



## What moved the markets

The positive start to the year continued through February as North American equity markets established record highs and government bond yield remained near the top of their recent ranges. This positive tone came despite increasing odds of a March rate hike from the US Federal Reserve and an ongoing lack of clarity on President Trump's specific economic policies.

The Canadian dollar reversed the majority of its January gains versus the U.S. dollar in February, declining by 2.5% through month-end.

North American equity markets continued to rally in February with all major indices reaching new record highs. The Federal Reserve kept policy rates on hold at its first meeting in 2017 and the committee continued to stress the uncertainty surrounding the size, structure, and timing of possible fiscal stimulus and policy changes that are expected from Washington. At her Semi-annual testimony before congress, Fed Chair Janet Yellen was perceived to have struck a more hawkish tone than usual when she highlighted improvements in the U.S. economy and stated that "waiting too long to remove accommodation would be unwise". A number of Fed Governors echoed Yellen's message and talked up the possibility of a rate hike as soon as March which sent the odds of a 25 bps rate hike at the March FOMC Meeting to more than 80%. U.S. Treasury Secretary Mnuchin said the new administration wants to see "very significant" tax reform passed before Congress' August recess. President Trump's first address to congress provided limited details on specific policies and legislation.

The first face to face meeting between Prime Minister Justin Trudeau and

U.S. President Trump ended on an optimistic note with President Trump offering re-assurance that Canada isn't the main target of his plans to restructure NAFTA. Both leaders pledged to maintain commercial ties and economic integration that supports millions of jobs on both sides of the border. The Canadian dollar reversed the majority of its January gains versus the U.S. dollar in February, declining by 2.5% through month-end.

Equity markets in North America were positive in February. The S&P/TSX moved up 0.2%, with rallies in the Health Care and Consumer Discretionary sectors of 4.9% and 3.7%, respectively offset by declines in Materials and Energy sectors of 3.7% and 1.2%, respectively.

In the U.S., the S&P 500 closed up 4.0%, with most sectors ending the month in positive territory. Markets were led by the Health Care, Financials, and both Technology and Consumer Staples sectors which gained 6.2%, 5.0%, and 4.9%, respectively, while the Energy and Telecom Services sectors closed down by -2.7% and -0.4%, respectively.

## Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	0.2%	1.1%
Dow Jones Industrial Average TR	5.2%	5.8%
S&P 500 Index TR	4.0%	5.9%
NASDAQ Composite Index TR	3.9%	8.4%
MSCI EAFE TR (USD)	1.4%	4.4%
MSCI World TR (USD)	2.8%	5.3%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	1.2%	3.6%
S&P/TSX Energy TR	-1.2%	-6.6%
S&P/TSX Materials TR	-3.7%	5.2%
S&P/TSX Industrials TR	1.6%	2.1%
S&P/TSX Consumer Discretionary TR	3.7%	3.1%
S&P/TSX Telecom Services TR	-0.9%	1.8%
S&P/TSX Information Technology TR	1.3%	1.6%
S&P/TSX Consumer Staples TR	-0.6%	-2.0%
S&P/TSX Utilities TR	0.6%	2.0%
S&P/TSX Healthcare TR	4.9%	1.3%

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

The month started off on a bright note in the U.S. with ISM manufacturing expanding to 56, an increase of 1.5 percentage points from December.

## Fixed Income-Specific Developments

The Canadian economic data was largely positive in February. Employment data came in better than expected with the economy adding 48,300 jobs in January, the 6th consecutive month of job gains. Canadian GDP rose 0.4% in November on a month-over-month basis, beating the 0.3% expected by economists and bouncing back from a 0.2% decline in October. On a year over year basis, GDP grew by 1.6%, beating the 1.4% expected by economists. Headline CPI for January hit 2.1%, up from 1.5% in December, and much higher than the 1.6% expected by economists. The upside surprise was driven by increases in energy prices. The Bank of Canada's three new core inflation measures, CPI-trim (1.7%), CPI-median (1.9%) and CPI-common (1.3%), which have been adopted to smooth transitory effects and help the Bank of Canada assess trends in underlying price levels, were steady at an average of 1.6%. Wholesale trade sales data were another bright spot as a 0.7% December increase bumped the annual sales growth to 2.5%. Retail sales were an area of disappointment, and a 0.5% month over month decline was the first negative print in five months.

