



Wealth Management
Dominion Securities

Portfolio Advisory Group | September 2016

What moved the markets

Following a quiet month in August, September was far more active as investors reacted to the outcomes of several highly anticipated central bank meetings.

In the U.S., the S&P 500 remained flat overall, with 7 of 10 sectors ending the month in negative territory.

The European Central Bank's (ECB) decision to hold rates steady and refrain from introducing fresh stimulus measures set the tone for the month as volatility in financial markets jumped sharply. Central banks remained at the forefront of investors' minds but the rest of the month delivered markedly different messages. While the Federal Reserve indicated it was nearing a decision to hike its benchmark rate, the Bank of Japan introduced a tweak to its quantitative easing program to try to control the yield curve. Both the Bank of Canada and Bank of England held steady in September but indicated that domestic conditions may warrant future policy accommodation.

The month drew to a close with the first of three debates in the contest to be President of the United States, with financial markets likely to place greater focus on the race until the election on November 8th.

Equity markets in North America were driven by gains in the Energy sector. The S&P/TSX moved up 1.2%, with rallies in the Energy and Materials sectors of 3.9% and 2.6% respectively offset by declines in Healthcare and Consumer Staples sectors of 10.0% and 3.8% respectively.

In the U.S., the S&P 500 remained flat overall, with 7 of 10 sectors ending the month in negative territory. The Energy and Information Technology sectors gained 3.1% and 2.4%, respectively, while the Financials and Consumer Staples sectors fell by 2.7% and 1.5%, respectively.

Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	1.2%	15.8%
Dow Jones Industrial Average TR	-0.4%	7.2%
S&P 500 Index TR	0.0%	7.8%
NASDAQ Composite Index TR	2.0%	7.1%
MSCI EAFE TR (USD)	1.3%	2.2%
MSCI World TR (USD)	0.6%	6.1%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	0.6%	11.3%
S&P/TSX Energy TR	3.9%	26.6%
S&P/TSX Materials TR	2.6%	50.6%
S&P/TSX Industrials TR	-0.1%	16.6%
S&P/TSX Consumer Discretionary TR	1.3%	9.0%
S&P/TSX Telecom Services TR	0.4%	18.0%
S&P/TSX Information Technology TR	1.2%	5.8%
S&P/TSX Consumer Staples TR	-3.8%	9.1%
S&P/TSX Utilities TR	0.6%	18.1%
S&P/TSX Healthcare TR	-10.0%	-69.8%

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

The Canadian trade deficit narrowed to \$2.5 billion in July from the upwardly revised \$3.97 billion record deficit reported in June.

Fixed Income-Specific Developments

The Bank of Canada (BoC) kept its key rate on hold at its September meeting and noted its expectation that a recovery in oil production and impending fiscal stimulus would drive an economic rebound in the second half of the year. But in a speech later in the month, BoC Governor Stephen Poloz seemed to indicate the BoC may have to temper its expectations as he alluded to strong headwinds the Canadian economy continued to face and his belief that Canadians should be prepared for interest rates to stay lower for a longer period of time. Mr. Poloz also reiterated the need for stimulative monetary policy coupled with fiscal measures to move the economy closer to full capacity.

Trade and employment data reported this month were two bright spots in the Canadian economy. The Canadian trade deficit narrowed to \$2.5 billion in July from the upwardly revised \$3.97 billion record deficit reported in June, while Canadian employment data showed the addition of 26,200 jobs in August, compared to the 31,200 jobs lost in July. However, retail sales and CPI data reported this month were less optimistic. Canadian retail sales fell 0.1% MoM in July, below economists' estimates for a 0.1% increase, bringing into question the ability of recently introduced fiscal measures, such as the family benefit payment, to fuel the recovery expected by the BoC in the second half of the year. Canadian CPI rose 1.1% YoY, missing expectations for a 1.4% increase and validating the BoC's concerns that "the risks to the profile for inflation have tilted somewhat to the downside since July".

