

Month in Review: OCTOBER 2013



WHAT MOVED THE MARKETS

The dominant headline in the month of October was the political brinkmanship in Washington, which led to a partial government shutdown and near-technical default on U.S. government debt. Amid the political gridlock, President Obama nominated Janet Yellen for the role of Federal Reserve Chair. The Fed's latest round of Quantitative Easing (QE), which began late last year, is expected to remain in place when Ms. Yellen assumes office with no change in policy likely until well into 2014. We maintain the view that the first rate hike will likely not occur until the second-half of 2015 or early 2016. Bearing this in mind, the rate normalization process is expected to continue at a gradual pace over a period of years, not months.

The TSX returned 4.7% in October and by month end was up 10.3% year-to-date. Industrials (9.2%), Financials (6.3%) and Utilities (5.5%) were the strongest performing sectors in October, while Information Technology (-0.8%) was the only sector in negative territory for the month.

The S&P 500 returned 4.6% in October and by

Priced as of October 31, 2013 (unless otherwise stated).

month end was up 25.3% year-to-date. All ten sectors were in positive territory for the month. Telecom Services (8.5%), Consumer Staples (6.4%) and Industrials (5.1%) were the strongest performing sectors in October.

Asian Indices yielded mixed results in October. The Sensex Index experienced the most pronounced results, increasing 9.3% for the month. The Hang Seng (1.7%) also experienced positive returns; however, the Shanghai Index (-1.5%), and Nikkei (-0.9%) fell into negative territory for the month. European Indices fared better than their Asian counterparts, with the DAX (5.1%) and FTSE (4.4%) both returning strong results for the month.

EQUITY-SPECIFIC DEVELOPMENTS

Notable TSX gainers for the month were Canadian Pacific railway (CP), Canadian National Railway (CNR) and Bank of Nova Scotia (BNS), up 17.3%, 9.8% and 7.4%, respectively. Notable laggards were Athabasca Oil (ATH) and Manitoba Telecom (MBT), down 17.2% and 10.3%, respectively.



RBC Wealth Management
Dominion Securities

WHAT MOVED THE MARKETS

continued from page 1

S&P 500 gainers were led by Google (GOOG), Amazon (AMZN), and AT&T (T) up 17.7%, 16.4%, and 8.5% respectively. Notable laggards were Citrix Systems (CTXS) and Merck (MRK), down 19.6% and 5.3%, respectively.

Late in the month, Suncor Energy (SU) and Teck Resources (TCK) announced that the companies will go ahead with the \$15-billion Fort Hills oil sands project in northern Alberta. Oil production is expected to begin in 2017, with a planned production capacity of 180,000 barrels a day.

FIXED INCOME-SPECIFIC DEVELOPMENTS

Government of Canada bond yields moved lower across the 2 to 30-year components of the curve in October. A growing consensus expects the Federal Reserve to continue purchasing \$85 billion of assets per month until mid-2014, which has further emboldened corporate buyers. Last month, we highlighted the ongoing steepening of the yield curve that resulted from central bank bond-buying programs and endorsed extension trades. While the curve remains steep, the overall move lower in yields reduced the appeal of adding interest rate risk to a portfolio.

The most notable Canadian economic data point in October was the Bank of Canada's (BoC) policy statement. The Bank adopted a more neutral stance on the future path of interest rates by removing its "eventual" bias to tighten monetary policy. The reason cited for the change was sluggish economic activity, which was reflected in the BoC lowering its economic growth outlook for the remainder of 2013 and 2014. Economic data that was released in October supported the BoC's

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	4.7%	10.3%
Dow Jones Industrial Average TR	2.9%	21.0%
S&P 500 Index TR	4.6%	25.3%
NASDAQ Composite Index TR	4.0%	31.1%
MSCI EAFE TR (USD)	3.4%	20.5%
MSCI World TR (USD)	3.9%	22.4%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	6.3%	19.6%
S&P/TSX Energy TR	3.2%	10.9%
S&P/TSX Materials TR	1.7%	-26.5%
S&P/TSX Industrials TR	9.2%	29.1%
S&P/TSX Consumer Discretionary TR	5.2%	39.4%
S&P/TSX Telecom Services TR	4.5%	10.6%
S&P/TSX Information Technology TR	-0.8%	27.0%
S&P/TSX Consumer Staples TR	5.2%	24.8%
S&P/TSX Utilities TR	5.5%	-1.9%
S&P/TSX Healthcare TR	2.7%	55.4%

