	+5.29%	+29.72%
C. Staples	-1.05%	-2.58%	+0.96%	+10.88%
Energy	-0.83%	-1.09%	+1.68%	+9.74%
Financials	-0.74%	-1.20%	+2.63%	+27.75%
Healthcare	-0.26%	-1.20%	+3.03%	+25.95%
Info Tech	-0.56%	-1.38%	+2.83%	+5.00%
Industrials	-0.62%	-0.97%	+5.48%	+25.49%
Materials	-0.39%	-0.85%	+4.16%	+13.80%
Telecom	-0.59%	-1.69%	-0.63%	-4.98%
Utilities	-0.12%	-1.75%	+0.74%	+2.68%

DJIA Top Performers

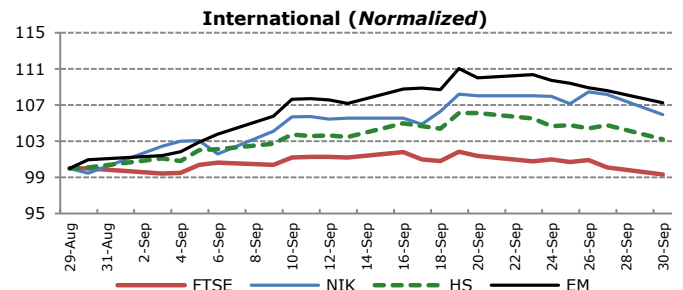
	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Cisco Systems Inc		+0.30%	-3.50%	+0.47%	+26.39%
Microsoft Corp		+0.06%	+1.74%	-0.27%	+15.31%
Johnson & Johnson		-0.05%	-2.69%	+0.32%	+29.86%

DJIA Worst Performers

	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Procter & Gamble Co/The		-2.10%	-4.65%	-2.95%	+12.42%
United Technologies Corp		-1.41%	-1.44%	+7.71%	+41.00%
Nike Inc -CI B		-1.36%	+5.31%	+15.63%	+55.36%

International Markets

	FTSE 100	Nikkei	Hang Seng	MSCI EM
Trailing Last Close	6,462.22	14,455.80	22,859.86	987.46
1-day	-0.77%	-2.06%	-1.50%	-1.24%
5-day	-1.45%	-1.94%	-2.19%	-2.84%
1-month	+0.77%	+7.97%	+5.19%	+6.23%
3-months	+3.97%	+5.69%	+9.89%	+5.01%
6-months	+0.79%	+16.60%	+2.51%	-4.37%
12-months	+12.54%	+62.97%	+9.69%	-1.52%



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Nymex WTI Crude Oil

(\$US/Bbl)	30-Sep	day Δ	%Δ	5-day	1-mnth
Prompt	\$102.33	-\$0.54	-0.52%	-1.22%	-4.94%
Cal 14	\$96.36	-\$0.11	-0.11%	-0.35%	-1.67%
Cal 15	\$89.11	+\$0.24	+0.27%	-0.36%	-1.08%

(\$US/bbl)	Q1-14	Q2-14	Q3-14	Q4-14	2015
Consensus Forecast	\$101.50	\$97.75	\$99.00	\$100.00	\$101.50
Current Forward	\$100.15	\$97.28	\$94.93	\$93.08	\$89.11

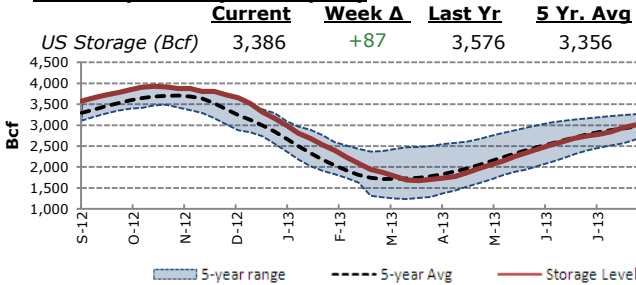
Inventory Levels (as of Sep-20)

(MMbbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	358,260	+2,635	337,426	319,411
Motor Gas	216,235	+217	214,389	200,481
Distillates	130,859	-234	171,756	140,851

