

Commentary

Email dailyroll@economics.utoronto.ca to subscribe

US equity markets closed slightly higher yesterday, with S&P 500 and Dow Jones rising 0.03% and 0.05%, closing at 2,139.76 and 18,129.96 respectively. S&P/TSX Composite moved up 0.18%, closing at 14,521.98. The Bank of Japan maintained its current policy rate at -0.1%; its equity markets rallied, with TOPIX index climbing 2.7% to close at 1,352.67 and Nikkei moving up 1.9% to 16,807.62. Crude prices increased 0.14% from \$43.30 to \$43.44, with prices continuing to rise this morning. The yield on 10 year US treasury notes declined 2 bps to 1.69%, and the yield on Canadian 10 year bonds declined 3 bps to 1.16%. Markets are awaiting the Fed's interest rate decision today at 2pm ET.

The Bank of Japan (BOJ) announced on Wednesday that it would hold its interest rate steady at -0.1%. It shifted its monetary policy framework away from targeting the average maturity of its government bond holdings and instead adopted "yield curve control." This change indicates that the BOJ plans to buy back long-term government bonds to keep its 10 year bond yield within a restricted range. The central bank plans to buy back JGBs at a rate of 80 trillion yen (\$781 billion USD) per year, and will keep the target inflation at 2% with an "inflation-overshooting commitment." Equities around the world rose, as the yen weakened, in response to the BOJ's decision.

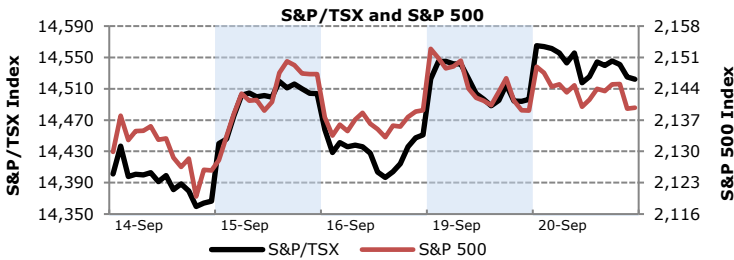
WTI for November delivery was trading higher at \$45.00 per barrel at 6:10 a.m. ET after OPEC announced that it may turn the informal talks planned for next week into a formal session. Algerian Energy Minister, Nouredine Bouterfa, claimed that the supply of oil needed to be cut by 1 million barrels per day to rebalance the market and stabilize oil prices. In fact, oil has fluctuated since August's rally based on speculation that OPEC, and observer nation Russia, will work together to stabilize the market. Bouterfa also claimed that oil prices need another six to nine months to stabilize within the range of \$50 to \$60 per barrel. However, according to a Bloomberg survey, oil analysts do not expect an agreement over a production decrease, given the internal tensions within the group.

Major Economic Releases

| United States | Period | Survey | Actual | Prior | Canada | Period | Survey | Actual | Prior |
|----------------------------------|--------|--------|--------|-------|----------------|--------|--------|--------|-------|
| FOMC Target Rate (Upper Bound) | 21-Sep | 0.50% | | 0.50% | None scheduled | | | | |
| MBA US Mortgage Market WoW Inde. | 1-Sep | | -7.3% | 4.2% | | | | | |

