

Commentary

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Markets were risk-off yesterday as equity markets fell following two consecutive days of gains and investors shifted into safer asset classes. In the United States, the S&P 500 dipped 1.56% to 1,877.08 and the Dow declined 1.29% to 15,885.22. Canadian equity markets fell further as crude oil prices reversed course, with the S&P/TSX Composite down 1.99% to 12,143.16. North American bond markets rallied yesterday; the 10yr US Treasury yield fell 5bps to 2.00% and the yield on the Canadian 10yr Note fell 7bps to 1.24%. As a January interest rate hike was largely dismissed as off the table, investors are awaiting tomorrow's Fed meeting in order to get more colour on future rate action. The evolution of monetary policy is dependent on whether the Fed believes the current sell-off is a harbinger of recession, or merely a market correction. Internationally, China's Shanghai Composite Index plunged 6.4% to 2,749.79, its lowest level in 13 months, following concerns about capital outflow.

Investors are withdrawing money from securities that profit from higher volatility at the same time as short sellers are piling into bets that tranquility will return. So far in 2016, \$850 million dollars in capital has been drained from two of the most popular exchange traded products tracking movement in the Chicago Board Options Exchange Volatility Index. The S&P 500 Index has lost 8.2% over the month, heading for its biggest plunge since May 2010 on mounting worries that the FED removed life support too soon. The VIX has risen accordingly, soaring 33% over the same period of time. The position reflects speculation that something will cause volatility to drain out of a US stock market where as much as \$2.4 trillion of value was erased. To some economists, rather than signalling a decline in equity turbulence, outflows could just mean that investors are cashing out.

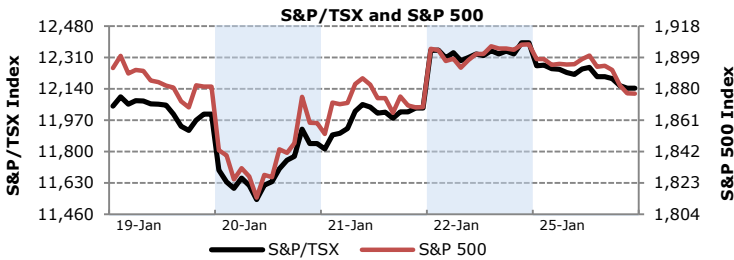
The Bank of Japan will have their monetary policy meeting this Friday. The recent rebound in yen and equities have eased pressure for immediate monetary actions. Haruhiko Kuroda have stated that BoJ will most likely opt to expand its asset purchase programme if needed, as opposed to entering into negative interest rates. The BoJ shows unwillingness to follow ECB's footsteps into negative rates due to the difference in the size of their asset purchase programme. BoJ's balance sheet is approximately 78% of Japan's GDP, while the ECB's balance sheet is 25% of eurozone's GDP. In addition, 90% of Japanese government bonds are held in Japan while 50% of eurozone bonds are held abroad. As a result of these difference, the BoJ is afraid that negative interest rates would make banks reluctant to sell government bonds and cut profitability of the banking sector.

Major Economic Releases

United States	Period	Survey	Actual	Prior	Canada	Period	Survey	Actual	Prior
None Scheduled					None Scheduled				

