

Month in REVIEW

Wealth Management
Dominion Securities

Portfolio Advisory Group | July 2016



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What moved the markets

Investors were largely focused on two issues this month: 1) central bank policy in the wake of last month's "Brexit" vote; and 2) the Q2 earnings season.

On the former, most policymakers opted to hold off on new monetary stimulus measures while they gather data to better assess the prospects for economic growth and inflation. (For further detail, please read the sections below). Meanwhile, the Q2 earnings season in the U.S. was just over half way completed by month's end. Thus far, over 70% of companies have reported earnings above expectations, while 50% have reported revenue above expectations. Based on the reported and expected results over the next few weeks, Q2 earnings are expected to decline 3.0% year over year according to Thomson Reuters, which is slightly better than the decline of 3.8% that was expected at the beginning of July. Most of the growth has been driven by the Telecommunications, Health Care, and Consumer Discretionary sectors.

Several positive economic reports in North America helped to offset the negative sentiment from the "Brexit" vote and supported an increase in North American equity markets. In Canada, inflation and retail sales data beat economists' expectations, while employment data was weaker than expected, a near record trade deficit was reported, and a steeper than expected decline in GDP were the lowlights during the month. Economic developments south of the border were noticeably more positive, demonstrating signs of a resilient U.S. economy. Nevertheless, the GDP growth reading fell short of expectations.

Despite mixed investor sentiment, North American equity markets reached record highs this month, while continued demand for fixed income drove Canadian and U.S. government bond yields to record lows. The S&P/TSX rose by 3.9%, with rallies in the Information Technology, Industrials and Materials sectors of 9.2%, 7.7% and 6.9%, respectively. The Energy sector was the only one that fell, albeit barely, by 0.4%. Overall, 9 of 10 sectors finished the month in positive territory.

In the U.S., the S&P 500 closed the month 3.7% higher, with 7 of 10 sectors ending the month in positive territory. The Information Technology and Materials sectors gained 7.8% and 5.0%, respectively, while the Energy and Consumer Staples sectors fell by 2.0% and 0.9%, respectively.

All indices and figures priced in local currency as at July 31, 2016 (unless otherwise stated).
For important disclosures, see page 10.

Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	3.9%	14.1%
Dow Jones Industrial Average TR	2.9%	7.4%
S&P 500 Index TR	3.7%	7.7%
NASDAQ Composite Index TR	6.6%	3.8%
MSCI EAFE TR (USD)	5.1%	0.8%
MSCI World TR (USD)	4.3%	5.3%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	3.4%	8.7%
S&P/TSX Energy TR	-0.4%	18.8%
S&P/TSX Materials TR	6.9%	62.9%
S&P/TSX Industrials TR	7.7%	13.4%
S&P/TSX Consumer Discretionary TR	5.6%	5.7%
S&P/TSX Telecom Services TR	4.4%	19.9%
S&P/TSX Information Technology TR	9.2%	3.0%
S&P/TSX Consumer Staples TR	5.3%	8.1%
S&P/TSX Utilities TR	3.0%	20.8%
S&P/TSX Healthcare TR	6.4%	-70.6%

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

U.S. retail sales rose 0.6% in June on a month-over-month basis, considerably higher than the 0.1% expected by economists and the 0.2% recorded in May.

Fixed Income-Specific Developments

Overall, business sentiment in Canada was subdued even prior to the unexpected "Brexit" vote, according to the Bank of Canada's (BoC) Q2 Business Outlook Survey released this month. Despite the weak employment report and a near record trade deficit, the BoC held the overnight rate unchanged at 0.5% this month. The BoC made downward revisions to its GDP forecast for the next two years and is now projecting Canada's output gap to close "towards the end of 2017", slightly later than its previous forecast. Economic data released following the BoC's rate decision was mixed with Canadian CPI up 1.5% in June on a year-over-year basis, higher than the 1.4% expected by economists, and primarily driven by increases in passenger vehicle and home prices. Meanwhile, Canadian retail sales rose 0.2% in May on a month-over-month basis, beating economists' estimates for no gain, primarily driven by an increase in gasoline sales and partially offset by a decline in car sales. GDP data released at the end of the month saw a month over month GDP drop of 0.6% in May. This decline was largely as a result of the Alberta wildfires, and represented the biggest drop in GDP since 2009.

