



Wealth Management  
Dominion Securities

Portfolio Advisory Group | April 2017

## What moved the markets



**Dr. Patrick O'Brien, (DVM), FMA, CIM**  
Wealth Advisor & Vice President  
patrick.obrien@rbc.com  
604 467-5321



**Cameron MacKenzie**  
Investment Advisor, CFA, CPA, CA  
cameron.mackenzie@rbc.com  
604 467-1674

11855 224th Street  
Maple Ridge, BC V2X 6B1

www.patrick-obrien.ca  
1 877-272-2002

April was another month in which politics and financial markets were intertwined. Investors were largely focused on the Trump administration's proposed trade and tax reform policies, the Ontario government's housing action plan, the French election, and an upcoming election in the United Kingdom which has Brexit implications.

U.S. President Trump unveiled a one-page outline of his administration's tax reform proposal. The proposal calls for a reduction of the corporate tax rate from 35% to 15%, a special tax repatriation window for multinational corporations with cash held overseas, a simplification of personal income tax brackets, and the elimination of many state and municipal income tax deductions. There were limited surprises in the summary and it is widely expected some changes will be needed in order to get it passed through Congress.

Trade tension between Canada and the U.S. intensified after the U.S. Commerce department announced a 20% tariff on Canadian softwood lumber. President Trump is also set on renegotiating NAFTA and Commerce Secretary Wilbur Ross said that there were "many conceptual flaws" in the treaty which need to be addressed. The imposition of import duties on lumber and the uncertainty around US trade policy weighed on the Canadian dollar. The Loonie declined 3% and ended the month at its weakest level in 14 months.

One major policy action in Canada came when the Ontario government

unveiled its "Fair-Housing Plan." This plan proposed broad policy action on several fronts to cool homebuyer demand, increase housing units, contain rent increases and curb speculative practices. Housing remains a major point of vulnerability for the economy with the ratio of debt to household income rising steadily and at a record high of 167.3%. On a somewhat related note, the alternative mortgage lenders in Canada were in focus over the month as signs of funding challenges emerged.

Equity markets in North America were positive in April. The S&P/TSX moved up 0.4%, with rallies in the Telecom Services, Consumer Staples, and Consumer Discretionary sectors of 5.7%, 5.3% and 4.0%, respectively offset by decline in the Health Care sector of 7.2%.

In the U.S., the S&P 500 closed up 1.0%, with most sectors ending the month in positive territory. Markets were led by the Technology and Consumer Discretionary sectors which gained 2.5% and 2.4%, respectively, while the Telecom Services and Energy sectors closed down by 3.3% and 2.9%, respectively.

## Fixed Income-Specific Developments

It was a mixed month of economic data in Canada. Canadian employment data came in significantly better than expected to start the month. The economy added 19,400 jobs in March, for an employment gain of 276,400 jobs over the past 12 months. Despite solid job gains, wage growth has been absent as the pace of annual wage rate increases fell to 1.1%, the lowest since the 1990s. Markit Canada Manufacturing PMI was a bright spot, coming in at 55.5, up from 54.7 in February and reaching its highest level since October 2013. Prior to the announcement of the new housing measures in Ontario, Housing starts in Canada reportedly rose 18.4% in March to reach 253,720, the fastest rate of growth since 2007. With the recent strength in economic data, the Bank of Canada (BoC) upgraded its forecast for growth in 2017 to 2.6% from 2.1% while marginally lowering its forecast for 2018 growth to 1.9% from 2.1%. The central bank also moved forward its expectation for the closure of the output gap to the first half of 2018 from mid-2018, but left its overnight lending rate unchanged. Governor Poloz and Senior Deputy Wilkins admitted that improving Canadian economic data has the BoC “decidedly neutral” but it is right for the BoC to remain cautious until the economy shows signs that it is on a stronger footing. Disappointing data in the month included CPI inflation which fell from 2.0% in February to 1.6% in March, lower than the 1.8% expected by economists. The Bank of Canada’s three core inflation measures, CPI-trim (1.4%), CPI-median (1.7%) and CPI-common (1.3%) declined to an average of 1.5%. This inflation print reinforced the BoC’s view that core inflation measures have been “drifting lower” which, coupled with slow wage growth, are taken as signs of “material excess capacity in the economy”. Retail sales for February also declined 0.6%, lower than the flat expectation from economists and down from the revised 2.3% increase in January. Canadian annual GDP growth was 2.5% year over year in Q1, marginally lower than the 2.6% expected. 5-year Government of Canada yields ended the month near a 5-month low at 1.01%.

