



# MONTH IN REVIEW

Portfolio Advisory Group

February 2016

## WHAT MOVED THE MARKETS

February was a very volatile month in financial markets. Risk aversion was the dominant theme in the first half of the month but that gave way to a more positive tone as the month drew to a close. Oil was a key area of focus for investors as high volatility with daily movements of several percent were common throughout the month. Beyond oil, details of the Canadian federal government's spending plans and comments from the FOMC dialing back US interest rate hike expectations were top of mind for North American investors. Globally, China's ongoing policy efforts to bolster growth as well as European central banks pushing already negative interest rates even lower were closely monitored developments.

North American indices were little changed this month. The S&P/TSX posted a 0.5% gain. An impressive rally of 17.9% in the Materials sector was offset by weakness in the Healthcare sector, which closed the month with a 23.3% decline. Overall, 6 of 10 sectors finished the month in positive territory.

The S&P 500 posted a 0.1% loss, with 6 of 10 sectors ending the month in positive territory. The Materials and Industrials sectors gained by 7.6% and 4.0% respectively; while the Financial and Energy sectors fell by 2.9% and 1.9% respectively.



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## FIXED INCOME-SPECIFIC DEVELOPMENTS

With the Bank of Canada expected to be on hold until more details about fiscal policy emerge, investors have turned their attention on the federal government's spending plans. Comments from Finance Minister Bill Morneau suggest the government will likely run a deficit in excess of nearly \$30 billion in the next fiscal year as it attempts to revive economic growth. The Finance Minister also warned it would be difficult for the government to balance its budget and to reduce the debt to GDP ratio in the coming years in light of current global economic conditions. In the week preceding the Finance Minister's comments, the OECD reduced both its 2016 and 2017 growth forecasts for the Canadian economy. The 2016 figure was reduced to 1.4% from 2% and the 2017 forecast now stands at 2.2%. With the prospect of weak economic growth looming, Bank of Canada (BoC) deputy governor Lawrence Schembri discussed the risks high levels of household debt pose to the Canadian's economy and the financial system. He noted the financial system "is very resilient and could withstand the triggering of this vulnerability," but acknowledged that the BoC is closely monitoring some key interest rate and employment indicators. The BoC believes a 5% rise in unemployment would be the triggering point for high levels of household debt to significantly affect the financial system. On the economic data front, retail sales fell 2.2% while Canadian CPI came in at 2.0% in January, its highest level in over a year, as a weak loonie caused domestic prices to edge higher. The benchmark Canada 10-year bond yield closed the month at 1.19%, 4 bps lower than last month's closing yield of 1.23%.

Federal Reserve policy remains in focus as the central bank digests mixed economic data that included soft U.S. manufacturing data offset by continued strength in the labor market. The minutes of the FOMC's January meeting revealed a consensus among policy makers that downside risks to the economy have risen due to slower global growth and tighter financial conditions. Investors interpreted these comments to suggest that a March rate hike is likely off the table. The ISM Manufacturing Index posted its fourth consecutive reading below 50, in contraction territory, as a strong US dollar continued to weigh on the sector. Positive labour market indicators included the unemployment rate falling below 5% for the first time in eight years and the lightest initial jobless claims print since November. The benchmark U.S. Treasury 10-year bond yield closed the month at 1.74%, 18 bps lower than last month's closing yield of 1.92%.

## NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	0.5%	-0.7%
Dow Jones Industrial Average TR	0.7%	-4.7%
S&P 500 Index TR	-0.1%	-5.1%
NASDAQ Composite Index TR	-1.0%	-8.8%
MSCI EAFE TR (USD)	-1.8%	-8.9%
MSCI World TR (USD)	-0.7%	-6.6%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	-2.5%	-3.5%
S&P/TSX Energy TR	-1.2%	-0.6%
S&P/TSX Materials TR	17.9%	15.9%
S&P/TSX Industrials TR	1.5%	-1.7%
S&P/TSX Consumer Discretionary TR	3.4%	-3.2%
S&P/TSX Telecom Services TR	3.3%	6.9%
S&P/TSX Information Technology TR	0.9%	-2.7%
S&P/TSX Consumer Staples TR	3.9%	5.8%
S&P/TSX Utilities TR	-4.6%	1.2%
S&P/TSX Healthcare TR	-23.3%	-30.4%

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

## GLOBAL DEVELOPMENTS

Sharp swings in the price of oil were a key driver of global markets. Despite near record-high US crude oil inventories, both major oil benchmarks ended at the highs for the month on reports that Russia and OPEC had entered an agreement to freeze oil output. Subsequent reports indicating that Iran is not interested in such a “freeze” agreement and Saudi Arabia rejecting the idea of production cuts increased oil price volatility to its highest level in seven years.

