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THE ECONOMIC OUTLOOK

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January 20, 2010

 **Bank Financial Group**

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TD Economics provides analysis of economic performance and the implications for investors. The analysis covers the globe, with emphasis on Canada, the United States, Europe and Asia.

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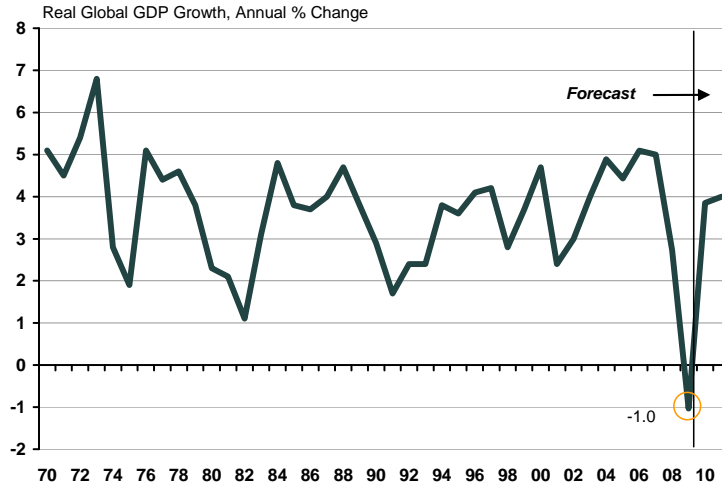
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SYNCHRONIZED GLOBAL RECESSION, RECOVERY



GLOBAL



*Real GDP at PPP exchange rates; Source: IMF, TD Economics

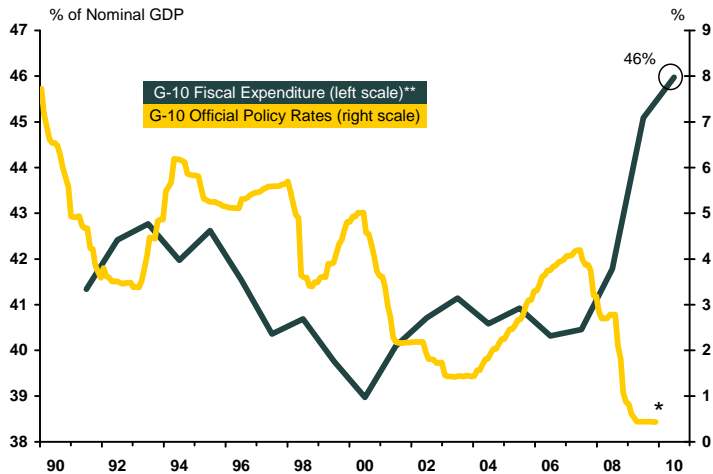
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SYNCHRONIZED GLOBAL POLICY RESPONSE



G-10



*3.76% cut in the PPP-weighted average policy interest rate; **PPP-weighted aggregate of fiscal outlays; Source: OECD, IMF, International Central Banks

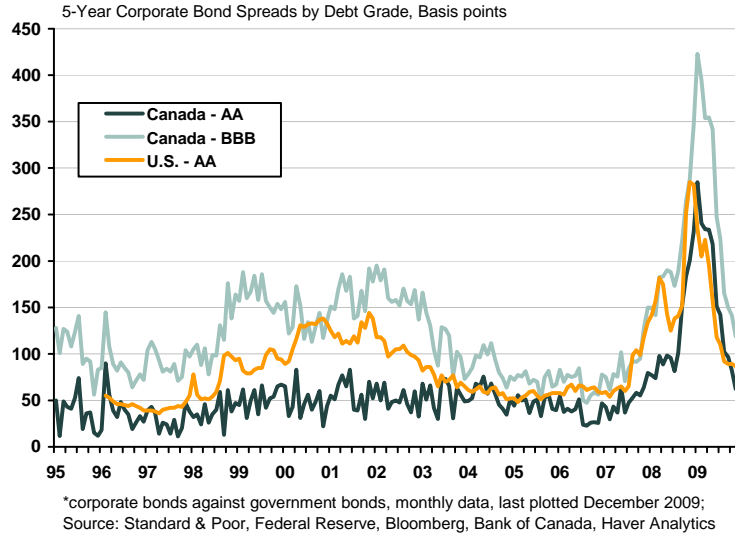
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FINANCIAL RISKS HAVE ABATED



CANADA AND U.S.



