



MONTH IN REVIEW

Portfolio Advisory Group

January 2016

WHAT MOVED THE MARKETS

Concerns about the pace of China's economic growth and the fallout from the steep decline in oil prices undermined investor confidence in January.

Oil prices fell below \$30 a barrel, reaching a 13-year low, which added to worries the global economy was slowing. Apprehension about the demand for oil came as the supply glut intensified. Sanction relief for Iran combined with Russian production levels, which reached a post-Soviet high, exacerbated the price dynamic in which supply continues to outpace demand, despite the latter continuing to grow in developed markets. Commodity-dependent currencies were hit hard, with the Canadian dollar declining mid-month to its lowest level in 13-years. In one stretch, CAD fell for 11 straight days, the longest such stretch on record.

North American indices were generally weak. The S&P/TSX, which at one point was down nearly 10% for the month, fell 1.2% as an impressive late month rally helped to largely offset earlier losses. The Utilities sector gained 6%, while the Healthcare, Consumer Discretionary and Information Technology sectors fell 9.3%, 6.4% and 3.6%, respectively. Overall, 6 of 10 sectors finished the month in negative territory.

In the U.S., the S&P 500 posted a 5% loss with 7 of 10 sectors posting negative results as impressive strength in Telecom Services (6.8%) and Utilities (4.9%) was more than offset by weakness in Materials (-10.6%) and Financials (-8.9%).



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FIXED INCOME-SPECIFIC DEVELOPMENTS

The Bank of Canada (BoC) left its benchmark interest rate unchanged at 0.5% at its January 20th policy meeting. Economists had been split as to whether the central bank would cut rates. The BoC stood pat largely because of a desire to allow for fiscal stimulus and the positive impacts of the depreciating loonie and previous easing measures to work through the economy. Economic data confirmed the prognosis of the BoC that Canada's economy has been slowly adjusting to the drop in commodity prices as CPI rose to 1.6% in December, the highest level in over a year, as price gains for fruits and vegetables offset the drag of energy prices. In addition, Canadian retail sales grew 1.7% in November (exp. 0.2%) from 0.1% in the previous month and GDP rose to 0.3% in November (exp. 0.3%) pushed up by wholesaling (+1.3%) and manufacturing production (+0.4%) that increased for the first time in nearly three months. Finally, the Canadian economy added 22,800 new jobs in December (vs. expectations of 8,000 jobs), which kept the unemployment rate unchanged at 7.1%.

In the U.S., the Federal Open Market Committee (FOMC) maintained its overnight target rate at the 0.25%-0.50% range. The Committee continued to closely monitor international developments and assess the implications for its growth and inflation outlook. Notably, the consumer price index (CPI) unexpectedly fell in December (-0.1%) as the cost of gas dropped, while rents rose moderately showing signs of weak inflation. The U.S. continued its strong track of job creation with Non-Farm Payrolls rising a better than expected 292,000 in December (vs. 200,000 expected). In all, 2015 represented the second best year for U.S. job creation since 1999.

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	-1.2%	-1.2%
Dow Jones Industrial Average TR	-5.4%	-5.4%
S&P 500 Index TR	-5.0%	-5.0%
NASDAQ Composite Index TR	-7.8%	-7.8%
MSCI EAFE TR (USD)	-7.2%	-7.2%
MSCI World TR (USD)	-6.0%	-6.0%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	-1.1%	-1.1%
S&P/TSX Energy TR	0.6%	0.6%
S&P/TSX Materials TR	-1.7%	-1.7%
S&P/TSX Industrials TR	-3.1%	-3.1%
S&P/TSX Consumer Discretionary TR	-6.4%	-6.4%
S&P/TSX Telecom Services TR	3.5%	3.5%
S&P/TSX Information Technology TR	-3.6%	-3.6%
S&P/TSX Consumer Staples TR	1.8%	1.8%
S&P/TSX Utilities TR	6.0%	6.0%
S&P/TSX Healthcare TR	-9.3%	-9.3%

* All returns are on a Total Return basis. All indices are in local currency unless otherwise noted.
Source: Bloomberg

GLOBAL DEVELOPMENTS

Concerns that China's economic growth is slowing faster than expected undermined investor confidence. The Caixin manufacturing PMI fell to 48.2 in December from 48.6 in November, marking the tenth consecutive month of a below-50 reading (a sub 50 reading is an indication that manufacturing is contracting).

