



RBC Global  
Asset Management



# A New Year With New Complications

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# Report Card

## Negative Developments:

- Russian problems/risks grow
- Sharp decline in oil prices hurts oil exporters and resource firms
  - Canada grapples with lower oil
  - Emerging market vulnerabilities
- Greek snap election called for Jan 25th
- Financial markets bumpy to close 2014



## Positive Developments:

- Sharp decline in oil prices helps global growth
- Economic momentum turning back upwards
- Japanese voters endorse more Abenomics
- ECB inching toward buying government bonds

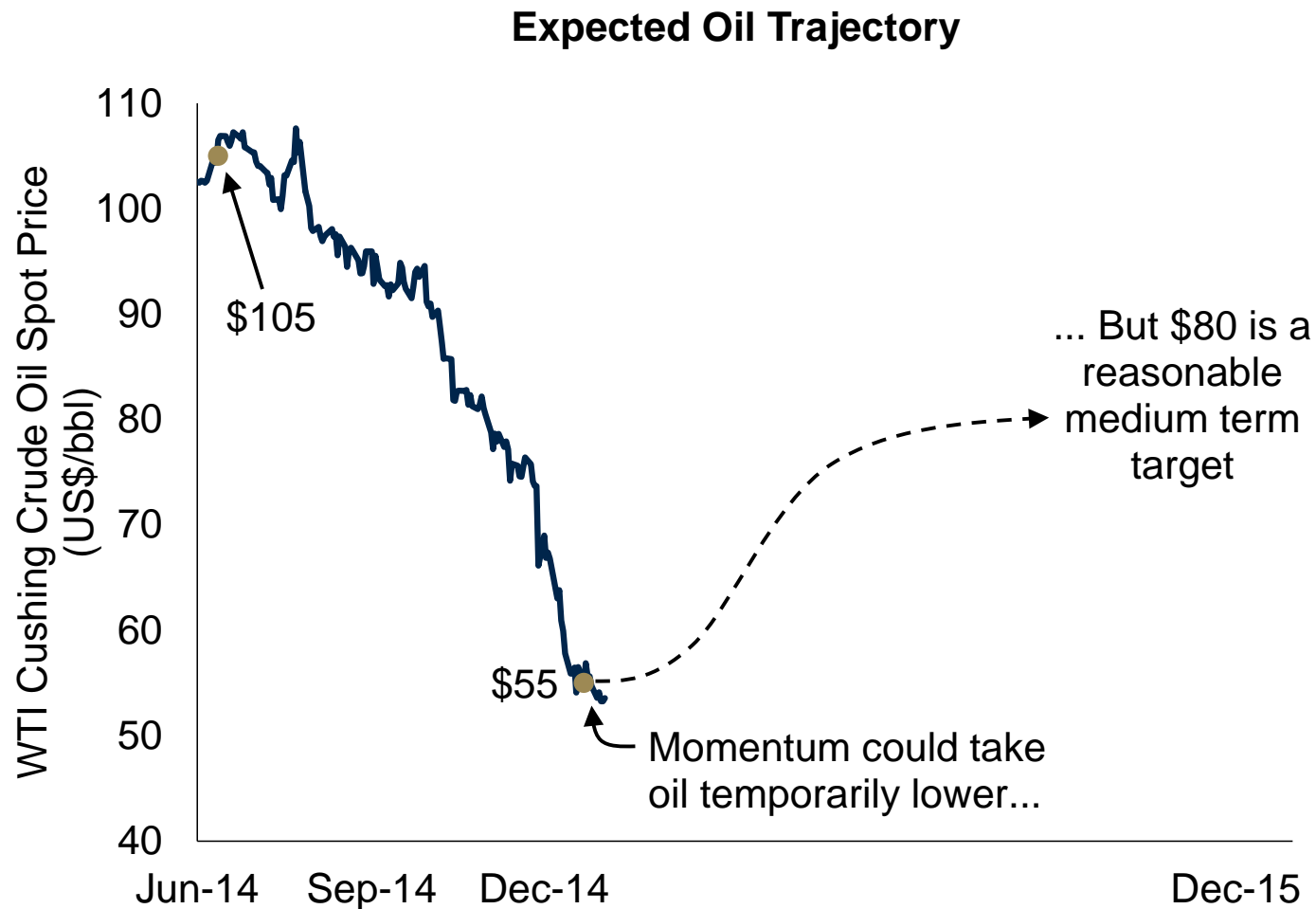


## Interesting Developments:

- Oil prices may have overshot fair value
- Fed to tighten rates for first time in nine years
- Cuba may rejoin global economy

