

# Month in Review: JUNE 2015



## WHAT MOVED THE MARKETS

Global markets sat on edge this month as negotiations between Greece and its creditors failed to produce an agreement by a critical June 30th deadline. Investors now await the results of a referendum on July 5th, which has been called by Greek Prime Minister Alexis Tsipras and approved by parliament, where voters will cast a ballot to accept or reject the austerity measures that creditors have made additional bailout funding contingent upon. The complexity of the situation has intensified given creditors have rescinded their final bailout offer, formal negotiations have ceased, and Greece defaulted on a \$1.7 billion payment due to the IMF on June 30th.

Financial markets were also sensitive to the Federal Reserve Board's FOMC meeting in June. The FOMC meetings have taken on added importance in recent months as the U.S. central bank inches closer to hiking its benchmark interest rate and exiting its zero-interest-rate policy that has been in place since late 2008. In its June statement the FOMC noted 'economic activity has been expanding moderately' and it 'expects inflation to rise gradually toward 2 percent' as the labour market continues to improve and the pronounced effect of lower energy prices on a year-over-year

basis dissipates. Yet, the exact timing of a rate hike by the FOMC remains unclear and as a result a high level of focus will be placed on the upcoming July meeting.

North American indices were down with the S&P/TSX posting a loss of 2.8% and the S&P 500 falling 1.9%. Declines in Information Technology (-6.4%), Utilities (-5.9%), Materials (-5.1%), Energy (-4.9%), Healthcare (-4.8%), Industrials (-2.9%), Financials (-1.3%), and Consumer Discretionary (-0.2%) were larger than gains in Consumer Staples (1.3%) and Telecom Services (0.9%).

Global equity indices were mostly negative with China's Shanghai and UK's FTSE 100 posting a loss of -6.9% and -6.4%, respectively. Similarly, Australia's S&P/ASX 200 (-5.3%), Germany's DAX (-4.1%), Hong Kong's Hang Seng (-3.0%), and Japan's Nikkei (-1.5%) were down for the month. Brazil's Bovespa and India's Sensex reported a gain of 0.6% and 0.3% respectively, while the MSCI World Index reported a loss of -2.2%.

The S&P/TSX Global Gold index declined (-8.8%) followed by the S&P/TSX Capped Energy (-4.9%), the S&P/TSX Small Cap (-3.8%), the S&P/TSX Capped Financials (-1.5%) and the S&P/TSX Capped REITs (-1.5%).

All indices and figures priced in local currency as at June 30, 2015 (unless otherwise stated).  
For Important Disclosures, see page 9.



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## WHAT MOVED THE MARKETS

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### FIXED INCOME-SPECIFIC DEVELOPMENTS

The U.S. employment report for the month of May was stronger than expected with 280,000 jobs added in the month versus the consensus estimate of a gain of 226,000. First quarter U.S. GDP adjustments were also above consensus as the economy shrank less than originally estimated. Economic contraction was revised down to -0.2% from a previously reported -0.7%.

Reflecting the improving data picture in the U.S., June's Federal Reserve FOMC meeting cited the improving jobs picture and strengthening economy in the second quarter. With many market forecasters anticipating at least one rate hike in 2015, market prognosticators are focusing in on September's meeting as the potential 'lift-off' point for the Fed. Credit spreads in the U.S. are also now widening in anticipation and sit at levels not seen since January of this year. The benchmark U.S. Treasury 10-year bond closed the month at 2.3%, 23 bps higher than May's closing yield of 2.1%

In Canada, second quarter GDP shrank -0.1% at an annualized rate as a pick-up in non-energy exports and consumer spending was unable to make up for the fall in domestic energy activity. Despite the lack of growth in GDP output, Canadian employment data in June was better than expected as the economy added 58,900 jobs in May. The benchmark Canada 10-year government bond closed the month at 1.7%, 6 bps higher than May's closing yield of 1.6%.

### NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	-2.8%	0.9%
Dow Jones Industrial Average TR	-2.1%	0.0%
S&P 500 Index TR	-1.9%	1.2%
NASDAQ Composite Index TR	-1.6%	5.9%
MSCI EAFE TR (USD)	-2.8%	5.9%
MSCI World TR (USD)	-2.3%	3.0%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	-1.3%	-0.3%
S&P/TSX Energy TR	-4.9%	-5.4%
S&P/TSX Materials TR	-5.1%	0.8%
S&P/TSX Industrials TR	-2.9%	-8.1%
S&P/TSX Consumer Discretionary TR	-0.2%	7.8%
S&P/TSX Telecom Services TR	0.9%	2.6%
S&P/TSX Information Technology TR	-6.4%	1.8%
S&P/TSX Consumer Staples TR	1.3%	3.2%
S&P/TSX Utilities TR	-5.9%	-4.5%
S&P/TSX Healthcare TR	-4.8%	58.3%

\* 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	1.2494	0.3%	7.5%
Euro	1.3927	1.8%	-1.0%
British Pound	1.9631	3.1%	8.4%
Japanese Yen	0.0102	1.7%	5.0%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.8003	-0.3%	-7.0%
Euro	0.7186	-1.7%	1.0%
British Pound	0.5095	-3.0%	-7.8%
Japanese Yen	98.0440	-1.7%	-4.9%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$59.47	-1.4%	11.6%
Natural Gas (per million btu)	\$2.83	7.2%	-2.0%
Gold (per ounce)	\$1,172.42	-1.5%	-1.0%
Silver (per ounce)	\$15.74	-6.1%	0.2%
Copper (per pound)	\$2.61	-4.2%	-9.6%
Nickel (per pound)	\$5.41	-5.2%	-20.8%
Aluminum (per pound)	\$0.75	-2.9%	-9.5%
Zinc (per pound)	\$0.91	-8.6%	-8.2%

## WHAT MOVED THE MARKETS

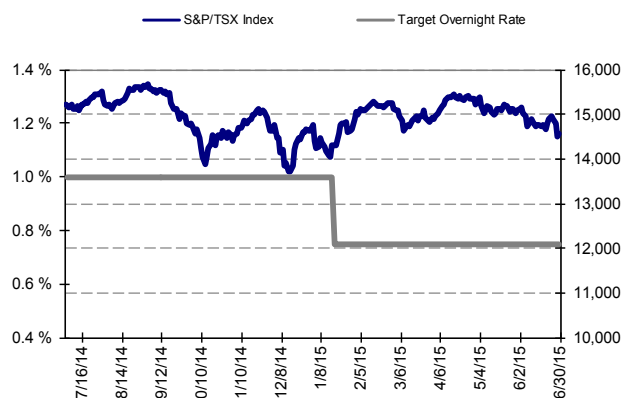
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### GLOBAL DEVELOPMENTS

China's central bank introduced fresh monetary stimulus to stabilize economic growth and soothe jittery investors with a series of moves in late June. The People's Bank of China (PBOC) announced a 25 basis point cut to its benchmark lending (4.85%) and deposit (2.0%) rate on June 27th. Concurrent with these reductions was a 50 basis point cut in reserve requirements for banks that lend to small businesses and the agricultural sector, which emphasized how these moves were intended to stoke growth. The move came a day after the Shanghai Composite fell 7.4% on Friday with hundreds of stocks declining by the 10% limit down.