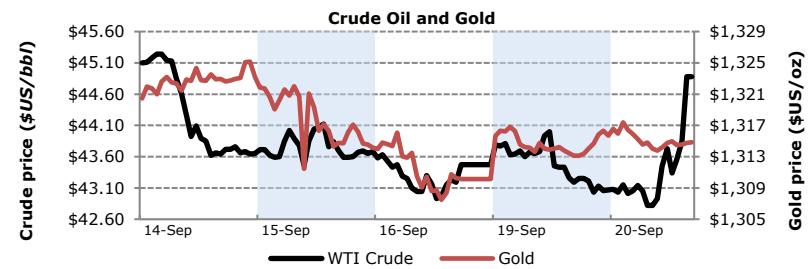
Market Movements

Equities



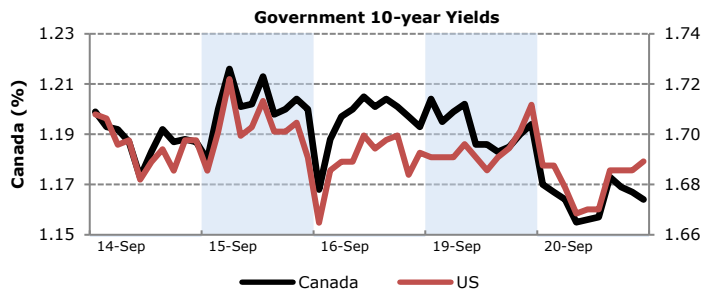
| | 20-Sep | day Δ | %Δ | 5-day | 1-mnth |
|---------|-----------|-------|--------|--------|--------|
| S&P/TSX | 14,521.98 | 25.75 | +0.18% | +1.20% | -1.13% |
| S&P 500 | 2,139.76 | 0.64 | +0.03% | +0.60% | -2.02% |
| DJIA | 18,129.96 | 9.79 | +0.05% | +0.35% | -2.28% |

Commodities



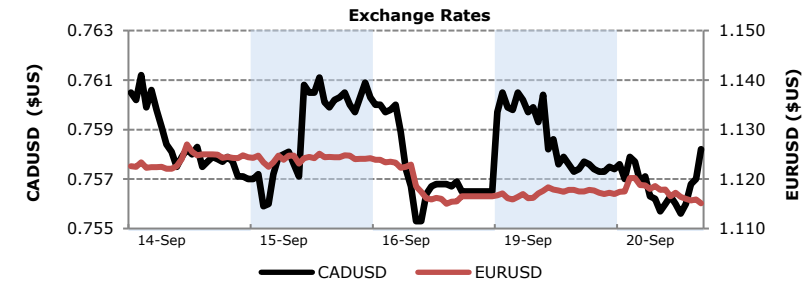
| | 20-Sep | day Δ | %Δ | 5-day | 1-mnth |
|----------------|---------|-------|--------|--------|--------|
| Oil (\$US/bbl) | \$43.44 | 0.14 | +0.32% | -3.25% | -8.37% |
| Gold (\$US/oz) | \$1,315 | 1.73 | +0.13% | -0.31% | -1.97% |

Interest Rates



| | Government 10-year Yields | | | | |
|---------------|---------------------------|---------|---------|----------|---------|
| | 20-Sep | day Δ | -1 mnth | -3 mnths | -1 year |
| Canada | 1.16% | -0.030% | 1.08% | 1.23% | 1.54% |
| United States | 1.69% | -0.023% | 1.58% | 1.69% | 2.20% |

Foreign Exchange



| | Historical levels | | | | |
|--------|-------------------|--------|---------|---------|---------|
| | 20-Sep | day Δ | -5 days | -1 mnth | -1 year |
| USDCAD | \$1.319 | -0.001 | 1.318 | 1.295 | 1.340 |
| EURUSD | \$1.115 | -0.002 | 1.122 | 1.132 | 1.124 |

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

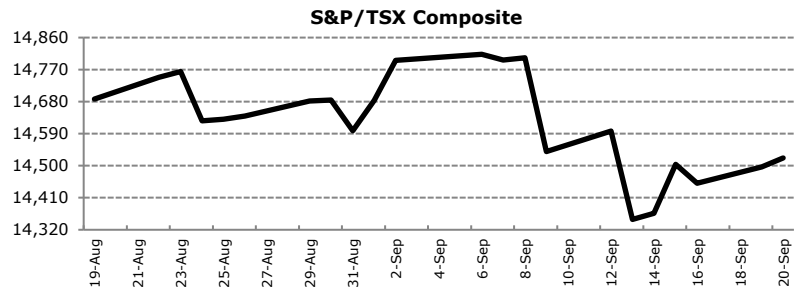


The purpose of the Rotman Finance Association is to bridge the gap between classroom financial theory and finance-based careers by offering students industry speaker sessions, alumni networking seminars and competitions. For more information please see the website below.

