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THE ECONOMIC OUTLOOK

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October 6, 2009



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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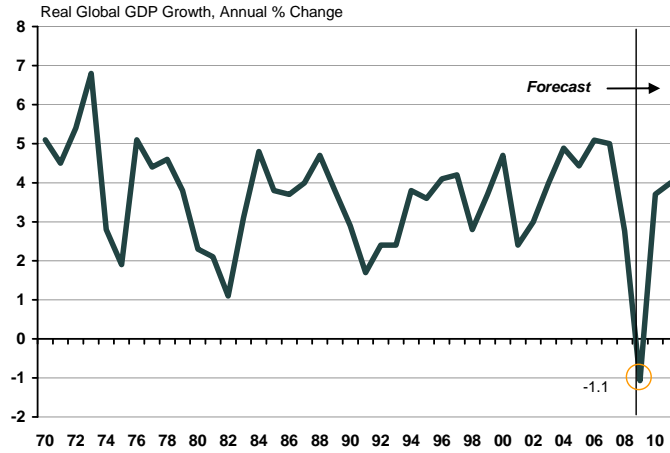
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SYNCHRONIZED GLOBAL RECESSION



GLOBAL



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

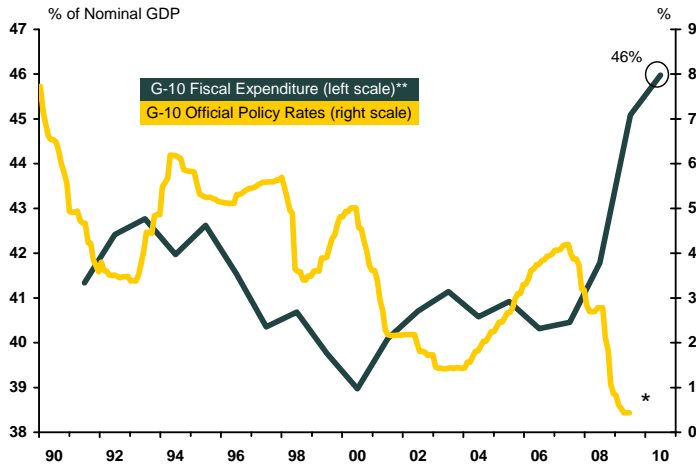
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SYNCHRONIZED GLOBAL RESPONSE



G-10



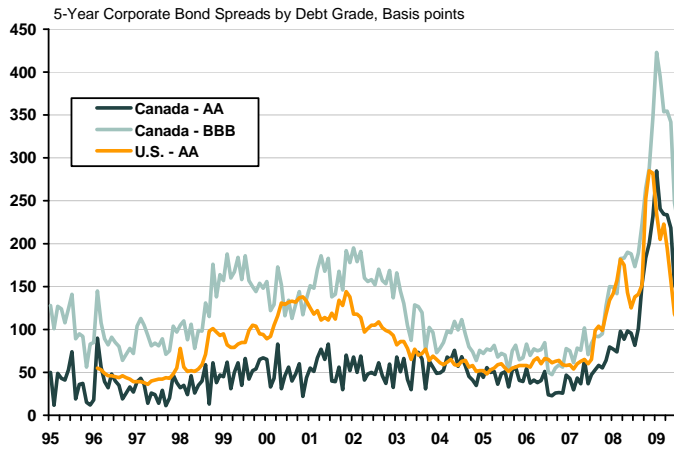
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MANY FINANCIAL RISKS ABATING



CANADA AND U.S.



*corporate bonds against government bonds, monthly data, last plotted August 2009;
Source: Standard & Poor, Federal Reserve, Bloomberg, Bank of Canada, Haver Analytics

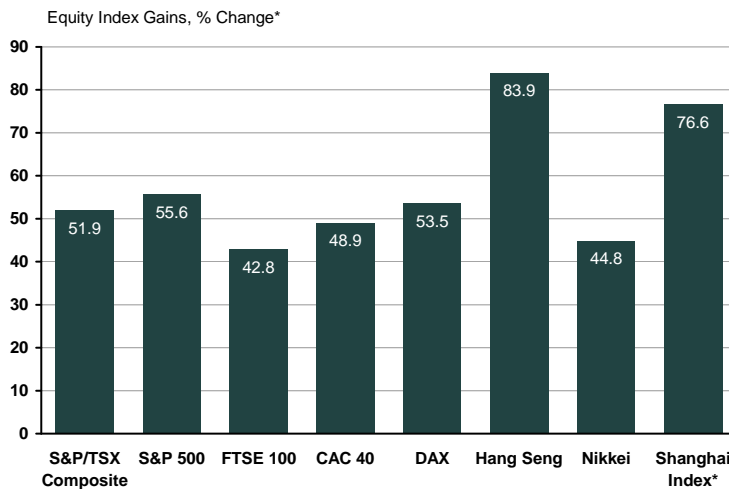
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...AND INVESTORS CONFIDENCE IS RETURNING



