RBC WEALTH MANAGEMENT

GLOBAL INSIGHT

PERSPECTIVES FROM THE GLOBAL PORTFOLIO ADVISORY COMMITTEE

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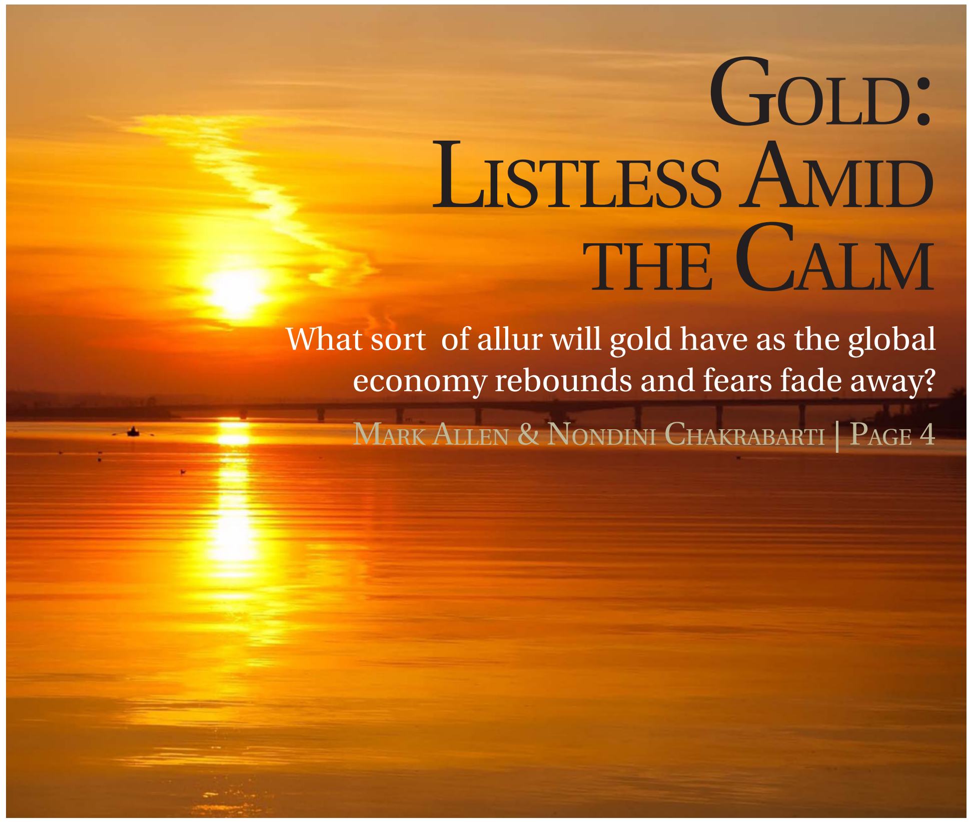

Gold: Listless Amid the Calm

What sort of allur will gold have as the global economy rebounds and fears fade away?

Mark Allen & Nondini Chakrabarti | Page 4

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All values in U.S. dollars and priced as of market close, August 29, 2014, unless otherwise stated.

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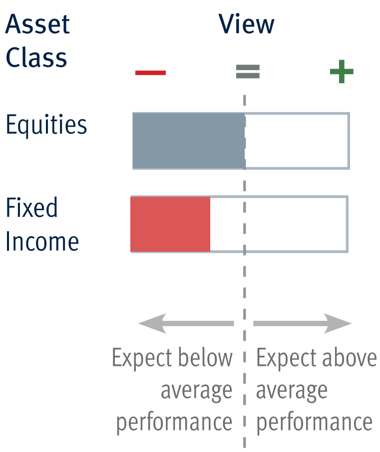


See "Views Explanation" below for details

Source - RBC Wealth Management

Equities – Average Performance =

- Outsized gains in August pushed some markets into overbought territory. While a consolidation period could arrive near term, our outlook for the next 12 months remains constructive.
- We expect developed markets to deliver worthwhile returns as the U.S. economy builds momentum and the European Central Bank provides additional stimulus. Corporate earnings should continue to grow, and P/E multiples have room to expand further. Among emerging markets, we favor Asia ex-Japan (see our upgrade on page 8).
- Investors should maintain their targeted, full allocation to equities and allow portfolio profits to run at least until the Federal Reserve's first rate increase, which seems like a mid-2015 event.

Fixed Income – Below-Average Performance –

- The ultra-low interest rate environment will likely linger even as the Fed ends its bond buying program this fall. The eurozone's unrelenting growth headwinds and disinflation pressures should keep a lid on yields globally.
- Nevertheless, as the Fed begins to communicate the process by which it will eventually raise interest rates—the tools will differ from prior cycles—there could be volatility in fixed income markets. This is no time for complacency; liquidity and interest rate risks remain.
- We would position portfolios defensively by concentrating on short- to intermediate-duration securities in 3- to 7-year maturities with an emphasis on quality and liquidity.

Views Explanation

(+/=/–) represents Global Portfolio Advisory Committee's (GPAC) view over a 12-month investment time horizon.

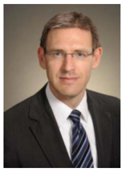
+ **Positive** implies the potential for better-than-average performance for the asset class or for the region relative to other asset classes or regions.

= **In-line** implies the potential for average performance for the asset class or for the region relative to other asset classes or regions.

– **Negative** implies the potential for below-average performance for the asset class or for the region relative to other asset classes or regions.

Focus Article

Gold: Listless Amid the Calm



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Gold has always stirred deep emotions. The price of gold is no different. At its core, it is driven by fears around systemic risks facing the global economy and financial system. With recent crises on the wane and the global economy on firmer footing, where is the price of gold going to go next?

The price of gold has multiple drivers—interest rates, inflation, war, political instability, and mine supply among them.

While gold price movements appear erratic and largely unpredictable, the two major spikes in the bullion price occurred in conjunction with a rapid buildup of fears around systemic risk—posed first by the surging, double-digit inflation of the late-1970s and, more recently, by the global financial crisis and the European sovereign debt crisis.

As the latest crises have ebbed, the price of gold has weakened, falling some 30% from its 2011 peak of $1,895 per ounce. Over the same period, new mine production has surged by about 25%.

