



MONTH IN REVIEW

Portfolio Advisory Group

August 2015

WHAT MOVED THE MARKETS

A surprise currency devaluation from China and continued uncertainty over the timing of the Fed's first rate hike weighed heavily on markets. Commodities remained under pressure as the Chinese devaluation was seen as a tacit acknowledgement by the government that growth in the domestic economy was slowing. The steep fall and intense volatility of the Shanghai Composite rippled through equity and fixed income markets around the globe. The domino effect unleashed a broad sell-off in global equity markets; however, markets did appear to stabilize as the month came to a close.

In Canada, market participants continue to focus on the weak economic backdrop and whether it will eventually lead to slowing employment and a third interest rate cut since the start of the year. The U.S. dollar continued to strengthen against the Canadian dollar and crude hit fresh new lows as central bank policy between the two nations continued to diverge.

North American indices were in the red, with the S&P/TSX posting a loss of 4.0% and the S&P 500 falling 6.0%. For the S&P/TSX, all 10 sectors finished the month in negative territory with Healthcare (-8.8%), Industrials (-8.0%), and Consumer Discretionary (-6.7%) the biggest laggards. Energy (-3.0%) was particularly volatile, tumbling nearly 20% at mid-month, only to recover much of these losses into month end as most crude blends bounced off of multi-year lows. While the TSX was generally a sea of red, it was one of the strongest global performers, as most global indices fell around 10%.

For the first time in nearly four-years, the S&P 500 officially entered correction territory (defined as a decline of more than 10% from the prior high). History has shown that declines of between 10% and 20% are not that unusual – occurring roughly once every one to two years. On average, these corrective phases tend to last about four months (measured from peak to trough) and take another four months or so for the market to fully recover to new highs. Declines of greater than 20% - usually referred to as bear markets – are almost always associated with U.S. recessions. Based on a number of different indicators including employment, ISM Manufacturing and the slope of the yield curve, current recession risks appear benign in our view.



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All indices and figures priced in local currency as at August 31, 2015 (unless otherwise stated). For Important Disclosures, see page 10.

FIXED INCOME-SPECIFIC DEVELOPMENTS

The Canadian dollar hit a 12-year low and oil prices experienced increased volatility as concerns about the economy grew. Crude momentarily dipped below \$38/barrel this month before staging a strong rebound and ending the month at \$48/barrel as concerns of oversupply eased.

Economic data releases in August were mixed overall. Solid retail sales growth and stronger than expected export growth signaled an improving economy heading into the second half of the year, but this was juxtaposed with weak job growth in the manufacturing sector and continued downward pressure on inflation from lower oil prices. Recent market volatility has the futures market pricing a 21% probability of a rate cut from the Bank of Canada at the September 9th meeting, up slightly from a 17% probability a week ago. The benchmark Canada 10-year bond closed the month at 1.49%, 5 bps higher than last month's closing yield of 1.44%.

In the U.S., positive retail sales data (0.6% in July MoM) combined with better than expected jobs growth revealed that the American economy is growing despite global turbulence. Second quarter GDP surprisingly grew at a 3.7% pace, versus a previously announced growth rate of 2.3%. The report indicated that an increase in home prices, cheaper fuel costs, and rising employment were contributors to the better-than-expected data. The positive economic data was offset by a tepid 0.1% increase in July CPI. This was the lowest result in three months, making the Fed's inflation target goal of 2% appear even more fleeting. The futures market is currently pricing a 40% probability of a rate hike at the Fed's September meeting, down from 50% earlier in the month.

The benchmark U.S. Treasury 10-year bond closed the month at 2.21%, 3 bps higher than last month's closing yield of 2.18%.