Chinese officials continued to look for ways to ease through monetary and fiscal policy. After announcing that banks could be subjected to higher reserve requirements earlier this month, the People’s Bank of China reversed course and announced a 50 basis-points reduction in the reserve requirements ratio for banks in late February. Additionally, central bank officials opined that the government could increase its budget deficit to 4% of GDP and cut taxes in order to revive the economy. On a geo-political note, tension rose in Asia over the militarization of the South China Sea after Beijing deployed surface-to-air missiles to a disputed island despite the pledge from Chinese President Xi Jinping to U.S. President Barrack Obama back in September that this area will not be militarized.

In Europe, the Swedish Central Bank made news by further lowering its already negative overnight interest rate. This policy move, as well as expectations for another rate cut from the European Central Bank, helped send core European sovereign bond yields to record lows. The benchmark 5-year German Bund yield closed the month at -0.36%, 8 bps lower than last month’s closing yield of -0.28%.

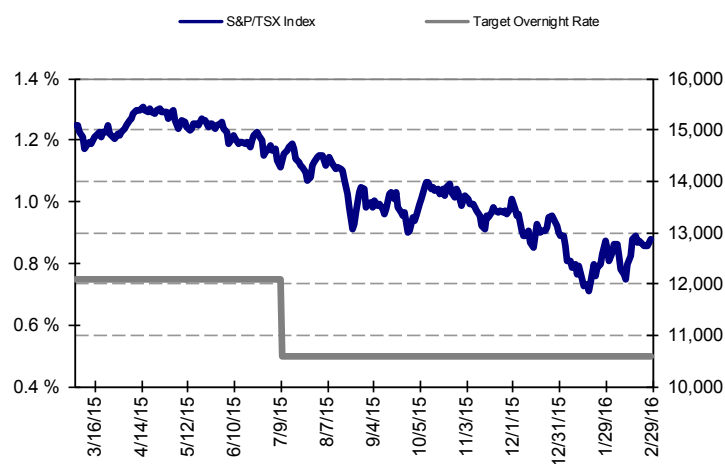
Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	1.3540	-3.1%	-2.2%
Euro	1.4723	-2.7%	-2.1%
British Pound	1.8845	-5.3%	-7.6%
Japanese Yen	0.0120	4.2%	4.4%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.7384	3.2%	2.2%
Euro	0.6790	2.7%	2.0%
British Pound	0.5304	5.5%	8.2%
Japanese Yen	83.2220	-4.0%	-4.2%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$33.75	0.4%	-8.9%
Natural Gas (per million btu)	\$1.71	-25.5%	-26.8%
Gold (per ounce)	\$1,238.74	10.8%	16.7%
Silver (per ounce)	\$14.90	4.5%	7.5%
Copper (per pound)	\$2.13	3.0%	0.0%
Nickel (per pound)	\$3.85	-1.1%	-3.3%
Aluminum (per pound)	\$0.72	5.1%	6.4%
Zinc (per pound)	\$0.80	8.7%	9.6%