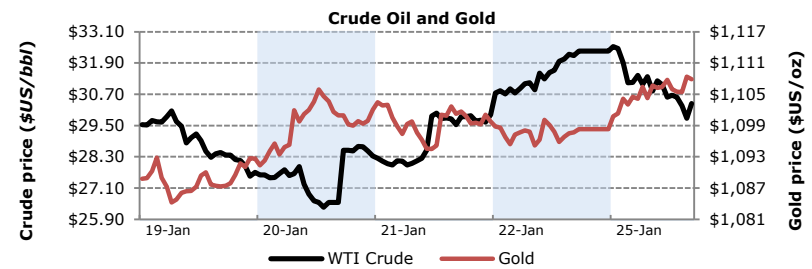
Market Movements

Equities



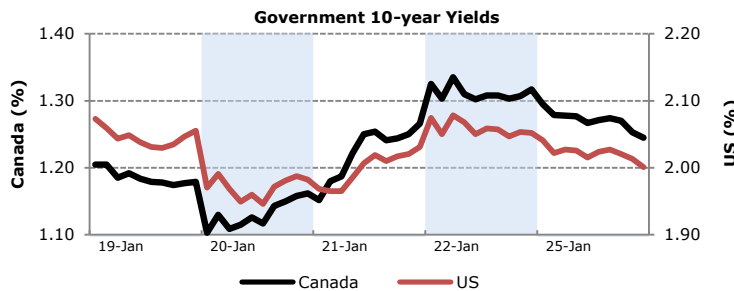
	25-Jan	day Δ	%Δ	5-day	1-mnth
S&P/TSX	12,143.16	-246.42	-1.99%	+1.68%	-8.77%
S&P 500	1,877.08	-29.82	-1.56%	-0.17%	-8.92%
DJIA	15,885.22	-208.29	-1.29%	-0.64%	-9.50%

Commodities



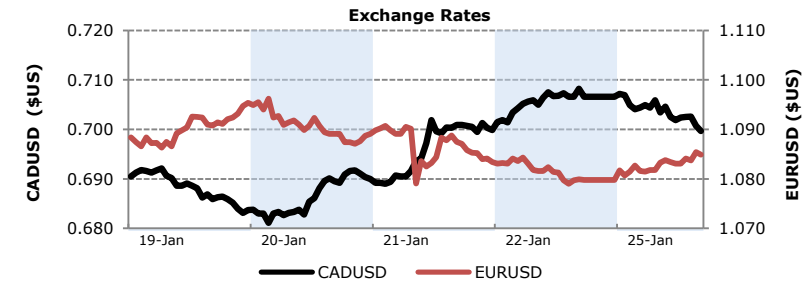
	25-Jan	day Δ	%Δ	5-day	1-mnth
Oil (\$US/bbl)	\$30.34	-1.85	-5.75%	+3.13%	-20.37%
Gold (\$US/oz)	\$1,108	9.96	+0.91%	+1.75%	+2.96%

Interest Rates



	Government 10-year Yields				
	25-Jan	day Δ	-1 mnth	-3 mnths	-1 year
Canada	1.25%	-0.072%	1.38%	1.42%	1.45%
United States	2.00%	-0.051%	2.24%	2.04%	1.80%

Foreign Exchange



	Exchange Rates				
	Spot	25-Jan	day Δ	-5 days	-1 mnth
USDCAD	\$1.424	\$1.424	+0.012	1.454	1.385
EURUSD	\$1.083	\$1.083	+0.003	1.089	1.088

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

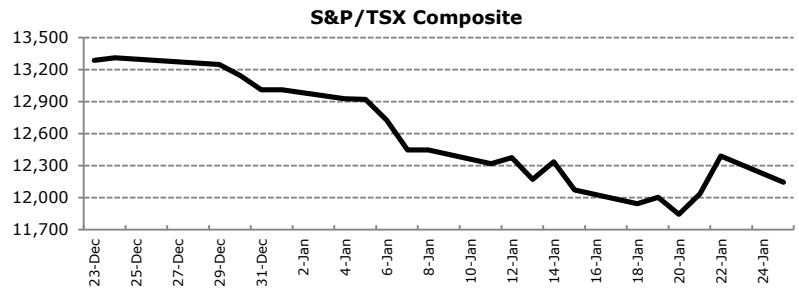


The purpose of the Rotman Finance Association is to bridge the gap between classroom financial theory and finance-based careers by offering students industry speaker sessions, alumni networking seminars and competitions. For more information please see the website below.

<http://www.rotmanfinanceassociation.com>

Canadian Indicies

TSX	25-Jan	day Δ	%Δ
	12,143.16	-246.42	-1.99%
Trailing	S&P/TSX	TSX 60	
5-day	+1.68%	+1.36%	
1-month	-8.77%	-9.04%	
3-months	-12.98%	-13.01%	
6-months	-14.40%	-14.61%	
12-months	-17.84%	-17.48%	



