THE GLOBE AND MAIL

Canada the 20th 'least miserable' country in world ranking

By Michael Babad
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If you're happy and you know it ...
It may be an odd measurement, but Canada scores relatively high as the 20th "least miserable" country in a new global ranking.

Venezuela is the most miserable in the Cato Institute's latest World Misery Index, because of surging consumer prices, while Brunei is the least so of the 108 countries ranked.

For the sake of comparison, Venezuela stands at 106.03 on the scale, and Brunei at just 4.94.

Canada came in at 10.62 in the recently released study by the think tank, largely because of unemployment.

The most miserable also include countries such as Argentina, Ukraine, Syria, Iran, Brazil, Armenia and, as you'd expect given their crippling levels of unemployment, Greece and Spain.

The least miserable also take in Switzerland, China, Japan, Norway, Germany, Thailand and Sweden, among others and in no particular order.

According to the index, folks in the Netherlands, Bahrain, the United States and Hong Kong also aren't as miserable as we are.

The index looks as measures such as unemployment, inflation, interest rates and gross domestic product, and was built by Steve Hanke of The Johns Hopkins University in Baltimore.

"Through a simple sum of the former three rates, minus year-on-year per capita GDP growth, I constructed a misery index that comprehensively ranks 108 countries based on 'misery,'" the economist writes.

(Mr. Hanke is a professor of applied economics, among other positions, and also director of the Cato Institute's "Troubled Currencies Project," which makes me wonder what he thinks about the Canadian dollar.)

Given that we're talking about misery, there's a separate study worth mentioning here.

Think money can buy you happiness? Think again.

According to a recent study by researchers at the University of British Columbia and Michigan State University, more money doesn't bring you more daily cheer, but it can mean "less daily sadness."

"Using data from a diverse cross section of the U.S. population ... we show that higher income is associated with experiencing less daily sadness, but has no bearing on daily happiness," said the study by UBC PhD candidate Kostadin Kushlev, UBC associate professor Elizabeth Dunn and MSU prof Richard Lucas.

"This pattern of findings could not be explained by relevant demographics, stress, and people's daily time use. Although causality cannot be inferred from this correlational data set, the present findings point to the possibility that money may be a more effective tool for reducing sadness than enhancing happiness."

Cenovus slashes spending
The blows just keep on coming in Canada's oil patch.

As The Globe and Mail's Bertrand Marotte reports, Cenovus Energy Inc. is slashing its planned capital spending this year by a further $700-million amid the oil price slump.

"I believe crude oil prices will rebound, but the timing is uncertain," said chief executive officer Brian Ferguson.

"We're taking the actions we deem prudent to help protect the financial resilience of Cenovus without compromising our future."

- Bertrand Marotte: Cenovus slashes 2015 spending by additional $700-million on low oil[2]
- Why it's going to at least feel like a recession in Alberta this year[3]

Awaiting the Fed
What everyone wants to know, of course, is when the Federal Reserve will hike interest rates.

Which means the markets will be closely watching this afternoon's policy statement for signals.

It's likely today to come down to the word *patient* and the phrase *considerable time*, and whether the language changes.

Here's what the U.S. central bank's policy-setting group, the Federal Open Market Committee, said at its last outing in mid-December:

"Based on its current assessment, the committee judges that it can be patient in beginning to normalize the stance of monetary policy. The committee sees this guidance as consistent with its previous statement that it likely will be appropriate to maintain the 0 to ¼ per cent target range for the federal funds rate for a considerable time following the end of its asset purchase program in October, especially if projected inflation continues to run below the committee's 2-per-cent long-run goal, and provided that longer-term inflation expectations remain well anchored."

The market, said Scotiabank chief currency strategist Camilla Sutton, sees*patience* as meaning two Fed meetings.

So if the central bank repeats that today, that will be taken to mean no rate hike at the March or April meetings.

Considerable time, in turn, suggests about six months.

At this point, market players think the Fed will hike its benchmark rate sometime in the Fall, while some economists believe it could be sooner, during the summer.

Watch, too, for what the central bank says about inflation.

And then there's the Canadian dollar. If there's no big change in policy, Ms. Sutton said, expect a "slight U.S. dollar uptick."

Here's the view from some observers:

"[This afternoon] will see the FOMC statement released and speculation is that it could well keep phraseology similar to the last statement as it stalls for time. The slightly cooling economic data that has come out of the U.S. is one reason why there is a little less pressure on the Fed to start raising interest rates, but another is the corporate picture. Investors have become increasingly accustomed to 75 per cent of U.S. corporations beating market expectations during the [earnings] reporting season, but there is much less chance of that happening this time round. This week alone has seen Verizon, GE, McDonalds, Microsoft, Caterpillar and Proctor & Gamble all fall short of expectations." *Alastair McCaig, IG*

"China, Japan, Europe and the U.K. all showing signs of falling prices it seems highly unlikely that the U.S. would be immune to these global deflationary forces, particularly at a time when the US dollar is riding high on the back of expansionary monetary policy from both Europe, Japan and China, in the process putting pressure on U.S. company earnings. The inevitable conclusion therefore is that any increase in U.S. rates this year would appear to be unlikely at a time when growth globally appears to be showing some signs of weakness, and while inflation appears to be heading lower, and as such those looking for clues about the timing of a rate hike are unlikely to get any comfort from this [afternoon's] Fed statement." *Michael Hewson, CMC Markets*

