



**Bank
Financial
Group**

TD ECONOMICS

THE ECONOMIC AND INVESTMENT OUTLOOK

Presentation by

**Don Drummond
Senior Vice President & Chief Economist
TD Bank Financial Group**

**Victoria, British Columbia
January 11, 2006**

TD ECONOMICS

TD Economics
55 King Street West
TD Tower, 21st Floor
Toronto, Ontario M5K 1A2

General Inquiries 416-982-8065
FAX 416-944-5536
E-mail td.economics@td.com
Web site www.td.com/economics

Senior Vice President & Chief Economist

Don Drummond 416-982-2556
Devi Kunan, Admin. Assistant 416-982-8061

Vice President & Deputy Chief Economist

Craig Alexander 416-982-8064

Canadian Macroeconomic Analysis

Carl Gomez, Economist 416-982-2557

U.S. Economic Analysis

Beata Caranci, Economist 416-982-8067

Global Markets & Wealth Management

Gillian Manning, Economist 416-982-2559

FX & Fixed Income Research, TD Securities

Marc Lévesque, Chief Strategist 416-982-8785
Eric Lascelles, Strategist 416-982-8979
Darren McHugh, Research Analyst 416-982-7784

Sectoral Studies, Regional Markets & Public Policy

Derek Burleton, Associate Vice President &
Senior Economist 416-982-2514
Priscila Kalevar, Economist 416-982-2555
Sébastien Lavoie, Economist 416-944-5730

Administration

Melinda Wong, Publications Officer 416-982-7931
Dominic Williams, Research Analyst 416-982-8066

PC Communications/Web Site

Greg Biggs, Technical Analyst 416-982-8062

FOR TD ECONOMICS PUBLICATIONS AND ANALYSIS

Please visit our web site at www.td.com/economics

CURRENT ECONOMIC AND FINANCIAL DEVELOPMENTS

- Commentaries on key statistical releases
- The Bottom Line - A weekly publication on economic and financial developments
- Monthly Global Markets and Commodity Price Reports
- Frequent analytical articles on topical issues

TD QUARTERLY ECONOMIC FORECAST

- Global and G-7 outlook, U.S. and Canadian economic and financial forecasts

TD REGIONAL OUTLOOK

- Forecast commentaries and statistics for Canadian regional markets

REPORTS ON FEDERAL AND PROVINCIAL GOVERNMENT FINANCES

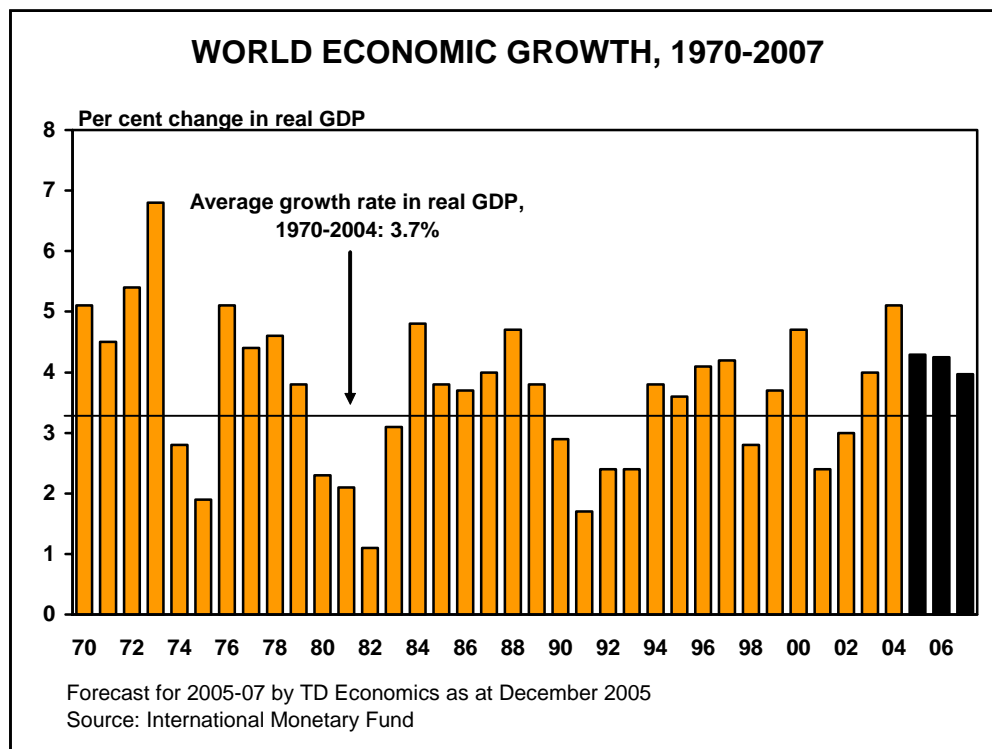
- Commentaries on federal and provincial budgets and economic and fiscal statements
- Annual Report on Canadian Government Finances

The information contained in this report has been prepared for the information of our customers by TD Bank Financial Group. The information has been drawn from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed, nor in providing it does TD Bank Financial Group assume any responsibility or liability.

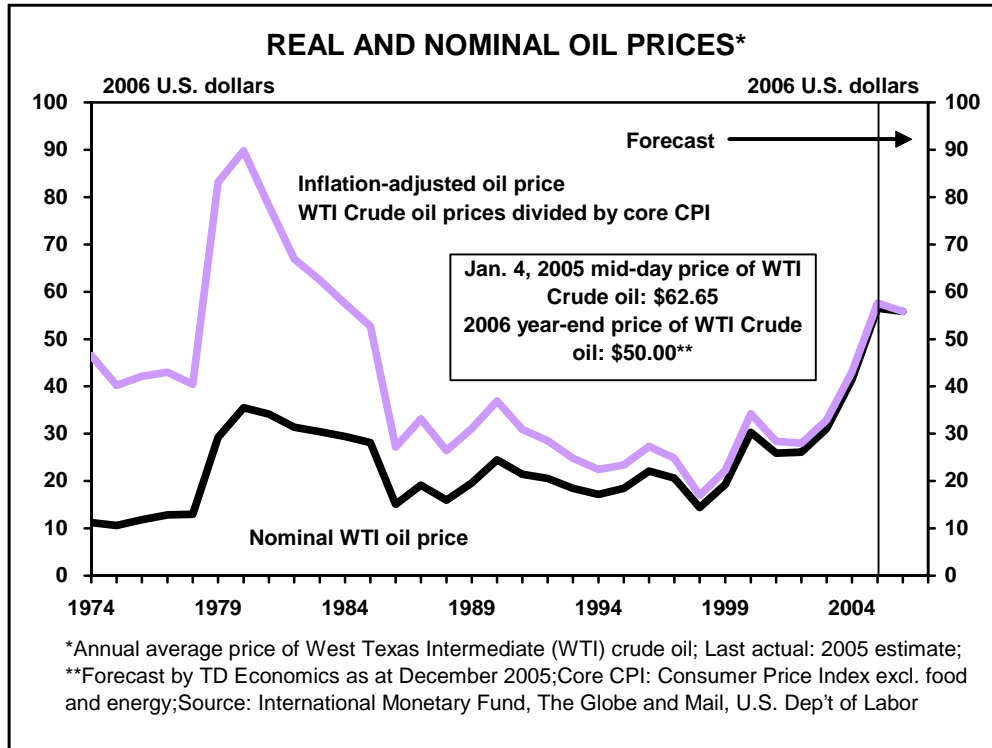
HIGHLIGHTS

- World economy delivering strong growth, led by expansion in Non-Japan Asia
- Japan and Europe showing some improvement, but growth will remain modest
- U.S. and Canadian economies to post strong gains in first half of 2006
- Mid-business cycle slowdown in second half of 2006 and first half of 2007
- Financial implications: Interest rates to peak at low levels, corporate profit growth to slow, commodity prices to experience a pullback, Canadian dollar to remain strong

