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## What moved the markets

Several positive economic reports in North America helped offset negative sentiment surrounding political turmoil in Washington that could impede the Trump administration's efforts to pass tax and health care reform. U.S. Treasury yields fell as skepticism mounted about the President's ability to push through his 'pro-growth' policies. The U.S. 10-year yield ended the month close to its 2017 lows.

In Canada, the Bank of Canada kept the overnight rate unchanged at 0.50% and reiterated its concerns about the uncertainties outlined in the April Monetary Policy Report. More specifically, U.S. tax and trade policy as well as the long term implications of high domestic household debt levels. Canada is now one of the few major industrialized countries with private, non-financial debt exceeding 200% of GDP. Moody's downgraded the Big Six Canadian banks by one notch based on the credit rating agency's macroeconomic assessment. Moody's noted ongoing concerns that expanding levels of private debt, fragile household balance sheets and elevated housing prices leave consumers and Canadian banks more vulnerable to downside risks. The Canadian dollar was impacted by the negative sentiment and touched a 15-month low versus the USD in early May.

Equity markets in North America were mixed in May. The S&P/TSX moved down 1.3%, with rallies in the Healthcare, Industrials and Technology sectors of 7.6%, 3.3% and 3.2%, respectively offset by declines in the Energy sector of 4.3%.

In the U.S., the S&P 500 closed up 1.4%, with most sectors ending the month in positive territory. Markets were led by the Technology and Utilities sectors which gained 4.4% and 4.2%, respectively, while the Energy sector closed down by 3.4%.

## Fixed Income-Specific Developments

The trend of stronger Canadian economic data continued in May. Canadian GDP rose 3.7% in Q1 on an annualized basis, this fell short of the 4.2% expected by economists, but builds on the 2.7% and 4.2% increases in Q4 and Q3 of 2016, respectively. Household spending remained strong and business investment was also a significant contributor to Q1 growth. Retail sales for the month of March rose 0.7%, which is above consensus estimates for a 0.3% increase. February's retail sales were revised higher from a 0.6% drop to only a 0.4% decline. Another bright spot was the Markit Manufacturing PMI which increased to 55.9 in April from 55.5 in March. This was its seventh consecutive gain and its highest value since April 2011. Employment data was more mixed as the Canadian economy added 3,200 jobs in April, weaker than the 10,000 gain expected by economists. A more positive aspect of the jobs data was the fact the unemployment rate declined to 6.5% from 6.7%. Wage growth remains weak with year-over-year growth in hourly wages declining to its lowest level on record at 0.5%. The lack of wage growth continues to highlight a labour market with some slack remaining and this is limiting inflationary pressures. The Bank of Canada's three core inflation measures, CPI-trim, CPI-median and CPI-common, which have been adopted to smooth transitory effects and help the Bank of Canada assess trends in underlying price levels, declined to an average of 1.4% from 1.5% in March. The benchmark 10-year government of Canada yield ended the month at its lowest level since mid-November at 1.41%, but the market is pricing in a probability of approximately 25% of an interest rate hike by the end of 2017. South of the border, the Federal Reserve kept rates on hold and the Federal Funds target range remained 0.75 – 1% as expected. The minutes from the May FOMC meeting revealed that numerous Fed officials had suggested that economic projections warranted a rate hike. Continued strength in U.S. economic data raised the probability of a rate hike to nearly 90% at the June meeting. Another aspect of the current Fed tightening campaign that investors will be watching is the size of the Fed's balance sheet. The May minutes revealed the Fed could begin to shrink the size of its balance sheet by ceasing the process of reinvesting bond maturities. The nonfarm payroll report showed that the U.S. economy added 211,000 jobs in April, above expectations of 190,000, but this beat was offset by the fact that job gain figures from previous months were

## Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	-1.3%	1.5%
Dow Jones Industrial Average TR	0.7%	7.5%
S&P 500 Index TR	1.4%	8.7%
NASDAQ Composite Index TR	2.7%	15.7%
MSCI EAFE TR (USD)	3.8%	14.4%
MSCI World TR (USD)	2.2%	10.5%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	-2.0%	0.0%
S&P/TSX Energy TR	-4.3%	-9.8%
S&P/TSX Materials TR	-2.2%	3.4%
S&P/TSX Industrials TR	3.3%	11.4%
S&P/TSX Consumer Discretionary TR	1.1%	12.6%
S&P/TSX Telecom Services TR	-0.4%	10.5%
S&P/TSX Information Technology TR	3.2%	14.3%
S&P/TSX Consumer Staples TR	-0.5%	7.6%
S&P/TSX Utilities TR	2.0%	9.6%
S&P/TSX Healthcare TR	7.6%	-10.2%