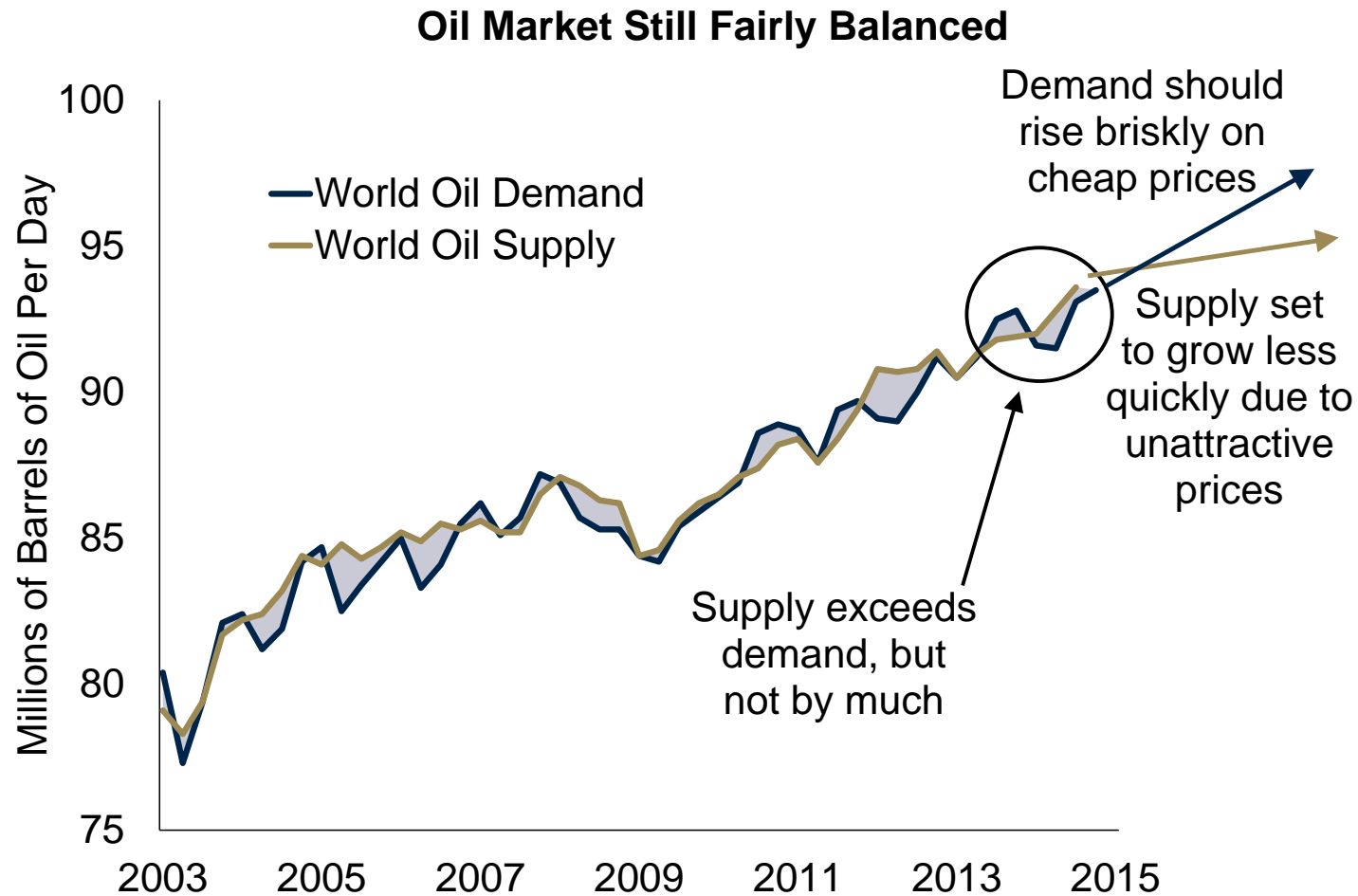


# Oil Collapse



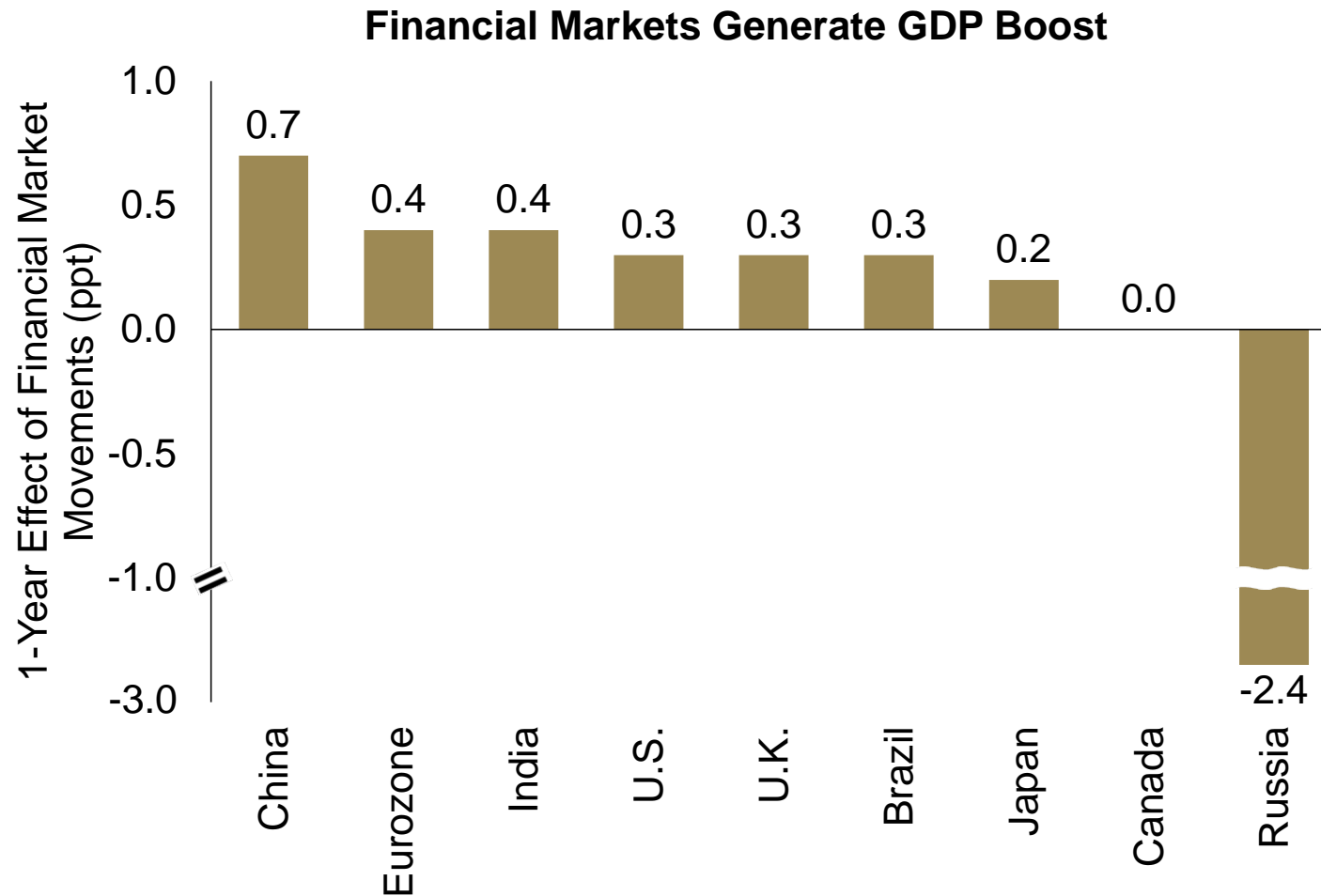
Source: Bloomberg, RBC GAM

# Global Oil Supply and Demand



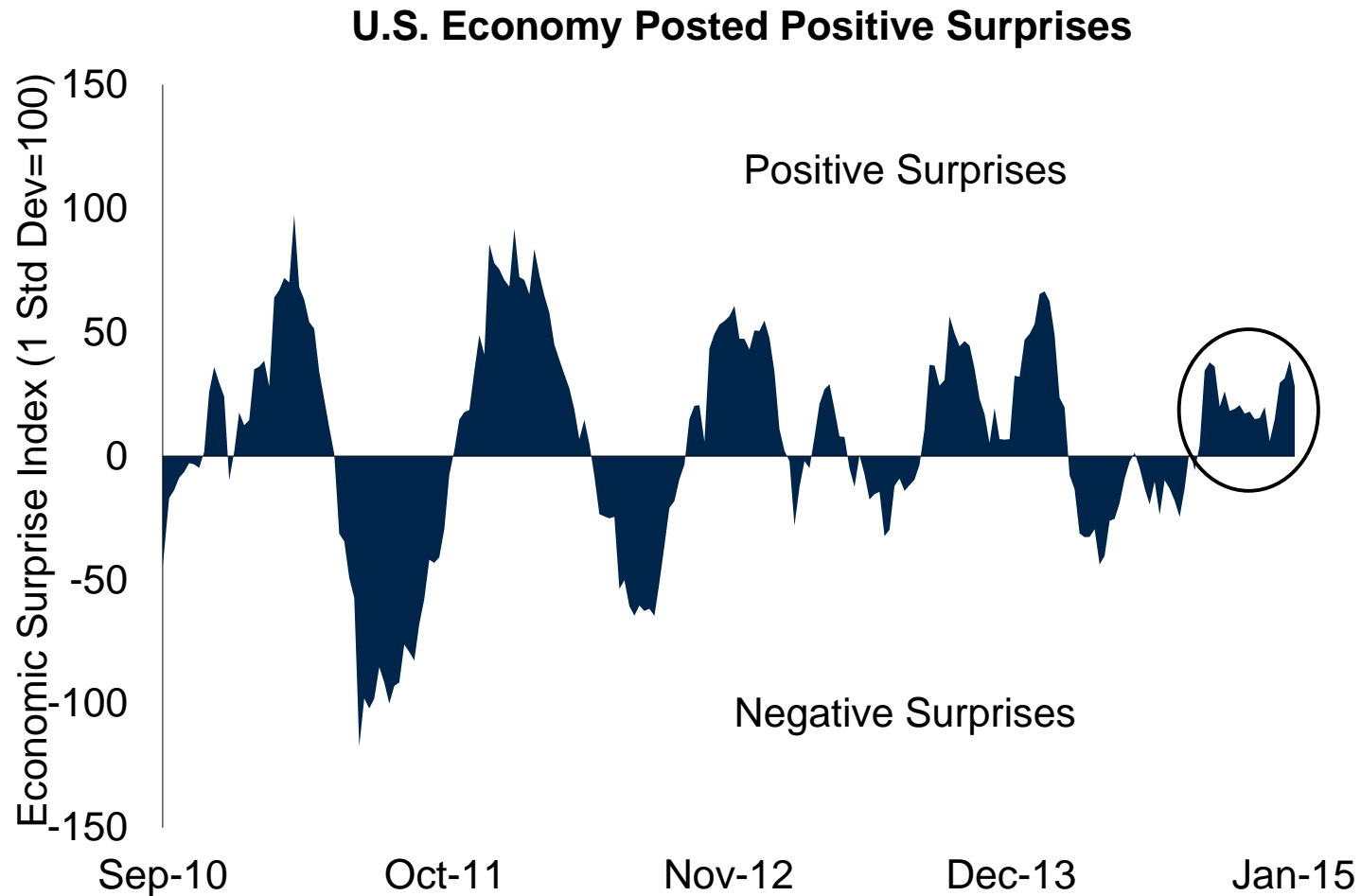
Note: Shaded area represents gap between quarterly production and demand.  
