

Month in Review: JANUARY 2015



WHAT MOVED THE MARKETS

In January, global central banks took tailored approaches to address local challenges related to deflationary risks, which have been driven by falling oil prices and sub-optimal growth. The Bank of Canada (BoC) was the first to act when it unexpectedly lowered its targeted overnight rate 0.25% to 0.75% on January 20 in response to falling oil prices and their impact on the Canadian economy. The BoC's actions were followed by a larger-than-expected quantitative easing program from the European Central Bank (ECB).

The ECB announced a quasi open-ended monthly asset purchase program of €60 billion that is intended to alter the "path of inflation." The plan involves some risk sharing between Europe's national central banks and comes coincident to some positive economic signs emerging within the Eurozone. The spreads between peripheral and core European sovereign bonds narrowed on the announcement and the average yield-to-maturity (YTM) on euro-area government debt dropped to 0.635%, an all-time low. European equity markets are up an average of 8% year-to-date, which in part is a function of anticipation of QE and its hoped-for impact. Prior to the ECB announcement, the

Swiss National Bank un-pegged its currency to the euro, leading to a brief 30% appreciation of the Swiss franc. The rapid move is just the latest example of how volatile financial markets can be in the face of unexpected monetary moves.

The S&P/TSX posted a positive return of 0.5%, while the S&P 500 ended the month down 3.0%. Healthcare (18.8%) and Materials (15.7%) were the strongest sectors of the S&P/TSX. Similarly, the Utilities (6.5%), Telecom Services (5.8%), Information Technology (5.5%), Consumer Staples (3.0%) and Consumer Discretionary (0.1%) sectors also posted positive returns. Financials, Energy, and Industrials posted negative returns, losing 5.4%, 2.0% and 0.9%, respectively.

Overseas, global indices delivered mostly positive results. Germany's DAX posted the largest return, gaining 9.1%, followed by India's Sensex, which posted a gain of 6.1%. Hong Kong's Hang Seng and Australia's S&P/ASX 200 posted returns of 3.8% and 3.3% respectively. The UK's FTSE 100 also finished the month on a positive note, gaining 2.9%, while Japan's Nikkei index posted a gain of 1.3%. Brazil's Bovespa generated the largest loss falling 6.2%, followed by China's Shanghai Index, which ended the month down 0.7%. Overall, the MSCI

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



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WHAT MOVED THE MARKETS

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World Index lost 1.8% for the month, although this was primarily a function of the decline in the U.S. market, which is a big component weight.

Gold stocks on the S&P/TSX started the year with a gain of 33%, mirroring the strong gains from January of 2014. S&P/TSX Capped REITS and the S&P/TSX Small Caps indices posted gains of 8.9% and 0.3%, respectively.

FIXED INCOME SPECIFIC DEVELOPMENTS

In response to the BoC's rate cut, yields on the front end of the curve fell dramatically, evidenced by the sharp month-over-month drop in the yield on the two-year bond (from 1.01% to 0.45%). The yield on the Canada 10-year bond fell to 1.38% at the end of January from 1.79% at the end of December. The Canadian dollar fell to multi-year lows against the U.S. dollar as accommodative policy in Canada contrasts with the expectation that rates will rise in the U.S. at some point during 2015.

The U.S. Federal Reserve (the Fed) said the U.S. economy is expanding at a "solid pace" as it looked past slowing global growth in the January 28th FOMC statement. Although it did add "international developments" as a risk in its economic assessment, the Fed still seems inclined to raise rates later this year. RBC economists suggest that "while the BoC & SNB have made big splashes recently, we think commodity prices and the global economy carry less significance for the U.S. economy, and thus the Fed." The U.S. economy as a whole is poised to outpace world growth for the first time since 1999. Yields on the U.S. 10-year benchmark bond ended the month at 1.67%, closing 0.50% lower than December's closing yield of 2.17%.

