

Today's Commentary

Stocks retreated as the Fed indicated that it may complete the tapering of its asset purchases this coming Fall (and continued with a \$10B decrease) and hike the target rate as early as April 2015, sooner than previously expected. The S&P was down -0.61% and the TSX -0.24%. Bonds sold off as well with US 10 year yields +10bps higher to 2.77% and CAN 10 year yields +9bps higher to 2.49%.

The Federal Reserve Chair, Janet Yellen, said the central bank would trim its monthly bond purchases by \$10 billion to \$55 billion. However what shocked the market yesterday was the indication that the benchmark interest rates could rise sooner than expected. Markets briefly plunged when Yellen implied rates could rise six months after the Fed stops buying assets, which would end this fall if the Fed continues to taper purchases in measured steps. This would suggest rate increases could begin around April of 2015, much earlier than expected. The Fed officials now forecast interest rates of 1% by the end of 2015 and 2.25% in 2016, higher than the previous forecast of 0.75% for 2015 and 1.75% for 2016. In addition, the central bank has revamped its forward guidance, dropping the pledge tying borrowing costs to a 6.5% unemployment rate. Yellen said the 6.5% joblessness threshold had a "very useful" impact but had to be scrapped as the unemployment rate moved closer to that level. The most important element of the new guidance was a forecast that interest rates are likely to stay below their long-run levels, which the Fed estimates at 4% even after unemployment and inflation return to normal.

The drumbeat of bad news about debt defaults in China is likely to continue as the government appears unlikely to step in, but comparisons with Lehman Brothers or Bear Stearns may be overdone. "It will cause a lot of volatility in credit markets and the equities market. People will lose money," said Lim Say Boon, chief investment officer at DBS Private Bank. But he noted, "It's not going to be a Lehman moment. You can't get a Lehman moment in a closed economy, where the capital account is closed, where the banks are government owned, where the borrowers are largely government owned." The country saw its first bond default this month when Shanghai Chaori Solar Energy Science & Technology failed to make an 89 million yuan (\$14.5 million) interest payment. Last year, Chaori avoided a bond default after a local government persuaded banks to defer claims for overdue loans and this allowed the firm to meet its bond interest payments. Previously, government-led bailouts generally prevented investors and companies from feeling the sting of losses on poorly performing assets. Beijing appears to be signaling those days are past, but it isn't clear investors are getting the message.

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.

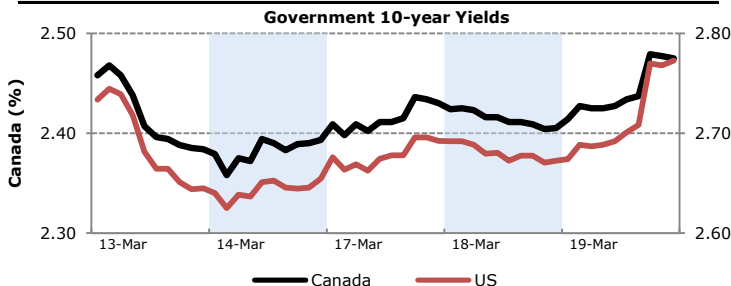
Today's Major Economic Releases

United States	Period	Survey	Actual	Prior
Leading Indicators			--	0.2%
Existing Home Sales	31-Jan	4.6M	--	4.62M
Continuing Claims	8-Mar	2880K	--	2907K