The Federal Reserve left its benchmark rate unchanged at 0.25% - 0.50% at its September meeting while signalling a rate hike may occur later this year. In the press conference following the FOMC's decision, Fed Chair Yellen noted that "we judged that the case for an increase had strengthened but decided for the time being to wait for continued progress toward our objectives." Prior to the decision, uncertainty loomed in the U.S. economy with the release of weaker than expected payrolls and retail sales reports, partially mitigated by higher than expected inflation data. The nonfarm payroll report showed that the economy added 151,000 new jobs in August, lower than the 180,000 expected by economists, while the employment rate remained unchanged at 4.9%. U.S. retail sales declined 0.3% in August, considerably lower than the 0.1% decline expected by economists marking the first decline in five months. In contrast, inflation data for August was more optimistic, with CPI rising 1.1% YoY, higher than the 1.0% expected by economists, an encouraging data point given the importance of inflation on the Fed's rate decisions. With the November Fed meeting considered off the table due to its proximity to the presidential election, the futures market is currently pricing in a 57% likelihood of a rate hike in December.

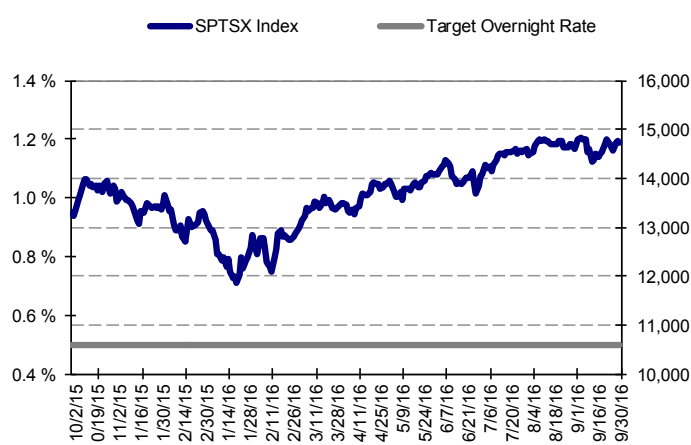
Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.3127	0.2%	-5.1%
Euro	1.4748	0.9%	-1.9%
British Pound	1.7027	-1.1%	-16.5%
Japanese Yen	0.0130	2.2%	12.5%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.7618	-0.2%	5.4%
Euro	0.6775	-0.9%	1.8%
British Pound	0.5870	1.1%	19.7%
Japanese Yen	77.2250	-2.1%	-11.1%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$48.24	7.9%	30.2%
Natural Gas (per million btu)	\$2.91	0.7%	24.3%
Gold (per ounce)	\$1,315.75	0.5%	24.0%
Silver (per ounce)	\$19.18	2.8%	38.4%
Copper (per pound)	\$2.20	5.3%	3.0%
Nickel (per pound)	\$4.78	8.5%	19.9%
Aluminum (per pound)	\$0.76	4.4%	11.0%
Zinc (per pound)	\$1.08	2.9%	47.7%

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S&P/TSX Index – target overnight rate, LTM



