



Market Bulletin

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Commentary

Market Roundup

A review of recent market developments

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With the Labour Day weekend marking an end to (the best part of) summer, we thought it would be a good time to review some recent market developments.

- ***TSX continues to outperform S&P 500 in Q3:*** The TSX Composite has extended its lead over the S&P 500 by almost a percentage point over the past couple of weeks to 2.96 percentage points so far in this quarter. The S&P 500 fell 3.13% in August for its worst monthly performance since May 2012, weighed down by concern about possible US military action in Syria as well as the prospect of the Federal Reserve tapering its bond-buying program. Meanwhile, the TSX gained 1.34% last month, led largely by a rebound in commodity producers.
- ***Syria is markets' new focal point:*** Although the civil war in Syria has been raging for more than two years, it has only now become a focal point for the markets. The use of chemical weapons by Syrian government forces that killed more than 1,400 people in a Damascus suburb on August 21 has triggered rising concern that the US may engage in military strikes on the nation.

President Obama today urged Congress to take a prompt vote that would authorize military action against Syria. Obama said that any strike by the US would be limited and proportional, and will not involve US ground troops. An official on the House Foreign Affairs Committee remarked that the president is backing a “two-pronged” approach that would target Syria’s chemical weapons capabilities and increase assistance to rebel groups who are trying to overthrow Syrian President Bashar al-Assad. Despite the US desire for limited involvement, the concern is that military strikes may spark a wider conflagration in the region that could also engage Iran – Syria’s main regional ally – and Israel, which today conducted a missile-defense test over the Mediterranean jointly with the US.

- **Canadian telecoms surge as Verizon threat recedes:** Canadian telecoms gained 5.5% today – their biggest one-day increase in over four years – after Verizon Communications said it would not expand to Canada. The stocks had been under pressure since June, on reports that Verizon was weighing a bid to buy Wind Mobile and ally with Mobilicity to gain a foothold in the lucrative Canadian telecom space.
- **Companies opening up their wallets:** Two big deals were announced this week, Verizon Communications’ \$130-billion offer to buy the balance 45% of Verizon Wireless from Vodafone, and Microsoft’s 5.4-billion euro bid for Nokia’s devices and services unit. While these deals had been the subject of speculation off and on for many months, their timing indicates that companies are comfortable in opening up their wallets to acquire target assets that have been in their cross-hairs for a while.

Bottom-Line:

Trading is likely to get back to normal levels after the summer doldrums, which were even more pronounced this year; daily trading on US exchanges averaged only 5.4 billion shares in August, the second-slowest month in at least five years, according to Bloomberg. With the historical record showing that September has been the worst month of the year for US stocks since 1950, a cautious approach would be in order for the next month or so. The Syrian situation and the Fed’s next moves are a couple of massive overhangs that could restrain further advances in equities in the near term.

Market Snapshot

At close today

S&P TSX	12740.50	+86.60	Commodities			Yields (%)	Can.	US
TSX Venture	941.58	+2.27	Canadian \$ (US cents)	94.95	+0.15	90 Day T-Bill	0.99	0.02
DJIA	14833.96	+23.65	Gold (Spot)-US\$	1413.27	+21.95	2-Year Bond	1.22	0.42
S&P 500	1639.77	+6.80	Oil (WTI-Oct.)	108.52	+0.87	10-Yr. Bond	2.68	2.86
NASDAQ	3612.61	+22.74	CRB Index	292.79	+1.63	30-Yr. Bond	3.15	3.79

Thought for the Day

“No pilot, no matter how great his talent or experience, fails to use his checklist.” – Charlie Munger

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