The European Central Bank (ECB) decided to keep interest rates on hold in January, but hinted at future easing. In Britain, wage growth slowed in the three months leading to November, underlining the Bank of England's decision to take its time before raising interest rates. The U.K. economy closed the year with GDP rising a modest 0.5% in the fourth quarter, driven by the service sector. This represented the slowest pace of growth in nearly three years as sluggish exports coupled with weak manufacturing acted as drags on the economy.

The Bank of Japan (BoJ) surprised financial markets by cutting down its overnight rate to -0.1%. Governor Kuroda had previously shown skepticism towards negative interest rates; however, the stagnant state of domestic growth apparently altered this view. The BoJ also announced that it would continue its asset buy-back program at a ¥80tn annual pace.

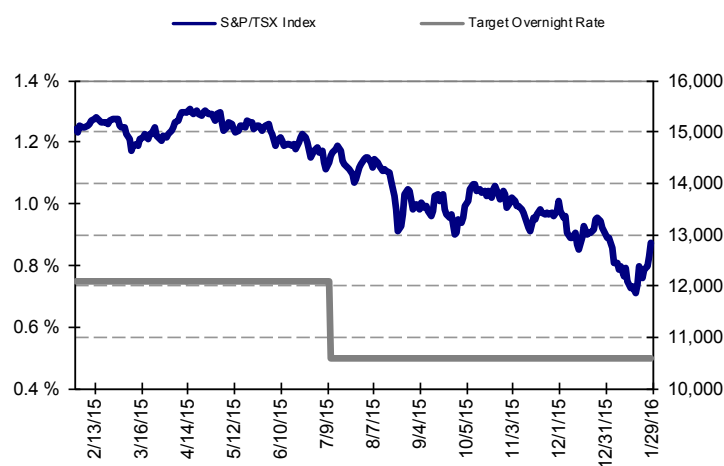
Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	1.3976	1.0%	1.0%
Euro	1.5136	0.7%	0.7%
British Pound	1.9905	-2.4%	-2.4%
Japanese Yen	0.0115	0.2%	0.2%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.7158	-1.0%	-1.0%
Euro	0.6610	-0.7%	-0.7%
British Pound	0.5026	2.5%	2.5%
Japanese Yen	86.6790	-0.2%	-0.2%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$33.62	-9.2%	-9.2%
Natural Gas (per million btu)	\$2.30	-1.7%	-1.7%
Gold (per ounce)	\$1,118.17	5.3%	5.3%
Silver (per ounce)	\$14.26	2.9%	2.9%
Copper (per pound)	\$2.07	-2.9%	-2.9%
Nickel (per pound)	\$3.89	-2.2%	-2.2%
Aluminum (per pound)	\$0.69	1.2%	1.2%
Zinc (per pound)	\$0.74	0.9%	0.9%

