

THE ECONOMIC OUTLOOK

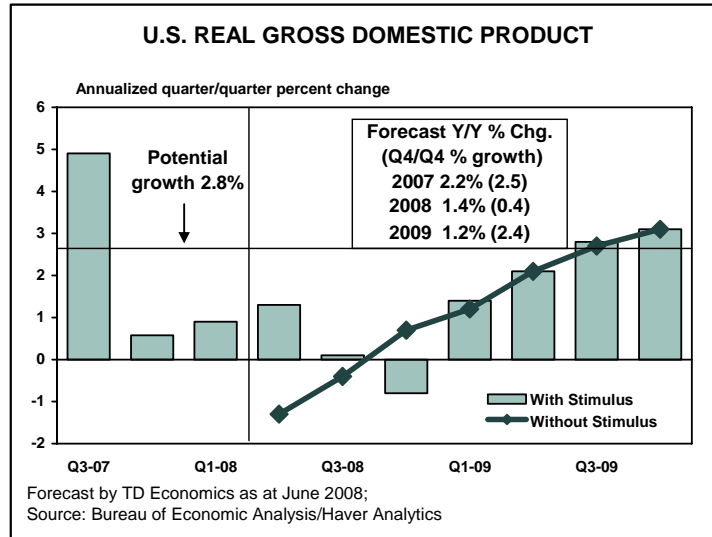


***Presentation by
Craig Alexander
Vice President & Deputy Chief Economist***

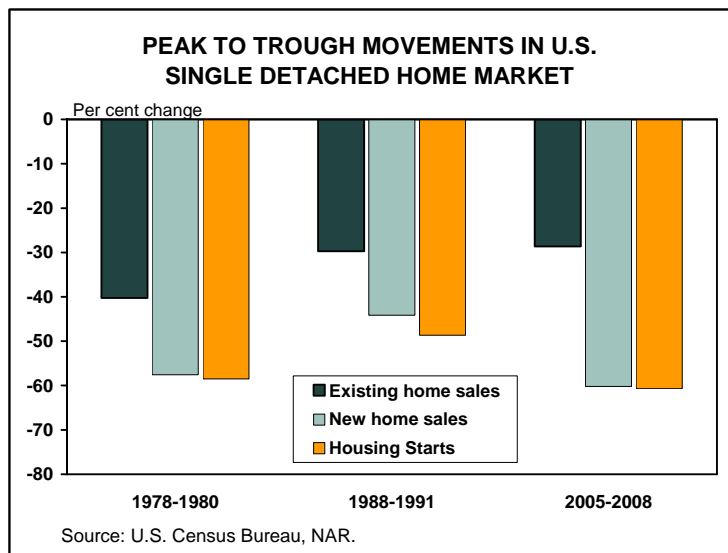
TD Economics provides analysis of economic performance and the implications for investors. The analysis covers the globe, with emphasis on Canada, the United States, Europe and Asia.