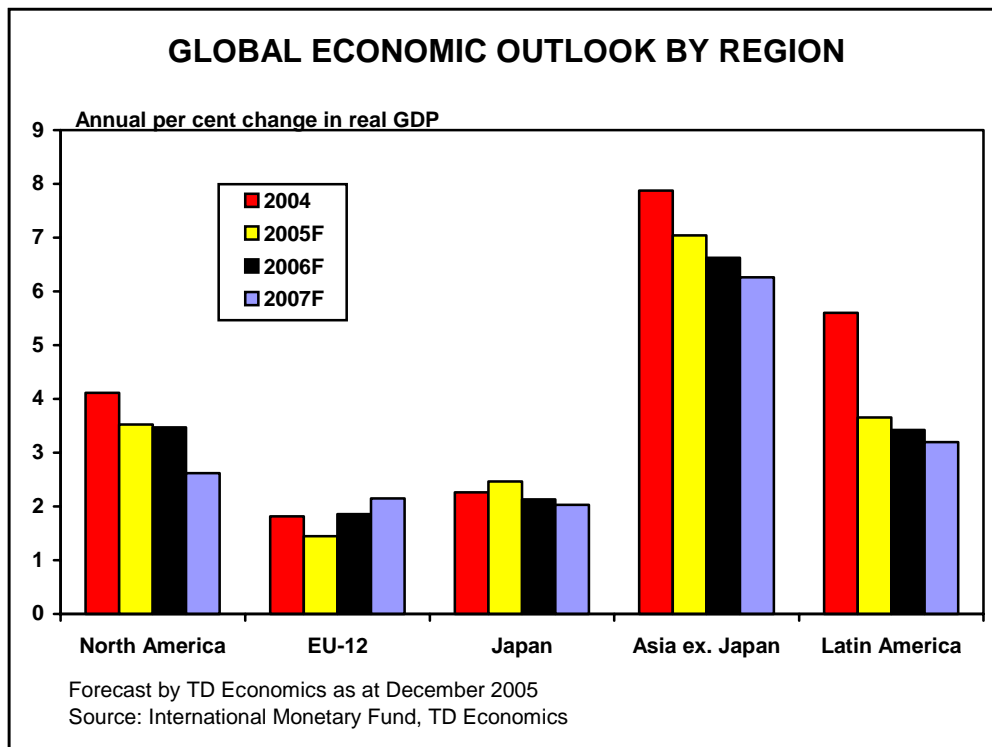
WORLD ECONOMY EXPANDING AT A STRONG PACE



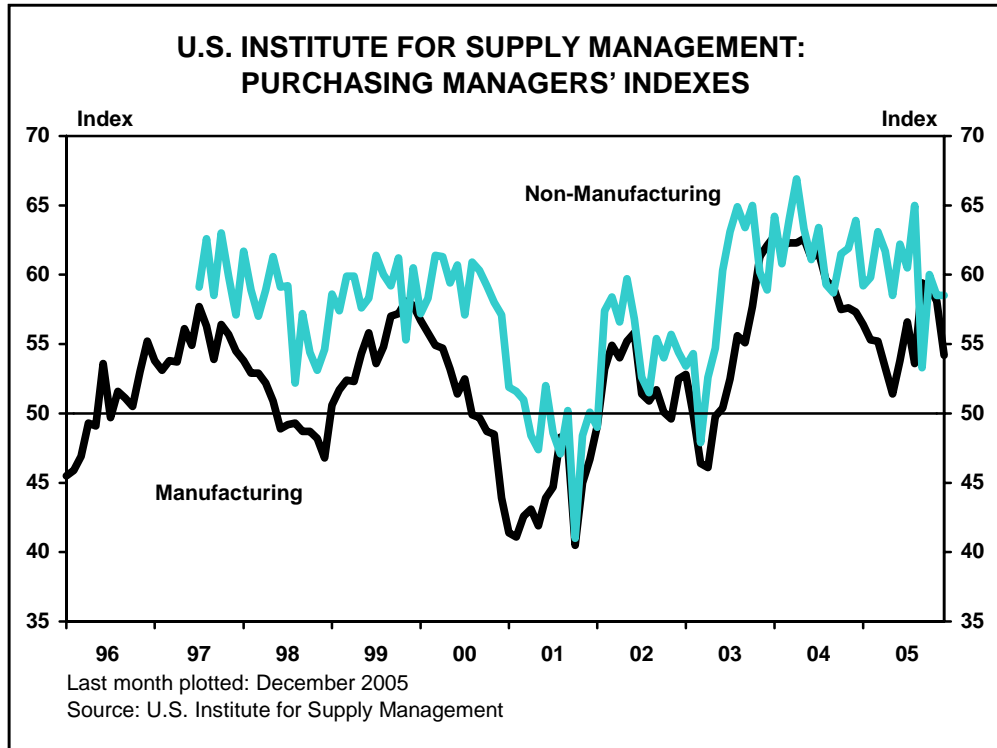
GLOBAL ECONOMY STRUGGLING WITH ENERGY SHOCK