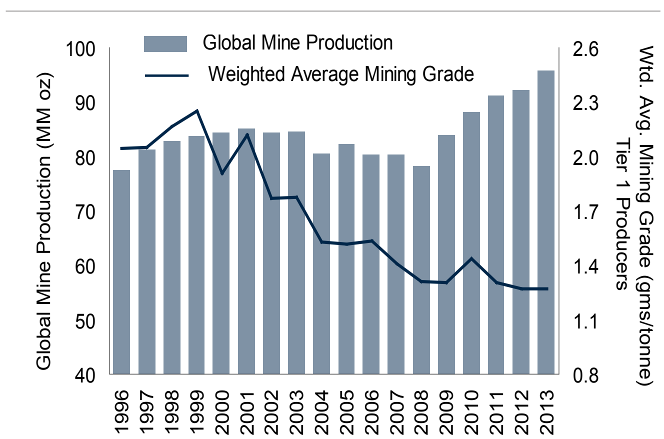
We believe the global economy is set on a path towards normalisation. In the absence of crisis, the gold price is likely to be set by more-mundane forces. That may leave it trading mostly within the $1,200–$1,400 range for some time.

Scarcity Value and Supply

Throughout history, gold has played a role as a store of value because of its beauty, scarcity, and durability. Deposits have almost always been hard to find and expensive to mine. This remains true today.

The sharp advance in bullion prices in the wake of the global financial crisis encouraged a period of substantial mine expansion. However, despite a surge in

Global Gold Production



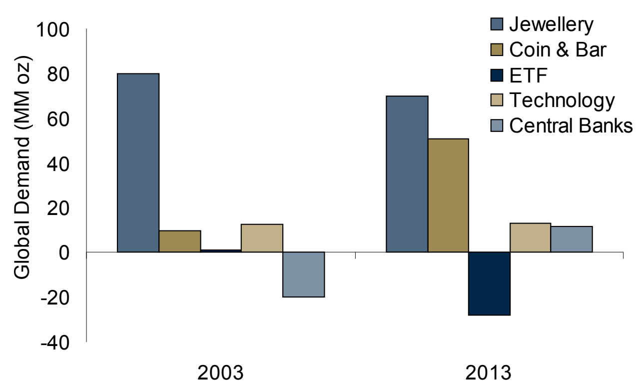
Source - GFMS Ltd., RBC Capital Markets, RBC Wealth Management

Gold production has increased despite challenging orebody economics.

exploration spending, the pace of discovery for economic ore bodies has fallen along with average ore grades.

With capital spending (capex) budgets coming down last year in the face of lower gold prices, we believe mined supply may level off over the next several years.

Long-Term Demand Trends



Source - World Gold Council, RBC Wealth Management

Jewellery demand still a force, but less dominant.

Shift in Long-term Demand Trends

Jewellery tonnage, still the largest demand component, is down slightly over the last decade, while that attributable to coin and bar is up five-fold over the same period.

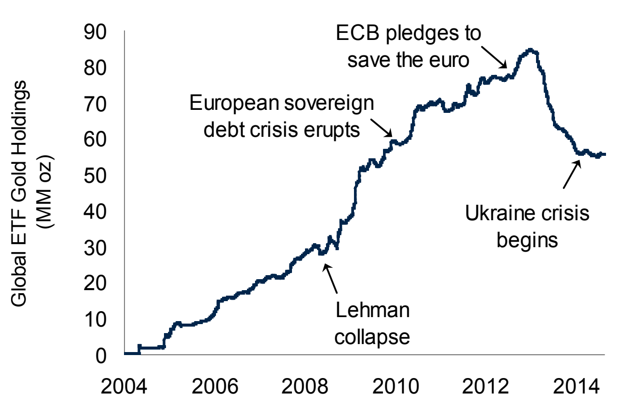
In another major change, central banks have shifted in aggregate from being net sellers in the two decades leading up to the global financial crisis to becoming significant buyers in the years since.

Current Demand Trends Constructive

ETF Selling Has Abated

Exchange-traded fund (ETF) selling pressure was substantial throughout 2013, playing a key role in the gold market sell-off. As the European crisis receded, investors began to anticipate an eventual increase in real interest rates—historically a negative for gold prices. These worries were exacerbated by the Fed's decision to end quantitative easing.

Global Gold ETF Holdings



Source - RBC Wealth Management, Bloomberg; data through 8/18/14

The sell-off of gold ETFs has eased for now.

Sources of Demand

ETF selling abated in early 2014, influenced by uncertainty over Ukraine. With the Fed expected to begin raising rates by mid-2015 and the Bank of England in the spring, ETFs might experience further liquidation pressure. Offsetting this to some degree, the ECB is likely to keep interest rates low for at least another year.

Central Banks Buying Again

Central bank buying, down by about one-third in 2013 from 2012 levels, reversed course in Q1 and Q2 of this year, rebounding moderately.

Jewellery Adds Some Lustre

Despite the long-term modest declines in demand from jewellery fabricators, this sector has provided a source of strength more recently as lower prices have encouraged consumption.

Bar and Coin a Mixed Bag

Demand for bars and coins has moderated in the last three quarters mostly due to the introduction in 2013 of gold import rules by India, aimed at restoring its current account balance to health. The first imposed a 10% import duty, and the second requires 20% of imports to be re-exported before further imports are permitted.

China is now a key source of global demand.

India's current account balance has since improved markedly, raising hopes that new Indian Prime Minister Narendra Modi might loosen these import rules. However, no action was taken in his administration's first budget.

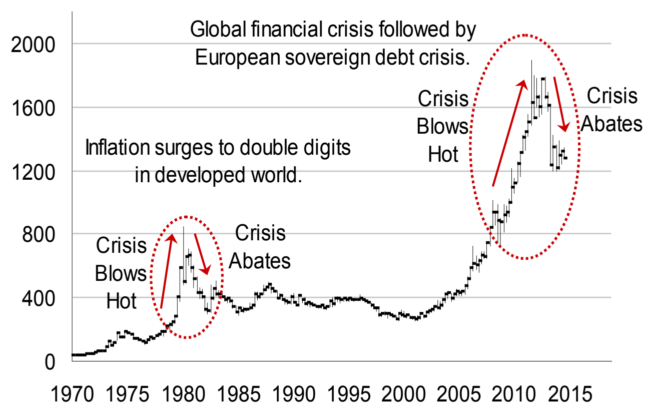
Coin and bar purchases in China, where gold is an important savings vehicle, remain robust, at levels similar to those observed in 2011–12. Demand has grown substantially since the country opened its domestic retail market for gold in 2005. With increasing household wealth, physical demand from China has expanded to become a large and potentially rising long-term component of global demand.

Gold Price Outlook: The Fear and Risk Conundrum

Gold prices are driven by factors more difficult to measure and anticipate than those affecting other commodities.