Contact Information
Phone: 416 982 8061
Email: td.economics@td.com

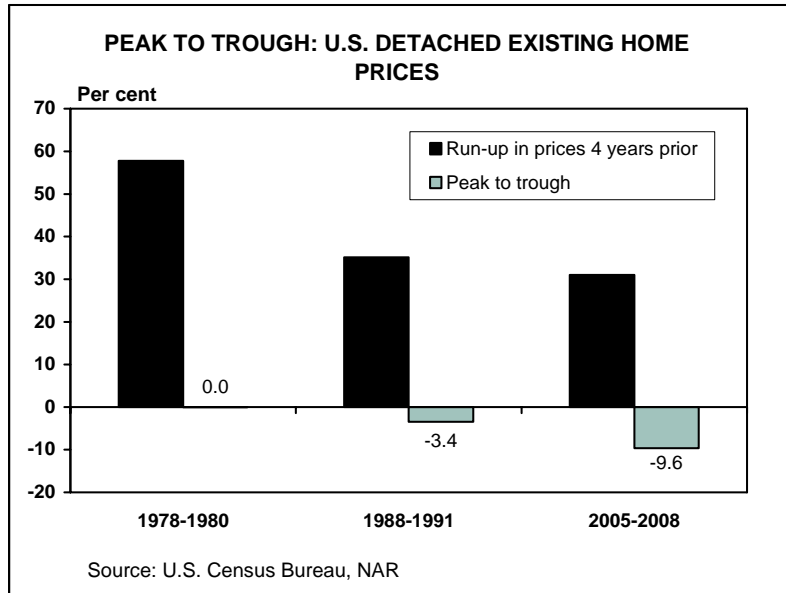
U.S. ECONOMY TO EXPERIENCE A RECESSION



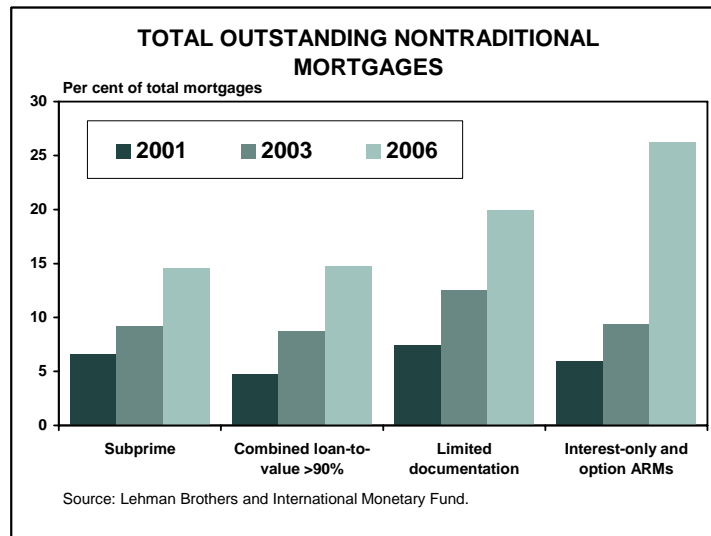
U.S. HOUSING DOWNTURN MUCH LIKE THE OTHERS...



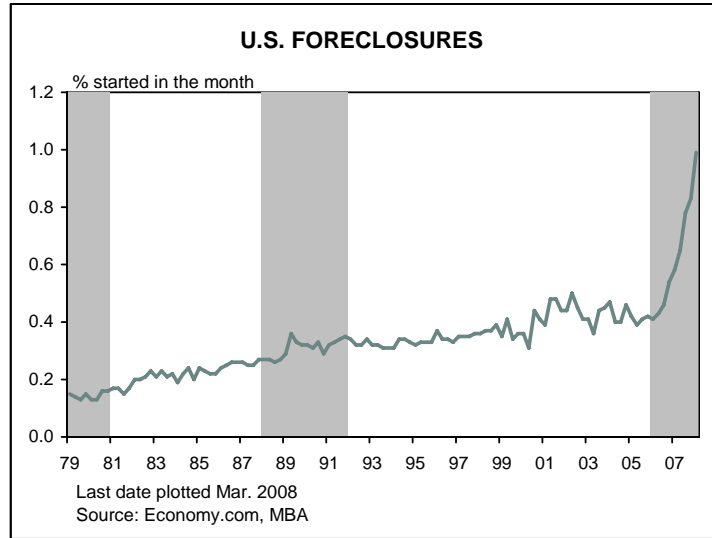
...BUT PRICE DECLINES COMING IN STEEPER



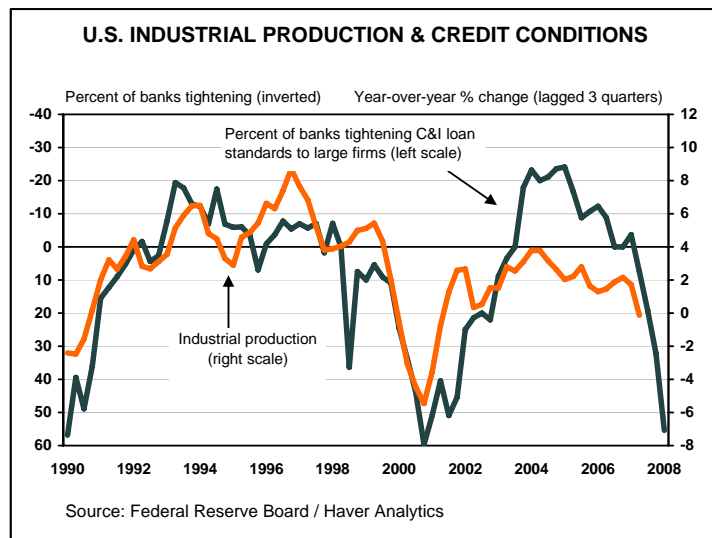
AMERICANS INCREASINGLY TURNED TO EXOTIC MORTGAGES



