

Building the
better bank
every day

U.S. ECONOMIC OUTLOOK

Beata Caranci, Director of Economic Forecasting
March 2010

 **TD Bank Financial Group**

 **TD Bank Financial Group**

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.

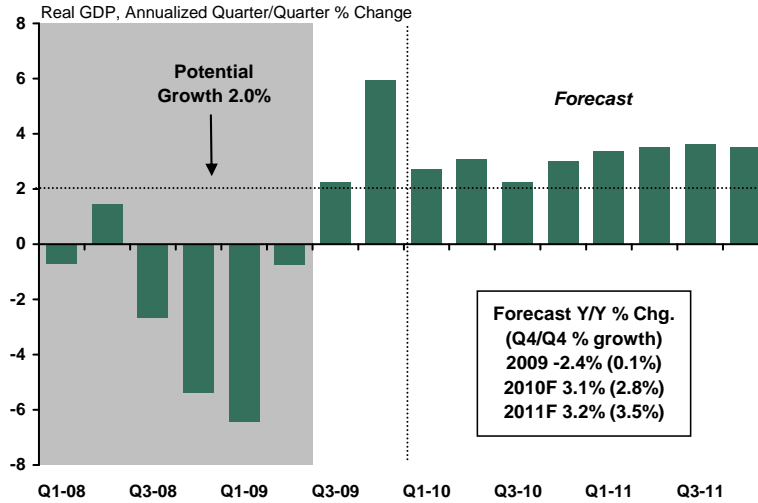
Contact Information
Phone: 416 982 8065
Email: td.economics@td.com

www.td.com/economics

2

U.S. RECESSION HAS ENDED

U.S.



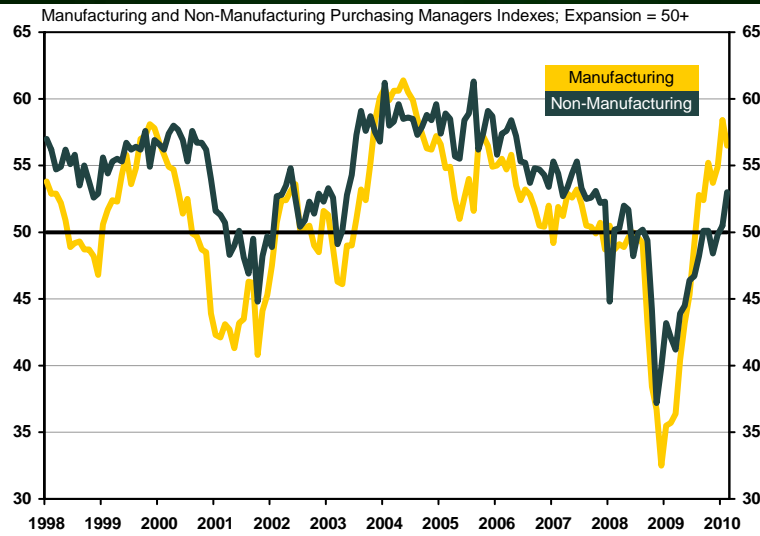
Forecast by TD Economics as at March 2010;
Source: Bureau of Economic Analysis/Haver Analytics

www.td.com/economics

3

PRODUCTION IS COMING BACK ONLINE

U.S.



Source: Institute for Supply Management

www.td.com/economics

4

FUELED BY RESURGENCE IN EXPORTS



U.S.



Source: U.S. Census Bureau and Haver Analytics.

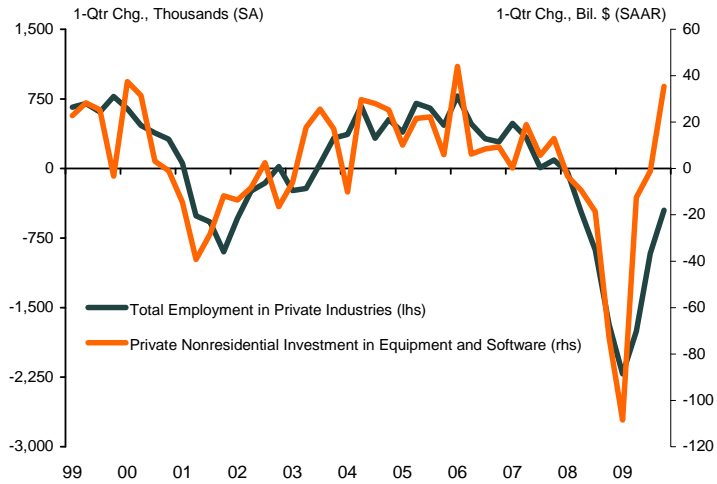
www.td.com/economics

5

INVESTMENT = JOBS



U.S.



Source: Bureau of Labor Statistics, Bureau of Economic Analysis and Haver Analytics.