* 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	1.0431	1.2%	5.1%
Euro	1.4170	1.6%	8.2%
British Pound	1.6732	0.3%	3.8%
Japanese Yen (100)	0.0106	1.1%	-7.3%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$96.38	-5.8%	5.0%
Natural Gas (per million btu)	\$3.58	0.6%	6.9%
Gold (per ounce)	\$1,323.10	-0.4%	-21.0%
Silver (per ounce)	\$21.92	1.0%	-27.8%
Copper (per pound)	\$3.28	-0.7%	-8.4%
Nickel (per pound)	\$6.60	4.8%	-14.4%
Aluminum (per pound)	\$0.82	0.9%	-11.1%
Zinc (per pound)	\$0.89	1.8%	-6.2%

WHAT MOVED THE MARKETS

continued from page 2

policy stance as employment growth was subdued, retail sales growth was uninspiring and inflation remained anchored at the low end of the Bank of Canada's 1% to 3% target range (August and September data).

Trading activity suffered as a result of the political stalemate and short-dated Treasuries saw a great deal of volatility. At the height of default concerns, yields on issues maturing at the end of October spiked almost 45 bps. New issue activity was supported by relatively lower yields, tighter credit spreads and continued investor demand. Investment grade and high yield spreads tightened further on the month by narrowing approximately 10 bps and 37 bps respectively. In the near term, U.S. credit markets are likely to experience bouts of volatile, illiquid conditions.

Yields in the euro zone moved lower in response to the political impasse in Washington and the German election. In the U.K, yields in the 3 to 50-year maturities declined with the largest change in the 10-year component of the curve (10 bps lower). Economic data in the U.K. was decidedly mixed as PMI, industrial production and manufacturing production were weaker than the consensus estimate, but retail sales were stronger than expectations. The core euro zone is still perceived to be in recovery. However, there may be near-term headwinds for the peripheral countries. We continue to see better relative value in shorter-dated corporate issues and top-tier European banks.

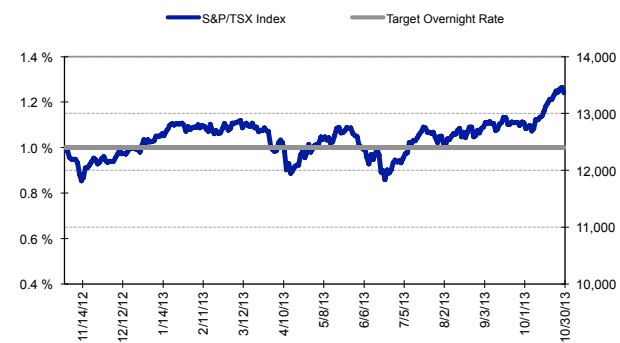
GLOBAL DEVELOPMENTS

In October, the U.K. Monetary Policy Committee (MPC) announced no change to its bank rate or its asset purchase target. The Committee highlighted that unemployment was likely to decline faster than initially expected in August. Q2 productivity growth improved, but it is unclear as to how soon inflationary pressures will emerge. The Bank of England's view of a gradual economic recovery and its monetary policy stance were supported by the latest GDP growth data (in-line with expectations). With that said, the threat of a surprise dovish signal from the central bank appears unlikely at the current juncture.

The European Central Bank (ECB) provided investors with details regarding its planned review of the eurozone banks' balance sheets. This process will begin in November of this year and cover 130 firms. More details regarding the assumptions of the stress test will be released later this year.

