

# THE ECONOMIC OUTLOOK

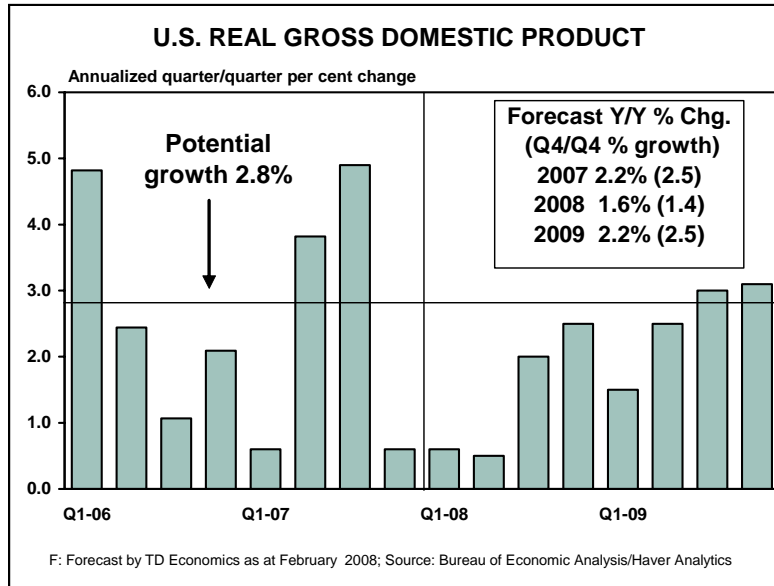


***Presentation by  
Craig Alexander  
Vice President & Deputy Chief Economist***

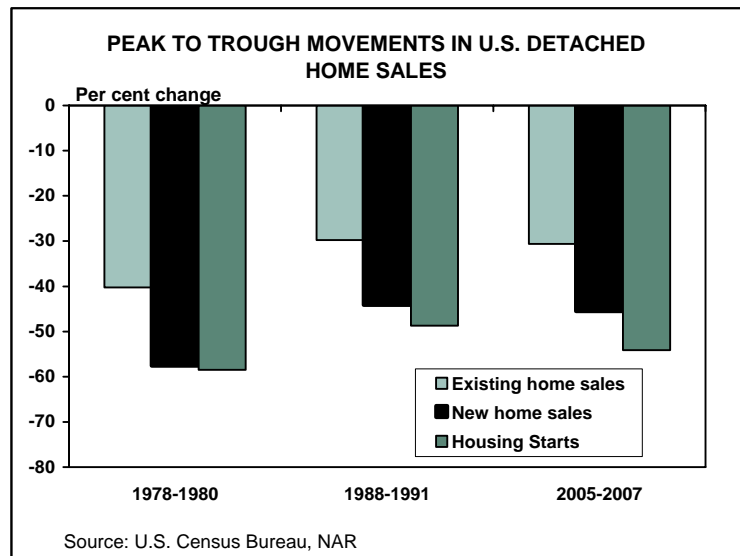
*TD Economics provides analysis of economic performance and the implications for investors. The analysis covers the globe, with emphasis on Canada, the United States, Europe and Asia.*

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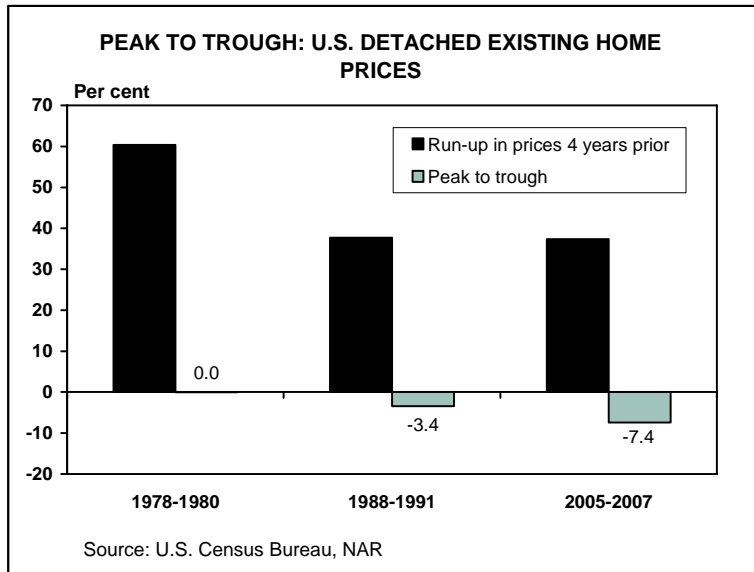
## U.S. ECONOMY TO NARROWLY AVOID RECESSION



