



The Economic & Financial Outlook

Beata Caranci

SVP & Chief Economist
TD Economics

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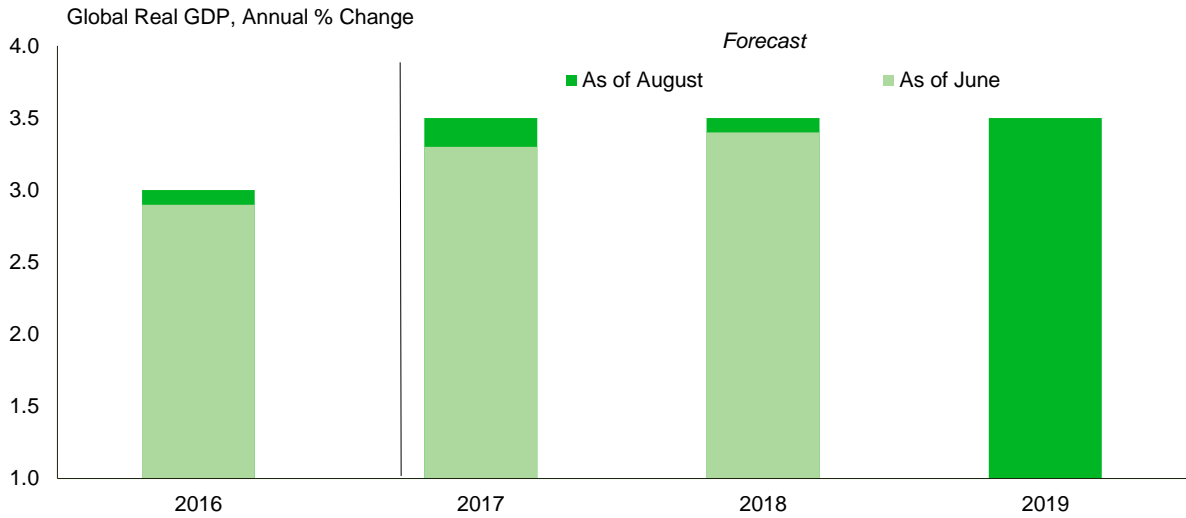


Key Themes

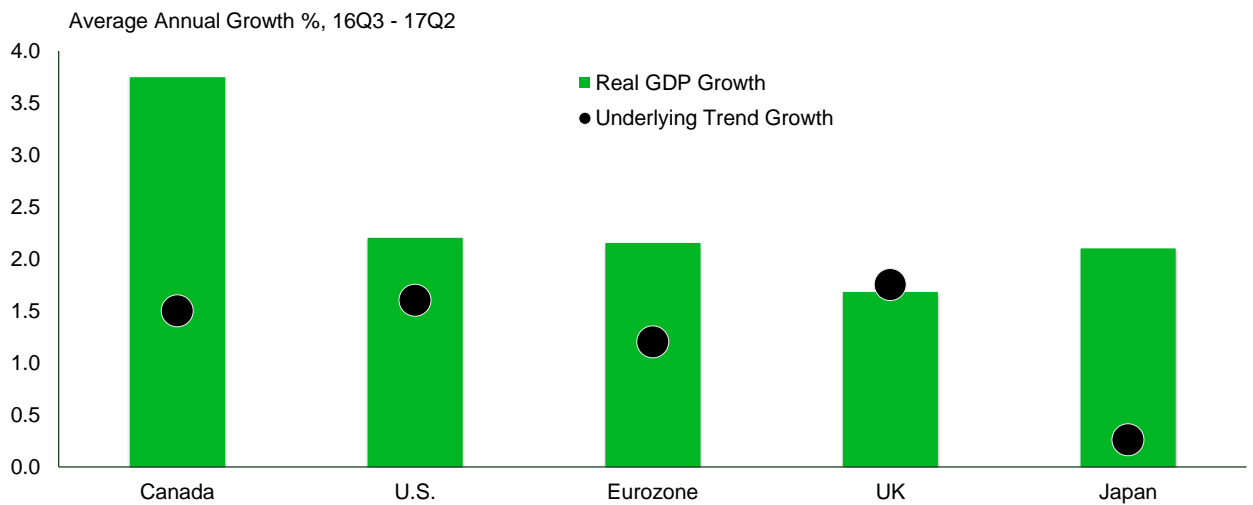


- Synchronized global economic acceleration has put monetary policy normalization in focus
- Canada leads the pack; Bank of Canada responds swiftly
- But, headwinds evident
 - Ontario housing market adjusting faster and deeper than B.C. experience
 - Trade/manufacturing shows signs of cooling
 - How long can the consumer sugar-rush last?
- U.S. economic growth evolving as expected
 - Key segments of economy look solid: employment, consumer spending, investment
 - Government policy remains source of uncertainty
 - Hurricane events don't cause recessions