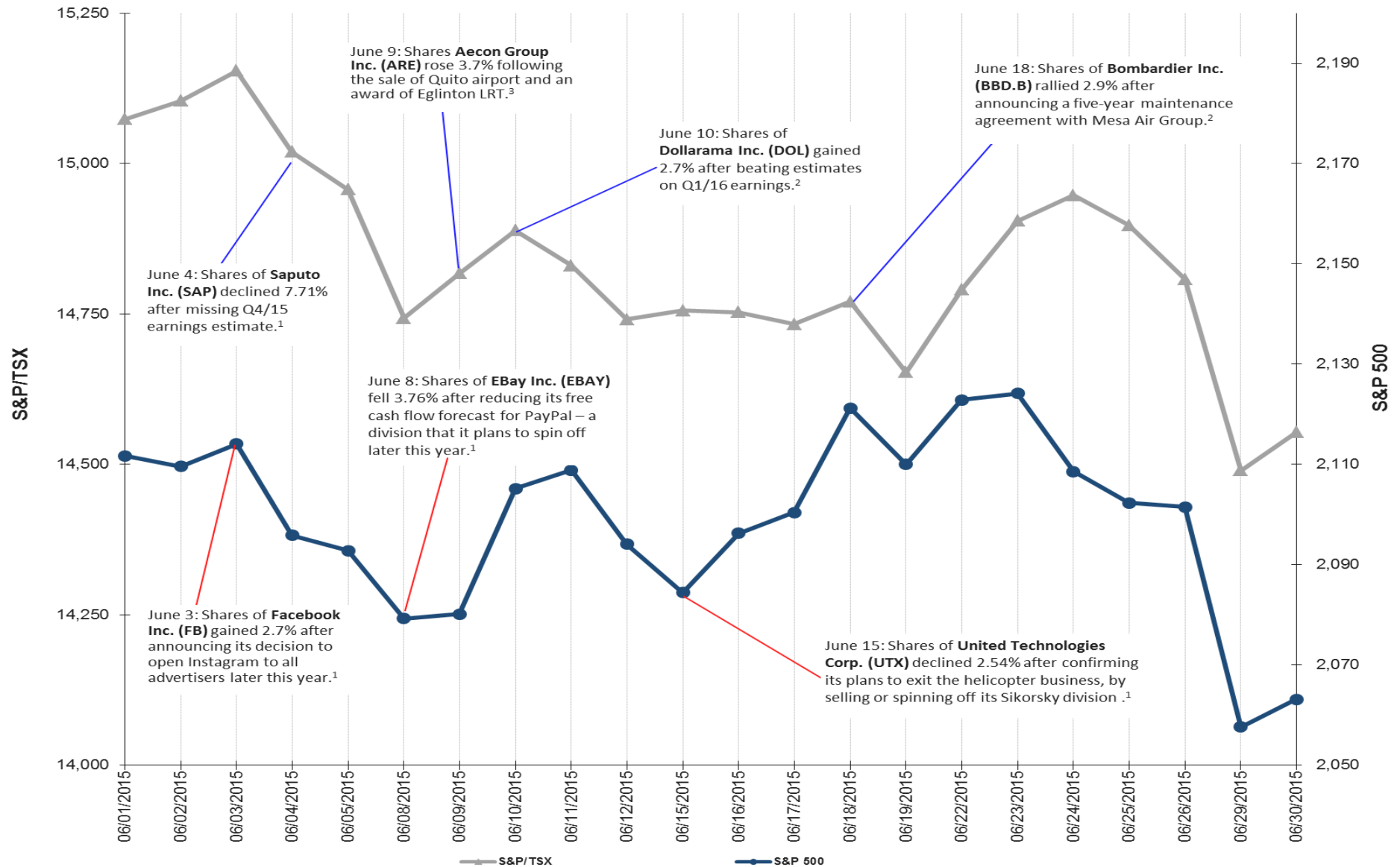
OPEC offered no surprises at its formal June policy meeting when it re-affirmed production levels and no material change in strategy. Global energy prices remained range bound in June between \$58 & \$62 dollars.