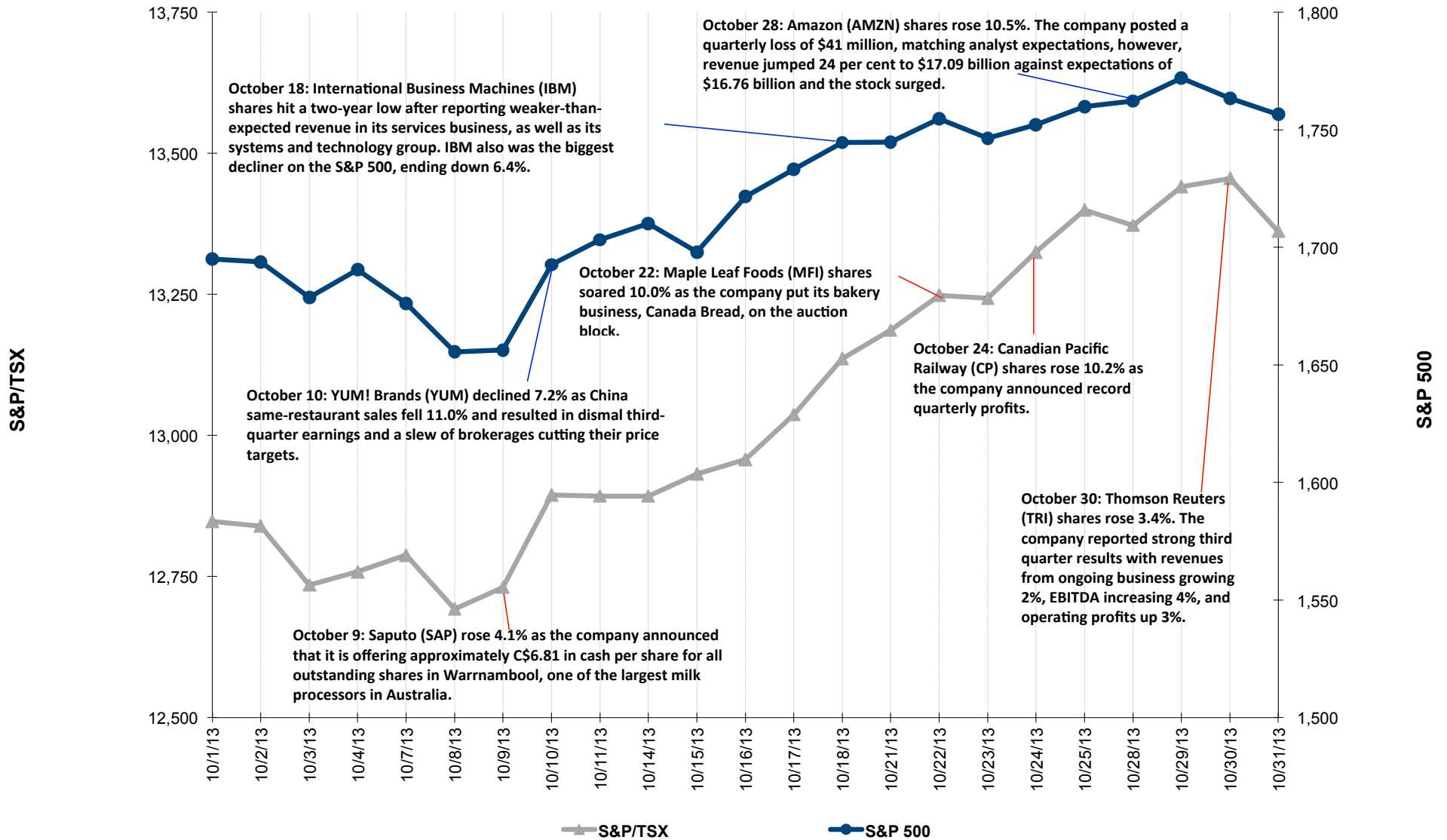
Near-term catalysts that could create volatility in global fixed income markets include details surrounding the short-term resolution in Washington, key U.S. economic data releases following the government shutdown, the formation of a coalition government in Germany and the details of the Asset Quality Review process for European banks.