<http://www.rotmanfinanceassociation.com>

Canadian Indicies

| TSX | 20-Sep | day Δ | %Δ |
|-----------------|--------------------|---------------|--------|
| | 14,521.98 | 25.75 | +0.18% |
| Trailing | S&P/TSX | TSX 60 | |
| 5-day | +1.20% | +1.33% | |
| 1-month | -1.13% | -0.93% | |
| 3-months | +3.62% | +3.79% | |
| 6-months | +7.59% | +6.88% | |
| 12-months | +6.41% | +5.24% | |



Sector Returns

| | 1-day | 5-day | 1-mnth | 12-mnth |
|------------------|--------|--------|--------|---------|
| C. Discretionary | +0.82% | +2.02% | +0.01% | -0.57% |
| C. Staples | +0.83% | +2.42% | +0.19% | +10.03% |
| Energy | -0.72% | +0.04% | -3.43% | +11.56% |
| Financials | +0.58% | +1.56% | +1.77% | +9.67% |
| Healthcare | -1.66% | -1.96% | -4.49% | -85.21% |
| Info Tech | +1.26% | +2.81% | +2.50% | +11.32% |
| Industrials | -0.46% | +0.67% | -1.12% | +10.23% |
| Materials | +0.09% | +1.12% | -6.24% | +40.15% |
| Telecom | +0.54% | +1.16% | -2.07% | +9.98% |
| Utilities | +0.34% | +1.61% | -2.07% | +12.91% |

TSX Top Performers

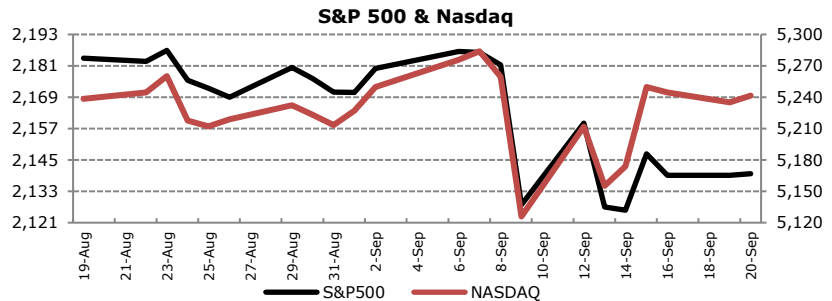
| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|-----------------------|--------|--------|---------|----------|
| Alacer Gold Corp | +5.35% | +8.72% | +16.88% | +23.84% |
| Firstservice Corp | +4.98% | +3.71% | -0.30% | +45.16% |
| Just Energy Group Inc | +4.09% | +5.64% | -3.26% | -11.55% |
| Endeavour Mining Corp | +3.58% | +8.49% | +8.96% | +312.79% |
| Avigilon Corp | +3.45% | +5.32% | -3.33% | -22.82% |

TSX Worst Performers

| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|-------------------------|--------|---------|---------|---------|
| Encana Corp | -7.60% | -4.75% | -7.60% | +26.34% |
| Baytex Energy Corp | -5.48% | -9.55% | -31.49% | -9.04% |
| Bombardier Inc-B | -5.14% | -12.17% | -15.31% | -5.68% |
| Gran Tierra Energy Inc | -3.28% | -2.48% | -7.57% | +12.74% |
| Precision Drilling Corp | -3.27% | -4.82% | -16.84% | -7.60% |

US Indices

| Trailing | S&P 500 | DJIA | Nasdaq |
|-----------|----------|-----------|----------|
| 20-Sep | 2,139.76 | 18,129.96 | 5,241.35 |
| 1-day | +0.03% | +0.05% | +0.12% |
| 5-day | +0.60% | +0.35% | +1.67% |
| 1-month | -2.02% | -2.28% | +0.06% |
| 3-months | +2.71% | +1.83% | +8.35% |
| 6-months | +4.40% | +3.00% | +9.29% |
| 12-months | +9.28% | +10.65% | +8.58% |



