

THE ECONOMIC AND HOUSING OUTLOOK



***Presentation by
Beata Caranci
Director of Economic Forecasting***

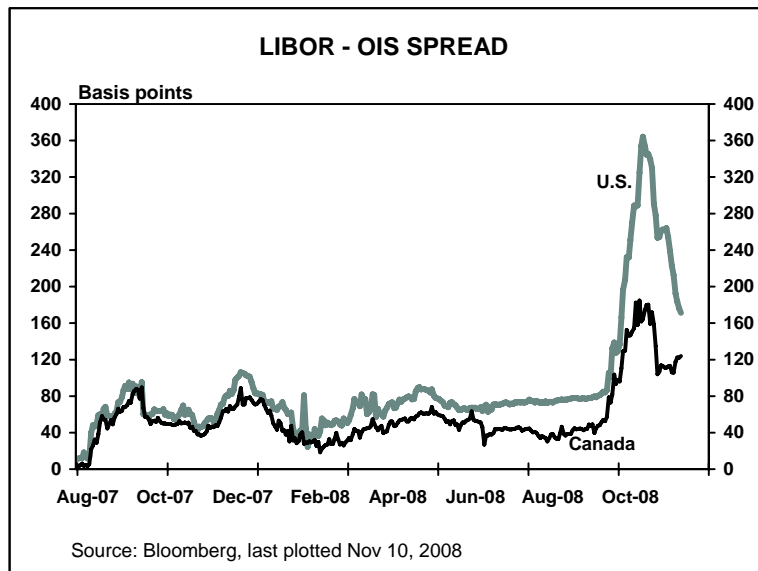
TD Economics provides analysis of economic performance and the implications for investors. The analysis covers the globe, with emphasis on Canada, the United States, Europe and Asia.

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

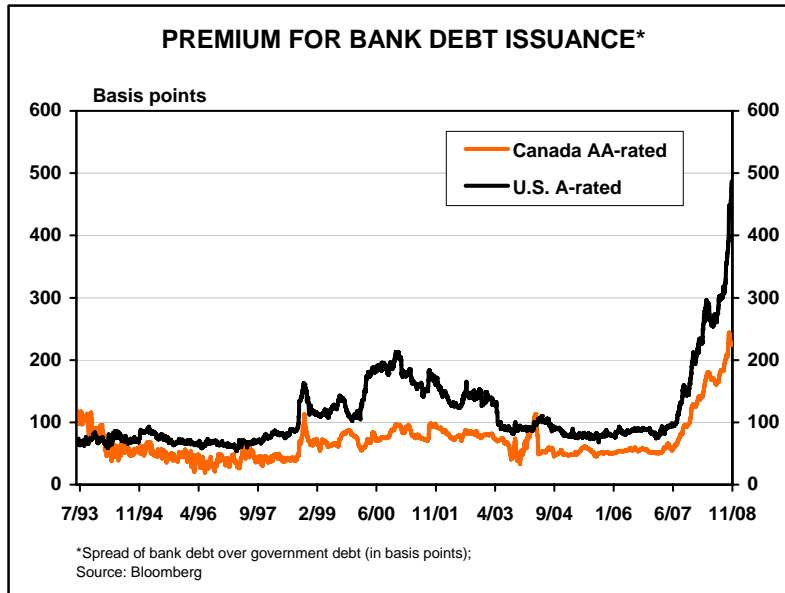
OVERVIEW

1. Credit conditions still in state of flux.
2. Canada likely to tip into recession over next 6 months
3. Sustained economic recovery not likely until 2010
4. 6-year housing boom is over, but U.S.-style correction is remote possibility

