

Month in Review: FEBRUARY 2015



WHAT MOVED THE MARKETS

A temporary reprieve for a divided European Union and continued U.S. dollar strength drove markets higher in February. The S&P 500 closed the month up 5.7%, with the index once again achieving a record close. The much feared 'Grexit' was avoided as deal terms were established that provided for a four month extension of the bailout funding for the Greek government. The agreement to extend Greece's bailout funding re-energized bonds from the Eurozone periphery as Italian, Spanish and Portuguese 10-year yields touched record lows.

The U.S. jobs picture continued to improve, which was best exemplified in our view by the actions of Wal-Mart, the nation's largest employer. Citing a tightening labor market, Wal-Mart announced that it would raise the minimum pay for its front line employees to \$9 per hour, which is \$1.75 above the federal minimum wage. While mollifying critics is one thing, the fact that America's largest employee feels the need to raise compensation for its employees speaks to the broader domestic job recovery, one in which much hoped for wage growth may be on the horizon.

The S&P/TSX posted a positive return of 4%, while the S&P 500 gained 5.7%. The S&P/TSX sectors were mostly positive in February. The Health Care sector had the strongest month, posting a gain of 17.1%. Concurrently, Consumer Discretionary (7.1%), Financials (6.9%), Information Technology (6.6%), Industrials (3.4%), and Energy (1.4%), also posted positive returns. Consumer Staples (0.8%) and Materials (-0.6%) were mostly flat in February. The Utilities sector was down 1.5%, while the Telecom Services sector fell 3.1%.

Overseas, global indices delivered positive results with Brazil's Bovespa (10%) and Australia's S&P/ASX 200 (7.2%) posting the largest returns. Germany's DAX posted a gain of 6.6% and Japan's Nikkei 6.4%. The U.K.'s FTSE 100 (3.4%), China's Shanghai (3.1%), and Hong Kong's Hang Seng (1.3%) also finished the month on a positive note. India's Sensex Index was flat for the month, while overall, the MSCI World Index posted a gain of 5.9% in February, after falling 1.8% in January.

Gold stocks on the S&P/TSX lost 6.2%, while the S&P/TSX Capped Financials posted a gain of 7.5%. The S&P/TSX Small Caps and the S&P/TSX Capped Energy indices posted positive gains of 3% and 1.4%, respectively, while The S&P/TSX Capped REITS Index was down 0.45%.

All indices and figures priced in local currency as at February 28, 2015 (unless otherwise stated).
For Important Disclosures, see page 9.



RBC Wealth Management

There's Wealth in Our Approach.™

WHAT MOVED THE MARKETS

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FIXED INCOME-SPECIFIC DEVELOPMENTS

With January's large payroll gains, the U.S. has now generated more than one million jobs in the past three months, which is the largest such gain since 1997. To begin the month, the U.S. Treasury market posted its largest weekly sell off in almost a year as strong economic fundamentals began to reset market expectations towards a June rate hike. As the month wore on, however, the rise in yields stalled as the Fed reaffirmed its pledge to act in a data dependent manner, leading market participants to believe a June rate hike may be less likely than previously thought. Nevertheless, yields on the U.S. 10-year benchmark bond ended the month at 1.99%, 34 bps higher than January's closing yield of 1.65%.

Interest rate differentials between Canada and the U.S. continued to expand in February as Bank of Canada head Stephen Poloz indicated the Bank's January interest rate cut would give policy makers time to see how the economy responds to falling oil prices. "The oil prices shock itself is of uncertain size, so the downside risk insurance from the interest rate cut buys us some time to see how the economy actually responds." Yields on the Canada 10-year benchmark bond ended the month at 1.32%, closing 7 bps higher than January's closing yield of 1.25%.

