

Commentary

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Markets were risk-on yesterday as investors shifted from safer fixed income securities into riskier equity securities in anticipation of the Fed's rate decision and forecast at 2:00pm today. North American equity markets were all up yesterday; the S&P 500 gained 1.41% to close at 1,903.63, the Dow rose 1.78% to 16,167.23, and the S&P/TSX Composite was up 1.55% to 12,331.32. Bond markets were down slightly as the US 10yr Treasury yield rose 2.5bps to 2.02% and the Canadian 10yr Note yield rose 0.6bps to 1.27%. WTI rallied 3.7% yesterday, but it looks to have reversed track and erased yesterday's gains on data from the American Petroleum Institute showing a large buildup of crude stock. Investors are awaiting this afternoon's oil inventory report from the US's Energy Information Administration (EIA) for confirmation of the trend. The early decline in oil is likely to lead energy stocks down today.

Janet Yellen and the Federal Reserve conclude their first meeting of the year today at 2:00pm; investors look to the FED statement to hypothesize the possible timeframe of a further rate liftoff. China continues to hold as the central motif in the rate decision dialogues, as the Shanghai Composite Index continues its fall to a 13 month low - a rout that began in mid 2015 that shows no signs of easing. Chinese GDP growth last quarter was of the slowest pace since 2009, and reflecting the bearish sentiment of Chinese investors, capital continues to flee the economy at record rates. The Yuan sits down approximately 5 percent over the past year against the dollar. Investors await the reaction of the FED to domestic pressures as well, such as a slowing growth, a loss in momentum of consumer spending, and the largest contraction in monthly manufacturing in over six years.

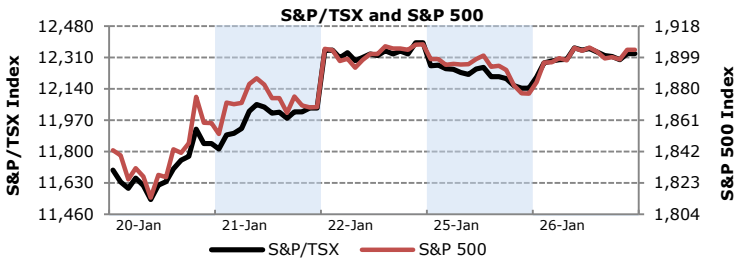
After months of negotiations, Italy and the European Commission agreed on a plan for banks to restructure bad debt in a deal that simultaneously abides by EU rules. Banks can now remove non-performing assets by securitizing the bad loans with senior debt tranches priced at market rates and receiving a government guarantee. The banks will purchase the government guarantee priced at the cost of credit default swaps and credit ratings agencies will be asked to grade the debt tranches based on the diversified pool of debt. This deal comes after an original proposal to create a "bad bank vehicle", but was consistently delayed after concerns that it constitutes as "illegal state aid". Italian shares reversed on Wednesday on the possibility that the plan may be insufficient after a week of tumultuous price swings.

Major Economic Releases

| United States | Period | Survey | Actual | Prior | Canada | Period | Survey | Actual | Prior |
|-----------------------|--------|--------|--------|-------|----------------|--------|--------|--------|-------|
| Mortgage Applications | Jan | -- | 0.088% | 9.0% | None Scheduled | | | | |
| New Home Sales | Dec | 500k | -- | 490k | | | | | |
| FOMC Rate Decision | Jan | 0.5% | -- | 0.5% | | | | | |