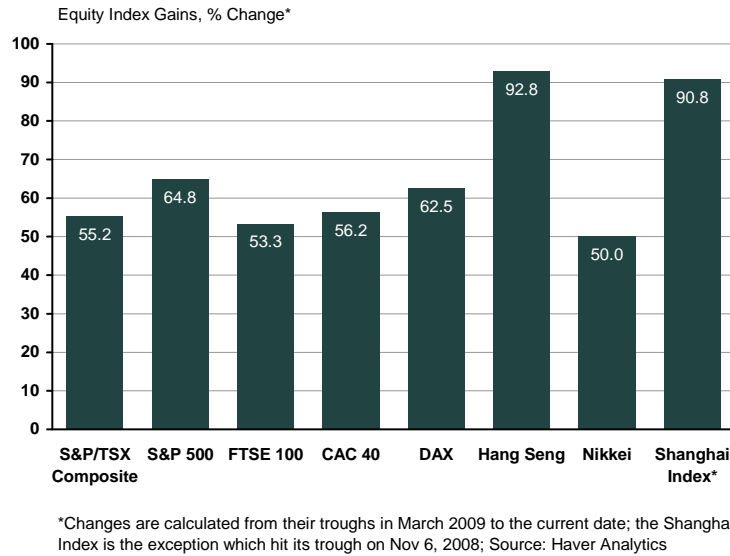
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...AND INVESTOR CONFIDENCE HAS REBOUNDED



GLOBAL



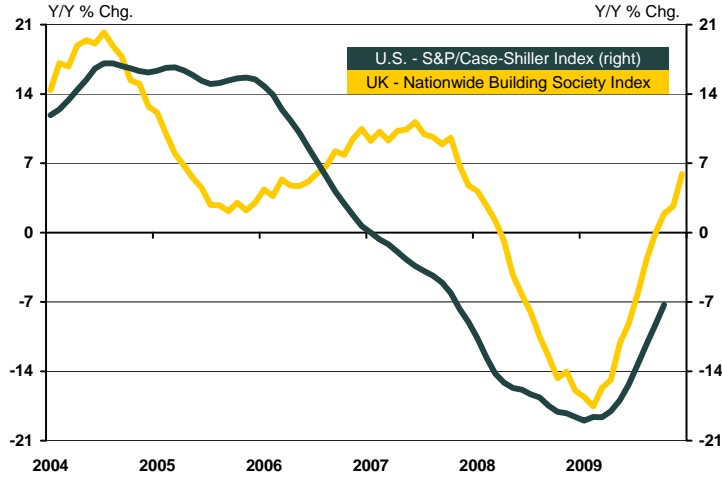
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THE EPICENTER OF THE PROBLEM WAS REAL ESTATE AND MARKETS ARE FIRING



GLOBAL



Source: Standard & Poor's, Nationwide Building Society

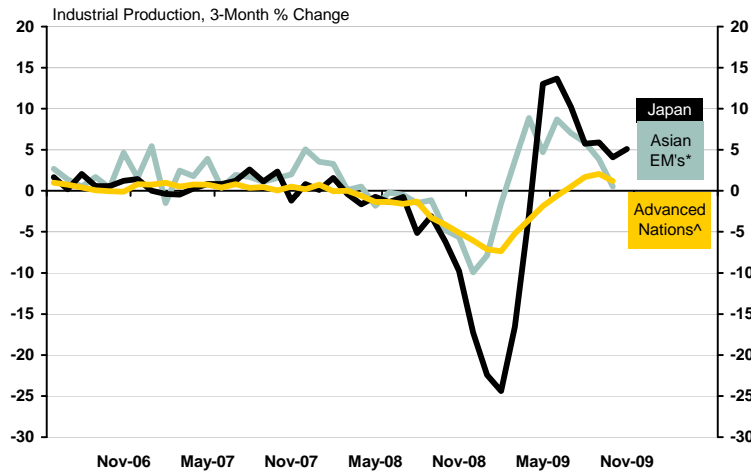
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ASIA LEADS THE WAY



GLOBAL



*India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand;
 ^U.S., Canada, UK, EU; Source: National Statistical Agencies, Haver Analytics