Source: International Energy Agency, RBC GAM

# Global Economy Likes Lower Oil, Rates, FX



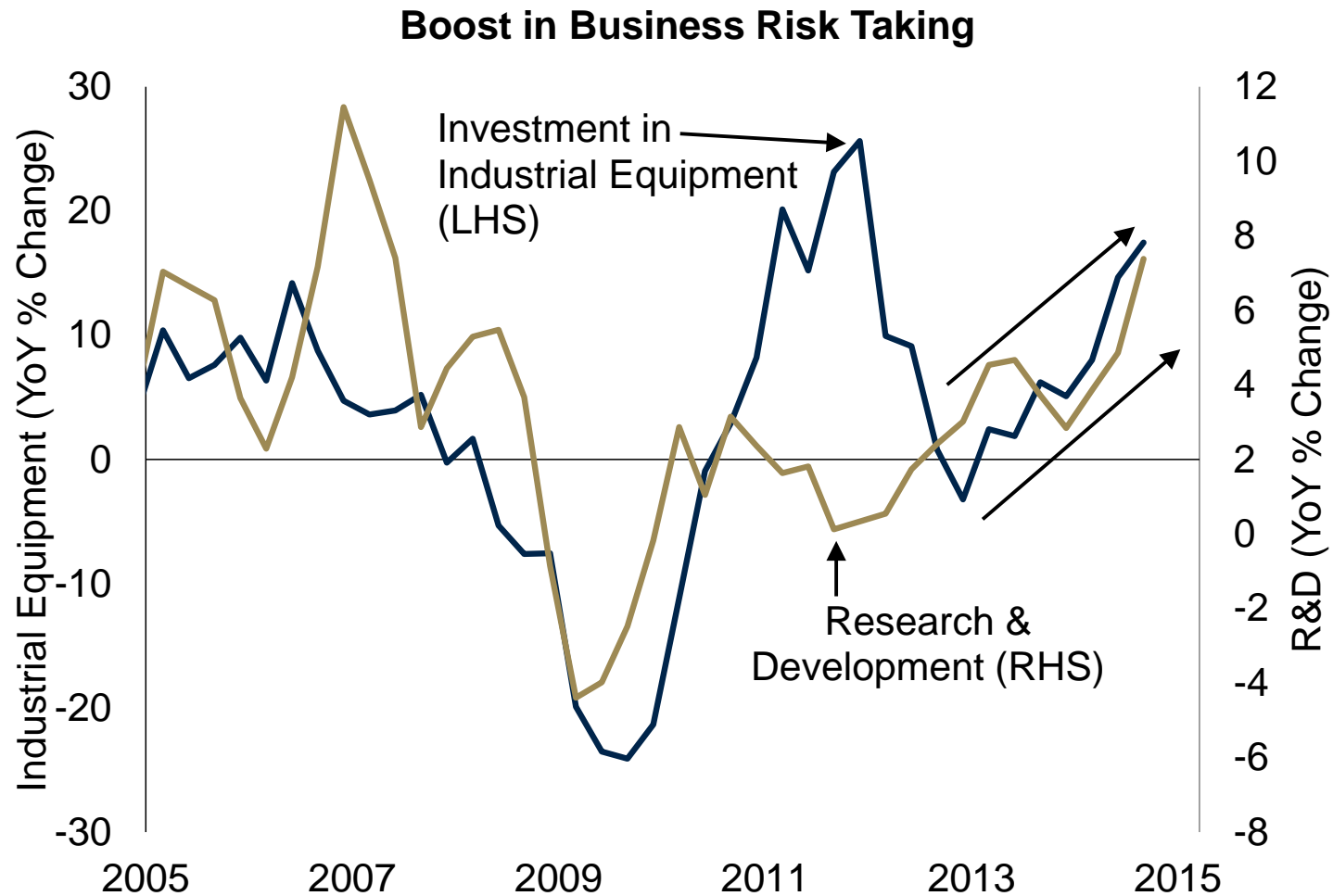
Note: Effect of lower oil prices, lower yields and stronger U.S. dollar on GDP.  
Source: OECD, Oxford Economics, RBC GAM

