



Wealth Management
Dominion Securities

Portfolio Advisory Group | March 2017



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What moved the markets

North American equity markets slowed down in March following the strong start to the year.

After reaching record highs early in the month, both the S&P 500 and the Dow Jones Industrial Average pulled back from those levels as events unfolded throughout March. The Federal Reserve raised its benchmark interest rate by 0.25% in a move that was fully expected by analysts following a series of hawkish speeches from voting members in the weeks leading up to the meeting. Tempering expectations for a more rapid pace to monetary policy, the Fed's "dot plot" future guidance on interest rates released at the same time, showed that each member's future expectations for rates in the coming years was little changed from the previous meeting. At the post meeting press conference, Fed Chair Janet Yellen suggested that three rate increases in 2017 remains the most likely scenario but leaned heavily on the stipulation that all decisions will be "data dependent" and each meeting will be "live".

U.S. President Donald Trump's first attempt at replacing the Affordable Care Act met heavy opposition in the House of Representatives, as House Speaker Paul Ryan's attempts to gather enough support to pass the bill eventually fell short and the proposed legislation was

withdrawn before a vote. The refusal to support the proposed plan by hard-line conservatives in the House eventually led to its failure. The Trump administration's other major proposal this month, the preliminary federal budget, also made waves. The frugal budget, which maintains the same spending level as last year's budget, proposes significantly increased defense spending via planned cuts to departments such as the Environmental Protection Agency, State Department and the Department of Labour. The new administration's budget will take a lengthy route through Congress in the coming months and may undergo significant changes before it is passed into law.

The Bank of Canada's interest rate decision kicked off the month where rates were held steady at 0.50% in a move which was widely expected. The bank cited "persistent economic slack" as a key reason an interest rate increase is not on the table in the near future. Canada's federal budget was also released in March and placed a focus on innovation and an adaptable economy while avoiding a planned return to a balanced budget within the projection period. Deficits are forecast to run until at

least 2021/22. Finance Minister Bill Morneau's budget was largely thought to take a wait-and-see approach in light of potential changes to U.S. trade and tax policies later this year, specifically making no changes to capital gains taxes that had been widely speculated upon. After briefly nearing \$0.74 USD earlier in the month, the Canadian dollar moved back towards \$0.75 USD, the level at which it began the month.

Equity markets in North America were positive in March. The S&P/TSX moved up 1.3%, with rallies in the Technology, Utilities, and Consumer Staples sectors of 5.4%, 5.2% and 4.8%, respectively offset by a decline in the Health Care sector of 11.2%.

In the U.S., the S&P 500 closed up 0.1%, with most sectors ending the month in negative territory. Markets were led by the Technology and Consumer Discretionary sectors which gained 2.6% and 2.1%, respectively, while the Financials, Telecom Services, and Energy sectors closed down by -2.8%, -1.2%, and -1.0%, respectively.

Fixed Income-Specific Developments

U.S. economic data started the month strongly and helped contribute to what became an inevitable increase in the Federal Reserve's target interest rate by mid-month. The ISM Manufacturing Index for February increased to 57.7 from 56.0, reaching its highest point since August 2014. The Markit Manufacturing PMI remained strong at 54.2 in level with the previous month's revised number. A surprising non-farm payrolls report followed, with the U.S. economy adding 235,000 jobs in February, far better than the increase of 200,000 which had been anticipated by analysts. Headline CPI increased 0.1% month-on-month, adding to the previous month's 0.6% increase which had been the largest monthly jump in almost four years. On an annual basis, Headline CPI was 2.7%, whereas the Fed's preferred inflation measure Core PCE was reported to be an annualized 1.8%. This will remain the inflation measure most cited by Fed members in the coming weeks as it crept up 0.1% from January's reading, closer to the 2% target rate. Durable goods orders for February rose by 1.7% on a monthly basis, falling behind January's 2.0% pace, but still remaining strong. Retail sales also crept up 0.1% for the same period, meeting consensus expectations although falling behind January's revised 0.6% increase. U.S. GDP for the fourth quarter of 2016 was also revised higher to an annualized rate of 2.1% rather than the 1.9% growth that had been previously reported.

