

Today's Commentary

The Daily Roll is back from the Exam/Holiday break. Since our last release on December 6th, the S&P has gained 2.60% and now stands at 1,831.37 (down -0.03% from last Friday), while the TSX has gained 2.64% to 13,548.86 over the same period (down -0.33% from last Friday). Government bonds are also posting higher yields with the US 10-year at 2.97% (was 2.87% one month ago) and the Canadian 10-year yielding 2.75% (was 2.67% one month ago). To recap some of the important news over the break, the Federal Reserve has begun tapering its treasury and mortgage backed security purchases to \$40B and \$35B per month respectively (from \$45B and \$40B) since the start of the New Year due to a continued recovery. However, they are committed to maintaining an extremely low Federal Funds Target Rate at least until the 6.5% unemployment rate threshold currently proposed has been met. Across the border, inflation in Canada has moved further below the 2% target, and the Bank of Canada maintained its neutral stance on the current 1% target for the overnight rate in December.

The Canadian dollar fell 0.2% to 1.0655 against the greenback this morning after Finance Minister Jim Flaherty said expected depreciation will aid manufacturing. Flaherty said in an interview broadcast yesterday on CTV's "Question Period" that the "CAD in the nineties somewhere is good for manufacturing." BoC Governor, Stephen Poloz met with Flaherty and provincial finance minister on Dec 16 in Ottawa, and indicated there may be softening in the Canadian dollar in the coming year. Poloz has shifted to a more dovish stance as inflation has dropped below the 1-3% inflation control range. Inflation is likely to be the most important data for indication of interest rates in Canada and the outlook for CAD in 2014.

Given the China reform is set to take shape and global growth is expected to continue, Hong Kong stocks are poised to gain in 2014. The Hang Seng Index trailed behind 23 other developed markets. The index was essentially flat in 2013 comparing to the 25% gain in S&P 500 Index. Continued healthy global recovery will benefit the shares listed in Hong Kong as the city remains the major financial hub connecting the west and the east. China's Communist Party detailed policy changes including easing of the one-child policy, as well as scrapping the household registration system and pension reform. Chinese securities regulators approved five new listings, ending the year long hiatus on domestic IPOs. The signals coming out of the Chinese government are positive; however, China's focus on quality of growth rather than blindly increasing the GDP output will bring some growing pains for the markets.

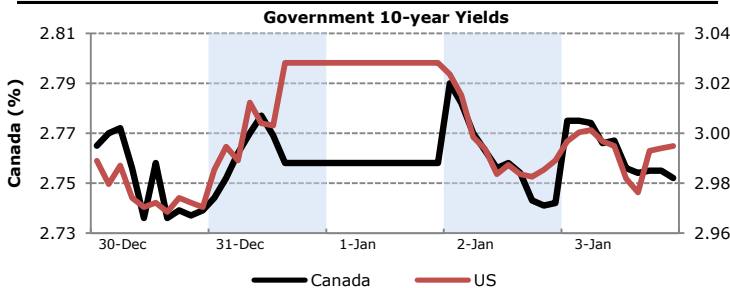
The Daily Roll is written by MFE Candidates Luke Ostapiak, Wendy Ren and Tony Wu in partnership with the Rotman Finance Association. Please email dailyroll@economics.utoronto.ca to subscribe/unsubscribe.

Today's Major Economic Releases

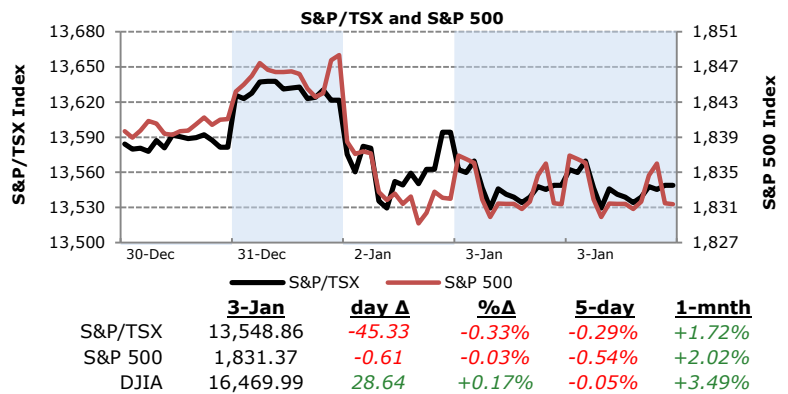
United States	Period	Survey	Actual	Prior
Factory Orders	30-Nov	1.7%	--	-0.9%
Trade Balance	30-Nov	-40B	--	-40.6B
ADP Employment Change	31-Dec	200K	--	215K

