



The S&P/TSX Surges, the Loonie Plunges, and is This Company the Next Amgen?

Description

Canadian equities surged higher on Tuesday boosted by surging commodity prices and a weak Canadian dollar.

The **S&P/TSX Composite Index** (^OSPTX) ended the trading session up 101.40 points, or 0.75%, to 13,596. U.S. equities also rallied sharply higher with the broad based **Dow Jones Industrials Average** rallying 105.84 points, or 0.64%.

Energy issues led the S&P/TSX 60 higher. Canada's largest energy companies **Suncor** (TSX:SU, NYSE:SU) and **Imperial Oil** ([TSX:IMO](#)) each finished the trading session higher by 1.61% and 1.30% respectively.

And cold weather in the United States put a big bid underneath natural gas prices. On the New York Mercantile Exchange, natural gas futures for delivery in February traded at US\$4.374 per million British thermal units during U.S. trading, up 1.57%. Gas weighted names like **Encana** (TSX:ECA, NYSE:ECA) and **Talisman** (TSX:TLM, NYSE:TLM) each finished up 0.64% and 2.38% respectively.

One piece of economic news that sent shares higher was Monday's U.S. Senate confirmation of Janet Yellen as the next Federal Reserve chair. Yellen is an advocate of a more dovish monetary policy arguing that the central bank should do more to stimulate the country's economic recovery. Such a policy would likely be bullish for equity prices.

Meanwhile, the Canadian dollar fell sharply on weak economic day down 1.10% to US\$1.0773 – a three year low.

This way likely due to the nation's merchandise trade deficit which widened to \$940 million in November – nine times what economists had forecasted according to *Bloomberg*. The report is fueling doubt that the pickup in exports promised by the Bank of Canada will drive economic growth.

The Loonie extended losses later in the day after the Ivey's Purchasing Manager's Index fell to 46.3 in December, versus a reading of 53.7 in November. The index is based on a 100 point scale where a

reading below 50 indicates a contraction in activity.

Here at Fool HQ, we're not stressing about this type of macroeconomic volatility. While wild currency swings certainly affect our accounts day-to-day, over the long run these will roughly even out.

But today's numbers do have some important takeaways. First, slow economic growth should kick a Bank of Canada rate hike down the road another six months or more. Second, investors with a home-bias in their portfolios are missing a big opportunity in the faster growing United States.

On the corporate side, shares of **Valeant Pharmaceuticals** (TSX:VRX, NYSE:VRX) surged 12.53% after the company announced that it's looking to join the top five pharma companies in the world by market capitalization by 2016. During a conference call with analysts, Chief Executive Michael Pearson also predicted that the company's revenue and cash earnings would increased 40% in 2014.

Valeant has earned the reputation of Canada's 'Little **Johnson & Johnson**' after its remarkable run this past few years. The company's winning formula has been to buy up small biotech firms and creating value by pushing these promising new drugs through its large distribution network.

This has been a great recipe for shareholders. Valeant shares have rallied 120% in the past year. And after this report, investors can likely expect those gains to continue in the New Year.

CATEGORY

1. Investing

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1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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