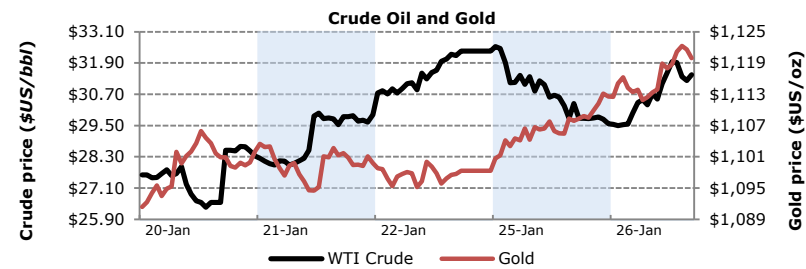
Market Movements

Equities



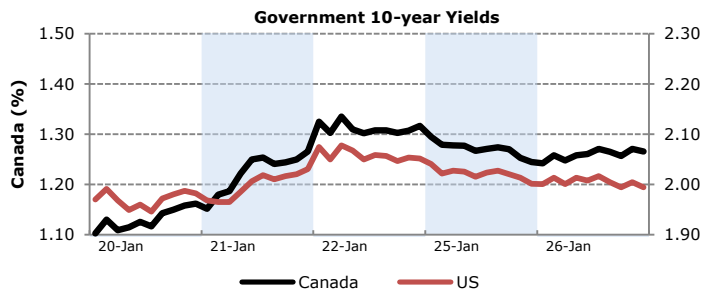
| | 26-Jan | day Δ | %Δ | 5-day | 1-mnth |
|---------|-----------|--------|--------|--------|--------|
| S&P/TSX | 12,331.32 | 188.16 | +1.55% | +2.74% | -7.35% |
| S&P 500 | 1,903.63 | 26.55 | +1.41% | +1.19% | -7.64% |
| DJIA | 16,167.23 | 282.01 | +1.78% | +0.94% | -7.89% |

Commodities



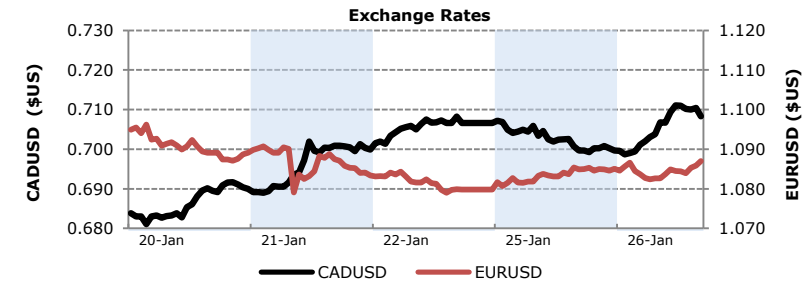
| | 26-Jan | day Δ | %Δ | 5-day | 1-mnth |
|----------------|---------|-------|--------|---------|---------|
| Oil (\$US/bbl) | \$31.45 | 1.11 | +3.66% | +10.51% | -14.56% |
| Gold (\$US/oz) | \$1,120 | 11.96 | +1.08% | +3.00% | +4.07% |

Interest Rates



| | Government 10-year Yields | | | | |
|---------------|---------------------------|---------|---------|----------|---------|
| | 26-Jan | day Δ | -1 mnth | -3 mnths | -1 year |
| Canada | 1.27% | 0.021% | 1.38% | 1.48% | 1.47% |
| United States | 1.99% | -0.007% | 2.24% | 2.10% | 1.82% |

Foreign Exchange



| | Exchange Rates | | | | |
|--------|----------------|--------|-------|---------|---------|
| | Spot | 26-Jan | day Δ | -5 days | -1 mnth |
| USDCAD | \$1.406 | -0.017 | 1.452 | 1.385 | 1.241 |
| EURUSD | \$1.084 | +0.001 | 1.093 | 1.095 | 1.135 |

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

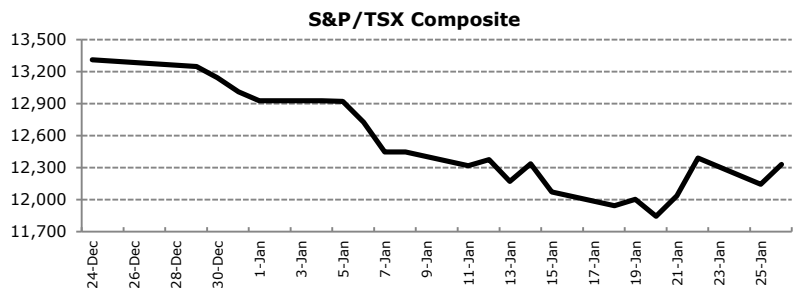


The purpose of the Rotman Finance Association is to bridge the gap between classroom financial theory and finance-based careers by offering students industry speaker sessions, alumni networking seminars and competitions. For more information please see the website below.

