



What moved the markets

A shift in tone from a number of global central banks in June helped propel interest rates higher and this weighed on bond prices and dividend stocks during the month. The change occurred as the US Federal Reserve raised interest rates 25 bps and offered details on how it plans to normalize the size of its balance sheet later this year.

The Bank of Canada steered the market towards anticipating a 25 bps rate increase in July as Stephen Poloz suggested that the interest rate cuts have ‘done their job’ and the Bank of Canada is ready for ‘a new policy decision.’ These remarks not only boosted short-term interest rates, but also the Canadian dollar to a 9-month high. Central bankers in the Eurozone, Sweden and Britain also announced their intentions to review monetary policy, with a particular emphasis on the prospects of less stimulative measures.

Equity markets in North America were mixed in June. The S&P/TSX moved down 0.8%, with rallies in the Healthcare and Financials sectors of 13.6% and 2.5%, respectively offset by declines in the Info Tech, Materials, and Energy sectors of 4.3%, 4.0%, and 4.0% respectively.

In the U.S., the S&P 500 closed up 0.6%, with most sectors ending the month in negative territory. Markets were led by the Financials and Healthcare sectors which gained 6.4% and 4.6%, respectively, while the Telecom Services, Info Tech, and Utilities sectors closed down by 2.9%, 2.7%, and 2.7%, respectively.

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Fixed Income-Specific Developments

Government of Canada bond yields moved sharply higher as investors reacted to a change in messaging from the Bank of Canada. Senior Deputy Governor Wilkins was the first BoC official to deliver a message that a rate hike could be coming sooner than expected at a speech in Winnipeg that was a clear departure from the decidedly neutral stance at the April MPR. This was followed by comments from BoC Governor Stephen Poloz that “interest rate cuts have largely done their job” and that the BoC is “ready for a new policy decision.” In addition to the hawkish comments by senior BoC officials, a broad-based strong response to the BoC’s Business Outlook Survey aligned

All indices and figures priced in local currency as at June 30, 2017 (unless otherwise stated). For important disclosures, see page 10.

with the messaging coming from BoC officials. The odds of a rate hike in the July meeting went from ~30% at the beginning of the month to ~90% by the end of the month, while two year yields had the largest monthly gain in at least 9 years, closing the month at a 30-month high at 1.10%. The Canadian dollar rallied ~4% to its highest level in 9 months versus the US dollar. This shift in tone from the BoC came against a backdrop of strong economic data releases. The Canadian economy delivered another strong jobs report with a headline gain of 54,500 jobs in May, significantly higher than the 15,000 increase forecasted by economists. The job additions were concentrated solely in the full time category with 77,000 new jobs reversing the previous month's decline of 31,200. The better than expected jobs data represented the 6th consecutive month of job gains. Wage growth improved modestly to 1% from the all-time low of 0.5% in April. Retail sales also beat expectations, rising 0.8% up from a revised 0.5% in March and better than economists' expectations of 0.3%. GDP in April was in line with economist expectations, up 0.2% in the month. April's result added to March's 0.5% gain and helped the second quarter get off on solid footing. Headline CPI was weaker than expected in May at 1.3% year-over-year, and down from 1.6% in April and below the 1.5% anticipated by economists. The BoC's preferred core inflation measures of CPI Common, CPI Trim and CPI Median were reported at 1.3%, 1.2% and 1.5% respectively. The average of the three core measures is now at its lowest level since 1999. Sluggish inflation data and a significant debt burden could inhibit the BoC's ability to meaningfully increase interest rates. The Financial System Review (FSR) released by the BoC highlighted the elevated level of Canadian Household indebtedness and imbalances in the Canadian Housing Market as areas of vulnerability in the Canadian economy. The review by the BoC highlighted that household debt is nearing 170% as a percentage of income. Despite weaker than expected inflation data and rising debt levels, markets are pricing in multiple rate hikes by the Bank of Canada in 2017. The benchmark 10-year government of Canada yield rallied from a 7-month low at the start of June to the highest level since March.

