

## Commentary

Email [dailyroll@economics.utoronto.ca](mailto:dailyroll@economics.utoronto.ca) to subscribe

Markets sold off in North America yesterday as the S&P500, the Dow and TSX fell 1.25%, 1.14% and 0.64% respectively. Nearly all of the S&P500's 10 sectors fell with energy leading losses down 3.2%, materials down 2.4% and financials falling 1.8%. Crude oil prices nearly erased most of its gains after Iranian oil officials denied the proposal between Russia and Saudi Arabia in freezing production. Also, consumer confidence dropped in the US to a 7-month low of 92.2 in February. In European markets, the British pound continues to fall amid "Brexit" talks and is currently trading around the \$1.39/pound level. Markets in Asia are also suffering with the MSCI Asia Pacific Index falling 0.9%.

Kansas City Fed President Esther George, a voting member of the FOMC, said that the prospect of a rate hike in the forthcoming March meeting 'absolutely should be on the table'. Based on the fed funds rate markets, investors are pricing in a 45% chance for a rate hike in 2016, while the median Fed member projections in the December 2015 meeting called for 4 rate increases in 2016. While George acknowledged that the markets have taken a hike off the table, she noted that she hasn't seen a fundamental shift in the economic data, with the US economy on pace to grow at 2% this year. She also pointed toward stronger consumer spending and labour markets – and reiterated her 'objective to remove some of the accommodation'. George also talked down possibilities of implementing negative interest rates, which have been used in both the Bank of Japan and the European Central Bank.

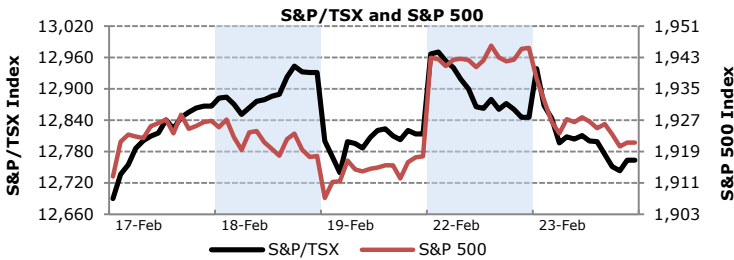
The pound has fallen by as much as 1% against the USD on Wednesday to close at \$1.39 GBP/USD. This level is associated with previous crises for the currency, as the \$1.40 level has been seen as a de facto floor for the pound. The depreciation of the pound was due to concerns over the upcoming referendum on Britain's place in Europe. Implied volatility on the pound has risen to its highest level in 5 years as investors speculate and hedge with contracts that expire after the referendum date. HSBC stated that the uncertainty following a vote to leave the EU could lower UK GDP growth by as much as 1.5%. The bank also stated that they predict the pound to fall by around 15% to 20%, and that UK inflation could rise by up to 5%. The possibility of Britain's withdrawal is also weighing down the euro, as it depreciates by 0.2% against the dollar.

## Major Economic Releases

United States	Period	Survey	Actual	Prior	Canada	Period	Survey	Actual	Prior
MBA Mortgage Applications	19-Feb	--	-4.3%	8.2%	None Scheduled				

