

## Today's Commentary

Markets continued to gather momentum today, as the New Year sell-off reverses for the second day in a row. The Dow and S&P 500 both gained 1.8% yesterday, rising to 17,907 and 2,062 respectively, and bringing them both back in the black after a 3% downward trend for the first three days of trading in 2015. The TSX also continued to rally, gaining 172.72 (1.21%) to 14,457.72 as all 10 of its sectors recorded gains, with healthcare leading the day, rising 4.17%. US and Canadian 10s both gained 5bps as hopeful investors buy the dip as markets recovered. Oil prices remained relatively stable today, recording small gains, as WTI continues to sit just below and Brent just above, the \$50 mark. Unemployment numbers for both Canada and the US will be released later this morning, along with the US nonfarm payroll number, and are expected to continue to show positive signs for the North American Economy.

The Stoxx 50 surged 3.58% yesterday, as markets are pricing in more and more the expectations of government bond purchases by the ECB in their next policy meeting on Jan. 22. With the Eurozone already in deflation, while sentiment and growth forecasts remain low, Draghi issued a letter to a European parliament lawmaker reaffirming intentions to bolster stimulus measures to more unconventional means. Markets have been digesting the dovish comments, and the legality of sovereign bond purchases remains an issue yet to be solved. On January 14, the European Court of Justice (ECJ) will publish an opinion on OMT (Outright Monetary Transactions), a sterilized sovereign bond-buying program the ECB proposed in 2012 yet never implemented. An unfavourable ECG outcome could stutter the European stock market rally in the coming week, as it could affect the terms of a future European QE program.

Rating companies have begun to consider downgrading Russian sovereign debt to below investment grade, which could become effective as early as today. Traders have already begun to treat the debt like junk bonds, as the cost of insuring Russia bonds has already jumped 61bps this year. Olga Budovniks, a credit analyst at Union Bancaire Privee in Zurich, sees a very high chance of a downgrade for Russia as "there were massive and rapid changes to Russia's economic outlook in the last three months, driven by oil prices. This has caused a massive ruble devaluation, inflation and reduced access to credit". The yield on Russian debt is currently one of the highest in the emerging markets, with a 7% yield for debt maturing in September 2023.

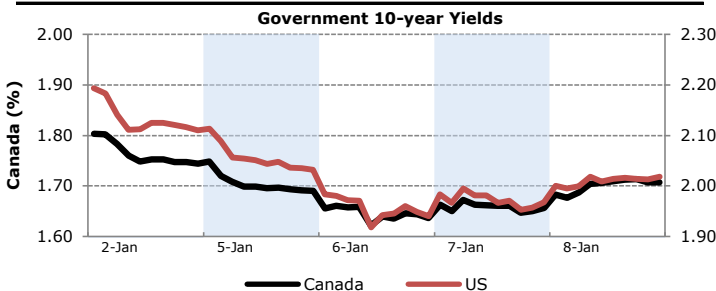
The Daily Roll is written by MFE Candidates Mark Belisle, Radu Dragomir and Kathleen Glofcheskie in partnership with the Rotman Finance Association. Please email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe/unsubscribe.

## Today's Major Economic Releases

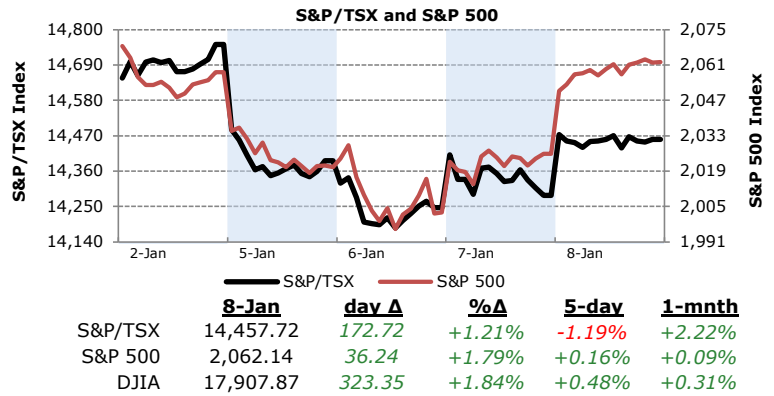
United States	Period	Survey	Actual	Prior
Nonfarm Payroll		240K	--	214K
Unemployment Rate		5.7%	--	5.8%