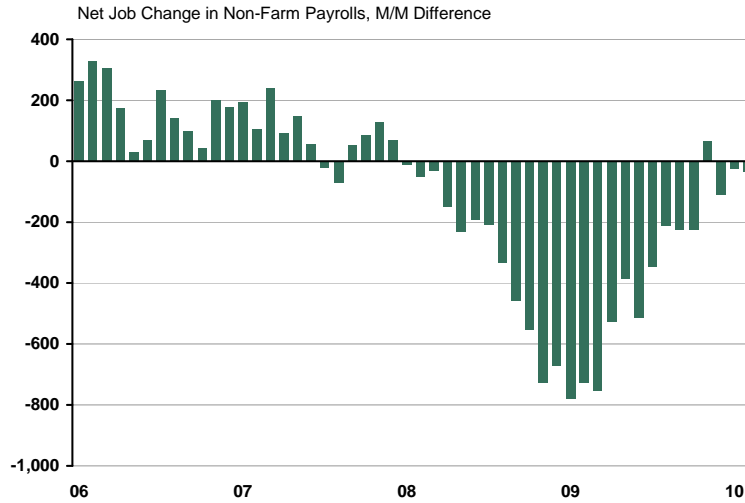
www.td.com/economics

6

JOB LOSSES SLOWING



U.S.



Source: Bureau of Labor Statistics

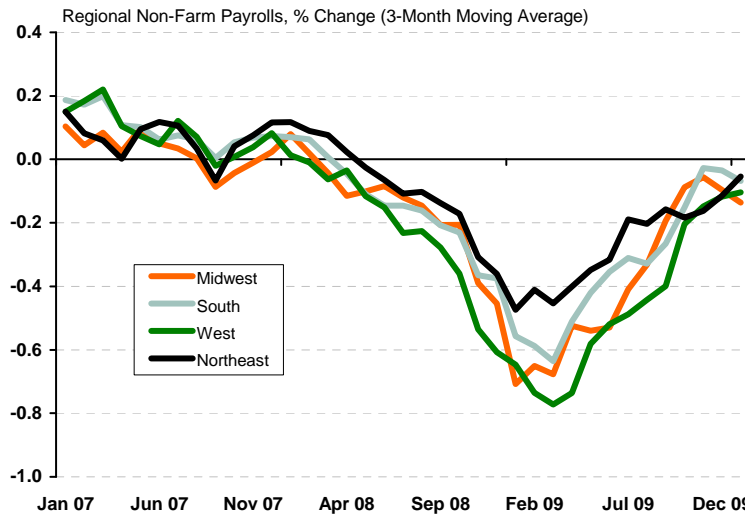
www.td.com/economics

7

AND ARE ON THE MEND REGIONALLY



U.S.



Source: Bureau of Labour Statistics , Moody's/Economy.com, TD Economics

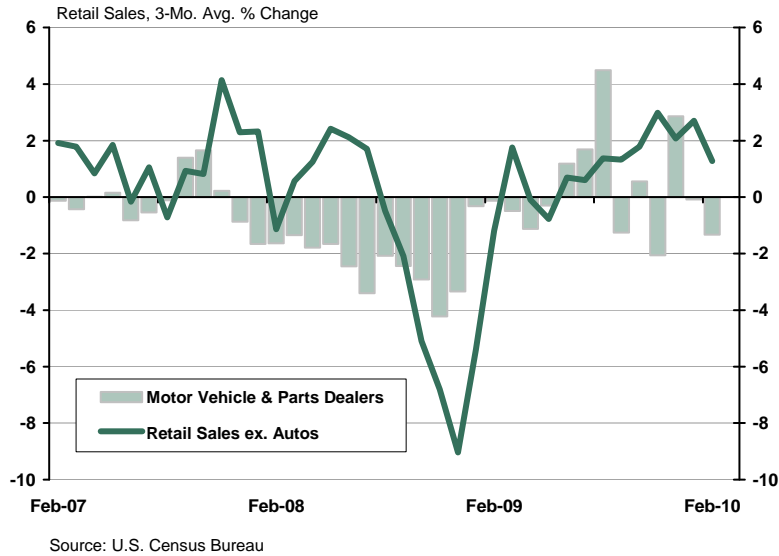
www.td.com/economics

8

RETAIL SPENDING GAINING SOME MOMENTUM



U.S.