GLOBAL



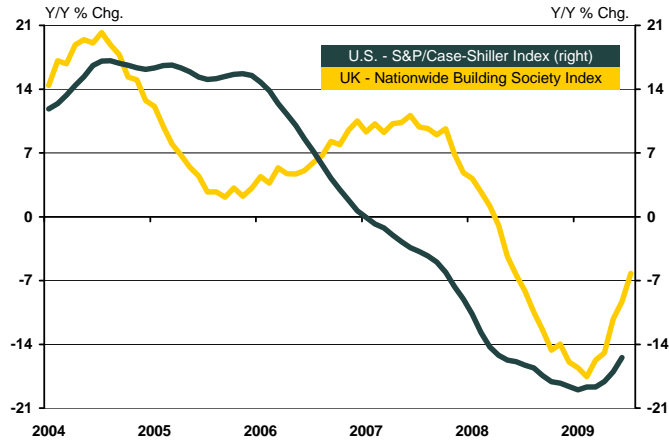
*Changes are calculated from their troughs in March 2009 to the current date; the Shanghai Index is the exception which hit its trough on Nov 6, 2008; Source: Haver Analytics

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THE EPICENTER OF THE PROBLEM WAS REAL ESTATE & THE PACE OF DECLINE IS MODERATING **TD Bank Financial Group**

GLOBAL



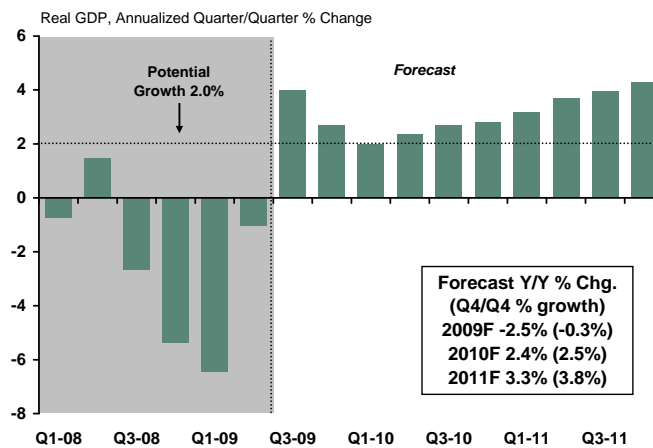
Source: Standard & Poor's, Nationwide Building Society

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U.S. RECESSION IS ENDING, BUT THE RECOVERY WILL BE GRADUAL **TD Bank Financial Group**

U.S.



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

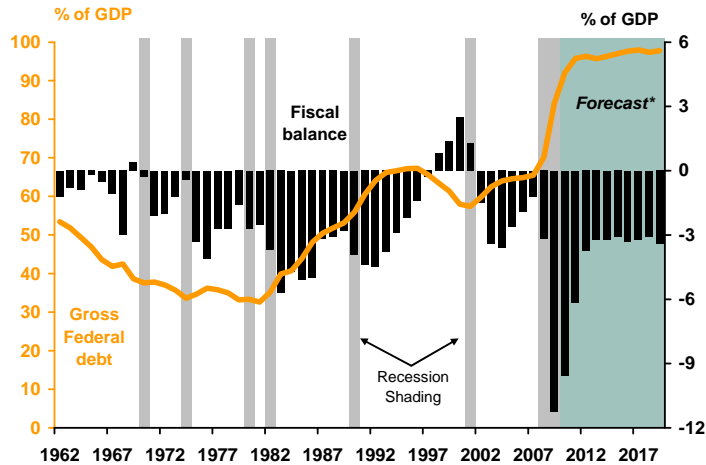
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MASSIVE FISCAL DEFICITS WILL BE A CHALLENGE IN THE FUTURE



U.S.



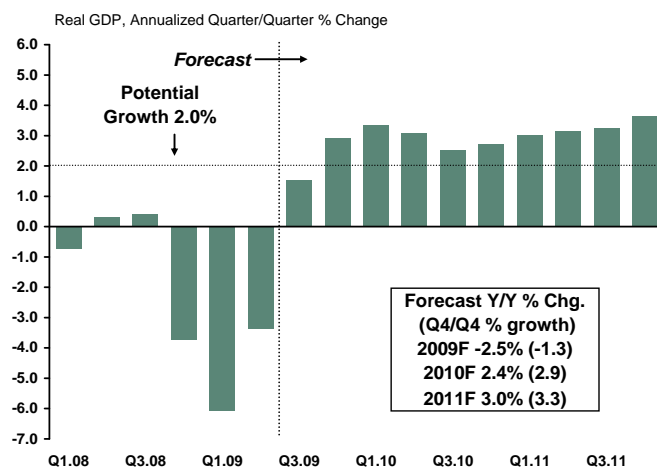
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CANADIAN ECONOMY ALSO AT A TURNING POINT