<http://www.rotmanfinanceassociation.com>

Canadian Indices

| TSX | 26-Jan | day Δ | %Δ |
|-----------------|--------------------|---------------|--------|
| | 12,331.32 | 188.16 | +1.55% |
| Trailing | S&P/TSX | TSX 60 | |
| 5-day | +2.74% | +2.49% | |
| 1-month | -7.35% | -7.65% | |
| 3-months | -10.58% | -10.80% | |
| 6-months | -13.08% | -13.31% | |
| 12-months | -16.67% | -16.30% | |



Sector Returns

| | 1-day | 5-day | 1-mnth | 12-mnth |
|------------------|--------|--------|---------|---------|
| C. Discretionary | +0.37% | -0.33% | -8.14% | -10.70% |
| C. Staples | -0.38% | +3.14% | -0.98% | +11.51% |
| Energy | +4.01% | +8.32% | -11.74% | -32.45% |
| Financials | +0.97% | +1.06% | -8.33% | -8.42% |
| Healthcare | +2.35% | +3.39% | -13.15% | -1.68% |
| Info Tech | +0.99% | +2.21% | -6.86% | +2.07% |
| Industrials | +1.13% | +1.65% | -7.47% | -19.41% |
| Materials | +2.08% | +2.70% | -9.72% | -35.44% |
| Metals & Mining | +4.09% | +0.00% | -31.47% | -57.99% |
| Telecom | +1.33% | +2.48% | +0.85% | +2.52% |
| Utilities | +1.73% | +5.66% | -1.66% | -11.99% |

TSX Top Performers

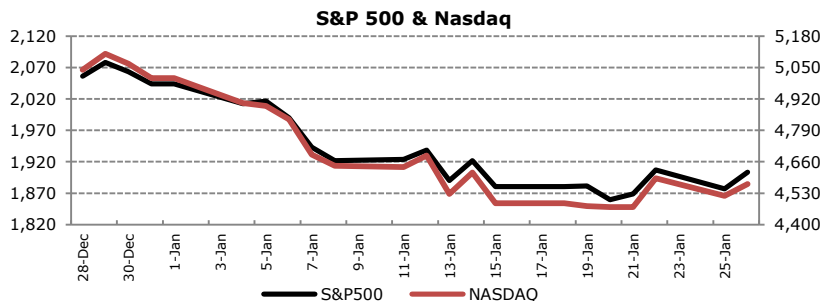
| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|-----------------------|---------|---------|---------|---------|
| Pengrowth Energy Corp | +15.38% | +20.00% | -18.18% | -74.43% |
| Birchcliff Energy Ltd | +15.15% | +50.50% | +12.32% | -30.38% |
| Bonavista Energy Corp | +13.33% | +29.52% | -33.33% | -78.41% |
| Baytex Energy Corp | +11.20% | +38.86% | -41.10% | -86.43% |
| B2Gold Corp | +11.11% | +4.17% | -32.89% | -60.32% |

TSX Worst Performers

| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|---------------------------|--------|---------|---------|---------|
| Corus Entertainment Inc-B | -4.40% | -13.84% | -13.92% | -58.67% |
| Metro Inc | -3.84% | +1.03% | +2.29% | +24.21% |
| Boyd Group Income Fund | -3.77% | +5.52% | -5.22% | +29.63% |
| Gildan Activewear Inc | -3.35% | -5.29% | -11.70% | -2.82% |
| Centerra Gold Inc | -2.24% | -8.27% | -11.59% | -14.80% |

US Indices

| Trailing | S&P 500 | DJIA | Nasdaq |
|-----------|----------|-----------|----------|
| 26-Jan | 1,903.63 | 16,167.23 | 4,567.67 |
| 1-day | +1.41% | +1.78% | +1.09% |
| 5-day | +1.19% | +0.94% | +2.03% |
| 1-month | -7.64% | -7.89% | -9.52% |
| 3-months | -8.09% | -8.26% | -9.28% |
| 6-months | -8.46% | -7.98% | -10.24% |
| 12-months | -7.46% | -8.55% | -4.28% |