Canadian economic data was tilted to the positive this month after March kicked off with the Bank of Canada's decision to keep interest rates steady. Fourth quarter GDP

Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	1.3%	2.4%
Dow Jones Industrial Average TR	-0.6%	5.2%
S&P 500 Index TR	0.1%	6.1%
NASDAQ Composite Index TR	1.6%	10.1%
MSCI EAFE TR (USD)	2.9%	7.4%
MSCI World TR (USD)	1.1%	6.5%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	-0.1%	3.5%
S&P/TSX Energy TR	1.2%	-5.5%
S&P/TSX Materials TR	0.9%	6.1%
S&P/TSX Industrials TR	3.1%	5.3%
S&P/TSX Consumer Discretionary TR	3.8%	7.0%
S&P/TSX Telecom Services TR	3.1%	5.0%
S&P/TSX Information Technology TR	5.4%	7.0%
S&P/TSX Consumer Staples TR	4.8%	2.6%
S&P/TSX Utilities TR	5.2%	7.3%
S&P/TSX Healthcare TR	-11.2%	-10.1%

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

grew 2.6% on an annual basis, far better than the 2.0% which had been expected by analysts while at the same time third quarter GDP was revised higher to 3.8%. The monthly GDP increase for December was 0.3% and met consensus expectations. January's GDP reported later in the month surprised to the upside with a 0.6% month-on-month increase rather than the 0.3% which had been projected. The Markit Manufacturing Index improved for February, rising 1.2 points to 54.7 and reaching its highest level since late 2014, offering hopeful signs for improving sentiment in the manufacturing sector. Employment figures surprised to the upside this month as the economy added over 15,000 jobs when expectations had been for a slight decrease. Most notable was the fact that nearly 105,000 full-time jobs were created at the expense of approximately 90,000 part time jobs, although hourly earnings only increased 1.1% annually from the same period in 2016. Headline CPI for February came in slightly softer than expected, registering a 2.0% annualized increase rather than consensus estimates of 2.1%. The Bank of Canada's three preferred measures of inflation, CPI Trim, Median, and Common, remained steady at an average of 1.6% for the fourth consecutive month.

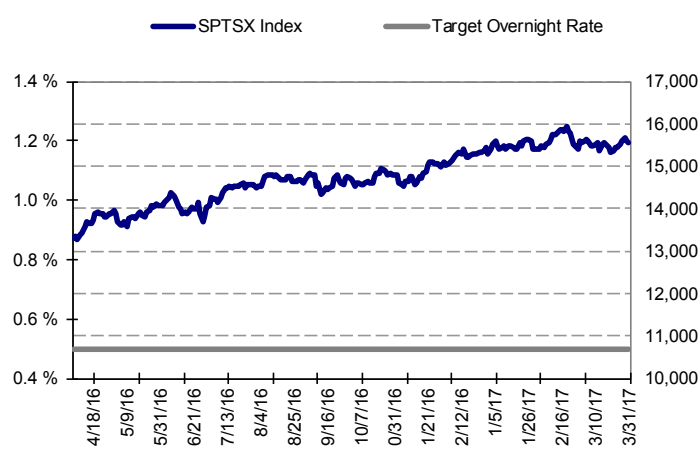
Currencies (in Canadian dollars)	Exchange	Month	YTD*
US Dollar	1.3318	0.1%	-0.9%
Euro	1.4186	0.8%	0.4%
British Pound	1.6716	1.5%	0.9%
Japanese Yen	0.0120	1.4%	4.1%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
US Dollar	0.7509	-0.1%	0.9%
Euro	0.7049	-0.8%	-0.3%
British Pound	0.5983	-1.5%	-0.7%
Japanese Yen	83.6390	-1.4%	-3.9%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$50.60	-6.3%	-5.8%
Natural Gas (per million btu)	\$3.19	15.0%	-14.3%
Gold (per ounce)	\$1,249.35	0.1%	8.4%
Silver (per ounce)	\$18.27	-0.3%	14.7%
Copper (per pound)	\$2.64	-2.5%	5.3%
Nickel (per pound)	\$4.52	-8.8%	0.0%
Aluminum (per pound)	\$0.89	1.7%	14.6%
Zinc (per pound)	\$1.26	-1.9%	7.6%