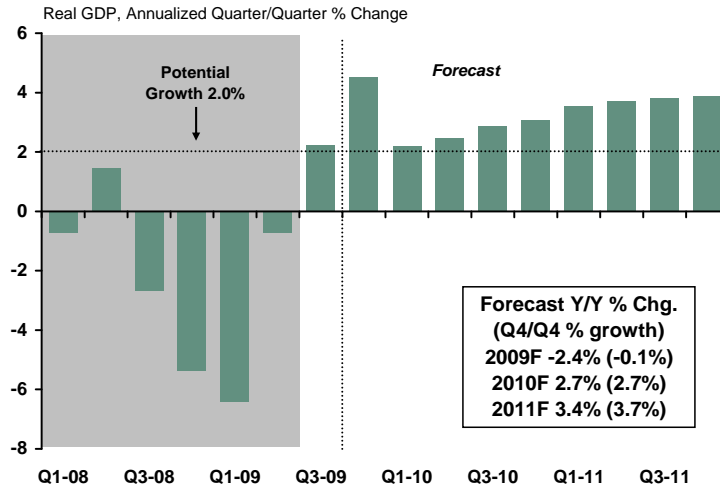
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U.S. RECESSION HAS ENDED, BUT THE RECOVERY WILL BE GRADUAL



U.S.



Forecast by TD Economics as at December 2009;
Source: Bureau of Economic Analysis/Haver Analytics

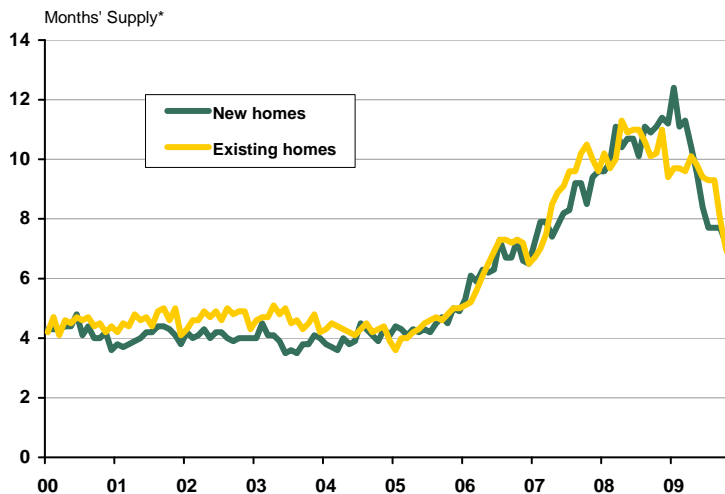
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HOUSING MARKET SHOWING SIGNS OF LIFE



U.S.



*At current sales rate.
Source: Census Bureau, National Association of Realtors, Haver Analytics, Bloomberg

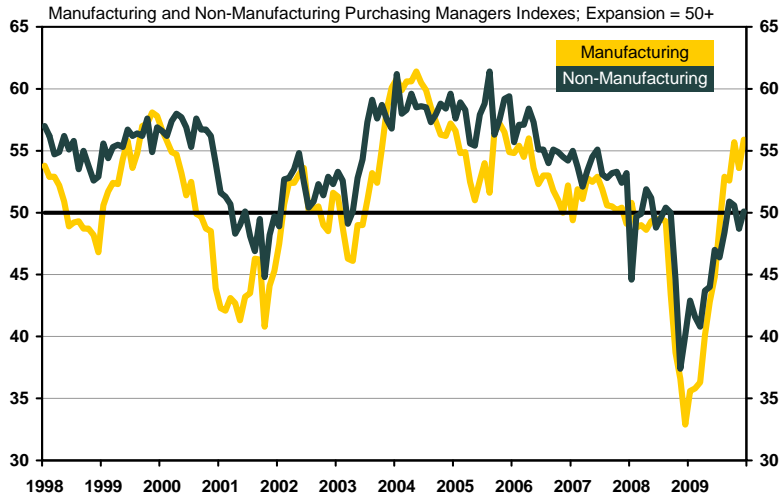
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PRODUCTION IS COMING BACK ONLINE



U.S.



Source: Institute for Supply Management

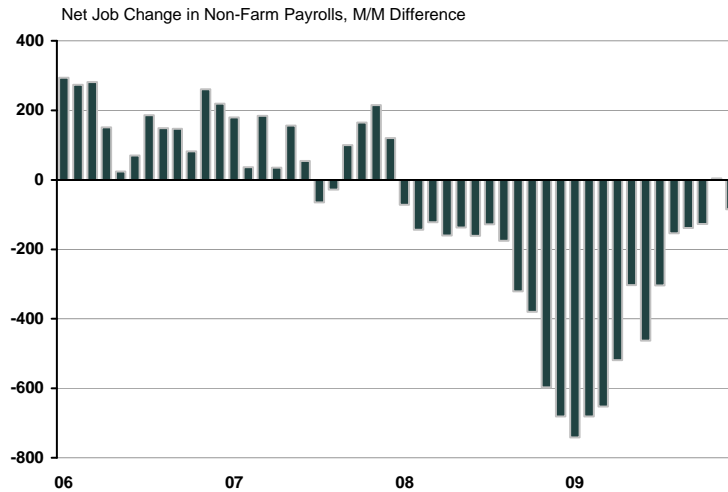
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JOB LOSSES SLOWING



U.S.