The most important of these have been fears of systemic risk in the global economy and in the financial system. When these are front of mind, the gold price tends to enjoy a strong tailwind, as was the case in the late 1970s and in the wake of the global financial crisis.

Gold Price in US$



Source - Haver Analytics, RBC Capital Markets, RBC Wealth Management

Gold spikes on macro fears.

The global economy is normalising.

However, when systemic risks are receding—as they appear to have been over the past two years—the price of gold loses momentum.

Forecasting periods of heightened systemic risk on a go-forward basis is challenging. We believe the global economy is set on a path towards normalisation led by a U.S. economic recovery that is gaining steam. Risks that a few years ago would have posed a threat to the global economy and financial system now appear to be much more localised in scope.

In the absence of renewed global crisis, the gold price is likely to be set by more mundane forces:

- **Inflation:** For the near term, inflation appears in check with Europe barely out of recession and sustained wage pressure in the U.S. not yet evident. However, excess capacity within the global economy is gradually diminishing.
- **Real interest rates:** Interest rates appear to be on a slow path to normalization. The Fed is expected to begin raising its benchmark rate next year, which should eventually lend an upward bias to global interest rates.
- **Demand:** Trends are mixed with ETF activity showing some recent stability, jewellery demand up, central bank buying mostly stable, and Indian import policy possibly in flux.
- **Mine supply:** Capex budgets have been reined in; however, many major projects continue to move forward. While supply may level off, we would expect this to take time.

Absent a global crisis, the gold price is likely to be rangebound.

With systemic risks fading, a mixed set of macro drivers, and levelling supply/demand trends, our expectations for the price of gold are limited. We look for bullion to trade mostly within the $1,200–$1,400 range for some time.

While neutral on the outlook for the commodity, in our view there are some gold companies worth exploring for those looking to gain exposure to the sector, specifically:

- **Goldcorp Inc.** (S&P/TSX: G; NYSE: GG): We like Goldcorp because of its significant near-term production growth (estimated by RBC Capital Markets to grow from 2.9 million ounces in 2014 to 3.6 million ounces next year), strong free cash flow, and manageable capex profile. RBC Capital Markets rates Goldcorp shares Outperform with a $37.00 price target. For a full analysis of the company, see this RBC Capital Markets report (dated 8/8/14).
- **New Gold Inc.** (S&P/TSX: NGD, AMEX: NGD): We like New Gold for its attractive growth profile over the next several years, low costs, strong sustaining cash flow, and track record of net asset value growth. RBC Capital Markets rates New Gold shares Outperform with a $8.00 price target. For a full analysis of the company, see this RBC Capital Markets report (dated 7/31/14).

Focus
Article

Unfurl the Sails

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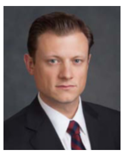

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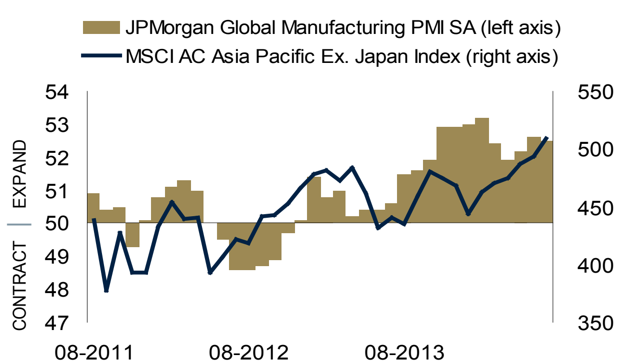
We are upgrading Asia ex-Japan equities to overweight. Positive trends in leading economic indicators, Asia ex-Japan equities' relative strength versus global equities, and attractive valuations lead us to believe now is a good time to increase exposure to the region.

Asia ex-Japan equity performance relative to other regions has historically correlated with global growth. Generally, equities outperform when growth is improving and underperform when growth is slipping. Plotting a gauge of global manufacturing activity, a leading indicator of global growth, against the MSCI All Country Asia Pacific ex-Japan Index, which takes a broad view of the region, is a useful way to visualize this relationship. Since December 2012, global manufacturing has steadily expanded, which we believe is a positive sign for Asia ex-Japan equities. The World Bank forecasts global growth, after several years of deceleration, will modestly improve to 2.8% this year and accelerate to 3.4% next year.

The largest component of the MSCI All Country Asia Pacific ex-Japan Index, Australia, which comprises more than 25%, is somewhat more insulated from the global outlook. However, the countries in the north Asian cluster: China (18%), South Korea (15%), Taiwan (12%), and Hong Kong (10%), are the next-largest constituent countries, and account for a combined 55%. All four of those economies are sensitive to global growth patterns. It may come as no surprise that China's slowdown in recent years has coincided with a prolonged period of relatively anaemic global economic performance.

Arguably, South Korea and Taiwan are more sensitive to the world economy, given their positions in the global technology supply chain. The tech sector accounts for more than one-third of the Korean index and 58% of the Taiwanese market. China too is impacted by global growth as the world's largest exporter, although its manufacturing output is increasingly consumed by its own citizens.

Global Manufacturing Correlates With Asia ex-Japan Equity Performance



Source - RBC Wealth Management, Bloomberg; data through 7/31/14

Twenty months of global manufacturing expansion bodes well for Asia ex-Japan equities.

Manufacturing data within the region also point to positive economic momentum, as nearly all individual country gauges currently reflect manufacturing expansions. Manufacturing growth in China is perhaps most significant. The HSBC China Manufacturing PMI moved to an 18-month high in July before weakening in August. The improvement in manufacturing conditions has come on the back of targeted government stimulus measures and a shift in monetary policy, including currency depreciation. Such "mini stimulus" programs have included reduced reserve requirements for select banks, increased railway investment, and reduced corporate tax rates for small to medium-sized enterprises.

Current conditions are supportive of continued, robust performance from Asia ex-Japan equities in the medium term.

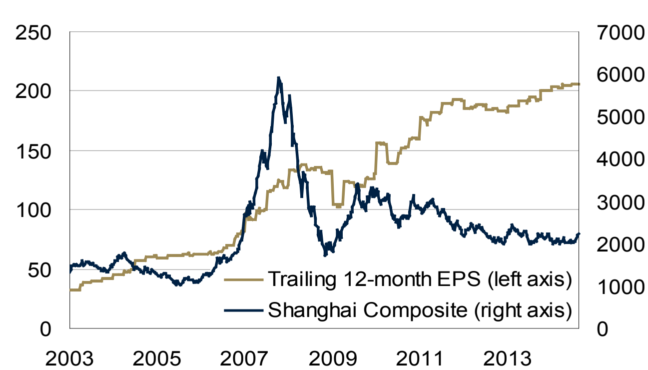
Positive macroeconomic indicators have translated into improved sentiment toward Asia ex-Japan equities, which have been appreciating faster than the MSCI All Country World Index.