S&P 500 Sector Returns

| | 1-day | 5-day | 1-mnth | 12-mnth |
|------------------|--------|--------|---------|---------|
| C. Discretionary | +1.47% | +2.41% | -6.41% | +3.16% |
| C. Staples | +0.91% | +0.67% | -3.26% | -1.11% |
| Energy | +3.78% | +3.23% | -9.90% | -28.28% |
| Financials | +1.78% | -1.04% | -11.99% | -11.32% |
| Healthcare | +0.79% | +1.33% | -6.63% | -5.12% |
| Info Tech | +0.90% | +1.99% | -8.02% | -3.08% |
| Industrials | +1.82% | +0.49% | -8.53% | -11.31% |
| Materials | +1.79% | +0.40% | -14.05% | -21.40% |
| Telecom | +1.93% | +4.80% | +1.75% | +1.26% |
| Utilities | +0.76% | -0.71% | +0.55% | -11.07% |

DJIA Top Performers

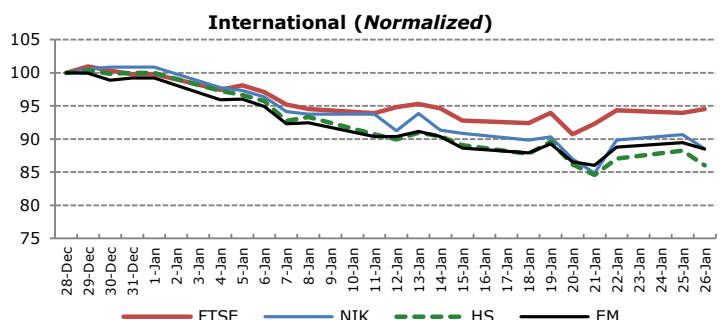
| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|-------------------|--------|--------|--------|---------|
| 3M Co | +5.24% | +4.62% | -4.24% | -11.85% |
| Johnson & Johnson | +4.96% | +3.77% | -2.45% | -1.06% |
| Chevron Corp | +3.99% | +3.20% | -8.61% | -22.74% |

DJIA Worst Performers

| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|-------------------------|--------|---------|---------|---------|
| Coca-Cola Co/The | -0.19% | +0.38% | -3.35% | -2.14% |
| American Express Co | +0.13% | -12.05% | -21.48% | -33.87% |
| Visa Inc-Class A Shares | +0.20% | +0.69% | -8.15% | +12.08% |

International Markets

| Trailing | FTSE 100 | Nikkei | Hang Seng | MSCI EM |
|------------|----------|-----------|-----------|---------|
| Last Close | 5,911.46 | 16,708.90 | 18,860.80 | 708.33 |
| 1-day | +0.59% | -2.35% | -2.48% | -1.08% |
| 5-day | +0.59% | -1.99% | -3.95% | -0.85% |
| 1-month | -5.49% | -10.98% | -14.80% | -11.91% |
| 3-months | -7.88% | -11.81% | -18.41% | -18.36% |
| 6-months | -10.16% | -18.67% | -24.94% | -22.20% |
| 12-months | -13.73% | -4.35% | -24.28% | -28.36% |



Oil & Gas

Nymex WTI Crude Oil

| (\$US/Bbl) | 26-Jan | day Δ | %Δ | 5-day | 1-mnth |
|------------|---------|---------|--------|---------|---------|
| Prompt | \$31.45 | +\$1.11 | +3.66% | +10.51% | -14.56% |
| Cal 16 | \$35.88 | +\$1.05 | +3.01% | +8.12% | -13.95% |
| Cal 17 | \$40.75 | +\$0.95 | +2.40% | +8.19% | -12.26% |

| (\$US/bbl) | Q2-16 | Q3-16 | Q4-16 | Q1-17 | 2017 |
|--------------------|---------|---------|---------|---------|---------|
| Consensus Forecast | \$38.00 | \$43.00 | \$48.85 | \$49.00 | \$54.00 |
| Current Forward | \$34.13 | \$36.75 | \$38.24 | \$39.44 | \$40.75 |

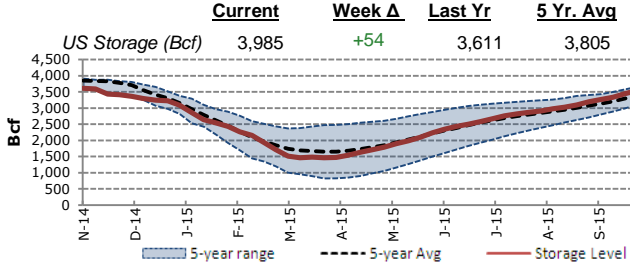
Inventory Levels (as of Jan-08)

| (MBbls) | Current | Week Δ | Last Yr | 5 Yr. Avg |
|-------------|---------|--------|---------|-----------|
| Crude Oil | 482,558 | +234 | 337,426 | 319,411 |
| Motor Gas | 240,434 | +8,438 | 214,389 | 200,481 |
| Distillates | 165,554 | +6,136 | 171,756 | 140,851 |