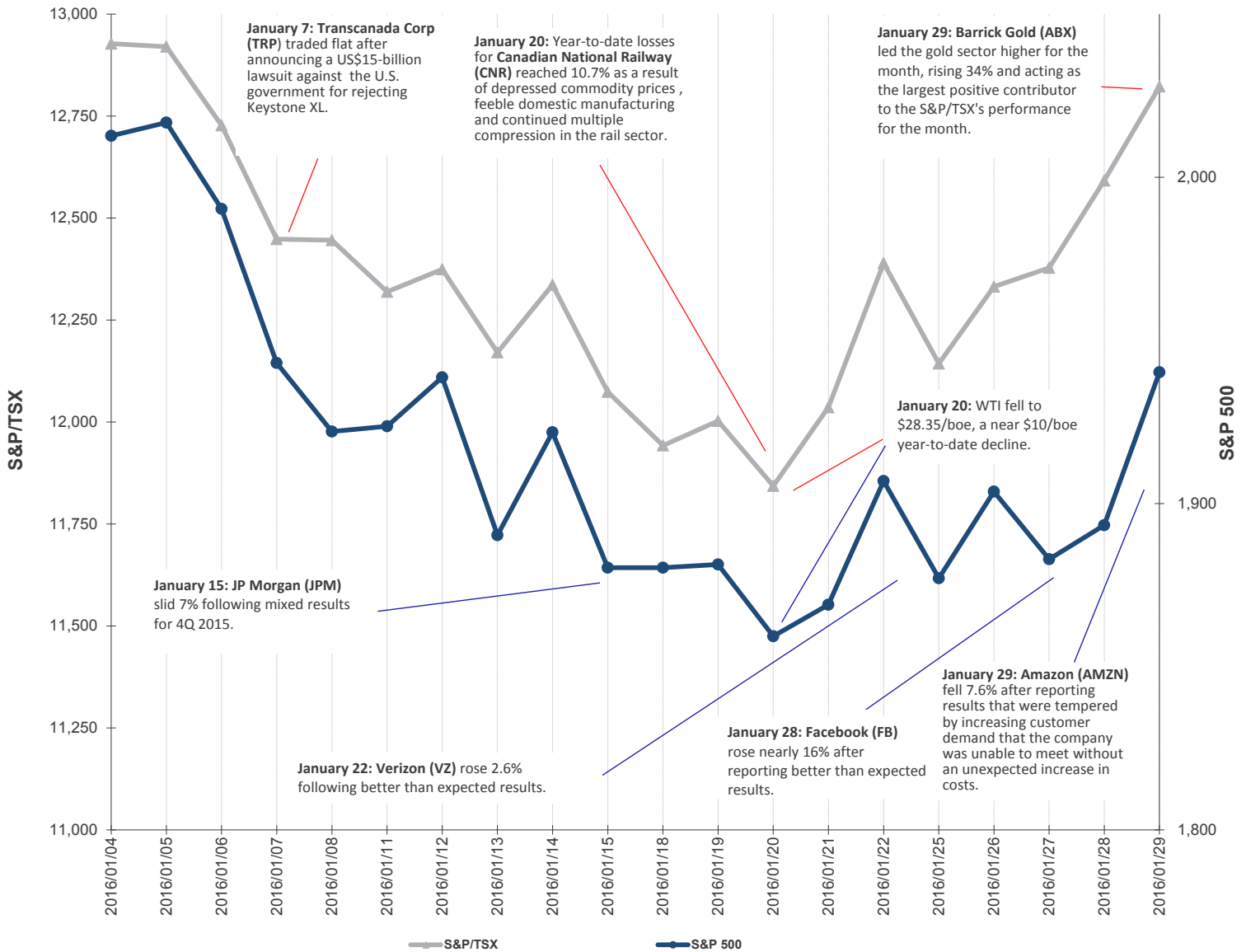
*All returns are on a Total Return basis All indices are in local currency unless otherwise noted.

