

Commentary

Email dailyroll@economics.utoronto.ca to subscribe

U.S stock markets moved lower last Friday, with the S&P 500 and Dow Jones losing 0.38% and 0.49%, to close at 2,139.60 and 18,123.80, respectively. The Canadian equity markets were also down, as the S&P/TSX Composite declined by 0.36% to close at 14,450.84. The American bond market was down as the 10 year US Treasury yield went up 2 bps to 1.69%. Meanwhile, Canadian bond markets were little changed, as the yield on 10 year notes fell by 0.5bps to 1.19%. Stocks in the energy sector tumbled as crude oil prices fell by 1.98% from \$43.91 to \$43.03 per barrel on Friday. Oil prices rallied over the weekend however, with WTI trading at \$45.03 per barrel at 5:58 a.m. this morning. Investors are waiting on Canadian CPI numbers to be released on Sept 23.

Bloomberg news indicates that 23 out of 43 economists surveyed believe that the Bank of Japan will ease monetary policy this week. Central bank policies have become increasingly important since the 2008 financial crisis, with some referring to their actions as "the only game in town." According to Morgan Stanley MUFG Securities and several leading economists, the Bank of Japan will likely cut rates from -0.10% to -0.20%. Unfortunately, the effects of negative interest rates have worked counter to expectations by appreciating the yen and forcing bond yields up. This is leading many leading economists within Japan to voice concerns over central bank policies being less effective or even counter-productive. Problems with central bank policy may actually stem from inefficient or contradictory government policy. In particular, Prime Minister Shinzo Abe's structural reform policies have so far not delivered the desired results that would coincide with a strong economic recovery when paired with reduced interest rates.

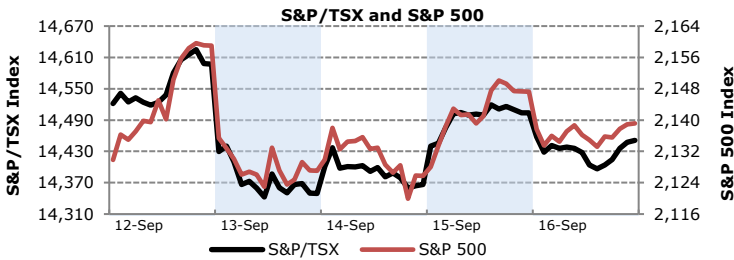
Markets are awaiting the Federal Open Market Committee's decision on the Federal Funds rate this Wednesday. Expectations over the past few weeks have gradually leaned towards the Fed holding rates steady. These expectations are primarily based on lower than expected non-farm payroll increases in September's data release. Fed Governor Lael Brainard's comments last week also helped to reaffirm these speculations. In her recent statement, she discussed the "new normal" and how the economic indicators used in assessing monetary policy decisions have not been supporting a rate hike. She stressed lower inflation and lower than expected increases in non-farm payrolls as well as foreign market volatility and underperformance in Europe, Japan, and emerging markets which could lead to financial market spillovers, and thus should be considered in an interest rate decision.

Major Economic Releases

United States	Period	Survey	Actual	Prior	Canada	Period	Survey	Actual	Prior
CPI MoM	Aug	0.1%	0.2%	0.0%	Manufacturing Sales MoM	Aug	1.00%	0.10%	0.80%
Core CPI MoM	Aug	0.2%	0.3%	0.1%					

