

Month-in-Review: December 2010

Winter 2011



Karim Visram Private Wealth Management

200 Bay Street, Suite 3900
Royal Bank Plaza, South Tower
Toronto, Ontario M5J 2J2

**Karim F. Visram, CFA, CGA, CFP,
FMA**
Vice President & Portfolio Mgr
416-956-1913
karim.visram@rbc.com

Jeamie Hong
Executive Assistant
416-956-1906
jeamie.hong@rbc.com

Vijay Vyas, BA
Investment Associate
416-956-8888
vijay.vyas@rbc.com



www.karim.visram.com

What Moved the Markets

The S&P/TSX Composite closed at 13,443.22, up 14.4% on the year and 3.8% higher during the month of December. The Canadian banks were headline-makers during the month as they closed out earnings season and embarked on a number of international acquisitions. The S&P 500 and Dow gained 12.8% and 11.0% on the year, and 6.5% and 5.2% in December, respectively. Crude oil closed above \$90 per barrel, gaining 8.6% on the month, while natural gas gained 5.4%. Precious metals continued to be favoured by investors as gold gained 2.5%, while silver advanced 10.1% in December. The Canadian dollar finished the year above par, closing at \$0.998/USD.

In Canada, the banks were in the spotlight as they reported Q4 results. **Royal Bank (RY)** posted lower-than-expected results on higher expenses and weaker international banking revenues, while **Toronto Dominion (TD)** also underperformed on lower retail revenues. **Bank of Nova Scotia (BNS)** and **Bank of Montreal (BMO)** both benefitted from better-than-expected revenues, which outpaced growing expenses. **Research in Motion (RIM)** posted strong quarterly earnings on positive "Torch" sales and management raised its revenue expectations for the fourth quarter. In the U.S., **FedEx (FDX)** came in lower than expected as higher fuel costs impacted earnings, and **General Mills (GIS)** was also lower but maintained its full-year view on earnings results. **General Electric (GE)** raised its dividend by 17%, and the U.S. Treasury sold its last remaining shares of **Citigroup (C)**, making more than \$12 billion in profit on the position overall.

In the U.S., Congress passed the new tax bill which extended the Bush tax cuts, and was widely seen as positive by equity markets. Positive Beige Book comments, continued advances in the Purchasing Managers Index and stronger-than-expected initial claims numbers showed steady recovery in the economy. In Asia, tensions thawed somewhat between the two Koreas after last month's

hostilities, while China continued to implement monetary tightening as the Central Bank raised reserve ratios by 50 bps on the heels of November's interest rate hikes.

In Canadian Mergers & Acquisition news, **Toronto Dominion Bank (TD)** acquired Chrysler Financial for \$6.3 billion, **Bank of Montreal (BMO)** acquired a U.S. mid-western bank, **Marshall & Ilsley (MI)**, for \$4.1 billion and Desjardin Financial Group acquired **Western Financial Group (WES)** for \$443 million. Russian uranium producer ARMZ completed the acquisition of a controlling stake in **Uranium One (UUU)**.

Fixed Income

December began with renewed fears over European sovereign debt as Ireland applied for, and received, an €85

billion loan package from the European Financial Stability Facility. Investors' attention quickly turned to Europe's other peripheral countries, most notably Spain and Greece whose economies were again placed under review at Moody's rating agency. In North America, Federal Reserve Chairman, Ben Bernanke, reaffirmed the Fed's commitment to Quantitative Easing as the economic recovery remained fragile. The global growth outlook was given a boost by the U.S. government's plans to extend tax cuts, enact a reduction in payroll taxes and extend emergency unemployment benefits. The yield on the benchmark U.S. 10-year Treasury rose 50 bps to 3.30% on the month as investors became more optimistic about the economic recovery. The move in yields on the Canadian 10-year benchmark was not as pronounced as their U.S. counterparts but did advance 6 bps to 3.12%.