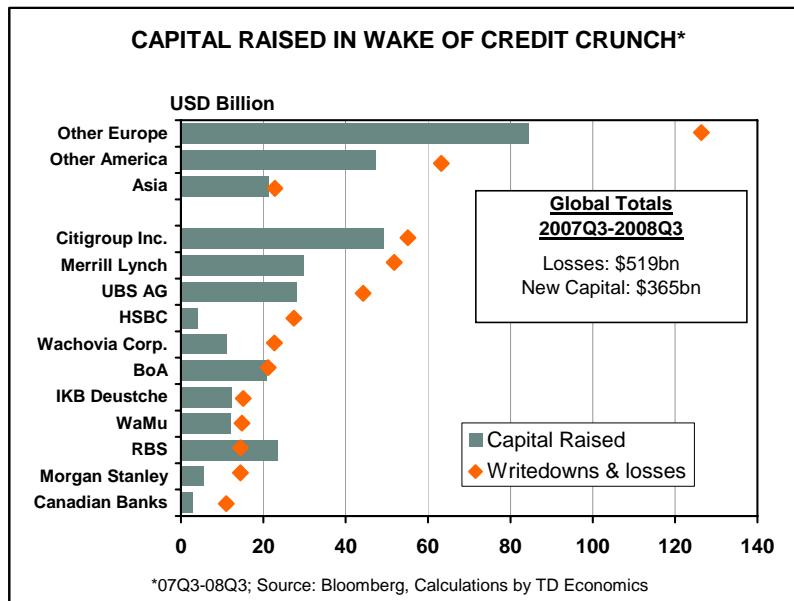
FINANCIAL MARKET TROUBLES MEAN HIGH COST OF SHORT-TERM BORROWING...