# U.S. Surprise Index Looks Good



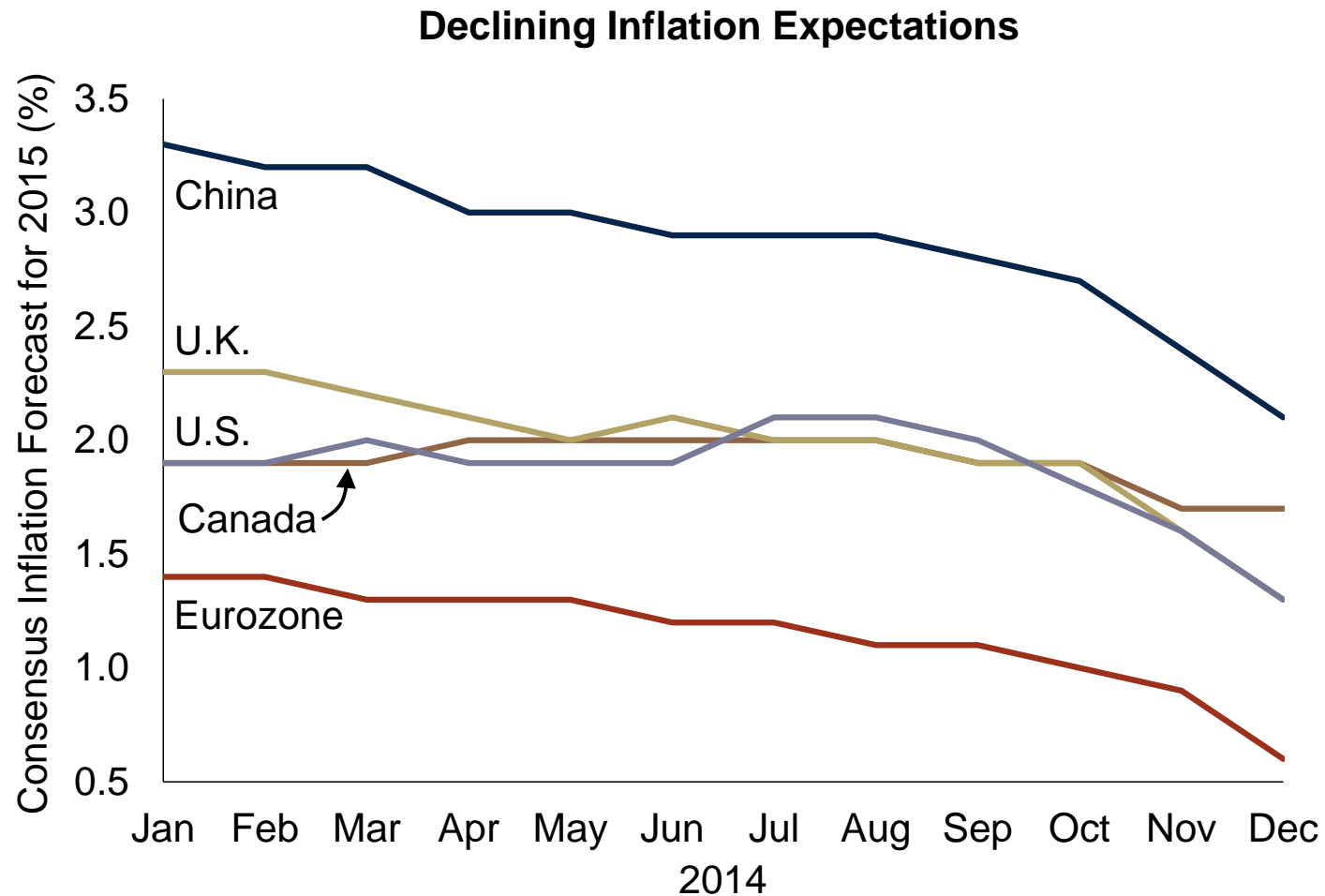
Source: Citigroup Economic Surprise Index, RBC GAM