Source: RBC Wealth Management, Bloomberg

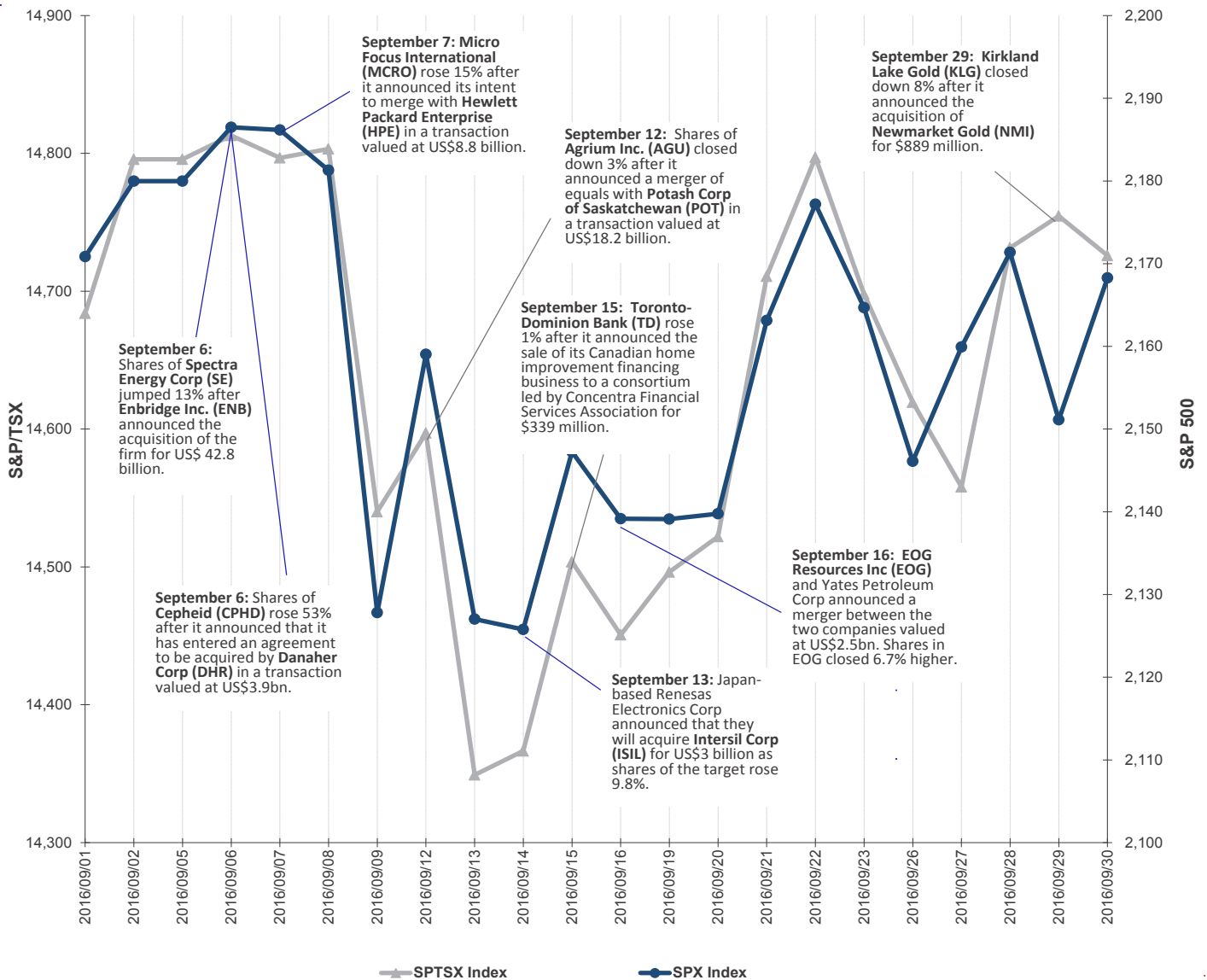
Global Developments

Outside of North America, three major central banks met this month and left their benchmark rates unchanged: the Bank of England (BoE), European Central Bank (ECB), and Bank of Japan (BoJ). While the BoE's decision was no surprise to investors, decisions from the ECB and BoJ garnered more meaningful market reactions. The ECB kept its main refinancing and deposit facility rate on hold at 0% and -0.4%, respectively, while leaving its asset purchase program unchanged. Although the ECB's decision to hold rates was widely anticipated by the market, its less dovish tone and lack of discussion at its meeting regarding an extension of its bond-buying program was a surprise, driving bond yields higher globally. The BoJ left its benchmark rate unchanged at -0.1% and introduced a new framework intended to stimulate growth and inflation. Under this framework, the BoJ set a 0% rate target for 10-year government bonds, which the central bank will use to control bond yields by adjusting the volume of its asset purchases as necessary over the short-term, while keeping annual purchases unchanged over the long-term. Following the announcement, Japan's 10-year government bond yield rose into slightly positive territory for the first time since March; however, this rise was short lived as yields turned back negative the same day, where they remained as the month drew to a close.