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



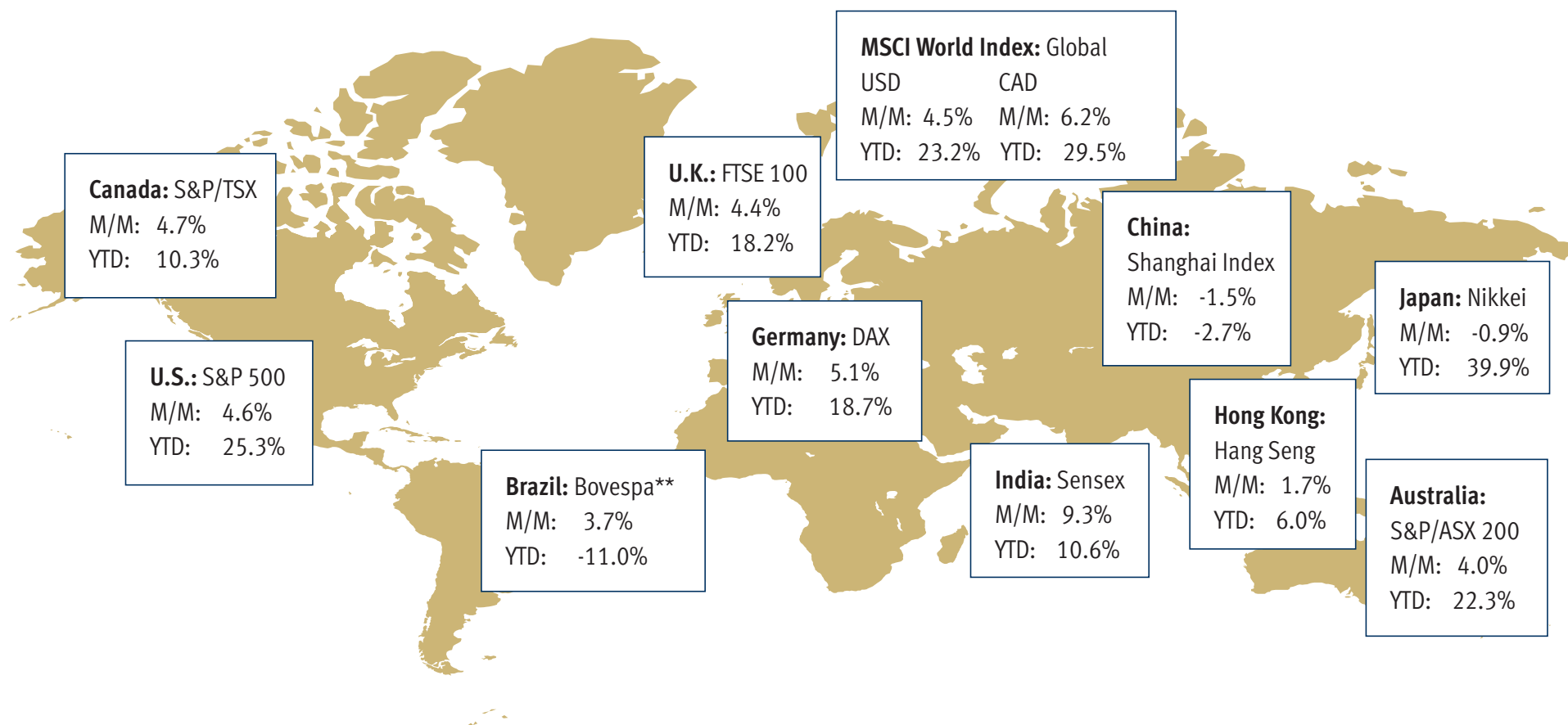
Source: Bloomberg

NORTH AMERICAN EQUITY HIGHLIGHTS – OCTOBER 2013



WORLD MARKETS – OCTOBER 2013

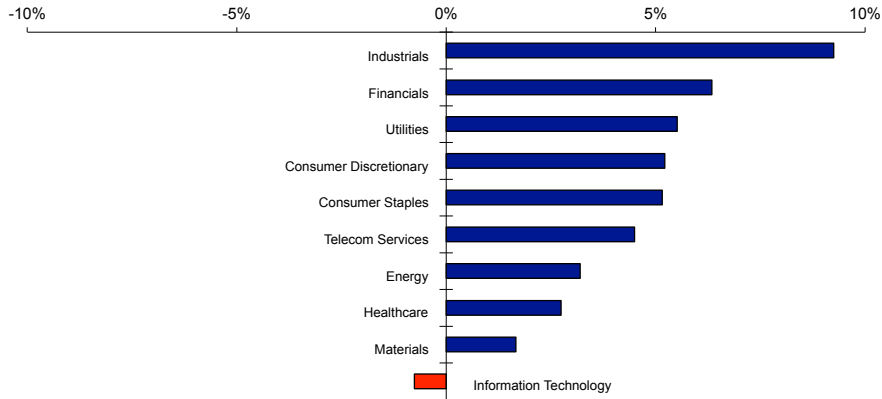
Other than in China and Japan, Global Indices