

Month in Review: MAY 2015

WHAT MOVED THE MARKETS

May saw a continuation of April's dramatic global bond market sell-off as the U.S. 10-year bond saw its highest level of 2015 (2.35%) before reversing mid-month. An aggressively positioned bond market saw the 'du jour' trade - long global government bonds, short commodities - falter, as German bund yields, which has approached the zero bound in January, rose, dragging global bond yields along with them.

After this six week yield surge, markets reversed course again in mid-May. The reversal was likely driven in part by comments from Angela Merkel on the ongoing fragility of the Eurozone and the ongoing uncertainty around Greece.

Turning to monetary policy, FOMC minutes revealed the Federal Reserve is unlikely to start raising short-term interest rates in the near term. The FOMC minutes made explicit that any move in the benchmark rate should be precipitated by a sustained improvement in both labour market conditions and inflation. To that end, April's U.S. CPI showed a slight deceleration from March. Core inflation was, however, helped by a decrease in apartment inventories country-wide, which has helped to push up domestic rents.

The S&P/TSX was down 1.2% while the S&P 500 posted a positive return of 1.3%. Declines in S&P/TSX Energy (-6%), Industrials (-3.5%), Utilities (-2.6%), Financials (-1.6%) and Materials (-0.7%) sectors were only partially offset by gains in the Healthcare (11.4%), Consumer Discretionary (5.2%), Telecom Services (1.7%), Consumer Staples (1.6%) and Information Technology (0.3%) sectors.

Overall, the MSCI World Index gained 0.4% in April. Global equity indices were mostly positive with Japan's Nikkei (5.3%), China's Shanghai (4%) and India's Sensex (3.1%) indices posting the largest returns. However, Germany's DAX (-0.4%), Hong Kong's Hang Seng (-2.2%) and Brazil's Bovespa (-6.2%) were negative for the month.

FIXED INCOME-SPECIFIC DEVELOPMENTS

The Bank of Canada kept the overnight lending rate unchanged at 0.75%, which was in-line with expectations as the banks "outlook for the Canadian economy remain[ed] largely in line with the April MPR". The BoC appears comfortable with its current degree of monetary policy and is instead likely to look to second half data points to drive policy into 2016. To that end, first quarter Canadian GDP released on May 29th contracted for the first time since 2009 as the domestic economy was hit by a drop in oil and gas activity.

All indices and figures priced in local currency as at May 31, 2015 (unless otherwise stated).
For Important Disclosures, see page 9.



RBC Wealth Management

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WHAT MOVED THE MARKETS

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Oil & gas extraction fell 30% year-over-year, while Canadian dollar weakness was not enough to spur exports as they declined (-1.1%) for the second straight quarter. The Canada benchmark 10-year note closed the month at 1.62%, 4 bps lower than last month's closing yield of 1.66%.

The 10-Year U.S. Treasury note closed the month at 2.12%, slightly higher than April's closing yield of 2.02%. The month-over-month weakness, however, belied a strong month-end reversal, as at one point, yields were up more than 30 basis points for the month. U.S. first quarter GDP was released on the last trading day of the month; the weak print highlighting the uneven nature domestic economy. A strengthening U.S. dollar caused domestic exports to slump with the U.S. trade gap acting as an anchor on the print overall. One compilation adjustment of note - the U.S. Department of Commerce commitment will now double seasonally adjust GDP data to account for persistently depressed first-quarter growth. Weak residual seasonality has been typical of first quarter economic data largely due to weather.

