



What moved the markets

Tension between U.S. and North Korea dominated the news cycle in a month book-ended by North Korean missile concerns. The month started with a North Korean threat to fire ballistic missiles near the US Pacific island territory of Guam. The posturing and rhetoric between the two sides ramped up again at the end of the month after a missile was launched over Japanese airspace.

Both actions left markets somewhat on edge while a tragic terrorist attack in Spain also weighed on risk appetite. As a result of these concerns, yields on benchmark US and Canadian 10-year bonds declined ~20 bps to 10- and 2-month lows respectively. Spot Gold acted as a safe haven asset and had its largest monthly gain of the year, rallying 4% and closing the month at an 11-month high at \$1320 per ounce. The US dollar lost ground and the Dollar Index touched its lowest level since January 2015.

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It is back to work for central bankers after Labour Day as we head into a 14-day stretch from September 6-20 that includes key interest rate decisions from the Bank of Canada (September 6), the ECB (September 7), and the Federal Reserve (September 20). Meanwhile, the focus for the ECB and FOMC meetings will be less on their decision on interest rates, as both are expected to hold rates unchanged, and more on potential changes to their respective bond purchase programs. The ECB may reduce the quantity of its monthly bond purchases and the FOMC may start to reduce its holdings of US Treasury bonds and mortgage backed securities by ceasing the reinvestment of maturities.

Fixed Income-Specific Developments

The trend of stronger Canadian economic data continued in August. Canadian GDP rose 4.5% in Q2 on an annualized basis, above the 3.7% expected by economists and 1.5% above the Bank of Canada forecast in mid-July. The strong gain in growth may lead to a faster closing of the output gap rather than “around the end of 2017” as last projected by the BoC. The Canadian dollar ended the month unchanged, trading close to the 2017 highs at \$0.8011/USD. Another bright spot was the Markit Manufacturing PMI which showed an improvement to 55.5 in June and not too far off the historical high

All indices and figures priced in local currency as at August 31, 2017 (unless otherwise stated). For important disclosures, see page 10.

Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	0.7%	1.3%
Dow Jones Industrial Average TR	0.7%	13.0%
S&P 500 Index TR	0.3%	11.9%
NASDAQ Composite Index TR	1.4%	20.3%
MSCI EAFE TR (USD)	0.0%	17.5%
MSCI World TR (USD)	0.2%	13.9%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	0.3%	3.1%
S&P/TSX Energy TR	-3.1%	-14.2%
S&P/TSX Materials TR	5.5%	6.6%
S&P/TSX Industrials TR	3.1%	10.6%
S&P/TSX Consumer Discretionary TR	1.9%	11.2%
S&P/TSX Telecom Services TR	1.0%	10.4%
S&P/TSX Information Technology TR	1.6%	9.8%
S&P/TSX Consumer Staples TR	0.5%	1.6%
S&P/TSX Utilities TR	2.0%	10.1%
S&P/TSX Healthcare TR	-10.2%	-13.1%

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

U.S. GDP was another bright spot, posting 3.0% YoY growth in the 2nd quarter versus a forecast of 2.7% growth.

of 55.9 recoded in April this year. Employment data was more mixed as the Canadian economy added 10,900 jobs in July which was below economists' expectation of 12,500. The unemployment rate fell to 6.3% from 6.5% while the participation rate declined 0.2% to 65.7%. Consumer confidence continues to rise with the Bloomberg Canadian Confidence Index climbing to 60.5, the highest level since July 2014 following the first rate hike by the bank of Canada in seven years. Headline CPI rose 1.2% year over year in July. The Bank of Canada's preferred core inflation measures, including CPI Common, Trim & Median edged higher for a second consecutive month, reported at 1.47% from 1.40% which is encouraging for the BoC as it moves closer to the mid-point of its 1-3% target range.