After dropping to a monthly low of \$43.02 per barrel on September 16th, the price of WTI oil rebounded 9% to around \$48 per barrel at the end of the month. Oil's recovery was driven by a surprise announcement by OPEC, following informal talks in Algiers this month, of a preliminary deal to cut production to a range of 32.5 million to 33 million barrels per day. Gold ended the month flat at \$1,320 per oz, after climbing to a two-year high of \$1,367 per oz on July 8th, while 10 Year Treasury yields ended the month flat after climbing 15 bps to a monthly high on September 13th.

North American equity highlights

September 2016

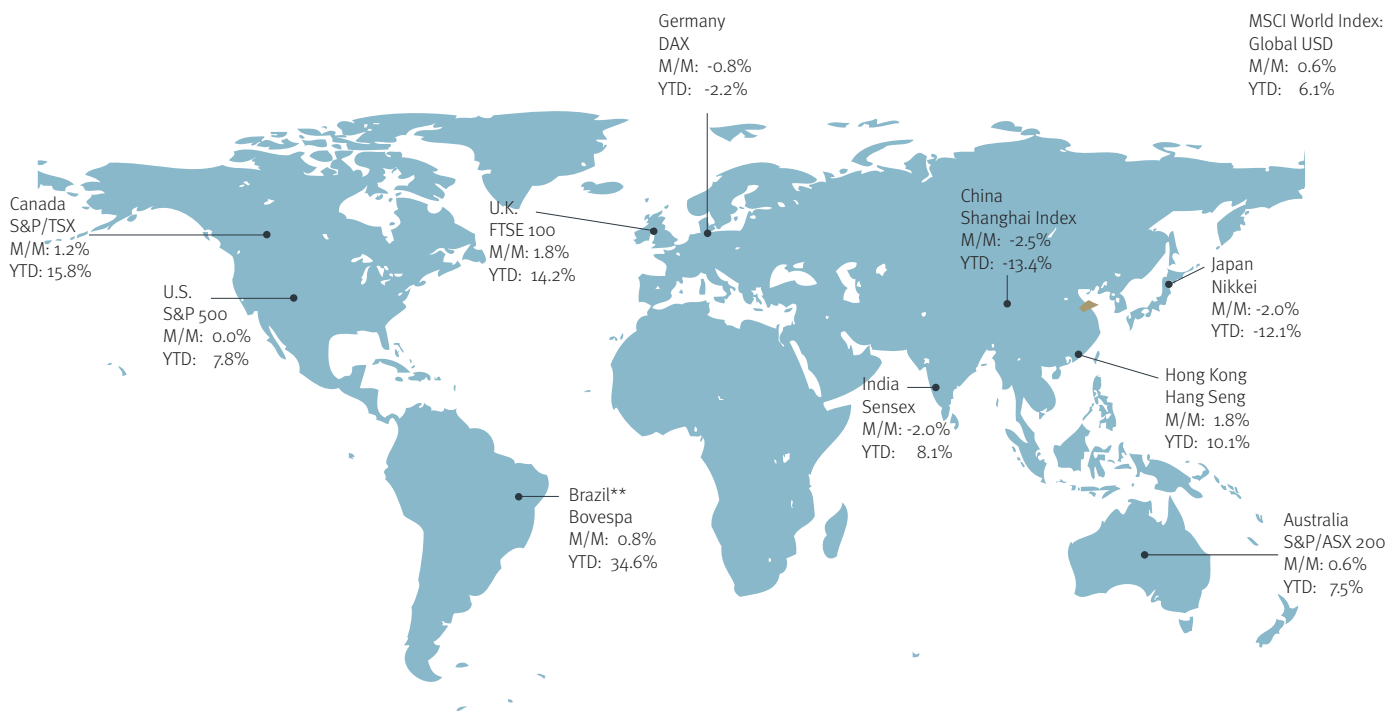


¹Bloomberg ²RBC Capital Markets Pricing Data
 Source: Bloomberg

World markets