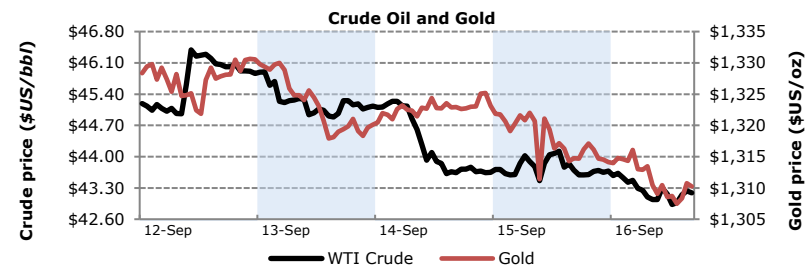
Market Movements

Equities



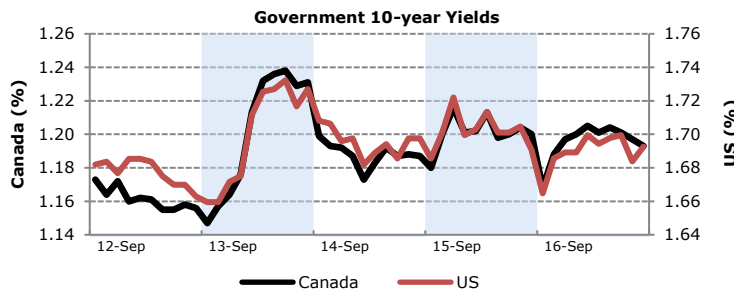
	16-Sep	day Δ	%Δ	5-day	1-mnth
S&P/TSX	14,450.69	-52.98	-0.37%	-0.61%	-1.72%
S&P 500	2,139.16	-8.1	-0.38%	+0.53%	-1.79%
DJIA	18,123.80	-88.68	-0.49%	+0.21%	-2.31%

Commodities



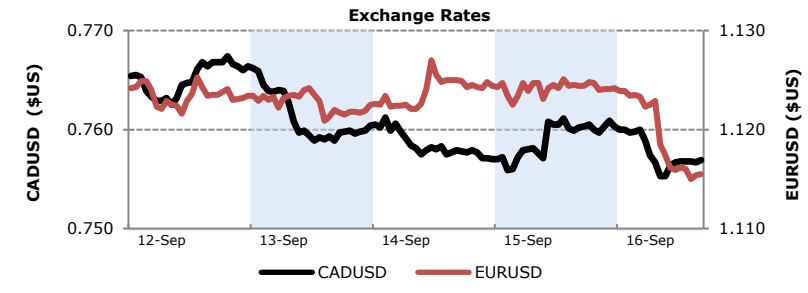
	16-Sep	day Δ	%Δ	5-day	1-mnth
Oil (\$US/Bbl)	\$43.03	-0.88	-1.72%	-6.21%	-10.76%
Gold (\$US/oz)	\$1,310	-4.49	-0.34%	-1.33%	-2.86%

Interest Rates



	Government 10-year Yields					Historical levels				
	16-Sep	day Δ	-1 mnth	-3 mnths	-1 year	16-Sep	day Δ	-1 mnth	-3 mnths	-1 year
Canada	1.19%	-0.007%	1.05%	1.12%	1.53%					
United States	1.69%	0.002%	1.55%	1.61%	2.19%					

Foreign Exchange



	(USDCAD implies \$1-USD to CAD)					Historical levels				
	Spot	16-Sep	day Δ	-5 days	-1 mnth	16-Sep	day Δ	-5 days	-1 mnth	-1 year
USDCAD	\$1.321	\$1.321	+0.005	1.305	1.278					
EURUSD	\$1.116	\$1.116	-0.009	1.123	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.

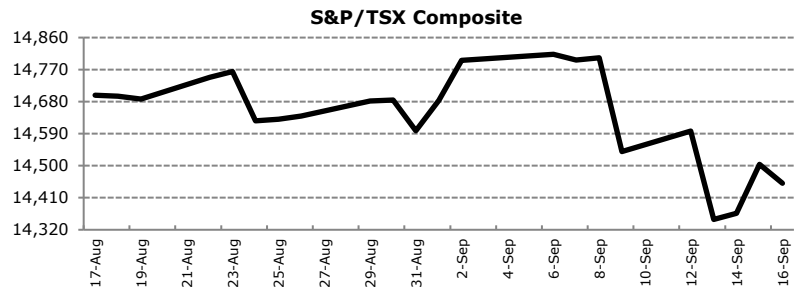
<http://www.rotmanfinanceassociation.com>