The U.S Federal Reserve raised short term interest rates by a quarter point to a target range between 1% - 1.25%, and maintained its forecast for one more hike this year and three hikes for 2018. Meanwhile, FOMC Chair Janet Yellen laid out a plan that will shrink the Federal Reserve's balance sheet by allowing fixed amount of maturing securities to roll off the balance sheet per month. In her press conference, Chair Yellen didn't provide specific guidance on timing beyond "soon." This tightening in

Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	-0.8%	0.7%
Dow Jones Industrial Average TR	1.7%	9.3%
S&P 500 Index TR	0.6%	9.3%
NASDAQ Composite Index TR	-0.9%	14.7%
MSCI EAFE TR (USD)	-0.1%	14.2%
MSCI World TR (USD)	0.4%	11.0%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	2.5%	2.5%
S&P/TSX Energy TR	-4.0%	-13.3%
S&P/TSX Materials TR	-4.0%	-0.7%
S&P/TSX Industrials TR	0.3%	11.7%
S&P/TSX Consumer Discretionary TR	-0.3%	12.2%
S&P/TSX Telecom Services TR	-2.6%	7.6%
S&P/TSX Information Technology TR	-4.3%	9.4%
S&P/TSX Consumer Staples TR	-3.0%	4.4%
S&P/TSX Utilities TR	0.5%	10.1%
S&P/TSX Healthcare TR	13.6%	2.0%

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

policy was signaled against a backdrop of a mixed month of economic data in June. Retail sales recorded the biggest drop in more than a year, declining 0.3% month-over-month in May and falling short of economists' expectation for a 0.1% increase. The reversal unwound much of the strength in April when retail sales increased 0.4%. Retail sales are up 3.9% in the first five months of 2017 compared with the same period in 2016. U.S. CPI also declined unexpectedly in May by 0.1% month-over-month versus a 0.2% increase that was expected. The decline in CPI and retail sales suggests a softening in domestic demand which could limit the Federal Reserve's ability to deliver the interest rate increases that the market has come to expect. First quarter GDP got a boost from 1.2% to 1.4% by an upward revision to consumer spending, which accounts for more than two thirds of U.S. economic activity. While the Federal Reserve is expected to raise rates one more time in 2017, the probability of another rate hike in 2017 declined from ~94% at the beginning of the month to ~50% at month-end.

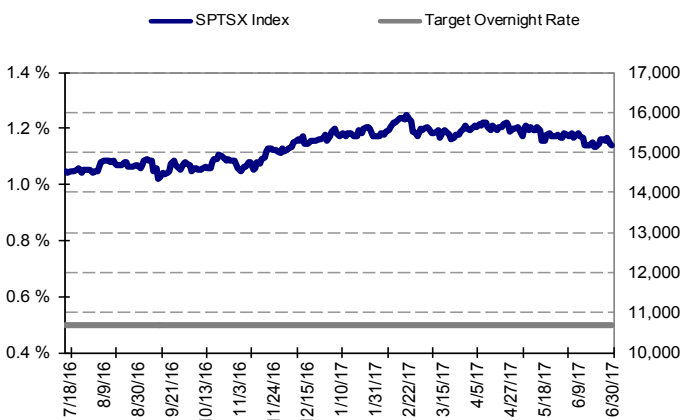
Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.2964	-4.0%	-3.5%
Euro	1.4811	-2.4%	4.8%
British Pound	1.6883	-3.0%	1.9%
Japanese Yen	0.0115	-5.4%	0.4%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.7714	4.1%	3.7%
Euro	0.6751	2.5%	-4.5%
British Pound	0.5922	3.1%	-1.8%
Japanese Yen	86.7140	5.7%	-0.3%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$46.04	-4.7%	-14.3%
Natural Gas (per million btu)	\$3.04	-1.2%	-18.5%
Gold (per ounce)	\$1,241.55	-2.2%	7.7%
Silver (per ounce)	\$16.63	-4.1%	4.5%
Copper (per pound)	\$2.69	4.8%	7.3%
Nickel (per pound)	\$4.24	4.8%	-6.2%
Aluminum (per pound)	\$0.87	-0.6%	12.3%
Zinc (per pound)	\$1.25	6.1%	7.1%