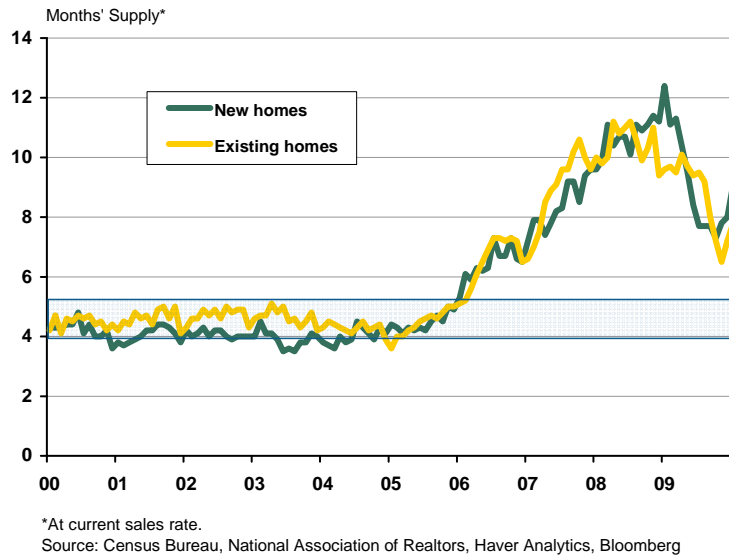
www.td.com/economics

9

HOUSING MARKET ON THE MEND?



U.S.

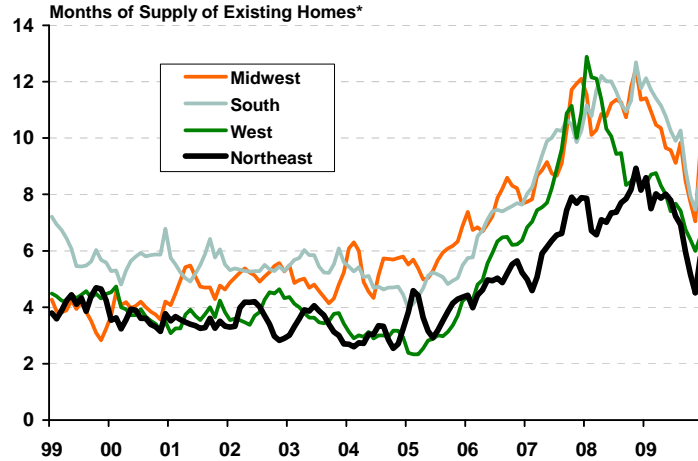


www.td.com/economics

10

NORTHEAST INVENTORIES IN BETTER SHAPE

U.S.



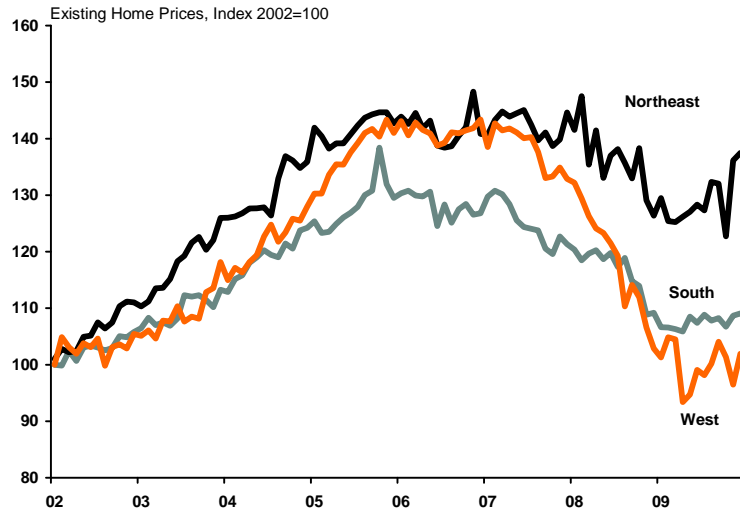
*At current sales rate.
Source: Census, NAR, Moody's Economy.com, and TD Economics estimates.

www.td.com/economics

11

NORTHEAST MARKET A CUT ABOVE THE REST

U.S.