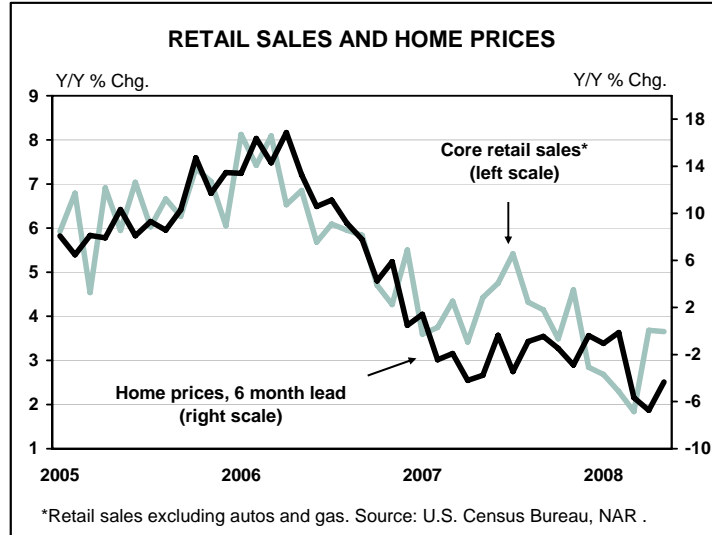
BAD NEWS IS STILL ROLLING IN



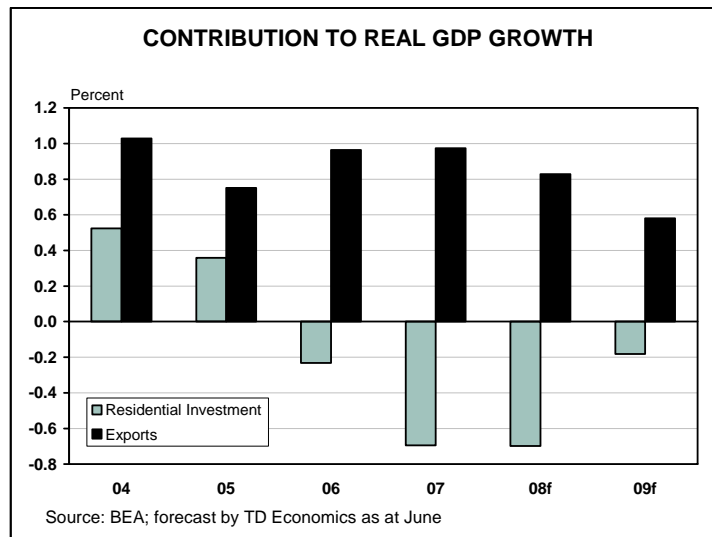
FURTHER DECLINES IN OUTPUT TO COME



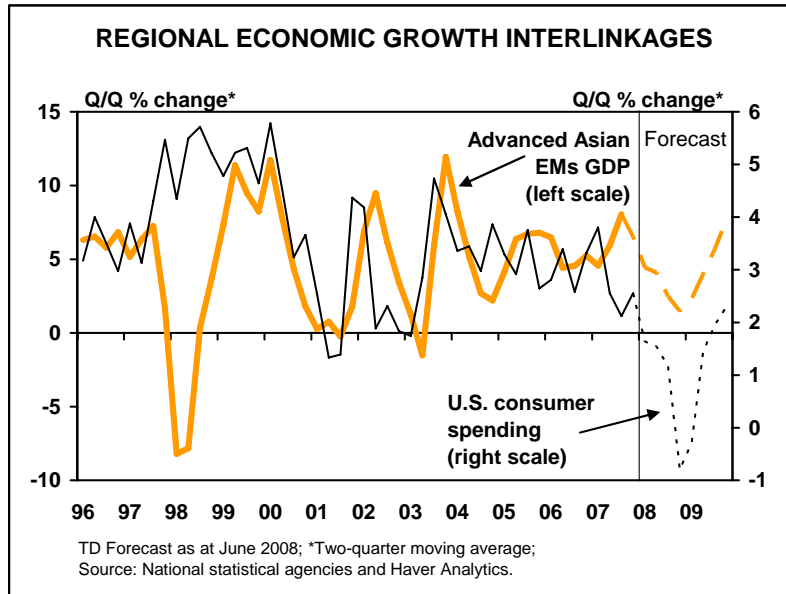
HOUSING MARKET WOES AFFECTING CONSUMER BEHAVIOUR



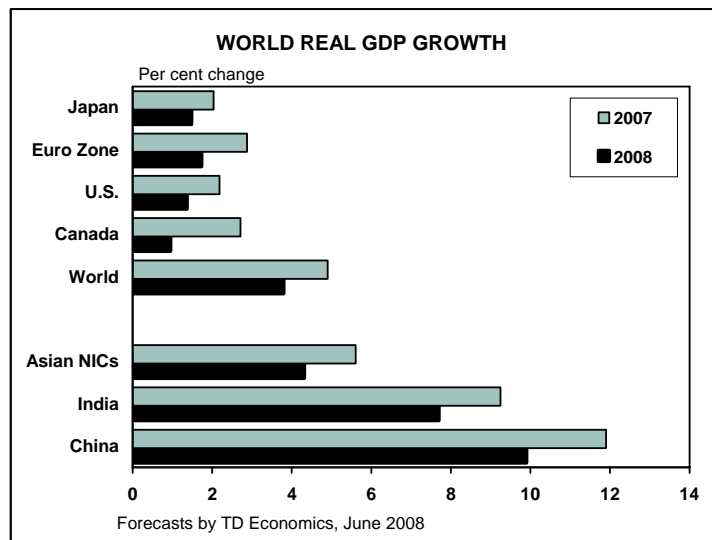
U.S. EXPORTS OFFER PARTIAL OFFSET TO HOUSING TROUBLES