CANADA



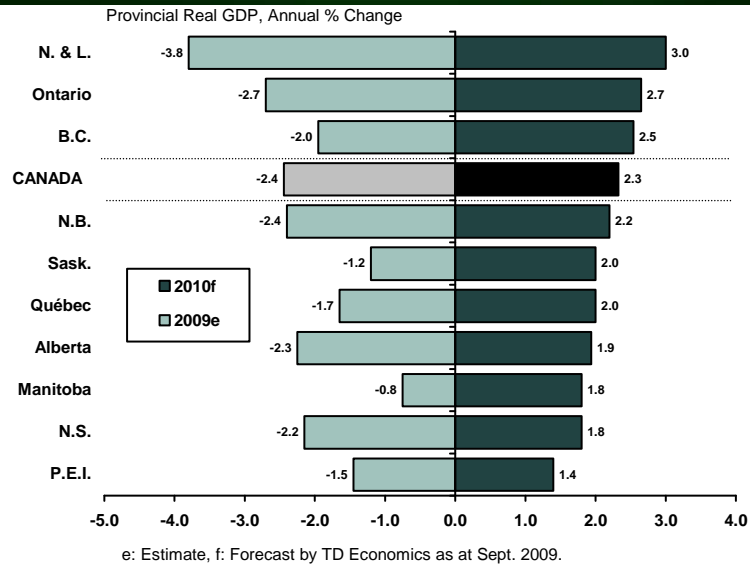
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PROVINCES SHOULD RETURN TO GROWTH BY NEXT YEAR

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CANADA



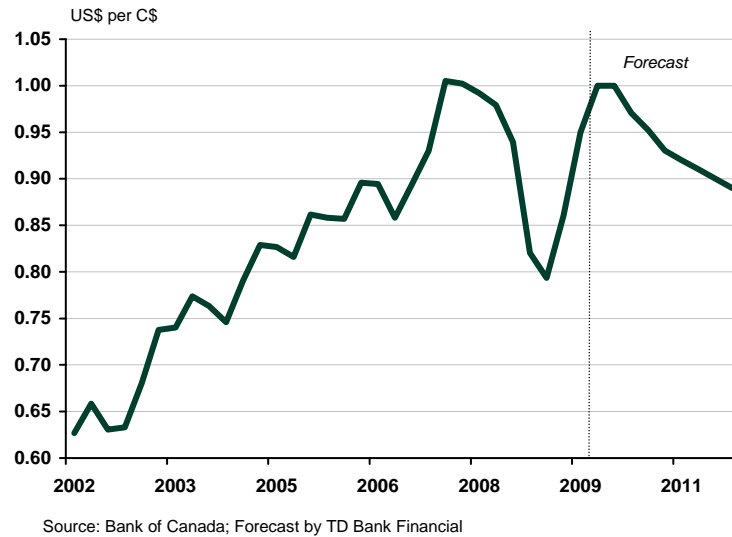
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U.S. WEAKNESS IMPLIES C\$ STRENGTH

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CANADA VS. U.S.



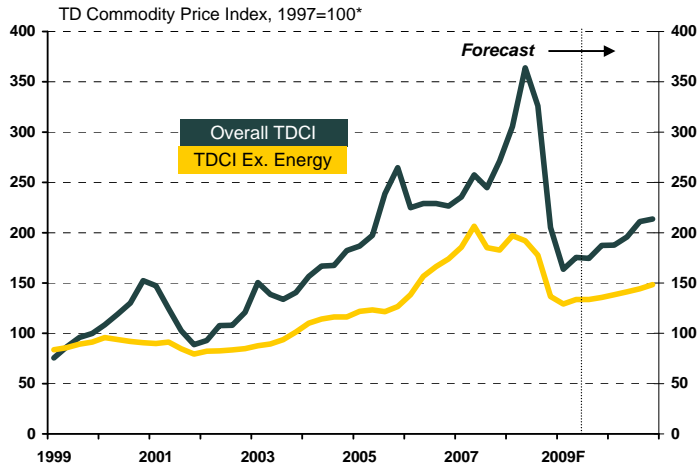
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WON'T HELP WITHOUT A COMMODITY PRICE BOOM



CANADA



*Index of 18 Canadian resource commodity prices in US\$;
Source: TD Economics; Last actual: 2009Q2; Forecast as at July 2009.