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



Source: Bloomberg

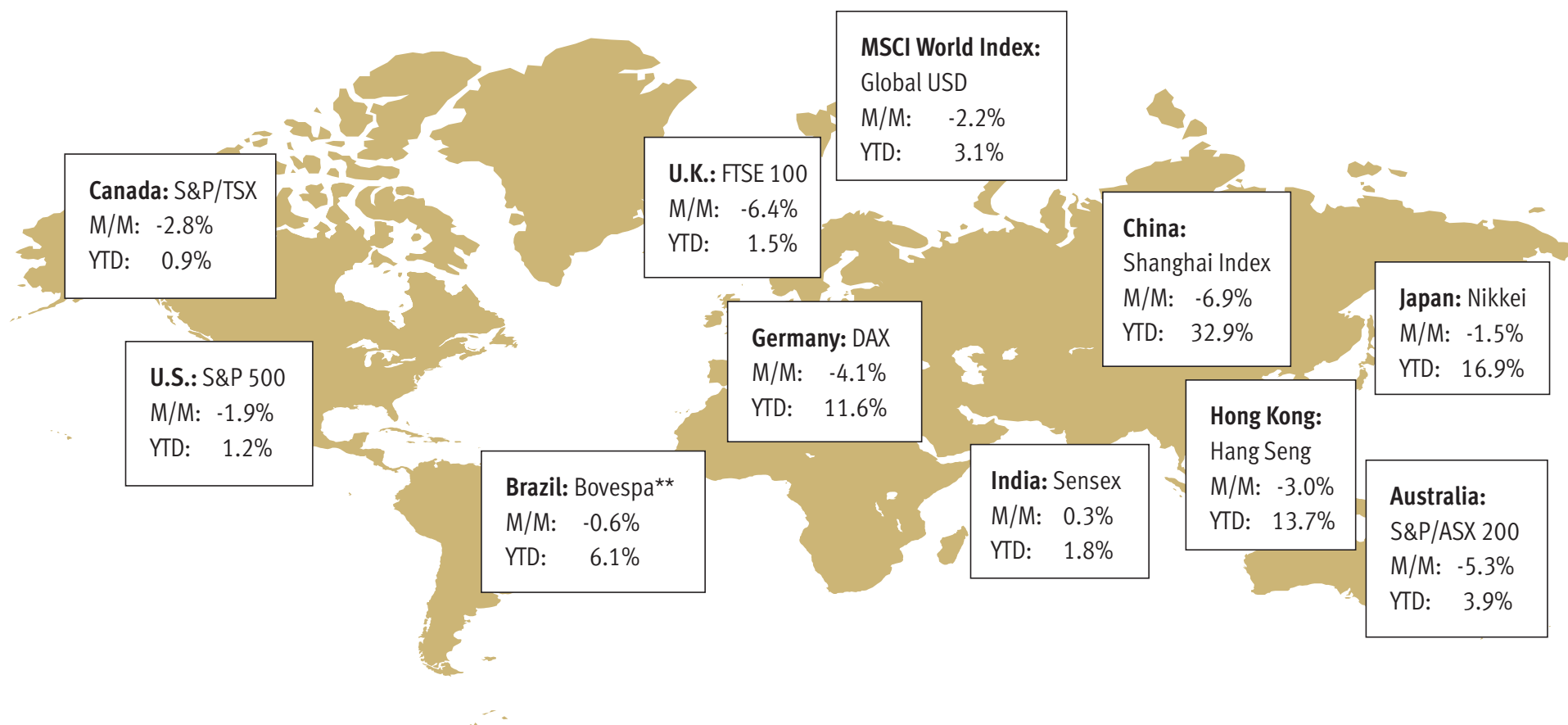
## NORTH AMERICAN EQUITY HIGHLIGHTS – JUNE 2015



<sup>1</sup> Bloomberg <sup>2</sup> RBC Capital Markets <sup>3</sup> The Globe and Mail  
Pricing Data Source: Bloomberg

