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MARKET SUMMARY— Canadian equity markets were stymied in May, dragged lower by selling pressure stemming from weakness in the energy and materials sectors, and to a lesser degree among industrials. The broader market S&P/TSX Composite index shed 1.22% on a total return basis over the month, a negative trend that has largely carried forward into the first three weeks of June. The smaller cap S&P/TSX Venture index fell 0.48%, and similar to its broader market cousin, extended this negative trend well into the current month.

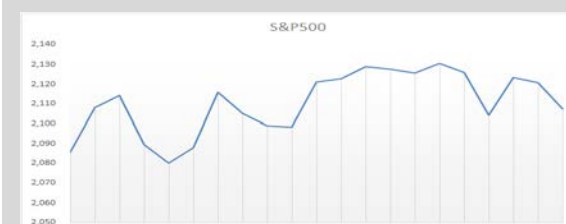
In the United States, equity markets exhibited a more positive sentiment through May and June, despite the undertones cast from global macro uncertainties (i.e. Greek sovereign default), as well as weaker than expected economic performance, and Fed tightening looming. The S&P500 index rose 1.29% on a total return basis in May while the more tech heavy NASDAQ provided a robust 2.76% gain.

Global equity market performance remains bifurcated between developed and developing nations but clearly has taken its lead from a reversal of relative economic growth trajectories that has become the new norm. Strength among developed world economies and equity markets while emerging markets continue to struggle and sustain losses, are reflective of the current macro environment but the mirror image of the growth trends we had been accustomed to over the past decade. The EuroSTOXX 50 index was up modestly in May, rising 0.22% on the month, and after exhibiting surprising strength earlier in the year that has driven the index to a year-to-date total return of 16.08%. Developing country markets experienced the opposite trend, falling significantly through May with the MSCI Emerging Markets index giving back 4.01%.

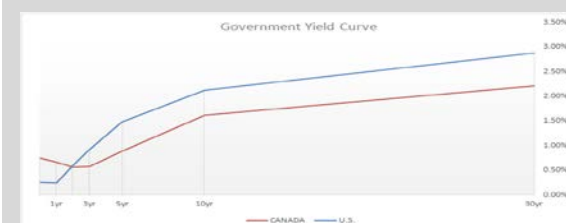
With 2015 now approaching the half way point, the global economy has experienced more than its fair share of surprises. Weak economic performance in Canada during Q1 has thwarted hopes that the impact from lower oil prices will be minimal and mostly contained by the Central bank stimulus action in January. In contrast, the Eurozone has rebounded more strongly than expected during the first quarter—but risks still abound. Greece is again teetering on the verge of default, only to hopefully be saved by an 11th hour lifeline from the IMF. And China's economy continues to hit speed bumps that have had a material negative impact on its growth rate. But through all this, the markets have continued their climb largely unabated, even as the bull market should be nearing the end of its cyclical run.

MARKET DIARY -- MONTH AT A GLANCE

Equities	Close May 29	MoM TotRet	YTD TotRet
S&P/TSX Composite	15,014.09	-1.22%	3.79%
S&P/TSX Venture	692.45	-0.48%	-0.32%
Dow Jones	18,010.68	1.35%	2.14%
S&P500	2,107.39	1.29%	3.23%
NASDAQ	5,070.03	2.76%	7.67%
FTSE 100	6,984.43	0.73%	8.25%
EURO STOXX 50	3,570.78	0.22%	16.08%
Nikkei 225	20,563.15	5.34%	18.75%
MSCI EAFE	5,287.73	-0.51%	8.60%
MSCI Emerging Markets	424.38	-4.01%	5.69%



Fixed Income	Yield	MoM Chg	YTD Chg
			
BoC Overnight Rate	0.75%	n/c	-25 bps
3mos Canada T-Bill	0.62%	-3 bps	-29 bps
2yr Canada	0.57%	-11 bps	-44bps
10yr Canada	1.62%	+4 bps	-17 bps
30yr Canada	2.21%	+4 bps	-12 bps
			
Fed Funds Rate	0.25%	n/c	n/c
90d U.S. T-Bill	0.00%	-67 bps	-98 bps
2yr UST	0.61%	+7 bps	-9 bps
10yr UST	2.12%	+4 bps	-2 bps
30yr UST	2.88%	+5 bps	+5 bps



Currencies	May 29	MoM Chg	YTD Chg
CAD/USD	0.8031	-3.04%	-6.67%
USD/CAD	1.2454	+3.12%	+7.17%
CAD/EUR	0.7307	-0.99%	+2.74%
CAD/JPY	99.6980	+0.87%	-3.25%
CAD/GBP	0.5252	-2.65%	-4.92%

Market Factors	May 29	MoM Chg	YTD Chg
Volatility Meter – VIX	13.84	-4.88	-27.92
Advance/Decline – TSX	1.00	+ 0.48	-0.42

Source: Bloomberg

U.S. equities have begun to drift into a sideways pattern and have underperformed the Eurozone and other regions on a year-to-date basis through 2015. The market appears to be lacking a clear driver—valuations are stretched and the U.S. economy has not consistently been firing on all cylinders.