In the U.S., the minutes from the June FOMC meeting suggested trepidation on the part of Fed officials with respect to tightening policy ahead of the "Brexit" referendum. Despite the caution, the economic data was largely positive, with employment, inflation, retail sales and manufacturing data indicating improvements in U.S. economic conditions. Non-farm payroll data revealed 287,000 new jobs were created in June, significantly more than the consensus estimate of 180,000. The unemployment rate rose to 4.9%, up from 4.7%, but was driven by an increase in the participation rate. U.S. CPI rose 0.2% in June on a month-over-month basis, representing the fourth consecutive month of positive inflation. U.S. retail sales rose 0.6% in June on a month-over-month basis, considerably higher than the 0.1% expected by economists and the 0.2% recorded in May. The Fed held the Fed Funds rate at 0.5%, as expected. The Fed's statement accompanying the decision noted that "near-term risks to the economic outlook have diminished" following recent improvements in employment data. Yet, inflation concerns remain and will be closely monitored for movement towards the 2% target. The month of July ended with a disappointing U.S. GDP report as a reduction in inventories and lower business and residential investment held second quarter GDP to 1.2%, which was considerably lower than the 2.5% expected by economists.

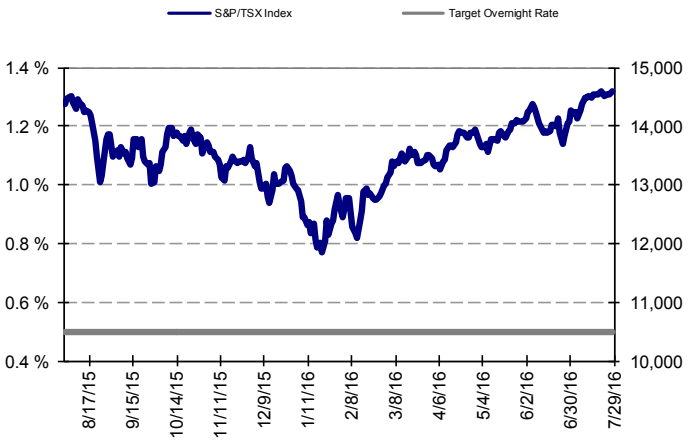
Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.3030	0.8%	-5.8%
Euro	1.4562	1.4%	-3.1%
British Pound	1.7242	0.2%	-15.5%
Japanese Yen	0.0128	2.1%	11.0%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.7667	-0.9%	6.1%
Euro	0.6864	-1.5%	3.1%
British Pound	0.5797	-0.3%	18.2%
Japanese Yen	78.3140	-1.9%	-9.8%

Commodities (US$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	$41.60	-13.9%	12.3%
Natural Gas (per million btu)	$2.88	-1.6%	23.1%
Gold (per ounce)	$1,351.00	2.2%	27.3%
Silver (per ounce)	$20.34	8.7%	46.8%
Copper (per pound)	$2.23	1.6%	4.5%
Nickel (per pound)	$4.80	12.6%	20.6%
Aluminum (per pound)	$0.74	-0.4%	9.1%
Zinc (per pound)	$1.02	6.6%	39.4%

