

Month in Review: JULY 2015



WHAT MOVED THE MARKETS

Market volatility remained elevated in July as plunging commodity prices became the market's primary focus after Greece struck a deal with creditors early in the month. A 10%+ decline in a number of different commodities sent ripple effects through both equity and fixed income markets. The declines coincide with growing investor fears that the recent swoon in Chinese equity markets (down ~30% since late-April) is a sign of waning Asian demand that could result in further supply gluts for certain commodities.

North American markets were also sensitive to the continued divergence in central bank policy between the US Federal Reserve and the Bank of Canada (BoC). A 25 bps rate cut from the Bank of Canada and downward revisions to economic projections reinforced the BoC's accommodative stance, while FOMC Chair Janet Yellen left the door open for a September rate increase and raised expectations for tighter monetary policy going forward. This divergence helped the US dollar continue to strengthen, resulting in the Canadian dollar ending the month near an 11-year low.

All indices and figures priced in local currency as at July 31, 2015 (unless otherwise stated).
For Important Disclosures, see page 9.

North American indices were mixed, with the S&P/TSX posting a loss of (-0.3%), while the S&P 500 rose 2.1%. For the S&P/TSX, declines in Materials (-14.5%) and Energy (-6.5%) were enough to offset gains in Healthcare (18.4%), Information Technology (8.1%), Consumer Staples (7.5%), Industrials (5.0%), Utilities (2.9%), Consumer Discretionary (2.9%), Telecom Services (2.6%), and Financials (0.6%).

Global indices were modestly higher, led by Australia's S&P/ASX 200 (4.4%), Germany's DAX (3.3%), U.K.'s FTSE 100 (2.8%), the S&P 500 (2.1%), Japan's Nikkei (1.7%), and India's Sensex (1.5%). Chinese markets continued their downward trajectory, with China's Shanghai Index down (-13.6%) and Hong Kong's Hang Seng down (-6.1%). Brazil's Bovespa also experienced weakness, down (-4.2%), followed by a small loss on Canada's S&P/TSX (-0.3%). Overall, the MSCI World Index closed at 1.8%, and is now up 4.9% for the year.

The S&P/TSX Global Gold index declined (-18.5%) followed by the S&P/TSX Small Cap (-6.5%) and the S&P/TSX Capped Energy (-6.5%). The S&P/TSX Capped Financials (0.4%) and the S&P/TSX Capped REITs (0.3%) were slight positives.



RBC Wealth Management

There's Wealth in Our Approach.™

WHAT MOVED THE MARKETS

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FIXED INCOME-SPECIFIC DEVELOPMENTS

Bank of Canada Governor Stephen Poloz acknowledged that “Canada’s economy is undergoing a significant and complex adjustment” when the BoC opted to cut the overnight rate by 25bps to 0.50% on July 15th. The BoC linked the lack of economic growth to slowing demand for commodities from China and weaker than expected exports. The weakness in exports was particularly disappointing given that the 11-year low in the Canadian dollar has failed to spur export growth. Gross domestic product in May fell by 0.2%, led by a decline in commodity production and manufacturing. The data brings Canada’s economy to a 5th consecutive month of contraction. The benchmark Canada 10-year bond closed the month at 1.44%, 24 bps lower than last month’s closing yield of 1.68%.

The Federal Reserve has opened the door for a potential rate hike by the end of the year by issuing a July FOMC statement that was cautiously optimistic, but non-committal. The committee noted a moderate pace of economic expansion and continued improvement in the labor market. Chair Janet Yellen acknowledged that a rate rise at some point this year is ‘likely appropriate’ when speaking before congress in mid-July. Expectations for a rate hike crept higher this month and the market is currently pricing a ~50% probability of a rate increase at the September meeting (a move up to 50 bps).