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	-4.0%	-3.5%
Dow Jones Industrial Average TR	-6.2%	-5.7%
S&P 500 Index TR	-6.0%	-2.9%
NASDAQ Composite Index TR	-6.7%	1.6%
MSCI EAFE TR (USD)	-7.3%	0.1%
MSCI World TR (USD)	-6.6%	-2.1%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	-3.6%	-3.2%
S&P/TSX Energy TR	-3.0%	-14.1%
S&P/TSX Materials TR	-2.3%	-15.8%
S&P/TSX Industrials TR	-8.0%	-11.2%
S&P/TSX Consumer Discretionary TR	-6.7%	3.5%
S&P/TSX Telecom Services TR	-2.1%	3.0%
S&P/TSX Information Technology TR	-2.2%	7.5%
S&P/TSX Consumer Staples TR	-2.3%	8.4%
S&P/TSX Utilities TR	-1.2%	-2.8%
S&P/TSX Healthcare TR	-8.8%	70.9%

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

GLOBAL DEVELOPMENTS

The PBOC initially devalued the renminbi nearly 2%, with subsequent sessions bringing the total depreciation closer to 3%. Because of its loose peg to the U.S. dollar, the renminbi had strengthened significantly over the past year against most neighboring currencies and the depreciation was thus designed to make Chinese exports more competitive.

The Chinese central bank also cut the benchmark one-year lending rate 25 bps to 4.6% and reduced the bank reserve requirement 50 bps to 18%. The new stimulus was announced following a 16.1% drop in the Shanghai Composite over two trading sessions, the largest two-day fall in nearly two decades.

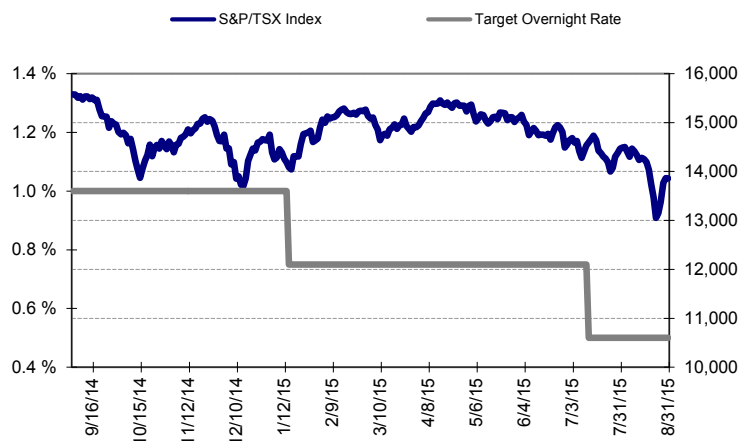
European growth continues to stagnate with Germany, France and Italy, the eurozone's three largest economies, falling short of growth expectations. However, a weaker euro coupled with continued improvement in bank balance sheets across the region are expected to lead to better growth zone-wide as we head into the back end of the year.

Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	1.3140	0.4%	13.1%
Euro	1.4730	2.4%	4.8%
British Pound	2.0162	-1.4%	11.4%
Japanese Yen	0.0108	2.7%	11.6%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.7610	-0.4%	-11.6%
Euro	0.6788	-2.4%	-4.6%
British Pound	0.4959	1.4%	-10.2%
Japanese Yen	92.2560	-2.5%	-10.5%