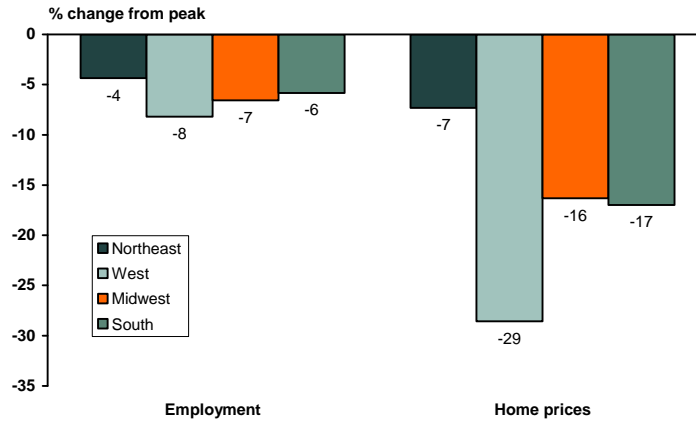
Source: Economy.com

www.td.com/economics

12

HERE'S HOW THEY STACK UP

COMPARISONS FROM PEAK LEVELS

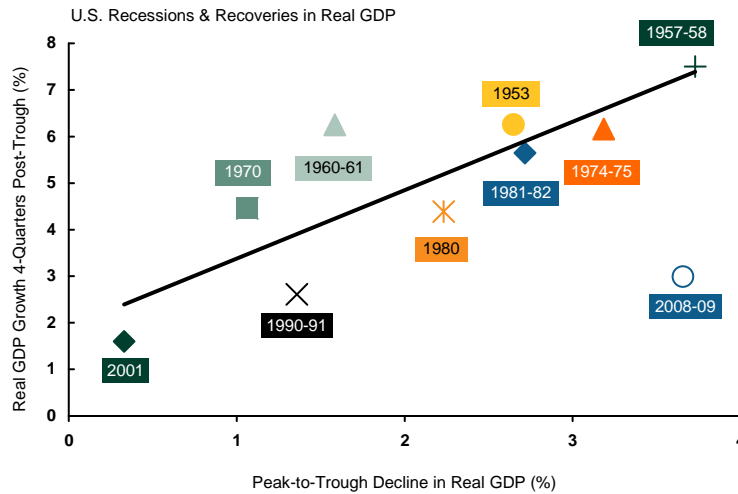


U.S.

www.td.com/economics

13

HOWEVER THE RECOVERY WILL BE GRADUAL ...



U.S.

www.td.com/economics

14

... AS THE ECONOMY CONTINUES TO FACE STRONG "HEADWINDS"



U.S.

1. Housing
2. Employment
3. Household Balance Sheets
4. Credit Flows
5. Commercial Real Estate
6. Stimulus Measures

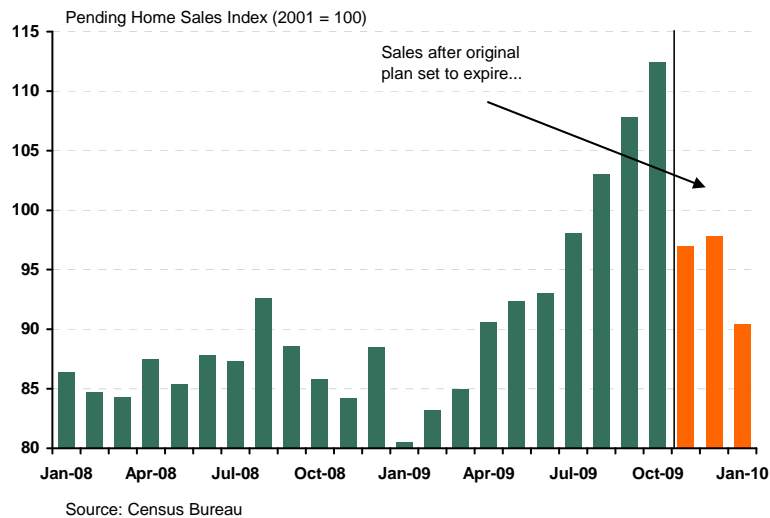
www.td.com/economics

15

1. HOUSING SALES BUOYED BY TEMPORARY TAX CREDIT



U.S.



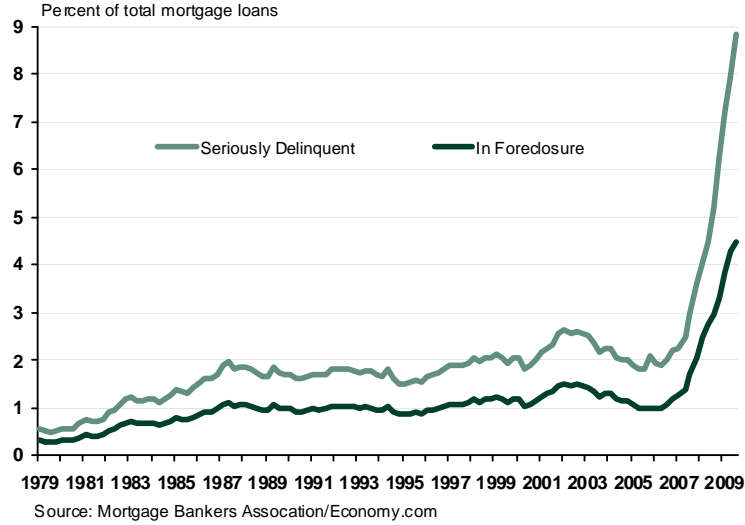
www.td.com/economics

16

AND FORECLOSURES REMAIN AN ISSUE



U.S.



