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TSX CLOSES IN BEAR MARKET TERRITORY AMID PLUNGING OIL, STOCK PRICES

Benchmark Toronto index closes more than 20% below September 2014 peak

The S&P/TSX composite index, the benchmark index of the Toronto Stock Exchange, closed in bear market territory Thursday amid global concerns of economic volatility in China and plummeting commodity prices, ending a bull market run that began in 2013.

The TSX ended the trading day down 278 points, or 2.19 per cent, to 12,448, marking a seventh consecutive day of losses. That close is more than 20 per cent below its peak of 15,657 on Sept. 3, 2014 — meaning Canada's main stock index has satisfied conditions of a bear market.

Bear markets are generally marked by periods of deep pessimism among traders, during which already low stock prices fuel continued sell-offs.

Markets in the U.S. also showed signs of significant distress. The Dow Jones industrial average fell 392.41 points, or 2.32 per cent, to close at 16, 514.10, making it the worst ever start to a year for the market. The S&P 500 lost 47.17 points, or 2.37 per cent, closing at 1,943.09, which is that market's worst start to a year since 1928.

The Nasdaq also plummeted, declining 146.33 points, or 3.03 per cent, to 4,689.43. Thursday's drop pushed the tech-heavy market into what analysts call a correction or a drop of 10 per cent from a recent peak.

While the Nasdaq is so far the only major U.S. index to enter a correction, the other two are getting close. The Dow average is down 9.8 per cent from its peak in May, and the S&P 500 index has lost 8.8 per cent since then.

European markets also dropped. Germany's DAX slid 2.3 per cent, France's CAC 40 gave up 1.7 per cent and Britain's FTSE 100 lost 2 per cent.

The Canadian dollar finished the day below 71 cents US at 70.94 and is now hovering near 12½-year lows.

In a note to investors issued Wednesday, BMO Financial Group chief economist Douglas Porter noted that the loonie is "getting into terrain that it has really only been in the 1994-2004 era" when it averaged less than 70 cents US.

He added that plunging oil prices, which briefly fell below $33 US Thursday and are hovering around 12-year lows, are adding to the loonie's woes. The February contract for benchmark crude oil slumped 70 cents to US $33.27 a barrel by trading day's end.

The stock market blows come after the Chinese government allowed the yuan to depreciate to its lowest level in five months, triggering a seven per cent plunge in China's main index that caused trading to be halted just 30 minutes after opening. The decision to let the currency weaken was seen as a bad sign for the health of the country's economy, the world's second largest.

The malaise spread across continents, sending indexes sharply lower in Canada, the U.S. and Europe.

"There is certainly a sense that the situation is spiraling out of control," wrote David Rees, senior markets economist at Capital Economics in London, in a morning note to investors.

In an apparent bid to promote market stability, the Chinese regulator announced late Thursday that by the opening time Friday, it would suspend the "circuit breaker" rule that halts trading after a loss of seven per cent — a mechanism increasingly seen as inadequate to prevent volatility.

"The management of the Chinese economy is the real concern," said John Canally, chief economic strategist at LPL Financial in Boston, Mass.

"All that matters for markets right now is 'China can't get their act straight'."

The New Year has started with multiple troubling indicators that China's economic growth may be slowing considerably as the government prepares to remove measures that were introduced last year to prop up share prices after a meltdown in June.

With Beijing accelerating the yuan's depreciation to make its exports more competitive, investors fear China's economy is even weaker than had been imagined. The effects are being felt in markets worldwide.

"There is a wall of worry under full construction brought on by China, fall in oil prices and uncertainty regarding quarterly earnings," said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management in Minneapolis.

Chief fixed income strategist at Hilltop Securities Mark J. Grant said in an analysts note that the signs are pointing to an inevitable recession in the U.S.

"I reached the conclusion, quite some time ago, that we were in trouble," he said. "My convictions have been reinforced with the passing of days, and I see no change of direction in the immediate future."

Billionaire investor George Soros, speaking at an economic forum in Sri Lanka, drew similarities between the present environment and the financial crash of 2008. He said global markets are facing a crisis and investors need to be very cautious, Bloomberg reported.

The World Bank also cut its global economic growth forecast for 2016, saying the weak performance of major emerging market economies will tamp activity overall, as will anemic showings from developed countries such as the United States.

MANITOBA, ALBERTA PREMIERS ANNOUNCE PARTNERSHIP ON RENEWABLE ENERGY

Premier Rachel Notley, Premier Greg Selinger to swap climate change strategy ideas going forward

Premiers from Western Canada's two NDP provinces met in Winnipeg today to discuss climate change policy and renewable energy.