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	0.5%	0.5%
Dow Jones Industrial Average TR	-3.6%	-3.6%
S&P 500 Index TR	-3.0%	-3.0%
NASDAQ Composite Index TR	-2.1%	-2.1%
MSCI EAFE TR (USD)	0.5%	0.5%
MSCI World TR (USD)	-1.8%	-1.8%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	-5.4%	-5.4%
S&P/TSX Energy TR	-2.0%	-2.0%
S&P/TSX Materials TR	15.7%	15.7%
S&P/TSX Industrials TR	-0.9%	-0.9%
S&P/TSX Consumer Discretionary TR	0.1%	0.1%
S&P/TSX Telecom Services TR	5.8%	5.8%
S&P/TSX Information Technology TR	5.5%	5.5%
S&P/TSX Consumer Staples TR	3.0%	3.0%
S&P/TSX Utilities TR	6.5%	6.5%
S&P/TSX Healthcare TR	18.8%	18.8%

* 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*
U.S. Dollar	1.2732	9.6%	9.6%
Euro	1.4372	2.2%	2.2%
British Pound	1.9179	5.9%	5.9%
Japanese Yen (100)	0.0108	11.5%	11.5%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
U.S. Dollar	0.7854	-8.7%	-8.7%
Euro	0.6958	-0.0217	-2.2%
British Pound	0.5222	-5.5%	-5.5%
Japanese Yen (100)	92.2780	-10.5%	-10.5%

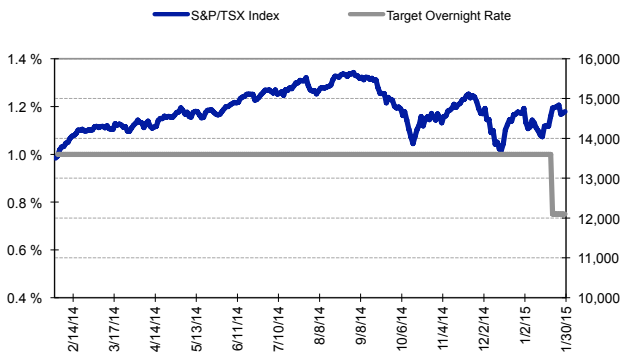
Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$48.24	-9.4%	-9.4%
Natural Gas (per million btu)	\$2.69	-6.9%	-6.9%
Gold (per ounce)	\$1,283.77	8.3%	8.3%
Silver (per ounce)	\$17.26	9.9%	9.9%
Copper (per pound)	\$2.51	-13.0%	-13.0%
Nickel (per pound)	\$6.85	0.2%	0.2%
Aluminum (per pound)	\$0.84	1.6%	1.6%
Zinc (per pound)	\$0.96	-2.4%	-2.4%

GLOBAL DEVELOPMENTS

While markets were buoyed by the actions of the ECB, this enthusiasm was somewhat tempered by the results of the Greek election, which saw the left-wing Syriza party win a decisive victory, albeit just short of majority. Greek 10-year yields, hovering around 9% prior to the election, reacted negatively. Running on a platform of anti-austerity, the Syriza leader, Alexis Tsipras, said he plans to write down Greek public debt and seek a reversal of recently imposed austerity measures. Moving further east, Russia’s foreign-credit rating was cut to junk (BB+) by S&P, putting it below investment grade for the first time in a decade. The downgrade was driven by the sharp drop in oil prices and the ongoing sanctions resulting from Russia’s actions in the Ukraine.