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

revised slightly lower. Headline unemployment fell to 4.4%, which was the lowest since March 2007. Average hourly earnings were a source of disappointment as the year-over-year growth rate in this measure slowed to only 2.5% versus 2.7% in March. ISM Manufacturing fell short of consensus, coming in at 54.8 versus expectations of a 56.5 reading. Headline CPI increased 0.2% month over month in April after a 0.3% drop in March, which was the biggest decline in more than two years. On a year-over-year basis, both headline and core CPI are within 20 bps of 2%. The Fed's preferred inflation measure, core PCE, was in line with the consensus forecast at 1.5% and down from 1.6% in the previous month. FOMC participants still expect inflation to reach the 2% target and view the recent softness as temporary. U.S. GDP was a bright spot relative to expectations, rising 1.2% in the 1st quarter versus the forecast of 0.9% growth and better than the 0.7% recorded in the 4th quarter of 2016.

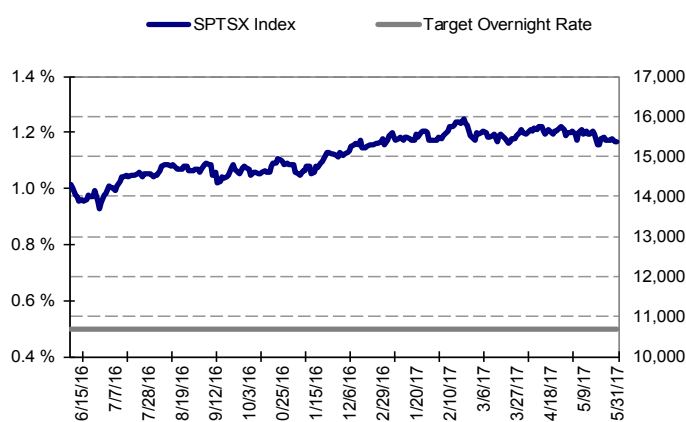
Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.3500	-1.1%	0.4%
Euro	1.5179	2.0%	7.4%
British Pound	1.7401	-1.6%	5.0%
Japanese Yen	0.0122	-0.5%	6.1%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.7407	1.1%	-0.5%
Euro	0.6588	-2.0%	-6.8%
British Pound	0.5746	1.6%	-4.7%
Japanese Yen	82.0560	0.5%	-5.7%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$48.32	-2.0%	-10.1%
Natural Gas (per million btu)	\$3.07	-6.3%	-17.5%
Gold (per ounce)	\$1,268.94	0.1%	10.1%
Silver (per ounce)	\$17.33	0.8%	8.9%
Copper (per pound)	\$2.57	-0.9%	2.4%
Nickel (per pound)	\$4.05	-5.1%	-10.5%
Aluminum (per pound)	\$0.87	1.2%	13.0%
Zinc (per pound)	\$1.18	-0.9%	0.9%

