



Wealth Management
Dominion Securities

Portfolio Advisory Group | August 2016

What moved the markets

Continued strength in the U.S. labour market and a rebound in oil prices set the tone for the month of August, which was otherwise fairly quiet given most central banks were on hiatus until September.

All three U.S. stock indices closed at record highs in the days following the employment report for the first time since 1999.

The latest employment data revealed that the U.S. generated 255,000 jobs in July (versus consensus expectations of 180,000), with an upwardly revision showing an impressive gain of 292,000 jobs in June. All three U.S. stock indices closed at record highs in the days following the employment report for the first time since 1999. Federal Reserve Chair Janet Yellen indicated at the Jackson Hole Symposium in late August that 'the case for an increase in the Federal Funds rate had strengthened in recent months' while reiterating that hikes would be gradual and over time, reinforcing a long-standing narrative from the Fed.

The price of WTI oil rebounded 10% to about \$45 per barrel this month, primarily driven by increased expectations that OPEC and non-OPEC members may finally be working together to restore balance between supply and demand. This has helped drive equity markets

higher, and given the positive market sentiment, corporate credit spreads have tightened. Tighter spreads were particularly pronounced in the high yield segment, which includes a number of energy issuers that have benefited from the rebound in the price of oil.

The S&P/TSX moved up 0.3%, with rallies in the Healthcare and Consumer Staples sectors of 13.9% and 4.9%, respectively offset by declines in Materials and Utilities sectors of 9.9% and 2.8%. Overall, 7 of 10 sectors finished the month in positive territory.

In the U.S., the S&P 500 also remained flat, closing the month 0.1% higher, with 6 of 10 sectors ending the month in negative territory. The Financials and Information Technology sectors gained 3.8% and 2.1%, respectively, while the Telecom and Utilities sectors fell by 5.7% and 5.6%, respectively.

Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	0.3%	14.4%
Dow Jones Industrial Average TR	0.3%	7.7%
S&P 500 Index TR	0.1%	7.8%
NASDAQ Composite Index TR	1.2%	5.0%
MSCI EAFE TR (USD)	0.1%	0.9%
MSCI World TR (USD)	0.1%	5.5%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	1.7%	10.6%
S&P/TSX Energy TR	2.6%	21.8%
S&P/TSX Materials TR	-9.9%	46.8%
S&P/TSX Industrials TR	2.9%	16.7%
S&P/TSX Consumer Discretionary TR	1.9%	7.7%
S&P/TSX Telecom Services TR	-2.0%	17.6%
S&P/TSX Information Technology TR	1.5%	4.5%
S&P/TSX Consumer Staples TR	4.9%	13.4%
S&P/TSX Utilities TR	-2.8%	17.4%
S&P/TSX Healthcare TR	13.9%	-66.5%

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

The decline represents the biggest drop in payrolls since November 2015 and was primarily driven by a loss of 71,400 full-time jobs.

Fixed income-specific developments

In Canada, the trend of weak economic data releases continued in August. The Canadian economy lost 31,200 jobs in July (versus 10,000 job increase expected by economists) while the unemployment rate jumped from 6.8% to 6.9%. The decline represents the biggest drop in payrolls since November 2015 and was primarily driven by a loss of 71,400 full-time jobs. Canadian GDP declined 1.6% in Q2 on an annualized basis, greater than the 1.5% decline expected by economists and a significant drop from the 2.5% increase in Q1. Representing the biggest contraction since 2009, the decline was primarily driven by the negative impact of the Alberta wildfires on oil production. The string of disappointing data now has investors focused on the Bank of Canada's (BoC) next policy meeting on September 7th for further insight on the central bank's outlook for growth and inflation in the country.

South of the border, trading activity in U.S. Treasuries was relatively tame when considering there were a handful of events that have traditionally been the impetus for sharp moves in the rates market. The nonfarm payroll report (July) was stronger than expected but there wasn't a pronounced sell-off in Treasuries despite the fact equities soared to fresh all-time highs. This likely reflects investor comfort with prior messaging from the Federal Reserve that it will be patient with future interest rate hikes and the central bank will employ a gradual approach. The minutes from the July FOMC meeting showed that Fed officials view the gradual strengthening of the labour market as posing little risk of increasing inflationary pressures. At the Jackson Hole Symposium in late August, Fed Chair Yellen indicated a rate hike was on the horizon but the timing of an increase was still up for debate. The futures market is currently pricing in a 34% probability of a rate hike at the September meeting and a 59% chance of a hike by the end of the year.

Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.3105	0.6%	-5.3%
Euro	1.4623	0.4%	-2.7%
British Pound	1.7218	-0.1%	-15.6%
Japanese Yen	0.0127	-0.8%	10.1%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.7630	-0.5%	5.6%
Euro	0.6839	-0.4%	2.8%
British Pound	0.5808	0.2%	18.4%
Japanese Yen	78.9200	0.8%	-9.1%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$44.70	7.5%	20.7%
Natural Gas (per million btu)	\$2.89	0.4%	23.5%
Gold (per ounce)	\$1,308.97	-3.1%	23.3%
Silver (per ounce)	\$18.66	-8.3%	34.6%
Copper (per pound)	\$2.09	-6.3%	-2.1%
Nickel (per pound)	\$4.40	-8.3%	10.6%
Aluminum (per pound)	\$0.72	-2.5%	6.3%
Zinc (per pound)	\$1.05	3.0%	43.6%

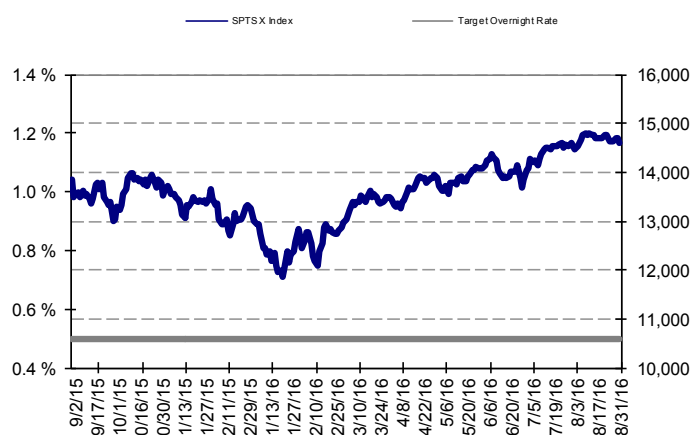
*All returns are on a Total Return basis. All indices are in local currency unless otherwise noted.

Global developments

Following its surprising inaction in July, the Bank of England (BoE) cut its benchmark interest rate at its August meeting to 0.25%, a record low. In addition, the BoE announced that it will buy £60 billion of government bonds in the next 6 months and £10 billion of corporate bonds over the next 18 months, and will lend up to £100 billion to banks. The European Central Bank released its July meeting minutes this month, which showed that policymakers agreed not to implement any policy changes at that meeting, and instead decided to assess the fallout from the Brexit vote before taking any additional stimulus measures.

After dropping to a 5-month low of \$40.17 per barrel on August 2nd, the price of WTI oil rebounded 10% to about \$45 per barrel at the end of the month. Oil's recovery was fueled by a report that Iran's Oil Minister will participate in an informal meeting of OPEC members in September, signaling that OPEC and non-OPEC members may finally be working together to restore balance between supply and demand in support of oil prices. Gold ended the month at \$1,308 per oz, after climbing to a two-year high of \$1,367 per oz on July 8th, while U.S. 10 Year Treasury yields ended the month 12 bps higher.