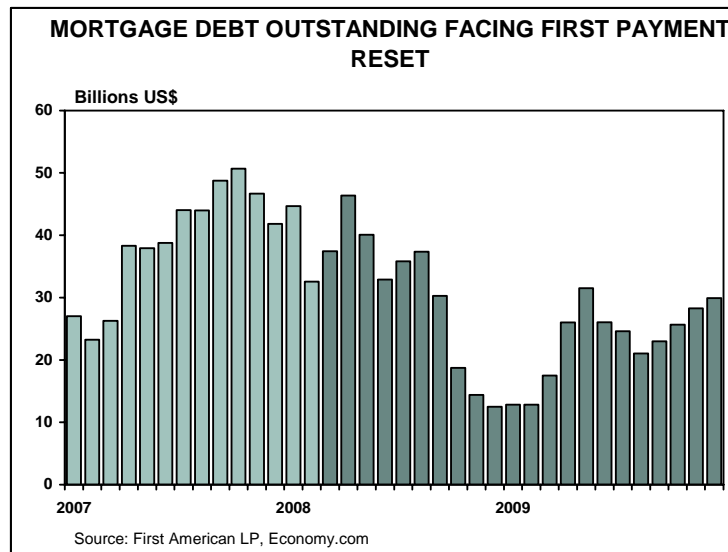
## U.S. HOUSING DOWNTURN MUCH LIKE THE OTHERS...



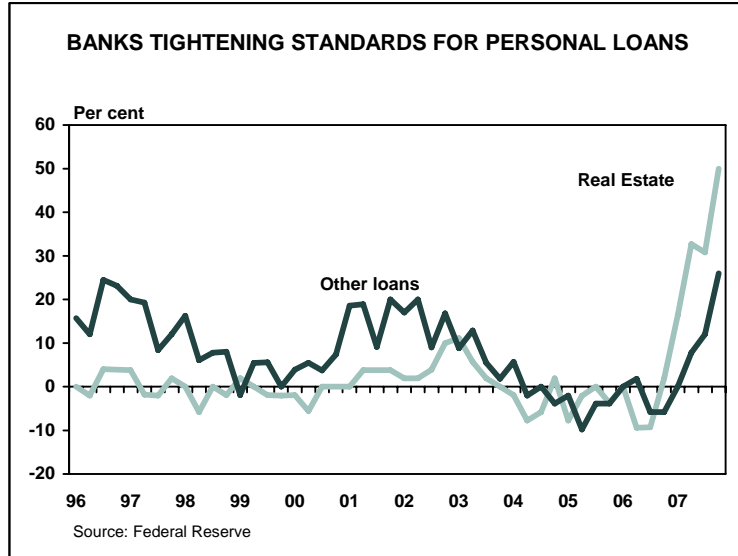
## ...BUT PRICE DECLINES COMING IN STEEPER