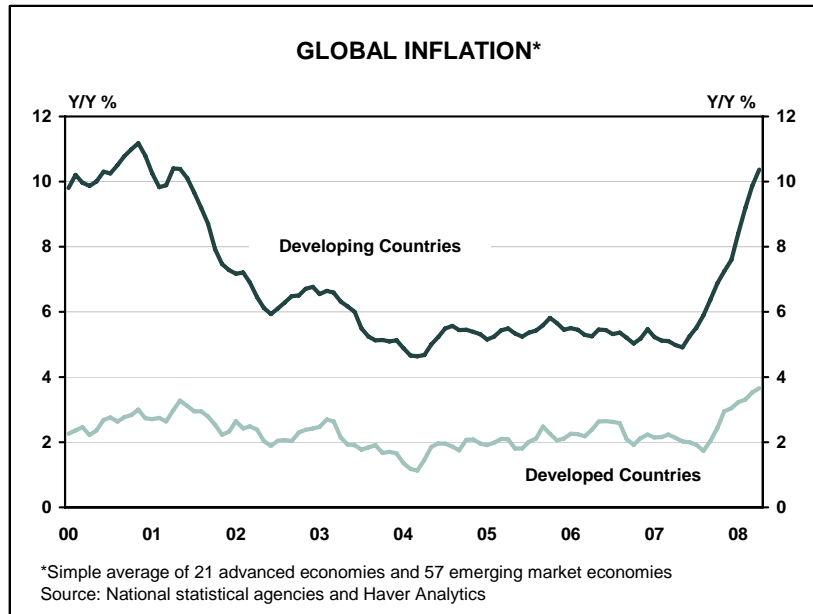
GLOBAL ECONOMY UNLIKELY TO DECOUPLE FROM SLOWING U.S. ECONOMY



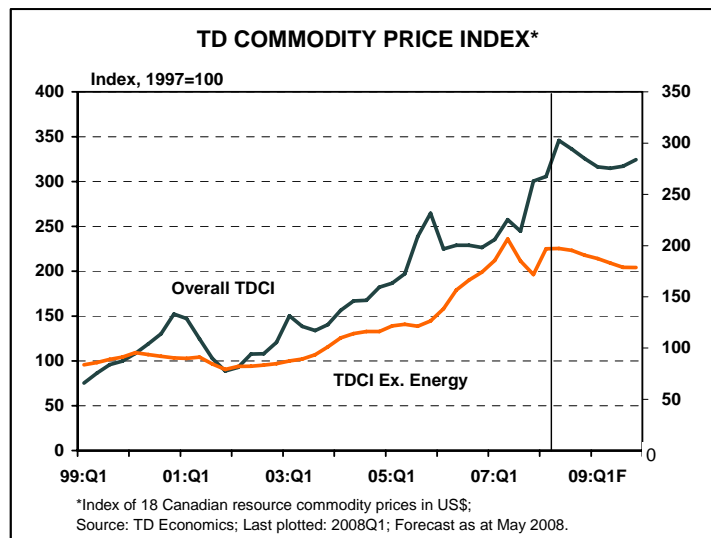
WORLD GROWTH TO GEAR DOWN



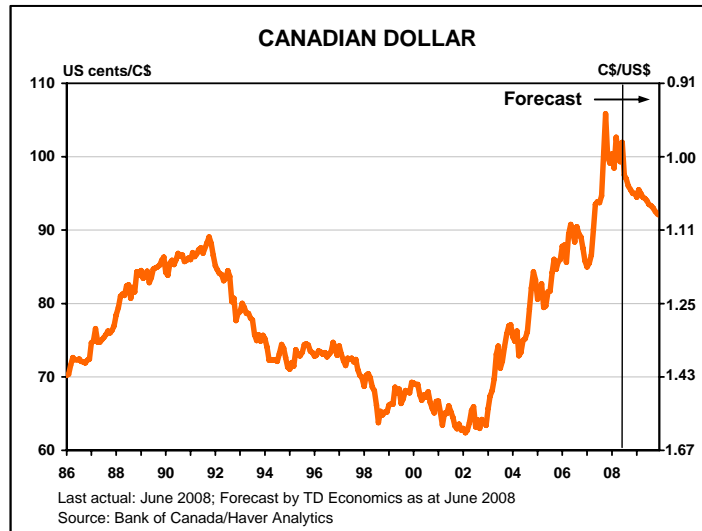