The information contained in this report is intended for educational and informative purposes only, and has been obtained from publicly-available sources, without independent verification of the accuracy thereof. The author, the MFE Program, and the Rotman Finance Association, jointly and severally expressly disclaim any responsibility for the completeness and/or accuracy of the information contained herein. The opinions expressed herein are based upon the analyses and interpretations of author(s), and are not necessarily reflective of the views or opinions of the MFE Program, Rotman Finance Association, or the University of Toronto. Nothing in this report should be construed as a solicitation, recommendation, or offer to buy or sell the securities mentioned herein. **Unauthorized use or reproduction is strictly prohibited.**

Canadian Indicies

TSX	16-Sep	day Δ	%Δ
	14,450.69	-52.98	-0.37%
Trailing	S&P/TSX	TSX 60	
5-day	-0.61%	-0.41%	
1-month	-1.72%	-1.31%	
3-months	+4.09%	+4.35%	
6-months	+7.22%	+6.52%	
12-months	+4.99%	+3.92%	



Sector Returns

	1-day	5-day	1-mnth	12-mnth
C. Discretionary	+0.05%	+0.50%	-0.66%	-2.47%
C. Staples	-0.71%	-0.39%	-1.59%	+9.81%
Energy	+0.00%	-2.13%	-2.66%	+11.25%
Financials	-0.49%	-0.44%	+1.11%	+6.39%
Healthcare	-0.68%	-1.76%	+2.18%	-84.42%
Info Tech	-0.41%	+1.80%	+0.08%	+9.34%
Industrials	-0.15%	+0.68%	+0.92%	+8.77%
Materials	-0.69%	-0.59%	-9.30%	+38.57%
Telecom	-0.87%	-0.78%	-3.43%	+10.53%
Utilities	+0.21%	-0.45%	-2.23%	+11.78%

TSX Top Performers

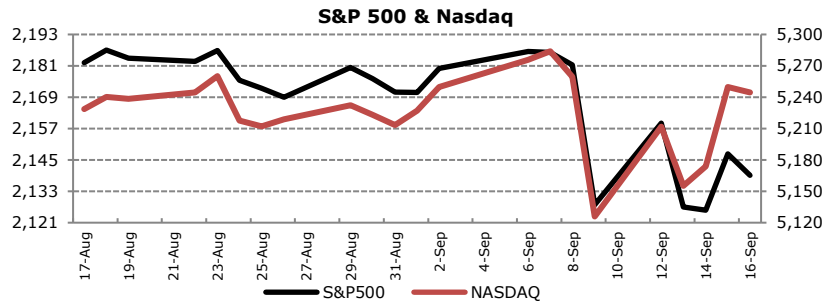
Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Northview Apartment Real	+4.53%	+3.60%	+3.19%	+2.14%
Eldorado Gold Corp	+3.96%	+15.13%	-3.67%	+31.58%
Centerra Gold Inc	+3.50%	+7.57%	-3.65%	+0.68%
Kelt Exploration Ltd	+3.18%	+0.92%	+9.76%	-11.41%
Finning International Inc	+2.83%	+3.19%	+1.70%	+6.92%

TSX Worst Performers

Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Concordia International C	-18.63%	-25.13%	-40.37%	-92.62%
Semafo Inc	-7.45%	-2.84%	-18.36%	+72.56%
Alamos Gold Inc-Class A	-5.97%	+1.46%	-11.11%	+75.08%
Torex Gold Resources Inc	-5.92%	-9.57%	-13.14%	+110.59%
Alacer Gold Corp	-5.60%	+9.06%	+3.06%	+10.13%