Canada	Period	Survey	Actual	Prior
None Scheduled				

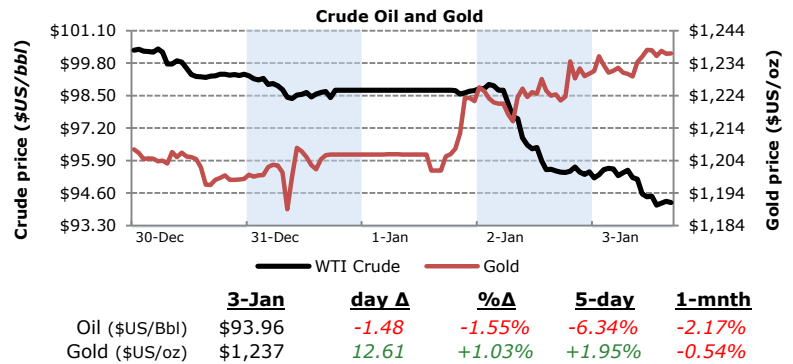
Interest Rates



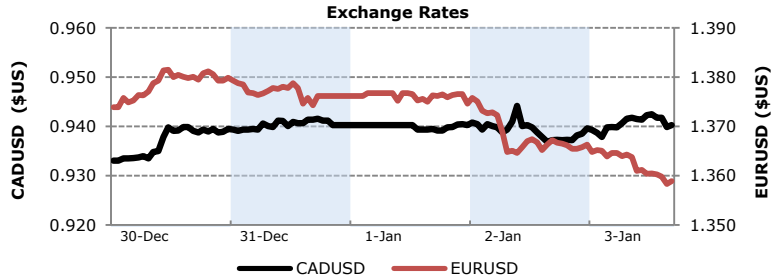
Equities



Commodities



Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	3-Jan	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$1.064	-0.004	1.071	1.065	0.986
EURUSD	\$1.359	-0.008	1.375	1.359	1.312
USDJPY	¥104.86	+0.050	105.170	102.51	87.79

Government 10-year Yields

	3-Jan	day Δ	Historical levels		
			-1 mnth	-3 mnths	-1 year
Canada	2.75%	0.010%	2.65%	2.58%	1.93%
United States	2.99%	0.006%	2.83%	2.64%	1.91%

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>

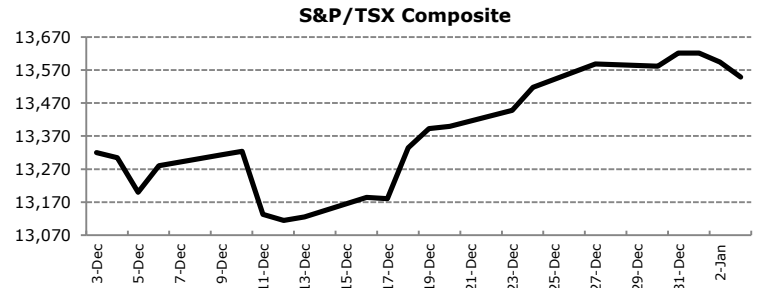
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	3-Jan	day Δ	%Δ
S&P/TSX	13,548.86	-45.33	-0.33%

	Trailing S&P/TSX	TSX 60
5-day	-0.29%	-0.51%
1-month	+1.72%	+1.46%
3-months	+6.39%	+6.65%
6-months	+11.55%	+11.93%
12-months	+8.65%	+8.86%



