

# Month in Review: JUNE 2014



## WHAT MOVED THE MARKETS

World Cup soccer matches in Brazil did not distract investors from the most important month for macroeconomic updates so far this year. Investors witnessed contrasting central bank policies over the month. The Bank of England declared interest rates may rise sooner-than-expected, while a dovish European Central Bank unveiled supportive monetary policy changes. Meanwhile, the hotly anticipated meeting of the FOMC had a relatively muted impact on markets (see below).

This month, the S&P/TSX posted strong returns, surging ahead 4.1%. The S&P 500 also generated a positive return of 2.1% for the month of June. S&P/TSX sector performance was mostly positive in June. The Materials sector surged forward an impressive 10.3%. The Information Technology (7.4%), Energy (5.5%) and Industrials (4.8%) sectors also saw positive gains. Only the Healthcare and Telecom Services sectors experienced losses, decreasing 4.4% and 1.6%, respectively. In the U.S., sectors were also mostly positive. The Energy (5.1%) and Utilities (4.5%) sectors saw the largest gains. The Telecom Services (-1.1%) and Consumer Staples (-0.2%) sectors were the only two that decreased in June.

All indices and figures priced in local currency as at June 30, 2014 (unless otherwise stated).  
For Important Disclosures, see page 9.

Overseas, indices were mostly positive in June. India's Sensex had another strong month, increasing 5.4% and finishing the first half of the year up 21.1%. Brazil's Bovespa, Japan's Nikkei, and China's Shanghai Index gained 3.8%, 3.7% and 2.0%, respectively. The FTSE 100 (-1.2%) and the DAX (-1.1%) were both down for the month.

Gold stocks had a remarkable run this month, pushing ahead almost 16%, to finish the first half of 2014 up 26%. The S&P/TSX Energy and Financials subsectors increased 5% and 3%, respectively.

## FIXED INCOME-SPECIFIC DEVELOPMENTS

At the FOMC meeting in June, Chair Janet Yellen reiterated that the U.S. economy continues to exhibit considerable slack and policy rates will remain low for an extended period. The FOMC noted that when rates do move higher, they will do so at a gradual pace, likely to settle below the historical average of 4.0%. The unemployment rate for May remained unchanged at 6.3%, 120 bps below the level seen a year ago. Non-farm payrolls data showed that the U.S. economy generated 217,000 jobs in May, lower than April's unexpectedly strong result of 282,000. Meanwhile, GDP releases indicated a weaker recovery with Q1 GDP revised downward to -2.9%. Originally, the weakness was



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## WHAT MOVED THE MARKETS

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attributed to a severe winter; however, the second revision implies that weather alone may not be the only reason for the weakness. For the remainder of the year, GDP releases will garner significant attention and may have to be exceptionally strong to meet bullish full-year estimates.

Headline and core inflation increased faster-than-expected in May, raising market expectations of a mid-2015 rate hike in the U.S. On a year-over-year basis, headline inflation increased at its fastest pace in 2 years, moving from 2.0% to 2.3%, and core inflation (excluding food and energy prices) increased by 30 bps to 1.7%. Meanwhile, Bank of Canada Governor Stephen Poloz cited downside risks to inflation as a main threat to the Canadian economy, noting that the recent increase in inflation may only be temporary in nature. The policy rate remained at 1.0%.

Accommodative monetary policy and ongoing investor demand for yield continued to result in the narrowing of credit spreads, which now stand at a 7-year low. Corporations continued to benefit from the issuer-friendly environment, with June far more active than the year ago period. The benchmark 10-year bond in Canada and the U.S. ended the month 2 bps and 4 bps lower at 2.2% and 2.6%, respectively.

## NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	4.1%	12.9%
Dow Jones Industrial Average TR	0.7%	2.7%
S&P 500 Index TR	2.1%	7.1%
NASDAQ Composite Index TR	4.0%	6.2%
MSCI EAFE TR (USD)	1.0%	5.1%
MSCI World TR (USD)	1.8%	6.5%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	2.8%	8.7%
S&P/TSX Energy TR	5.5%	21.1%
S&P/TSX Materials TR	10.3%	16.6%
S&P/TSX Industrials TR	4.8%	11.9%
S&P/TSX Consumer Discretionary TR	1.4%	9.1%
S&P/TSX Telecom Services TR	-1.6%	5.1%
S&P/TSX Information Technology TR	7.4%	12.5%
S&P/TSX Consumer Staples TR	2.9%	10.3%
S&P/TSX Utilities TR	1.4%	10.1%
S&P/TSX Healthcare TR	-4.4%	5.2%

\* 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	1.0671	-1.6%	0.5%
Euro	1.4611	-1.2%	0.1%
British Pound	1.8253	0.4%	3.8%
Japanese Yen (100)	0.0105	-1.2%	4.4%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$105.37	2.6%	7.1%
Natural Gas (per million btu)	\$4.46	-1.8%	5.5%
Gold (per ounce)	\$1,327.32	6.2%	10.1%
Silver (per ounce)	\$21.03	11.8%	8.0%
Copper (per pound)	\$3.19	1.8%	-4.5%
Nickel (per pound)	\$8.60	-1.2%	37.1%
Aluminum (per pound)	\$0.84	2.8%	5.8%
Zinc (per pound)	\$1.01	7.9%	7.9%

## WHAT MOVED THE MARKETS

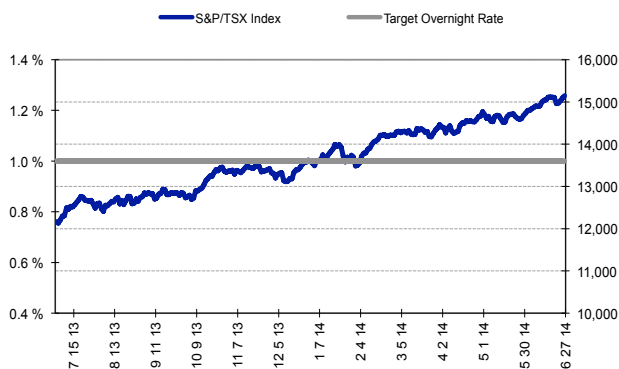
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### GLOBAL DEVELOPMENTS

The European Central Bank unveiled a package of support measures that was, on balance, more dovish than investors expected. The most significant announcement was a €400 billion line of liquidity ("LTRO") that intends to help banks rid their balance sheets of illiquid assets. In a historic policy move, the central bank also announced the introduction of negative deposit rates, effectively penalizing banks that do not lend out deposits. The central bank also ended its sterilization policy. Previously, the ECB purchased bonds of struggling euro-area nations and "sterilized" the purchases by taking an equal amount of money out of circulation. The net effect was no increase to the money supply. By ending its policy of sterilization, the money supply should theoretically be allowed to increase. Finally, ECB President Mario Draghi raised expectations of the potential for quantitative easing when he outlined that the central bank has started preparing for the outright purchase of assets. In contrast, BOE Governor Mark Carney, pointed out that mounting debt levels related to housing could undermine the UK's economic stability. In response, Mr. Carney suggested the policy rate could move higher sooner-than-expected. The policy rate has remained at 0.5% for the last 5 years.

