



S&P/TSX Down on Weak Chinese Economic Data

Description

Canadian equities traded lower on Thursday following disappointing manufacturing data out of China and a barrage of weak U.S. corporate earning announcements.

By 12:00 p.m. Eastern Time the **S&P/TSX Composite Index** (^OSPTX) was off 32.40 points, or 0.23%, to 13,955.30. In the U.S. the broad based **S&P 500** was trading lower down 17.70 points, or 0.96%.

A preliminary reading from **HSBC's** Chinese purchasing managers index came in at 49.6 for the month of January – the worst reading since last summer. The indicator is based a a 100 point scale where a reading below 50 indicates contraction.

Obviously weak economic data from the world's most important growth engine is concerning. And while we typically don't panic over one-off reports, the numbers coming out of China recently have been consistently disappointing.

Weak growth numbers sparked a predictable sell-off in 'risk-on' asset classes.

Financials were the biggest drag on the TSX. **Royal Bank** (TSX:RY, NYSE:RY) and **TD Bank** (TSX:TD, NYSE:TD), the nation's largest financial institutions, were each down 2.50% and 0.39% respectively.

Cyclical sectors like energy and materials also gave up ground. Large miners like **First Quantum Minerals** ([TSX:FM](#)) and **Teck Resources** (TSX:TCK.B) were down 2.30% and 0.18% respectively.

Weaker commodity prices also stepped up the pressure on the Canadian dollar. On Thursday the Loonie continued to give up ground against the U.S. greenback falling another 0.36% to US\$1.1128 – a four and a half year low.

The only sector flashing green on traders' screens today was gold. The price of the yellow metal for April 2014 delivery was up 1.88% to US\$1,262.00 per ounce on hopes that weaker growth will encourage the Federal Reserve to continue its monetary stimulus measures. Unsurprisingly the

nation's top gold miners **Barrick Gold** (TSX:ABX, NYSE:ABX) and **Goldcorp** (TSX:G, NYSE:GG) were up 3.60% and 3.94% respectively in lockstep.

It was a relatively quiet day on the corporate front. But there were a few news items for investors to digest.

Canadian dairy product producer **Saputo** ([TSX:SAP](#)) emerged the winner in a bidding war for Australia's Warrnambool Cheese and Butter. Rival Murray Goulburn Co-Operative decided not to raise its offer and agreed to sell its Warrnambool shares to Saputo for an estimates AU\$92.0 million in cash. Saputo shares were up 0.30% to \$52.85.

Finally, **Dorel Industries** ([TSX:DII.B](#)) also announced plans to shutter its U.S. bicycle plant and shift production to facilities in Asia. The move will result in the loss of 100 jobs and is expected to save the company \$6 million annually once the restructuring is completed next year.

Dorel, known for several popular bicycle brands including Cannondale, Mongoose, and Schwinn, also announced plans to move its research and development facility in Bethel, Ct. to the company's new head office in Wilton, Ct.. Dorel shares were down 0.70% to \$40.92.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SAP (Saputo Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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