*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

In Europe, the ECB kept its main interest rate unchanged and adjusted its forward guidance on rates. The central bank removed a pledge to cut rates “lower if needed”. The removal of the reference to trim rates means the ECB has shifted from an easing bias towards a more neutral stance. President Mario Draghi’s upbeat assessment of the Eurozone economy at the ECB’s annual forum on Central Banking continued to bolster the view that the central bank could move to taper its quantitative easing program sooner rather than later. Mr. Draghi noted the firming of growth and recovery of inflation in the euro area. The Euro rallied ~2.3% through the month to a 13-month high at 1.1441 versus the US dollar. Eurozone economic data continued to show improvement in growth conditions. Eurozone PMI came in at 57.5 in June compared with 56.8 in the previous month. The PMI reading has pulled back from its six year high but remains comfortably above the 50-level that separates expansion from contraction, and indicates the recovery remains relatively robust. The German business climate index, a measure of business confidence, soared to a record of 115.1 in June from 114.6 last month and beat the consensus forecast of 114. German industrial production returned to growth in April, expanding by 0.8% month-on-month, recovering from a 0.1% contraction in the previous month.

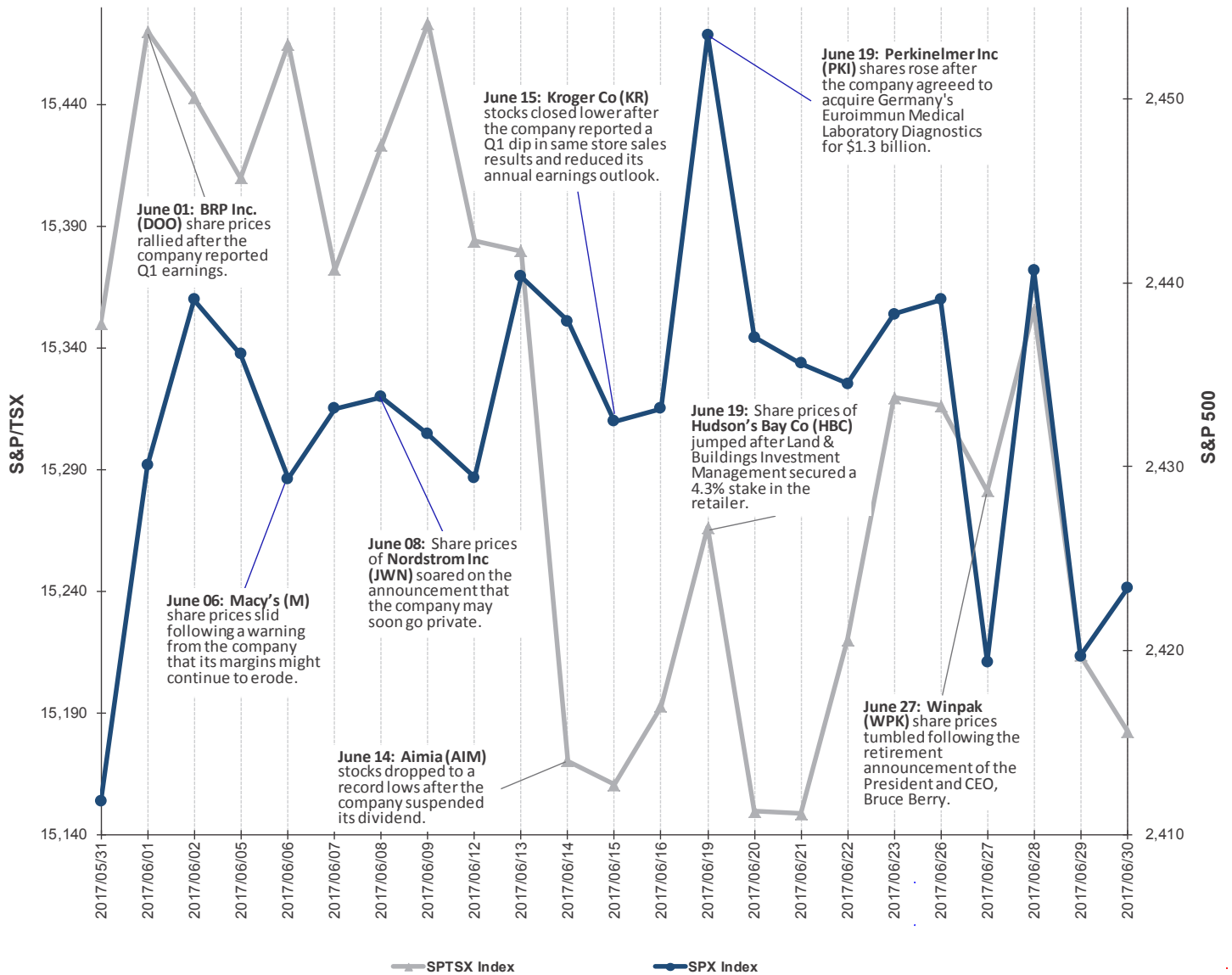
The Bank of England voted to keep rates on hold at the central bank’s June meeting. Mark Carney, speaking at the Central Bank forum in Portugal, commented that removal of stimulus will be considered if wages and growth pick up in the economy. Mr. Carney said any change in rates would be linked to economic activity and Brexit outcomes.

