S&P/TSX Lower on Weak China Growth

Description

Canadian equities slipped for the second straight trading session on Friday as weak economic data out of China weighed on investor sentiment.

The commodity heavy **S&P/TSX Composite Index** (^OSPTX) finished the day down 45.33 points, or 0.33%, to close at 13,548. The more diversified U.S. indices fared better. with the **Dow Jones Industrial Average** closing the trading session up 28.52 points, or 0.17%.

A government survey out of China showed that activity in the country's service sector plunged to a four-month low in December adding to concerns that the country's economic growth is shifting into a lower gear.

China's non-manufacturing Purchasing Managers' Index – which covers industries like aviation, retail, and software – came in at 54.6 last month versus 56.0 in November based on a 100 point scale. A reading above 50 indicates expansion.

This predictably led to a sharp selloff in economically sensitive commodities. U.S. oil benchmark West Texas Intermediate fell US$2.98 to settle at US$95.44.

Energy and material names were a big drag on the TSX. **Teck Resources** (TSX:TCK.B, NYSE:TCK) and **Canadian Natural Resources** (TSX:CNQ, NYSE:CNQ) led the market lower down 2.36% and 0.91% respectively.

The telecom sector was also a big weight on Canadian indices with **Roger's Communications** (TSX:RCI.B) and **BCE** (TSX:BCE) down 0.76% and 0.31% respectively.

With equity markets approaching all-time highs, we need exceptionally strong economic data to justify these high prices. Excluding the strong performance from the United States, we're just not seeing that in the numbers.

On the corporate side, **Canadian Pacific Railway** (TSX:CP, NYSE:CP) announced late Thursday that it would see the western part of its Dakota, Minnesota and Eastern railroad to **Genesee & Wyoming** in a deal valued at roughly $210 million. CP shares finished the day up 0.20% to $159.57.

CP acquired the DM&E line in 2008. However, the transaction was viewed as a mistake by shareholder activist Bill Ackman and new Chief Executive Hunter Harrison. The line was put up for sale in 2012 as part of an effort to slim down the railroad giant.

This asset sale is just one part of what has been a successful divestment strategy for CP. The company expects to realize up to $2 billion from asset sales over the next few years allowing the firm to concentrate on fewer, higher returning assets. And the capital freed from this transaction to fuel dividend hikes and a share payback later this year.

Overall, this is likely a shareholder friendly transaction.

Foolish bottom line
Stock market action has been slow these past few weeks on account of light holiday volume and a shortage of big economic reports.

But that all changes next week with a slew of corporate reports as we ramp up earnings season. Investors should also be ready for the release of the U.S. Federal Reserve FOMC minutes and the all important jobs reports.

So rest up this weekend. The coming week is going to be busy.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:TECK.B (Teck Resources Limited)

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Date
2025/09/07
Date Created
2014/01/03
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