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	4.0%	4.5%
Dow Jones Industrial Average TR	6.0%	2.2%
S&P 500 Index TR	5.7%	2.6%
NASDAQ Composite Index TR	7.3%	5.0%
MSCI EAFE TR (USD)	6.0%	6.5%
MSCI World TR (USD)	5.9%	4.0%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	6.9%	1.1%
S&P/TSX Energy TR	1.4%	-0.7%
S&P/TSX Materials TR	-0.6%	14.9%
S&P/TSX Industrials TR	3.4%	2.4%
S&P/TSX Consumer Discretionary TR	7.1%	7.1%
S&P/TSX Telecom Services TR	-3.1%	2.5%
S&P/TSX Information Technology TR	6.6%	12.4%
S&P/TSX Consumer Staples TR	0.8%	3.8%
S&P/TSX Utilities TR	-1.5%	4.9%
S&P/TSX Healthcare TR	17.1%	39.2%

* 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	1.2515	-1.7%	7.7%
Euro	1.4009	-2.5%	-0.4%
British Pound	1.9319	0.7%	6.7%
Japanese Yen	0.0105	-3.5%	7.6%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.7996	1.8%	-7.1%
Euro	0.7143	2.7%	0.4%
British Pound	0.5182	-0.8%	-6.2%
Japanese Yen	95.5910	3.6%	-7.2%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$49.76	3.2%	-6.6%
Natural Gas (per million btu)	\$2.73	1.6%	-5.4%
Gold (per ounce)	\$1,213.22	-5.5%	2.4%
Silver (per ounce)	\$16.60	-3.8%	5.7%
Copper (per pound)	\$2.69	6.9%	-7.0%
Nickel (per pound)	\$6.37	-7.1%	-6.9%
Aluminum (per pound)	\$0.82	-2.8%	-1.3%
Zinc (per pound)	\$0.94	-2.8%	-5.2%

