

## Today's Commentary

North American stocks continued on a bearish path yesterday, as major indices plummeted further. The TSX was down 161bps to 14,227.36, while the S&P500 fell 165bps to 1,874.74. The Dow also sank 135bps to 16,321.01. The major contributors to this fall are fears of Ebola, which is hurting travel companies and airlines, and fears about the health of the European economy. In addition, tensions in Hong Kong have continued to rise as police efforts become more aggressive to clear away protesters. European markets also continued on a bearish path, as losses continued for the 6th day and currencies across Europe depreciated. The Stoxx Europe is at its lowest level since February, while Greek bonds are yielding the highest levels since May.

According to data on the US bond markets, investors believe that the Fed will not achieve its inflation target of 2% this decade. Since 2008, the Fed has injected more than \$3.5 trillion into the economy with little to no effect on investor's perception of future inflation. This past Friday, yields on the 10-year notes hit a 15-month low of 2.28% and have since fallen even lower to 2.25% yesterday. The American inflation rate hit a 2-year high of 2.1% in May, but has continuously fallen since then hitting 1.7% in August. Predictions based on Bloomberg's US Treasury Bond Index, which measures the performance of fixed rate US coupon bonds, suggest that inflation will average around 1.5% until 2019. Over the past decade, predictions based on this index have come within 0.1% of the actual inflation rate. Futures markets also signal that traders do not believe that the Fed will hit its target inflation until after next September.

With a severe shortage of US dollars due to a decade of currency controls, and a GDP per capita 2% below 1970 levels, Venezuela is likely to default on its foreign debt. The country's most recent payment forced it to use its international reserves which are now less than \$20 billion, the lowest in 11 years. Even as Venezuela makes good on its foreign debt, bond prices continue to fall and are the riskiest treasuries in the world with a yield of 15.42%. With rising poverty and inflation "they really need to ... get their house in order," stated Harvard economist Carmen Reinhart, "If an external default would trigger such a possibility, that's not a bad thing." The country has already defaulted on domestic debt, owing over \$20 billion to domestic firms and is struggling to meet even the most basic needs of its citizens. However, a foreign default could add insult to injury for global investors who already face a multitude of uncertainties, and could precipitate a further flight to safety.

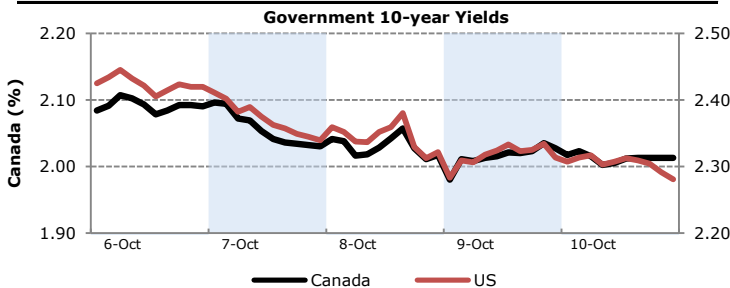
*The Daily Roll is written by MFE Candidates Mark Belisle, Radu Dragomir and Kathleen Glofcheskie in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.*

## Today's Major Economic Releases

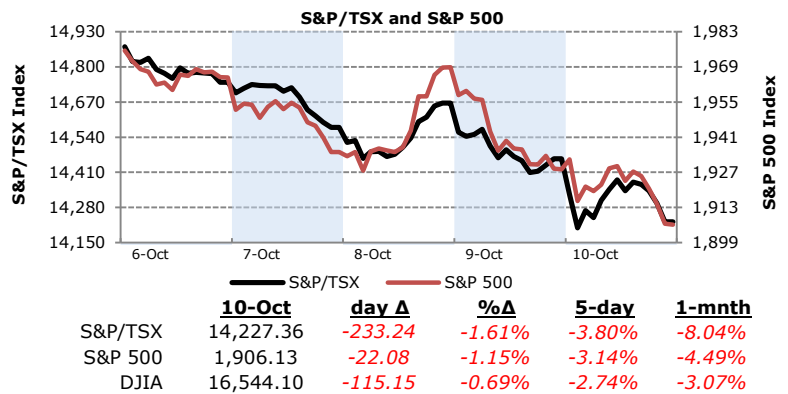
United States	Period	Survey	Actual	Prior
None Scheduled				

