

BN Canada VIX Touches 2012 High as Equities Slump With Commodities  
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By Eric Lam

(Bloomberg) -- The Canadian equity market is engulfed in volatility at levels not seen since the euro area debt crisis of 2012 as a continued plunge in commodities sent stocks to a one-month low.

Capstone Mining Corp. and First Quantum Minerals Ltd. sank at least 15 percent as base-metals producers plunged with the price of copper. Legacy Oil & Gas Inc. lost 10 percent as energy shares retreated. Onex Corp. climbed 6 percent after agreeing yesterday to buy Survitec Group Ltd. for \$680 million.

The Standard & Poor's/TSX Composite Index fell 77.85 points, or 0.6 percent, to 14,187.16 at 4 p.m. in Toronto, erasing an earlier gain of as much as 0.7 percent. The benchmark equity gauge has dropped 3 percent this year.

A volatility index of S&P/TSX 60 options jumped as much as 9.5 percent to 24.88, the highest level since June 2012, before closing at 23.51. Energy stocks make up about 21 percent of the S&P/TSX 60 Index, a gauge of the 60 largest, most liquid shares in Canada.

"The VIXC is spiking, it's all about oil, worries about deflation and slowing growth globally," said John Stephenson, chief executive officer of Stephenson & Co. Capital Management in Toronto. His firm manages about C\$50 million (\$41.8 million). "Canada's much more of a one-trick pony because of the energy weighting. The TSX will quite handily underperform the S&P 500 this year."

Capstone plunged 17 percent, the biggest decline since 2008, and First Quantum sank 15 percent as raw-materials shares retreated 4.7 percent as a group, the most since October. Trading volume was 11 percent higher than the 30-day average.

Copper for delivery in three months fell 2.6 percent to \$5,860 a metric ton in London, for a fifth day of losses and the lowest in more than five years.

#### Crude Slump

The S&P/TSX Energy Index fell 0.5 percent to the lowest since Dec. 15. Energy shares are the worst-performing industry in the S&P/TSX this year with a 9.9 percent decline. The group accounts for 20 percent of the broader index's weighting.

Investors who first started buying equities after the winter holidays are pulling back out just as quickly as they came in, said Frank Maeba, managing partner at Breton Hill Capital in Toronto. His firm manages about C\$700 million.

"When you don't get that pop early on, the shorter term holders of risk are more willing to ditch that risk," Maeba said. "The market is pretty choppy, choppy than it's been in three to six months. Energy is driving a lot of that right now. When you start trying to trade equities by using oil as a proxy for risk, you're going to get a lot of big swings."

West Texas Intermediate crude rose 0.1 percent in electronic trading as of 5:23 p.m. in New York. Futures fell 0.4

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percent in regular trading to settle at \$45.89 a barrel, the lowest since April 2009. The commodity slipped below \$45 a barrel earlier, slumping as much as 4.1 percent.

Crude inventories in the U.S. probably gained by 1.5 million barrels last week, a Bloomberg News survey showed ahead of government data tomorrow, raising speculation a global supply glut that's forced prices into a bear market will continue.

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