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	-1.2%	3.8%
Dow Jones Industrial Average TR	1.4%	2.1%
S&P 500 Index TR	1.3%	3.2%
NASDAQ Composite Index TR	2.8%	7.6%
MSCI EAFE TR (USD)	-0.4%	8.9%
MSCI World TR (USD)	0.4%	5.4%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	-1.6%	1.1%
S&P/TSX Energy TR	-6.0%	-0.5%
S&P/TSX Materials TR	-0.7%	6.2%
S&P/TSX Industrials TR	-3.5%	-5.3%
S&P/TSX Consumer Discretionary TR	5.2%	8.0%
S&P/TSX Telecom Services TR	1.7%	1.7%
S&P/TSX Information Technology TR	0.3%	8.8%
S&P/TSX Consumer Staples TR	1.6%	1.9%
S&P/TSX Utilities TR	-2.6%	1.5%
S&P/TSX Healthcare TR	11.4%	66.3%

* 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	1.2454	3.1%	7.2%
Euro	1.3679	0.9%	-2.7%
British Pound	1.9043	2.7%	5.2%
Japanese Yen	0.0100	-0.8%	3.3%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.8031	-3.0%	-6.7%
Euro	0.7307	-1.0%	2.7%
British Pound	0.5252	-2.7%	-4.9%
Japanese Yen	99.6980	0.9%	-3.3%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$60.30	1.1%	13.2%
Natural Gas (per million btu)	\$2.64	-4.0%	-8.5%
Gold (per ounce)	\$1,190.55	0.5%	0.5%
Silver (per ounce)	\$16.75	3.7%	6.7%
Copper (per pound)	\$2.72	-5.6%	-5.7%
Nickel (per pound)	\$5.71	-9.5%	-16.5%
Aluminum (per pound)	\$0.77	-12.0%	-6.8%
Zinc (per pound)	\$0.99	-6.7%	0.5%

WHAT MOVED THE MARKETS

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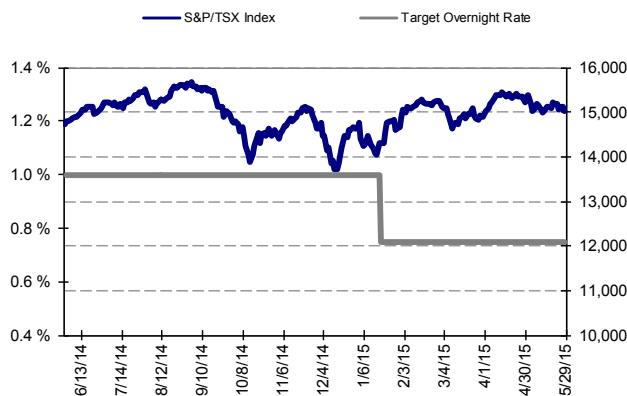
GLOBAL DEVELOPMENTS

Next month's big event - the OPEC ministers meeting - is set to take place June 5th. RBC CM's view remains that OPEC is unlikely to change its current quotas, despite calls from some member states to do so. Saudi Arabia, which is the only OPEC member with spare production capacity, appears content for now to allow prices to fluctuate around current levels.

Late May's Group of Seven finance minister meeting in Germany saw participants weigh in on Greece's inability to strike a deal on rescue aid with its creditors. Given that Greece's solvency was not on the meeting's agenda, the loud calls for constructive dialogue highlight the increasing urgency of the situation ahead of the country's June 5th scheduled IMF payment. Greek 10-year yields currently sit at 11.25%. Meanwhile, the ECB announced it would front-load this summer's bond purchases as part of its quantitative easing program to offset light summer volumes.