September month-over-month and year-to-date performance

Global markets delivered mixed results in September. Across North and South America, S&P 500 closed flat while S&P/TSX and Brazil's Bovespa rose by 1.2% and 0.8% respectively. In Europe, U.K.'s FTSE moved higher by 1.8% while Germany's DAX was down 0.8%. In Asia, Japan's Nikkei, China's Shanghai Index and India's Sensex each closed the month down 2.0%, 2.5% and 2.0% respectively. Hong Kong's Hang Seng rose 1.8% and Australia's S&P/ASX 200 closed 0.6% higher. Overall, the MSCI World Index increased by 0.6% for the month and is up 6.1% for the year.



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

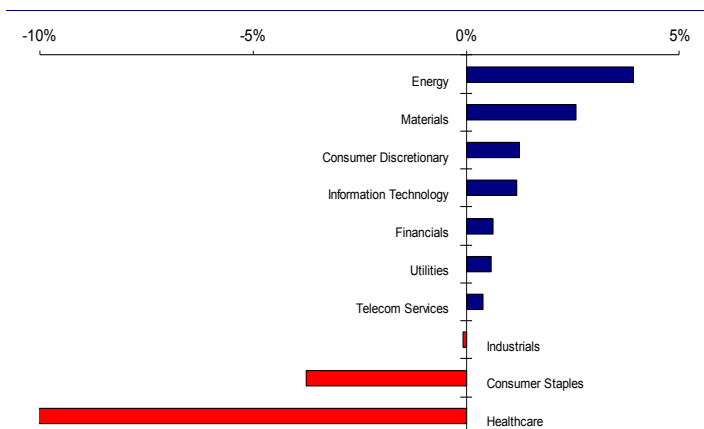
** These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 09/30/16