The month started off on a bright note in the U.S. with ISM manufacturing expanding to 56, an increase of 1.5 percentage points from December. Meanwhile, the Markit Manufacturing PMI index printed at 55 and remained in expansionary territory for a 92nd consecutive month. This was followed by a non-farm payroll report which revealed the U.S. economy added 227,000 jobs in January, a four month high and significantly more than the consensus estimate of 180,000. Average hourly earnings growth slowed to 2.5% year-over-year, which was the weakest since August and suggests some slack remains in the labour market. U.S. CPI recorded its biggest increase in nearly four years with an increase of 0.6% in January on a month-over-month basis, above consensus of 0.3%. This brought the annual increase to 2.5%. U.S. retail sales rose 0.4% in January on a month-over-month basis and was considerably better than the 0.1% expected. Durable goods were another bright spot, rising 1.8% in January after two months of declines and better than analyst expectations of a 1.6% increase. Strong inflation, industrial production and retail spending data caused markets to reassess their outlook for monetary policy.

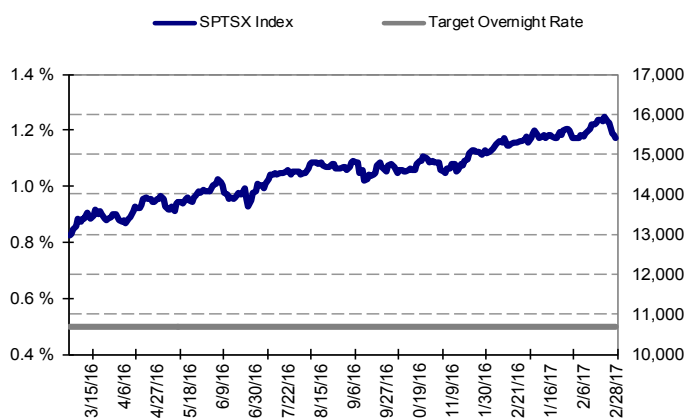
Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.3301	2.1%	-1.0%
Euro	1.4067	0.0%	-0.5%
British Pound	1.6466	0.5%	-0.7%
Japanese Yen	0.0118	2.1%	2.7%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.7518	-2.0%	1.0%
Euro	0.7109	0.0%	0.5%
British Pound	0.6073	-0.5%	0.7%
Japanese Yen	84.7860	-2.1%	-2.6%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$54.01	2.3%	0.5%
Natural Gas (per million btu)	\$2.77	-11.0%	-25.5%
Gold (per ounce)	\$1,248.33	3.1%	8.3%
Silver (per ounce)	\$18.32	4.3%	15.1%
Copper (per pound)	\$2.71	-0.5%	8.0%
Nickel (per pound)	\$4.96	10.4%	9.7%
Aluminum (per pound)	\$0.87	5.8%	12.7%
Zinc (per pound)	\$1.28	-1.2%	9.7%