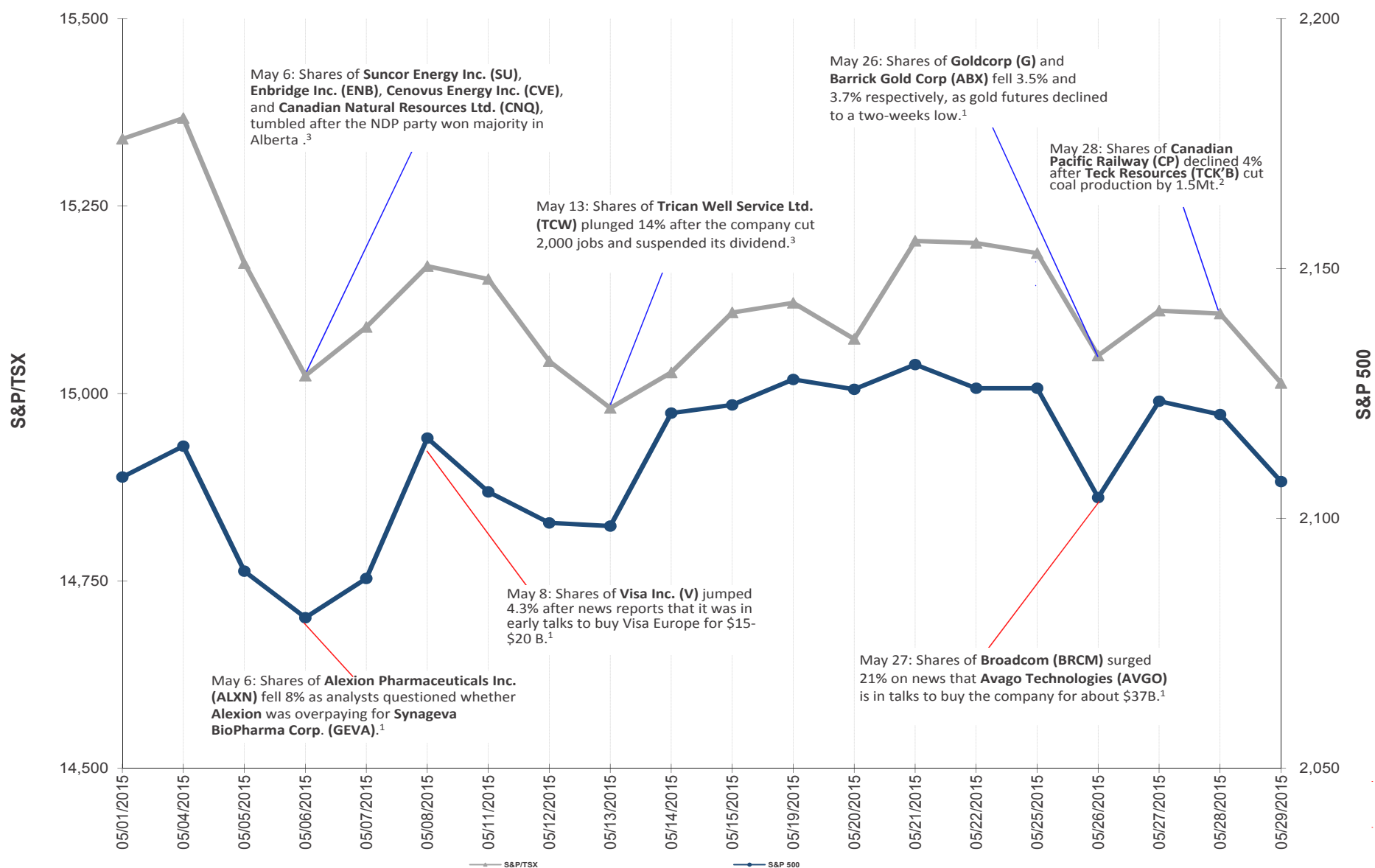
The People's Bank of China relaxed liquidity conditions in an effort to counter slackening economic growth. China's central bank announced its third interest-rate cut since November, reducing the benchmark deposit and lending rates by 25 basis points to 2.25% and 5.10%.

