

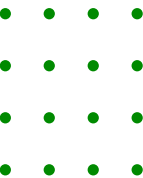


The Economic Outlook

James Marple, Senior Economist, Associate Vice President

January 26, 2023

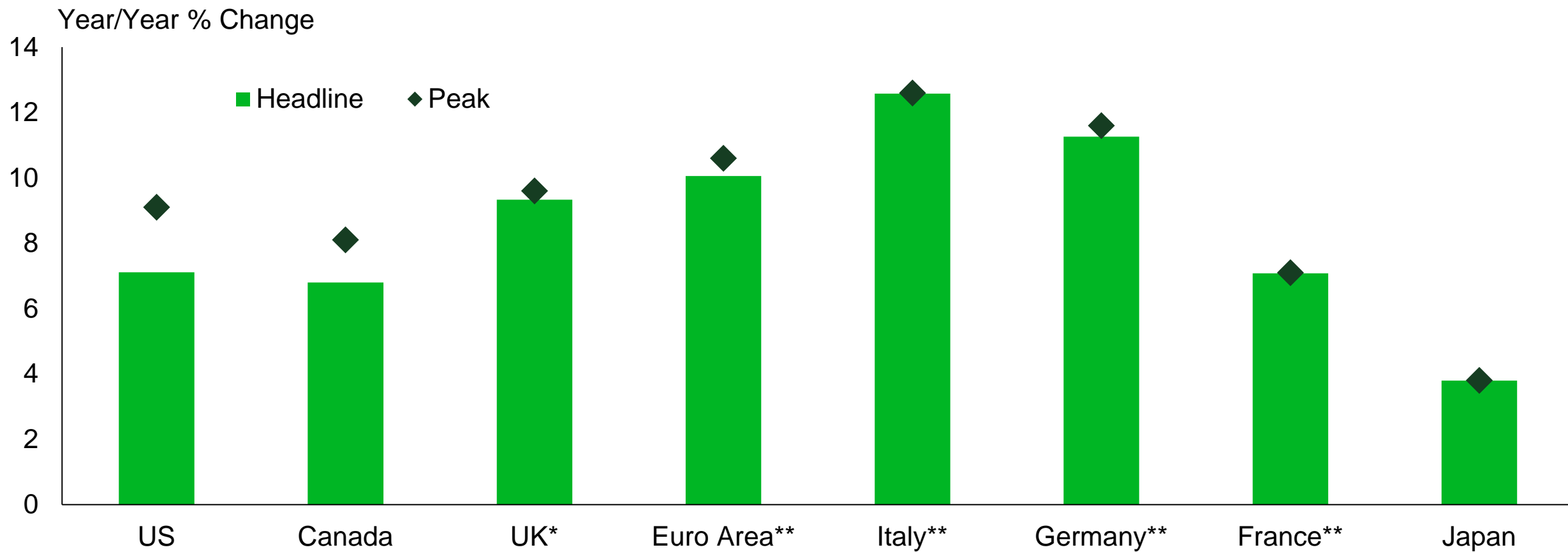
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- Elevated inflation has prompted strong response from global central banks.
- Inflation has slowed recently as global supply chain challenges ease.
- Higher interest rates have led to sharp slowdown in real estate activity.
- Overall economic data has remained resilient.
- U.S. economy likely to slow further over the next year.
- Eventual relief on interest rates should lead to gradual recovery in real estate.