GLOBAL INFLATION RISKS



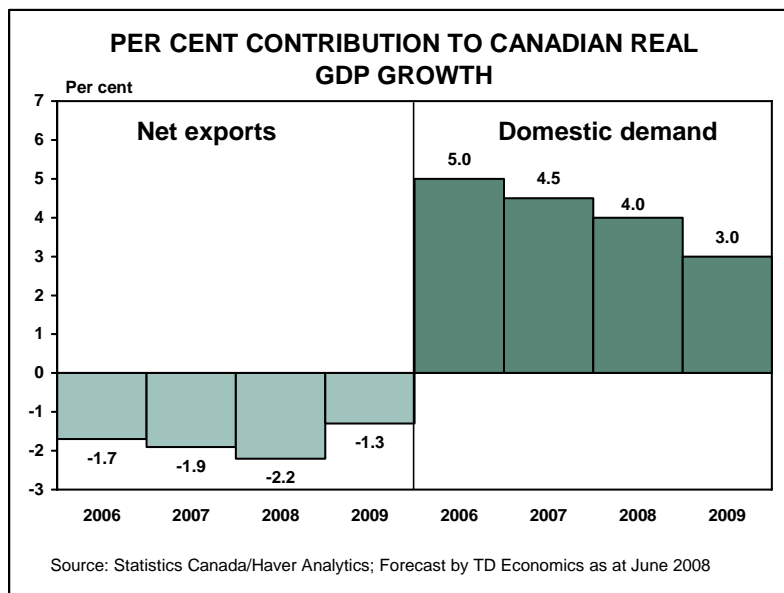
UPSIDE TO COMMODITY PRICES LIMITED



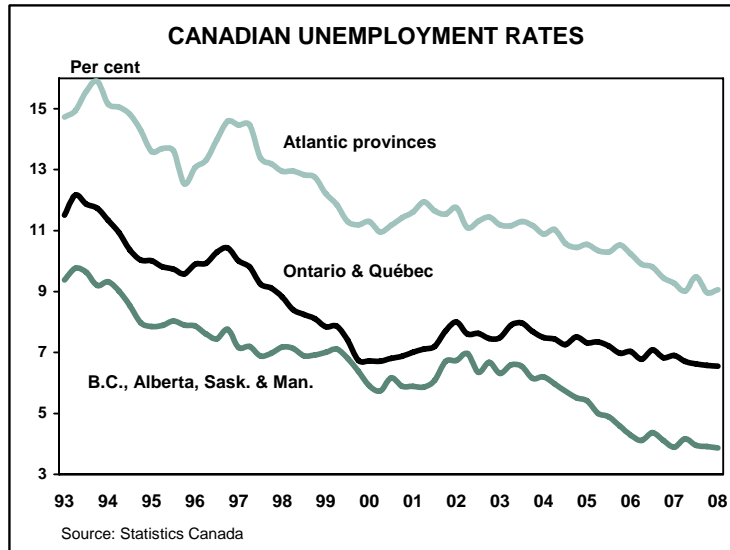
CANADIAN DOLLAR LIKELY TO SLIP, BUT REMAIN STRONG