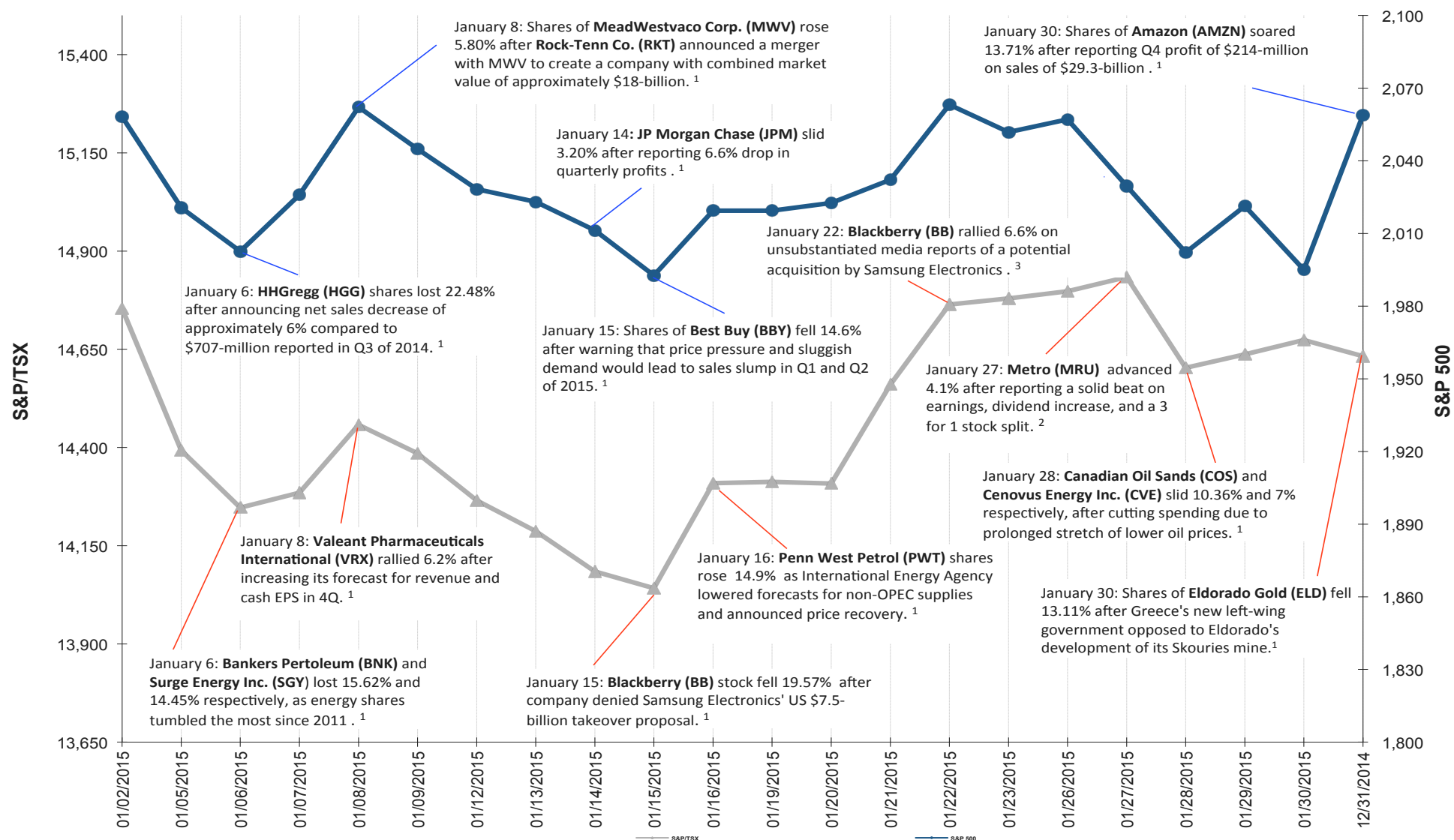
In the Middle East, King Abdullah of Saudi Arabia passed away at the age of 90, leaving his half-brother Muqrin as crown prince and heir. Abdullah’s death had little impact on the price of oil; however, there is some speculation that Saudi Arabia’s stance on OPEC production could change in the months to come.

