

## Today's Commentary

Stocks continued to rally with the S&P up +0.52% to 1,848.38 and the TSX +0.59% to 13,772.58. US 10 year bond yields are -2bps lower at 2.85%, and Canada's -1bp at 2.55%. Oil traded flat and now costs 94.10 USD/bbl for West Texas Intermediate and Gold is down slightly by -0.23% to 1,238.97 USD /t oz. US data this morning came in as expected with CPI reading +0.3% m/m and initial claims 326k (expected 328k).

The US domestic and foreign investment flows were weaker than expected in November. TIC Long-Term Purchases data came in at -29.3B vs. estimates of 42.3B, indicating that purchases of US long-term securities by foreigners dropped relative to purchases of foreign long-term securities by US investors. However, China and Japan continue to be major purchasers of US treasuries, boosting their holdings to a record high in November. This suggests that both the PBoC and the BoJ are continuing aggressive intervention in exchange rate markets. A major risk to the USD in the coming year is one the new reforms in China that will look at increased liberalization of exchange rates, less government intervention, and decreased US treasury purchases at the same time the Fed is tapering their bond buying program.

Borrowers in developing nations are flooding the markets with record amounts of bond issuance in anticipation that continued reduction in bond buying by the Fed will spur borrowing costs. International sales in emerging markets are up 13% to 51.5B so far in January, the busiest start of the year since Bloomberg started tracking the data in 1999. Companies and governments in the developing nations are seeking to mitigate any rise in borrowing costs that could result from the next round of tapering by the Fed. Large oil companies in emerging markets are raising debt ahead of schedule in order to reduce any uncertainty in funding costs going forward.

In other news, Brazil raised its target Selic rate 50 bps to 10.5%. This brings the total increase over the past 9 months to +325 bps and is currently seen as the most aggressive tightening cycle of any nation. Factors involved in the decision include the much higher than expected inflationary pressures in Brazil, causing the tightening cycle to continue. On the other hand, muted growth and even economic contraction offset the need for tightening, and put Brazilian policy makers in a tough position.

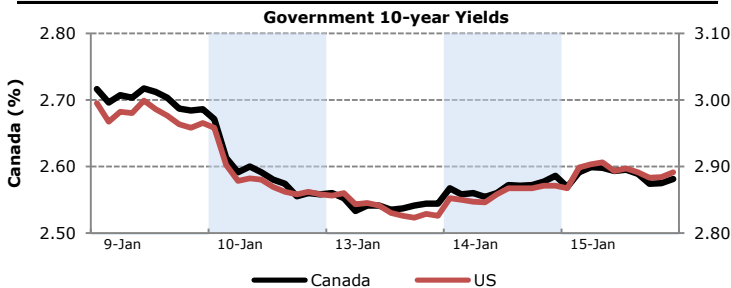
The Daily Roll is written by MFE Candidates Luke Ostapiak, Wendy Ren and Tony Wu in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.

## Today's Major Economic Releases

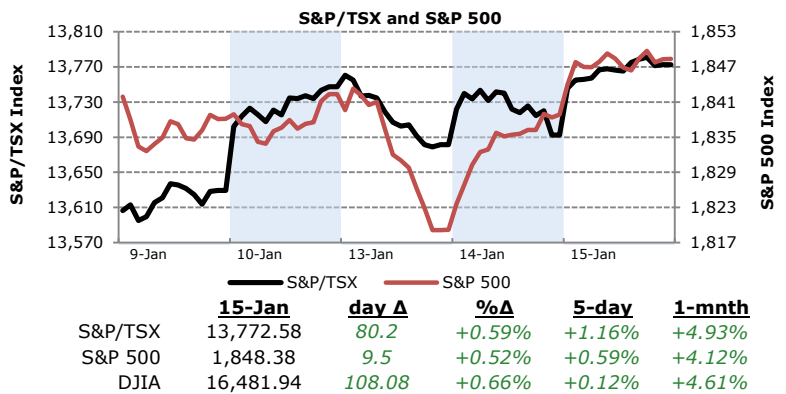
United States	Period	Survey	Actual	Prior
Initial Jobless Claims	31-Dec	328K	326K	330K
Consumer Price Index (MoM)	31-Dec	0.3%	0.3%	0%

