

Month in Review: MARCH 2015



WHAT MOVED THE MARKETS

As we hit the quarter mark of 2015, the S&P 500 remains largely unchanged for the year. Waves of volatility hit the FX, oil and bond markets at various points in March and yet, we also exited the month close to flat. If a theme is emerging for the year, we believe it is characterized by its consistent lack of direction.

Emerging market debt is beginning to weigh on non-bank borrowers as the expectations the U.S. Federal Reserve will raise interest rates has driven the dollar to multi-year highs. Dollar-denominated debt of non-bank borrowers in developing countries currently stands at \$4 trillion and remains an area of focus for the global investment community. The consequence of supporting this increasingly expensive debt has been compounded for commodity dependent countries, which have been hit not only by their depreciating currencies relative to the U.S. dollar, but also by dwindling domestic revenues driven by lower oil prices.

Storage capacity concerns and the possibility of an Iranian nuclear deal weighed on sentiment for oil in March as prices continued to trade at sub \$50 levels for most of the month. February U.S. Core CPI, however, showed the first headline increase

(0.2% vs. -0.7% prior) in eight months as the worst of transitory price pressures resulting from low oil may be beginning to fade for the broader economy. ISM's non-manufacturing index increased to 56.9 (56.7 prior) this month, as the service industries unexpectedly expanded at a faster pace in February, boosted by a pickup in employment.

Brazilian private-equity firm 3G Capital teamed up once again with Warren Buffett's Berkshire Hathaway, this time to take over Kraft Foods (KRFT), and merge it with Heinz. The companies' partnership, which will form the world's fifth-largest food and beverage company, will have combined revenues approaching \$28 billion a year. Canadian investors will know 3G Capital as the private equity firm that engineered the merger between Burger King & Tim Horton's under the Restaurant Brands International umbrella (QSR.TO).

The S&P/TSX and the S&P 500 were down 1.9% and 1.6%, respectively. 9 of 10 S&P/TSX sectors were negative in March. Health Care was the only sector up on the month, gaining 4.2%. All other sectors were down with Materials losing 10.1%, while Information Technology lost 3.3%, Telecom Services 2.3%, Utilities 1.4%, Financials 1.3%, Consumer Discretionary 1%, Industrials 0.9%, Consumer Staples 0.5% and Energy 0.4%.

All indices and figures priced in local currency as at March 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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Overseas, global indices delivered mixed results with China's Shanghai (13.2%) and Germany's DAX (5%) posting the largest returns. Japan's Nikkei also posted a gain of 2.7%. Hong Kong's Hang Seng (0.8%) and Australia's S&P/ASX 200 (0.1%) were relatively flat, while India's Sensex Index and the U.K.'s FTSE 100 lost 4.2% and 1.9%, respectively. The S&P 500 (-1.6%), and Brazil's Bovespa (-0.8%) were also down for the month. Overall, the MSCI World Index lost 1.5% in March, after gaining 5.9% in February.

Gold stocks on the S&P/TSX lost 14.16%. The S&P/TSX Small Caps Index was down 4.16%, followed by the S&P/TSX Capped REITS (-1.77%) and the S&P/TSX Capped Financials (-1.59%).

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	-1.9%	2.6%
Dow Jones Industrial Average TR	-1.9%	0.3%
S&P 500 Index TR	-1.6%	1.0%
NASDAQ Composite Index TR	-1.2%	3.8%
MSCI EAFE TR (USD)	-1.4%	5.0%
MSCI World TR (USD)	-1.5%	2.5%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	-1.3%	-0.2%
S&P/TSX Energy TR	-0.4%	-1.1%
S&P/TSX Materials TR	-10.1%	3.3%
S&P/TSX Industrials TR	-0.9%	1.5%
S&P/TSX Consumer Discretionary TR	-1.0%	6.1%
S&P/TSX Telecom Services TR	-2.3%	0.2%
S&P/TSX Information Technology TR	-3.3%	8.7%
S&P/TSX Consumer Staples TR	-0.5%	3.4%
S&P/TSX Utilities TR	-1.4%	3.5%
S&P/TSX Healthcare TR	4.2%	45.1%