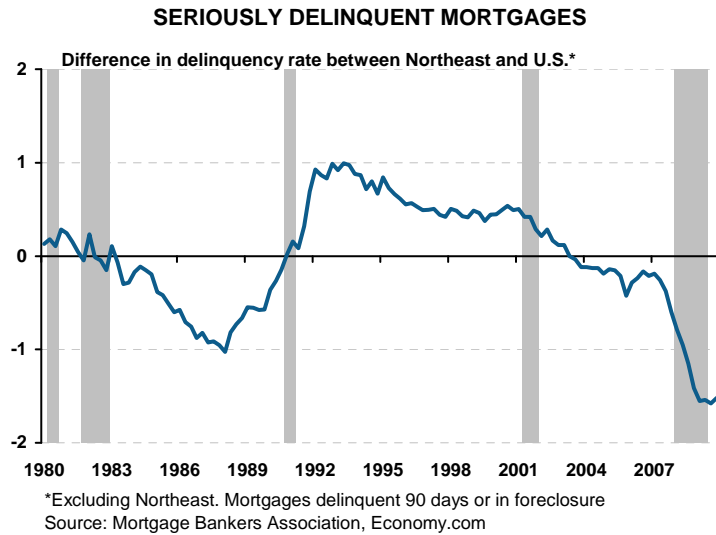
www.td.com/economics

17

LESS SO IN NORTHEAST



U.S.



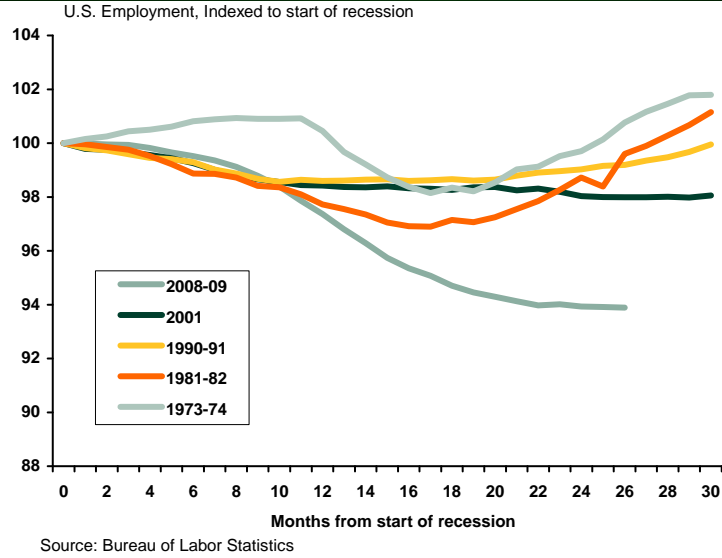
www.td.com/economics

18

2. JOBS HAVE A LONG WAY TO CLAW BACK



U.S.



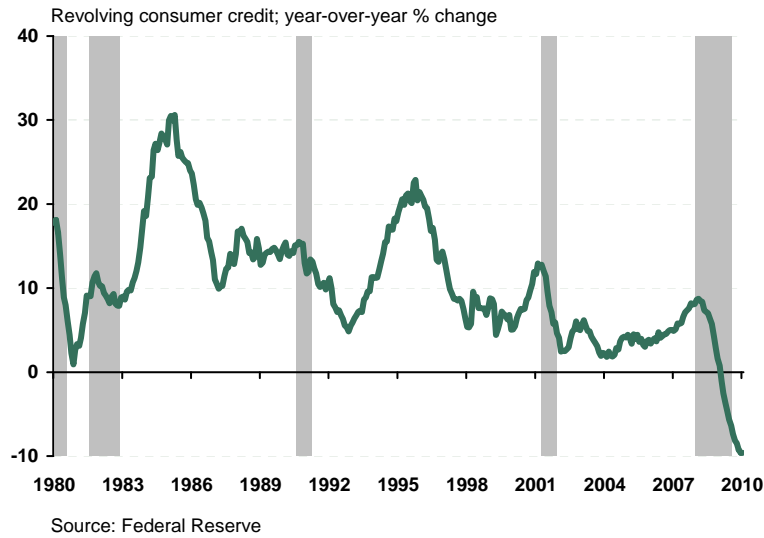
www.td.com/economics

19

3. BALANCE SHEETS DRIVING HOUSEHOLDS TO DELEVERAGE



U.S.