Canada	Period	Survey	Actual	Prior
Building Permits (MoM)		0.5%	--	0.7%
Net Change in Employment		15K	--	-10.7K
Unemployment		6.6%	--	6.6%

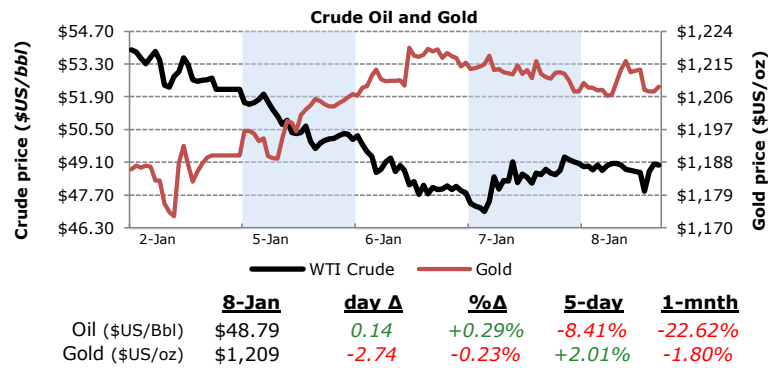
## Interest Rates



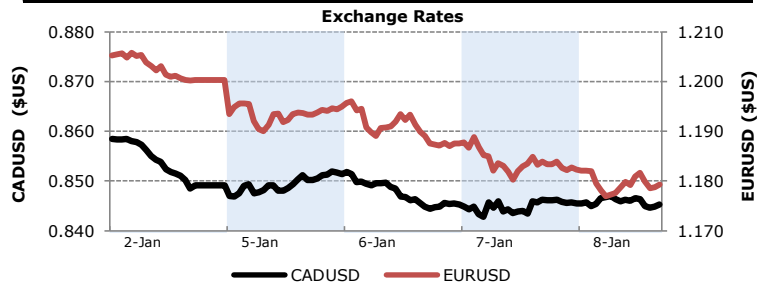
## Equities



## Commodities



## Foreign Exchange



(USDCAD implies \$1-USD to CAD)

Spot	8-Jan	day Δ	Historical levels		
			-5 days	-1 mnth	-1 year
USDCAD	\$1.183	+0.002	1.162	1.144	1.082
EURUSD	\$1.179	-0.005	1.210	1.228	1.358
USDJPY	¥119.66	+0.400	119.780	121.46	104.86

Government 10-year Yields

	8-Jan	day Δ	Historical levels		
			-1 mnth	-3 mnths	-1 year
Canada	1.71%	0.051%	1.88%	2.01%	2.72%
United States	2.02%	0.050%	2.21%	2.28%	2.99%

## 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.

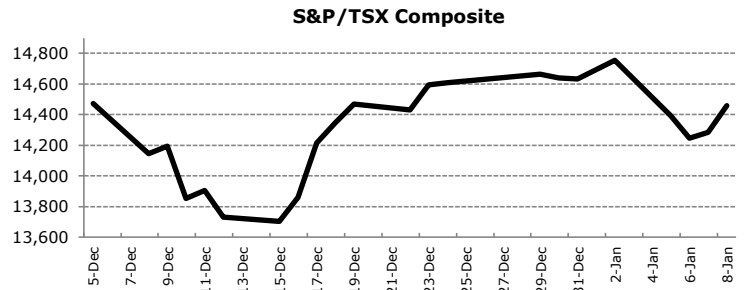
<http://www.rotmanfinanceassociation.com>

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	<b>8-Jan</b>	<b>day Δ</b>	<b>%Δ</b>
<b>S&amp;P/TSX</b>	14,457.72	172.72	+1.21%
<b>Trailing S&amp;P/TSX</b>			
5-day		-1.19%	-1.10%
1-month		+2.22%	+2.10%
3-months		-1.42%	-0.21%
6-months		-4.49%	-2.60%
12-months		+6.19%	+8.10%