Number Crunching

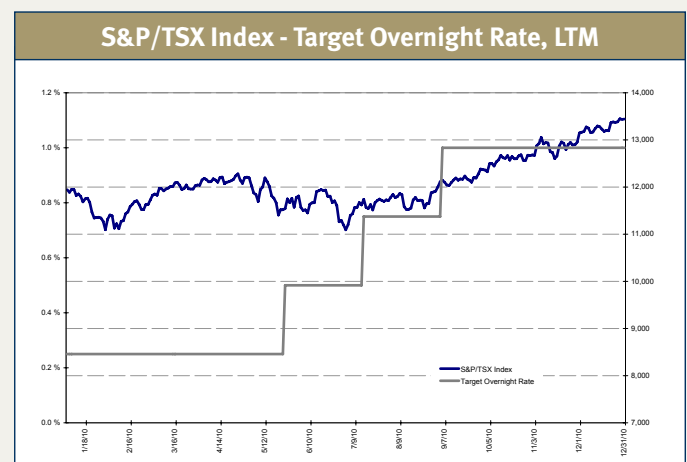
Equity Indices*	Month	YTD*
S&P/TSX Composite Index TR	4.1%	17.6%
Dow Jones Industrial Average TR	5.3%	14.1%
S&P 500 Index TR	6.7%	15.1%
NASDAQ Composite Index TR	6.3%	18.0%
MSCI EAFE TR (USD)	8.1%	8.2%
MSCI World TR (USD)	7.4%	12.3%
MSCI World TR	3.7%	6.9%

S&P/TSX Sector Performance*	Month	YTD*
S&P/TSX Financials TR	2.4%	10.5%
S&P/TSX Energy TR	7.7%	13.3%
S&P/TSX Materials TR	4.5%	36.5%
S&P/TSX Industrials TR	3.7%	16.9%
S&P/TSX Consumer Discretionary TR	2.8%	25.3%
S&P/TSX Telecom Services TR	-0.4%	22.4%
S&P/TSX Information Technology TR	-4.7%	-11.6%
S&P/TSX Consumer Staples TR	2.9%	10.3%
S&P/TSX Utilities TR	2.5%	18.4%
S&P/TSX Healthcare TR	5.5%	57.0%

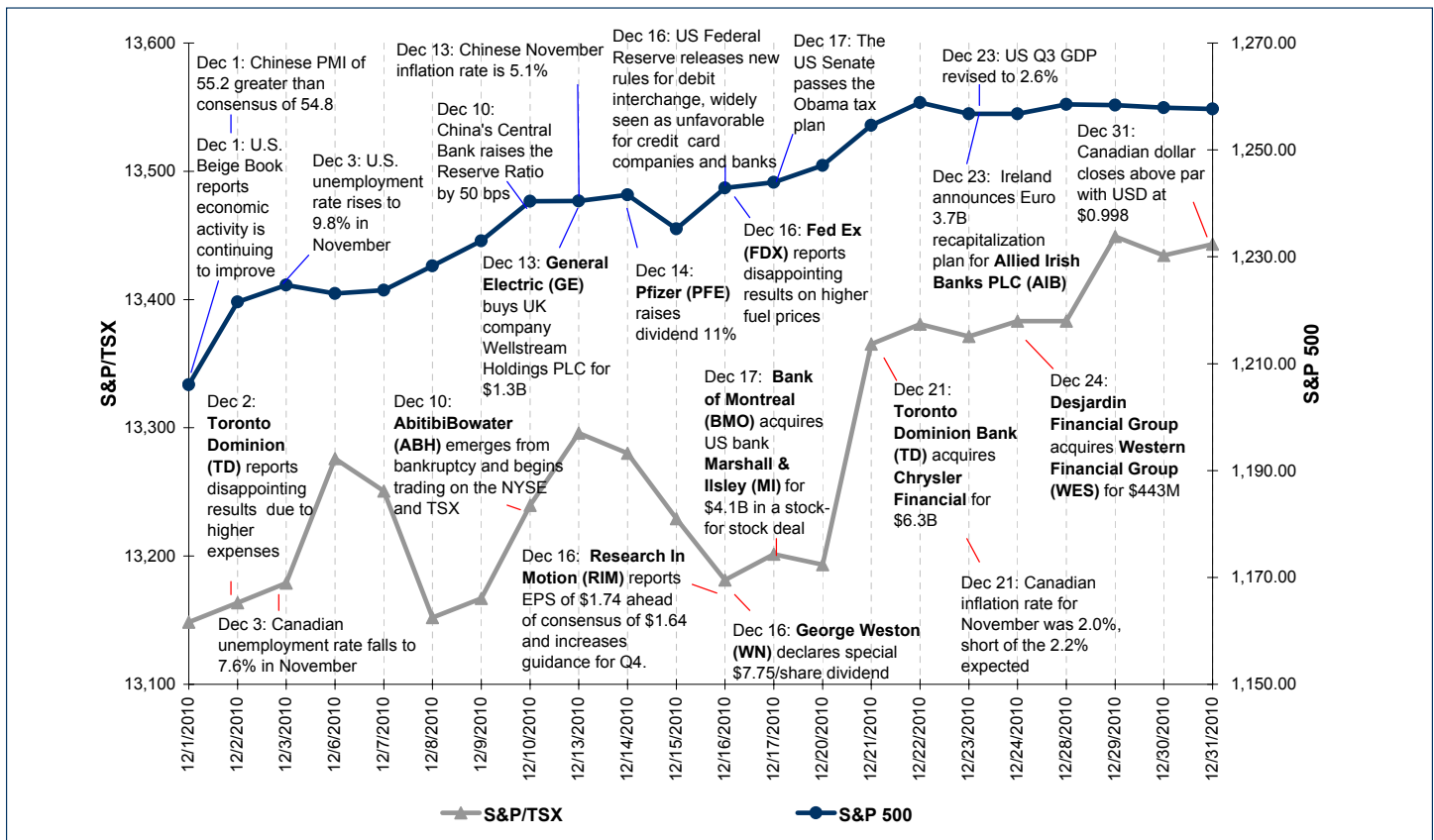
* As of December 31, 2010 all returns are now calculated on a Total Return basis. All indices are in local currency unless otherwise noted. Source: Bloomberg

Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	0.9980	-2.8%	-5.2%
Euro	1.3356	0.2%	-11.5%
British Pound	1.5578	-2.5%	-8.5%
Japanese Yen (100)	1.2302	0.3%	8.7%

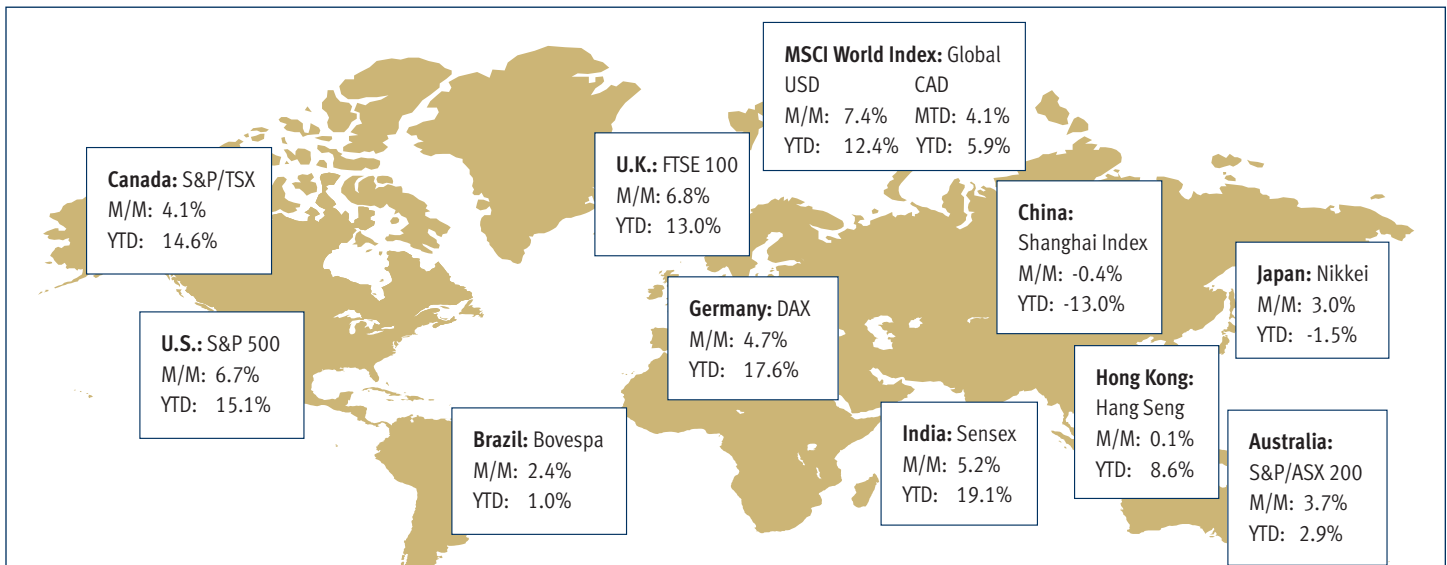
Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$91.38	8.6%	15.1%
Natural Gas (per million btu)	\$4.41	5.4%	-20.9%
Gold (per ounce)	\$1,420.78	2.5%	29.5%
Silver (per ounce)	\$30.92	10.1%	83.2%
Copper (per pound)	\$4.38	14.6%	31.4%
Nickel (per pound)	\$11.21	7.4%	33.9%
Aluminum (per pound)	\$1.12	9.1%	12.0%
Zinc (per pound)	\$1.11	16.2%	-4.1%