Source: Bureau of Labor Statistics

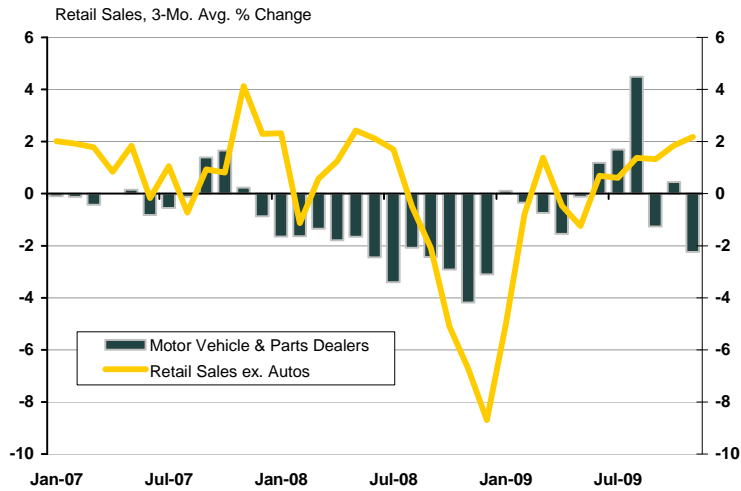
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RETAIL SPENDING BOUNCING BACK



U.S.



Source: U.S. Census Bureau

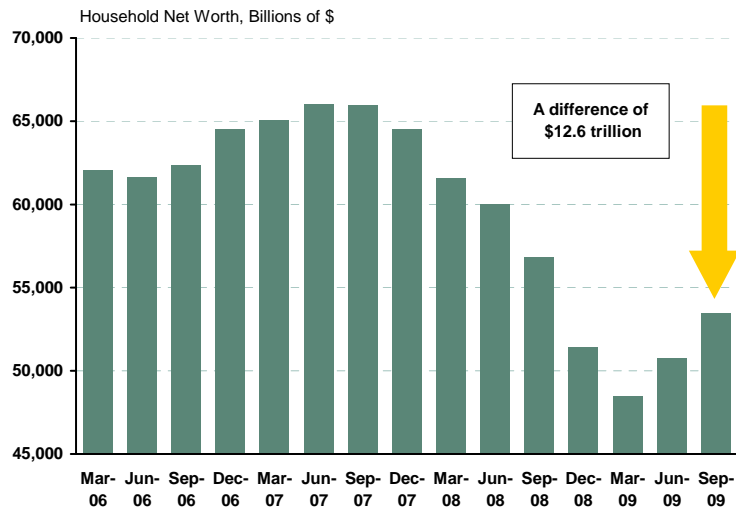
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THE DISAPPEARING ACT



U.S.



Source: Federal Reserve

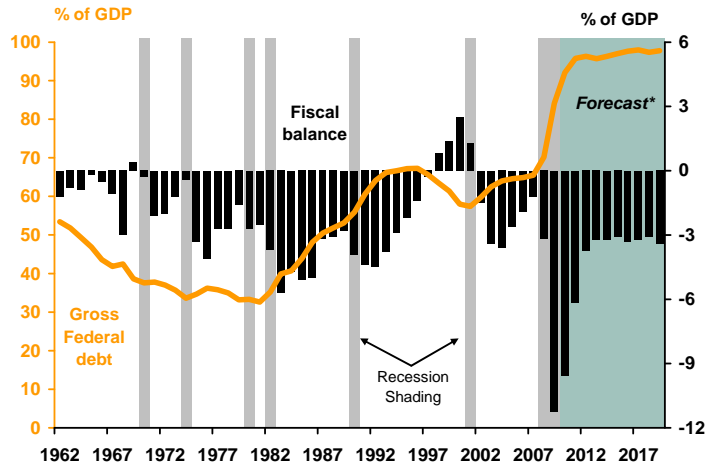
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MASSIVE FISCAL DEFICITS WILL BE A CHALLENGE IN THE FUTURE



U.S.