NAFTA renegotiations commenced in mid-August with Mexico, Canada and the U.S. all outlining their objectives. The U.S. Chief negotiator Robert Lighthizer said that more than "mere tweaking" was needed to the current agreement. The Bank of Canada emphasized that uncertainty over NAFTA remained a key risk for Canada and further developments of the new agreement will have implications on Canadian economy.

South of the border, the nonfarm payroll report showed the U.S. economy added 209,000 jobs in July, above expectations of 180,000, while the previous month's job gain figures were revised slightly higher. Headline unemployment declined to a 16 year low of 4.3%. Average hourly earnings were encouraging as the year over year growth rate stayed at 2.5%, slightly above expectations of 2.4%. ISM Manufacturing was in line with consensus, coming in at 56.3 in July, down from the previous month's reading of 57.8. Headline CPI increased 0.1% month over month in July, below consensus of 0.2% increase. Core PCE, the Fed's preferred inflation measure, was slightly higher than consensus at 1.5%. U.S. GDP was another bright spot, posting 3.0% YoY growth in the 2nd quarter versus a forecast of 2.7% growth.

The FOMC minutes from the July meeting highlighted that there seems to be enough confidence among committee members that the Fed's 2% inflation target will eventually be reached in the "medium term" for the gradual rate hikes to continue. The minutes didn't include an explicit start date for when the process of unwinding the balance sheet will begin, but indications are that this process will commence in September, which is consistent with current market expectations. Meanwhile, expectations for future rate hikes in the US are more muted as the market is only pricing in one rate hike by the Fed through the end of 2018. These tempered rate hike expectations in the US, coupled with a tightening bias at a number of other global central banks have sent the Dollar Index down to its lowest level in two and a half years.

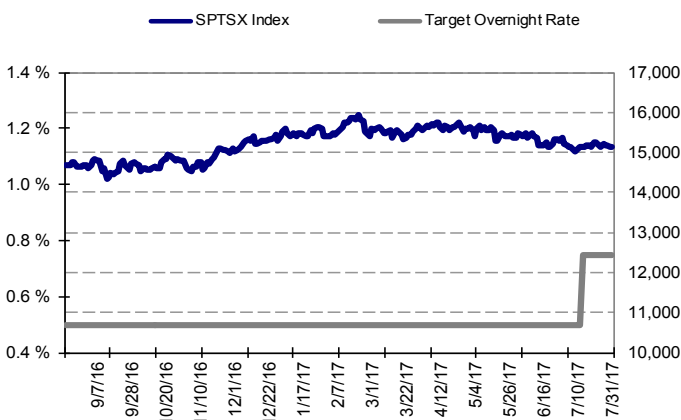
Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.2482	0.0%	-7.1%
Euro	1.4865	0.6%	5.2%
British Pound	1.6139	-2.1%	-2.6%
Japanese Yen	0.0114	0.3%	-1.2%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.8011	0.0%	7.7%
Euro	0.6727	-0.6%	-4.9%
British Pound	0.6194	2.2%	2.8%
Japanese Yen	88.1140	-0.3%	1.3%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$47.23	-5.9%	-12.1%
Natural Gas (per million btu)	\$3.04	8.8%	-18.4%
Gold (per ounce)	\$1,321.40	4.1%	14.7%
Silver (per ounce)	\$17.59	4.6%	10.5%
Copper (per pound)	\$3.07	6.7%	22.4%
Nickel (per pound)	\$5.33	15.5%	17.8%
Aluminum (per pound)	\$0.95	10.7%	23.2%
Zinc (per pound)	\$1.43	12.6%	22.1%

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S&P/TSX Index – target overnight rate, LTM