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



Source: RBC Wealth Management, Bloomberg

Global Developments

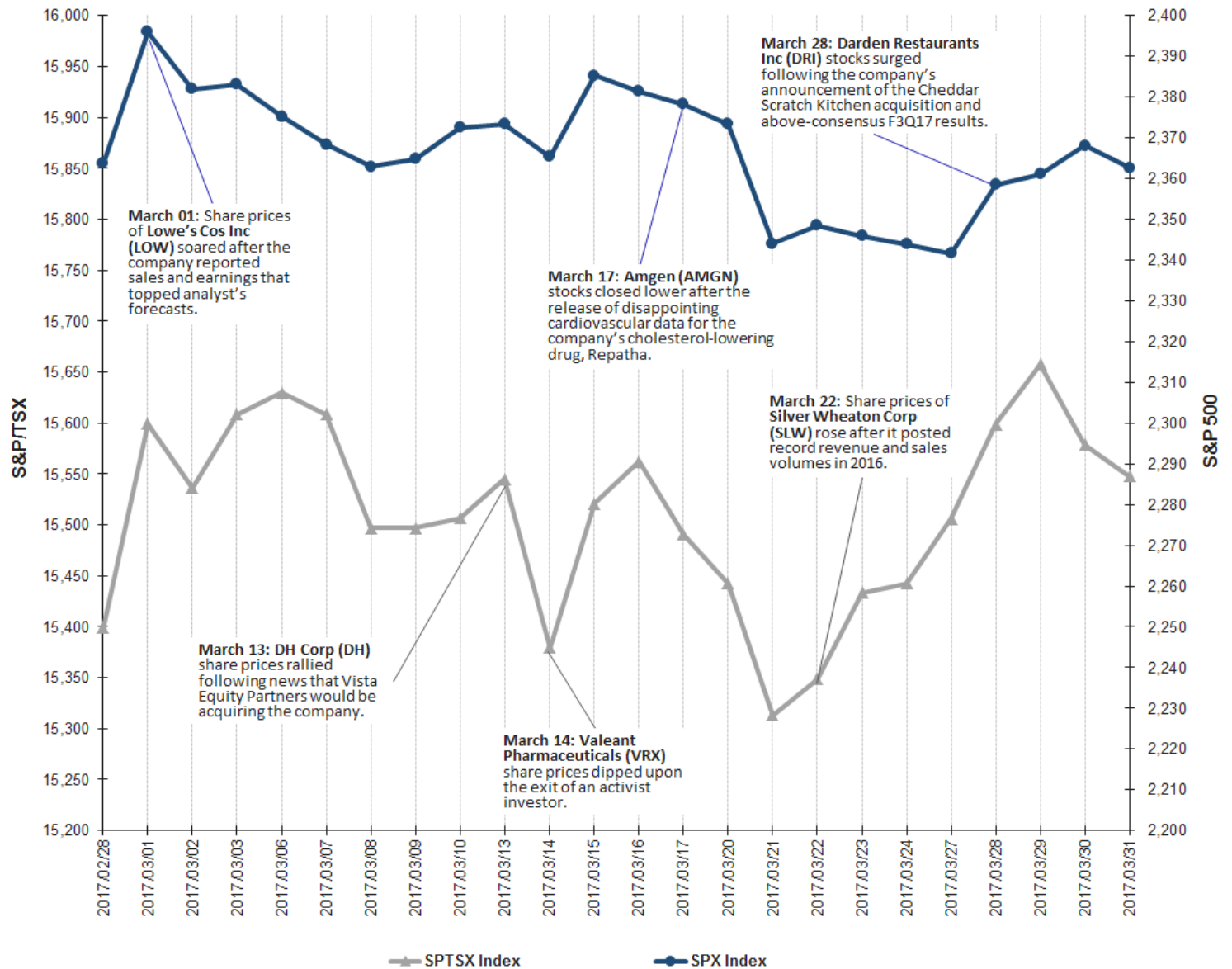
Economic data out of Europe showed some encouraging signs with the EU's monthly economic sentiment indicator inching up to 108.0 from 107.9, the highest level in nearly six years. The Eurozone Composite PMI, released later in the month, also followed suit in reaching 56.7 points, a level not seen since 2011. The defeat of the populist Freedom Party in the Dutch election by Prime Minister Mark Rutte's Liberals brought a sense of ease to Europe's political landscape although the United Kingdom's Brexit process, which took a large step forward with the triggering of Article 50, will continue to attract attention and encourage caution with EU policymakers. The European Central Bank left its headline rate unchanged at 0.00% and -0.40% for the deposit rate as the bank continued its promise to keep rates steady in the near term. The Bank of England and the Swiss National Bank also kept rates steady at 0.25% and -0.75% respectively as uncertainty surrounding the aforementioned Brexit process and the coming French election fed a restrained narrative.