North American Equity Highlights – December 2010



World Markets – December 2010



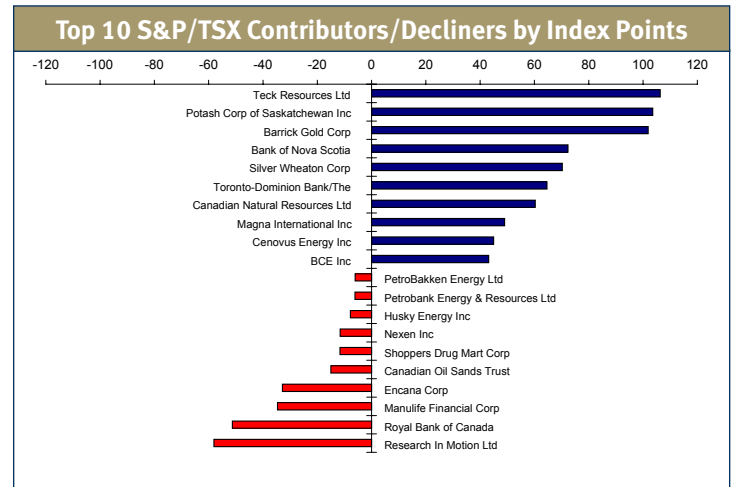
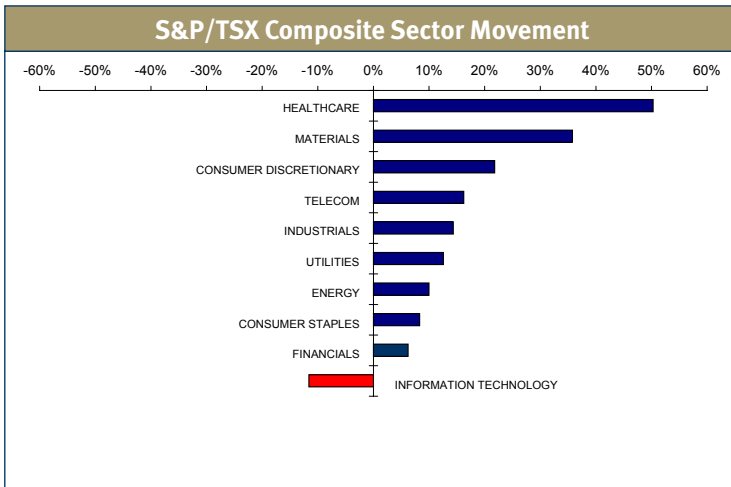
World equity markets showed strength in December as the U.S. Congress approved a new tax plan which will extend the Bush tax cuts and extend emergency unemployment benefits. In Europe fears resurfaced over sovereign debt after Ireland applied for, and received, an €85 billion loan package from the European Financial Stability Facility. In China the Central Bank increased reserve ratios for banks by 50 bps after headline inflation continued to print above 5%. Canadian markets were supported by strong appreciation in resources prices and a number of large transactions in the banking sector.

