

Month in Review: MARCH 2014



WHAT MOVED THE MARKETS

Russia's annexation of Crimea dominated news headlines in March; however, comments from Federal Reserve Chair Janet Yellen and concerns about slowing growth in China had a more measurable impact on markets. Yellen indicated that the Fed's key lending rate may increase as soon as six months after the completion of quantitative easing (QE), which appeared to catch investors off guard, causing short- and intermediate-term bond yields to rise.

Meanwhile, concerns about continued weakness in China's economy also impacted global financial markets. Closely watched manufacturing data printed below expectations and the country experienced its first corporate bond default since the government effectively guaranteed the corporate bond market 15-years ago.

In March, the S&P/TSX and the S&P 500 generated total returns of 1.2% and 0.8%, respectively. S&P/TSX sector performance was mixed for the month. The Healthcare, Materials and

IT sectors experienced the largest pullbacks, contracting 6.7%, 5.7% and 4.3%, respectively. The Energy (5.2%) and Utilities (4.2%) sectors both moved higher in March. In the US, most sectors generated positive returns except for the Consumer Discretionary (-2.8%) and Healthcare (-1.3%) sectors. The sectors in the S&P 500 with the largest increases were Telecom Services (4.8%), Utilities (3.4%) and Financials (3.2%).

Overseas, indices were mixed in March. India's Sensex and Japan's Nikkei increased 6.1% and 0.6%, respectively. Meanwhile, the FTSE and Hang Seng were down for the month, both decreasing 2.6%.

In March, gold stocks on the S&P/TSX decreased 9%, essentially erasing the gains they had made in February. However, gold stocks are still up 17% for the year. S&P/TSX energy stocks continued increasing in March and the sub-sector is now up almost 10% for the year.

All indices and figures priced in local currency as at March 31, 2014
(unless otherwise stated).
For Important Disclosures, see page 10.



RBC Wealth Management

There's Wealth in Our Approach.™

WHAT MOVED THE MARKETS

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FIXED INCOME-SPECIFIC DEVELOPMENTS

In her first press conference as Chair of the FOMC, Janet Yellen indicated the Fed's key lending rate may begin to rise six months after the conclusion of QE. Based on current projections, this would imply the first hike to be in the spring of 2015. Median expectations from FOMC committee members now call for the Fed Funds rate to hit 1% by the end of 2015 (up 0.25%) and 2.25% by the end of 2016 (up 0.50%). The Chair also announced the future forward guidance will include a broader set of measures to gauge unemployment and inflation in the economy. Previously, the Fed had linked the tightening of monetary policy to a 6.5% unemployment rate; however, many believed using this target failed to capture the full picture of U.S. labour market strength. As a result of the meeting and Yellen's comments, short-term bond yields rose more than longer-term yields, which led to some flattening in the yield curve.

Moving north of the border, Bank of Canada Governor Stephen Poloz struck a different tone than his counterpart in the U.S. Poloz remarked that the global economic recovery remains delicate and subdued long-term global economic growth may become the norm. He added that a cut in the Bank of Canada's overnight lending rate cannot be ruled out, which, at least for now, appears to put Canada on a different rate path than the U.S.

New issue activity remained robust in March as low government bond yields and narrow credit spreads allowed corporations to continue to borrow at low rates and borrowers took this opportunity to price almost \$100 billion of new issues in the

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	1.2%	6.1%
Dow Jones Industrial Average TR	0.9%	-0.2%
S&P 500 Index TR	0.8%	1.8%
NASDAQ Composite Index TR	-2.5%	0.8%
MSCI EAFE TR (USD)	-0.6%	0.8%
MSCI World TR (USD)	0.2%	1.4%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	1.8%	3.0%
S&P/TSX Energy TR	5.2%	9.6%
S&P/TSX Materials TR	-5.7%	9.7%
S&P/TSX Industrials TR	-0.2%	2.3%
S&P/TSX Consumer Discretionary TR	2.9%	4.3%
S&P/TSX Telecom Services TR	2.2%	4.2%
S&P/TSX Information Technology TR	-4.3%	5.8%
S&P/TSX Consumer Staples TR	2.2%	7.3%
S&P/TSX Utilities TR	4.2%	8.7%
S&P/TSX Healthcare TR	-6.7%	12.6%