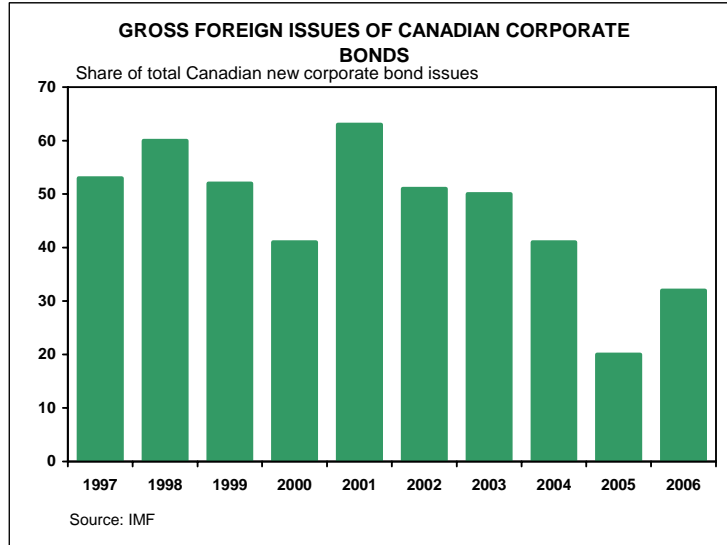
...AS WELL AS LONG-TERM BORROWING



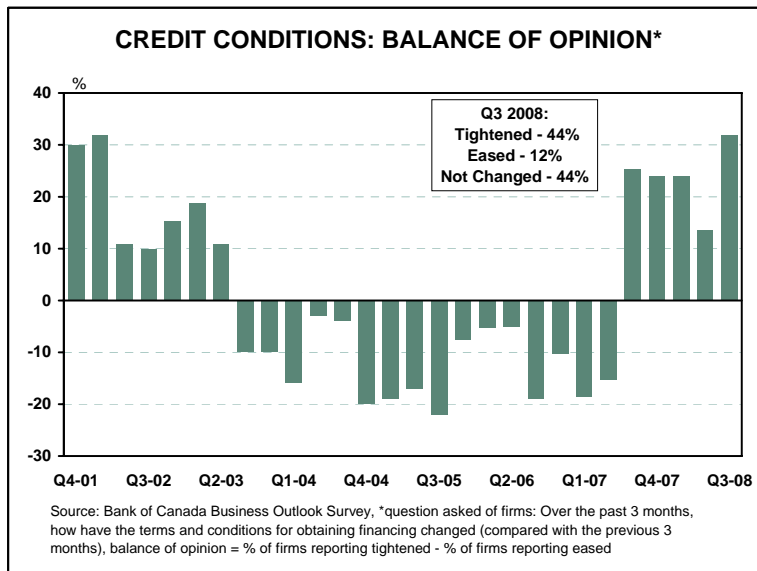
BANKING SYSTEM STILL IN NEED OF CAPITAL



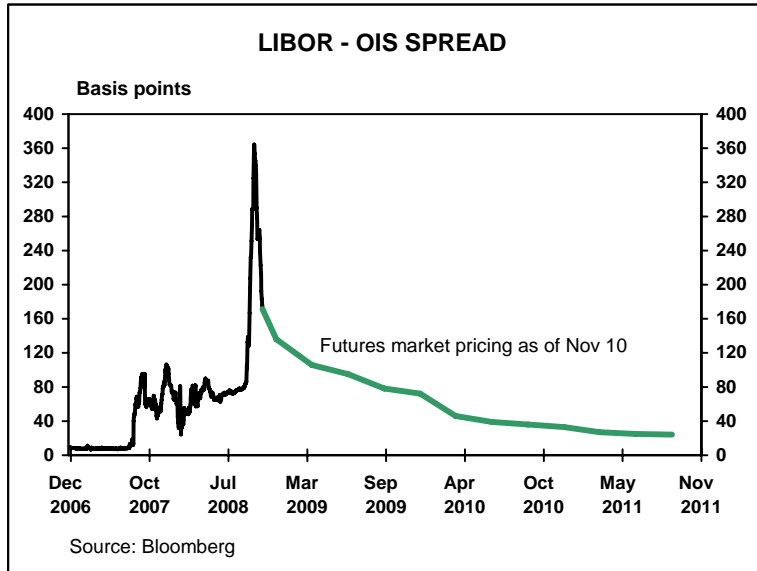
CANADIAN COMPANIES DEPEND ON U.S. MARKETS



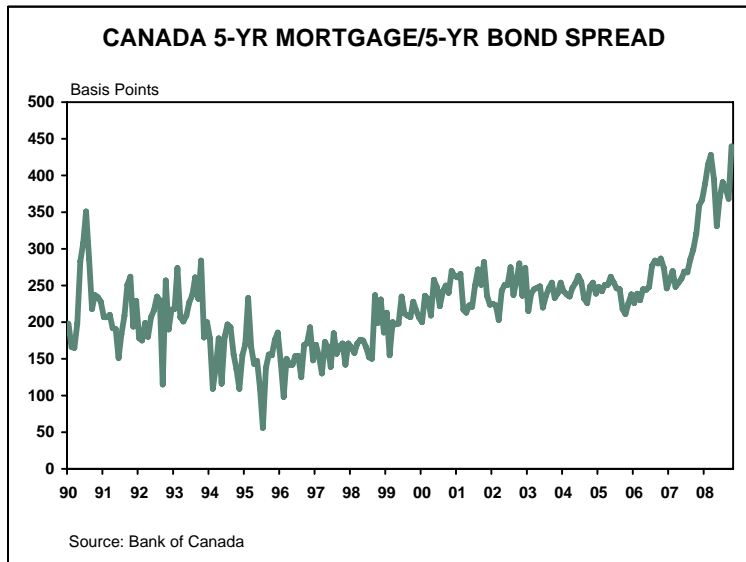
CANADIAN CREDIT CONDITIONS TIGHTENING AGAIN



