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## THE ECONOMIC OUTLOOK

Derek Burleton, AVP & Director of Economic  
Analysis

October 21, 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.*

Contact Information  
Phone: 416 982 8065  
Email: [td.economics@td.com](mailto:td.economics@td.com)

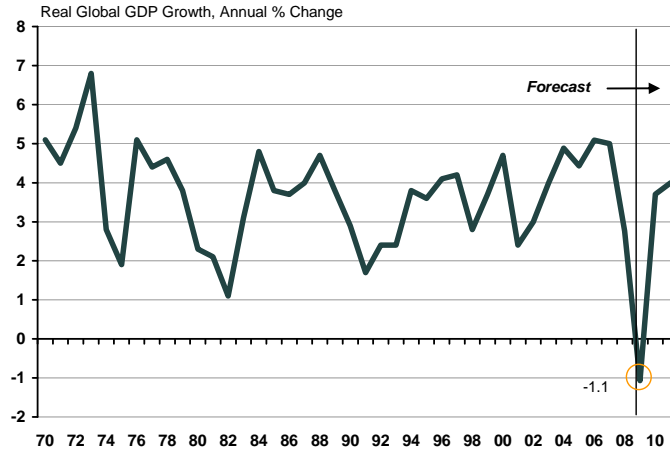
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# SYNCHRONIZED GLOBAL RECESSION



GLOBAL



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

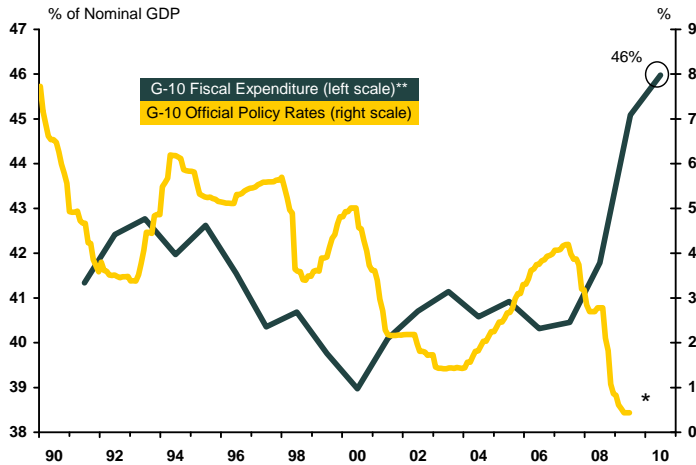
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# SYNCHRONIZED GLOBAL RESPONSE



G-10



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

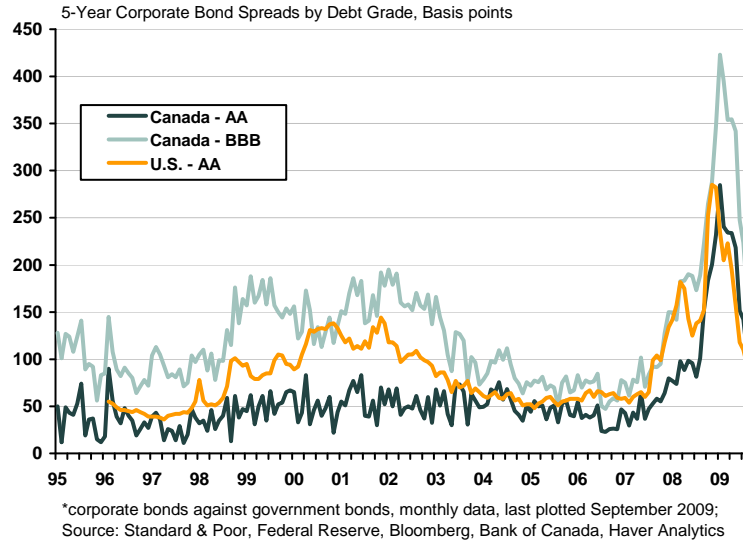
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# MANY FINANCIAL RISKS ABATING



CANADA AND U.S.



