



## What moved the markets

US tax reform and the change in leadership at the Federal Reserve dominated the headlines in November. These stories played out against a backdrop of rising equity markets and flattening North American yield curves. Senate Republicans led a debate throughout the month over their proposed tax reform, finally getting a bill to the Senate at the end of the month.

Meanwhile President Trump ended the uncertainty around Federal Reserve Chair Janet Yellen's successor by nominating Jerome Powell for the role. North of the border, the Bank of Canada continued to reiterate its cautious stance towards policy tightening in their data dependent mode and their Financial System Review touched on a few potential areas of vulnerability. Elsewhere, Britain's messy divorce from the European Union got a hint of clarity as the negotiators reportedly settled on a £50bn bill to be paid to Brussels. Both the UK and European governments have yet to approve the reported terms before moving further to negotiate new trade deals between the mainland and the isles.

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### Equity markets comments

Equity markets were positive in North America, with the S&P 500 outperforming the S&P/TSX composite by 2.6%. The S&P/TSX moved up 0.5%, mostly driven by the 18.3% gain in the Healthcare sector. However, the Industrials sector slightly offset these gains by falling -1.4%.

In the U.S., the S&P 500 closed up 3.1%, with all sectors ending the month in positive territory. The Telecommunications sector led the U.S. markets with a strong 6% rally followed by Consumer Staples up 5.7%. The Materials sector lagged behind moving up by 1%.

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

## Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	0.5%	7.8%
Dow Jones Industrial Average TR	4.2%	25.7%
S&P 500 Index TR	3.1%	20.5%
NASDAQ Composite Index TR	2.3%	29.0%
MSCI EAFE TR (USD)	1.1%	23.6%
MSCI World TR (USD)	2.2%	21.4%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	0.4%	12.6%
S&P/TSX Energy TR	-0.1%	-8.1%
S&P/TSX Materials TR	-0.4%	3.8%
S&P/TSX Industrials TR	-1.4%	17.0%
S&P/TSX Consumer Discretionary TR	1.7%	23.4%
S&P/TSX Telecom Services TR	2.4%	16.1%
S&P/TSX Information Technology TR	0.2%	16.4%
S&P/TSX Consumer Staples TR	3.8%	7.7%
S&P/TSX Utilities TR	0.3%	11.8%
S&P/TSX Healthcare TR	18.3%	8.1%

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

## Fixed income specific developments

The Government of Canada yield curve flattened as the market continues to price in some rate hikes from the BoC in 2018 which helped short-term yields hold steady, while longer-term yields drifted lower in sympathy with global yields. The yield differential between the 2-year and the 30-year Government of Canada bonds narrowed by over 10 basis points in November.

The Bank of Canada released its semi-annual Financial System Review, highlighting key vulnerabilities to financial stability in Canada. The high level of household debt and housing market imbalances were identified as the main risks the central bank is monitoring. Nevertheless, Bank of Canada Governor Stephen Poloz also sought to dampen concerns by emphasizing that the financial system continues to be resilient, citing stronger growth and job creation as positive signs.

Canada's current account deficit widened by \$3.8 billion in the third quarter to \$19.3 billion, with the deficit moving back to the widest level since the first quarter of 2015. A lack of export growth was a key contributor as the goods deficit rose \$3.6 billion to \$8.9 billion over the third quarter, the third consecutive increase of the goods deficit and the second highest deficit on record. Offsetting the current account deficit was foreign direct investment in the financial account as strong and continued investment in Canadian bonds led the inflows into the economy.

The US Treasury yield curve also flattened in November as investors priced-in the Fed continuing to increase short term interest rates. The move higher in 2-year yields has not been matched with a corresponding move higher in longer term yields. Given that the current 30-year yield is near the Fed's longer-term guidance on where the Fed Funds rate is expected to stabilize, this flattening could reflect the fact that rate hikes are now expected to occur sooner than previously anticipated, but longer-term expectations remain anchored.

