U.S. economy contracts

The Associated Press

WASHINGTON — The U.S. economy unexpectedly shrank from October through December, the first quarterly drop since 2009 and a reminder of the economy's vulnerability as automatic cuts in government spending loom.

The Commerce Department said the economy shrank at an annual rate of 0.1 per cent mainly because companies restocked at a slower rate and the government slashed defence spending. Those trends partly reflected uncertainty late last year about the fiscal cliff, which Congress averted in a deal reached Jan. 1.

Economists say those factors could prove temporary, and the likelihood of another recession appears remote. Still, the sharp slowdown from the 3.1 per cent annual growth rate in the July-September quarter, also driven by a drop in U.S. exports, raised concerns about 2013.

Congressional Republicans seem determined to permit deep cuts to defence and domestic programs to kick in as scheduled March 1. And Americans are coming to grips with an increase in Social Security taxes that has begun to leave them with less take-home pay.

Government spending cuts and slower company restocking, which can fluctuate sharply, subtracted a combined 2.6 percentage points from GDP. Those two factors offset a 2.2 per cent increase in consumer spending. And business spending on equipment and software rose after shrinking over the summer.

The Federal Reserve referred to the fourth-quarter slowdown in a statement after it ended a policy meeting Wednesday. The U.S. economy appears to have "paused in recent months," the Fed said, mainly because of temporary factors. The Fed reaffirmed its commitment to stimulating the economy by keeping borrowing costs low for the foreseeable future.

For all of 2012, the economy expanded 2.2 per cent, better than 2011's growth of 1.8 per cent. For 2013, analysts generally think the economy will grow at a steady if modest pace of roughly 2 per cent as the housing and auto sectors continue to recover along with bank lending and consumer spending.

"Frankly, this is the best-looking contraction in U.S. GDP you'll ever see," Paul Ashworth, an economist at Capital Economics, said in a research note. "The drag from defence spending and inventories is a one-off. The rest of the report is all encouraging."

The plunge in defence spending in the October-December quarter followed a jump in the third quarter. The fluctuation might have reflected higher-than-usual spending that occurred in the July-September period in anticipation of government spending cuts later in the year. Some defence contractors reported lower government spending at the end of the year.

TSX down on U.S. data

The Canadian Press

TORONTO — The Toronto stock market was lower Wednesday as Research In Motion Ltd. stock fell following the launch of its long-awaited BlackBerry 10 products and data showed a surprising weakening of the U.S. economy in the fourth quarter.

The S&P/TSX composite index dropped 36.11 points to 12,794.44 while the TSX Venture Exchange was down 9.57 points at 1,222.35.

RIM (TSX:RIM) had been up as much as four per cent before chief executive Thorsten Heins unveiled the BB10 and announced the company's corporate name would be changed to BlackBerry at a widely covered event in New York City.

But RIM stock closed down $1.85 or 11.78 per cent to $13.86 on very heavy volume of 22.73 million shares.

The stock was hit with a wave of profit taking after hitting a 52-week high of $18.49 early last week. That represented a stunning gain of 203 per cent since hitting a 52-week low of $6.10 last September and at one point was up 50 per cent during January alone.

Analysts said that consumer reaction to the new product will ultimately determine where the stock goes.

"I think it's too early to all of a sudden, draw any real conclusions to this whole thing," said Fred Ketchen, manager of equity trading at Scotia Capital.

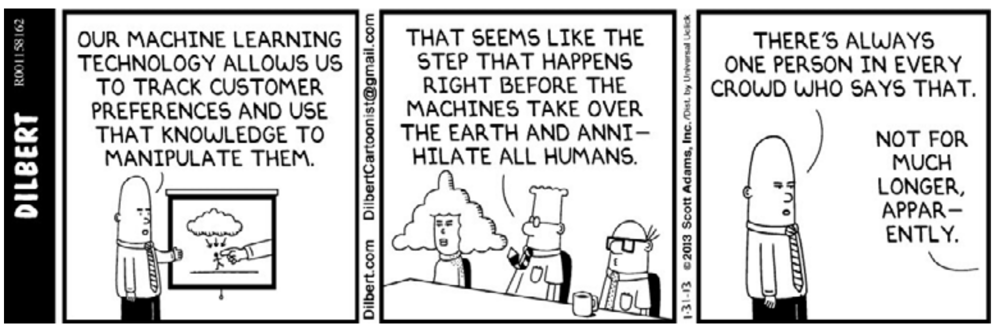
"It's going to take some weeks, maybe take some months, until we get a real clear view. Now that it's going out and people will be able to buy it and express their preferences, likes and dislikes – that's what will count most."

The U.S. Commerce Department reported Wednesday that the economy shrank by 0.1 per cent amid a plunge in defence spending and a 5.7 per cent drop in exports that analysts think was linked to hurricane Sandy. The recession in parts of the eurozone also hurt performance. Economists had expected growth of 1.1 per cent in the October-December period.