Source: RBC Wealth Management, Bloomberg

Global Developments

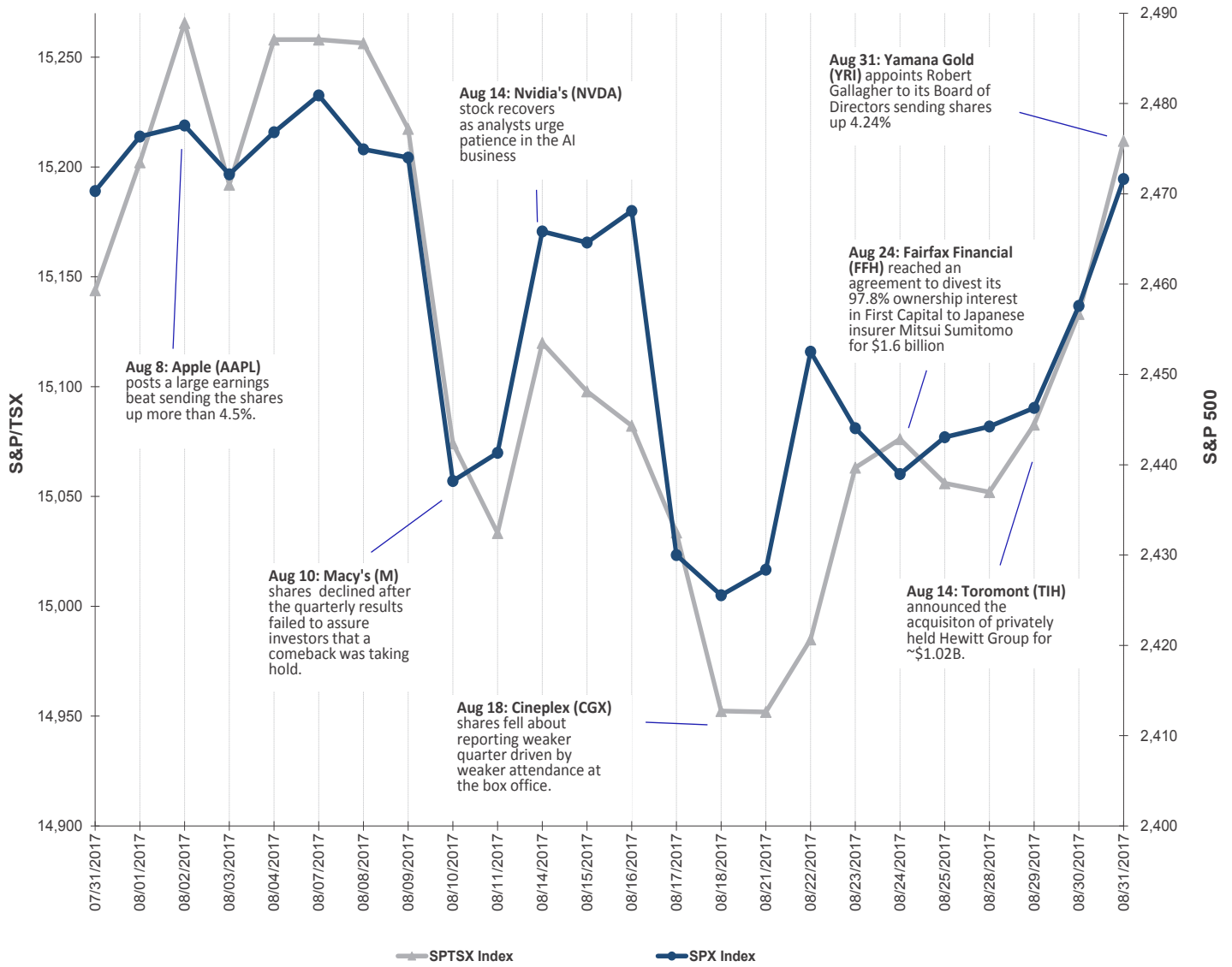
Economic data out of Europe was mixed in August. Eurozone GDP grew at 0.6% in the 2nd quarter which was in line with expectations. Euro area growth has improved consistently over the past nine months. This was also evident as the European Commission's economic sentiment indicator came in at its highest level in more than a decade. HICP inflation in the Euro area accelerated to 1.5% year over year in August, up from the previous month and above consensus expectations of 1.4%. ECB President Mario Draghi noted that the euro area's recovery was progressing but "a significant degree of monetary accommodation is still warranted" in a speech delivered at the Jackson Hole Symposium near the end of the month. The euro appreciated to a 2.5 year high versus the U.S. dollar, ending the month up ~2.0% at 1.1910.