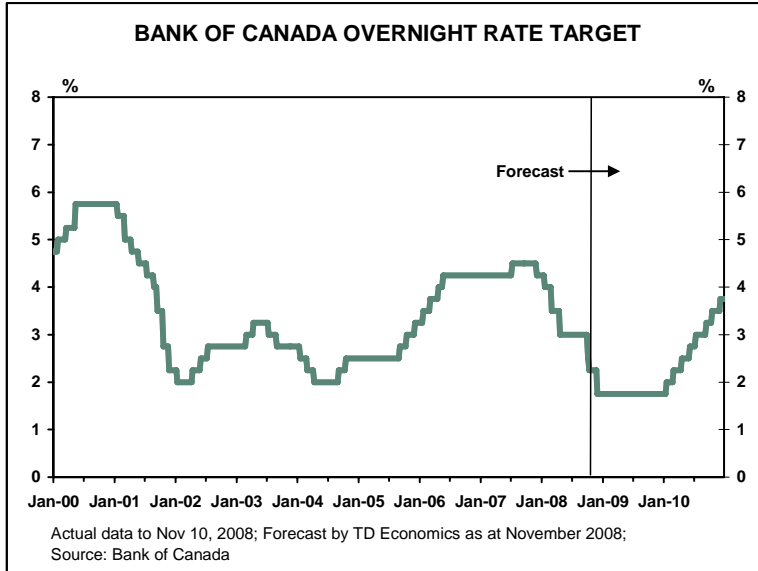
FORWARD MARKETS SUGGEST CREDIT PROBLEMS WILL LAST FOR SOME TIME



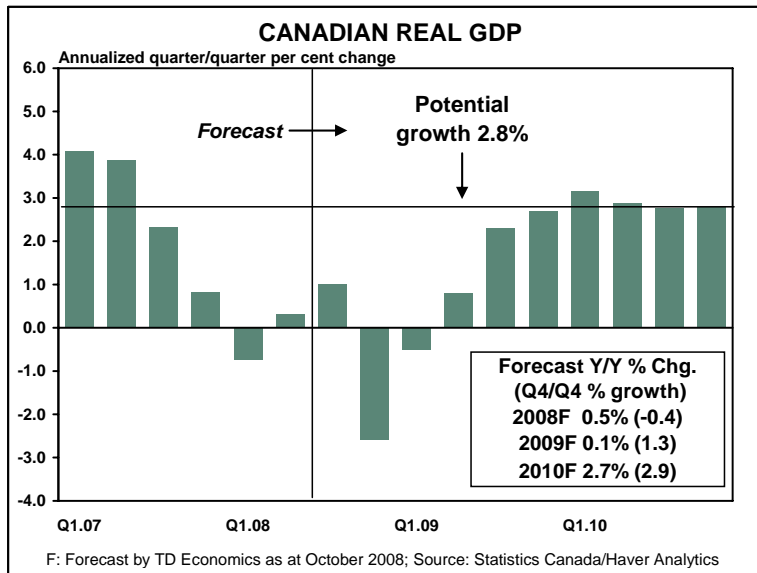
WHICH MAY CAUSE PERSISTENCE IN WIDE MORTGAGE SPREADS



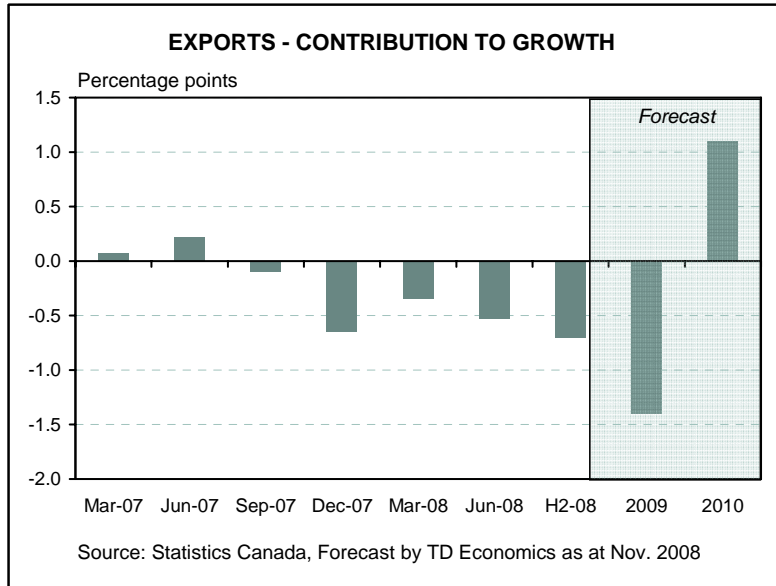
MORE DOWNSIDE POTENTIAL ON BoC RATES...HIKES NOT EXPECTED UNTIL 2010



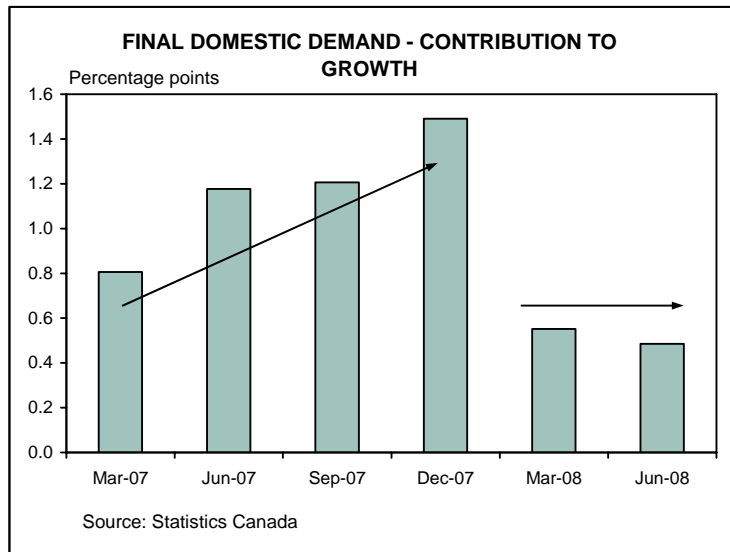