* 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	1.2686	1.4%	9.2%
Euro	1.3614	-2.8%	-3.2%
British Pound	1.8797	-2.7%	3.8%
Japanese Yen	0.0106	1.1%	8.8%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.7884	-1.4%	-8.4%
Euro	0.7346	2.8%	3.3%
British Pound	0.5321	2.7%	-3.7%
Japanese Yen	94.6960	-0.9%	-8.1%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$47.60	-4.3%	-10.6%
Natural Gas (per million btu)	\$2.64	-3.4%	-8.6%
Gold (per ounce)	\$1,183.68	-2.4%	-0.1%
Silver (per ounce)	\$16.66	0.4%	6.1%
Copper (per pound)	\$2.75	2.4%	-4.8%
Nickel (per pound)	\$5.60	-12.1%	-18.1%
Aluminum (per pound)	\$0.81	-1.1%	-2.4%
Zinc (per pound)	\$0.94	0.8%	-4.5%

WHAT MOVED THE MARKETS

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FIXED INCOME-SPECIFIC DEVELOPMENTS

Yields on the U.S 10-year benchmark bond ended the month at 1.98%, closing 1 basis point (bp) lower than January's closing yield of 1.99%; although yields fluctuated in a broad 30 bp range for the month. Much of the market's focus going into March's FOMC statement revolved around the Fed's language. The removal of 'patient', highlighted by FOMC Chair Janet Yellen in her March monetary policy report to Congress was suggestive that the Fed was moving closer to an interest rate increase. In the aftermath of the meeting, however, the Fed's view of overall economic activity moderated. The moderation was expressed both in the Fed's downward dot plot revision (the anonymous expectations of future overnight rates from each FOMC member.) and through Chair Yellen's dovish press conference, which indicated the economy was not yet ready for an interest rate increase. Bond market break-evens, the difference between yields on 10-year notes and similar-maturity TIPS, showed weakness in March, indicating subdued inflation pressures on the economy, supporting the Fed's view.

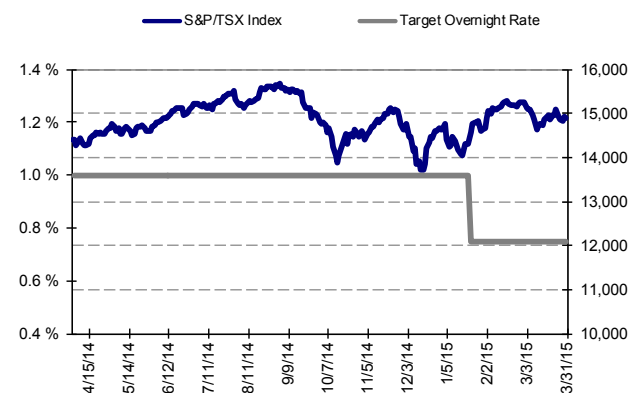
Canada's Stephen Poloz spoke at the UK chamber of commerce in London on March 26th, stating that a weaker than expected first quarter GDP wouldn't "necessarily change their thinking about additional monetary stimulus." Yields on the Canada 10-year benchmark bond ended the month at 1.43%, closing 12 bps higher than January's closing yield of 1.31%. Alberta announced widespread tax hikes to offset the declines in provincial coffers caused by the sharp decline in oil prices. The province will increase borrowing by \$3.1 billion in fiscal 2015-16.

GLOBAL DEVELOPMENTS

The BoJ has come under pressure as Japan again faces the risk of deflation. Japan's annual core consumer inflation - excluding food and last year's sales tax hike - recorded a reading of zero in February, the first time it has stopped rising in over two years. Falling fuel costs and listless domestic demand signal continued downward risks to inflation as household spending declined 2.9% year-on-year.