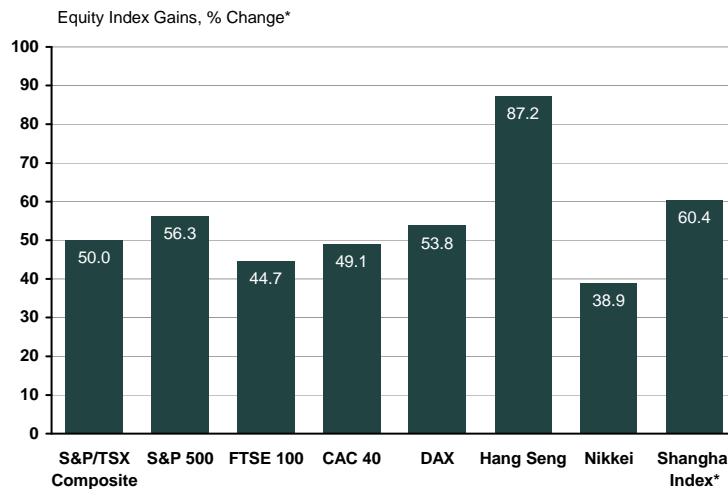
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# ...AND INVESTORS CONFIDENCE IS RETURNING



GLOBAL



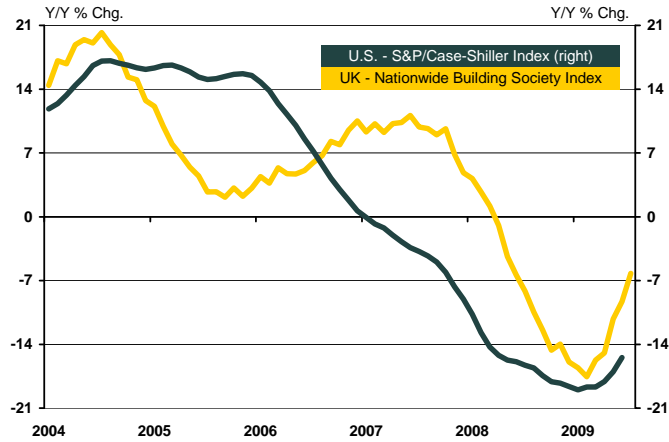
\*Changes are calculated from their troughs in March 2009 to the current date; the Shanghai Index is the exception which hit its trough on Nov 6, 2008; Source: Haver Analytics

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

GLOBAL



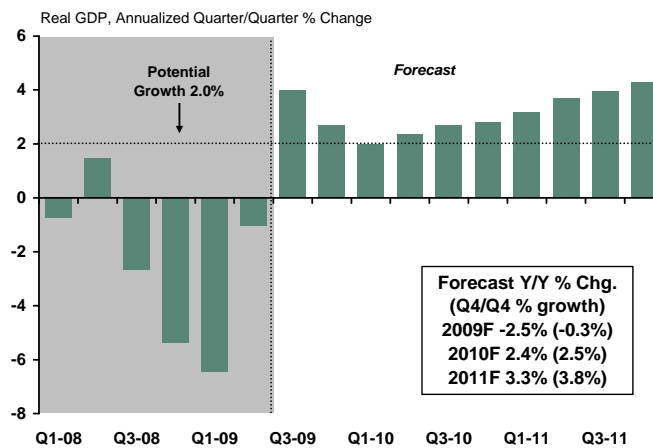
Source: Standard & Poor's, Nationwide Building Society

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

U.S.



**Forecast 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

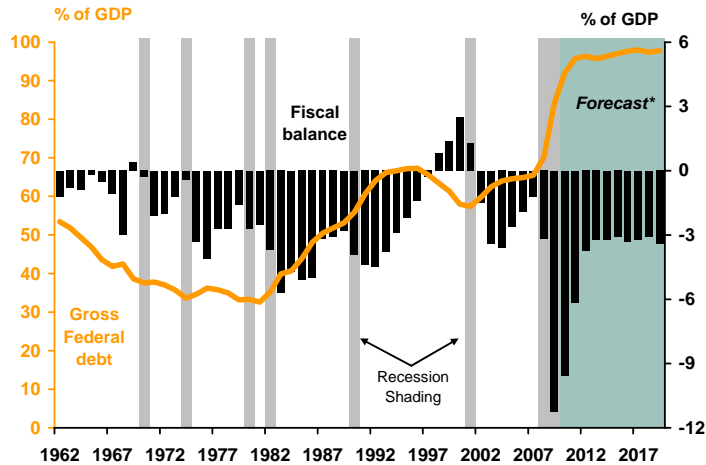
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# MASSIVE FISCAL DEFICITS WILL BE A CHALLENGE IN THE FUTURE



U.S.