were strong in October. The MSCI World finished the month up 4.5% for the month and by month end was up 23.2% year-to-date.



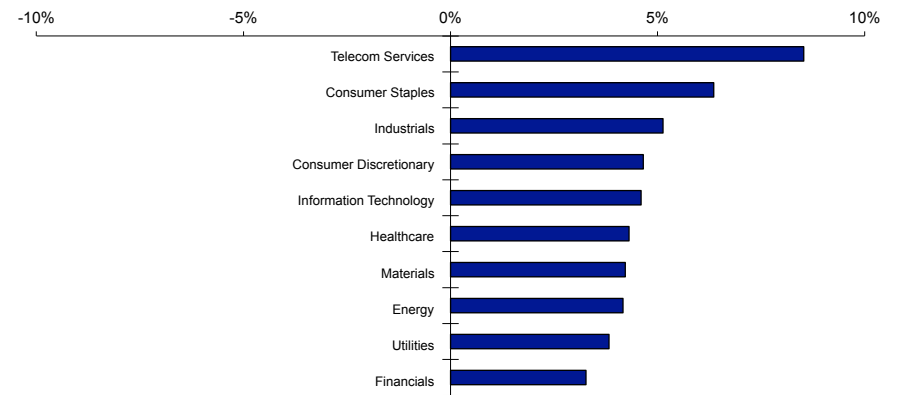
All returns are on a total return basis unless otherwise noted
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