**TSX Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+1.52%	+0.37%	+3.75%	+27.00%
C. Staples	+0.17%	-2.77%	+6.47%	+40.92%
Energy	+1.62%	-6.06%	+1.38%	-23.42%
Financials	+0.55%	-2.92%	-1.52%	+6.80%
Healthcare	+4.17%	+3.86%	+5.36%	+14.65%
Info Tech	+1.51%	-0.04%	+5.25%	+31.54%
Industrials	+1.81%	-2.48%	+2.34%	+16.01%
Materials	+0.18%	+5.42%	+5.41%	-1.58%
Metals & Mining	+2.69%	+0.33%	+4.05%	-12.42%
Telecom	+0.49%	+1.13%	+2.07%	+10.24%
Utilities	+0.64%	+1.58%	+2.97%	+11.48%

**TSX Top Performers**

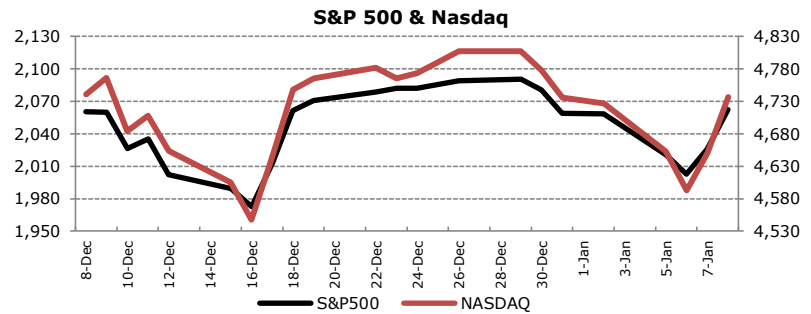
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Crew Energy Inc	+7.58%	-8.95%	-3.06%	-20.38%
Rmp Energy Inc	+7.52%	-6.33%	-6.74%	-23.67%
First Quantum Minerals Lt	+6.51%	+4.06%	+1.36%	-8.52%
Valeant Pharmaceuticals I	+6.20%	+9.53%	+10.07%	+31.48%
Catamaran Corp	+5.75%	+0.95%	+3.34%	+15.40%

**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>
Torex Gold Resources Inc	-6.76%	+12.20%	+6.15%	+35.29%
Jean Coutu Group Inc-Clas	-5.66%	-8.76%	-4.47%	+38.65%
New Gold Inc	-5.46%	+7.83%	+6.13%	-5.46%
Iamgold Corp	-5.14%	+11.78%	+28.10%	-6.40%
Dundee Corp -CI A	-5.08%	-6.56%	-7.92%	-37.49%

**US Indices**

<i>Trailing</i>	<b>S&amp;P 500</b>	<b>DJIA</b>	<b>Nasdaq</b>
8-Jan	2,062.14	17,907.87	4,736.19
1-day	+1.79%	+1.84%	+1.84%
5-day	+0.16%	+0.48%	+0.00%
1-month	+0.09%	+0.31%	-0.09%
3-months	+4.74%	+5.38%	+5.99%
12-months	+12.23%	+8.78%	+13.70%



**S&P 500 Sector Returns**

	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
C. Discretionary	+1.49%	-0.68%	+1.33%	+8.34%
C. Staples	+1.51%	+2.12%	+1.97%	+17.45%
Energy	+2.21%	-2.41%	+0.71%	-11.01%
Financials	+1.47%	-1.07%	-1.58%	+11.21%
Healthcare	+1.72%	+3.52%	-0.02%	+26.17%
Info Tech	+2.27%	-0.05%	-0.13%	+19.06%
Industrials	+1.99%	-1.10%	-0.81%	+7.64%
Materials	+2.37%	+0.10%	-0.33%	+5.96%
Telecom	+1.54%	+0.03%	-2.46%	+0.08%
Utilities	+0.71%	+1.05%	+3.95%	+27.36%

**DJIA Top Performers**

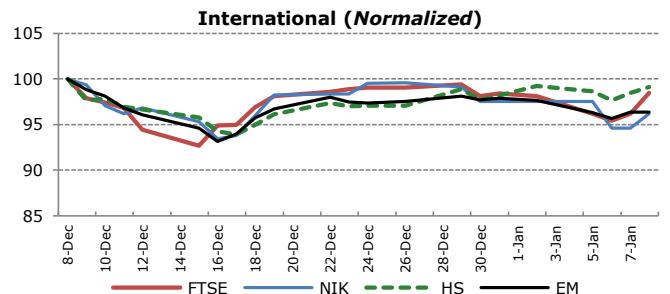
<i>Ranked by 1-day</i>	<b>1-day</b>	<b>5-day</b>	<b>1-mnth</b>	<b>12-mnths</b>
Unitedhealth Group Inc	+4.77%	+3.57%	+4.78%	+38.46%
Du Pont (E.I.) De Nemours	+3.07%	+0.80%	+2.55%	+18.06%
Microsoft Corp	+2.94%	+2.45%	-0.22%	+33.08%