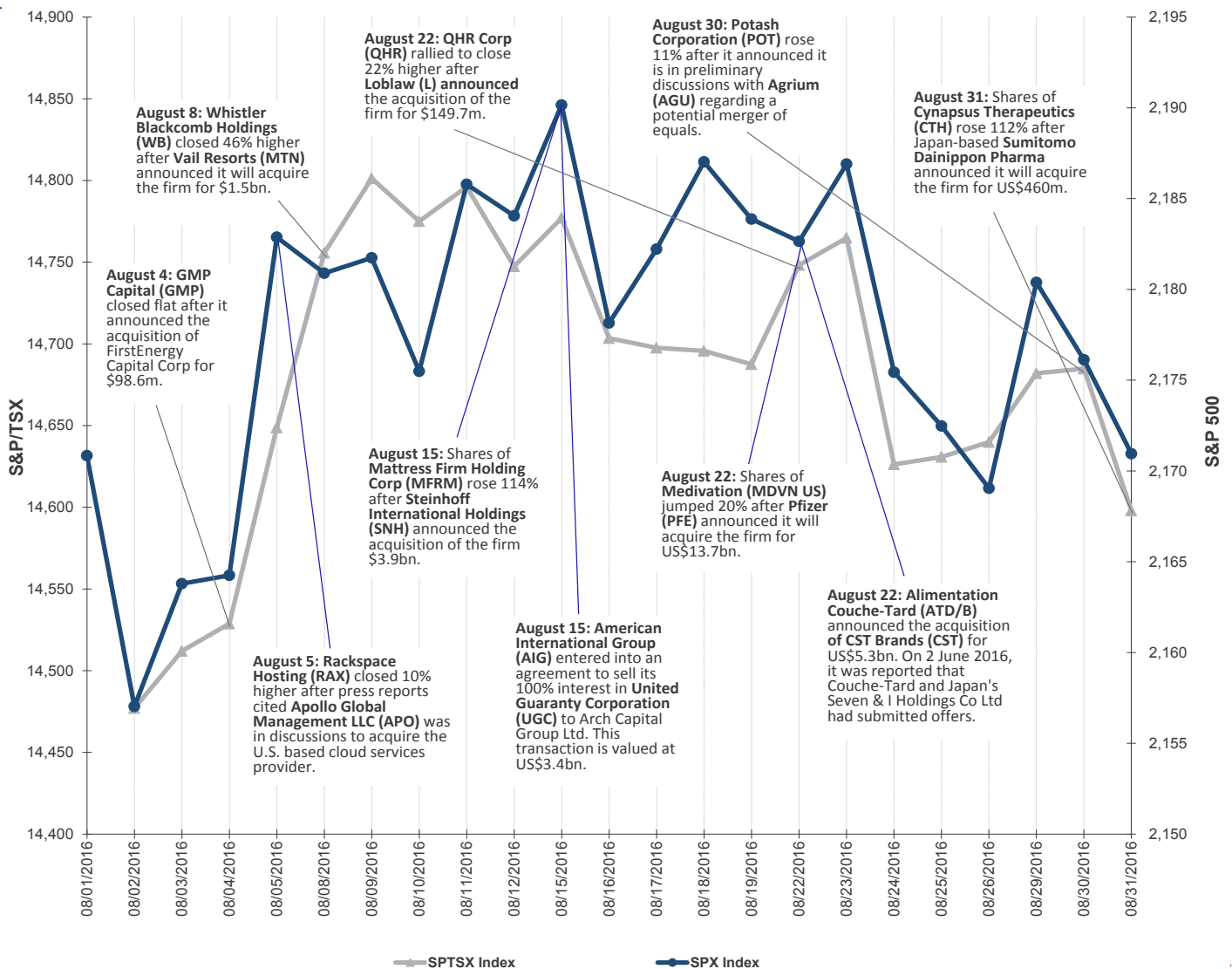
S&P/TSX Index – target overnight rate, LTM