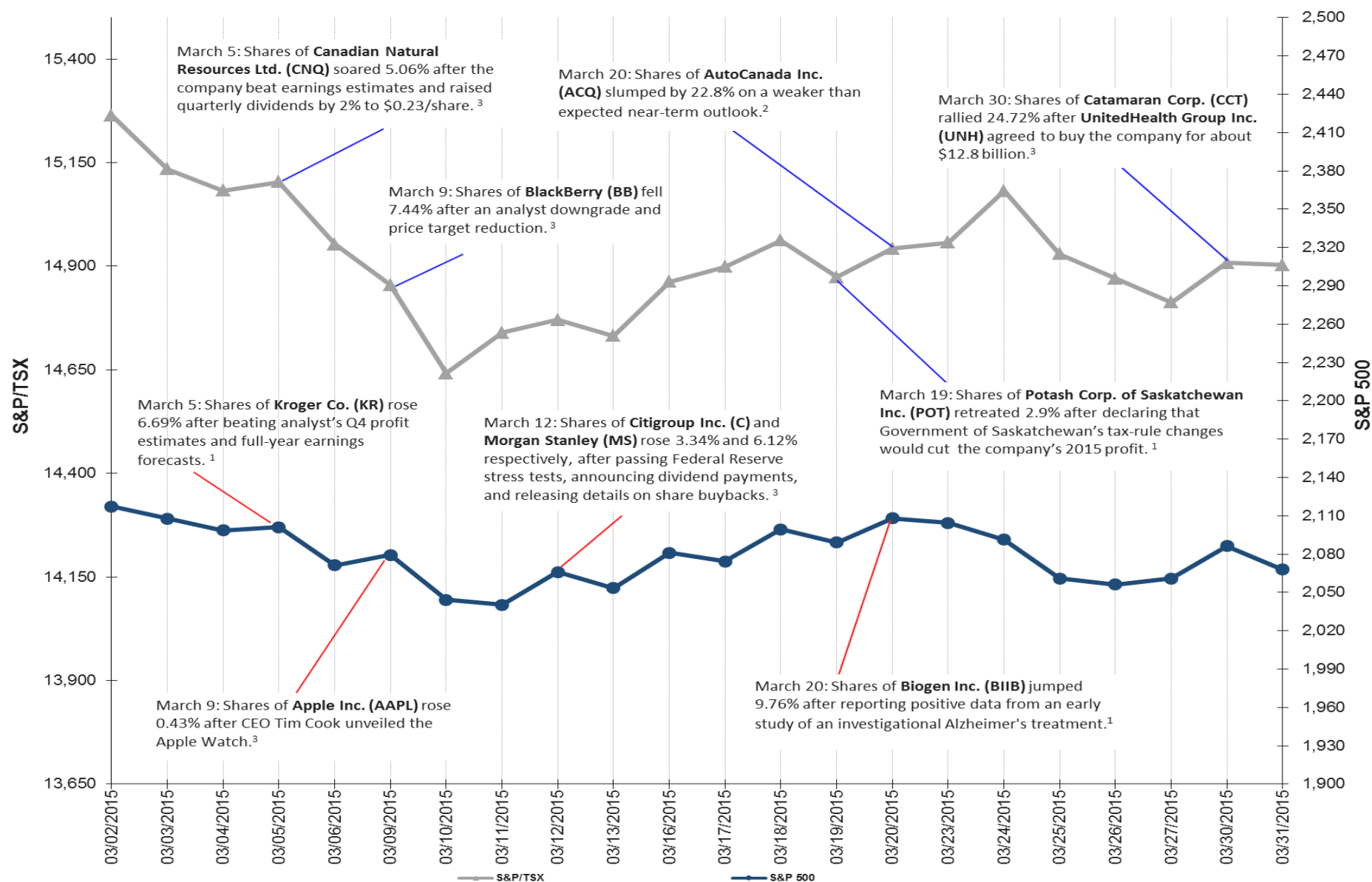
German business confidence ended the first quarter on a solid note. German business sentiment rose to its best level in eight months as the IFO's business climate index rose to 107.9 in March (cons: 107.3). The IFO report suggests a robust expansion of German business activities at the end of the first quarter and reflects mounting optimism in the growth outlook.