**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>
Mcdonald'S Corp	+0.37%	+0.70%	+1.89%	-1.10%
Cisco Systems Inc	+0.77%	-1.10%	+1.03%	+23.36%
Johnson & Johnson	+0.79%	+1.74%	-1.96%	+12.99%

**International Markets**

<i>Trailing</i>	<b>FTSE 100</b>	<b>Nikkei</b>	<b>Hang Seng</b>	<b>MSCI EM</b>
Last Close	6,569.96	17,167.10	23,835.53	941.18
1-day	+2.34%	+1.67%	+0.65%	+0.00%
5-day	+0.06%	-1.63%	+0.98%	-1.58%
1-month	-1.53%	-4.28%	-0.88%	+0.00%
3-months	+1.35%	+10.07%	+2.46%	-2.19%
6-months	-2.50%	+12.10%	+1.25%	-8.25%
12-months	-2.26%	+6.49%	+3.65%	+0.38%



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### Nymex WTI Crude Oil

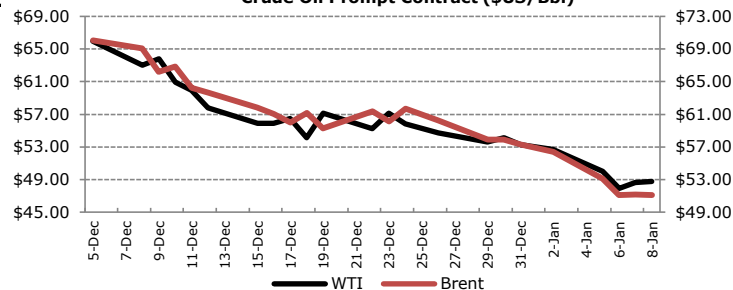
(\$US/Bbl)	8-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$48.79	+\$0.14	+0.29%	-8.41%	-22.62%
Cal 15	\$52.07	+\$0.21	+0.40%	-7.44%	-31.61%
Cal 16	\$58.35	+\$0.10	+0.18%	-6.84%	-24.14%

(\$US/bbl)	Q2-15	Q3-15	Q4-15	Q1-16	2016
Consensus Forecast	\$66.15	\$70.00	\$75.00	\$80.00	\$80.00
Current Forward	\$50.74	\$52.83	\$54.68	\$56.30	\$58.35

### Inventory Levels (as of Jan-02)

(MBbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	382,393	-3,062	337,426	319,411
Motor Gas	237,163	+8,115	214,389	200,481
Distillates	136,926	+11,205	171,756	140,851

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



### UK Brent Crude Oil

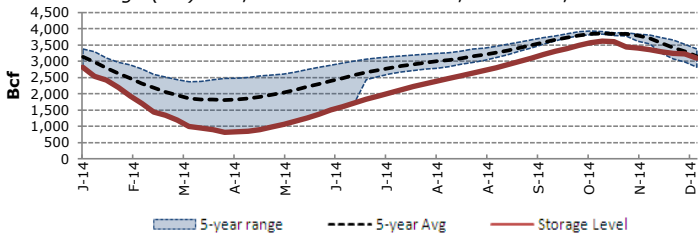
(\$US/Bbl)	8-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$51.13	-\$0.02	-0.04%	-10.81%	-25.97%