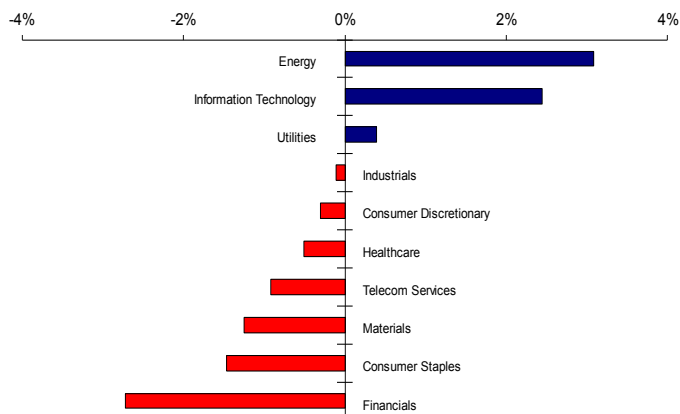
Canadian & U.S. equities

September 2016

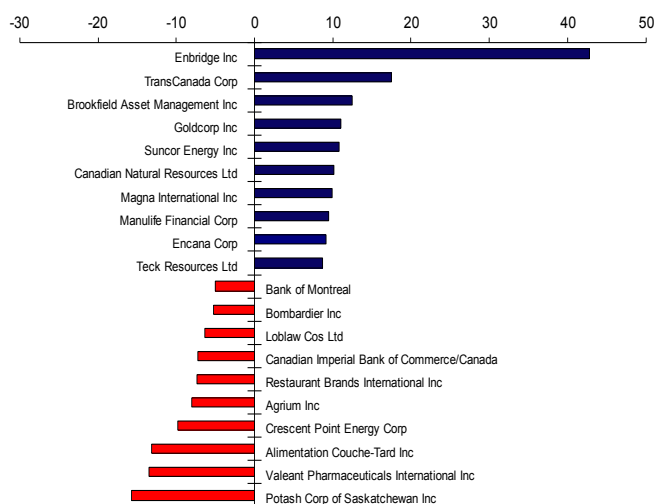
S&P/TSX composite sector movement



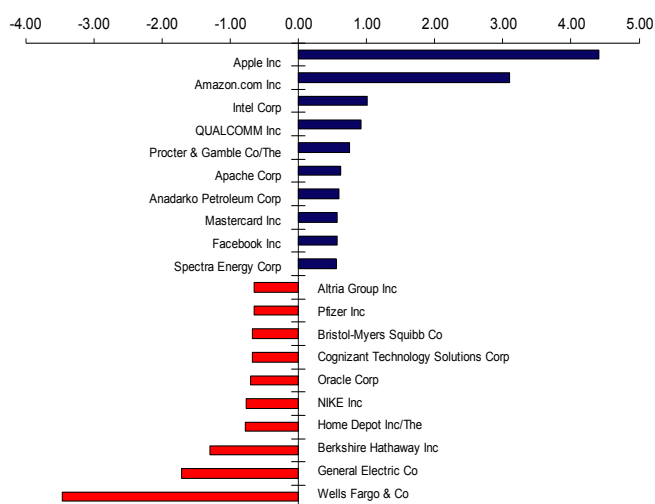
S&P 500 sector movement



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

September 2016

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
09/30/2016	Gross Domestic Product (m-o-m, SA)	Jul	0.30%	0.50%	0.60%
09/30/2016	Gross Domestic Product (y-o-y, SA)	Jul	1.00%	1.30%	1.20%
Labour market					
09/09/2016	Net Change in Employment (ooo, SA)	Aug	14.0	26.2k	-31.2
09/09/2016	Participation Rate (SA)	Aug	--	65.50%	65.40%
09/09/2016	Unemployment Rate (SA)	Aug	7.00%	7.00%	6.90%
Housing market					
09/08/2016	Housing Starts (ooo, SAAR)	Aug	190	182.7k	194.6
09/08/2016	New Housing Price Index (y-o-y)	Jul	2.50%	2.80%	2.50%
09/15/2016	Existing Home Sales (m-o-m)	Aug	--	-3.10%	-1.30%
09/14/2016	Teranet/National Bank HPI (m-o-m)	Aug	--	1.50%	2.00%
Consumer & manufacturing					
09/23/2016	Retail Sales (m-o-m, SA)	Jul	0.10%	-0.10%	0.00%
09/23/2016	Retail Sales Less Autos (m-o-m, SA)	Jul	0.50%	-0.10%	-0.60%
09/16/2016	Manufacturing Sales (m-o-m, SA)	Jul	1.00%	0.10%	0.80%
Trade					
09/02/2016	Merchandise Trade (billion, SA)	Jul	-3.30	-2.49b	-3.97
Prices					
09/23/2016	Consumer Price Index (m-o-m)	Aug	0.10%	-0.20%	-0.20%
09/23/2016	Consumer Price Index (y-o-y)	Aug	1.40%	1.10%	1.30%
09/23/2016	Bank of Canada CPI Core (m-o-m)	Aug	0.20%	0.00%	0.00%
09/23/2016	Bank of Canada CPI Core (y-o-y)	Aug	2.00%	1.80%	2.10%
09/30/2016	Industrial Product Price (m-o-m)	Aug	-0.10%	-0.50%	0.20%
09/30/2016	Raw Materials Price Index (m-o-m)	Aug	-1.00%	-0.70%	-2.70%
Other indicators					
09/21/2016	Wholesale Sales (m-o-m, SA)	Jul	0.30%	0.30%	0.70%
09/07/2016	Ivey Purchasing Managers Index (SA)	Aug	56.5	52.3	57
09/08/2016	Building Permits (m-o-m, SA)	Jul	3%	1%	-5%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
09/29/2016	GDP (q-o-q, SAAR)	2Q T	1.30%	1.40%	1.10%
09/29/2016	GDP Price Index (q-o-q, SAAR)	2Q T	2.30%	2.30%	2.30%
09/29/2016	Core PCE (q-o-q, SAAR)	2Q T	1.80%	1.80%	1.80%
Labour market					
09/02/2016	Change in Nonfarm Payrolls (ooo, SA)	Aug	180.0	151k	275.0
09/02/2016	Unemployment Rate (SA)	Aug	4.80%	4.90%	4.90%