In China, inflation numbers pulled in opposing directions as a significant 7.8% year-on-year increase in February's PPI, which measures producer prices, was offset by February's CPI number for consumer prices, which registered a 0.8% annual increase compared to analyst expectations of 1.7%. Higher commodity prices drove the increase in PPI while falling food prices following the end of lunar new year celebrations were a key factor in the lower Headline CPI. China's trade balance for February also disappointed, posting a \$9.2 billion USD deficit versus consensus expectations of a \$27.0 billion surplus and far behind January's \$51.4 billion surplus. The deficit, the first in three years, was driven by a surge in imports and the high commodity prices which drove up PPI. Japan's economy provided some positive data this month as Industrial production rose 2.0% in February from the prior month, beating expectations of a 1.2% increase. Additionally, the jobless rate for February also beat analyst predictions, dropping 0.2% from January to 2.8% when no change was anticipated. Earlier in the month, the Bank of Japan had kept its benchmark rate steady at near-zero levels.

Gold ended the month at \$1249 USD per oz., rising 0.1% in March but fighting back after touching \$1200 mid-month, while U.S. Treasury 10 year yields rose 3 bps. WTI Crude oil fell 6.3% as uncertainty over an extension of the OPEC agreement on production cuts weighed on commodity markets. The statements of support for prolonging the agreement by some OPEC nations had seen prices flow higher approaching month-end following the weakness earlier in the month.