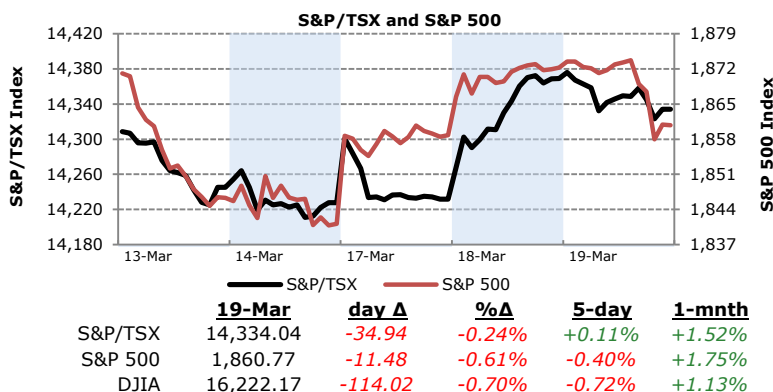
Canada

None Scheduled

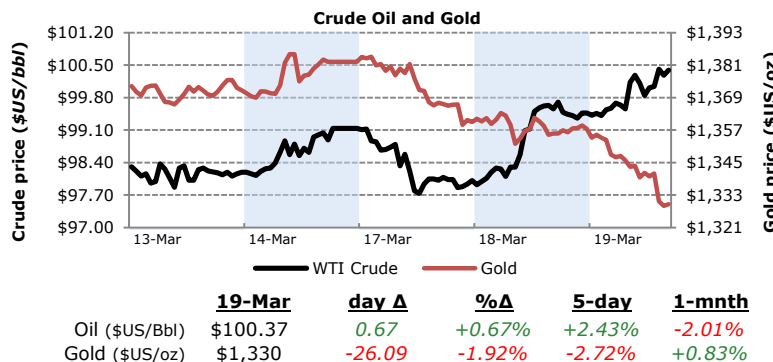
Interest Rates



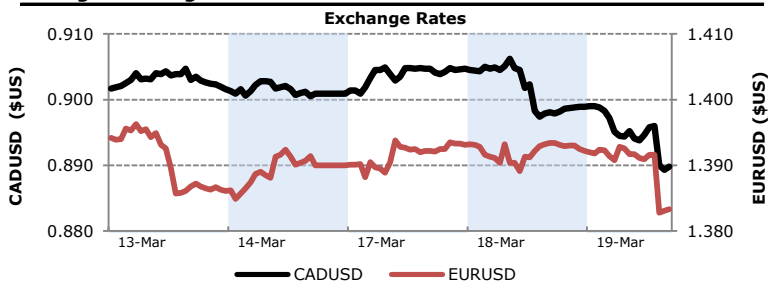
Equities



Commodities



Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	19-Mar	day Δ	Historical levels		
			-5 days	-1 mnt	-1 year
USDCAD	\$1.124	+0.010	1.112	1.095	1.026
EURUSD	\$1.383	-0.010	1.390	1.376	1.293
USDJPY	¥102.32	+0.880	102.760	102.36	96.01

Government 10-year Yields

	19-Mar	day Δ	Historical levels		
			-1 mnt	-3 mnt	-1 year
Canada	2.48%	0.070%	2.47%	2.70%	1.82%
United States	2.77%	0.100%	2.74%	2.93%	1.90%

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>

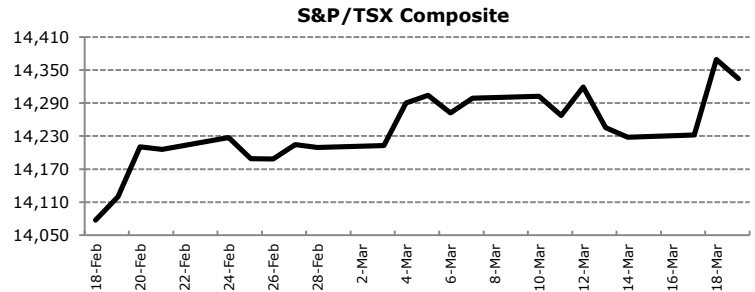
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	19-Mar	day Δ	%Δ
S&P/TSX	14,334.04	-34.94	-0.24%

	Trailing S&P/TSX	TSX 60
5-day	+0.11%	-0.06%
1-month	+1.52%	+1.38%
3-months	+7.03%	+6.71%
6-months	+10.89%	+10.93%
12-months	+12.21%	+12.03%



TSX Sector Returns

	1-day	5-day	1-mnth	12-mnths
C. Discretionary	+0.40%	+0.75%	+4.84%	+32.83%
C. Staples	+1.18%	+1.99%	+5.13%	+25.89%
Energy	+0.19%	+1.66%	+1.77%	+11.15%
Financials	-0.14%	-0.73%	+1.29%	+18.09%
Healthcare	-0.66%	+1.10%	-5.56%	+37.23%
Info Tech	+0.93%	+1.45%	+2.54%	+30.27%
Industrials	-0.24%	+0.26%	+2.72%	+22.79%
Materials	-1.82%	-2.16%	-0.57%	-12.11%
Metals & Mining	-1.94%	-0.34%	-7.24%	-14.36%
Telecom	+0.33%	+1.29%	+1.94%	+0.03%
Utilities	-0.34%	+1.51%	+1.03%	-0.22%