"We expect the FOMC to reiterate that it can remain patient in beginning the normalization of monetary policy. The FOMC might provide additional guidance on its views of the stunning weakness in oil prices and inflation expectations. As there will be no press conference, market participants will have to wait for the release of the minutes to gain insight into the Fed's thinking. We still expect a mid-2015 lift-off in rates." *Société Générale*

"The Fed is likely to remove any reference to the funds rate being maintained 'for a considerable time following the end of the asset purchase program in October' and instead repeat the statement added in December that policy makers 'can be patient in beginning to normalize the stance of monetary policy.' However, given our expectation that fed funds will eventually start to rise late in the second quarter, modifications to the statement alluding to a normalization getting closer is likely to occur in the intervening FOMC meetings in March and April." *Paul Ferley, Royal Bank of Canada*

"There is little chance of the Fed altering its forward guidance this meeting. As a 'housekeeping' move, we might see the old 'considerable time' phrase finally dropped ... By separating out global risks, the Fed will also be signaling where the biggest risks to the timing of policy lift-off currently lie. The doves now have the dollar to point to." *Michael Gregory, BMO Nesbitt Burns*

- Luke Kawa: Strong U.S. dollar drags down earnings of key multinational firms[4]
- David Parkinson, Richard Blackwell and Iain Marlow: The 7-year slump: Why the global economy can't seem to get started[5]
- Global central banking policies could steer Fed's rate plan[6]

Markets mixed
Global markets are mixed so far this morning as investors await the Fed.

Tokyo's Nikkei gained 0.2 per cent, and Hong Kong's Hang Seng 0.2 per cent.

But in Europe, London's FTSE 100 and the Paris CAC 40 were down by between 0.1 per cent and 0.3 per cent, while Germany's DAX was up 0.5 per cent.

The S&P 500 and Dow Jones industrial average rose, and Toronto's S&P/TSX composite was down slightly.

"Note that U.S stocks have swiftly become the laggards so far in 2015, with the S&P 500 down 1.4 per cent, while Europe, Japan, Australia and even Canada have posted gains," said senior economist Robert Kavcic of BMO Nesbitt Burns.

"The surging U.S. dollar is one factor, as evidenced by some choppy earnings releases in recent weeks, while the [European Central Bank's] QE move has juiced European stocks - Germany leads the major-market leaderboard, up 8.3 per cent on the year."

Apple shares climbed after its blowout quarterly results late yesterday. Shares of Yahoo Inc. also gained after it announced late yesterday it would spin off its stake in Alibaba Group Holding Ltd.

- Follow our Inside the Market blog (for subscribers)[7]
- Omar El Akkad: Record iPhone 6 sales supercharge Apple's 'historic' quarter[8]
- Yahoo to spin off Alibaba stake tax-free as public company[9]

'Dangerous situation'
Stocks are plunging and bond yields surging. Just another day in Athens.

Investors continue to fret over the "dangerous situation" in Greece, and the expected battle between the new government of Prime Minister Alexis Tsipras and his European neighbours.

Pledging a "radical" shift in Greek policy, Mr. Tsipras is moving fast, shutting down the proposed sale of a stake in a public utility and calling off the sale of a port, among other things.

Greek bond yields surged, and stocks were crushed.

"The catalyst is the concern that an acrimonious negotiation between the new government and its creditors, which include the [European Central Bank], could cause the ECB's emergency lending facility to dry up for Greek banks that are heavily dependent on funding whose ultimate source is the central bank of Europe," Scotiabank's Derek Holt, Frances Donald and Dov Zigler said in a research note today.

"It's a dangerous situation to say the least as depositors flee the Greek financial system and short-term funding becomes harder to access for Greek banks," they added.

"Recent headlines out of Greece include a plan by the government to raise the minimum wage, halt the privatization of a part of a port, and reverse some public sector layoffs. A showdown over the bailout plan is almost inevitable if Greece breaks so immediately and aggressively with its structural adjustment program - and therefore European funding could be drawn into question."

While we're at it, take a look at the exceptionally low yields in Canada.

"The government of Canada can now borrow your money for 30 years for less than 2 per cent," noted chief economist Douglas Porter of BMO Nesbitt Burns.

"They can borrow it for seven years for less than 1 per cent," he added.

"Even with a late-day back-up on Tuesday, we have not seen these lows for Canadian yields in the postwar era."

- Eric Reguly: Eurobank's Greek problem felt all the way to Toronto[10]
- Eric Reguly: Greece votes decisively against austerity[11]
- Video: The immediate fallout from Greece's anti-austerity vote[12]

Jobless rate inches up with revision
Canada's jobless rate actually stands at 6.7 per cent, rather than the 6.6 per cent originally reported.

That's because Statistics Canada revised its numbers today, back almost 15 years, to take fresh census data into account.

- Jobless rate heads higher in December with Statscan revision[13]

Streetwise (for subscribers)

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