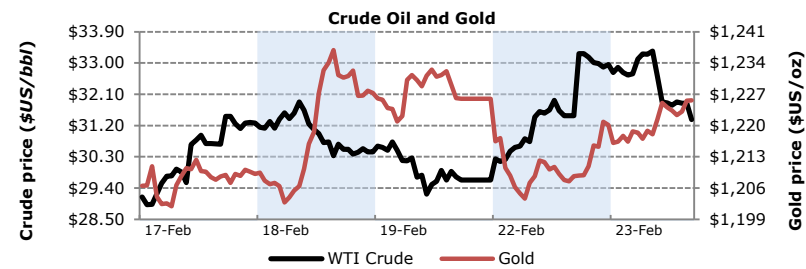
## Market Movements

### Equities



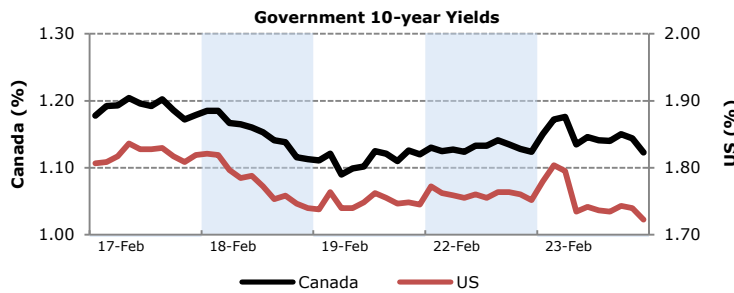
	23-Feb	day Δ	%Δ	5-day	1-mnth
S&P/TSX	12,763.44	-82.19	-0.64%	+1.66%	+3.02%
S&P 500	1,921.27	-24.23	-1.25%	+1.36%	+0.75%
DJIA	16,431.78	-188.88	-1.14%	+1.45%	+2.10%

### Commodities



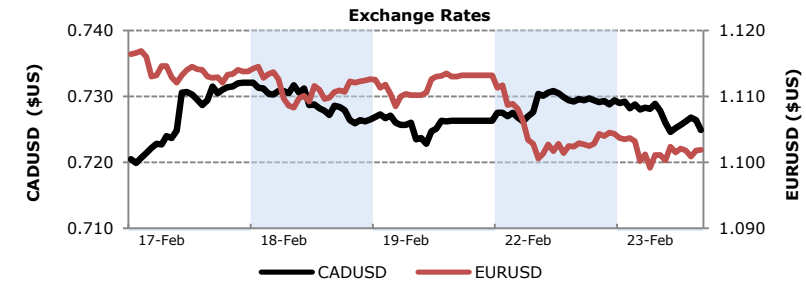
	23-Feb	day Δ	%Δ	5-day	1-mnth
Oil (\$/Bbl)	\$31.87	-1.52	-4.55%	+9.75%	-0.99%
Gold (\$/oz)	\$1,226	16.97	+1.40%	+2.10%	+11.62%

### Interest Rates



	Government 10-year Yields				
	23-Feb	day Δ	-1 mnt	-3 mnths	-1 year
Canada	1.12%	-0.001%	1.32%	1.59%	1.36%
United States	1.72%	-0.029%	2.05%	2.23%	2.06%

### Foreign Exchange



	Exchange Rates				
	Spot	23-Feb	day Δ	-5 days	-1 mnt
USDCAD	\$1.379	\$1.379	+0.009	1.386	1.412
EURUSD	\$1.102	\$1.102	-0.001	1.114	1.080

## 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

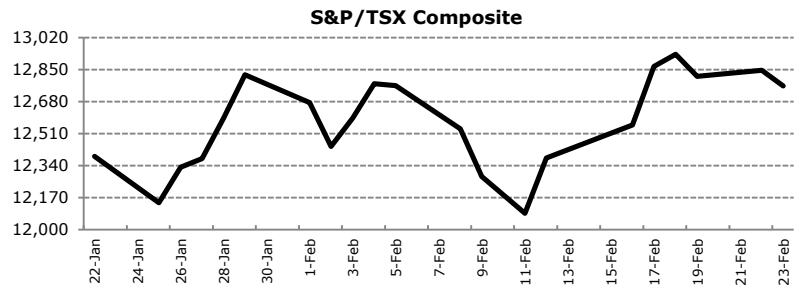


The purpose of the Rotman Finance Association is to bridge the gap between classroom financial theory and finance-based careers by offering students industry speaker sessions, alumni networking seminars and competitions. For more information please see the website below.

<http://www.rotmanfinanceassociation.com>

### Canadian Indicies

TSX	23-Feb	day Δ	%Δ
	12,763.44	-82.19	-0.64%
<b>Trailing</b>	<b>S&amp;P/TSX</b>	<b>TSX 60</b>	
5-day	+1.66%	+1.49%	
1-month	+3.02%	+3.15%	
3-months	-4.63%	-4.56%	
6-months	-5.27%	-5.53%	
12-months	-16.03%	-15.50%	