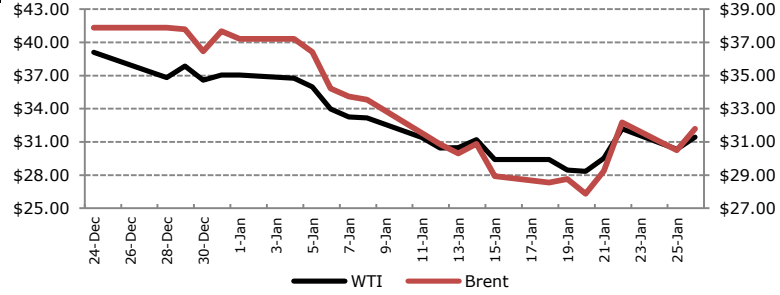
Nymex Natural Gas

| (\$US/MMbtu) | 26-Jan | day Δ | %Δ | 5-day | 1-mnth |
|--------------|--------|---------|--------|--------|---------|
| Prompt | \$2.18 | +\$0.02 | +1.02% | +4.26% | -2.15% |
| Feb16-Mar16 | \$2.25 | +\$0.00 | +0.06% | +2.84% | -13.99% |
| Apr16-Oct16 | \$2.38 | -\$0.01 | -0.51% | +2.07% | -9.13% |
| Nov16-Mar17 | \$2.74 | -\$0.02 | -0.83% | +1.23% | -1.69% |
| Apr17-Oct17 | \$2.66 | -\$0.02 | -0.86% | +0.85% | -3.38% |

Inventory Levels (as of Nov-06)



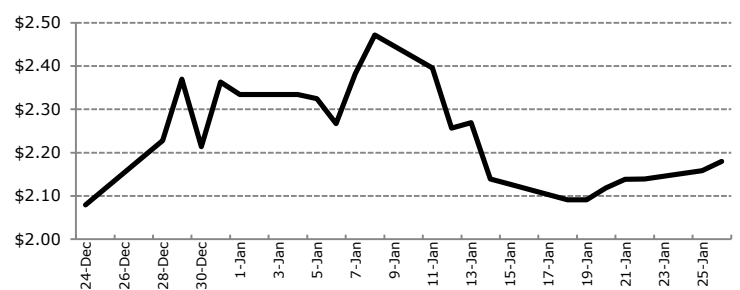
Crude Oil Prompt Contract (\$US/Bbl)



UK Brent Crude Oil

| (\$US/Bbl) | 26-Jan | day Δ | %Δ | 5-day | 1-mnth |
|------------|---------|---------|--------|---------|---------|
| Prompt | \$31.80 | +\$1.30 | +4.09% | +10.57% | -16.07% |

Nat Gas Prompt (\$US/MMbtu)



Alberta Natural Gas

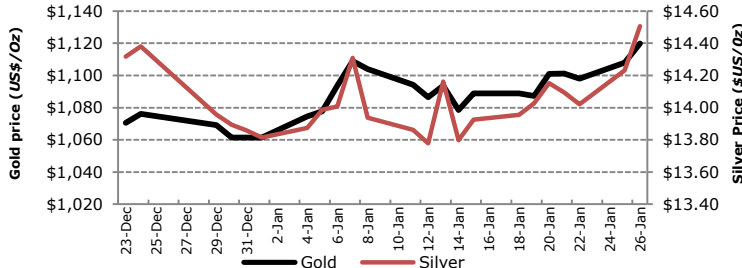
| (\$CAD/GJ) | 26-Jan | day Δ | %Δ |
|-------------|--------|---------|-------|
| AECO Feb-16 | \$2.26 | -\$0.01 | -0.5% |

Other Commodities

Precious Metals

| \$US/oz | 26-Jan | day Δ | %Δ | 5-day | 1-mnth | 3-mnth |
|----------|------------|----------|-------|-------|--------|--------|
| Gold | \$1,119.92 | +\$11.96 | +1.1% | +3.0% | +4.1% | -1.2% |
| Silver | \$14.51 | +\$0.27 | +1.9% | +3.4% | +0.9% | -6.0% |
| Platinum | \$875 | +\$15.90 | +1.9% | +5.8% | -0.8% | -10.5% |