*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

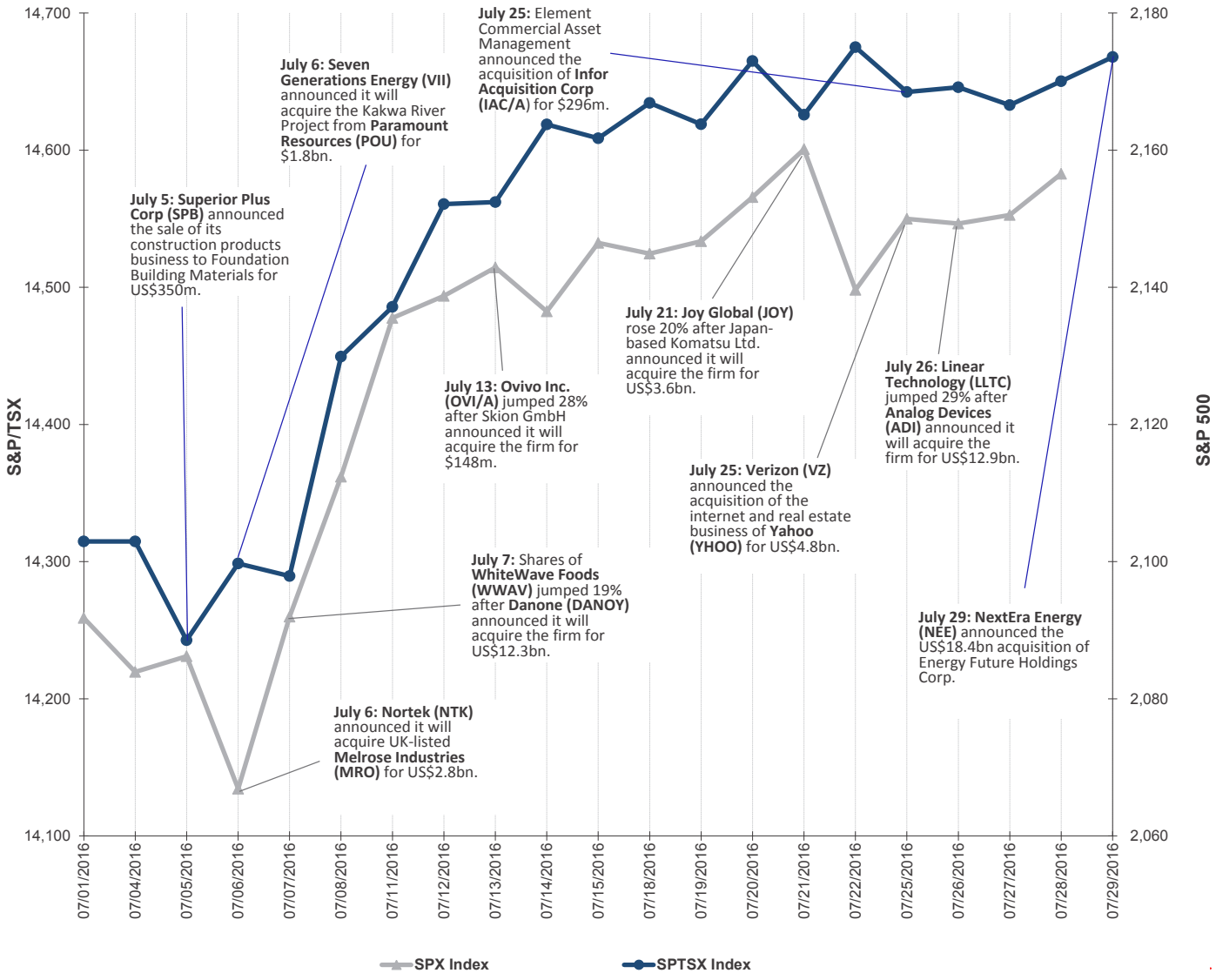
Global Developments

Following the release of the BoE's semi-annual Financial Stability Report this month, Governor Mark Carney warned that "there is the prospect of material slowing" in the U.K. economy. This risk was best reflected in the significant decline in the British pound, which sat near a 31-year low. To help counter the slowdown, Mr. Carney announced a reduction in the capital requirements for banks, a move aimed at boosting both corporate and consumer lending. Furthermore, the Governor noted that "The Financial Policy Committee stands ready to take any further actions deemed appropriate to support financial stability". Despite no change to its interest rate policy in the month, the BoE signaled that stimulus may be more likely in August. In its first rate decision following the "Brexit" vote, the ECB kept its main refinancing rate and deposit facility rate on hold at 0.0% and -0.4%, respectively, while leaving its asset purchase program unchanged. In a statement accompanying the decision, the ECB noted that "The Governing Council continues to expect the key ECB interest rates to remain at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases." The Bank of Japan left its benchmark interest rate unchanged at the end of the month, and announced only a modest increase in stimulus. This disappointed the market, as two thirds of economists surveyed had predicted a rate cut into further negative territory.