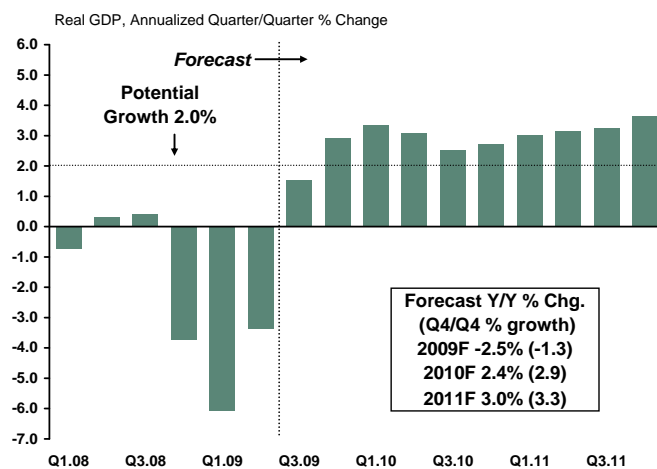
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# CANADIAN ECONOMY ALSO AT A TURNING POINT



CANADA



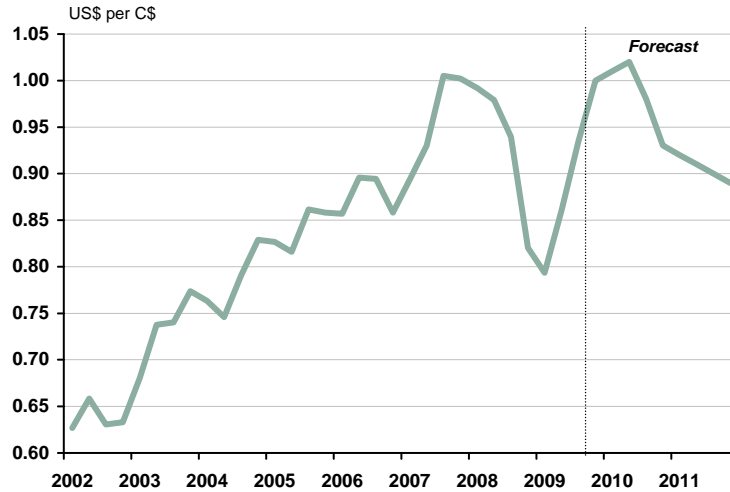
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## U.S. WEAKNESS IMPLIES C\$ STRENGTH

**TD Bank Financial Group**

CANADA VS. U.S.



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

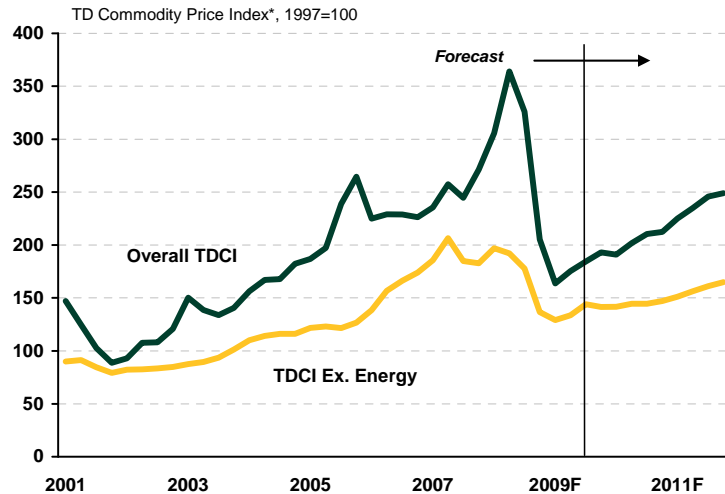
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## WON'T HELP WITHOUT A COMMODITY PRICE BOOM

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CANADA



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

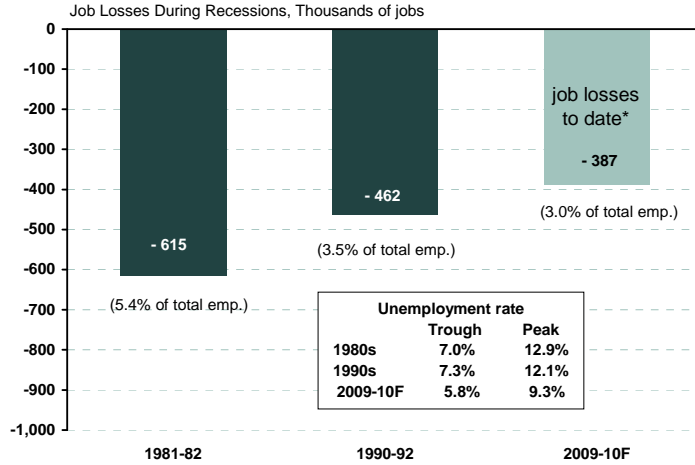
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# UNEMPLOYMENT WILL EDGE HIGHER, BUT WILL NOT RISE TO PRIOR PEAKS