Canada	Period	Survey	Actual	Prior
None Scheduled				

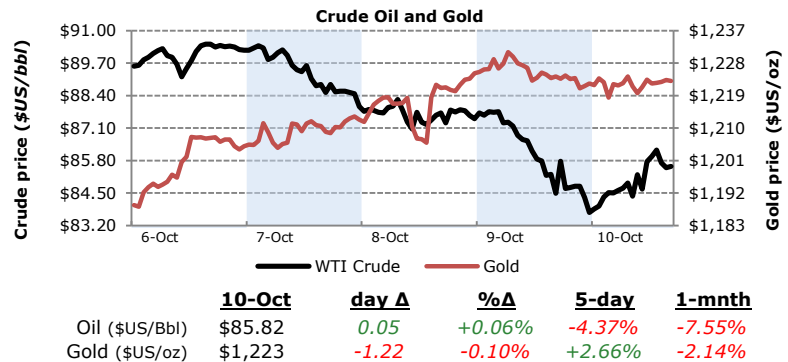
## Interest Rates



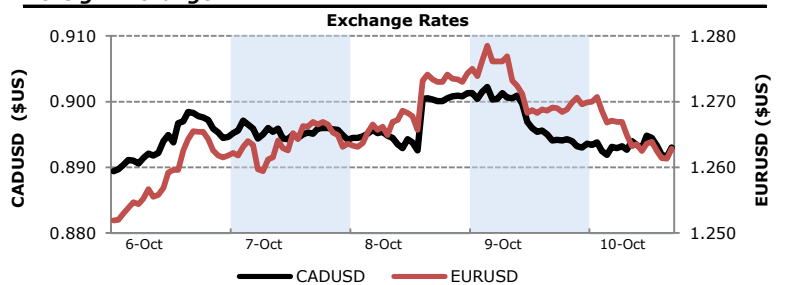
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

	Spot	10-Oct	day Δ	Historical levels		
				-5 days	-1 mnth	-1 year
USDCAD	\$1.120		+0.001	1.124	1.104	1.040
EURUSD	\$1.263		-0.006	1.252	1.293	1.352
USDJPY	¥107.66		-0.180	109.760	107.11	98.16

	Government 10-year Yields		Historical levels		
	10-Oct	day Δ	-1 mnth	-3 mnths	-1 year
Canada	2.01%	-0.014%	2.21%	2.21%	2.59%
United States	2.28%	-0.033%	2.54%	2.52%	2.68%

## 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.

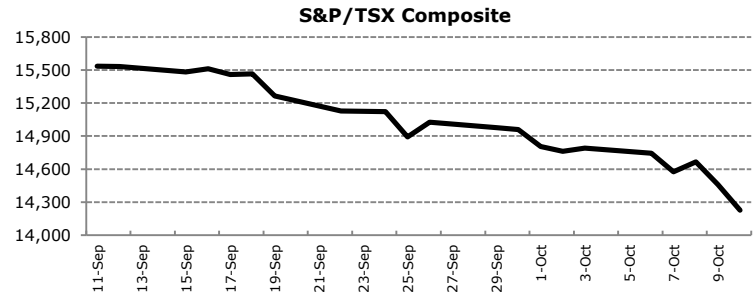
<http://www.rotman.utoronto.ca/financeassociation>

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	<b>10-Oct</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	14,227.36	-233.24	-1.61%
<b>Trailing S&amp;P/TSX TSX 60</b>			
5-day	-3.80%	-3.81%	
1-month	-8.04%	-7.81%	
3-months	-5.87%	-5.06%	
6-months	-0.56%	+0.85%	
12-months	+10.34%	+10.97%	



### TSX Sector Returns

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	-1.64%	-2.90%	-6.19%	+15.09%
C. Staples	-0.79%	-1.23%	-0.09%	+22.79%
Energy	-1.80%	-7.83%	-15.91%	-2.13%
Financials	-1.52%	-1.56%	-5.30%	+14.81%
Healthcare	-1.73%	-5.35%	-4.90%	+10.70%
Info Tech	-1.77%	-3.08%	-4.57%	+21.42%
Industrials	-2.66%	-7.90%	-7.99%	+22.07%
Materials	-1.82%	-2.24%	-11.04%	-1.32%
Metals & Mining	-1.46%	-7.74%	-17.22%	-7.78%
Telecom	-1.45%	-1.24%	-3.72%	+4.40%
Utilities	-1.59%	-2.03%	-1.65%	+6.58%