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



Source: Bloomberg

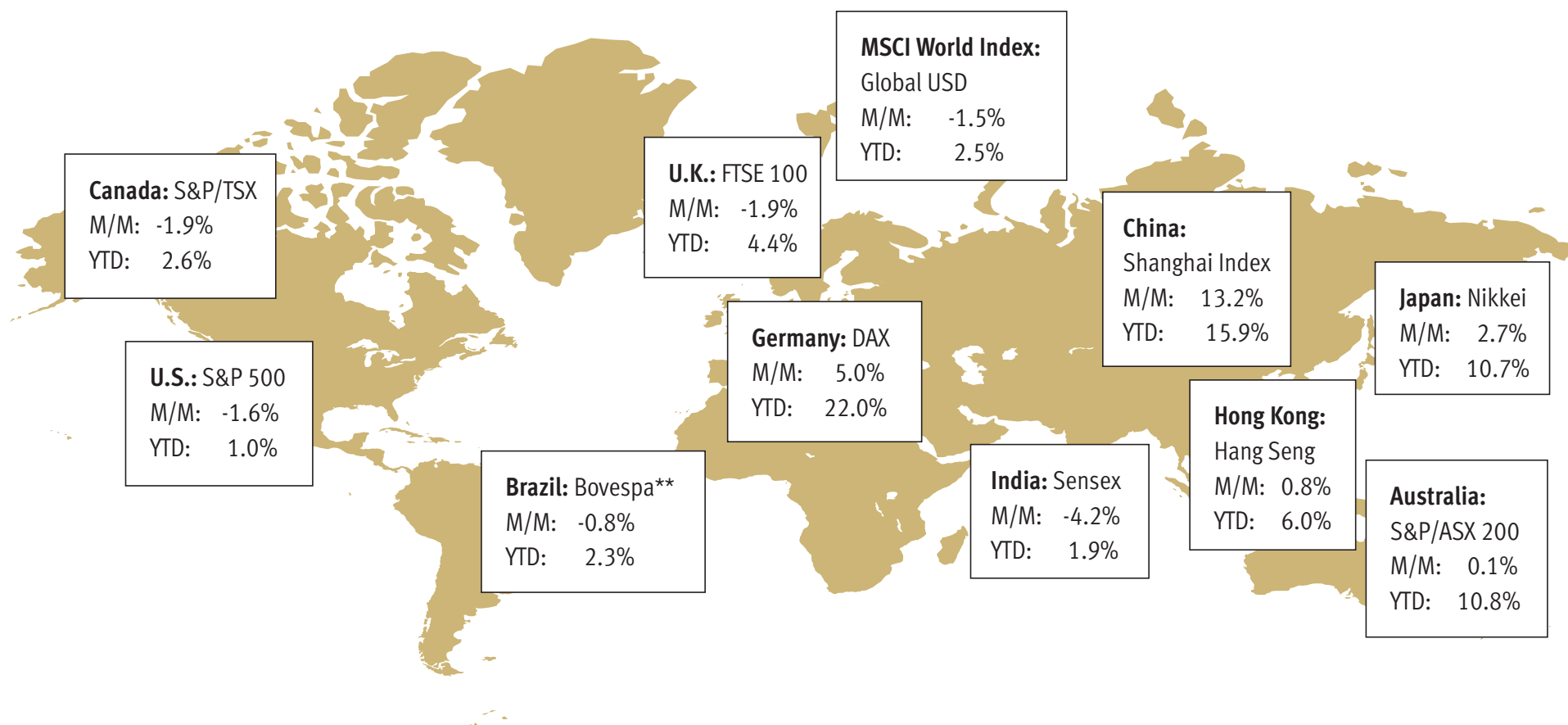
NORTH AMERICAN EQUITY HIGHLIGHTS – MARCH 2015