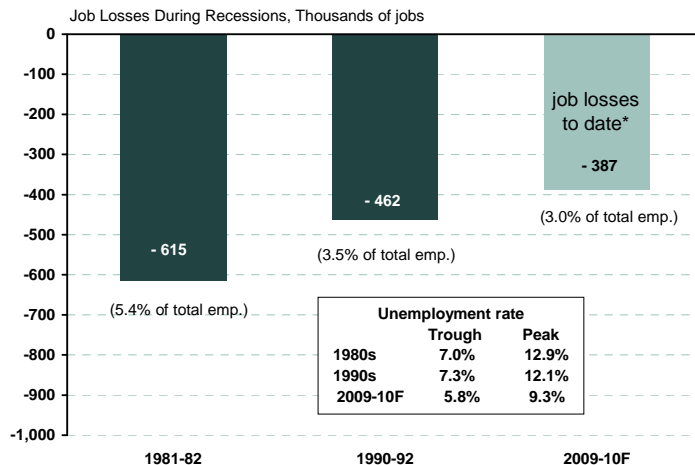
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UNEMPLOYMENT WILL EDGE HIGHER, BUT WILL NOT RISE TO PRIOR PEAKS



CANADA



* October 2008 to August 2009.
F: Forecast by TD Economics as at September 2009; Source: Statistics Canada.

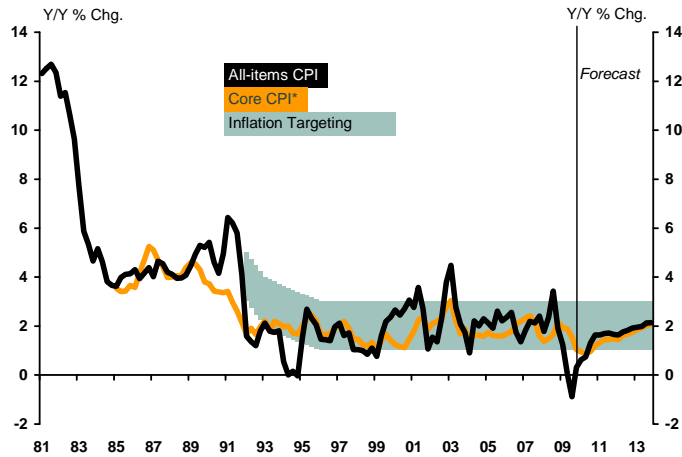
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WILL RESTRAIN ANY INFLATIONARY EPISODE



CANADA



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

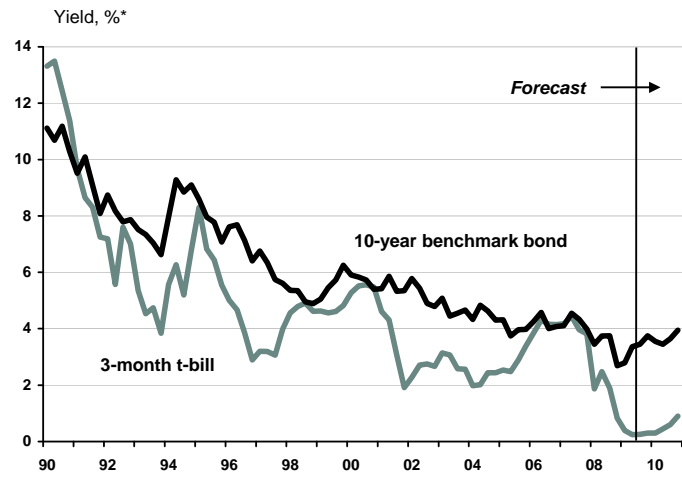
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FIXED INCOME YIELDS TO REMAIN LOW, BUT RISE MODESTLY IN 2010



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
 - Output to grow in 2nd half of 2009
- 2) 2010-2011
 - Liquidity injections & fiscal stimulus gain traction
- 3) Medium-term
 - Incredible challenges in the U.S. and Euro-area:
 - Recapitalizing financial sector
 - Mopping up liquidity
 - Deleverage
 - Reining in deficits
 - Global Imbalances

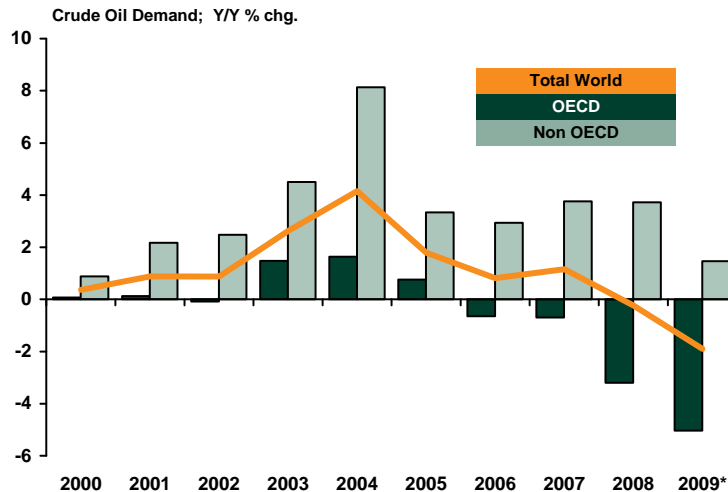
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CRUDE OIL DEMAND CONTINUES TO FALL



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*2009 YTD: August data
Source: Energy Intelligence Group