S&P 500 Sector Returns

| | 1-day | 5-day | 1-mnth | 12-mnth |
|------------------|--------|--------|--------|---------|
| C. Discretionary | +0.10% | +0.55% | -3.45% | +4.09% |
| C. Staples | +0.24% | +0.30% | -3.39% | +12.05% |
| Energy | -0.82% | -1.86% | -5.03% | +6.42% |
| Financials | +0.09% | +0.01% | -0.62% | +4.99% |
| Healthcare | +0.39% | +1.12% | -2.80% | +1.69% |
| Info Tech | -0.02% | +1.69% | +0.85% | +17.61% |
| Industrials | +0.13% | +0.23% | -3.38% | +12.16% |
| Materials | -0.32% | -0.13% | -4.29% | +11.44% |
| Telecom | -0.18% | -0.33% | -2.61% | +17.61% |
| Utilities | -0.19% | +2.90% | -0.72% | +17.64% |

DJIA Top Performers

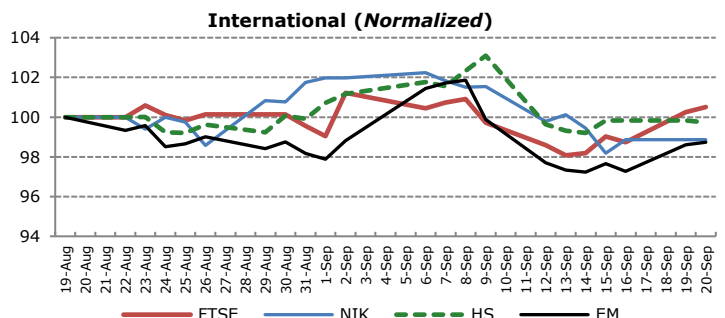
| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|---------------------|--------|--------|--------|---------|
| Mcdonald'S Corp | +1.08% | +1.50% | +1.25% | +18.95% |
| Merck & Co. Inc. | +0.99% | +0.21% | -2.24% | +21.50% |
| General Electric Co | +0.82% | -0.60% | -5.06% | +18.25% |

DJIA Worst Performers

| Ranked by 1-day | 1-day | 5-day | 1-mnth | 12-mnth |
|---------------------------|--------|--------|--------|---------|
| Exxon Mobil Corp | -1.54% | -3.13% | -5.99% | +12.47% |
| Du Pont (E.I.) De Nemours | -0.94% | -0.58% | -4.41% | +38.27% |
| American Express Co | -0.53% | -0.99% | -2.76% | -16.97% |

International Markets

| Trailing | FTSE 100 | Nikkei | Hang Seng | MSCI EM |
|------------|----------|-----------|-----------|---------|
| Last Close | 6,830.79 | 16,492.15 | 23,530.86 | 898.82 |
| 1-day | +0.25% | -0.16% | -0.08% | +0.13% |
| 5-day | +2.48% | -1.42% | +1.36% | +1.45% |
| 1-month | -0.41% | -0.32% | +2.59% | -1.27% |
| 3-months | +10.10% | +3.30% | +14.73% | +9.46% |
| 6-months | +10.36% | -1.39% | +13.83% | +8.72% |
| 12-months | +11.90% | -8.73% | +7.34% | +8.31% |



Oil & Gas

Nymex WTI Crude Oil

| (\$US/Bbl) | 20-Sep | day Δ | %Δ | 5-day | 1-mnth |
|------------|---------|---------|--------|--------|--------|
| Prompt | \$43.44 | +\$0.14 | +0.32% | -3.25% | -8.37% |
| Cal 17 | \$47.41 | -\$0.35 | -0.74% | -3.38% | -0.48% |
| Cal 18 | \$50.42 | -\$0.20 | -0.40% | -2.35% | +0.79% |

| (\$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 | \$45.34 | \$47.06 | \$48.23 | \$49.01 | \$50.42 |