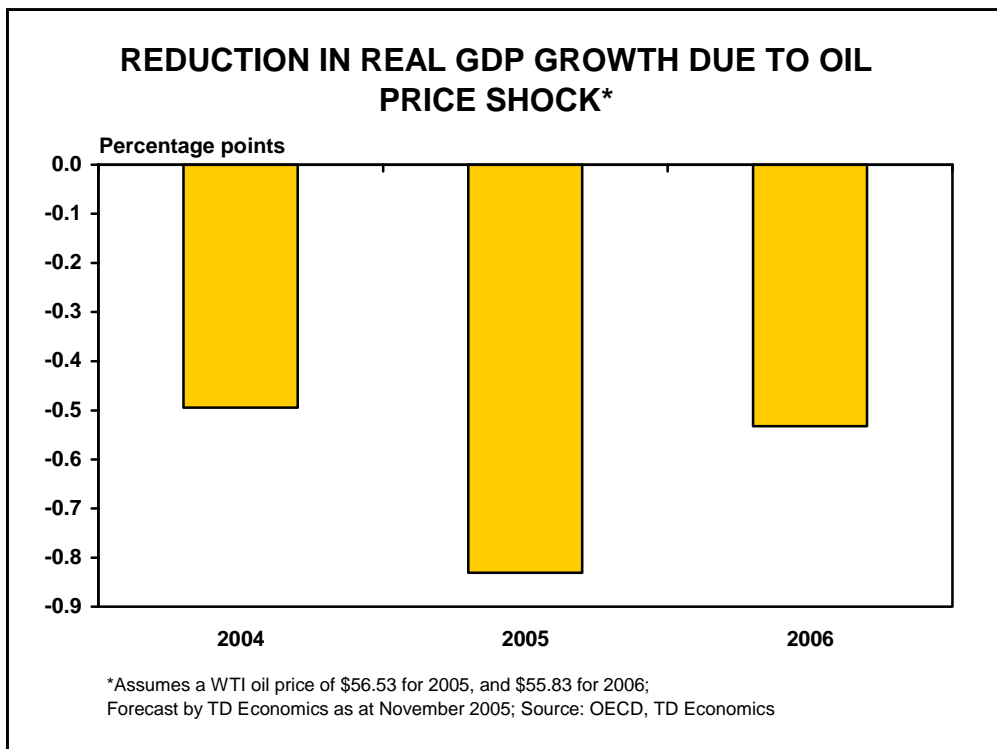
NON-JAPAN ASIA LEADS THE WAY



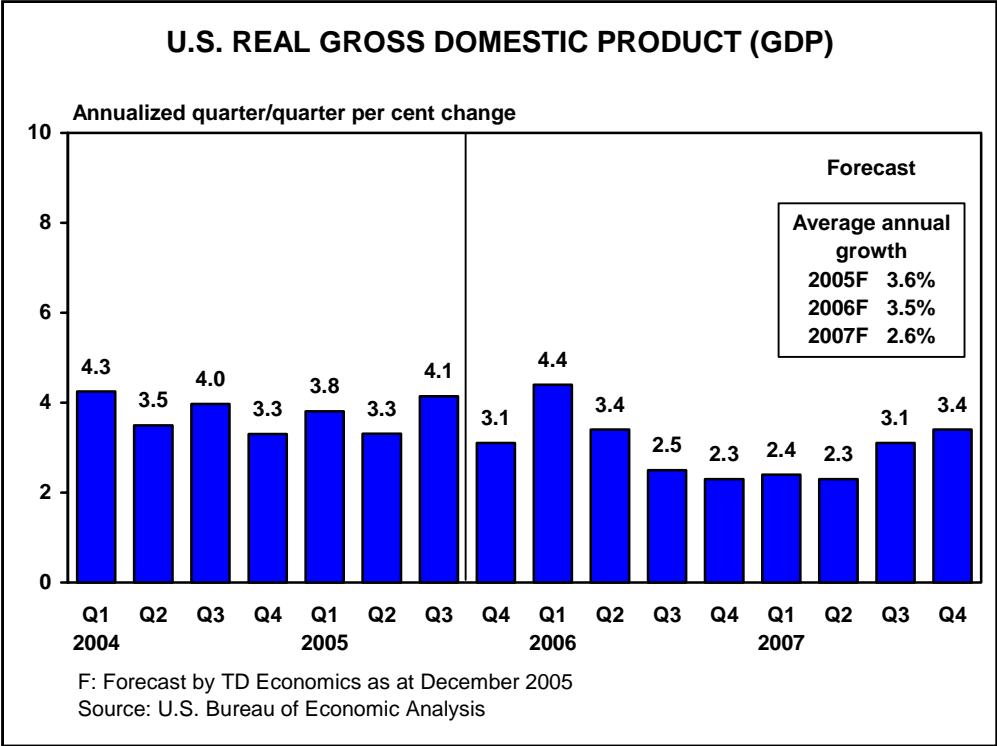
U.S. ECONOMY HAS BEEN DELIVERING A SOLID PERFORMANCE



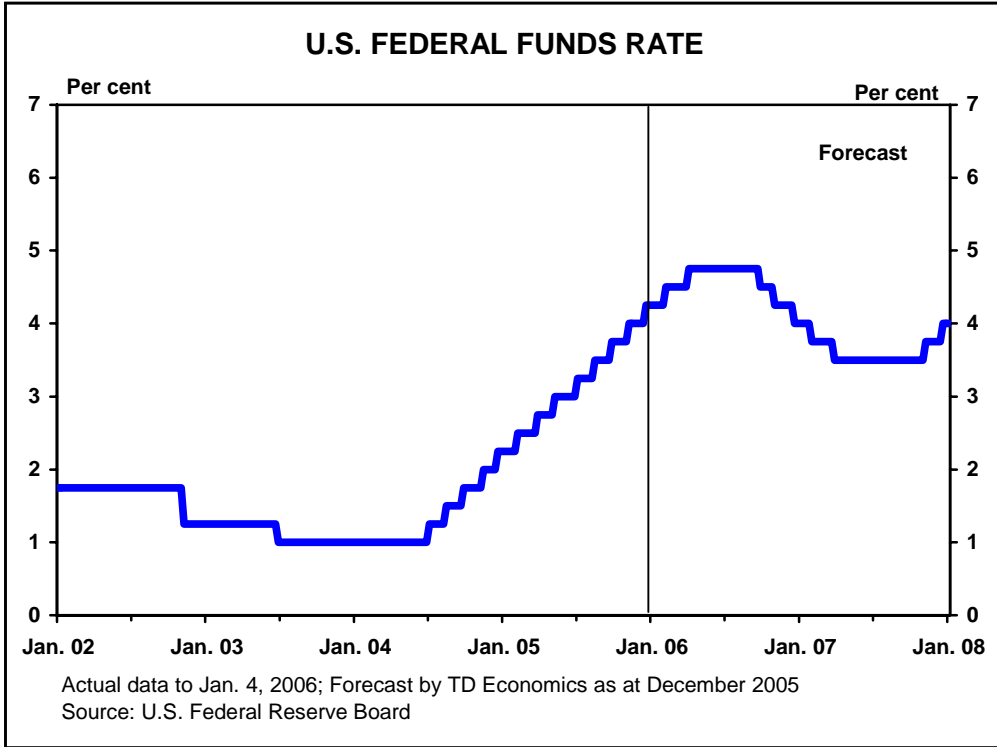
OIL PRICES WILL REMAIN A DRAG ON GROWTH



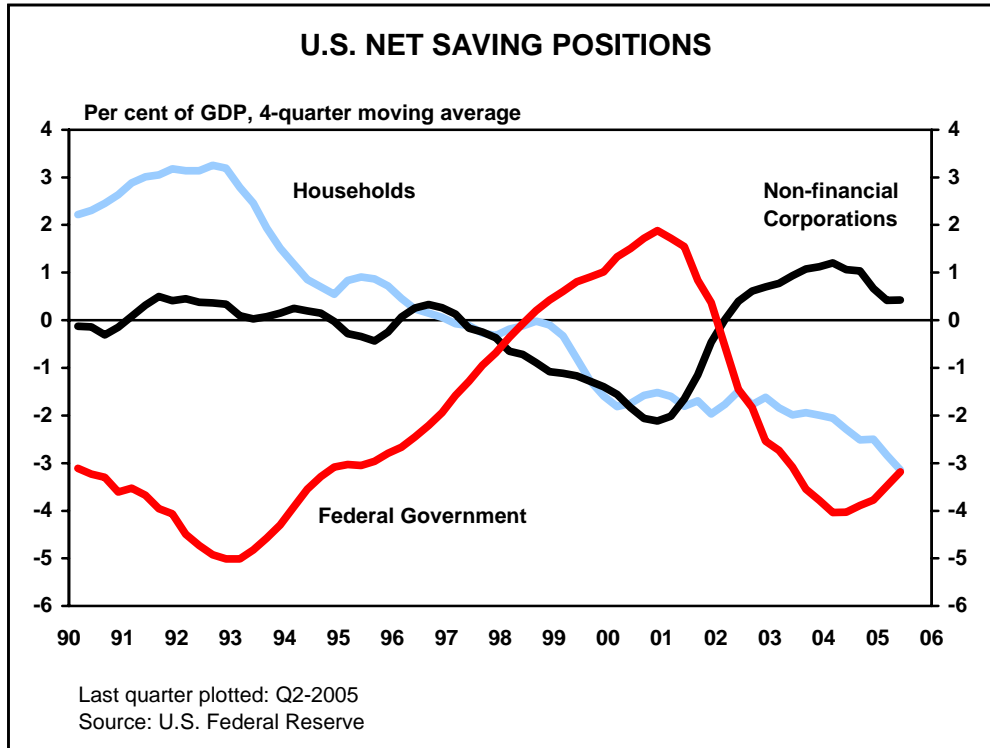
U.S. ECONOMY TO DELIVER MODERATE, NOT BOOMING GROWTH