*Forecast by CBO; Source: CBO and Haver Analytics

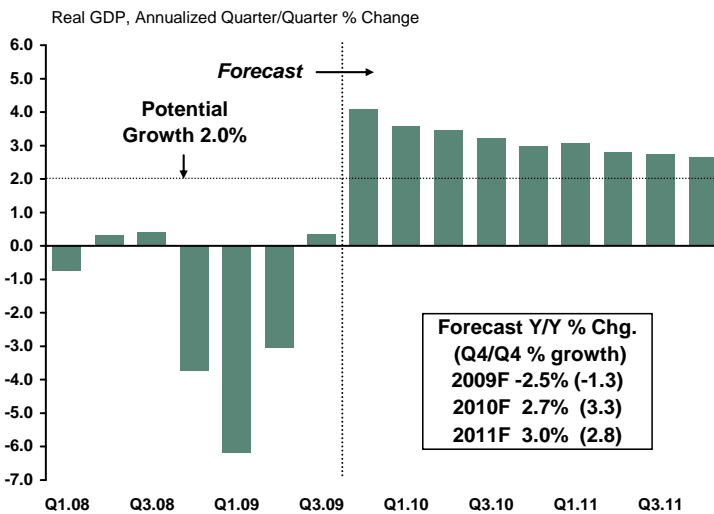
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CANADIAN ECONOMY HAS ALSO TURNED



CANADA



F: Forecast by TD Economics as at December 2009; Source: Statistics Canada/Haver Analytics

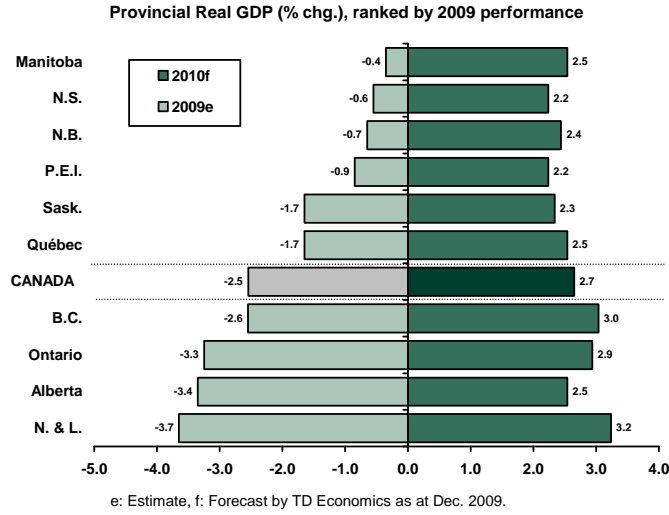
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PROVINCES SHOULD RETURN TO GROWTH THIS YEAR



CANADA



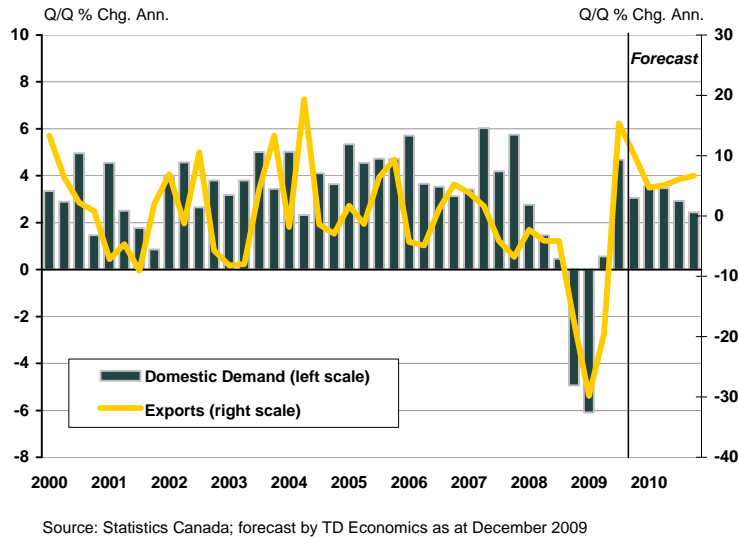
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DOMESTIC ECONOMY IS STRENGTHENING



CANADA



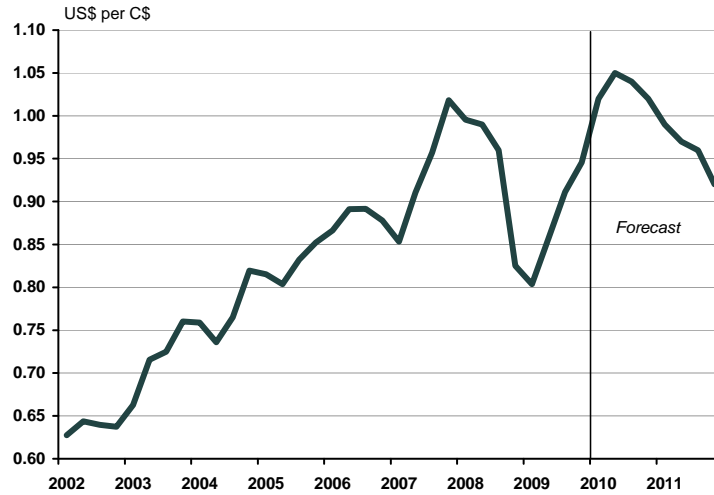
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U.S. WEAKNESS IMPLIES C\$ STRENGTH



CANADA VS. U.S.