The Canadian dollar gained 0.09 of a cent to 99.85 cents US.

U.S. indexes seemed unaffected by the scheduled announcement from the U.S. Federal Reserve at the end of its two-day meeting on interest rates.

The Dow Jones industrials closed down 44 points at 13,910.42. The Nasdaq shed 11.35 points to 3,142.31 while the S&P 500 index was off 5.88 points at 1,501.96.



TSE winners

Stock	Symbol	Last Trade	dollar Chge	% Chge	52 Wk High	52 Wk Low
Kinr WT C	K.WT.C	0.01	+0.01	+100.0	0.80	0.01
RPTUraniu	RPT	0.01	+0.01	+100.0	0.10	0.01
Vitality	VPI	0.07	+0.03	+62.5	0.08	0.03
NobleMeta	NMG	0.02	+0.01	+50.0	0.03	0.01
StroudRes	SDR	0.03	+0.01	+50.0	0.09	0.02
Huntingto	HEI	0.05	+0.02	+42.9	0.09	0.02
InMontRes	IMT	0.04	+0.01	+40.0	0.06	0.02
MelcoChin	MCG	0.04	+0.01	+40.0	0.14	0.02
GalantasG	GAL	0.06	+0.02	+37.5	0.10	0.04
AmadorGol	AGX	0.04	+0.01	+33.3	0.08	0.03
Brookemon	BKT	0.02	+0.01	+33.3	0.17	0.01
MessinaMn	MMI	0.02	+0.01	+33.3	0.07	0.01
Fjordland	FEX	0.02	+0.01	+33.3	0.09	0.01
PlayfairM	PLY	0.02	+0.01	+33.3	0.07	0.01
WminsterR	WMR	0.12	+0.03	+33.3	0.19	0.09

TSE losers

Stock	Symbol	Last Trade	dollar Chge	% Chge	52 Wk High	52 Wk Low
PlatoGold	PGC	0.01	-0.01	-50.0	0.03	0.01
Trio Gold	TGK	0.01	-0.01	-50.0	0.04	0.01
BellCoppe	BCU	0.01	-0.01	-50.0	0.11	0.01
PetroGlob	PGB	0.01	-0.01	-50.0	0.03	0.01
BuzzTeleC	BZZ	0.01	-0.01	-50.0	0.06	0.01
GalahadMt	GAX	0.01	-0.01	-50.0	0.07	0.01
TigerIntl	TGR	0.20	-0.15	-42.9	0.49	0.17
BrazaltaR	BRX	0.01	-0.01	-33.3	0.05	0.01
AllonTher	NPC	0.01	-0.01	-33.3	0.53	0.01
InfinitoG	IG	0.01	-0.01	-33.3	0.08	0.01
Leeward	LWC	0.01	-0.01	-33.3	0.05	0.01
SeawayEgy	SEW	0.01	-0.01	-33.3	0.04	0.01
StellarPa	SPX	0.01	-0.01	-33.3	0.13	0.01
MaximRes	MXM	0.06	-0.03	-31.3	0.10	0.01
AlturasMn	ALT	0.06	-0.03	-29.4	0.15	0.05

TSE locals

Stock	Symbol	Last Trade	dollar Chge	% Chge	52 Wk High	52 Wk Low
BallardPo	BLD	0.660	-0.030	-4.3	1.740	0.580
Canfor	CFP	18.500	-0.680	-3.5	19.800	10.140
CdnNat'lR	CNR	95.460	-0.440	-0.5	96.280	74.500
Chemtr UN	CHE.UN	16.640	0.210	+1.3	17.330	14.410
Enbridge	ENB	44.200	-0.350	-0.8	44.870	36.470
HuskyEner	HSE	31.550	-0.490	-1.5	32.340	22.040
ImperialM	III	13.320	0.220	+1.7	17.450	8.130
Int'lFo A	IFP.A	8.600	-0.400	-4.4	9.250	4.260
M,D&Assoc	MDA	62.600	-0.330	-0.5	64.050	39.640
NovaGoldR	NG	4.510	0.250	+5.9	10.700	3.660
TELUS	T	66.250	-0.270	-0.4	66.760	55.190
ThompsonC	TCM	4.020	-0.090	-2.2	9.430	2.230
TimHorton	THI	50.570	-0.040	-0.1	57.910	45.110
WestFrase	WFT	79.560	-1.220	-1.5	83.220	40.160
WestJetAi	WJA	22.010	-0.590	-2.6	22.640	12.170

MUTUAL FUNDS best/worst

Best Fund	Net Asset Value	3-Month % Chge
Renaissance China Plus Fund	18.068	23.824
Chou RRSP Fund	26.316	21.951
iShares Japan Fundamental Idx (CH)-CJP	8.587	18.956
iShares China Index Fund	20.162	18.519
TD International Value GIF	2.655	17.374
Copernican British Banks Fund	2.024	16.109
Dynamic European Value Fund	18.440	15.854
iShares China All-Cap Index Fund - CHI	19.768	15.393
Global Banks Premium Income Trust	3.277	14.940
Investors Greater China Class A	12.490	14.010