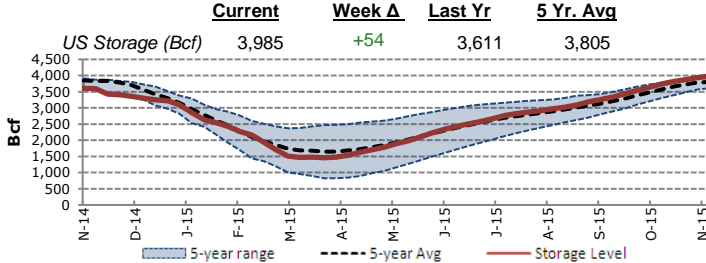
Inventory Levels (as of Sep-09)

| (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 |

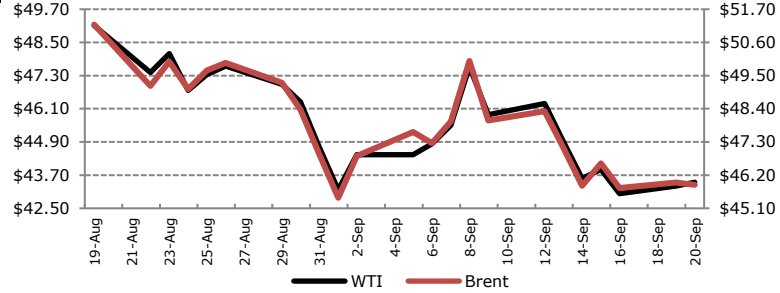
Nymex Natural Gas

| (\$US/MMbtu) | 20-Sep | day Δ | %Δ | 5-day | 1-mnth |
|--------------|--------|---------|--------|--------|---------|
| Prompt | \$3.05 | +\$0.11 | +3.85% | +4.74% | +17.92% |
| Nov16-Mar17 | \$3.32 | +\$0.09 | +2.74% | +3.57% | +3.51% |
| Apr17-Oct17 | \$3.10 | +\$0.02 | +0.60% | +1.69% | +1.50% |
| Nov17-Mar18 | \$3.28 | +\$0.01 | +0.18% | +1.06% | +0.35% |
| Apr18-Oct18 | \$2.84 | -\$0.00 | -0.05% | +0.65% | -0.83% |

Inventory Levels (as of Nov-06)



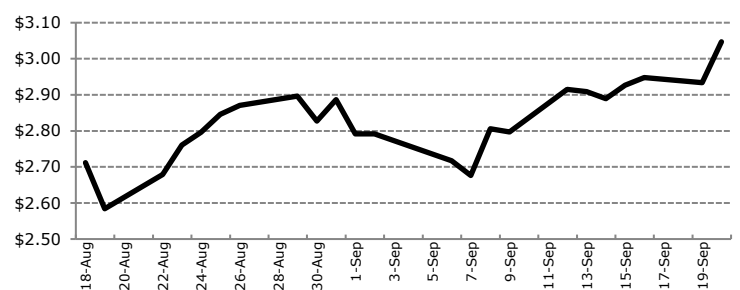
Crude Oil Prompt Contract (\$US/Bbl)



UK Brent Crude Oil

| (\$US/Bbl) | 20-Sep | day Δ | %Δ | 5-day | 1-mnth |
|------------|---------|---------|--------|--------|--------|
| Prompt | \$45.88 | -\$0.07 | -0.15% | -2.59% | -6.67% |

Nat Gas Prompt (\$US/MMbtu)