Stable Tracking Of Global Growth

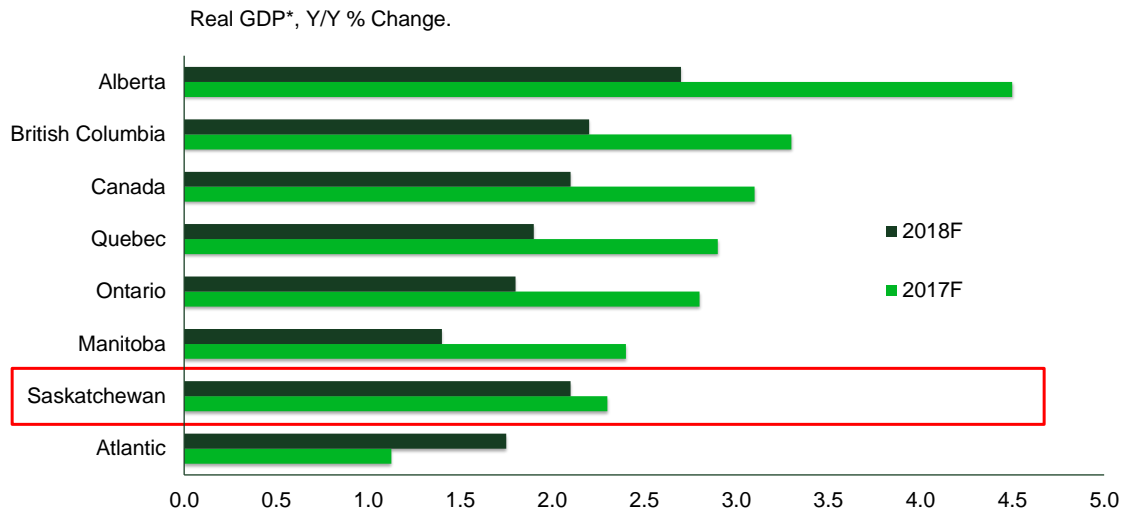


Canada Tops The Leader Board



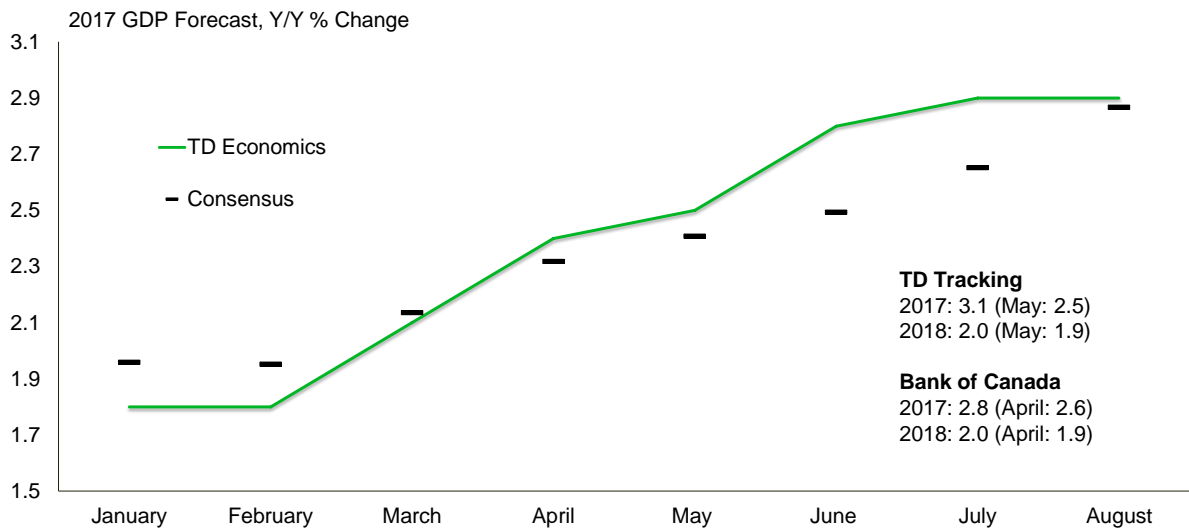
Source: Haver Analytics, TD Economic

Broad Strength Evident Across Provinces



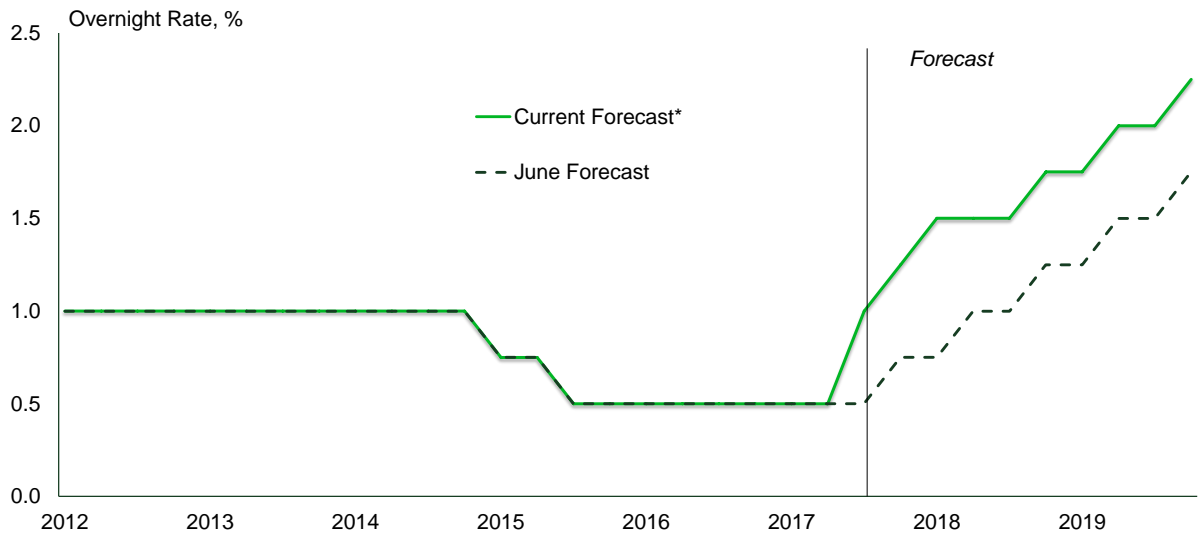
Source: Forecast by TD Economics as of September 11, 2017. *Please note that the forecast is preliminary and subject to change.

Canadian Economic Forecasts Steadily Revised Higher



Source: Consensus Economics, TD Economics.

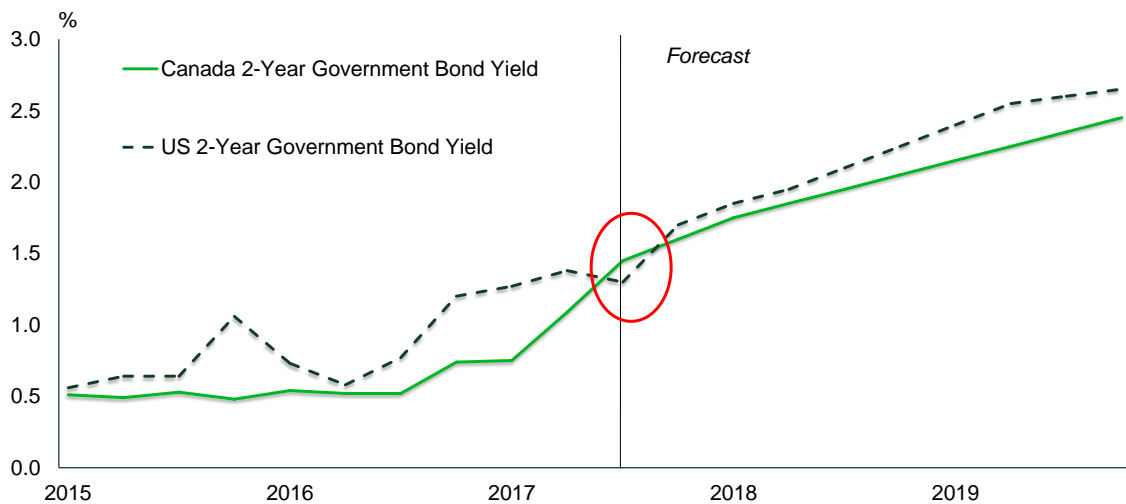
Bank Of Canada Sees Enough To Scratch Seven-Year Itch



Source: Haver Analytics. * Forecast by TD Economics as of September 2017.

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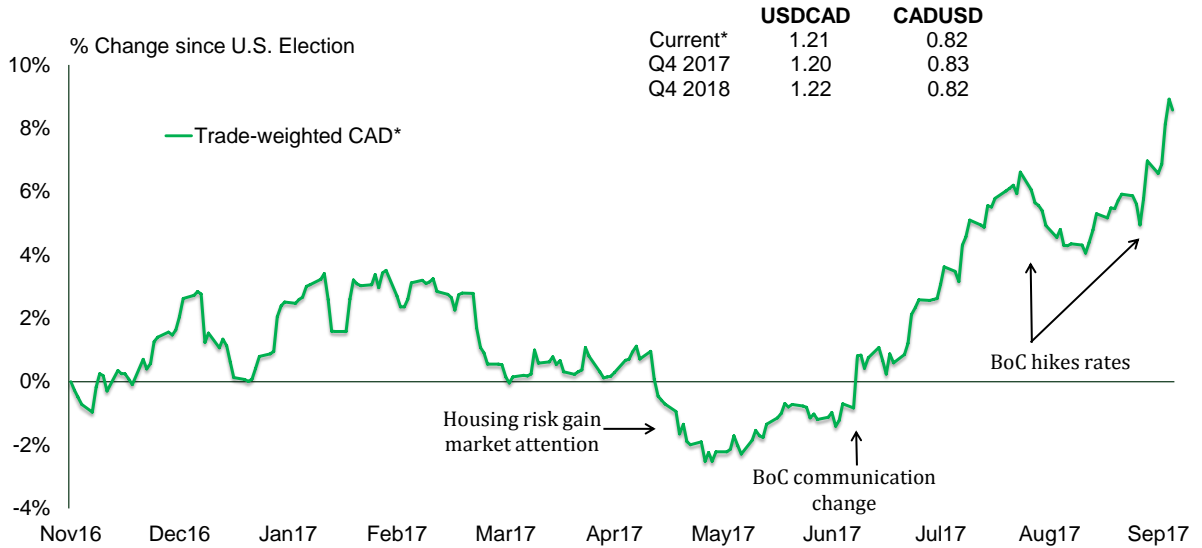
Canadian Yields Cross Above U.S. Counterparts



Source: TD Economics, Haver Analytics.

