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For Important Disclosures, see pages 3-4.

Weekly Market Monitor

The stock market got back to basics. Investors seemed more focused on U.S. economic data, corporate sales data, merger activity, and technical trends than on events overseas. The **S&P 500 Index** and **Dow Jones Industrial Average** rose 3.1% and 2.3%, respectively, for the week.

The Dow ended the week at 10,566, just above the 10,500 battle zone that some technicians have been eyeing. It's now approaching its high for the cycle of 10,725 which occurred in mid-January. The S&P 500 is also approaching its January high.

The **Nasdaq Composite Index** climbed 3.9% for the week and closed slightly above its mid-January high on Friday, marking a new high for this recovery cycle.

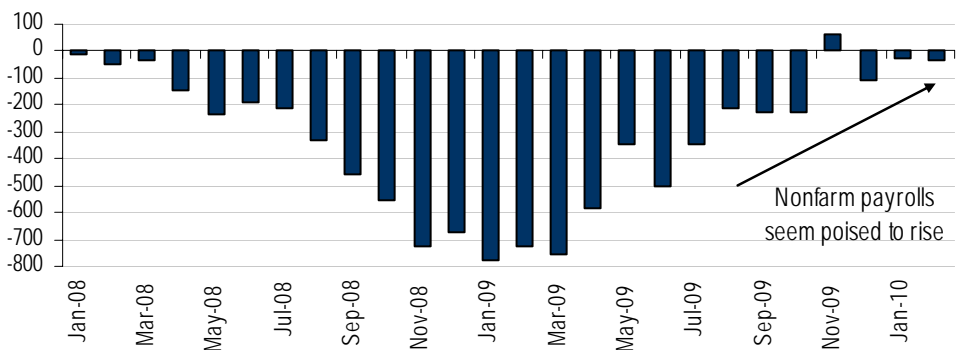
The **Russell 2000 Index**, which represents small-cap stocks, was the leader among widely-followed indices. It surged 6.0% for the week and climbed to a new high for this recovery cycle. It is up 6.5% year-to-date.

Much of the major indices' momentum occurred Friday following a better-than-expected employment report and on news that consumer credit expanded at a 2.4% annual rate. It was the first time in one year that consumer credit rose.

Regarding the employment report, the economy shed 36,000 nonfarm jobs in February. That's certainly not a positive development for those who lost jobs, but it was far fewer than the 100,000 job losses some Wall Street traders and economists had feared. Even the White House was warning people to brace for a negative report due in part to the snow storms. But, it didn't materialize.

The worst of the jobs recession is over, in our view. RBC economists anticipate the negative trend in non-farm payrolls (illustrated in the chart below) could soon turn positive. Job gains have occurred in only one of the past 26 months—November 2009. But in the months ahead, non-farm payrolls seem poised to rise.

The Trend in Non-farm Payrolls is Improving (month-over-month, in thousands)



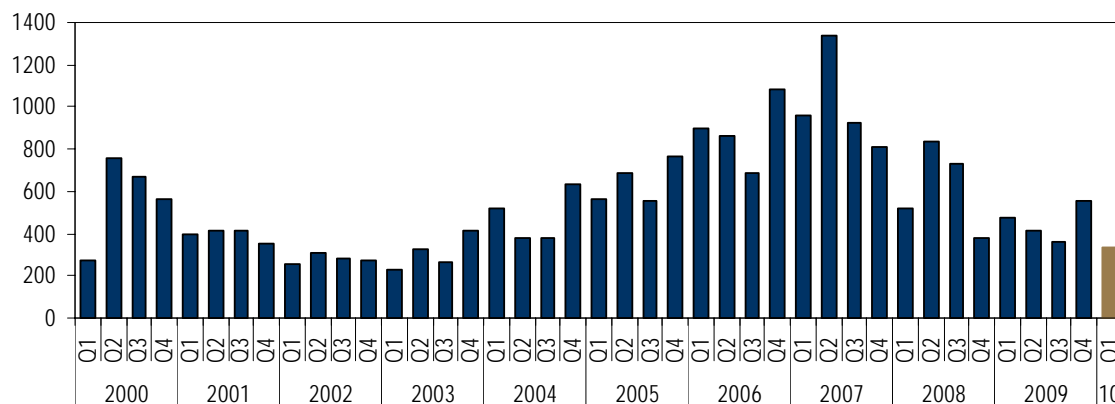
Source: RBC Wealth Management, Bloomberg, Bureau of Labor Statistics; data is seasonally adjusted