### TSX Top Performers

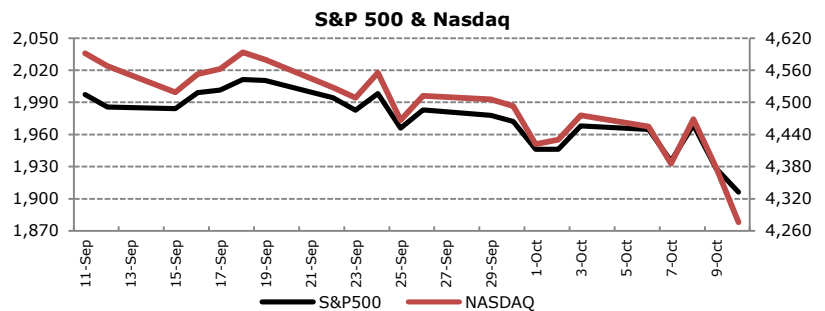
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Fortuna Silver Mines Inc	+7.49%	+20.10%	-2.33%	+36.41%
Labrador Iron Ore Royalty	+3.88%	-8.57%	-25.71%	-29.23%
Surge Energy Inc	+1.89%	-3.28%	-18.54%	+15.02%
Pembina Pipeline Corp	+1.74%	-3.39%	-13.16%	+42.26%
Capstone Mining Corp	+1.52%	-5.63%	-22.99%	-21.48%

### 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>
Novagold Resources Inc	-10.63%	+0.97%	-22.06%	+43.32%
Calfrac Well Services Ltd	-8.43%	-15.45%	-25.88%	-9.12%
Amaya Gaming Group Inc	-8.33%	-10.80%	-16.16%	+267.65%
Trican Well Service Ltd	-5.99%	-10.88%	-24.28%	-21.14%
Avigilon Corp	-5.70%	-17.80%	-26.10%	-26.61%

### US Indices

<i>Trailing</i>	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
10-Oct	1,906.13	16,544.10	4,276.24
1-day	-1.15%	-0.69%	-2.33%
5-day	-3.14%	-2.74%	-4.45%
1-month	-4.49%	-3.07%	-6.77%
3-months	-2.98%	-2.19%	-2.73%
6-months	+3.99%	+2.31%	+5.48%
12-months	+12.62%	+9.37%	+13.71%



### S&P 500 Sector Returns

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	-0.87%	-3.58%	-5.51%	+7.17%
C. Staples	+0.50%	+0.54%	+1.16%	+12.97%
Energy	-1.18%	-5.03%	-10.81%	+1.00%
Financials	-0.82%	-3.06%	-3.01%	+11.72%
Healthcare	-0.72%	-2.21%	-2.10%	+23.42%
Info Tech	-2.79%	-4.15%	-5.97%	+20.47%
Industrials	-1.48%	-4.69%	-6.68%	+7.74%
Materials	-1.52%	-4.54%	-7.31%	+9.36%
Telecom	-0.62%	-2.60%	-0.70%	+4.08%
Utilities	+0.51%	+0.94%	+1.36%	+13.18%

### DJIA Top Performers

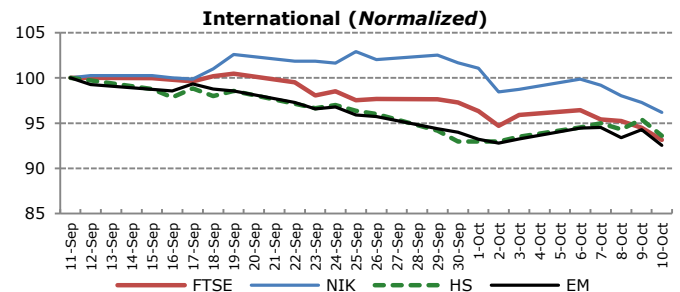
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Coca-Cola Co/The	+1.37%	+3.42%	+6.80%	+21.25%
Procter & Gamble Co/The	+1.23%	+1.07%	+2.05%	+12.18%
Walt Disney Co/The	+0.65%	-2.46%	-3.72%	+33.17%