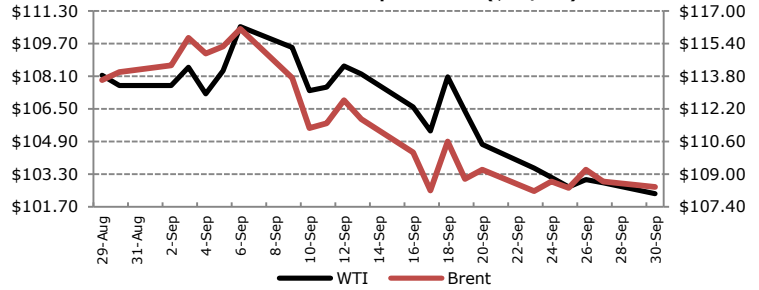
Nymex Natural Gas

(\$US/MMbtu)	30-Sep	day Δ	%Δ	5-day	1-mnth
Prompt	\$3.56	-\$0.03	-0.81%	-1.17%	-1.60%
Nov13-Mar14	\$3.75	-\$0.04	-1.02%	-2.85%	+1.22%
Apr14-Oct14	\$3.83	-\$0.05	-1.24%	-2.10%	+1.49%
Nov14-Mar15	\$4.11	-\$0.05	-1.24%	-1.91%	+0.78%
Apr15-Oct15	\$3.97	-\$0.05	-1.16%	-1.54%	+0.29%

Inventory Levels (as of Sep-20)



Crude Oil Prompt Contract (\$US/Bbl)



UK Brent Crude Oil

(\$US/Bbl)	30-Sep	day Δ	%Δ	5-day	1-mnth
Prompt	\$108.37	-\$0.26	-0.24%	+0.19%	-4.95%

Nat Gas Prompt (\$US/MMbtu)



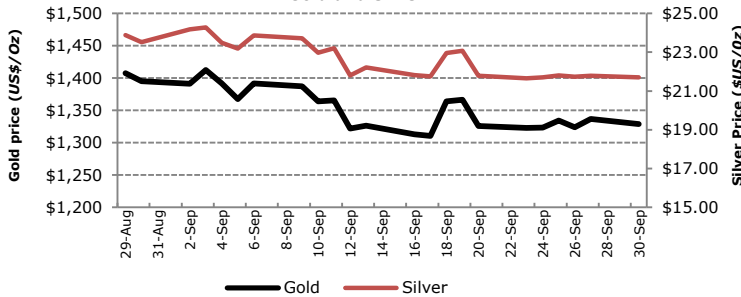
Alberta Natural Gas

(\$CAD/GJ)	30-Sep	day Δ	%Δ
AECO Nov-13	\$3.11	-\$0.01	-0.4%

Precious Metals

\$US/oz	30-Sep	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,328.94	-\$7.71	-0.6%	+0.5%	-4.7%	+8.6%
Silver	\$21.70	-\$0.09	-0.4%	+0.2%	-7.8%	+14.7%
Platinum	\$1,404	-\$16.45	-1.2%	-1.2%	-7.8%	+6.0%

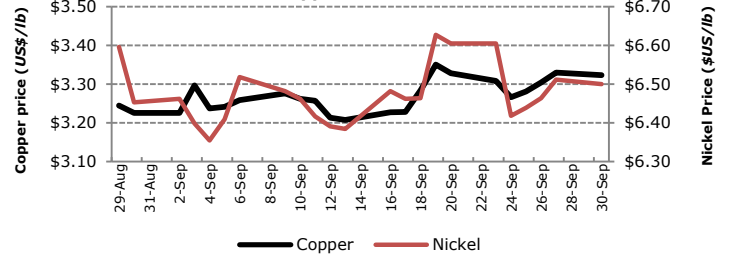
Gold and Silver



Industrial Metals

\$US/lb	30-Sep	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.32	-\$0.01	-0.2%	+0.5%	+3.0%	+7.9%
Nickel	\$6.50	-\$0.01	-0.2%	-1.6%	+0.7%	+2.4%
Zinc	\$0.94	-\$0.01	-1.2%	+0.5%	-1.1%	+3.6%
Aluminum	\$0.82	+\$0.01	+1.2%	+1.2%	+1.2%	+3.8%
Uranium	\$35.25	+\$0.00	0.0%	+0.4%	+3.7%	-10.5%

Copper and Nickel



Agriculture & Other

	30-Sep	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$4.42	-\$0.13	-2.8%	-2.6%	-8.4%
Wheat (\$US/bu)	\$6.79	-\$0.04	-0.7%	+3.8%	+3.7%
Soybeans (\$US/bu)	\$12.83	-\$0.37	-2.8%	-1.9%	-5.5%
Rough Rice (\$US/cwt)	\$15.13	-\$0.27	-1.8%	-2.6%	-3.9%
Sugar #11 (¢US/lb)	¢18.14	+¢0.40	+2.3%	+2.1%	+7.5%
Lean Hogs (¢US/lb)	¢86.63	-¢1.50	-1.7%	+0.2%	+2.2%
Live Cattle (¢US/lb)	¢131.98	-¢0.10	-0.1%	+1.1%	+1.1%
Cotton No.2 (\$US/lb)	\$0.87	+\$0.01	+0.7%	+3.5%	+4.5%
Lumber (\$US/Mbft)	\$344.10	+\$2.30	+0.7%	-3.2%	+7.9%