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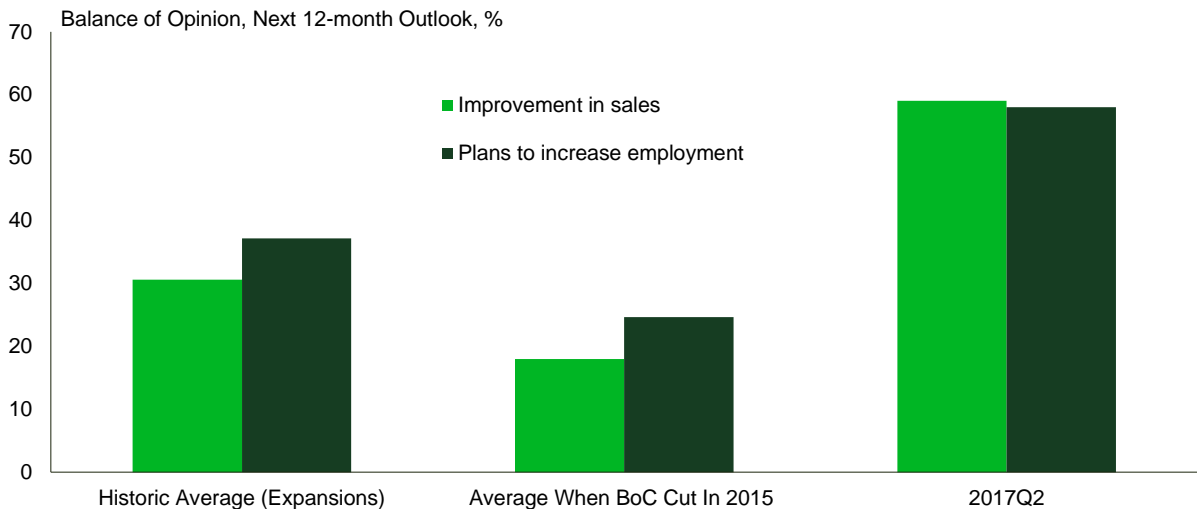
Strengthening CAD Offers Tighter Financial Conditions



Source: TD Economics, FRB, BoC. *US\$ (76.1%), Euro (9.3%), Yen (5.3%), Yuan (3.3%), Peso (3.3%), Pound (2.7%). Current: as of September 11, 2017.

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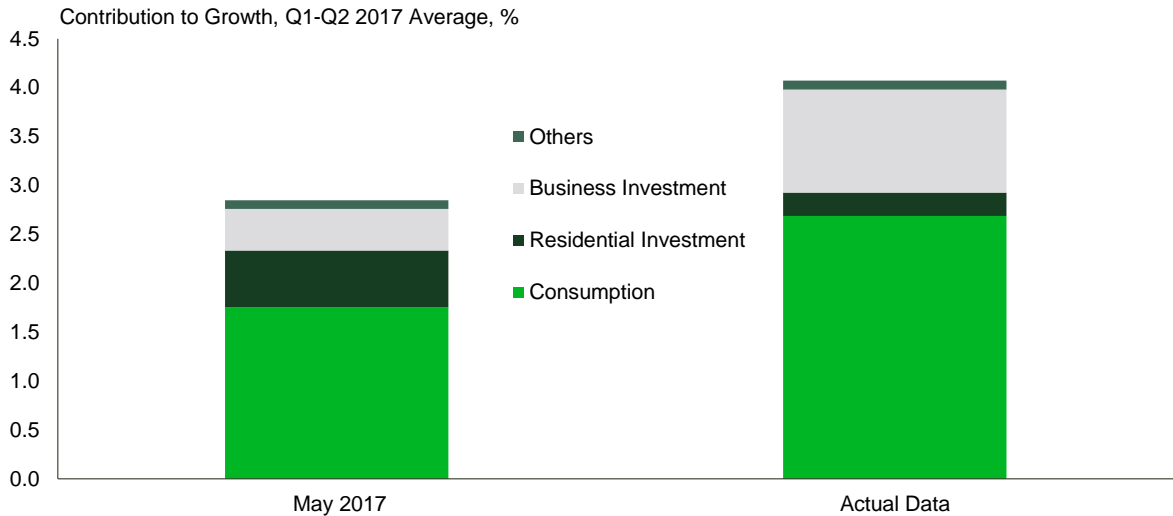
BoC Outlook Survey Becomes Important Guide To Policy Decisions



Source: Bank of Canada, TD Economics

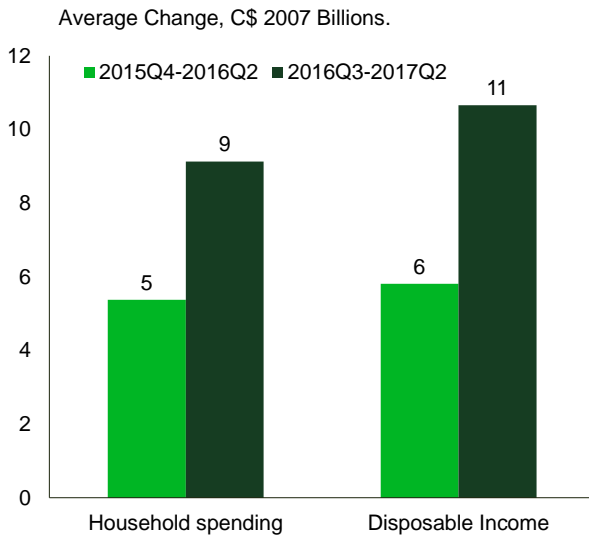
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Upside Strength Coming From Consumer Spending & Business Investment

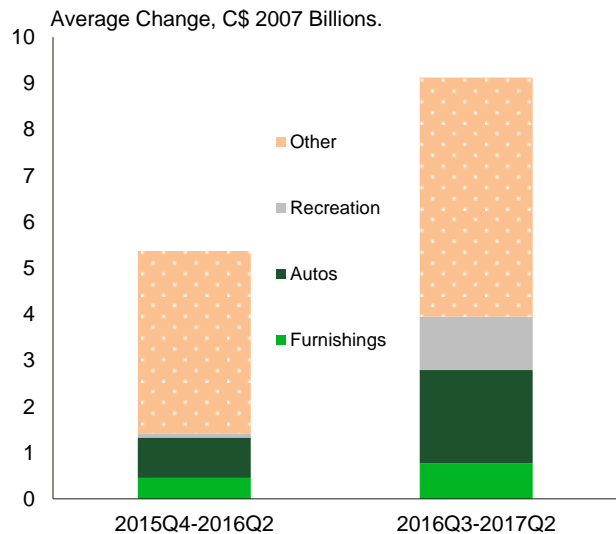


Source: Statistics Canada, TD Economics.

