

Month in Review: MAY 2014

WHAT MOVED THE MARKETS

In May, focus turned from the complex political situation in Ukraine toward commentaries from various central banks. European Central Bank President, Mario Draghi, had the biggest impact as he hinted that the ECB would explore the use of non-traditional policy measures, while several members of the Federal Reserve provided clarification as to the future path of U.S. monetary policy.

This month, the S&P/TSX generated a slight negative return of 0.2%, while the S&P 500 finished higher by 2.3%. S&P/TSX sector performance was mixed in May. The Telecom Services sector noted the largest increase, gaining 3.2%. The Industrials (1.8%), Consumer Discretionary (1.1%) and Financials (1%) sectors also saw increases. On the other hand, the Materials, Information Technology and Consumer Staples sectors were all down in May, declining 4.1%, 3.5% and 2.8%, respectively. In the U.S., sectors were mostly positive. The Information Technology (3.8%), Telecom Services (3.4%) and Materials (3%) sectors saw the largest increases while the Utilities sector decreased 1%.

Overseas, indices were mostly positive in May. India's Sensex, Hong Kong's Hang Seng and Germany's DAX indices all saw strong increases, surging 8.2%, 5.4% and 3.5%, respectively. Brazil's Bovespa was in the red for the month, decreasing 0.8%.

Gold stocks on the S&P/TSX slumped just over 7.5% in May, yet the subsector is still up 11% year-to-date. The S&P/TSX Financials and REITs subsectors both increased 1% for the month.

FIXED INCOME-SPECIFIC DEVELOPMENTS

U.S. Treasuries rallied over the course of May as investors viewed the yield gap between these securities and euro-denominated government bonds as attractive. The yield on the U.S. 10 year fell 18 basis points in May and has now fallen approximately 50 basis points on a year-to-date basis. This decline in yields has occurred despite a steady reduction in monthly asset purchases by the Federal Reserve since the beginning of the year. The lockstep rally in government bonds alongside a move higher in equities has surprised investors and seems unlikely to persist for an extended period of time. Evidence of strong economic growth, which could portend building wage pressures, or signs of higher inflation elsewhere

All indices and figures priced in local currency as at May 30, 2014 (unless otherwise stated).
For Important Disclosures, see page 8.



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WHAT MOVED THE MARKETS

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in the economy could send yields higher. Several regional Federal Reserve Presidents outlined their expectations of gradual rate hikes commencing sometime in 2015 over the course of the month, which is broadly in-line with the direction that has been provided by Federal Reserve Chair, Janet Yellen. The persistence of low yields alongside steady economic data laid the foundation for another solid month of corporate bond issuance. Select opportunities continue to exist in the investment grade credit market although spreads are close to the tightest levels seen since 2007.

The yield on the 10-year Government of Canada benchmark bond yield fell 15 basis points in May because of many of the same factors that drive activity in the United States. The yield on the benchmark bond has fallen approximately 46 bps on a year-to-date basis. In contrast to a brightening economic picture in the U.S., Canadian economic data showed waning business investment and a weak rebound in exports. Recent data has done nothing to suggest the Bank of Canada will change its current neutral stance on interest rates.

GLOBAL DEVELOPMENTS

The ECB continued to bolster expectations that an unprecedented monetary policy move may be put forward in the near future. Expectations include a bond buying program and/or a cut in the benchmark lending rate. This contributed to a rally in European bonds, which drove yields lower (yields move inversely to price). Data released in May showed that although inflation ticked up marginally, GDP growth slowed, particularly in periphery nations. Peripheral bond yields fluctuated during the month, but ultimately remained at some of the lowest levels seen since the creation of the Eurozone.

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	-0.2%	8.5%
Dow Jones Industrial Average TR	1.2%	1.9%
S&P 500 Index TR	2.3%	5.0%
NASDAQ Composite Index TR	3.3%	2.1%
MSCI EAFE TR (USD)	1.8%	4.1%
MSCI World TR (USD)	2.1%	4.6%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	1.0%	5.8%
S&P/TSX Energy TR	-0.7%	14.8%
S&P/TSX Materials TR	-4.1%	5.7%
S&P/TSX Industrials TR	1.8%	6.8%
S&P/TSX Consumer Discretionary TR	1.1%	7.6%
S&P/TSX Telecom Services TR	3.2%	6.8%
S&P/TSX Information Technology TR	-3.5%	4.8%
S&P/TSX Consumer Staples TR	-2.8%	7.2%
S&P/TSX Utilities TR	-0.9%	8.6%
S&P/TSX Healthcare TR	0.0%	10.1%