Sector Returns

	1-day	5-day	1-mnth	12-mnth
C. Discretionary	-2.00%	+0.81%	-8.48%	-10.95%
C. Staples	+0.39%	+4.68%	-0.60%	+11.60%
Energy	-5.07%	+2.50%	-15.14%	-34.84%
Financials	-2.64%	+1.29%	-9.20%	-9.57%
Healthcare	+0.33%	+1.90%	-15.15%	-3.87%
Info Tech	-0.18%	+2.57%	-7.78%	+1.16%
Industrials	-1.80%	+1.01%	-8.51%	-19.53%
Materials	-0.61%	-1.51%	-11.55%	-36.15%
Metals & Mining	-4.41%	-2.96%	-34.17%	-59.32%
Telecom	-0.35%	+2.40%	-0.47%	-0.72%
Utilities	-1.87%	+5.24%	-3.33%	-13.42%

TSX Top Performers

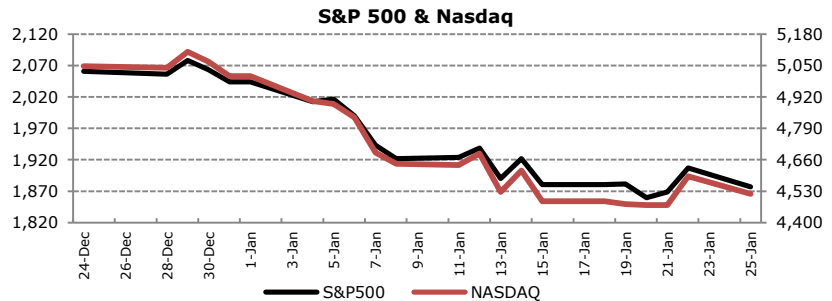
Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Alamos Gold Inc-Class A	+9.01%	+0.00%	-23.94%	-50.00%
Barrick Gold Corp	+8.88%	+13.94%	+22.03%	-14.19%
Detour Gold Corp	+7.80%	+0.43%	+10.28%	+30.50%
Valeant Pharmaceuticals I	+5.52%	+2.67%	-16.05%	-33.23%
Osisko Gold Royalties Ltd	+4.72%	+1.18%	-3.51%	-20.46%

TSX Worst Performers

Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Ensign Energy Services In	-12.90%	-2.44%	-16.87%	-40.44%
Baytex Energy Corp	-12.68%	+3.43%	-47.03%	-87.62%
Whitecap Resources Inc	-12.33%	+4.19%	-25.05%	-38.86%
Meg Energy Corp	-12.16%	-6.58%	-50.41%	-78.31%
Encana Corp	-11.21%	-3.38%	-26.22%	-68.99%

US Indices

Trailing	S&P 500	DJIA	Nasdaq
25-Jan	1,877.08	15,885.22	4,518.49
1-day	-1.56%	-1.29%	-1.58%
5-day	-0.17%	-0.64%	+0.67%
1-month	-8.92%	-9.50%	-10.50%
3-months	-9.54%	-9.98%	-10.20%
6-months	-9.74%	-9.58%	-11.20%
12-months	-8.52%	-10.11%	-5.03%



S&P 500 Sector Returns

	1-day	5-day	1-mnth	12-mnth
C. Discretionary	-1.18%	+1.31%	-7.77%	+2.25%
C. Staples	-0.80%	+1.00%	-4.13%	-2.02%
Energy	-4.52%	-2.69%	-13.19%	-29.93%
Financials	-2.29%	-2.80%	-13.53%	-12.45%
Healthcare	-0.94%	+0.44%	-7.36%	-5.44%
Info Tech	-1.37%	+1.01%	-8.85%	-4.37%
Industrials	-1.26%	-1.30%	-10.17%	-12.76%
Materials	-3.26%	-2.56%	-15.57%	-22.42%
Telecom	-0.33%	+4.04%	-0.17%	-1.09%
Utilities	-0.88%	+0.01%	-0.20%	-11.78%