Income Growth Has Supported Consumer Spending



Source: Statistics Canada, TD Economics.

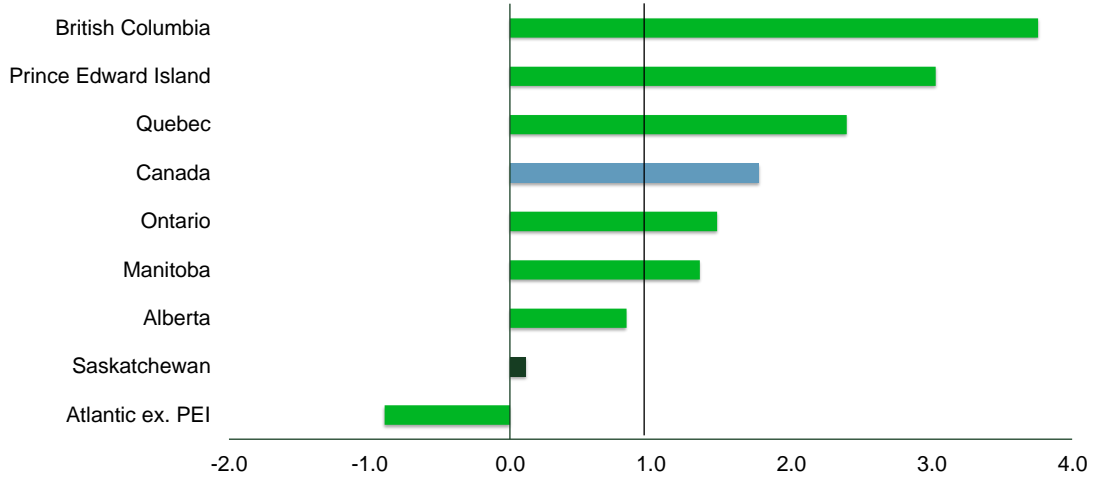


Source: Statistics Canada, TD Economics.

Provincial Employment Generally Strong



Employment, 2017 Year-To-Date % Change

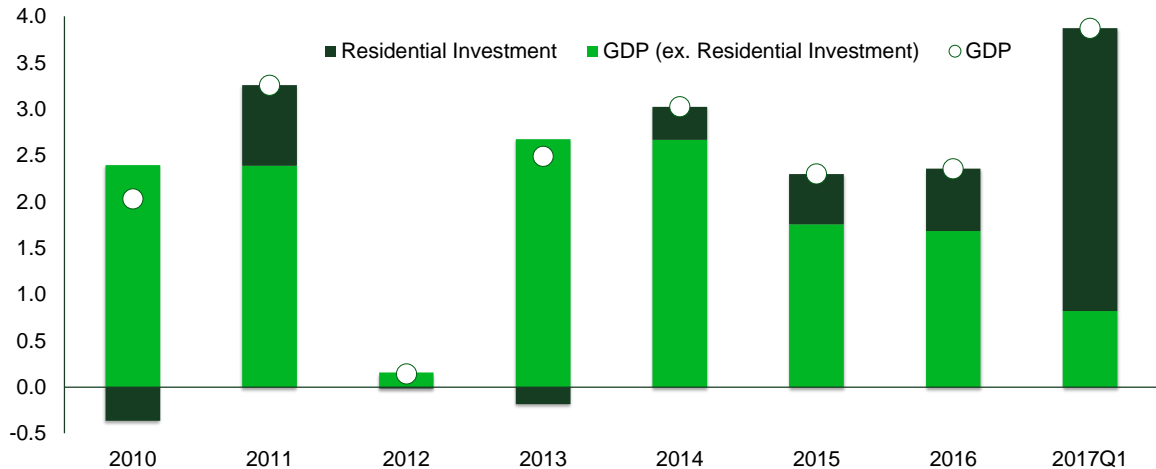


Source: Statistics Canada, TD Economics, Haver Analytics.