CANADA



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

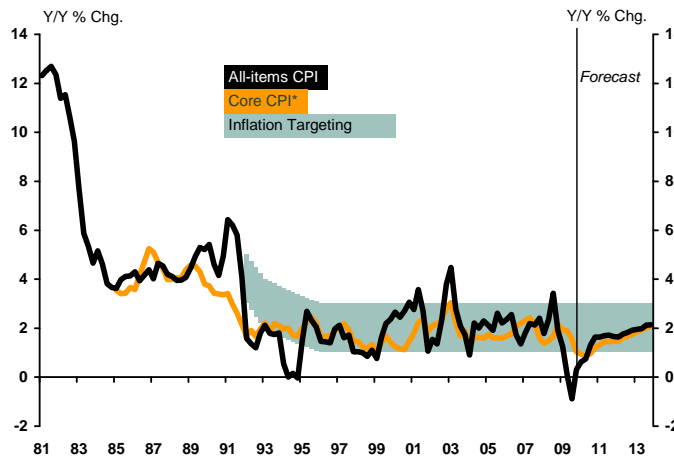
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# WILL RESTRAIN ANY INFLATIONARY EPISODE



CANADA



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

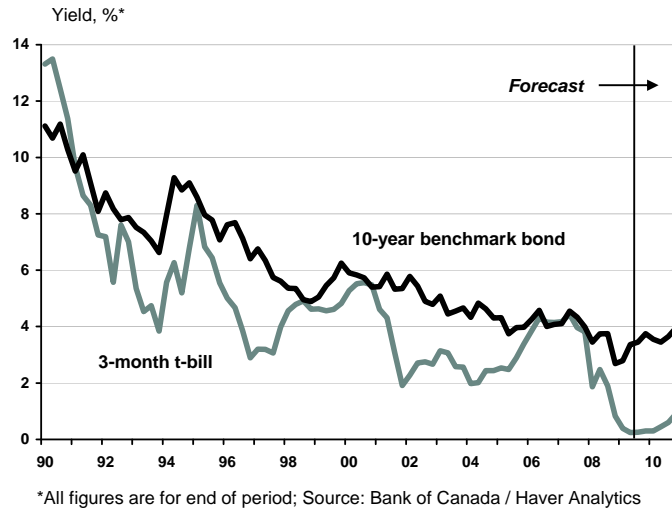
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## FIXED INCOME YIELDS TO REMAIN LOW, BUT RISE MODESTLY IN 2010



CANADA



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## 3 PHASES TO THE CYCLE



GLOBAL

- 1) Near-Term
  - Output to grow in 2<sup>nd</sup> 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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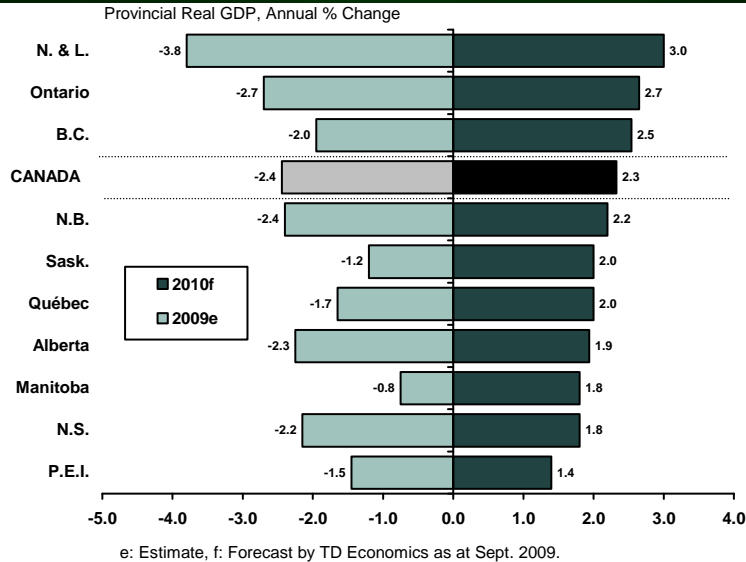
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# PROVINCES SHOULD RETURN TO GROWTH BY NEXT YEAR