Inflation Battle Continues Across Advanced Economies

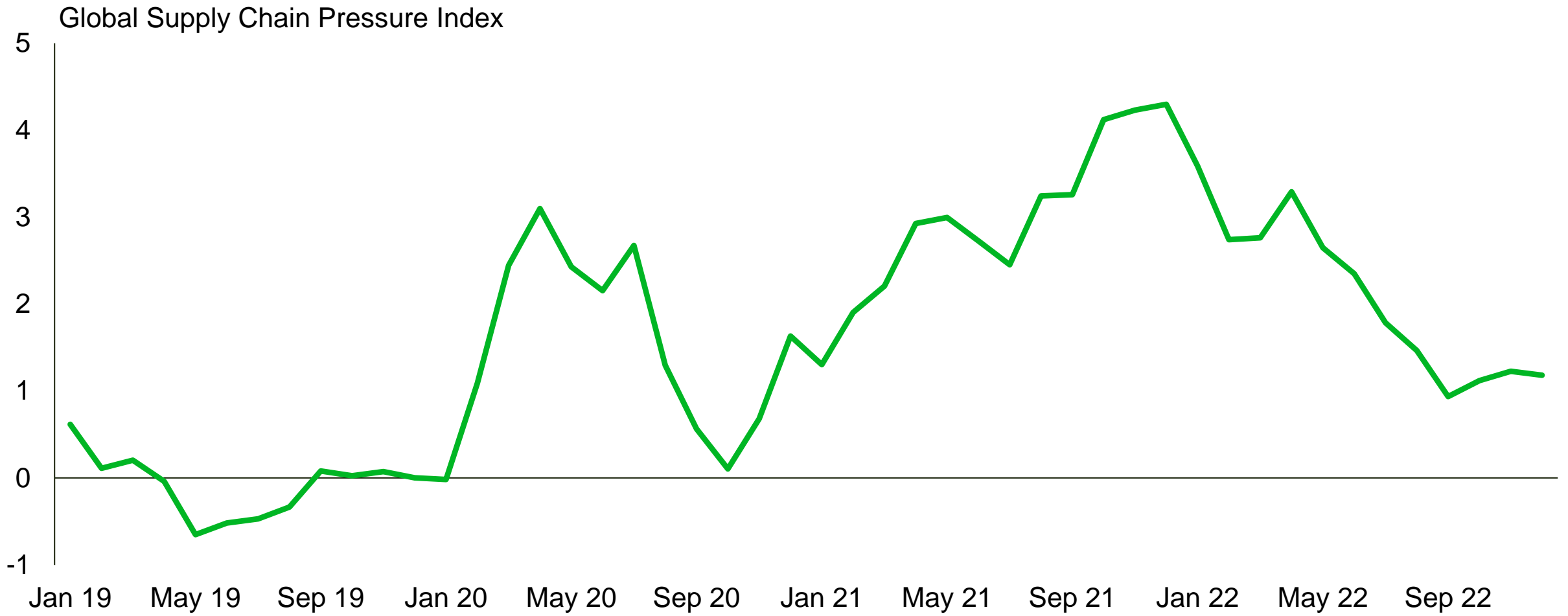


*CPI Including Homeowners' Equivalent Rent

**Harmonized CPI.

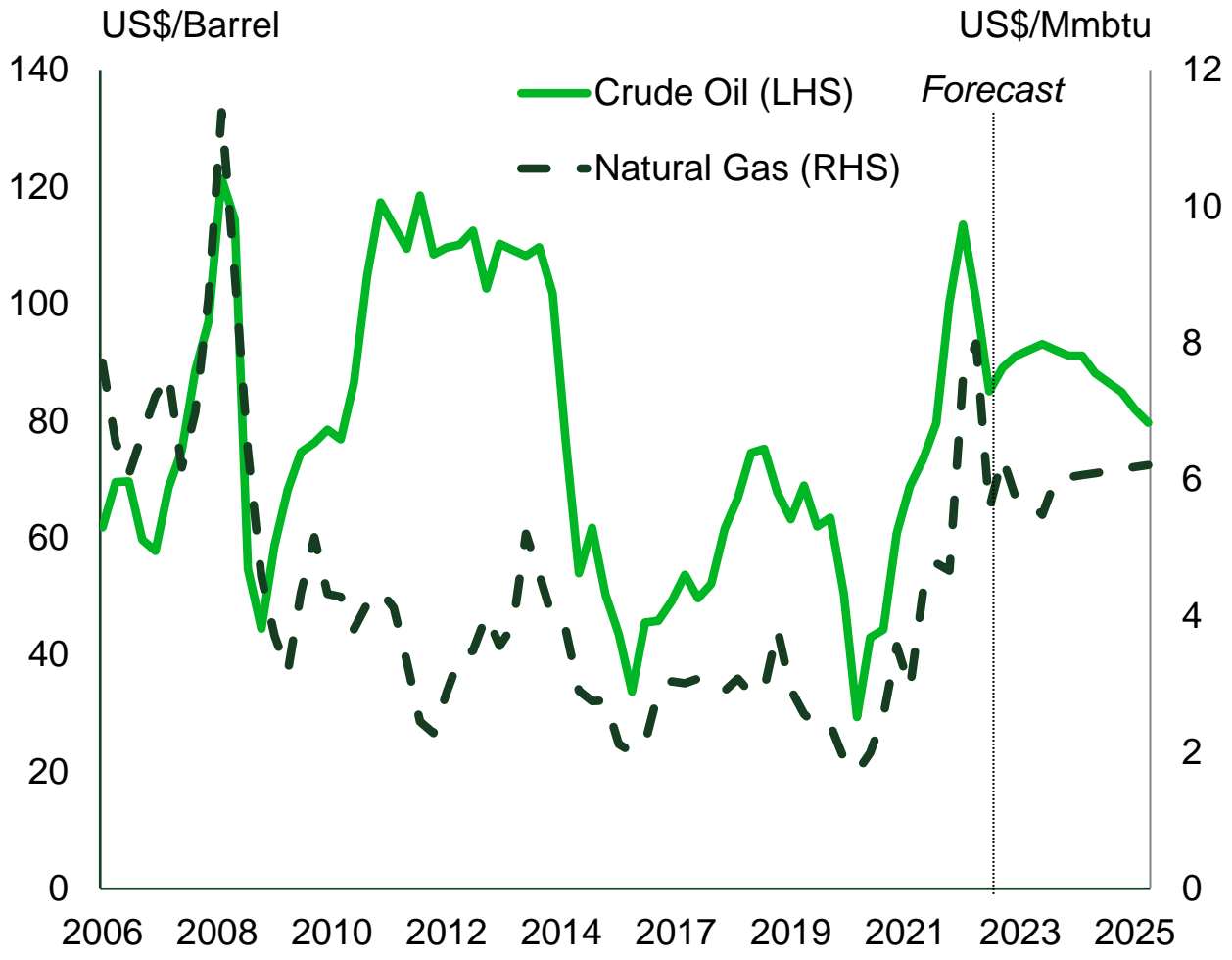
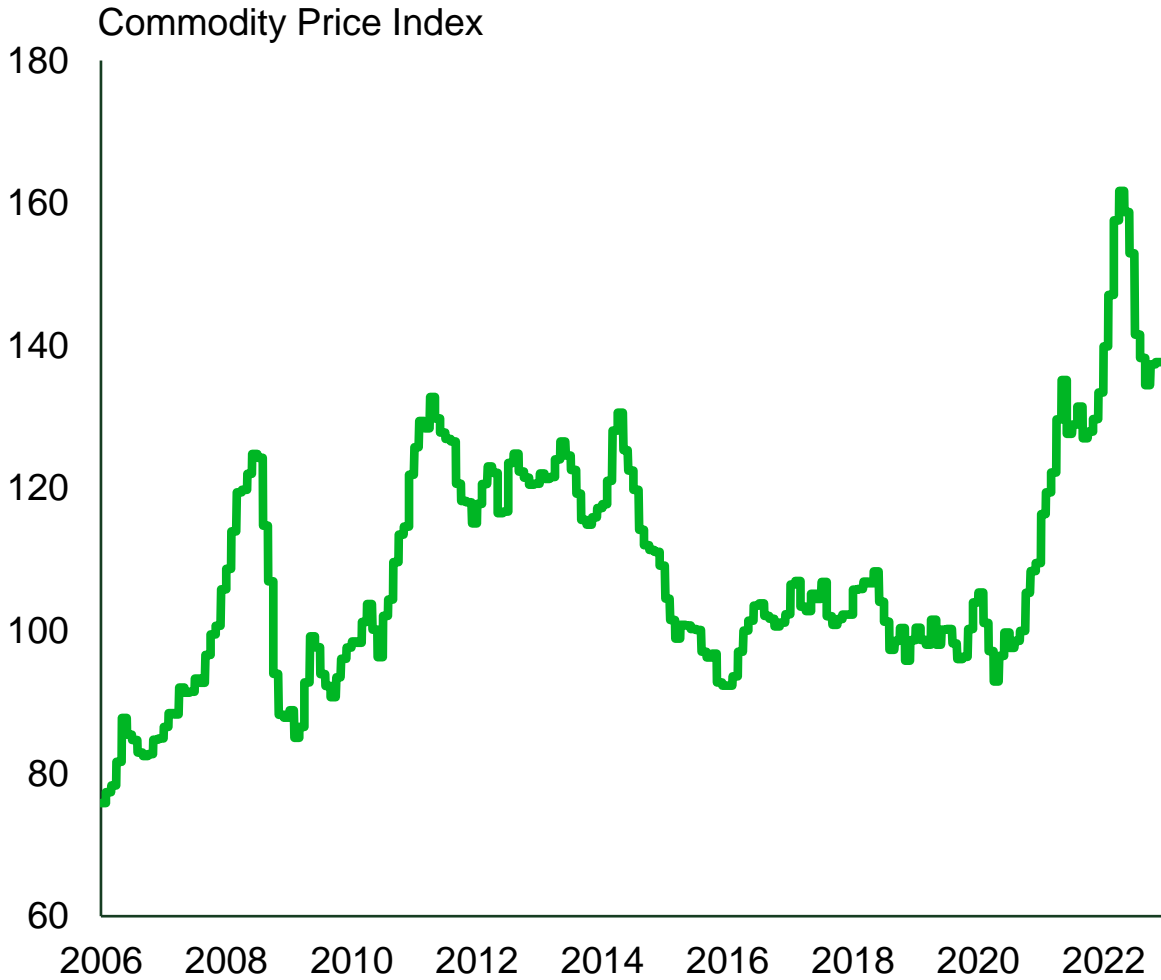
Source: National Statistical Agencies, TD Economics.

Easing Of Supply Chain Snarls Is A Silver Lining of Global Slowdown



Source: NY Fed, TD Economics. Last observation: December 2022.

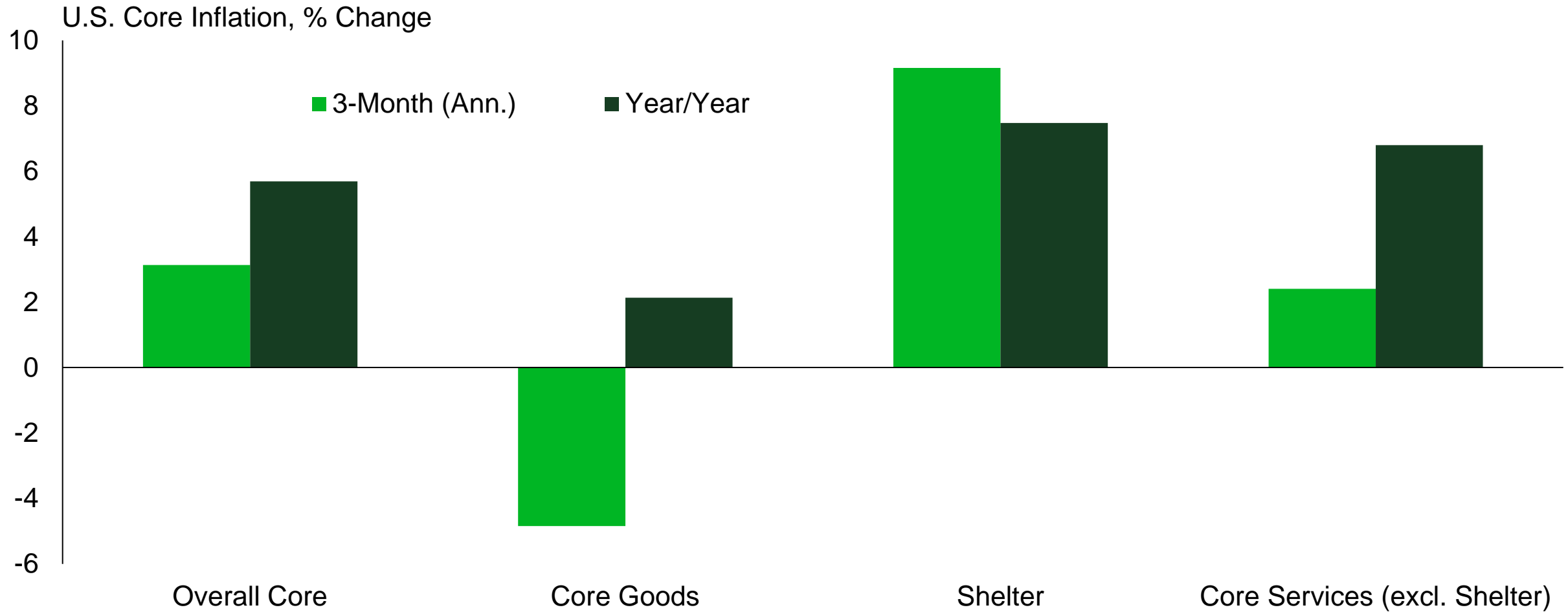
Commodity Prices Down But Far From Out



Source: Bloomberg, TD Economics. Last observation: January 11, 2023.