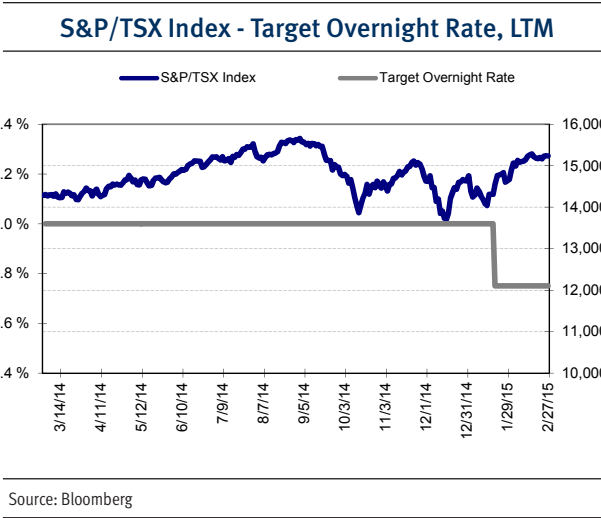
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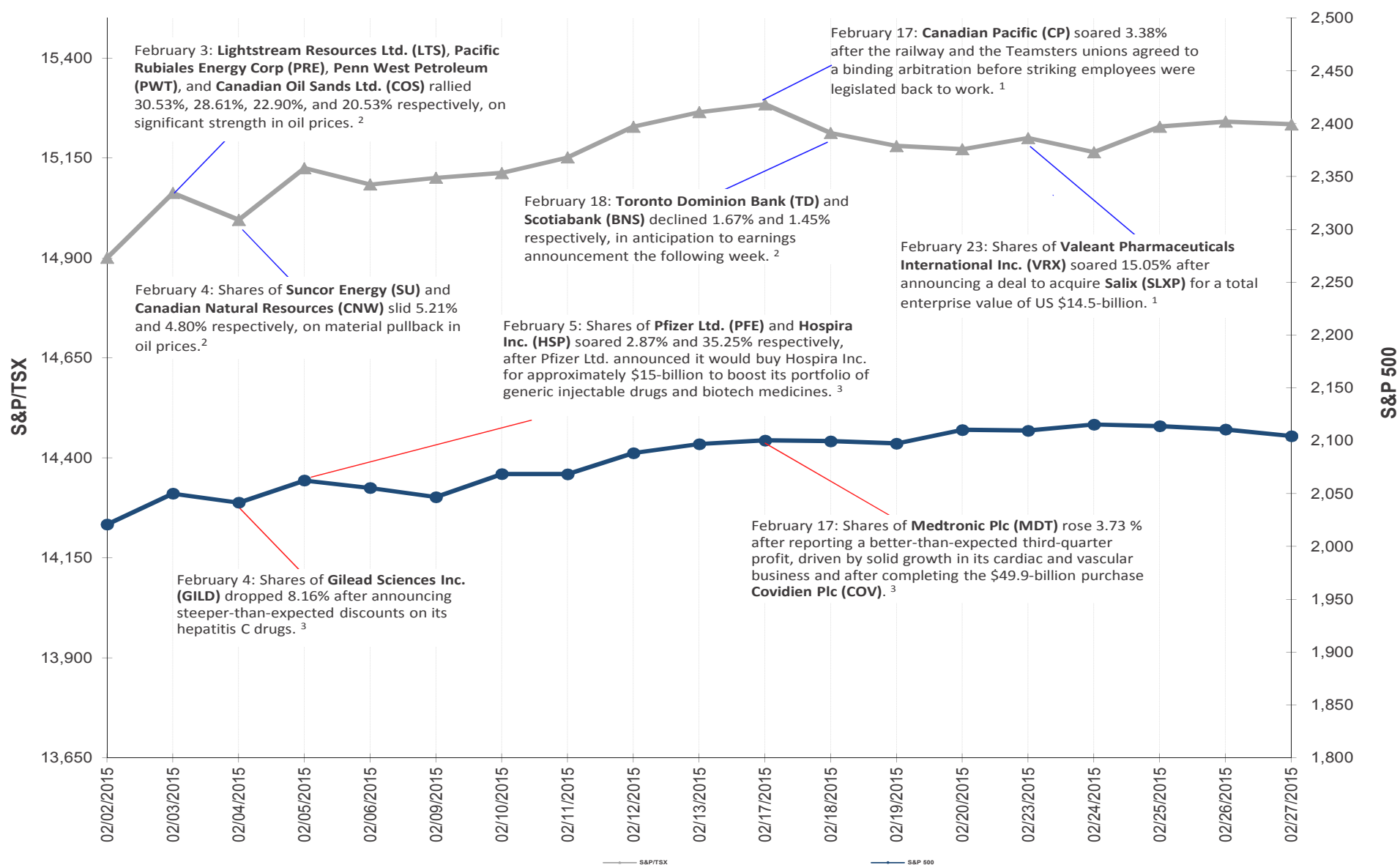
GLOBAL DEVELOPMENTS

The Markit flash composite PMI for the Eurozone rose to a seven-month high of 53.5 (52.5 prior) driven by a notable improvement in service sector confidence (53.9 vs. 52.7 expected).

Bank of England Governor Mark Carney declared domestic “growth remains solid and robust” as the BoE attempts to look through an inflation slump to signal the inevitability of higher borrowing costs for investors. While the governor presented forecasts showing the rate of price growth would drop below zero in the coming months, he blamed weakening oil prices and said domestic pressures were building, which could lead to the first rate increase in seven years.