US Indices

Trailing	S&P 500	DJIA	Nasdaq
16-Sep	2,139.16	18,123.80	5,244.57
1-day	-0.38%	-0.49%	-0.10%
5-day	+0.53%	+0.21%	+2.31%
1-month	-1.79%	-2.31%	+0.33%
3-months	+2.94%	+2.20%	+8.25%
6-months	+5.52%	+4.61%	+10.09%
12-months	+7.21%	+8.27%	+7.27%



S&P 500 Sector Returns

	1-day	5-day	1-mnth	12-mnth
C. Discretionary	-0.16%	+0.48%	-3.71%	+2.77%
C. Staples	-0.30%	+0.70%	-3.13%	+10.62%
Energy	-0.85%	-2.91%	-3.01%	+4.58%
Financials	-0.91%	-1.26%	-0.98%	+1.03%
Healthcare	+0.11%	+1.21%	-2.68%	+1.10%
Info Tech	-0.33%	+3.03%	+1.35%	+15.57%
Industrials	-0.77%	-0.50%	-3.36%	+8.63%
Materials	-0.38%	-0.99%	-3.44%	+8.73%
Telecom	-0.43%	+0.51%	-3.24%	+16.14%
Utilities	+0.92%	+2.42%	-0.05%	+17.50%

DJIA Top Performers

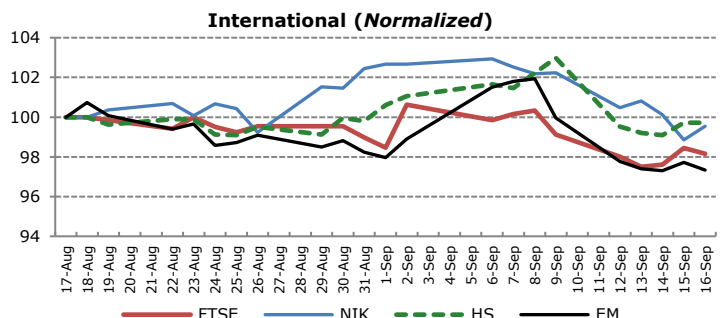
Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
Intel Corp	+3.04%	+6.29%	+6.99%	+26.79%
Unitedhealth Group Inc	+2.11%	+3.63%	-1.85%	+12.34%
Wal-Mart Stores Inc	+0.65%	+3.66%	-0.03%	+13.03%

DJIA Worst Performers

Ranked by 1-day	1-day	5-day	1-mnth	12-mnth
United Technologies Corp	-2.54%	-2.51%	-8.30%	+7.28%
Chevron Corp	-1.67%	-3.39%	-4.66%	+23.21%
Cisco Systems Inc	-1.50%	-0.03%	-0.90%	+19.17%

International Markets

Trailing	FTSE 100	Nikkei	Hang Seng	MSCI EM
Last Close	6,710.28	16,519.29	23,335.59	885.45
1-day	-0.30%	+0.70%	+0.00%	-0.40%
5-day	-0.98%	-2.63%	-3.17%	-2.63%
1-month	-2.66%	-0.47%	+1.85%	-3.29%
3-months	+12.77%	+7.03%	+16.45%	+10.71%
6-months	+8.66%	-2.68%	+15.19%	+11.92%
12-months	+7.72%	-9.09%	+6.23%	+7.63%



Oil & Gas

Nymex WTI Crude Oil

(\$US/Bbl)	16-Sep	day Δ	%Δ	5-day	1-mnth
Prompt	\$43.03	-\$0.88	-2.00%	-6.21%	-10.76%
Cal 17	\$47.58	-\$0.81	-1.68%	-4.44%	+1.89%
Cal 18	\$50.42	-\$0.75	-1.46%	-3.06%	+2.48%

(\$US/bbl)	Q1-17	Q2-17	Q3-17	Q4-17	2018
Consensus Forecast	\$51.00	\$53.00	\$56.00	\$58.50	\$60.50
Current Forward	\$45.70	\$47.27	\$48.29	\$49.04	\$50.42