TSX Sector Returns

	1-day	5-day	1-mnth	12-mnths
C. Discretionary	+0.01%	-0.52%	+1.35%	+38.24%
C. Staples	-0.56%	+0.11%	-1.68%	+21.26%
Energy	-0.63%	-1.26%	-0.44%	+7.16%
Financials	-0.18%	-0.47%	+1.50%	+20.54%
Healthcare	+0.32%	+1.92%	+5.00%	+38.25%
Info Tech	+0.17%	+0.46%	+4.54%	+35.25%
Industrials	+0.04%	-0.76%	+0.07%	+31.20%
Materials	-1.00%	+0.85%	+6.88%	-29.14%
Metals & Mining	-1.43%	-0.65%	+6.32%	-24.93%
Telecom	-0.07%	-0.26%	-0.89%	+5.41%
Utilities	-0.30%	-0.14%	-1.34%	-10.31%

TSX Top Performers

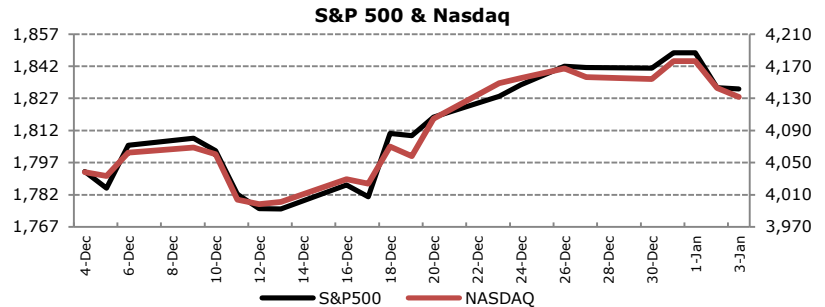
	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Detour Gold Corp		+8.33%	+17.90%	+33.51%	-79.76%
Semafo Inc		+4.18%	+4.55%	+22.54%	-10.21%
Torex Gold Resources Inc		+4.08%	+3.03%	+13.33%	-51.89%
Centerra Gold Inc		+3.68%	+14.59%	+38.44%	-48.16%
Alacer Gold Corp		+3.57%	+5.94%	+16.00%	-53.51%

TSX Worst Performers

	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Turquoise Hill Resources		-4.99%	-7.16%	-9.75%	-51.71%
Novagold Resources Inc		-3.70%	+8.75%	+21.19%	-38.89%
Oceanagold Corp		-3.57%	+5.19%	-2.99%	-42.35%
First Majestic Silver Cor		-3.50%	+4.07%	+12.93%	-46.22%
Pretium Resources Inc		-3.28%	+2.00%	-5.72%	-55.45%

US Indices

	S&P 500	DJIA	Nasdaq
Trailing			
3-Jan	1,831.37	16,469.99	4,131.91
1-day	-0.03%	+0.17%	-0.27%
5-day	-0.54%	-0.05%	-0.59%
1-month	+2.02%	+3.49%	+2.35%
3-months	+9.10%	+9.83%	+9.47%
6-months	+13.37%	+9.88%	+19.99%
12-months	+25.49%	+22.99%	+33.26%



S&P 500 Sector Returns

	1-day	5-day	1-mnth	12-mnths
C. Discretionary	-0.25%	+0.02%	+2.74%	+36.65%
C. Staples	-0.18%	-1.02%	-0.99%	+18.39%
Energy	-0.25%	-1.45%	+1.02%	+17.74%
Financials	+0.64%	+0.37%	+3.26%	+29.82%
Healthcare	+0.21%	-0.22%	+1.05%	+35.58%
Info Tech	-0.48%	-0.94%	+2.45%	+21.39%
Industrials	+0.27%	-0.59%	+4.19%	+33.14%
Materials	-0.18%	-0.61%	+5.14%	+19.66%
Telecom	-0.69%	-1.30%	-0.97%	+2.16%
Utilities	-0.29%	-1.32%	-1.47%	+4.87%

DJIA Top Performers

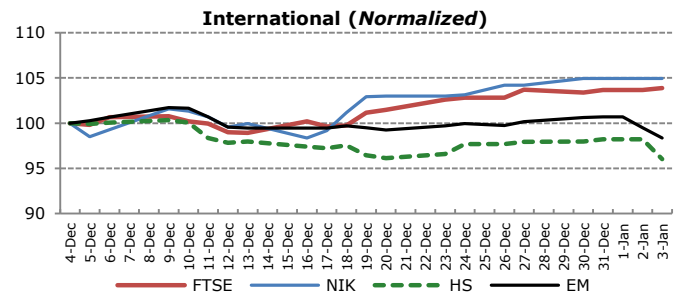
	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Johnson & Johnson		+0.90%	-0.54%	-2.26%	+29.84%
Jpmorgan Chase & Co		+0.77%	+0.89%	+3.17%	+31.61%
Goldman Sachs Group Inc		+0.71%	+1.02%	+6.01%	+36.05%