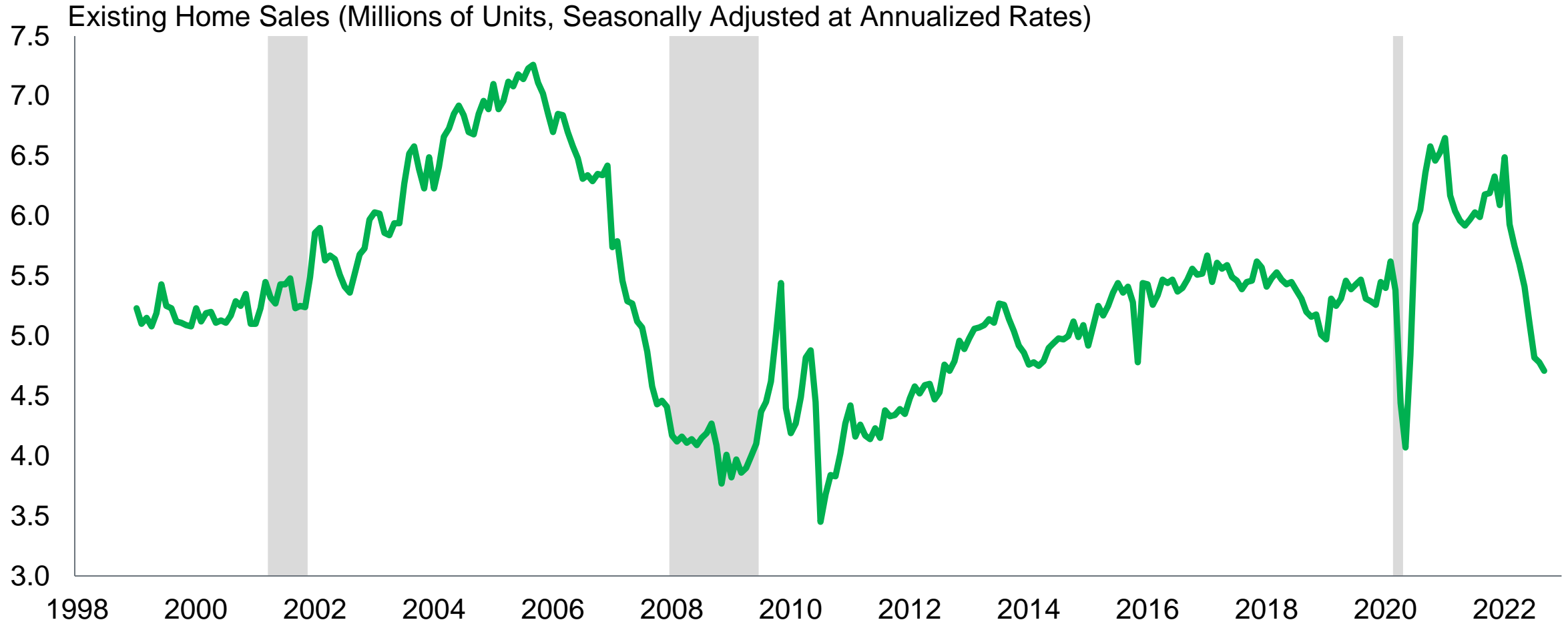
Source: TD Economics.

Three Areas Of Focus On Inflation



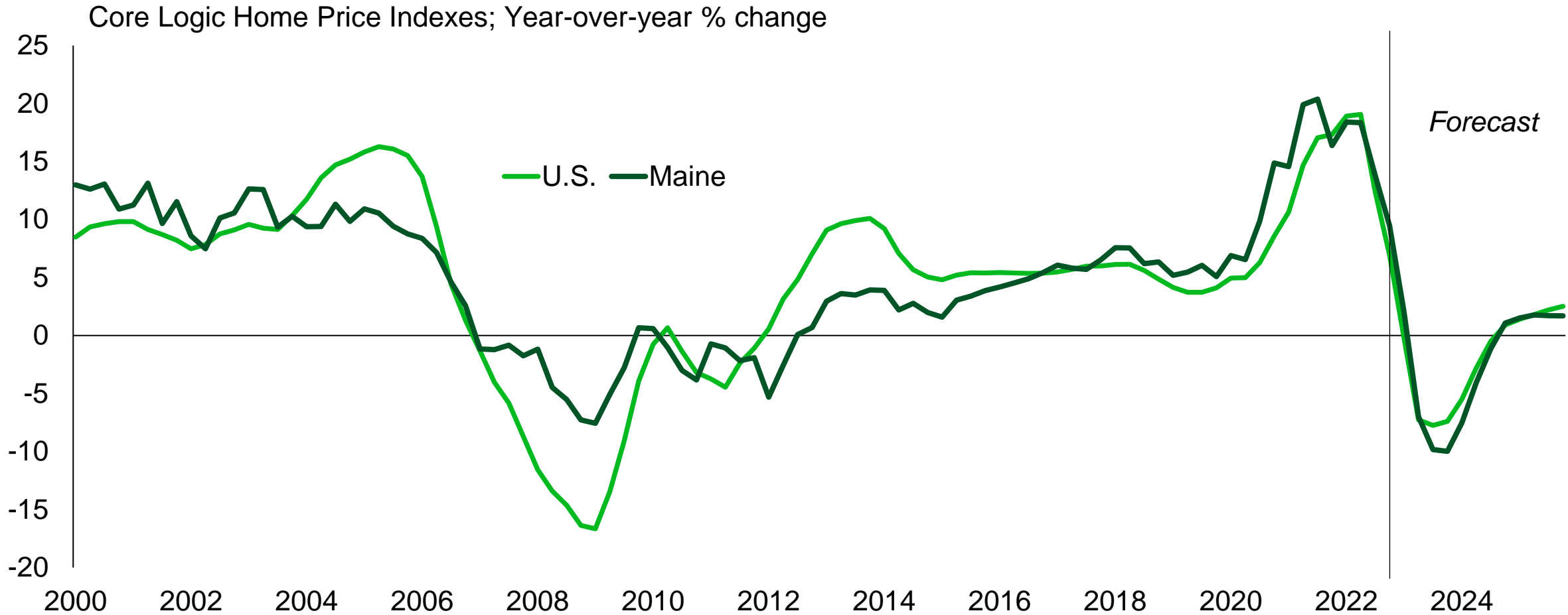
Source: Bureau of Labor Statistics, TD Economics. Last Observation: December 2022.