Canada	Period	Survey	Actual	Prior
None Scheduled				

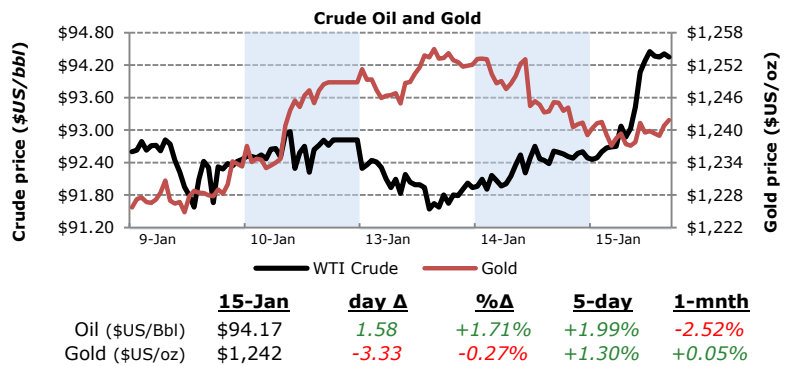
## Interest Rates



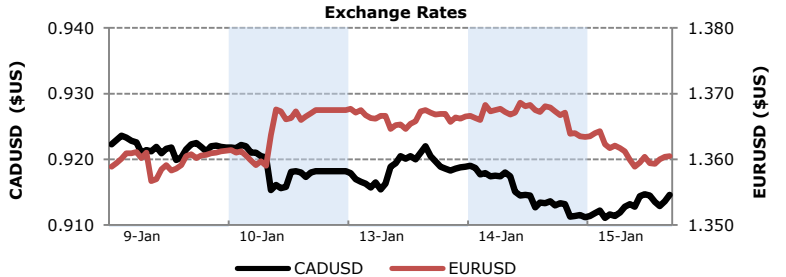
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	15-Jan	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$1.093	-0.001	1.082	1.059	0.986
EURUSD	\$1.361	-0.007	1.358	1.374	1.338
USDJPY	¥104.56	+0.340	104.860	103.21	89.88

Government 10-year Yields

	15-Jan	day Δ	Historical levels		
			-1 mnth	-3 mnths	-1 year
Canada	2.58%	-0.005%	2.68%	2.56%	1.91%
United States	2.89%	0.020%	2.88%	2.59%	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>

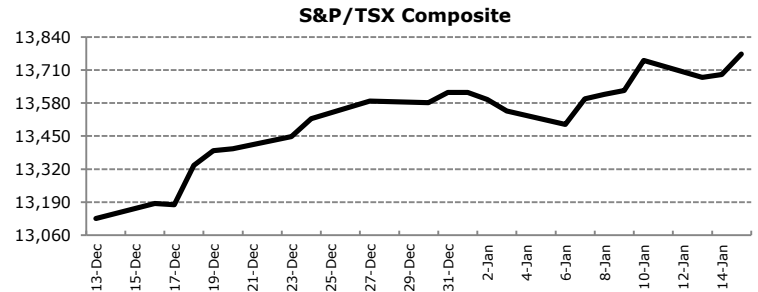
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	<u>15-Jan</u>	<u>day Δ</u>	<u>%Δ</u>
<b>S&amp;P/TSX</b>	13,772.58	80.2	+0.59%

<u>Trailing</u>	<u>S&amp;P/TSX</u>	<u>TSX 60</u>
5-day	+1.16%	+1.33%
1-month	+4.93%	+5.26%
3-months	+6.50%	+6.57%
6-months	+9.93%	+10.26%
12-months	+8.94%	+9.25%



### TSX Sector Returns

	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
C. Discretionary	+0.31%	+0.77%	+3.81%	+37.71%
C. Staples	+0.92%	+0.52%	+3.27%	+22.99%
Energy	+0.39%	-0.29%	+1.83%	+7.36%
Financials	+0.56%	+0.34%	+3.40%	+19.28%
Healthcare	-0.34%	+2.49%	+16.27%	+44.38%
Info Tech	+1.48%	+0.17%	+10.89%	+28.66%
Industrials	+1.10%	+2.24%	+3.18%	+28.85%
Materials	+1.72%	+4.70%	+12.30%	-26.15%
Metals & Mining	+3.71%	+5.06%	+15.24%	-20.77%
Telecom	-0.14%	+1.06%	+2.09%	+7.00%
Utilities	+0.02%	-0.09%	+2.70%	-10.70%