Source: Bank of Canada; Forecast by TDBFG as at December 2009

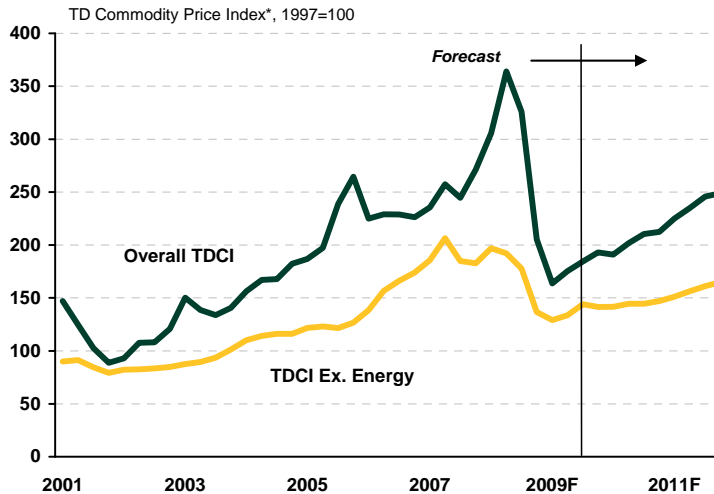
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COMMODITY PRICES TO GRIND HIGHER



CANADA



*Index of 18 Canadian resource commodity prices in US\$; Last plotted: 2009Q3; Forecast as at October 2009.

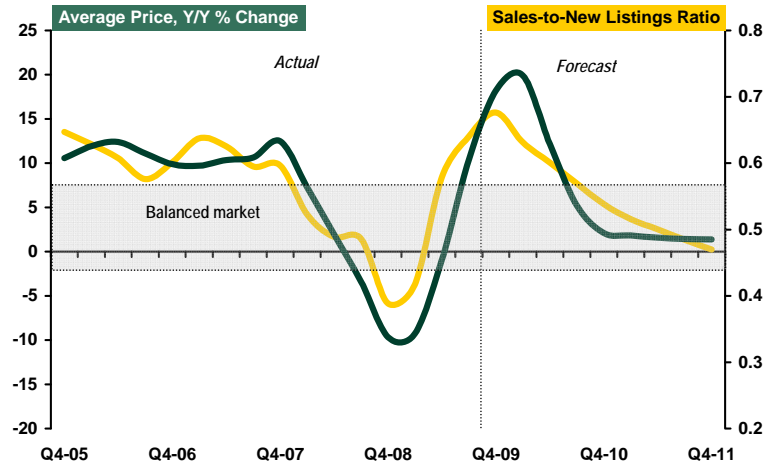
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HOUSING MARKET IS SHOWING ITS RESILIENCE



CANADA



Source: CREA. Forecast by TD Economics, Nov. 2009

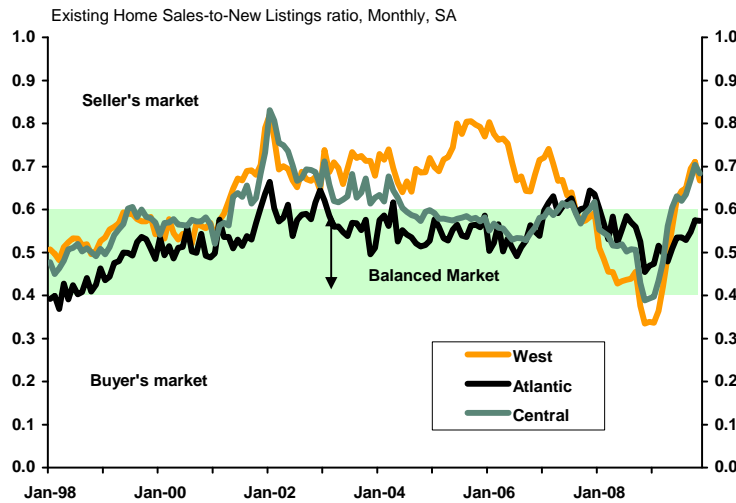
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SELLER'S MARKET HAS RETURNED



CANADA



Last Date Plotted: November 2009
Source: Canadian Real Estate Association (CREA).