NUMBER CRUNCHING

Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	-0.3%	0.6%
Dow Jones Industrial Average TR	0.5%	0.6%
S&P 500 Index TR	2.1%	3.4%
NASDAQ Composite Index TR	2.9%	9.0%
MSCI EAFE TR (USD)	2.1%	8.1%
MSCI World TR (USD)	1.8%	4.9%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	0.6%	0.4%
S&P/TSX Energy TR	-6.5%	-11.5%
S&P/TSX Materials TR	-14.5%	-13.9%
S&P/TSX Industrials TR	5.0%	-3.5%
S&P/TSX Consumer Discretionary TR	2.9%	11.0%
S&P/TSX Telecom Services TR	2.6%	5.2%
S&P/TSX Information Technology TR	8.1%	10.0%
S&P/TSX Consumer Staples TR	7.5%	10.9%
S&P/TSX Utilities TR	2.9%	-1.7%
S&P/TSX Healthcare TR	18.4%	87.5%

* 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	1.3091	4.8%	12.6%
Euro	1.4379	3.2%	2.3%
British Pound	2.0452	4.2%	13.0%
Japanese Yen	0.0106	3.5%	8.8%

Currencies (One Canadian Dollar)	Exchange	Month	YTD*
US Dollar	0.7641	-4.5%	-11.2%
Euro	0.6955	-3.2%	-2.2%
British Pound	0.4891	-4.0%	-11.5%
Japanese Yen	94.6420	-3.5%	-8.2%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$47.12	-20.8%	-11.5%
Natural Gas (per million btu)	\$2.72	-4.1%	-6.0%
Gold (per ounce)	\$1,095.82	-6.5%	-7.5%
Silver (per ounce)	\$14.78	-6.1%	-5.9%
Copper (per pound)	\$2.37	-9.3%	-18.0%
Nickel (per pound)	\$4.99	-7.9%	-27.1%
Aluminum (per pound)	\$0.72	-4.2%	-13.3%
Zinc (per pound)	\$0.87	-4.2%	-12.0%

WHAT MOVED THE MARKETS

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Economic data releases in July were mixed as negative retail sales growth, underwhelming wage growth, and muted inflation suggest the Fed could be delayed, while job growth and consumer spending data both came in ahead of expectations and bolstered the case for a Fed rate hike in 2015. Second quarter U.S. GDP showed a modest improvement of 2.3%, accelerating from 0.6% growth in the first quarter. The benchmark U.S. Treasury 10-year bond closed the month at 2.19%, 16 bps lower than last month's closing yield of 2.35%.

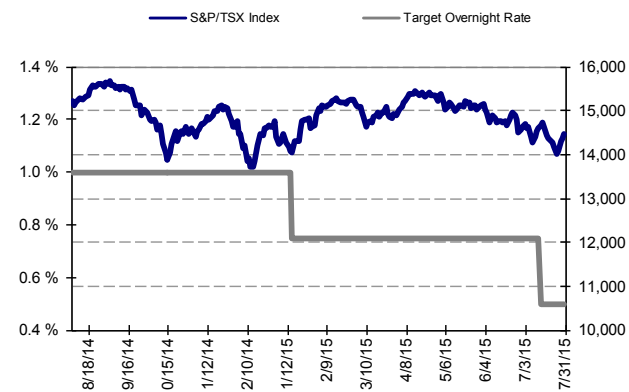
Credit markets came under pressure in July as the slide in commodity prices caused some large price declines in bonds issued by commodity producers. Despite pockets of volatility, new issue activity remained robust in the US investment grade bond market and it remains on pace for a 4th straight record year of issuance.

GLOBAL DEVELOPMENTS

The Chinese stock market continued to trade lower in July despite efforts by regulators to help stabilize the equity markets. Injecting liquidity into brokerages and mutual funds, restricting ability to short sell and banning major shareholders (5%+ stake) from selling their shares were some of the measures taken by regulators.