In China, economic data was disappointing with official services PMI declining to a 15-month low of 53.4 in August from 54.5 in the previous month. Industrial production rose 6.4% in July from a year earlier, while retail sales increased 10.4% and fixed asset investment climbed 8.3%. All three data points came in below consensus expectations. CPI in the region rose 1.4% in July year over year, slightly below consensus estimates and down from 1.5% in the previous month.

Key refineries in Texas, the energy hub of the U.S. have been shut down due to Hurricane Harvey, the strongest storm to have hit the U.S. since 2004. The storm is affecting the distribution of crude and products on pipelines, and has sent gasoline prices to the highest level in more than 2 years. WTI Crude oil prices on the other hand declined 6.2% in the month to \$47 per barrel following the shutdown of refineries accounting for ~2 million barrels per day of refining capacity.

North American equity highlights

August 2017

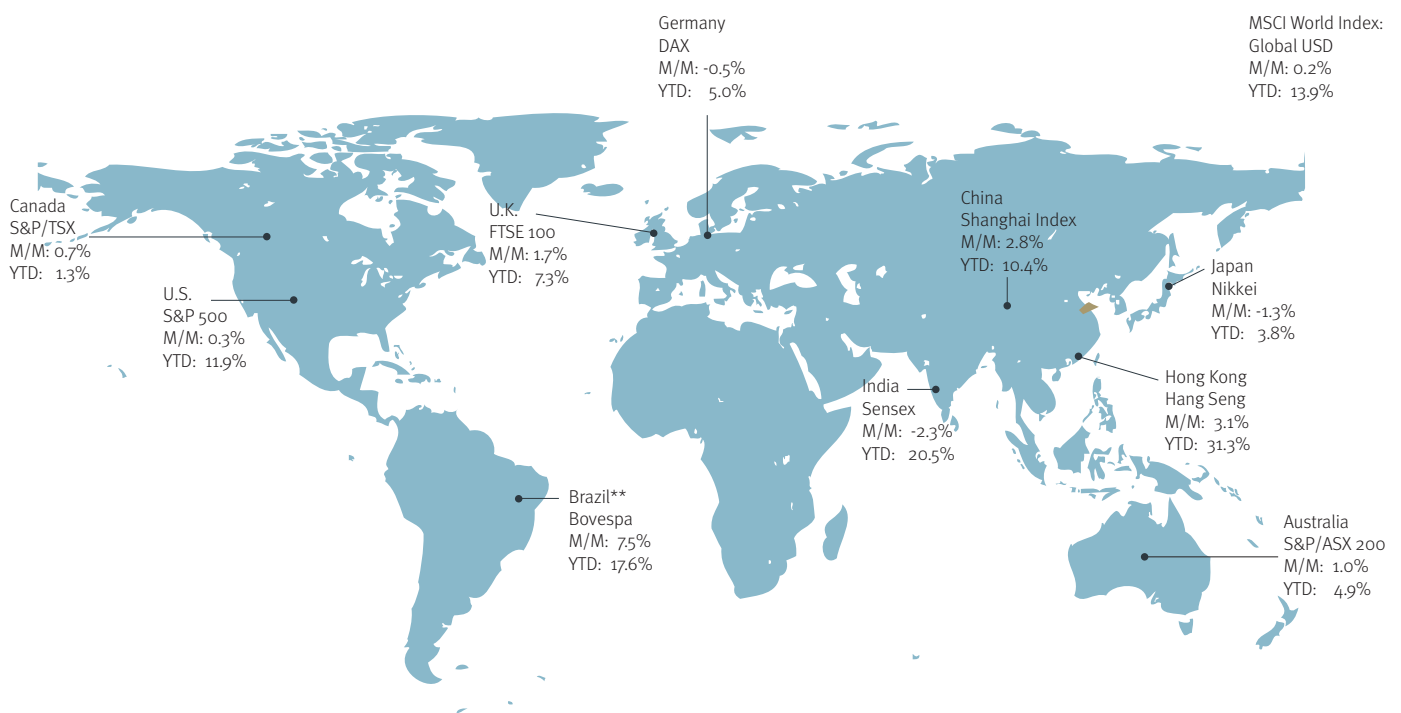


¹Bloomberg ²RBC Capital Markets Pricing Data
Source: Bloomberg

World markets

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

For the month of August, most global indices ended in positive territory. In the Americas, the S&P 500 and Brazil's Bovespa rose by 0.3% and 7.5%, respectively while the S&P/TSX rose by 0.7%. In Europe, U.K.'s FTSE moved higher by 1.7% while Germany's DAX moved lower by 0.5%, respectively. In Asia, China's Shanghai Index and Hong Kong's Hang Seng closed the month up 2.8% and 3.1%, while India's Sensex moved down -2.3%. Japan's Nikkei closed lower by 1.3% and Australia's S&P/ASX 200 rose higher by 1.0%. Overall, the MSCI World Index has increased by 13.9% YTD.



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

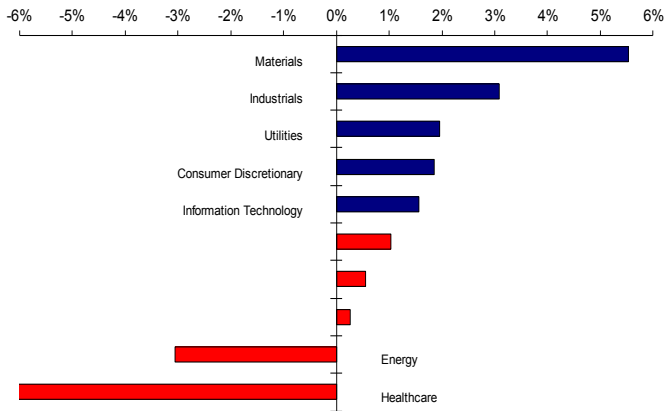
** These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 08/31/17