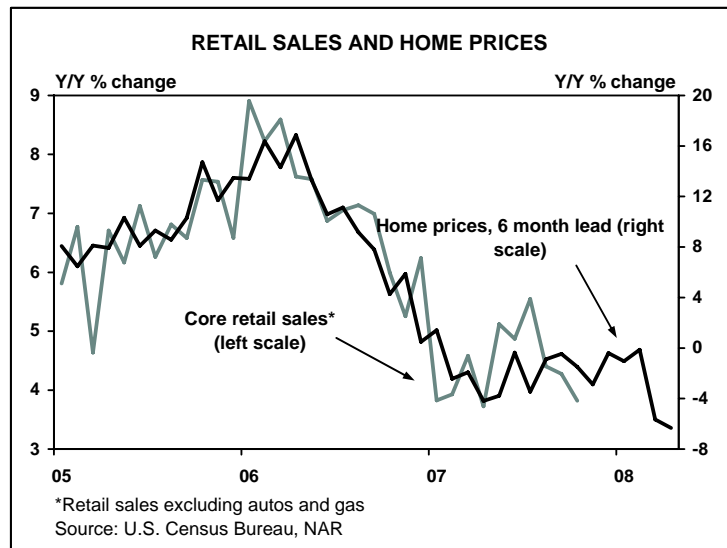
## MORE TO COME ON U.S. RESET SHOCK



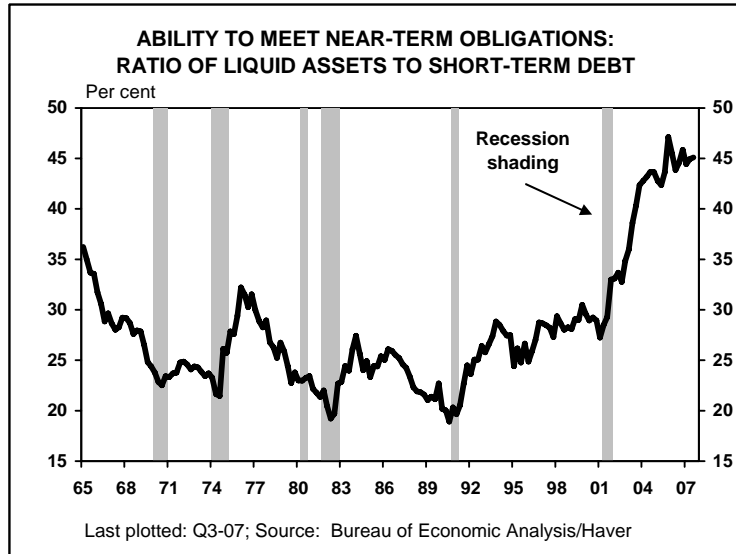
## CONSUMERS WILL HAVE HARDER TIME BORROWING MONEY



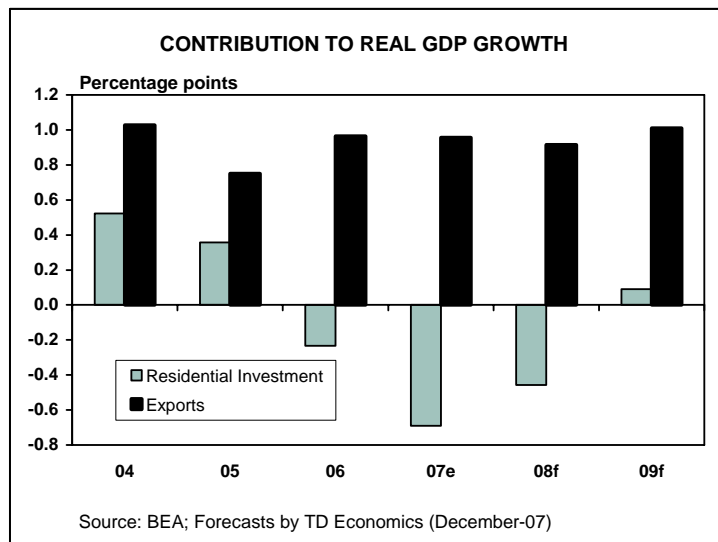
## HOUSING MARKET WOES AFFECTING CONSUMER BEHAVIOUR