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

Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	1.1050	-0.1%	4.0%
Euro	1.5214	-0.4%	4.2%
British Pound	1.8410	-0.6%	4.7%
Japanese Yen (100)	0.0107	-1.6%	6.0%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$101.58	-1.0%	3.2%
Natural Gas (per million btu)	\$4.37	-5.2%	3.3%
Gold (per ounce)	\$1,284.01	-3.2%	6.5%
Silver (per ounce)	\$19.77	-6.8%	1.6%
Copper (per pound)	\$3.02	-6.1%	-9.8%
Nickel (per pound)	\$7.19	8.0%	14.7%
Aluminum (per pound)	\$0.79	1.9%	-0.6%
Zinc (per pound)	\$0.90	-4.3%	-3.5%

WHAT MOVED THE MARKETS

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first two weeks of the month. By month end, U.S. investment grade new issuance was roughly 15% ahead of last year's record pace. Investment grade and high yield credit spreads ended the month marginally narrower, an indication that investors were undaunted by the surge in supply, while demand for bonds by liability-matching institutional investors also contributed to the market's strength.

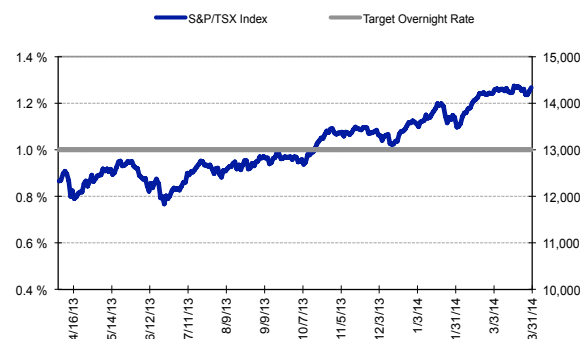
GLOBAL DEVELOPMENTS

Speculation of monetary stimulus from China surfaced, but an increase in government spending scheduled for the second half of 2014 was the only indication of financial support. China's economy continued to show signs of distress in March and investors continue to hope that the country will take more aggressive measures to offset this weakness.

Europe continues to battle double digit unemployment, low inflation, nascent albeit uneven growth, and a strong currency that hurts exports. The European Central Bank indicated the possible use of asset purchases and other non-traditional policy tools as a means to combat the region's low inflation and waning growth; however, as with China, these measures are as of yet not forthcoming. Despite the delicate recovery, the successful launch of a subordinated bond from a high yield issuer and the first Greek bank bond deal since the restructuring pointed towards increased risk taking in the eurozone.