# U.S. Business Investment Environment Improves



Source: BEA, Haver Analytics, RBC GAM

# Falling Inflation Expectations



Source: Consensus Economics, RBC GAM



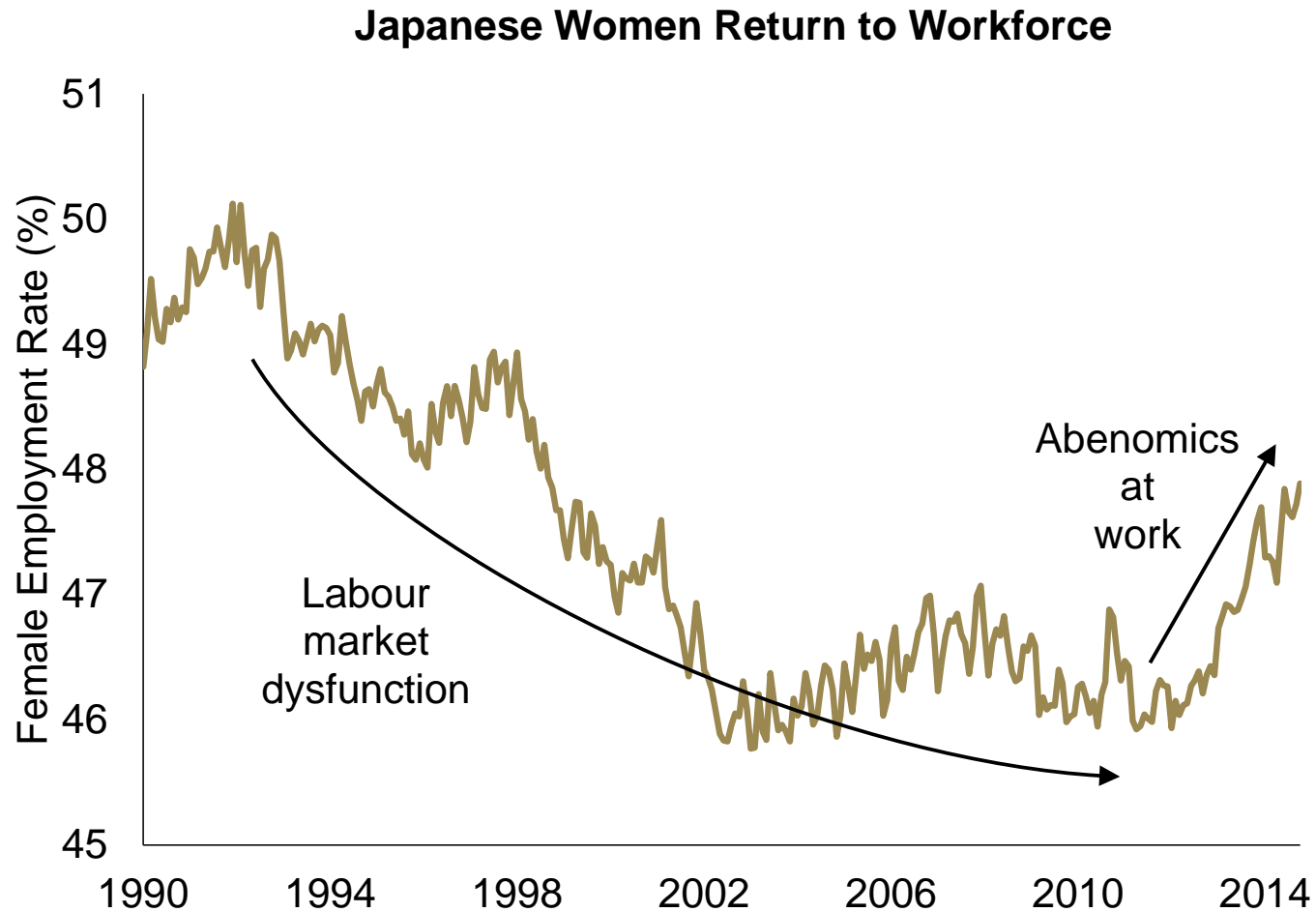
# Scheduled Eurozone Elections Near; Snap Elections a Risk

Upcoming Election	Country	Political Stability Index (Percentile Rank)
2015	Greece	39
	Portugal	69
	Spain	47
2016	Ireland	74
	Netherlands	90
2017	France	62
	Germany	77
2018	Austria	97
	Cyprus	65
	Italy	64

Note: Political Stability Index percentile ranks for 2013.