Source: RBC Wealth Management, Bloomberg

North American equity highlights

August 2016

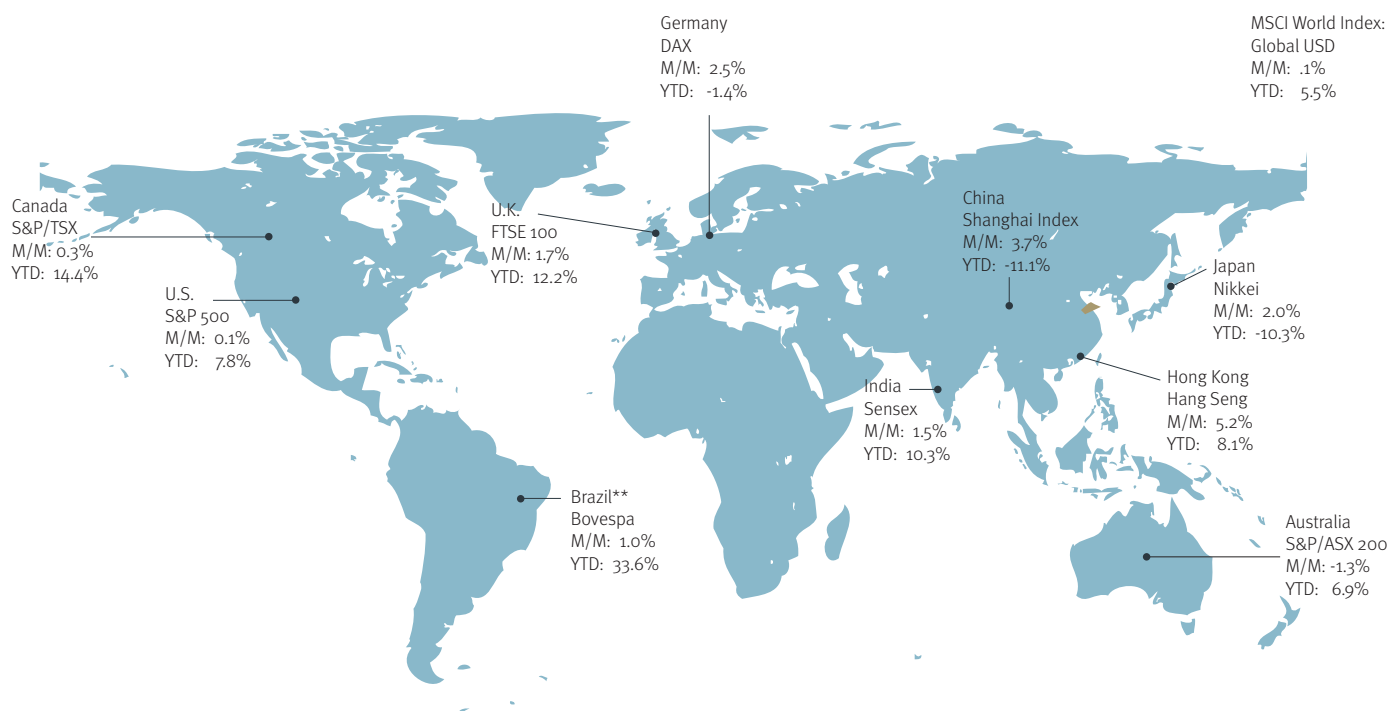


¹Bloomberg ²RBC Capital Markets Pricing Data
Source: Bloomberg

World markets

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

Global markets were tepid across the board in August. Across North and South America, S&P 500 and S&P/TSX closed up 0.1% and 0.3% respectively, while Brazil's Bovespa rose by 1.0%. In Europe, Germany's DAX and U.K.'s FTSE increased by 2.5% and 1.7% respectively. In Asia, Japan's Nikkei and India's Sensex closed the month up 2.0% and 1.5%, respectively, while Hong Kong's Hang Seng was the clear winner, moving up 5.2%. Australia's S&P/ASX 200 was the only index in the red, finishing the month 1.3% lower. Overall, the MSCI World Index increased by 0.1% for the month and is up 5.5% for the year.



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

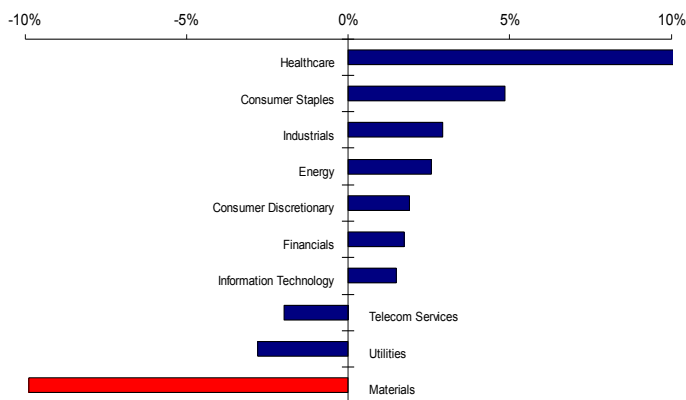
** These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 08/31/16