### Sector Returns

	1-day	5-day	1-mnth	12-mnth
C. Discretionary	-0.24%	+2.66%	-0.27%	-13.56%
C. Staples	+0.60%	+4.43%	+3.95%	+10.28%
Energy	-3.63%	+1.72%	+0.06%	-34.25%
Financials	-0.93%	+0.55%	+0.09%	-8.27%
Healthcare	+2.01%	-1.54%	-6.11%	-18.03%
Info Tech	+0.27%	+3.51%	+1.76%	-4.43%
Industrials	-1.11%	+0.53%	+3.20%	-17.72%
Materials	+0.92%	+5.95%	+23.32%	-20.95%
Metals & Mining	-7.20%	+8.92%	+35.19%	-49.34%
Telecom	+1.24%	+2.84%	+6.37%	+9.46%
Utilities	-0.94%	+2.27%	+2.15%	-10.03%

### TSX Top Performers

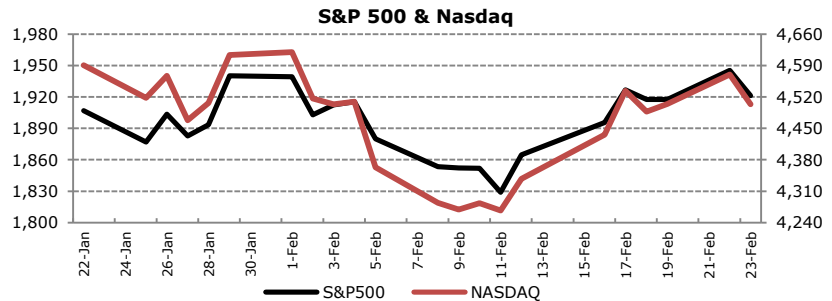
Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Primero Mining Corp	+13.71%	+6.16%	-23.81%	-46.02%
Barrick Gold Corp	+6.15%	+15.64%	+53.21%	+16.51%
New Gold Inc	+5.97%	+18.72%	+54.70%	+1.37%
Semafo Inc	+5.77%	+10.83%	+30.18%	+17.33%
Valeant Pharmaceuticals I	+5.03%	-13.86%	-12.79%	-56.26%

### TSX Worst Performers

Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Teck Resources Ltd-Cls B	-11.15%	+16.76%	+56.71%	-55.62%
Pretium Resources Inc	-10.12%	-5.76%	+3.49%	-14.44%
Enerplus Corp	-9.05%	-9.95%	-2.95%	-71.47%
Encana Corp	-8.59%	-16.83%	-28.45%	-75.00%
Trinidad Drilling Ltd	-8.09%	+2.58%	-12.64%	-64.75%

### US Indices

Trailing	S&P 500	DJIA	Nasdaq
23-Feb	1,921.27	16,431.78	4,503.58
1-day	-1.25%	-1.14%	-1.47%
5-day	+1.36%	+1.45%	+1.52%
1-month	+0.75%	+2.10%	-1.91%
3-months	-7.92%	-7.65%	-11.74%
6-months	-2.52%	-0.17%	-4.30%
12-months	-8.93%	-9.30%	-9.22%



### S&P 500 Sector Returns

	1-day	5-day	1-mnth	12-mnth
C. Discretionary	-0.55%	+3.13%	+0.50%	-2.18%
C. Staples	-0.04%	+1.21%	+3.62%	+2.34%
Energy	-3.22%	+0.53%	+1.26%	-28.01%
Financials	-1.83%	+0.39%	-1.98%	-14.19%
Healthcare	-0.77%	+1.10%	-2.38%	-8.50%
Info Tech	-1.84%	+1.44%	-0.73%	-7.32%
Industrials	-1.00%	+1.91%	+5.74%	-9.50%
Materials	-2.38%	-0.11%	+4.90%	-21.66%
Telecom	-0.54%	+0.72%	+6.45%	+3.09%
Utilities	+0.08%	+1.99%	+6.27%	+1.54%