FINANCIAL IMPROVEMENT WILL COME TOO LATE TO STEM CURRENT ECONOMIC DOWNTURN



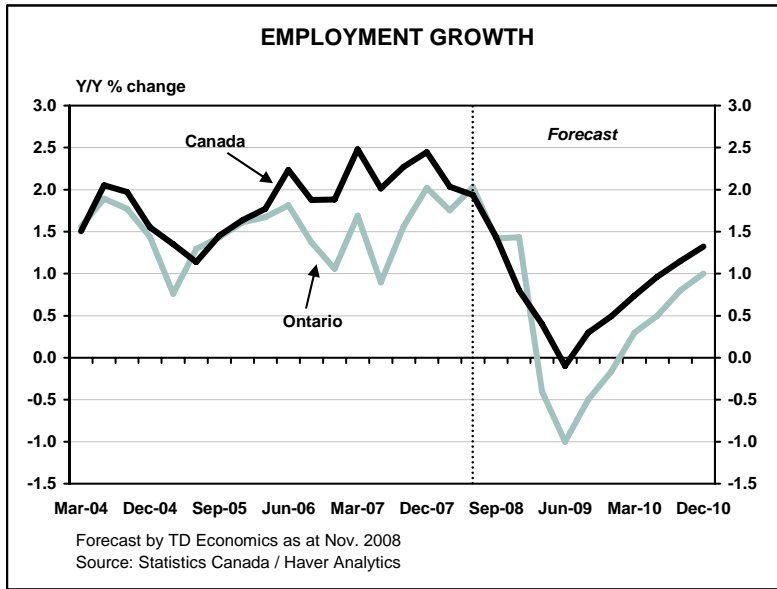
EXPORTS ARE MAIN SOURCE OF WEAKNESS



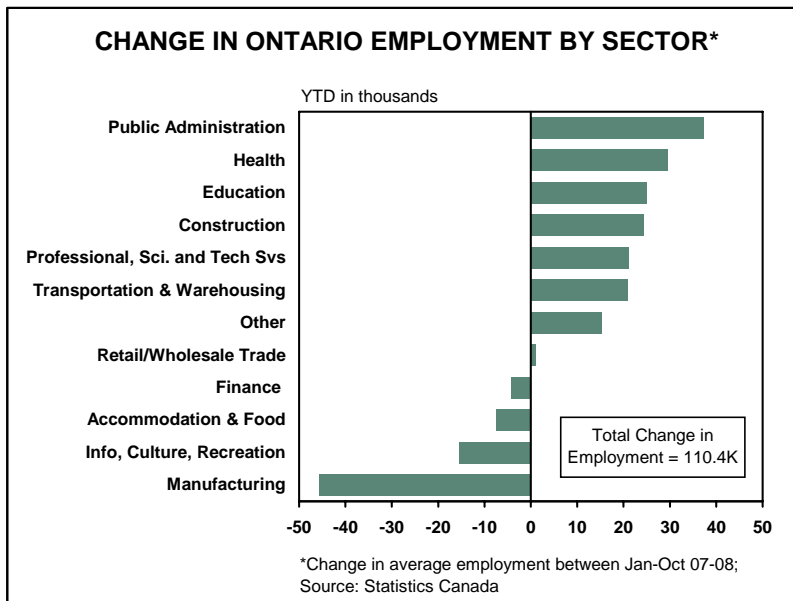
BUT SLOWDOWN IN DOMESTIC DEMAND ALSO TAKING HOLD



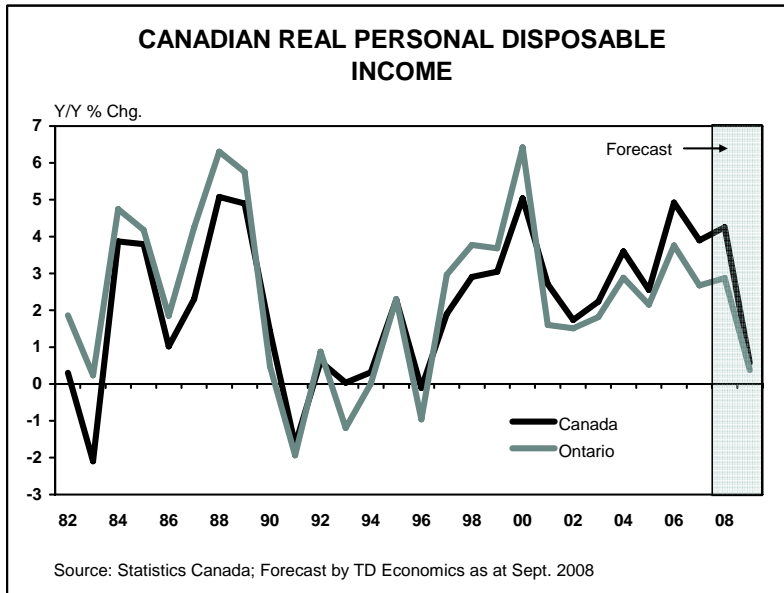
FEWER JOBS TO BE FOUND...