After reaching a 2016 high of $52.68 per barrel on June 8th, the price of WTI oil dropped 14% to $41.48 per barrel this month. The decline followed a report issued by the Energy Information Administration indicating that crude inventories in the U.S. rose 1.67 million barrels in the third week of July, a significant variance from the 2 million barrel decline expected by markets. Gold ended the month at $1,351 per oz., after climbing to a two-year high of $1,367 per oz. on July 8th, while U.S. 10 Year Treasury yield ended the month 3 bps higher.

North American equity highlights

July 2016

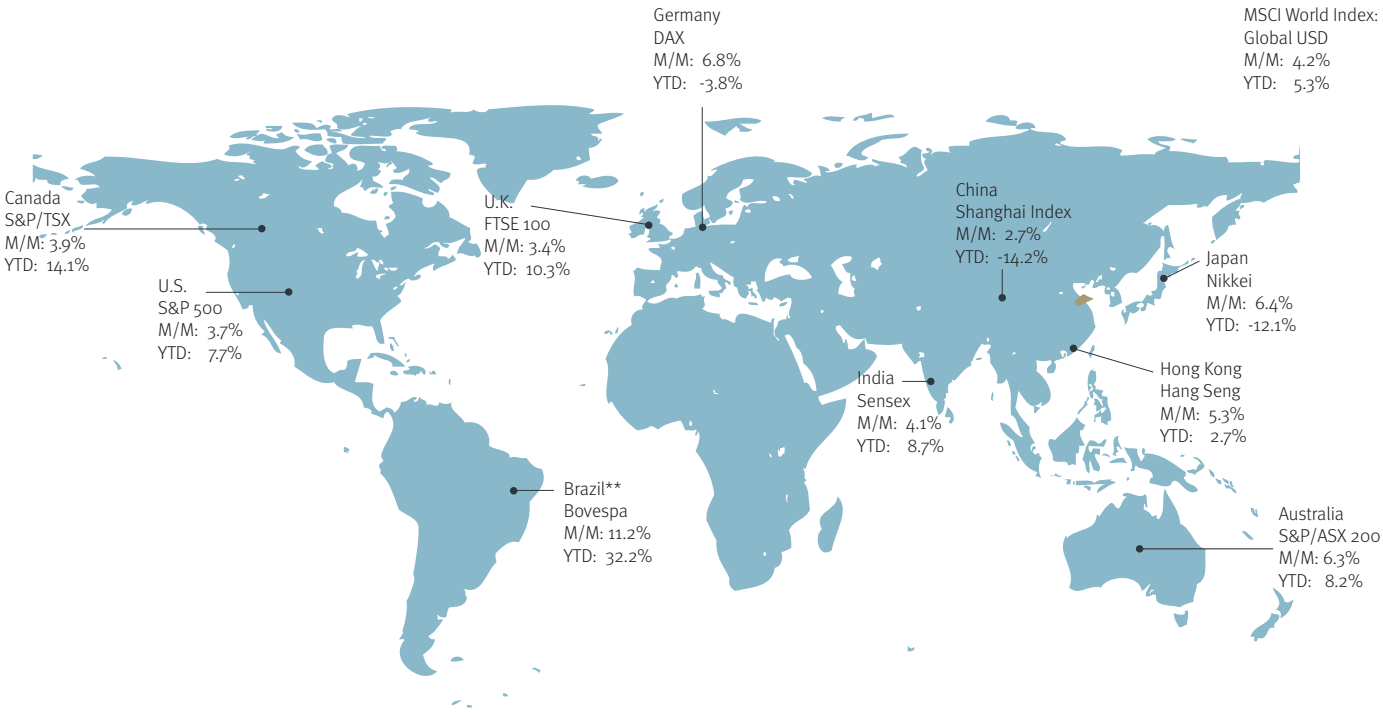


[1]Bloomberg [2]RBC Capital Markets Pricing Data
Source: Bloomberg

World markets

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

For the month of July, global markets performed well across the board. Across North and South America, S&P 500 and S&P/TSX were up 3.7% and 3.9% respectively, while Brazil's Bovespa rose by 11.2%. In Europe, Germany's DAX and U.K.'s FTSE increased by 6.8% and 3.4% respectively. In Asia, Japan's Nikkei was the clear winner closing the month up 6.4% while Hong Kong's Hang Seng and India's Sensex both increased by 5.3% and 4.1%, respectively. Lastly, Australia's S&P/ASX 200 finished the month 6.3% higher. Overall, the MSCI World Index increased by 4.2% for the month and is up 5.3% for the year.



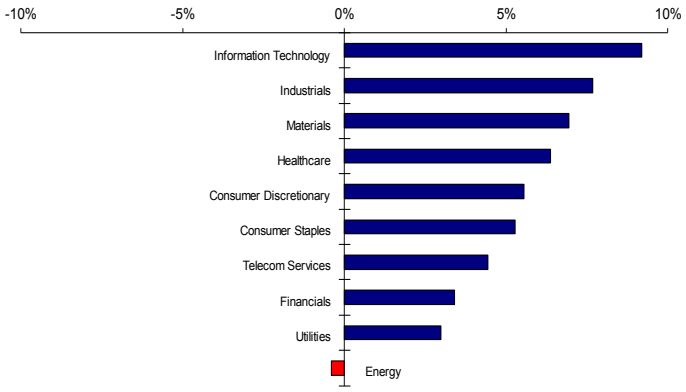
All returns are on a total return basis unless otherwise noted. All returns calculated in local currency except for MSCI World
** These indices are calcuated on a price return basis