In the U.S., non-farm payrolls disappointed to start the month, with the economy adding 98,000 jobs in March versus expectation of 180,000 jobs. There was also a downward revision of 38,000 jobs to the previous two months. Another poor data point was retail sales which

## Number crunching

| Equity indices*                 | Month | YTD*  |
|---------------------------------|-------|-------|
| S&P/TSX Composite Index TR      | 0.4%  | 2.9%  |
| Dow Jones Industrial Average TR | 1.4%  | 6.7%  |
| S&P 500 Index TR                | 1.0%  | 7.2%  |
| NASDAQ Composite Index TR       | 2.3%  | 12.7% |
| MSCI EAFE TR (USD)              | 2.6%  | 10.2% |
| MSCI World TR (USD)             | 1.5%  | 8.2%  |

| S&P/TSX sector performance*       | Month | YTD*   |
|-----------------------------------|-------|--------|
| S&P/TSX Financials TR             | -1.4% | 2.0%   |
| S&P/TSX Energy TR                 | -0.2% | -5.7%  |
| S&P/TSX Materials TR              | -0.3% | 5.8%   |
| S&P/TSX Industrials TR            | 2.4%  | 7.9%   |
| S&P/TSX Consumer Discretionary TR | 4.0%  | 11.3%  |
| S&P/TSX Telecom Services TR       | 5.7%  | 10.9%  |
| S&P/TSX Information Technology TR | 3.6%  | 10.8%  |
| S&P/TSX Consumer Staples TR       | 5.3%  | 8.1%   |
| S&P/TSX Utilities TR              | 0.1%  | 7.4%   |
| S&P/TSX Healthcare TR             | -7.2% | -16.6% |

\* All returns are on a Total Return basis. All indices are in local currency unless otherwise noted. Source: Bloomberg

declined for a second consecutive month, posting a -0.2% decline compared with expectations of a 0.1% increase. Meanwhile, the FOMC minutes released showed that the economic outlook of the members was broadly positive, with a growing number of members seeing the Committee as having met or soon to meet both employment and inflation objectives. ISM Manufacturing fell 0.5 points to 57.2, in line with analyst expectations. This was the first pullback in manufacturing PMI since last August, but the index remains near the highest level since November 2014. Inflation data showed weaker than expected consumer price pressures in the U.S., with headline inflation easing to 2.4% and core inflation to 2.0%, both of which were 0.2% below consensus estimates. U.S. 10-Year yields ended the month ~10bps lower at 2.28%.

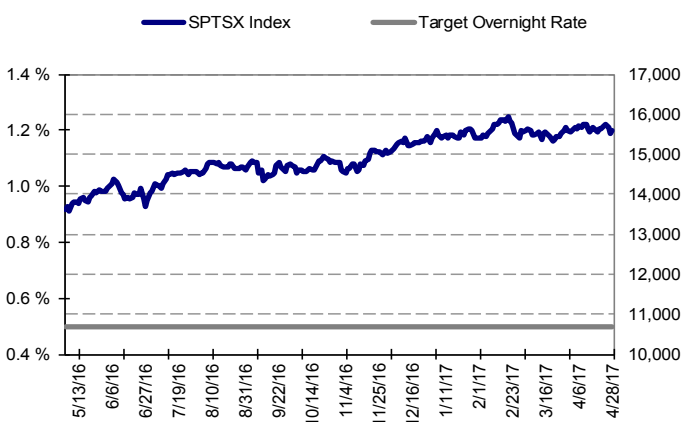
| Currencies (in Canadian dollars) | Exchange | Month | YTD* |
|----------------------------------|----------|-------|------|
| U.S. Dollar                      | 1.3653   | 2.5%  | 1.6% |
| Euro                             | 1.4874   | 4.9%  | 5.2% |
| British Pound                    | 1.7681   | 5.8%  | 6.7% |
| Japanese Yen                     | 0.0122   | 2.4%  | 6.6% |