### TSX Top Performers

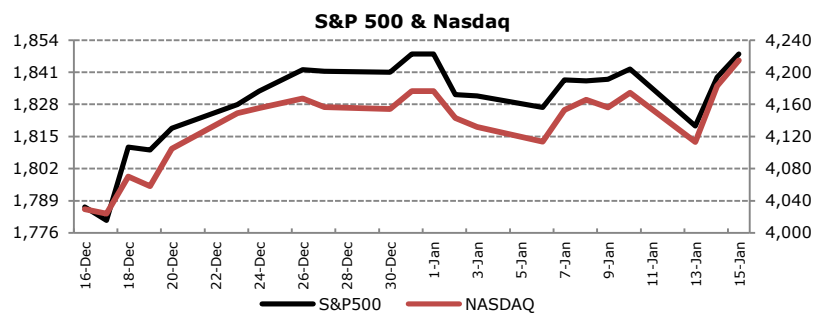
<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
Thompson Creek Metals Co	+12.06%	+30.04%	+39.21%	-21.59%
Capstone Mining Corp	+6.27%	+9.52%	+14.18%	+19.70%
Hudbay Minerals Inc	+5.55%	+5.79%	+19.03%	-15.35%
Savanna Energy Services C	+4.36%	-0.37%	+0.12%	+12.14%
Lundin Mining Corp	+4.25%	+5.36%	+19.46%	-5.21%

### 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>
Canexus Corp	-9.89%	-18.34%	-7.21%	-32.57%
Centerra Gold Inc	-2.18%	-2.81%	+13.67%	-55.10%
Ithaca Energy Inc	-2.17%	-2.87%	+7.11%	+45.70%
Corus Entertainment Inc-B	-1.97%	-2.05%	-0.16%	+1.84%
Calloway Real Estate Inve	-1.93%	-2.43%	+1.55%	-16.62%

### US Indices

<u>Trailing</u>	<u>S&amp;P 500</u>	<u>DJIA</u>	<u>Nasdaq</u>
15-Jan	1,848.38	16,481.94	4,214.88
1-day	+0.52%	+0.66%	+0.76%
5-day	+0.59%	+0.12%	+1.18%
1-month	+4.12%	+4.61%	+5.35%
3-months	+8.85%	+8.66%	+11.09%
6-months	+9.86%	+6.44%	+16.84%
12-months	+25.54%	+21.77%	+35.49%



### S&P 500 Sector Returns

	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
C. Discretionary	+0.24%	-0.71%	+2.35%	+33.28%
C. Staples	+0.03%	+0.54%	+0.87%	+16.79%
Energy	-0.32%	-1.36%	+1.79%	+14.84%
Financials	+1.19%	+0.67%	+5.11%	+29.24%
Healthcare	-0.14%	+1.48%	+6.18%	+36.29%
Info Tech	+1.16%	+1.68%	+6.15%	+25.94%
Industrials	+0.69%	+1.11%	+5.13%	+32.58%
Materials	+0.65%	+0.55%	+4.91%	+17.53%
Telecom	+1.48%	-0.74%	+0.33%	+4.16%
Utilities	-0.21%	+0.96%	+1.73%	+6.69%

### DJIA Top Performers

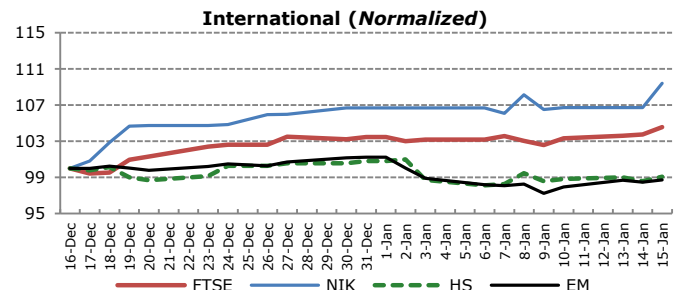
<u>Ranked by 1-day</u>	<u>1-day</u>	<u>5-day</u>	<u>1-mnth</u>	<u>12-mnths</u>
Jpmorgan Chase & Co	+3.03%	+1.05%	+5.91%	+28.35%
Microsoft Corp	+2.74%	+2.80%	+0.19%	+35.10%
Verizon Communications In	+2.53%	-0.47%	+0.90%	+15.01%