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

WORLD MARKETS – MARCH 2015

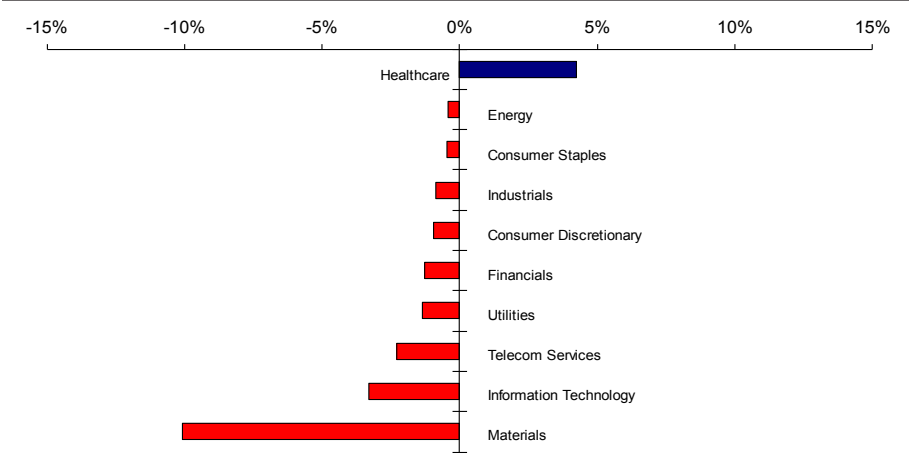
Global indices were mixed for the month of March. China's Shanghai Index posted the largest return, rising 13.2%. Germany's DAX and Japan's Nikkei posted gains of 5% and 2.7%, respectively. Hong Kong's Hang Seng and Australia's S&P/ASX 200 indices were relatively flat for the month, eking out gains of 0.8% and 0.1%, respectively. Meanwhile, India's Sensex Index lost 4.2%, and the U.K.'s FTSE 100 posted a loss of 1.9%. In The Americas, Canada's S&P/TSX (-1.9%), S&P 500 (-1.6%), and Brazil's Bovespa (-0.8%) were down for the month. Overall, the MSCI World Index lost 1.5% in March, and is now up 2.5% for the year.



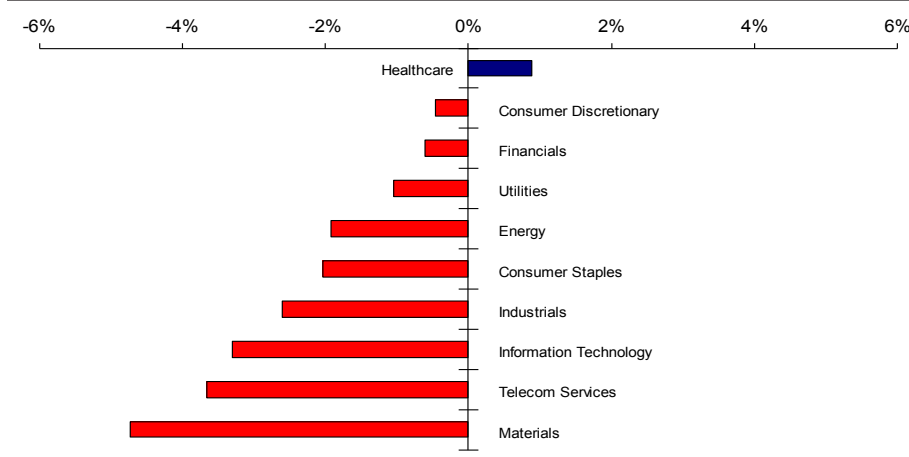
All returns are on a total return basis unless otherwise noted
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