Housing market					
09/20/2016	Building Permits (ooo, SAAR)	Aug	1165.00	1139k	1144.00
09/20/2016	Housing Starts (ooo, SAAR)	Aug	1190.00	1142k	1212.00
09/26/2016	New Home Sales (ooo, SAAR)	Aug	600.00	609k	659.00
09/22/2016	Existing Home Sales (million, SAAR)	Aug	5.45	5.33m	5.38
09/19/2016	NAHB Housing Market Index (SA)	Sep	60	65	59
09/01/2016	Construction Spending (m-o-m, SA)	Jul	0.50%	0.00%	0.90%
Consumer & manufacturing					
09/15/2016	Advance Retail Sales (m-o-m, SA)	Aug	-0.10%	-0.30%	0.10%
09/15/2016	Retail Sales Less Autos (m-o-m, SA)	Aug	0.20%	-0.10%	-0.40%
09/27/2016	Consumer Confidence (SA)	Sep	99.0	104.1	101.8
09/30/2016	U. of Michigan Confidence	Sep F	90.0	91.2	89.8
09/29/2016	Personal Consumption (q-o-q, SAAR)	2Q T	4.40%	4.30%	4.40%
09/28/2016	Durable Goods Orders (m-o-m, SA)	Aug P	-1.50%	0.00%	3.60%
09/02/2016	Factory Orders (m-o-m, SA)	Jul	2.00%	1.90%	-1.80%
Trade					
09/14/2016	Import Price Index (m-o-m)	Aug	-0.10%	-0.20%	0.10%
09/14/2016	Import Price Index (y-o-y)	Aug	-2.20%	-2.20%	-3.70%
09/02/2016	Trade Balance (billion, SA)	Jul	-41.5	-\$39.5b	-44.7
Prices					
09/16/2016	Consumer Price Index (m-o-m, SA)	Aug	0.10%	0.20%	0.00%
09/16/2016	Consumer Price Index (y-o-y)	Aug	1.00%	1.10%	0.80%
09/16/2016	CPI Core Index (SA)	Aug	248.07	248.34	247.71
09/30/2016	PCE Deflator (y-o-y, SA)	Aug	0.90%	1.00%	0.80%
Other indicators					
09/01/2016	ISM Manufacturing Index (SA)	Aug	52.0	49.4	52.6
09/30/2016	Chicago Purchasing Manager Index	Sep	52.0	54.2	51.5
09/15/2016	Philadelphia Fed Index	Sep	1.0	12.8	2.0
09/22/2016	Leading Indicators (m-o-m)	Aug	0.00%	-0.20%	0.50%
09/15/2016	Business Inventories (m-o-m, SA)	Jul	0.10%	0.00%	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.

Notable Canadian dividend activity – September 2016

Increases				
Company	\$ Change		Ex-Date	% Change
DHX Media Ltd	Prior: \$0.0160	New: \$0.0180	October 6, 2016	12.5%
Fortis Inc	Prior: \$0.3750	New: \$0.4000	November 16, 2016	6.7%
Decreases				
Company	\$ Change		Ex-Date	% Change
Potash Corp Of Saskatchewan	Prior: \$0.2500	New: \$0.1000	October 7, 2016	-60.0%

Source: Bloomberg



**Wealth Management
Dominion Securities**

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