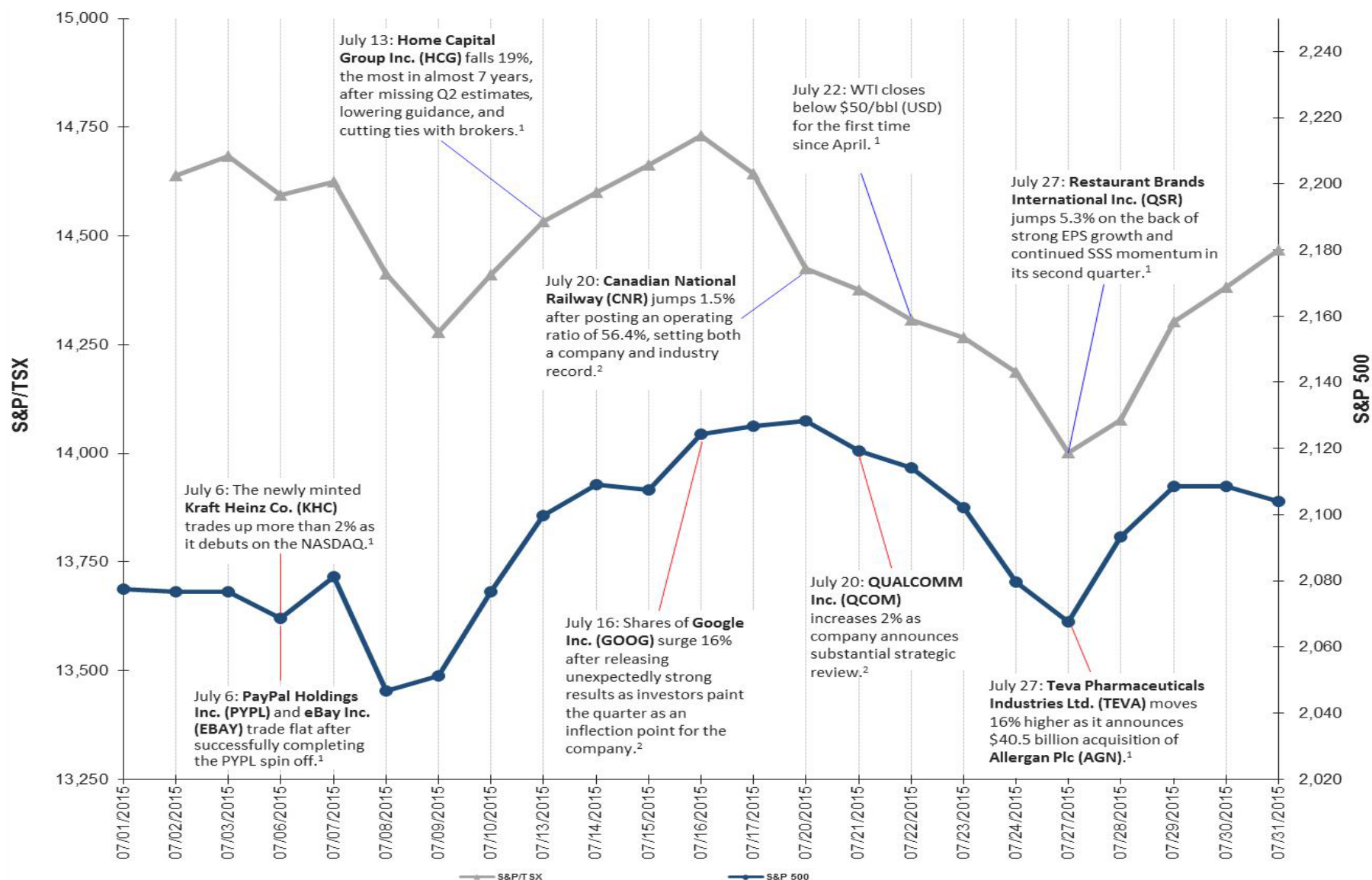
Concerns about an imminent "Grexit" faded after an agreement was reached between the cash strapped nation and its creditors in mid-July. There were some tension-filled weeks prior to the agreement being reached as Greek citizens voted to reject creditors' initial offer and Greek banks were closed for three weeks. Despite initial resistance, Greek citizens ultimately agreed to creditors' demands and accepted some austerity measures in exchange for an €86 billion bailout package.