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

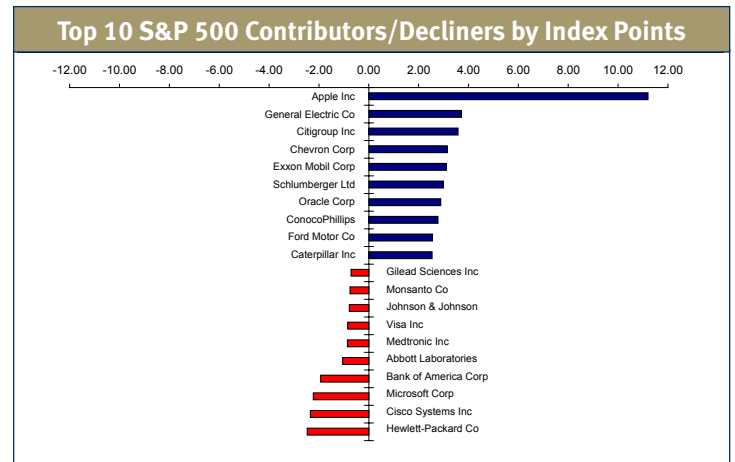
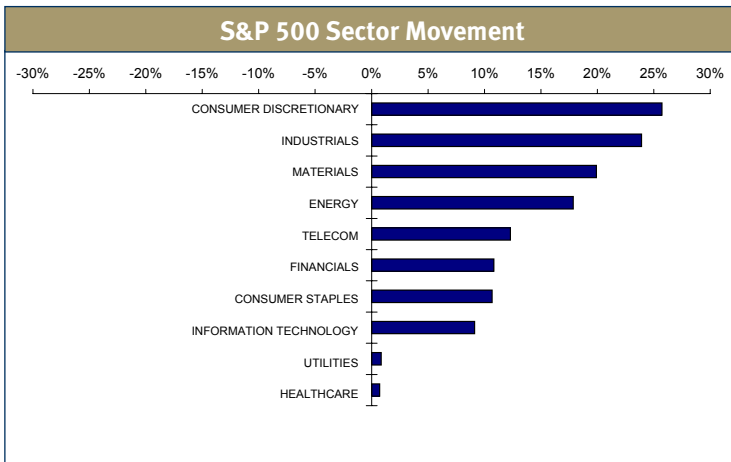
Canadian and U.S. Economic Data – December 2010