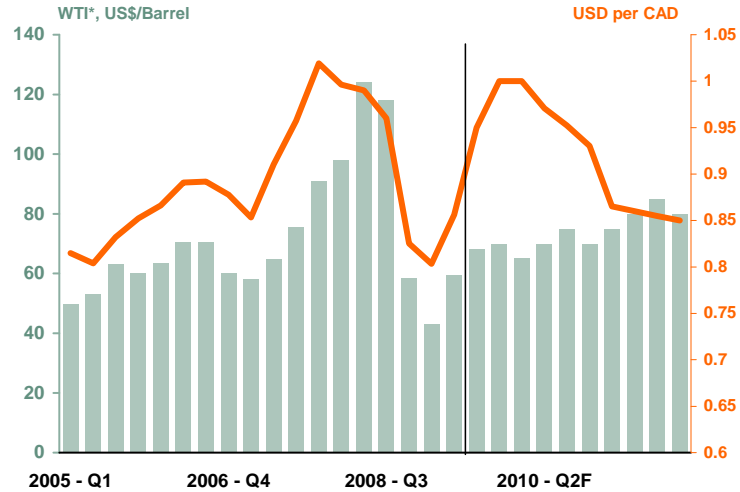
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OIL PRICES AND DOLLAR SHOULD REMAIN STRONG



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* West Texas Intermediate

Source: Wall Street Journal, Federal Reserve Board, Forecast by TD Economics

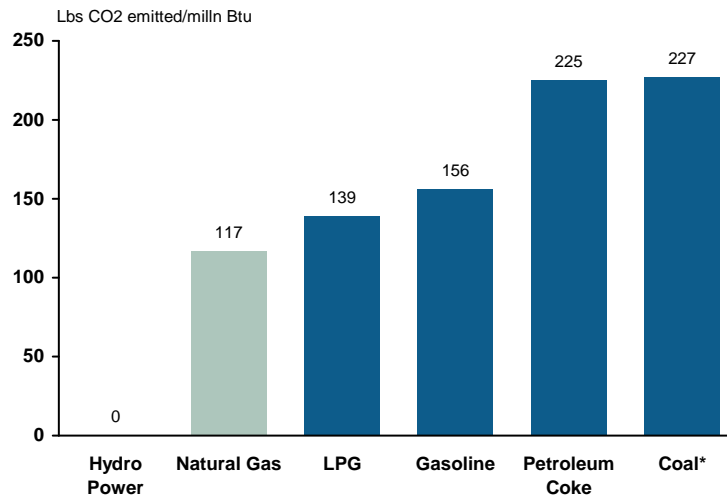
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NATURAL GAS IS A RELATIVELY CLEAN FORM OF ENERGY



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Source: Energy Information Administration

* Anthracite

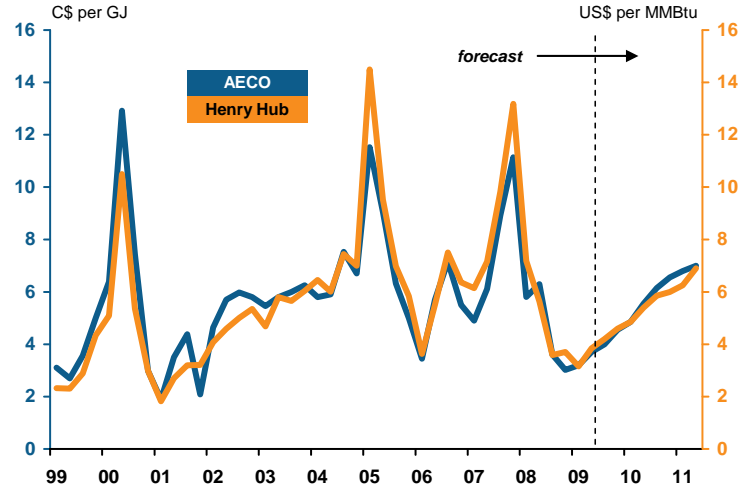
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NATURAL GAS PRICES WILL TREND HIGHER



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Source: Bloomberg, forecast by TD Economics as at Sept. 2009

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NORTH AMERICA'S NATURAL GAS SUPPLY



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- Improved non-conventional production techniques have dramatically increased the supply of natural gas in North America
- Shale gas production may allow the U.S. to become self-sufficient in meeting domestic natural gas needs
- The EIA predicts Canadian gas shipments to the United States will decline from 3 TCF to 1 TCF over the next two decades
- Meanwhile, Alberta's share of Canadian gas shipments will be reduced by the development of large non-conventional deposits in British Columbia