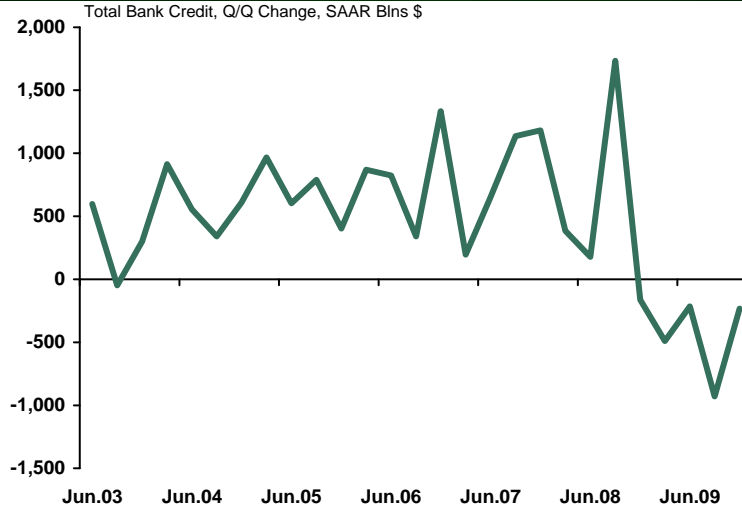
www.td.com/economics

20

4. BANKS HAVE CUT BACK ON LENDING ...



U.S.



Source: Federal Reserve Bank, * Includes: Bank Loans, Mortgages, & Consumer Credit

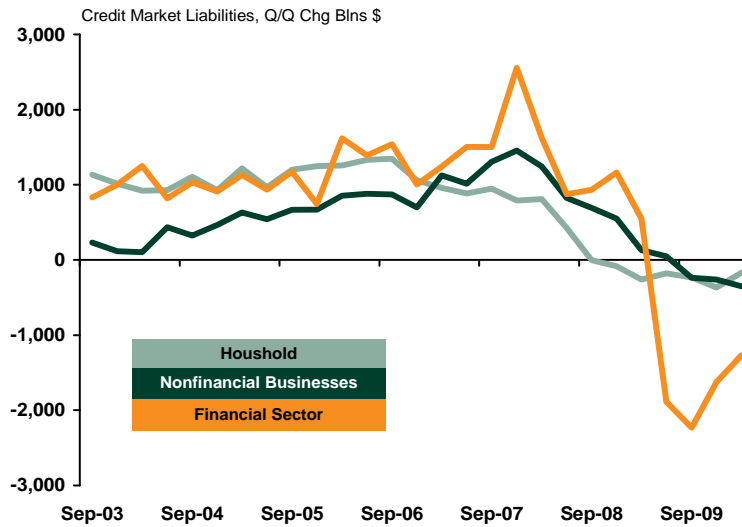
www.td.com/economics

21

... AND CREDIT CONTINUES TO CONTRACT ACROSS THE PRIVATE SECTOR



U.S.



Source: Federal Reserve Flow of Funds

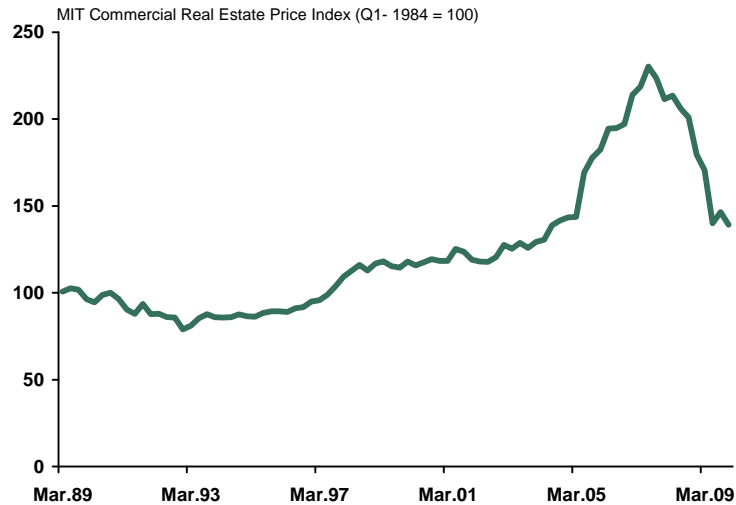
www.td.com/economics

22

5. COMMERCIAL REAL ESTATE CONTINUES TO FACE CHALLENGES



U.S.



Source: MIT Center for Real Estate

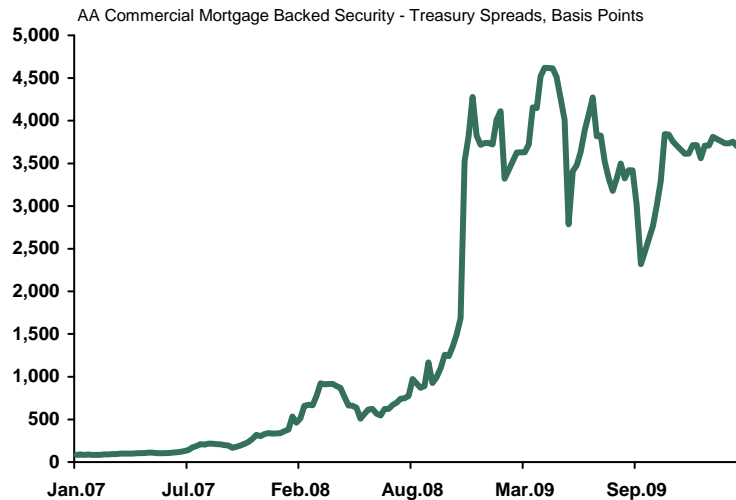
www.td.com/economics

23

WILL COMMERCIAL REAL ESTATE UNHINGE RECOVERY?