The minutes from the Federal Open Market Committee's November meeting were released, drawing the focus on the Fed 'dots' for direction on the central bank's return to policy normalization in 2018. The minutes showed that the FOMC members remain upbeat about growth prospects, but sustained levels of low inflation, emerging fears of asset price bubbles, financial instability and the potential impact of the proposed tax cuts are sources of policy uncertainty. While the Fed partially assigns the run-up in asset prices to the low neutral rate of interest, the higher prices married with subdued volatility have several

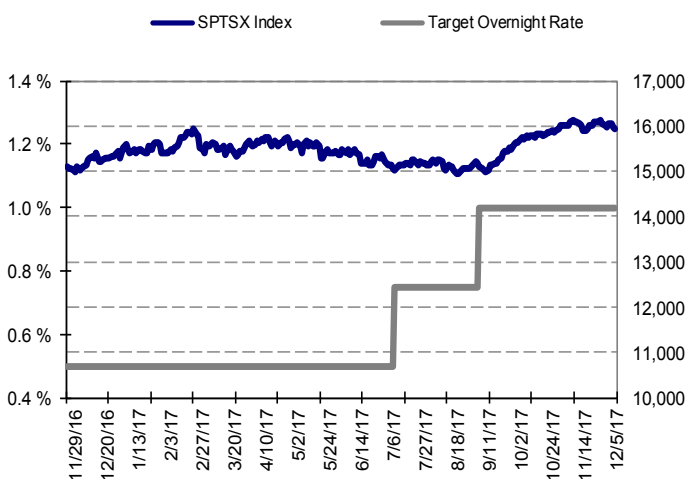
Currencies (in Canadian dollars)	Exchange	Month	YTD*
US Dollar	1.2897	0.1%	-4.0%
Euro	1.5352	2.3%	8.6%
British Pound	1.7443	1.9%	5.2%
Japanese Yen	0.0115	1.0%	-0.2%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
US Dollar	0.7754	-0.1%	4.2%
Euro	0.6514	-2.2%	-7.9%
British Pound	0.5733	-1.8%	-4.9%
Japanese Yen	87.2620	-1.0%	0.3%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$57.40	5.6%	6.9%
