



Vermont Economic Conference: Mapping Our Economic Future

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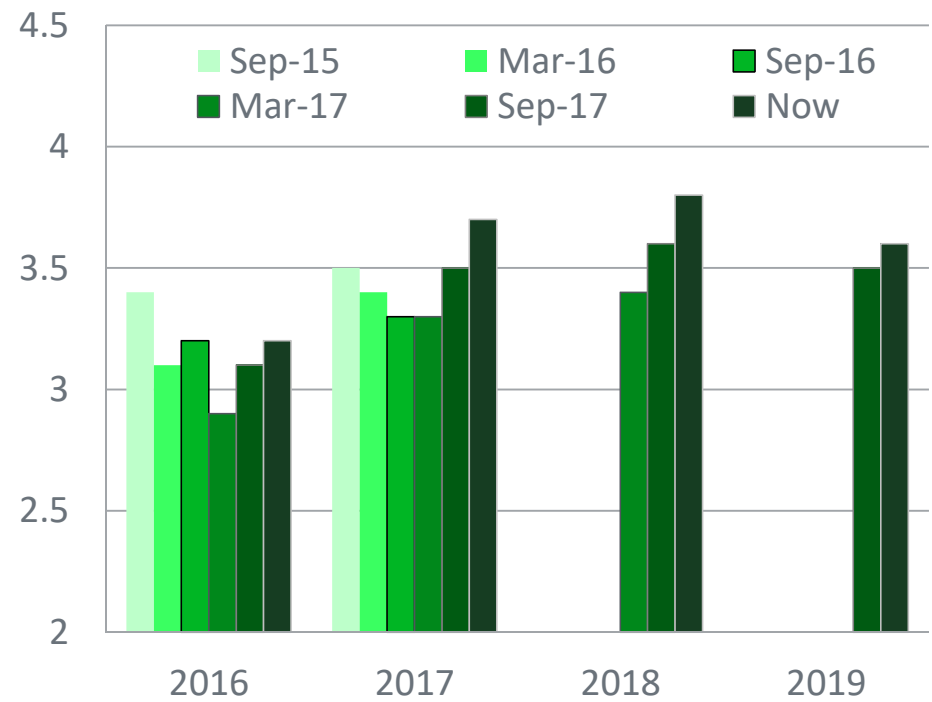
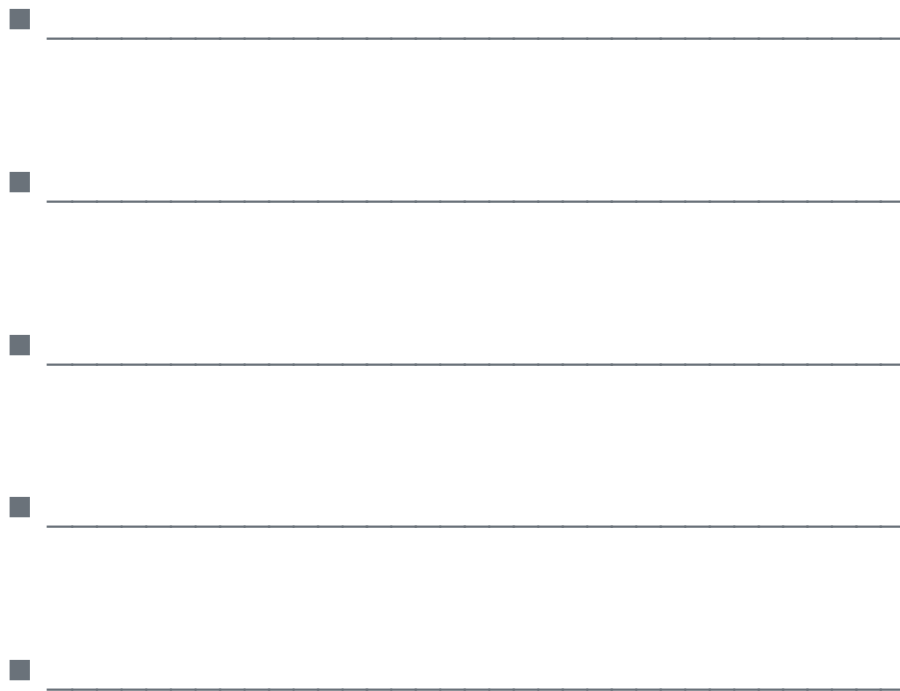


Summary

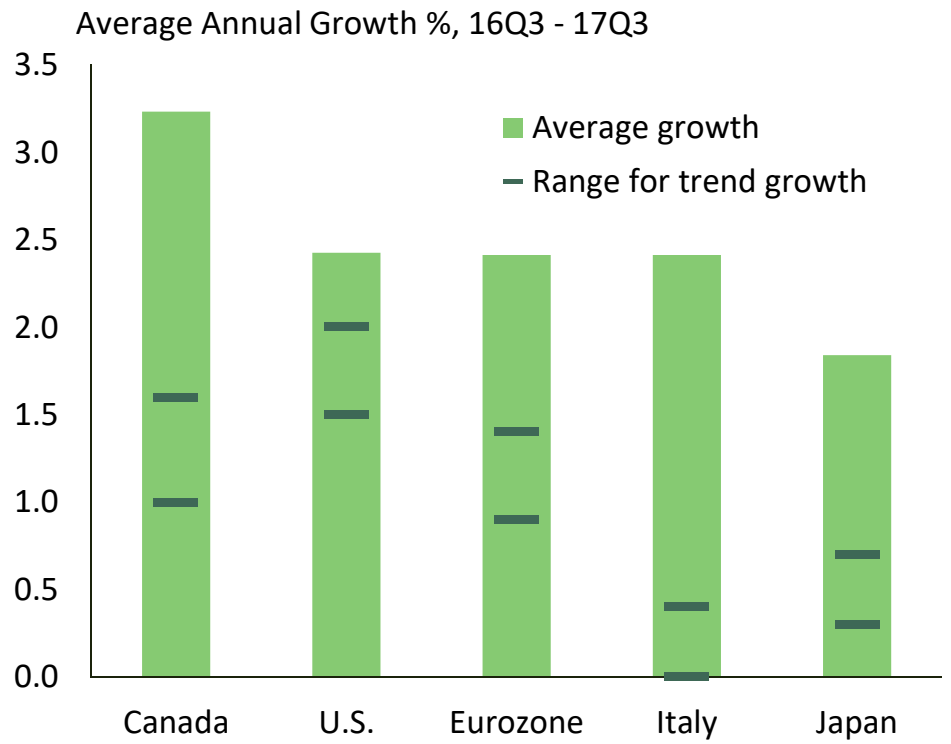
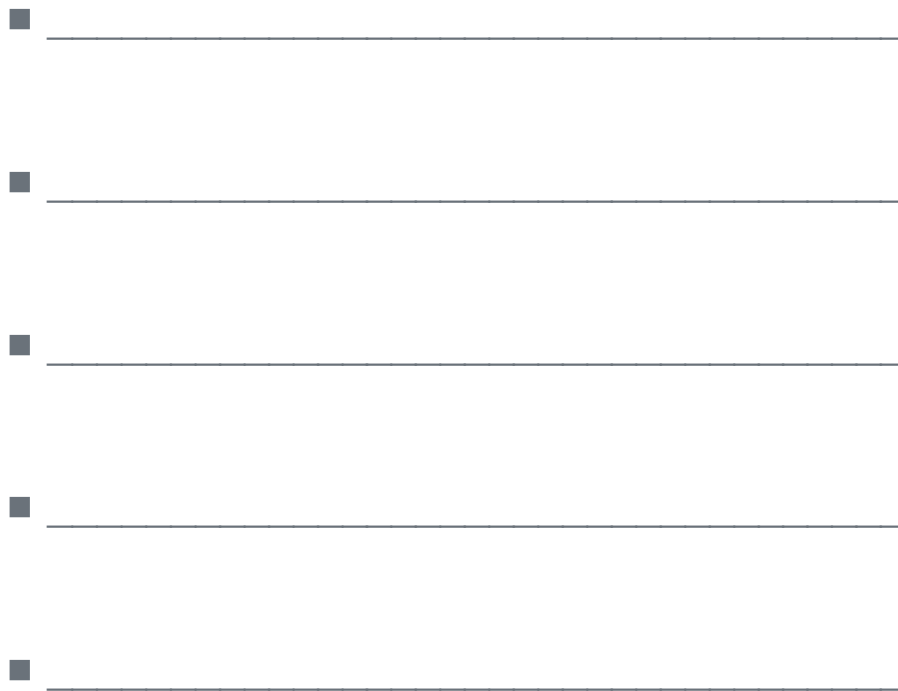