Housing Activity Has Slowed Dramatically Since Start of Rate Hiking Cycle



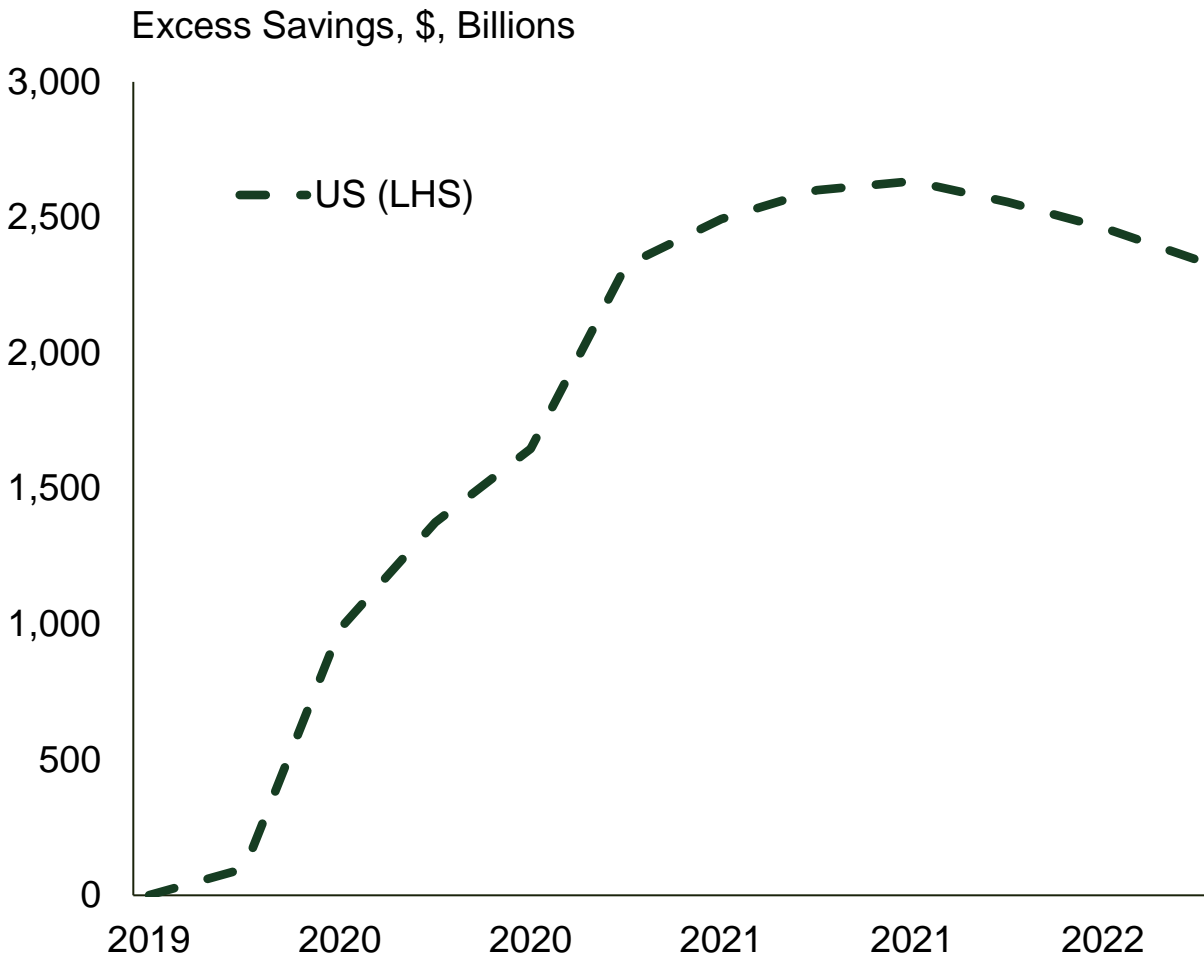
Source: National Association of Realtors

Home Prices to Remain Under Pressure through 2023

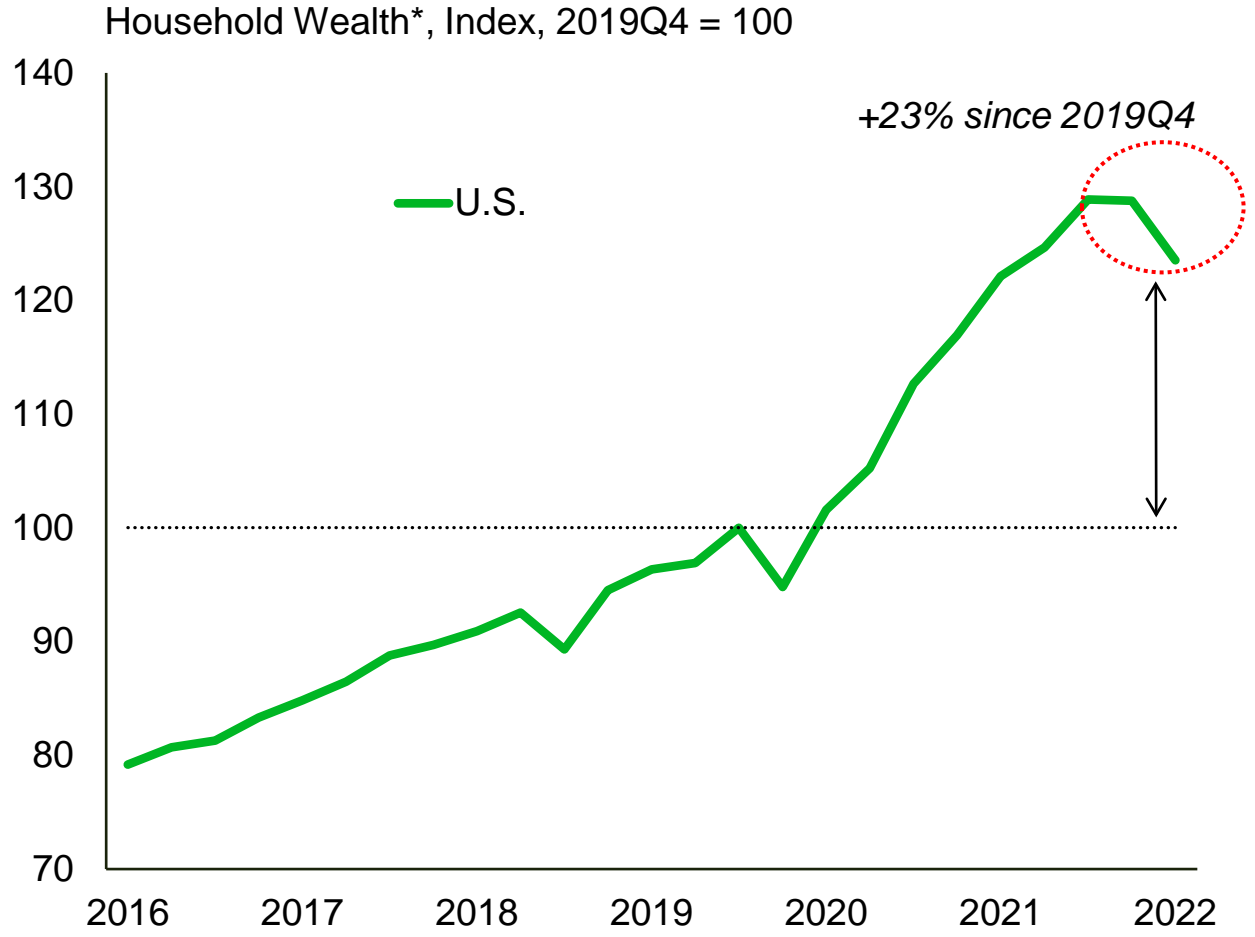


Source: CoreLogic. Forecast by TD Economics as of December 2022.