Is now still a good time to increase exposure to Asia ex-Japan equities given that indexes in Australia, China, Hong Kong, Indonesia, India, and Thailand have all been strong performers of late? We would argue in the affirmative.

In our view, the relative attractiveness to other major markets is evident. Based on 2014 consensus forecasts, Asia ex-Japan equities trade at a price-to-earnings multiple of 13.8x versus the 15.6x global average and 1.6x book value versus 1.9x global average. Earnings growth forecasts of nearly 12% in 2014 are significantly higher than the 7% global forecast, although this disparity is expected to narrow in 2015. Consensus 2014 and 2015 equities earnings forecasts have been relatively stable after a lengthy period of downward revisions. Indeed, 2014 earnings forecasts for the financial sector, at 36%, the largest sector weighting in the region, have been moving gradually higher this year.

We believe current conditions are supportive of continued, robust performance from Asia ex-Japan equities in the medium term. Accordingly, we move our recommendation to overweight.

Shanghai Composite Performance Versus Trailing 12-month EPS



Source - RBC Wealth Management, Bloomberg; data through 8/15/14

Post-recession earnings growth does not appear to be priced into the market, suggesting that Chinese stocks are undervalued and have room to appreciate.

In Gear

Some markets (the Eurostoxx, the FTSE All-Share, U.S. small caps, Japan's TOPIX) tried to do some correcting in July and part of August. By month-end they were all back in gear and moving higher with the S&P 500 and with Canada's TSX. Asian indexes were also on the rise.

What's driving this unanimity of direction? Despite a grim geopolitical front, the mix of factors most affecting the equity outlook is set firmly at "positive." In the U.S., the world's largest economy, employment and wages are growing, energy prices are well-behaved, consumer and business confidence are healthy, and monetary conditions are accommodative.

This mix tends to be good for GDP growth, corporate earnings, and investor confidence, as well as for the performance of many other economies. History is also on the market's side; stocks usually move higher (see *In the Fairway* Focus Article, dated 8/4/14) in the months leading up to the first Fed rate hike—next June by our reckoning—and in the year following a blow-out year such as 2013 when the S&P 500 was up 32%.

> "History is ... on the market's side ... leading up to the first Fed rate hike"

We are boosting our recommended exposure in major Asian equity markets other than Japan to overweight (see page 8)—Japan was already at overweight. China's growth rate is stabilizing, and faster growth in the U.S. will be an additional positive for the Asian region. We are raising our recommended Canadian allocation to market weight from underweight for the same reasons.

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Equity Views

Region	Current	Previous
Global	=	=
United States	=	=
Canada	=	–
Continental Europe	=	=
United Kingdom	–	–
Asia (ex Japan)	+	=
Japan	+	+

Source - RBC Wealth Management

Regional Highlights

United States

- Even though the S&P 500 climbed to an all-time high and closed above 2,000 in August, we believe the bull market has further to run during the next 12 months as the economy strengthens and investors embrace the market's sturdy fundamentals. Evidence suggests individual investors are still not fully committed to the market, which is normally a contrary indicator.
- We would tilt portfolios toward overweight positions in health care, industrials, and financials. Health care should outperform not only during the next year, but also over the longer term as the medical industry incorporates high-speed computing, mobile technologies, artificial intelligence, and engineering applications into treatments and services.

Canada

- We are upgrading Canada to market weight from underweight to reflect a growing conviction that growth in China has bottomed. While valuations in some sectors are unattractive, we believe opportunities exist to add exposure in certain segments of the market.

Sectors we find attractive:

Energy, specifically the exploration and production/integrated segments, which comprise about 20% of the S&P/TSX. We believe growing production per share and free cash flow over the next several years have the potential to drive substantially higher share prices.

Financials, specifically banks and insurers—29% of the index. Canadian banks continue to generate significant excess capital, which should fuel higher dividends and share buybacks. Insurers have built up considerable capital bases, while valuations allow for some multiple expansion over time.

Continental Europe & U.K.

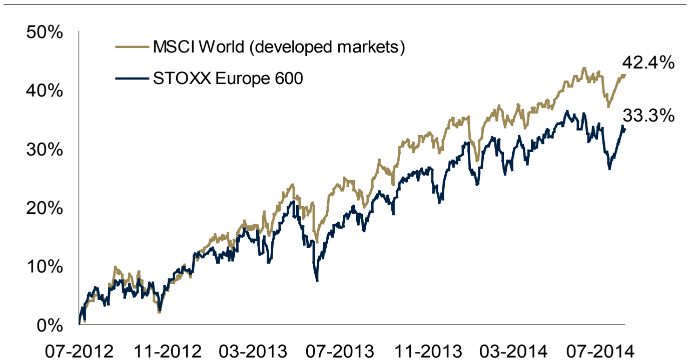
- We remain market weight European equities. Q2 GDP growth was flat, as geopolitical tensions contributed to ongoing weakness in the region.
- Following the recent market correction, select opportunities exist. While we would dial down cyclicality in equity portfolios, we favour the consumer discretionary and industrial sectors, which should benefit from recent euro weakness. Potential catalysts include a positive outcome from the October ECB stress tests, and possible quantitative easing measures in the medium term.
- We continue to underweight U.K. equities. The U.K. index has proven resilient during the market correction because of the defensive nature of its sector composition. Nevertheless, we view the outlook for several sectors including mining, energy, and utilities as uncertain.

Asia

- We have upgraded our rating on Asia ex-Japan equities to overweight from market weight. The regional index has outperformed North America, Europe, and Japan thus far in 2014. We expect this to continue in the medium term due to a combination of superior earnings growth, more attractive valuation levels, and a reversal of the deceleration in global growth that has taken place over the past several years. A better short- to medium-term outlook for China is also an important consideration.
- We remain overweight Japanese equities, which are inexpensive relative to global peers despite rallying in recent months close to the current cycle high. After a period of stability, the yen has again weakened, which should benefit equities. In our view, the Bank of Japan will remain highly accommodative. However, a headwind facing equities has been

inc

European Equities Have Underperformed the MSCI World Index

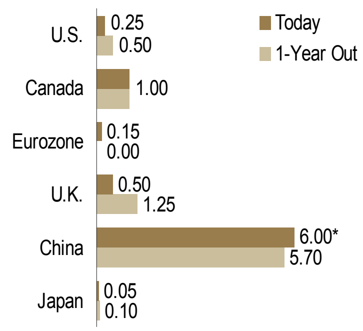


Source - RBC Wealth Management, Bloomberg; data through 8/31/14

Despite ECB President Draghi's throwing down the gauntlet with his "whatever it takes" speech in July 2012, European equities have lagged.