\*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

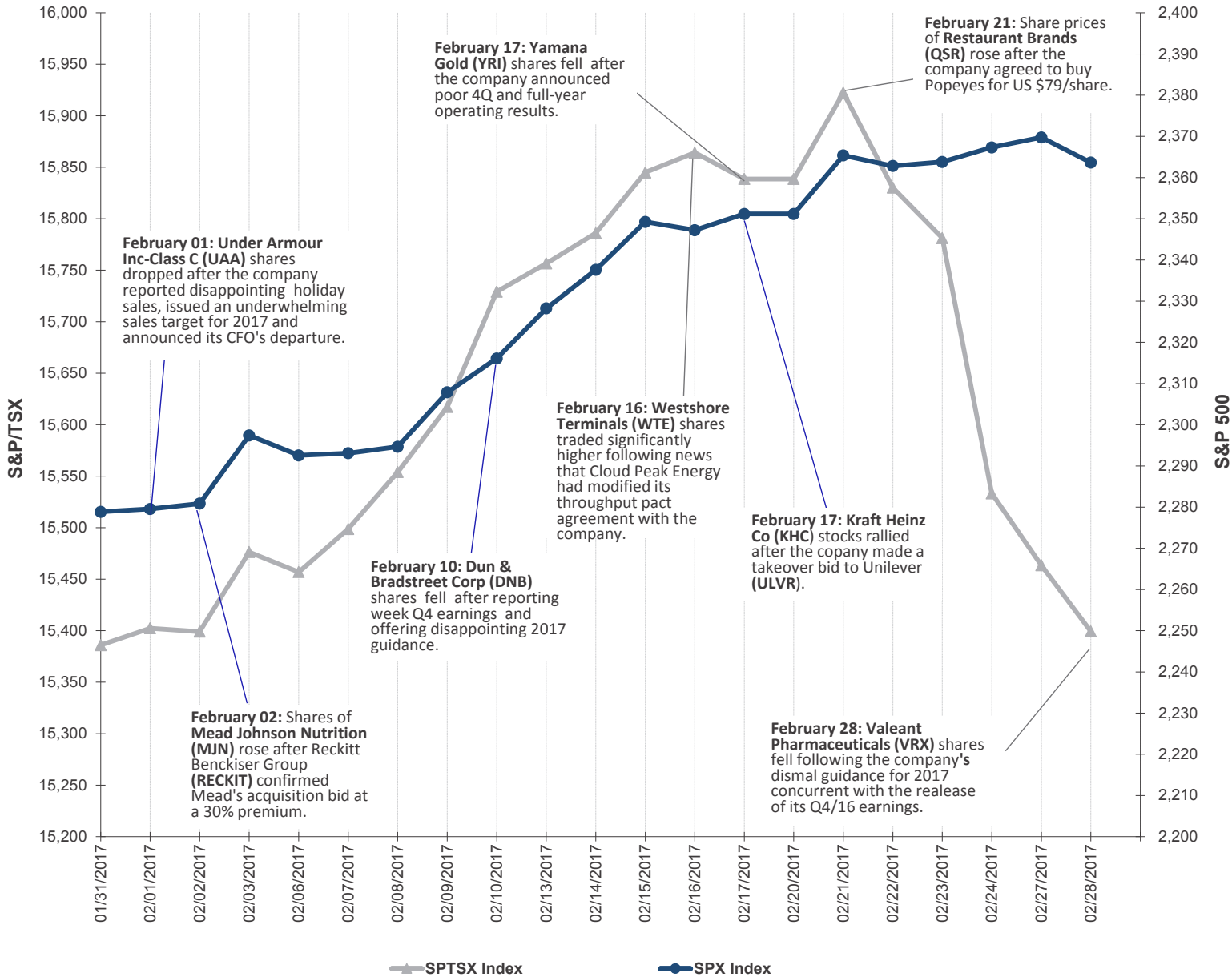
Economic data out of Europe was somewhat encouraging as it shows some evidence of a recovery in economic growth. The final Markit Eurozone manufacturing PMI came in at 55.2 in January up from 54.9 in December. This PMI figure marked the gauge's best level in nearly six years. The German IFO business climate index unexpectedly increased to 111 in February from 109.9 in December, and marked a 33-month high. Another bright spot was Eurozone Annual CPI which posted a 1.8% year-over-year increase, the highest rate of inflation since early-2013. In the U.K., the Bank of England held interest rates steady at the record low of 0.25% and voted unanimously to hold rates and maintain government bond purchases at £435 billion and corporate bond purchases at up to £10 billion.

In China, official manufacturing and non-manufacturing PMI remained solidly above 50 and exports surged 7.9% in January compared to a year ago. This more than reverses December's 6.1% drop in exports. Imports rose 16.7% in January, up sharply from 3.1% in December, as China's trade surplus widened to \$51.4 billion, representing the highest level since August. Positive trade data out of the world's second largest economy speaks to elevated global economic activity. In Japan, the economy grew at an annualized rate of 1.0% in the fourth quarter, in line with consensus of 1.1% growth and the fourth straight quarter of expansion. Overseas demand accounted for about half of the GDP expansion. Prime Minister Abe had an extended visit to Washington to meet with President Trump as the U.S. is Japan's biggest export market after China.

Gold ended the month at \$1250 per oz., rallying 4% in February while U.S. 10 Year Treasury yields declined 7bps. WTI Crude oil ended the month up 2.3% at \$54.01 per barrel despite U.S. crude oil inventories rising for eight consecutive weeks to a record 520.2 million barrels.