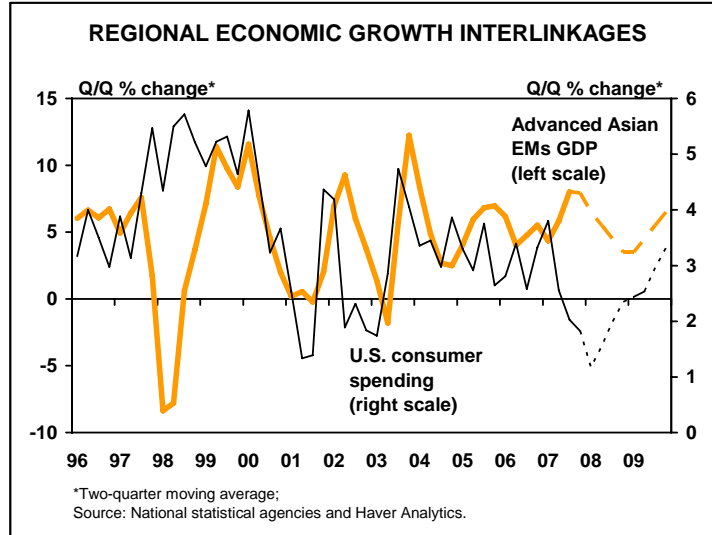
## CORPORATIONS HAVE THE FINANCIAL MUSCLE TO WEATHER ECONOMIC SLOWDOWN



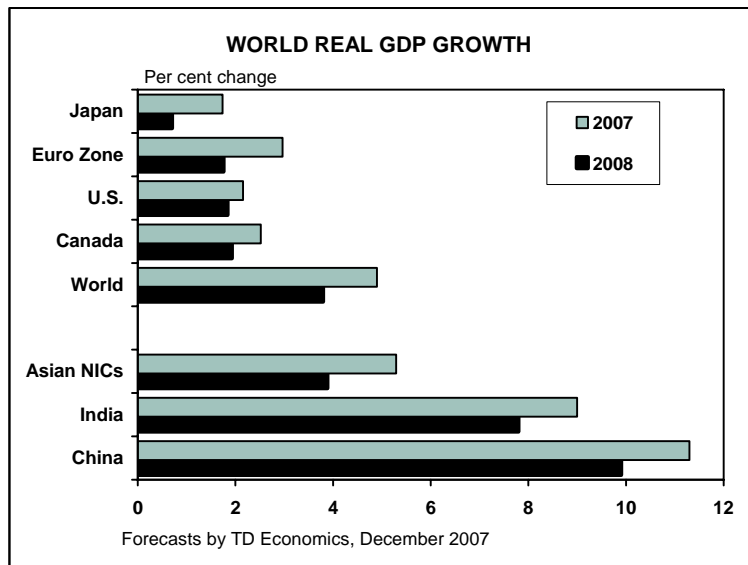
## U.S. EXPORTS OFFER PARTIAL OFFSET TO HOUSING TROUBLES



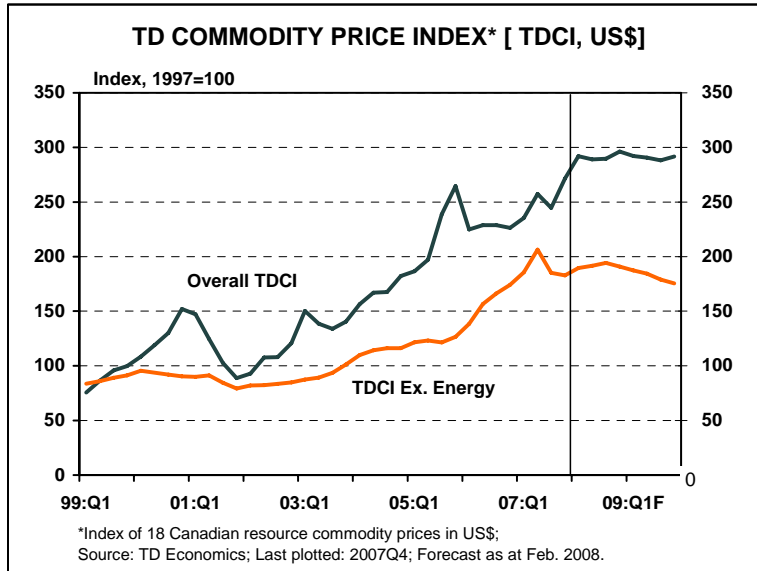
## GLOBAL ECONOMY UNLIKELY TO DECOUPLE FROM SLOWING U.S. ECONOMY