CANADIAN & U.S. EQUITIES – MARCH 2015

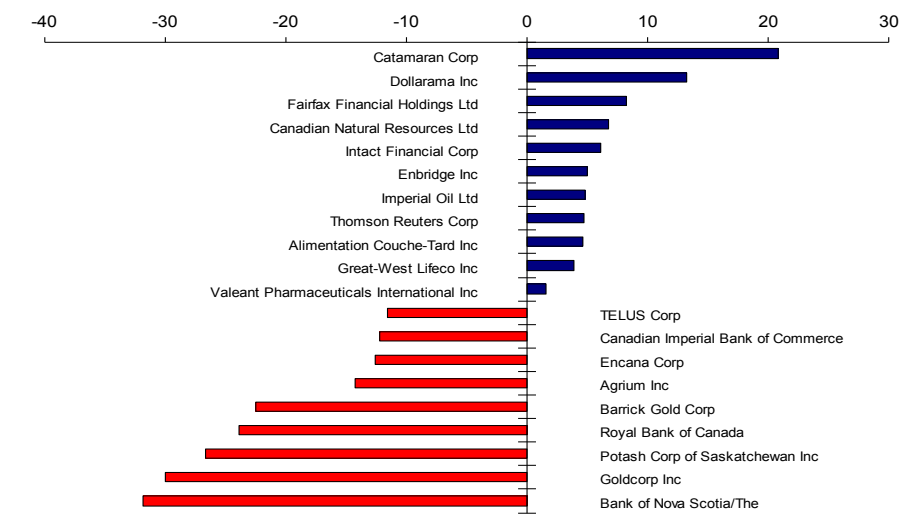
S&P/TSX Composite Sector Movement



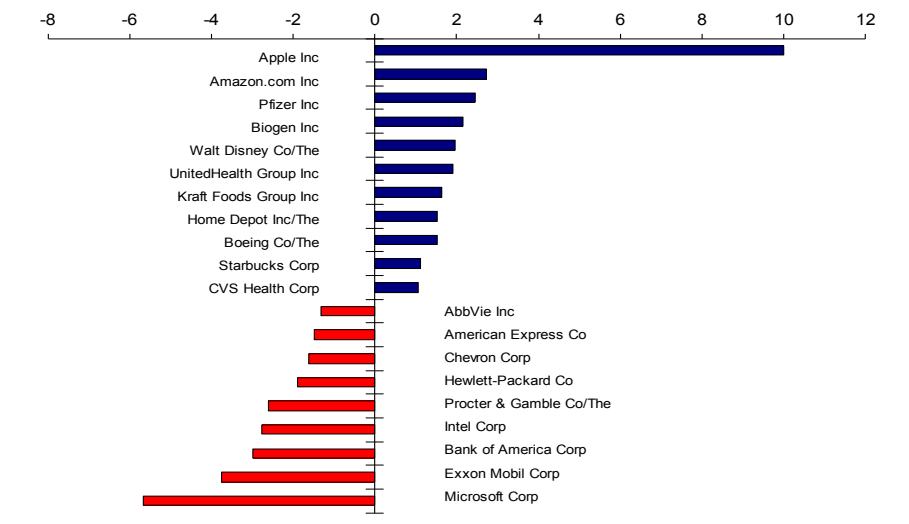
S&P 500 Sector Movement



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 – MARCH 2015

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
03/31/2015	Gross Domestic Product (m-o-m, SA)	Jan	-0.20%	-0.10%	0.30%
03/31/2015	Gross Domestic Product (y-o-y, SA)	Jan	2.40%	2.40%	2.80%
	Labour market				
03/13/2015	Net Change in Employment (000, SA)	Feb	-5.0	-1.0	35.4
03/13/2015	Participation Rate (SA)	Feb	65.70%	65.80%	65.70%
03/13/2015	Unemployment Rate (SA)	Feb	6.70%	6.80%	6.60%
	Housing market				
03/09/2015	Housing Starts (000, SAAR)	Feb	179.0	156.3	187.0
03/12/2015	New Housing Price Index (y-o-y)	Jan	1.60%	1.40%	1.70%
03/13/2015	Existing Home Sales (m-o-m)	Feb	--	1.00%	-3.10%
03/12/2015	Teranet/National Bank HPI (m-o-m)	Feb	-0.10%	0.10%	0.20%
	Consumer & Manufacturing				
03/20/2015	Retail Sales (m-o-m, SA)	Jan	-0.80%	-1.70%	-1.80%
03/20/2015	Retail Sales Less Autos (m-o-m, SA)	Jan	-0.50%	-1.80%	-2.00%
03/17/2015	Manufacturing Sales (m-o-m, SA)	Jan	-1.20%	-1.70%	1.60%
	Trade				
03/06/2015	Merchandise Trade (billion, SA)	Jan	-1.00	-2.45	-1.22
	Prices				
03/20/2015	Consumer Price Index (m-o-m)	Feb	0.80%	0.90%	-0.20%
03/20/2015	Consumer Price Index (y-o-y)	Feb	1.00%	1.00%	1.00%
03/20/2015	Bank of Canada CPI Core (m-o-m)	Feb	0.60%	0.60%	0.20%
03/20/2015	Bank of Canada CPI Core (y-o-y)	Feb	2.10%	2.10%	2.20%
03/20/2015	Industrial Product Price (m-o-m)	Feb	0.90%	1.80%	-0.40%
03/20/2015	Raw Materials Price Index (m-o-m)	Feb	4.50%	6.10%	-7.70%