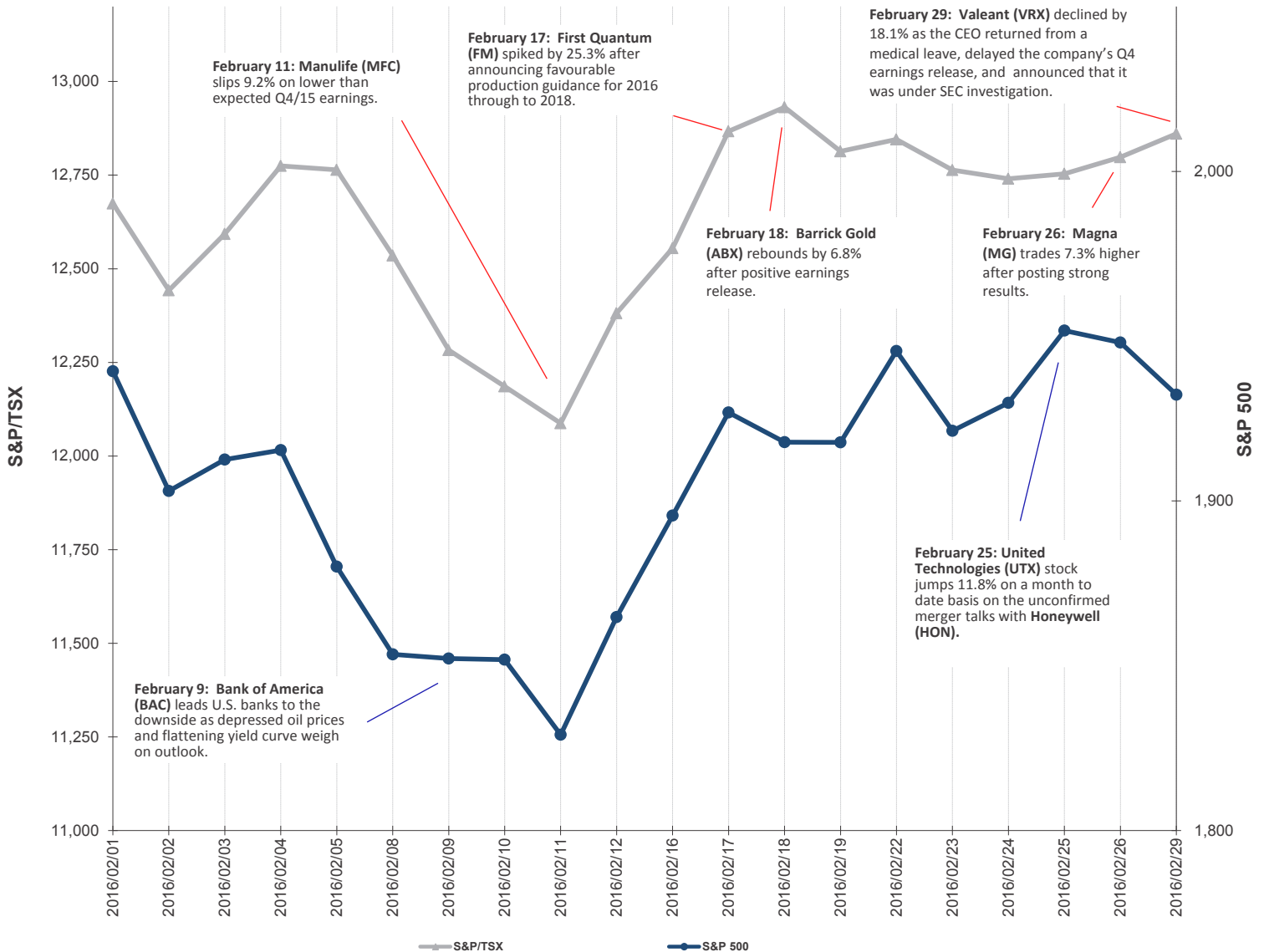
\*All returns are on a Total Return basis All indices are in local currency unless otherwise noted.