Worst Fund	Net Asset Value	3-Month % Chge
Dynamic Precious Metals Fund Series A	6.450	-15.939
Dominion Equity Resource Gro Cl Ser MF	6.765	-15.894
CIBC Precious Metals Fund	16.038	-15.251
BMO Junior Gold Index ETF	12.910	-15.112
Sprott Resource Class Series A	7.057	-15.084
Lawrence Enterprise Fund Series I	3.460	-13.837
BlackRock Silver Bullion Trust CH SVR.UN	18.257	-13.674
Sprott 2012 F-T LP	13.867	-13.484
TD Precious Metals Fund - I	46.550	-13.480
Dynamic Strategic Gold Class Series A	11.390	-13.469

FINANCIAL HIGHLIGHTS

TORONTO (CP) — Highlights at the close of Wednesday at world financial market trading.

Stocks

S&P/TSX Composite Index – 12,794.44 down 36.11 points

TSX Venture Exchange – 1,222.35 down 9.57 points

Dow – 13,910.42 down 44 points

S&P 500 – 1,501.96 down 5.88 points

Nasdaq – 3,142.31 down 11.35 points

Currencies at close

Cdn – 99.85 cents US, up 0.09 of a cent

Euro – C$1.3584, up 0.61 of a cent

Oil futures

US$97.94, up 37 cents

(March contract)

Gold futures

$1,681.60 per oz., up $18.90

(April contract)

Canadian Fine Silver Handy and Harman

$33.531 per oz., up 82.8 cents

MARKET MOVERS

TORONTO (CP) — Some of the most active companies traded Wednesday on the Toronto Stock Exchange and the TSX Venture Exchange:

Toronto Stock Exchange (12,794.44 down 36.11 points):

Research In Motion Ltd.

(TSX:RIM). Wireless technology. Down $1.85, or 11.78 per cent, at $13.86 on 22,757,108 shares. The smartphone pioneer is rebranding itself as BlackBerry on the day it launched its new line of phones. The touchscreen model, BlackBerry Z10, will be available in Canada next Tuesday while the model with a physical keyboard will follow at a later date. The devices were originally due for release last year.

Northland Resources S.A.

(TSX:NAU). Miner. Up four cents, or 27.59 per cent, at 18.5 cents on 7,734,254 shares. The Luxembourg-based company said that it will start loading its first shipment of 40,000 tonnes of high grade iron ore concentrate on Feb. 9. The cargo is going to Tata Steel in the Netherlands where the product will be used in their pellet plant.

Bombardier Inc.

(TSX:BBD.B). Transportation equipment. Down six cents, or 1.47 per cent, at $4.01 on 4,911,673 shares.

B2Gold Corp.

(TSX:BTO). Miner. Up three cents, or 0.79 per cent, at $3.83 on 4,380,883 shares. B2Gold announced 2012 exploration results and plans and budgets for the the Vancouver-based miner's projects in Namibia, Nicaragua, Uruguay and the Philippines.

Kinross Gold Corp.

(TSX:K). Miner. Down eight cents, or 0.94 per cent, at $8.39 on 4,053,587 shares. The gold sector dropped 0.39 per cent to 279.98 points.

Osisko Mining Corp.

(TSX:OSK). Miner. Up 26 cents, or 3.84 per cent, at $7.03 on 3,782,483 shares.

The Montreal-based company released assay results of its diamond drill program at the Upper Beaver gold project in Kirkland Lake, Ont.

TSX Venture Exchange (1,222.35 down 9.57 points):

Majestic Gold Corp.

(TSXV:MJS). Gold producer. Up half a cent, or five per cent, at 10.5 cents on 5,392,762 shares.

Underground Energy Corp.

(TSXV:UGE). Oil and gas. Unchanged at two cents, or 3,978,000 shares.

CURRENCIES

TORONTO (CP) — These are indicative wholesale rates for foreign currency provided by the Bank of Montreal at midday on Wednesday. Please inquire at any branch for cash rates. Quotations in Canadian funds.

Australia dollar	1.0458
Brazil real	0.5046
China renminbi	0.1613
Euro	1.3609
India rupee	0.0189
Japan yen	0.011020
Mexico peso	0.0788
N.Z. dollar	0.8339
Norway krone	0.1829
Pakistan rupee	0.0103
Philippine peso	0.0247
Poland zloty	0.3245
Romania leu	0.3107
Russia rouble	0.0334
Saudi Arabia riyal	0.2675
Sweden krona	0.1580
Switzerland franc	1.1011
Thailand baht	0.0338
Trin-Tob dollar	0.1580
Turkey lira	0.5678
Ukraine hryvnia	0.1232
U.A.E. dirham	0.2732
U.K. pound	1.5844
U.S. dollar	1.0033

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