### 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>
Merck & Co. Inc.	-0.91%	+5.48%	+8.56%	+22.51%
Wal-Mart Stores Inc	-0.38%	-0.22%	-0.54%	+12.58%
Exxon Mobil Corp	-0.34%	-1.95%	+3.64%	+10.33%

### International Markets

<u>Trailing</u>	<u>FTSE 100</u>	<u>Nikkei</u>	<u>Hang Seng</u>	<u>MSCI EM</u>
Last Close	6,819.86	15,808.73	22,902.00	977.87
1-day	+0.78%	+2.50%	+0.49%	+0.27%
5-day	+1.46%	-1.94%	-0.41%	+0.48%
1-month	+5.90%	+2.63%	-1.48%	-1.27%
3-months	+4.13%	+9.47%	-1.86%	-5.05%
6-months	+3.55%	+8.98%	+7.50%	+2.69%
12-months	+11.48%	+45.31%	-2.05%	-8.91%



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## Nymex WTI Crude Oil

(\$US/Bbl)	15-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$94.17	+\$1.58	+1.71%	+1.99%	-2.52%
Cal 14	\$92.07	+\$1.26	+1.39%	+1.45%	-2.45%
Cal 15	\$85.21	+\$0.66	+0.79%	+0.54%	-3.84%

(\$US/bbl)	Q2-14	Q3-14	Q4-14	Q1-15	2015
Consensus Forecast	\$95.00	\$96.00	\$95.00	\$94.45	\$94.71
Current Forward	\$93.72	\$91.61	\$89.42	\$87.43	\$85.21

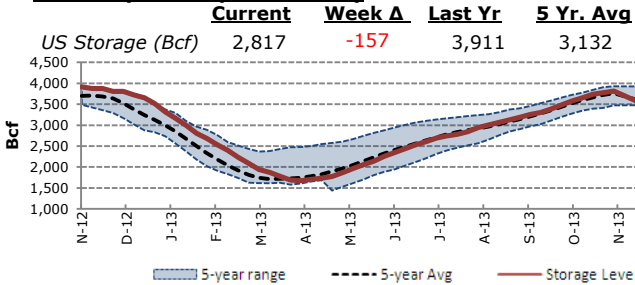
## Inventory Levels (as of Jan-10)

(MMbbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	388,463	+375	337,426	319,411
Motor Gas	233,142	+23,944	214,389	200,481
Distillates	123,950	+6,614	171,756	140,851

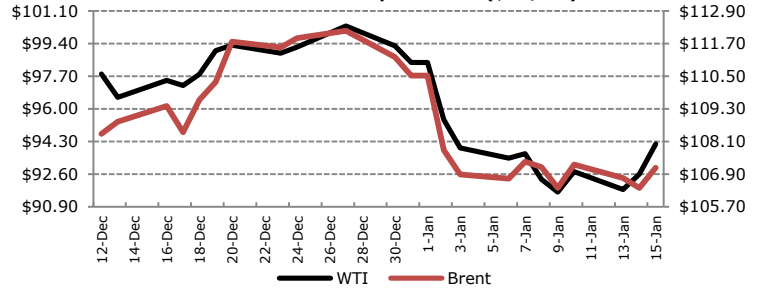
## Nymex Natural Gas

(\$US/MMbtu)	15-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$4.33	-\$0.04	-1.01%	+2.59%	+1.08%
Feb14-Mar14	\$4.17	-\$0.03	-0.78%	+1.38%	+1.85%
Apr14-Oct14	\$4.10	-\$0.03	-0.62%	+0.48%	+1.55%
Nov14-Mar15	\$4.27	-\$0.02	-0.49%	+0.15%	+2.82%
Apr15-Oct15	\$3.99	-\$0.01	-0.36%	+0.24%	-3.32%

## Inventory Levels (as of Jan-03)



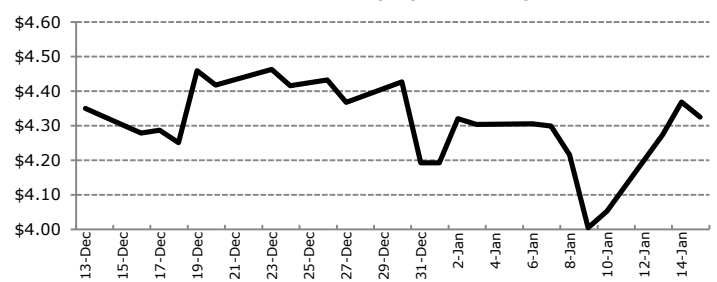
## Crude Oil Prompt Contract (\$US/Bbl)