## WORLD MARKETS – JUNE 2015

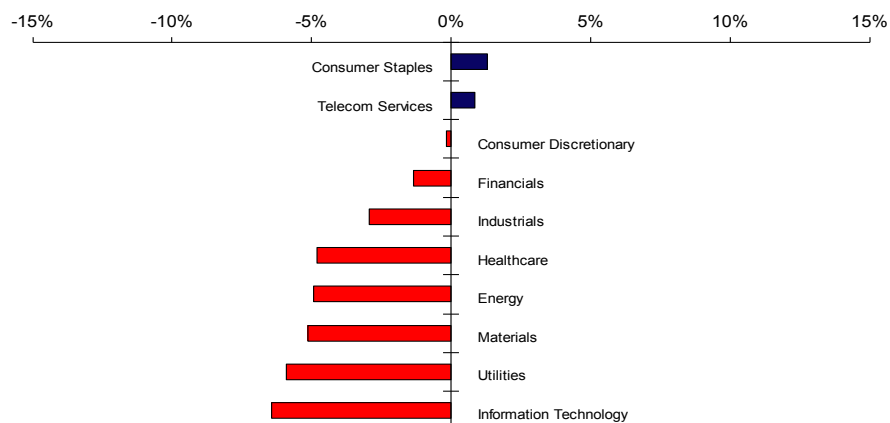
Global indices were mostly negative in June with China's Shanghai Index (-6.9%), U.K.'s FTSE 100 (-6.4%), Australia's S&P/ASX 200 (-5.3%), and Germany's DAX (-4.1%) posting the largest declines. Other world indices were also down with Hong Kong's Hang Seng (-3%), Canada's S&P/TSX (-2.8%), the S&P 500 (-1.9%), and Japan's Nikkei (-1.5%) following the decline. Brazil's Bovespa and India's Sensex Index eked out a gain of 0.6% and 0.3%, respectively. Overall, the MSCI World Index closed at -2.2%, and is now up 3.1% for the year.



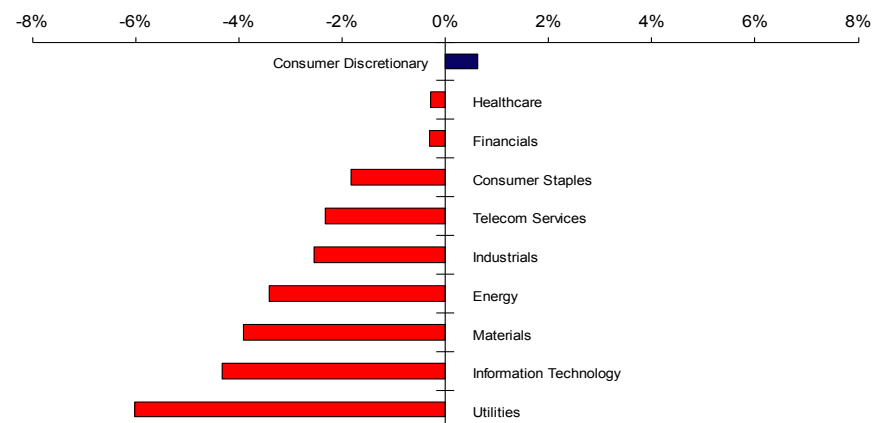
All returns are on a total return basis unless otherwise noted  
All returns calculated in local currency except for MSCI World  
\*\* These indices are calculated on a price return basis  
Source: Bloomberg