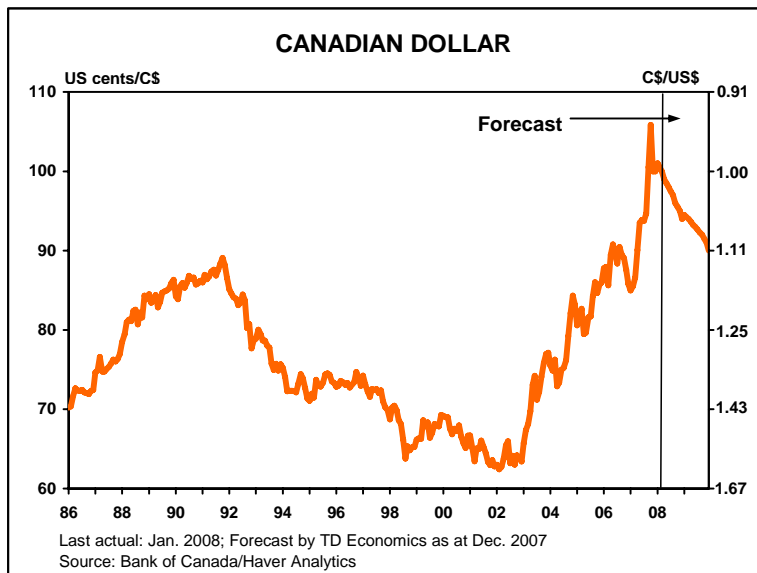
## WORLD GROWTH TO GEAR DOWN



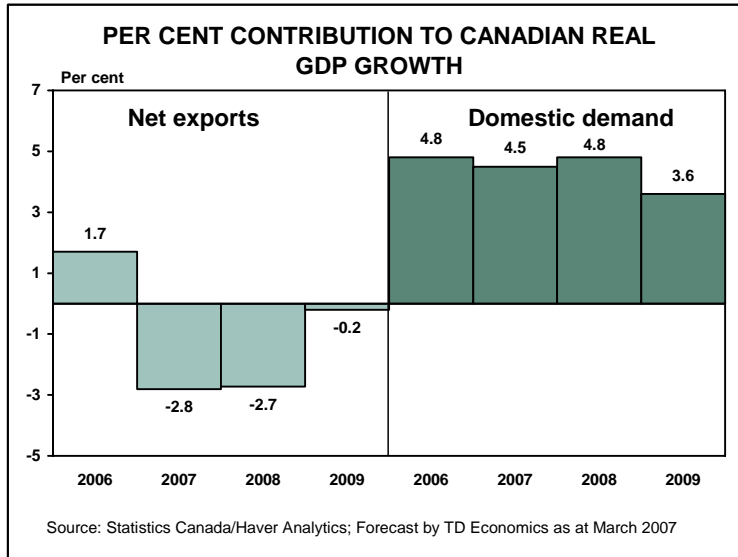
## UPSIDE TO COMMODITY PRICES LIMITED



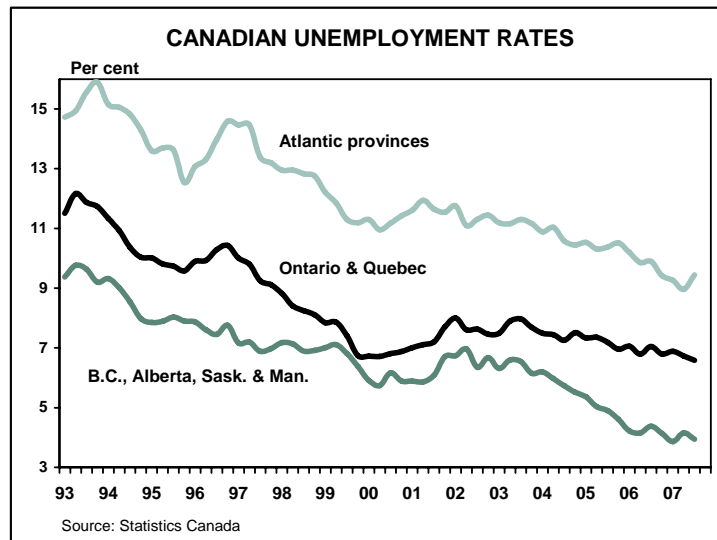
## CANADIAN DOLLAR LIKELY TO SLIP, BUT REMAIN STRONG



