Global Asset Management

For more on our current view and outlook, consult **The Global Investment Outlook**.

One-minute market update – Spring 2017

Economy

- Leading economic indicators are at their best levels in several years, economic surprises have been overwhelmingly positive and corporate earnings continue to recover from their prior stumbles. Economic growth has improved in both developed and emerging markets, with most countries managing some improvement in recent months.
- Risks to our outlook include the aging business and credit cycles, rising populist movements, higher interest rates, elevated Chinese debt loads and an ever-evolving and uncertain political landscape in the U.S. and Europe.
- We expect that the global economy will be able to manage these risks and continue to grow and possibly even accelerate, though still running at a pace below long-term historical norms.

Fixed Income

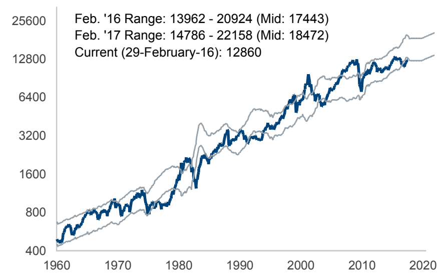
- Globally, many central banks are still focused on delivering prior quantitative-easing commitments. The one exception is the U.S. Federal Reserve which continues to press forward with its plan to nudge the fed funds rate higher.
- Yields have risen rapidly since last summer which has greatly reduced the valuation risk and, therefore, the need for a further near-term adjustment.
- However, our fixed-income models continue to suggest that the long-term direction for yields is higher. The combination of both a bit more inflation and a higher real rate of interest would act as a headwind to fixed-income returns in general and pose a risk to sovereign-bond investors, in particular.

Equity Markets

- Prospective returns for equities are much more attractive relative to bonds and we have maintained our long-standing overweight.
- We don't think that valuations are as stretched as some investors believe, but we do recognize that stocks are not as cheap as they were, so a continued improvement in earnings is needed to fuel further equity gains.
- We have slightly reduced our exposure to stocks due to the uncertainty surrounding U.S. public policy and a variety of style and technical factors.

CANADIAN EQUITIES – Fair value range

S&P/TSX Composite Index

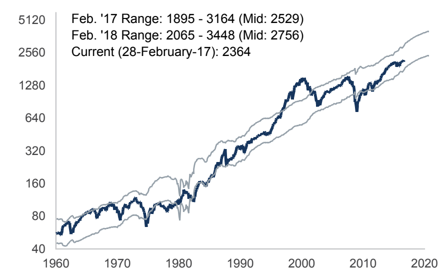


With a 2.7% return for the three months ended February 28, 2017, the S&P/TSX continued to rise following a strong 2016. While recent gains have increased valuations, they are still at the lower fair value band.

Source: RBC GAM

U.S. EQUITIES – Fair value range

S&P 500 Index

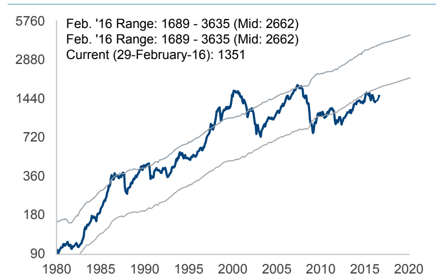


In the quarter ended February 28, 2017, the S&P 500 returned 8.0%, setting a new high on the second-to-last day of the period. The market moved closer to the midpoint of the fair value range.

Source: RBC GAM

EUROPEAN EQUITIES – Fair value range

Eurozone Datastream Index

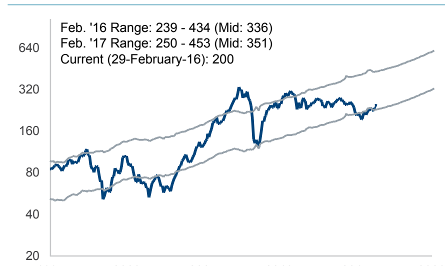


European equities rose strongly over the quarter. However, the index is still making up lost ground and remains below the lower value band.

Source: Datastream, Consensus Economics, RBC GAM

EMERGING MARKETS – Fair value range

Emerging Markets Datastream Index



Emerging-market equities rose 7.3% during the three-month period ended February 28. The index has moved just above the lower fair value band.

Source: Datastream, RBC GAM

*Fair value estimates are for illustrative purposes only. It is not possible to invest directly in an unmanaged index.

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