Source: World Bank, Haver Analytics, RBC GAM

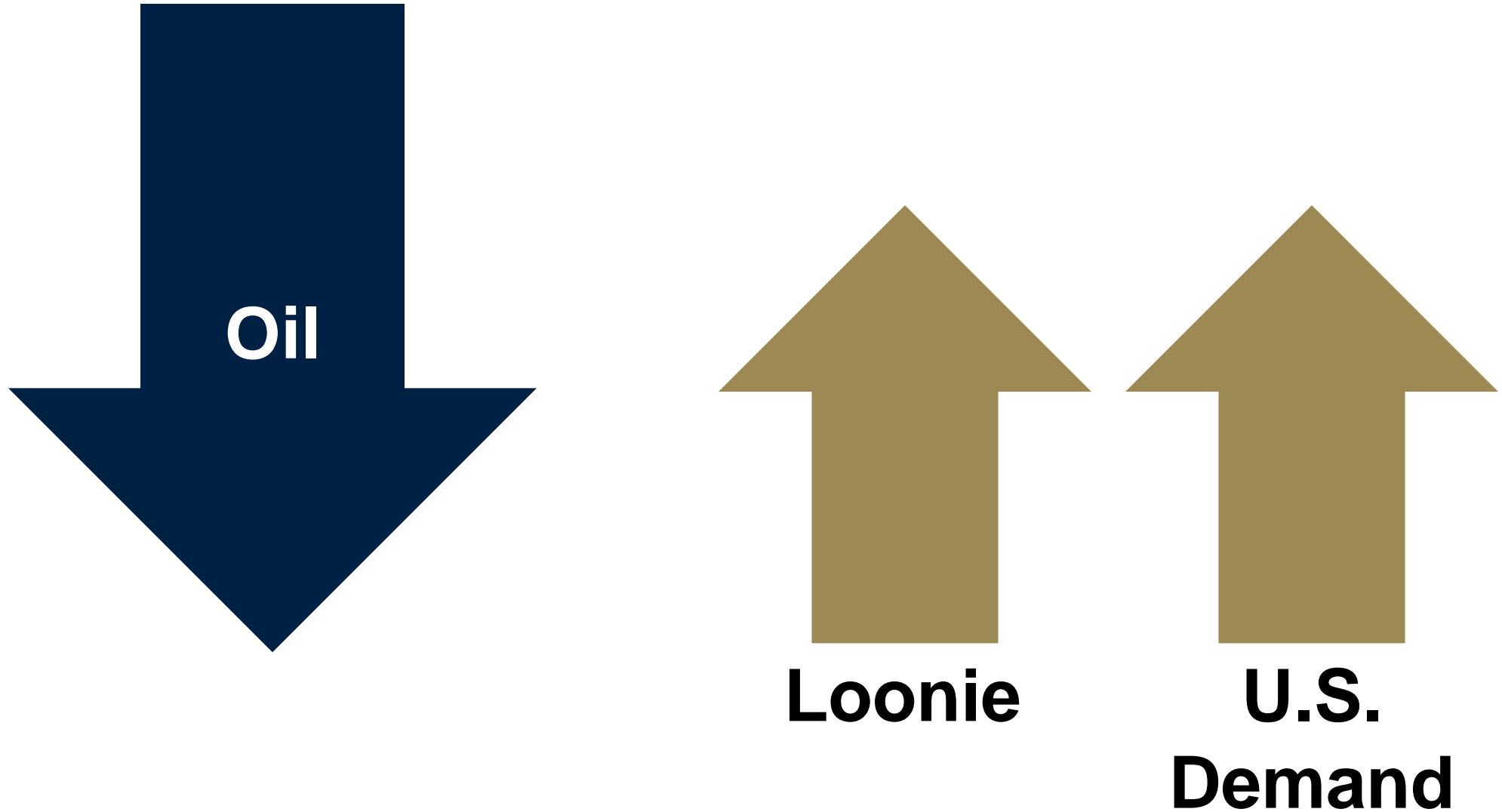
# A Sign of Abenomics Success



Source: Ministry of Internal Affairs and Communications, Haver Analytics, RBC GAM


# Canada's Competing Forces Neutralize One Another

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Source: RBC GAM

# Emerging Market Scorecard

		Reforms	Credit	Resource	Geopolitics
Better prospects  Worse prospects	India	✓	-	✓	✓
	South Korea	-	✓	✓	✓
	Poland	-	✓	✓	-
	Mexico	✓	✓	X	-
	China	✓	X	✓	✓
	Indonesia	-	-	X	✓
	Turkey	-	X	✓	-
	Brazil	-	-	X	✓
	Nigeria	-	✓	X	-
	South Africa	-	-	X	-
	Ukraine	-	X	-	X
	Russia	X	X	X	X