DJIA Top Performers

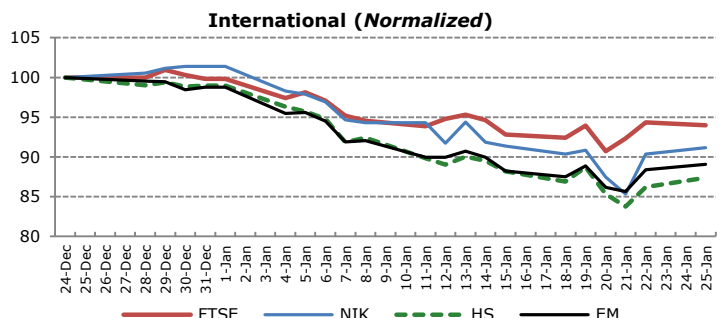
Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Wal-Mart Stores Inc	+1.21%	NA	+4.31%	-28.31%
Mcdonald'S Corp	+0.68%	NA	+0.53%	+33.10%
Coca-Cola Co/The	+0.24%	NA	-3.17%	-2.66%

DJIA Worst Performers

Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Caterpillar Inc	-5.03%	NA	-16.53%	-32.36%
Goldman Sachs Group Inc	-3.66%	NA	-17.18%	-16.27%
Exxon Mobil Corp	-3.38%	NA	-6.74%	-18.60%

International Markets

Trailing	FTSE 100	Nikkei	Hang Seng	MSCI EM
Last Close	5,877.00	17,110.91	19,340.14	716.08
1-day	-0.39%	+0.90%	+1.36%	+0.76%
5-day	+1.68%	+0.92%	+0.53%	+1.80%
1-month	-6.04%	-8.83%	-12.64%	-10.94%
3-months	-8.80%	-9.11%	-16.46%	-17.56%
6-months	-10.68%	-16.71%	-23.04%	-21.34%
12-months	-13.99%	-2.29%	-22.17%	-27.73%



Interest Rates

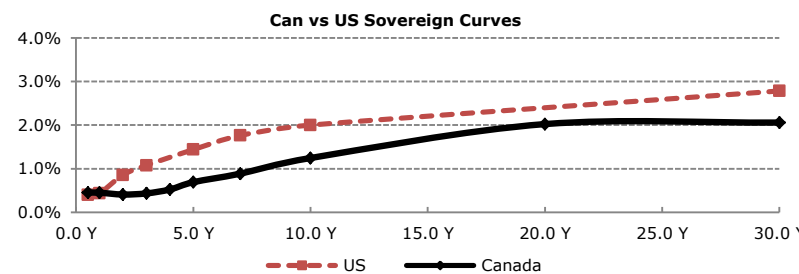
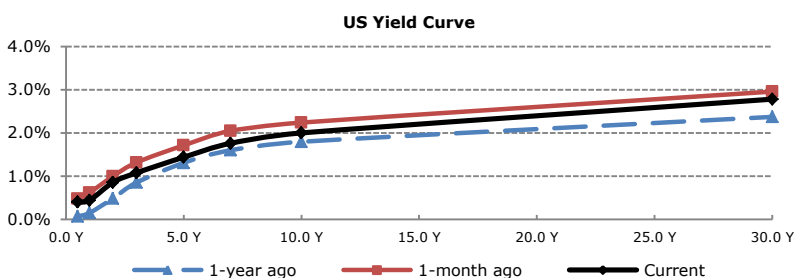
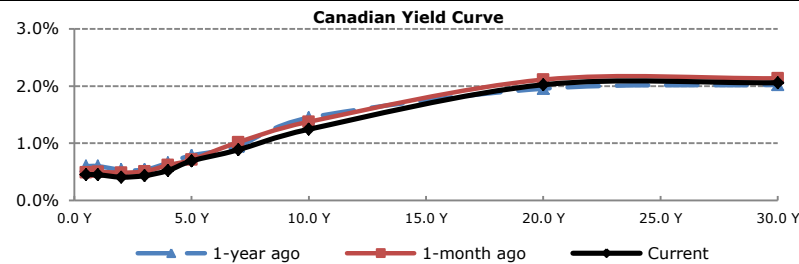
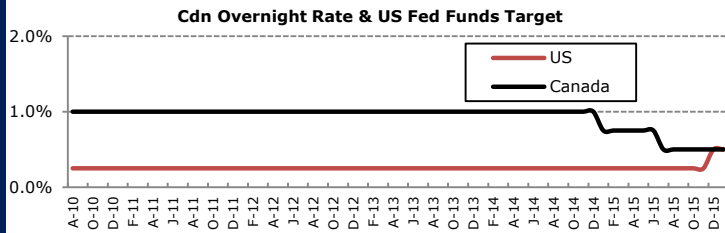
Canadian yield curve