DJIA Worst Performers

	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Verizon Communications In		-1.18%	-1.53%	-2.38%	+9.90%
Microsoft Corp		-0.67%	-1.02%	-3.65%	+35.30%
Coca-Cola Co/The		-0.49%	-0.49%	+0.27%	+7.61%

International Markets

	FTSE 100	Nikkei	Hang Seng	MSCI EM
Trailing				
Last Close	6,730.67	16,291.31	22,817.28	979.49
1-day	+0.19%	-	-2.24%	-1.14%
5-day	-0.30%	-	-1.83%	-1.81%
1-month	+3.03%	-	-4.57%	-2.32%
3-months	+4.37%	-	-1.71%	-2.56%
6-months	+8.04%	-	+13.25%	+7.38%
12-months	+11.30%	-	-2.48%	-9.53%



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Nymex WTI Crude Oil

(\$US/Bbl)	3-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$93.96	-\$1.48	-1.55%	-6.34%	-2.17%
Cal 14	\$92.35	-\$1.29	-1.38%	-4.84%	-1.05%
Cal 15	\$86.41	-\$0.73	-0.84%	-2.59%	-7.12%

(\$US/bbl)	Q2-14	Q3-14	Q4-14	Q1-15	2015
Consensus Forecast	\$96.00	\$96.03	\$95.00	\$96.00	\$95.00
Current Forward	\$93.68	\$91.96	\$90.26	\$88.50	\$86.41

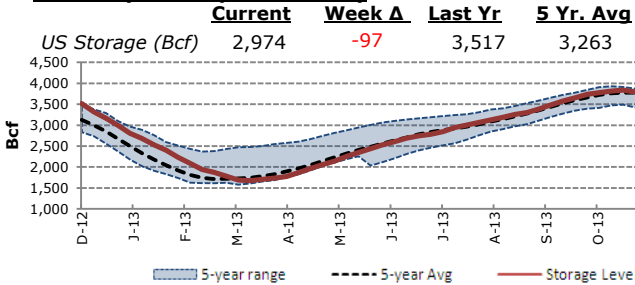
Inventory Levels (as of Dec-27)

(MMbbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	360,567	-7,007	337,426	319,411
Motor Gas	220,716	+844	214,389	200,481
Distillates	119,147	+5,042	171,756	140,851

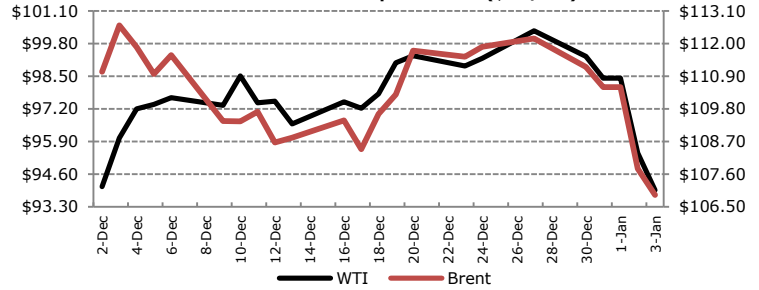
Nymex Natural Gas

(\$US/MMbtu)	3-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$4.30	-\$0.02	-0.39%	-1.47%	+8.69%
Feb14-Mar14	\$4.22	-\$0.02	-0.36%	-0.66%	+13.45%
Apr14-Oct14	\$4.19	-\$0.01	-0.34%	-0.12%	+11.46%
Nov14-Mar15	\$4.38	-\$0.01	-0.26%	-0.20%	+9.57%
Apr15-Oct15	\$4.09	-\$0.00	-0.12%	+0.29%	+4.39%

Inventory Levels (as of Dec-27)