Residential Investment Goosed Ontario, Putting Into Question Sustainability

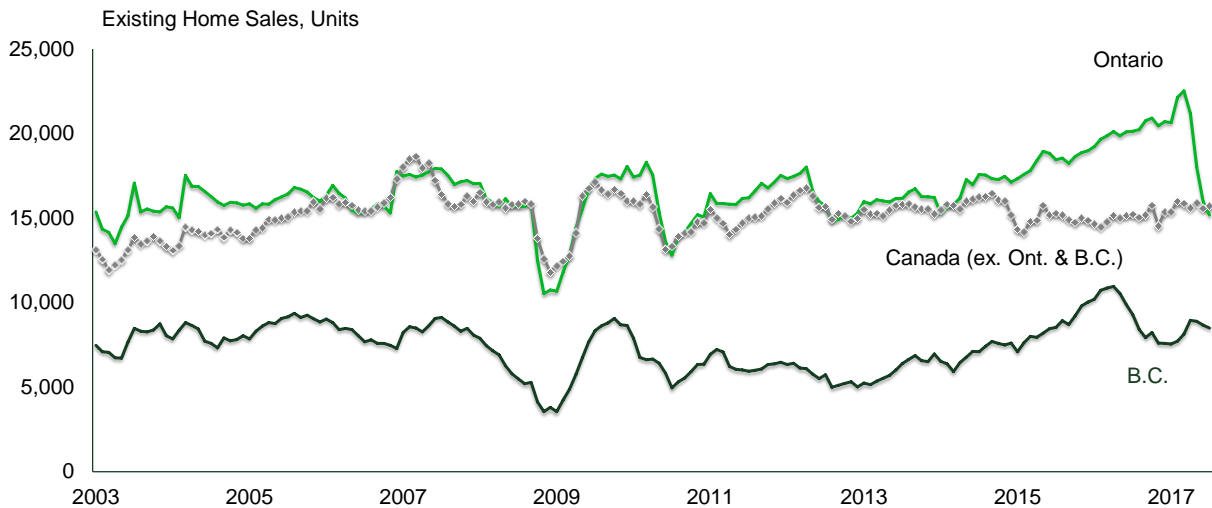


Ontario Real GDP Growth; Y/Y % Change



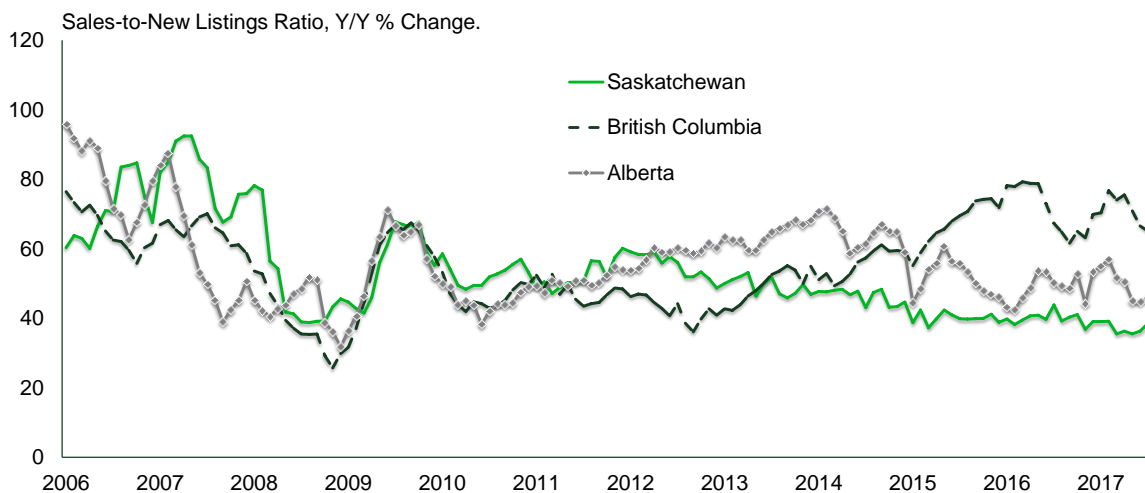
Source: Statistics Canada, OMF, TD Economics

Data Since Ontario's Fair Housing Plan... Harder Landing Than B.C. Experience



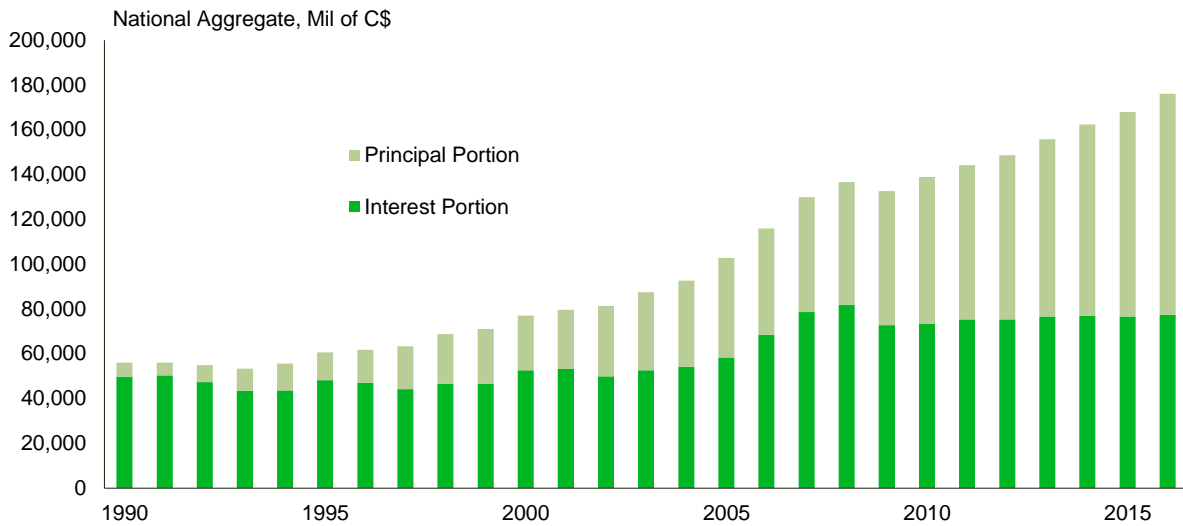
Source: CREA, TD Economics

Demand-Supply Dynamics In The West



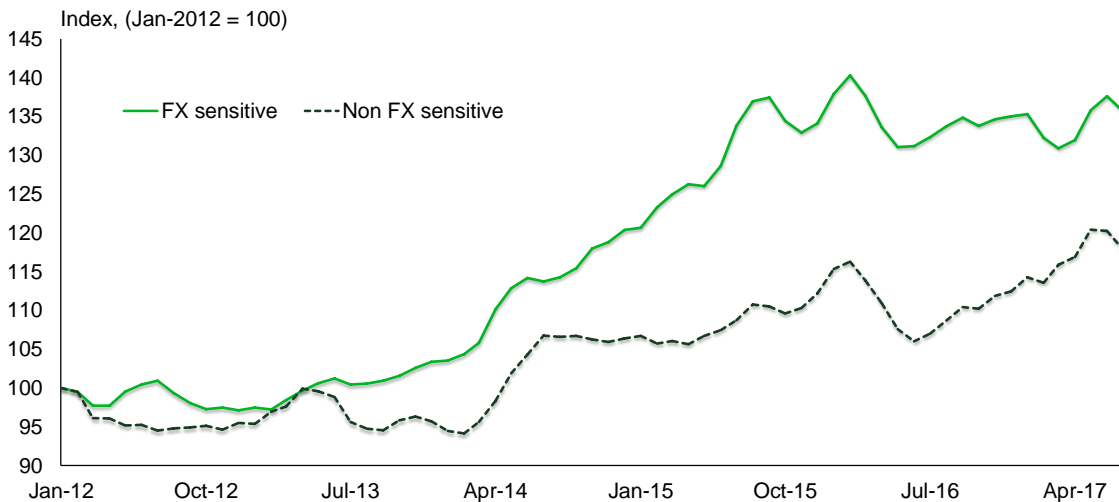
Source: TD Economics, Haver Analytics.