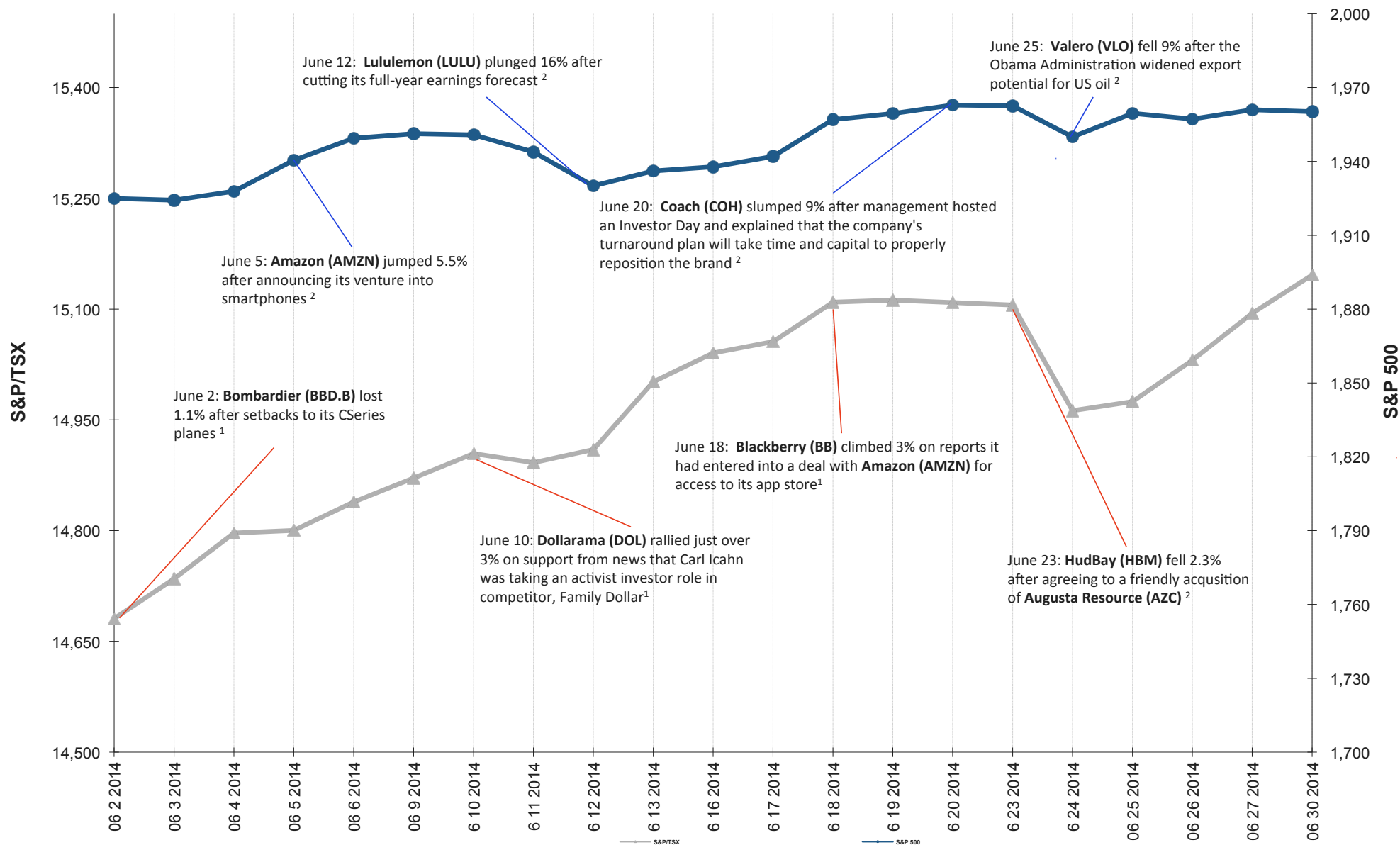
Economic data prints show that China's economy has started to stabilize, benefitting from targeted stimulus measures undertaken by the nation's government. China's manufacturing data moved higher in May, reaching 50.8, the highest level this year. Export data is gradually regaining momentum, increasing on a year-over-year basis, while import data remains on a downtrend. This latter issue is expected to encourage the government to continue to explore means that could bolster domestic consumption.