Natural Gas (per million btu)	\$3.03	4.5%	-18.8%
Gold (per ounce)	\$1,274.94	0.3%	10.6%
Silver (per ounce)	\$16.44	-1.7%	3.3%
Copper (per pound)	\$3.05	-1.2%	21.9%
Nickel (per pound)	\$5.01	-9.8%	10.9%
Aluminum (per pound)	\$0.92	-5.0%	19.4%
Zinc (per pound)	\$1.43	-3.3%	22.5%

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



Source: RBC Wealth Management, Bloomberg

members of the FOMC beginning to express concern about a buildup of financial imbalances.

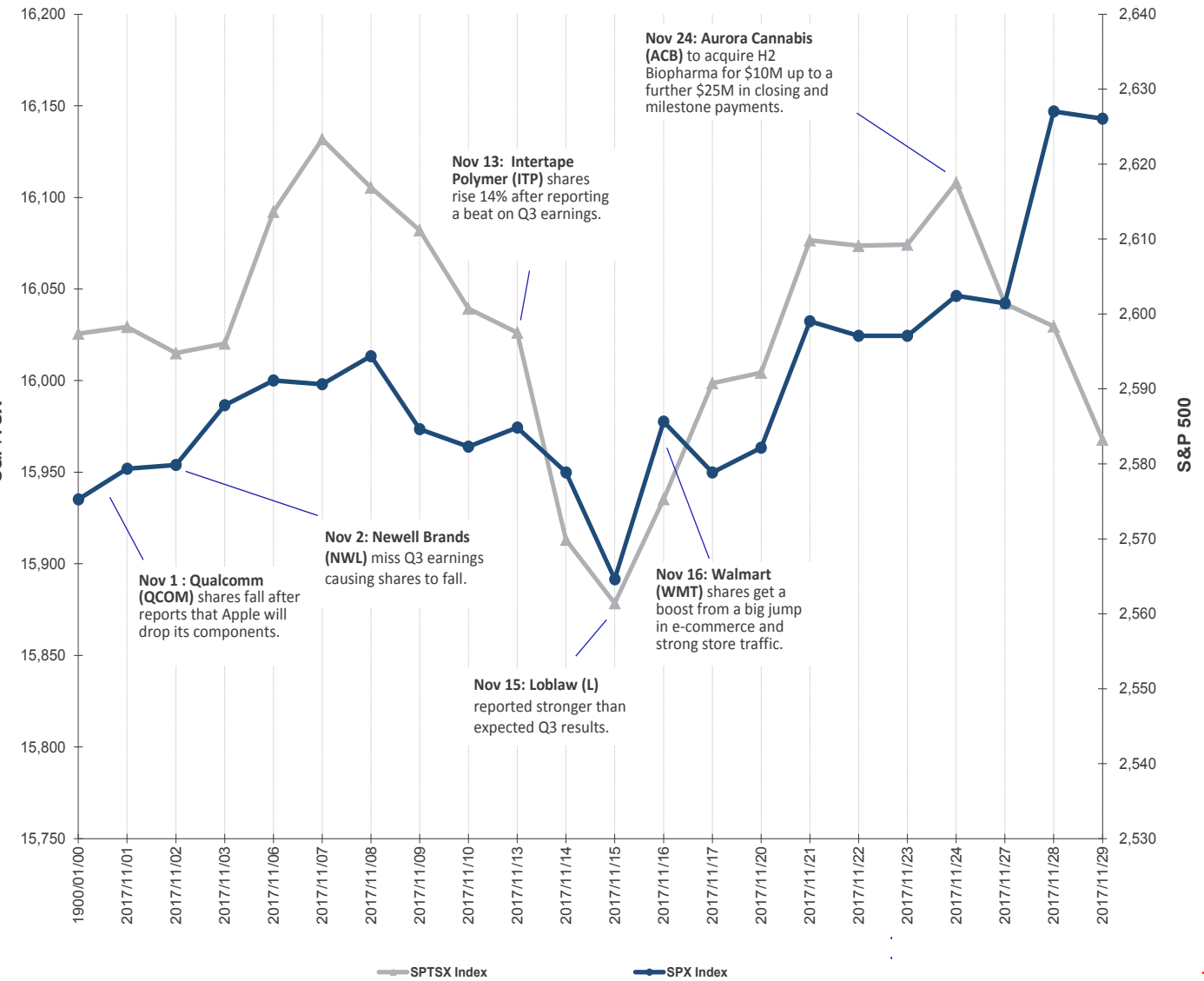
United States President Donald Trump finally put an end to the rumors around his pick to replace Janet Yellen as the next Fed Chair. President Trump nominated Jerome Powell for the role. In his testimony to the Senate Banking Committee, Powell called for the continuation of the Fed's current policies while the current Chair Janet Yellen made what was likely her last appearance before the Joint Economic Committee of Congress, painting an upbeat view of the economy with growth achieving an annual rate of above 3% for two consecutive quarters for the first time in three years.