Commodity ETFs

	30-Sep	day Δ	%Δ	5-day	1-mnth
\$CAD					
HBP Crude Oil U	\$5.12	-\$0.04	-0.8%	-2.5%	-9.2%
HBP Nat Gas U	\$10.11	-\$0.24	-2.3%	-6.8%	-8.1%
iShares Gold ETF	\$11.83	-\$0.05	-0.4%	+0.9%	-5.3%
\$USD					
US Crude Oil	\$36.85	-\$0.11	-0.3%	-1.13%	-4.5%
US Nat Gas	\$18.28	-\$0.20	-1.1%	-3.38%	-3.7%
PSDB Agriculture	\$25.29	-\$0.15	-0.6%	0.40%	+0.6%
PSDB Base Metals	\$16.73	+\$0.05	+0.3%	0.97%	-0.4%

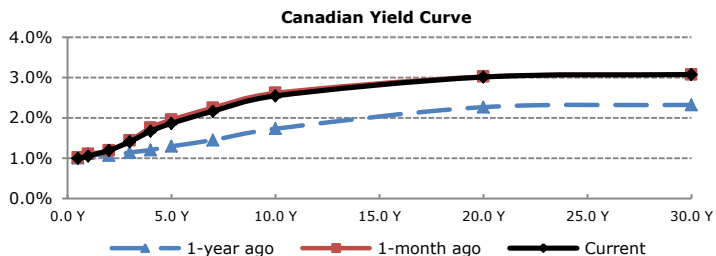
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Interest Rates

Canadian yield curve

	30-Sep	day Δ	-1 mnth	-3 mnths	-1 year
3-mnth	0.98%	-	0.99%	1.03%	0.97%
6-mnth	0.99%	-	1.02%	1.06%	1.00%
12-mnth	1.05%	-0.00%	1.10%	1.13%	1.11%
2-year	1.19%	-0.01%	1.19%	1.20%	1.06%
5-year	1.86%	-0.01%	1.95%	1.77%	1.29%
10-year	2.54%	-0.01%	2.62%	2.41%	1.73%
20-year	3.01%	-0.01%	3.02%	2.82%	2.26%
30-year	3.07%	-0.01%	3.07%	2.85%	2.32%

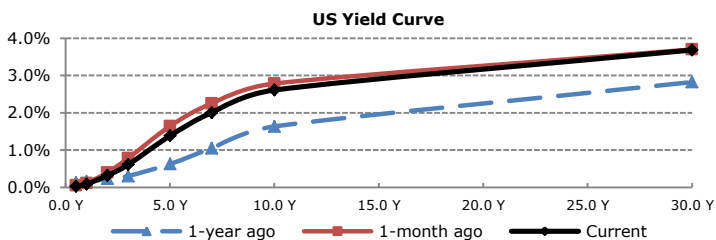
Historical Levels



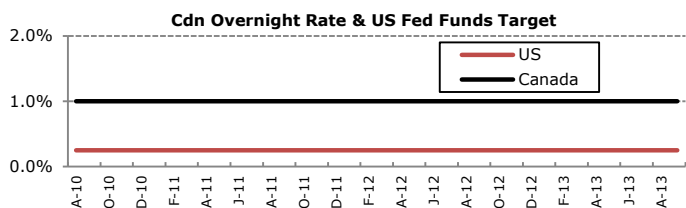
US yield curve

	30-Sep	day Δ	-1 mnth	-3 mnths	-1 year
3-mnth	0.01%	-0.01%	0.02%	0.02%	0.09%
6-mnth	0.03%	-	0.05%	0.07%	0.13%
12-mnth	0.09%	-	0.11%	0.13%	0.15%
2-year	0.32%	-0.02%	0.40%	0.35%	0.23%
5-year	1.38%	-0.02%	1.64%	1.38%	0.63%
10-year	2.61%	-0.01%	2.78%	2.47%	1.63%
30-year	3.68%	-0.00%	3.70%	3.47%	2.82%