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



Source: Bloomberg

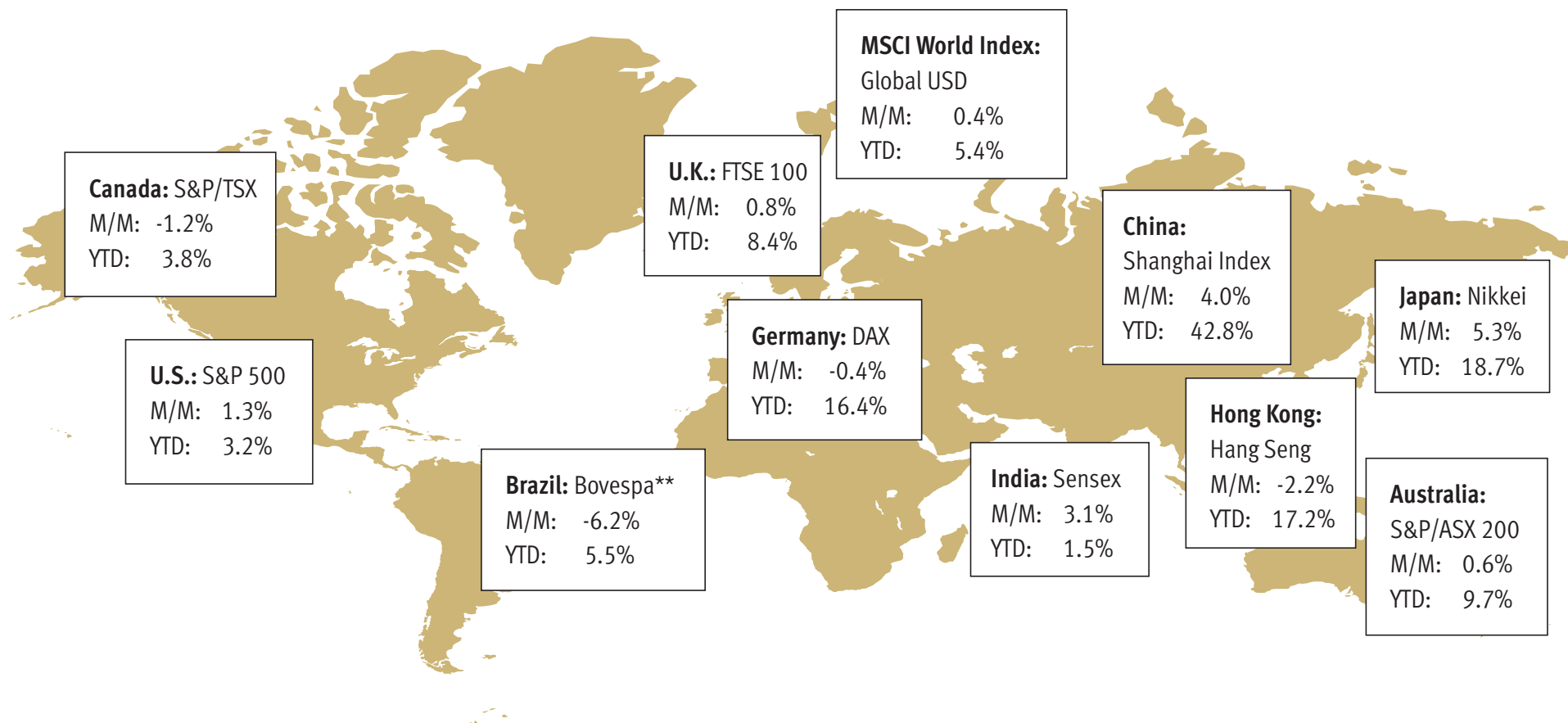
NORTH AMERICAN EQUITY HIGHLIGHTS – MAY 2015



¹ Bloomberg ² RBC Capital Markets ³ The Globe and Mail
Pricing Data Source: Bloomberg