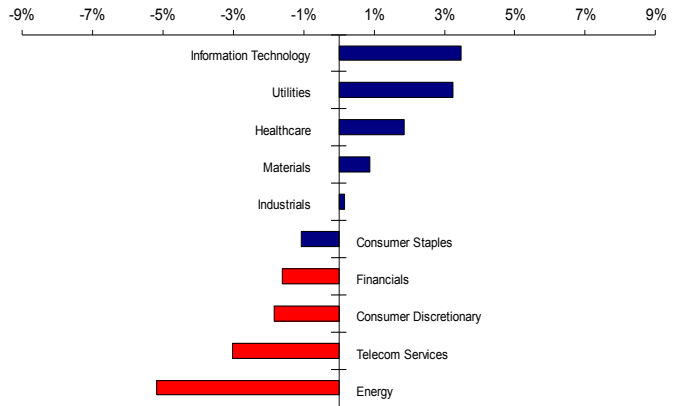
Canadian & U.S. equities

August 2017

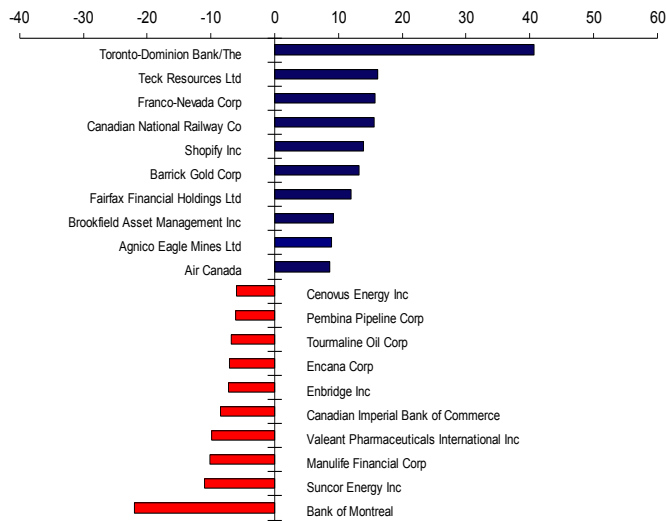
S&P/TSX composite sector movement



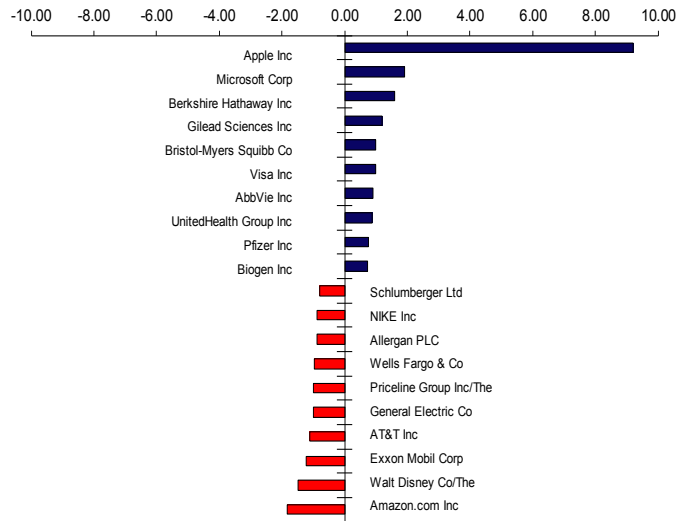
S&P 500 sector movement



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

August 2017

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
08/31/2017	Gross Domestic Product (m-o-m, SA)	Jun	0.10%	0.30%	0.60%
08/31/2017	Gross Domestic Product (y-o-y, SA)	Jun	4.10%	4.30%	4.70%
Labour market					
08/04/2017	Net Change in Employment (ooo, SA)	Jul	12.5	10.9	45.3
08/04/2017	Participation Rate (SA)	Jul	--	65.70%	65.90%
08/04/2017	Unemployment Rate (SA)	Jul	6.50%	6.30%	6.50%
Housing market					
08/09/2017	Housing Starts (ooo, SAAR)	Jul	205	222.3	212.9
08/10/2017	New Housing Price Index (y-o-y)	Jun	--	3.90%	3.80%
08/15/2017	Existing Home Sales (m-o-m)	Jul	--	-2.10%	-6.70%
08/14/2017	Teranet/National Bank HPI (m-o-m)	Jul	--	2.00%	2.60%
Consumer & manufacturing					
08/22/2017	Retail Sales (m-o-m, SA)	Jun	0.20%	0.10%	0.50%
08/22/2017	Retail Sales Less Autos (m-o-m, SA)	Jun	0.10%	0.70%	-0.10%
08/17/2017	Manufacturing Sales (m-o-m, SA)	Jun	-1.00%	-1.80%	1.30%
Trade					
08/04/2017	Merchandise Trade (billion, SA)	Jun	-1.25	-3.60	-1.36
Prices					
08/18/2017	Consumer Price Index (m-o-m)	Jul	0.00%	0.00%	-0.10%
08/18/2017	Consumer Price Index (y-o-y)	Jul	1.20%	1.20%	1.00%
08/29/2017	Industrial Product Price (m-o-m)	Jul	-0.70%	-1.50%	-1.10%
08/29/2017	Raw Materials Price Index (m-o-m)	Jul	-0.30%	-0.60%	-3.60%
Other indicators					
08/21/2017	Wholesale Sales (m-o-m, SA)	Jun	-0.50%	-0.50%	1.00%
08/04/2017	Ivey Purchasing Managers Index (SA)	Jul	--	60	61.6
08/09/2017	Building Permits (m-o-m, SA)	Jun	-2%	3%	11%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
08/30/2017	GDP (q-o-q, SAAR)	2Q S	2.70%	3.00%	2.60%
08/30/2017	GDP Price Index (q-o-q, SAAR)	2Q S	1.00%	1.00%	1.00%
08/30/2017	Core PCE (q-o-q, SAAR)	2Q S	0.90%	0.90%	0.90%
Labour market					
08/04/2017	Change in Nonfarm Payrolls (ooo, SA)	Jul	180.0	209.0	210.0
08/04/2017	Unemployment Rate (SA)	Jul	4.30%	4.30%	4.40%
Housing market					