North American equity highlights

March 2017

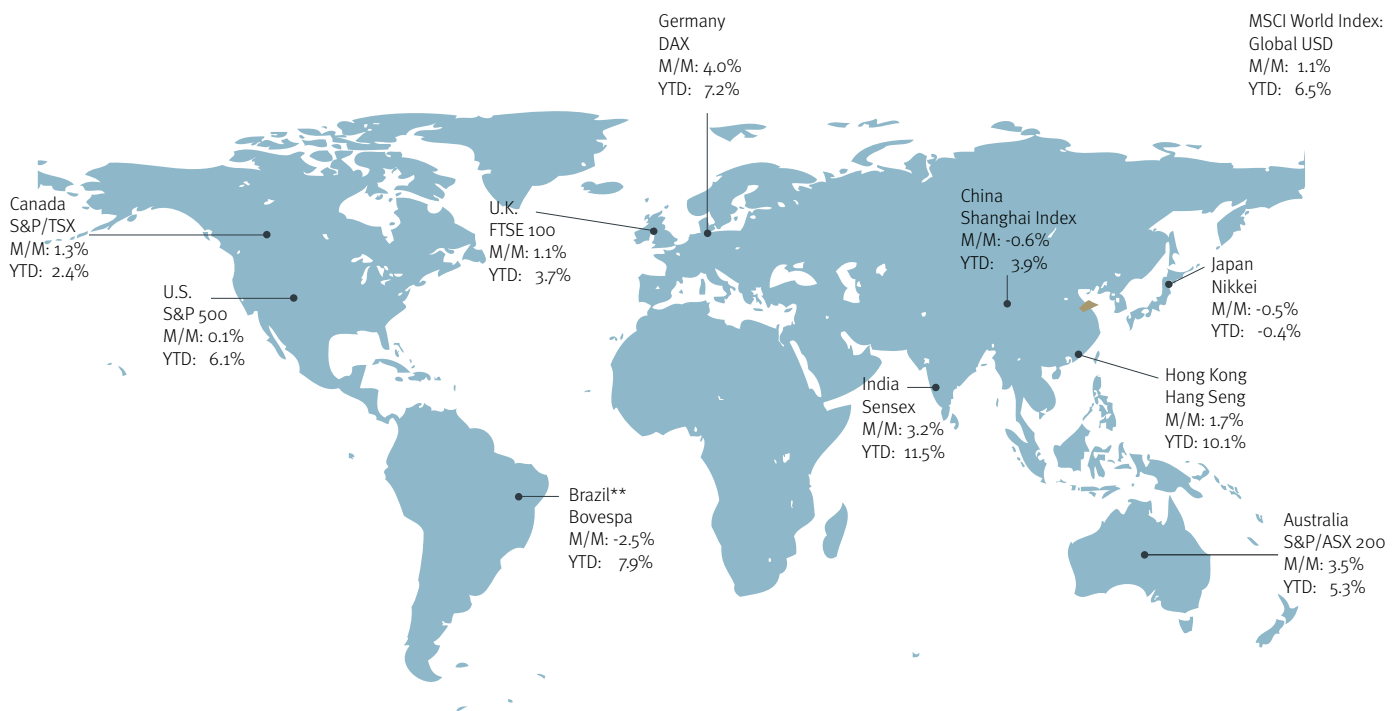


Source: Bloomberg

World markets

March month-over-month and year-to-date performance

For the month of March, most global indices ended in positive territory. In the Americas, the S&P 500 and S&P/TSX rose by 0.1% and 1.3%, respectively and Brazil's Bovespa fell by 2.5%. In Europe, Germany's DAX and U.K.'s FTSE moved higher by 4.0% and 1.1%, respectively. In Asia, Hong Kong's Hang Seng and India's Sensex closed the month up 1.7% and 3.2%, respectively and China's Shanghai Index closed the month down 0.6%. Australia's S&P/ASX 200 closed higher by 3.5% and Japan's Nikkei's closed lower by 0.5%. Overall, the MSCI World Index increased by 6.5% YTD.



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

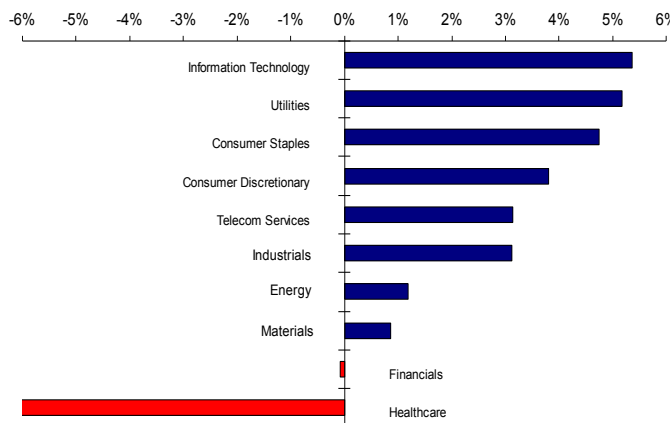
** These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 03/31/17