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



Source - RBC Wealth Management, Bloomberg

## NORTH AMERICAN EQUITY HIGHLIGHTS – FEBRUARY 2016

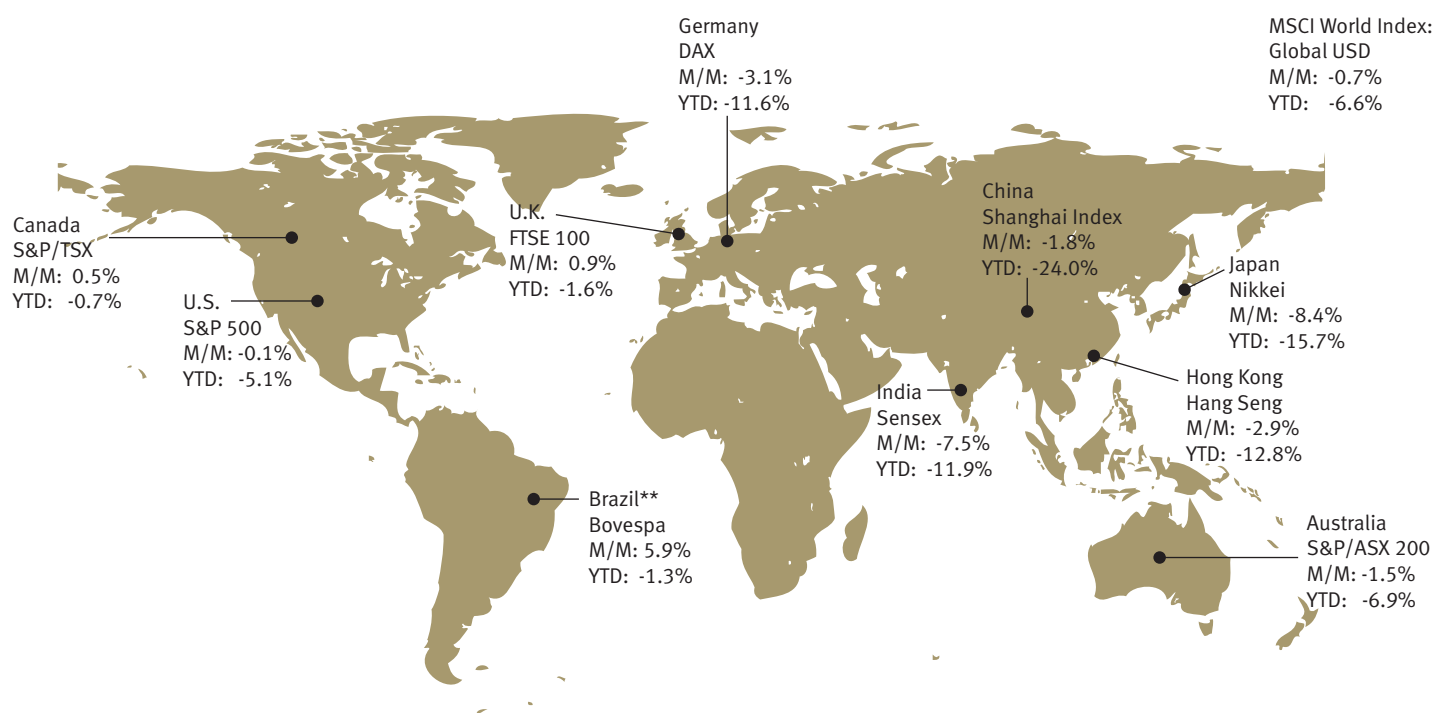


<sup>1</sup>Bloomberg <sup>2</sup>RBC Capital Markets Pricing Data  
Source: Bloomberg

# WORLD MARKETS

## February Month-over-Month and Year-to-Date Performance

Brazil's Bovespa, U.K.'s FTSE and Canada's S&P/TSX were the only three major global indices in positive territory for the month of February, finishing the month up 5.9%, 0.9% and 0.5%, respectively. The S&P 500 declined by 0.1% for the month while the Germany's DAX fell 3.1%. Weakness spread across Asia. Japan's Nikkei led to the downside, falling 8.4%, while India's Sensex declined 7.5%. China's Shanghai Index and Hong Kong's Hang Seng showed moderately better performance, closing the month down 1.8% and 2.9%, respectively. Lastly, Australia's S&P/ASX 200 declined by 1.5%. Overall, the MSCI World Index closed down 0.7% for the month and down 6.6% for the year.