| Currencies (one Canadian dollar) | Exchange | Month | YTD*  |
|----------------------------------|----------|-------|-------|
| U.S. Dollar                      | 0.7324   | -2.5% | -1.6% |
| Euro                             | 0.6722   | -4.6% | -4.9% |
| British Pound                    | 0.5655   | -5.5% | -6.2% |
| Japanese Yen                     | 81.6720  | -2.4% | -6.1% |

| Commodities (US\$)            | Spot price | Month | YTD*   |
|-------------------------------|------------|-------|--------|
| Crude Oil (WTI per barrel)    | \$49.33    | -2.5% | -8.2%  |
| Natural Gas (per million btu) | \$3.28     | 2.7%  | -12.0% |
| Gold (per ounce)              | \$1,268.29 | 1.5%  | 10.1%  |
| Silver (per ounce)            | \$17.20    | -5.8% | 8.1%   |
| Copper (per pound)            | \$2.59     | -1.8% | 3.4%   |
| Nickel (per pound)            | \$4.27     | -5.6% | -5.6%  |
| Aluminum (per pound)          | \$0.86     | -2.5% | 11.7%  |
| Zinc (per pound)              | \$1.19     | -5.3% | 1.8%   |

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### S&P/TSX Index – target overnight rate, LTM



Source: RBC Wealth Management, Bloomberg

## Global Developments

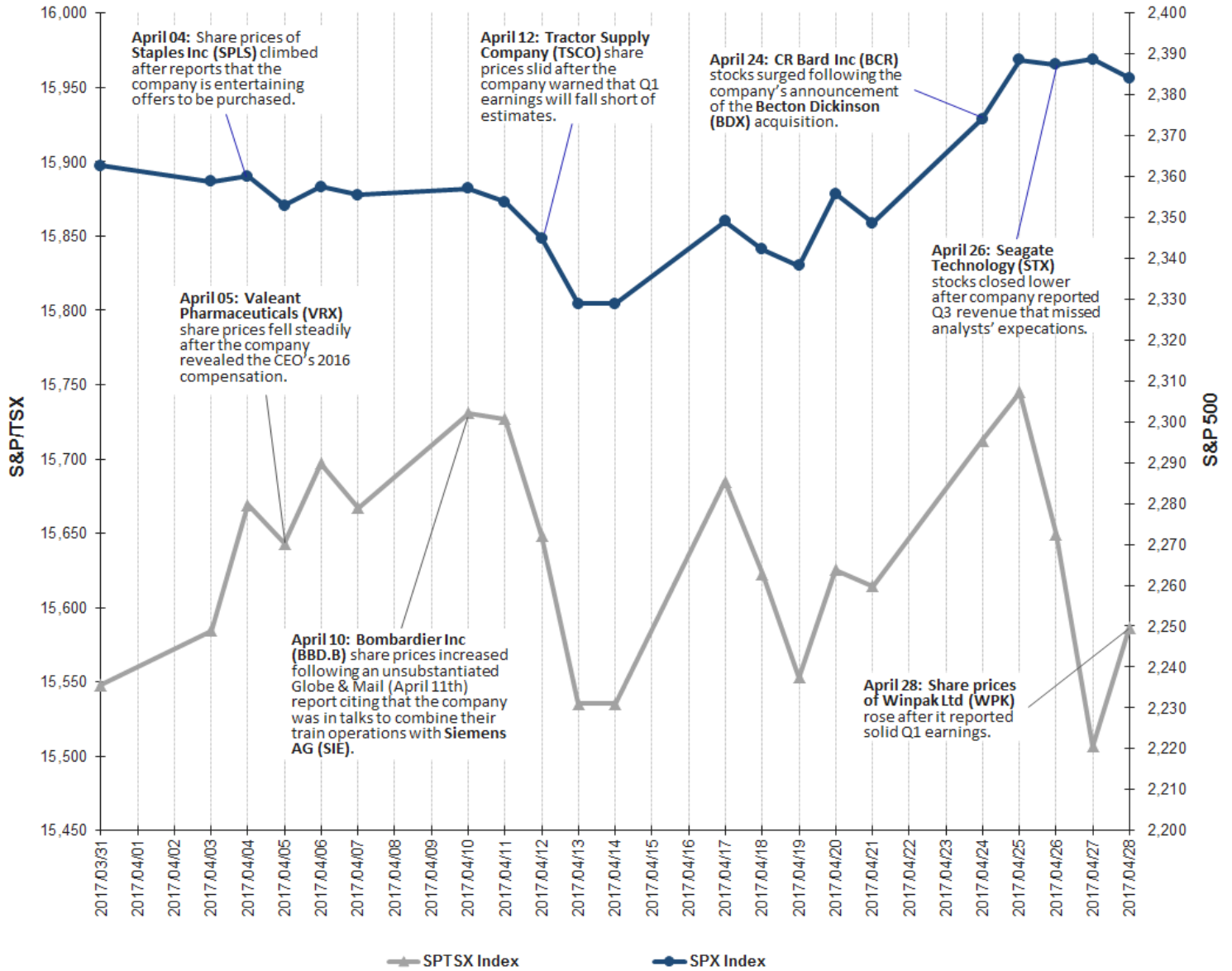
In China, economic data was generally positive for the month. GDP growth accelerated for a second consecutive quarter, increasing 6.9% in the first quarter from a year earlier, outpacing estimates of 6.8%. This is the first back to back increase in the quarterly GDP growth rate in seven years. Industrial output rose 7.6% year over year and retail sales increased 10.9% year over year in Q1. Sustained strength in the housing market, robust consumer spending and government led infrastructure investment all contributed to China's improved economic data. Elsewhere in Asia, the Bank of Japan left benchmark rates unchanged and maintained the size of their quantitative easing program at ¥80 trillion per year.