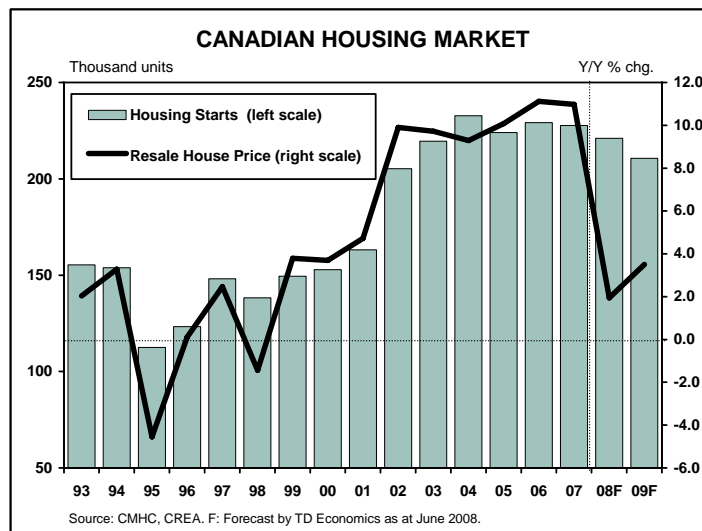
CANADA: NET TRADE WILL BE A DRAG



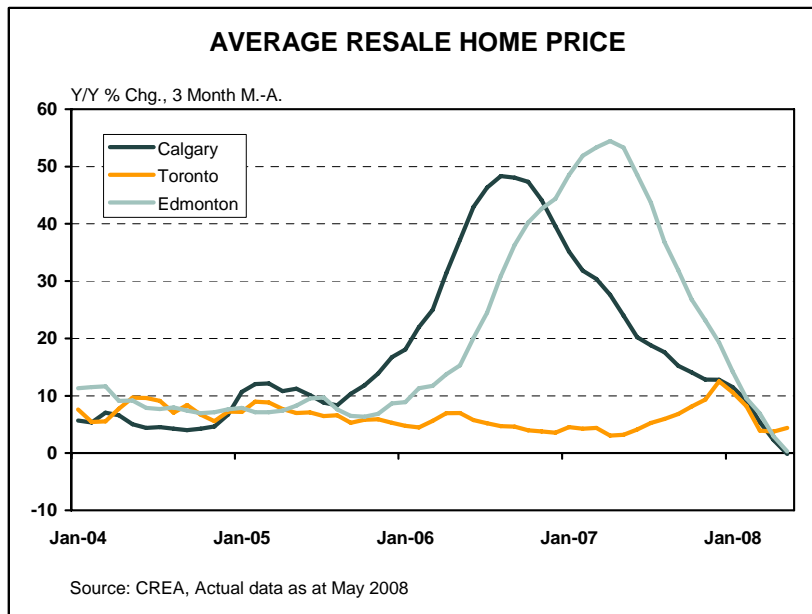
AND DIVERSIFIED ECONOMIES LEAD TO STRONG EMPLOYMENT MARKETS



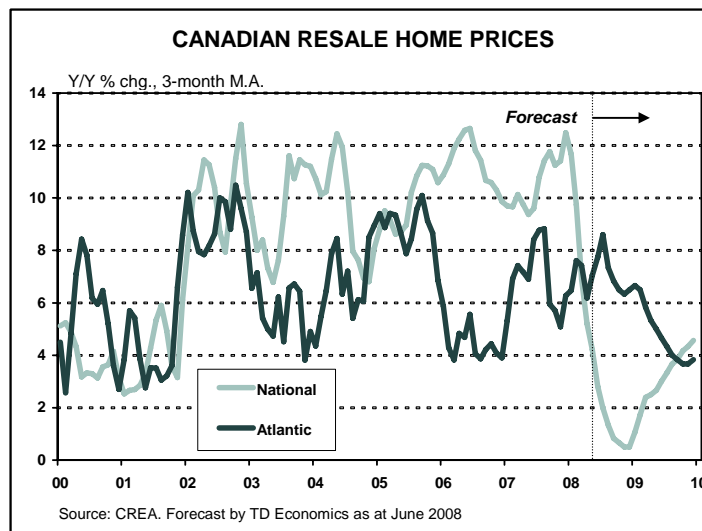
CANADIAN HOUSING MARKET TO REBALANCE AFTER STRONG 6-YR RUN



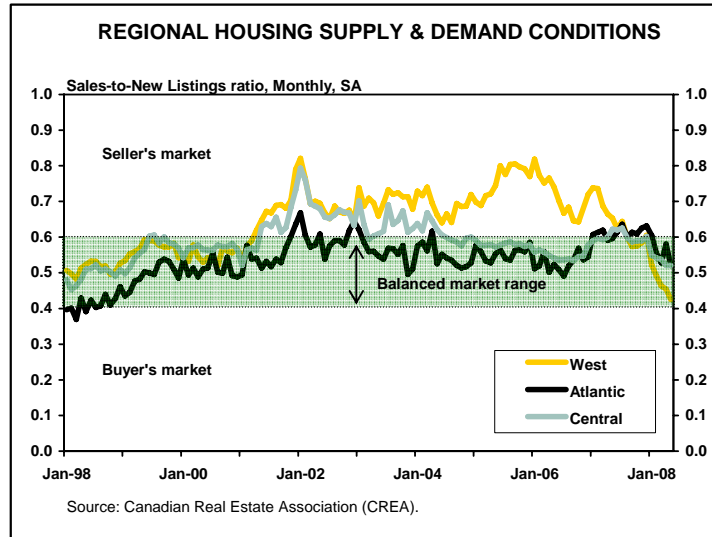