TSX Top Performers

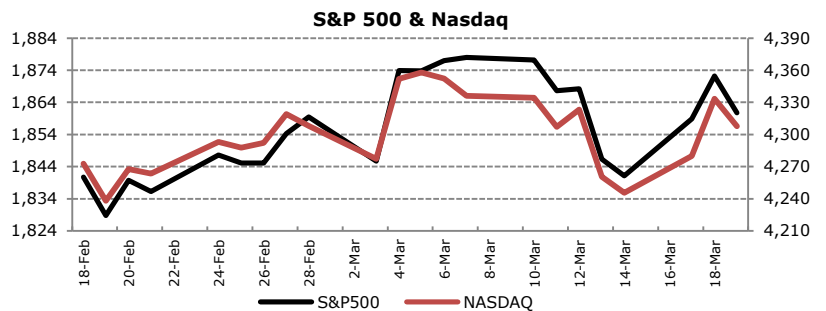
	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Alimentation Couche-Tard		+5.37%	+7.94%	+6.28%	+69.01%
Blackberry Ltd		+4.78%	+4.67%	+8.92%	-30.29%
West Fraser Timber Co Ltd		+4.47%	-1.35%	-2.94%	+17.80%
Intertape Polymer Group I		+4.03%	-0.55%	-3.12%	+26.68%
Precision Drilling Corp		+3.73%	+6.28%	+9.99%	+43.25%

TSX Worst Performers

	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Torex Gold Resources Inc		-9.45%	-8.73%	-8.00%	-36.46%
Detour Gold Corp		-6.70%	+0.56%	+8.49%	-44.72%
Alacer Gold Corp		-6.61%	+2.20%	+12.07%	-7.99%
Hudbay Minerals Inc		-6.28%	-0.48%	-7.95%	-16.19%
Semafo Inc		-6.11%	-5.91%	+5.13%	+68.45%

US Indices

	Trailing S&P 500	DJIA	Nasdaq
19-Mar	1,860.77	16,222.17	4,307.60
1-day	-0.61%	-0.70%	-0.59%
5-day	-0.40%	-0.72%	-0.36%
1-month	+1.75%	+1.13%	+1.64%
3-months	+2.83%	+0.27%	+6.15%
6-months	+8.04%	+3.75%	+13.68%
12-months	+20.18%	+12.22%	+33.40%



S&P 500 Sector Returns

	1-day	5-day	1-mnth	12-mnths
C. Discretionary	-0.64%	-0.91%	+2.07%	+27.36%
C. Staples	-0.87%	-0.58%	+2.31%	+8.83%
Energy	-0.91%	-0.34%	+0.43%	+9.91%
Financials	-0.15%	-0.36%	+3.28%	+21.32%
Healthcare	-0.37%	-0.21%	+1.70%	+33.16%
Info Tech	-0.52%	-0.11%	+1.14%	+23.85%
Industrials	-0.97%	-1.07%	+1.36%	+22.84%
Materials	-0.88%	-0.24%	+2.69%	+19.21%
Telecom	-0.41%	+1.00%	+0.31%	-5.47%
Utilities	-1.47%	+0.44%	+0.38%	+5.66%

DJIA Top Performers

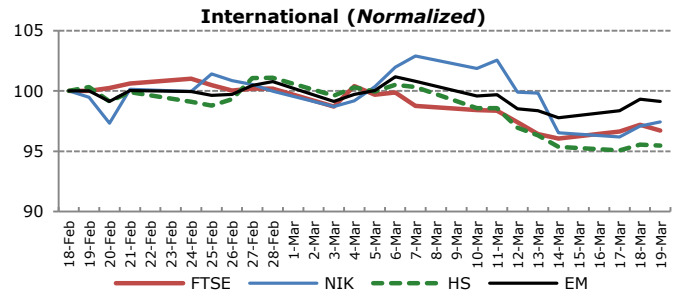
	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Unitedhealth Group Inc		+2.51%	+3.04%	+9.15%	+47.21%
Intel Corp		+0.79%	+1.05%	+1.07%	+22.93%
Jpmorgan Chase & Co		+0.41%	+0.66%	+0.26%	+21.78%

DJIA Worst Performers

	Ranked by 1-day	1-day	5-day	1-mnth	12-mnths
Walt Disney Co/The		-1.79%	-1.06%	+1.63%	+44.76%
Boeing Co/The		-1.45%	-1.76%	-6.08%	+45.69%
General Electric Co		-1.44%	-1.86%	-0.93%	+11.97%