CANADA



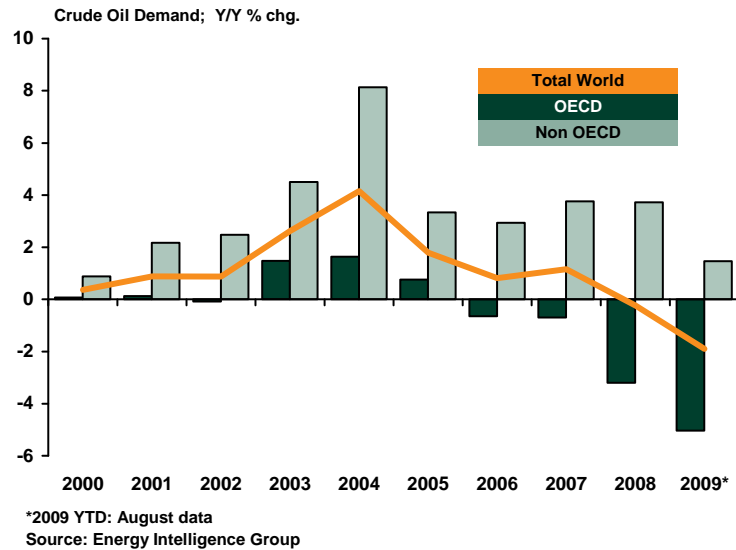
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# CRUDE OIL DEMAND CONTINUES TO FALL



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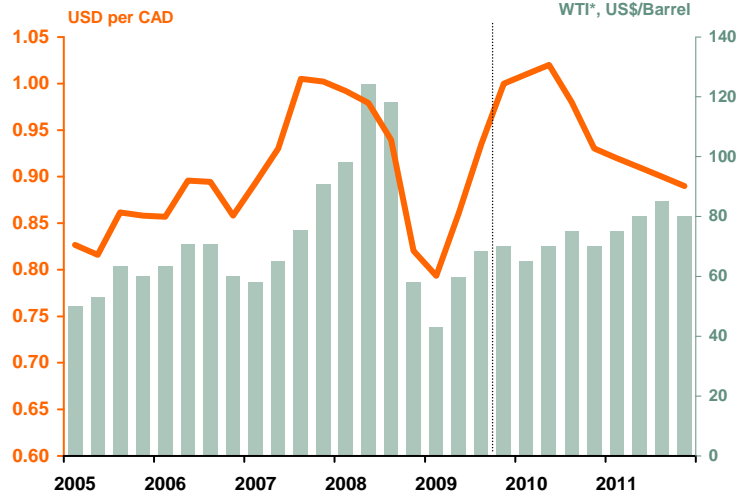
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# OIL PRICES AND DOLLAR SHOULD REMAIN STRONG



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

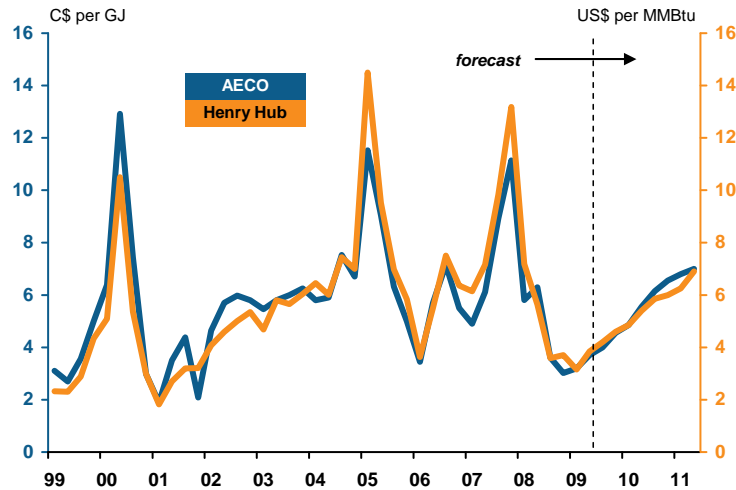
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# NATURAL GAS PRICES WILL TREND HIGHER