CANADIAN & U.S. EQUITIES – OCTOBER 2013

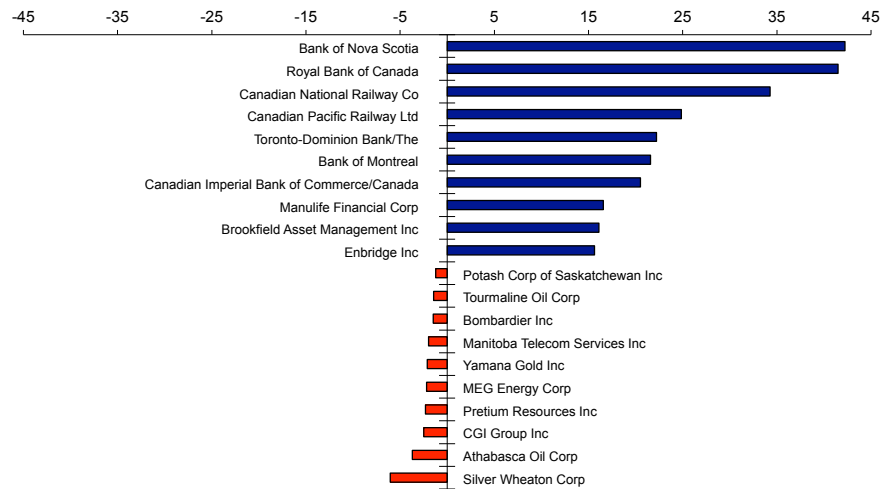
S&P/TSX Composite Sector Movement



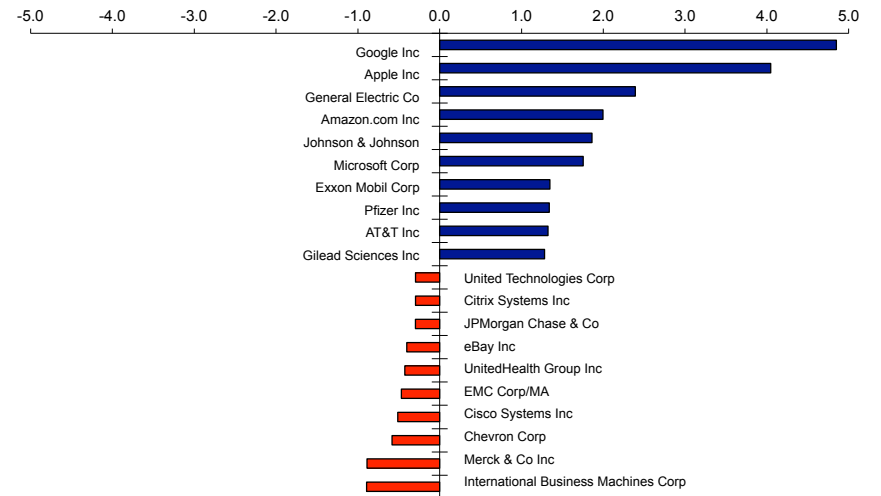
S&P 500 Sector Movement



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 – OCTOBER 2013

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior	Actual vs. Consensus	Actual vs. Prior
10/23/2013	Bank of Canada Rate	23-Oct	1.00%	1.00%	1.00%	-----	-----
	Labour market						
10/11/2013	Net Change in Employment (000, SA)	Sep	10.0K	11.9K	59.2K	▲	▼
10/11/2013	Participation Rate (SA)	Sep	66.60%	66.40%	66.60%	▼	▼
10/11/2013	Unemployment Rate (SA)	Sep	7.10%	6.90%	7.10%	▼	▼
	Housing market						
10/08/2013	Housing Starts (000, SAAR)	Sep	185.0K	193.6K	184.0K	▲	▲
10/10/2013	New Housing Price Index (y-o-y)	Aug	--	1.80%	1.90%	▼	▼
10/15/2013	Existing Home Sales (m-o-m)	Sep	--	0.80%	2.80%	NA	▼
10/15/2013	Teranet/National Bank HPI (m-o-m)	Sep	--	0.00%	0.60%	▼	▼
	Consumer & Manufacturing						
10/22/2013	Retail Sales (m-o-m, SA)	Aug	0.30%	0.20%	0.50%	▼	▼
10/22/2013	Retail Sales Less Autos (m-o-m, SA)	Aug	0.20%	0.40%	0.80%	▲	▼
10/16/2013	Manufacturing Sales (m-o-m, SA)	Aug	0.20%	-0.20%	1.70%	▼	▼
	Trade						
10/08/2013	Merchandise Trade (billion, SA)	Aug	-0.70B	-1.31B	-1.19B	▲	▲
	Prices						
10/18/2013	Consumer Price Index (m-o-m)	Sep	0.10%	0.20%	0.00%	▲	▲
10/18/2013	Consumer Price Index (y-o-y)	Sep	1.00%	1.10%	1.10%	▲	-----
10/18/2013	Bank of Canada CPI Core (m-o-m)	Sep	0.30%	0.20%	0.20%	▼	-----
10/18/2013	Bank of Canada CPI Core (y-o-y)	Sep	1.40%	1.30%	1.30%	▼	-----
10/29/2013	Industrial Product Price (m-o-m)	Sep	-0.10%	-0.30%	0.30%	▼	▼
10/29/2013	Raw Materials Price Index (m-o-m)	Sep	-0.50%	-1.50%	0.90%	▼	▼
	Other Indicators						