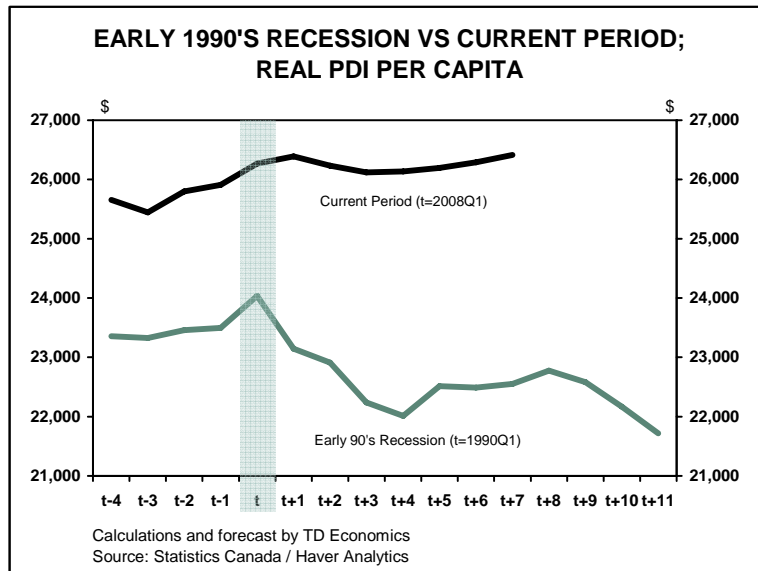
WHAT ABOUT ONTARIO?



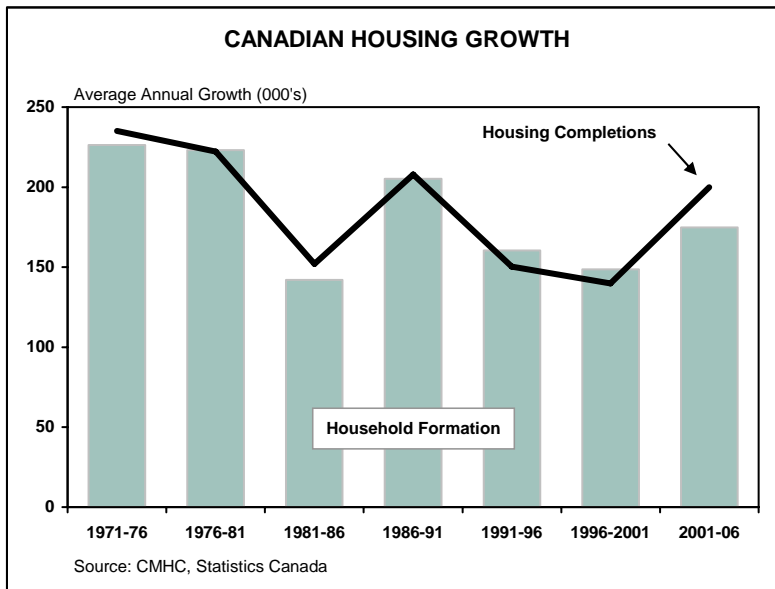
INCOME GROWTH TO SLOW



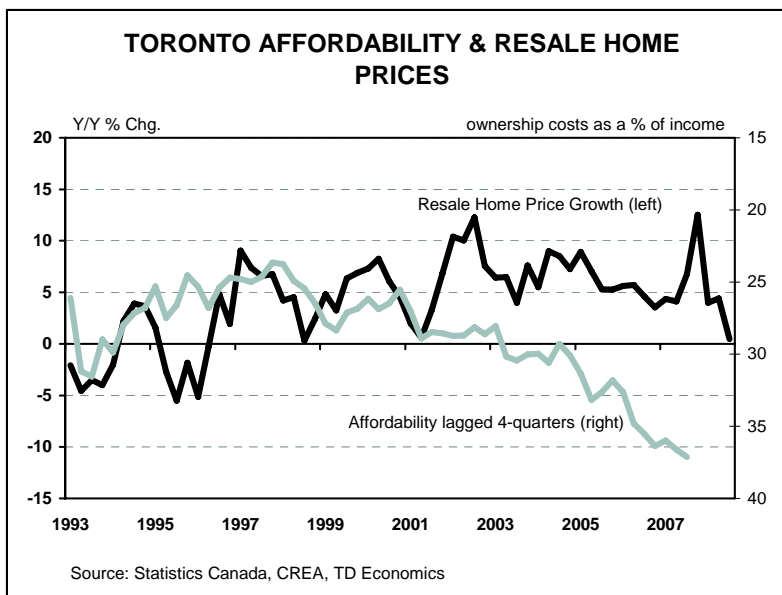
NO WORRIES THAT IT'S A THROW-BACK TO 1990s RECESSION



