



S&P/TSX Composite Surges on BlackBerry Results, Northern Gateway Pipeline

Description

Canadian equity markets closed near a three week high on Friday, driven by shares of **Blackberry** (TSX:BB, NASDAQ:BBRY) and the conditional approval of the **Enbridge** (TSX:ENB, NYSE:ENB) Northern Gateway pipeline.

The **S&P/TSX Composite Index** (^OSPTX) closed up 8.94 points, or 0.07%, at 13,401.14. In the United States, the **Dow Jones Industrial Average** finished the day up 42.32, 0.26%.

The biggest story of the day was BlackBerry whose shares surged 15% despite posting a massive \$4.4 billion loss and a big drop in smartphone sales.

But underneath the ugly headlines, there were a lot of positive developments this quarter.

First, new Chief Executive John Chen unveiled a key part of his turnaround strategy: a new deal to outsource most of the company's hardware manufacturing to Taiwanese giant Foxconn. The initiative will cut out a big fixed cost and reduce risk across the company.

Second, thanks in large part to a \$1 billion recapitalization last month and the receipt of an income tax refund, the company's cash balance increased to \$3.2 billion by the end of the quarter. That provides BlackBerry with plenty of financial flexibility and buys the firm plenty of time to execute Chen's turnaround strategy.

According to Mr. Chen, BlackBerry has 'a really good shot' at returning to profitability by 2015.

It's going to be a long road ahead for this troubled company. But now at least shareholders have some sort of idea as to where BlackBerry is heading. And today's announcement hints at several possible upside catalysts in the coming months.

In other corporate news, Canadian regulators urged the government to approve the Enbridge's Northern Gateway pipeline on certain conditions.

The controversial proposal would ship over 525,000 barrels per day of bitumen from Edmonton,

Alberta to Kitimat, British Columbia. If constructed, Northern Gateway would allow Canadian producers to access premium Asian markets.

The markets reaction to this news was revealing. Shares of Enbridge closed down marginally, off 0.1% to \$45.30. However, upstream producers like **Athabasca Oil Corp.** ([TSX:ATH](#)) and **Canadian Natural Resources** (TSX:CNQ, NYSE:CNQ) were up 1.0% and 0.9% respectively. This shows that while new pipelines are certainly a nice bonus for shippers, they're absolutely critical for our oil sands producers.

While today's announcement is certainly good news for the energy industry, Canada's energy infrastructure is still likely to hold back oil sands development.

Even assuming every proposal is built – including Northern Gateway, Keystone XL, Energy East, and the TransMountain Express – pipeline capacity out of Alberta will still be tight in the upcoming years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:ENB (Enbridge Inc.)

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Date

2025/07/06

Date Created

2013/12/20

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