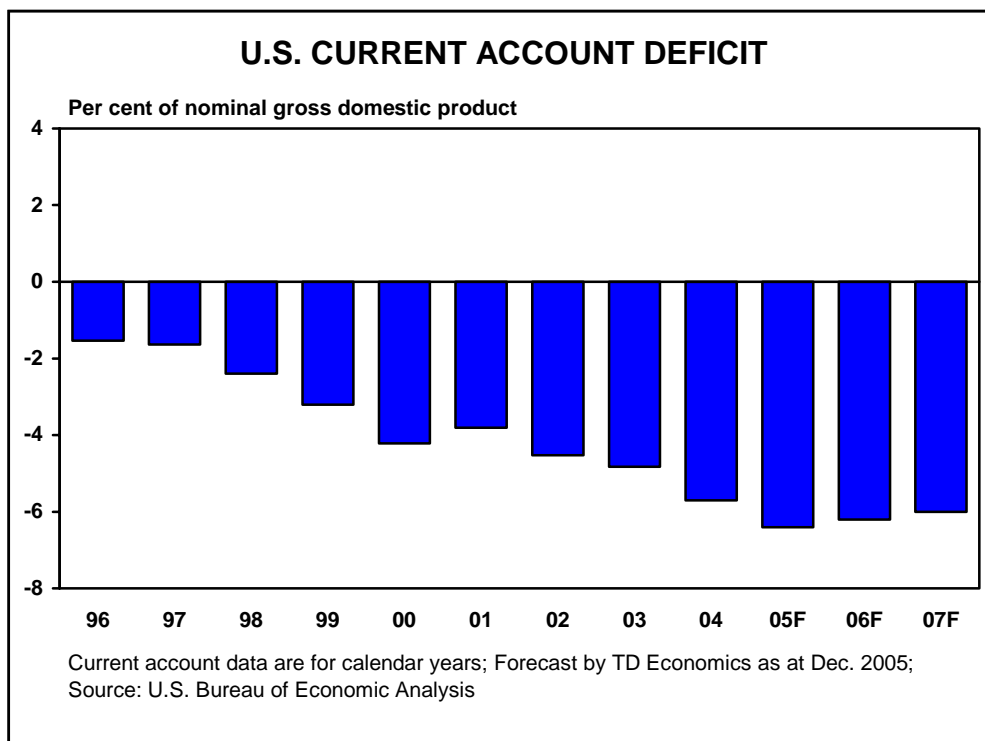
FED TO HIKE RATES FURTHER BEFORE REVERSING COURSE



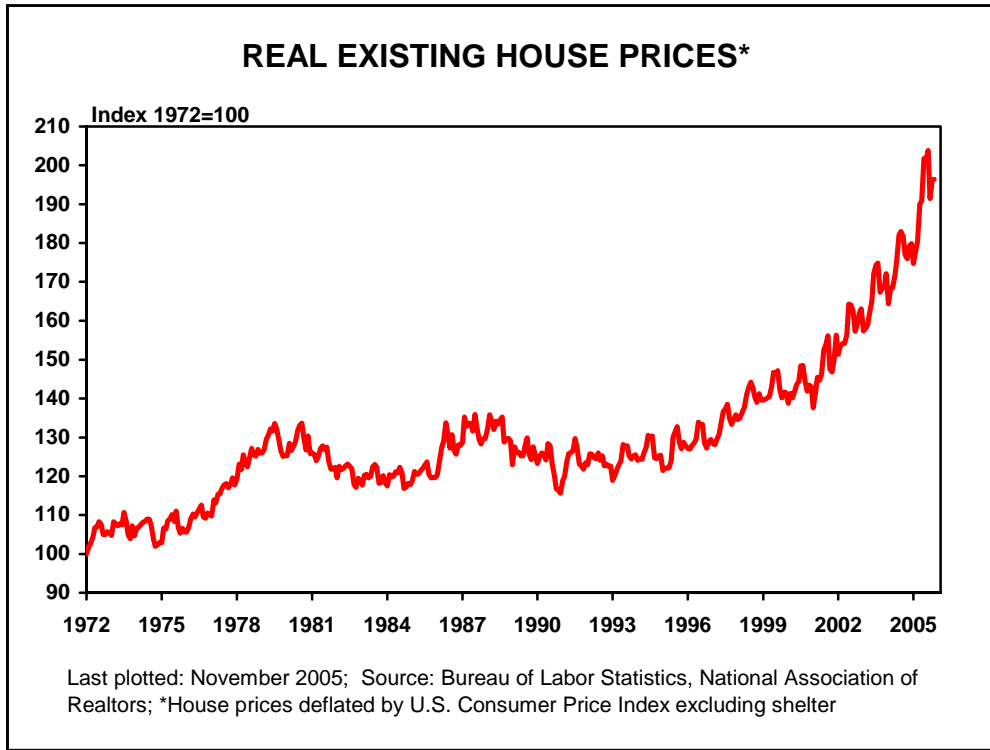
U.S. LIVING BEYOND ITS MEANS



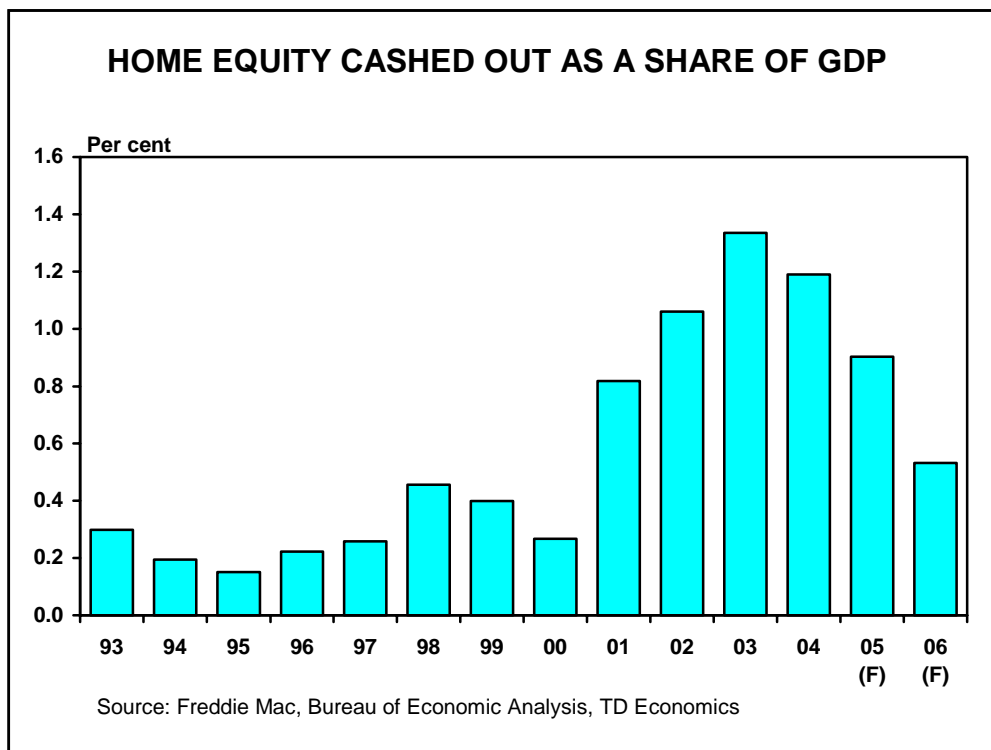
EXCESSES REFLECTED IN CURRENT ACCOUNT DEFICIT