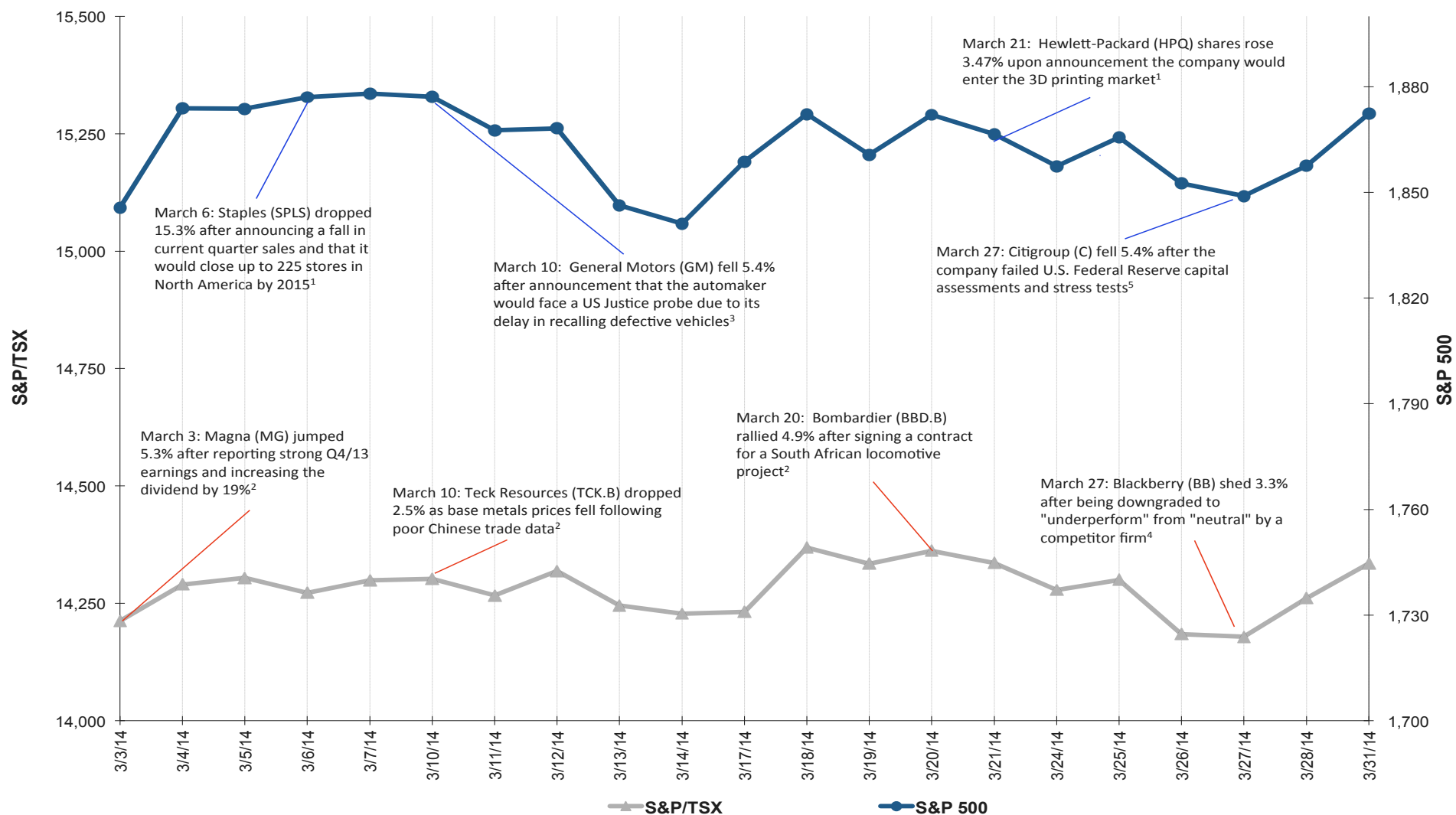
Meanwhile, tension between Russia, Ukraine and the West continued to escalate in March. The West and its allies used sanctions and the expulsion of Russia from the G-8 to send the message that a wider invasion of Ukraine would not be tolerated. In March, Russian bond yields increased by 25 bps to end the month at 4.61%.