- Global economy gathering speed, leading to another upgrade in outlook.
- Robust growth has diminished slack across many AEs
- Inflation still low but monetary policy is forward-looking
- Central banks take more steps towards the unwind of emergency policy
- Rising rates have led to curve flattening across many AEs
- Term premia still low but may rebalance as QE goes into reverse
- Risks returning into balance:
 - Above-trend growth is reducing downside risks in advanced economies
 - Protectionism and geopolitical tensions remain on the table
 - Elevated asset prices (equities, housing, CRE, bitcoin, etc) are an increasing concern

Recovery has been disappointing and fraught with forecast downgrades... until recently

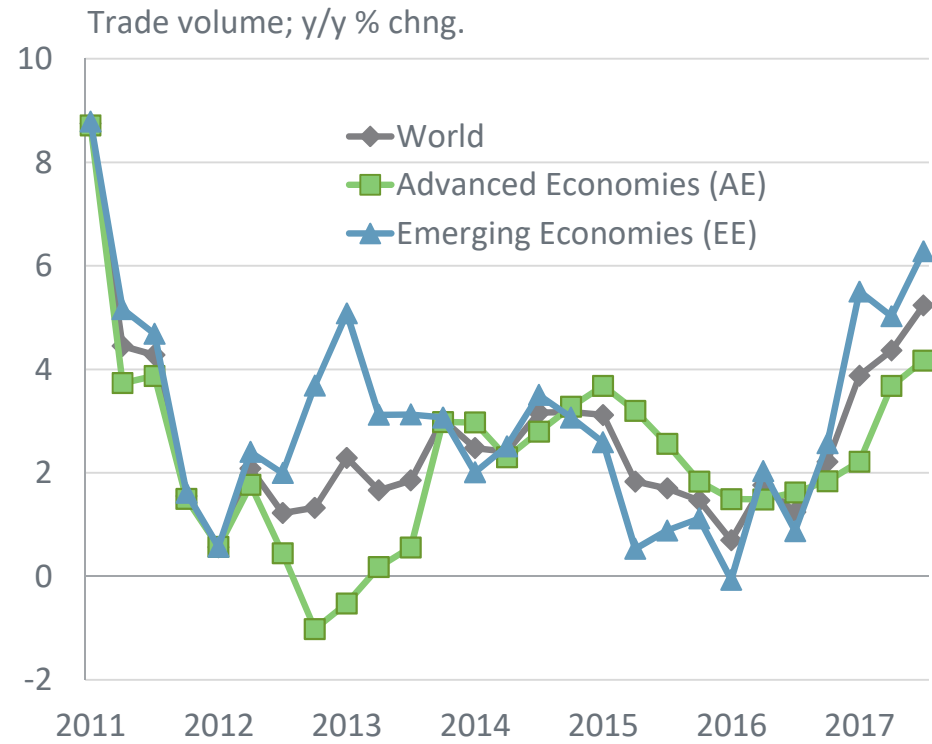
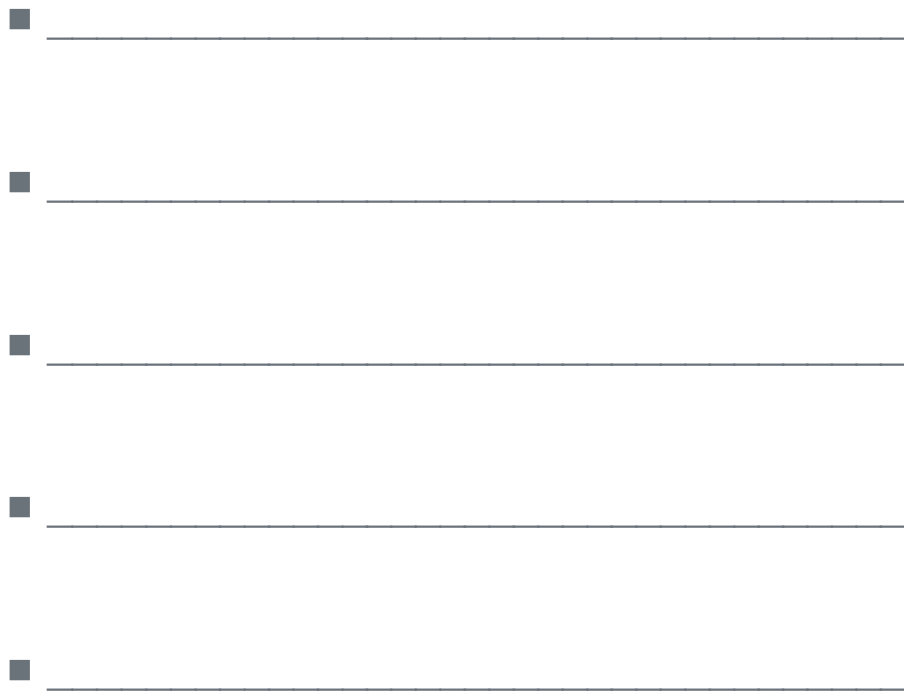


... outlook has been upgraded for the second consecutive quarter... the first time during this recovery



Source: National Statistical Agencies, TD Economics

Faster economic growth came hand-in-hand with a surge in trade which followed years of underwhelming performance

