What happens next in Ukraine?

Frances Horodelski, Anchor
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International

Here are some of the things you need to know this morning:

- **The occupation of Crimea by Russia** has sent markets on a bit of tumble over night although the Nikkei, which had been down almost 3%, recovered to only a 1.27% decline. **The Chinese markets ended in positive territory** on the official PMI which remained above 50 and a relatively strong services PMI number (55). **The European markets are down** across the region with Germany's DAX the weakest performer right at the moment (2.92%).

- Art Cashin this morning on the Ruble: "The Russian Ruble has plunged, prompting the central bank to move to hike rates. The Ukraine is hemorrhaging money and the banks have put a limit on withdrawals, capping them at $1500 a day. Their central bank is rapidly running out of reserves. It is the money that may lead to contagion."

- A final thought on Ukraine-Russia, one of my favourite historical quotes is that the first casualty of war is the truth (or more eloquently 'Among the calamities of war may be jointly numbered the diminution of the love of truth, by the falsehoods which interest dictates and credulity encourages.' Idler Magazine 1758) It is always easy to take sides in a situation when Russia is presented as the bad guy. On a seemingly unrelated note, the death toll in Syria has run into the six figures (140,000 lives lost) a number similar to the number of lives lost during the Yugoslavian civil war.

- In Barron's on the weekend **Bank of America** was highlighted positively. BAC also shows up in **Warren Buffett's shareholder letter** ("We can buy 700 million shares of Bank of America at any time prior to September 2021 for $5 billion. At yearend these shares were worth $10.9 Billion."). **YUM Brands and Verizon** also reviewed positively. On the other hand, **gold** received two negative reviews including one from **Mark Hulbert** who noted excessive optimism and other indicators are against bullion. Mr. Hulbert also cites work done by Campbell Harvey (a frequent BNN guest and professor at Duke University) that puts the fair value of gold at around $820/ounce. Further on gold, Bloomberg has this comment this morning about India; "Gold jewelers in India, the world's second-biggest consumer, are planning a nationwide shutdown next week to demand easing of curbs on precious metal imports. Bullion dealers and jewelers will shut shops on March 10 to protest restrictions on imports. Jewelers want the import tax cut to 2 percent from 10 percent, relaxation in re-export rules and easier credit norms. The association represents about 1,000 jewelers and traders."

- **The Prosectors and Developers Association of Canada's annual convention** began yesterday in Toronto – stay with BNN for all the coverage. Andy Bell, Howard Green and Market Call will all be reporting from the show.

- **Oil** is higher this morning (with the nearest future, April, trading at $104.70 although September trades below $100); gold is higher by $20+. The U.S. dollar is catching the bid although Friday's close brought the trade-weighted dollar to a 2% decline from February highs and the Euro had been trading at the highest level since November 2011. As for oil, here's a comment from Barclays: "This may be as good as it gets for oil. We see the potential for significantly volatility in prices in the short term, especially in the Brent-WTI spread where speculative length is heavily concentrated in the US benchmark."

- The calendar includes lots of things to watch such as Lent (which begins Wednesday), Friday's jobs report in both the U.S. (estimate 150,000 jobs) and Canada (estimate 16,800 jobs), International Woman's Day on March 8 and celebration of the 5-year anniversary of this bull market (which began off of March 9 2009 lows). According to Bespoke, if this bull can last through March 13th it will be the sixth longest in history. As well, this week is a central bank-watchers dream come true with the **Bank of Canada, the ECB and the Bank of England all making interest rate announcements**. Potentially the ECB will be the most market-moving as some have been expecting a stimulus initiative from **Mario Draghi** as he continues to do whatever it takes to save the euro and buoy the economy. Today we get a number of manufacturing data points (Market's US PMI which is a first look and the official ISM number). We also receive car sales for February.

- **Berkshire Hathaway's letter** got lots of attention over the weekend. One of my favourite lines from Mr. Buffett: "When Wall Streeters tout EBITDA as a valuation guide, button your wallet." Not a fan!

- The earnings calendar continues to wind down (Bank of Nova Scotia finishes up the Canadian banks tomorrow). This morning, the street received **Magna's Q4 results** that handily beat expectations ($2.33 versus $1.55 estimated) on better than expected revenues. For 2014, the company maintained its revenue outlook. For shareholders, the board announced a hike in the dividend to 38 cents per quarter (had been 32 cents and the street was looking for 35 cents).

- Finally, according margin debt is up more than 20% in the past year and above 2007's peak. And 2.2 times the 2009 lows. Again, Art Cashin quotes Jason Goepfert from the Sentiment Trader: "The 'available cash' for investors to withdraw is now negative $159 billion, another new record low. As a percentage of the market cap of all U.S. equities, it amounts to -0.75%, tied with February 2000 for the most extreme figure since June 1987."

Be careful out there.

Every morning Business Day Host Frances Horodelski writes a "chase note" to BNN's editorial staff listing the stories and events that will be in the spotlight that day. Click here to have it delivered to your inbox before the trading day begins.

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March 3, 2014
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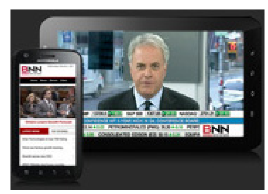

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