ECONOMIC DATA

continued from page 6

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior	Actual vs. Consensus	Actual vs. Prior
10/21/2013	Wholesale Sales (m-o-m, SA)	Aug	0.30%	0.50%	1.70%	▲	▼
10/04/2013	Ivey Purchasing Managers Index (SA)	Sep	53.6	51.9	51	▼	▲
10/07/2013	Building Permits (m-o-m, SA)	Aug	-7.40%	-21.20%	21.40%	▼	▼
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior	Actual vs. Consensus	Actual vs. Prior
10/30/2013	Federal Funds Target Rate	30-Oct	0.25%	0.25%	0.25%	-----	-----
	Labour market						
10/22/2013	Change in Nonfarm Payrolls (000, SA)	Sep	180K	148K	193K	▼	▼
10/22/2013	Unemployment Rate (SA)	Sep	7.30%	7.20%	7.30%	▼	▼
	Housing market						
10/21/2013	Existing Home Sales (million, SAAR)	Sep	5.30M	5.29M	5.39M	▼	▼
10/16/2013	NAHB Housing Market Index (SA)	Oct	57.0	55.0	57.0	▼	▼
10/22/2013	Construction Spending (m-o-m, SA)	Aug	0.40%	0.60%	1.40%	▲	▼
	Consumer & Manufacturing						
10/29/2013	Advance Retail Sales (m-o-m, SA)	Sep	0.00%	-0.10%	0.20%	▼	▼
10/29/2013	Retail Sales Less Autos (m-o-m, SA)	Sep	0.40%	0.40%	0.10%	-----	▲
10/29/2013	Consumer Confidence (SA)	Oct	75.0	71.2	80.2	▼	▼
10/25/2013	U. of Michigan Confidence	Oct F	75.0	73.2	75.2	▼	▼
10/25/2013	Durable Goods Orders (m-o-m, SA)	Sep	2.30%	3.70%	0.20%	▲	▲
10/03/2013	Factory Orders (m-o-m, SA)	Aug	0.30%	--	-2.40%	▲	▲
	Trade						
10/23/2013	Import Price Index (m-o-m)	Sep	0.20%	0.20%	0.20%	-----	-----
10/23/2013	Import Price Index (y-o-y)	Sep	-1.00%	-1.00%	-0.20%	-----	▼
10/24/2013	Trade Balance (billion, SA)	Aug	-\$39.4B	-\$38.8B	-\$38.6B	▼	▲
	Prices						
10/30/2013	Consumer Price Index (m-o-m, SA)	Sep	0.20%	0.20%	0.10%	-----	▲
10/30/2013	Consumer Price Index (y-o-y)	Sep	1.20%	1.20%	1.50%	-----	▼
10/30/2013	CPI Core Index (SA)	Sep	234.70	234.59	234.30	▼	▲
10/29/2013	Producer Price Index (y-o-y)	Sep	0.60%	0.30%	1.40%	▼	▼
10/29/2013	PPI Ex Food & Energy (y-o-y)	Sep	1.20%	1.20%	1.10%	-----	▲

ECONOMIC DATA

continued from page 7

Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior	Actual vs. Consensus	Actual vs. Prior
	Other Indicators						
10/01/2013	ISM Manufacturing Index (SA)	Sep	55.0	56.2	55.7	▲	▲
10/17/2013	Philadelphia Fed Index	Oct	15.0	19.8	22.3	▲	▼
10/29/2013	Business Inventories (m-o-m, SA)	Aug	0.30%	0.30%	0.40%	-----	▼

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.

The information contained in this report has been compiled by RBC Dominion Securities Inc. ("RBC DS") from sources believed by it to be reliable, but no representations or warranty, express or implied, are made by RBC DS or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC DS's judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. This report is not an offer to sell or a solicitation of an offer to buy any securities. Additionally, this report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to Investment Advisors and does not have regard to the particular circumstances or needs of any specific person who may read it. RBC DS and its affiliates may have an investment banking or other relationship with some or all of the issuers mentioned herein and may trade in any of the securities mentioned herein either for their own account or the accounts of their customers. RBC DS and its affiliates may also issue options on securities mentioned herein and may trade in options issued by others. Accordingly, RBC DS or its affiliates may at any time have a long or short position in any such security or option thereon. Neither RBC DS nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. This report may not be reproduced, distributed or published by any recipient hereof for any purpose. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member—Canadian Investor Protection Fund. ©Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2013. All rights reserved.