WORLD MARKETS – MAY 2015

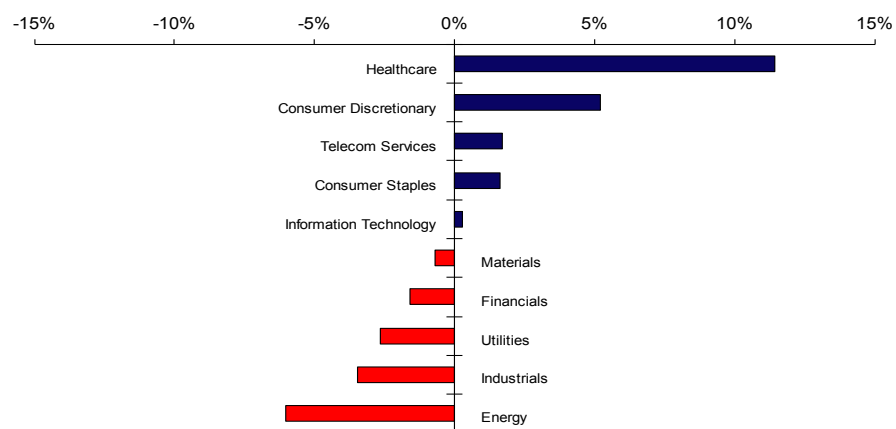
Overall, the MSCI World Index eked out a gain of 0.4%, and is now up 5.4% for the year. Global indices were mostly positive in May with Japan's Nikkei (5.3%) posting the largest return. Similarly, China's Shanghai Index (4%), India's Sensex Index (3.1%), and the S&P 500 (1.3%) were positive for the month. Meanwhile, Germany's DAX lost 0.4% followed by Canada's S&P/TSX (-1.2%), Hong Kong's Hang Seng (-2.2%), and Brazil's Bovespa (-6.2%).



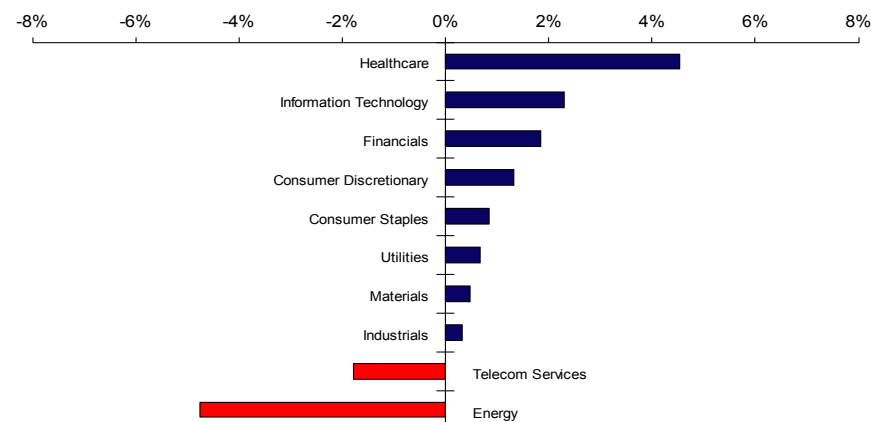
All returns are on a total return basis unless otherwise noted
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