S&P/TSX Index - Target Overnight Rate, LTM



Source: Bloomberg

NORTH AMERICAN EQUITY HIGHLIGHTS – MARCH 2014

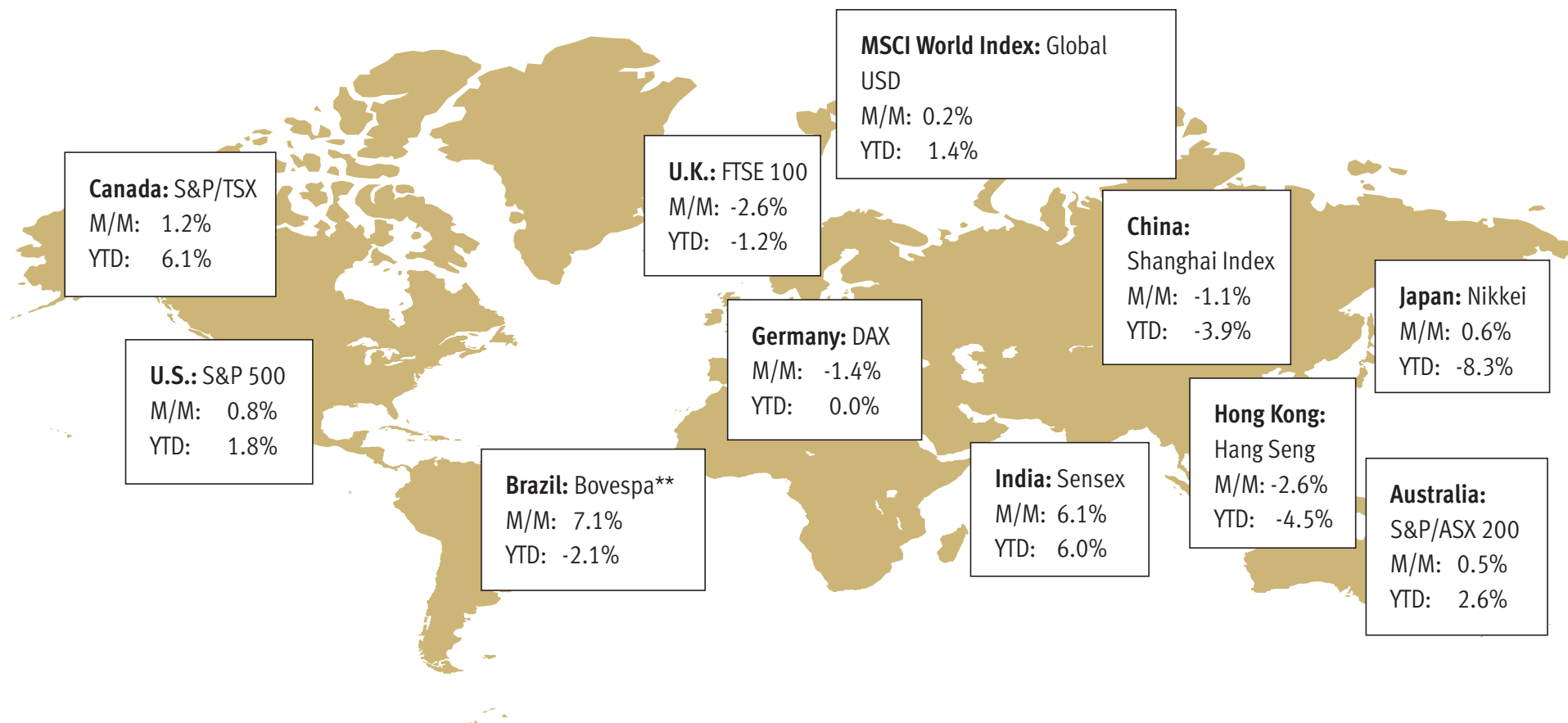


¹ Wall Street Journal ² Globe and Mail ³ Bloomberg ⁴ The Ottawa Citizen ⁵ Reuters