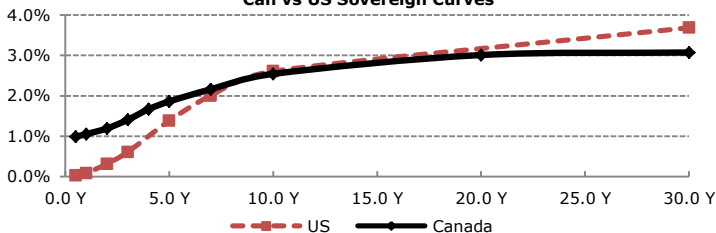
Historical Levels



	Current	Prior	Next Meeting	Survey
Cdn Overnight	1.00%	1.00%	23-Oct-13	1.00%
US Fed Funds	0.25%	0.25%	30-Oct-13	0.25%



Can vs US Sovereign Curves



Foreign Exchange

(USDCAD implies 1-USD to CAD)

	Spot	30-Sep	day Δ	-1 mnth	-3 mnths	-1 year
USDCAD	\$1.031	+0.000	1.053	1.048	0.980	
EURUSD	\$1.353	+0.000	1.324	1.304	1.302	
USDJPY	¥98.27	+0.030	98.35	98.35	78.48	
GBPUSD	\$1.619	+0.005	1.550	1.526	1.619	
AUDUSD	\$0.932	+0.000	0.893	0.928	1.024	

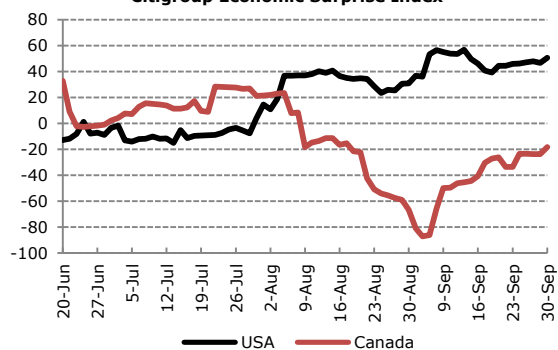
	Spot	30-Sep	day Δ	-1 mnth	-3 mnths	-1 year
CADJPY	¥95.32	-0.008	93.36	93.86	80.05	
CADAUD	\$1.041	-0.000	1.063	1.029	0.996	
GBPCAD	£1.669	+0.005	1.633	1.599	1.588	
EURJPY	¥132.93	+0.070	130.22	128.23	102.17	
EURAUD	\$1.45	+0.000	1.48	1.41	1.27	

Economic Releases

United States

		Period	Survey	Actual	Prior
Tue, Oct 01	ISM Manufacturing	30-Sep	55	55.7	55.4
Wed, Oct 02	ADP Employment Change	30-Sep	180K	--	176K
Thu, Oct 03	Factory Orders	31-Aug	0.3%	--	-2.4%
Thu, Oct 03	Continuing Claims	21-Sep	2800K	--	2823K
Thu, Oct 03	Initial Jobless Claims	28-Sep	315K	--	305K
Fri, Oct 04	Nonfarm Payroll	30-Sep	180K	--	162K
Fri, Oct 04	Unemployment Rate	30-Sep	7.3%	--	7.3%

Citigroup Economic Surprise Index



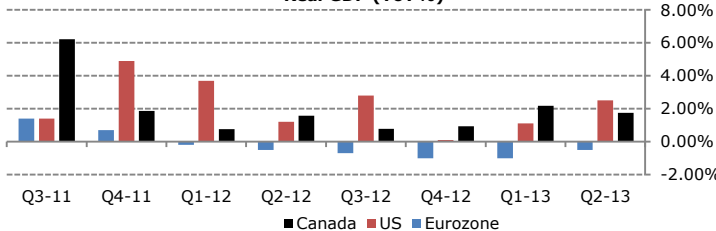
Canada

		Period	Survey	Actual	Prior
Mon, Sep 30	GDP MoM	31-Jul	0.5%	0.6%	-0.5%

Economics

	Q3-12	Q4-12	Q1-13	Q2-13	2013E
Canada					
Real GDP	0.77%	0.93%	2.18%	1.75%	1.70%
CPI	1.23%	0.93%	0.90%	0.77%	1.10%
Unemployment	7.30%	7.10%	7.20%	7.10%	7.10%
US					
Real GDP	2.80%	0.10%	1.10%	2.50%	1.60%
CPI	1.70%	1.90%	1.70%	1.43%	1.60%
Unemployment	7.80%	7.80%	7.60%	7.60%	7.50%
China					
Real GDP	7.40%	7.90%	7.70%	7.50%	7.60%

Real GDP (YoY%)



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