### DJIA Top Performers

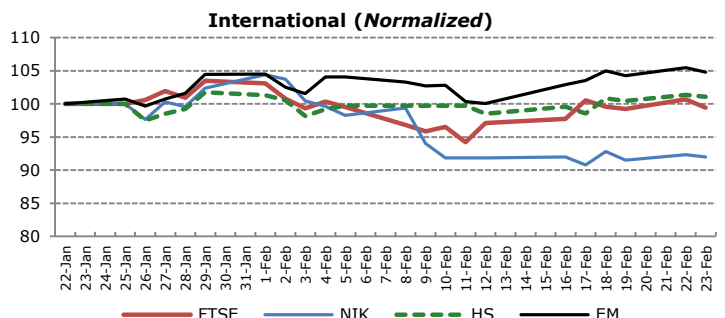
Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Home Depot Inc	+1.37%	+4.27%	+1.44%	+10.91%
Wal-Mart Stores Inc	+1.30%	+0.88%	+6.05%	-21.42%
Nike Inc - Cl B	+0.07%	+4.19%	-1.10%	+26.74%

### DJIA Worst Performers

Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Chevron Corp	-4.40%	+0.12%	+1.64%	-21.28%
Jpmorgan Chase & Co	-4.18%	-3.82%	-1.46%	-5.44%
Microsoft Corp	-2.79%	+0.18%	-2.12%	+15.92%

### International Markets

Trailing	FTSE 100	Nikkei	Hang Seng	MSCI EM
Last Close	5,962.31	16,052.05	19,414.78	744.76
1-day	-1.25%	-0.37%	-0.25%	-0.62%
5-day	+1.71%	-0.01%	+1.53%	+1.83%
1-month	+1.06%	-5.35%	+1.75%	+4.80%
3-months	-5.44%	-19.25%	-14.34%	-11.46%
6-months	-3.64%	-17.41%	-13.36%	-8.32%
12-months	-13.74%	-13.08%	-21.83%	-24.27%



### Oil & Gas

#### Nymex WTI Crude Oil

(\$US/Bbl)	23-Feb	day Δ	%Δ	5-day	1-mnth
Prompt	\$31.87	-\$1.52	-4.55%	+9.75%	-0.99%
Cal 16	\$36.09	-\$1.25	-3.34%	+2.36%	-2.22%
Cal 17	\$41.08	-\$1.04	-2.46%	+0.77%	-1.61%

(\$US/bbl)	Q3-16	Q4-16	Q1-17	Q2-17	2017
Consensus Forecast	\$42.00	\$46.50	\$46.50	\$50.00	\$52.75
Current Forward	\$36.49	\$38.32	\$39.69	\$40.74	\$41.08

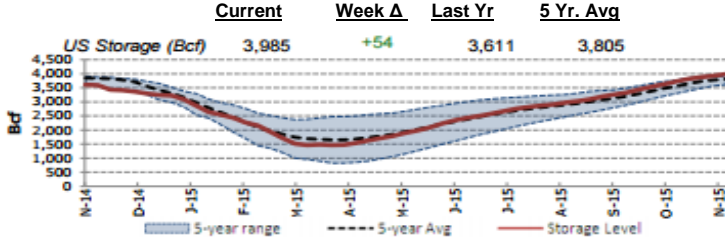
#### Inventory Levels (as of Jan-08)

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

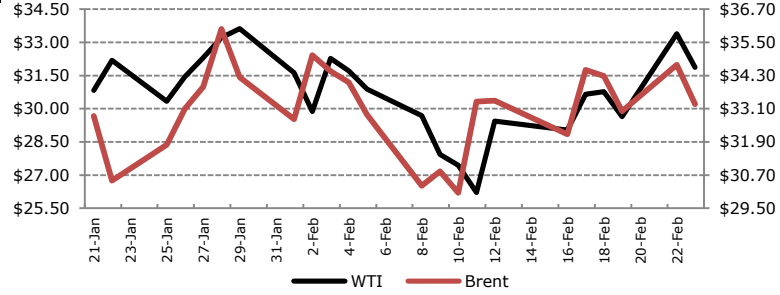
#### Nymex Natural Gas

(\$US/MMbtu)	23-Feb	day Δ	%Δ	5-day	1-mnth
Prompt	\$1.78	-\$0.04	-2.14%	-6.36%	-16.69%
Apr16-Oct16	\$2.01	-\$0.03	-1.54%	-5.97%	-20.28%
Nov16-Mar17	\$2.46	-\$0.02	-0.90%	-5.19%	-13.75%
Apr17-Oct17	\$2.42	-\$0.02	-0.79%	-5.40%	-11.77%
Nov17-Mar18	\$2.69	-\$0.02	-0.72%	-5.01%	-9.97%