WTI Brent

(\$US/Bbl)	15-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$107.13	+\$0.74	+0.69%	-0.02%	-1.56%

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



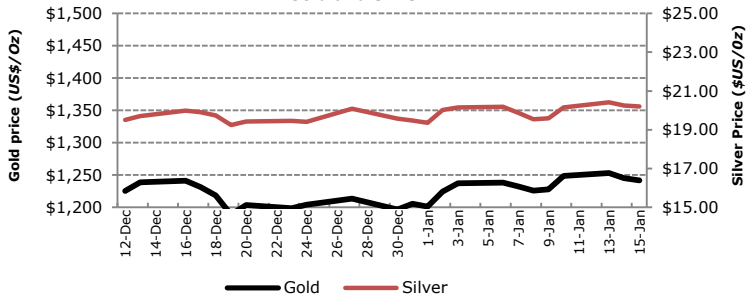
## Alberta Natural Gas

(\$CAD/GJ)	15-Jan	day Δ	%Δ
AECO Feb-14	\$3.84	-\$0.09	-2.3%

## Precious Metals

\$US/oz	15-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,241.86	-\$3.33	-0.3%	+1.3%	+0.0%	-7.3%
Silver	\$20.20	-\$0.05	-0.3%	+3.4%	+1.0%	-11.0%
Platinum	\$1,430	-\$2.00	-0.1%	+0.9%	+5.0%	-1.4%

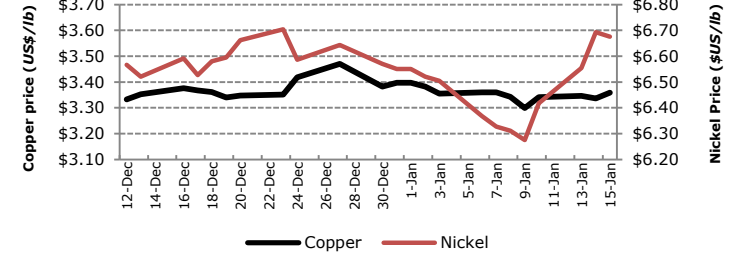
## Gold and Silver



## Industrial Metals

\$US/lb	15-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.36	+\$0.02	+0.7%	+0.5%	-0.5%	+0.7%
Nickel	\$6.68	-\$0.02	-0.3%	+5.8%	+1.3%	-2.6%
Zinc	\$1.02	-\$0.02	-1.9%	+0.4%	+2.8%	+6.4%
Aluminum	\$0.78	+\$0.00	0.0%	-1.3%	-1.3%	-6.0%
Uranium	\$35.05	+\$0.00	0.0%	+0.3%	+1.2%	-0.6%

## Copper and Nickel



## Agriculture & Other

	15-Jan	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$4.26	-\$0.06	-1.3%	+2.1%	-0.2%
Wheat (\$US/bu)	\$5.68	-\$0.12	-2.0%	-3.6%	-8.4%
Soybeans (\$US/bu)	\$13.18	+\$0.11	+0.8%	+3.8%	-1.3%
Rough Rice (\$US/cwt)	\$15.64	+\$0.16	+1.0%	+0.6%	+1.1%
Sugar #11 (¢US/lb)	¢15.23	¢0.26	-1.7%	-3.2%	-4.6%
Lean Hogs (¢US/lb)	¢91.55	¢0.88	+1.0%	+0.5%	+1.2%
Live Cattle (¢US/lb)	¢138.95	¢1.15	+0.8%	+1.4%	+3.7%
Cotton No.2 (\$US/lb)	\$0.85	+\$0.01	+1.3%	+2.0%	+2.2%
Lumber (\$US/Mbft)	\$365.40	-\$3.40	-0.9%	+1.7%	-0.5%