Manitoba Premier Greg Selinger and Alberta Premier Rachel Notley swapped ideas on energy infrastructure, renewable energy and climate change priorities.

Selinger praised Notley's government and its recent commitments to reduce greenhouse gas emissions.

"Alberta has shown very admirable leadership on the climate change file since Premier Notley has taken office," Selinger said.

"Alberta's climate leadership plan places the conversation on [the] Energy East [pipeline project] in an improved context as the country moves towards a low carbon future."

Selinger added that Notley's long-term vision to create more jobs in the renewable energy sector squares with Manitoba's clean-energy plan and pledge to create more green jobs.

"Alberta and Manitoba will support each other in our goals on creating greener economies based on good jobs and sustainability," Selinger said.

Last month, Selinger promised to cut greenhouse gas emissions by one-third in the next 15 years and bring in a cap-and-trade system for the province's 20 largest emitters to help meet that goal.

The government promised to create 6,000 green jobs in the next five years, expand its Power Smart program to help people reduce energy use and bring in an environmental bill of rights with an independent watchdog.

In Alberta, Notley last month introduced a sweeping new climate change strategy, including a plan to cap oilsands emissions at 100 mega tonnes and charge a $30-a-tonne carbon tax by 2018.

"Calls for action on both [energy and the environment] are getting louder every day and that is because the science is clear: climate change poses an immediate and serious threat," Notley said Friday in Winnipeg.

"There's no room for complacency; we simply must act now. Both Manitoba and Alberta are doing that."

Moving forward, the two provinces will be sharing information on how to better integrate energy grids in western Canada, Selinger added.

"It's a partnership that will benefit not only Albertans and Manitobans but the whole country," Selinger said.

"Climate change is one of the defining issues around the planet right now, and it's a challenge that we've all signed onto as a result of the Paris agreement."

CANADIAN OIL HITS RECORD LOW AROUND $19 A BARREL

If the oil industry were a department store, Canadian bitumen would be the discount bin in the basement.

Already the world's cheapest oil, Western Canada Select was trading at US$19.92 per barrel on Thursday, which according to Bloomberg is just off an all-time low price hit the day before.

That's on the back of falling global oil prices. West Texas Intermediate, the benchmark North American price, was near 12-year lows Thursday, trading at around US$33.40.

At these prices, its unlikely many Canadian oil exporters are turning any profit. By one analyst's estimate, oilsands producers were losing between $1 and $3 per barrel when Canadian oil hit US$22 last month.

But they're unlikely to shut down operations even at these prices, because of the high costs involved. Analysts expect them to continue producing at a loss.

Canadian oil sells at a significant discount to U.S. oil, which the industry says is due to a lack of access to U.S. markets (i.e. un-built pipelines).

But the situation is being made worse by OPEC, the oil cartel led by Saudi Arabia that has been flooding the world with oil in order to drive the U.S.'s shale oil play out of business.

Sinking oil prices are driving down the Canadian dollar, which according to one report, is the most closely correlated currency in the world to the price of oil. Both the loonie and global oil prices are around 12-year lows.

In a speech Thursday, Bank of Canada Governor Stephen Poloz said Canadians should expect the loonie to stay low for some time, while warning about its counterpart — higher inflation.

The loonie dipped to 70.67 cents U.S. Thursday morning, before rebounding to around 71.12 cents. Some analysts are now predicting a 68-cent loonie in the weeks to come.

OIL PRICES REBOUND, BOOSTING CANADIAN DOLLAR, TSX

WTI contract up 4%, overtaking Brent as U.S. crude stocks fall

Oil prices rebounded from their six-year low on Wednesday after a fall in U.S. crude inventories, helping to lift both the TSX and the Canadian dollar.

West Texas Intermediate, the benchmark North American contract, was up 4.6 per cent or $1.66 to close to $37.81 US a barrel.

Brent, the main international contract, rose $1.50 to $37.64 US a barrel.

It is unusual for WTI oil to be priced higher than Brent – the last time it happened was in 2010, according to Reuters.

The rebound in oil was good news for the Canadian dollar, which bounced up four-tenths of a cent to 72.17 cents US.

A recovery in energy stocks helped buoy the TSX, which was up 202 points to close at 13,284.

Traders in North America were encouraged by a drop of crude inventories in the U.S. of 5.9 million barrels in the last week, compared with analysts' expectations for an increase of 1.1 million barrels. Crude stocks at the Cushing, Oklahoma, delivery hub rose by two million barrels, according to the Energy Information Administration.