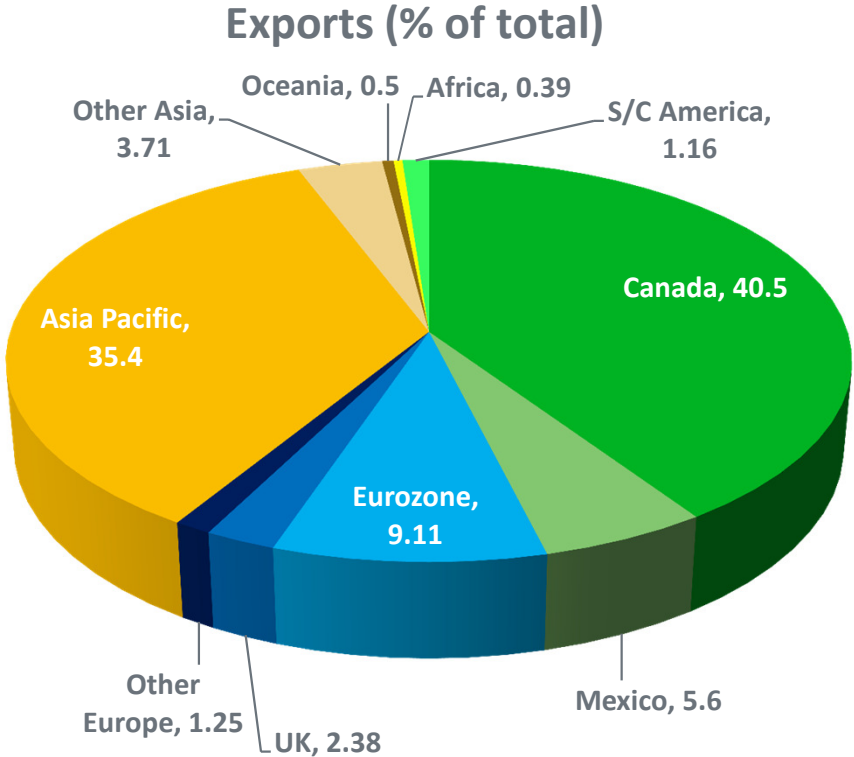


Source: TD Economics

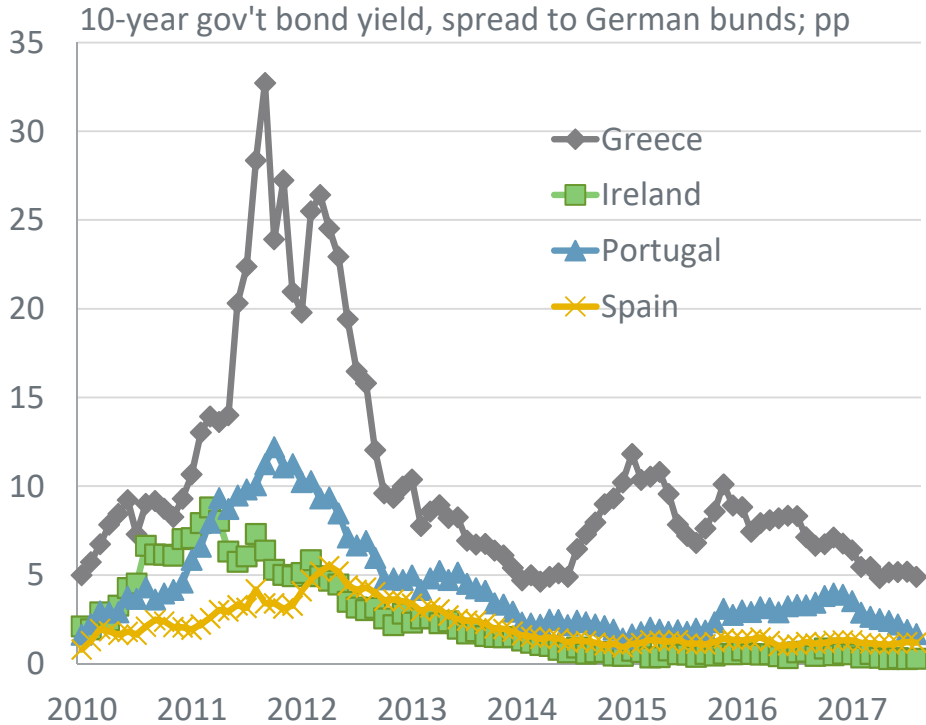
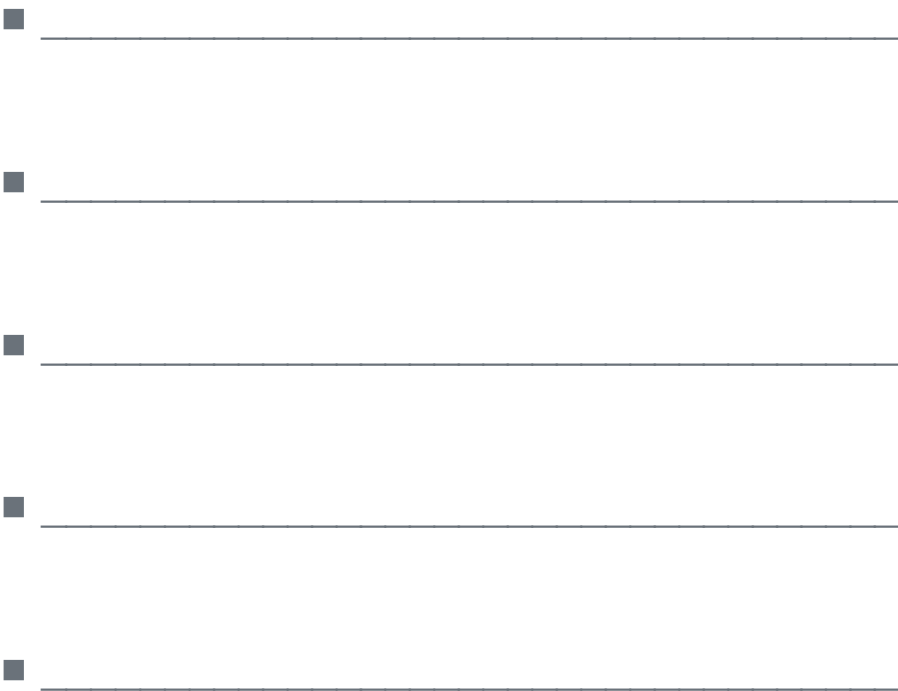
Why does it matter for Vermont?



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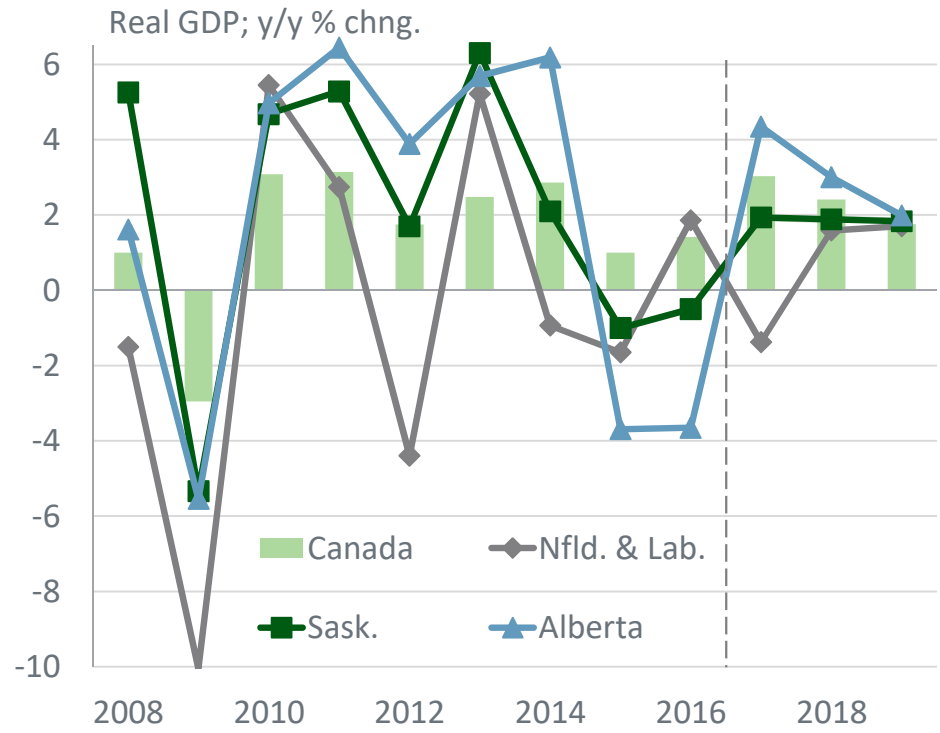


Eurozone sovereign debt crisis is now in the rear view... but many underlying issues remain