## Commodity ETFs

	15-Jan	day Δ	%Δ	5-day	1-mnth
<b>\$CAD</b>					
HBP Crude Oil U	\$4.26	+\$0.18	+4.4%	+3.9%	-5.1%
HBP Nat Gas U	\$12.95	-\$0.15	-1.1%	+4.6%	-4.1%
iShares Gold ETF	\$11.01	-\$0.02	-0.2%	+1.4%	+0.3%
<b>\$USD</b>					
US Crude Oil	\$33.77	+\$0.73	+2.2%	1.84%	-3.2%
US Nat Gas	\$21.08	-\$0.14	-0.7%	2.88%	+0.8%
PSDB Agriculture	\$24.24	-\$0.09	-0.4%	-0.33%	-0.9%
PSDB Base Metals	\$16.68	+\$0.10	+0.6%	0.42%	+1.2%

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## Interest Rates

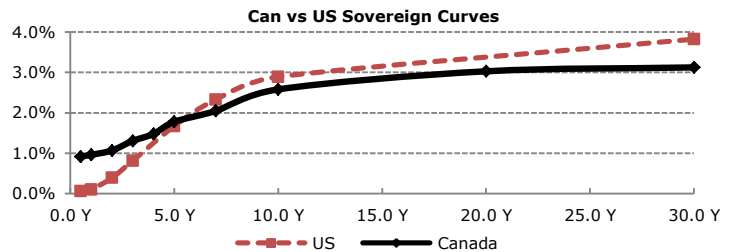
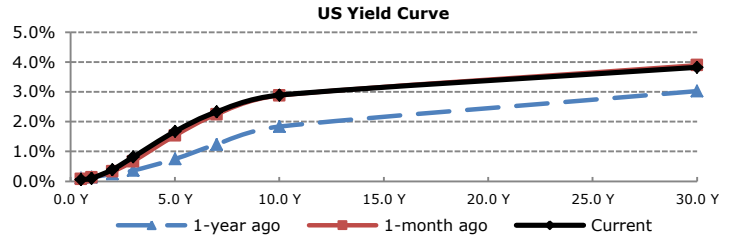
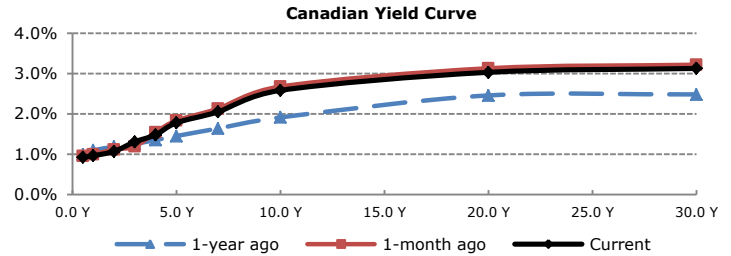
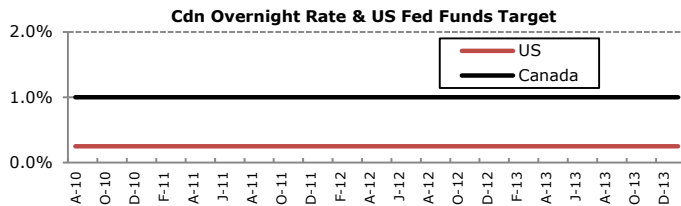
### Canadian yield curve

	<u>15-Jan</u>	<u>day Δ</u>	<u>Historical Levels</u>		
			<u>-1 mnth</u>	<u>-3 mnths</u>	<u>-1 year</u>
3-mnth	0.89%	-	0.92%	0.92%	0.91%
6-mnth	0.92%	-	0.95%	0.94%	0.99%
12-mnth	0.96%	-	0.99%	1.01%	1.09%
2-year	1.07%	+0.01%	1.12%	1.18%	1.18%
5-year	1.78%	+0.01%	1.83%	1.85%	1.45%
10-year	2.58%	-0.00%	2.68%	2.56%	1.91%
20-year	3.03%	-0.01%	3.13%	3.05%	2.46%
30-year	3.12%	-0.01%	3.22%	3.12%	2.48%

### US yield curve

	<u>15-Jan</u>	<u>day Δ</u>	<u>Historical Levels</u>		
			<u>-1 mnth</u>	<u>-3 mnths</u>	<u>-1 year</u>
3-mnth	0.04%	+0.01%	0.06%	0.04%	0.08%
6-mnth	0.06%	+0.01%	0.08%	0.08%	0.11%
12-mnth	0.10%	-0.00%	0.13%	0.12%	0.14%
2-year	0.39%	+0.01%	0.33%	0.31%	0.25%
5-year	1.67%	+0.02%	1.53%	1.33%	0.75%
10-year	2.89%	+0.02%	2.88%	2.59%	1.84%
30-year	3.82%	+0.02%	3.89%	3.66%	3.03%