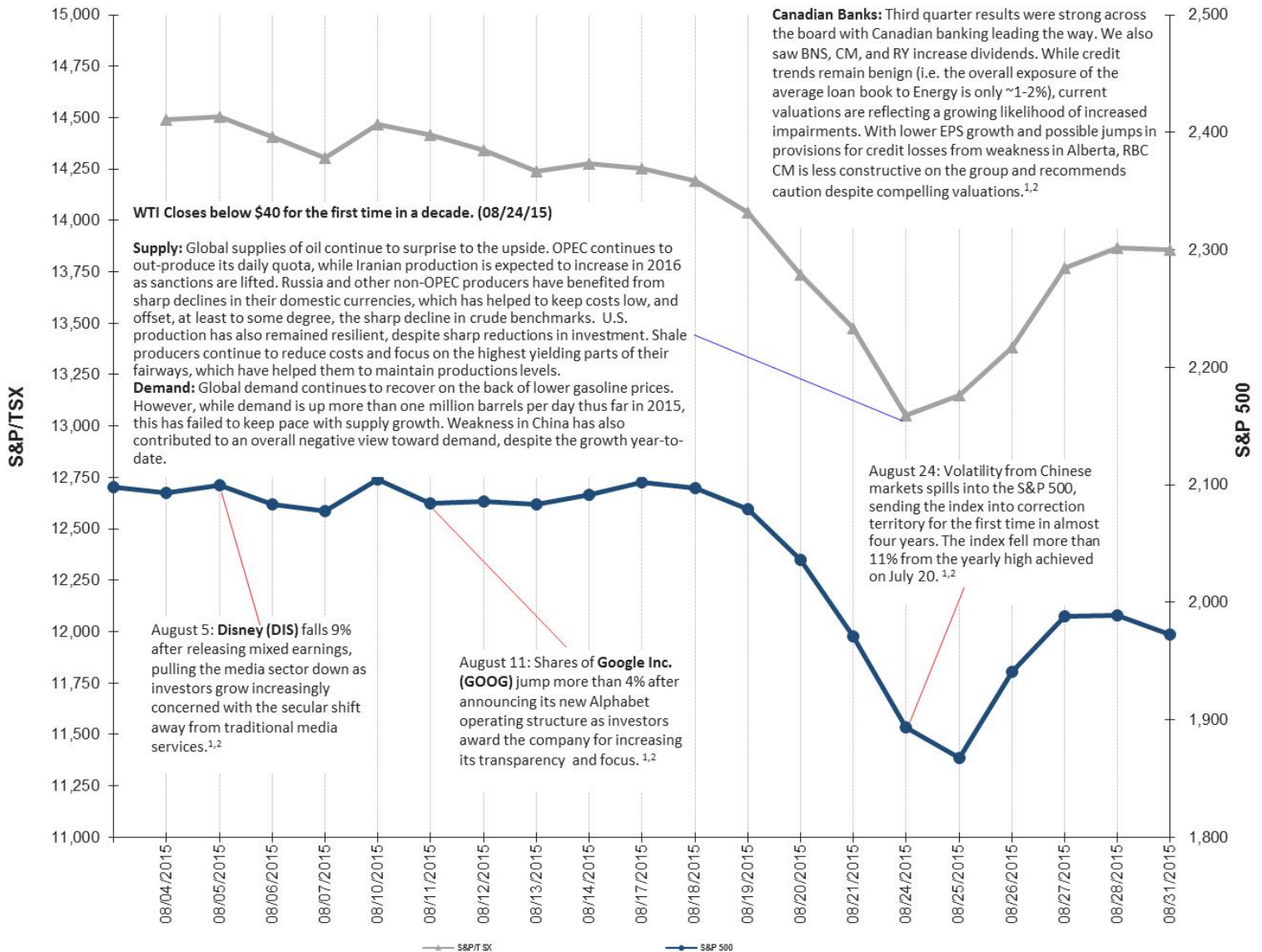
Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$49.20	4.4%	-7.6%
Natural Gas (per million btu)	\$2.69	-1.0%	-6.9%
Gold (per ounce)	\$1,134.80	3.6%	-4.2%
Silver (per ounce)	\$14.63	-1.1%	-6.9%
Copper (per pound)	\$2.33	-1.4%	-19.2%
Nickel (per pound)	\$4.55	-8.7%	-33.4%
Aluminum (per pound)	\$0.72	0.4%	-13.0%
Zinc (per pound)	\$0.82	-5.6%	-16.9%