In the UK, Prime Minister Theresa May called a snap election to be held in June, to help resolve the political impasse the U.K. government faces in conducting Brexit negotiations from the EU. Following the announcement, the British pound rallied 3.60% and ended the month at the highest level in 7 months at 1.2951 vs. the USD. In France, the first round of Presidential elections met polling expectations with Emmanuel Macron winning and carrying ~24% of the vote. He will square off against far right populist Marine Le Pen, who garnered ~22% of the vote, in the runoff on May 7<sup>th</sup>. The IHS Markit Composite purchasing managers' index for Eurozone Climbed to 56.7 in April, up from 56.4 in March, which is the highest reading since 2011. European equity markets rallied ~2.30% while peripheral country bond yields moved significantly lower through the month. The European Central Bank took a backseat to political news and left all of its major policies and forward guidance unchanged. President Mario Draghi argued that inflation and wage growth remain weak despite positive signs on euro area growth and reduced downside risks.

In terms of commodities, Saudi Arabia and Kuwait gave clear signals in April that OPEC plans to extend its production cut agreement with non-member producers into the second half of the year. WTI crude oil prices were ~\$0.80 per barrel lower for the month. Aided by lower bond yields, spot gold prices edged ~1.2% higher and closed the month at \$1269 per oz.

# North American equity highlights

April 2017

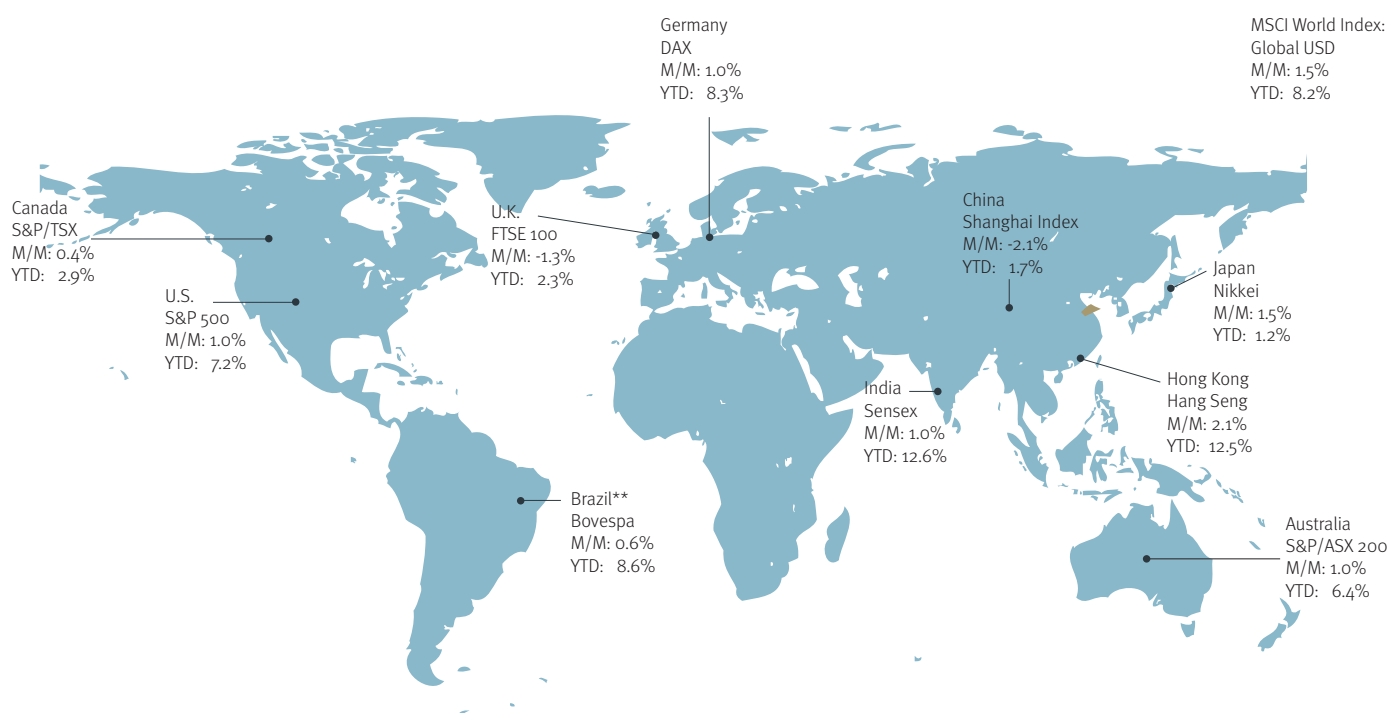


<sup>1</sup>Bloomberg <sup>2</sup>RBC Capital Markets Pricing Data  
Source: Bloomberg

# World markets

## April month-over-month and year-to-date performance

For the month of April, most global indices ended in positive territory. In the Americas, the S&P 500, S&P/TSX, and Brazil's Bovespa rose by 1.0%, 0.4%, and 0.6%, respectively. In Europe, Germany's DAX moved higher by 1.0% while U.K.'s FTSE moved lower by 1.3%. In Asia, Hong Kong's Hang Seng and India's Sensex closed the month up 2.1% and 1.0%, respectively and China's Shanghai Index closed the month down 2.1%. Australia's S&P/ASX 200 and Japan's Nikkei closed higher by 1.0% and 1.5%, respectively. Overall, the MSCI World Index increased by 8.2% YTD.



All returns are on a total return basis unless otherwise noted. All returns calculated in local currency except for MSCI World

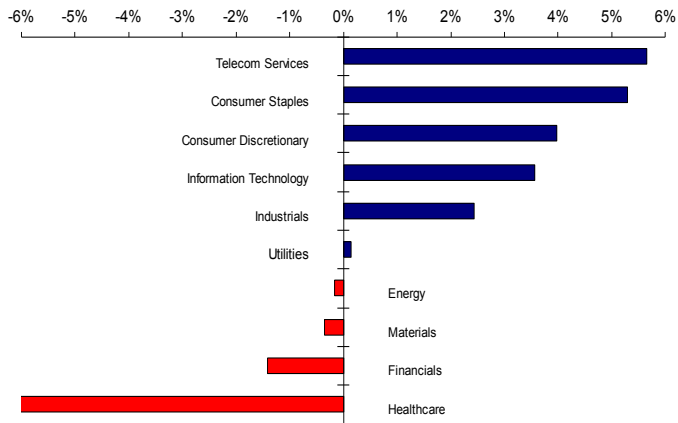
\*\* These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 04/30/17