In China, exports surged 8.7% in May, beating the consensus forecast for a 7.2% increase while imports soared 14.8%, also coming in ahead of the 8.3% estimate and generating a trade surplus of \$40.8 billion for the month. Manufacturing PMI was another bright data point as it came in at 51.7, higher than the consensus expectation and an uptick from the previous month. Non-Manufacturing PMI came in at 54.9, which was also higher than the previous month.

Crude oil prices entered into a bear market and reached the lowest level in 10-months on mounting supply concerns. Global oil supplies remain ample despite output cuts of 1.8 million barrels per day by OPEC. Baker Hughes data showed U.S. drillers increased the rig count for the 23rd consecutive week to the highest level since April 2015. WTI Crude oil prices have declined for four consecutive months, ending the month of June down ~5.3% at \$46 per barrel. Gold traded near a 7-month high at ~\$1,296 per oz before declining to end the month down 2.2% at \$1241.

North American equity highlights

June 2017

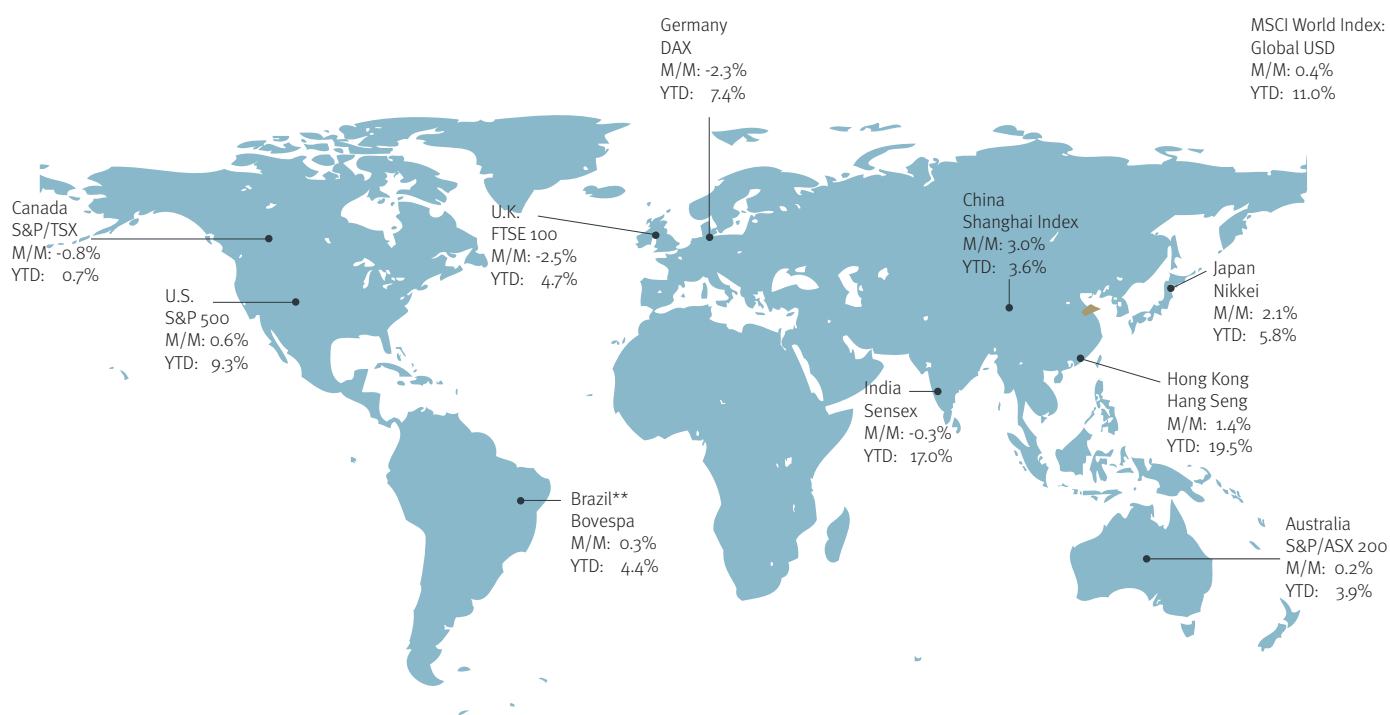


¹Bloomberg ²RBC Capital Markets Pricing Data
Source: Bloomberg

World markets

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

For the month of June, most global indices ended in positive territory. In the Americas, the S&P 500 and Brazil's Bovespa rose by 0.6% and 0.3%, respectively while the S&P/TSX fell by 0.8%. In Europe, Germany's DAX and U.K.'s FTSE moved lower by 2.3% and 2.5%, respectively. In Asia, China's Shanghai Index and Hong Kong's Hang Seng closed the month up 3.0% and 1.4%, respectively and India's Sensex closed the month down 0.3%. Japan's Nikkei and Australia's S&P/ASX 200 closed higher by 2.1% and 0.2%. Overall, the MSCI World Index increased by 11.0% YTD.



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

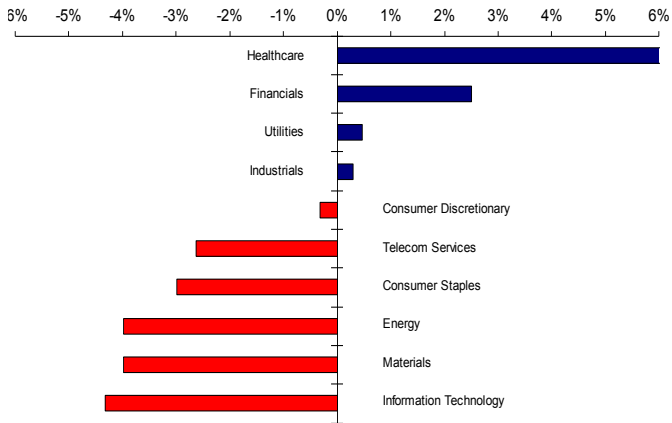
** These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 06/30/17

