No Taper? Let the Good Times Roll!

Description

In case you missed it, the U.S. Fed has decided to keep the monetary spigot wide open. Even though these monetary masters of the universe had a free pass from Mr. Market to crank back on their open market operations by $5-15 billion month.

More signs of lasting improvement in the economy are apparently required for the Bernank to take away the punch bowl that is monetary stimulus.

In anticipation of the Fed tapering, the bond market has lifted in recent months, causing borrowing rates across the economy to lift as well. This has put a bit of a damper, in the Fed's eyes, on the recovery that remains underway.

In addition, there is a measure of uncertainty that is expected to swirl as the U.S. once again tries to get its fiscal house in order with another round of debt ceiling talks.

The ramifications

North American equity markets surged after the no-taper news hit the wire as a weaker than assumed economy and the required assistance of monetary stimulus to continually spur the recovery represents fantastic news in the warped world in which we live.

Gold and precious metals stocks are screaming higher, as the price of the yellow metal has surged from the US$1,300/oz level that it traded at around noon to now sit at US$1,346/oz.

Because of their heavyweights in the **S&P/TSX Composite Index** (^GSPTSE), **Barrick Gold** (TSX:ABX) and **Goldcorp** (TSX:G) are powering the Canadian market higher on the back of this news.

Oil investors however are also enjoying the no-taper news as WTI Oil has surged on the day by 2.85% at the moment. This has put **Suncor Energy** (TSX:SU) amongst the big contributors on the day as well.

And though it's not the biggest detractor in today's Canadian market, **Manulife Financial** (TSX:MFC) has taken the no-taper news rather harshly. The stock's tumble after the news was released coincided with the decline in bond yields that occurred. The 10-year U.S. Treasury fell by 17 bps to 2.68% as an imminent increase in interest rates no longer seems overly plausible. Life insurance companies like Manulife don't like declining interest rates.

Foolish Takeaway

Once again, resource and financial companies are having 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 owns shares of Barrick Gold and Goldcorp. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SU (Suncor Energy Inc.)

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