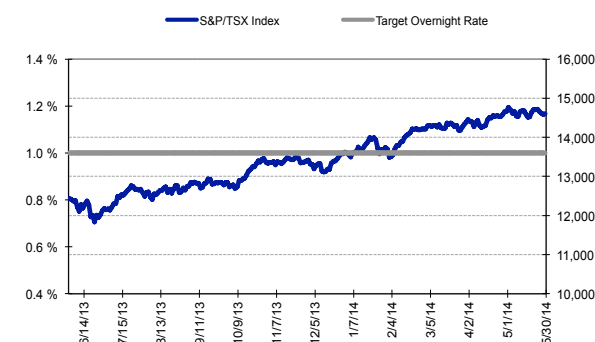
The Chinese real estate market continued to soften in May and put further downward pressure on the nation's economy. So far in 2014, housing sales have fallen almost 10%. In an attempt to provide some boost to the economy, the government increased year-to-date rail spending 27% but has opposed other significant stimulus efforts. The Ministry of Finance noted that local governments have been sluggish to spend allocated budget money, which could be contributing to slowing economic growth. As a result, warnings have been issued to these local governments to accelerate consumption of the funding or else risk losing it altogether.

Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	1.0846	-1.1%	2.1%
Euro	1.4788	-2.7%	1.3%
British Pound	1.8173	-1.7%	3.3%
Japanese Yen (100)	0.0107	-0.6%	5.6%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$102.71	3.0%	4.4%
Natural Gas (per million btu)	\$4.54	-5.7%	7.4%
Gold (per ounce)	\$1,249.73	-3.2%	3.7%
Silver (per ounce)	\$18.82	-2.0%	-3.3%
Copper (per pound)	\$3.14	3.9%	-6.2%
Nickel (per pound)	\$8.71	5.0%	38.9%
Aluminum (per pound)	\$0.82	2.9%	2.9%
Zinc (per pound)	\$0.93	0.7%	0.0%

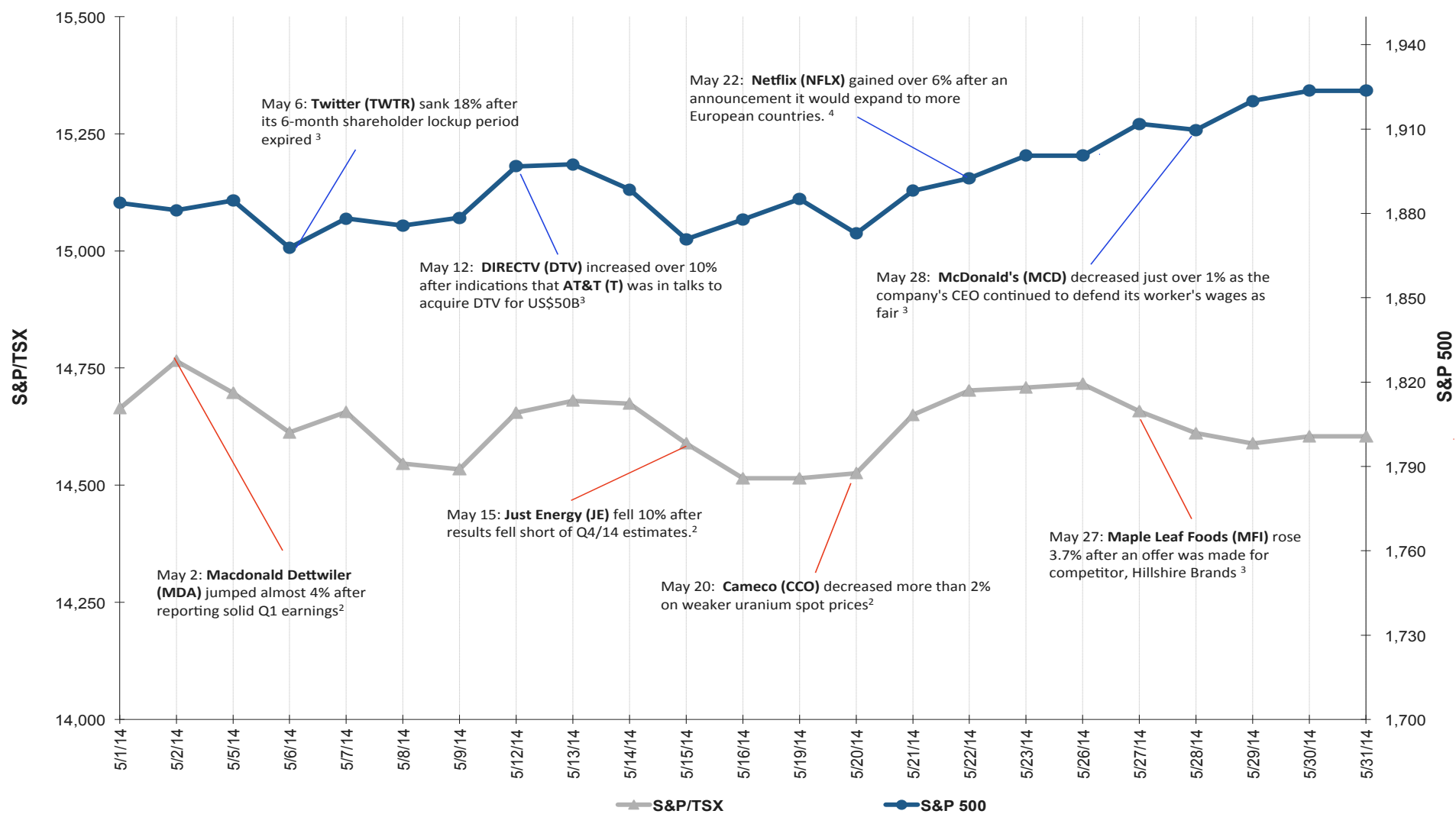
* All returns are on a Total Return basis All indices are in local currency unless otherwise noted. Source: Bloomberg