#### Inventory Levels (as of Nov-06)



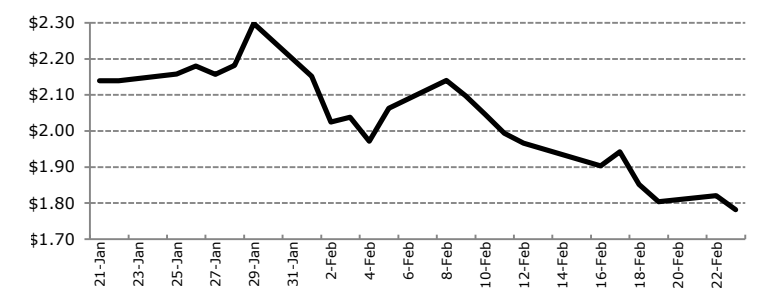
#### Crude Oil Prompt Contract (\$US/Bbl)



#### UK Brent Crude Oil

(\$US/Bbl)	23-Feb	day Δ	%Δ	5-day	1-mnth
Prompt	\$33.27	-\$1.42	-4.27%	+3.39%	+9.08%

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



#### Liberta Natural Gas

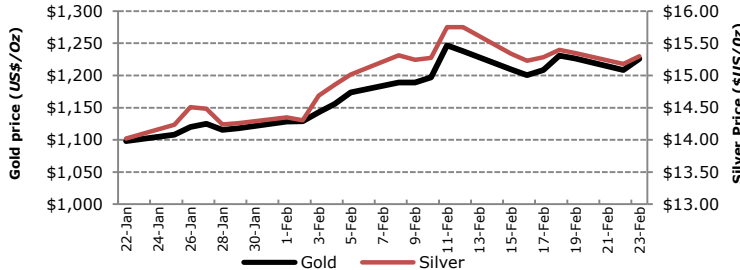
(\$CAD/GJ)	23-Feb	day Δ	%Δ
AECO Mar-16	\$1.65	-\$0.07	-4.2%

### Other Commodities

#### Precious Metals

\$US/oz	23-Feb	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,225.60	+\$16.97	+1.4%	+2.1%	+11.6%	+15.1%
Silver	\$15.30	+\$0.12	+0.8%	+0.5%	+9.1%	+8.6%
Platinum	\$944	+\$16.30	+1.8%	+1.5%	+13.6%	+13.6%

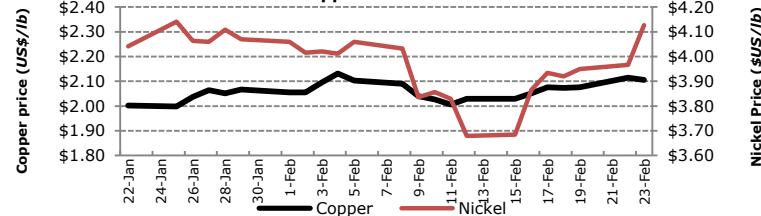
#### Gold and Silver



#### Industrial Metals

\$US/lb	23-Feb	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$2.11	-\$0.01	-0.4%	+2.7%	+5.1%	+3.0%
Nickel	\$4.13	+\$0.16	+4.1%	+6.8%	+2.1%	-0.8%
Zinc	\$0.90	+\$0.02	+2.7%	+5.2%	+18.8%	+14.1%
Aluminum	\$0.78	+\$0.01	+1.3%	+5.4%	+6.8%	+6.8%
Uranium	\$33.40	+\$0.00	0.0%	-1.8%	-3.9%	-7.5%

#### Copper and Nickel



#### Agriculture & Other

	23-Feb	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$3.67	-\$0.06	-1.5%	-0.3%	-2.1%
Wheat (\$US/bu)	\$4.56	-\$0.08	-1.8%	-2.8%	-6.4%
Soybeans (\$US/bu)	\$8.73	-\$0.11	-1.3%	-1.1%	-1.0%
Rough Rice (\$US/cwt)	\$10.87	-\$0.12	-1.0%	-2.2%	-3.8%
Sugar #11 (#US/lb)	¢13.90	+¢1.14	+8.9%	+5.3%	-0.3%
Lean Hogs (#US/lb)	¢69.95	+¢0.70	+1.0%	-0.3%	+1.7%
Live Cattle (#US/lb)	¢135.50	+¢0.88	+0.6%	+2.6%	+2.5%
Cotton No.2 (\$US/lb)	\$0.58	-\$0.01	-1.2%	-2.9%	-6.6%
Lumber (\$US/Mbft)	\$259.90	-\$2.10	-0.8%	+5.9%	+11.5%