International Markets

	Trailing FTSE 100	Nikkei	Hang Seng	MSCI EM
Last Close	6,573.13	14,462.52	21,568.69	950.59
1-day	-0.49%	+0.36%	-0.07%	-0.20%
5-day	-0.72%	-2.48%	-1.52%	+0.63%
1-month	-3.29%	-2.06%	-4.84%	-0.89%
3-months	-0.18%	-8.81%	-5.77%	-4.04%
6-months	-0.79%	-2.06%	-8.23%	-7.04%
12-months	+2.05%	+15.99%	-2.15%	-7.26%



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Nymex WTI Crude Oil

(\$US/Bbl)	19-Mar	day Δ	%Δ	5-day	1-mnth
Prompt	\$100.37	+\$0.67	+0.67%	+2.43%	-2.01%
Cal 14	\$96.26	-\$0.02	-0.02%	+0.62%	+3.38%
Cal 15	\$88.52	-\$0.33	-0.37%	-0.40%	+2.41%

(\$US/bbl)	Q3-14	Q4-14	Q1-15	Q2-15	2015
Consensus Forecast	\$97.50	\$94.50	\$97.00	\$94.50	\$96.50
Current Forward	\$96.08	\$93.48	\$91.16	\$89.16	\$88.52

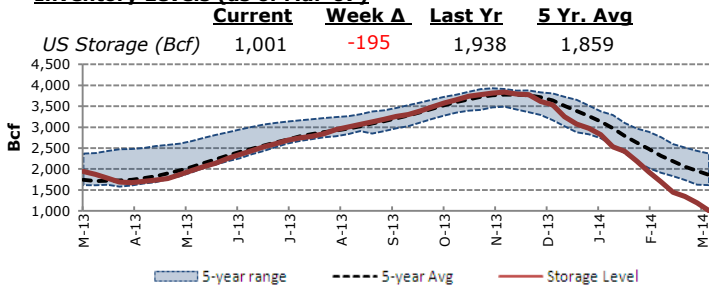
Inventory Levels (as of Mar-14)

(MBbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	375,852	+5,850	337,426	319,411
Motor Gas	222,299	-1,467	214,389	200,481
Distillates	110,846	-3,097	171,756	140,851

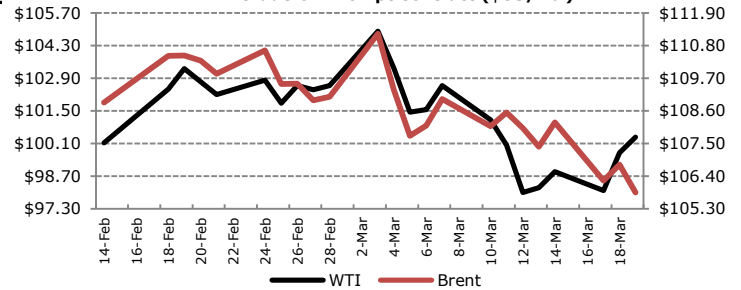
Nymex Natural Gas

(\$US/MMbtu)	19-Mar	day Δ	%Δ	5-day	1-mnth
Prompt	\$4.48	+\$0.03	+0.63%	-0.13%	-19.22%
Apr14-Oct14	\$4.50	+\$0.03	+0.76%	+0.36%	-2.32%
Nov14-Mar15	\$4.65	+\$0.04	+0.82%	+0.49%	-2.42%
Apr15-Oct15	\$4.10	+\$0.03	+0.66%	+0.69%	+2.12%
Nov15-Mar16	\$4.33	+\$0.03	+0.64%	+0.01%	+0.89%

Inventory Levels (as of Mar-07)



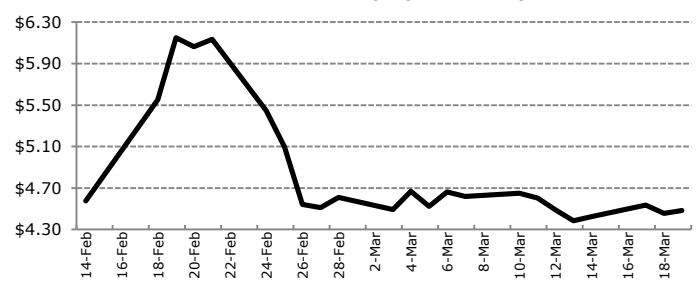
Crude Oil Prompt Contract (\$US/Bbl)