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



Source: RBC Wealth Management, Bloomberg

## Global Developments

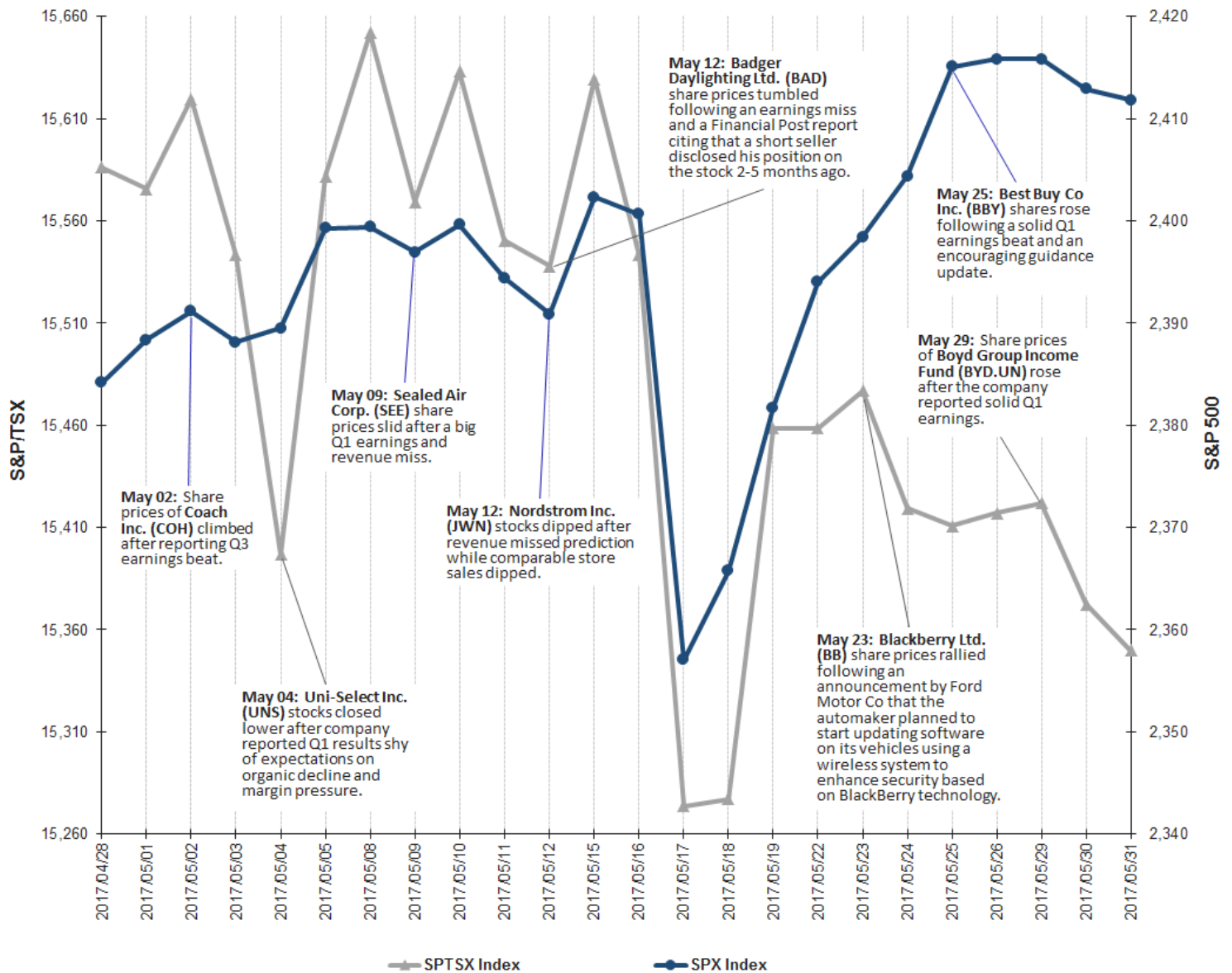
Economic data out of Europe continues to surprise to the upside. Euro area composite PMI for May was unchanged at 56.8, which was the highest monthly reading in six years. Eurozone GDP grew at a 0.5% pace in the first quarter, which was in line with expectations. In Germany, exports increased 0.4% in March to a record high of €118 billion. Imports also surged 2.4% to €93 billion making it the best month for both imports and exports for the Eurozone's largest economy. Exports in the region also surged to the highest level since 1999 at €202.3 billion. As was the case in North America, inflation data fell short of expectations, easing to 1.4% in May from 1.9% in the previous month, while core inflation softened to 0.9% from 1.2%. The soft inflation data, which remain well below the European Central Banks target of 2%, also eases some of the pressure on the ECB to start scaling back its €60 billion per month quantitative easing program in the near term and officials maintain a cautious tone on growth in the region.

In China, official manufacturing PMI came in slightly lower than expected at 51.2, the tenth consecutive month of growth better than consensus estimate of 51, while service PMI ticked up to 54.5 from 54 in April. China's exports increased 8% in April, lower than the 11.3% expected, while imports increased 11.4%, also less than the 18% consensus estimate.

OPEC and non-OPEC countries met during the month and agreed to extend current production cuts until March 2018. Crude oil prices declined to a 6-month low prior to the meeting in Vienna, before recovering and ending the month down just 1.7% at \$48.32 per barrel. Gold ended the month at \$1272 per oz unchanged from the beginning of the month. The yellow metal held firm near its 2017 highs despite rising probability of a Fed hike at the June meeting.