Mortgage Holders Have Room To Absorb Higher Rates



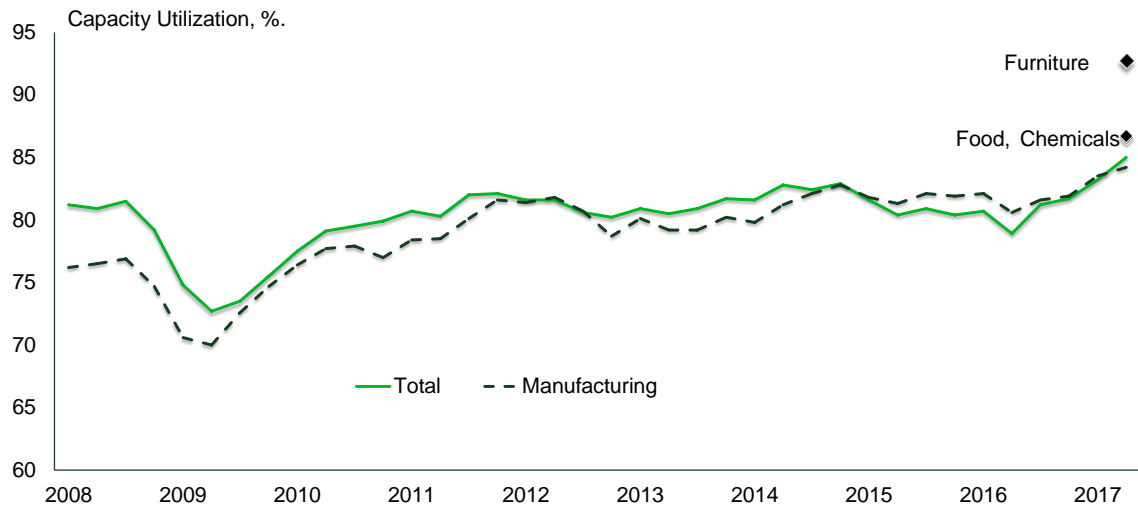
Source: Statistics Canada, TD Economics

Canadian Dollar May Slow Exports As A Growth Drivers



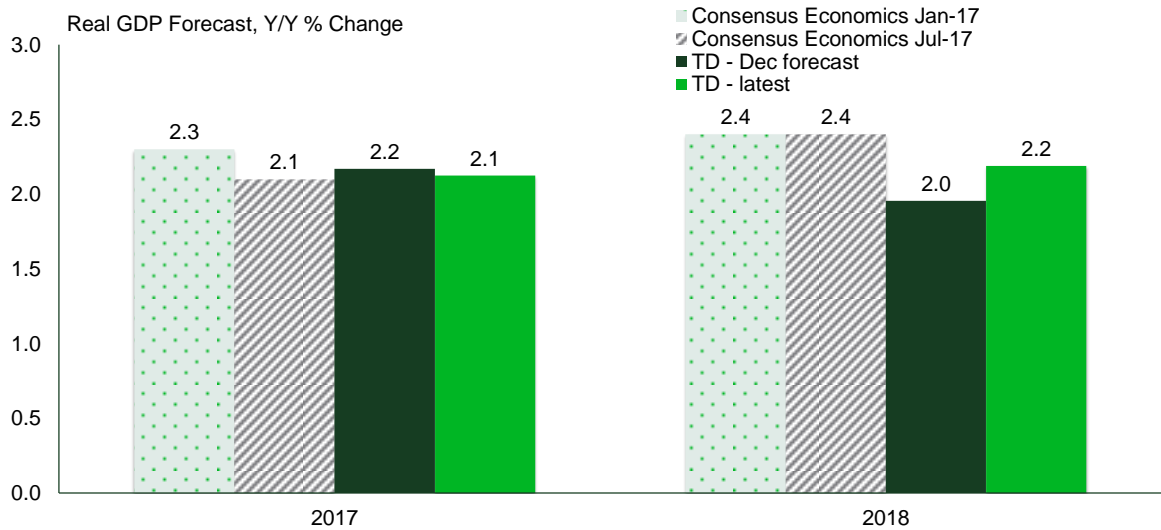
Sources: Statistics Canada, Bank of Canada, TD Economics.
 Note: 3-month moving average of exports are expressed in nominal terms.

Waiting For Capacity Pressures To Fuel Investment



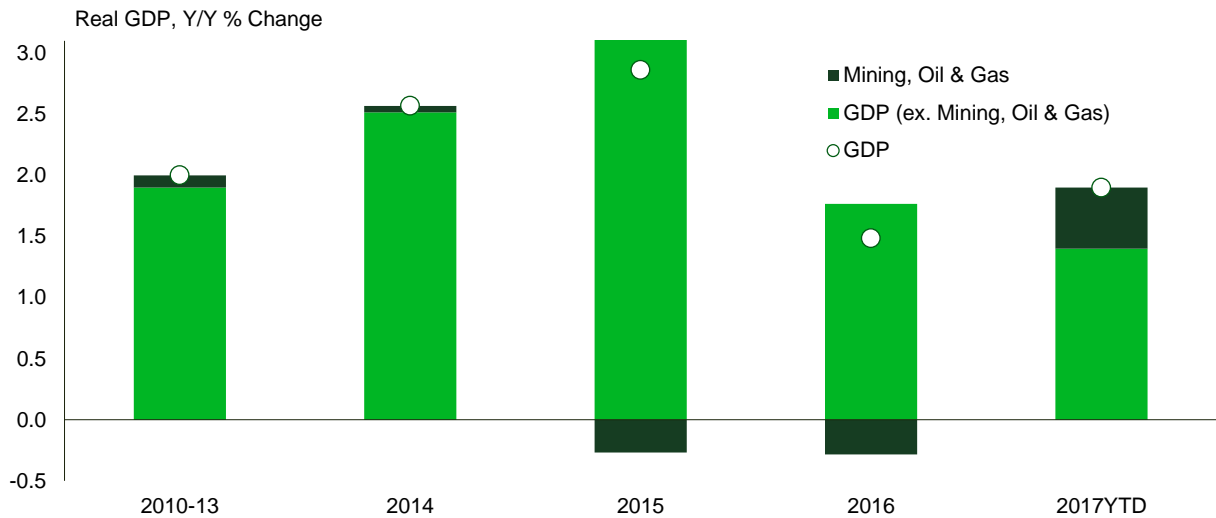
Source: Statistics Canada, TD Economics

U.S. Economy: The Steady-Eddie Of The Pack



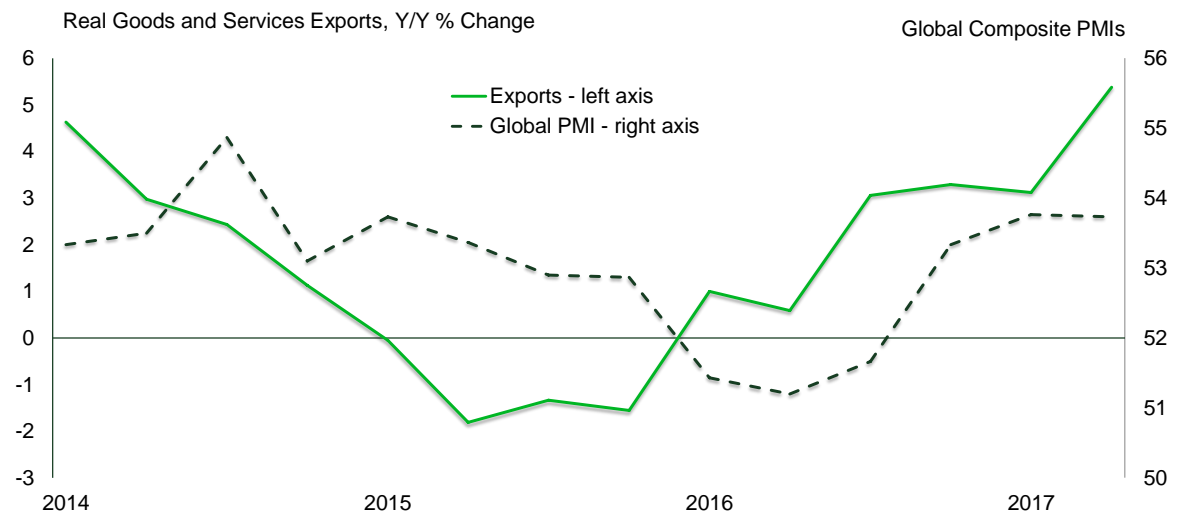
Source: Consensus Economics Forecast, TD Economics