Alberta Natural Gas

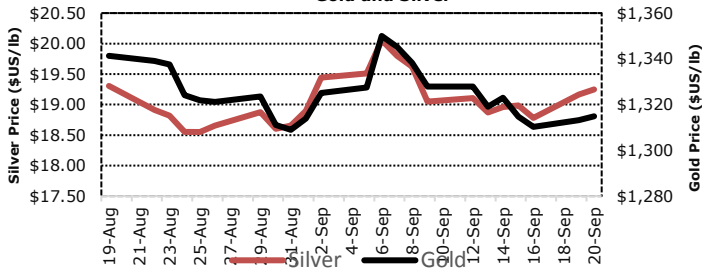
| (\$CAD/GJ) | 20-Sep | day Δ | %Δ |
|-------------|--------|---------|-------|
| AECO Oct-16 | \$2.64 | +\$0.16 | +6.6% |

Other Commodities

Precious Metals

| \$US/oz | 20-Sep | day Δ | %Δ | 5-day | 1-mnth | 3-mnth |
|----------|------------|---------|-------|-------|--------|--------|
| Gold | \$1,314.86 | +\$1.73 | +0.1% | -0.3% | -2.0% | -0.7% |
| Silver | \$19.25 | +\$0.09 | +0.4% | +2.0% | -0.3% | +8.5% |
| Platinum | \$1,030 | +\$8.50 | +0.8% | -0.6% | -7.6% | +5.1% |

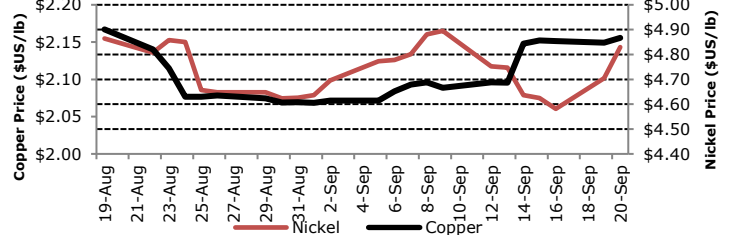
Gold and Silver



Industrial Metals

| \$US/lb | 20-Sep | day Δ | %Δ | 5-day | 1-mnth | 3-mnth |
|----------|---------|---------|-------|-------|--------|--------|
| Copper | \$2.16 | +\$0.01 | +0.3% | +2.9% | -0.5% | +1.6% |
| Nickel | \$4.83 | +\$0.13 | +2.7% | +1.7% | -0.7% | +13.6% |
| Aluminum | \$0.79 | +\$0.00 | 0.0% | 0.0% | 0.0% | 0.0% |
| Uranium | \$24.90 | +\$0.00 | 0.0% | -2.0% | -3.3% | -7.8% |

Copper and Nickel



Agriculture & Other

| | 20-Sep | day Δ | %Δ | 5-day | 1-mnth |
|-----------------------|----------|---------|-------|-------|--------|
| Corn (\$US/bu) | \$3.41 | +\$0.03 | +1.0% | +3.2% | -0.6% |
| Wheat (\$US/bu) | \$4.06 | +\$0.02 | +0.5% | +1.2% | -6.7% |
| Soybeans (\$US/bu) | \$9.90 | +\$0.17 | +1.8% | +4.8% | -2.6% |
| Rough Rice (\$US/cwt) | \$9.90 | +\$0.14 | +1.4% | +2.9% | -6.4% |
| Sugar #11 (#US/lb) | ¢22.70 | -¢0.05 | -0.2% | +8.3% | +8.7% |
| Lean Hogs (#US/lb) | ¢49.08 | +¢0.90 | +1.9% | -2.9% | -14.0% |
| Live Cattle (#US/lb) | ¢107.05 | -¢0.30 | -0.3% | +1.2% | -4.2% |
| Cotton No.2 (\$US/lb) | \$0.71 | +\$0.02 | +3.4% | +5.8% | +3.7% |
| Lumber (\$US/Mbft) | \$306.30 | +\$0.70 | +0.2% | -0.5% | -8.6% |