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



Source: Bloomberg

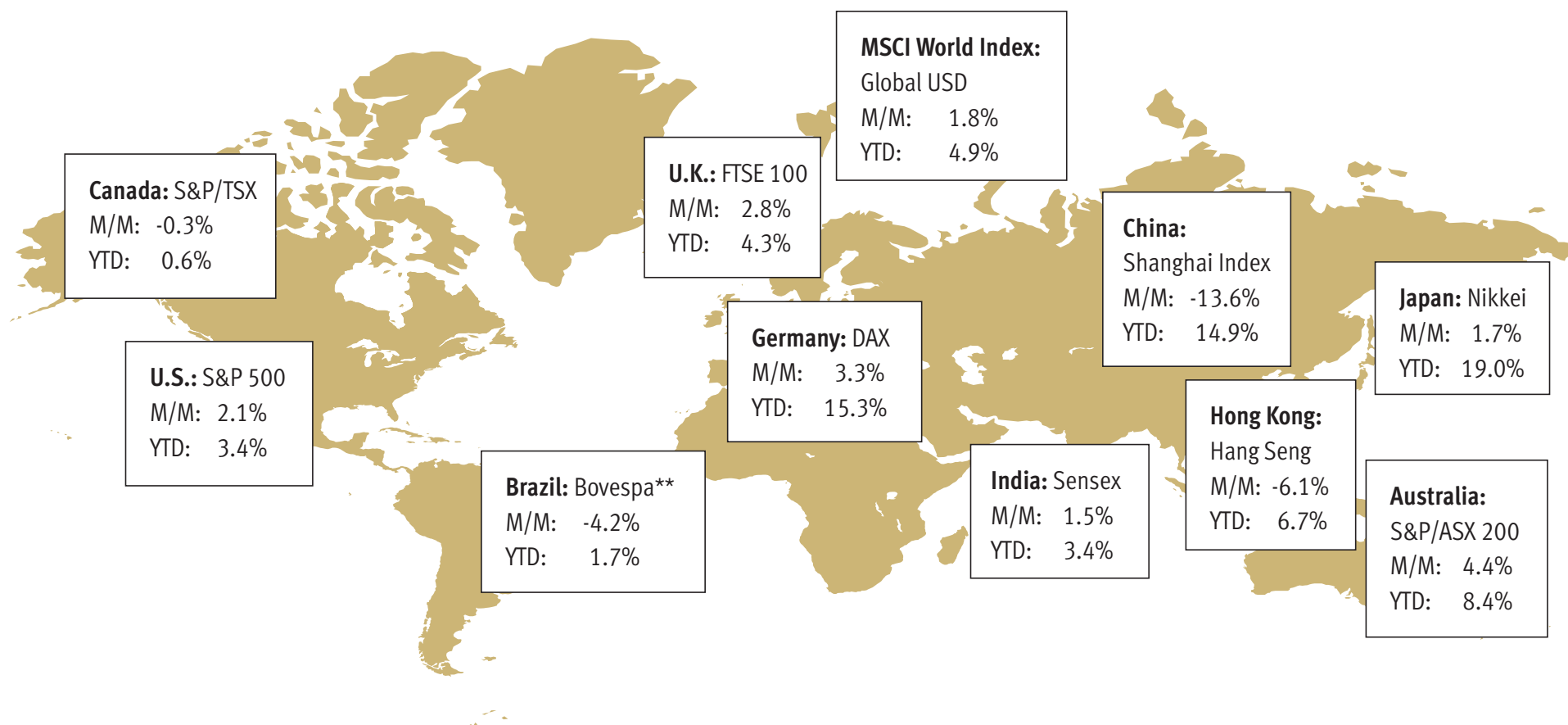
NORTH AMERICAN EQUITY HIGHLIGHTS – JULY 2015