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

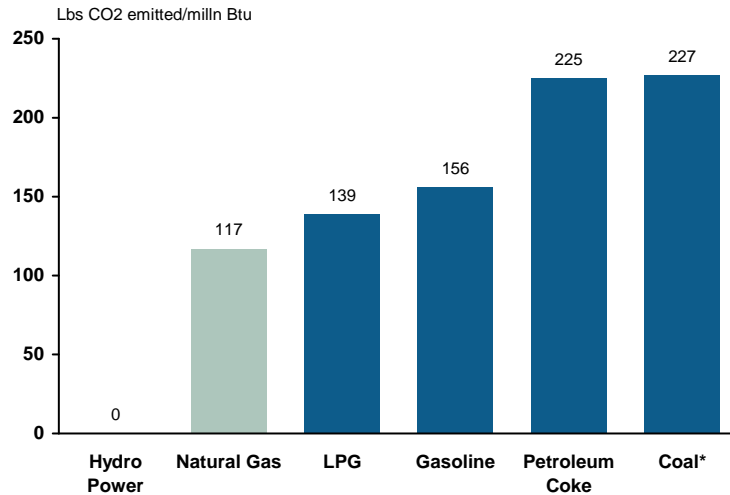
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## NATURAL GAS IS A RELATIVELY CLEAN FORM OF ENERGY



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Source: Energy Information Administration

\* Anthracite

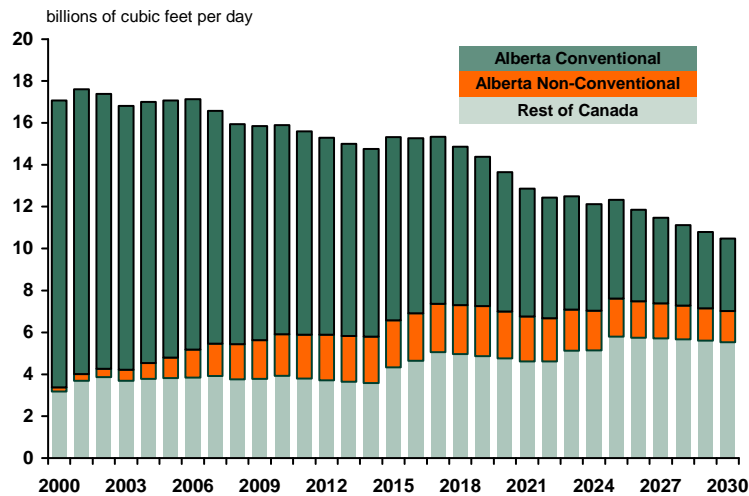
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## PRODUCTION WILL DECLINE IN THE LONG-RUN



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Source: National Energy Board

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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

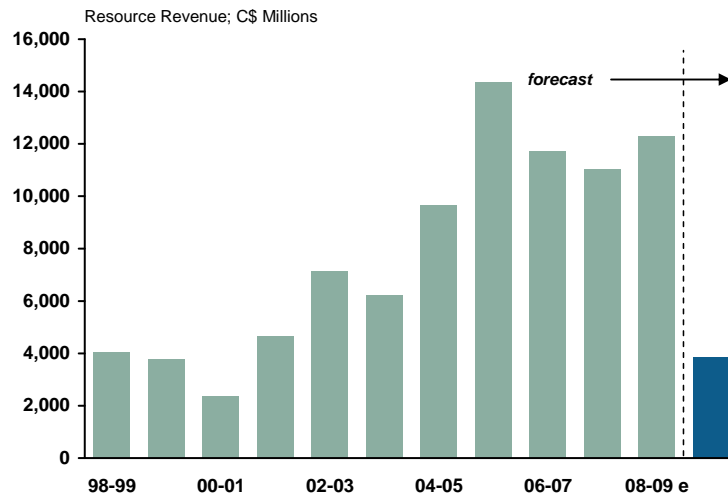
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## RESOURCE REVENUE IS SET TO FALL SHARPLY



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Source: Government of Alberta - Finance and Enterprise