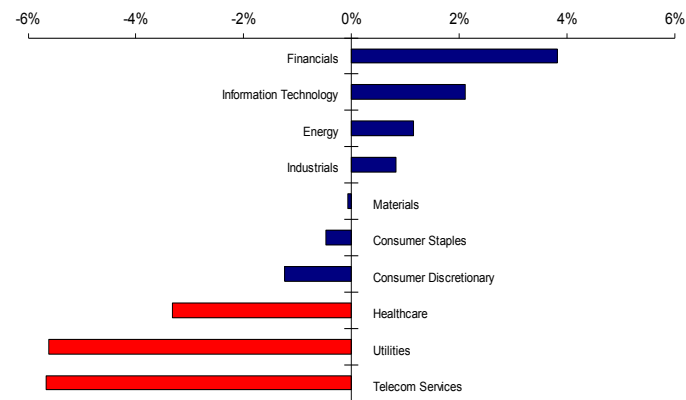
Canadian & U.S. equities

August 2016

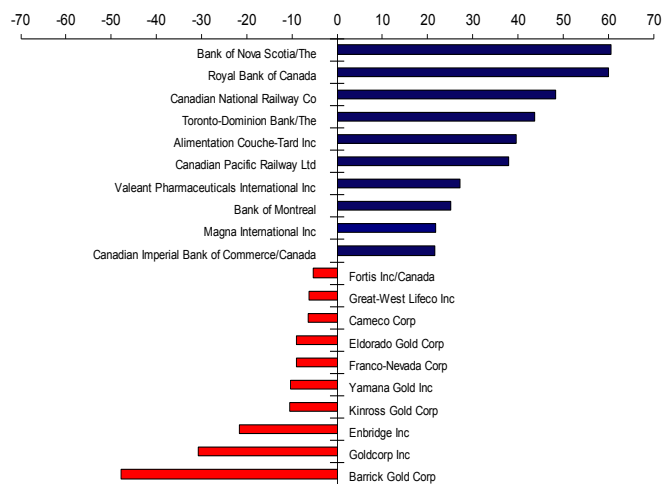
S&P/TSX composite sector movement



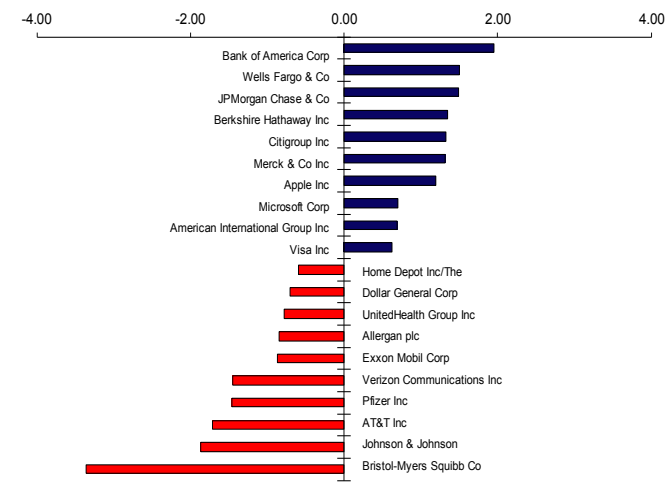
S&P 500 sector movement



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

August 2016

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
08/31/2016	Gross Domestic Product (m-o-m, SA)	Jun	0.40%	0.60%	-0.60%
08/31/2016	Gross Domestic Product (y-o-y, SA)	Jun	1.00%	1.10%	1.00%
Labour market					
08/05/2016	Net Change in Employment (ooo, SA)	Jul	10.0	-31.2k	-0.7k
08/05/2016	Participation Rate (SA)	Jul	--	65.40%	65.50%
08/05/2016	Unemployment Rate (SA)	Jul	6.90%	6.90%	6.80%
Housing market					
08/09/2016	Housing Starts (ooo, SAAR)	Jul	191	198.4k	218.3k
08/11/2016	New Housing Price Index (y-o-y)	Jun	--	2.50%	2.70%
08/15/2016	Existing Home Sales (m-o-m)	Jul	--	-1.30%	-0.90%
08/12/2016	Teranet/National Bank HPI (m-o-m)	Jul	--	2.00%	2.30%
Consumer & manufacturing					
08/19/2016	Retail Sales (m-o-m, SA)	Jun	0.50%	-0.10%	0.00%
08/19/2016	Retail Sales Less Autos (m-o-m, SA)	Jun	0.30%	-0.80%	0.80%
08/16/2016	Manufacturing Sales (m-o-m, SA)	Jun	0.50%	0.80%	-1.00%
Trade					
08/05/2016	Merchandise Trade (billion, SA)	Jun	-2.84	-3.63b	-3.50
Prices					
08/19/2016	Consumer Price Index (m-o-m)	Jul	0.00%	-0.20%	0.20%
08/19/2016	Consumer Price Index (y-o-y)	Jul	1.40%	1.30%	1.50%
08/19/2016	Bank of Canada CPI Core (m-o-m)	Jul	0.00%	0.00%	0.00%
08/19/2016	Bank of Canada CPI Core (y-o-y)	Jul	2.10%	2.10%	2.10%
08/30/2016	Industrial Product Price (m-o-m)	Jul	-0.30%	0.20%	0.70%
08/30/2016	Raw Materials Price Index (m-o-m)	Jul	-1.20%	-2.70%	2.00%
Other indicators					
08/22/2016	Wholesale Sales (m-o-m, SA)	Jun	0.10%	0.70%	1.90%
08/05/2016	Ivey Purchasing Managers Index (SA)	Jul	--	57	51.7
08/08/2016	Building Permits (m-o-m, SA)	Jun	2%	-6%	-2%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
08/26/2016	GDP (q-o-q, SAAR)	2Q S	1.10%	1.10%	1.20%
08/26/2016	GDP Price Index (q-o-q, SAAR)	2Q S	2.20%	2.30%	2.20%
08/26/2016	Core PCE (q-o-q, SAAR)	2Q S	1.70%	1.80%	1.70%
Labour market					
08/05/2016	Change in Nonfarm Payrolls (ooo, SA)	Jul	180.0	255k	292.0
08/05/2016	Unemployment Rate (SA)	Jul	4.80%	4.90%	4.90%
Housing market					
08/16/2016	Building Permits (ooo, SAAR)	Jul	1160.00	1152k	1153k