¹Bloomberg ²RBC Capital Markets Pricing Data
Source: Bloomberg

WORLD MARKETS – JULY 2015

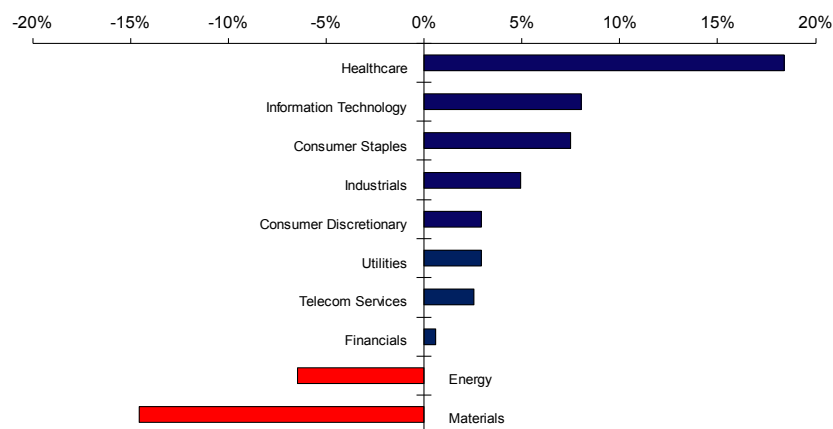
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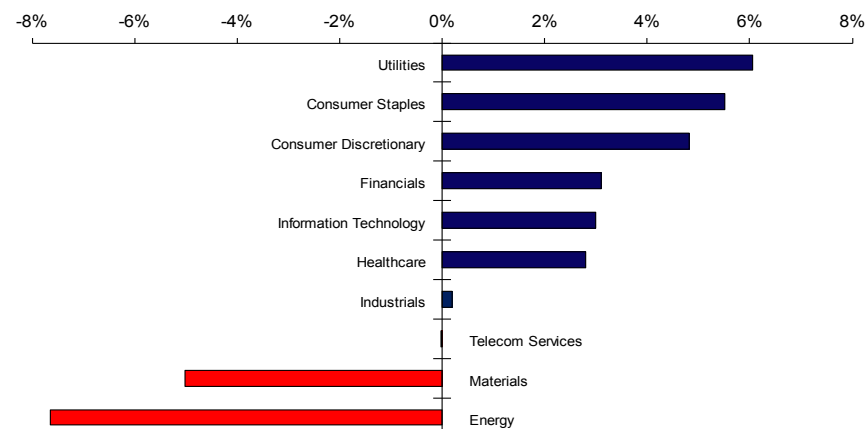
All returns are on a total return basis unless otherwise noted
All returns calculated in local currency except for MSCI World
** These indices are calculated on a price return basis
Source: Bloomberg