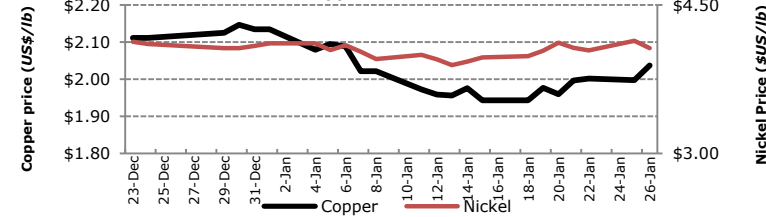
Gold and Silver



Industrial Metals

| \$US/lb | 26-Jan | day Δ | %Δ | 5-day | 1-mnth | 3-mnth |
|----------|---------|---------|-------|-------|--------|--------|
| Copper | \$2.04 | +\$0.04 | +2.0% | +3.0% | -3.5% | -12.1% |
| Nickel | \$4.06 | -\$0.08 | -1.9% | +0.6% | -1.1% | -15.0% |
| Zinc | \$0.77 | -\$0.01 | -0.7% | +2.5% | -0.4% | -8.5% |
| Aluminum | \$0.73 | -\$0.01 | -1.4% | -1.4% | -3.9% | +1.4% |
| Uranium | \$34.75 | -\$0.15 | -0.4% | -0.3% | +1.5% | -2.8% |

Copper and Nickel



Agriculture & Other

| | 26-Jan | day Δ | %Δ | 5-day | 1-mnth |
|-----------------------|----------|---------|-------|-------|--------|
| Corn (\$US/bu) | \$3.69 | -\$0.00 | -0.1% | +0.4% | |
| Wheat (\$US/bu) | \$4.85 | +\$0.03 | +0.7% | +2.2% | |
| Soybeans (\$US/bu) | \$8.77 | -\$0.04 | -0.5% | -0.8% | |
| Rough Rice (\$US/cwt) | \$11.08 | +\$0.06 | +0.6% | +1.8% | |
| Sugar #11 (#US/lb) | ¢14.02 | -\$0.08 | -0.6% | -4.9% | |
| Lean Hogs (#US/lb) | ¢69.60 | +\$0.82 | +1.2% | +2.8% | |
| Live Cattle (#US/lb) | ¢133.40 | +\$1.18 | +0.9% | +2.5% | |
| Cotton No.2 (\$US/lb) | \$0.61 | -\$0.00 | -0.3% | -1.7% | |
| Lumber (\$US/Mbft) | \$236.20 | +\$2.90 | +1.2% | -4.9% | |

Commodity ETFs

| | 26-Jan | day Δ | %Δ | 5-day | 1-mnth |
|------------------|---------|---------|-------|-------|--------|
| \$CAD | | | | | |
| HBP Crude Oil U | \$3.05 | +\$0.15 | +5.2% | +4.5% | -42.2% |
| HBP Nat Gas U | \$12.07 | +\$0.15 | +1.3% | +4.2% | +4.0% |
| iShares Gold ETF | \$9.89 | +\$0.13 | +1.3% | +3.3% | +5.2% |
| \$USD | | | | | |
| US Crude Oil | \$8.97 | +\$0.43 | +5.0% | 5.65% | -17.9% |
| US Nat Gas | \$7.90 | +\$0.04 | +0.5% | 2.33% | -6.2% |
| PSDB Agriculture | \$20.13 | +\$0.03 | +0.1% | 0.30% | -1.2% |
| PSDB Base Metals | \$11.56 | +\$0.31 | +2.8% | 3.40% | -0.5% |

