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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SYNCHRONIZED GLOBAL RECESSION

Real Global GDP Growth, Annual % Change

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

SYNCHRONIZED GLOBAL RESPONSE

% of Nominal GDP

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

5-Year Corporate Bond Spreads by Debt Grade, Basis points

- Canada - AA
- Canada - BBB
- U.S. - AA

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

...AND INVESTORS CONFIDENCE IS RETURNING

Equity Index Gains, % Change*

- S&P/TSX Composite
- S&P 500
- FTSE 100
- CAC 40
- DAX
- Hang Seng
- Nikkei
- Shanghai Index*

*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
THE EPICENTER OF THE PROBLEM WAS REAL ESTATE & THE PACE OF DECLINE IS MODERATING

GLOBAL

U.S. RECESSION IS ENDING, BUT THE RECOVERY WILL BE GRADUAL

U.S.

Forecast Y/Y % Chg.
(Q4/Q4 % growth)
2009F -2.5% (-0.3%)
2010F 2.4% (2.5%)
2011F 3.3% (3.8%)

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

Source: Standard & Poor's, Nationwide Building Society
MASSIVE FISCAL DEFICITS WILL BE A CHALLENGE IN THE FUTURE

*Forecast by CBO; Source: CBO and Haver Analytics

CANADIAN ECONOMY ALSO AT A TURNING POINT

F: Forecast by TD Economics as at September 2009; Source: Statistics Canada/Haver Analytics
**U.S. WEAKNESS IMPLIES C$ STRENGTH**

Source: Bank of Canada; Forecast by TD Bank Financial Group as at Oct. 14 2009

**WON’T HELP WITHOUT A COMMODITY PRICE BOOM**

*Index of 18 Canadian resource commodity prices in US$; Last plotted: 2009Q3; Forecast as at October 2009.*
UNEMPLOYMENT WILL EDGE HIGHER, BUT WILL NOT RISE TO PRIOR PEAKS

<table>
<thead>
<tr>
<th>Year</th>
<th>Trough</th>
<th>Peak</th>
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<tbody>
<tr>
<td>1980s</td>
<td>7.0%</td>
<td>12.9%</td>
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<tr>
<td>1990s</td>
<td>7.3%</td>
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<tr>
<td>2009-10F</td>
<td>5.8%</td>
<td>9.3%</td>
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*October 2008 to August 2009.
F: Forecast by TD Economics as at September 2009; Source: Statistics Canada.

WILL RESTRAIN ANY INFLATIONARY EPISODE

*Headline CPI excl. 8 most volatile components and indirect taxes; Source: Statistics Canada; forecast by TD Economics as at September 2009.
FIXED INCOME YIELDS TO REMAIN LOW, BUT RISE MODESTLY IN 2010

![Graph showing fixed income yields](source)

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

3 PHASES TO THE CYCLE

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
**PROVINCES SHOULD RETURN TO GROWTH BY NEXT YEAR**

Provincial Real GDP, Annual % Change

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<tr>
<th>Province</th>
<th>2010f</th>
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<td>N. &amp; L.</td>
<td>3.8</td>
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<td>Ontario</td>
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<td>P.E.I.</td>
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**CRUDE OIL DEMAND CONTINUES TO FALL**

Crude Oil Demand: Y/Y % chg.

*2009 YTD: August data
Source: Energy Intelligence Group
OIL PRICES AND DOLLAR SHOULDN'T REMAIN STRONG

* West Texas Intermediate
Source: Wall Street Journal, Federal Reserve Board, Forecast by TD Economics

NATURAL GAS PRICES WILL TREND HIGHER

Source: Bloomberg, forecast by TD Economics as at Sept. 2009
**NATURAL GAS IS A RELATIVELY CLEAN FORM OF ENERGY**

Lbs CO₂ emitted/million Btu

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Source: Energy Information Administration

*Anthracite

**PRODUCTION WILL DECLINE IN THE LONG-RUN**

Billions of cubic feet per day

Source: National Energy Board
NORTH AMERICA’S NATURAL GAS SUPPLY

- 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

RESOURCE REVENUE IS SET TO FALL SHARPLY

Source: Government of Alberta - Finance and Enterprise
ALBERTA HAS RETURNED TO A DEFICIT POSITION

![Graph showing Alberta Budget Balance (C$ Millions) and % GDP from 1996-97 to 2010-11.](image)

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

ALBERTA’S PROGRAM SPENDING PER CAPITA

![Bar chart showing Program Spending Per Capita (07-08) in C$ (000's) for various provinces.](image)

Source: Fiscal Reference Tables; Statistics Canada
EMPLOYMENT IN THE GOODS PRODUCING SECTOR HAS SUFFERED THE MOST

Alberta Employment; Index (Oct. 2008 = 100)

Source: Statistics Canada

MODEST GROWTH TO RESUME IN CALGARY NEXT YEAR

GDP; Y/Y % chg.

Source: Statistics Canada, The Conference Board of Canada; Forecasts by TD Economics
HOUSING PRICES ARE SET FOR A SMALL RECOVERY

Source: Canadian Real Estate Association; Forecast by TD Economics

BUT STARTS WILL REMAIN LOW

Source: Canadian Mortgage & Housing Corporation; Forecast by TD Economics
UNEMPLOYMENT RATE TO PEAK IN 2010

Source: Statistics Canada; Forecast by TD Economics, October 2009

TD Economics

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