Rebound In Drilling Activity Lends A Helping Hand



Source: BEA, TD Economics

Better Global Growth Momentum Lifts U.S. Exports



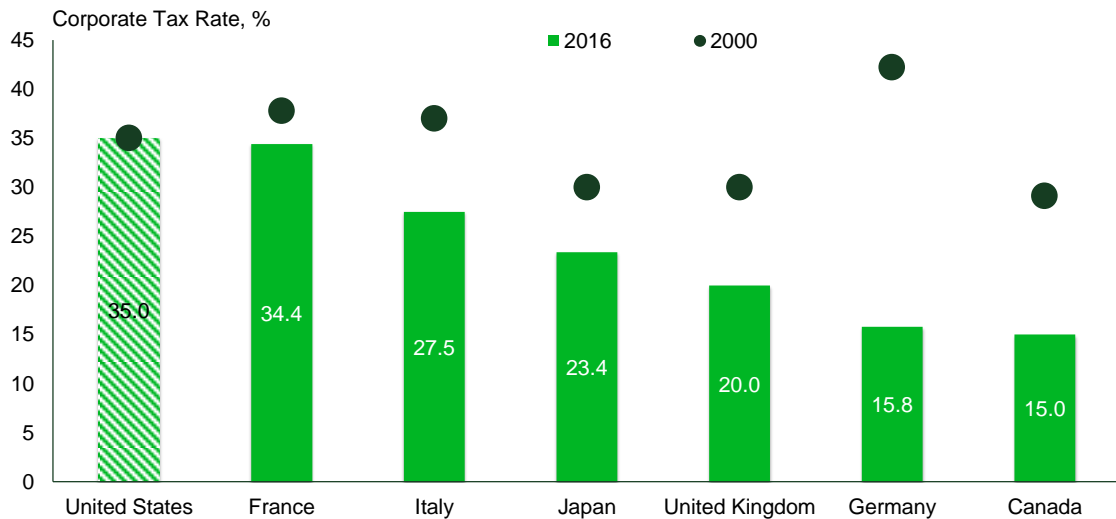
Source: BEA/Haver Analytics, TD Economics

Business Investment Optimism Remains In Tact



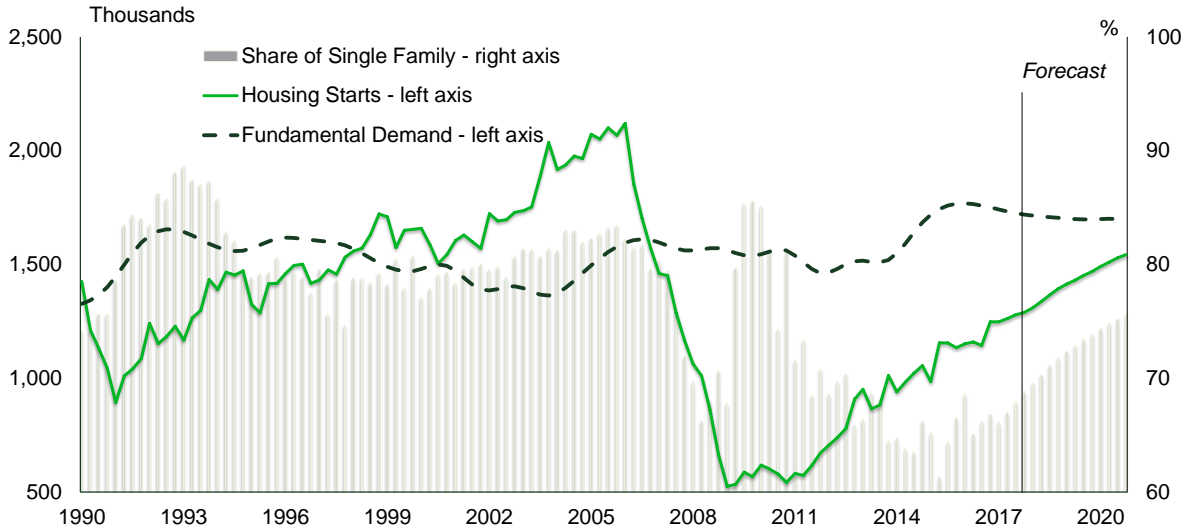
Source: NFIB Survey, TD Economics. *3-month Moving Average

A Good Case For Lower U.S. Corporate Tax Rates



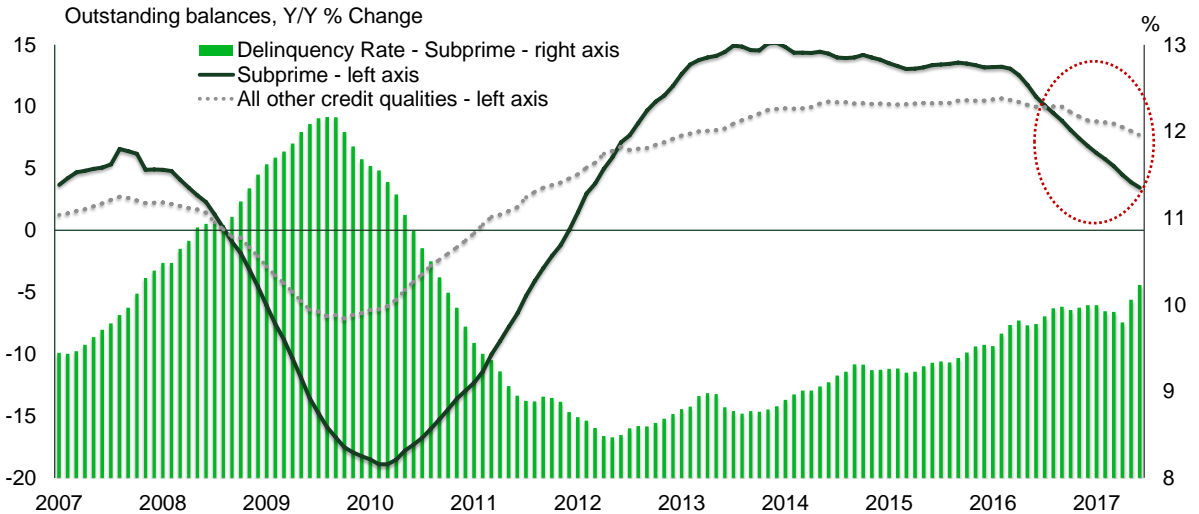
Source: OECD, TD Economics.

Housing Maintains Significant Growth Potential



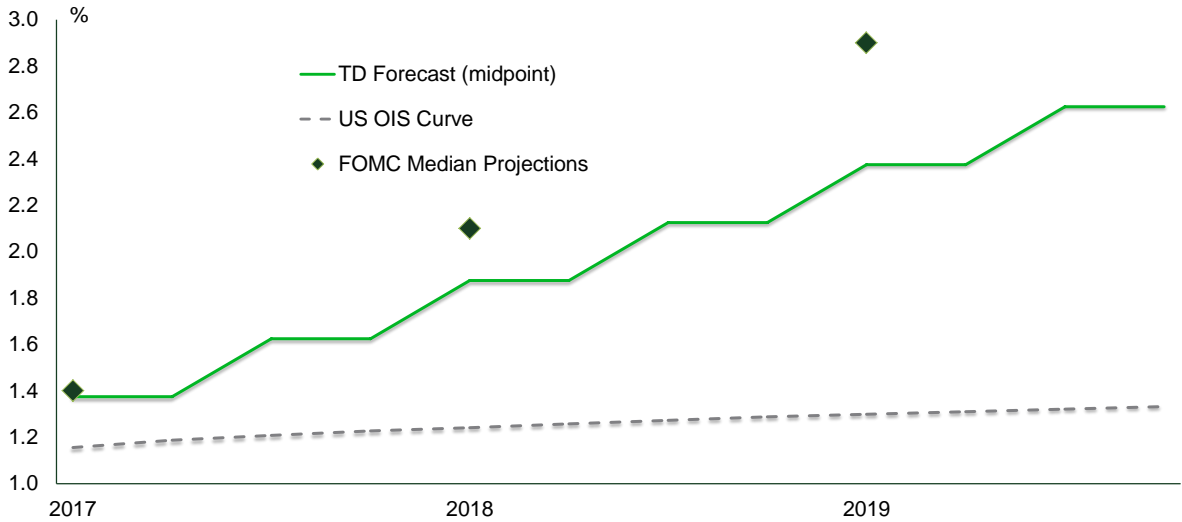
Note: Forecast of fundamental demand assumes age group headship rates remain constant.
Source: Census Bureau, TD Economics