In Europe, the Bank of England increased its overnight lending rate by 25 basis points for the first time in a decade. Despite softening economic growth and uncertainty connected to Brexit, the inflation level reaching a five-year high of 3% in September, putting pressure on the central bank to bring the benchmark rate to 0.5%. The Bank later reported the results of its latest stress test, showing that the UK's biggest banks have the ability to keep lending through a disorderly Brexit, an improvement over the last year where 2 of the major 7 institutions failed the test. In a quarterly supervisory update, the European Central Bank warned British banks that some of the proposed relocation plans submitted did not fully meet its expectations as they involved setting up shell operations in the single bloc of nations while the operations would remain in third countries such as the UK or the US. ECB's Governing Council did not have a meeting scheduled in November but officials reiterated the central bank's cautious stance towards the tapering of its asset purchase program, reassuring markets that the process would continue to be gradual.

In Asia, China announced plans to reduce foreign ownership restrictions on financial institutions with the goal of eventually eliminating ownership caps over several years and putting an end to the current limitations of foreign institutions only being able to access the Chinese financial services industry through joint ventures.

# North American equity highlights

November 2017

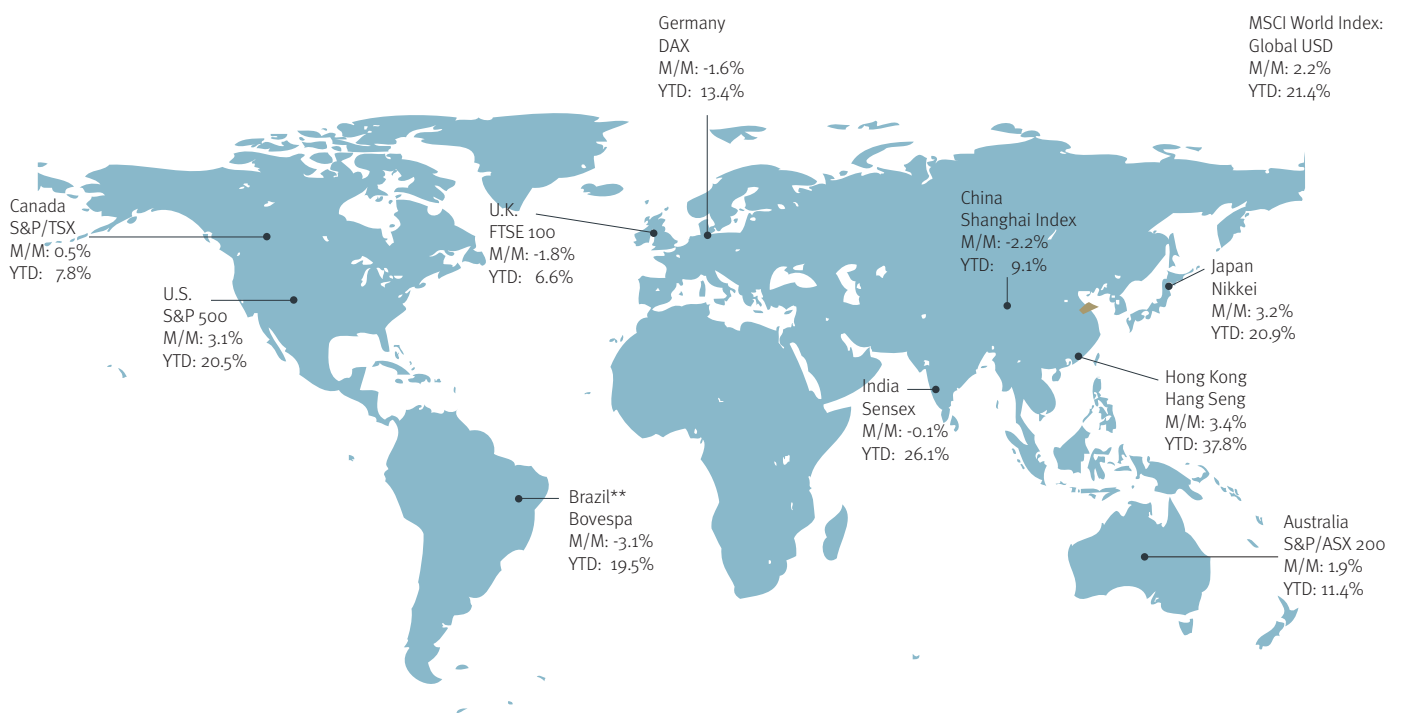


Source: Bloomberg

# World markets

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

November was a mixed month for global indices with most markets closing in positive territory. In the Americas, the S&P 500 and S&P/TSX rose by 3.1% and 0.5%, respectively while the Brazil Bovespa declined -3.1%. In Europe, Germany's DAX fell -1.6% lower along with the U.K.'s FTSE sliding down -1.8%. In Asia, China's Shanghai Index and Hong Kong's Hang Seng closed the month down -2.2% and up 3.4% respectively, while India's Sensex moved down ten basis points. Japan's Nikkei moved higher by 3.2% and Australia's S&P/ASX 200 climbed 1.9%. Overall, the MSCI World Index increased by 21.4% YTD.



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

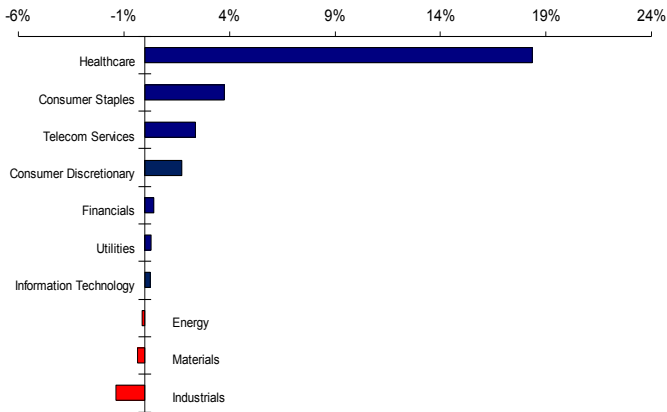
\*\* These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 11/30/17