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



Source - RBC Wealth Management, Bloomberg

NORTH AMERICAN EQUITY HIGHLIGHTS – AUGUST 2015

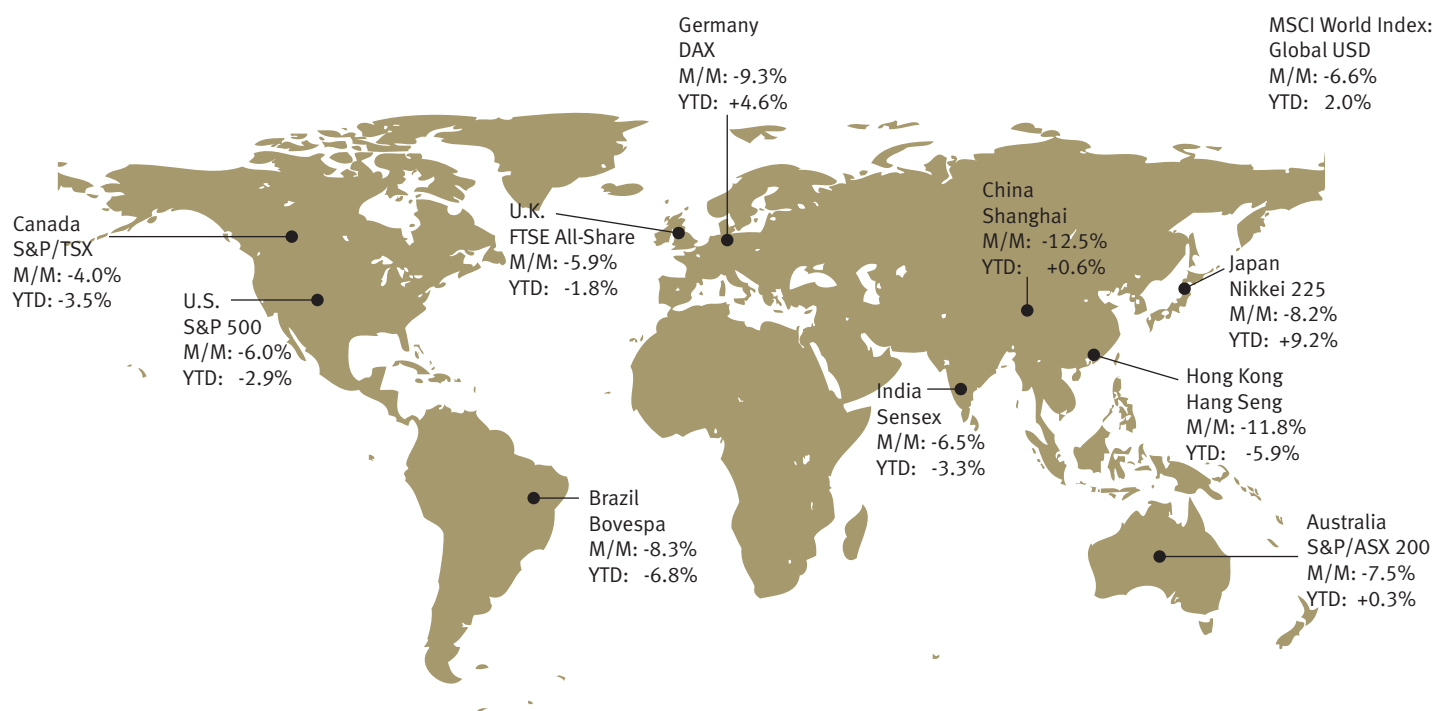


¹Bloomberg ²RBC Capital Markets Pricing Data
Source: Bloomberg

WORLD MARKETS

August Month-over-Month and Year-to-Date Performance

Global indices were all negative in August, with China's Shanghai Index (-12.5%) the worst performer. The MSCI World Index fell 6.6%; however, in addition to China, several other major indices declined around 10%, making this one of the worst months since the Financial Crisis. The S&P 500 was down about 6%, while the S&P/TSX, despite significant oil volatility, was one of the best performing markets worldwide, posting a loss of about 4%.