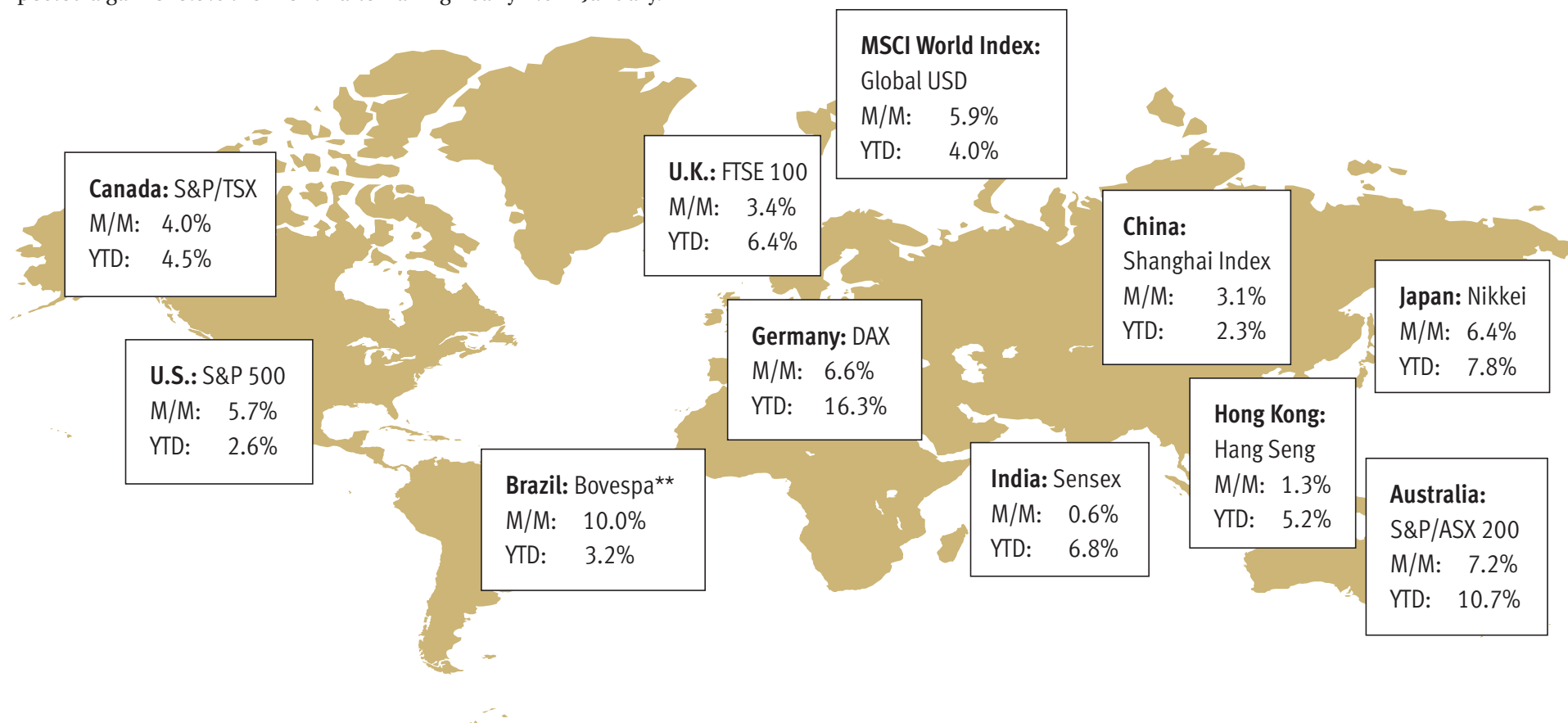
NORTH AMERICAN EQUITY HIGHLIGHTS – FEBRUARY 2015