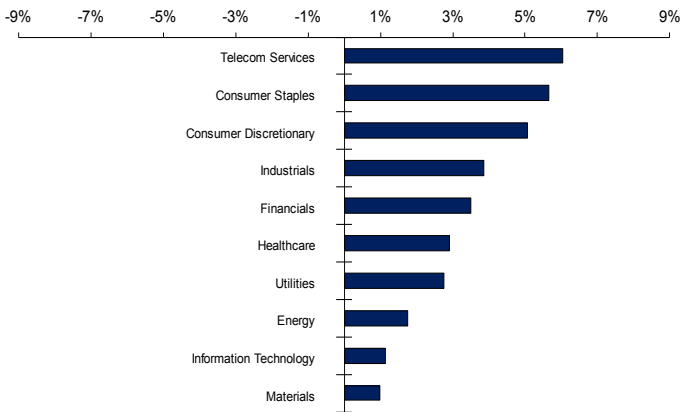
# Canadian & U.S. equities

November 2017

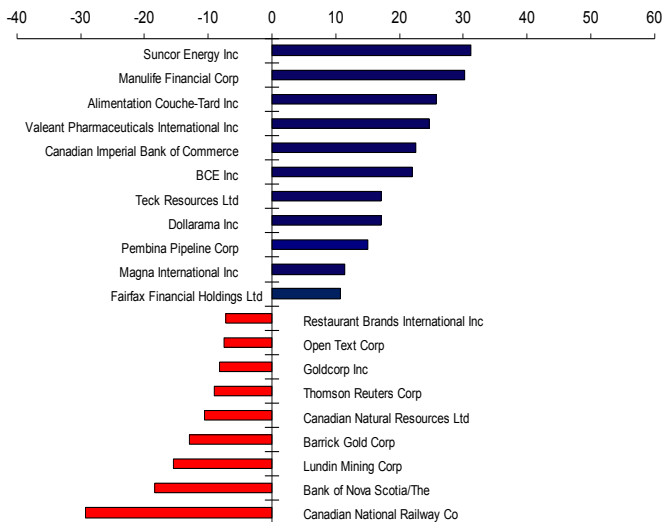
S&P/TSX composite sector movement



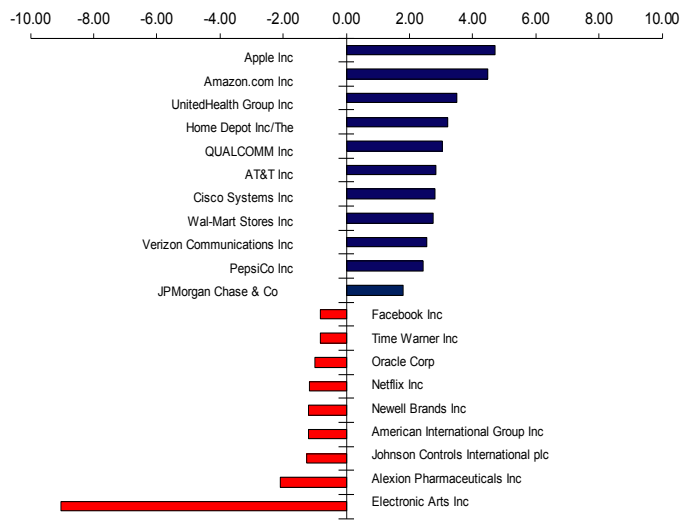
S&P 500 sector movement



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

November 2017

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
10/31/2017	Gross Domestic Product (y-o-y, SA)	Aug	3.60%	3.50%	3.90%
<b>Labour market</b>					
11/03/2017	Net Change in Employment (000, SA)	Oct	15.0k	35.3k	10.0k
11/03/2017	Participation Rate (SA)	Oct	--	65.70%	65.60%
11/03/2017	Unemployment Rate (SA)	Oct	6.20%	6.30%	6.20%
<b>Housing market</b>					
11/08/2017	Housing Starts (000, SAAR)	Oct	211.0k	222.8k	219.3k
11/09/2017	New Housing Price Index (y-o-y)	Sep	3.80%	3.80%	3.80%
11/15/2017	Existing Home Sales (m-o-m)	Oct	--	0.90%	2.10%
11/15/2017	Teranet/National Bank HPI (m-o-m)	Oct	--	-1.00%	-0.80%
<b>Consumer &amp; manufacturing</b>					
11/23/2017	Retail Sales (m-o-m, SA)	Sep	1.00%	0.10%	-0.10%
11/23/2017	Retail Sales Less Autos (m-o-m, SA)	Sep	1.00%	0.30%	-0.40%
11/16/2017	Manufacturing Sales (m-o-m, SA)	Sep	-0.50%	0.50%	1.40%
<b>Trade</b>					
11/03/2017	Merchandise Trade (billion, SA)	Sep	-3.00b	-3.18b	-3.00b
<b>Prices</b>					
11/17/2017	Consumer Price Index (m-o-m)	Oct	0.10%	0.10%	0.20%
11/17/2017	Consumer Price Index (y-o-y)	Oct	1.40%	1.40%	1.60%
10/31/2017	Industrial Product Price (m-o-m)	Sep	0.20%	-0.30%	0.40%
10/31/2017	Raw Materials Price Index (m-o-m)	Sep	0.30%	-0.10%	0.90%
<b>Other indicators</b>					
11/21/2017	Wholesale Sales (m-o-m, SA)	Sep	0.60%	-1.20%	0.40%
11/06/2017	Ivey Purchasing Managers Index (SA)	Oct	--	63.8	59.6
11/08/2017	Building Permits (m-o-m, SA)	Sep	1%	4%	-5%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
11/29/2017	GDP (q-o-q, SAAR)	3Q S	3.20%	3.30%	3.00%
11/29/2017	GDP Price Index (q-o-q, SAAR)	3Q S	2.20%	2.10%	2.20%
11/29/2017	Core PCE (q-o-q, SAAR)	3Q S	1.30%	1.40%	1.30%
<b>Labour market</b>					
11/03/2017	Change in Nonfarm Payrolls (ooo, SA)	Oct	313k	261k	18k
11/03/2017	Unemployment Rate (SA)	Oct	4.20%	4.10%	4.20%
<b>Housing market</b>					