Commodity ETFs

| | 20-Sep | day Δ | %Δ | 5-day | 1-mnth |
|------------------|---------|---------|-------|--------|--------|
| \$CAD | | | | | |
| HBP Crude Oil U | \$6.89 | +\$0.10 | +1.5% | -6.3% | -22.5% |
| HBP Nat Gas U | \$12.80 | +\$0.96 | +8.1% | +9.6% | +31.7% |
| iShares Gold ETF | \$11.58 | +\$0.01 | +0.1% | -0.3% | -1.6% |
| \$USD | | | | | |
| US Crude Oil | \$10.07 | +\$0.09 | +0.9% | -2.89% | -10.9% |
| US Nat Gas | \$8.95 | +\$0.33 | +3.8% | 4.92% | +12.2% |
| PSDB Agriculture | \$20.62 | +\$0.18 | +0.9% | 2.64% | -1.5% |
| PSDB Base Metals | \$13.50 | +\$0.09 | +0.7% | 2.20% | -2.5% |

Interest Rates

Canadian yield curve

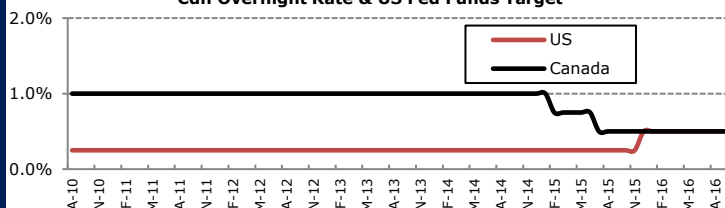
| | | | Historical Levels | | |
|---------|--------|--------|-------------------|----------|---------|
| | 20-Sep | day Δ | -1 mnth | -3 mnths | -1 year |
| 3-mnth | 0.51% | - | 0.50% | 0.52% | 0.41% |
| 6-mnth | 0.54% | - | 0.52% | 0.54% | 0.42% |
| 12-mnth | 0.57% | +0.00% | 0.55% | 0.56% | 0.50% |
| 2-year | 0.57% | -0.01% | 0.57% | 0.60% | 0.52% |
| 5-year | 0.71% | -0.03% | 0.68% | 0.70% | 0.84% |
| 10-year | 1.16% | -0.03% | 1.08% | 1.23% | 1.54% |
| 20-year | 1.77% | -0.04% | 1.68% | 1.86% | 2.25% |
| 30-year | 1.79% | -0.04% | 1.69% | 1.87% | 2.29% |

US yield curve

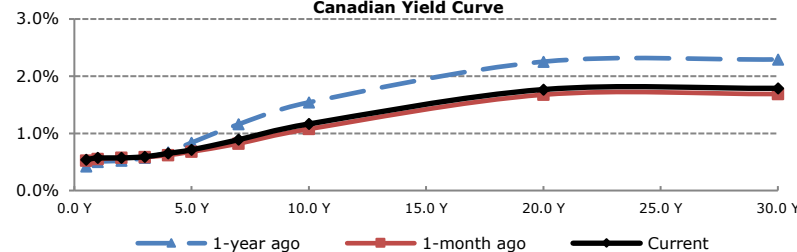
| | | | Historical Levels | | |
|---------|--------|--------|-------------------|----------|---------|
| | 20-Sep | day Δ | -1 mnth | -3 mnths | -1 year |
| 3-mnth | 0.29% | +0.04% | 0.30% | 0.26% | -0.02% |
| 6-mnth | 0.50% | +0.03% | 0.44% | 0.40% | 0.06% |
| 12-mnth | 0.61% | - | 0.58% | 0.54% | 0.35% |
| 2-year | 0.77% | -0.00% | 0.75% | 0.74% | 0.71% |
| 5-year | 1.20% | -0.02% | 1.16% | 1.20% | 1.49% |
| 10-year | 1.69% | -0.02% | 1.58% | 1.69% | 2.20% |
| 30-year | 2.43% | -0.02% | 2.29% | 2.50% | 3.02% |

| | 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% |

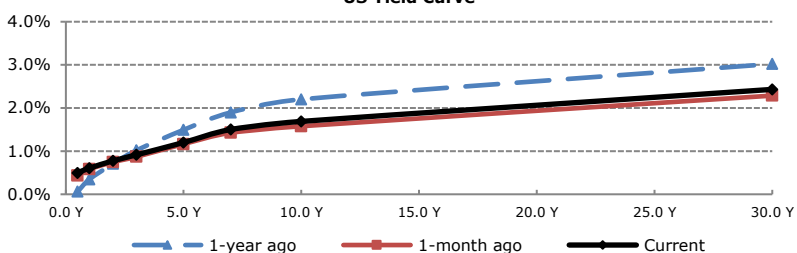
Cdn Overnight Rate & US Fed Funds Target