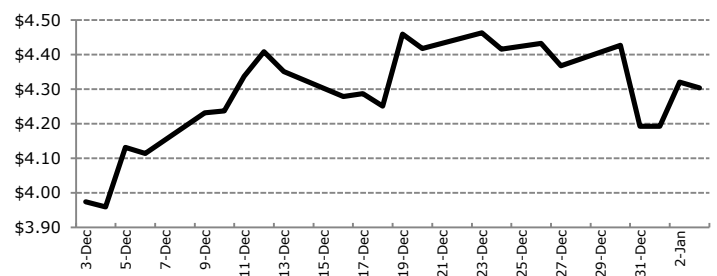
Crude Oil Prompt Contract (\$US/Bbl)



UK Brent Crude Oil

(\$US/Bbl)	3-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$106.89	-\$0.89	-0.83%	-4.72%	-5.09%

Nat Gas Prompt (\$US/MMbtu)



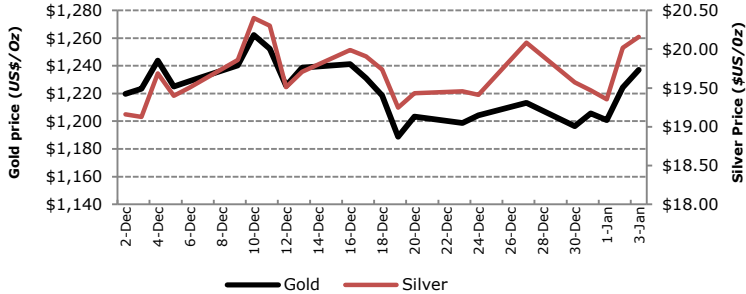
Alberta Natural Gas

(\$CAD/GJ)	3-Jan	day Δ	%Δ
AECO Feb-14	\$3.80	+\$0.01	+0.2%

Precious Metals

\$US/oz	3-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,237.01	+\$12.61	+1.0%	+1.9%	-0.5%	-3.9%
Silver	\$20.16	+\$0.14	+0.7%	+0.4%	+2.4%	-7.1%
Platinum	\$1,413	+\$9.50	+0.7%	+2.6%	+3.1%	+2.0%

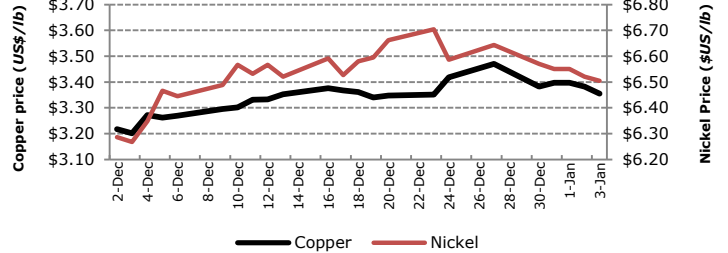
Gold and Silver



Industrial Metals

\$US/lb	3-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.36	-\$0.03	-0.8%	-3.3%	+2.6%	+3.3%
Nickel	\$6.50	-\$0.02	-0.2%	-2.1%	+2.5%	+1.1%
Zinc	\$1.02	-\$0.02	-1.6%	-3.1%	+8.9%	+10.0%
Aluminum	\$0.79	-\$0.01	-1.3%	-1.3%	+2.6%	-4.8%
Uranium	\$34.60	+\$0.35	+1.0%	+0.6%	-2.5%	-1.1%

Copper and Nickel



Agriculture & Other

	3-Jan	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$4.24	+\$0.03	+0.7%	-0.9%	-2.3%
Wheat (\$US/bu)	\$6.06	+\$0.09	+1.5%	-0.5%	-7.1%
Soybeans (\$US/bu)	\$12.71	+\$0.01	+0.1%	-3.2%	-3.1%
Rough Rice (\$US/cwt)	\$15.60	+\$0.09	+0.5%	+1.6%	-1.4%
Sugar #11 (¢US/lb)	¢16.08	¢0.21	-1.3%	-2.1%	-3.7%
Lean Hogs (¢US/lb)	¢86.68	¢0.40	-0.5%	+1.2%	-2.3%
Live Cattle (¢US/lb)	¢136.30	¢0.68	+0.5%	+1.0%	+2.6%
Cotton No.2 (\$US/lb)	\$0.83	-\$0.01	-1.3%	-1.4%	+5.2%
Lumber (\$US/Mbft)	\$360.70	-\$0.60	-0.2%	-4.1%	+1.2%