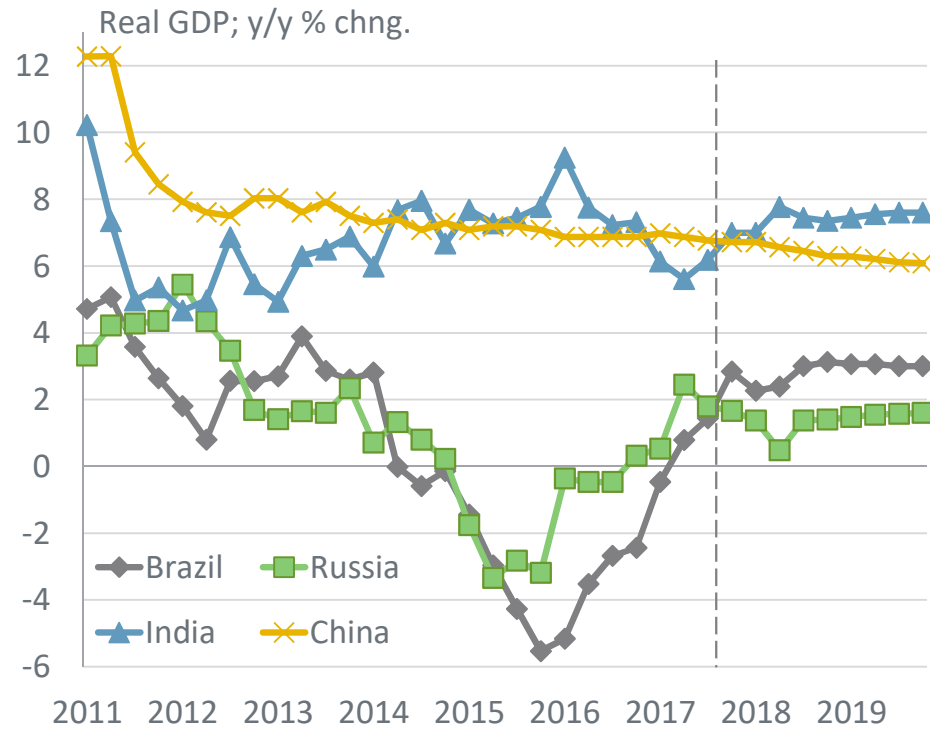
Source: TD Economics

Canada escaped recession in good shape before growth stalled on commodity price collapse



Source: StatCan, TD Economics (Forecast as of Dec-2017).

China and India to power ahead as Brazil and Russia dig themselves out of moderate recessions

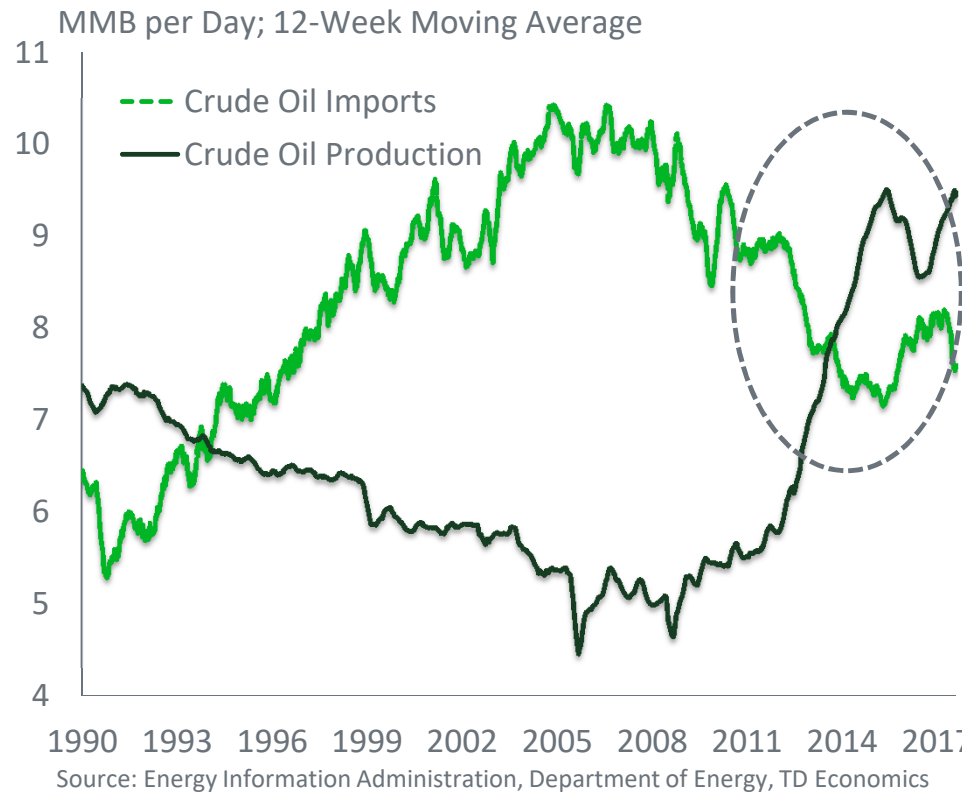


Source: TD Economics

Rising U.S. oil production has altered the way the economy is affected by oil prices and the dynamics of the trade deficit



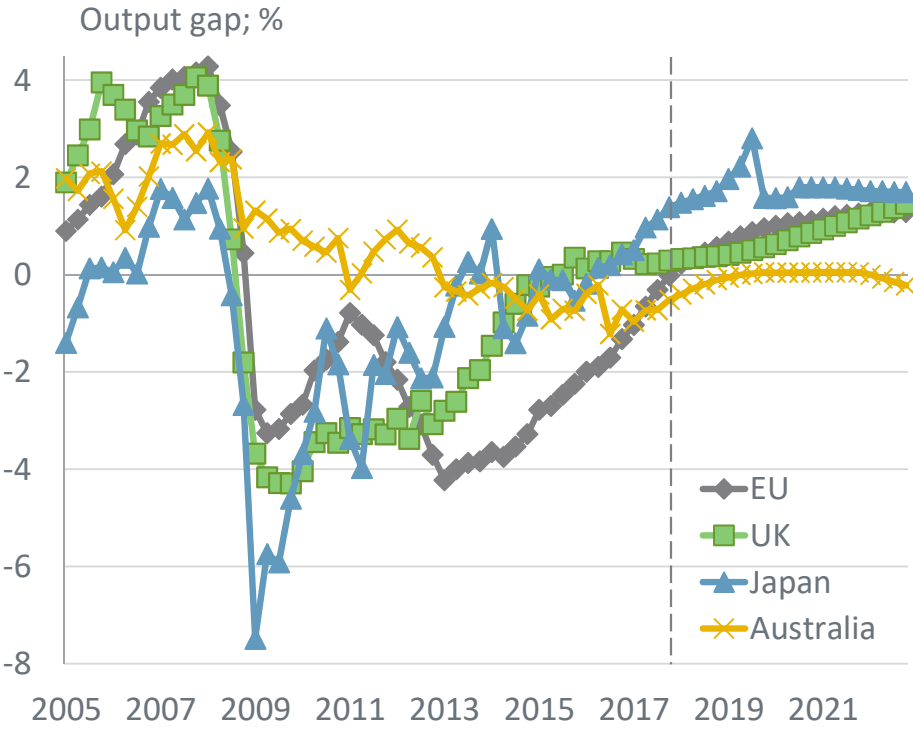
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Robust growth eliminating economic slack