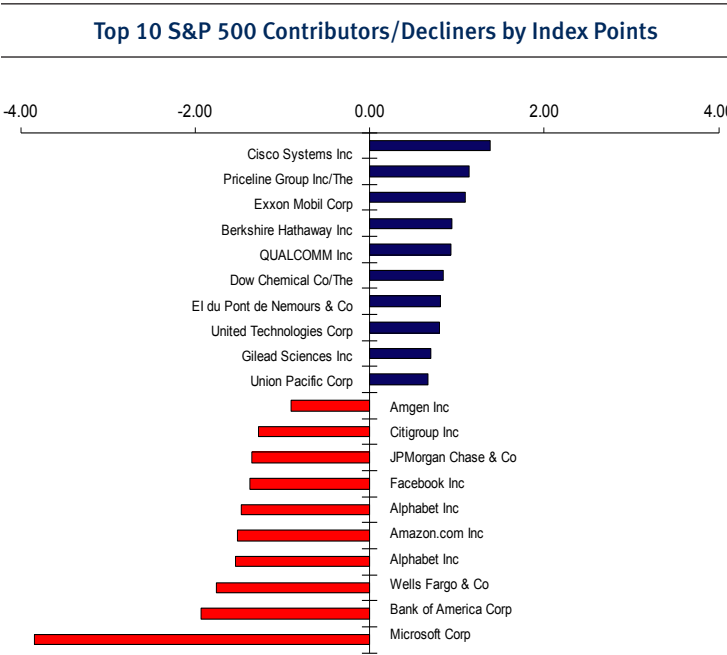
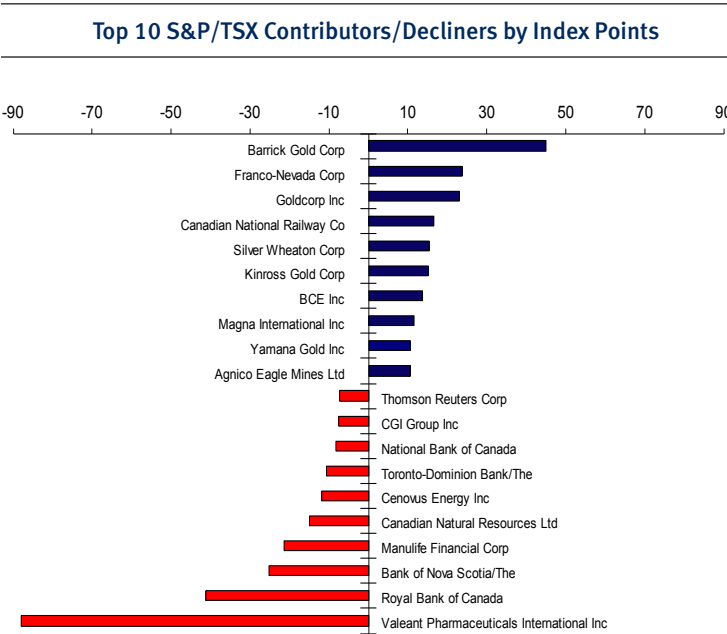
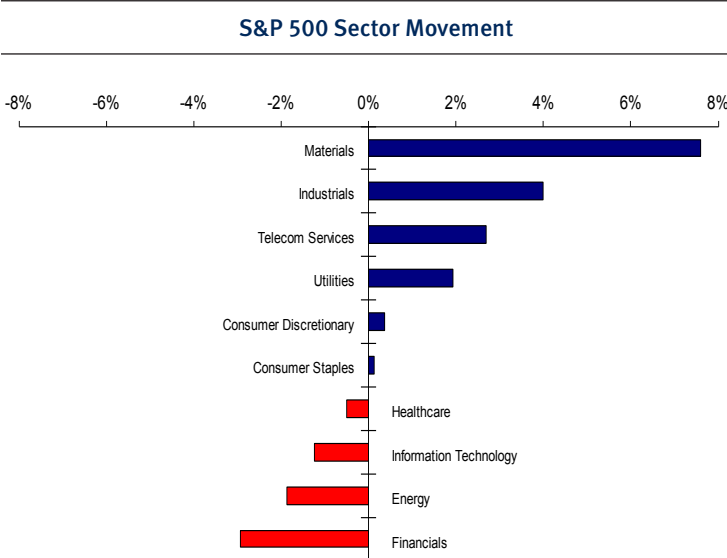
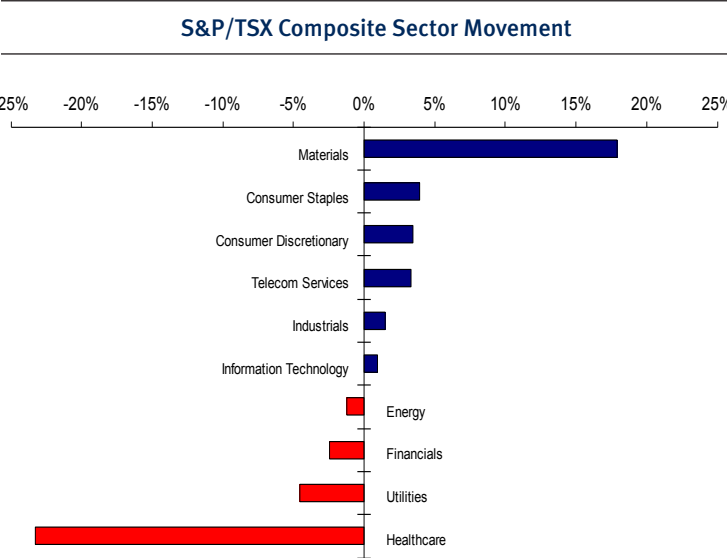