The "Great Divergence" Nears

Central Bank Rate (%)



*1-yr base lending rate for working capital, PBoC
Source - RBC Investment Strategy Committee, RBC Capital Markets, and Global Portfolio Advisory Committee (GPAC), Consensus Economics

An annual meeting of central bankers in Jackson Hole, Wyoming, revealed no imminent shift in policy from any of the world's major central banks, but a divergence in approach is clearly forming on the horizon.

While Federal Reserve Chair Janet Yellen provided measured thoughts on the timing of a future interest rate hike, European Central Bank President Mario Draghi reiterated a willingness to pursue even more monetary stimulus that could include quantitative easing. In fact, a closer look at the remarks from many central bankers revealed that policy setting in 2015 will be increasingly tailored for differing growth rates and inflation concerns at the local level.

Credit markets in North America staged a meaningful rally over the course of August after a sell-off in late July carried over into the beginning of the month. With spreads having moved mostly tighter, our focus amongst corporate bonds is in higher quality, liquid names.

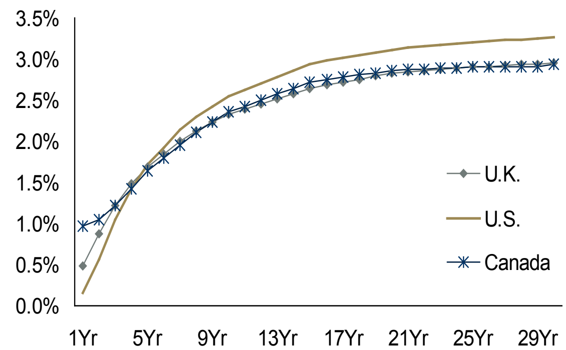
In the eurozone, we believe that the potential for quantitative easing could feed an even greater appetite for yield. We expect peripheral sovereign bonds to trade tighter to core-Europe, with corporate spreads also likely to rally.

Regional Highlights

United States

- Over the next few months, the Federal Reserve will likely begin to unveil its plans for adjusting monetary policy to align it more with an economy on a sustainable growth track, rather than one teetering on the edge of recession. That said, the Federal Reserve is still writing its policy "playbook," and changes will probably take place over years, not months.
- After a brief sell-off, credit markets have resumed their positive trajectory. Credit markets benefit from healthy fundamentals such as strong corporate earnings, low default rates, and accommodative central bank policies. However, we remain cautious due to rich valuations and low yields.
- Investors should begin reviewing their portfolios in anticipation of changes to Federal Reserve policy in the coming months. Proper positioning in intermediate maturities and a focus on quality is key, in our view. Investors should also take advantage of current market strength to reduce overexposure to lower-rated credits or low coupons, which are likely to be most impacted by volatile, illiquid conditions.

Sovereign Yield Curves



Source - RBC Wealth Management, Bloomberg; data through August 2014

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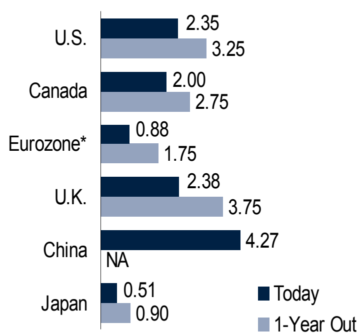
Global Fixed Income

10-Year Rate (%)



Source - RBC Investment Strategy Committee, RBC Capital Markets, and GPAC

Canada

- The recent flattening of Canada's yield curve became even more pronounced in August with the difference between the 5- and 10-year government of Canada bond yields shrinking to 53 basis points (bps) from 64 bps. The decline in incremental yield that investors are receiving to take on additional interest rate exposure supports the case to shorten the average term of bond portfolios.

- We continue to recommend Guaranteed Investment Certificates (GICs) for shorter-dated investment options. A 3-year GIC offers a higher yield than a 10-year federal bond and a 5-year A-rated corporate bond.

- Opportunities in the preferred share market are sparse, as issuance levels are low. We suggest Canadian investors look to newly issued preferred shares or the U.S. preferred share market for the best relative value ideas.

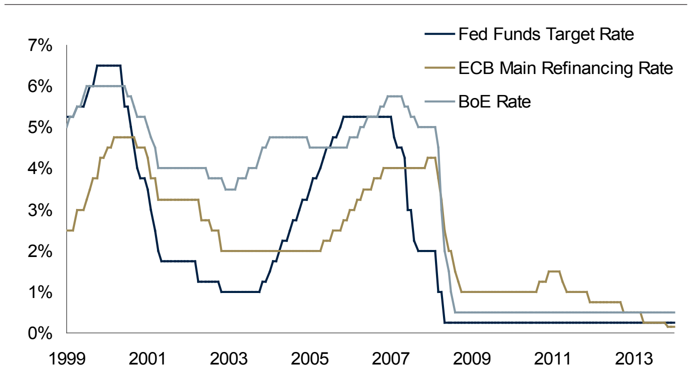
Continental Europe & U.K.

- Recent dovish commentary by the Bank of England has had a long-lasting impact on the gilt market. Despite expectations of a first hike in early 2015, conjecture over the path to rate normalization and the absence of inflationary pressures are keeping a lid on rates. However, we still believe rates will move higher across the curve over the medium term.

- Anaemic growth in the eurozone, coupled with lacklustre inflation, will likely force the ECB into further unorthodox measures over the coming months. Yield levels on core sovereigns may marginally benefit from additional stimulus, but the scope for outperformance remains limited, in our view, given already low yield levels. We believe peripheral issuers should benefit the most from further measures barring any political upsets.

- Corporate issuance has been almost nonexistent since the spring, but should bounce back post reporting season. New supply will likely leave spreads at current levels, rather than push them wider, as demand looks healthy. The market is weathering geopolitical, as well as corporate events relatively well, with no obvious signs investor appetite is abating.

The Coming Divergence in Developed Market Central Bank Policy



Source - RBC Wealth Management, Bloomberg; data through 8/27/14

Prior ECB policy missteps contributed to the need for more stimulus, while the Fed and BoE look to be on the path toward tightening.