### 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>
Intel Corp	-5.09%	-6.23%	-8.59%	+42.79%
Microsoft Corp	-3.97%	-4.47%	-5.84%	+34.12%
Cisco Systems Inc	-3.51%	-7.78%	-5.40%	+4.62%

### International Markets

<i>Trailing</i>	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
Last Close	6,366.24	15,300.55	23,143.38	989.87
1-day	+0.41%	-1.15%	+0.24%	-1.83%
5-day	-3.01%	-2.60%	-0.74%	-0.74%
1-month	-6.47%	-3.09%	-5.90%	-7.94%
3-months	-4.84%	+0.55%	-0.39%	-6.82%
6-months	-2.98%	+7.00%	+0.61%	-3.12%
12-months	-1.86%	+7.79%	-0.32%	-2.38%



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## Interest Rates

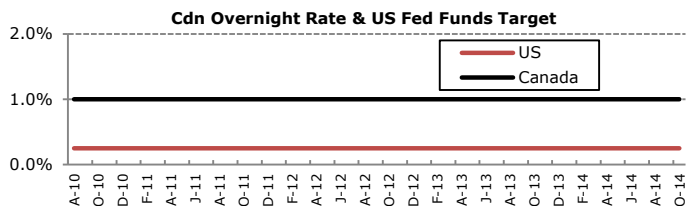
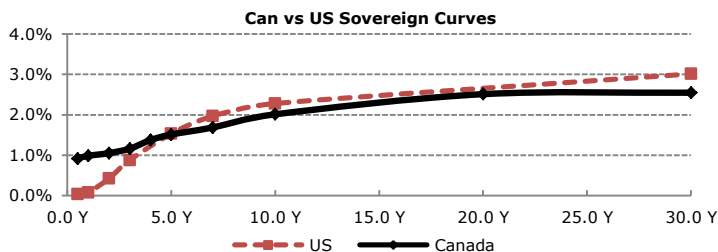
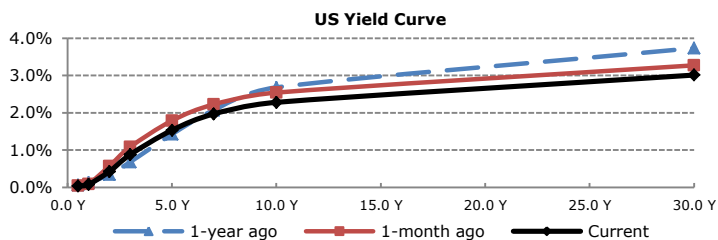
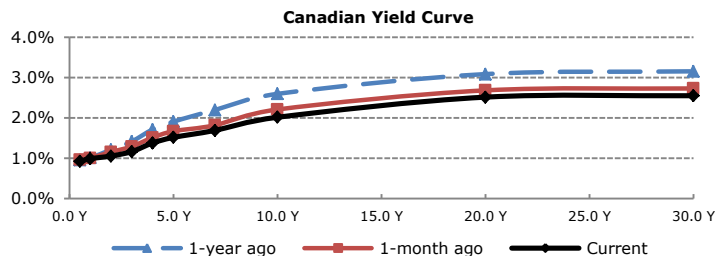
### Canadian yield curve

	10-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.89%	-	0.93%	0.95%	0.92%
6-mnth	0.92%	+0.01%	0.96%	0.98%	0.95%
12-mnth	0.99%	-0.00%	1.00%	1.02%	1.01%
2-year	1.05%	-0.01%	1.15%	1.11%	1.21%
5-year	1.51%	-0.00%	1.67%	1.53%	1.90%
10-year	2.01%	-0.01%	2.21%	2.21%	2.59%
20-year	2.51%	-0.02%	2.68%	2.74%	3.08%
30-year	2.55%	-0.02%	2.73%	2.77%	3.15%