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



Source - RBC Wealth Management, Bloomberg

NORTH AMERICAN EQUITY HIGHLIGHTS – JANUARY 2016

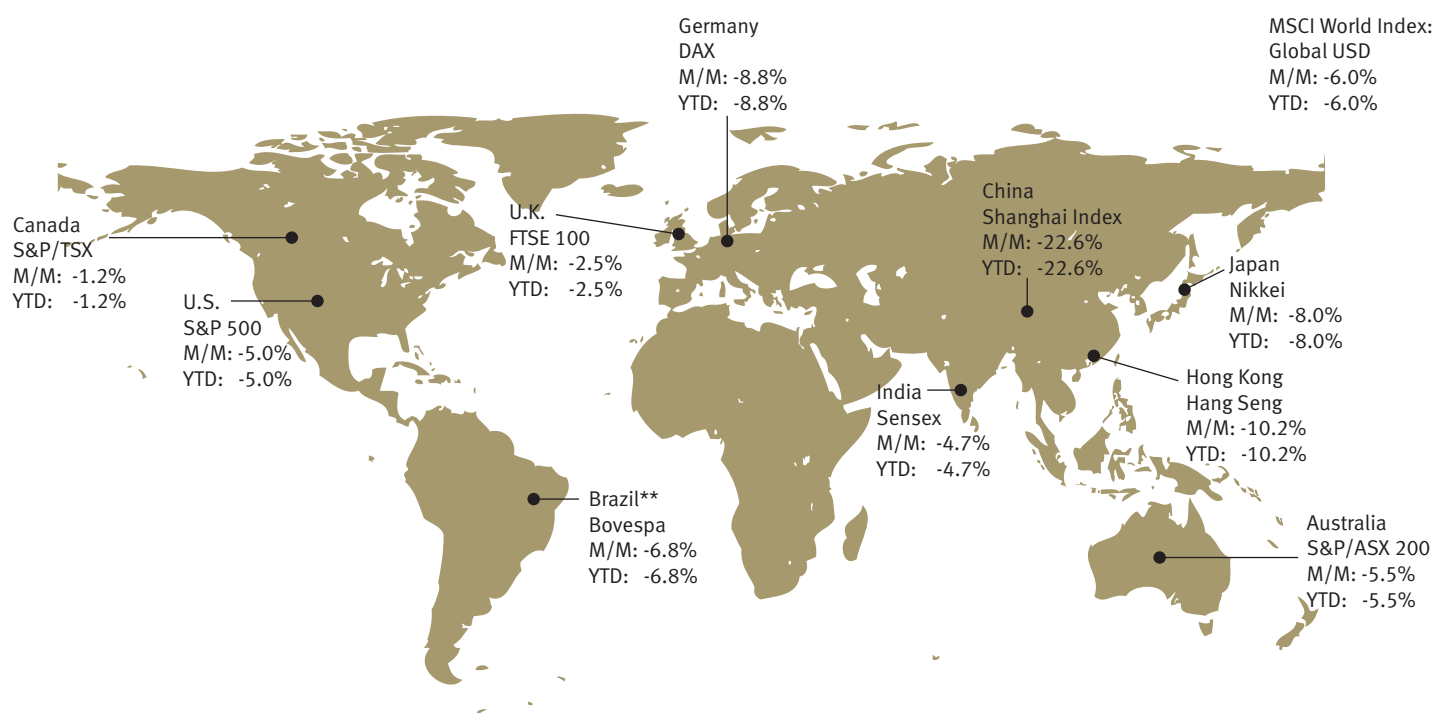


¹Bloomberg ²RBC Capital Markets Pricing Data
Source: Bloomberg

WORLD MARKETS

January Month-over-Month and Year-to-Date Performance

For the month of January, weakness was spread across all global indices. Across North and South America, Brazil's Bovespa fell 6.8%, while the S&P 500 declined 5.0% and the S&P/TSX fell 1.2%. In Europe, Germany's DAX fell 8.8% while the U.K.'s FTSE 100 also saw declines, falling 2.5%. In Asia, China's Shanghai Index was the clear loser, closing the month down 22.6% while Hong Kong's Hang Seng, Japan's Nikkei, and India's Sensex fell 10.2%, 8.0% and 4.7%, respectively. Lastly, Australia's S&P/ASX 200 declined by 5.5%. Overall, the MSCI World Index closed down 6.0% for the month and year to date.



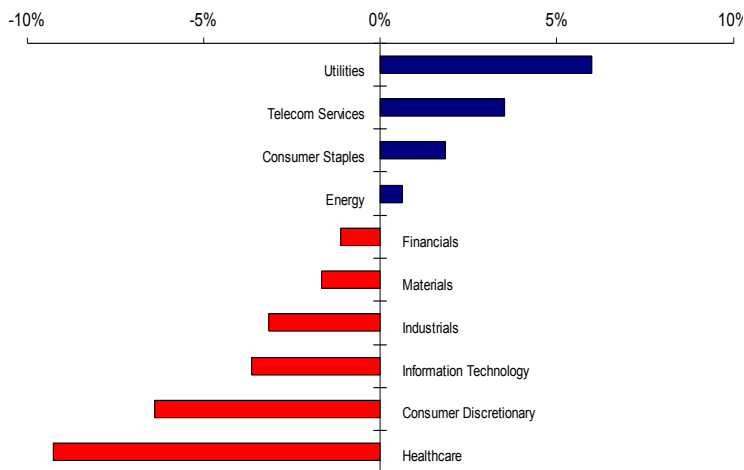
Source – Bloomberg, RBC Wealth Management, 01/31/16