U.S.



Source: Bloomberg; Morgan Stanley

www.td.com/economics

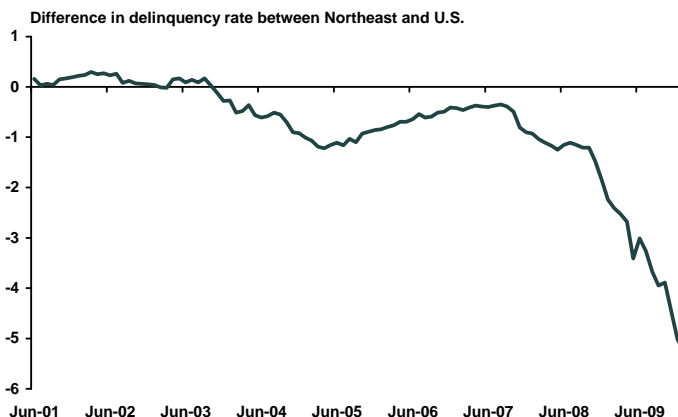
24

NORTHEAST IN BETTER POSITION



U.S.

CMBS DELINQUENCIES



Source: Economy.com

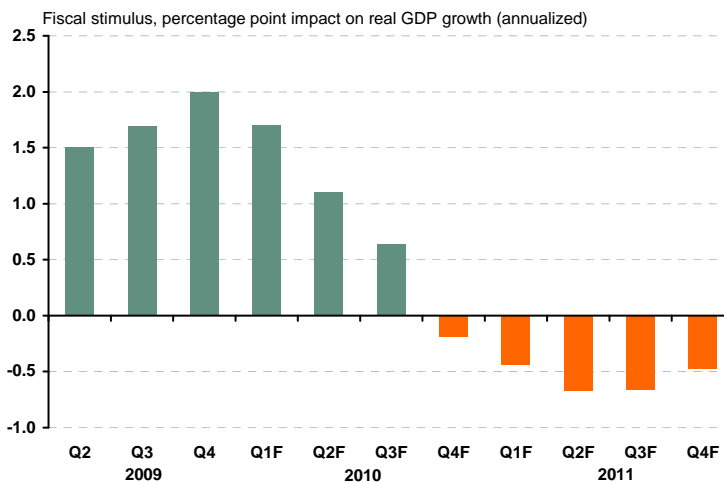
www.td.com/economics

25

6. FISCAL STIMULUS WILL BE A DRAG ON GROWTH AS IT IS WITHDRAWN



U.S.



Estimates by TD Economics based on Congressional Budget Office spend out analysis.

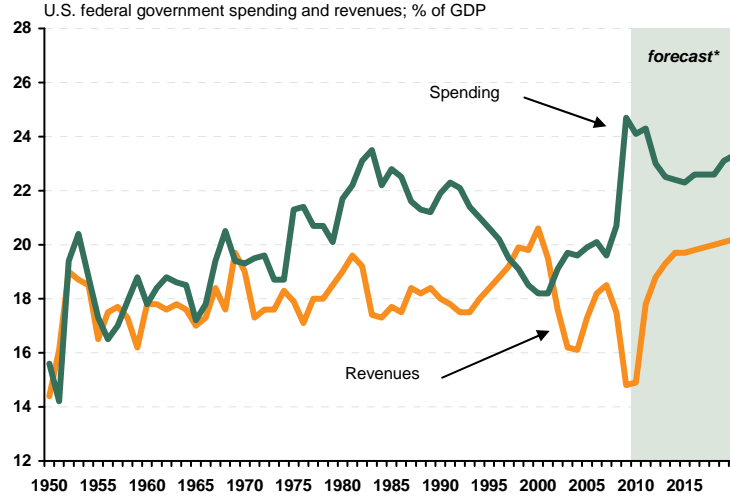
www.td.com/economics

26

A PERIOD OF STRUCTURAL FEDERAL DEFICITS LOOMS



U.S.