Better Than Expected		Event	Period	Consensus	Actual	Prior
1-Dec	US	ISM Manufacturing	NOV	56.5	56.6	56.9
1-Dec	US	Domestic Vehicle Sales	NOV	9.03M	9.27M	9.27M
3-Dec	CA	Unemployment Rate	NOV	7.9%	7.6%	7.9%
3-Dec	US	Unemployment Rate	NOV	9.6%	9.8%	9.6%
3-Dec	US	Factory Orders	OCT	-1.2%	-0.9%	3.0%
6-Dec	CA	Ivey Purchasing Managers Index	NOV	56.4	57.5	56.7
8-Dec	CA	Housing Starts	NOV	173.0K	187.2K	167.8K
13-Dec	CA	Capacity Utilization Rate	3Q	76.5%	78.1%	76.9%
14-Dec	CA	Labor Productivity QoQ	3Q	-0.1%	0.1%	-0.6%
14-Dec	US	Advance Retail Sales	NOV	0.6%	0.8%	1.7%
14-Dec	US	Producer Price Index (MoM)	NOV	0.6%	0.8%	0.4%
15-Dec	CA	Manufacturing Sales MoM	OCT	1.0%	1.7%	-0.5%
15-Dec	US	Capacity Utilization	NOV	75.0%	75.2%	74.9%
15-Dec	US	Industrial Production	NOV	0.3%	0.4%	-0.2%
16-Dec	US	Housing Starts	NOV	550K	555K	534K
21-Dec	CA	Retail Sales MoM	OCT	0.5%	0.8%	0.4%
22-Dec	US	GDP QoQ (Annualized)	3Q T	2.8%	2.6%	2.5%
30-Dec	US	Initial Jobless Claims	25-Dec	415K	388K	422K
As Expected						
7-Dec	CA	Bank of Canada Rate	7-Dec	1.0%	1.0%	1.0%
14-Dec	US	FOMC Rate Decision	14-Dec	0.3%	0.3%	0.3%
15-Dec	US	CPI Ex Food & Energy (MoM)	NOV	0.1%	0.1%	0.0%
17-Dec	US	Leading Indicators	NOV	1.1%	1.1%	0.4%
23-Dec	US	U. of Michigan Confidence	DEC F	74.5	74.5	74.2
28-Dec	US	S&P/CaseShiller Home Price Ind	OCT	--	145.32	147.27
Weaker Than Expected						
3-Dec	US	Change in Nonfarm Payrolls	NOV	150K	39K	172K
6-Dec	CA	Building Permits MoM	OCT	-4.0%	-6.5%	14.9%
10-Dec	US	Trade Balance	OCT	-\$43.8B	-\$38.7B	-\$44.6B
14-Dec	CA	Leading Indicators MoM	NOV	0.5%	0.3%	0.3%
15-Dec	US	Consumer Price Index (MoM)	NOV	0.2%	0.1%	0.2%
16-Dec	US	Building Permits	NOV	560K	530K	552K
20-Dec	CA	Wholesale Sales MoM	OCT	0.8%	0.0%	0.7%
21-Dec	CA	Consumer Price Index MoM	NOV	0.3%	0.1%	0.4%
21-Dec	CA	Bank Canada CPI Core MoM	NOV	0.2%	0.0%	0.4%
22-Dec	US	Existing Home Sales	NOV	4.75M	4.68M	4.43M
22-Dec	US	Existing Home Sales MoM	NOV	7.1%	5.6%	-2.2%
23-Dec	US	Durable Goods Orders	NOV	-0.5%	-1.3%	-3.1%
23-Dec	CA	Gross Domestic Product MoM	OCT	0.3%	0.2%	-0.1%
23-Dec	US	Personal Spending	NOV	0.50%	0.40%	0.70%
28-Dec	US	Consumer Confidence	DEC	56.3	52.5	54.3

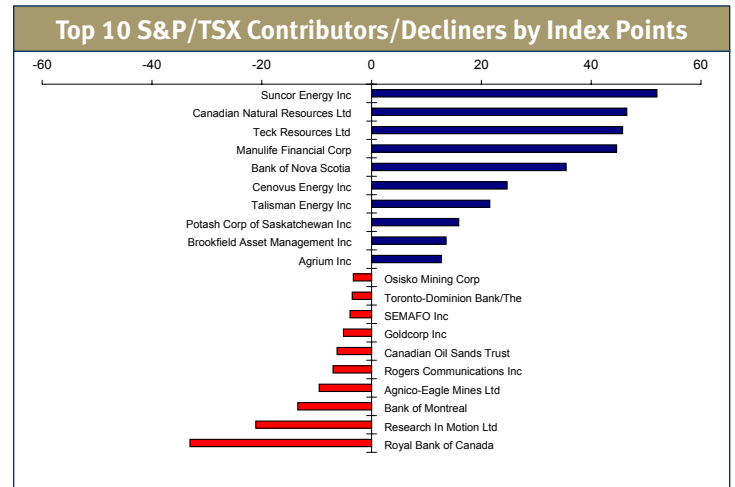
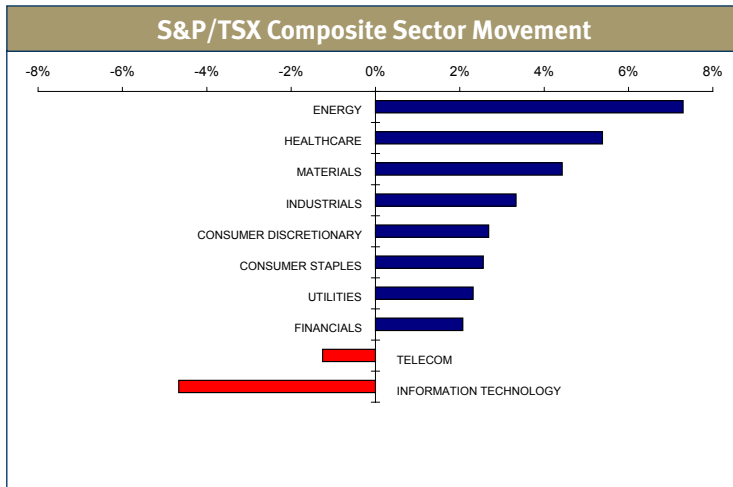
Canadian Equities – Full Year 2010