Also Wednesday, oilfield services company Baker Hughes Inc. said the number of rigs exploring for oil and natural gas in the U.S. declined by nine this week to 700.

"It was really good news for the oilpatch," said Colin Cieszynski, chief market strategist with CMC Markets. "Oil's been really oversold and people have been waiting for something to jump on to move it back the other way and we saw that in spades today with the positive surprise on the U.S. oil market."

But a mixed outlook for crude from the Organization of Petroleum Exporting Countries weighed on the price of Brent contracts.

In its world oil outlook, OPEC predicted a return of oil to $70 US a barrel by 2020.

But it forecast little increase in demand for 2016, which could prolong the current low prices for oil.

After OPEC failed to agree on a cap on output at its meeting earlier in December, Iraq signed a $1.4 billion deal to supply 160,000 barrels per day to Indian refiners Reliance and Indian Oil Corp.

And Iran is expected to add 500,000 barrels per day of crude exports next year increasing the competition to sell Middle Eastern oil.

The long stretch of low oil prices has the potential to decrease investment in the sector over the next five years, OPEC predicted and that could mean much tighter supply by 2020.

Cieszynski said WTI may end up capped at about $40 in the near-term because of OPEC strategies, unless demand picks up substantially.

"Into the new year, we're still running into the oversupply problem. Supply is still a mess. OPEC doesn't seem to know what they're going to do in terms of production levels," he said.

CAPE BRETON SINGER-SONGWRITER CHRONICLES ALBERTA JOB WOES IN VERSE

A failed relationship and a prayer for another boom are covered in Jody Hickey's song

With the blow of low oil prices still reverberating through the job market in Alberta, a Cape Breton singer-songwriter who has worked in Alberta has posted an original song called $100 Barrel on YouTube, chronicling the impact of that downturn.

The effect of a bust is something Jody Hickey knows well.

"It comes swift and there are not many people that are spared," Hickey said.

For more than 15 years, Hickey worked in various positions in Alberta, most recently as an insulator.

Nearly everyone he's worked with has been affected by the downturn, and he said seeing what his friends and co-workers in Alberta are going through prompted him to write the song.

Since it was posted on Dec. 23, the video has garnered over 6,000 views.

"It seemed to hit a nerve with a lot of people," said Hickey.

After finishing high school, Hickey embarked on what he calls the "Cape Breton lifestyle," migrating back and forth between Nova Scotia and western Canada.

As painful as the downturn is, he said the work came with its own consequences.

"I did have a relationship fall apart because of the travel plan," said Hickey.

"It turns out you're only home a little over two and a half months out of 12, that's not very long at all."

Hickey is currently finishing his trade certification in Halifax and looking into work with the offshore oil industry. He wouldn't rule out the possibility of going back to Alberta if oil reaches $100 a barrel again.

"There's always hope," he said.

NEB GIVES GREEN LIGHT TO LNG EXPORTS FROM KITIMAT

The board that regulates natural-gas exploration and production in Canada has approved its first 40-year export licence to a joint-venture company led by Shell.

The National Energy Board permit will allow LNG Canada to export up to 1,494-billion cubic metres of liquefied natural gas from a terminal that will be located near the B.C. north-coast community of Kitimat.

Until the National Energy Board Act was amended in June 2015, the maximum term length of an export permit was 25 years.

The licence must still be approved by the prime minister and his cabinet.

The announcement comes just days after the B.C. Oil and Gas Commission approved an LNG Canada facility permit, which outlines design, construction and operation requirements.

Shell Canada Energy and affiliates of PetroChina, Korea Gas Corp. and Mitsubishi Corp. are members of LNG Canada, which has not yet made a final investment decision on the project.

"We have determined that the quantity of natural gas proposed to be exported by LNG Canada, for a term of 40 years, is surplus to Canadian needs," says a letter published Thursday by the board.

"The board is satisfied that the natural gas resource base in Canada, as well as North America overall, is large and can accommodate reasonably foreseeable Canadian demand, including the natural gas exports proposed in this application, and a plausible potential increase in demand."

The board says in its letter that the licence will expire Dec. 31, 2022 unless exports have begun.

The project is one of 20 LNG proposals in B.C. Four have received environmental approval from the province, while two have been granted permission to proceed by the Canadian Environmental Assessment Agency.

The B.C. Liberal government has staked its political future on the LNG industry, with promises of 100,000 new jobs and $100 billion in revenue over 30 years.