CANADIAN & U.S. EQUITIES – MAY 2015

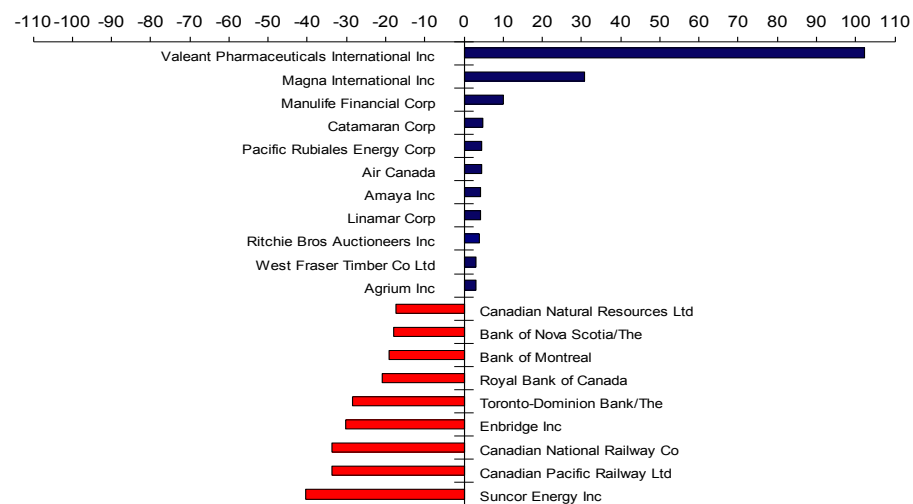
S&P/TSX Composite Sector Movement



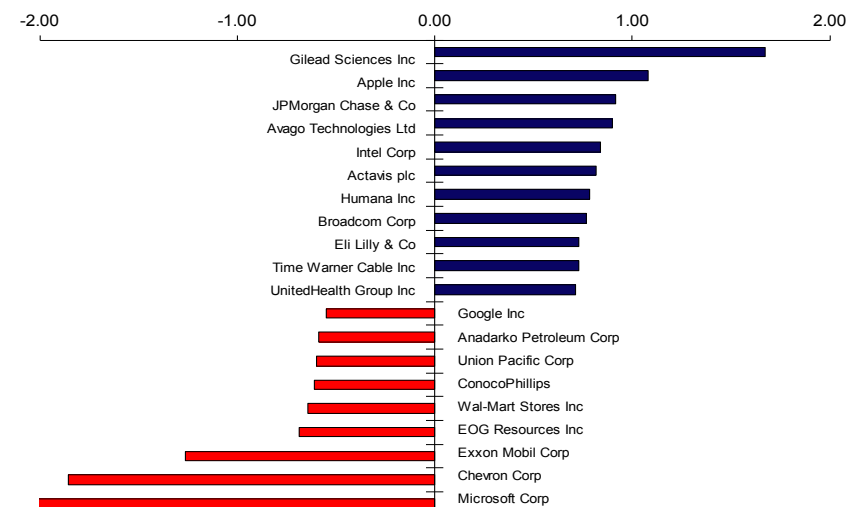
S&P 500 Sector Movement



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 – MAY 2015

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
05/29/2015	Gross Domestic Product (m-o-m, SA)	Mar	0.20%	-0.20%	-0.10%
05/29/2015	Gross Domestic Product (y-o-y, SA)	Mar	2.10%	1.50%	1.90%
	Labour market				
05/08/2015	Net Change in Employment (000, SA)	Apr	-5.0	-19.7	28.7
05/08/2015	Participation Rate (SA)	Apr	65.90%	65.80%	65.90%
05/08/2015	Unemployment Rate (SA)	Apr	6.90%	6.80%	6.80%
	Housing market				
05/08/2015	Housing Starts (000, SAAR)	Apr	182.0	181.8	189.5
05/14/2015	New Housing Price Index (y-o-y)	Mar	1.30%	1.20%	1.40%
05/15/2015	Existing Home Sales (m-o-m)	Apr	--	2.30%	4.10%
05/13/2015	Teranet/National Bank HPI (m-o-m)	Apr	0.10%	0.20%	0.30%
	Consumer & Manufacturing				
05/22/2015	Retail Sales (m-o-m, SA)	Mar	0.30%	0.70%	1.50%
05/22/2015	Retail Sales Less Autos (m-o-m, SA)	Mar	0.40%	0.50%	1.80%
05/15/2015	Manufacturing Sales (m-o-m, SA)	Mar	1.00%	2.90%	-2.20%
	Trade				
05/05/2015	Merchandise Trade (billion, SA)	Mar	-0.80	-3.02	-2.22
	Prices				
05/22/2015	Consumer Price Index (m-o-m)	Apr	0.10%	-0.10%	0.70%
05/22/2015	Consumer Price Index (y-o-y)	Apr	1.00%	0.80%	1.20%
05/22/2015	Bank of Canada CPI Core (m-o-m)	Apr	0.20%	0.10%	0.60%
05/22/2015	Bank of Canada CPI Core (y-o-y)	Apr	2.40%	2.30%	2.40%
05/28/2015	Industrial Product Price (m-o-m)	Apr	-0.10%	-0.90%	0.20%
05/28/2015	Raw Materials Price Index (m-o-m)	Apr	1.20%	3.80%	-1.50%

ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
05/20/2015	Wholesale Sales (m-o-m, SA)	Mar	0.90%	0.80%	-0.40%
05/06/2015	Ivey Purchasing Managers Index (SA)	Apr	49.2	58.2	47.9
05/07/2015	Building Permits (m-o-m, SA)	Mar	2.00%	11.60%	-0.30%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
05/29/2015	GDP (q-o-q, SAAR)	1Q S	-0.90%	-0.70%	0.20%
05/29/2015	GDP Price Index (q-o-q, SAAR)	1Q S	-0.10%	-0.10%	-0.10%
05/29/2015	Core PCE (q-o-q, SAAR)	1Q S	0.90%	0.80%	0.90%
	Labour market				
05/08/2015	Change in Nonfarm Payrolls (000, SA)	Apr	228	223	85
05/08/2015	Unemployment Rate (SA)	Apr	5.40%	5.40%	5.50%
	Housing market				
05/19/2015	Building Permits (000, SAAR)	Apr	1064	1143	1038
05/19/2015	Housing Starts (000, SAAR)	Apr	1015	1135	944
05/26/2015	New Home Sales (000, SAAR)	Apr	508	517	484
05/21/2015	Existing Home Sales (million, SAAR)	Apr	5.23	5.04	5.21
05/18/2015	NAHB Housing Market Index (SA)	May	57	54	56
05/01/2015	Construction Spending (m-o-m, SA)	Mar	0.50%	-0.60%	0.00%
	Consumer & Manufacturing				
05/13/2015	Advance Retail Sales (m-o-m, SA)	Apr	0.20%	0.00%	1.10%
05/13/2015	Retail Sales Less Autos (m-o-m, SA)	Apr	0.50%	0.10%	0.70%
05/26/2015	Consumer Confidence (SA)	May	95.0	95.4	94.3
05/29/2015	U. of Michigan Confidence	May F	89.5	90.7	88.6
05/29/2015	Personal Consumption (q-o-q, SAAR)	1Q S	2.00%	1.80%	1.90%
05/26/2015	Durable Goods Orders (m-o-m, SA)	Apr	-0.50%	-0.50%	5.10%
05/04/2015	Factory Orders (m-o-m, SA)	Mar	2.00%	2.10%	-1.00%

ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	Trade				
05/13/2015	Import Price Index (m-o-m)	Apr	0.30%	-0.30%	-0.20%
05/13/2015	Import Price Index (y-o-y)	Apr	-9.70%	-10.70%	-10.90%
05/05/2015	Trade Balance (billion, SA)	Mar	-41.7	-51.4	-35.9
	Prices				
05/22/2015	Consumer Price Index (m-o-m, SA)	Apr	0.10%	0.10%	0.20%
05/22/2015	Consumer Price Index (y-o-y)	Apr	-0.20%	-0.20%	-0.10%
05/22/2015	CPI Core Index (SA)	Apr	241.13	241.41	240.79
	Other Indicators				
05/01/2015	ISM Manufacturing Index (SA)	Apr	52.0	51.5	51.5
05/29/2015	Chicago Purchasing Manager Index	May	53.0	46.2	52.3
05/21/2015	Philadelphia Fed Index	May	8.0	6.7	7.5
05/21/2015	Leading Indicators (m-o-m)	Apr	0.30%	0.70%	0.40%
05/13/2015	Business Inventories (m-o-m, SA)	Mar	0.20%	0.10%	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.

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