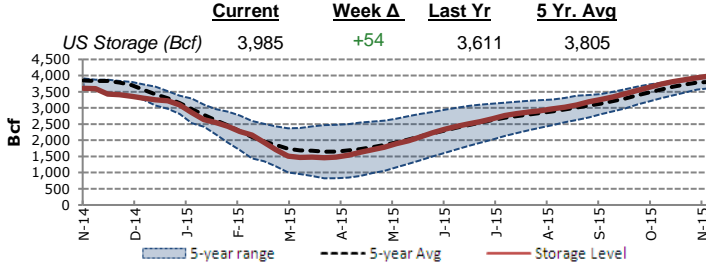
Inventory Levels (as of Sep-09)

(MBbls)	Current	Week Δ	Last Yr	5 Yr. Avg
Crude Oil	510,798	-559	337,426	319,411
Motor Gas	228,360	+567	214,389	200,481
Distillates	162,754	+4,619	171,756	140,851

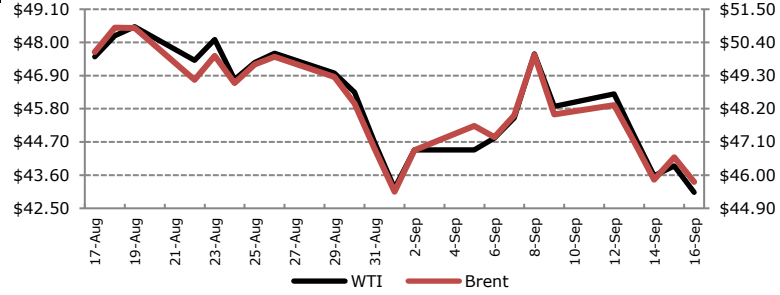
Nymex Natural Gas

(\$US/MMbtu)	16-Sep	day Δ	%Δ	5-day	1-mnth
Prompt	\$2.95	+\$0.02	+0.72%	+5.40%	+12.56%
Nov16-Mar17	\$3.24	+\$0.02	+0.66%	+3.17%	-1.04%
Apr17-Oct17	\$3.07	+\$0.01	+0.49%	+2.17%	-0.40%
Nov17-Mar18	\$3.27	+\$0.01	+0.41%	+1.21%	-0.74%
Apr18-Oct18	\$2.84	+\$0.01	+0.27%	+0.49%	-1.63%

Inventory Levels (as of Nov-06)



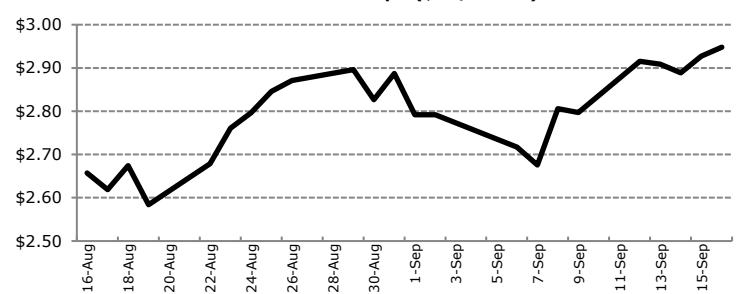
Crude Oil Prompt Contract (\$US/Bbl)



UK Brent Crude Oil

(\$US/Bbl)	16-Sep	day Δ	%Δ	5-day	1-mnth
Prompt	\$45.77	-\$0.82	-1.79%	-4.67%	-10.06%

Nat Gas Prompt (\$US/MMbtu)



Alberta Natural Gas

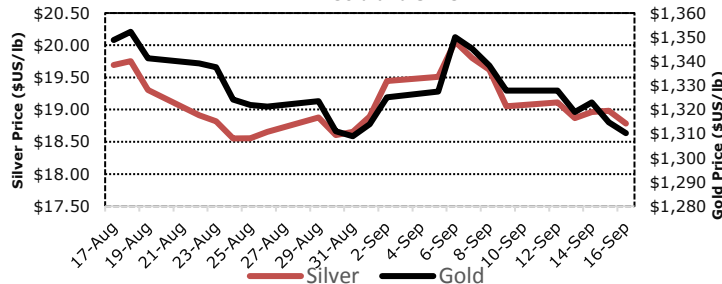
(\$CAD/GJ)	16-Sep	day Δ	%Δ
AECO Oct-16	\$2.53	+\$0.04	+1.6%