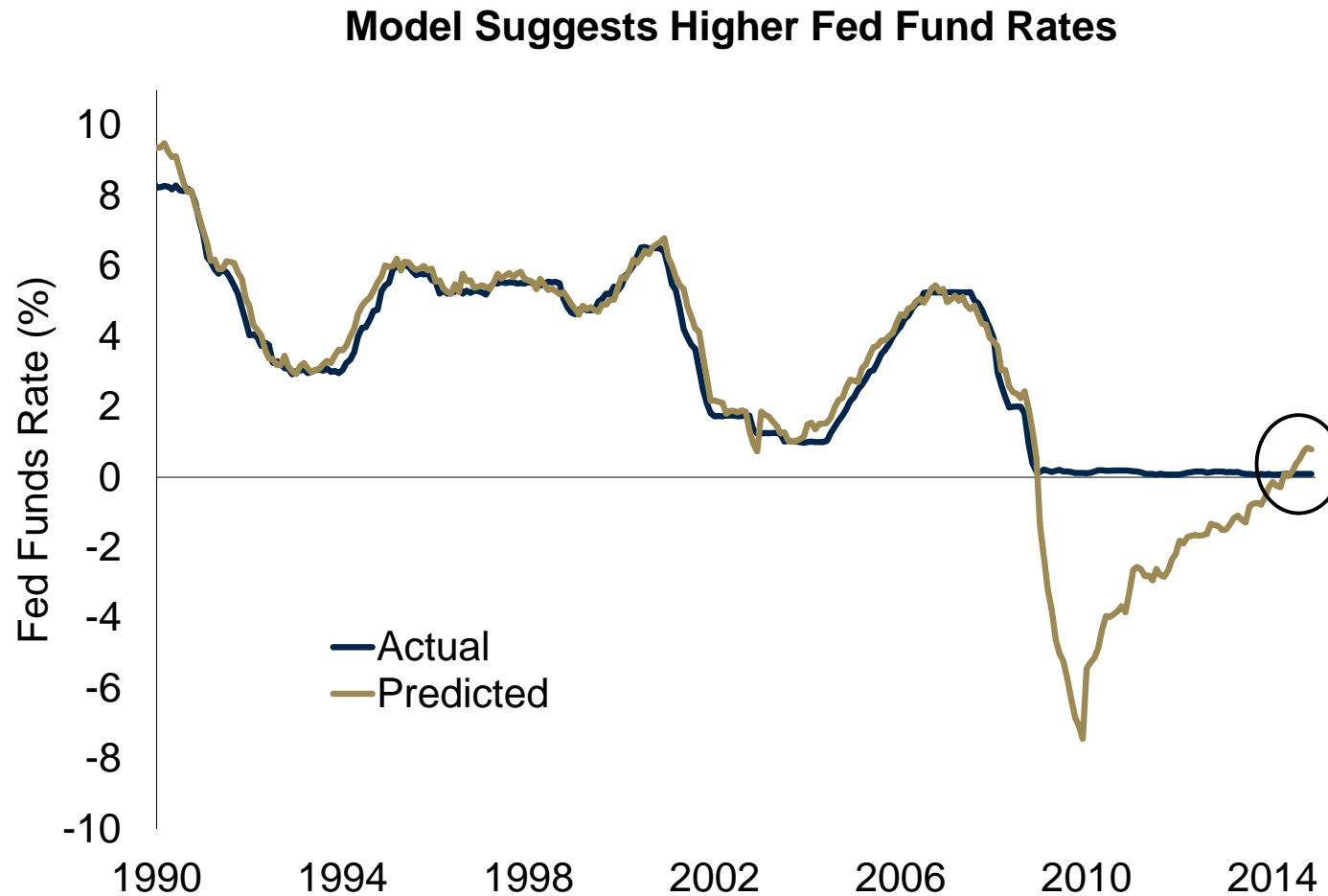
Source: RBC GAM

# China Credit Worries



Source: China Banking Regulatory Commission, Haver Analytics, RBC GAM

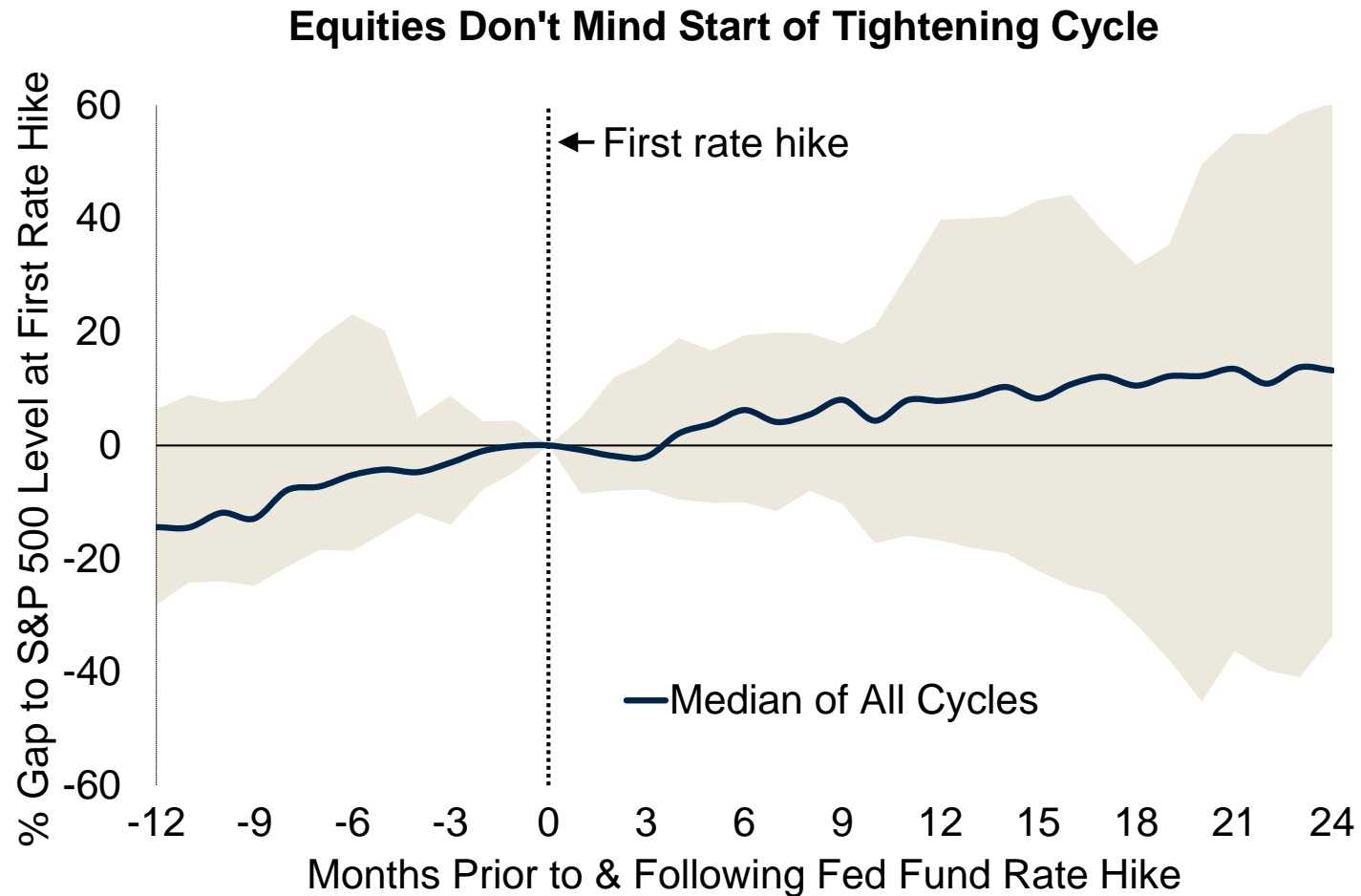
# Fed Gets Signal to Hike Rates



Note: Predicted rates modelled using Koenig Taylor Rule.

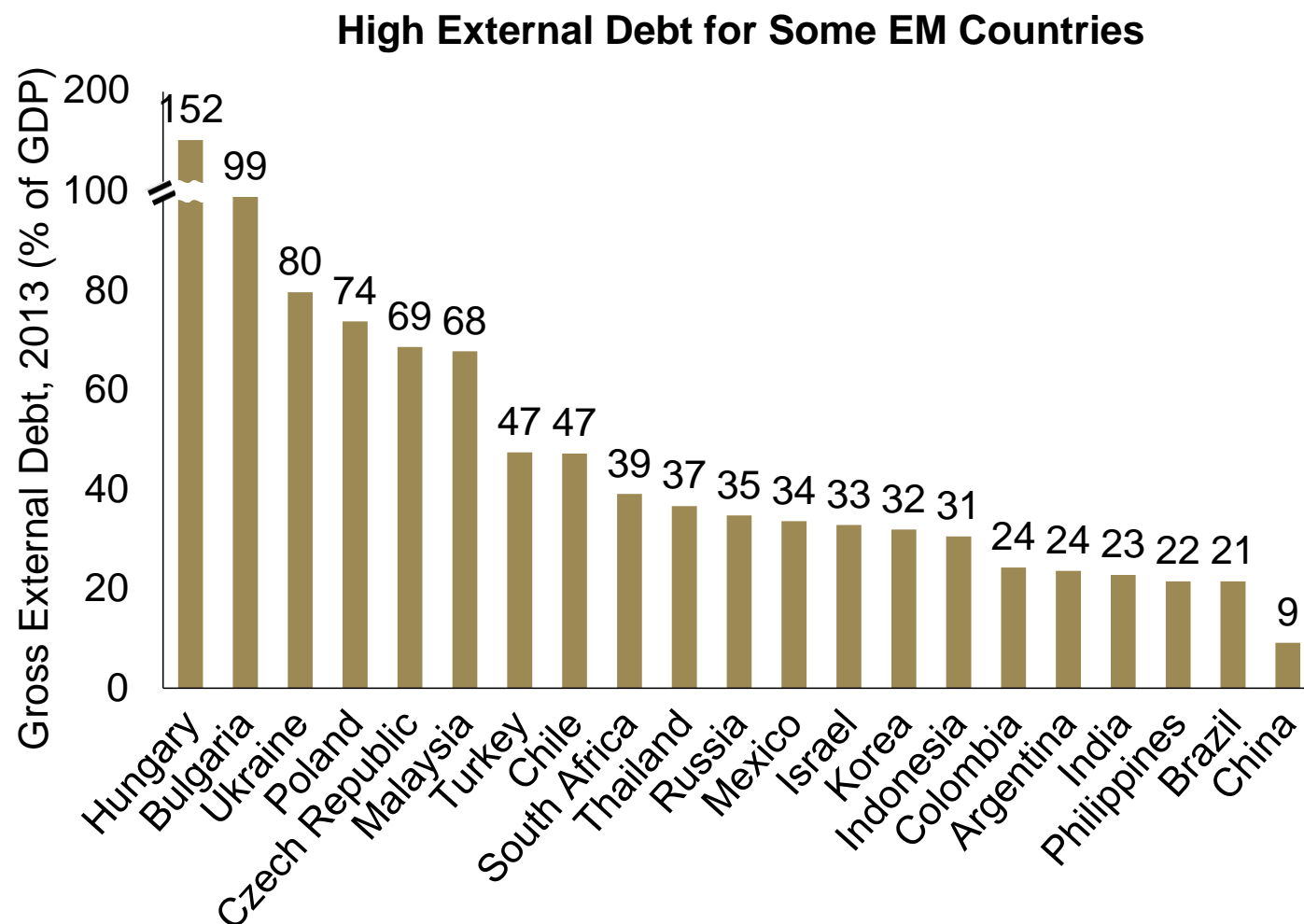
Source: Federal Reserve Bank of Dallas, Haver Analytics, RBC GAM