Wealth Still Higher Than Pre-pandemic Even As It Erodes

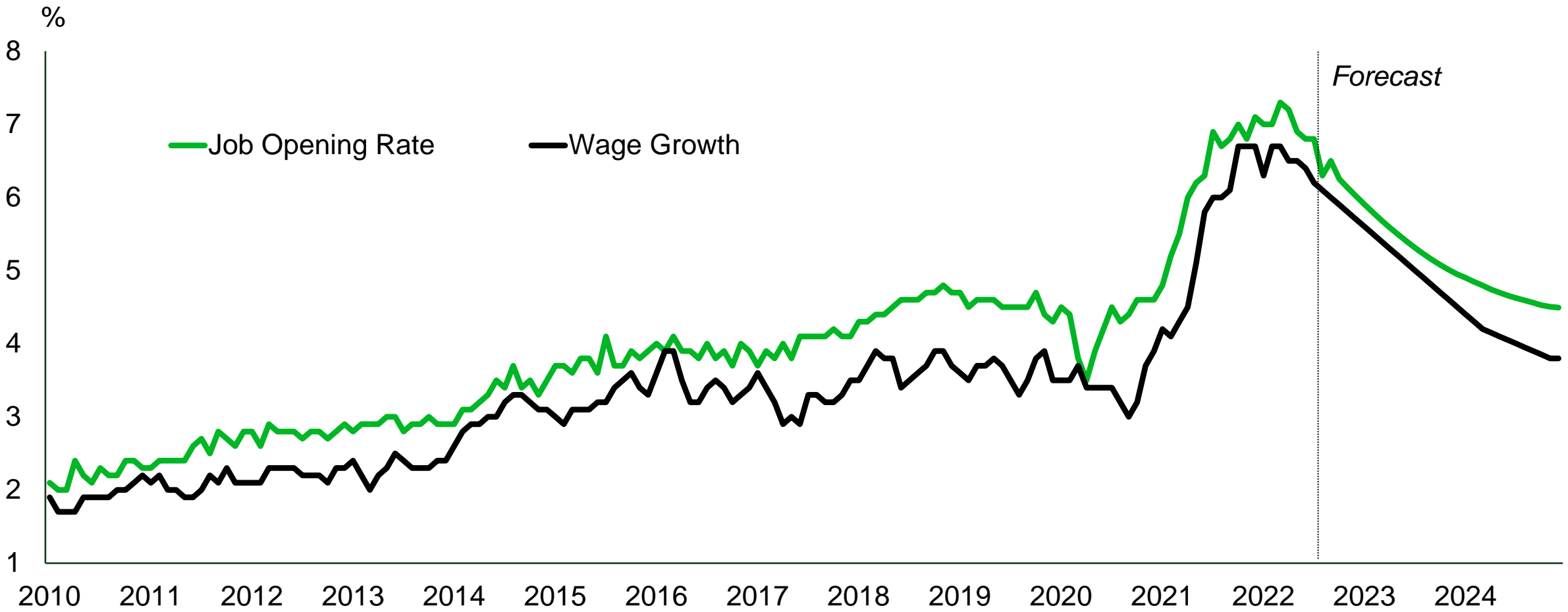


Source: Bureau of Economic Analysis, StatCan, TD Economics.



*Wealth is equivalent to net worth. Source: Statistics Canada, TD Economics.

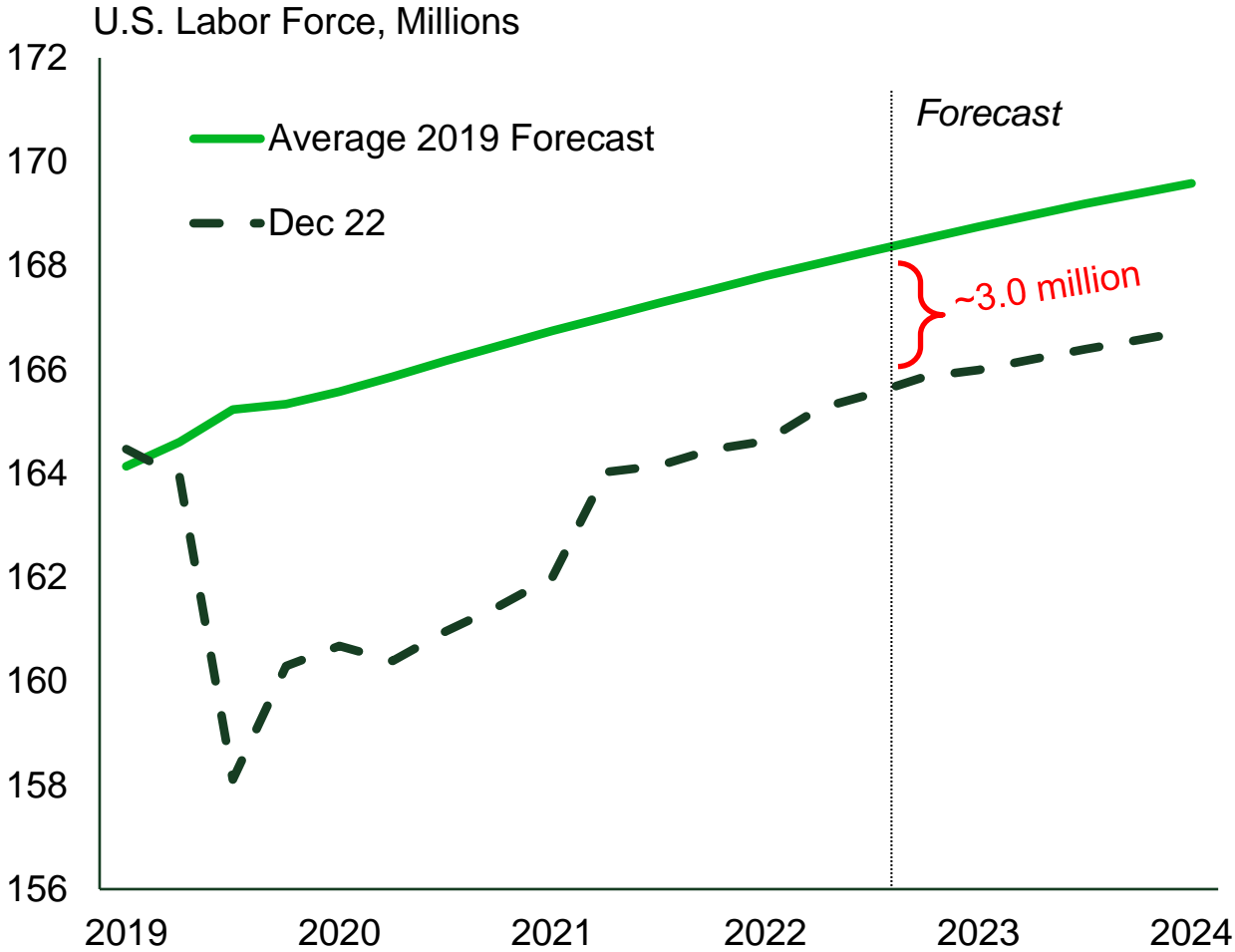
Labor Demand Is Starting From an Historically High Level



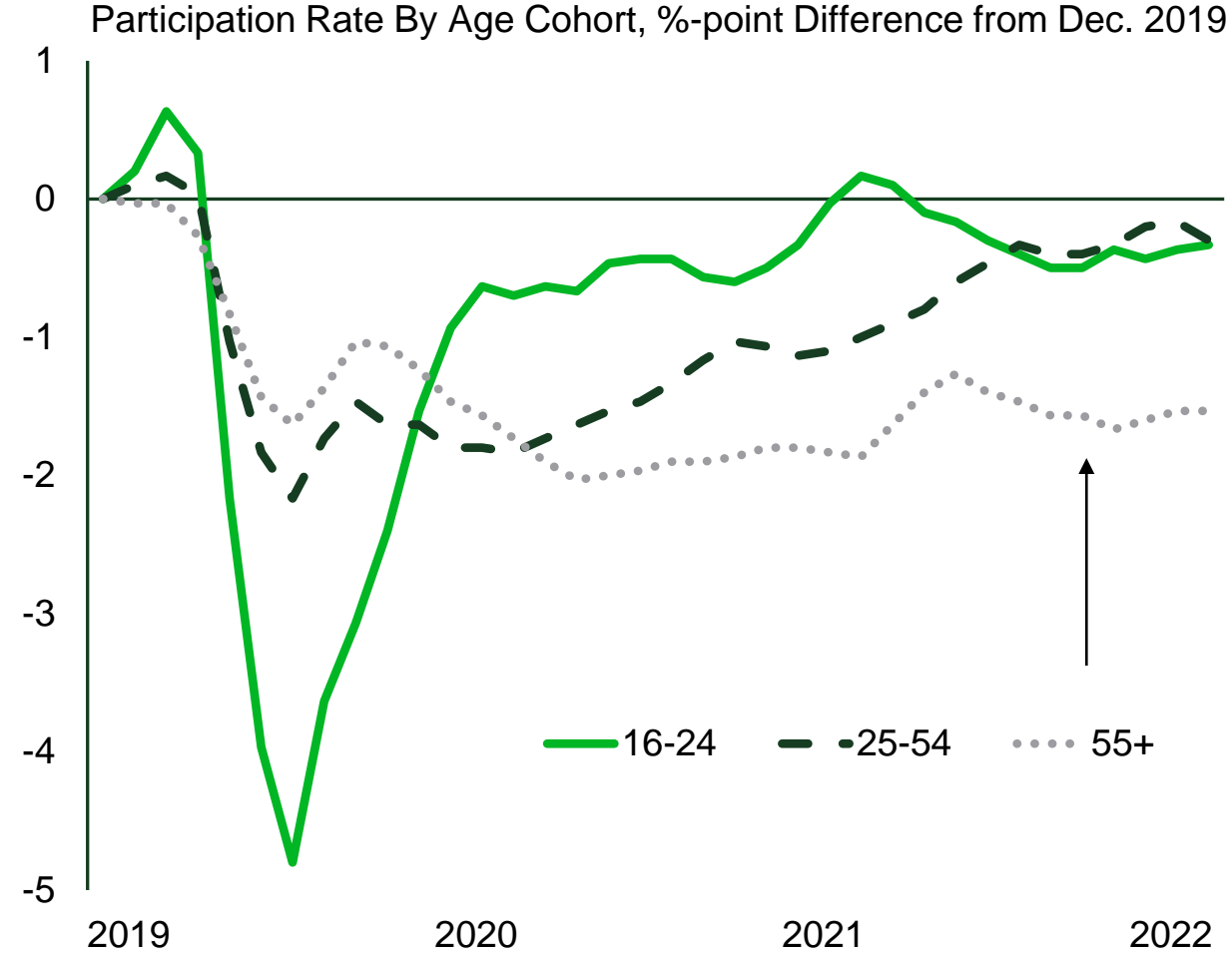
*Wage growth is shown in year/year (3-month smoothed) % change and is lagged by 8-months.