	<u>Current</u>	<u>Prior</u>	<u>Next Meeting</u>	<u>Survey</u>
Cdn Overnight	1.00%	1.00%	0-Jan-00	1.00%
US Fed Funds	0.25%	0.25%	0-Jan-00	0.25%



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

	<u>Spot</u>	<u>15-Jan</u>	<u>day Δ</u>	<u>Historical Levels</u>		
				<u>-1 mnth</u>	<u>-3 mnths</u>	<u>-1 year</u>
USDCAD	\$1.093	-0.001		1.059	1.038	0.986
EURUSD	\$1.361	-0.007		1.374	1.352	1.338
USDJPY	¥104.56	+0.340		103.21	98.16	89.88
GBPUSD	\$1.637	-0.007		1.630	1.600	1.599
AUDUSD	\$0.892	-0.005		0.896	0.953	1.055

	<u>Spot</u>	<u>15-Jan</u>	<u>day Δ</u>	<u>Historical Levels</u>		
				<u>-1 mnth</u>	<u>-3 mnths</u>	<u>-1 year</u>
CADJPY	¥95.63	+0.419		97.52	94.54	91.17
CADAUD	\$1.026	+0.007		1.054	1.011	0.962
GBPUSD	£1.790	-0.010		1.725	1.661	1.577
EURJPY	¥142.25	-0.310		141.87	132.76	120.21
EURAUD	\$1.53	+0.000		1.53	1.42	1.27

## Economic Releases

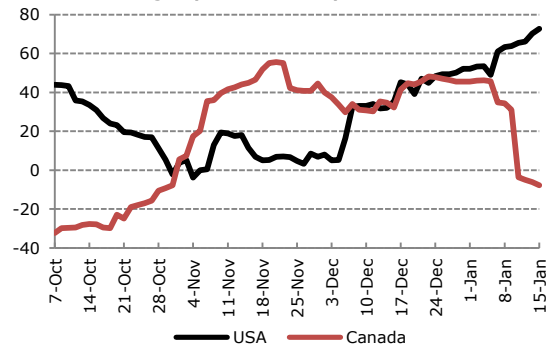
### United States

		<u>Period</u>	<u>Survey</u>	<u>Actual</u>	<u>Prior</u>
Tue, Jan 14	Advance Retail Sales	31-Dec	0.4%	0.7%	0.1%
Wed, Jan 15	Producer Price Index (MoM)	31-Dec	0.5%	0.4%	-0.1%
Thu, Jan 16	Initial Jobless Claims	11-Jan	328K	326K	330K
Thu, Jan 16	Consumer Price Index (MoM)	31-Dec	0.3%	0.3%	0%
Fri, Jan 17	Industrial Production	31-Dec	0.3K	--	-0.1K
Fri, Jan 17	Housing Starts	31-Dec	990K	--	0K

### Canada

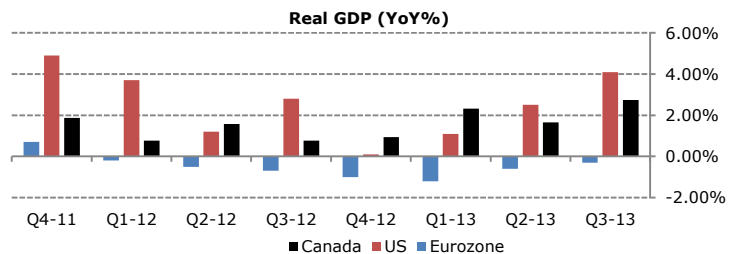
<u>Period</u>	<u>Survey</u>	<u>Actual</u>	<u>Prior</u>
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### Citigroup Economic Surprise Index



## Economics

	<u>Q4-12</u>	<u>Q1-13</u>	<u>Q2-13</u>	<u>Q3-13</u>	<u>2013E</u>
<b>Canada</b>					
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%
<b>US</b>					
Real GDP	0.10%	1.10%	2.50%	4.10%	1.70%
CPI	1.90%	1.70%	1.43%	1.57%	1.50%
Unemployment	7.90%	7.50%	7.50%	7.20%	7.40%
<b>China</b>					
Real GDP	7.90%	7.70%	7.50%	7.80%	7.70%



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