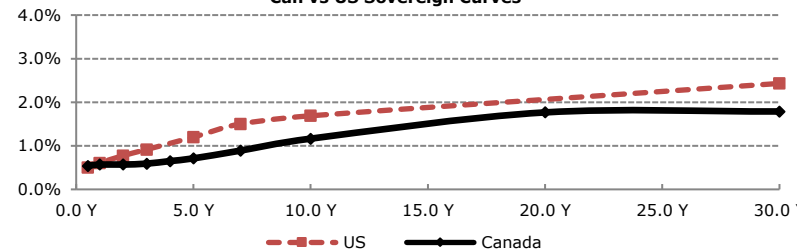
Canadian Yield Curve



US Yield Curve



Can vs US Sovereign Curves



Foreign Exchange

(USDCAD implies 1-USD to CAD)

| | | | Historical Levels | | |
|--------|---------|--------|-------------------|----------|---------|
| Spot | 20-Sep | day Δ | -1 mnth | -3 mnths | -1 year |
| USDCAD | \$1.319 | -0.001 | 1.295 | 1.284 | 1.340 |
| EURUSD | \$1.115 | -0.002 | 1.132 | 1.130 | 1.124 |
| USDJPY | ¥101.70 | -0.230 | 100.33 | 104.41 | 119.92 |
| GBPUSD | \$1.299 | -0.004 | 1.314 | 1.471 | 1.517 |
| AUDUSD | \$0.756 | +0.002 | 0.763 | 0.750 | 0.699 |

| | | | Historical Levels | | |
|--------|---------|--------|-------------------|----------|---------|
| Spot | 20-Sep | day Δ | -1 mnth | -3 mnths | -1 year |
| CADJPY | ¥77.11 | -0.086 | 77.50 | 81.30 | 89.51 |
| CADAUD | \$1.003 | -0.002 | 1.013 | 1.038 | 1.068 |
| GBPCAD | £1.713 | -0.007 | 1.701 | 1.889 | 2.033 |
| EURJPY | ¥113.41 | -0.490 | 113.57 | 117.96 | 134.84 |
| EURAUD | \$1.48 | -0.007 | 1.49 | 1.51 | 1.61 |

Economic Releases

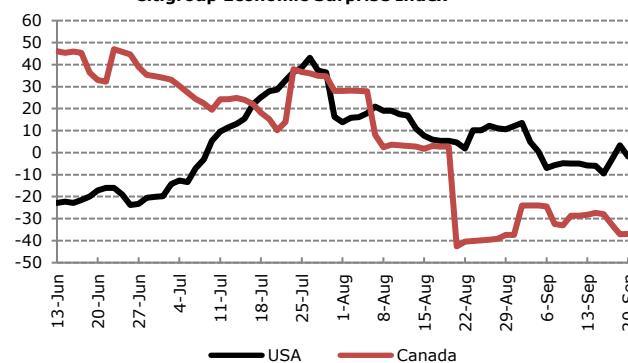
United States

| | | Period | Survey | Actual | Prior |
|-------------|------------------------|--------|--------|--------|-------|
| Tue, Sep 20 | Housing Starts | 30-Sep | 1190K | 1142K | 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 | 2141K | -- | 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 | 0.1% | -- | -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% |
| 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% |
| China | | | | |
| Real GDP | 6.90% | 6.80% | 6.70% | 6.70% |

Real GDP (YoY%)