Commodity ETFs

	3-Jan	day Δ	%Δ	5-day	1-mnth
\$CAD					
HBP Crude Oil U	\$4.25	-\$0.13	-3.0%	-11.6%	-4.7%
HBP Nat Gas U	\$13.08	+\$0.15	+1.2%	-1.1%	+17.7%
iShares Gold ETF	\$10.97	+\$0.08	+0.7%	+1.8%	+0.9%
\$USD					
US Crude Oil	\$33.75	-\$0.48	-1.4%	-5.83%	-3.4%
US Nat Gas	\$21.06	+\$0.13	+0.6%	-0.57%	+4.3%
PSDB Agriculture	\$24.44	+\$0.27	+1.1%	-0.53%	-0.5%
PSDB Base Metals	\$16.60	-\$0.24	-1.4%	-1.83%	+3.5%

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Interest Rates

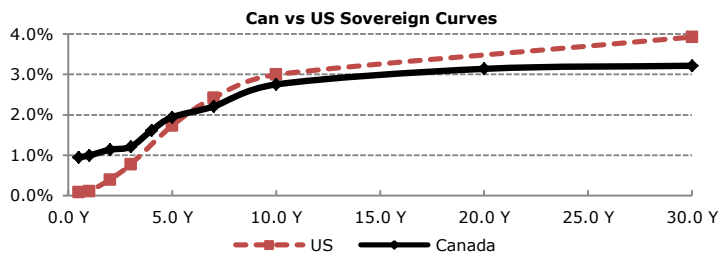
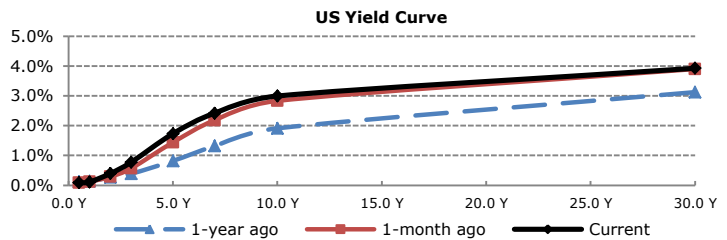
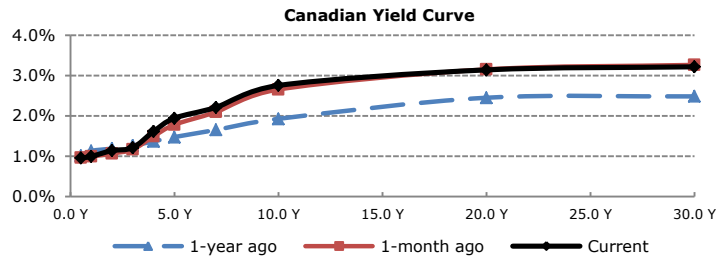
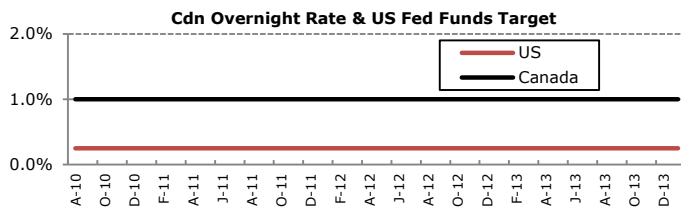
Canadian yield curve

	3-Jan	day Δ	<i>Historical Levels</i>		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.90%	-	0.93%	0.97%	0.92%
6-mnth	0.95%	-	0.96%	0.99%	1.01%
12-mnth	0.99%	-0.00%	0.99%	1.06%	1.13%
2-year	1.14%	+0.01%	1.07%	1.19%	1.19%
5-year	1.94%	+0.01%	1.78%	1.89%	1.47%
10-year	2.75%	+0.01%	2.65%	2.58%	1.93%
20-year	3.14%	-0.00%	3.15%	3.05%	2.45%
30-year	3.21%	-	3.26%	3.12%	2.48%

US yield curve

	3-Jan	day Δ	<i>Historical Levels</i>		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.07%	+0.01%	0.05%	0.02%	0.07%
6-mnth	0.09%	-	0.09%	0.04%	0.12%
12-mnth	0.11%	+0.01%	0.12%	0.10%	0.14%
2-year	0.40%	+0.02%	0.29%	0.33%	0.27%
5-year	1.73%	+0.02%	1.44%	1.41%	0.82%
10-year	2.99%	+0.01%	2.83%	2.64%	1.91%
30-year	3.92%	+0.00%	3.90%	3.72%	3.13%

