



S&P/TSX Continues Higher Despite Plunging Gold Prices

Description

Canadian equity markets surged on Wednesday after a decision by the U.S. Federal Reserve to taper its monetary stimulus policies helped push up the energy and financial sectors.

The **S&P/TSX Composite Index** (^OSPTX) closed up 57.47 points, or 0.43%, at 13,392.20. In the United States, the **Dow Jones Industrial Average** added 11.11 points, or 0.07%.

The U.S. central bank promised to keep its key interest rate exceptionally low for longer than previously expected while trimming the pace of its monthly asset purchases by \$10 billion.

Investors were encouraged by the fact that increasing strength in the U.S. economy, improved confidence in the recovery, and lower unemployment rates were key factors in the Fed's maneuver.

Canada's largest financial institutions were sharply higher on the news. **Manulife Financial** ([TSX:MFC](#)) gained 2.57% to \$20.75. **Royal Bank of Canada** (TSX:RY, NYSE:RY) rose 1.05% to \$70.58.

Energy names also found a bid on the news. **Canadian Natural Resources** ([TSX:CNQ](#)) and **Imperial Oil** ([TSX:IMO](#)) 1.74% and 0.99% respectively.

However, a selloff in bullion dragged down Canadian market indices. Gold settled at a more-than three-year low, falling 3.3% to US\$1,193.60 an ounce. Miners also finished the day sharply lower notably **Barrick Gold** ([TSX:ABX](#)) and **Goldcorp** (TSX:G) closing down 2.21% and 1.59% respectively.

Typically I don't like to comment on the price movements of speculative commodities. Especially ones as volatile and unpredictable as gold. But I think what we're selling here is the downfall of the goldbug thesis.

Despite all of the money printing for central banks, there's no out of control inflation. In fact, the market is starting to price in deflation which makes holding paper assets more attractive. And with the Federal Reserve pulling back on monetary stimulus there're few catalysts to send bullion prices higher for the foreseeable future.

Investors should also focused on **Enbridge** (TSX:ENB, NYSE:ENB). The company's \$6 billion Northern Gateway oil pipeline faces a pivotal decision as to whether regulators will recommend approving the proposal.

Obviously this decision will have far reaching implications beyond Enbridge. The biggest challenge facing the oil sands is actually finding a method to transport all of this bitumen to market. And with access south blocked, Northern Gateway could be the last hope for the industry.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ENB (Enbridge Inc.)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:RY (Royal Bank of Canada)

Category

1. Investing

Date

2025/07/06

Date Created

2013/12/19

Author

rbailieul

default watermark

default watermark