Other Commodities

Precious Metals

\$US/oz	16-Sep	day Δ	%Δ	5-day	1-mnth	3-mnth
Gold	\$1,310.25	-\$4.49	-0.3%	-1.3%	-2.9%	+4.2%
Silver	\$18.78	-\$0.20	-1.1%	-1.4%	-4.6%	+8.6%
Platinum	\$1,018	-\$14.25	-1.4%	-4.2%	-9.0%	+5.4%

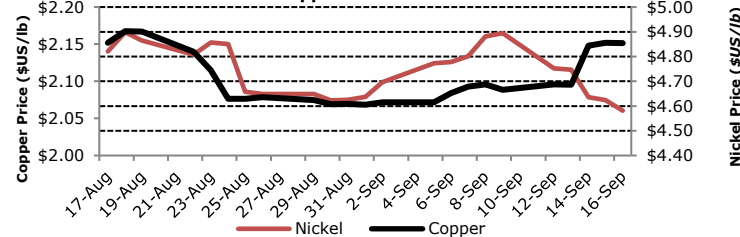
Gold and Silver



Industrial Metals

\$US/lb	16-Sep	day Δ	%Δ	5-day	1-mnth	3-mnth
Copper	\$2.15	-\$0.00	-0.0%	+3.0%	-0.0%	-0.5%
Nickel	\$4.58	-\$0.04	-0.9%	-6.4%	-5.0%	+5.3%
Aluminum	\$0.79	+\$0.00	0.0%	0.0%	0.0%	-1.3%
Uranium	\$25.25	+\$0.00	0.0%	-0.6%	-3.1%	-4.4%

Copper and Nickel



Commodity ETFs

	16-Sep	day Δ	%Δ	5-day	1-mnth
Corn (\$US/bu)	\$3.37	+\$0.07	+2.1%	-1.2%	-1.5%
Wheat (\$US/bu)	\$4.03	+\$0.04	+0.9%	-0.1%	-9.2%
Soybeans (\$US/bu)	\$9.66	+\$0.15	+1.6%	-1.5%	-4.8%
Rough Rice (\$US/cwt)	\$9.82	+\$0.03	+0.3%	+3.2%	-4.9%
Sugar #11 (#US/lb)	¢22.47	¢1.31	+6.2%	+8.6%	+9.8%
Lean Hogs (#US/lb)	¢49.95	¢0.50	+1.0%	-7.4%	-11.5%
Live Cattle (#US/lb)	¢108.05	¢1.08	+1.0%	+2.5%	-3.6%
Cotton No.2 (\$US/lb)	\$0.67	-\$0.00	-0.6%	-2.6%	-2.5%
Lumber (\$US/Mbft)	\$303.90	+\$2.90	+1.0%	-1.8%	-8.1%

	16-Sep	day Δ	%Δ	5-day	1-mnth
\$CAD					
HBP Crude Oil U	\$6.79	-\$0.23	-3.3%	-11.6%	-19.2%
HBP Nat Gas U	\$12.00	+\$0.23	+2.0%	+10.4%	+18.8%
iShares Gold ETF	\$11.55	-\$0.01	-0.1%	-0.9%	-2.7%
\$USD					
US Crude Oil	\$10.00	-\$0.14	-1.4%	-5.57%	-8.4%
US Nat Gas	\$8.67	+\$0.10	+1.2%	5.60%	+10.7%
PSDB Agriculture	\$20.33	+\$0.21	+1.0%	-0.05%	-2.6%
PSDB Base Metals	\$13.32	-\$0.02	-0.1%	-0.37%	-3.5%