#### Commodity ETFs

	23-Feb	day Δ	%Δ	5-day	1-mnth
<b>\$CAD</b>					
HBP Crude Oil U	\$2.80	-\$0.29	-9.4%	+2.6%	-18.4%
HBP Nat Gas U	\$8.01	-\$0.29	-3.5%	-14.9%	-34.0%
iShares Gold ETF	\$10.82	+\$0.08	+0.7%	+1.9%	+12.2%
<b>\$USD</b>					
US Crude Oil	\$8.48	-\$0.43	-4.8%	2.05%	-0.9%
US Nat Gas	\$6.49	-\$0.12	-1.8%	-7.68%	-18.1%
PSDB Agriculture	\$19.99	+\$0.05	+0.3%	0.65%	-0.1%
PSDB Base Metals	\$12.12	-\$0.23	-1.9%	2.36%	+7.8%

### Interest Rates

#### Canadian yield curve

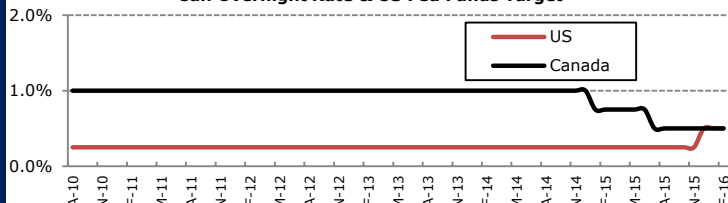
	23-Feb	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.47%	-	0.45%	0.48%	0.47%
6-mnth	0.47%	-	0.45%	0.50%	0.45%
12-mnth	0.49%	+0.02%	0.46%	0.54%	0.41%
2-year	0.47%	+0.02%	0.46%	0.63%	0.39%
5-year	0.60%	+0.00%	0.76%	0.92%	0.74%
10-year	1.12%	-0.00%	1.32%	1.59%	1.36%
20-year	1.89%	-0.01%	2.07%	2.28%	1.93%
30-year	1.92%	-0.01%	2.10%	2.30%	2.01%

#### US yield curve

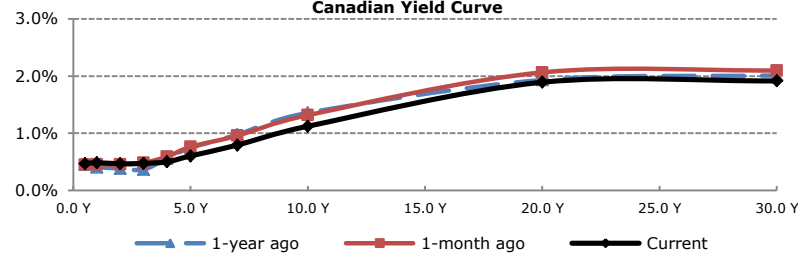
	23-Feb	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.32%	+0.02%	0.30%	0.17%	0.02%
6-mnth	0.45%	+0.01%	0.39%	0.38%	0.07%
12-mnth	0.53%	-	0.46%	0.48%	0.20%
2-year	0.73%	-0.02%	0.87%	0.93%	0.60%
5-year	1.20%	-0.03%	1.48%	1.67%	1.54%
10-year	1.72%	-0.03%	2.05%	2.23%	2.06%
30-year	2.58%	-0.03%	2.82%	2.99%	2.66%

	Current	Prior	Next Meeting	Survey
Cdn Overnight	0.50%	0.50%	7-Mar-16	0.50%
US Fed Funds	0.50%	0.50%	16-Mar-16	0.50%