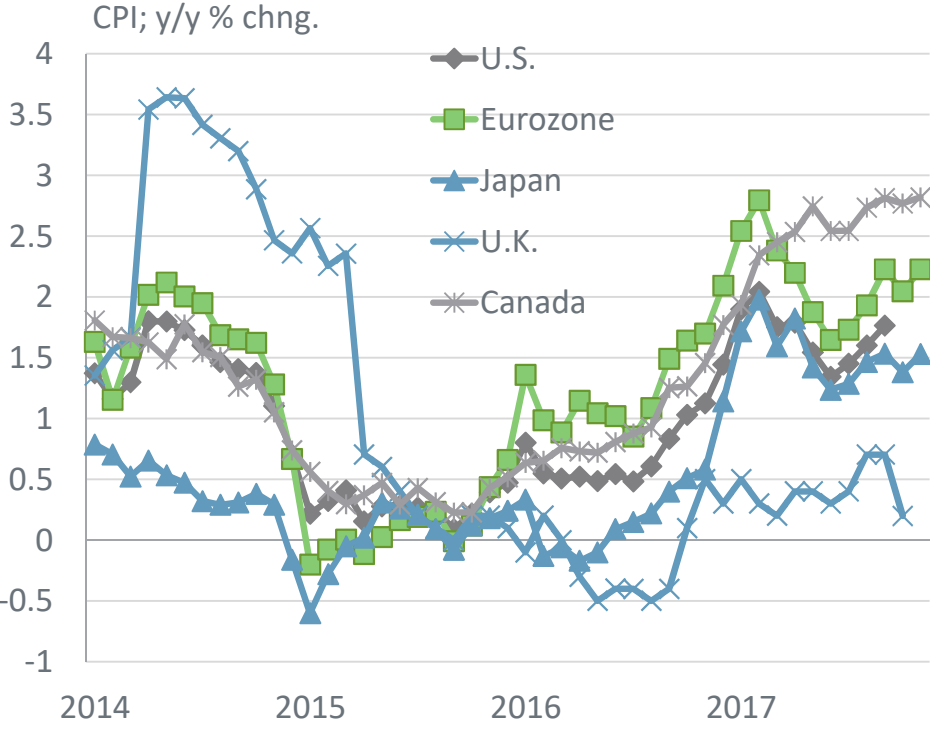
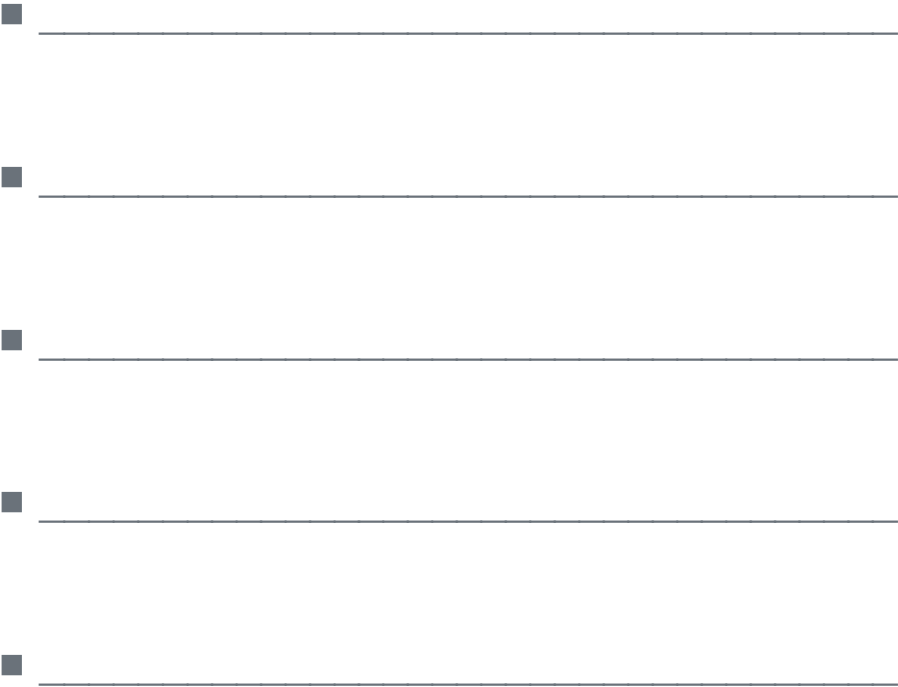


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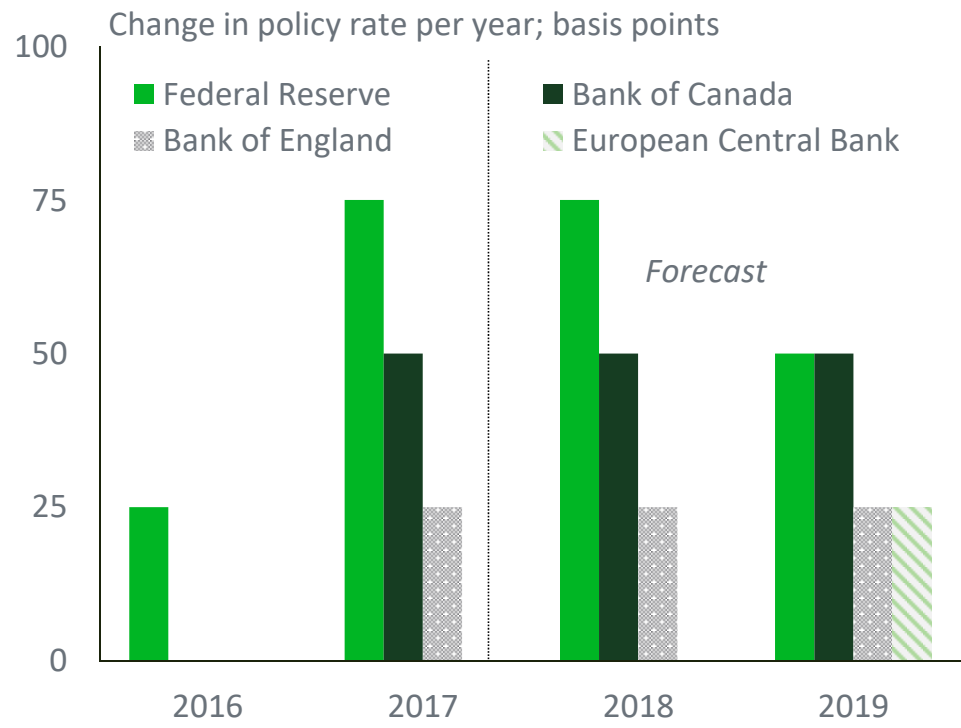
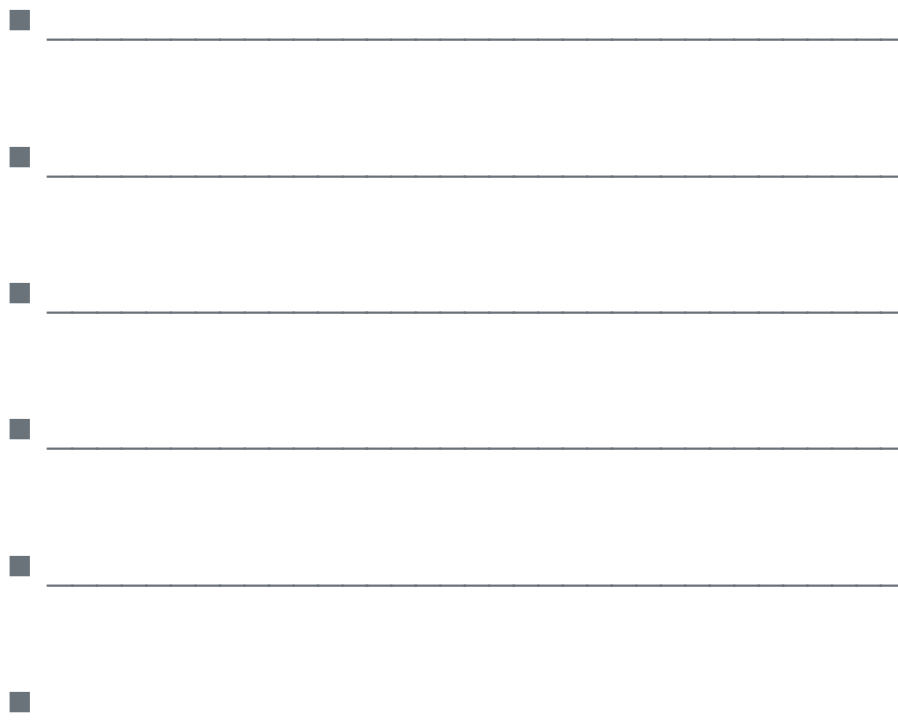
Source: TD Economics