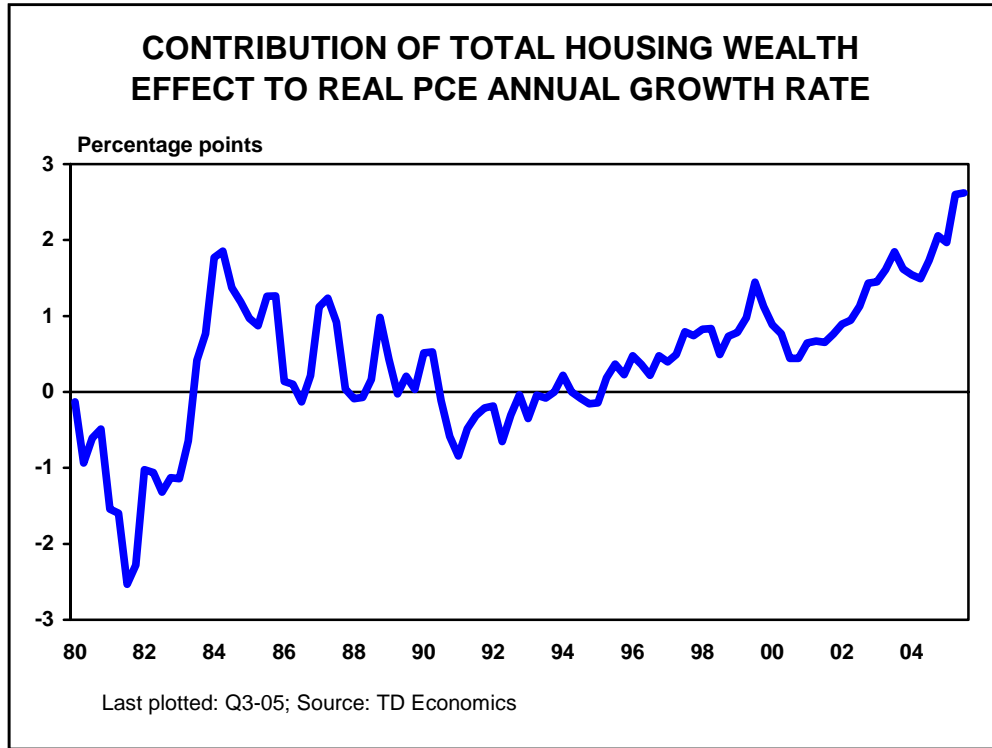
HOUSING BUBBLE?