Commodities

Commodity Forecasts

	2014E	2015E
Oil (WTI $/bbl)	100.50	97.00
Natural Gas ($/mmBtu)	4.59	4.50
Gold ($/oz)	1,325	1,400
Copper ($/lb)	3.15	3.00
Corn ($/bu)*	4.13	4.68
Wheat ($/bu)*	5.84	6.20

* Corn and Wheat 2014 forecasts are for H2/14
Source - RBC Capital Markets forecasts (oil, natural gas, gold, and copper), Bloomberg consensus forecasts (corn and wheat).

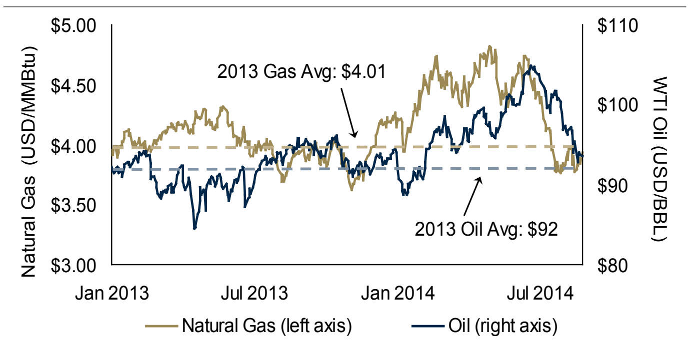
Oil

- Brent and West Texas crude prices are down substantially from their June peaks amid investor perception of reduced risk in Iraq combined with higher export volumes from Libya.
- Iraq production volumes are holding near 3 million barrels per day (mbbl/d), in line with 2013 levels. The insurgency has largely spared the south, which includes about three-quarters of Iraq's production.
- In Libya, two key export terminals were reopened, and its largest oil field was ramped up in July. Late August production exceeded 600,000 barrels per day, up from 200,000 earlier this year, but modest compared to 2012 levels near 1.5 mbbl/d. The political environment remains fragile.
- Given the situations in Libya and Iraq, Saudi Arabia's production has been lifted to more than 10 mbbl/d, up from 9.6 mbbl/d earlier this year.
- Recently, demand has been temporarily weak on refinery maintenance in the U.S. and an apparent halt in Chinese strategic stock building.
- In the medium term, we expect WTI oil to remain in the $75–$100 per barrel range, testing or temporarily surpassing the upper end in periods of heightened geopolitical tensions.

Natural Gas

- Natural gas prices have stabilized, with a modest rebound from recent lows near $3.80/mmBtu.
- Every year, natural gas is stored during the warm weather months and removed for heating in winter. Storage typically peaks in November at around 3.8–3.9 tcf, and drops to 1.6 tcf by the end of March. Following this year's cold winter, U.S. gas storage reached about 800 bcf at March-end, roughly one-half the normal level.
- The extra 800 bcf required to replenish inventories this year translates to an incremental 3.5–4.0 bcf/d of production needed over the seven-month injection season. By May, production was up 3.7 bcf/d year over year, permitting strong storage injections amid mild summer weather.
- RBC Capital Markets forecasts storage to peak at 3.5 tcf this fall, about 10% below normal levels. However, new pipeline export capacity from the Marcellus in late 2014 should add to available supply.
- We continue to expect gas prices to range broadly from $3.50 to $5.00/mmBtu.

Energy Commodities



Source - RBC Wealth Management, Bloomberg; data through 8/25/14

After a period of strength, oil and gas prices return to 2013 levels.

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Currencies

Currency Forecasts

Currency Pair	Current Rate	Forecast Sep 2015	Change*
USD Index	82.75	86.13	4%
CAD/USD	0.92	0.85	-7%
USD/CAD	1.09	1.17	7%
EUR/USD	1.31	1.26	-4%
GBP/USD	1.66	1.59	-4%
USD/CHF	0.92	0.98	7%
USD/JPY	104.09	107.00	3%
AUD/USD	0.93	0.91	-2%
NZD/USD	0.84	0.84	0%
EUR/JPY	136.69	134.82	-1%
EUR/GBP	0.79	0.79	0%
EUR/CHF	1.21	1.23	2%
Emerging Currencies			
USD/CNY	6.14	6.20	1%
USD/INR	60.51	62.00	2%
USD/SGD	1.25	1.29	3%
USD/TRY	2.16	2.15	-1%
USD/PLN	3.21	3.17	-1%
USD/MXN	13.09	12.60	-4%
USD/BRL	2.24	2.30	3%

* Defined as the implied appreciation or depreciation of the first currency in the pair quote.
Examples of how to interpret data found on page 17.
Source - RBC Capital Markets, Bloomberg

U.S. Dollar

- The summer rally in the dollar is now firmly established. Improving economic data is inviting speculative longs. The next leg up will likely be driven by rising interest rates, with the 2-year yields likely to offer the clearest signal, in our view.

Euro

- The euro has declined by more than 5% against the greenback over the summer due to rising tensions with Russia and a weakening economy.

- Near-term rallies notwithstanding, we don't think the longer-run weakening trend is over. The growth rates of the eurozone and the U.S. are diverging, leaving accommodative policies in the former to persist far longer, pushing the euro lower.

Canadian Dollar

- The mix of a persistent current account deficit of roughly 3% of GDP, the declining importance of its status as a safe-haven currency, and general weakness in industrial commodities has weakened the loonie.

- We remain bearish on the currency as we believe depreciation would be tolerated for now as a boost to the export economy.

British Pound

- Recent benign inflation and tepid wage growth forecasts have lessened chances of a rate hike for now, weakening sterling in the process.

- A year-end rally could develop, in our view, as an eventual rate hike draws nearer, although the 2015 general election may limit gains.

Japanese Yen

- Recent weakness against the dollar has masked yen strength against other majors. We disagree with consensus forecasts of an imminent and broad-based yen decline.

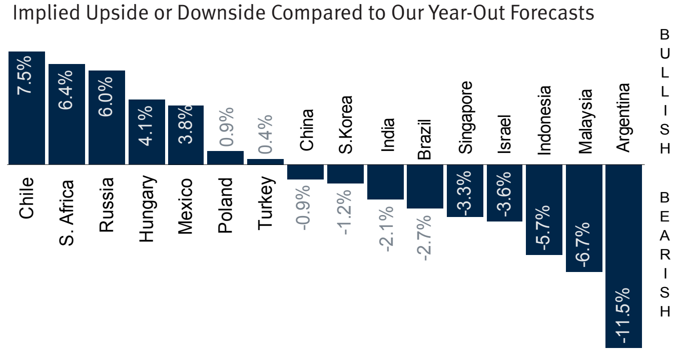
- Yen short positions are moderating as expectations fade of further quantitative easing from the BoJ. We expect a stable yen/dollar rate until U.S. interest rates rise next year.