# North American equity highlights

February 2017

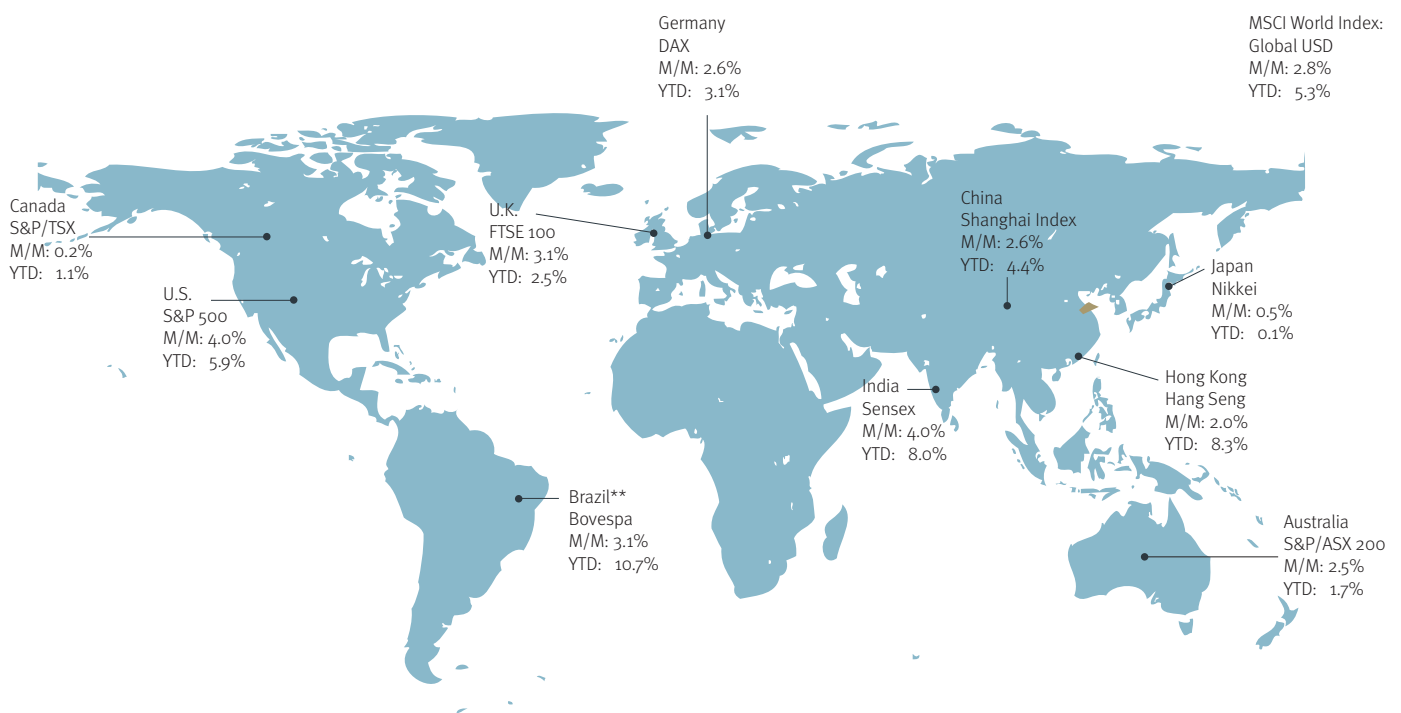


<sup>1</sup>Bloomberg <sup>2</sup>RBC Capital Markets Pricing Data  
Source: Bloomberg

# World markets

## February month-over-month and year-to-date performance

For the month of February, all global indices ended in positive territory. In the Americas, the S&P 500, S&P/TSX, Brazil's Bovespa rose by 4.0%, 0.2%, and 3.1%, respectively. In Europe, Germany's DAX and U.K.'s FTSE moved higher by 2.6% and 3.1%, respectively. In Asia, China's Shanghai Index, Hong Kong's Hang Seng, and India's Sensex closed the month up 2.6%, 2.0%, and 4.0%, respectively. Australia's S&P/ASX 200 and Japan's Nikkei's closed higher by 2.5% and 0.5%. Overall, the MSCI World Index increased by 2.8% YTD.