A sustained improvement in global economic growth has proved elusive through the first quarter, although now, more supportive conditions generally bode well for a bounce-back in Q2. For the global economy, it appears the economic recovery may be more entrenched than in prior years given the sustained support from lower oil prices and continued global central bank stimulus. Even as the global economy sputtered through early 2015, this slowing is unlikely to be significant enough to push 2015's full year growth rate below the median threshold of where it has resided over the past several years.

Volatility across the broader markets has persisted and will only likely elevate from current levels as investors respond to a plethora of economic data and news stemming from the world's two key regions, the United States and Europe. Following weak first quarter U.S. GDP, data from the second quarter has so far been mixed. While economic indicators appear to suggest that the U.S. economy is regaining composure, whether the recovery is sufficiently deep seeded and resilient to provide the necessary confidence that the Fed is looking for remains the key question. Currently, a 25 bps rate hike by the Fed is priced in by the markets for this fall, and when this occurs it will represent the first interest-rate increase since 2006! Canada, while experiencing a dreadful first quarter (in the words of BoC governor Poloz), likely isn't too far behind, and will likely seek to follow the Fed into tightening mode early in 2016.

CANADA—As discussed in our previous market commentaries, the influence of the sudden decline in crude oil prices (off 50% since mid-2014 but improved slightly from the bottoms hit in January and March), has proved to be beneficial to many global economies but clearly detrimental to producer nations such as Canada. Despite the largely unanticipated move by the Bank of Canada to inject further stimulus earlier in January with a 25 basis point cut to the bank rate, the Canadian economy contracted 0.6% during the first quarter (the third negative growth reading in five months). The impact on business investment activity caused by the oil price shock has been significant but not the only factor contributing to the abysmal Q1 GDP number. The added combination of severe winter weather through central and eastern Canada negatively affected domestic and external demand, and auto sector retooling took the wind out of manufacturing, affected the consumer and net-export side of the equation respectively. Equity markets, not surprising, have responded by selling off but the Central Bank has offered a relatively upbeat assessment of the Canadian economy's full year potential, suggesting a rebound in economic data through the second half of this year.

Encouraging signs are showing in the housing market, as housing starts and existing home sales in April came in solidly above the average pace for the first quarter. With lower gasoline prices, the consumer has more disposable income, and particularly when coupled with the visible trend to gradually firming wage growth.

While debt levels are high so are asset values, with overall net worth suggesting that the strains on household finances are limited at the current time. Furthermore, the persistence of low interest rates means that the cost to service this debt continues to be manageable. Despite the setbacks earlier in the year, the signs of growth in disposable income and consumption are pointing to a pickup in consumer spending and as the economy heads towards expanding at an above-trend pace, labour market conditions will tighten generating upward pressure on wages and creating the necessary conditions for the Bank to shift policy toward a less highly stimulative position. Consensus opinion calls for the first increase in the overnight rate to likely be announced in the second quarter of 2016. By the end of 2016, it would not be unreasonable to see an overnight of around 1.75%, which would be 100 basis points above today's rate.

UNITED STATES—As we step into the second half of 2015, the long discussed topic of timing for a Fed rate hike has started to fade as one of the most debated issues in the global economic market. What comes in replacement is the question of how many times the Fed might tighten and by what magnitude, through the balance of 2015. Following the Federal Open Market Committee (FOMC) meeting held on June 17, the Federal Reserve once again gave no timetable for raising its near zero short-term rate. However, the Fed did in fact upgrade its economic outlook after key indicators have shown that the U.S. economy has strengthened following a slump early this year (a contraction in Q1 GDP of 0.7%). Slower U.S. economic growth and inflation have certainly provided time for the Fed to delay any potential increase in rates to the September timeframe (or even possibly into 2016) but equally probable could be a Fed move coming as early as mid-summer.

The FOMC stated earlier that it needs to see further recovery in the labour market and be reasonably confident that inflation will exceed its 2% target prior to implementing a change in policy direction. Recent economic data have painted a brighter picture for the U.S. economy as the pace of job creation recovered with employment rising 201,000 and the unemployment rate remaining stable at 5.5%. In combination with the rebound in new home construction, stronger retail sales, and near-record auto sales, the revival of the U.S. economy is set to regain its stride in the second half of 2015.