### Nymex Natural Gas

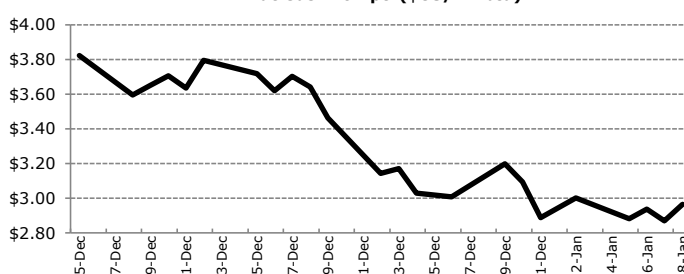
(\$US/MMbtu)	8-Jan	day Δ	%Δ	5-day	1-mnth
Prompt	\$2.97	+\$0.10	+3.31%	+2.67%	-17.50%
Feb15-Mar15	\$2.95	+\$0.08	+2.95%	+1.47%	-25.20%
Apr15-Oct15	\$2.99	+\$0.08	+2.67%	+0.44%	-20.20%
Nov15-Mar16	\$3.35	+\$0.05	+1.37%	-2.03%	-16.94%
Apr16-Oct16	\$3.31	+\$0.03	+0.90%	-2.38%	-13.36%

### Inventory Levels (as of Jan-02)

	Current	Week Δ	Last Yr	5 Yr. Avg
US Storage (Bcf)	3,089	-131	2,817	3,156



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



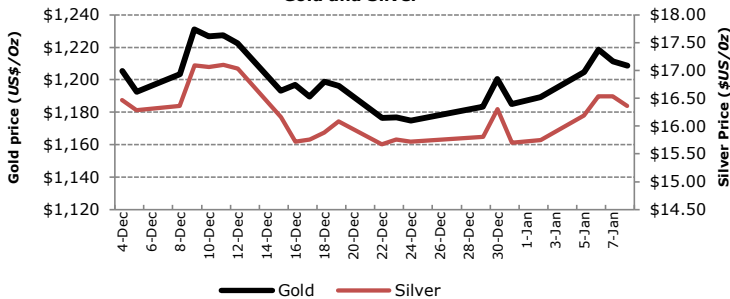
### Alberta Natural Gas

(\$CAD/GJ)	8-Jan	day Δ	%Δ
AECO Feb-15	\$2.63	+\$0.08	+3.0%

### Precious Metals

\$US/oz	8-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,208.73	-\$2.74	-0.2%	+2.0%	-1.8%	-2.7%
Silver	\$16.36	-\$0.17	-1.1%	+4.2%	-4.3%	-6.4%
Platinum	\$1,218	-\$1.15	-0.1%	+0.8%	-2.3%	-3.5%

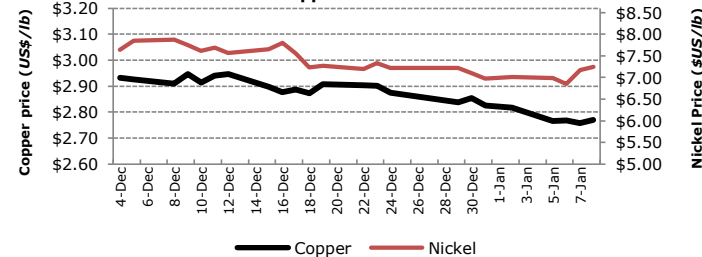
### Gold and Silver



### Industrial Metals

\$US/lb	8-Jan	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$2.77	+\$0.01	+0.4%	-2.0%	-6.0%	-8.0%
Nickel	\$7.25	+\$0.08	+1.1%	+3.9%	-6.5%	-4.7%
Zinc	\$1.06	-\$0.01	-1.1%	+0.3%	-2.8%	-7.4%
Aluminum	\$0.86	-\$0.01	-1.1%	-3.4%	-9.5%	-7.5%
Uranium	\$35.25	+\$0.00	0.0%	0.0%	-6.6%	-0.4%

### Copper and Nickel



### Agriculture & Other

	8-Jan	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$3.94	-\$0.02	-0.5%	-0.7%	+0.1%
Wheat (\$US/bu)	\$5.67	-\$0.13	-2.2%	-3.9%	-2.5%
Soybeans (\$US/bu)	\$10.48	-\$0.08	-0.8%	+2.4%	+0.9%
Rough Rice (\$US/cwt)	\$11.53	-\$0.13	-1.1%	-1.9%	-7.9%
Sugar #11 (¢US/lb)	\$14.88	+\$0.10	+0.7%	+2.5%	-3.8%
Lean Hogs (¢US/lb)	¢78.18	¢-1.15	-1.4%	-3.7%	-7.5%
Live Cattle (¢US/lb)	¢163.60	¢-2.30	-1.4%	+0.0%	+0.5%
Cotton No.2 (\$US/lb)	\$0.61	+\$0.00	+0.2%	+0.5%	+1.7%
Lumber (\$US/Mbft)	\$320.20	-\$2.50	-0.8%	-2.4%	-2.8%