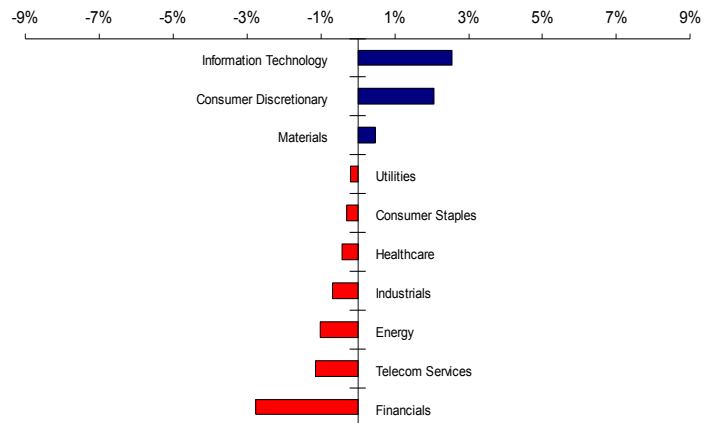
# Canadian & U.S. equities

April 2017

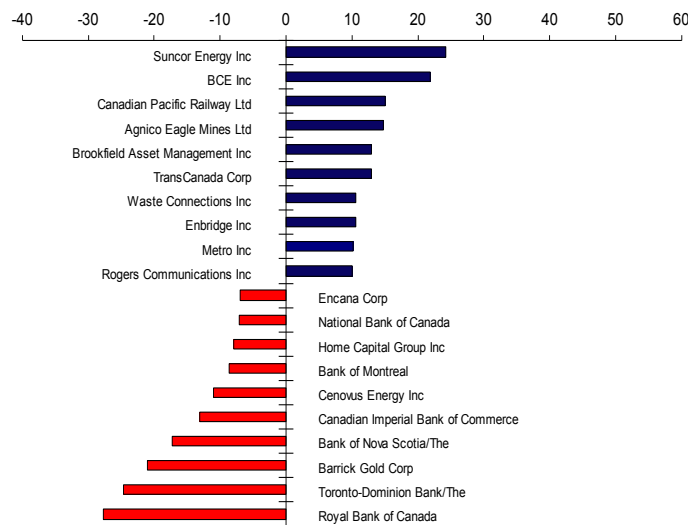
S&P/TSX composite sector movement



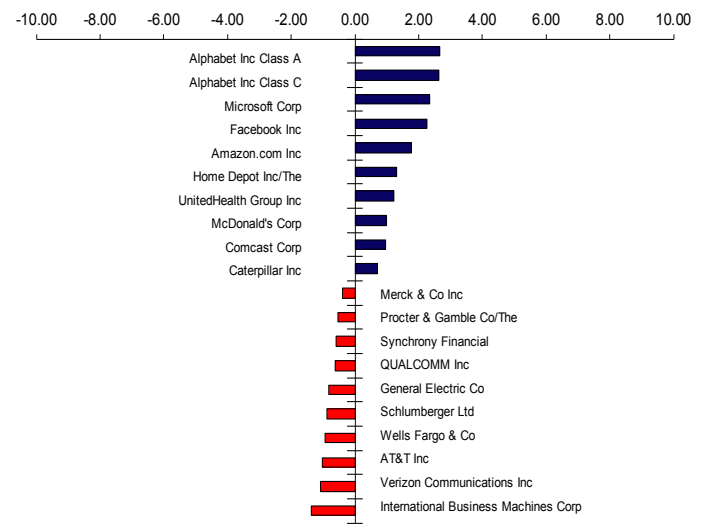
S&P 500 sector movement



Top 10 S&P/TSX contributors/decliners by index points



Top 10 S&P 500 contributors/decliners by index points



Source: Bloomberg

# Canadian and U.S. economic data

April 2017

| Release Date                        | Economic Indicators: Canada         | Period | Consensus | Actual | Prior  |
|-------------------------------------|-------------------------------------|--------|-----------|--------|--------|
| 04/28/2017                          | Gross Domestic Product (m-o-m, SA)  | Feb    | 0.10%     | 0.00%  | 0.60%  |
| 04/28/2017                          | Gross Domestic Product (y-o-y, SA)  | Feb    | 2.60%     | 2.50%  | 2.30%  |
| <b>Labour market</b>                |                                     |        |           |        |        |
| 04/07/2017                          | Net Change in Employment (ooo, SA)  | Mar    | 5.7       | 19.4   | 15.3   |
| 04/07/2017                          | Participation Rate (SA)             | Mar    | --        | 65.90% | 65.80% |
| 04/07/2017                          | Unemployment Rate (SA)              | Mar    | 6.70%     | 6.70%  | 6.60%  |
| <b>Housing market</b>               |                                     |        |           |        |        |
| 04/10/2017                          | Housing Starts (ooo, SAAR)          | Mar    | 214.5     | 253.7  | 214.2  |
| 04/13/2017                          | New Housing Price Index (y-o-y)     | Feb    | 3.10%     | 3.30%  | 3.10%  |
| 04/18/2017                          | Existing Home Sales (m-o-m)         | Mar    | --        | 1.10%  | 5.20%  |