All returns are on a total return basis unless otherwise noted. All returns calculated in local currency except for MSCI World

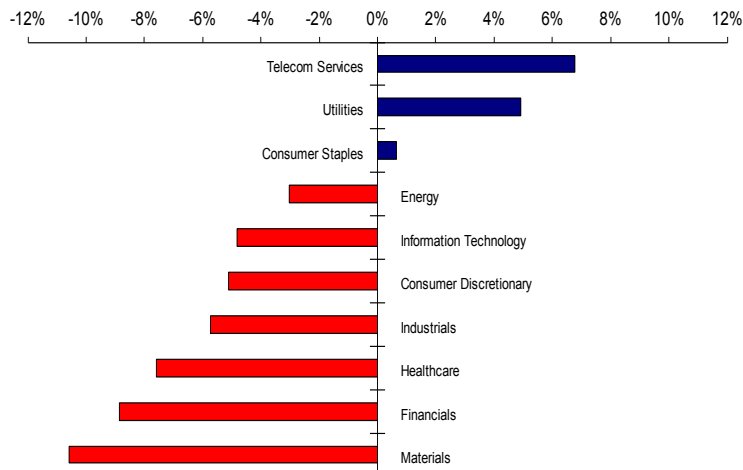
** These indices are calculated on a price return basis