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



Source: Bloomberg

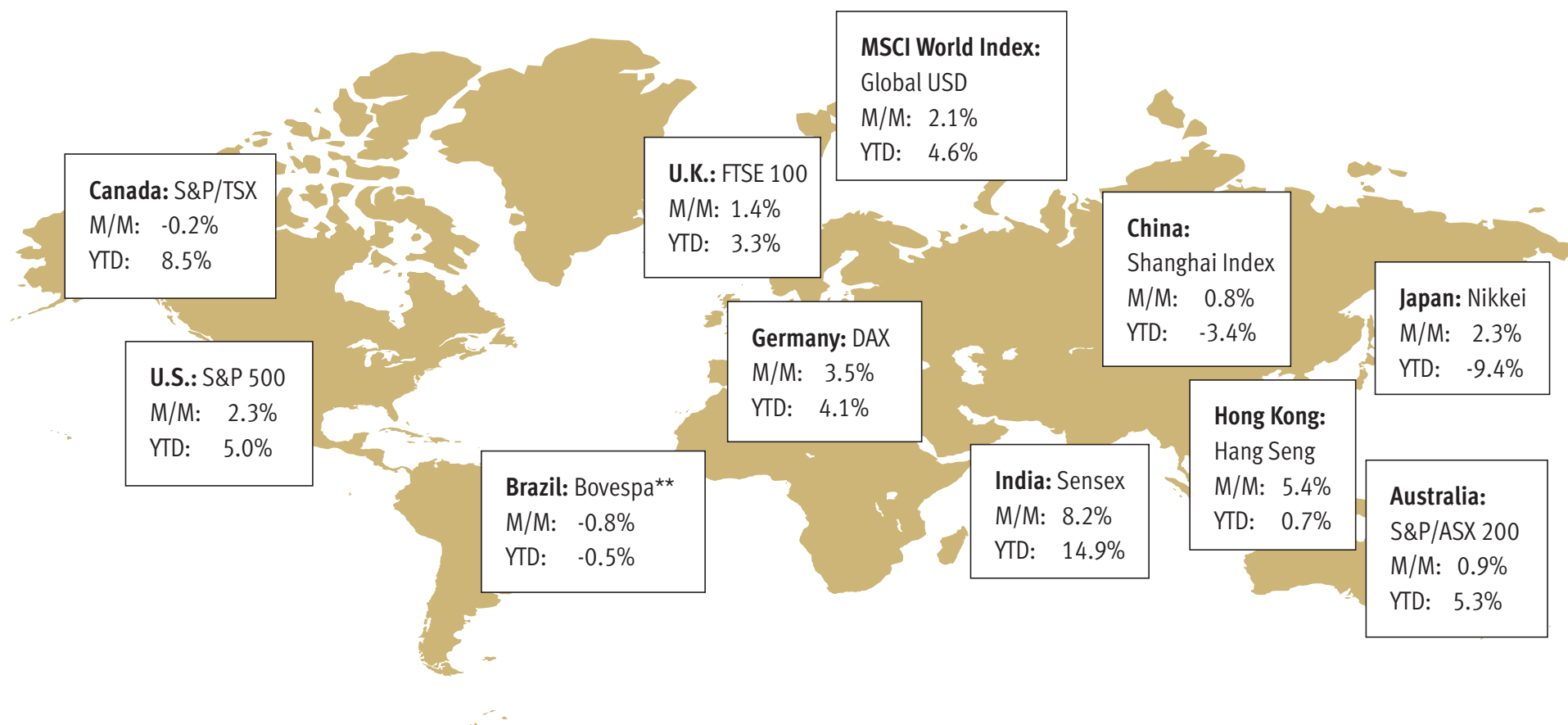
NORTH AMERICAN EQUITY HIGHLIGHTS – MAY 2014