However, with a 9.7% unemployment rate, a 16.8% rate of unemployed and discouraged workers (the U6 rate), and plenty of other negative jobs statistics, the current post-recession jobs recovery path resembles what occurred after the 2001 recession (the so-called "jobless-recovery" period). Back then, employment conditions gradually improved, but at a slower rate than typical post-World War II recovery periods. That's what we anticipate will occur this go-around, too.

Merger and acquisition (M&A) activity was a catalyst for the stock market for the second-straight week. Merger announcements in a number of industries boosted U.S. indices and markets around the world on Monday. Even though the global dollar volume of M&A activity is still at a low level, as the chart below illustrates, conditions are improving slowly but surely.

M&A activity tends to track economic cycles. When the economy is growing strongly (like it did from mid-2003 through mid-2007), M&A activity tends to rise. And then it tends to pull back sharply as the economy weakens and becomes embroiled in a recession. As the current recovery continues to unfold, we believe another uptrend will emerge in the M&A cycle. This is one of the key reasons we believe the stock market can deliver modest gains this year. Historically, there has been a correlation between M&A activity and the stock market's performance.

Global Merger & Acquisition Activity (in billions)

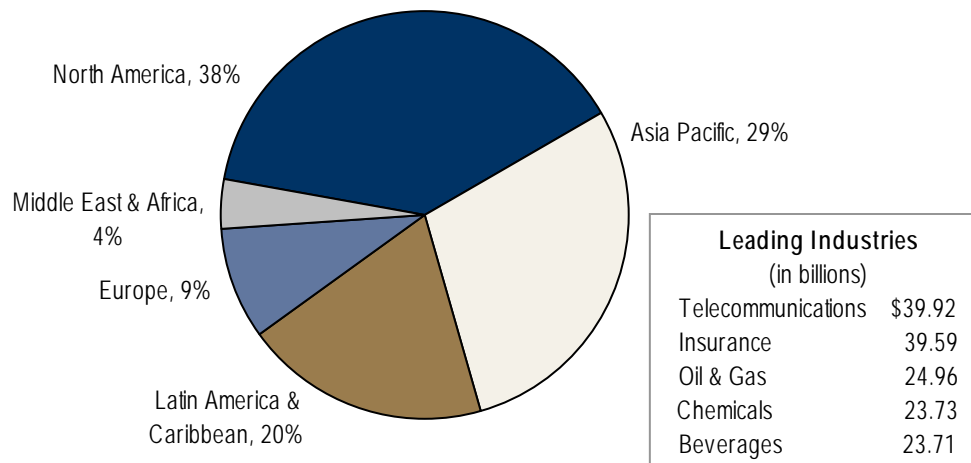


Note: Data for first-quarter 2010 (shown in gold) is preliminary as of 3/5/10; will likely be higher as the quarter progresses
 Source: Bloomberg; data in US dollars

But this M&A cycle will likely have different characteristics compared to prior cycles. Globalization trends now play a greater role in M&A activity. Thus far in 2010, North America is leading other regions. It represents 38% of global dollar M&A volume. But Asia Pacific isn't far behind at 29%, and that region is well ahead of Europe, which is at only 9%.

Not only is developed Asia (Japan, Korea, among others) a major player in M&A deals, representing two-thirds of Asia Pacific's activity year-to-date, but emerging Asia (China, among others) represents one-third of the region's M&A activity year-to-date.

2010 Global Merger & Acquisition Activity by Region (year-to-date)



Source: Bloomberg; data in US dollars

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			Count	%
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