# North American equity highlights

May 2017

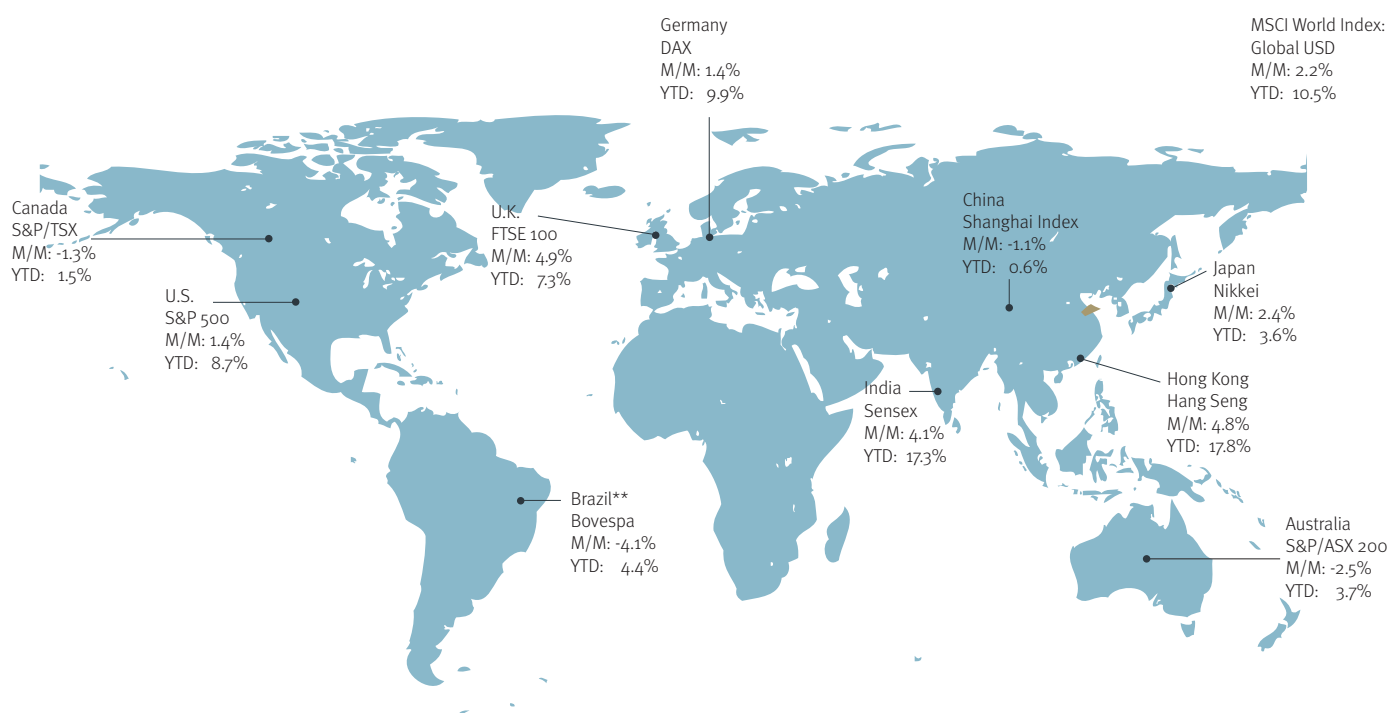


<sup>1</sup>Bloomberg <sup>2</sup>RBC Capital Markets Pricing Data  
Source: Bloomberg

# World markets

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

For the month of May, most global indices ended in positive territory. In the Americas, the S&P 500 rose by 1.4%, while the S&P/TSX and Brazil's Bovespa fell by 1.3% and 4.1%, respectively. In Europe, Germany's DAX and U.K.'s FTSE moved higher by 1.4% and 4.9%, respectively. In Asia, Hong Kong's Hang Seng and India's Sensex closed the month up 4.8% and 4.1%, respectively and China's Shanghai Index closed the month down 1.1%. Japan's Nikkei closed higher by 2.4% while Australia's S&P/ASX 200 closed lower by 2.5%. Overall, the MSCI World Index increased by 10.5% YTD.