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

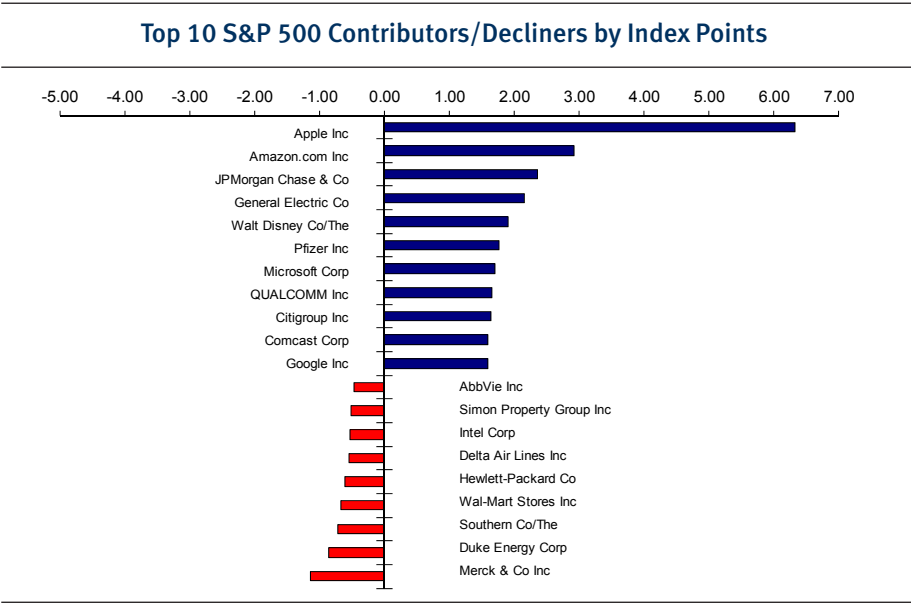
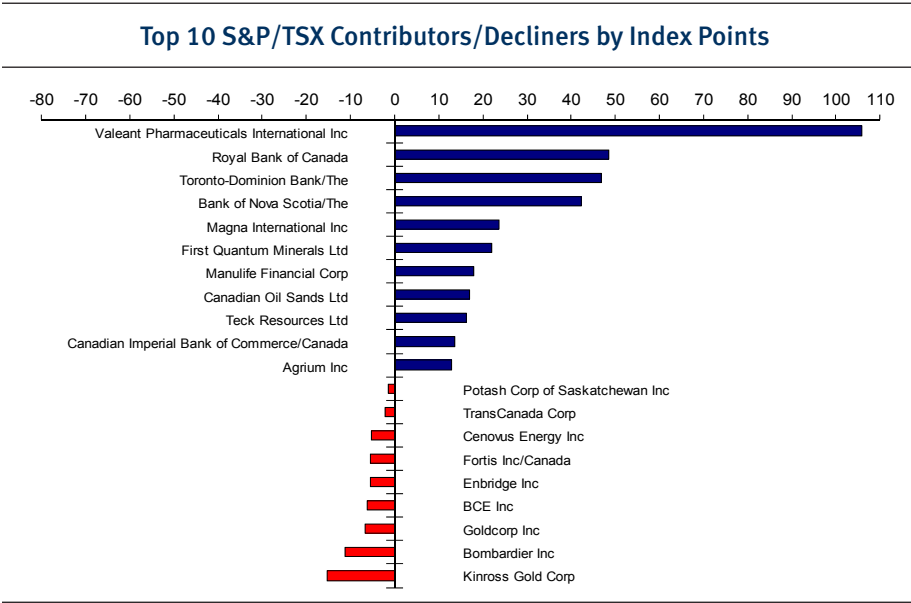
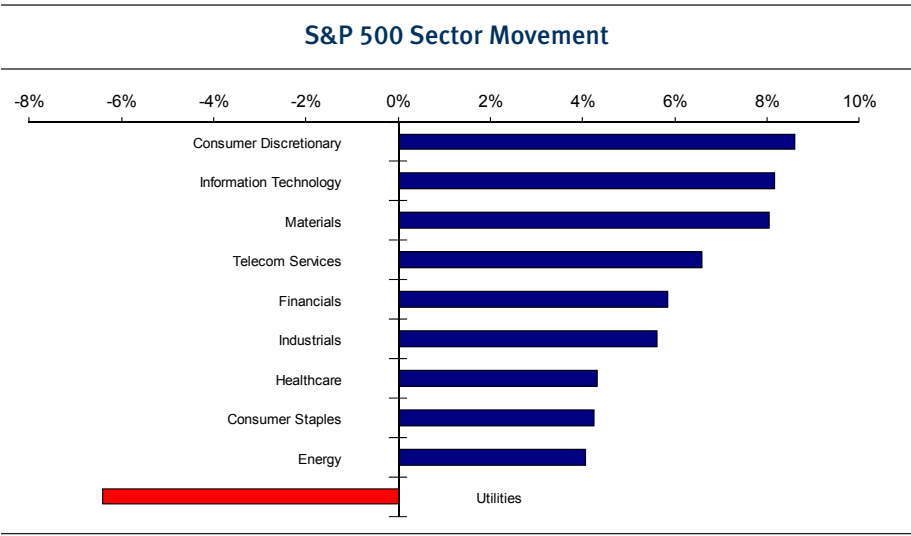
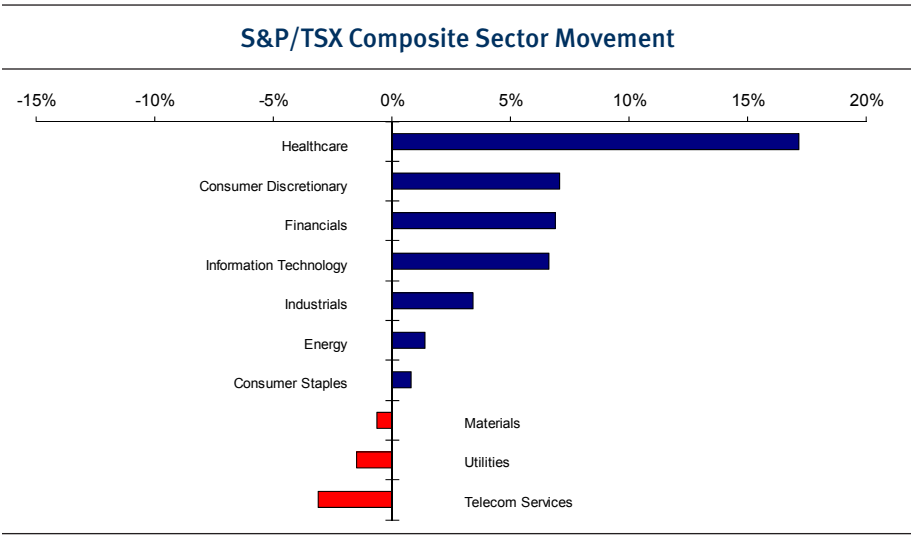
WORLD MARKETS – FEBRUARY 2015