Source: Bloomberg, RBC Wealth Management, 07/31/16

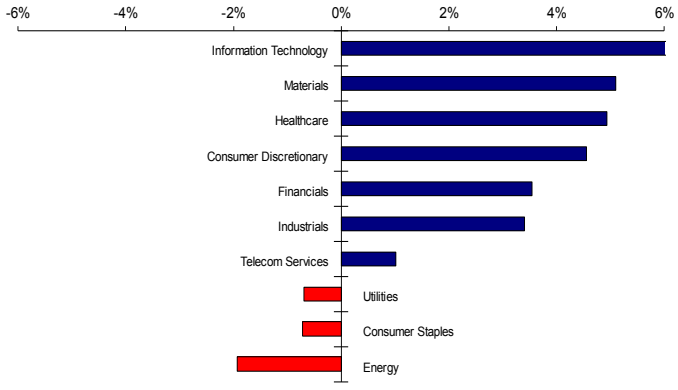
Canadian & U.S. equities

July 2016

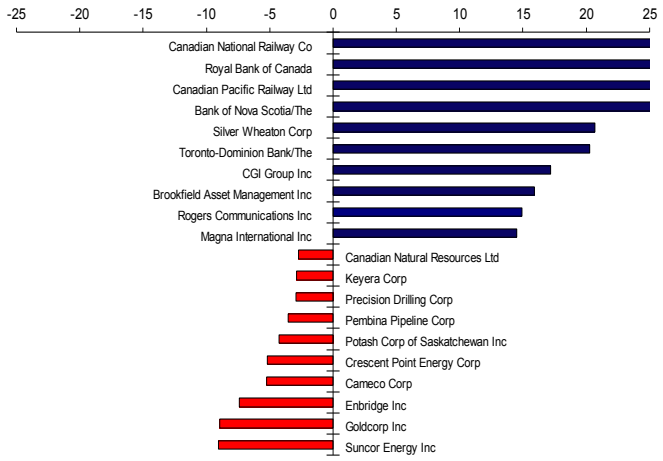
S&P/TSX composite sector movement



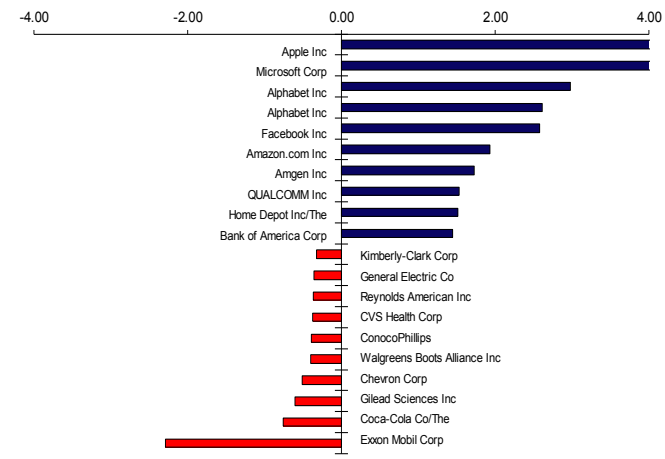
S&P 500 sector movement



Top 10 S&P/TSX dontributors/decliners by index points



Top 10 S&P 500 contributors/decliners by index points



Source: Bloomberg

Canadian and U.S. economic data

July 2016

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
07/29/2016	Gross Domestic Product (m-o-m, SA)	May	-0.50%	-0.60%	0.10%
07/29/2016	Gross Domestic Product (y-o-y, SA)	May	1.20%	1.00%	1.50%
	Labour market				
07/08/2016	Net Change in Employment (000, SA)	Jun	5.0k	-0.7k	13.8k
07/08/2016	Participation Rate (SA)	Jun	--	65.50%	65.70%
07/08/2016	Unemployment Rate (SA)	Jun	7.00%	6.80%	6.90%
	Housing market				
07/11/2016	Housing Starts (000, SAAR)	Jun	189.5k	218.3k	186.7k
07/14/2016	New Housing Price Index (y-o-y)	May	2.20%	2.70%	2.10%
07/15/2016	Existing Home Sales (m-o-m)	Jun	--	-0.90%	-2.80%
07/13/2016	Teranet/National Bank HPI (m-o-m)	Jun	--	2.30%	1.80%
	Consumer & manufacturing				
07/22/2016	Retail Sales (m-o-m, SA)	May	0.00%	0.20%	0.80%
07/22/2016	Retail Sales Less Autos (m-o-m, SA)	May	0.30%	0.90%	1.30%
07/15/2016	Manufacturing Sales (m-o-m, SA)	May	-0.80%	-1.00%	1.00%
	Trade				
07/06/2016	Merchandise Trade (billion, SA)	May	-2.70b	-3.28b	-3.32b
	Prices				
07/22/2016	Consumer Price Index (m-o-m)	Jun	0.10%	0.20%	0.40%
07/22/2016	Consumer Price Index (y-o-y)	Jun	1.40%	1.50%	1.50%