GLOBAL—The European Central Bank's (ECB) aggressive economic stimulus program and highly accommodative (i.e. low) policy rate contributed to solid growth across the region during Q1 despite ongoing concerns about Greece. The Eurozone economy has been a trouble spot for the global economy in recent years, but thus far in 2015, it has been a relative bright spot. A generally weaker euro has helped the affordability of European exports for foreigners, and as a net oil importer, the lower crude prices are a net positive for the region.

But a recurring theme however is that the global economy is still struggling to generate increased traction. Particularly worrisome is the continuing slowdown in China and the multiple headwinds still affecting the global economy. Expectations are that Chinese economic growth will continue to grind gradually lower, which will have a negative affect for economies tied to commodities and raw materials exports. Increasingly, a period of above-trend growth appears less likely.

Similar to European monetary policy, the Bank of Japan is currently mid-way through its economic stimulus program, which has helped Japanese GDP to expand for the second straight quarter in Q1, 2015. With the annual inflation rate in Japan still running well-below the 2% target level, discussions of another round of quantitative easing may take place.

OIL—A 40% increase in oil prices (WTI) from mid-March lows reflects a correction after an eight-month period of relatively steady decline. Concerns regarding Middle Eastern supply making its way to market and a modest reduction in North American inventories combined with a weaker U.S. dollar have served to lend recent price support. The six-week commodity price rally dissipated however in mid-May. But this partial recovery in oil prices has helped to allay fears that the global economy was heading into a period of sustained deflation. Negative inflation rates in the U.S., U.K., and Eurozone translated into declines in inflation expectations, as investors worried that the combination of energy-related declines and excess capacity would see households and businesses delay purchases until prices fell further.

Many of the world's major oil-producing countries, including Canada and the United States are experiencing a significant pull-back in investment, jobs and production associated with the collapse in oil prices, notwithstanding the recent relatively modest rebound.

ASSET ALLOCATION —TACTICAL POSITIONING

Strategic asset mix addresses the blend of the major asset classes offering the risk/return trade-off best suited to an investor's profile. It can be considered to be the benchmark investment plan that anchors a portfolio through many business and investment cycles, independent of a near-term view of the prospects for the economy and related expectations for capital markets. Tactical asset allocation refers to fine tuning around the strategic setting in an effort to add value by taking advantage of shorter term fluctuations in markets.

Fixed Income	<i>Underweight</i>
Canadian Equities	<i>Neutral</i>
U.S. Equities	<i>Overweight</i>
International Equities	<i>Overweight</i>
Emerging Markets	<i>Underweight</i>

- *Overweight equities versus fixed income*
- *Overweight exposure to U.S. and international equities*
- *Focus on quality and lower beta securities*
- *Focus on defensive equity sectors*
- *With volatility likely to be elevated, time entry points—buy on pullbacks*

KEY ECONOMIC INDICATORS – CANADA



Event	Date	Consensus Est.	Prior
RBC Canadian Manufacturing PMI (May)	Jun 1	49.8 A	49.0
Int'l Merchandise Trade (Apr)	Jun 3	-\$2.15Bil (-\$2.97Bil A)	-\$3.02Bil (-\$3.85Bil R)
Unemployment Rate (May)	Jun 5	6.8% (6.8% A)	6.8%
Net Change in Employment (May)	Jun 5	10.0k (58.9k A)	-19.7k
Participation Rate (May)	Jun 5	65.8% (65.9% A)	65.8%
Housing Starts (May)	Jun 8	185.0k (201.7k A)	181.8k (183.3k R)
Building Permits MoM (Apr)	Jun 8	-5.0% (11.6% A)	11.6% (13.6% R)
Capacity Utilization Rate (1Q)	Jun 11	83.0% (82.7% A)	83.6% (83.5% R)
New Housing Price Index YoY (Apr)	Jun 11	1.1% A	1.2%
Manufacturing Sales MoM (Apr)	Jun 15	-0.5% (-2.1% A)	2.9% (2.7% R)
Existing Home Sales MoM (May)	Jun 15	3.1% A	2.3%
Bloomberg Nanos Confidence	Jun 15	56.7 A	56.3
Int'l Securities Transactions (Apr)	Jun 16	\$5.00Bil	\$22.50Bil
Wholesale Trade Sales MoM (Apr)	Jun 17	0.4%	0.8%
CPI YoY (May)	Jun 19	0.8%	0.8%
CPI Core YoY (May)	Jun 19	2.1%	2.3%
Retail Sales MoM (Apr)	Jun 19	0.7%	0.7%
Retail Sales Ex Auto MoM (Apr)	Jun 19	0.3%	0.5%
Industrial Product Price MoM (May)	Jun 29	n/a	-0.9%
GDP MoM (Apr)	Jun 30	n/a	-0.2%
GDP YoY (Apr)	Jun 30	n/a	1.5%

A=actual; R=revised

Source: Bloomberg

KEY ECONOMIC INDICATORS – U.S.