Interest Rates

Canadian yield curve

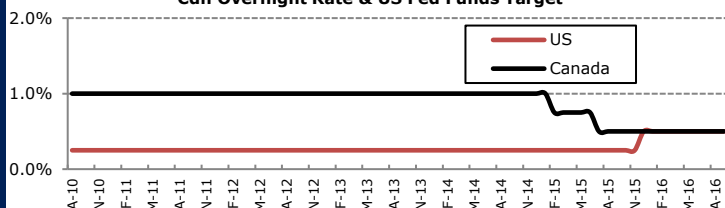
	16-Sep	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.49%	-	0.49%	0.50%	0.39%
6-mnth	0.53%	-	0.53%	0.51%	0.41%
12-mnth	0.57%	+0.00%	0.56%	0.52%	0.47%
2-year	0.58%	+0.01%	0.57%	0.52%	0.48%
5-year	0.74%	+0.01%	0.65%	0.59%	0.81%
10-year	1.19%	-0.01%	1.05%	1.12%	1.53%
20-year	1.80%	-0.02%	1.65%	1.76%	2.25%
30-year	1.82%	-0.02%	1.66%	1.77%	2.29%

US yield curve

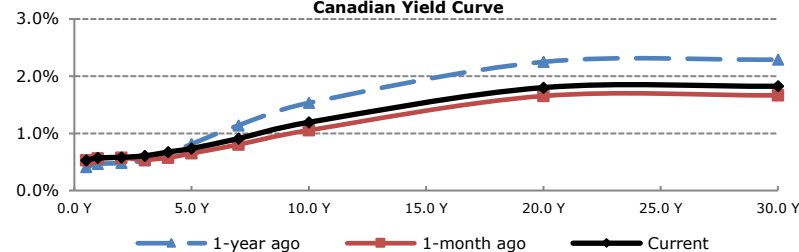
	16-Sep	day Δ	Historical Levels		
			-1 mnth	-3 mnths	-1 year
3-mnth	0.28%	-0.01%	0.29%	0.25%	-0.01%
6-mnth	0.48%	+0.01%	0.45%	0.35%	0.13%
12-mnth	0.60%	+0.01%	0.58%	0.49%	0.35%
2-year	0.76%	+0.04%	0.73%	0.69%	0.68%
5-year	1.20%	+0.02%	1.13%	1.11%	1.48%
10-year	1.69%	+0.00%	1.55%	1.61%	2.19%
30-year	2.45%	-0.02%	2.26%	2.42%	3.01%

	Current	Prior	Next Meeting	Survey
Cdn Overnight	0.50%	0.50%	19-Oct-16	0.50%
US Fed Funds	0.50%	0.50%	21-Sep-16	0.50%

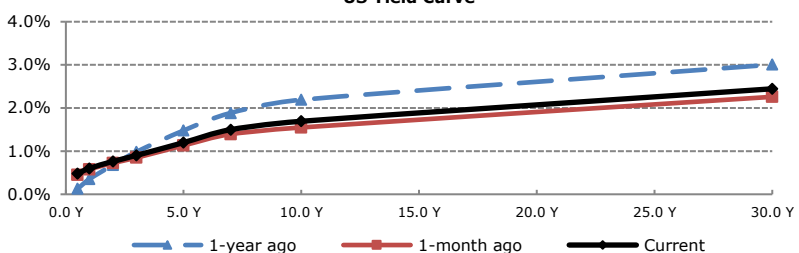
Cdn Overnight Rate & US Fed Funds Target



