S&P/TSX Composite Rolls Over as All Fed, All the Time Returns

Description

Once again today, “tapering” took the trophy as the most used word in the North American financial markets. Where it once stood for making your pants awesome, tapering now refers to the gradual monetary pull-back that the market is increasingly expecting the U.S. Fed to announce. A move that could come as soon as next month.

Bloomberg reported today that its median estimate is now for tapering of debt purchases by the Fed to begin in September. Open market purchases of the fixed-income instruments the Fed has been purchasing are expected to be tapered by $10 billion, leaving $75 billion of buying power in the market.

The impact

North American equities haven’t reacted very well when tapering’s been the word of the day. Today was no different. U.S. stocks finished in the red after opening up and then gradually declining throughout the day.

In Canada, the **S&P/TSX Composite Index** (^GSPTSE) couldn’t carry on with its recent outperforming trend. Our market declined by 1.2%, essentially doubling the slide incurred in the U.S.

The losers in the Canadian market came from all angles as just 22 of the 234 stocks in the Index were up on the day. Leading the market lower were a couple of the big energy stocks, as well as one financial.

Canadian Natural Resources (TSX:CNQ) and **Suncor Energy** (TSX:SU) fell by 2.6% and 1.1% respectively as the price of WTI oil fell by 0.4% to close a penny below US$107/bbl.

Manulife Financial (TSX:MFC) was also a big negative contributor on the day as the company’s stock fell by 2.6%. Manulife’s stock has surged by 31% year-to-date and by 53% over the past 12-months as the company’s results are poised to benefit from a rising rate environment. Today’s underperformance may turn out to be an anomaly as there wasn’t anything company specific released.

Doing its best to try to stem the day’s decline was **Alimentation Couche-Tarde** (TSX:ATD.B). The stock was the biggest positive contributor on the day, climbing by 1.3% on no apparent news.

Foolish Takeaway

Once again, resource related companies had a significant impact on our market's performance. Because of their heavy-weightings in the TSX, these stocks can be harmful for those investors that think they are well-diversified with an index fund or ETF linked to the S&P/TSX Composite Index.

We have prepared a Special FREE Report that will clue you into the perils of passively investing in the Canadian index and suggests an easy to implement alternative strategy. The report is called "**5 Stocks That Should Replace Your Canadian Index Fund**". One of these 5 is in the process of being taken over at a huge premium. You can find out who the remaining 4 are simply by **clicking here**.

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Fool contributor Iain Butler doesn't own shares in any companies mentioned. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CNQ (Canadian Natural Resources Limited)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SU (Suncor Energy Inc.)

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Date
2025/09/11
Date Created
2013/08/19
Author
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