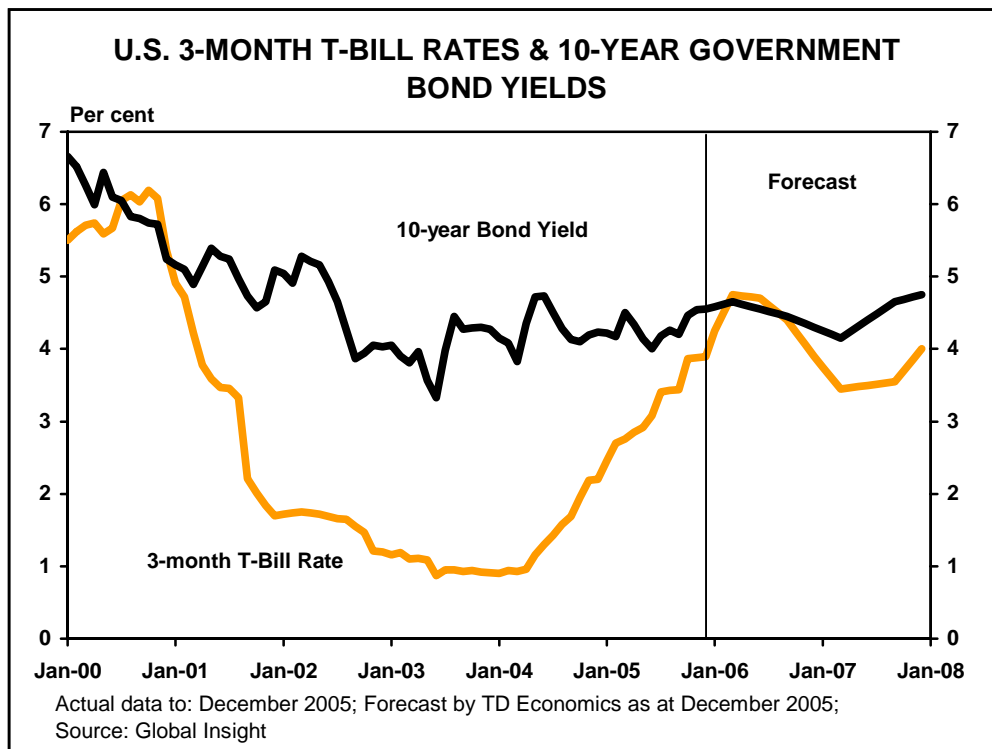
RISING HOME PRICES FUEL CONSUMPTION



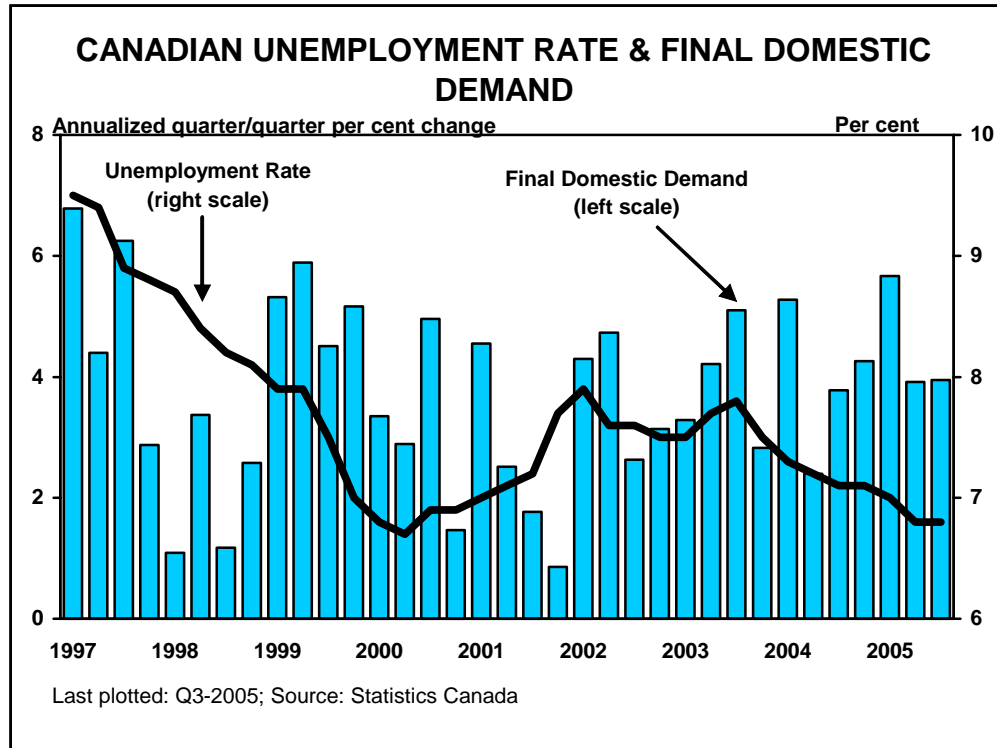
EVEN A RETURN TO TREND PRICE INCREASES WILL SLOW SPENDING



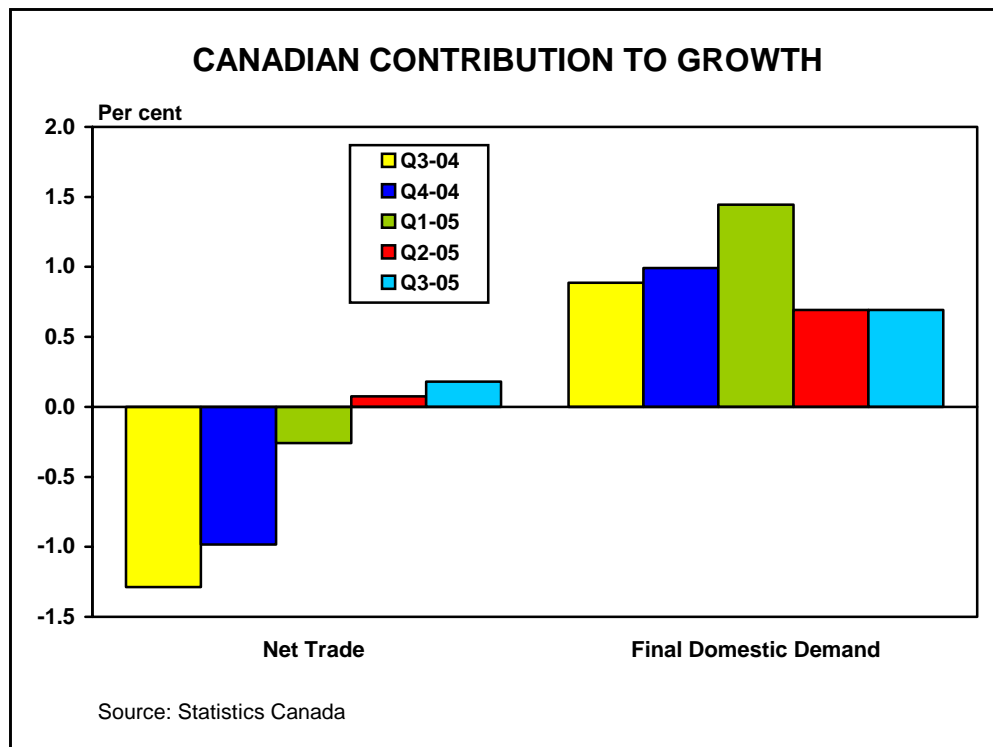
BOND YIELDS TO GRIND HIGHER, BUT PEAK AT LOW LEVELS



DOMESTIC CANADIAN ECONOMY IN GOOD SHAPE



ADJUSTMENT TO PAST APPRECIATION IN C\$ TAKING PLACE

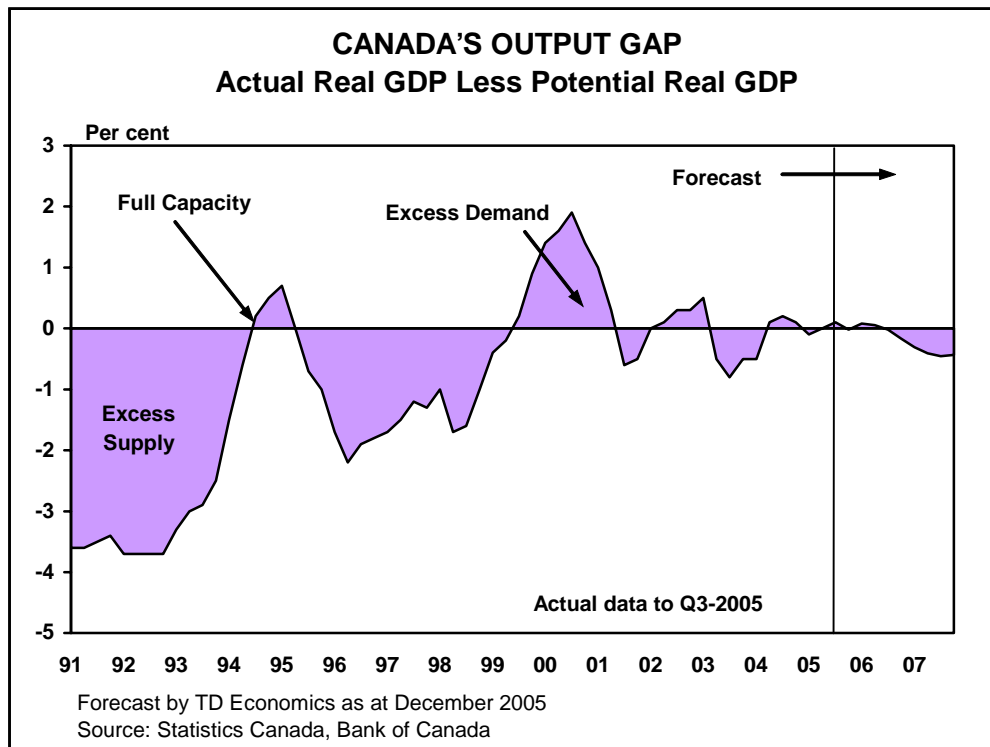


HOUSING MARKETS AT LESS RISK OF A BUBBLE

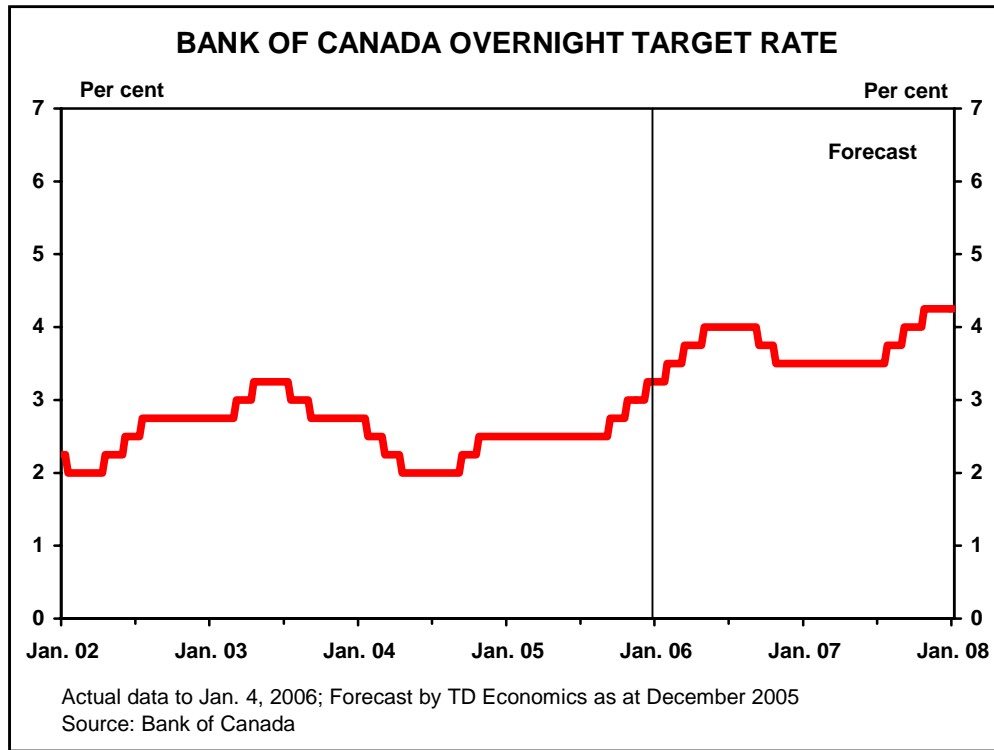
HOUSING INDICATORS IN CANADA: 1989 vs. 2005e		
	1989	2005e
Housing Starts (000)	215.4	220.0
New Home Inventories*	18,804	12,700
5-Year Mortgage Rate**		
Nominal (%)	12.1	6.0
Real (%)	7.5	4.4
Affordability ***	40.0	29.2
New Housing Price Index		
% change year/year	13.2	4.9
Average Resale House Price		
% change year/year	13.2	9.5
% growth rate 3-year avg.	15.7	9.6
Level (1989\$ constant)****	146,965	172,180

* Completed and unabsorbed units for Canada's CMAs
 ** Nominal rate adjusted for the change in the core CPI
 *** The percentage of household income taken up by mortgage payments.
 A decrease in this figure represents an improvement in affordability.
 ****YTD July 2005; e: Estimate by TD Economics as at December 2005
 Source: CMHC, CREA, Statistics Canada, TD Economics.