ECONOMIC DATA
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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
03/18/2015	Wholesale Sales (m-o-m, SA)	Jan	-0.80%	-3.10%	2.80%
03/05/2015	Ivey Purchasing Managers Index (SA)	Feb	48.5	49.7	45.4
03/06/2015	Building Permits (m-o-m, SA)	Jan	-4.00%	-12.90%	6.10%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
03/27/2015	GDP (q-o-q, SAAR)	4Q T	2.40%	2.20%	2.20%
03/27/2015	GDP Price Index (q-o-q, SAAR)	4Q T	0.10%	0.10%	0.10%
03/27/2015	Core PCE (q-o-q, SAAR)	4Q T	1.10%	1.10%	1.10%
	Labour market				
03/06/2015	Change in Nonfarm Payrolls (000, SA)	Feb	235	295	239
03/06/2015	Unemployment Rate (SA)	Feb	5.60%	5.50%	5.70%
	Housing market				
03/17/2015	Building Permits (000, SAAR)	Feb	1065	1092	1060
03/17/2015	Housing Starts (000, SAAR)	Feb	1040	897	1081
03/24/2015	New Home Sales (000, SAAR)	Feb	464	539	500
03/23/2015	Existing Home Sales (million, SAAR)	Feb	4.90	4.88	4.82
03/16/2015	NAHB Housing Market Index (SA)	Mar	56.0	53.0	55.0
02/02/2015	Construction Spending (m-o-m, SA)	Dec	0.70%	0.40%	-0.20%
	Consumer & Manufacturing				
03/12/2015	Advance Retail Sales (m-o-m, SA)	Feb	0.30%	-0.60%	-0.80%
03/12/2015	Retail Sales Less Autos (m-o-m, SA)	Feb	0.50%	-0.10%	-1.10%
03/31/2015	Consumer Confidence (SA)	Mar	96.4	101.3	98.8
03/27/2015	U. of Michigan Confidence	Mar F	92.0	93.0	91.2
03/27/2015	Personal Consumption (q-o-q, SAAR)	4Q T	4.40%	4.40%	4.20%

ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
03/25/2015	Durable Goods Orders (m-o-m, SA)	Feb	0.20%	-1.40%	2.00%
03/05/2015	Factory Orders (m-o-m, SA)	Jan	0.20%	-0.20%	-3.50%
	Trade				
03/12/2015	Import Price Index (m-o-m)	Feb	0.20%	0.40%	-3.10%
03/12/2015	Import Price Index (y-o-y)	Feb	-8.90%	-9.40%	-8.70%
03/06/2015	Trade Balance (billion, SA)	Jan	-41.1	-41.8	-45.6
	Prices				
03/24/2015	Consumer Price Index (m-o-m, SA)	Feb	0.20%	0.20%	-0.70%
03/24/2015	Consumer Price Index (y-o-y)	Feb	-0.10%	0.00%	-0.10%
03/24/2015	CPI Core Index (SA)	Feb	240.12	240.25	239.87
03/30/2015	PCE Deflator (y-o-y, SA)	Feb	0.30%	0.30%	0.20%
	Other Indicators				
03/31/2015	Chicago Purchasing Manager Index	Mar	51.7	46.3	45.8
03/19/2015	Philadelphia Fed Index	Mar	7.0	5.0	5.2
03/19/2015	Leading Indicators (m-o-m)	Feb	0.20%	0.20%	0.20%
03/12/2015	Business Inventories (m-o-m, SA)	Jan	0.10%	0.00%	0.00%

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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