## CANADIAN & U.S. EQUITIES – JUNE 2015

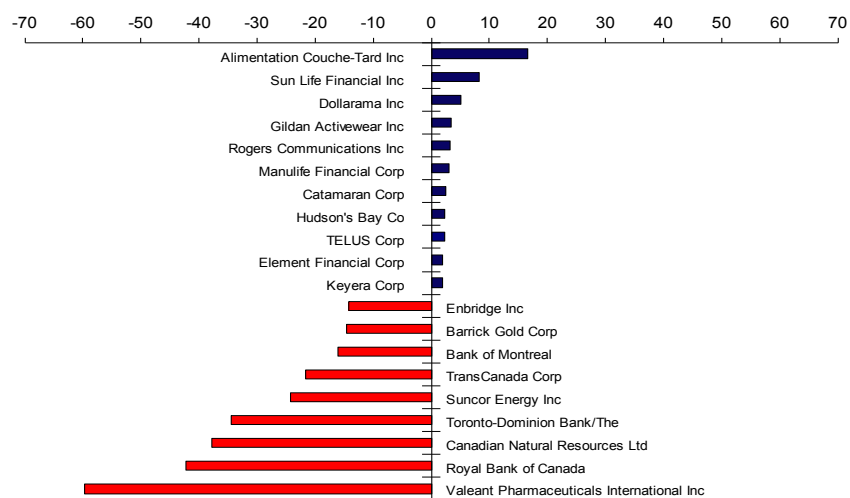
### S&P/TSX Composite Sector Movement



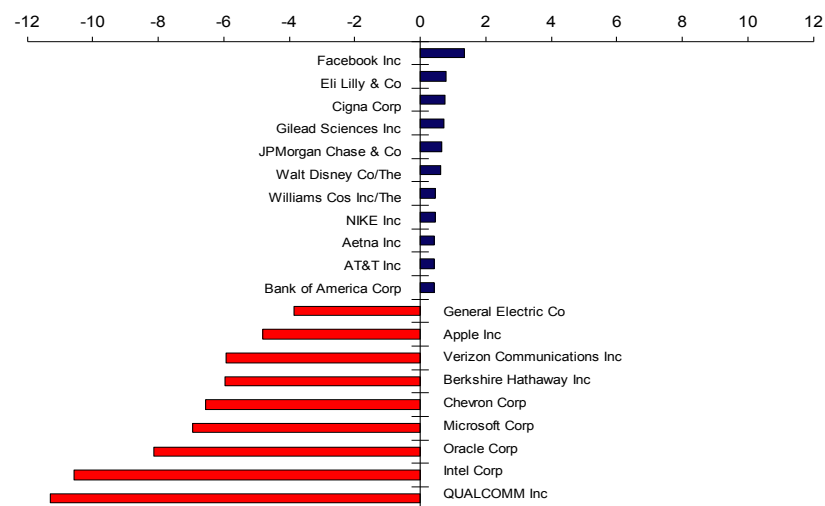
### S&P 500 Sector Movement



### 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 2015

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
06/30/2015	Gross Domestic Product (m-o-m, SA)	Apr	0.1%	-0.1%	-0.2%
06/30/2015	Gross Domestic Product (y-o-y, SA)	Apr	1.5%	1.2%	1.5%
	<b>Labour market</b>				
06/05/2015	Net Change in Employment (000, SA)	May	10.0	58.9	-19.7
06/05/2015	Participation Rate (SA)	May	65.8%	65.9%	65.8%
06/05/2015	Unemployment Rate (SA)	May	6.8%	6.8%	6.8%
	<b>Housing market</b>				
06/08/2015	Housing Starts (000, SAAR)	May	185.0	201.7	183.3
06/11/2015	New Housing Price Index (y-o-y)	Apr	--	1.1%	1.2%
06/15/2015	Existing Home Sales (m-o-m)	May	--	3.1%	2.3%
06/12/2015	Teranet/National Bank HPI (m-o-m)	May	--	0.9%	0.2%
	<b>Consumer &amp; Manufacturing</b>				
06/19/2015	Retail Sales (m-o-m, SA)	Apr	0.7%	-0.1%	0.9%
06/19/2015	Retail Sales Less Autos (m-o-m, SA)	Apr	0.3%	-0.6%	0.7%
06/15/2015	Manufacturing Sales (m-o-m, SA)	Apr	-0.5%	-2.1%	2.7%
	<b>Trade</b>				
06/03/2015	Merchandise Trade (billion, SA)	Apr	-2.15	-3.0	-3.9
	<b>Prices</b>				
06/19/2015	Consumer Price Index (m-o-m)	May	0.5%	0.6%	-0.1%
06/19/2015	Consumer Price Index (y-o-y)	May	0.8%	0.9%	0.8%
06/19/2015	Bank of Canada CPI Core (m-o-m)	May	0.3%	0.4%	0.1%
06/19/2015	Bank of Canada CPI Core (y-o-y)	May	2.1%	2.2%	2.3%
06/29/2015	Industrial Product Price (m-o-m)	May	0.3%	0.5%	-0.9%
06/29/2015	Raw Materials Price Index (m-o-m)	May	4.5%	4.4%	4.0%

## ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
06/17/2015	Wholesale Sales (m-o-m, SA)	Apr	0.3%	1.9%	1.0%
06/04/2015	Ivey Purchasing Managers Index (SA)	May	55.0	62.3	58.2
06/08/2015	Building Permits (m-o-m, SA)	Apr	-5.0%	11.6%	13.6%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
06/24/2015	GDP (q-o-q, SAAR)	1Q T	-0.2%	-0.2%	-0.7%
06/24/2015	GDP Price Index (q-o-q, SAAR)	1Q T	-0.1%	0.0%	-0.1%
06/24/2015	Core PCE (q-o-q, SAAR)	1Q T	0.8%	0.8%	0.8%
	<b>Labour market</b>				
06/05/2015	Change in Nonfarm Payrolls (000, SA)	May	226	280	221
06/05/2015	Unemployment Rate (SA)	May	5.4%	5.5%	5.4%
	<b>Housing market</b>				
06/16/2015	Building Permits (000, SAAR)	May	1100	1275	1140
06/16/2015	Housing Starts (000, SAAR)	May	1090	1036	1165
06/23/2015	New Home Sales (000, SAAR)	May	523	546	534
06/22/2015	Existing Home Sales (million, SAAR)	May	5.26	5.35	5.09
06/15/2015	NAHB Housing Market Index (SA)	Jun	56	59	54
06/01/2015	Construction Spending (m-o-m, SA)	Apr	0.8%	2.2%	0.5%
	<b>Consumer &amp; Manufacturing</b>				
06/11/2015	Advance Retail Sales (m-o-m, SA)	May	1.2%	1.2%	0.2%
06/11/2015	Retail Sales Less Autos (m-o-m, SA)	May	0.8%	1.0%	0.1%
06/30/2015	Consumer Confidence (SA)	Jun	97.4	101.4	94.6
06/26/2015	U. of Michigan Confidence	Jun F	94.6	96.1	94.6
06/24/2015	Personal Consumption (q-o-q, SAAR)	1Q T	1.9%	2.1%	1.8%
06/23/2015	Durable Goods Orders (m-o-m, SA)	May	-1.0%	-1.8%	-1.5%
06/02/2015	Factory Orders (m-o-m, SA)	Apr	-0.1%	-0.4%	2.2%



## ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	<b>Trade</b>				
06/11/2015	Import Price Index (m-o-m)	May	0.8%	1.3%	-0.2%
06/11/2015	Import Price Index (y-o-y)	May	-10.0%	-9.6%	-10.5%
06/03/2015	Trade Balance (billion, SA)	Apr	-44.0	-40.9	-50.6
	<b>Prices</b>				
06/18/2015	Consumer Price Index (m-o-m, SA)	May	0.5%	0.4%	0.1%
06/18/2015	Consumer Price Index (y-o-y)	May	0.1%	0.0%	-0.2%
06/18/2015	CPI Core Index (SA)	May	241.8	241.8	241.4
06/25/2015	PCE Deflator (y-o-y, SA)	May	0.20%	0.20%	0.20%
06/01/2015	ISM Manufacturing Index (SA)	May	52.0	52.8	51.5
06/30/2015	Chicago Purchasing Manager Index	Jun	50.0	49.4	46.2
06/18/2015	Philadelphia Fed Index	Jun	8.0	15.2	6.7
06/18/2015	Leading Indicators (m-o-m)	May	0.4%	0.7%	0.7%

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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