Source – Bloomberg, RBC Wealth Management, 02/29/16

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 – FEBRUARY 2016



Source: Bloomberg

## CANADIAN AND U.S. ECONOMIC DATA – FEBRUARY 2016

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
	<b>Labour market</b>				
02/05/2016	Net Change in Employment (000, SA)	Jan	0.0	0.0	0.0
02/05/2016	Participation Rate (SA)	Jan	65.90%	65.90%	65.90%
02/05/2016	Unemployment Rate (SA)	Jan	7.10%	7.20%	7.10%
	<b>Housing market</b>				
02/05/2016	Housing Starts (000, SAAR)	Jan	0	0.2	0.2
02/11/2016	New Housing Price Index (y-o-y)	Dec	--	1.60%	1.60%
02/16/2016	Existing Home Sales (m-o-m)	Jan	--	0.50%	-0.60%
02/12/2016	Teranet/National Bank HPI (m-o-m)	Jan	--	-0.10%	-0.10%
	<b>Consumer &amp; Manufacturing</b>				
02/19/2016	Retail Sales (m-o-m, SA)	Dec	-0.90%	-2.20%	1.70%
02/19/2016	Retail Sales Less Autos (m-o-m, SA)	Dec	-0.70%	-1.60%	1.00%
02/16/2016	Manufacturing Sales (m-o-m, SA)	Dec	0.50%	1.20%	1.20%
	<b>Trade</b>				
02/05/2016	Merchandise Trade (billion, SA)	Dec	0.00	0.00%	0.00
	<b>Prices</b>				
02/19/2016	Consumer Price Index (m-o-m)	Jan	0.00%	0.20%	-0.50%
02/19/2016	Consumer Price Index (y-o-y)	Jan	1.80%	2.00%	1.60%
02/19/2016	Bank of Canada CPI Core (m-o-m)	Jan	0.20%	0.30%	-0.40%
02/19/2016	Bank of Canada CPI Core (y-o-y)	Jan	1.90%	2.00%	1.90%
02/29/2016	Industrial Product Price (m-o-m)	Jan	0.00%	0.50%	-0.30%
02/29/2016	Raw Materials Price Index (m-o-m)	Jan	-3.30%	-0.40%	-5.20%
	<b>Other Indicators</b>				
02/18/2016	Wholesale Sales (m-o-m, SA)	Dec	0.20%	2.00%	1.90%
02/05/2016	Ivey Purchasing Managers Index (SA)	Jan	49.5	66	49.9
02/08/2016	Building Permits (m-o-m, SA)	Dec	6%	11%	-20%

Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
02/26/2016	GDP (q-o-q, SAAR)	4Q S	0.40%	1.00%	0.70%
02/26/2016	GDP Price Index (q-o-q, SAAR)	4Q S	0.80%	0.90%	0.80%
02/26/2016	Core PCE (q-o-q, SAAR)	4Q S	1.20%	1.30%	1.20%
	<b>Labour market</b>				
02/05/2016	Change in Nonfarm Payrolls (000, SA)	Jan	0.2	0.2	0.3
02/05/2016	Unemployment Rate (SA)	Jan	5.00%	4.90%	5.00%
	<b>Housing market</b>				
02/17/2016	Building Permits (000, SAAR)	Jan	1.20	1.20	1.20
02/17/2016	Housing Starts (000, SAAR)	Jan	1.17	1.10	1.14
02/24/2016	New Home Sales (000, SAAR)	Jan	0.52	0.49	0.54
02/23/2016	Existing Home Sales (million, SAAR)	Jan	0.00	0.00	0.00
02/16/2016	NAHB Housing Market Index (SA)	Feb	60	58	61
02/01/2016	Construction Spending (m-o-m, SA)	Dec	0.60%	0.10%	-0.60%
	<b>Consumer &amp; Manufacturing</b>				
02/12/2016	Advance Retail Sales (m-o-m, SA)	Jan	0.10%	0.20%	0.20%
02/12/2016	Retail Sales Less Autos (m-o-m, SA)	Jan	0.00%	0.10%	0.10%
02/23/2016	Consumer Confidence (SA)	Feb	97.2	92.2	97.8
02/26/2016	U. of Michigan Confidence	Feb F	91.0	91.7	90.7
02/26/2016	Personal Consumption (q-o-q, SAAR)	4Q S	2.20%	2.00%	2.20%
02/25/2016	Durable Goods Orders (m-o-m, SA)	Jan P	2.90%	4.90%	-4.60%
02/04/2016	Factory Orders (m-o-m, SA)	Dec	-2.80%	-2.90%	-0.70%
	<b>Trade</b>				
02/12/2016	Import Price Index (m-o-m)	Jan	-1.50%	-1.10%	-1.10%
02/12/2016	Import Price Index (y-o-y)	Jan	-6.80%	-6.20%	-8.10%
02/05/2016	Trade Balance (billion, SA)	Dec	-43.2	-43.4	-42.2
	<b>Prices</b>				
02/19/2016	Consumer Price Index (m-o-m, SA)	Jan	-0.10%	0.00%	-0.10%
02/19/2016	Consumer Price Index (y-o-y)	Jan	1.30%	1.40%	0.70%
02/19/2016	CPI Core Index (SA)	Jan	244.81	245.23	244.52
02/26/2016	PCE Deflator (y-o-y, SA)	Jan	1.10%	1.30%	0.70%
	<b>Other Indicators</b>				
02/01/2016	ISM Manufacturing Index (SA)	Jan	48.4	48.2	48.0
02/29/2016	Chicago Purchasing Manager Index	Feb	52.5	47.6	55.6
02/18/2016	Philadelphia Fed Index	Feb	-3.0	-2.8	-3.5
02/18/2016	Leading Indicators (m-o-m)	Jan	-0.20%	-0.20%	-0.30%
02/12/2016	Business Inventories (m-o-m, SA)	Dec	0.10%	0.10%	-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 – FEBRUARY 2016