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

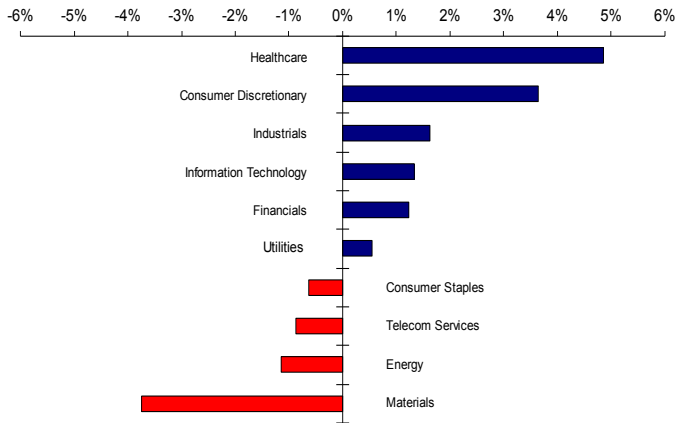
\*\* These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 02/28/17

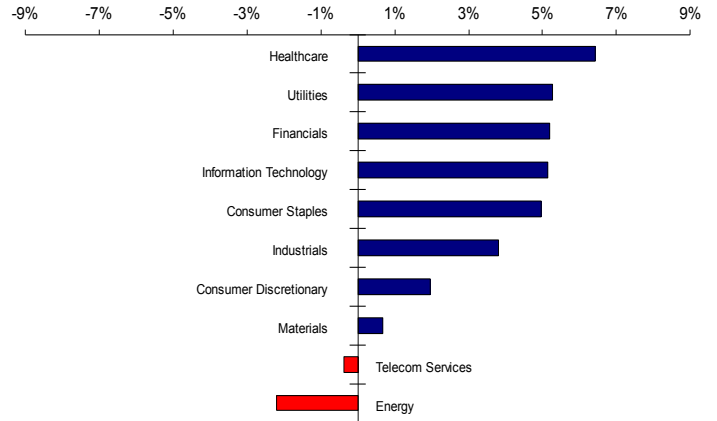
# Canadian & U.S. equities

February 2017

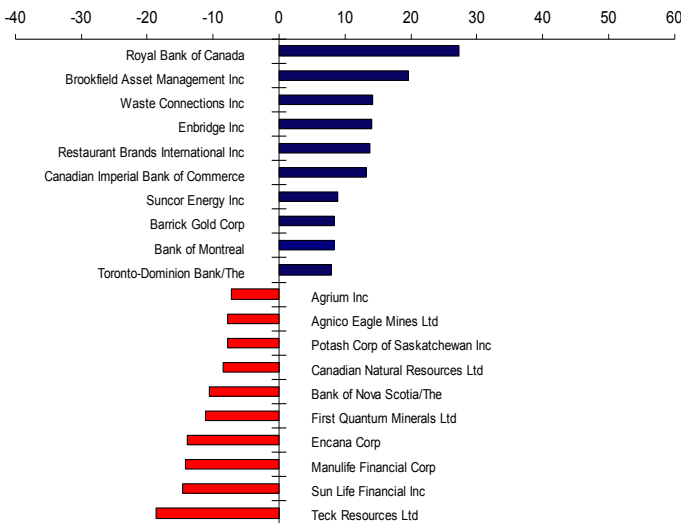
S&P/TSX composite sector movement



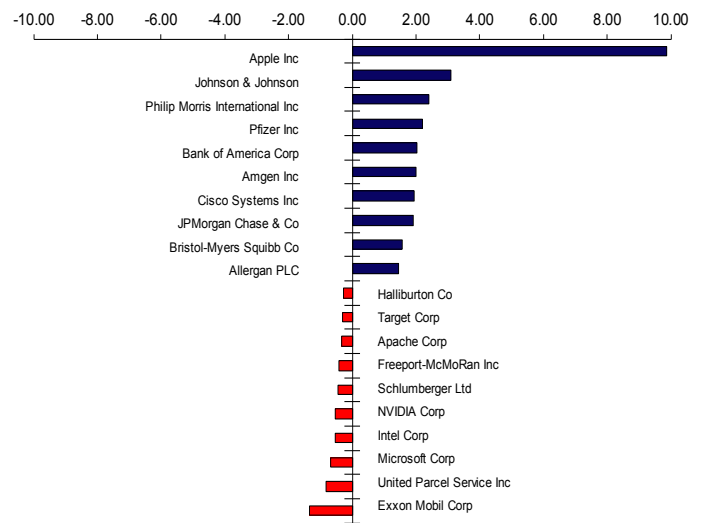
S&P 500 sector movement



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

February 2017

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
<b>Labour market</b>					
02/10/2017	Net Change in Employment (ooo, SA)	Jan	-10.0	48.3	46.1
02/10/2017	Participation Rate (SA)	Jan	65.80%	65.90%	65.80%
02/10/2017	Unemployment Rate (SA)	Jan	6.90%	6.80%	6.90%
<b>Housing market</b>					
02/08/2017	Housing Starts (ooo, SAAR)	Jan	197	207.4	206.3
02/09/2017	New Housing Price Index (y-o-y)	Dec	3.10%	3.00%	3.00%
02/15/2017	Existing Home Sales (m-o-m)	Jan	--	-1.30%	2.20%
02/14/2017	Teranet/National Bank HPI (m-o-m)	Jan	--	0.50%	0.30%
<b>Consumer &amp; manufacturing</b>					
02/22/2017	Retail Sales (m-o-m, SA)	Dec	0.00%	-0.50%	0.30%
02/22/2017	Retail Sales Less Autos (m-o-m, SA)	Dec	0.50%	-0.30%	-0.10%
02/15/2017	Manufacturing Sales (m-o-m, SA)	Dec	0.30%	2.30%	2.30%
<b>Trade</b>					
02/07/2017	Merchandise Trade (billion, SA)	Dec	0.20	0.92	1.01
<b>Prices</b>					
02/24/2017	Consumer Price Index (m-o-m)	Jan	0.40%	0.90%	-0.20%
02/24/2017	Consumer Price Index (y-o-y)	Jan	1.60%	2.10%	1.50%
02/28/2017	Industrial Product Price (m-o-m)	Jan	0.50%	0.40%	0.30%
02/28/2017	Raw Materials Price Index (m-o-m)	Jan	1.20%	1.70%	6.50%
<b>Other indicators</b>					
02/20/2017	Wholesale Sales (m-o-m, SA)	Dec	0.40%	0.70%	0.10%
02/07/2017	Ivey Purchasing Managers Index (SA)	Jan	--	57.2	60.8
02/07/2017	Building Permits (m-o-m, SA)	Dec	-4%	-7%	-1%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
02/28/2017	GDP (q-o-q, SAAR)	4Q S	2.10%	1.90%	1.90%