UK Brent Crude Oil

(\$US/Bbl)	19-Mar	day Δ	%Δ	5-day	1-mnth
Prompt	\$105.85	-\$0.94	-0.89%	-2.01%	-4.17%

Nat Gas Prompt (\$US/MMbtu)

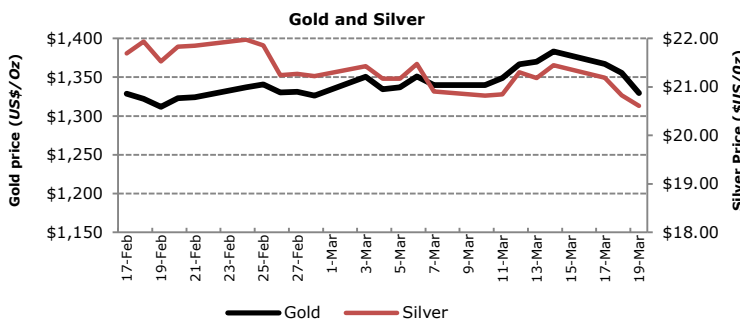


Alberta Natural Gas

(\$CAD/GJ)	19-Mar	day Δ	%Δ
AECO Apr-14	\$4.49	+\$0.08	+1.8%

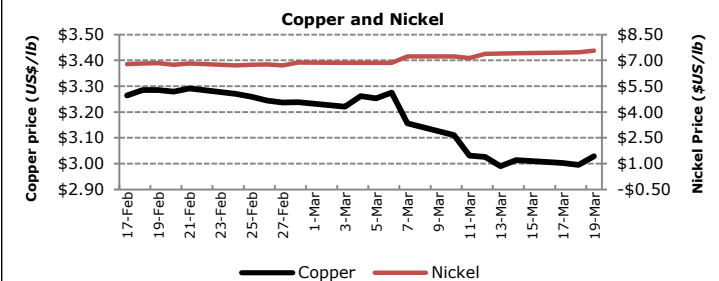
Precious Metals

\$US/oz	19-Mar	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,329.63	-\$26.09	-1.9%	-2.7%	+0.8%	+10.4%
Silver	\$20.61	-\$0.22	-1.0%	-3.2%	-4.0%	+6.2%
Platinum	\$1,447	-\$12.00	-0.8%	-1.9%	+1.2%	+8.5%



Industrial Metals

\$US/lb	19-Mar	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$3.03	+\$0.03	+1.1%	+0.1%	-7.2%	-11.4%
Nickel	\$7.57	+\$0.10	+1.3%	+2.7%	+12.4%	+15.0%
Zinc	\$0.98	-\$0.01	-0.8%	-5.2%	-4.2%	-5.2%
Aluminum	\$0.77	+\$0.00	0.0%	-2.5%	-1.3%	-1.3%
Uranium	\$34.90	+\$0.00	0.0%	-0.3%	-2.2%	+1.2%



Agriculture & Other

	19-Mar	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$4.88	+\$0.02	+0.3%	-0.2%	+7.1%
Wheat (\$US/bu)	\$7.16	+\$0.23	+3.4%	+4.7%	+17.8%
Soybeans (\$US/bu)	\$14.31	+\$0.13	+0.9%	+3.2%	+6.2%
Rough Rice (\$US/cwt)	\$15.52	+\$0.12	+0.8%	+1.7%	-0.6%
Sugar #11 (¢US/lb)	¢17.32	¢0.18	+1.1%	-2.0%	+5.0%
Lean Hogs (¢US/lb)	¢132.25	¢0.75	-0.6%	+5.5%	+23.2%
Live Cattle (¢US/lb)	¢138.28	¢0.07	-0.1%	+1.2%	+3.6%
Cotton No.2 (\$US/lb)	\$0.93	-\$0.00	-0.3%	+0.5%	+3.5%
Lumber (\$US/Mbft)	\$337.60	+\$4.60	+1.4%	-5.2%	-6.0%