CANADIAN & U.S. EQUITIES – JULY 2015

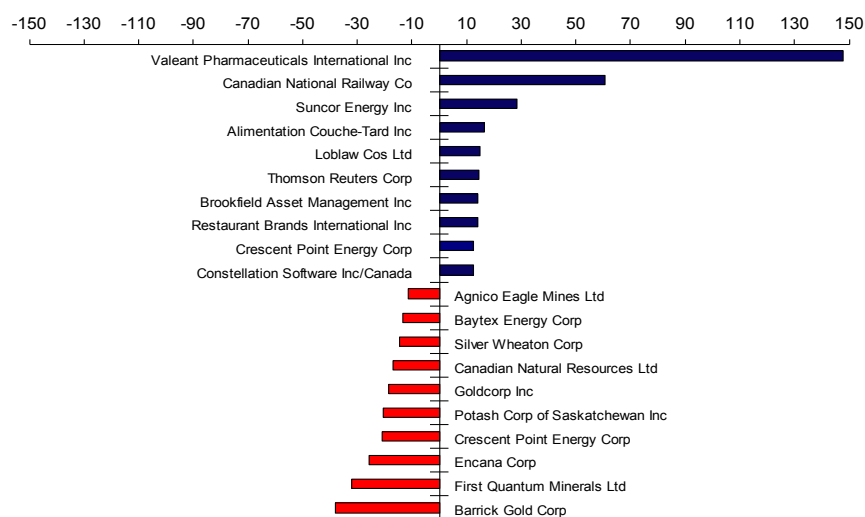
S&P/TSX Composite Sector Movement



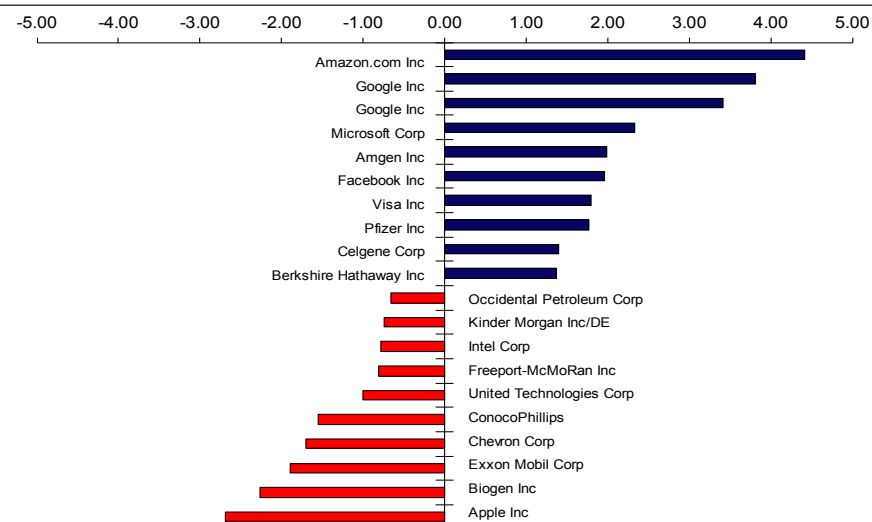
S&P 500 Sector Movement



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 – JULY 2015

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
07/31/2015	Gross Domestic Product (m-o-m, SA)	May	0.00%	-0.20%	-0.10%
07/31/2015	Gross Domestic Product (y-o-y, SA)	May	0.80%	0.50%	1.20%
	Labour market				
07/10/2015	Net Change in Employment (000, SA)	Jun	-10.0	-6.4	58.9
07/10/2015	Participation Rate (SA)	Jun	--	65.80%	65.90%
07/10/2015	Unemployment Rate (SA)	Jun	6.90%	6.80%	6.80%
	Housing market				
07/09/2015	Housing Starts (000, SAAR)	Jun	190.0	202.8	196.9
07/09/2015	New Housing Price Index (y-o-y)	May	--	1.20%	1.10%
07/15/2015	Existing Home Sales (m-o-m)	Jun	--	-0.80%	3.10%
07/14/2015	Teranet/National Bank HPI (m-o-m)	Jun	--	1.40%	0.90%
	Consumer & Manufacturing				
07/23/2015	Retail Sales (m-o-m, SA)	May	0.60%	1.00%	-0.10%
07/23/2015	Retail Sales Less Autos (m-o-m, SA)	May	0.80%	0.90%	-0.50%
07/15/2015	Manufacturing Sales (m-o-m, SA)	May	0.30%	0.10%	-2.20%
	Trade				
07/07/2015	Merchandise Trade (billion, SA)	May	-2.55	-3.34	-2.99
	Prices				
07/17/2015	Consumer Price Index (m-o-m)	Jun	0.20%	0.20%	0.60%
07/17/2015	Consumer Price Index (y-o-y)	Jun	1.00%	1.00%	0.90%
07/17/2015	Bank of Canada CPI Core (m-o-m)	Jun	-0.10%	0.00%	0.40%
07/17/2015	Bank of Canada CPI Core (y-o-y)	Jun	2.20%	2.30%	2.20%
07/28/2015	Industrial Product Price (m-o-m)	Jun	0.40%	0.50%	0.50%
07/28/2015	Raw Materials Price Index (m-o-m)	Jun	1.00%	0.00%	4.40%