02/28/2017	GDP Price Index (q-o-q, SAAR)	4Q S	2.10%	2.00%	2.10%
02/28/2017	Core PCE (q-o-q, SAAR)	4Q S	1.30%	1.20%	1.30%
<b>Labour market</b>					
02/03/2017	Change in Nonfarm Payrolls (ooo, SA)	Jan	180.0	227.0	157.0
02/03/2017	Unemployment Rate (SA)	Jan	4.70%	4.80%	4.70%
<b>Housing market</b>					
02/16/2017	Building Permits (ooo, SAAR)	Jan	1230.00	1285.00	1228.00
02/16/2017	Housing Starts (ooo, SAAR)	Jan	1226.00	1246.00	1279.00
02/24/2017	New Home Sales (ooo, SAAR)	Jan	571.00	555.00	535.00
02/22/2017	Existing Home Sales (million, SAAR)	Jan	5.55	5.69	5.51
02/15/2017	NAHB Housing Market Index (SA)	Feb	67	65	67
02/01/2017	Construction Spending (m-o-m, SA)	Dec	0.20%	-0.20%	0.90%
<b>Consumer &amp; manufacturing</b>					
02/15/2017	Advance Retail Sales (m-o-m, SA)	Jan	0.10%	0.40%	1.00%
02/15/2017	Retail Sales Less Autos (m-o-m, SA)	Jan	0.40%	0.80%	0.40%
02/28/2017	Consumer Confidence (SA)	Feb	111.0	114.8	111.6
02/24/2017	U. of Michigan Confidence	Feb F	96.0	96.3	95.7
02/28/2017	Personal Consumption (q-o-q, SAAR)	4Q S	2.60%	3.00%	2.50%
02/27/2017	Durable Goods Orders (m-o-m, SA)	Jan P	1.60%	1.80%	-0.80%
02/03/2017	Factory Orders (m-o-m, SA)	Dec	0.50%	1.30%	-2.30%
<b>Trade</b>					
02/10/2017	Import Price Index (m-o-m)	Jan	0.30%	0.40%	0.50%
02/10/2017	Import Price Index (y-o-y)	Jan	3.40%	3.70%	2.00%
02/07/2017	Trade Balance (billion, SA)	Dec	-45.0	-44.3	-45.7
<b>Prices</b>					
02/15/2017	Consumer Price Index (m-o-m, SA)	Jan	0.30%	0.60%	0.30%
02/15/2017	Consumer Price Index (y-o-y)	Jan	2.40%	2.50%	2.10%
02/15/2017	CPI Core Index (SA)	Jan	--	250.78	250.01
<b>Other indicators</b>					
02/01/2017	ISM Manufacturing Index (SA)	Jan	55.0	56.0	54.5
02/28/2017	Chicago Purchasing Manager Index	Feb	53.5	57.4	50.3
02/16/2017	Philadelphia Fed Index	Feb	18.0	43.3	23.6
02/17/2017	Leading Indicators (m-o-m)	Jan	0.50%	0.60%	0.50%
02/15/2017	Business Inventories (m-o-m, SA)	Dec	0.40%	0.40%	0.80%