Source: Congressional Budget Office, *forecast by CBO

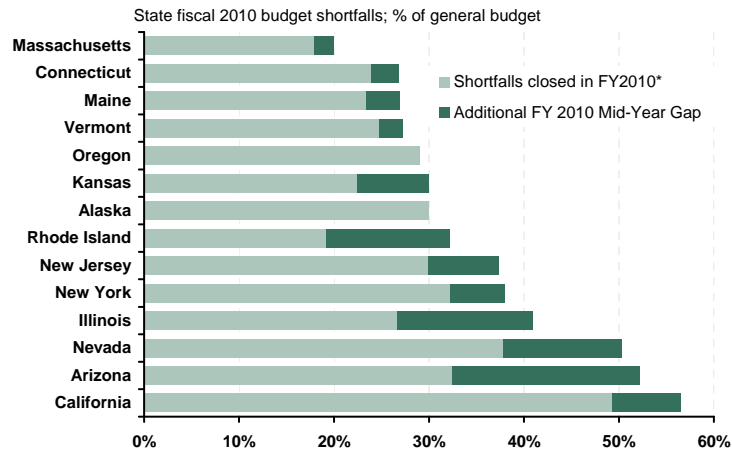
www.td.com/economics

27

STATE GOVERNMENTS CONTINUE TO EXPERIENCE LARGE BUDGET SHORTFALLS



U.S.



*Shortfalls closed through spending cuts, withdrawals from reserves, revenue increases, and use of federal stimulus dollars.

Source: Center on Budget and Policy Priorities

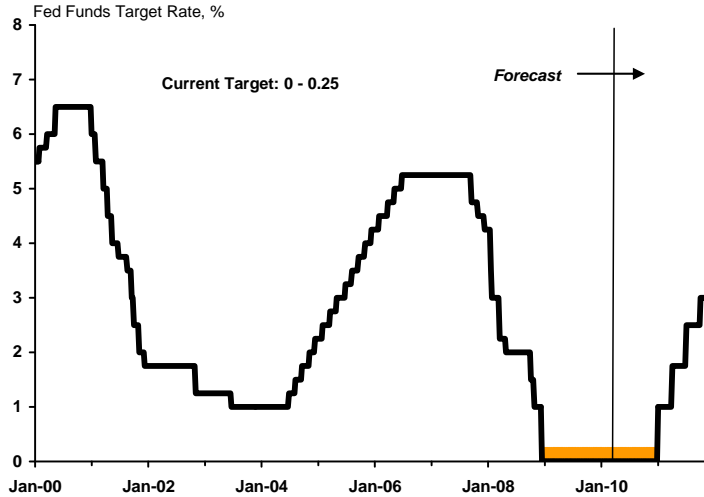
www.td.com/economics

28

FED FUNDS RATE TO REMAIN LOW FOR SOME TIME



U.S.



Forecast by TD Economics as at March 2010;
Source: Bank of Canada, U.S. Federal Reserve Board.

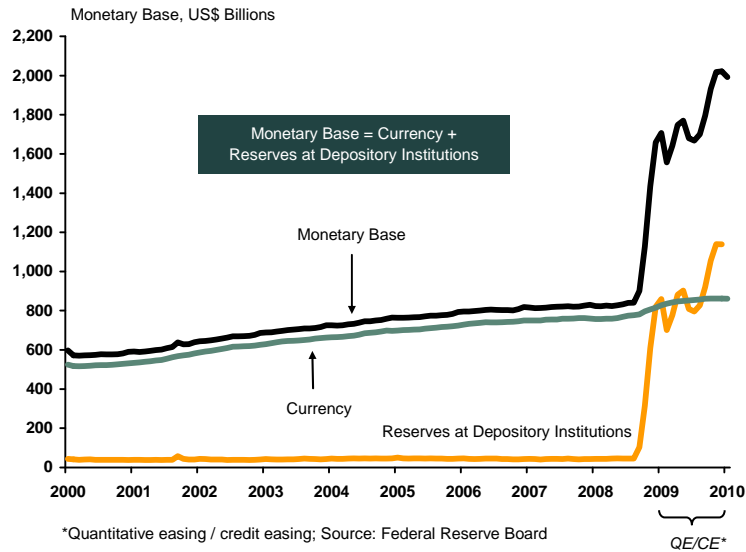
www.td.com/economics

29

BUT AT SOME POINT MONETARY POLICY WILL NEED TO BE REIGNED IN



U.S.



www.td.com/economics

30

OUTLOOK FRAUGHT WITH RISKS...



U.S.

Upside risks:

- U.S. consumers rebound faster than expected
- Home prices recover at faster rate

Downside risks:

- Regulatory uncertainty is an obstacle to credit flows
- Mortgage rates spike as Fed ends purchasing program
- Foreclosures threaten housing recovery
- U.S. dollar weakness sparks inflationary threat
- Unwinding fiscal stimulus too soon or too late
- U.S. commercial real estate market

www.td.com/economics

31



TD Economics

www.td.com/economics

This report is provided by TD Economics for customers of TD Bank Financial Group. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Financial Group and the members of TD Economics are not spokespersons for TD Bank Financial Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Financial Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.

www.td.com/economics

32