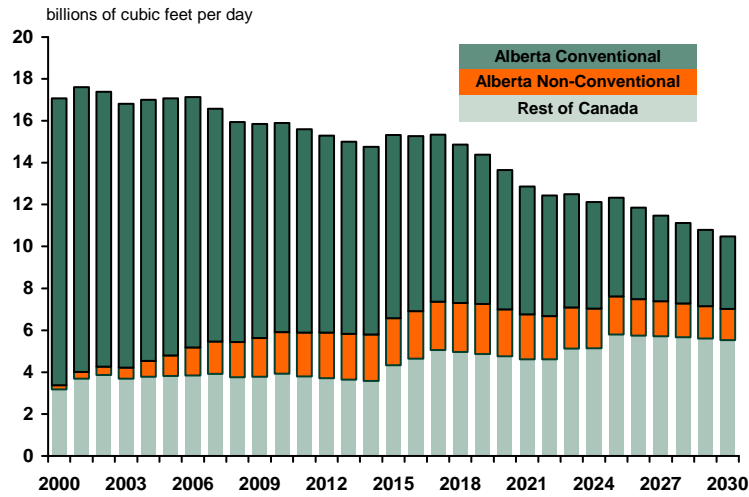
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PRODUCTION WILL DECLINE IN THE LONG-RUN



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Source: National Energy Board

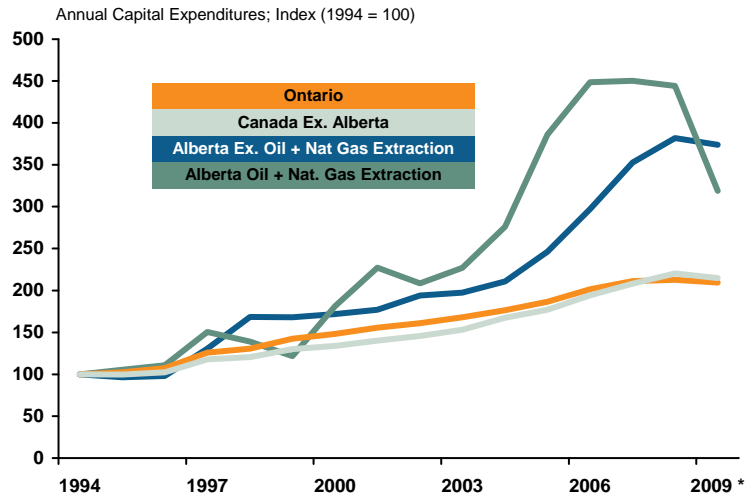
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CAPITAL EXPENDITURES FACE SHARP PULL BACK



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Source: Statistics Canada

* Intended

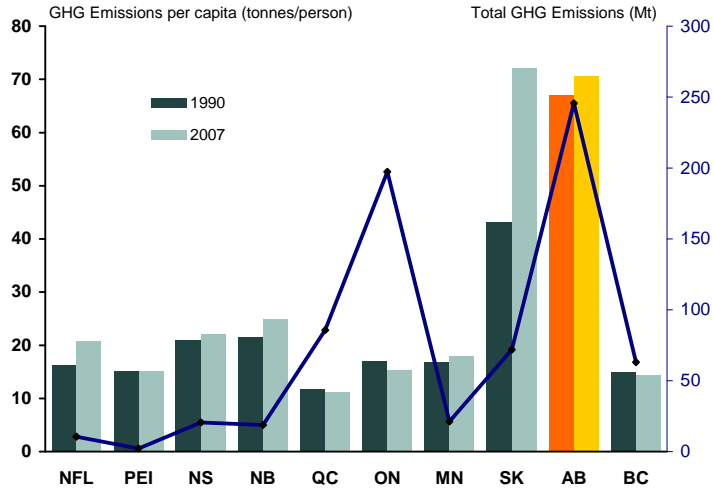
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ENVIRONMENTAL REGULATION WILL ADVERSELY IMPACT ALBERTA



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Source: Environment Canada.

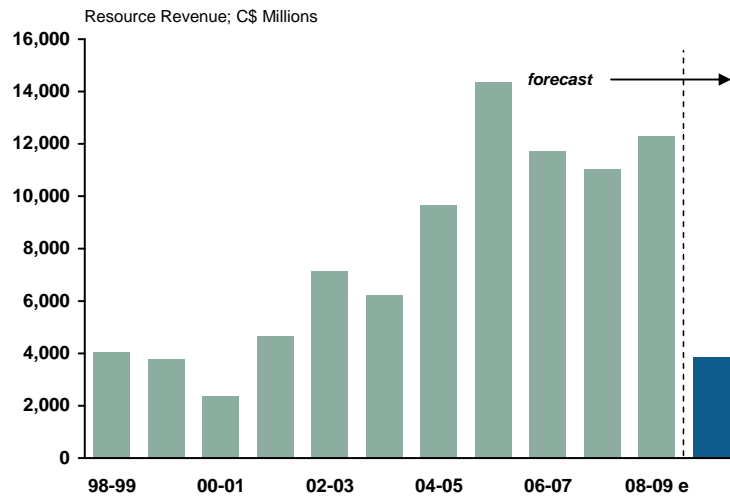
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RESOURCE REVENUE IS SET TO FALL SHARPLY