¹ Canadian Newswire ² Globe and Mail ³ Bloomberg ⁴ Wall Street Journal

WORLD MARKETS – MAY 2014

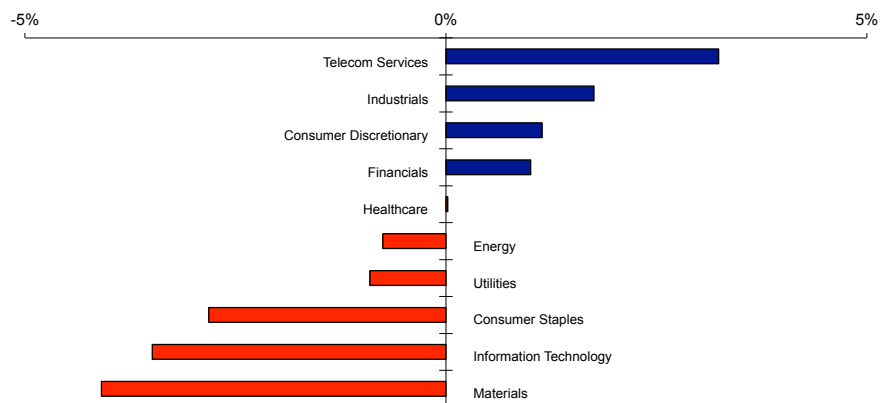
Global indices were mostly positive in May. India's Sensex Index surged 8.2% and the S&P 500, DAX, Nikkei and Hang Seng also generated solid positive returns. Only the S&P/TSX and Brazil's Bovespa declined in May, shedding 0.2% and 0.8%, respectively. The MSCI World Index increased 2.1%.



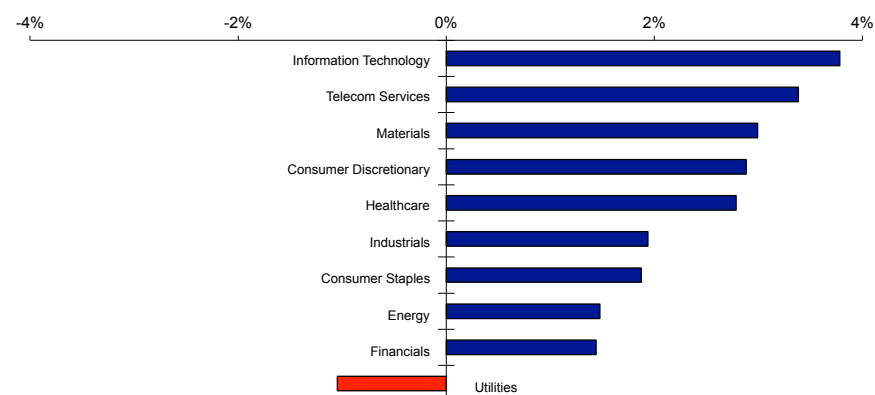
All returns are on a total return basis unless otherwise noted
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