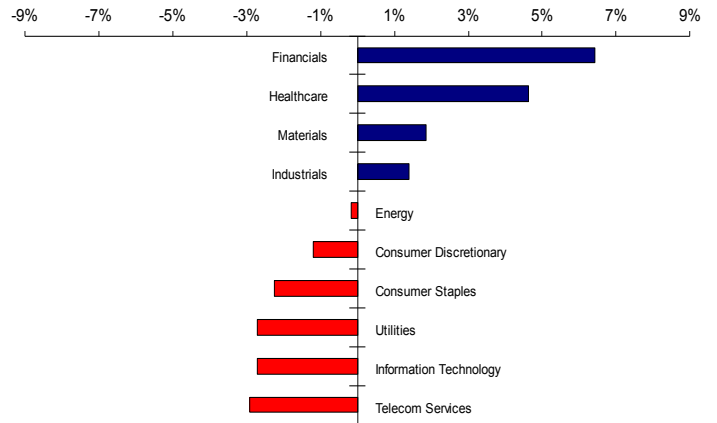
Canadian & U.S. equities

June 2017

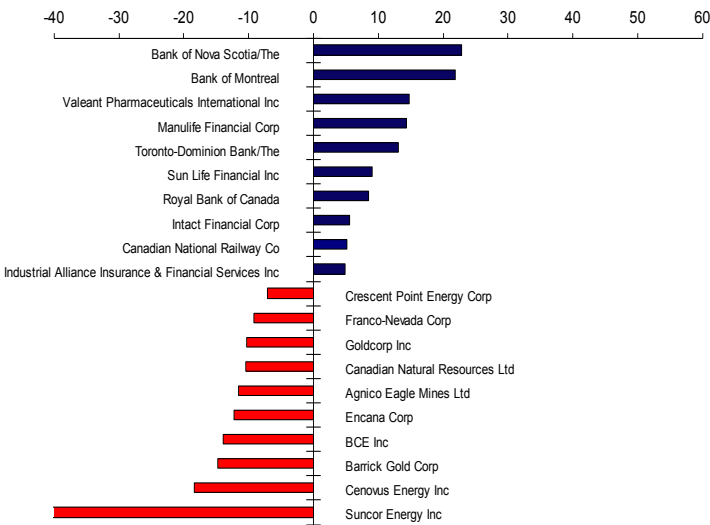
S&P/TSX composite sector movement



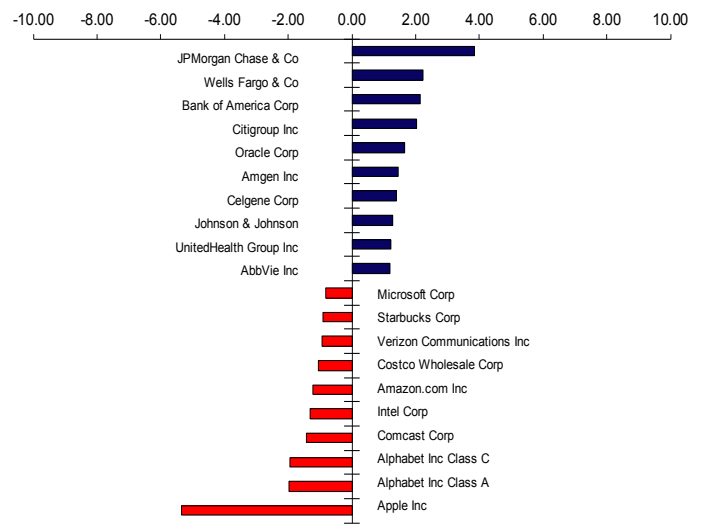
S&P 500 sector movement



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

June 2017

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
06/30/2017	Gross Domestic Product (m-o-m, SA)	Apr	0.20%	0.20%	0.50%
06/30/2017	Gross Domestic Product (y-o-y, SA)	Apr	3.40%	3.30%	3.20%
Labour market					
06/09/2017	Net Change in Employment (ooo, SA)	May	15.0	54.5	3.2
06/09/2017	Participation Rate (SA)	May	--	65.80%	65.60%
06/09/2017	Unemployment Rate (SA)	May	6.60%	6.60%	6.50%
Housing market					
06/08/2017	Housing Starts (ooo, SAAR)	May	202	194.7	213.5
06/08/2017	New Housing Price Index (y-o-y)	Apr	3.30%	3.90%	3.30%
06/15/2017	Existing Home Sales (m-o-m)	May	--	-6.20%	-1.70%
06/14/2017	Teranet/National Bank HPI (m-o-m)	May	--	2.20%	1.20%
Consumer & manufacturing					
06/22/2017	Retail Sales (m-o-m, SA)	Apr	0.30%	0.80%	0.50%
06/22/2017	Retail Sales Less Autos (m-o-m, SA)	Apr	0.70%	1.50%	-0.10%
06/15/2017	Manufacturing Sales (m-o-m, SA)	Apr	0.90%	1.10%	0.80%
Trade					
06/02/2017	Merchandise Trade (billion, SA)	Apr	-0.02	-0.37	-0.71
Prices					
06/23/2017	Consumer Price Index (m-o-m)	May	0.20%	0.10%	0.40%
06/23/2017	Consumer Price Index (y-o-y)	May	1.50%	1.30%	1.60%
06/30/2017	Industrial Product Price (m-o-m)	May	0.40%	-0.20%	0.60%
06/30/2017	Raw Materials Price Index (m-o-m)	May	0.00%	-1.80%	1.60%
Other indicators					
06/20/2017	Wholesale Sales (m-o-m, SA)	Apr	0.50%	1.00%	1.20%
06/06/2017	Ivey Purchasing Managers Index (SA)	May	--	53.8	62.4
06/07/2017	Building Permits (m-o-m, SA)	Apr	3%	0%	-5%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
06/29/2017	GDP (q-o-q, SAAR)	1Q T	1.20%	1.40%	1.20%
06/29/2017	GDP Price Index (q-o-q, SAAR)	1Q T	2.20%	1.90%	2.20%
06/29/2017	Core PCE (q-o-q, SAAR)	1Q T	2.10%	2.00%	2.10%
Labour market					
06/02/2017	Change in Nonfarm Payrolls (ooo, SA)	May	182.0	138.0	207.0
06/02/2017	Unemployment Rate (SA)	May	4.40%	4.30%	4.40%
Housing market					