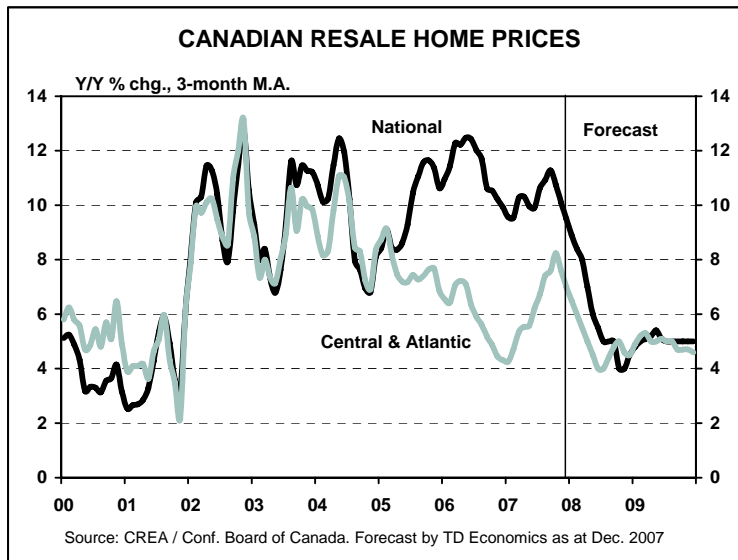
## CANADA: NET TRADE WILL BE A DRAG



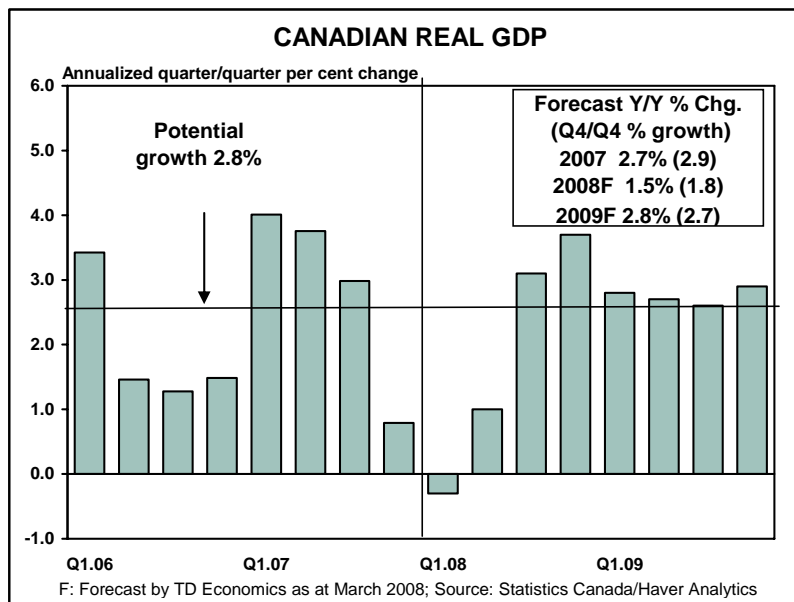
## DIVERSIFIED ECONOMIES LEAD TO STRONG EMPLOYMENT MARKETS



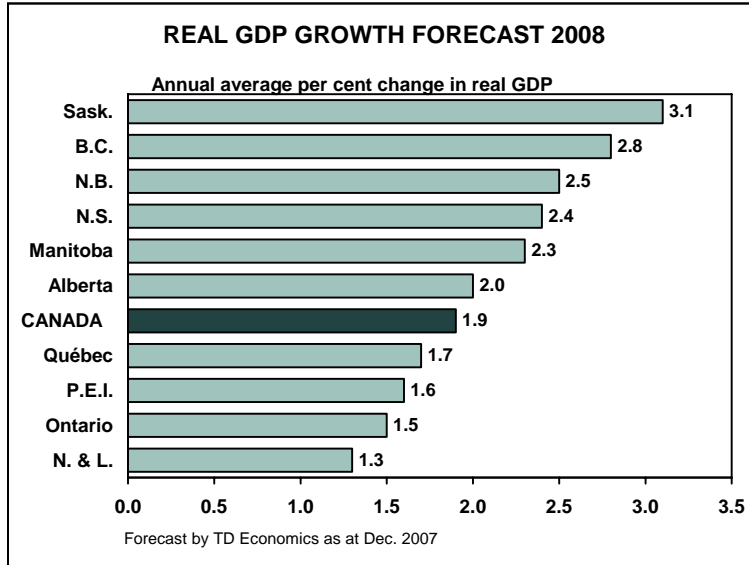
## CANADIAN HOUSING TO LAND SOFTLY



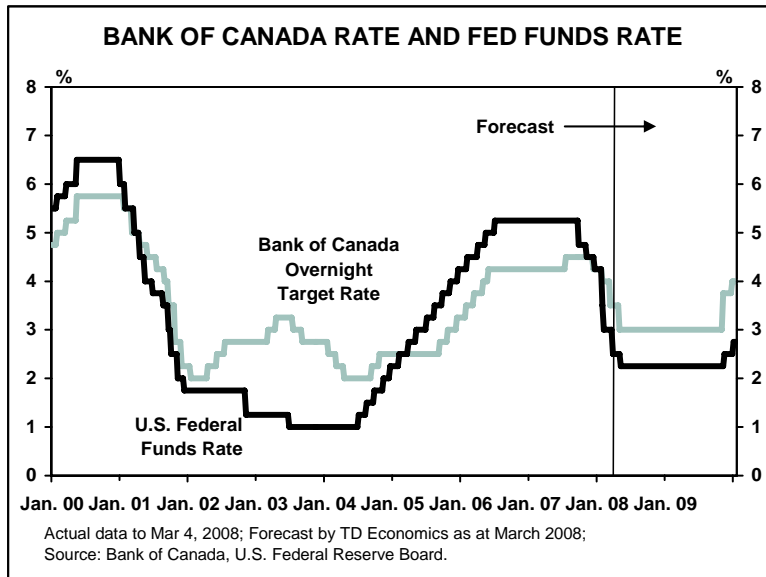
## CANADIAN ECONOMIC GROWTH TO WEAKEN



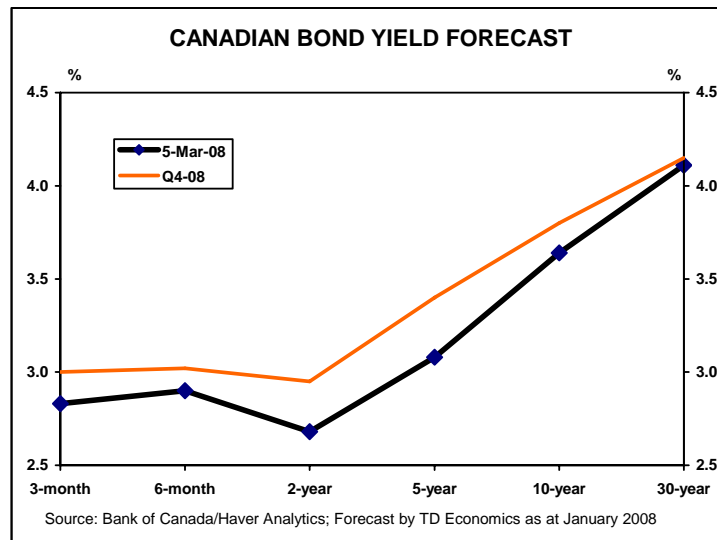
## WESTERN OUTPERFORMANCE TO NARROW



## FURTHER RATE CUTS TO COME



## BOND YIELDS TO EDGE UP ONCE RECESSION RISKS ABATE



### INVESTMENT THEMES

1. A repricing of risk is underway. Credit markets will gradually recover, but fallout will take time to be felt.
2. Economic slowdown in U.S., Canada and overseas will lead to sluggish gains in corporate profits. Equities to face headwinds in near term, but outlook will improve as economic risks diminish in second half of 2008 and into 2009.
3. Yields on North American fixed income products will decline modestly, before rising as economic risks subside in 2009. Look for a low-to-mid single digit return on bonds.
4. Decline of the U.S. dollar will be halted by improving economic conditions by the end of this year and in reaction to lower interest rates overseas.

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