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



Source: Bloomberg

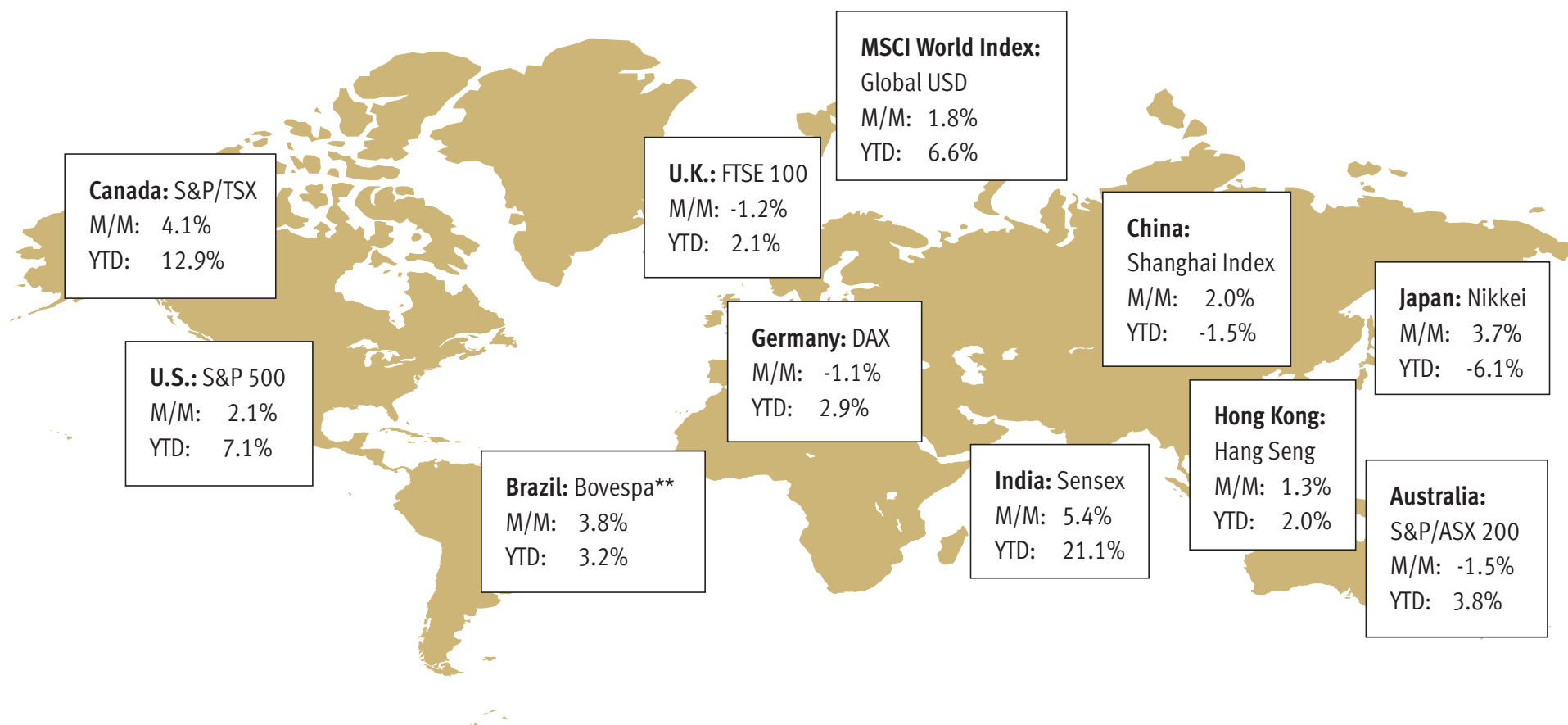
## NORTH AMERICAN EQUITY HIGHLIGHTS – JUNE 2014



<sup>1</sup> Globe and Mail <sup>2</sup> Bloomberg  
Pricing Data Source: Bloomberg