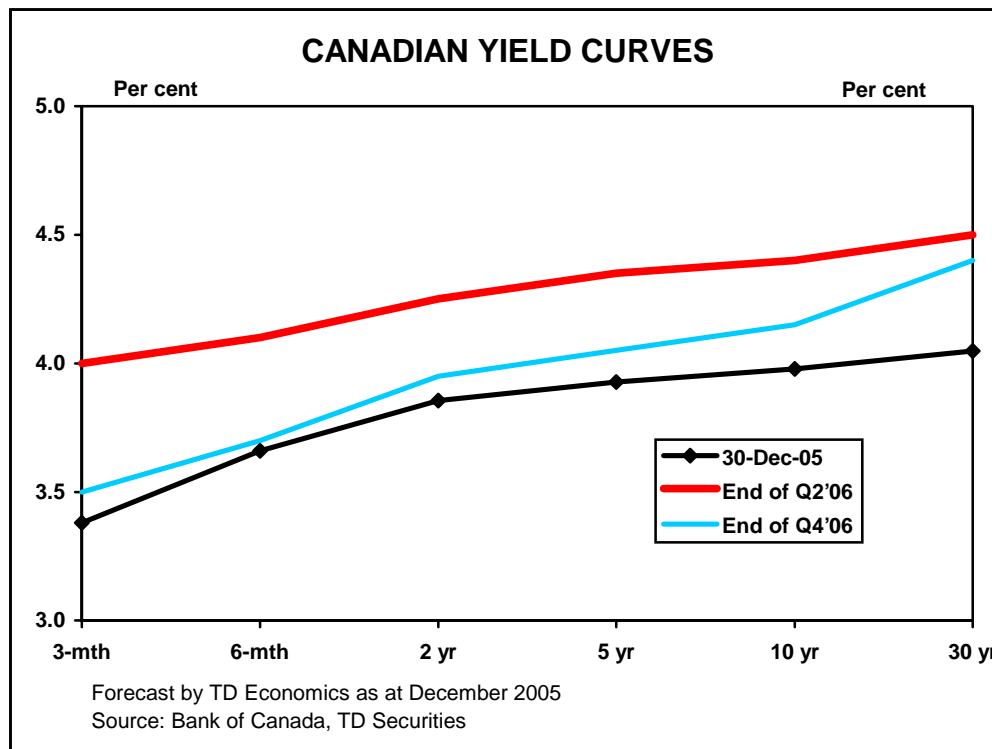
NO SLACK LEFT IN THE ECONOMY



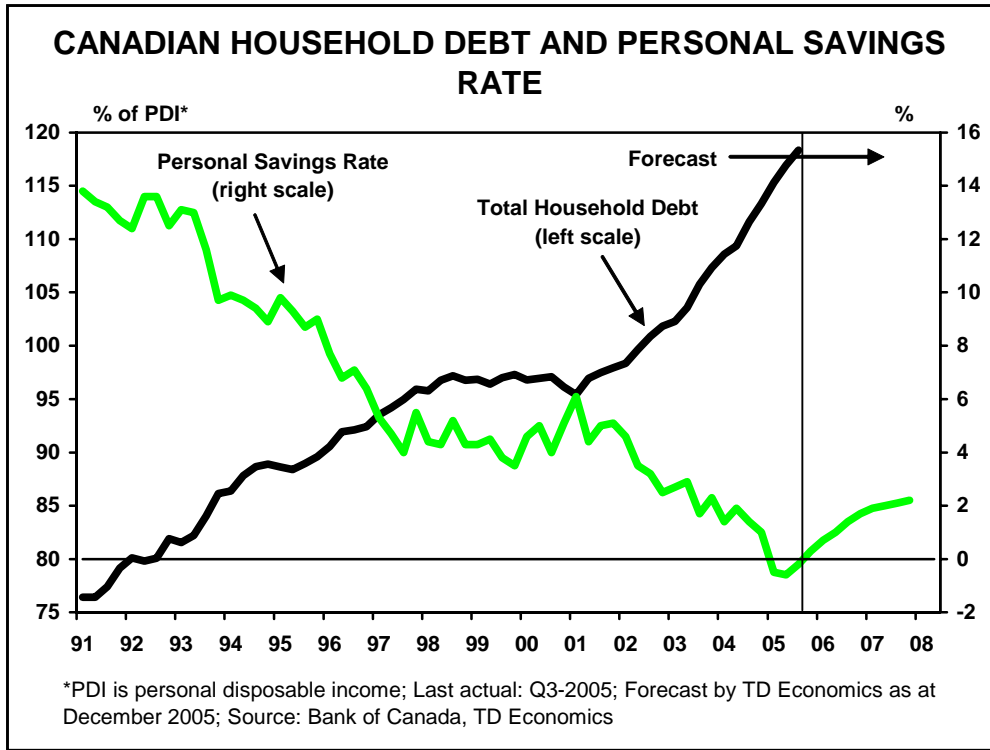
BANK OF CANADA TO RAISE RATES FURTHER



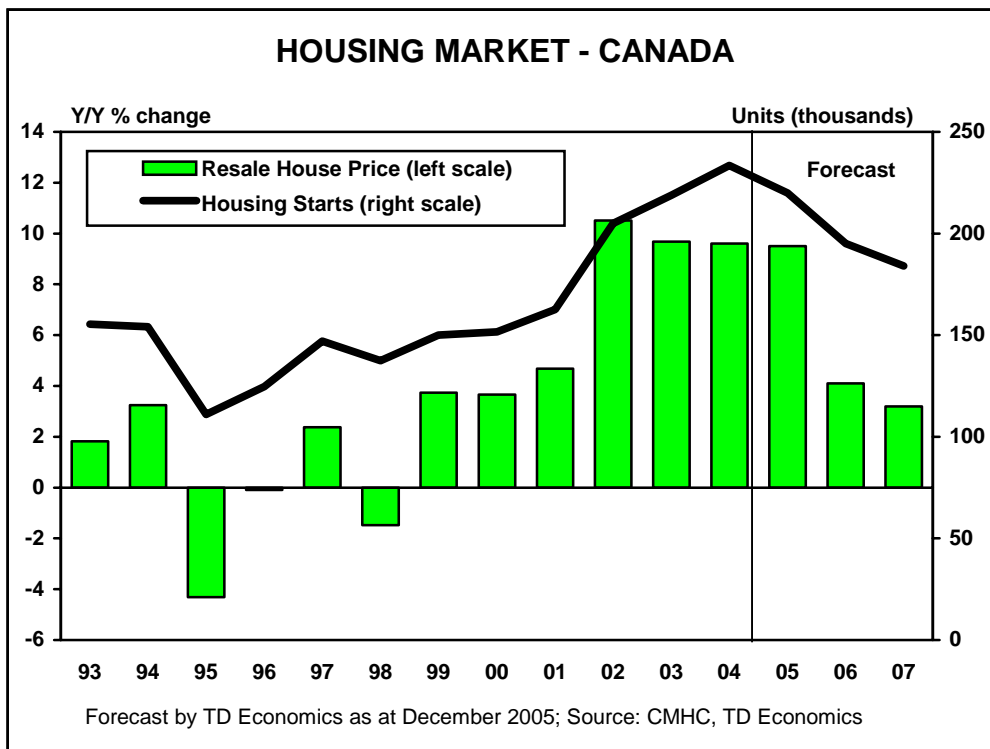
YIELDS TO HEAD MODESTLY HIGHER



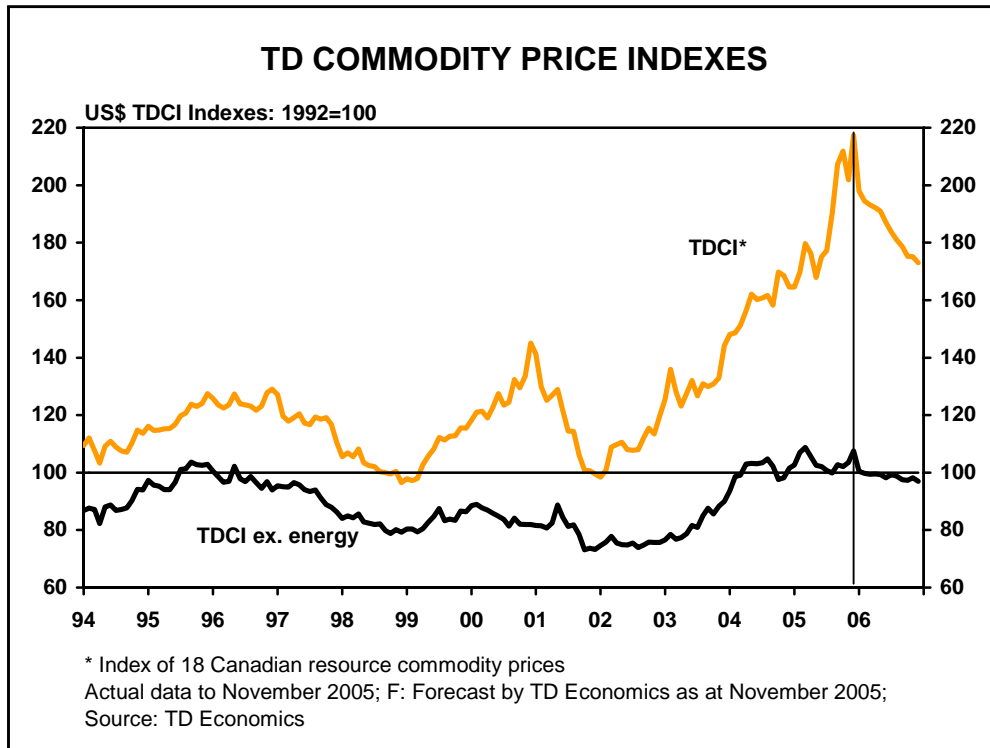
CONSUMERS CANNOT BE ENGINE OF GROWTH



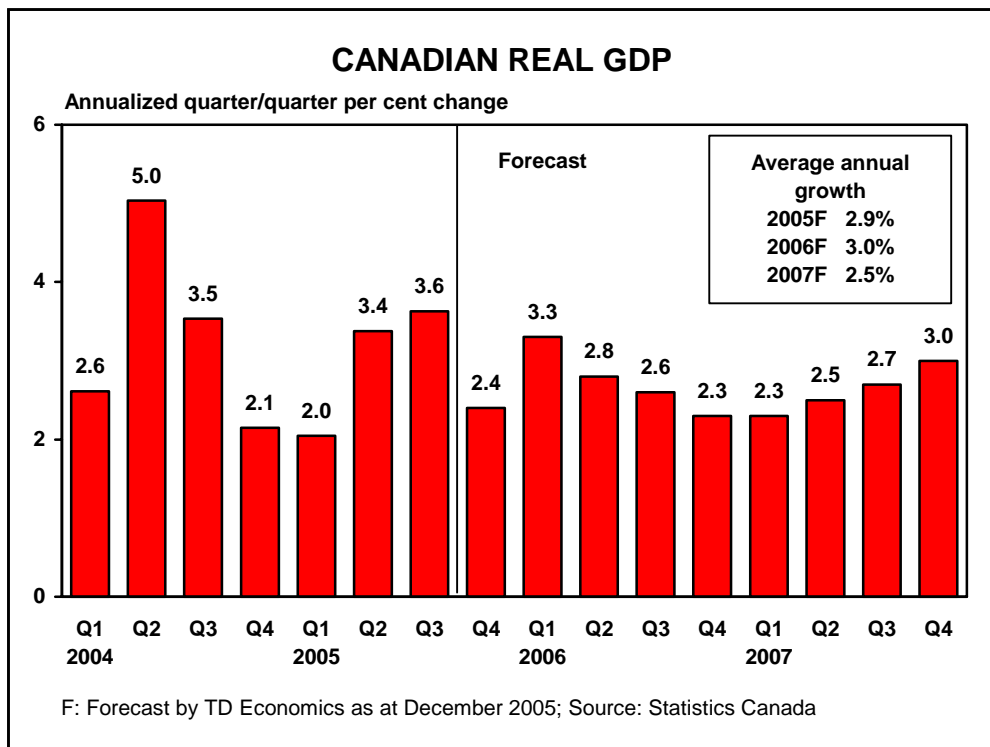
HOUSING TO COOL



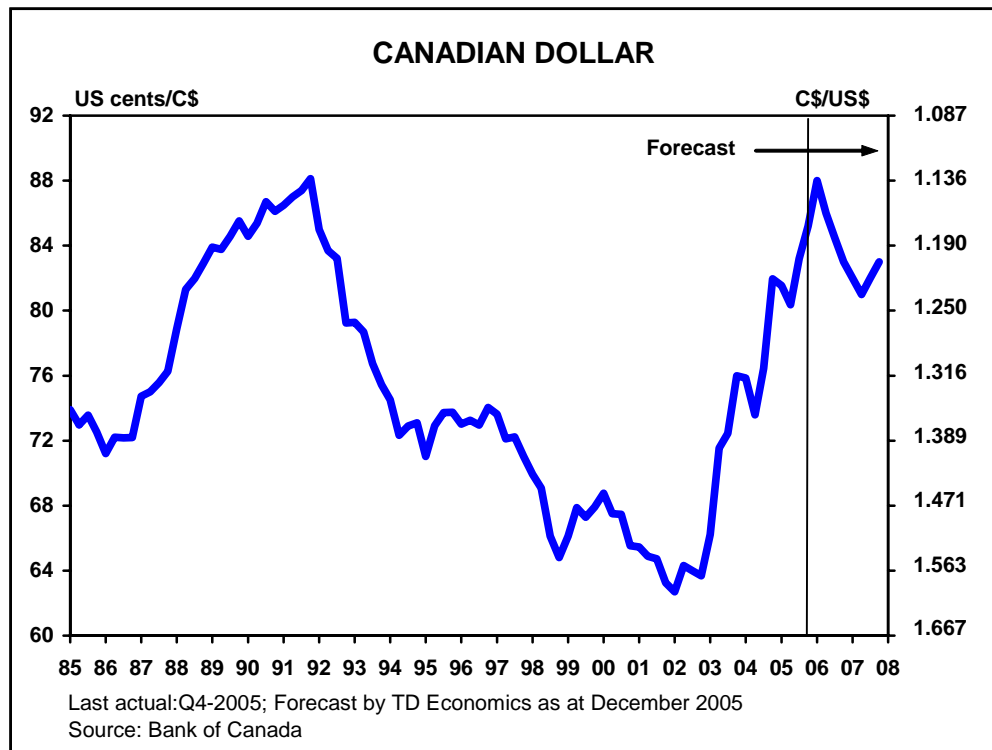
WEAKER GLOBAL GROWTH WILL LEAD TO COMMODITY PRICE CORRECTION



U.S. SLOWDOWN AND MODERATION IN DOMESTIC DEMAND WILL CONSTRAIN CANADIAN ECONOMIC GROWTH



CANADIAN DOLLAR TO STAY FIRM THEN SETTLE



INVESTMENT SUMMARY

- Short-term interest rates to rise, lifting return on money market instruments (T-bills, GICs)
- Bond yields to grind higher, but peak at historically low levels
- U.S. dollar to remain firm in near term, but likely to weaken in 2006
- Chinese renminbi to rise, but only modestly
- Canadian dollar to stay firm in early 2006, but weaken modestly when commodity prices pull back

- Corporate profits delivered double digit gain in 2005, but will slow to single digit growth in 2006
- Crude oil prices should drop modestly when global economy slows
- S&P/TSX is unlikely to maintain its outperformance, as energy and financials make up 57% of index
- Outlook challenging in the short-term, but still expect positive returns
- Diversified portfolios are expected to deliver 5.0 to 7.5% average annual return over 10-year horizon (before fees/taxes)