Interest Rates

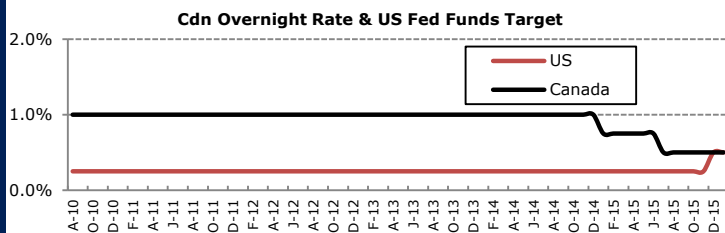
Canadian yield curve

| | 26-Jan | day Δ | Historical Levels | | |
|---------|--------|--------|-------------------|----------|---------|
| | | | -1 mnth | -3 mnths | -1 year |
| 3-mnth | 0.48% | - | 0.48% | 0.41% | 0.60% |
| 6-mnth | 0.47% | - | 0.49% | 0.44% | 0.60% |
| 12-mnth | 0.46% | +0.01% | 0.50% | 0.50% | 0.59% |
| 2-year | 0.43% | +0.03% | 0.49% | 0.55% | 0.52% |
| 5-year | 0.71% | +0.02% | 0.71% | 0.83% | 0.79% |
| 10-year | 1.27% | +0.02% | 1.38% | 1.48% | 1.47% |
| 20-year | 2.04% | +0.02% | 2.11% | 2.24% | 1.97% |
| 30-year | 2.07% | +0.01% | 2.14% | 2.27% | 2.03% |

US yield curve

| | 26-Jan | day Δ | Historical Levels | | |
|---------|--------|--------|-------------------|----------|---------|
| | | | -1 mnth | -3 mnths | -1 year |
| 3-mnth | 0.31% | +0.03% | 0.20% | 0.04% | 0.01% |
| 6-mnth | 0.44% | +0.04% | 0.47% | 0.20% | 0.06% |
| 12-mnth | 0.45% | +0.02% | 0.62% | 0.31% | 0.15% |
| 2-year | 0.84% | -0.02% | 1.00% | 0.70% | 0.51% |
| 5-year | 1.43% | -0.01% | 1.71% | 1.47% | 1.34% |
| 10-year | 1.99% | -0.01% | 2.24% | 2.10% | 1.82% |
| 30-year | 2.78% | - | 2.96% | 2.88% | 2.40% |

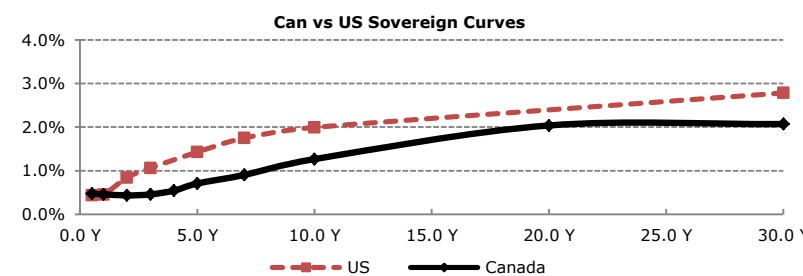
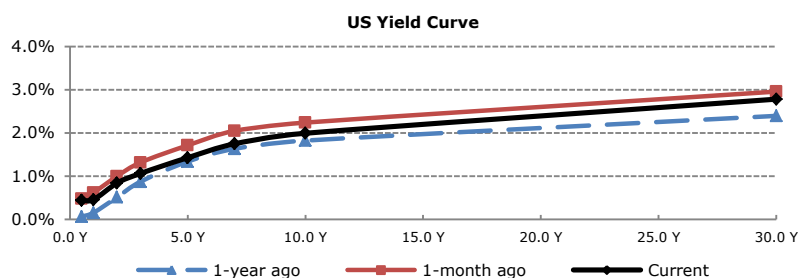
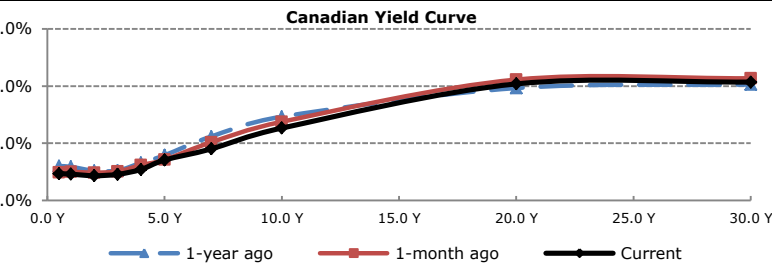
| | Current | Prior | Next Meeting | Survey |
|---------------|---------|-------|--------------|--------|
| Cdn Overnight | 0.50% | | 0-Jan-00 | |
| US Fed Funds | 0.50% | | 0-Jan-00 | |