07/22/2016	Bank of Canada CPI Core (m-o-m)	Jun	-0.10%	0.00%	0.30%
07/22/2016	Bank of Canada CPI Core (y-o-y)	Jun	2.00%	2.10%	2.10%
07/29/2016	Industrial Product Price (m-o-m)	Jun	0.10%	0.60%	1.20%
07/29/2016	Raw Materials Price Index (m-o-m)	Jun	3.00%	1.80%	7.00%
	Other indicators				
07/21/2016	Wholesale Sales (m-o-m, SA)	May	0.20%	1.80%	0.20%
07/07/2016	Ivey Purchasing Managers Index (SA)	Jun	51.2	51.7	49.4
07/07/2016	Building Permits (m-o-m, SA)	May	2%	-2%	0%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
07/29/2016	GDP (q-o-q, SAAR)	2Q A	2.50%	1.20%	0.80%
07/29/2016	GDP Price Index (q-o-q, SAAR)	2Q A	1.90%	2.20%	0.50%
07/29/2016	Core PCE (q-o-q, SAAR)	2Q A	1.70%	1.70%	2.10%
	Labour market				
07/08/2016	Change in Nonfarm Payrolls (000, SA)	Jun	180k	287k	11k
07/08/2016	Unemployment Rate (SA)	Jun	4.80%	4.90%	4.70%
	Housing market				
07/19/2016	Building Permits (000, SAAR)	Jun	1150k	1153k	1136k
07/19/2016	Housing Starts (000, SAAR)	Jun	1165k	1189k	1135k
07/26/2016	New Home Sales (000, SAAR)	Jun	560k	592k	572k
07/21/2016	Existing Home Sales (million, SAAR)	Jun	5.48m	5.57m	5.51m
07/18/2016	NAHB Housing Market Index (SA)	Jul	60	59	60
07/01/2016	Construction Spending (m-o-m, SA)	May	0.60%	-0.80%	-2.90%
	Consumer & manufacturing				
07/15/2016	Advance Retail Sales (m-o-m, SA)	Jun	0.10%	0.60%	0.20%
07/15/2016	Retail Sales Less Autos (m-o-m, SA)	Jun	0.40%	0.70%	0.40%
07/26/2016	Consumer Confidence (SA)	Jul	96.0	97.3	97.4
07/29/2016	U. of Michigan Confidence	Jul F	90.2	90.0	89.5
07/29/2016	Personal Consumption (q-o-q, SAAR)	2Q A	4.40%	4.20%	1.60%
07/27/2016	Durable Goods Orders (m-o-m, SA)	Jun P	-1.40%	-4.00%	-2.80%