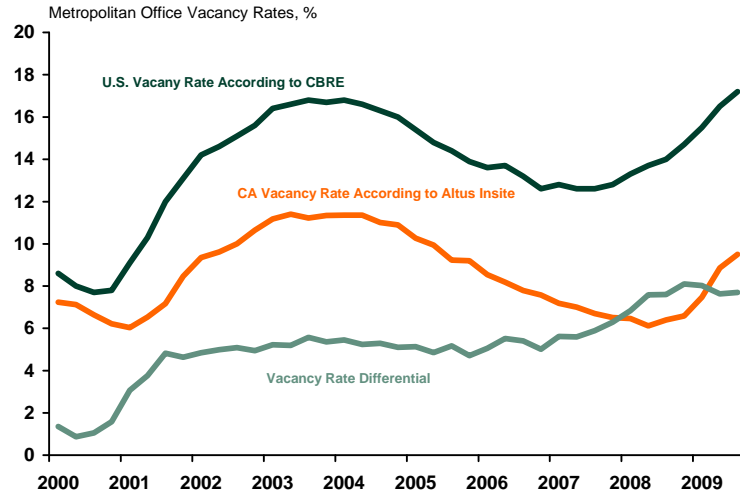
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CANADIAN AND AMERICAN OFFICE VACANCY RATES ARE COUPLED, BUT GAP IS WIDENING

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CANADA & U.S.



Source: CBRE, Altus Insite, TD Economics

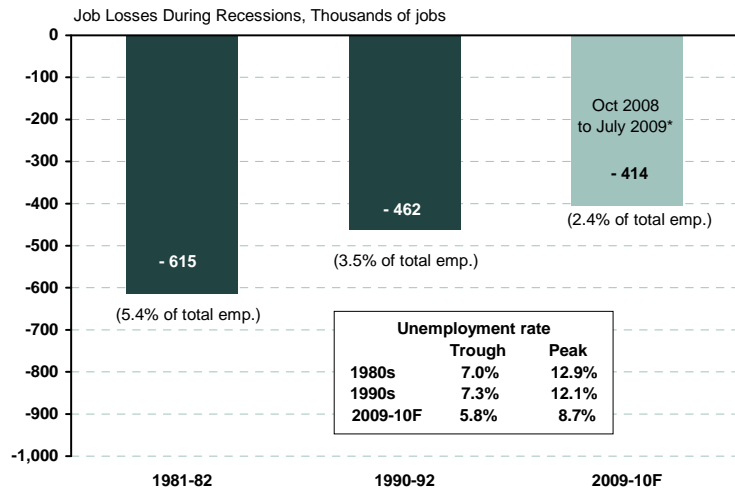
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UNEMPLOYMENT WILL EDGE HIGHER, BUT WILL NOT RISE TO PRIOR PEAKS

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CANADA



F: Forecast by TD Economics as at December 2009; Source: Statistics Canada.

* Current peak to trough

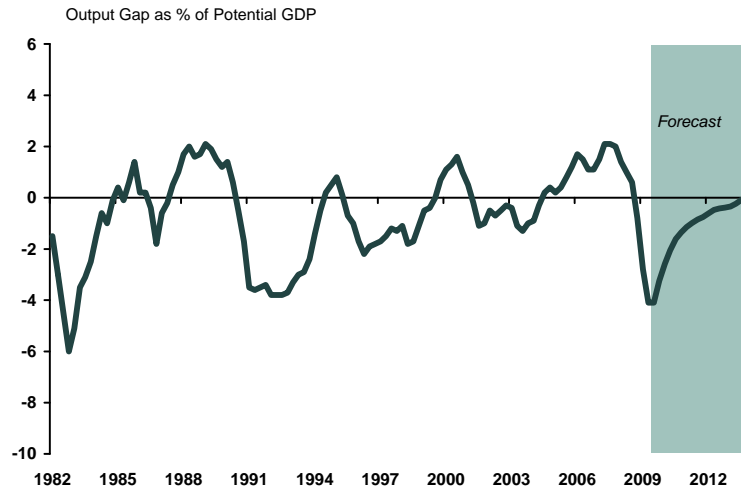
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EXCESS CAPACITY TAKES TIME TO REDEPLOY