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



Source: Bloomberg

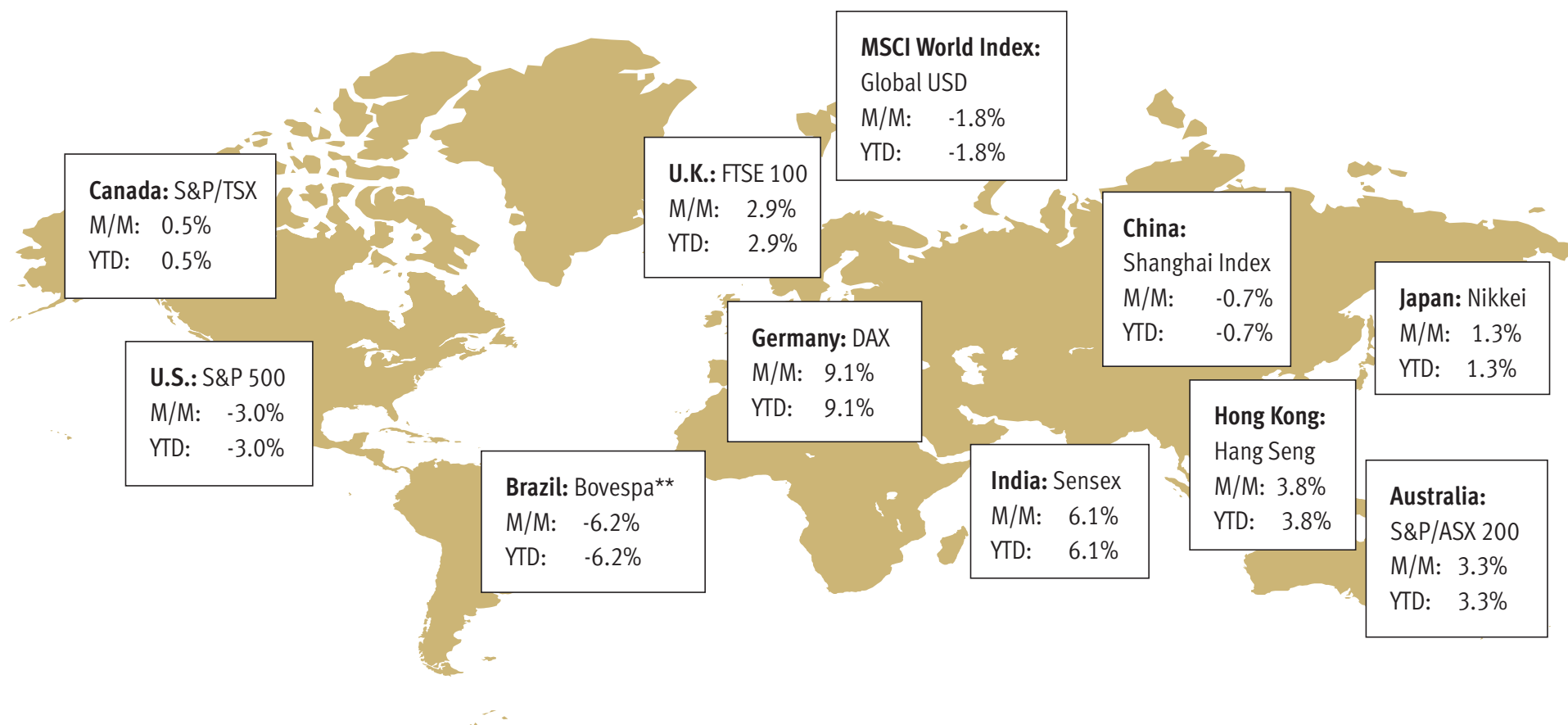
NORTH AMERICAN EQUITY HIGHLIGHTS – JANUARY 2015



