



S&P/TSX Composite Index Rattled on Fed Taper Talks

Description

Canadian equities were trading sharply lower Wednesday morning on Federal Reserve taper talks and renewed concerns in emerging markets.

By 10:30 a.m Eastern time, the **S&P/TSX Composite Index** (^OSPTX) was trading down 73.15 points, or 0.53%, to 13,614. U.S. equities were faring even worse. The broad-based **S&P 500** was trading down 11.09 points, or 0.62%, early in the trading session.

All eyes will be on the U.S. Federal Reserve this afternoon. A dismal jobs report and emerging market chaos is unlikely to stop the central bank from drawing down its monetary stimulus program.

Following the conclusion of its two day policy meeting, the central bank is widely expected to announce the reduction of its asset purchase program by another \$10 billion per month at 2 p.m Eastern time.

The real concern is how these policies will impact emerging economies. Overnight, the Turkish central bank was forced to hike its benchmark interest rate 425 basis points in order to stem the exodus of capital from emerging markets. Other major developing markets like Brazil, South Africa, and China are also under pressure.

No surprise contagion fears internationally are impacting equity prices closer to home.

The mining and energy sectors led the TSX lower. Oil behemoths **Suncor Energy** (TSX:SU, NYSE:SU) and **Imperial Oil** ([TSX:IMO](#)) were each down 1.66% and 0.17% respectively.

Banking shares are also weak. Canada's largest financial institutions **Royal Bank** (TSX:RY, NYSE:RY) and **TD Bank** (TSX:TD, NYSE:TD) were each trading off 1.04% and 0.54% respectively.

It was also an active day on the corporate front.

Air Canada (TSX:AC.B) and **Westjet** (TSX:WJA) continued their slide. On Tuesday, Bank of America Merrill Lynch analyst Glenn Engel slapped both companies with downgrades saying the industry faces headwinds following the Canadian dollar's steep decline.

The depreciating Loonie has increased cost inputs, especially fuel. Airlines have been able to pass on some of those costs to customers through higher fuel surcharges. But it's unclear how much higher prices will impact sales.

Air Canada and Westjet shares were each trading lower by in early trading, down 4.85% and 3.71% respectively.

Finally, **Canadian Pacific Railway** (TSX:CP, NYSE:CP) posted its full-year results Wednesday morning. The company reported an adjusted net income for the fourth quarter of \$338-million, or \$1.91 a share, excluding a one-time \$215 million write down that resulted from the sale of its Dakota, Minnesota, and Eastern Railroad assets last quarter.

CP's operating ratio – defined as operating costs as a percentage of revenue and an important gauge of the company's profitability – also hit a record 65.9% during the quarter, a 9% improvement year over year. The results were especially surprising given the harsh weather conditions during the quarter.

All of the metrics posted today is further evidence that [the turnaround led by new Chief Executive Hunter Harrison](#) is working. CP shares were trading up 2.71% Wednesday morning.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CP (Canadian Pacific Railway)
2. TSX:RY (Royal Bank of Canada)
3. TSX:SU (Suncor Energy Inc.)

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Author

rbailleul

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