### US yield curve

	10-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.01%	-	0.02%	0.02%	0.05%
6-mnth	0.04%	-	0.04%	0.06%	0.07%
12-mnth	0.08%	-0.01%	0.09%	0.09%	0.13%
2-year	0.42%	-0.02%	0.57%	0.45%	0.34%
5-year	1.53%	-0.03%	1.79%	1.64%	1.42%
10-year	2.28%	-0.03%	2.54%	2.52%	2.68%
30-year	3.01%	-0.04%	3.27%	3.34%	3.73%

	Current	Prior	Next Meeting	Survey
Cdn Overnight	1.00%	1.00%	22-Oct-14	1.00%
US Fed Funds	0.25%	0.25%	28-Oct-14	0.25%



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

Spot	10-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
USDCAD	\$1.120	+0.001	1.104	1.065	1.040
EURUSD	\$1.263	-0.006	1.293	1.361	1.352
USDJPY	¥107.66	-0.180	107.11	101.34	98.16
GBPUSD	\$1.608	-0.004	1.626	1.713	1.597
AUDUSD	\$0.869	-0.010	0.910	0.940	0.945

Spot	10-Oct	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
CADJPY	¥96.13	-0.276	97.05	95.15	94.39
CADAUD	\$1.028	+0.010	0.996	1.000	1.017
GBPCAD	£1.800	-0.003	1.794	1.825	1.661
EURJPY	¥135.96	-0.890	138.43	137.91	132.71
EURAUD	\$1.45	+0.009	1.42	1.45	1.43

## Economic Releases

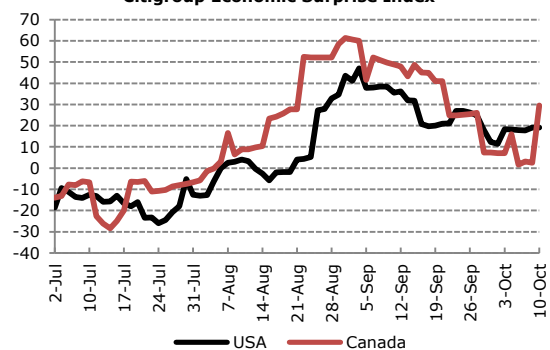
### United States

		Period	Survey	Actual	Prior
Wed, Oct 15	Advance Retail Sales	30-Sep	-0.2%	--	0.6%
Thu, Oct 16	Industrial Production	30-Sep	0.4K	--	-0.1K
Thu, Oct 16	Continuing Claims	4-Oct	2380K	--	2381K
Thu, Oct 16	Initial Jobless Claims	11-Oct	290K	--	287K
Fri, Oct 17	Housing Starts	30-Sep	1005K	--	956K

### Canada

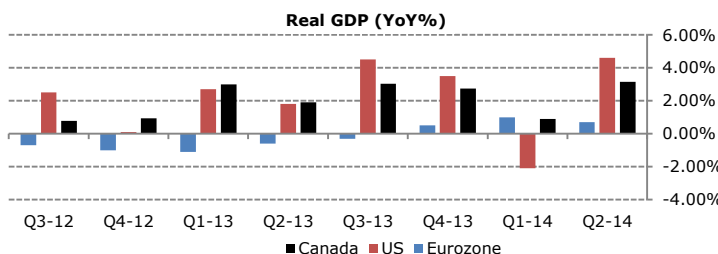
		Period	Survey	Actual	Prior
Thu, Oct 16	Manufacturing Sales (MoM)	31-Aug	-2%	--	2.5%
Fri, Oct 17	BOC CPI Core (YoY)	30-Sep	2.1%	--	2.1%
Fri, Oct 17	Consumer Price Index	30-Sep	2%	--	2.1%

### Citigroup Economic Surprise Index



## Economics

	Q3-13	Q4-13	Q1-14	Q2-14	2013E
<b>Canada</b>					
Real GDP	3.03%	2.75%	0.90%	3.15%	1.80%
CPI	1.17%	0.93%	1.37%	2.23%	0.90%
Unemployment	6.90%	7.20%	6.90%	7.10%	7.05%
<b>US</b>					
Real GDP	4.50%	3.50%	-2.10%	4.60%	1.90%
CPI	1.57%	1.23%	1.40%	2.07%	1.50%
Unemployment	7.20%	6.70%	6.70%	6.10%	7.40%
<b>China</b>					
Real GDP	7.80%	7.70%	7.40%	7.50%	7.70%



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