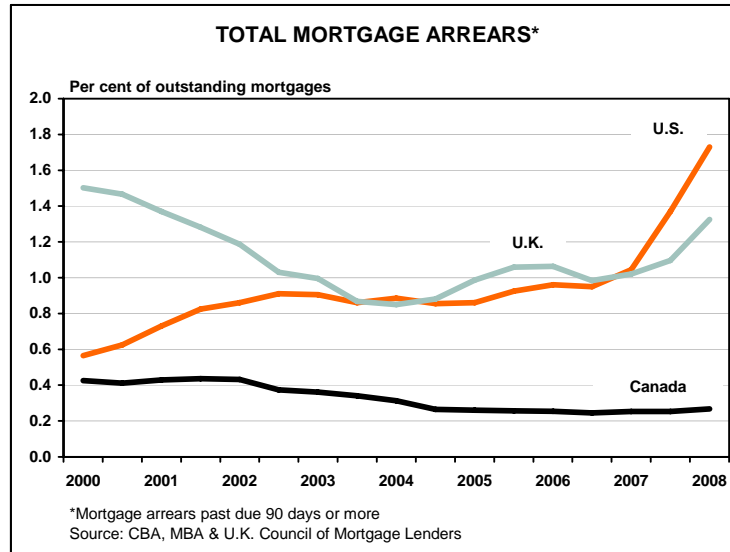
OVER-BUILDING MAY BE A CONCERN



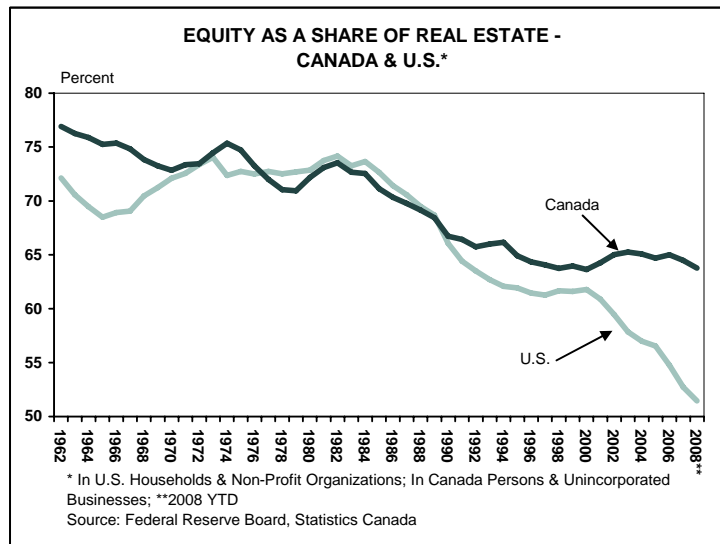
AFFORDABILITY REMAINS AN ISSUE



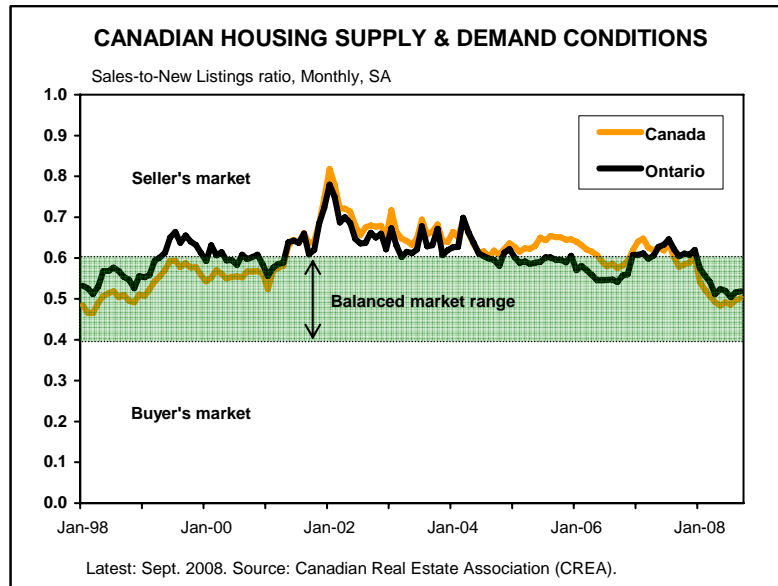
YOU MAY HEAR OF RISING DELINQUENCY RATES