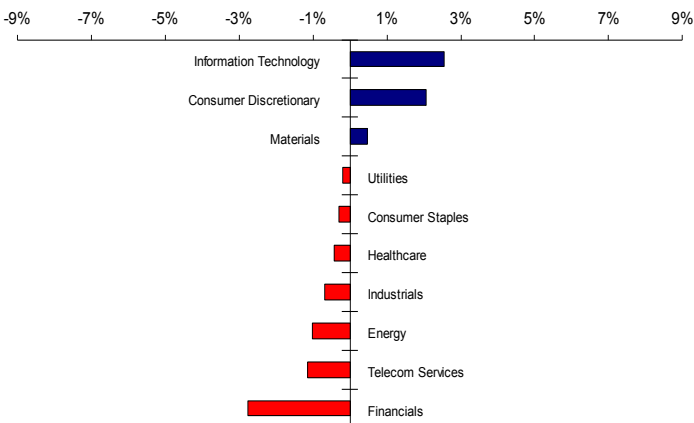
Canadian & U.S. equities

March 2017

S&P/TSX composite sector movement



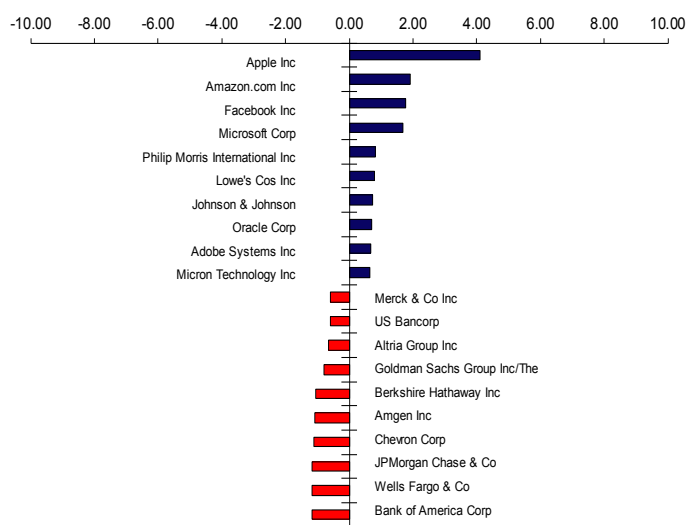
S&P 500 sector movement



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

March 2017

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
03/31/2017	Gross Domestic Product (m-o-m, SA)	Jan	0.30%	0.60%	0.30%
03/31/2017	Gross Domestic Product (y-o-y, SA)	Jan	1.90%	2.30%	2.10%
Labour market					
03/10/2017	Net Change in Employment (ooo, SA)	Feb	-5.0	15.3	48.3
03/10/2017	Participation Rate (SA)	Feb	--	65.80%	65.90%
03/10/2017	Unemployment Rate (SA)	Feb	6.80%	6.60%	6.80%
Housing market					
03/08/2017	Housing Starts (ooo, SAAR)	Feb	200	210.2	208.9
03/09/2017	New Housing Price Index (y-o-y)	Jan	--	3.10%	3.00%
03/15/2017	Existing Home Sales (m-o-m)	Feb	--	5.20%	-1.30%
03/14/2017	Teranet/National Bank HPI (m-o-m)	Feb	--	1.00%	0.50%
Consumer & manufacturing					
03/21/2017	Retail Sales (m-o-m, SA)	Jan	1.50%	2.20%	-0.40%
03/21/2017	Retail Sales Less Autos (m-o-m, SA)	Jan	1.30%	1.70%	-0.50%
03/17/2017	Manufacturing Sales (m-o-m, SA)	Jan	-0.30%	0.60%	2.10%
Trade					
03/07/2017	Merchandise Trade (billion, SA)	Jan	0.75	0.81	0.45
Prices					
03/24/2017	Consumer Price Index (m-o-m)	Feb	0.20%	0.20%	0.90%
03/24/2017	Consumer Price Index (y-o-y)	Feb	2.10%	2.00%	2.10%
03/30/2017	Industrial Product Price (m-o-m)	Feb	0.40%	0.10%	0.60%
03/30/2017	Raw Materials Price Index (m-o-m)	Feb	0.90%	1.20%	1.70%
Other indicators					
03/20/2017	Wholesale Sales (m-o-m, SA)	Jan	0.50%	3.30%	0.30%
03/07/2017	Ivey Purchasing Managers Index (SA)	Feb	58.5	55	57.2
03/08/2017	Building Permits (m-o-m, SA)	Jan	3%	5%	-4%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
03/30/2017	GDP (q-o-q, SAAR)	4Q T	2.00%	2.10%	1.90%
03/30/2017	GDP Price Index (q-o-q, SAAR)	4Q T	2.00%	2.10%	2.00%
03/30/2017	Core PCE (q-o-q, SAAR)	4Q T	1.20%	1.30%	1.20%
Labour market					
03/10/2017	Change in Nonfarm Payrolls (ooo, SA)	Feb	200.0	235.0	238.0
03/10/2017	Unemployment Rate (SA)	Feb	4.70%	4.70%	4.80%
Housing market					
03/16/2017	Building Permits (ooo, SAAR)	Feb	1268.00	1213.00	1293.00
03/16/2017	Housing Starts (ooo, SAAR)	Feb	1264.00	1288.00	1251.00
03/23/2017	New Home Sales (ooo, SAAR)	Feb	565.00	592.00	558.00
03/22/2017	Existing Home Sales (million, SAAR)	Feb	5.55	5.48	5.69
03/15/2017	NAHB Housing Market Index (SA)	Mar	65	71	65
03/01/2017	Construction Spending (m-o-m, SA)	Jan	0.60%	-1.00%	-0.20%
Consumer & manufacturing					
03/15/2017	Advance Retail Sales (m-o-m, SA)	Feb	0.10%	0.10%	0.60%
03/15/2017	Retail Sales Less Autos (m-o-m, SA)	Feb	0.10%	0.20%	1.20%
03/28/2017	Consumer Confidence (SA)	Mar	114.0	125.6	116.1
03/31/2017	U. of Michigan Confidence	Mar F	97.6	96.9	97.6
03/30/2017	Personal Consumption (q-o-q, SAAR)	4Q T	3.00%	3.50%	3.00%
03/24/2017	Durable Goods Orders (m-o-m, SA)	Feb P	1.40%	1.70%	2.30%
03/06/2017	Factory Orders (m-o-m, SA)	Jan	1.00%	1.20%	1.30%
Trade					
03/09/2017	Import Price Index (m-o-m)	Feb	0.10%	0.20%	0.60%
03/09/2017	Import Price Index (y-o-y)	Feb	4.40%	4.60%	3.80%
03/07/2017	Trade Balance (billion, SA)	Jan	-48.5	-48.5	-44.3
Prices					
03/15/2017	Consumer Price Index (m-o-m, SA)	Feb	0.00%	0.10%	0.60%
03/15/2017	Consumer Price Index (y-o-y)	Feb	2.70%	2.70%	2.50%
03/15/2017	CPI Core Index (SA)	Feb	251.16	251.30	250.78
03/31/2017	PCE Deflator (y-o-y, SA)	Feb	2.10%	2.10%	1.90%
Other indicators					
03/01/2017	ISM Manufacturing Index (SA)	Feb	56.2	57.7	56.0
03/31/2017	Chicago Purchasing Manager Index	Mar	56.9	57.7	57.4
03/16/2017	Philadelphia Fed Index	Mar	30.0	32.8	43.3
03/17/2017	Leading Indicators (m-o-m)	Feb	0.50%	0.60%	0.60%
03/15/2017	Business Inventories (m-o-m, SA)	Jan	0.30%	0.30%	0.40%