Emerging Markets

- Of the larger emerging market currencies, we expect the Mexican peso to perform best due to the prospect of reform-driven capital inflows. The Brazilian real should struggle due to elevated inflation and a persistent current account deficit.

A Roadmap for Going Off-Piste
RBC's Outlook for Emerging Currencies

Implied Upside or Downside Compared to Our Year-Out Forecasts



Source - RBC Wealth Management, RBC Capital Markets estimates versus U.S. dollar, FactSet Data Services

We expect most emerging market currencies to end the next 12 months within +/- 5% of the current spot rate.

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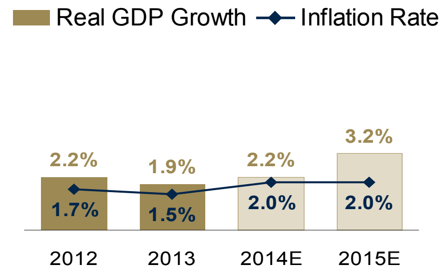
Key Forecasts

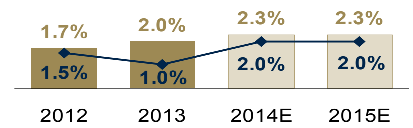
United States — Strengthening

- Q2 bounce-back revised up to strong 4.2%, led by capex. Consumer confident, but spending restrained. Housing activity moderating. Leading indicators and CEO confidence elevated.
- ISM up in August, 15th month in expansion. New orders strong.



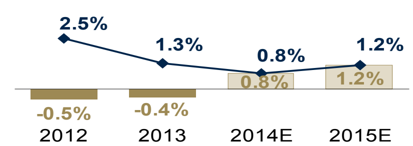
Canada — Improving

- Q2 GDP looks to have rebounded in synch with the U.S. Canadian PMI hit 9-mo. high in August, new orders solid.
- Mfg. unfilled orders flat, but at record level. Capex intentions elevated. Housing construction steady. Energy development outlook clouded.



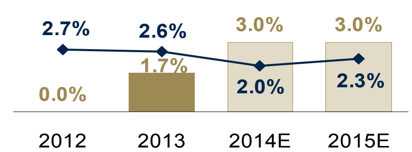
Eurozone — Stagnating

- Q2 was the 5th successive quarter of positive growth, still mostly due to Germany. Italy lagging. Ireland, Portugal out of bailout. Spain GDP growth positive for four quarters.
- Composite PMI fell in August, still in expansion zone. Germany weaker, but still elevated, France mixed, but weak. Ukraine affecting business confidence. Italy/ Spain readings positive for several months.



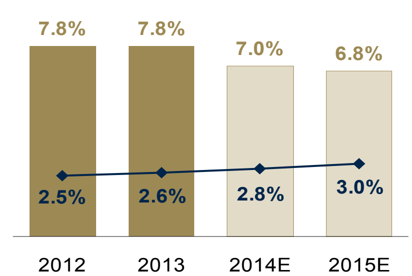
United Kingdom — Strengthening

- GDP up for 5th consecutive quarter, now past pre-crisis peak. Services and finance did the heavy lifting in Q2. PMIs mixed in August, but elevated, as were new orders. Business confidence buoyant.
- Employment growing, but wage growth slowing. Retail sales strong in Q2. GDP pace sustainable for rest of 2014 and 2015.



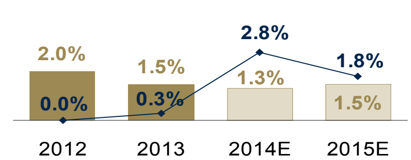
China — Stabilising

- Q2 GDP up 7.5%, a slight beat. PMI near 8-mo. high, but mixed in latest month. Factory activity at 18-mo. high on new orders. Infrastructure delivering most growth. July exports strong. Gov't talking up growth, but so far, policy initiatives have been targeted.
- Loan growth slowing, but still faster than GDP growth. Housing prices and construction weaker. Government easing liquidity squeeze.



Japan — Volatile

- Q2 GDP weak, but noise from April tax hike still a factor. Exports have turned higher, after new orders picked up in July. PMI rebounded in July.
- Buying/spending on autos and machinery ahead of sales tax increase made for weak Q2 comparisons. Retail sales stabilizing.



Source - RBC Investment Strategy Committee, RBC Capital Markets, and GPAC

Market Scorecard

Index (local currency)	Level	1 Month	YTD	12 Month
S&P 500	2,003.37	3.8%	8.4%	22.7%
Dow Industrials (DJIA)	17,098.45	3.2%	3.1%	15.4%
NASDAQ	4,580.27	4.8%	9.7%	27.6%
Russell 2000	1,174.35	4.8%	0.9%	16.2%
S&P/TSX Comp	15,625.73	1.9%	14.7%	23.5%
FTSE All Share	3,639.54	1.5%	0.8%	6.7%
STOXX Europe 600	342.00	1.8%	4.2%	15.0%
German DAX	9,470.17	0.7%	-0.9%	16.9%
Hang Seng	24,742.06	-0.1%	6.2%	13.9%
Shanghai Comp	2,217.20	0.7%	4.8%	5.7%
Nikkei 225	15,424.59	-1.3%	-5.3%	15.2%
India Sensex	26,638.11	2.9%	25.8%	43.1%
Singapore Straits Times	3,327.09	-1.4%	5.0%	9.8%
Brazil Ibovespa	61,288.15	9.8%	19.0%	22.5%
Mexican Bolsa IPC	45,628.09	4.1%	6.8%	15.6%
Bond Yields	**8/29/14**	**7/31/14**	**8/30/13**	**12 mo chg**
US 2-Yr Tsy	0.488%	0.528%	0.399%	0.09%
US 10-Yr Tsy	2.343%	2.558%	2.784%	-0.44%
Canada 2-Yr	1.104%	1.098%	1.191%	-0.09%
Canada 10-Yr	1.995%	2.159%	2.616%	-0.62%
UK 2-Yr	0.838%	0.840%	0.414%	0.42%
UK 10-Yr	2.368%	2.602%	2.772%	-0.40%
Germany 2-Yr	-0.029%	0.025%	0.238%	-0.27%
Germany 10-Yr	0.890%	1.155%	1.856%	-0.97%
Commodities (USD)	**Price**	**1 Month**	**YTD**	**12 Month**
Gold (spot $/oz)	1,287.81	0.4%	6.8%	-7.7%
Silver (spot $/oz)	19.47	-4.5%	0.0%	-17.2%
Copper ($/ton)	7,008.50	-1.8%	-5.0%	-1.0%
Uranium ($/lb)	31.00	8.8%	-14.5%	-11.4%
Oil (WTI spot/bbl)	95.96	-2.3%	-2.5%	-10.9%
Oil (Brent spot/bbl)	103.19	-2.7%	-6.9%	-9.5%
Natural Gas ($/mmBtu)	4.07	5.8%	-3.9%	13.5%
Agriculture Index	322.25	1.0%	-8.4%	-14.2%
Currencies	**Rate**	**1 Month**	**YTD**	**12 Month**
US Dollar Index	82.75	1.6%	3.4%	0.8%
CAD/USD	0.92	0.2%	-2.4%	-3.1%
USD/CAD	1.09	-0.3%	2.4%	3.2%
EUR/USD	1.31	-1.9%	-4.4%	-0.7%
GBP/USD	1.66	-1.7%	0.2%	7.1%
AUD/USD	0.93	0.5%	4.7%	4.9%
USD/CHF	0.92	1.0%	2.8%	-1.2%
USD/JPY	104.09	1.3%	-1.2%	6.0%
EUR/JPY	136.69	-0.7%	-5.6%	5.3%
EUR/GBP	0.79	-0.2%	-4.7%	-7.2%
EUR/CHF	1.21	-0.9%	-1.7%	-1.9%
USD/SGD	1.25	0.1%	-1.1%	-2.1%
USD/CNY	6.14	-0.5%	1.5%	0.4%
USD/BRL	2.24	-1.2%	-5.3%	-6.3%