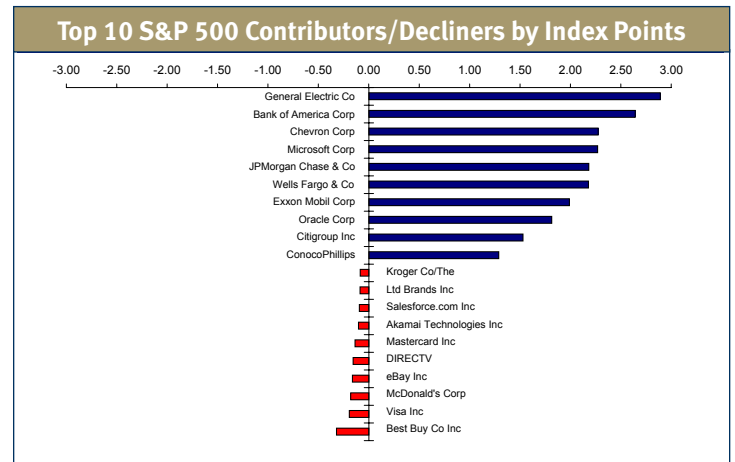
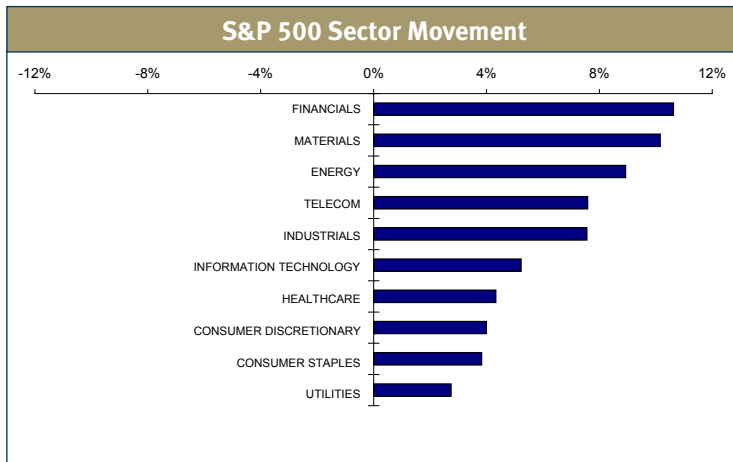
U.S. Equities – Full Year 2010



Canadian Equities – December 2010



U.S. Equities – December 2010



The information contained in this report has been compiled by RBC Dominion Securities Inc. ("RBC DS") from sources believed by it to be reliable, but no representations or warranty, express or implied, are made by RBC DS or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC DS's judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. This report is not an offer to sell or a solicitation of an offer to buy any securities. Additionally, this report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to Investment Advisors and does not have regard to the particular circumstances or needs of any specific person who may read it. RBC DS and its affiliates may have an investment banking or other relationship with some or all of the issuers mentioned herein and may trade in any of the securities mentioned herein either for their own account or the accounts of their customers. RBC DS and its affiliates may also issue options on securities mentioned herein and may trade in options issued by others. Accordingly, RBC DS or its affiliates may at any time have a long or short position in any such security or option thereon. Neither RBC DS nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. This report may not be reproduced, distributed or published by any recipient hereof for any purpose. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. ©Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2010. All rights reserved.