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 – March 2017

Increases				
Company	\$ Change		Ex-Date	% Change
Kirkland Lake Gold Ltd	Prior: \$-	New: \$0.0100	June 28, 2017	Regular Cash
Element Fleet Management Corp	Prior: \$0.0250	New: \$0.0750	March 29, 2017	200.0%
Freehold Royalties Ltd	Prior: \$0.0400	New: \$0.0500	March 29, 2017	25.00%
Linamar Corp	Prior: \$0.1000	New: \$0.1200	March 30, 2017	20.00%
Silver Wheaton Corp	Prior: \$0.0600	New: \$0.0700	April 3, 2017	16.67%
Enghouse Systems Ltd	Prior: \$0.1400	New: \$0.1600	May 15, 2017	14.29%
Premium Brands Holdings Corp	Prior: \$0.3800	New: \$0.4200	March 29, 2017	10.53%
Canadian Natural Resources Ltd	Prior: \$0.2500	New: \$0.2750	March 15, 2017	10.00%
Dollarama Inc	Prior: \$0.1000	New: \$0.1100	April 19, 2017	10.00%
Stella Jones Inc	Prior: \$0.1000	New: \$0.1100	March 30, 2017	10.00%
Toronto Dominion Bank	Prior: \$0.5500	New: \$0.6000	April 6, 2017	9.09%
Aecon Group Inc	Prior: \$0.1150	New: \$0.1250	March 22, 2017	8.70%
Transcontinental Inc	Prior: \$0.1850	New: \$0.2000	March 30, 2017	8.11%
Power Financial Corp	Prior: \$0.3925	New: \$0.4125	April 6, 2017	5.10%
SNC-Lavalin Group Inc	Prior: \$0.2600	New: \$0.2730	March 14, 2017	5.00%
Enercare Inc	Prior: \$0.0770	New: \$0.0800	April 11, 2017	3.90%
North West Co Inc	Prior: \$0.3100	New: \$0.3200	March 29, 2017	3.23%
Parkland Fuel Corp	Prior: \$0.0945	New: \$0.0962	March 20, 2017	1.80%
Surge Energy Inc	Prior: \$0.0071	New: \$0.0071	March 29, 2017	0.05%
Decreases				
Company	\$ Change		Ex-Date	% Change
DH Corp	Prior: \$0.3200	New: \$0.1200	March 22, 2017	-62.50%

Source: Bloomberg



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Dominion Securities**

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