Commodity ETFs

\$CAD	19-Mar	day Δ	%Δ	5-day	1-mnth
HBP Crude Oil U	\$4.73	+\$0.02	+0.4%	+2.0%	-5.4%
HBP Nat Gas U	\$15.65	+\$0.11	+0.7%	-1.4%	-11.6%
iShares Gold ETF	\$11.80	-\$0.25	-2.1%	-2.8%	+0.6%

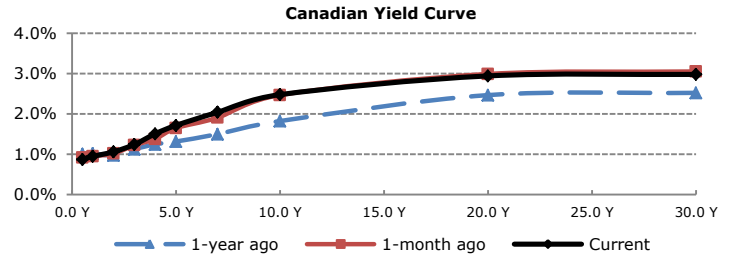
\$USD	19-Mar	day Δ	%Δ	5-day	1-mnth
US Crude Oil	\$35.71	+\$0.13	+0.4%	1.02%	-0.4%
US Nat Gas	\$24.73	+\$0.06	+0.2%	-0.96%	-1.9%
PSDB Agriculture	\$28.66	-\$0.06	-0.2%	-0.28%	+12.4%
PSDB Base Metals	\$15.58	+\$0.04	+0.3%	-0.19%	-4.4%

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Interest Rates

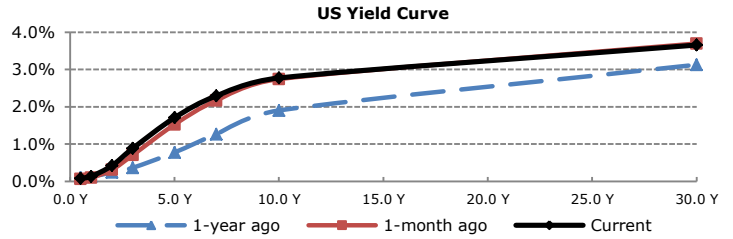
Canadian yield curve

	19-Mar	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.83%	-	0.88%	0.91%	0.97%
6-mnth	0.87%	-	0.91%	0.95%	1.00%
12-mnth	0.94%	+0.01%	0.95%	0.99%	1.02%
2-year	1.06%	+0.05%	1.01%	1.14%	0.97%
5-year	1.71%	+0.10%	1.65%	1.87%	1.31%
10-year	2.48%	+0.07%	2.47%	2.70%	1.82%
20-year	2.94%	+0.04%	2.99%	3.14%	2.46%
30-year	2.98%	+0.04%	3.05%	3.22%	2.52%

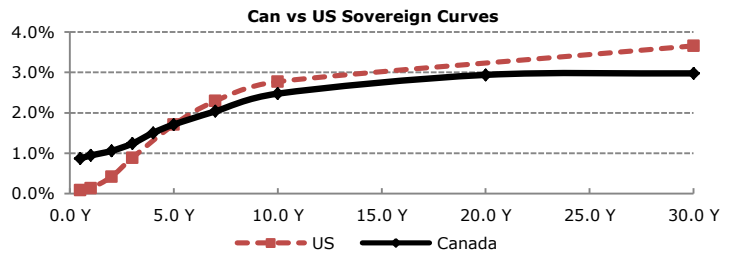
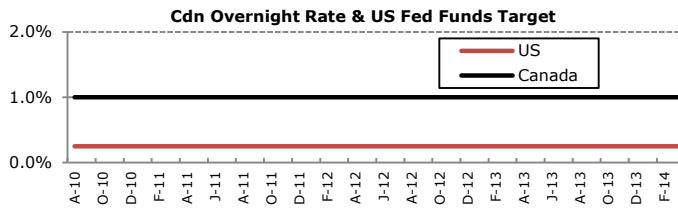


US yield curve

	19-Mar	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.05%	+0.01%	0.01%	0.07%	0.05%
6-mnth	0.08%	+0.01%	0.07%	0.09%	0.10%
12-mnth	0.13%	+0.02%	0.10%	0.13%	0.13%
2-year	0.42%	+0.07%	0.31%	0.36%	0.24%
5-year	1.71%	+0.16%	1.52%	1.64%	0.78%
10-year	2.77%	+0.10%	2.74%	2.93%	1.90%
30-year	3.66%	+0.04%	3.70%	3.91%	3.13%