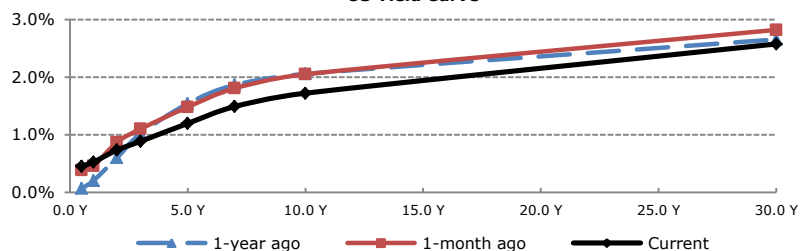
Cdn Overnight Rate & US Fed Funds Target



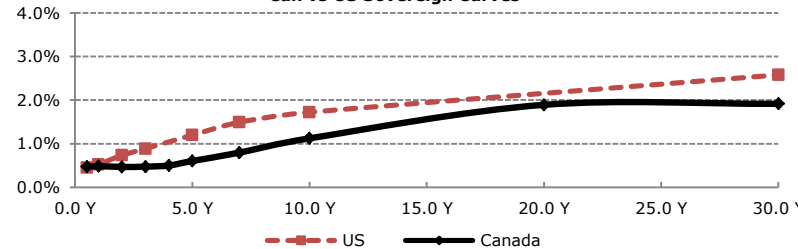
Canadian Yield Curve



US Yield Curve



Can vs US Sovereign Curves



### Foreign Exchange

(USDCAD implies 1-USD to CAD)

	Spot	23-Feb	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$1.379	+0.009		1.412	1.328	1.257
EURUSD	\$1.102	-0.001		1.080	1.073	1.134
USDJPY	¥112.10	-0.820		118.78	122.87	118.81
GBPUSD	\$1.402	-0.013		1.427	1.529	1.546
AUDUSD	\$0.720	-0.003		0.700	0.719	0.780

	Spot	23-Feb	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥81.27	-1.098		84.12	92.49	94.51
CADAUD	\$1.006	-0.003		1.011	1.046	1.019
GBPUSD	£1.934	-0.005		2.014	2.032	1.943
EURJPY	¥123.54	-0.980		128.26	131.89	134.67
EURAUD	\$1.53	+0.004		1.54	1.49	1.45

### Economic Releases

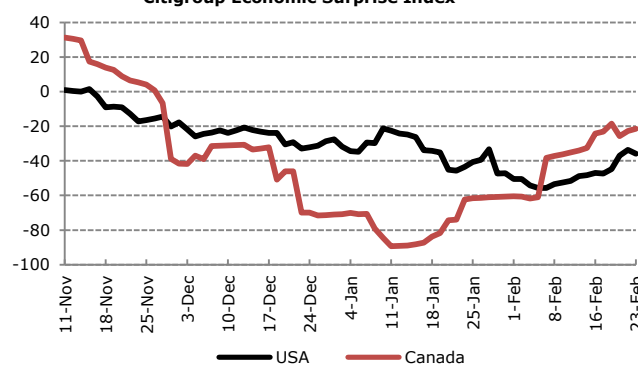
#### United States

Date	Release	Period	Survey	Actual	Prior
Tue, Feb 23	Existing Home Sales	29-Feb	5.33M	5.47M	5.46M
Tue, Feb 23	Consumer Confidence	31-Mar	97.2	92.2	98.1
Wed, Feb 24	New Home Sales	31-Jan	520K	544K	490K
Thu, Feb 25	Durable Goods Orders	31-Jan	2.7%	--	-5%
Thu, Feb 25	Continuing Claims	13-Feb	2253K	--	2273K
Thu, Feb 25	Initial Jobless Claims	20-Feb	270K	--	269K
Fri, Feb 26	Personal Income	31-Jan	0.4%	--	0.3%

#### Canada

Period	Survey	Actual	Prior
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Citigroup Economic Surprise Index



### Economics

	Q4-14	Q1-15	Q2-15	Q3-15
<b>Canada</b>				
Real GDP	3.36%		-0.26%	2.34%
CPI			0.90%	1.20%
Unemployment		6.80%		7.10%
<b>US</b>				
Real GDP	2.10%		-0.03%	2.00%
CPI	1.27%			0.13%
Unemployment	5.60%	5.50%		5.10%
<b>China</b>				
Real GDP			7.00%	6.90%

Real GDP (YoY%)