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Source: Government of Alberta - Finance and Enterprise

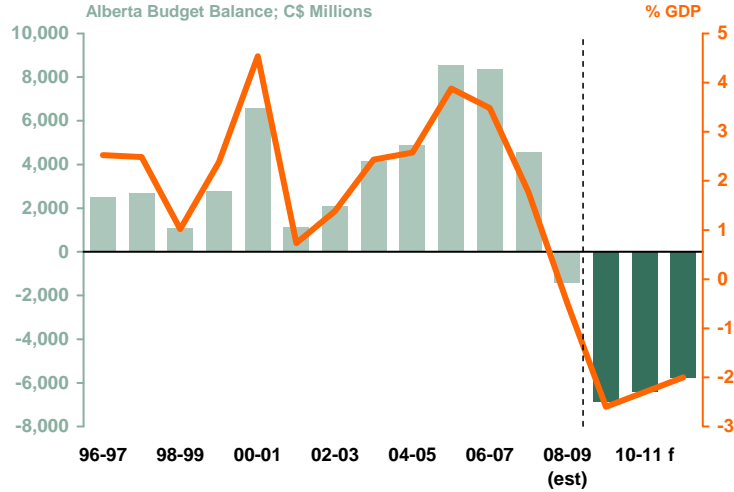
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ALBERTA HAS RETURNED TO A DEFICIT POSITION



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Source: Government of Alberta: Finance and Enterprise; Forecasts by TD Economics

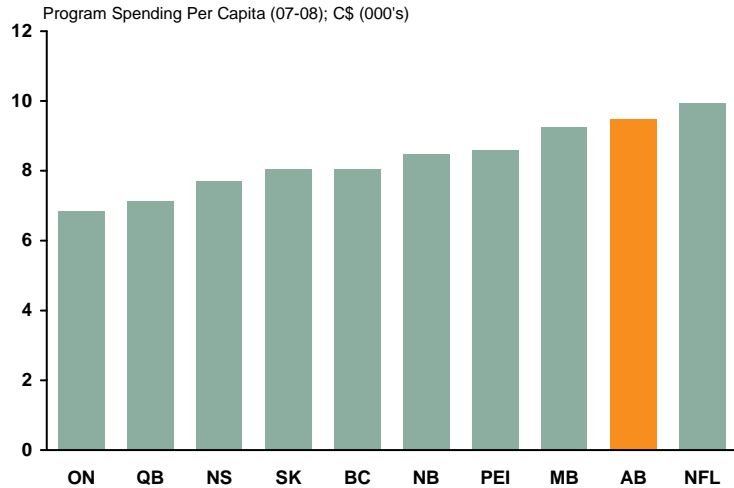
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ALBERTA'S PROGRAM SPENDING PER CAPITA



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Source: Fiscal Reference Tables; Statistics Canada

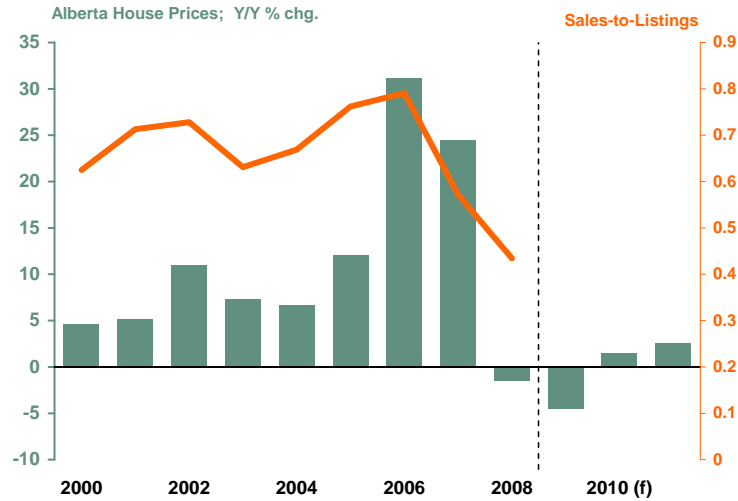
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AFTER STRONG GROWTH, HOUSING FACES A CORRECTION



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Source: Canadian Real Estate Association; Forecast by TD Economics