### Commodity ETFs

\$CAD	8-Jan	day Δ	%Δ	5-day	1-mnth
HBP Crude Oil U	\$2.33	+\$0.03	+1.3%	-17.7%	-46.2%
HBP Nat Gas U	\$5.15	+\$0.22	+4.5%	+1.6%	-42.7%
iShares Gold ETF	\$10.71	-\$0.07	-0.6%	+1.7%	+1.1%

\$USD	8-Jan	day Δ	%Δ	5-day	1-mnth
US Crude Oil	\$18.55	+\$0.18	+1.0%	-8.89%	-20.3%
US Nat Gas	\$14.94	+\$0.36	+2.5%	1.15%	-20.8%
PSDB Agriculture	\$24.90	-\$0.09	-0.4%	0.04%	-1.3%
PSDB Base Metals	\$15.70	+\$0.16	+1.0%	-1.26%	-4.2%

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## Interest Rates

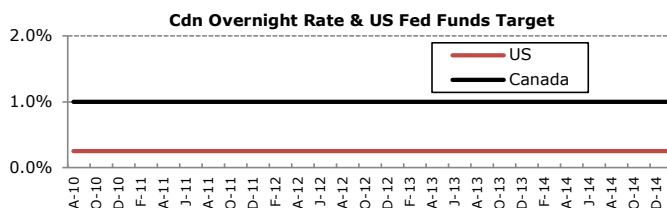
### Canadian yield curve

	8-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.92%	-	0.89%	0.89%	0.88%
6-mnth	0.93%	-	0.92%	0.92%	0.93%
12-mnth	0.98%	-0.00%	0.97%	0.99%	0.98%
2-year	0.98%	+0.01%	1.02%	1.05%	1.11%
5-year	1.26%	+0.04%	1.43%	1.51%	1.90%
10-year	1.71%	+0.05%	1.88%	2.01%	2.72%
20-year	2.23%	+0.05%	2.38%	2.51%	3.13%
30-year	2.27%	+0.06%	2.41%	2.55%	3.21%

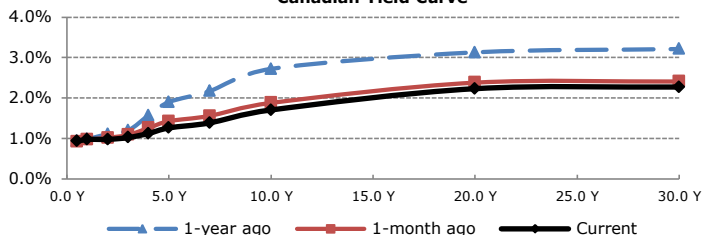
### US yield curve

	8-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.02%	-0.01%	0.03%	0.01%	0.03%
6-mnth	0.07%	-0.02%	0.11%	0.04%	0.07%
12-mnth	0.23%	-0.02%	0.16%	0.08%	0.12%
2-year	0.61%	-0.00%	0.61%	0.42%	0.43%
5-year	1.49%	+0.01%	1.62%	1.53%	1.76%
10-year	2.02%	+0.05%	2.21%	2.28%	2.99%
30-year	2.60%	+0.07%	2.87%	3.01%	3.89%

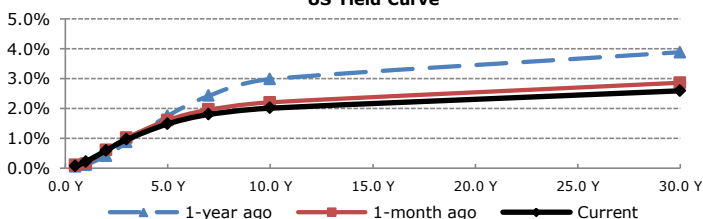
	Current	Prior	Next Meeting	Survey
Cdn Overnight	1.00%	1.00%	21-Jan-15	1.00%
US Fed Funds	0.25%	0.25%	28-Jan-15	0.25%