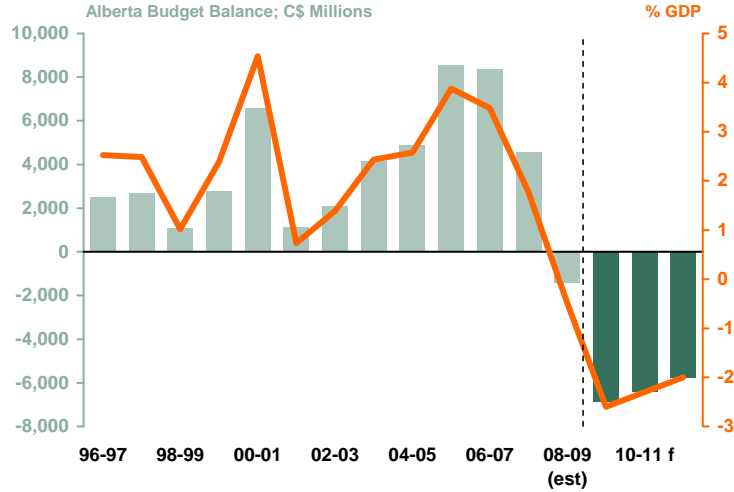
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# ALBERTA HAS RETURNED TO A DEFICIT POSITION



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

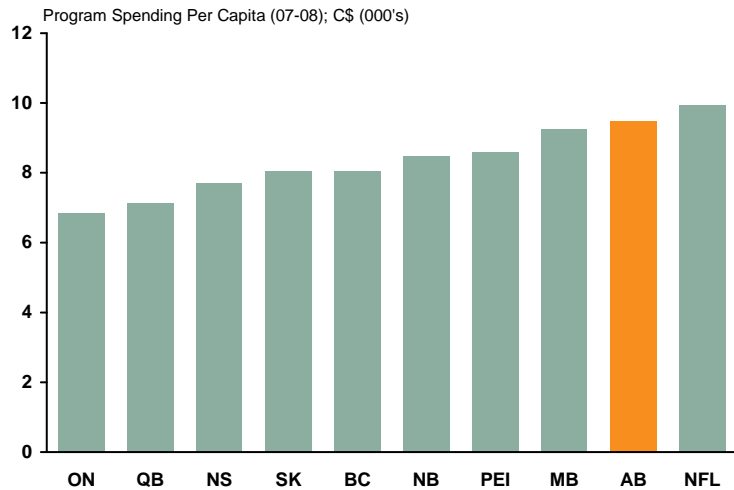
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# ALBERTA'S PROGRAM SPENDING PER CAPITA



ALBERTA



Source: Fiscal Reference Tables; Statistics Canada

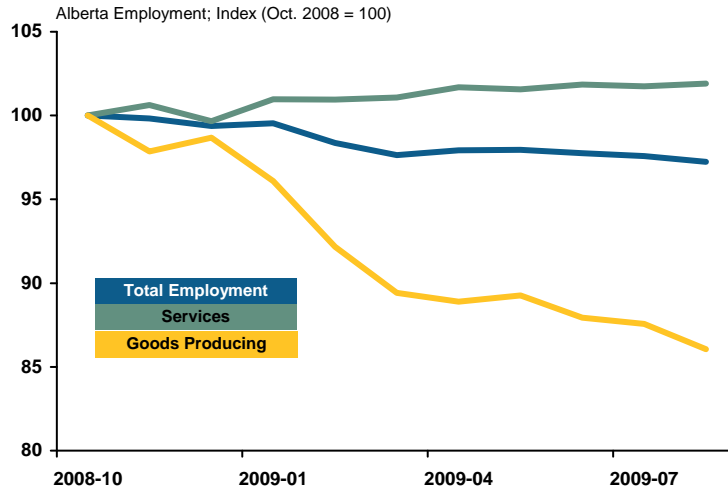
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## EMPLOYMENT IN THE GOODS PRODUCING SECTOR HAS SUFFERED THE MOST



ALBERTA



Source: Statistics Canada

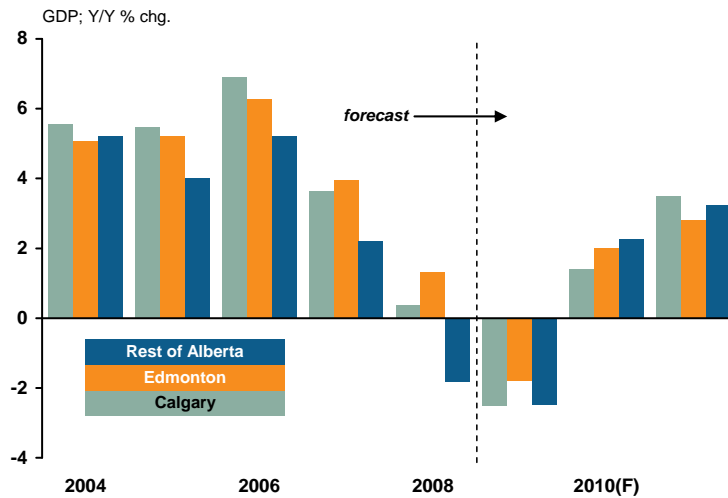
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## MODEST GROWTH TO RESUME IN CALGARY NEXT YEAR