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

WORLD MARKETS – JANUARY 2015

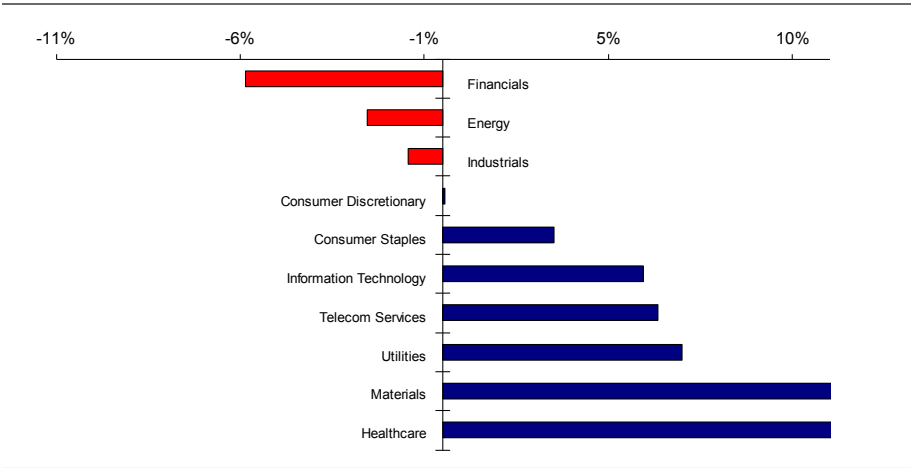
Global indices were mostly positive for the month of January. Germany's DAX posted the largest return among its peers, rising 9.1%, while India's Sensex rose 6.1%. Hong Kong's Hang Seng rose 3.8% followed by Australia's S&P/ASX 200, which added 3.3%. The UK's FTSE 100, Japan's Nikkei, and Canada's S&P/TSX also posted positive returns of 2.9%, 1.3% and 0.5%, respectively. The remaining indices were lower for the month, with the S&P 500 down 3%, China's Shanghai down 0.7% and Brazil's Bovespa falling 6.2%. Overall, the MSCI World Index lost 1.8% in the first month of 2015.



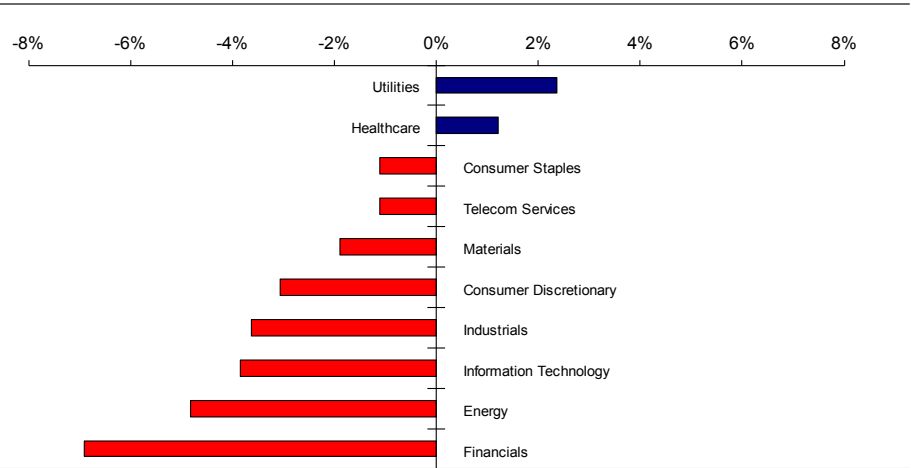
All returns are on a total return basis unless otherwise noted
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