	Current	Prior	Next Meeting	Survey
Cdn Overnight	1.00%	1.00%	16-Apr-14	1.00%
US Fed Funds	0.25%	0.25%	29-Apr-14	0.25%



Foreign Exchange

(USDCAD implies 1-USD to CAD)

	Spot	19-Mar	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$1.124		+0.010	1.095	1.059	1.026
EURUSD	\$1.383		-0.010	1.376	1.374	1.293
USDJPY	¥102.32		+0.880	102.36	103.21	96.01
GBPUSD	\$1.654		-0.005	1.668	1.630	1.510
AUDUSD	\$0.904		-0.008	0.903	0.896	1.038

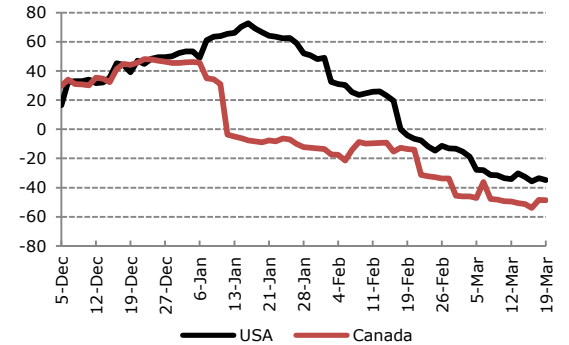
	Spot	19-Mar	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥91.04		-0.060	93.49	97.52	93.58
CADAUD	\$0.984		+0.000	1.012	1.054	0.939
GBPCAD	£1.859		+0.012	1.827	1.725	1.549
EURJPY	¥141.54		+0.190	140.83	141.87	124.17
EURAUD	\$1.53		+0.003	1.52	1.53	1.25

Economic Releases

United States

		Period	Survey	Actual	Prior
Mon, Mar 17	Industrial Production	28-Feb	0.2K	0.6K	-0.3K
Tue, Mar 18	Housing Starts	28-Feb	910K	907K	880K
Tue, Mar 18	Consumer Price Index (MoM)	28-Feb	0.1%	0.1%	0.1%
Thu, Mar 20	Leading Indicators	31-Jan	0.2%	--	0.3%
Thu, Mar 20	Existing Home Sales	31-Jan	4.6M	--	4.62M
Thu, Mar 20	Continuing Claims	8-Mar	2880K	--	2907K
Thu, Mar 20	Initial Jobless Claims	8-Mar	322K	--	315K

Citigroup Economic Surprise Index

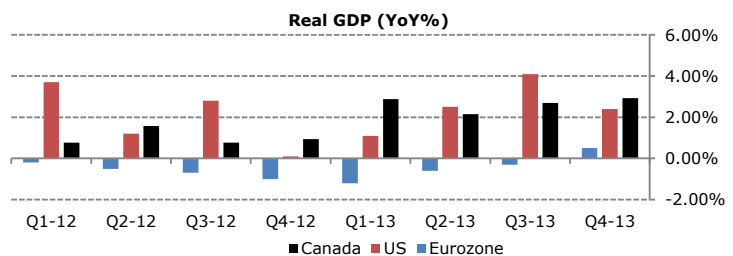


Canada

		Period	Survey	Actual	Prior
Tue, Mar 18	Manufacturing Sales (MoM)	31-Jan	0.55%	1.5%	-0.9%
Fri, Mar 21	BOC CPI Core (YoY)	28-Feb	1.1%	--	1.4%
Fri, Mar 21	Retail Sales (MoM)	31-Jan	0.7%	--	-1.8%
Fri, Mar 21	Consumer Price Index	28-Feb	1%	--	1.5%

Economics

	Q1-13	Q2-13	Q3-13	Q4-13	2013E
Canada					
Real GDP	2.88%	2.15%	2.69%	2.92%	1.80%
CPI	0.90%	0.77%	1.17%	0.93%	0.90%
Unemployment	7.30%	7.10%	6.90%	7.20%	7.05%
US					
Real GDP	1.10%	2.50%	4.10%	2.40%	1.90%
CPI	1.70%	1.43%	1.57%	1.23%	1.50%
Unemployment	7.50%	7.50%	7.20%	6.70%	7.40%
China					
Real GDP	7.70%	7.50%	7.80%	7.70%	7.70%



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