Some Areas Have Topped Out: Tighter Credit Standards Have Slowed Subprime Auto Loans



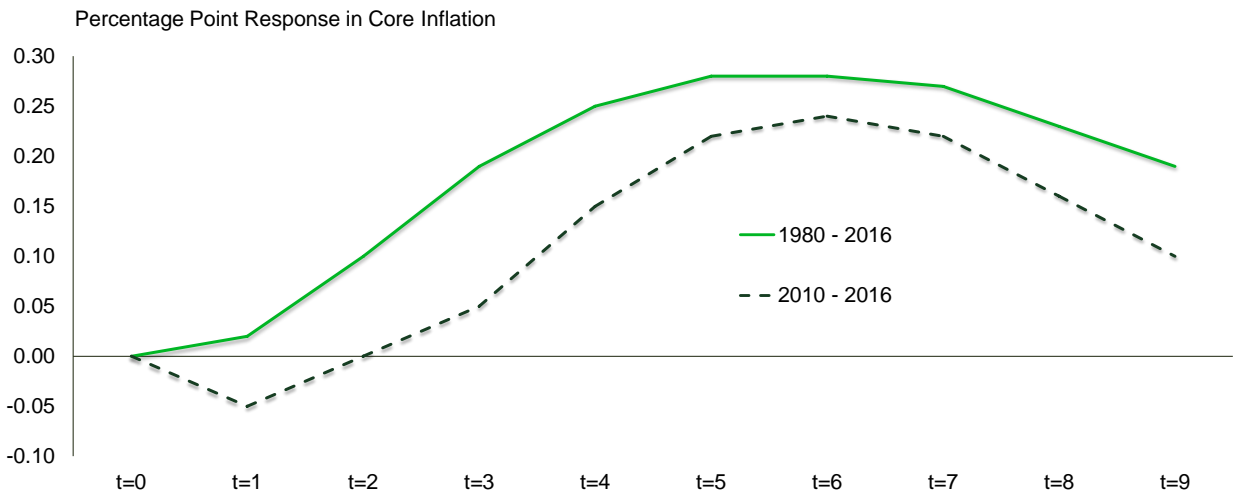
Source: Equifax, TD Economics.
Note: *Subprime ERS < 620, other credit ERS 620-800+

Federal Reserve Not Done Raising Rates...



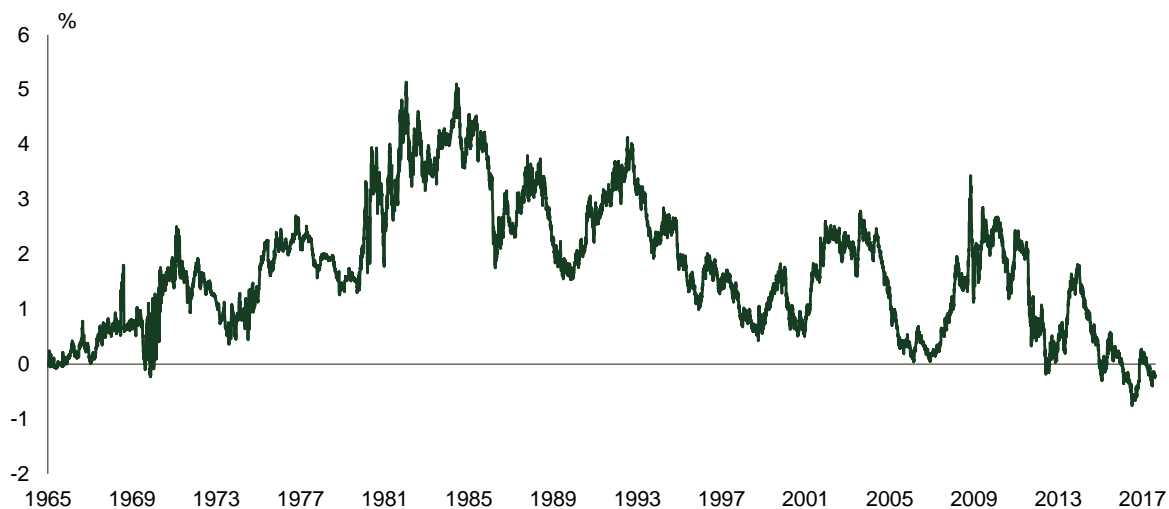
Source: Bloomberg, Haver Analytics, TD Economics

Change In Inflation Dynamics Risks Policy Error



Source: FRB, TD Economics.
*Rolling estimates until 2016Q4 of a 2 standard deviation shock to the output gap on core CPI

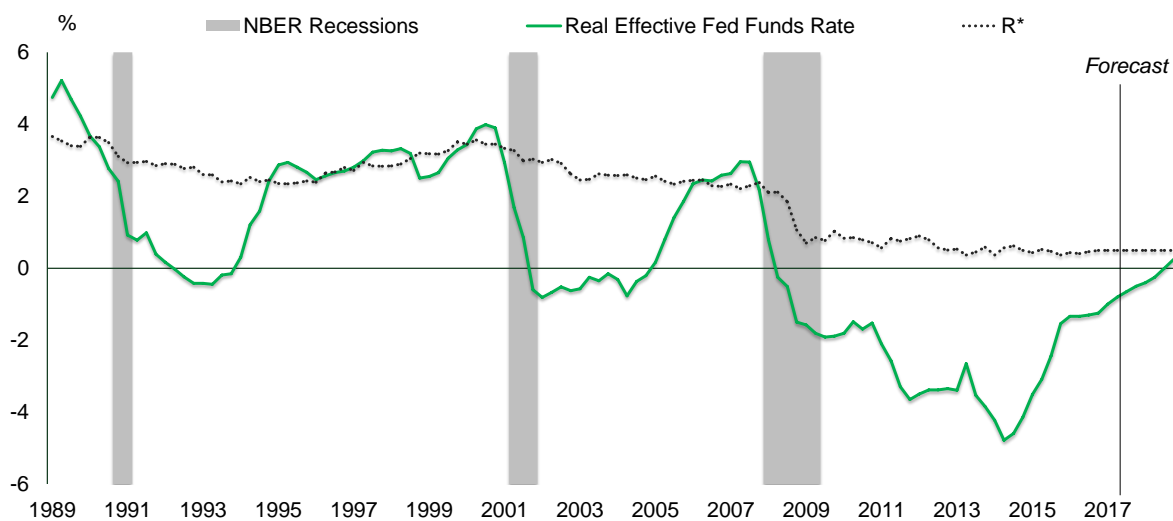
Are Bond Yields Poised To Pop Higher? Term Premium Risks



Source: FRB, FRBNY, TD Economics.

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Caution Required On Policy Normalization



Source: TD Economics, BLS, FRB. R* is the natural real rate of interest using long run growth and inflation.

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