Source: Bloomberg

WORLD MARKETS – MARCH 2014

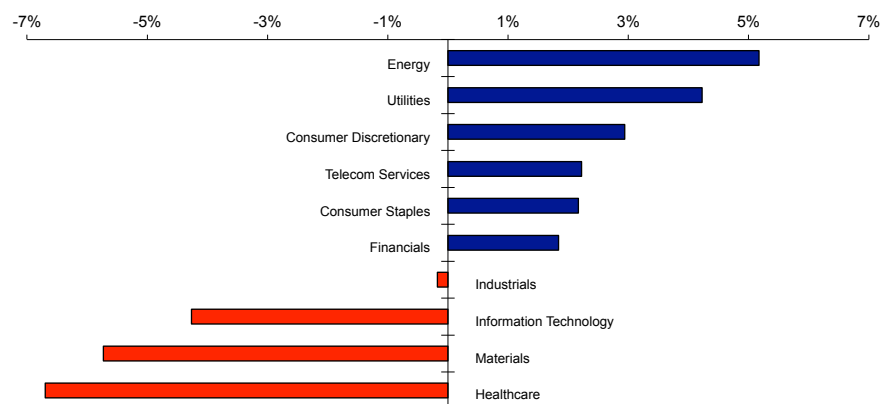
Global indices were mixed in March. The S&P/TSX, S&P 500 and Nikkei all generated positive returns for the month while, the FTSE 100, DAX, Shanghai Index and Hang Seng posted negative returns. The MSCI World Index saw a slight increase of 0.2% in March.



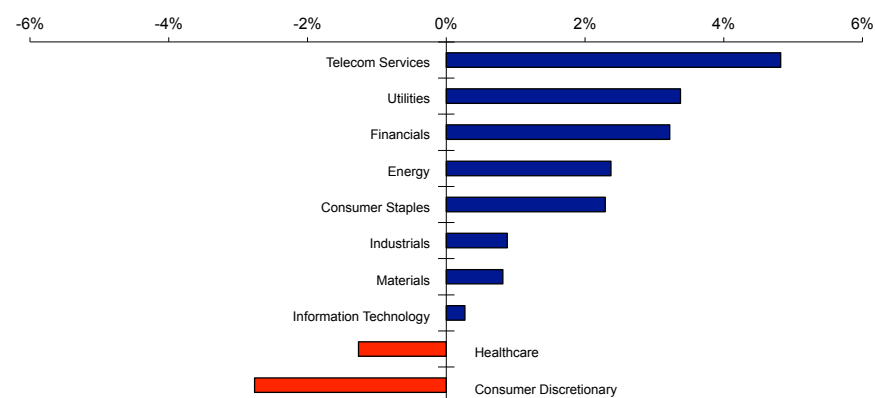
All returns are on a total return basis unless otherwise noted
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