CANADIANS DID NOT DRAW DOWN EQUITY TO THE SAME DEGREE AS AMERICANS



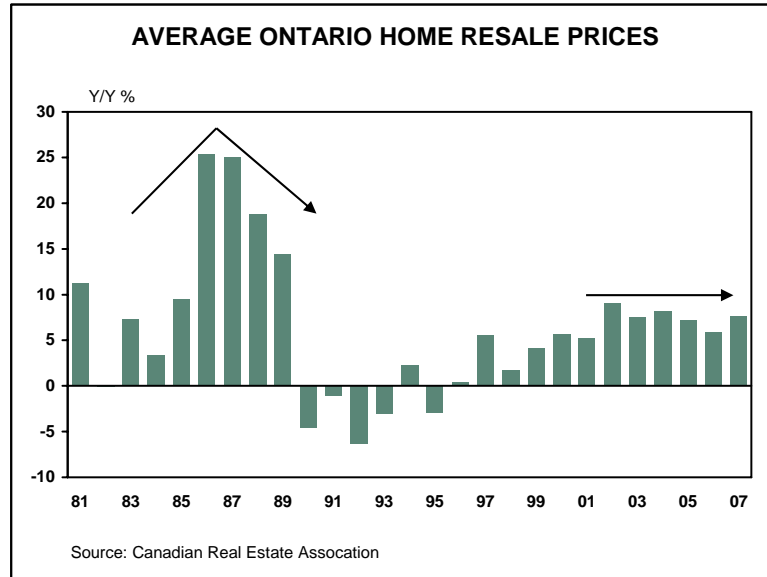
BALANCE MARKET CONDITIONS PREVAIL



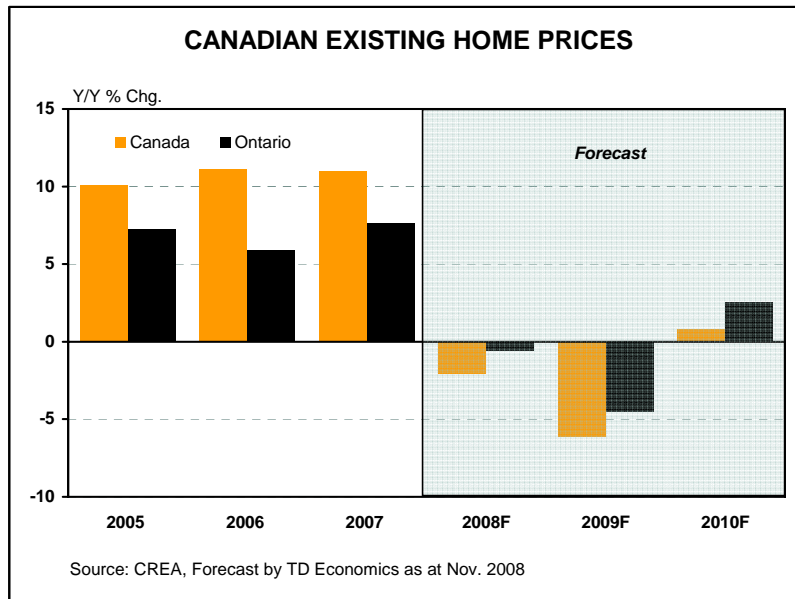
CANADIAN HOUSING MARKET IS NOT THE U.S.

- Canada's subprime market is small (5-6%); U.S. subprime hit 20-25% over 2004-2006 period.
- Investor mortgages: U.S. (9%), U.K. (9.5%), Australia (10%)....Canada (2-3%)
- Canadian delinquency rates are stable and low

ONTARIO DOES NOT APPEAR TO BE AT RISK OF 1990s CRASH



HOME PRICE GROWTH TO UNDERPERFORM



SUMMARY

1. Difficulties in financial market to persist
2. Canadian economy has lost considerable economic momentum; solid recovery not until 2010
3. Ontario economy hardest hit and housing market will continue to cool

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