CANADIAN & U.S. EQUITIES – JANUARY 2015

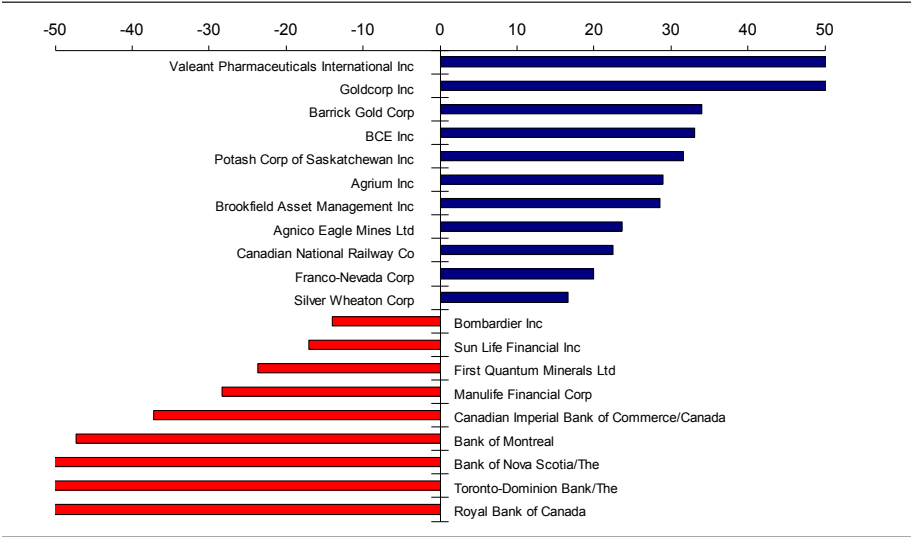
S&P/TSX Composite Sector Movement



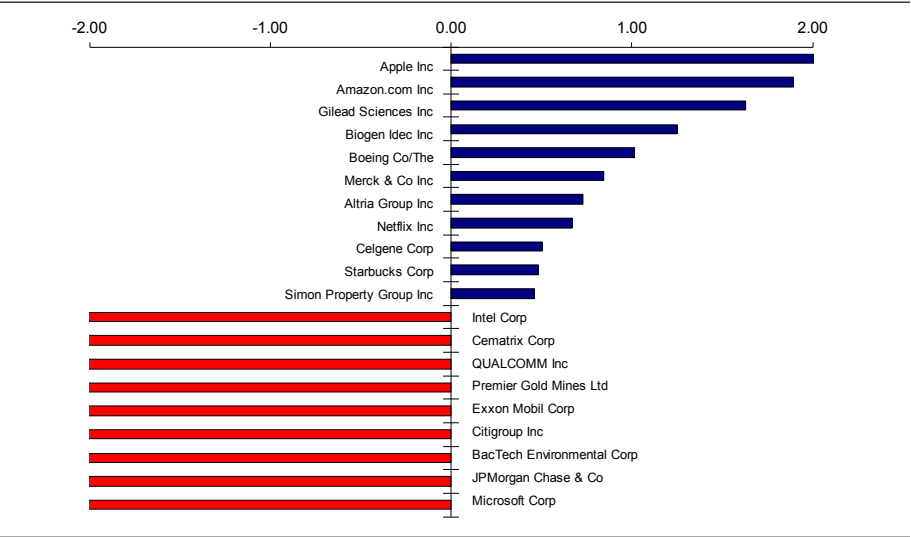
S&P 500 Sector Movement



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 – JANUARY 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				
01/09/2015	Net Change in Employment (000, SA)	Dec	15.0	-4.3	-16.3
01/09/2015	Participation Rate (SA)	Dec	66.00%	65.90%	65.80%
01/09/2015	Unemployment Rate (SA)	Dec	6.60%	6.60%	6.70%
	Housing market				
01/09/2015	Housing Starts (000, SAAR)	Dec	192.0	180.6	192.9
01/08/2015	New Housing Price Index (y-o-y)	Nov	--	1.70%	1.60%
01/15/2015	Existing Home Sales (m-o-m)	Dec	--	-5.80%	0.00%
01/14/2015	Teranet/National Bank HPI (m-o-m)	Dec	--	-0.20%	-0.30%
	Consumer & Manufacturing				
01/23/2015	Retail Sales (m-o-m, SA)	Nov	-0.20%	0.40%	0.00%
01/23/2015	Retail Sales Less Autos (m-o-m, SA)	Nov	0.10%	0.70%	0.10%
01/20/2015	Manufacturing Sales (m-o-m, SA)	Nov	-0.70%	-1.40%	-1.10%
	Trade				
01/07/2015	Merchandise Trade (billion, SA)	Nov	-0.20	-0.64	-0.33
	Prices				
01/23/2015	Consumer Price Index (m-o-m)	Dec	-0.60%	-0.70%	-0.40%
01/23/2015	Consumer Price Index (y-o-y)	Dec	1.60%	1.50%	2.00%
01/23/2015	Bank of Canada CPI Core (m-o-m)	Dec	-0.30%	-0.30%	-0.20%
01/23/2015	Bank of Canada CPI Core (y-o-y)	Dec	2.30%	2.20%	2.10%
11/28/14	Industrial Product Price (m-o-m)	Oct	-0.40%	-0.50%	-0.40%
11/28/14	Raw Materials Price Index (m-o-m)	Oct	-2.50%	-4.30%	-1.80%

ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
01/21/2015	Wholesale Sales (m-o-m, SA)	Nov	0.00%	-0.30%	0.10%
01/07/2015	Ivey Purchasing Managers Index (SA)	Dec	53.0	55.4	56.9
01/09/2015	Building Permits (m-o-m, SA)	Nov	0.50%	-13.80%	2.10%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
01/30/2015	GDP (q-o-q, SAAR)	4Q A	3.00%	2.60%	5.00%
01/30/2015	GDP Price Index (q-o-q, SAAR)	4Q A	0.90%	0.00%	1.40%
01/30/2015	Core PCE (q-o-q, SAAR)	4Q A	1.10%	1.10%	1.40%
	Labour market				
01/09/2015	Change in Nonfarm Payrolls (000, SA)	Dec	240.0	252.0	353.0
01/09/2015	Unemployment Rate (SA)	Dec	5.70%	5.60%	5.80%
	Housing market				
01/21/2015	Building Permits (000, SAAR)	Dec	1060.0	1032.0	1052.0
01/21/2015	Housing Starts (000, SAAR)	Dec	1040.0	1089.0	1043.0
01/27/2015	New Home Sales (000, SAAR)	Dec	450.0	481.0	431.0
01/23/2015	Existing Home Sales (million, SAAR)	Dec	5.08	5.04	4.92
01/20/2015	NAHB Housing Market Index (SA)	Jan	58.0	57.0	58.0
01/02/2015	Construction Spending (m-o-m, SA)	Nov	0.40%	-0.30%	1.20%
	Consumer & Manufacturing				
01/14/2015	Advance Retail Sales (m-o-m, SA)	Dec	-0.10%	-0.90%	0.40%
01/14/2015	Retail Sales Less Autos (m-o-m, SA)	Dec	0.00%	-1.00%	0.10%
01/27/2015	Consumer Confidence (SA)	Jan	95.5	102.9	93.1
01/30/2015	U. of Michigan Confidence	Jan F	98.2	98.1	98.2
01/30/2015	Personal Consumption (q-o-q, SAAR)	4Q A	4.00%	4.30%	3.20%
01/27/2015	Durable Goods Orders (m-o-m, SA)	Dec	0.30%	-3.40%	-2.10%
01/06/2015	Factory Orders (m-o-m, SA)	Nov	-0.50%	-0.70%	-0.70%

ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	Trade				
01/14/2015	Import Price Index (m-o-m)	Dec	-2.70%	-2.50%	-1.80%
01/14/2015	Import Price Index (y-o-y)	Dec	-5.20%	-5.50%	-3.00%
01/07/2015	Trade Balance (billion, SA)	Nov	-42.0	-39.0	-42.2
	Prices				
01/16/2015	Consumer Price Index (m-o-m, SA)	Dec	-0.40%	-0.40%	-0.30%
01/16/2015	Consumer Price Index (y-o-y)	Dec	0.70%	0.80%	1.30%
01/16/2015	CPI Core Index (SA)	Dec	239.64	239.34	239.33
	Other Indicators				
01/02/2015	ISM Manufacturing Index (SA)	Dec	57.5	55.5	57.6
01/30/2015	Chicago Purchasing Manager Index	Jan	57.5	59.4	58.8
01/15/2015	Philadelphia Fed Index	Jan	18.7	6.3	24.3
01/23/2015	Leading Indicators (m-o-m)	Dec	0.40%	0.50%	0.40%
01/14/2015	Business Inventories (m-o-m, SA)	Nov	0.30%	0.20%	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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