## WORLD MARKETS – JUNE 2014

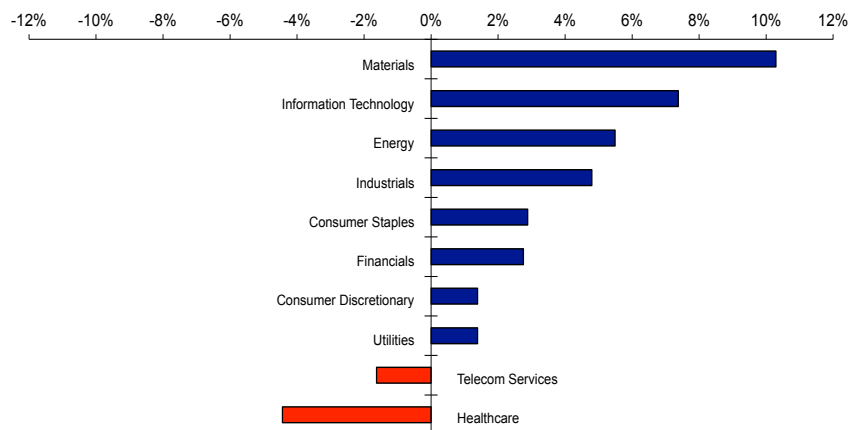
Global indices were mostly positive in June. The Sensex Index (5.4%), S&P/TSX (4.1%) Nikkei (3.7%) and Bovespa (3.8%) all generated solid positive returns. The FTSE 100 and DAX experienced negative returns of 1.2% and 1.1%, respectively. The MSCI World Index increased 1.8%.



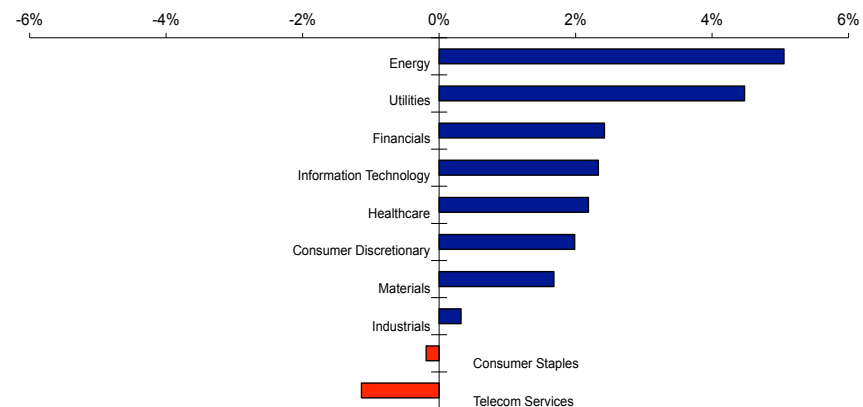
All returns are on a total return basis unless otherwise noted  
All returns calculated in local currency except for MSCI World  
\*\* These indices are calculated on a price return basis  
Source: Bloomberg