INCREASES				
Company	\$ Change		Ex-Date	% Change
Thomson Reuters Corp (TRI)	Prior: \$0.3350	New: \$0.3400	February 9, 2016	1.5%
Gluskin Sheff + Associates Inc. (GS)	Prior: \$-	New: \$0.1000	February 10, 2016	Special Cash Dividend
Manulife Financial Corp (MFC)	Prior: \$0.1700	New: \$0.1850	February 22, 2016	8.8%
DHX Media Ltd. (DHX.B)	Prior: \$0.0150	New: \$0.0160	February 24, 2016	6.7%
Brookfield Renewable Energy Partners LP (BEP.UN)	Prior: \$0.4150	New: \$0.4450	February 25, 2016	7.2%
Brookfield Asset Management Inc. (BAM.A)	Prior: \$0.1200	New: \$0.1300	February 25, 2016	8.3%
Brookfield Property Partners LP (BPY.UN)	Prior: \$0.2650	New: \$0.2800	February 26, 2016	5.7%
OceanaGold Corp (OGC)	Prior: \$0.0400	New: \$0.0400	February 26, 2016	Annual dividend
Restaurant Brands International Inc. (QSR)	Prior: \$0.1300	New: \$0.1400	March 1, 2016	7.7%
Gildan Activewear Inc. (GIL)	Prior: \$0.0650	New: \$0.0780	March 8, 2016	20.0%
Toromont Industries Ltd. (TIH)	Prior: \$0.1700	New: \$0.1800	March 8, 2016	5.9%
Magna International Incorporated (MG)	Prior: \$0.2200	New: \$0.2500	March 9, 2016	13.6%
BCE Inc. (BCE)	Prior: \$0.6500	New: \$0.6825	March 11, 2016	5.0%
Intact Financial Corp (IFC)	Prior: \$0.5300	New: \$0.5800	March 11, 2016	9.4%
Canadian Imperial Bank of Commerce (CM)	Prior: \$1.1500	New: \$1.1800	March 23, 2016	2.6%
Innervex Renewable Energy Inc. (INE)	Prior: \$0.1550	New: \$0.1600	March 29, 2016	3.2%
TransCanada Corp (TRP)	Prior: \$0.5200	New: \$0.5650	March 29, 2016	8.7%
Stantec Inc. (STN)	Prior: \$0.1050	New: \$0.1125	March 29, 2016	7.1%
First Service Corp (FSV)	Prior: \$0.1000	New: \$0.1100	March 29, 2016	10.0%
Toronto Dominion Bank (TD)	Prior: \$0.5100	New: \$0.5500	April 6, 2016	7.8%
Royal Bank of Canada (RY)	Prior: \$0.7900	New: \$0.8100	April 21, 2016	2.5%
Boralex Inc. (BLX)	Prior: \$0.1300	New: \$0.1400	May 27, 2016	7.7%
Chartwell Retirement Residences (CSH.U)	Prior: \$0.0459	New: \$0.0468	TBA	2.0%

Source: Bloomberg

## NOTABLE CANADIAN DIVIDEND ACTIVITY – FEBRUARY 2016

DECREASES				
Company	\$ Change		Ex-Date	% Change
Temple Hotels Inc. (TPH)	Prior: \$0.0250	New: \$-	January 27, 2016	Suspended
Atlantic Power Corp (ATP)	Prior: \$0.0300	New: \$-	February 9, 2016	Suspended
Precision Drilling Corporation (PD)	Prior: \$0.0700	New: \$-	February 11, 2016	Suspended
ARC Resources Ltd. (ARX)	Prior: \$0.1000	New: \$0.0500	February 25, 2016	-50.0%
Canadian Energy Services & Technology (CEU)	Prior: \$0.0180	New: \$0.0025	February 25, 2016	-86.1%
Canaccord Genuity Group Inc. (CF)	Prior: \$0.0500	New: \$-	February 25, 2016	Suspended
TORC Oil & Gas Ltd. (TOG)	Prior: \$0.0450	New: \$0.0200	February 25, 2016	-55.6%
Dream Office Real Estate Investment Trust (D.UN)	Prior: \$0.1866	New: \$0.1250	February 25, 2016	-33.0%
TransAlta Corp (TA)	Prior: \$0.1800	New: \$0.0400	February 26, 2016	-77.8%
Cenovus Energy Inc. (CVE)	Prior: \$0.1600	New: \$0.0500	March 11, 2016	-68.8%
Encana Corporation (ECA)	Prior: \$0.0700	New: \$0.0150	March 11, 2016	-78.6%
Newalta Corporation (NAL)	Prior: \$0.0625	New: \$-	March 24, 2016	Suspended
Western Energy Services Corp (WRG)	Prior: \$0.0500	New: \$-	March 28, 2016	Suspended
GoldCorp Inc. (G)	Prior: \$0.0200	New: \$0.0200	June 14, 2016	From monthly to quarterly - starting June 2016
Enerplus Corporation (ERF)	Prior: \$0.0300	New: \$0.0100	TBA	-66.7%
Bonavista Energy Corp (BNP)	Prior: \$0.0100	New: \$0.0100	TBA	From monthly to quarterly - effective April 1, 2016

Source: Bloomberg

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