Event	Date	Consensus Est.	Prior
Personal Income (Apr)	June 01	0.3% (0.4% A)	0.0%
Personal Spending (Apr)	June 01	0.2% (0.0% A)	0.4% (0.5% R)
Real Personal Spending (Apr)	June 01	0.1% (0.0% A)	0.3% (0.4% R)
Markit US Manufacturing PMI (May F)	June 01	53.8 (54.0 A)	53.8
Construction Spending MoM (Apr)	June 01	0.8% (2.2% A)	-0.6% (0.5% R)
ISM Manufacturing (May)	June 01	52 (52.8 A)	51.5
Factory Orders (Apr)	June 02	-0.1% (-0.4% A)	2.1% (2.2% R)
Wards Total Vehicle Sales (May)	June 02	\$17.2Mil (\$17.71Mil A)	\$16.46Mil
Wards Domestic Vehicle Sales (May)	June 02	\$13.2Mil (\$13.95Mil A)	\$12.88Mil
Trade Balance (Apr)	June 03	-\$44.0Bil (-\$40.9Bil A)	-\$51.4Bil (-\$50.6Bil R)
Initial Jobless Claims (May 30)	June 04	278k (276k A)	282k (284k R)
Change in Nonfarm Payrolls (May)	June 05	226k (280k A)	223k (221k R)
Unemployment Rate (May)	June 05	5.4% (5.5% A)	5.4%
Average Hourly Earnings YoY (May)	June 05	2.2% (2.3% A)	2.2%
Labor Force Participation Rate (May)	June 05	62.9% A	62.8%
Consumer Credit (Apr)	June 05	\$16.00Bil (\$20.54Bil A)	\$20.52Bil (\$21.35Bil R)
Wholesale Inventories MoM (Apr)	June 09	0.2% (0.4% A)	0.1% (0.2% R)
Wholesale Trade Sales MoM (Apr)	June 09	0.6% (1.6% A)	-0.2% (-0.3% R)
Retail Sales Advance MoM (May)	June 11	1.2% (1.2% A)	0.0% (0.2% R)
Retail Sales Ex Auto MoM (May)	June 11	0.8% (1.0% A)	0.1%
Import Price Index YoY (May)	June 11	-10.0% (-9.6% A)	-10.7% (-10.5% R)
Business Inventories (Apr)	June 11	0.2% (0.4% A)	0.1%
PPI Final Demand YoY (May)	June 12	-1.1% (-1.1% A)	-1.3%
PPI Ex Food and Energy YoY (May)	June 12	0.7% (0.6% A)	0.8%
U. of Mich. Sentiment (Jun P)	June 12	91.2 (94.6 A)	90.7
Industrial Production MoM (May)	June 15	0.2% (-0.2% A)	-0.30% (-0.5% R)
Capacity Utilization (May)	June 15	78.3% (78.1% A)	78.20% (78.3% R)
Housing Starts (May)	June 16	1090k	1135k
Housing Starts MoM (May)	June 16	-4.0%	20.2%
Building Permits (May)	June 16	1,100k	1,143k (1,140k R)
Building Permits MoM (May)	June 16	-3.5%	10.1% (9.8% R)
FOMC Rate Decision (June 17)	June 17	0.25%	0.25%
CPI YoY (May)	June 18	0.1%	-0.2%
CPI Ex Food and Energy YoY (May)	June 18	1.8%	1.8%
Initial Jobless Claims (June 13)	June 18	277k	279k
Philadelphia Fed Business Outlook (Jun)	June 18	8.0	6.7
Existing Home Sales (May)	June 22	\$5.23Mil	\$5.04Mil

KEY ECONOMIC INDICATORS – U.S. (con't)



Existing Home Sales MoM (May)	June 22	3.8%	-3.3%
Durable Goods Orders (May)	June 23	-0.6%	-0.5% (-1.0% R)
Durables Ex Transportation (May)	June 23	0.8%	0.5% (-0.2% R)
Markit US Manufacturing PMI (Jun P)	June 23	n/a	54
New Home Sales (May)	June 23	513k	517k
New Home Sales MoM (May)	June 23	-0.9%	6.8%
GDP Annualized QoQ (1Q T)	June 24	-0.3%	-0.7%
Personal Income (May)	June 25	0.5%	0.4%
Personal Spending (May)	June 25	0.6%	0.0%
U. of Mich. Sentiment (Jun F)	June 26	n/a	94.6
S&P/Case-Shiller US HPI YoY (Apr)	June 30	n/a	4.14%
Consumer Confidence Index (Jun)	June 30	n/a	95.4

A=actual; R=revised

Source: Bloomberg

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