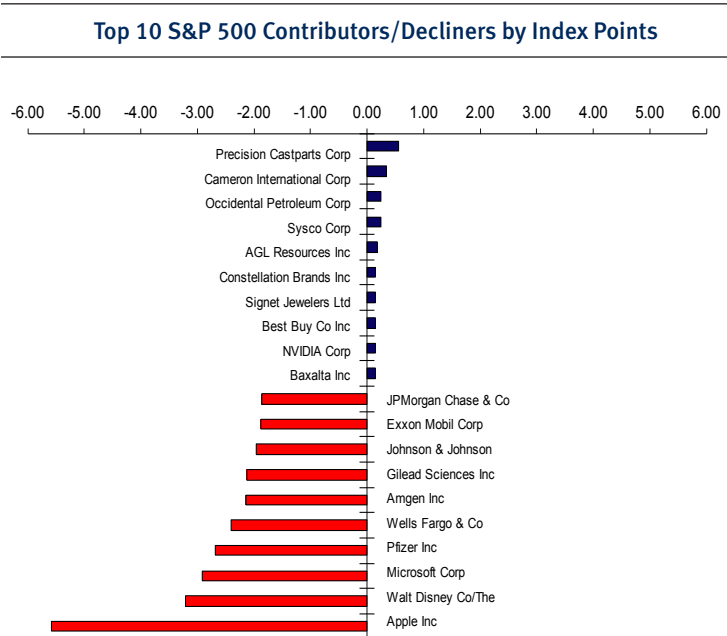
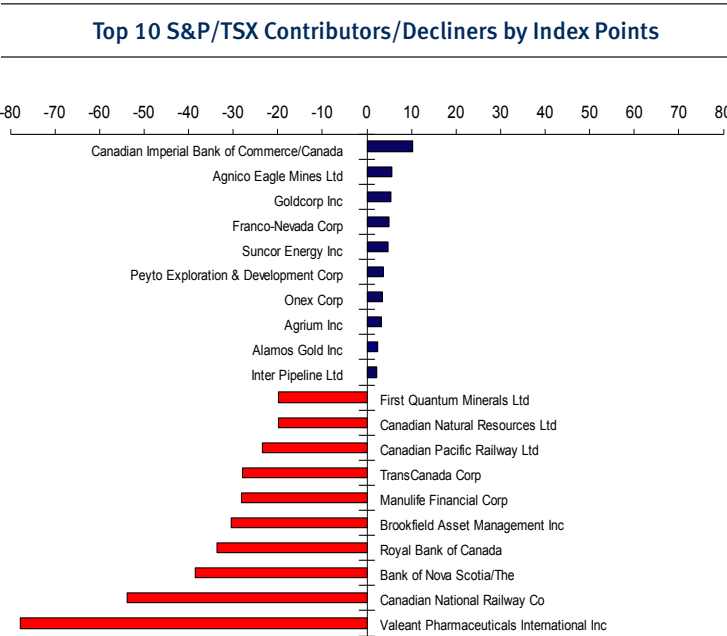
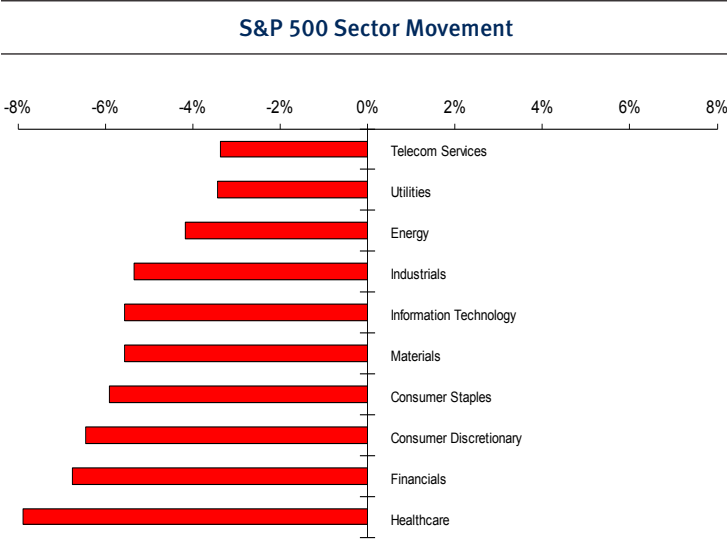
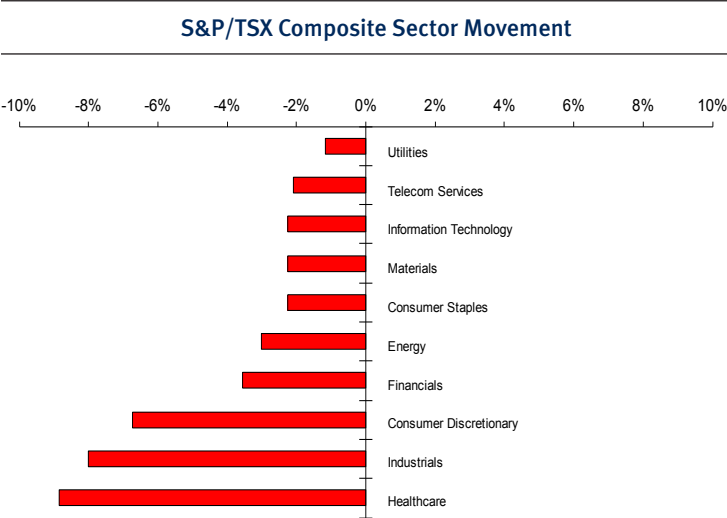