CONVERGENCE IN HOME PRICE GROWTH



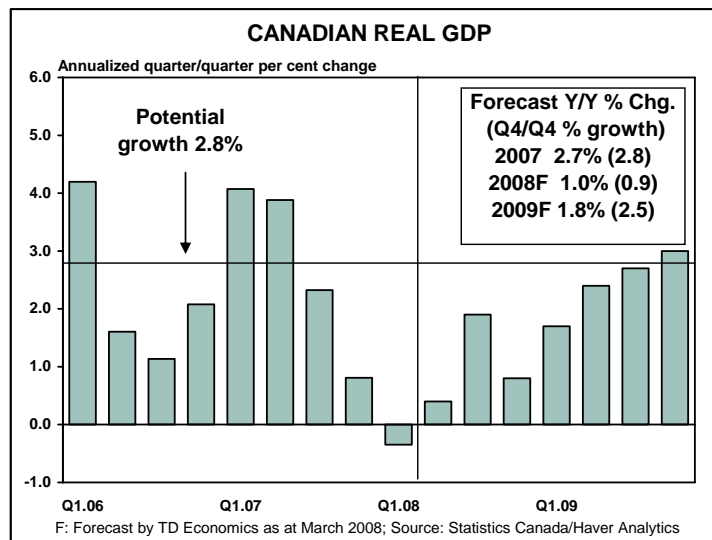
OUTLOOK FOR ATLANTIC HOME PRICES



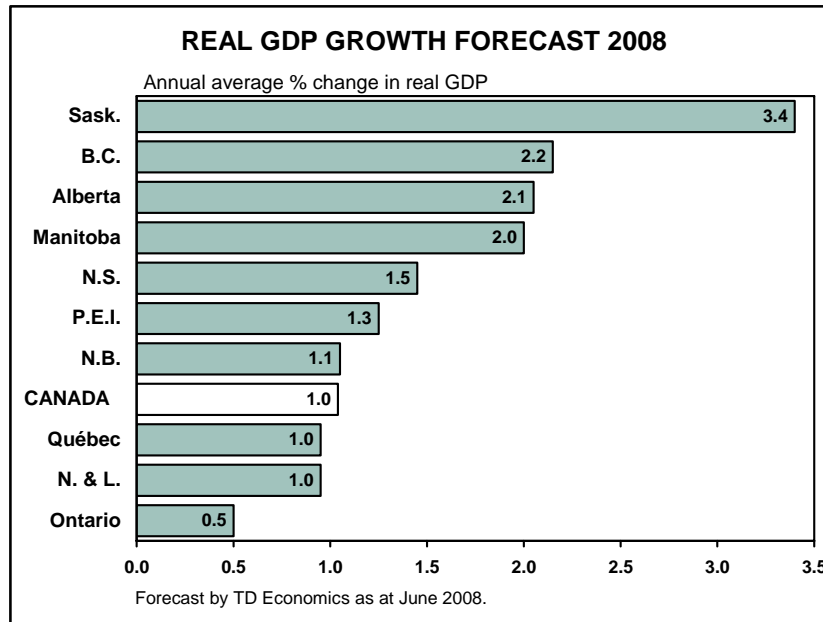
BALANCED MARKET CONDITIONS EXPECTED



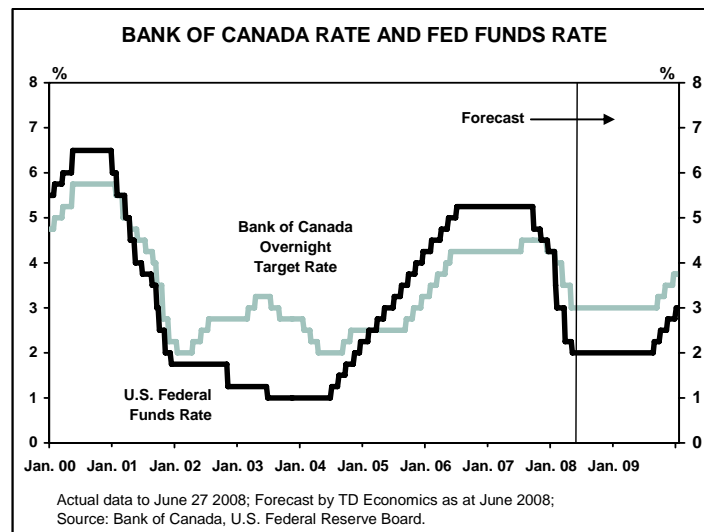
CANADIAN ECONOMIC GROWTH TO WEAKEN



WESTERN OUTPERFORMANCE TO PERSIST



BANK OF CANADA AND FEDERAL RESERVE ON HOLD



INVESTMENT THEMES

1. Credit market 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.
3. 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 next year and in reaction to lower interest rates overseas.

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