07/05/2016	Factory Orders (m-o-m, SA)	May	-0.80%	-1.00%	1.80%
	Trade				
07/13/2016	Import Price Index (m-o-m)	Jun	0.50%	0.20%	1.40%
07/13/2016	Import Price Index (y-o-y)	Jun	-4.60%	-4.80%	-5.00%
07/06/2016	Trade Balance (billion, SA)	May	-$40.0b	-$41.1b	-$37.4b
	Prices				
07/15/2016	Consumer Price Index (m-o-m, SA)	Jun	0.30%	0.20%	0.20%
07/15/2016	Consumer Price Index (y-o-y)	Jun	1.10%	1.00%	1.00%
07/15/2016	CPI Core Index (SA)	Jun	247.52	247.50	247.07
	Other indicators				
07/01/2016	ISM Manufacturing Index (SA)	Jun	51.3	53.2	51.3
07/29/2016	Chicago Purchasing Manager Index	Jul	54.0	55.8	56.8
07/21/2016	Philadelphia Fed Index	Jul	4.5	-2.9	4.7
07/21/2016	Leading Indicators (m-o-m)	Jun	0.20%	0.30%	-0.20%
07/15/2016	Business Inventories (m-o-m, SA)	May	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 – July 2016

Increases				
Company	**$ Change**		**Ex-Date**	**% Change**
Agnico Eagle Mines Ltd	Prior: $0.0800	New: $0.1000	August 30, 2016	25.0%
Alimentation Couche-Tard -B	Prior: $0.0675	New: $0.0775	July 19, 2016	14.8%
Saputo Inc	Prior: $0.1350	New: $0.1500	September 1, 2016	11.1%
Emera Inc	Prior: $0.4750	New: $0.5225	July 20, 2016	10.0%
Empire Co Ltd 'A'	Prior: $0.1000	New: $0.1025	July 13, 2016	2.5%
Brookfield Business Pt-Unit	Prior: $-	New: $0.0700	August 29, 2016	-
Decreases				
Company	**$ Change**		**Ex-Date**	**% Change**
First Quantum Minerals Ltd	Prior: $0.0100	New: $0.0050	August 24, 2016	-50.0%

Source: Bloomberg



Wealth Management
Dominion Securities

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