08/16/2017	Building Permits (ooo, SAAR)	Jul	1250.00	1223.00	1275.00
08/16/2017	Housing Starts (ooo, SAAR)	Jul	1220.00	1155.00	1213.00
08/23/2017	New Home Sales (ooo, SAAR)	Jul	610.00	571.00	630.00
08/24/2017	Existing Home Sales (million, SAAR)	Jul	5.55	5.44	5.51
08/15/2017	NAHB Housing Market Index (SA)	Aug	64	68	64
08/01/2017	Construction Spending (m-o-m, SA)	Jun	0.40%	-1.30%	1.60%
Consumer & manufacturing					
08/15/2017	Advance Retail Sales (m-o-m, SA)	Jul	0.30%	0.60%	0.30%
08/15/2017	Retail Sales Less Autos (m-o-m, SA)	Jul	0.30%	0.50%	0.10%
08/29/2017	Consumer Confidence (SA)	Aug	120.7	122.9	120.0
08/18/2017	U. of Michigan Confidence	Aug P	94.0	97.6	93.4
08/30/2017	Personal Consumption (q-o-q, SAAR)	2Q S	3.00%	3.30%	2.80%
08/25/2017	Durable Goods Orders (m-o-m, SA)	Jul P	-6.00%	-6.80%	6.40%
08/03/2017	Factory Orders (m-o-m, SA)	Jun	3.00%	3.00%	-0.30%
Trade					
08/15/2017	Import Price Index (m-o-m)	Jul	0.10%	0.10%	-0.20%
08/15/2017	Import Price Index (y-o-y)	Jul	1.50%	1.50%	1.50%
08/04/2017	Trade Balance (billion, SA)	Jun	-44.5	-43.6	-46.4
Prices					
08/11/2017	Consumer Price Index (m-o-m, SA)	Jul	0.20%	0.10%	0.00%
08/11/2017	Consumer Price Index (y-o-y)	Jul	1.80%	1.70%	1.60%
08/11/2017	CPI Core Index (SA)	Jul	252.00	251.91	251.63
08/31/2017	PCE Deflator (y-o-y, SA)	Jul	1.40%	1.40%	1.40%
08/01/2017	ISM Manufacturing Index (SA)	Jul	56.5	56.3	57.8
08/31/2017	Chicago Purchasing Manager Index	Aug	58.5	58.9	58.9
08/17/2017	Philadelphia Fed Index	Aug	18.0	18.9	19.5
08/17/2017	Leading Indicators (m-o-m)	Jul	0.30%	0.30%	0.60%
08/15/2017	Business Inventories (m-o-m, SA)	Jun	0.40%	0.50%	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 2017

Increases				
Company	\$ Change		Ex-Date	% Change
Royal Bank of Canada	Prior: \$0.8700	New: \$0.9100	October 25, 2017	4.60%
Bank of Nova Scotia	Prior: \$0.7600	New: \$0.7900	October 2, 2017	3.95%
Canadian Imperial Bank of Commerce	Prior: \$1.2700	New: \$1.3000	September 27, 2017	2.36%

Source: Bloomberg

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Dominion Securities**

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