## CANADIAN & U.S. EQUITIES – JUNE 2014

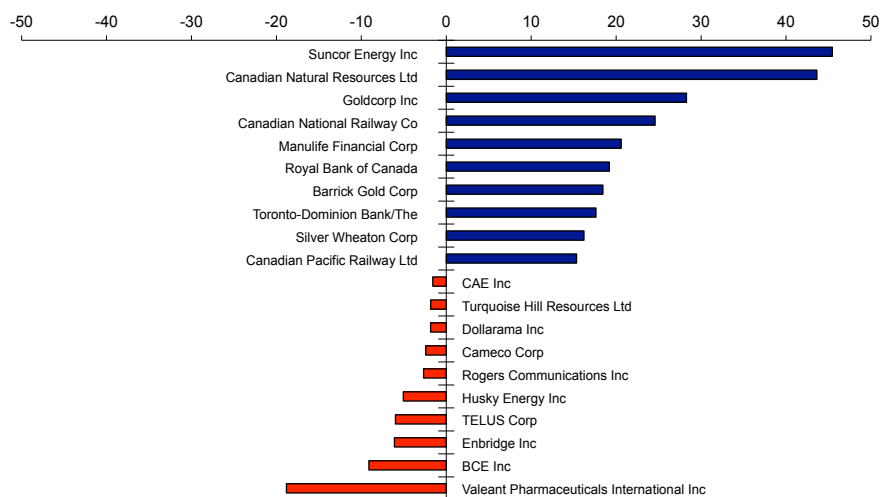
### S&P/TSX Composite Sector Movement



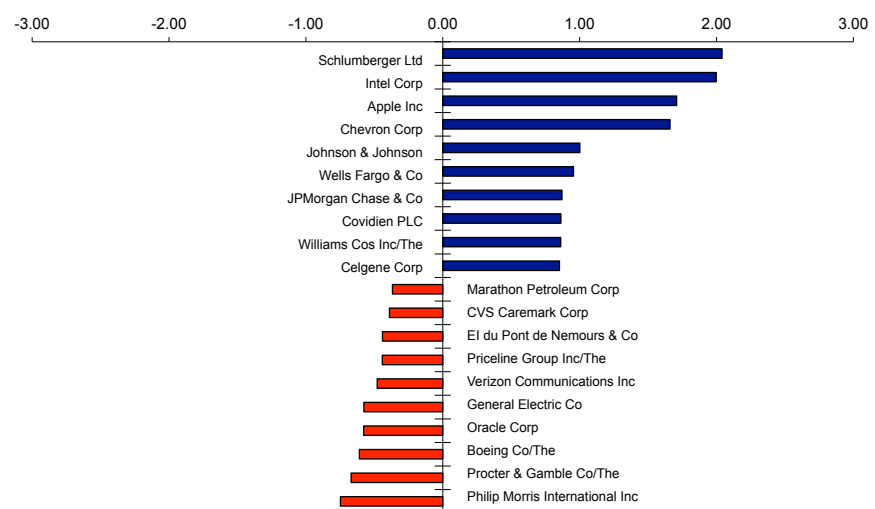
### S&P 500 Sector Movement



### 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 – JUNE 2014

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
06/30/2014	Gross Domestic Product (m-o-m, SA)	Apr	0.20%	0.10%	0.10%
06/30/2014	Gross Domestic Product (y-o-y, SA)	Apr	2.30%	2.10%	2.10%
06/04/2014	Bank of Canada Rate	4 Jun	1.00%	1.00%	1.00%
	<b>Labour market</b>				
06/06/2014	Net Change in Employment (000, SA)	May	25.0	25.8	-28.9
06/06/2014	Participation Rate (SA)	May	66.20%	66.10%	66.10%
06/06/2014	Unemployment Rate (SA)	May	6.90%	7.00%	6.90%
	<b>Housing market</b>				
06/09/2014	Housing Starts (000, SAAR)	May	185.0	198.3	196.7
06/12/2014	New Housing Price Index (y-o-y)	Apr	--	1.60%	1.60%
06/16/2014	Existing Home Sales (m-o-m)	May	--	5.90%	2.70%
06/12/2014	Teranet/National Bank HPI (m-o-m)	May	--	0.80%	0.50%
	<b>Consumer &amp; Manufacturing</b>				
06/20/2014	Retail Sales (m-o-m, SA)	Apr	0.60%	1.10%	0.10%
06/20/2014	Retail Sales Less Autos (m-o-m, SA)	Apr	0.40%	0.70%	0.20%
06/13/2014	Manufacturing Sales (m-o-m, SA)	Apr	0.50%	-0.10%	0.30%
	<b>Trade</b>				
06/04/2014	Merchandise Trade (billion, SA)	Apr	0.20	-0.64	0.77
	<b>Prices</b>				
06/20/2014	Consumer Price Index (m-o-m)	May	0.30%	0.50%	0.30%
06/20/2014	Consumer Price Index (y-o-y)	May	2.00%	2.30%	2.00%
06/20/2014	Bank of Canada CPI Core (m-o-m)	May	0.20%	0.50%	0.20%
06/20/2014	Bank of Canada CPI Core (y-o-y)	May	1.50%	1.70%	1.40%
06/27/2014	Industrial Product Price (m-o-m)	May	0.00%	-0.50%	-0.20%

## ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
	<b>Other Indicators</b>				
06/18/2014	Wholesale Sales (m-o-m, SA)	Apr	0.50%	1.20%	-0.30%
06/05/2014	Ivey Purchasing Managers Index (SA)	May	56.0	48.2	54.1
06/05/2014	Building Permits (m-o-m, SA)	Apr	4.20%	1.10%	-3.20%
	<b>Economic Indicators: U.S.</b>				
06/25/2014	GDP (q-o-q, SAAR)	1Q T	-1.80%	-2.90%	-1.00%
06/25/2014	GDP Price Index (q-o-q, SAAR)	1Q T	1.30%	1.30%	1.30%
06/25/2014	Core PCE (q-o-q, SAAR)	1Q T	1.20%	1.20%	1.20%
06/18/2014	Federal Funds Target Rate	18 Jun	0.25%	0.25%	0.25%
	<b>Labour market</b>				
06/06/2014	Change in Nonfarm Payrolls (000, SA)	May	215.0	217.0	282.0
06/06/2014	Unemployment Rate (SA)	May	6.40%	6.30%	6.30%
	<b>Housing market</b>				
06/17/2014	Building Permits (000, SAAR)	May	1050.0	991.0	1059.0
06/17/2014	Housing Starts (000, SAAR)	May	1030.0	1001.0	1071.0
06/24/2014	New Home Sales (000, SAAR)	May	439.0	504.0	425.0
06/23/2014	Existing Home Sales (million, SAAR)	May	4.74	4.89	4.66
06/16/2014	NAHB Housing Market Index (SA)	Jun	47.0	49.0	45.0
06/02/2014	Construction Spending (m-o-m, SA)	Apr	0.60%	0.20%	0.60%
	<b>Consumer &amp; Manufacturing</b>				
06/12/2014	Advance Retail Sales (m-o-m, SA)	May	0.60%	0.30%	0.50%
06/12/2014	Retail Sales Less Autos (m-o-m, SA)	May	0.40%	0.10%	0.40%
06/24/2014	Consumer Confidence (SA)	Jun	83.5	85.2	82.2
06/13/2014	U. of Michigan Confidence	Jun P	83.0	81.2	81.9
06/25/2014	Personal Consumption (q-o-q, SAAR)	1Q T	2.40%	1.00%	3.10%
06/25/2014	Durable Goods Orders (m-o-m, SA)	May	0.00%	-1.00%	0.80%
06/03/2014	Factory Orders (m-o-m, SA)	Apr	0.50%	0.70%	1.50%



## ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	<b>Trade</b>				
06/12/2014	Import Price Index (m-o-m)	May	0.20%	0.10%	-0.50%
06/12/2014	Import Price Index (y-o-y)	May	0.50%	0.40%	-0.40%
06/04/2014	Trade Balance (billion, SA)	Apr	-40.8	-47.2	-44.2
	<b>Prices</b>				
06/17/2014	Consumer Price Index (m-o-m, SA)	May	0.20%	0.40%	0.30%
06/17/2014	Consumer Price Index (y-o-y)	May	2.00%	2.10%	2.00%
06/17/2014	CPI Core Index (SA)	May	237.59	237.78	237.16
06/26/2014	PCE Deflator (y-o-y, SA)	May	1.80%	1.80%	1.60%
	<b>Other Indicators</b>				
06/02/2014	ISM Manufacturing Index (SA)	May	55.5	55.4	54.9
06/30/2014	Chicago Purchasing Manager Index	Jun	63.0	62.6	65.5
06/19/2014	Philadelphia Fed Index	Jun	14.0	17.8	15.4
06/19/2014	Leading Indicators (m-o-m)	May	0.60%	0.50%	0.30%
06/12/2014	Business Inventories (m-o-m, SA)	Apr	0.40%	0.60%	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.

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