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 2017

Increases				
Company	\$ Change		Ex-Date	% Change
Lundin Mining Corp	Prior: \$-	New: \$0.0300	March 29, 2017	Regular Cash
Eldorado Gold Corp	Prior: \$0.0100	New: \$0.0200	March 3, 2017	100.0%
Pan American Silver Corp	Prior: \$0.0125	New: \$0.0250	February 23, 2017	100.0%
Lucara Diamond Corp	Prior: \$0.0150	New: \$0.0250	March 15, 2017	66.7%
Barrick Gold Corp	Prior: \$0.0200	New: \$0.0300	February 24, 2017	50.0%
Maple Leaf Foods Inc	Prior: \$0.2850	New: \$0.1100	March 8, 2017	22.2%
Gildan Activewear Inc	Prior: \$0.0780	New: \$0.0935	March 7, 2017	19.9%
CCL Industries Inc	Prior: \$0.5000	New: \$0.5750	March 15, 2017	15.0%
FirstService Corp	Prior: \$0.1100	New: \$0.1225	March 29, 2017	11.4%
Stantec Inc	Prior: \$0.1125	New: \$0.1250	March 29, 2017	11.1%
Manulife Financial Corp	Prior: \$0.1850	New: \$0.2050	February 17, 2017	10.8%
TransCanada Corp	Prior: \$0.5650	New: \$0.6250	March 29, 2017	10.6%
Intact Financial Corp	Prior: \$0.5800	New: \$0.6400	March 13, 2017	10.3%
Suncor Energy Inc	Prior: \$0.2900	New: \$0.3200	March 1, 2017	10.3%
Magna International Inc	Prior: \$0.2500	New: \$0.2750	March 8, 2017	10.0%
Industrial Alliance Insurance & Financial Services Inc	Prior: \$0.3200	New: \$0.3500	February 24, 2017	9.4%
Brookfield Asset Management Inc	Prior: \$0.1300	New: \$0.1400	February 24, 2017	7.7%
Great-West Lifeco Inc	Prior: \$0.3460	New: \$0.3670	March 1, 2017	6.1%
Restaurant Brands International Inc	Prior: \$0.1700	New: \$0.1800	March 1, 2017	5.9%
Toromont Industries Ltd	Prior: \$0.1800	New: \$0.1900	March 8, 2017	5.6%
BCE Inc	Prior: \$0.6825	New: \$0.7175	March 13, 2017	5.1%
Brookfield Renewable Partners	Prior: \$0.4450	New: \$0.4675	February 24, 2017	5.1%
Royal Bank of Canada	Prior: \$0.8300	New: \$0.8700	April 21, 2017	4.8%
Bank of Nova Scotia	Prior: \$0.7400	New: \$0.7600	March 31, 2017	2.7%
Canadian Imperial Bank of Commerce	Prior: \$1.2400	New: \$1.2700	March 24, 2017	2.4%

Decreases				
Company	\$ Change		Ex-Date	% Change
Nevsun Resources Ltd	Prior: \$0.0400	New: \$0.0100	March 29, 2017	-75.00%
OceanaGold Corp	Prior: \$0.0400	New: \$0.0100	March 3, 2017	-75.00%

Source: Bloomberg



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