Source - FactSet Research Systems, RBC Wealth Management, 8/31/15

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 – AUGUST 2015



Source: Bloomberg

CANADIAN AND U.S. ECONOMIC DATA – AUGUST 2015

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
09/01/2015	Gross Domestic Product (m-o-m, SA)	Jun	0.20%	--	-0.20%
09/01/2015	Gross Domestic Product (y-o-y, SA)	Jun	0.40%	--	0.50%
	Labour market				
08/07/2015	Net Change in Employment (000, SA)	Jul	5.0	6.6	-6.4
08/07/2015	Participation Rate (SA)	Jul	65.90%	65.70%	65.80%
08/07/2015	Unemployment Rate (SA)	Jul	6.80%	6.80%	6.80%
	Housing market				
08/11/2015	Housing Starts (000, SAAR)	Jul	195	193.0	203.1
08/13/2015	New Housing Price Index (y-o-y)	Jun	--	1.30%	1.20%
08/14/2015	Existing Home Sales (m-o-m)	Jul	--	-0.40%	-0.80%
08/12/2015	Teranet/National Bank HPI (m-o-m)	Jul	0.70%	1.20%	1.40%
	Consumer & Manufacturing				
08/21/2015	Retail Sales (m-o-m, SA)	Jun	0.20%	0.60%	0.90%
08/21/2015	Retail Sales Less Autos (m-o-m, SA)	Jun	0.50%	0.80%	0.80%
08/14/2015	Manufacturing Sales (m-o-m, SA)	Jun	2.70%	1.20%	0.20%
	Trade				
09/03/2015	Merchandise Trade (billion, SA)	Jul	-1.20	--	-0.48
	Prices				
08/21/2015	Consumer Price Index (m-o-m)	Jul	0.10%	0.10%	0.20%
08/21/2015	Consumer Price Index (y-o-y)	Jul	1.30%	1.30%	1.00%
08/21/2015	Bank of Canada CPI Core (m-o-m)	Jul	0.00%	0.00%	0.00%
08/21/2015	Bank of Canada CPI Core (y-o-y)	Jul	2.40%	2.40%	2.30%
08/28/2015	Industrial Product Price (m-o-m)	Jul	0.00%	0.70%	0.50%
08/28/2015	Raw Materials Price Index (m-o-m)	Jul	-4.30%	-5.90%	0.20%
	Other Indicators				
08/20/2015	Wholesale Sales (m-o-m, SA)	Jun	0.90%	1.30%	-0.90%
08/07/2015	Ivey Purchasing Managers Index (SA)	Jul	51.5	52.9	55.9
08/07/2015	Building Permits (m-o-m, SA)	Jun	5%	15%	-14%

Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
08/27/2015	GDP (q-o-q, SAAR)	2Q S	3.20%	3.70%	2.30%
08/27/2015	GDP Price Index (q-o-q, SAAR)	2Q S	2.00%	2.10%	2.00%
08/27/2015	Core PCE (q-o-q, SAAR)	2Q S	1.80%	1.80%	1.80%
	Labour market				
08/07/2015	Change in Nonfarm Payrolls (000, SA)	Jul	225.0	215.0	231.0
08/07/2015	Unemployment Rate (SA)	Jul	5.30%	5.30%	5.30%
	Housing market				
08/18/2015	Building Permits (000, SAAR)	Jul	1225	1119	1337
08/18/2015	Housing Starts (000, SAAR)	Jul	1180	1206	1204
08/25/2015	New Home Sales (000, SAAR)	Jul	510	507	481
08/20/2015	Existing Home Sales (million, SAAR)	Jul	5.43	5.59	5.48
08/17/2015	NAHB Housing Market Index (SA)	Aug	61	61	60
09/01/2015	Construction Spending (m-o-m, SA)	Jul	0.60%	--	0.10%
	Consumer & Manufacturing				
08/13/2015	Advance Retail Sales (m-o-m, SA)	Jul	0.60%	0.60%	0.00%
08/13/2015	Retail Sales Less Autos (m-o-m, SA)	Jul	0.40%	0.40%	0.40%
08/25/2015	Consumer Confidence (SA)	Aug	93.4	101.5	91.0
08/28/2015	U. of Michigan Confidence	Aug F	93.0	91.9	92.9
08/27/2015	Personal Consumption (q-o-q, SAAR)	2Q S	3.10%	3.10%	2.90%
08/26/2015	Durable Goods Orders (m-o-m, SA)	Jul	-0.40%	2.00%	4.10%
09/02/2015	Factory Orders (m-o-m, SA)	Jul	0.90%	--	1.80%
	Trade				
08/13/2015	Import Price Index (m-o-m)	Jul	-1.20%	-0.90%	0.00%
08/13/2015	Import Price Index (y-o-y)	Jul	-10.70%	-10.40%	-9.90%
09/03/2015	Trade Balance (billion, SA)	Jul	-42.2	--	-43.8
	Prices				
08/19/2015	Consumer Price Index (m-o-m, SA)	Jul	0.20%	0.10%	0.30%
08/19/2015	Consumer Price Index (y-o-y)	Jul	0.20%	0.20%	0.10%
08/19/2015	CPI Core Index (SA)	Jul	242.55	242.51	242.19
08/28/2015	PCE Deflator (y-o-y, SA)	Jul	0.30%	0.30%	0.30%
	Other Indicators				
09/01/2015	ISM Manufacturing Index (SA)	Aug	52.5	--	52.7
08/31/2015	Chicago Purchasing Manager Index	Aug	54.5	54.4	54.7
08/20/2015	Philadelphia Fed Index	Aug	6.5	8.3	5.7
08/20/2015	Leading Indicators (m-o-m)	Jul	0.20%	-0.20%	0.60%
08/13/2015	Business Inventories (m-o-m, SA)	Jun	0.30%	0.80%	0.30%

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 2015

INCREASES				
Company	\$ Change		Ex-Date	% Change
Industrial Alliance (IAG)	Prior: \$0.28	New: \$0.30	August 19, 2015	7.1%
Keyera Corp. (KEY)	Prior: \$0.115	New: \$0.125	August 20, 2015	8.7%
Saputo Inc. (SAP)	Prior: \$0.13	New: \$0.135	September 1, 2015	3.8%
CAE Inc. (CAE)	Prior: \$0.07	New: \$0.075	September 11, 2015	7.1%
C.I.B.C. (CM)	Prior: \$1.09	New: \$1.12	September 24, 2015	2.8%
Bank of Nova Scotia (BNS)	Prior: \$0.68	New: \$0.70	October 2, 2015	2.9%
Royal Bank (RY)	Prior: \$0.77	New: \$0.79	October 22, 2015	2.6%
Emera Inc. (EMA)	Prior: \$0.40	New: \$0.475	October 29, 2015	18.8%
DECREASES				
Company	\$ Change		Ex-Date	% Change
First Quantum Minerals (FM)	Prior: \$0.0487	New: \$0.033	August 26, 2015	-32.2%
Northern Blizzard (NBZ)	Prior: \$0.08	New: \$0.04	August 27, 2015	-50.0%
Crescent Point Energy Corp (CPG)	Prior: \$0.23	New: \$0.10	August 27, 2015	-56.5%
Norbord Inc.	Prior: \$0.25	New: \$0.10	August 28, 2015	-60.0%
Baytex Energy Corp (BTE)	Prior: \$0.10	New: \$0.00	--	Discontinued

Source: Bloomberg

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