CANADIAN & U.S. EQUITIES – MARCH 2014

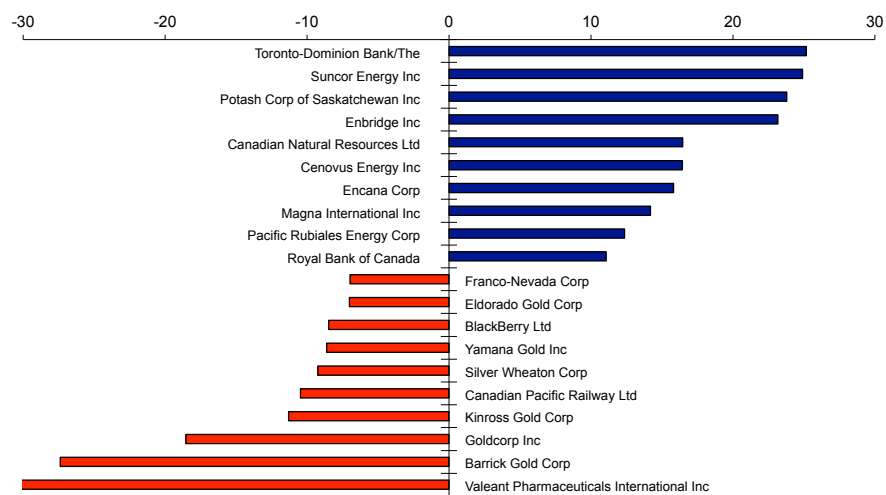
S&P/TSX Composite Sector Movement



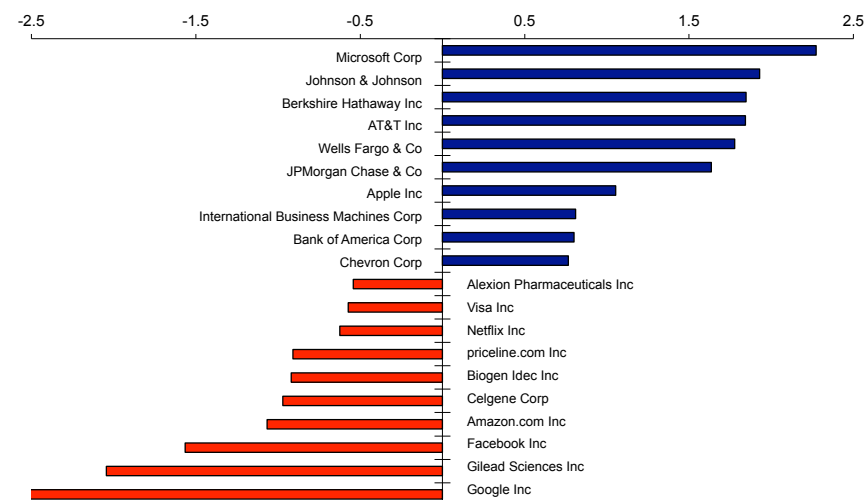
S&P 500 Sector Movement



Top 10 S&P/TSX Contributors/Decliners by Index Points



Top 10 S&P 500 Contributors/Decliners by Index Points



CANADIAN AND U.S. ECONOMIC DATA – MARCH 2014

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
03/31/2014	Gross Domestic Product (m-o-m, SA)	Jan	0.40%	0.50%	-0.50%
03/31/2014	Gross Domestic Product (y-o-y, SA)	Jan	--	2.50%	2.40%
03/05/2014	Bank of Canada Rate	5-Mar	1.00%	1.00%	1.00%
	Labour market				
03/07/2014	Net Change in Employment (000, SA)	Feb	15.0	-7.0	29.4
03/07/2014	Participation Rate (SA)	Feb	66.40%	66.20%	66.30%
03/07/2014	Unemployment Rate (SA)	Feb	7.00%	7.00%	7.00%
	Housing market				
03/10/2014	Housing Starts (000, SAAR)	Feb	190.0	192.1	180.5
03/13/2014	New Housing Price Index (y-o-y)	Jan	1.30%	1.50%	1.30%
03/17/2014	Existing Home Sales (m-o-m)	Feb	--	0.30%	-3.30%
03/12/2014	Teranet/National Bank HPI (m-o-m)	Feb	0.10%	0.30%	0.40%
	Consumer & Manufacturing				
03/21/2014	Retail Sales (m-o-m, SA)	Jan	0.70%	1.30%	-1.90%
03/21/2014	Retail Sales Less Autos (m-o-m, SA)	Jan	0.70%	1.00%	-1.50%
03/18/2014	Manufacturing Sales (m-o-m, SA)	Jan	0.60%	1.50%	-1.50%
	Trade				
03/07/2014	Merchandise Trade (billion, SA)	Jan	-1.20	-0.18	-0.92
	Prices				
03/21/2014	Consumer Price Index (m-o-m)	Feb	0.60%	0.80%	0.30%
03/21/2014	Consumer Price Index (y-o-y)	Feb	1.00%	1.10%	1.50%
03/21/2014	Bank of Canada CPI Core (m-o-m)	Feb	0.50%	0.70%	0.20%
03/21/2014	Bank of Canada CPI Core (y-o-y)	Feb	1.10%	1.20%	1.40%
03/03/2014	Industrial Product Price (m-o-m)	Jan	0.50%	1.40%	0.60%
03/03/2014	Raw Materials Price Index (m-o-m)	Jan	1.50%	2.60%	1.80%

ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
	Other Indicators				
03/19/2014	Wholesale Sales (m-o-m, SA)	Jan	0.80%	0.80%	-1.30%
03/06/2014	Ivey Purchasing Managers Index (SA)	Feb	53.1	57.2	56.8
03/06/2014	Building Permits (m-o-m, SA)	Jan	1.70%	8.50%	-4.80%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
03/27/2014	GDP (q-o-q, SAAR)	4Q T	2.70%	2.60%	2.40%
03/27/2014	GDP Price Index (q-o-q, SAAR)	4Q T	1.60%	1.60%	1.60%
03/27/2014	Core PCE (q-o-q, SAAR)	4Q T	1.30%	1.30%	1.30%
03/19/2014	Federal Funds Target Rate	19-Mar	0.25%	0.25%	0.25%
	Labour market				
03/07/2014	Change in Nonfarm Payrolls (000, SA)	Feb	149.0	175.0	129.0
03/07/2014	Unemployment Rate (SA)	Feb	6.60%	6.70%	6.60%
	Housing market				
03/18/2014	Building Permits (000, SAAR)	Feb	960.0	1018.0	945.0
03/18/2014	Housing Starts (000, SAAR)	Feb	910.0	907.0	909.0
03/25/2014	New Home Sales (000, SAAR)	Feb	445.0	440.0	455.0
03/20/2014	Existing Home Sales (million, SAAR)	Feb	4.60	4.60	4.62
03/17/2014	NAHB Housing Market Index (SA)	Mar	50.0	47.0	46.0
03/03/2014	Construction Spending (m-o-m, SA)	Jan	-0.50%	0.10%	1.50%
	Consumer & Manufacturing				
03/13/2014	Advance Retail Sales (m-o-m, SA)	Feb	0.20%	0.30%	-0.60%
03/13/2014	Retail Sales Less Autos (m-o-m, SA)	Feb	0.10%	0.30%	-0.30%
03/25/2014	Consumer Confidence (SA)	Mar	78.5	82.3	78.3
03/28/2014	U. of Michigan Confidence	Mar F	80.5	80.0	79.9
03/27/2014	Personal Consumption (q-o-q, SAAR)	4Q T	2.70%	3.30%	2.60%
03/26/2014	Durable Goods Orders (m-o-m, SA)	Feb	0.80%	2.20%	-1.30%
03/06/2014	Factory Orders (m-o-m, SA)	Jan	-0.50%	-0.70%	-2.00%

ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	Trade				
03/13/2014	Import Price Index (m-o-m)	Feb	0.50%	0.90%	0.40%
03/13/2014	Import Price Index (y-o-y)	Feb	-1.90%	-1.10%	-1.20%
03/07/2014	Trade Balance (billion, SA)	Jan	-38.5	-39.1	-39.0
	Prices				
03/18/2014	Consumer Price Index (m-o-m, SA)	Feb	0.10%	0.10%	0.10%
03/18/2014	Consumer Price Index (y-o-y)	Feb	1.20%	1.10%	1.60%
03/18/2014	CPI Core Index (SA)	Feb	236.20	236.12	235.84
03/28/2014	PCE Deflator (y-o-y, SA)	Feb	0.90%	0.90%	1.20%
	Other Indicators				
03/03/2014	ISM Manufacturing Index (SA)	Feb	52.3	53.2	51.3
03/31/2014	Chicago Purchasing Manager Index	Mar	59.8	55.9	59.8
03/20/2014	Philadelphia Fed Index	Mar	3.2	9.0	-6.3
03/20/2014	Leading Indicators (m-o-m)	Feb	0.20%	0.50%	0.10%
03/13/2014	Business Inventories (m-o-m, SA)	Jan	0.40%	0.40%	0.50%

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.

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			Count	Percent
Buy (Top Pick/Outperform)	791	51.13	274	34.64
Hold (Sector Perform)	666	43.05	179	26.88
Sell (Underperform)	90	5.82	14	15.56

As of March 31, 2014