Foreign Exchange

(USDCAD implies 1-USD to CAD)

| | Spot | 26-Jan | day Δ | Historical Levels | | |
|--------|---------|--------|--------|-------------------|----------|---------|
| | | | | -1 mnth | -3 mnths | -1 year |
| USDCAD | \$1.406 | | -0.017 | 1.385 | 1.314 | 1.241 |
| EURUSD | \$1.084 | | +0.001 | 1.095 | 1.105 | 1.135 |
| USDJPY | ¥118.56 | | +0.000 | 120.30 | 120.99 | 117.87 |
| GBPUSD | \$1.435 | | +0.011 | 1.493 | 1.537 | 1.520 |
| AUDUSD | \$0.702 | | +0.004 | 0.727 | 0.725 | 0.793 |

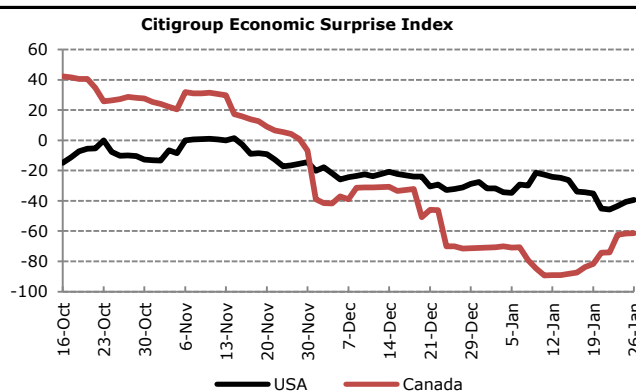


Economic Releases

| United States | Period | Survey | Actual | Prior |
|---------------|------------------------|--------|---------|-------|
| Tue, Jan 26 | Consumer Confidence | 29-Feb | 96.5 | 98.1 |
| Wed, Jan 27 | New Home Sales | 31-Dec | 500K | 490K |
| Thu, Jan 28 | Durable Goods Orders | 31-Dec | -0.7% | 0% |
| Thu, Jan 28 | Continuing Claims | 16-Jan | 2217.5K | 2208K |
| Thu, Jan 28 | Initial Jobless Claims | 23-Jan | 281K | 293K |
| Fri, Jan 29 | GDP QoQ (Annualized) | 31-Dec | 0.8% | 0% |

| Canada | Period | Survey | Actual | Prior |
|-------------|---------|--------|--------|-------|
| Fri, Jan 29 | GDP MoM | 30-Nov | 0.3% | -- |
| | | | | 0% |

| | Spot | 26-Jan | day Δ | Historical Levels | | |
|--------|---------|--------|--------|-------------------|----------|---------|
| | | | | -1 mnth | -3 mnths | -1 year |
| CADJPY | ¥84.30 | | +1.021 | 86.84 | 92.07 | 94.97 |
| CADAUD | \$1.013 | | +0.007 | 0.992 | 1.049 | 1.016 |
| GBPUSD | £2.018 | | -0.010 | 2.068 | 2.019 | 1.886 |
| EURJPY | ¥128.57 | | +0.170 | 131.76 | 133.74 | 133.81 |
| EURAUD | \$1.54 | | -0.007 | 1.51 | 1.52 | 1.43 |



Economics

| Canada | Q4-14 | Q1-15 | Q2-15 | Q3-15 |
|--------------|-------|--------|--------|-------|
| Real GDP | 3.36% | -0.69% | -0.26% | 2.34% |
| CPI | 1.97% | 1.07% | 0.90% | 1.20% |
| Unemployment | 6.70% | 6.80% | 6.80% | 7.10% |

| US | Q4-14 | Q1-15 | Q2-15 | Q3-15 |
|--------------|-------|--------|--------|-------|
| Real GDP | 2.10% | 0.60% | 3.90% | 2.00% |
| CPI | 1.27% | -0.07% | -0.03% | 0.13% |
| Unemployment | 5.60% | 5.50% | 5.30% | 5.10% |

| China | Q4-14 | Q1-15 | Q2-15 | Q3-15 |
|----------|-------|-------|-------|-------|
| Real GDP | 7.20% | 7.00% | 7.00% | 6.90% |