# Stocks Do OK with Rate Hikes



Note: 17 tightening cycles from 1948 to present. Shaded area represents the maximum and minimum range. Source: Haver Analytics, RBC GAM

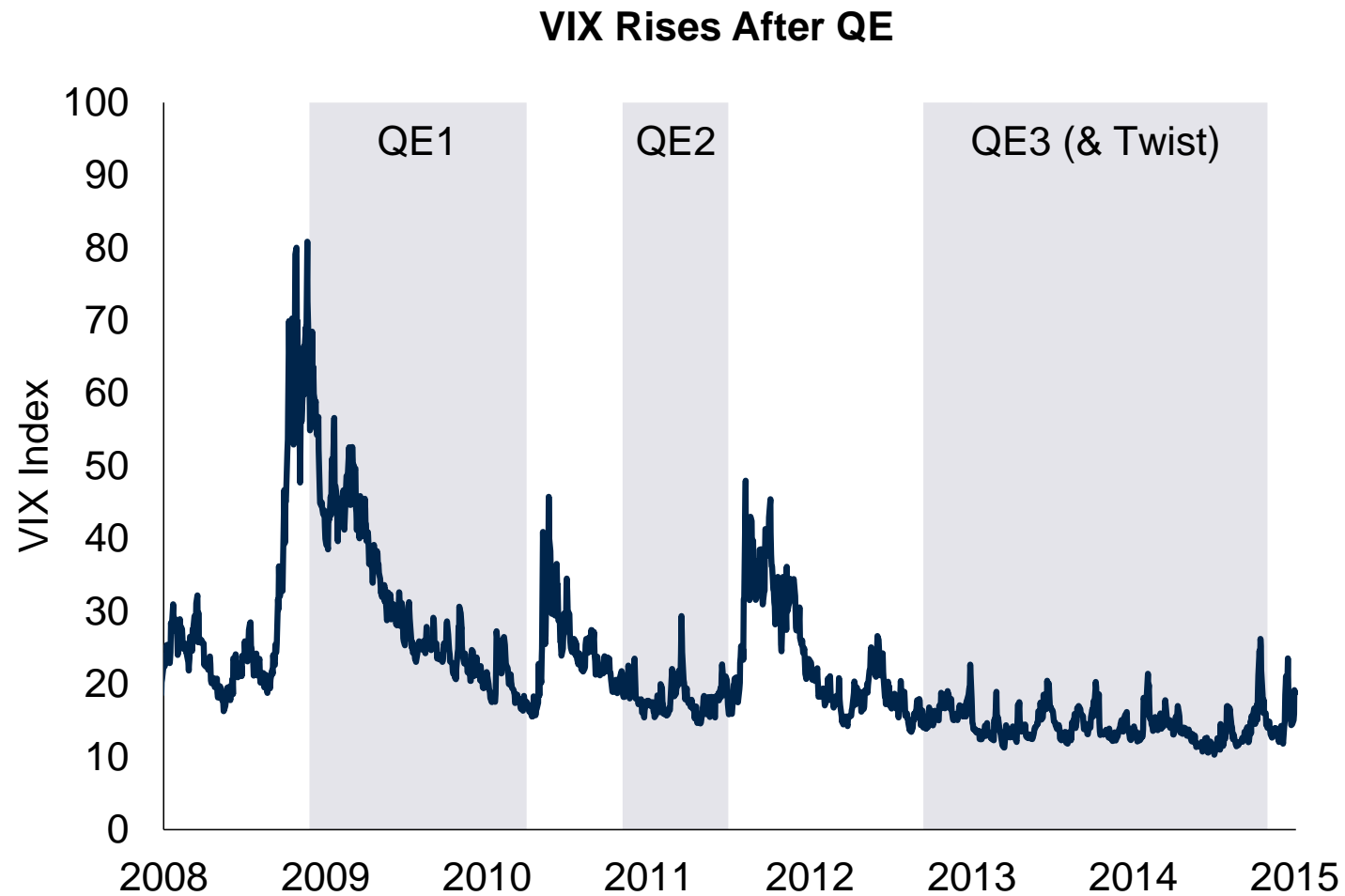
# Rising Dollar Threatens External Debt



Source: BIS, IMF, Haver Analytics, RBC GAM



# Higher Volatility in 2015



Source: Bloomberg, RBC GAM

# Disclosure

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