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

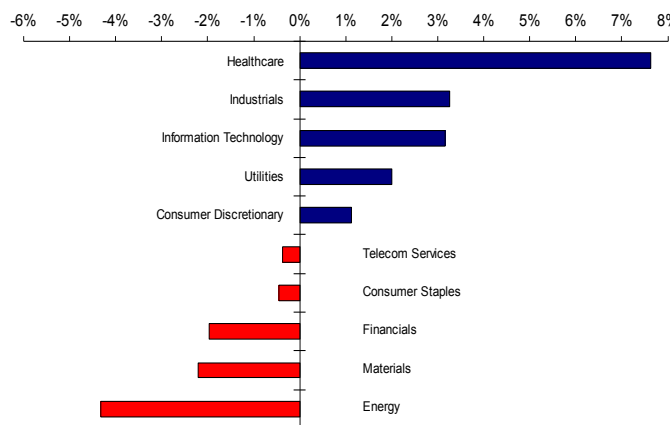
\*\* These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 05/31/17

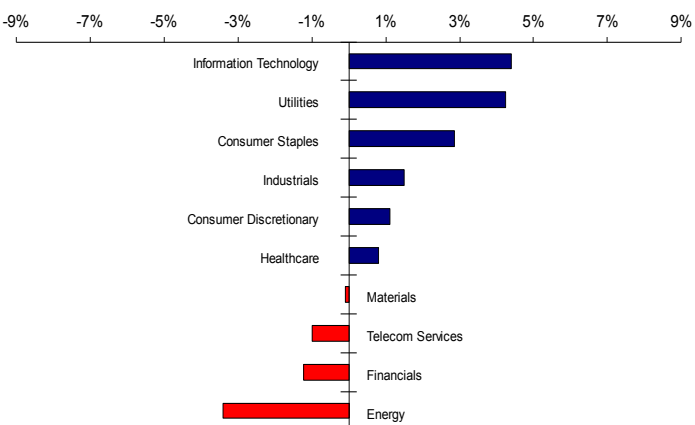
# Canadian & U.S. equities

May 2017

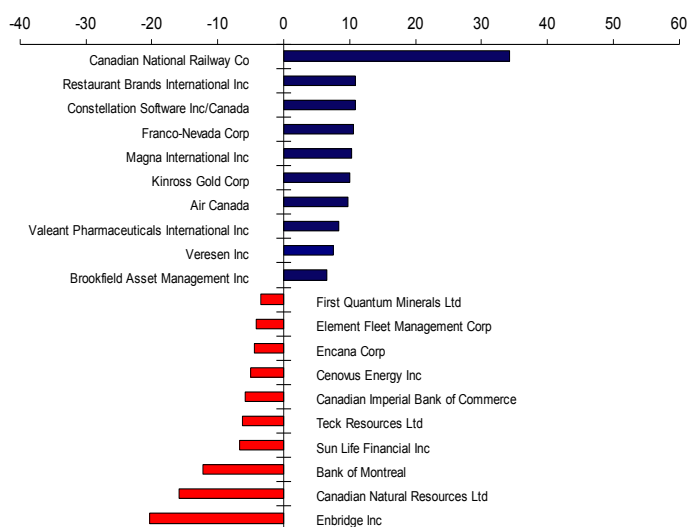
S&P/TSX composite sector movement



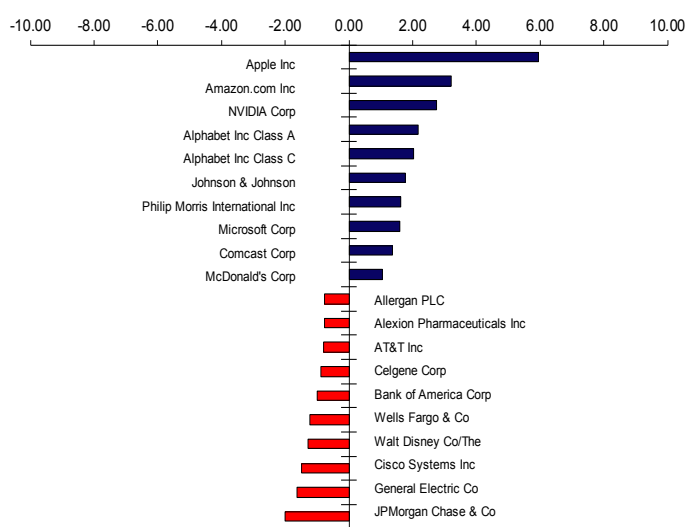
S&P 500 sector movement



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

May 2017

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
05/31/2017	Gross Domestic Product (m-o-m, SA)	Mar	0.20%	0.50%	0.00%
05/31/2017	Gross Domestic Product (y-o-y, SA)	Mar	2.90%	3.20%	2.40%
Labour market					
05/05/2017	Net Change in Employment (ooo, SA)	Apr	10.0	3.2	19.4
05/05/2017	Participation Rate (SA)	Apr	--	65.60%	65.90%
05/05/2017	Unemployment Rate (SA)	Apr	6.70%	6.50%	6.70%
Housing market					
05/08/2017	Housing Starts (ooo, SAAR)	Apr	215	214.1	252.3
05/11/2017	New Housing Price Index (y-o-y)	Mar	--	3.30%	3.30%
05/15/2017	Existing Home Sales (m-o-m)	Apr	--	-1.70%	1.10%
05/12/2017	Teranet/National Bank HPI (m-o-m)	Apr	--	1.20%	0.90%
Consumer & manufacturing					
05/19/2017	Retail Sales (m-o-m, SA)	Mar	0.30%	0.70%	-0.40%
05/19/2017	Retail Sales Less Autos (m-o-m, SA)	Mar	0.20%	-0.20%	0.00%
05/17/2017	Manufacturing Sales (m-o-m, SA)	Mar	1.30%	1.00%	-0.60%
Trade					
05/04/2017	Merchandise Trade (billion, SA)	Mar	-1.00	-0.14	-1.41
Prices					
05/19/2017	Consumer Price Index (m-o-m)	Apr	0.50%	0.40%	0.20%
05/19/2017	Consumer Price Index (y-o-y)	Apr	1.70%	1.60%	1.60%
05/30/2017	Industrial Product Price (m-o-m)	Apr	--	0.60%	0.80%
05/30/2017	Raw Materials Price Index (m-o-m)	Apr	--	1.60%	-1.70%
Other indicators					
05/23/2017	Wholesale Sales (m-o-m, SA)	Mar	0.80%	0.90%	0.30%
05/05/2017	Ivey Purchasing Managers Index (SA)	Apr	--	62.4	61.1
05/09/2017	Building Permits (m-o-m, SA)	Mar	3%	-6%	-3%



Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