| 04/12/2017                          | Teranet/National Bank HPI (m-o-m)   | Mar    | --        | 0.90%  | 1.00%  |
| <b>Consumer &amp; manufacturing</b> |                                     |        |           |        |        |
| 04/26/2017                          | Retail Sales (m-o-m, SA)            | Feb    | 0.00%     | -0.60% | 2.30%  |
| 04/26/2017                          | Retail Sales Less Autos (m-o-m, SA) | Feb    | -0.30%    | -0.10% | 2.30%  |
| 04/13/2017                          | Manufacturing Sales (m-o-m, SA)     | Feb    | -0.70%    | -0.20% | 0.10%  |
| <b>Trade</b>                        |                                     |        |           |        |        |
| 04/04/2017                          | Merchandise Trade (billion, SA)     | Feb    | 0.60      | -0.97  | 0.42   |
| <b>Prices</b>                       |                                     |        |           |        |        |
| 04/21/2017                          | Consumer Price Index (m-o-m)        | Mar    | 0.40%     | 0.20%  | 0.20%  |
| 04/21/2017                          | Consumer Price Index (y-o-y)        | Mar    | 1.80%     | 1.60%  | 2.00%  |
| 04/28/2017                          | Industrial Product Price (m-o-m)    | Mar    | 0.30%     | 0.80%  | 0.30%  |
| 04/28/2017                          | Raw Materials Price Index (m-o-m)   | Mar    | -0.50%    | -1.60% | 1.30%  |
| <b>Other indicators</b>             |                                     |        |           |        |        |
| 04/24/2017                          | Wholesale Sales (m-o-m, SA)         | Feb    | -1.00%    | -0.20% | 3.00%  |
| 04/07/2017                          | Ivey Purchasing Managers Index (SA) | Mar    | 56.0      | 61.1   | 55     |
| 04/06/2017                          | Building Permits (m-o-m, SA)        | Feb    | 1%        | -3%    | 6%     |