Diminishing slack should help boost inflation

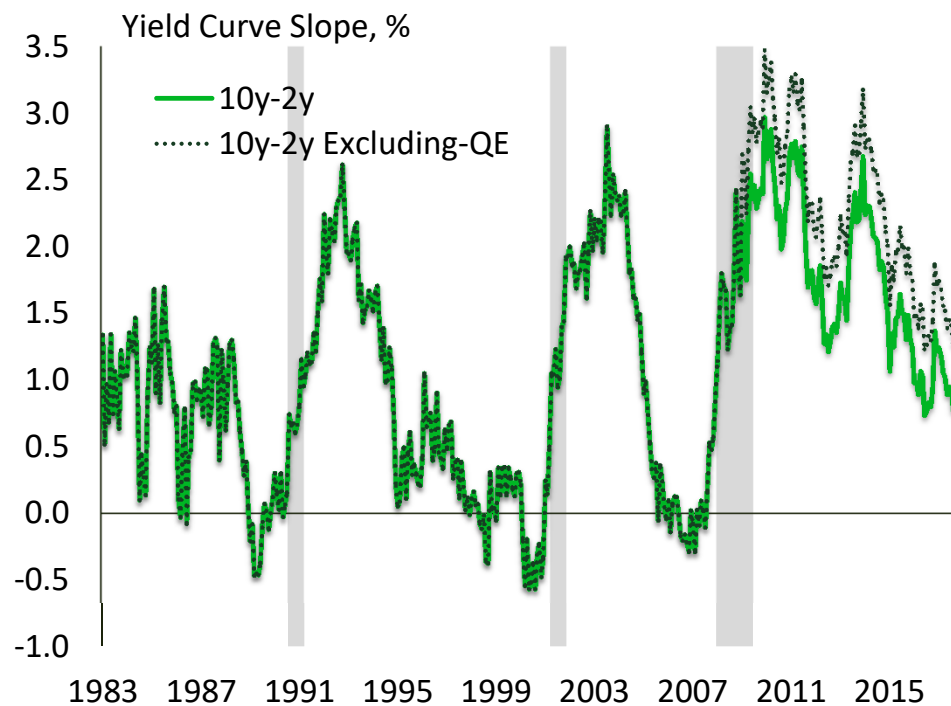
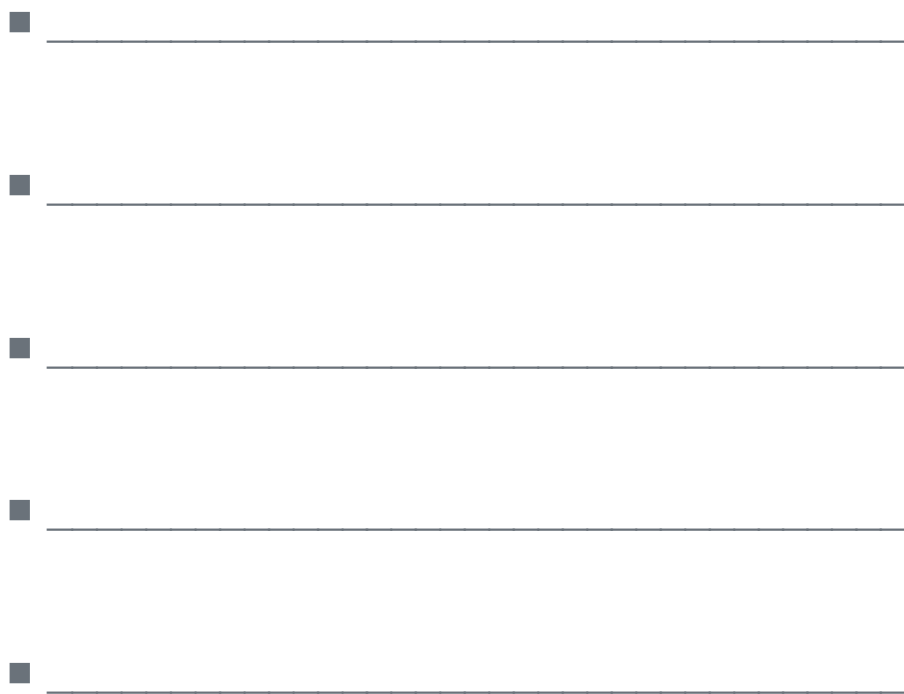


Source: TD Economics

Central banks start to step back from emergency levels

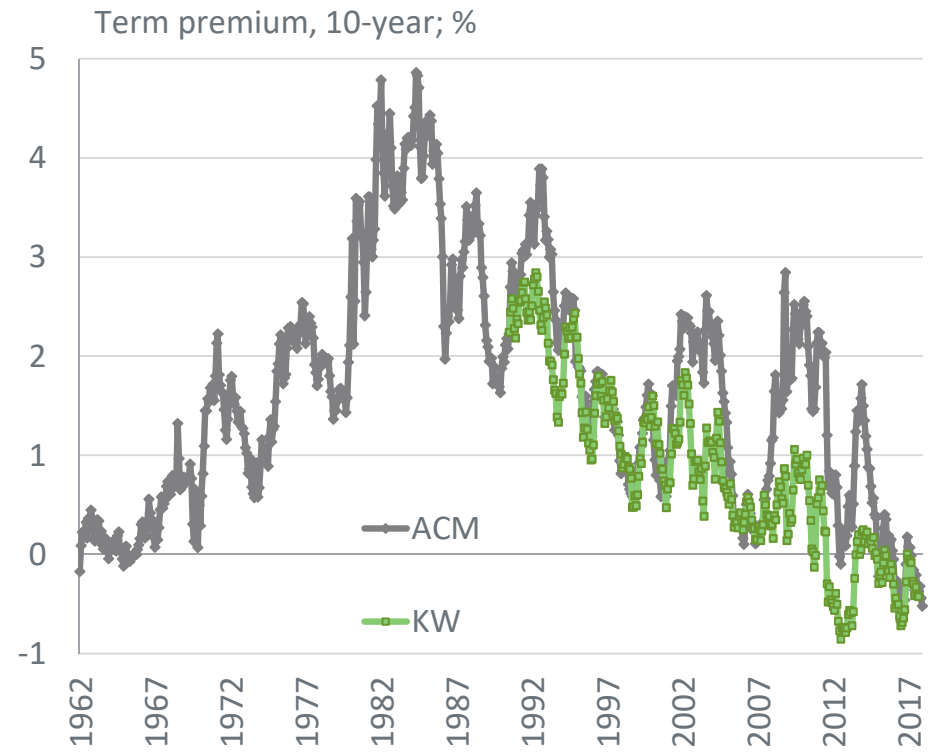
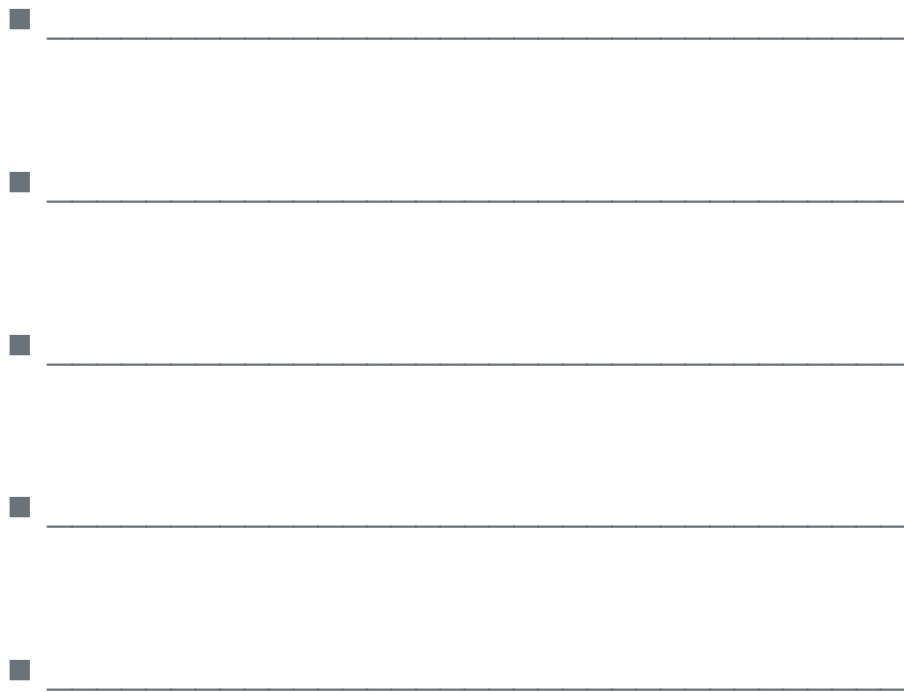