Q2 earnings and GDP surprises help lift U.S. stocks.

Brazil surges as polls point toward Rousseff defeat.

Weak eurozone economy pushes Germany yields to record low.

Draghi's dovish comments pressure euro.

Equity returns do not include dividends, except for the German DAX. Equity performance and bond yields in local currencies. U.S. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing. Examples of how to interpret currency data: CAD/USD 0.92 means 1 Canadian dollar will buy 0.92 U.S. dollar. CAD/USD -3.1% return means the Canadian dollar has fallen 3.1% vs. the U.S. dollar during the past 12 months. USD/JPY 104.09 means 1 U.S. dollar will buy 104.09 yen. USD/JPY 6.0% return means the U.S. dollar has risen 6.0% vs. the yen during the past 12 months.

Source - RBC Wealth Management, RBC Capital Markets, Bloomberg; data through 8/29/14.

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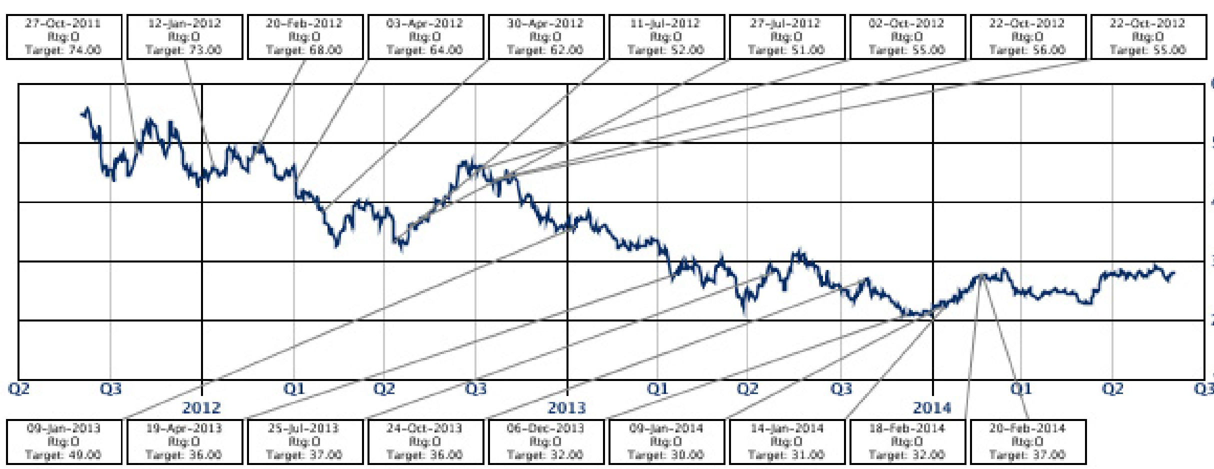
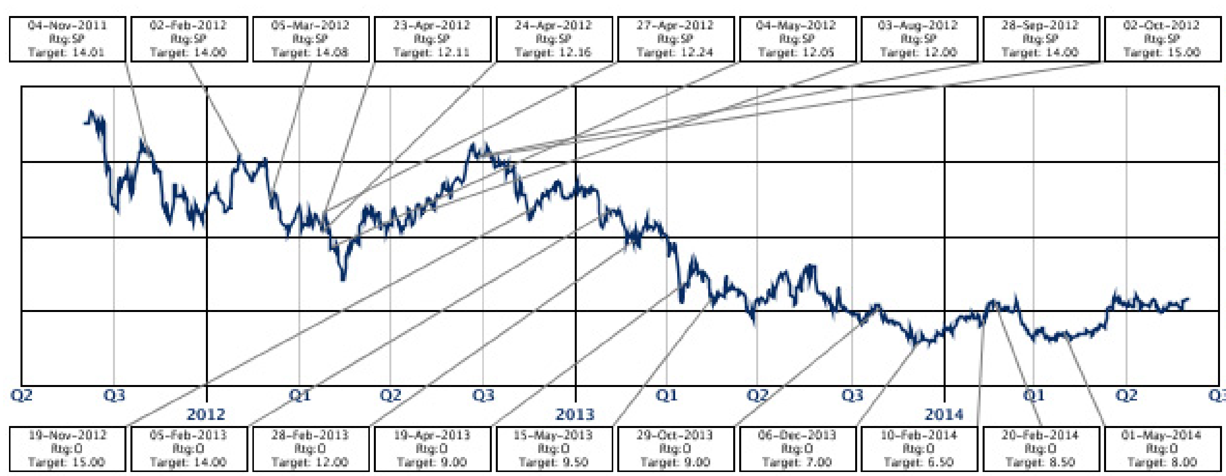
Rating and price target history for: Goldcorp Inc. as of 01-Sep-2014 (in USD)



Rating and price target history for: New Gold Inc. as of 01-Sep-2014 (in USD)



Legend:
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