Global indices were positive for the month of February. Brazil's Bovespa Index posted the largest return among its peers, rising 10%. Correspondingly, Australia's S&P/ASX 200 Index rose 7.2%. Germany's DAX and Japan's Nikkei posted gains of 6.6% and 6.4%, respectively. In North America, S&P 500 and Canada's S&P/TSX gained 5.7% and 4%, respectively. The U.K.'s FTSE 100 posted a gain of 3.4%. Similarly, China's Shanghai Index ended the month with a gain of 3.1%. Hong Kong's Hang Seng Index rose 1.3%, while India's Sensex Index was flat for the month, eking out a gain of 0.6%. Overall, the MSCI World Index posted a gain of 5.9% the month after falling nearly 2% in January.



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 – FEBRUARY 2015



CANADIAN AND U.S. ECONOMIC DATA – FEBRUARY 2015

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
01/30/2015	Gross Domestic Product (m-o-m, SA)	Nov	0.00%	-0.20%	0.30%
01/30/2015	Gross Domestic Product (y-o-y, SA)	Nov	2.10%	1.90%	2.30%
	Labour market				
02/06/2015	Net Change in Employment (000, SA)	Jan	5.0	35.4	-11.3
02/06/2015	Participation Rate (SA)	Jan	65.70%	65.70%	65.70%
02/06/2015	Unemployment Rate (SA)	Jan	6.70%	6.60%	6.70%
	Housing market				
02/09/2015	Housing Starts (000, SAAR)	Jan	178.5	187.3	179.6
02/12/2015	New Housing Price Index (y-o-y)	Dec	1.70%	1.70%	1.70%
02/17/2015	Existing Home Sales (m-o-m)	Jan	--	-3.10%	-5.80%
02/12/2015	Teranet/National Bank HPI (m-o-m)	Jan	--	0.20%	-0.20%
	Consumer & Manufacturing				
02/20/2015	Retail Sales (m-o-m, SA)	Dec	-0.40%	-2.00%	0.40%
02/20/2015	Retail Sales Less Autos (m-o-m, SA)	Dec	-0.80%	-2.30%	0.60%
02/13/2015	Manufacturing Sales (m-o-m, SA)	Dec	0.90%	1.70%	-1.30%
	Trade				
02/05/2015	Merchandise Trade (billion, SA)	Dec	-1.10	-0.65	-0.34
	Prices				
02/26/2015	Consumer Price Index (m-o-m)	Jan	-0.40%	-0.20%	-0.70%
02/26/2015	Consumer Price Index (y-o-y)	Jan	0.80%	1.00%	1.50%
02/26/2015	Bank of Canada CPI Core (m-o-m)	Jan	0.10%	0.20%	-0.30%
02/26/2015	Bank of Canada CPI Core (y-o-y)	Jan	2.10%	2.20%	2.20%
02/03/2015	Industrial Product Price (m-o-m)	Dec	-0.60%	-1.60%	-0.50%
02/03/2015	Raw Materials Price Index (m-o-m)	Dec	-9.00%	-7.60%	-5.70%

ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
02/18/2015	Wholesale Sales (m-o-m, SA)	Dec	0.30%	2.50%	-0.30%
02/04/2015	Ivey Purchasing Managers Index (SA)	Jan	53.4	45.4	55.4
02/06/2015	Building Permits (m-o-m, SA)	Dec	5.00%	7.70%	-13.60%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
02/27/2015	GDP (q-o-q, SAAR)	4Q S	2.00%	2.20%	2.60%
	Labour market				
02/06/2015	Change in Nonfarm Payrolls (000, SA)	Jan	228	257	329
02/06/2015	Unemployment Rate (SA)	Jan	5.60%	5.70%	5.60%
	Housing market				
02/18/2015	Building Permits (000, SAAR)	Jan	1067.0	1053.0	1060.0
02/18/2015	Housing Starts (000, SAAR)	Jan	1070.0	1065.0	1087.0
02/25/2015	New Home Sales (000, SAAR)	Jan	470.0	481.0	482.0
02/23/2015	Existing Home Sales (million, SAAR)	Jan	4.95	4.82	5.07
02/17/2015	NAHB Housing Market Index (SA)	Feb	58.0	55.0	57.0
02/02/2015	Construction Spending (m-o-m, SA)	Dec	0.70%	0.40%	-0.20%
	Consumer & Manufacturing				
02/12/2015	Advance Retail Sales (m-o-m, SA)	Jan	-0.40%	-0.80%	-0.90%
02/12/2015	Retail Sales Less Autos (m-o-m, SA)	Jan	-0.50%	-0.90%	-0.90%
02/24/2015	Consumer Confidence (SA)	Feb	99.5	96.4	103.8
02/27/2015	Personal Consumption (q-o-q, SAAR)	4Q S	4.30%	4.20%	4.30%
02/26/2015	Durable Goods Orders (m-o-m, SA)	Jan	1.60%	2.80%	-3.70%
02/03/2015	Factory Orders (m-o-m, SA)	Dec	-2.40%	-3.40%	-1.70%
02/03/2015	Factory Orders (m-o-m, SA)	Dec	-2.40%	-3.40%	-1.70%

ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	Trade				
02/13/2015	Import Price Index (m-o-m)	Jan	-3.20%	-2.80%	-1.90%
02/13/2015	Import Price Index (y-o-y)	Jan	-8.90%	-8.00%	-5.00%
02/05/2015	Trade Balance (billion, SA)	Dec	-38.0	-46.6	-39.8
	Prices				
02/26/2015	Consumer Price Index (m-o-m, SA)	Jan	-0.60%	-0.70%	-0.30%
02/26/2015	Consumer Price Index (y-o-y)	Jan	-0.10%	-0.10%	0.80%
02/26/2015	CPI Core Index (SA)	Jan	239.67	239.87	239.45
02/02/2015	PCE Deflator (y-o-y, SA)	Dec	0.80%	0.70%	1.20%
	Other Indicators				
02/02/2015	ISM Manufacturing Index (SA)	Jan	54.5	53.5	55.1
02/19/2015	Philadelphia Fed Index	Feb	9.0	5.2	6.3
02/19/2015	Leading Indicators (m-o-m)	Jan	0.30%	0.20%	0.40%
02/12/2015	Business Inventories (m-o-m, SA)	Dec	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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