	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	3-Jan	day Δ	<i>Historical Levels</i>		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$1.064	-0.004		1.065	1.034	0.986
EURUSD	\$1.359	-0.008		1.359	1.358	1.312
USDJPY	¥104.86	+0.050		102.51	97.36	87.79
GBPUSD	\$1.642	-0.004		1.639	1.622	1.612
AUDUSD	\$0.895	+0.003		0.914	0.939	1.050

	Spot	3-Jan	day Δ	<i>Historical Levels</i>		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥98.59	+0.380		96.26	94.19	89.04
CADAUD	\$1.051	-0.001		1.028	1.031	0.966
GBP CAD	£1.746	-0.010		1.745	1.677	1.589
EURJPY	¥142.48	-0.810		139.30	132.20	115.15
EURAUD	\$1.52	-0.015		1.49	1.45	1.25

Economic Releases

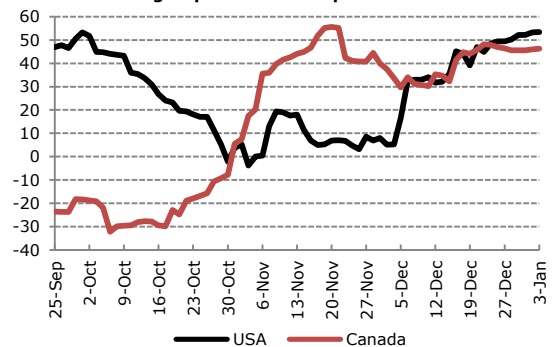
United States

		Period	Survey	Actual	Prior
Mon, Jan 06	Factory Orders	30-Nov	1.7%	-0.9%	1.7%
Tue, Jan 07	Trade Balance	30-Nov	-40B	--	-40.6B
Wed, Jan 08	ADP Employment Change	31-Dec	200K	--	215K
Thu, Jan 09	Continuing Claims	28-Dec	2850K	--	2833K
Thu, Jan 09	Initial Jobless Claims	4-Jan	335K	--	339K
Fri, Jan 10	Nonfarm Payroll	31-Dec	195K	--	204K
Fri, Jan 10	Unemployment Rate	31-Dec	7%	--	7%

Canada

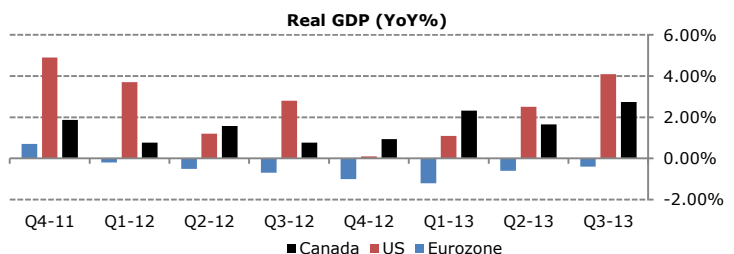
		Period	Survey	Actual	Prior
Thu, Jan 09	Building Permits (MoM)	30-Nov	-1.7%	--	7.4%
Thu, Jan 09	Housing Starts	31-Dec	190K	--	192.2K
Fri, Jan 10	Net Change in Employment	31-Dec	15K	--	21.6K
Fri, Jan 10	Unemployment	31-Dec	6.9%	--	0%

Citigroup Economic Surprise Index



Economics

	Q4-12	Q1-13	Q2-13	Q3-13	2013E
Canada					
Real GDP	0.93%	2.32%	1.65%	2.74%	1.70%
CPI	0.93%	0.90%	0.77%	1.17%	1.00%
Unemployment	7.10%	7.20%	7.10%	6.90%	7.05%
US					
Real GDP	0.10%	1.10%	2.50%	4.10%	1.70%
CPI	1.90%	1.70%	1.43%	1.57%	1.50%
Unemployment	7.80%	7.60%	7.60%	7.20%	7.40%
China					
Real GDP	7.90%	7.70%	7.50%	7.80%	7.60%



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