

EQUITY MARKETS – Local Currency Returns

• US equities were flat to up slightly this week amid mixed earnings reports and some positive economic data. Still, stocks gained in October for a second consecutive month in anticipation of the Federal Reserve providing more stimulus to the economy through quantitative easing.

	Level	Wkly Chg	YTD	YTD C\$	
S&P/TSX	12676	0.6%	7.9%	7.9%	• Up on wk as Cdn, US economies cont'd to expand; gained in Oct, 4th mth in row.
DOW JONES	11118	-0.1%	6.6%	3.3%	• Generally 50/50 split winners/losers; top gainers were AmEx, Microsoft, Disney. • 6 of 10 sectors fell, led by industrials, utilities, financials. • 4 of 7 sectors rose: computer, other financials, telecom, industrials. • 7 of 9 sectors were down, led by health care, financials, consumer discretionary.
S&P 500	1183	0.0%	6.1%	2.8%	
NASDAQ	2507	1.1%	10.5%	7.1%	
RUSSELL 2000	703	0.0%	12.5%	9.0%	
NIKKEI 225	9202	-2.4%	-12.7%	-2.2%	• Fell on wk, Oct on fear strong yen to hurt earnings; some firms missed profit forecast.
EAFE	1616	-0.4%	2.3%	-0.9%	• Europe fell on wk, but up in Oct on spec Fed to aid economy with more quant easing.
MSCI WORLD	1221	-0.1%	4.5%	1.3%	

TSX SECTORS

• Market breadth weakened this week as 5 of 10 sectors finished higher, compared with 8 the previous week.

	Level	Wkly Chg	YTD	Level	Wkly Chg	YTD
Information Technology	226	10.3%	-13.1%	Energy	2828	-0.2%
Health Care	485	3.5%	49.5%	Financials	1628	-0.5%
Materials	3744	3.2%	24.0%	Industrials	1269	-1.6%
Consumer Staples	1673	1.7%	8.2%	Utilities	1833	-1.7%
Consumer Discretionary	1060	0.9%	17.9%	Telecommunication Services	851	-3.4%

Oil: West Texas Intermediate US\$/b	\$81.43	\$0.27	\$2.07	Gold: Spot US\$/oz	\$1,358.95	\$30.50	\$262.00
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FIXED INCOME MARKETS

RATES %

	3-mo T-bill	10-yr Bond	30-yr Bond	
Canada	0.92	2.81	3.44	• Spreads at the short end remained positive and were little changed, as Canadian and US yields were little changed. • 10-year spreads remained positive and widened, as Canadian yields rose 7 bps, while US yields were up 4 bps. • 30-year spreads remained negative and widened, as Canadian yields were little changed, while US yields climbed 6 bps.
U.S.	0.12	2.60	3.99	
Spread	0.80	0.21	-0.54	
	Level	Wkly Chg	YTD	
DEX Universe Bond	792.0	-0.4%	7.4%	
DEX Real Return Bond	439.1	-1.0%	10.0%	
Mer Lynch US High Yield Master II	783.4	0.5%	14.4%	
	Last Meeting	Current Rate	Next Meeting	
Bank of Canada	Oct 19	1.00%	Dec 7	• After 3 hikes, overnight rate unchgd in Oct; further hikes to be weighed carefully.
U.S. Federal Reserve	Sep 21	zero to 0.25%	Nov 3	• Federal funds rate unchanged in Sep & expected to stay low for extended period.

CURRENCIES

	Level	Wkly Chg	YTD	
Canadian dollar: CAD per USD	1.0206	0.5%	3.2%	• Rose as expanding Cdn, US economies improve outlook for higher-yielding assets. • Rose on appeal as refuge amid drop in Asian stocks, sign global recovery sluggish. • Fell as positive US economic data overshadowed prospect of more Fed easing. • Rose on better-than-expected GDP growth, improved consumer confidence in UK.
Japanese yen: JPY per USD	80.4300	1.2%	15.7%	
Euro: USD per EURO	1.3928	-0.2%	-2.7%	
British pound: USD per GBP	1.6022	2.2%	-0.9%	

Relative to the Canadian dollar (Wkly Chg / YTD): **euro (-0.7%/ -5.8%); British pound (1.6%/ -4.0%); yen (0.6%/ 12.1%).**

ECONOMICS

• **Canadian Economy Bounces Back in August**

Canada's economy expanded in August by a solid 0.3%, in line with expectations, after shrinking 0.1% in July. Gains were broad-based as 13 of 18 sub-sectors were either flat or higher; only utilities and forestry showed notable declines. In contrast, mining and oil & gas, construction, manufacturing, wholesale and finance had large increases. Q3 GDP is now on track for a 1.5% annualized gain, about in line with the Bank of Canada's 1.6% projection, which reinforces the prospect that the BoC is likely to leave interest rates unchanged over the next few months.

• **US Initial Jobless Claims Fall to 3-Month Low**

Initial jobless claims during the week ended October 23 declined by 12,000 to 434,000, the lowest in three months. The 4-week moving average fell to 453,250, the lowest since July, from 458,750. Continuing claims declined by 122,000 in the week ended October 16 to 4.36 million, the lowest since November 2008. The number of people who have used up their traditional benefits and are now collecting extended payments decreased by about 414,100 to 4.66 million in the week ended October 9.

Canada:	Industrial Product Price Index - Sep m/m	0.2%	• Rise led mainly by primary metal products; followed 0.4% increase in Aug.
United States:	Real GDP - Q3 2010 (1st estimate)	2.0%	• Rose as consumer spending up most in almost 4 yrs; followed 1.7% gain in Q2.
	Conference Board Consumer Confidence - Oct	50.2	• Rose from 7-mth low of 48.6 in Sep, though job, income concerns linger.
	U of Michigan Consumer Sentiment - Oct (final)	67.7	• Fell to lowest in nearly a yr from 68.2 in Sep, as jobs, economy concerns remain.
	Durable Goods Orders - Sep m/m	3.3%	• Rise led by jump in aircraft orders; ex-transportation fell 0.8%.
United Kingdom:	Real GDP - Q3 2010 q/q	0.8%	• Beat forecast with help of services, construction; followed 1.2% gain in Q2.

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