CANADIAN & U.S. EQUITIES – MAY 2014

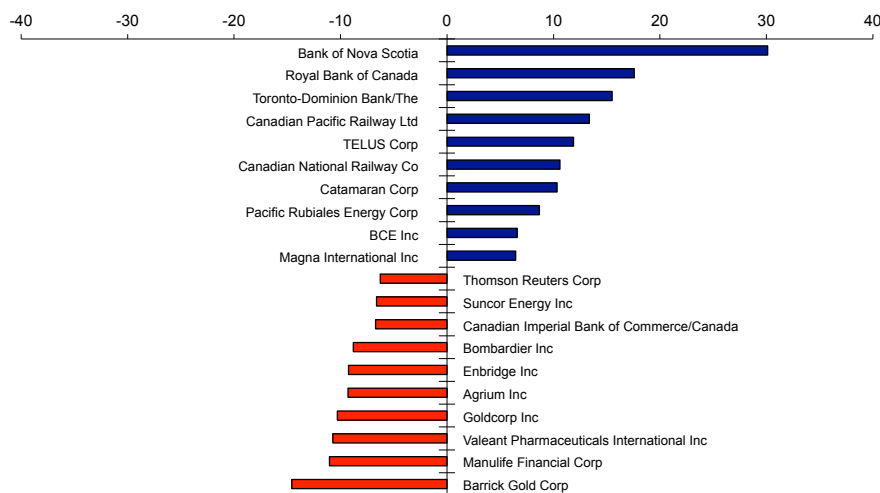
S&P/TSX Composite Sector Movement



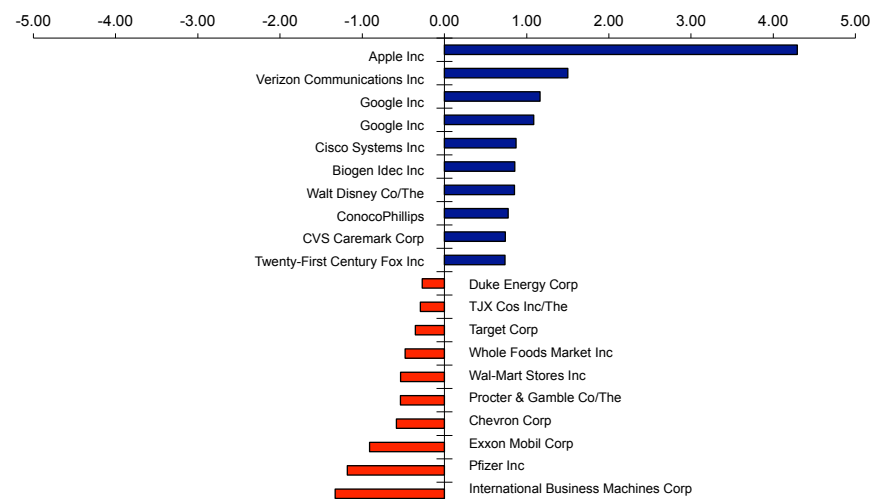
S&P 500 Sector Movement



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 – MAY 2014

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
05/30/2014	Gross Domestic Product (m-o-m, SA)	Mar	0.10%	0.10%	0.20%
05/30/2014	Gross Domestic Product (y-o-y, SA)	Mar	2.30%	2.10%	2.30%
	Labour market				
05/09/2014	Net Change in Employment (000, SA)	Apr	12.0	-28.9	42.9
05/09/2014	Participation Rate (SA)	Apr	66.30%	66.10%	66.20%
05/09/2014	Unemployment Rate (SA)	Apr	6.90%	6.90%	6.90%
	Housing market				
05/08/2014	Housing Starts (000, SAAR)	Apr	175.0	194.8	156.7
05/08/2014	New Housing Price Index (y-o-y)	Mar	--	1.60%	1.50%
05/15/2014	Existing Home Sales (m-o-m)	Apr	--	2.70%	1.00%
05/14/2014	Teranet/National Bank HPI (m-o-m)	Apr	--	0.50%	0.00%
	Consumer & Manufacturing				
05/22/2014	Retail Sales (m-o-m, SA)	Mar	0.30%	-0.10%	0.70%
05/22/2014	Retail Sales Less Autos (m-o-m, SA)	Mar	0.30%	0.10%	0.90%
05/15/2014	Manufacturing Sales (m-o-m, SA)	Mar	-0.30%	0.40%	1.50%
	Trade				
05/06/2014	Merchandise Trade (billion, SA)	Mar	0.20	0.08	0.85
	Prices				
05/23/2014	Consumer Price Index (m-o-m)	Apr	0.40%	0.30%	0.60%
05/23/2014	Consumer Price Index (y-o-y)	Apr	2.00%	2.00%	1.50%
05/23/2014	Bank of Canada CPI Core (m-o-m)	Apr	0.20%	0.20%	0.30%
05/23/2014	Bank of Canada CPI Core (y-o-y)	Apr	1.40%	1.40%	1.30%
05/30/2014	Industrial Product Price (m-o-m)	Apr	0.40%	-0.20%	0.40%
05/30/2014	Raw Materials Price Index (m-o-m)	Apr	0.50%	0.10%	0.70%

ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
	Other Indicators				
05/20/2014	Wholesale Sales (m-o-m, SA)	Mar	0.40%	-0.40%	1.10%
05/06/2014	Ivey Purchasing Managers Index (SA)	Apr	54.5	54.1	55.2
05/07/2014	Building Permits (m-o-m, SA)	Mar	4.00%	-3.00%	-11.30%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
05/29/2014	GDP (q-o-q, SAAR)	1Q S	-0.50%	-1.00%	0.10%
05/29/2014	GDP Price Index (q-o-q, SAAR)	1Q S	1.30%	1.30%	1.30%
05/29/2014	Core PCE (q-o-q, SAAR)	1Q S	1.30%	1.20%	1.20%
04/30/2014	Federal Funds Target Rate	30-Apr	0.25%	--	0.25%
	Labour market				
05/02/2014	Change in Nonfarm Payrolls (000, SA)	Apr	218.0	288.0	203.0
05/02/2014	Unemployment Rate (SA)	Apr	6.60%	6.30%	6.70%
	Housing market				
05/16/2014	Building Permits (000, SAAR)	Apr	1010.0	1080.0	1000.0
05/16/2014	Housing Starts (000, SAAR)	Apr	980.0	1072.0	947.0
05/23/2014	New Home Sales (000, SAAR)	Apr	425.0	433.0	407.0
05/22/2014	Existing Home Sales (million, SAAR)	Apr	4.69	4.65	4.59
05/15/2014	NAHB Housing Market Index (SA)	May	49.0	45.0	46.0
05/01/2014	Construction Spending (m-o-m, SA)	Mar	0.50%	0.20%	-0.20%
	Consumer & Manufacturing				
05/13/2014	Advance Retail Sales (m-o-m, SA)	Apr	0.40%	0.10%	1.50%
05/13/2014	Retail Sales Less Autos (m-o-m, SA)	Apr	0.60%	0.00%	1.00%
05/27/2014	Consumer Confidence (SA)	May	83.0	83.0	81.7
05/30/2014	U. of Michigan Confidence	May F	82.5	81.9	81.8
05/29/2014	Personal Consumption (q-o-q, SAAR)	1Q S	3.10%	3.10%	3.00%
05/27/2014	Durable Goods Orders (m-o-m, SA)	Apr	-0.70%	0.80%	3.60%
05/02/2014	Factory Orders (m-o-m, SA)	Mar	1.50%	1.10%	1.70%

ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	Trade				
05/13/2014	Import Price Index (m-o-m)	Apr	0.30%	-0.40%	0.40%
05/13/2014	Import Price Index (y-o-y)	Apr	0.30%	-0.30%	-0.60%
05/06/2014	Trade Balance (billion, SA)	Mar	-40.0	-40.4	-41.9
	Prices				
05/15/2014	Consumer Price Index (m-o-m, SA)	Apr	0.30%	0.30%	0.20%
05/15/2014	Consumer Price Index (y-o-y)	Apr	2.00%	2.00%	1.50%
05/15/2014	CPI Core Index (SA)	Apr	236.91	237.16	236.60
05/30/2014	PCE Deflator (y-o-y, SA)	Apr	1.60%	1.60%	1.10%
	Other Indicators				
05/01/2014	ISM Manufacturing Index (SA)	Apr	54.3	54.9	53.7
05/30/2014	Chicago Purchasing Manager Index	May	61.0	65.5	63.0
05/15/2014	Philadelphia Fed Index	May	14.0	15.4	16.6
05/22/2014	Leading Indicators (m-o-m)	Apr	0.40%	0.40%	1.00%
05/13/2014	Business Inventories (m-o-m, SA)	Mar	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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