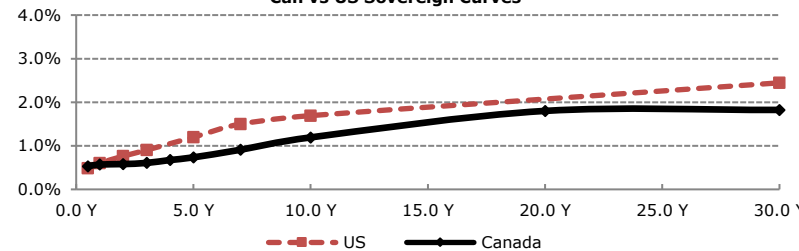
Canadian Yield Curve



US Yield Curve



Can vs US Sovereign Curves



Foreign Exchange

(USDCAD implies 1-USD to CAD)

	Spot	16-Sep	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
USDCAD	\$1.321	\$1.321	+0.005	1.278	1.281	1.331
EURUSD	\$1.116	\$1.116	-0.009	1.135	1.131	1.123
USDJPY	¥102.29	¥102.29	+0.190	99.89	103.94	120.07
GBPUSD	\$1.300	\$1.300	-0.024	1.317	1.470	1.524
AUDUSD	\$0.749	\$0.749	-0.002	0.769	0.746	0.702

	Spot	16-Sep	day Δ	Historical Levels		
				-1 mnth	-3 mnths	-1 year
CADJPY	¥77.45	¥77.45	-0.141	78.15	81.16	90.24
CADAUD	\$1.010	\$1.010	-0.001	1.018	1.047	1.070
GBPCAD	£1.718	£1.718	-0.024	1.683	1.882	2.028
EURJPY	¥114.10	¥114.10	-0.700	113.41	117.59	134.84
EURAUD	\$1.49	\$1.49	-0.007	1.48	1.52	1.60

Economic Releases

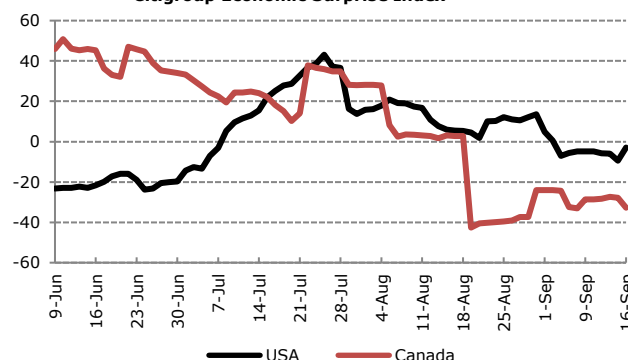
United States

	Period	Survey	Actual	Prior	
Tue, Sep 20	Housing Starts	31-Aug	1190K	--	1211K
Thu, Sep 22	Leading Indicators	31-Aug	--	--	0.4%
Thu, Sep 22	Existing Home Sales	31-Aug	5.45M	--	5.39M
Thu, Sep 22	Continuing Claims	10-Sep	2142.5K	--	2143K
Thu, Sep 22	Initial Jobless Claims	17-Sep	261K	--	260K

Canada

	Period	Survey	Actual	Prior	
Fri, Sep 23	BOC CPI Core (YoY)	31-Aug	2%	--	2.1%
Fri, Sep 23	Retail Sales (MoM)	31-Jul	0.2%	--	-0.1%
Fri, Sep 23	Consumer Price Index	31-Aug	1.4%	--	1.3%

Citigroup Economic Surprise Index



Economics

	Q3-15	Q4-15	Q1-16	Q2-16
Canada				
Real GDP	2.19%	0.50%	2.50%	-1.61%
CPI	1.20%	1.33%	1.57%	1.57%
Unemployment	7.10%	7.10%	7.10%	6.80%

	Q3-15	Q4-15	Q1-16	Q2-16
US				
Real GDP	2.00%	0.90%	0.80%	1.10%
CPI	0.13%	0.47%	1.10%	1.03%
Unemployment	5.10%	5.00%	5.00%	4.90%

	Q3-15	Q4-15	Q1-16	Q2-16
China				
Real GDP	6.90%	6.80%	6.70%	6.70%

Real GDP (YoY%)