Source: Bureau of Labor Statistics, Atlanta Federal Reserve, TD Economics.

Labor Supply Hit by Pandemic

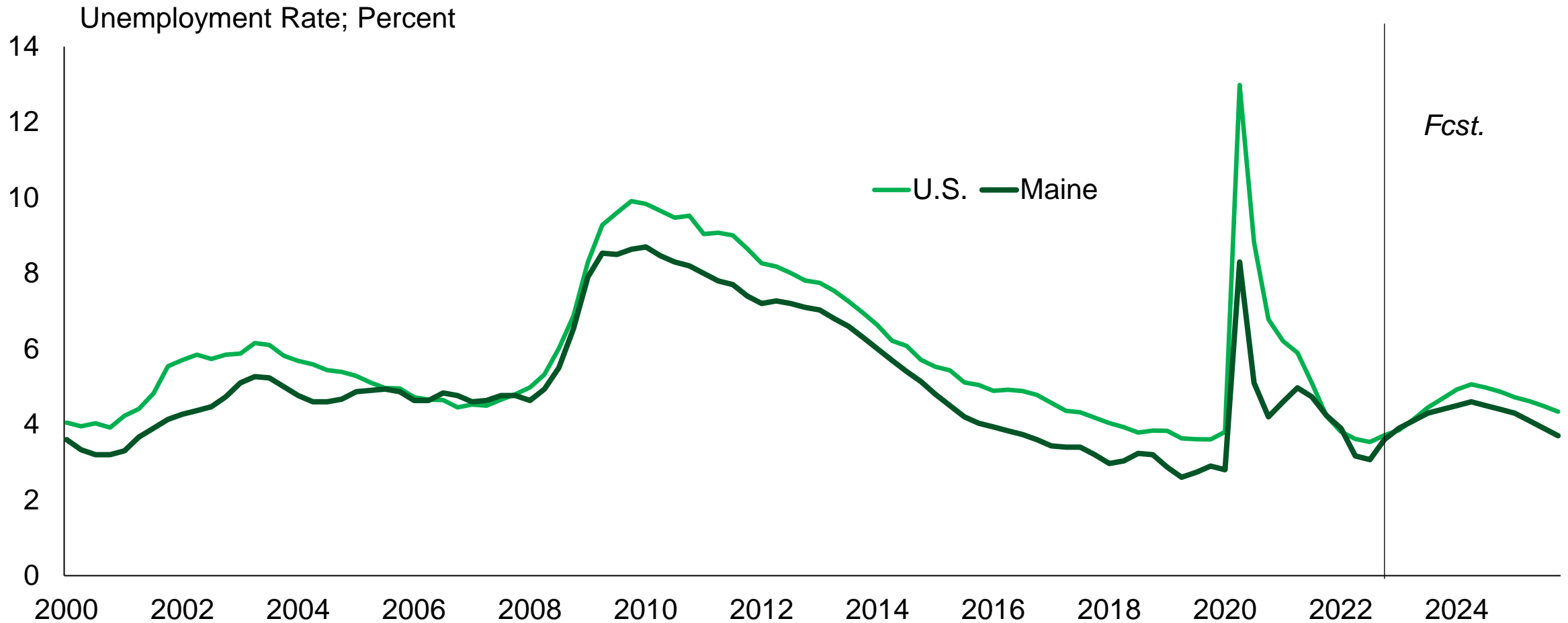


Source: Bureau of Labor Statistics, TD Economics.



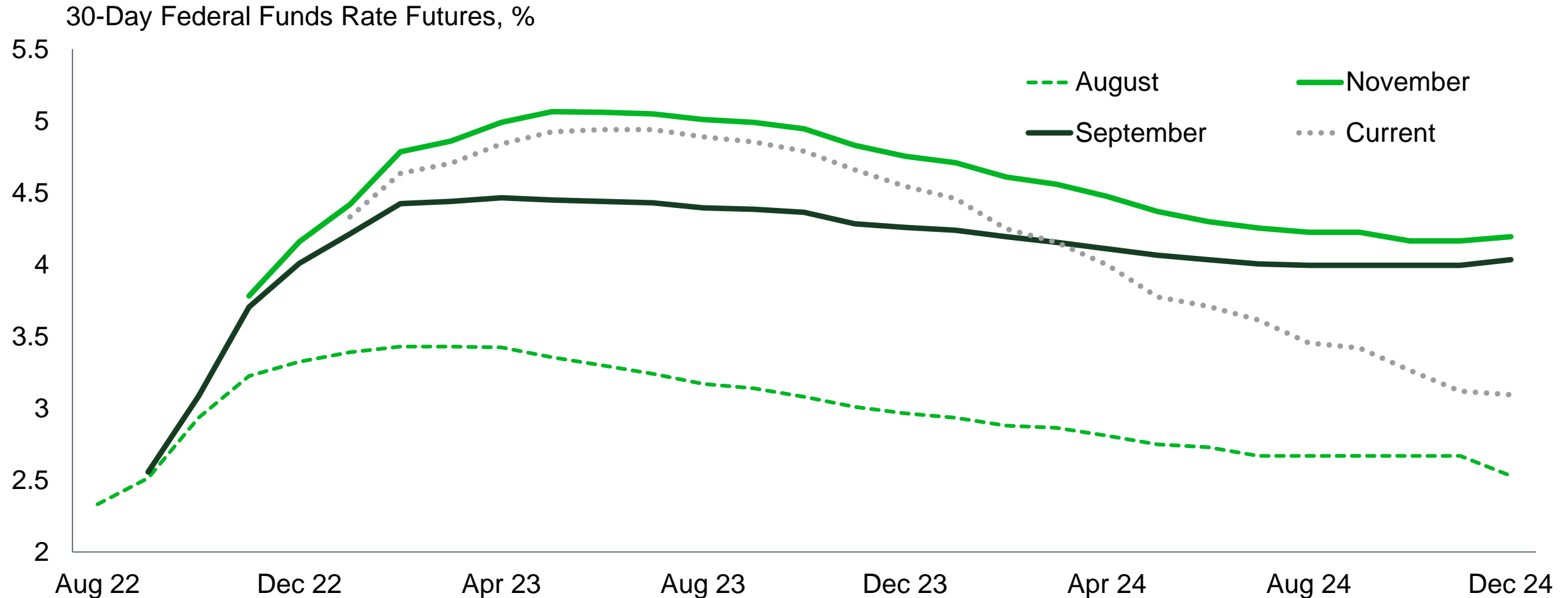
Source: Bureau of Labor Statistics, TD Economics.

Unemployment Rate Is Expected to Rise



Source: Bureau of Labor Statistics. Forecast by TD Economics as of December 2022.