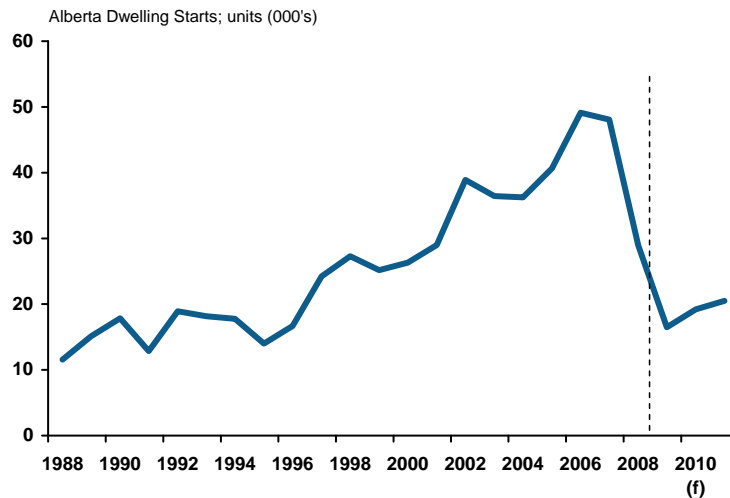
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STARTS HAVE FALLEN SHARPLY



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Source: Canadian Mortgage & Housing Corporation; Forecast by TD Economics

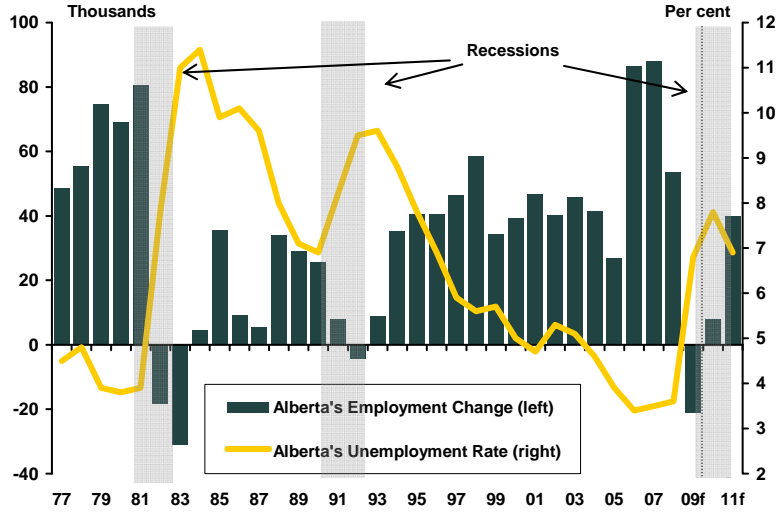
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EMPLOYMENT HAS FAIRED BETTER THAN IN THE PAST



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Source: Statistics Canada. Forecast by TD Economics, Sept. 2009.

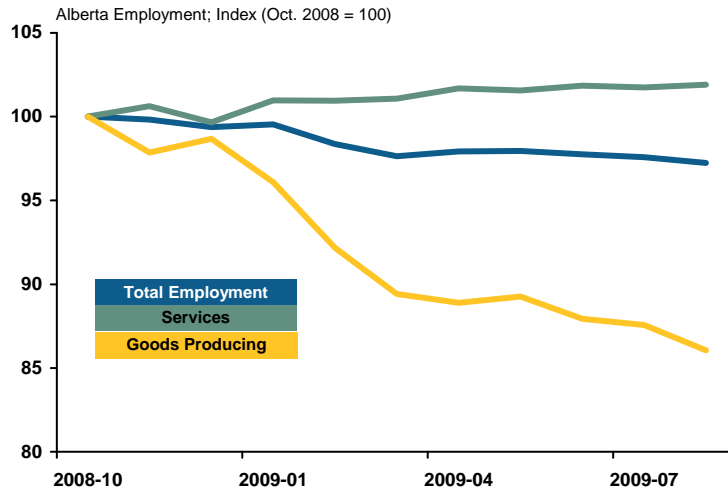
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EMPLOYMENT IN THE GOODS PRODUCING SECTOR HAS SUFFERED THE MOST



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Source: Statistics Canada

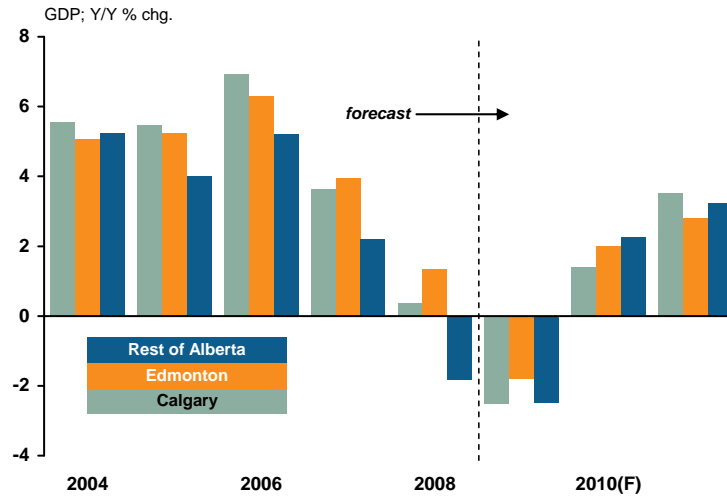
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REGIONAL GDP OUTLOOK



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Source: Statistics Canada, The Conference Board of Canada; Forecasts by TD Economics

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