08/16/2016	Housing Starts (ooo, SAAR)	Jul	1180.00	1211k	1186.00
08/23/2016	New Home Sales (ooo, SAAR)	Jul	580.00	654k	582.00
08/24/2016	Existing Home Sales (million, SAAR)	Jul	5.51	5.39m	5.57m
08/15/2016	NAHB Housing Market Index (SA)	Aug	60	60	58
08/01/2016	Construction Spending (m-o-m, SA)	Jun	0.50%	-0.60%	0.10%
Consumer & manufacturing					
08/12/2016	Advance Retail Sales (m-o-m, SA)	Jul	0.40%	0.00%	0.80%
08/12/2016	Retail Sales Less Autos (m-o-m, SA)	Jul	0.10%	-0.30%	0.90%
08/30/2016	Consumer Confidence (SA)	Aug	97.0	101.1	96.7
08/26/2016	U. of Michigan Confidence	Aug F	90.8	89.8	90.4
08/26/2016	Personal Consumption (q-o-q, SAAR)	2Q S	4.20%	4.40%	4.20%
08/25/2016	Durable Goods Orders (m-o-m, SA)	Jul P	3.40%	4.40%	-4.20%
08/04/2016	Factory Orders (m-o-m, SA)	Jun	-1.90%	-1.50%	-1.20%
Trade					
08/11/2016	Import Price Index (m-o-m)	Jul	-0.40%	0.10%	0.60%
08/11/2016	Import Price Index (y-o-y)	Jul	-4.30%	-3.70%	-4.70%
08/05/2016	Trade Balance (billion, SA)	Jun	-43.0	-\$44.5b	-41.0
Prices					
08/16/2016	Consumer Price Index (m-o-m, SA)	Jul	0.00%	0.00%	0.20%
08/16/2016	Consumer Price Index (y-o-y)	Jul	0.90%	0.80%	1.00%
08/16/2016	CPI Core Index (SA)	Jul	247.87	247.71	247.50
08/29/2016	PCE Deflator (y-o-y, SA)	Jul	0.80%	0.80%	0.90%
Other indicators					
08/01/2016	ISM Manufacturing Index (SA)	Jul	53.0	52.6	53.2
08/31/2016	Chicago Purchasing Manager Index	Aug	54.0	51.5	55.8
08/18/2016	Philadelphia Fed Index	Aug	2.0	2.0	-2.9
08/18/2016	Leading Indicators (m-o-m)	Jul	0.30%	0.40%	0.30%
08/12/2016	Business Inventories (m-o-m, SA)	Jun	0.10%	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.

Notable Canadian dividend activity – August 2016

Increases				
Company	\$ Change		Ex-Date	% Change
Intertape Polymer Group Inc.	Prior: \$0.1300	New: \$0.1400	September 13, 2016	7.7%
CAE Inc	Prior: \$0.0750	New: \$0.0800	September 13, 2016	6.7%
Restaurant Brands International Inc.	Prior: \$0.1500	New: \$0.1600	September 1, 2016	6.7%
Ritchie Bros Auctioneers Inc.	Prior: \$0.1600	New: \$0.1700	August 31, 2016	6.3%
Keyera Corp	Prior: \$0.1250	New: \$0.1325	August 18, 2016	6.0%
Bank Of Nova Scotia	Prior: \$0.7200	New: \$0.7400	September 30, 2016	2.8%
Royal Bank Of Canada	Prior: \$0.8100	New: \$0.8300	October 24, 2016	2.5%

Source: Bloomberg



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