05/26/2017	GDP (q-o-q, SAAR)	1Q S	0.90%	1.20%	0.70%
05/26/2017	GDP Price Index (q-o-q, SAAR)	1Q S	2.30%	2.20%	2.30%
05/26/2017	Core PCE (q-o-q, SAAR)	1Q S	2.00%	2.10%	2.00%
Labour market					
05/05/2017	Change in Nonfarm Payrolls (ooo, SA)	Apr	190.0	211.0	50.0
05/05/2017	Unemployment Rate (SA)	Apr	4.60%	4.40%	4.50%
Housing market					
05/16/2017	Building Permits (ooo, SAAR)	Apr	1270.00	1229.00	1260.00
05/16/2017	Housing Starts (ooo, SAAR)	Apr	1260.00	1172.00	1203.00
05/23/2017	New Home Sales (ooo, SAAR)	Apr	610.00	569.00	642.00
05/24/2017	Existing Home Sales (million, SAAR)	Apr	5.65	5.57	5.70
05/15/2017	NAHB Housing Market Index (SA)	May	68	70	68
05/01/2017	Construction Spending (m-o-m, SA)	Mar	0.40%	-0.20%	1.90%
Consumer & manufacturing					
05/12/2017	Advance Retail Sales (m-o-m, SA)	Apr	0.60%	0.40%	0.10%
05/12/2017	Retail Sales Less Autos (m-o-m, SA)	Apr	0.50%	0.30%	0.30%
05/30/2017	Consumer Confidence (SA)	May	119.5	117.9	119.4
05/26/2017	U. of Michigan Confidence	May F	97.5	97.1	97.7
05/26/2017	Personal Consumption (q-o-q, SAAR)	1Q S	0.40%	0.60%	0.30%
05/26/2017	Durable Goods Orders (m-o-m, SA)	Apr P	-1.50%	-0.70%	2.30%
05/04/2017	Factory Orders (m-o-m, SA)	Mar	0.40%	0.20%	0.80%
Trade					
05/10/2017	Import Price Index (m-o-m)	Apr	0.10%	0.50%	0.10%
05/10/2017	Import Price Index (y-o-y)	Apr	3.60%	4.10%	4.30%
05/04/2017	Trade Balance (billion, SA)	Mar	-44.5	-43.7	-44.9
Prices					
05/12/2017	Consumer Price Index (m-o-m, SA)	Apr	0.20%	0.20%	-0.30%
05/12/2017	Consumer Price Index (y-o-y)	Apr	2.30%	2.20%	2.40%
05/12/2017	CPI Core Index (SA)	Apr	251.41	251.17	250.99
05/30/2017	PCE Deflator (y-o-y, SA)	Apr	1.70%	1.70%	1.90%
Other indicators					
05/01/2017	ISM Manufacturing Index (SA)	Apr	56.5	54.8	57.2
05/31/2017	Chicago Purchasing Manager Index	May	57.0	59.4	58.3
05/18/2017	Philadelphia Fed Index	May	18.5	38.8	22.0
05/18/2017	Leading Indicators (m-o-m)	Apr	0.40%	0.30%	0.30%
05/12/2017	Business Inventories (m-o-m, SA)	Mar	0.20%	0.20%	0.20%

