



Canadian Equities Lower on Weak Economic Data, Gold Flash Crash

Description

Canadian equities slipped lower on Monday, led by declines in the energy and financial sectors, after investors combed through disappointing economic data.

The **S&P/TSX Composite Index** (^OSPTX) finished the day down 53.32 points, or 0.39%, to close out trading at 13,495. American equities whipsawed back and forth all day. The **Dow Jones Industrial Average** closed the trading session down 4.60 points, or 0.25%.

U.S. private sector activity growth slowed sharply in December. On Monday, the Institute of Supply Management reported that its service activity index dropped to 53.0% in December versus 53.9% in November based on a 100-point scale. Any reading above 50 indicates an expansion.

More concerning, the new orders component of the index dropped seven points to 49.4% — the first contraction since July 2009.

A separate report said Chinese services industry growth slowed sharply at the tail end of 2013. These figures come on top of disappointing reports last week that suggest economic growth in the world's second-largest economy is slowing.

Predictably, this caused a sell-off in the more cyclically sensitive names. **Imperial Oil** (TSX:IMO) and **TransCanada** (TSX:TRP, NYSE:TRP) led the S&P/TSX 60 index lower, down 1.08% and 1.56%, respectively.

Financials were also weak. Canada's largest financial institutions **Royal Bank** (TSX:RY, NYSE:RY) and **Toronto-Dominion Bank** (TSX:TD, NYSE:TD) were down 0.97% and 0.87%, respectively.

Gold futures suffered a sudden, brief sell-off in early trading on Monday. According to Nanex, a trade of about 4,200 contracts sent gold for February delivery tumbling US\$30 to US\$1,215 per ounce. This triggered a 10-second halt to trading.

Investors are demanding an explanation. Some were quick to suggest that this suspicious trading is evidence of market manipulation. Pundits see gold's mysterious plunge as evidence of Wall Street

running rickshaw over average investors. Others think this was just a fat-finger error.

What's our take? We can't help but step back and laugh at the media circus that surrounds these types of incidents. Halt trading for a couple of seconds and you'd think the world was coming to an end. Funky trading may be relevant to day traders and market makers, but it's hardly a concern for investors with a time horizon measured in years.

Finally, in corporate news, **Enbridge** (TSX:ENB, NYSE:ENB) announced a deal to invest US\$200 million in a 110- megawatt Texas wind power facility. The Keechi Wind Project, which is being constructed by Colorado-based Renewable Energy Systems Americas, is expected to be completed by early 2015.

Enbridge shares finished the day lower down \$0.41 to \$45.69.

This highlights the increasing interest Canada's top energy companies have in renewable energy. The deal comes only a week after **TransCanada** announced the acquisition of the Mississippi Mills solar project in eastern Ontario. This is likely an attempt to reduce the carbon risk inherent in both of these businesses.

Foolish bottom line

Investors should get ready for a slew of market-moving reports in the upcoming week.

Dow Jones component **Alcoa** will kick off earnings season after the bell on Tuesday. Investors are also eager to see the release of the Federal Reserve's FOMC Meeting Minutes and the all-important jobs reports due out Wednesday and Friday, respectively.

So buckle up for a busy week ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:TRP (TC Energy Corporation)

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