Fixed Income Markets Looking Forward To Some Easing Off On Monetary Brakes

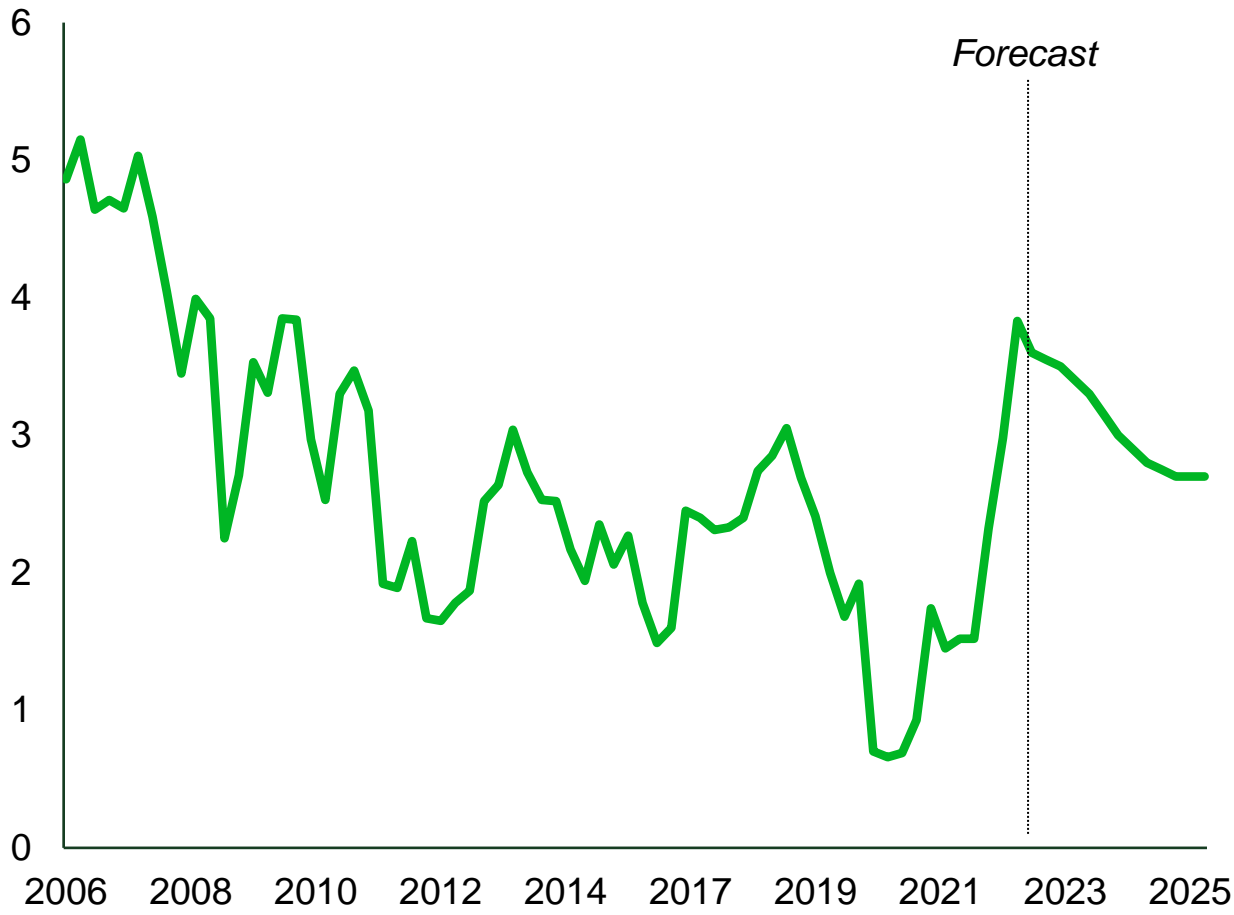


Note: Current futures rate as of January 10, 2023. Source: Bloomberg, TD Economics.

U.S. Dollar and Longer-term Yields Have Likely Peaked

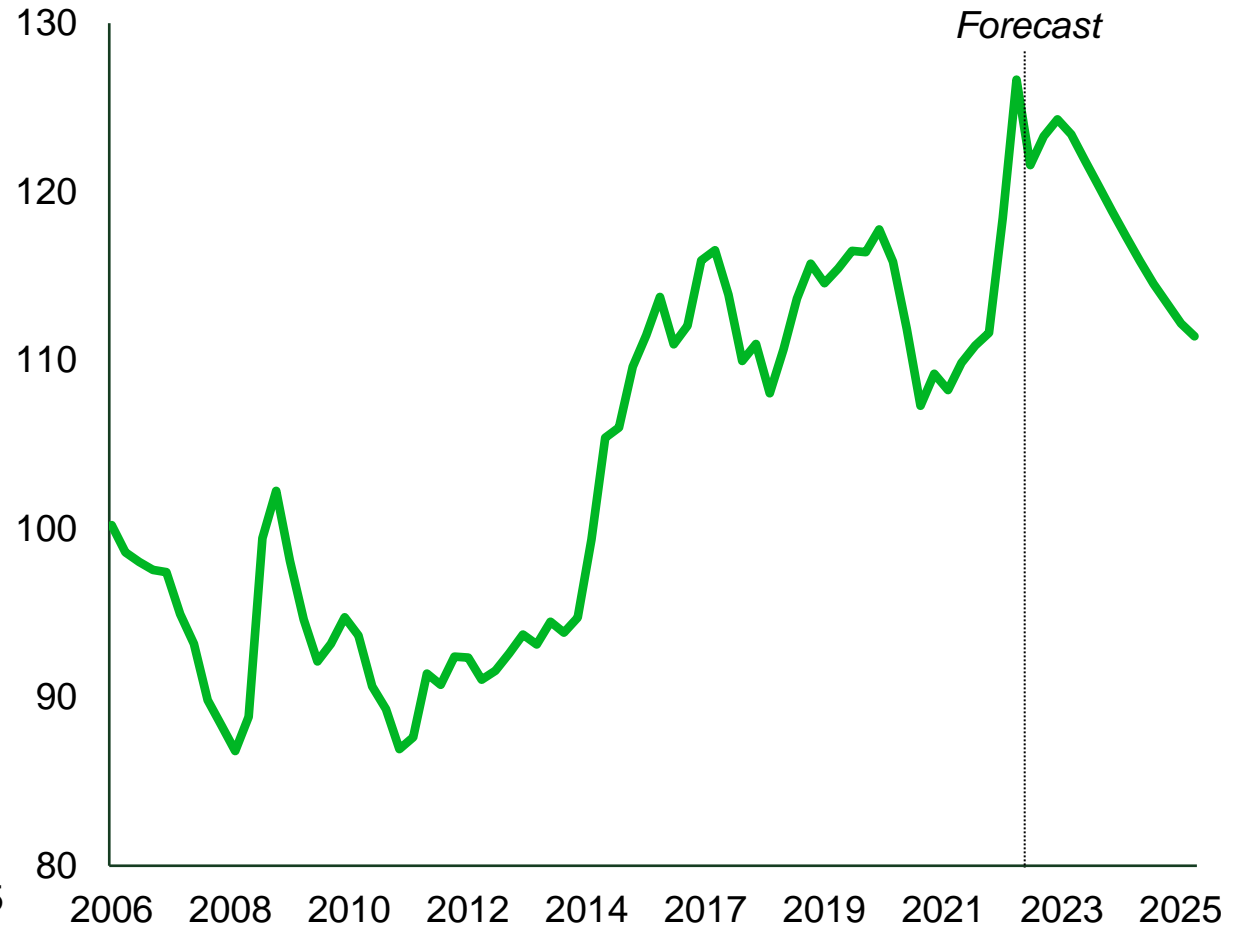


US 10-Year Gov't Bond Yield, %, End-of-Period



Source: TD Economics.