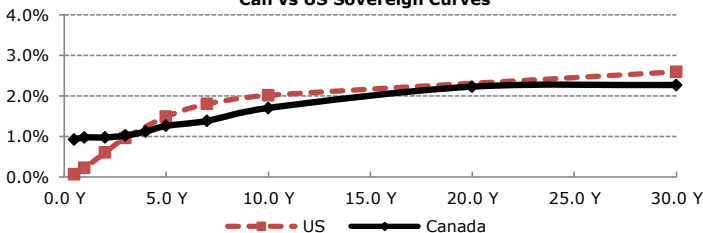
Canadian Yield Curve



US Yield Curve



Can vs US Sovereign Curves



## Foreign Exchange

(USDCAD implies 1-USD to CAD)

Spot	8-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
USDCAD	\$1.183	+0.002	1.144	1.113	1.082
EURUSD	\$1.179	-0.005	1.228	1.266	1.358
USDJPY	¥119.66	+0.400	121.46	108.78	104.86
GBPUSD	\$1.509	-0.002	1.558	1.608	1.645
AUDUSD	\$0.812	+0.004	0.832	0.876	0.890

Spot	8-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
CADJPY	¥101.14	+0.206	106.23	97.71	96.91
CADAUD	\$1.041	-0.007	1.051	1.025	1.038
GBPCAD	£1.785	+0.000	1.782	1.791	1.780
EURJPY	¥141.12	-0.080	149.23	137.66	142.35
EURAUD	\$1.45	-0.014	1.48	1.44	1.53

## Economic Releases

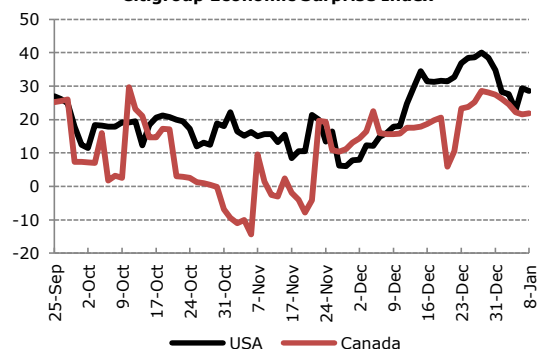
### United States

	Period	Survey	Actual	Prior
Tue, Jan 06	Factory Orders	-0.5%	-0.7%	-0.7%
Wed, Jan 07	ADP Employment Change	225K	241K	208K
Wed, Jan 07	Trade Balance	-42B	-39B	-43.4B
Thu, Jan 08	Continuing Claims	2360K	2452K	2353K
Thu, Jan 08	Initial Jobless Claims	290K	294K	298K
Fri, Jan 09	Nonfarm Payroll	240K	--	214K
Fri, Jan 09	Unemployment Rate	5.7%	--	5.8%

### Canada

	Period	Survey	Actual	Prior
Fri, Jan 09	Building Permits (MoM)	0.5%	--	0.7%
Fri, Jan 09	Net Change in Employment	15K	--	-10.7K
Fri, Jan 09	Unemployment	6.6%	--	6.6%
Fri, Jan 09	Housing Starts	192K	--	195.62K

Citigroup Economic Surprise Index



## Economics

Canada	Q4-13	Q1-14	Q2-14	Q3-14	2013E
Real GDP	2.90%	1.05%	3.59%	2.85%	1.80%
CPI	0.93%	1.37%	2.23%	2.07%	0.90%
Unemployment	7.20%	6.90%	7.10%	6.80%	7.05%

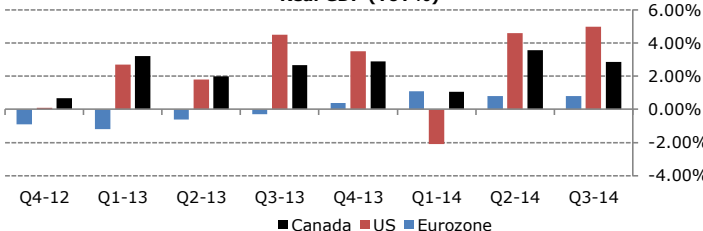
### US

Real GDP	3.50%	-2.10%	4.60%	5.00%	1.90%
CPI	1.23%	1.40%	2.07%	1.80%	1.50%
Unemployment	6.70%	6.70%	6.10%	5.90%	7.40%

### China

Real GDP	7.70%	7.40%	7.50%	7.30%	7.70%
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Real GDP (YoY%)



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