CANADA



Source: Bank of Canada; Forecast by TD Economics as at December 2009

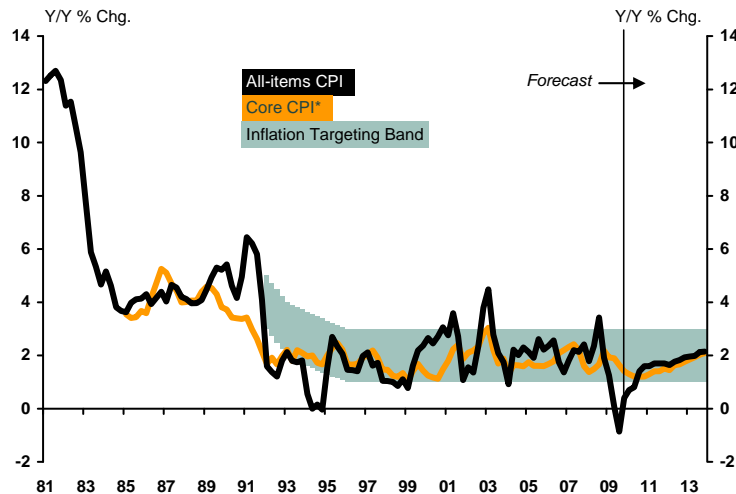
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WILL RESTRAIN ANY INFLATIONARY EPISODE



CANADA



*Headline CPI excl. 8 most volatile components and indirect taxes;
Source: Statistics Canada; forecast by TD Economics as at December 2009

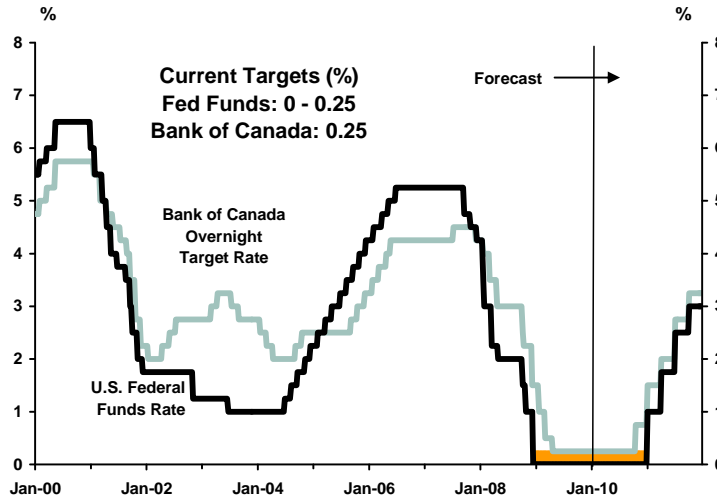
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CENTRAL BANKS TO KEEP RATES LOW FOR SOME TIME TO COME



CANADA AND U.S.



Forecast by TD Economics as at December 2009;
 Source: Bank of Canada, U.S. Federal Reserve Board.

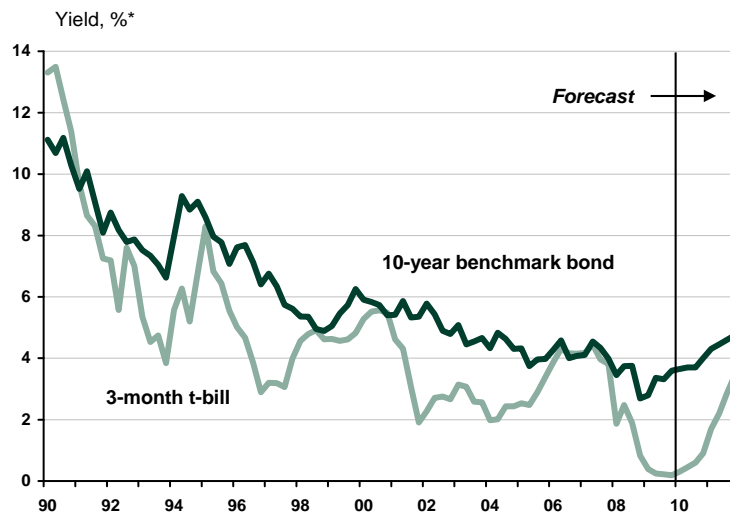
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FIXED INCOME YIELDS TO REMAIN LOW, BUT RISE MODESTLY IN 2010



CANADA



*All figures are for end of period; Source: Bank of Canada / Haver Analytics

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3 PHASES TO THE CYCLE



GLOBAL

- 1) Near-Term
 - Economic recovery has begun
- 2) 2010-2011
 - Baton passes from fiscal stimulus driven growth to private demand
- 3) Medium-term
 - Incredible challenges in the U.S. and Euro-area:
 - Recapitalizing financial sector
 - Mopping up liquidity
 - Deleverage
 - Reining in deficits
 - Global Imbalances

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