| Release date                        | Economic indicators: U.S.            | Period | Consensus | Actual  | Prior   |
|-------------------------------------|--------------------------------------|--------|-----------|---------|---------|
| 04/28/2017                          | GDP (q-o-q, SAAR)                    | 1Q A   | 1.00%     | 0.70%   | 2.10%   |
| 04/28/2017                          | GDP Price Index (q-o-q, SAAR)        | 1Q A   | 2.00%     | 2.30%   | 2.10%   |
| 04/28/2017                          | Core PCE (q-o-q, SAAR)               | 1Q A   | 2.00%     | 2.00%   | 1.30%   |
| <b>Labour market</b>                |                                      |        |           |         |         |
| 04/07/2017                          | Change in Nonfarm Payrolls (ooo, SA) | Mar    | 180.0     | 98.0    | 219.0   |
| 04/07/2017                          | Unemployment Rate (SA)               | Mar    | 4.70%     | 4.50%   | 4.70%   |
| <b>Housing market</b>               |                                      |        |           |         |         |
| 04/18/2017                          | Building Permits (ooo, SAAR)         | Mar    | 1250.00   | 1260.00 | 1216.00 |
| 04/18/2017                          | Housing Starts (ooo, SAAR)           | Mar    | 1250.00   | 1215.00 | 1303.00 |
| 04/25/2017                          | New Home Sales (ooo, SAAR)           | Mar    | 584.00    | 621.00  | 587.00  |
| 04/21/2017                          | Existing Home Sales (million, SAAR)  | Mar    | 5.60      | 5.71    | 5.47    |
| 04/17/2017                          | NAHB Housing Market Index (SA)       | Apr    | 70        | 68      | 71      |
| 04/03/2017                          | Construction Spending (m-o-m, SA)    | Feb    | 1.00%     | 0.80%   | 0.80%   |
| <b>Consumer &amp; manufacturing</b> |                                      |        |           |         |         |
| 04/14/2017                          | Advance Retail Sales (m-o-m, SA)     | Mar    | -0.20%    | -0.20%  | -0.20%  |
| 04/14/2017                          | Retail Sales Less Autos (m-o-m, SA)  | Mar    | 0.10%     | 0.00%   | 0.00%   |
| 04/25/2017                          | Consumer Confidence (SA)             | Apr    | 122.5     | 120.3   | 124.9   |
| 04/28/2017                          | U. of Michigan Confidence            | Apr F  | 98.0      | 97.0    | 98.0    |
| 04/28/2017                          | Personal Consumption (q-o-q, SAAR)   | 1Q A   | 0.90%     | 0.30%   | 3.50%   |
| 04/27/2017                          | Durable Goods Orders (m-o-m, SA)     | Mar P  | 1.30%     | 0.70%   | 2.30%   |
| 04/04/2017                          | Factory Orders (m-o-m, SA)           | Feb    | 1.00%     | 1.00%   | 1.50%   |
| <b>Trade</b>                        |                                      |        |           |         |         |
| 04/12/2017                          | Import Price Index (m-o-m)           | Mar    | -0.20%    | -0.20%  | 0.40%   |
| 04/12/2017                          | Import Price Index (y-o-y)           | Mar    | 4.00%     | 4.20%   | 4.80%   |
| 04/04/2017                          | Trade Balance (billion, SA)          | Feb    | -44.6     | -43.6   | -48.2   |
| <b>Prices</b>                       |                                      |        |           |         |         |
| 04/14/2017                          | Consumer Price Index (m-o-m, SA)     | Mar    | 0.00%     | -0.30%  | 0.10%   |
| 04/14/2017                          | Consumer Price Index (y-o-y)         | Mar    | 2.60%     | 2.40%   | 2.70%   |
| 04/14/2017                          | CPI Core Index (SA)                  | Mar    | 251.65    | 250.99  | 251.30  |
| 03/31/2017                          | PCE Deflator (y-o-y, SA)             | Feb    | 2.10%     | 2.10%   | 1.90%   |
| <b>Other indicators</b>             |                                      |        |           |         |         |
| 04/03/2017                          | ISM Manufacturing Index (SA)         | Mar    | 57.2      | 57.2    | 57.7    |
| 04/28/2017                          | Chicago Purchasing Manager Index     | Apr    | 56.2      | 58.3    | 57.7    |
| 04/20/2017                          | Philadelphia Fed Index               | Apr    | 25.5      | 22.0    | 32.8    |
| 04/20/2017                          | Leading Indicators (m-o-m)           | Mar    | 0.20%     | 0.40%   | 0.50%   |
| 04/14/2017                          | Business Inventories (m-o-m, SA)     | Feb    | 0.30%     | 0.30%   | 0.30%   |

Source: Bloomberg

SA = Seasonally Adjusted; SAAR = Seasonally Adjusted Annual Rate; m-o-m = Month-over-month % change; q-o-q = Quarter-over-quarter % change; y-o-y = Year-over-year % change.



## Notable Canadian dividend activity – April 2017

| Increases             |                 |               |                |          |
|-----------------------|-----------------|---------------|----------------|----------|
| Company               | \$ Change       |               | Ex-Date        | % Change |
| Pembina Pipeline Corp | Prior: \$0.1600 | New: \$0.1700 | April 21, 2017 | 6.25%    |
| Energcare Inc.        | Prior: \$0.0770 | New: \$0.0800 | April 11, 2017 | 3.90%    |

| Decreases                          |                 |               |                |          |
|------------------------------------|-----------------|---------------|----------------|----------|
| Company                            | \$ Change       |               | Ex-Date        | % Change |
| Surge Energy Inc.                  | Prior: \$0.0071 | New: \$0.0071 | May 15, 2017   | -0.05%   |
| Canadian Apartment Print_Area REIT | Prior: \$0.1067 | New: \$0.1067 | April 28, 2017 | -0.01%   |

Source: Bloomberg



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Dominion Securities**

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