	25-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.45%	-	0.48%	0.40%	0.60%
6-mnth	0.45%	-	0.49%	0.43%	0.60%
12-mnth	0.45%	-0.00%	0.50%	0.49%	0.60%
2-year	0.41%	-0.05%	0.49%	0.49%	0.54%
5-year	0.69%	-0.07%	0.71%	0.77%	0.79%
10-year	1.25%	-0.07%	1.38%	1.42%	1.45%
20-year	2.02%	-0.04%	2.11%	2.20%	1.96%
30-year	2.06%	-0.04%	2.14%	2.23%	2.02%

US yield curve

	25-Jan	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.28%	-0.01%	0.20%	0.02%	0.02%
6-mnth	0.40%	+0.02%	0.47%	0.17%	0.07%
12-mnth	0.44%	-0.02%	0.62%	0.28%	0.15%
2-year	0.86%	-0.01%	1.00%	0.62%	0.49%
5-year	1.44%	-0.04%	1.71%	1.37%	1.31%
10-year	2.00%	-0.05%	2.24%	2.04%	1.80%
30-year	2.78%	-0.04%	2.96%	2.86%	2.37%

	Current	Prior	Next Meeting	Survey
Cdn Overnight	0.50%	0.50%	9-Mar-16	0.50%
US Fed Funds	0.50%	0.50%	27-Jan-16	0.50%



Foreign Exchange

(USDCAD implies 1-USD to CAD)

	Spot	25-Jan	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$1.424	\$1.424	+0.012	1.385	1.317	1.243
EURUSD	\$1.083	\$1.083	+0.003	1.088	1.102	1.128
USDJPY	¥118.56	¥118.56	-0.220	120.91	121.47	118.38
GBPUSD	\$1.424	\$1.424	-0.002	1.488	1.531	1.509
AUDUSD	\$0.698	\$0.698	-0.002	0.722	0.722	0.793

	Spot	25-Jan	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥83.28	¥83.28	-0.842	87.31	92.26	95.26
CADAUD	\$1.006	\$1.006	-0.005	1.000	1.053	1.015
GBPUSD	£2.028	£2.028	+0.014	2.061	2.016	1.875
EURJPY	¥128.40	¥128.40	+0.140	131.58	133.84	133.53
EURAUD	\$1.55	\$1.55	+0.010	1.51	1.53	1.42

Economic Releases

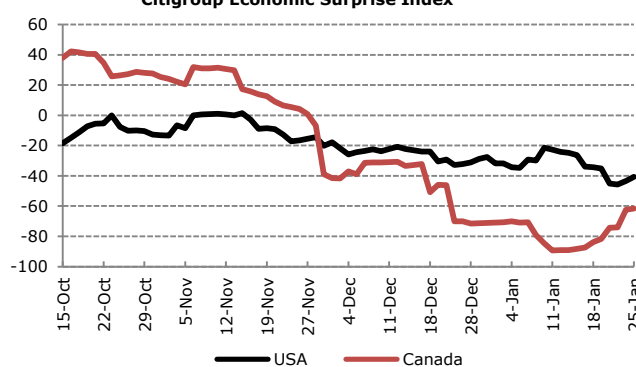
United States

Period	Survey	Actual	Prior
Tue, Jan 26	Consumer Confidence	96.5	90.4
Wed, Jan 27	New Home Sales	500K	-0.1K
Thu, Jan 28	Durable Goods Orders	-0.5%	0%
Thu, Jan 28	Continuing Claims	2217.5K	293K
Thu, Jan 28	Initial Jobless Claims	280.5K	293K
Fri, Jan 29	GDP QoQ (Annualized)	0.8%	4.76%

Canada

Period	Survey	Actual	Prior
Fri, Jan 29	GDP MoM	0.3%	0%

Citigroup Economic Surprise Index



Economics

	Q4-14	Q1-15	Q2-15	Q3-15
Canada				
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%

	Q4-14	Q1-15	Q2-15	Q3-15
US				
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%

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