11/17/2017	Building Permits (ooo, SAAR)	Oct	1250k	1297k	1225k
11/17/2017	Housing Starts (ooo, SAAR)	Oct	1190k	1290k	1135k
11/27/2017	New Home Sales (ooo, SAAR)	Oct	628k	685k	645k
11/21/2017	Existing Home Sales (million, SAAR)	Oct	5.40m	5.48m	5.37m
11/16/2017	NAHB Housing Market Index (SA)	Nov	67	70	68
11/01/2017	Construction Spending (m-o-m, SA)	Sep	-0.20%	0.30%	0.50%
<b>Consumer &amp; manufacturing</b>					
11/15/2017	Advance Retail Sales (m-o-m, SA)	Oct	0.00%	0.20%	1.90%
11/15/2017	Retail Sales Less Autos (m-o-m, SA)	Oct	0.20%	0.10%	1.20%
10/31/2017	Consumer Confidence (SA)	Oct	121.5	125.9	120.6
11/10/2017	U. of Michigan Confidence	Nov P	100.8	97.8	100.7
11/29/2017	Personal Consumption (q-o-q, SAAR)	3Q S	2.50%	2.30%	2.40%
11/03/2017	Durable Goods Orders (m-o-m, SA)	Sep F	2.00%	2.00%	2.40%
11/03/2017	Factory Orders (m-o-m, SA)	Sep	1.20%	1.40%	1.20%
<b>Trade</b>					
11/16/2017	Import Price Index (m-o-m)	Oct	0.40%	0.20%	0.80%
11/16/2017	Import Price Index (y-o-y)	Oct	2.50%	2.50%	2.70%
11/03/2017	Trade Balance (billion, SA)	Sep	-\$43.2b	-\$43.5b	-\$44.3b
<b>Prices</b>					
11/15/2017	Consumer Price Index (m-o-m, SA)	Oct	0.10%	0.10%	0.50%
11/15/2017	Consumer Price Index (y-o-y)	Oct	2.00%	2.00%	2.20%
11/15/2017	CPI Core Index (SA)	Oct	253.25	253.43	252.86
11/30/2017	PCE Deflator (y-o-y, SA)	Oct	1.50%	1.60%	1.70%
<b>Other Indicators</b>					
11/01/2017	ISM Manufacturing Index (SA)	Oct	59.5	58.7	60.8
10/31/2017	Chicago Purchasing Manager Index	Oct	60.0	66.2	65.2
11/16/2017	Philadelphia Fed Index	Nov	24.6	22.7	27.9
11/20/2017	Leading Indicators (m-o-m)	Oct	0.80%	1.20%	0.10%
11/15/2017	Business Inventories (m-o-m, SA)	Sep	0.00%	0.00%	0.60%

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 – November 2017

Increases				
Company	\$ Change		Ex-Date	% Change
Sun Life Financial	Prior: \$0.4350	New: \$0.4550	November 28, 2017	4.60%
Genworth MI Canada Inc.	Prior: \$0.4400	New: \$0.4700	November 14, 2017	6.82%
Enbridge	Prior: \$0.6100	New: \$0.6710	February 14, 2018	10.00%

Source: Bloomberg

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			Count	Percent
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