Flattening yield curve is characteristic of maturing cycles, but does not suggest a recession is imminent



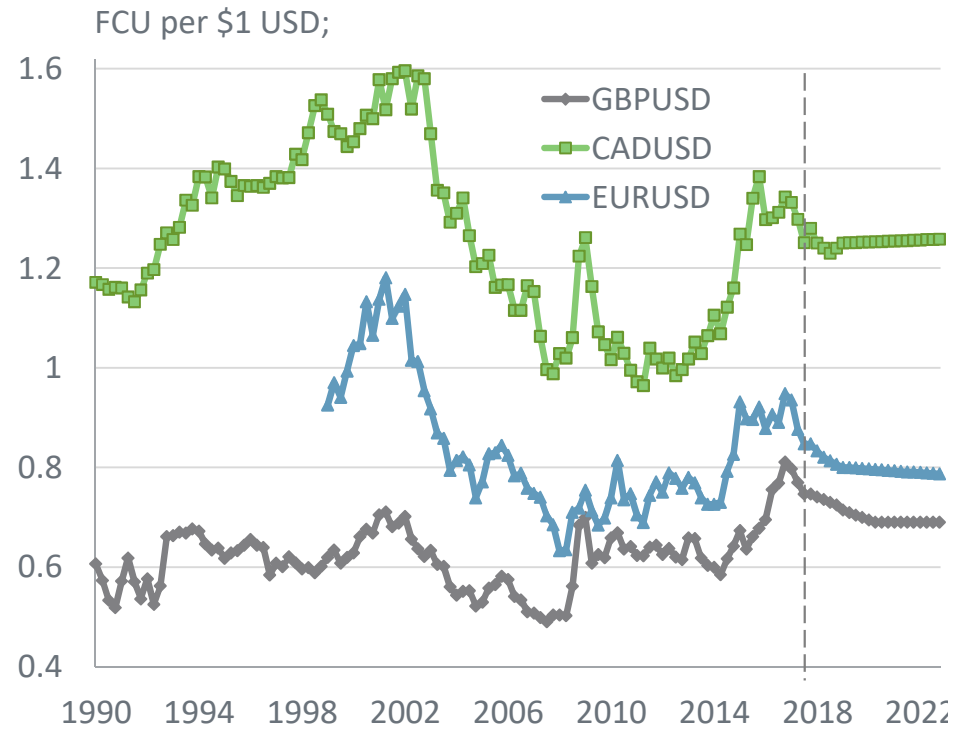
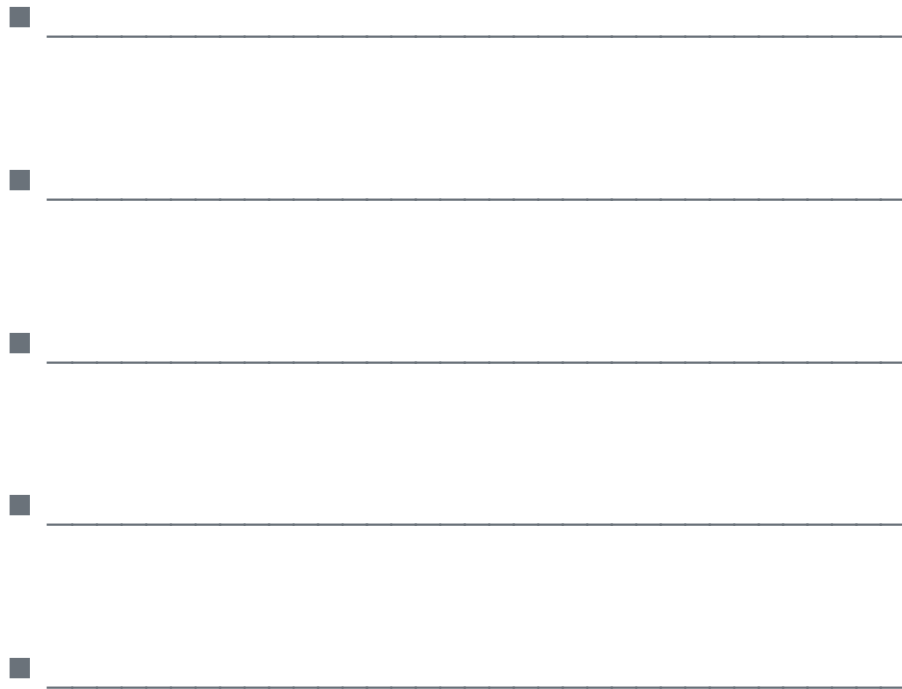
Source: Bloomberg, Federal Reserve Board, TD Economics
Notes: Grey shaded areas represent NBER defined recessions.