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

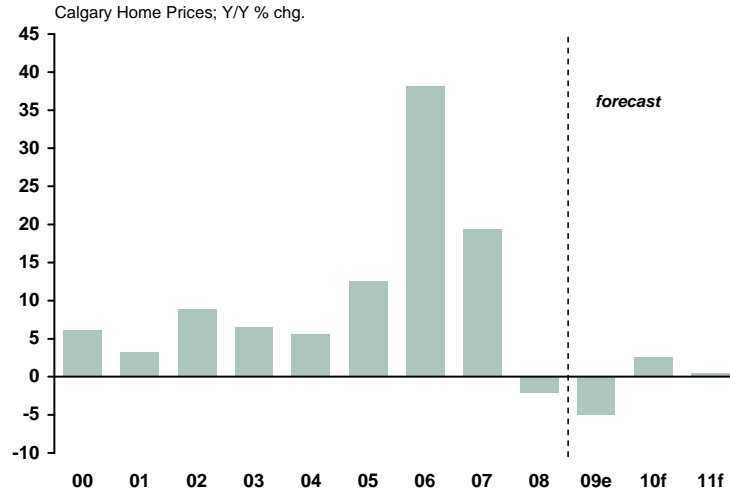
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## HOUSING PRICES ARE SET FOR A SMALL RECOVERY

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Source: Canadian Real Estate Association; Forecast by TD Economics

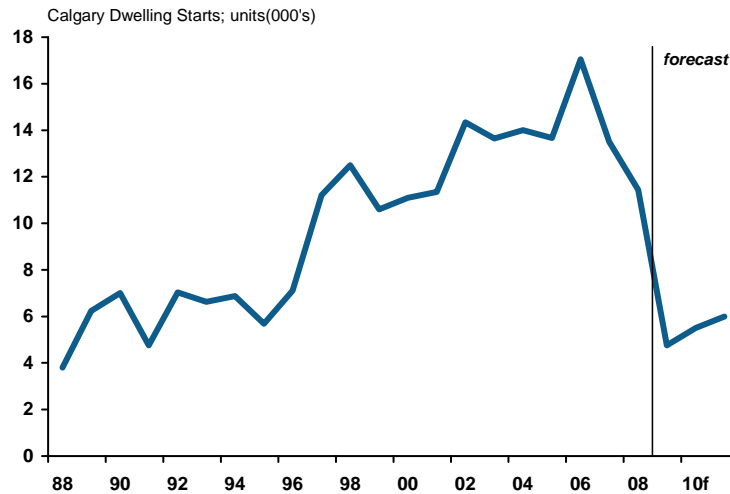
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## BUT STARTS WILL REMAIN LOW

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

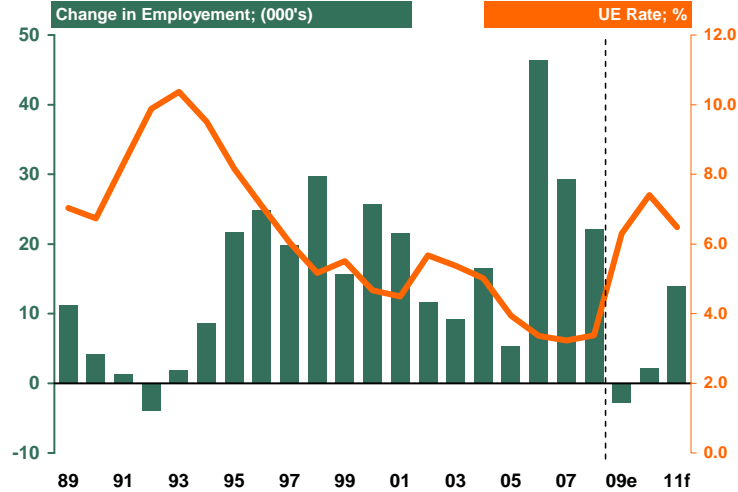
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# UNEMPLOYMENT RATE TO PEAK IN 2010



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

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