06/16/2017	Building Permits (ooo, SAAR)	May	1249.00	1168.00	1228.00
06/16/2017	Housing Starts (ooo, SAAR)	May	1220.00	1092.00	1156.00
06/23/2017	New Home Sales (ooo, SAAR)	May	590.00	610.00	593.00
06/21/2017	Existing Home Sales (million, SAAR)	May	5.55	5.62	5.56
06/15/2017	NAHB Housing Market Index (SA)	Jun	70	67	69
06/01/2017	Construction Spending (m-o-m, SA)	Apr	0.50%	-1.40%	0.30%
Consumer & manufacturing					
06/14/2017	Advance Retail Sales (m-o-m, SA)	May	0.00%	-0.30%	0.40%
06/14/2017	Retail Sales Less Autos (m-o-m, SA)	May	0.10%	-0.30%	0.40%
06/27/2017	Consumer Confidence (SA)	Jun	116.0	118.9	117.6
06/30/2017	U. of Michigan Confidence	Jun F	94.5	95.1	94.5
06/29/2017	Personal Consumption (q-o-q, SAAR)	1Q T	0.60%	1.10%	0.60%
06/26/2017	Durable Goods Orders (m-o-m, SA)	May P	-0.60%	-1.10%	-0.90%
06/05/2017	Factory Orders (m-o-m, SA)	Apr	-0.20%	-0.20%	1.00%
Trade					
06/15/2017	Import Price Index (m-o-m)	May	-0.10%	-0.30%	0.20%
06/15/2017	Import Price Index (y-o-y)	May	2.90%	2.10%	3.60%
06/02/2017	Trade Balance (billion, SA)	Apr	-46.1	-47.6	-45.3
Prices					
06/14/2017	Consumer Price Index (m-o-m, SA)	May	0.00%	-0.10%	0.20%
06/14/2017	Consumer Price Index (y-o-y)	May	2.00%	1.90%	2.20%
06/14/2017	CPI Core Index (SA)	May	251.58	251.33	251.17
06/30/2017	PCE Deflator (y-o-y, SA)	May	1.50%	1.40%	1.70%
Other indicators					
06/01/2017	ISM Manufacturing Index (SA)	May	54.8	54.9	54.8
06/30/2017	Chicago Purchasing Manager Index	Jun	58.0	65.7	59.4
06/15/2017	Philadelphia Fed Index	Jun	24.9	27.6	38.8
06/22/2017	Leading Indicators (m-o-m)	May	0.30%	0.30%	0.20%
06/14/2017	Business Inventories (m-o-m, SA)	Apr	-0.20%	-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 – June 2017

Increases				
Company	\$ Change		Ex-Date	% Change
New Flyer Industries Inc.	Prior: \$0.2375	New: \$0.3250	June 28, 2017	36.84%
Decreases				
Company	\$ Change		Ex-Date	% Change
Hudson's Bay Co.	Prior: \$0.0500	New: \$0.0125	June 28, 2017	-75.00%

Source: Bloomberg



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Dominion Securities**

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