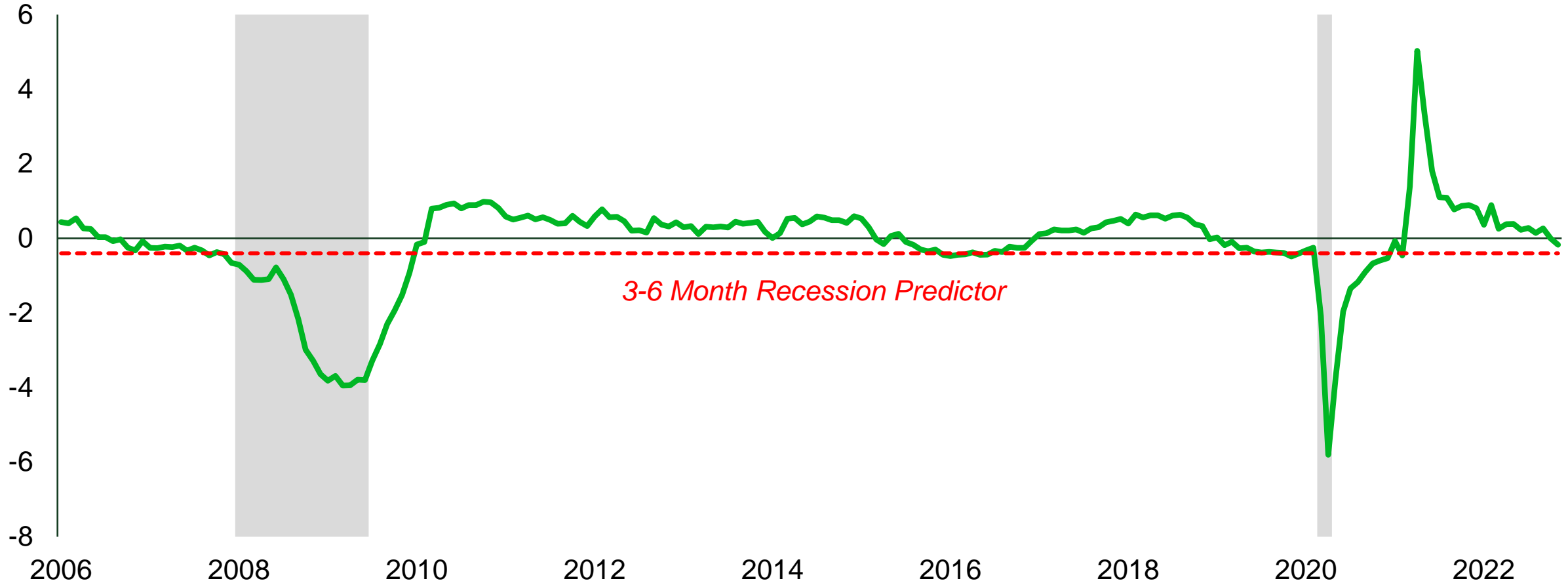
Broad US Trade Weighted Dollar Index



Source: TD Economics.

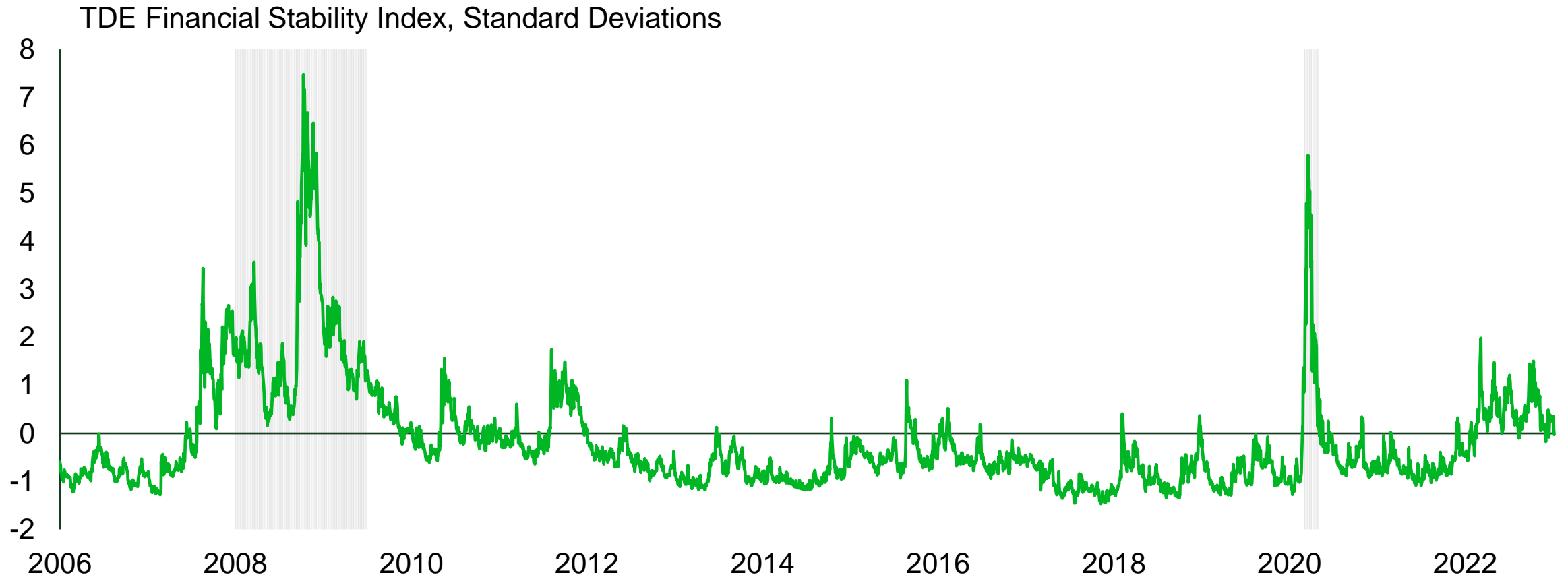
Leading U.S. Economic Indicators Giving Off Warning Signals

TDE U.S. Leading Economic Index, Standard Deviations



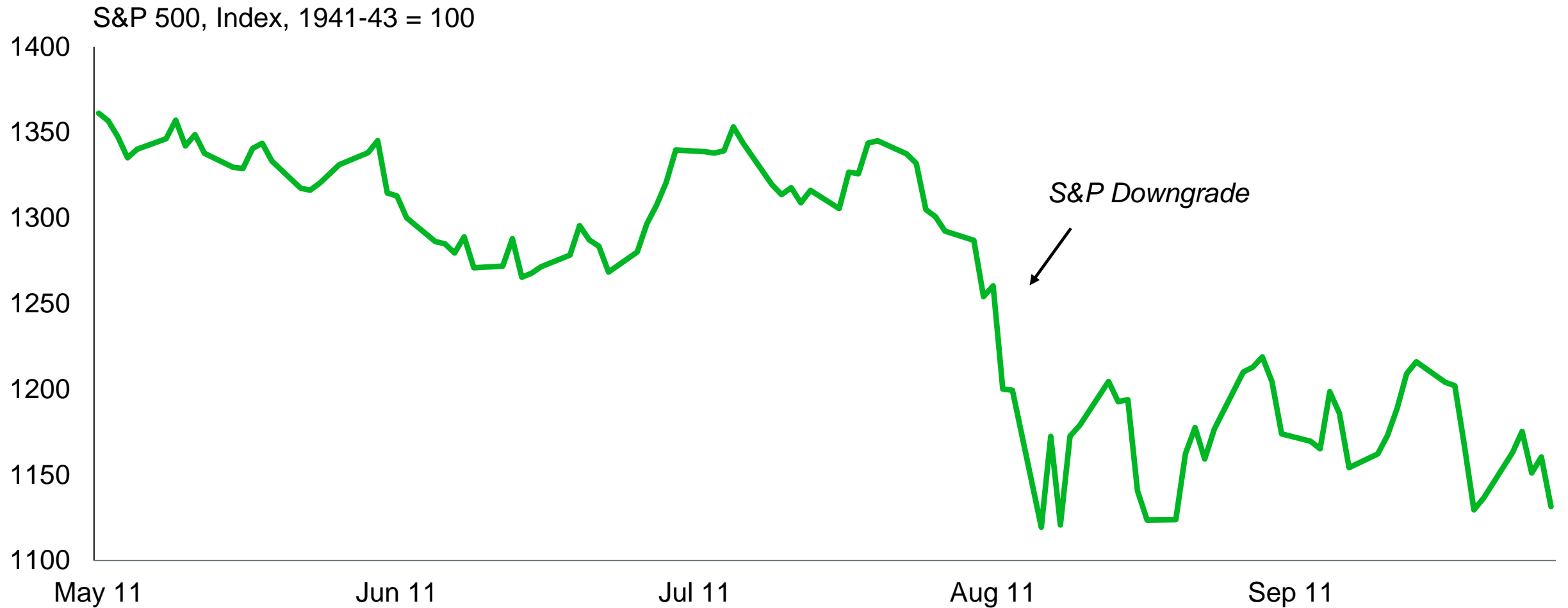
Source: TD Economics. Note: Index extends to November 2022.

Financial Conditions Have Tightened But Are Not "Tight"



Source: Wall Street Journal, TD Economics. Last observation January 6, 2023.

Will Political Risks Tip The Scale?



Source: Standard & Poor's, TD Economics. Last observation: September 30, 2011.

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