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 – May 2017

Increases				
Company	\$ Change		Ex-Date	% Change
Norbord Inc.	Prior: \$0.1000	New: \$0.3000	May 30, 2017	200.0%
Quebecor Inc.	Prior: \$0.0450	New: \$0.0550	May 24, 2017	22.22%
Open Text Corp	Prior: \$0.1150	New: \$0.1320	May 24, 2017	14.78%
Canadian Pacific Railway Ltd.	Prior: \$0.5000	New: \$0.5625	June 28, 2017	12.50%
Surge Energy Inc.	Prior: \$0.0071	New: \$0.0079	May 29, 2017	11.82%
TMX Group Ltd.	Prior: \$0.4500	New: \$0.5000	May 24, 2017	11.11%
Sleep Country Canada Holdings Inc.	Prior: \$0.1500	New: \$0.1650	May 17, 2017	10.00%
Onex Corp	Prior: \$0.0688	New: \$0.0750	July 6, 2017	9.09%
Uni-Select Inc.	Prior: \$0.0850	New: \$0.0925	June 28, 2017	8.82%
Power Corp of Canada	Prior: \$0.3350	New: \$0.3585	June 7, 2017	7.01%
Secure Energy Services Inc.	Prior: \$0.0200	New: \$0.0213	May 30, 2017	6.25%
Keyera Corp	Prior: \$0.1325	New: \$0.1400	May 18, 2017	5.66%
Hydro One Ltd.	Prior: \$0.2100	New: \$0.2200	June 9, 2017	4.76%
Enbridge Inc.	Prior: \$0.5830	New: \$0.6100	May 11, 2017	4.63%
Franco-Nevada Corp	Prior: \$0.2200	New: \$0.2300	June 13, 2017	4.55%
Loblaw Cos Ltd.	Prior: \$0.2600	New: \$0.2700	June 13, 2017	3.85%
Cineplex Inc.	Prior: \$0.1350	New: \$0.1400	May 29, 2017	3.70%
Sun Life Financial Inc.	Prior: \$0.4200	New: \$0.4350	June 30, 2017	3.57%
National Bank of Canada	Prior: \$0.5600	New: \$0.5800	June 22, 2017	3.57%
George Weston Ltd.	Prior: \$0.4400	New: \$0.4550	June 13, 2017	3.41%
Telus Corp	Prior: \$0.4800	New: \$0.4925	June 7, 2017	2.60%
Bank of Montreal	Prior: \$0.8800	New: \$0.9000	July 28, 2017	2.27%
CI Financial Corp	Prior: \$0.1150	New: \$0.1175	May 29, 2017	2.17%
Canadian Real Estate Investment Trust	Prior: \$0.1525	New: \$0.1558	May 29, 2017	2.16%
Laurentian Bank of Canada	Prior: \$0.6100	New: \$0.6200	June 29, 2017	1.64%
Canadian Apartment Properties REIT	Prior: \$0.1067	New: \$0.1067	May 29, 2017	0.01%
Decreases				
Company	\$ Change		Ex-Date	% Change
Home Capital Group Inc.	Prior: \$0.2600	Omitted	May 11, 2017	–

Source: Bloomberg



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Dominion Securities**

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