CANADIAN & U.S. EQUITIES – JANUARY 2016

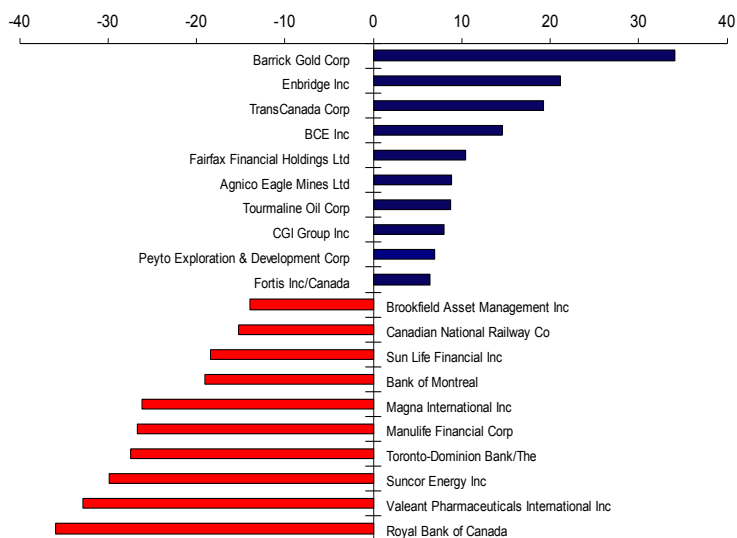
S&P/TSX Composite Sector Movement



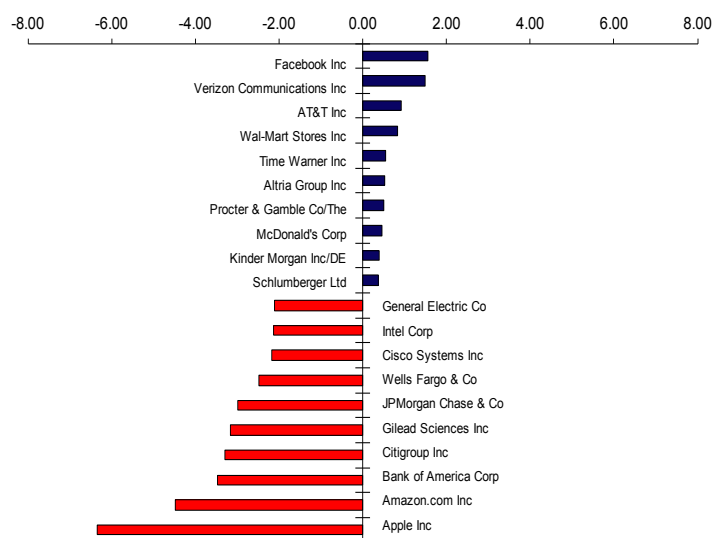
S&P 500 Sector Movement



Top 10 S&P/TSX Contributors/Decliners by Index Points



Top 10 S&P 500 Contributors/Decliners by Index Points



Source: Bloomberg

CANADIAN AND U.S. ECONOMIC DATA – JANUARY 2016

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
01/29/2016	Gross Domestic Product (m-o-m, SA)	Nov	0.30%	0.30%	0.00%
01/29/2016	Gross Domestic Product (y-o-y, SA)	Nov	0.20%	0.20%	-0.20%
	Labour market				
01/08/2016	Net Change in Employment (000, SA)	Dec	0.0	0.0	0.0
01/08/2016	Participation Rate (SA)	Dec	65.80%	65.90%	65.80%
01/08/2016	Unemployment Rate (SA)	Dec	7.10%	7.10%	7.00%
	Housing market				
01/11/2016	Housing Starts (000, SAAR)	Dec	0	0.2	0.2
01/14/2016	New Housing Price Index (y-o-y)	Nov	--	1.60%	1.50%
01/15/2016	Existing Home Sales (m-o-m)	Dec	--	-0.60%	1.80%
01/13/2016	Teranet/National Bank HPI (m-o-m)	Dec	--	-0.10%	0.20%
	Consumer & Manufacturing				
01/22/2016	Retail Sales (m-o-m, SA)	Nov	0.20%	1.70%	0.10%
01/22/2016	Retail Sales Less Autos (m-o-m, SA)	Nov	0.40%	1.10%	0.00%
01/20/2016	Manufacturing Sales (m-o-m, SA)	Nov	0.50%	1.00%	-1.30%
	Trade				
01/06/2016	Merchandise Trade (billion, SA)	Nov	0.00	0.00%	0.00
	Prices				
01/22/2016	Consumer Price Index (m-o-m)	Dec	-0.40%	-0.50%	-0.10%
01/22/2016	Consumer Price Index (y-o-y)	Dec	1.70%	1.60%	1.40%
01/22/2016	Bank of Canada CPI Core (m-o-m)	Dec	-0.30%	-0.40%	-0.30%
01/22/2016	Bank of Canada CPI Core (y-o-y)	Dec	2.00%	1.90%	2.00%
01/29/2016	Industrial Product Price (m-o-m)	Dec	-0.40%	-0.20%	-0.30%
01/29/2016	Raw Materials Price Index (m-o-m)	Dec	-4.00%	-5.00%	-4.10%
	Other Indicators				
01/20/2016	Wholesale Sales (m-o-m, SA)	Nov	0.40%	1.80%	-0.50%
01/07/2016	Ivey Purchasing Managers Index (SA)	Dec	55.0	49.9	63.6
01/08/2016	Building Permits (m-o-m, SA)	Nov	-3%	-20%	10%

Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
01/29/2016	GDP (q-o-q, SAAR)	4Q A	0.80%	0.70%	2.00%
01/29/2016	GDP Price Index (q-o-q, SAAR)	4Q A	0.80%	0.80%	1.30%
01/29/2016	Core PCE (q-o-q, SAAR)	4Q A	1.20%	1.20%	1.40%
	Labour market				
01/08/2016	Change in Nonfarm Payrolls (000, SA)	Dec	0.2	0.3	0.3
01/08/2016	Unemployment Rate (SA)	Dec	5.00%	5.00%	5.00%
	Housing market				
01/20/2016	Building Permits (000, SAAR)	Dec	1.20	1.23	1.28
01/20/2016	Housing Starts (000, SAAR)	Dec	1.20	1.15	1.18
01/27/2016	New Home Sales (000, SAAR)	Dec	0.50	0.54	0.49
01/22/2016	Existing Home Sales (million, SAAR)	Dec	0.00	0.00	0.00
01/19/2016	NAHB Housing Market Index (SA)	Jan	61	60	60
01/04/2016	Construction Spending (m-o-m, SA)	Nov	0.60%	-0.40%	0.30%
	Consumer & Manufacturing				
01/15/2016	Advance Retail Sales (m-o-m, SA)	Dec	-0.10%	-0.10%	0.40%
01/15/2016	Retail Sales Less Autos (m-o-m, SA)	Dec	0.20%	-0.10%	0.30%
01/26/2016	Consumer Confidence (SA)	Jan	96.5	98.1	96.3
01/29/2016	U. of Michigan Confidence	Jan F	93.0	92.0	93.3
01/29/2016	Personal Consumption (q-o-q, SAAR)	4Q A	1.80%	2.20%	3.00%
01/28/2016	Durable Goods Orders (m-o-m, SA)	Dec P	-0.70%	-5.10%	-0.50%
01/06/2016	Factory Orders (m-o-m, SA)	Nov	-0.20%	-0.20%	1.30%
	Trade				
01/14/2016	Import Price Index (m-o-m)	Dec	-1.30%	-1.20%	-0.50%
01/14/2016	Import Price Index (y-o-y)	Dec	-8.40%	-8.20%	-9.50%
01/06/2016	Trade Balance (billion, SA)	Nov	-44.0	-42.4	-44.6
	Prices				
01/20/2016	Consumer Price Index (m-o-m, SA)	Dec	0.00%	-0.10%	0.00%
01/20/2016	Consumer Price Index (y-o-y)	Dec	0.80%	0.70%	0.50%
01/20/2016	CPI Core Index (SA)	Dec	244.49	244.45	244.14
	Other Indicators				
01/04/2016	ISM Manufacturing Index (SA)	Dec	49.0	48.2	48.4
01/29/2016	Chicago Purchasing Manager Index	Jan	45.3	55.6	42.9
01/21/2016	Philadelphia Fed Index	Jan	-5.9	-3.5	-10.2
01/22/2016	Leading Indicators (m-o-m)	Dec	-0.20%	-0.20%	0.50%
01/15/2016	Business Inventories (m-o-m, SA)	Nov	-0.10%	-0.20%	-0.10%

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.

NOTABLE CANADIAN DIVIDEND ACTIVITY – JANUARY 2016

INCREASES				
Company	\$ Change		Ex-Date	% Change
Sandvine Corp (SVC)	Prior: \$ -	New: \$0.0175	January 18, 2016	Initiated
Transalta Renewables Inc. (RNW)	Prior: \$0.0700	New: \$0.0733	January 28, 2016	4.8%
Canadian Utilities Ltd. (CU)	Prior: \$0.2950	New: \$0.3250	February 3, 2016	10.2%
Atco Ltd. (AXO/X)	Prior: \$0.2475	New: \$0.2850	March 3, 2016	15.2%
Canadian National Railway (CNR)	Prior: \$0.3125	New: \$0.3750	March 8, 2016	20.0%
Metro Incorporated (MRU)	Prior: \$0.1167	New: \$0.1400	TBA	20.0%
DECREASES				
	\$ Change		Ex-Date	% Change
Cardinal Energy Ltd. (CJ)	Prior: \$0.0700	New: \$0.0350	January 27, 2016	-50.0%
Pengrowth Energy Corp (PGF)	Prior: \$0.0100	New: \$ -	February 22, 2016	Suspended
Transalta Corp (TA)	Prior: \$0.1800	New: \$0.0400	February 23, 2016	-77.8%
Husky Energy Inc. (HSE)	Prior: \$0.2937	New: \$ -	March 11, 2016	Suspended
Potast Corp of Saskatchewan Inc. (POT)	Prior: \$0.3800	New: \$0.2500	April 8, 2016	-34.2%
Whitecap Resources Inc. (WCP)	Prior: \$0.0625	New: \$0.0375	TBA	-40.0%

Source: Bloomberg

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