ECONOMIC DATA

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Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
07/20/2015	Wholesale Sales (m-o-m, SA)	May	0.00%	-1.00%	1.70%
07/06/2015	Ivey Purchasing Managers Index (SA)	Jun	56.0	55.9	62.3
07/08/2015	Building Permits (m-o-m, SA)	May	-5%	-15%	12%
Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
07/30/2015	GDP (q-o-q, SAAR)	2Q A	2.50%	2.30%	0.60%
07/30/2015	GDP Price Index (q-o-q, SAAR)	2Q A	1.50%	2.00%	0.10%
07/30/2015	Core PCE (q-o-q, SAAR)	2Q A	1.60%	1.80%	1.00%
	Labour market				
07/02/2015	Change in Nonfarm Payrolls (000, SA)	Jun	233	223	254
07/02/2015	Unemployment Rate (SA)	Jun	5.40%	5.30%	5.50%
	Housing market				
07/17/2015	Building Permits (000, SAAR)	Jun	1150	1343	1250
07/17/2015	Housing Starts (000, SAAR)	Jun	1106	1174	1069
07/24/2015	New Home Sales (000, SAAR)	Jun	548	482	517
07/22/2015	Existing Home Sales (million, SAAR)	Jun	5.40	5.49	5.32
07/16/2015	NAHB Housing Market Index (SA)	Jul	59	60	60
07/01/2015	Construction Spending (m-o-m, SA)	May	0.40%	0.80%	2.10%
	Consumer & Manufacturing				
07/14/2015	Advance Retail Sales (m-o-m, SA)	Jun	0.30%	-0.30%	1.00%
07/14/2015	Retail Sales Less Autos (m-o-m, SA)	Jun	0.50%	-0.10%	0.80%
07/28/2015	Consumer Confidence (SA)	Jul	100.0	90.9	99.8
07/31/2015	U. of Michigan Confidence	Jul F	94.0	93.1	93.3
07/30/2015	Personal Consumption (q-o-q, SAAR)	2Q A	2.70%	2.90%	1.80%
07/27/2015	Durable Goods Orders (m-o-m, SA)	Jun	3.20%	3.40%	-2.10%
07/02/2015	Factory Orders (m-o-m, SA)	May	-0.50%	-1.00%	-0.70%

ECONOMIC DATA

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Release Date	Economic Indicators: U.S.	Period	Consensus	Actual	Prior
	Trade				
07/14/2015	Import Price Index (m-o-m)	Jun	0.10%	-0.10%	1.20%
07/14/2015	Import Price Index (y-o-y)	Jun	-9.80%	-10.00%	-9.60%
07/07/2015	Trade Balance (billion, SA)	May	-42.7	-41.9	-40.7
	Prices				
07/17/2015	Consumer Price Index (m-o-m, SA)	Jun	0.30%	0.30%	0.40%
07/17/2015	Consumer Price Index (y-o-y)	Jun	0.10%	0.10%	0.00%
07/17/2015	CPI Core Index (SA)	Jun	242.1	242.2	241.8
08/03/2015	PCE Deflator (y-o-y, SA)	Jun	0.20%	--	0.20%
	Other Indicators				
07/01/2015	ISM Manufacturing Index (SA)	Jun	53.2	53.5	52.8
07/31/2015	Chicago Purchasing Manager Index	Jul	50.8	54.7	49.4
07/16/2015	Philadelphia Fed Index	Jul	12.0	5.7	15.2
07/23/2015	Leading Indicators (m-o-m)	Jun	0.30%	0.60%	0.80%
07/14/2015	Business Inventories (m-o-m, SA)	May	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.

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