Term premia should rebalance as QE diminishes



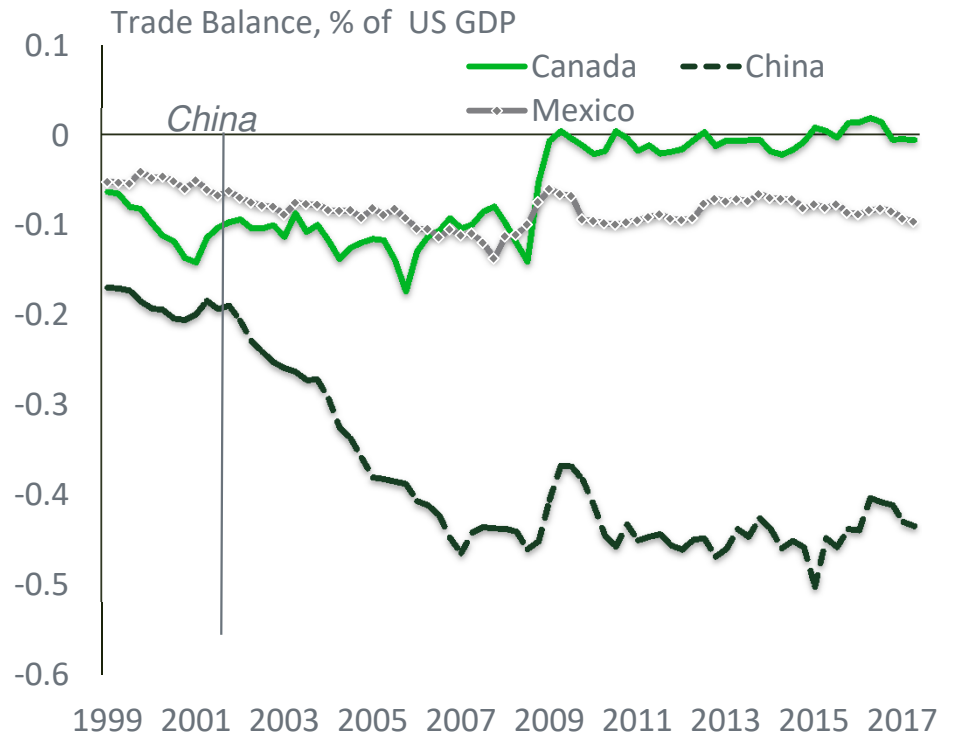
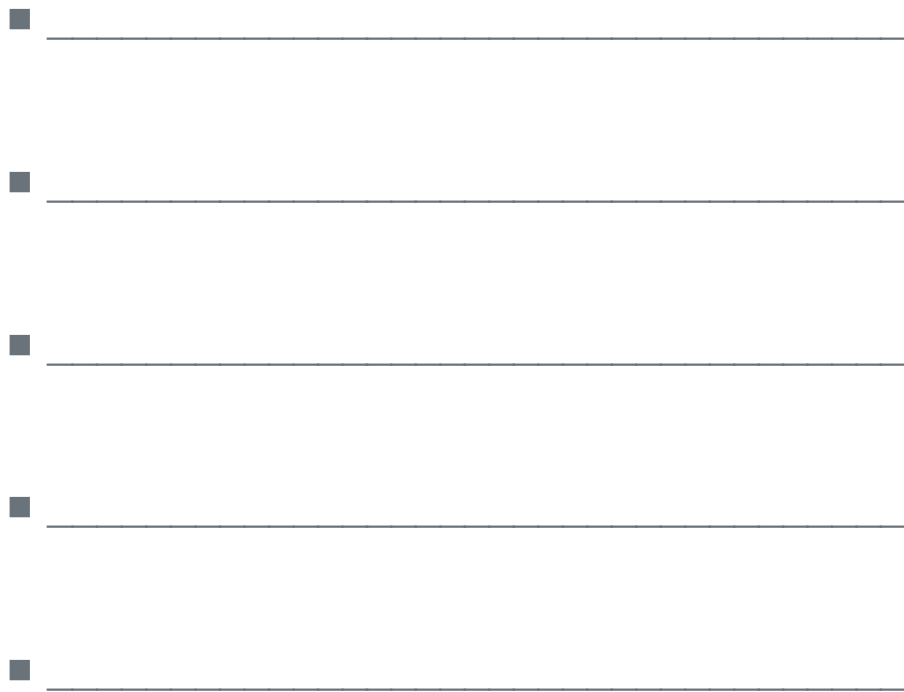
Source: FRB, TD Economics

Dollar strength to continue diminishing as other central banks follow in Fed's footsteps



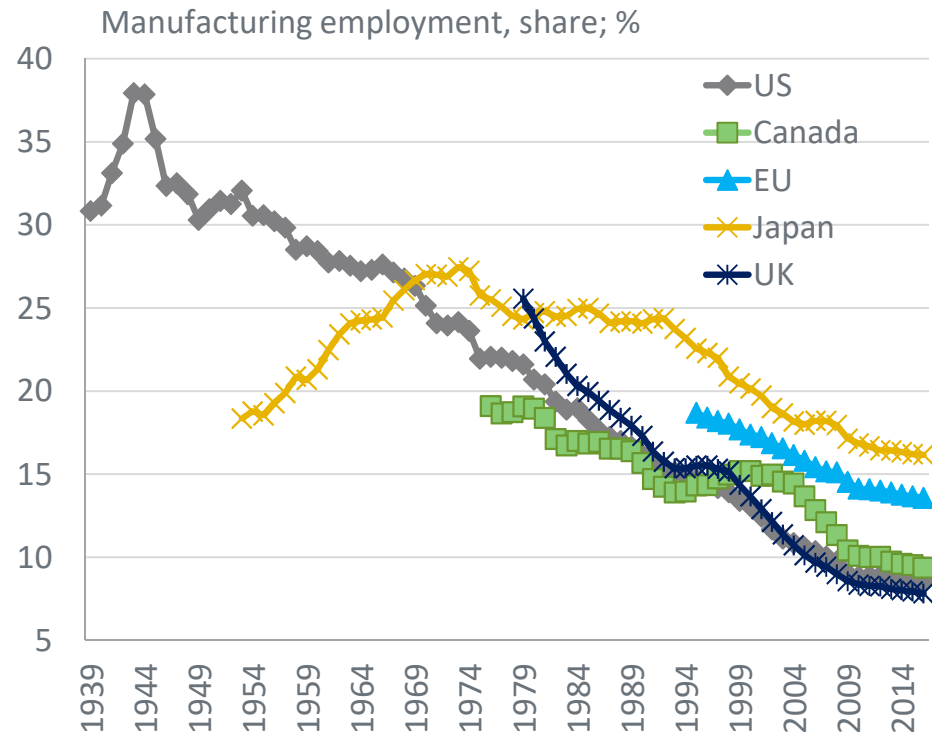
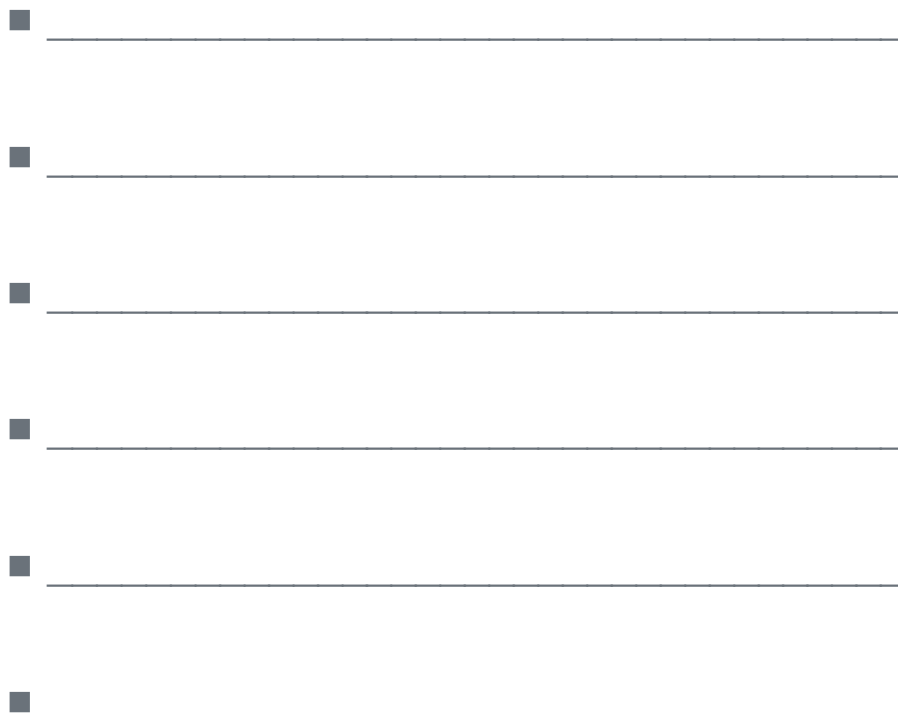
Source: FRB, TD Economics

When it comes to the U.S. trade deficit NAFTA is not the culprit... but China's entry to WTO has been a catalyst



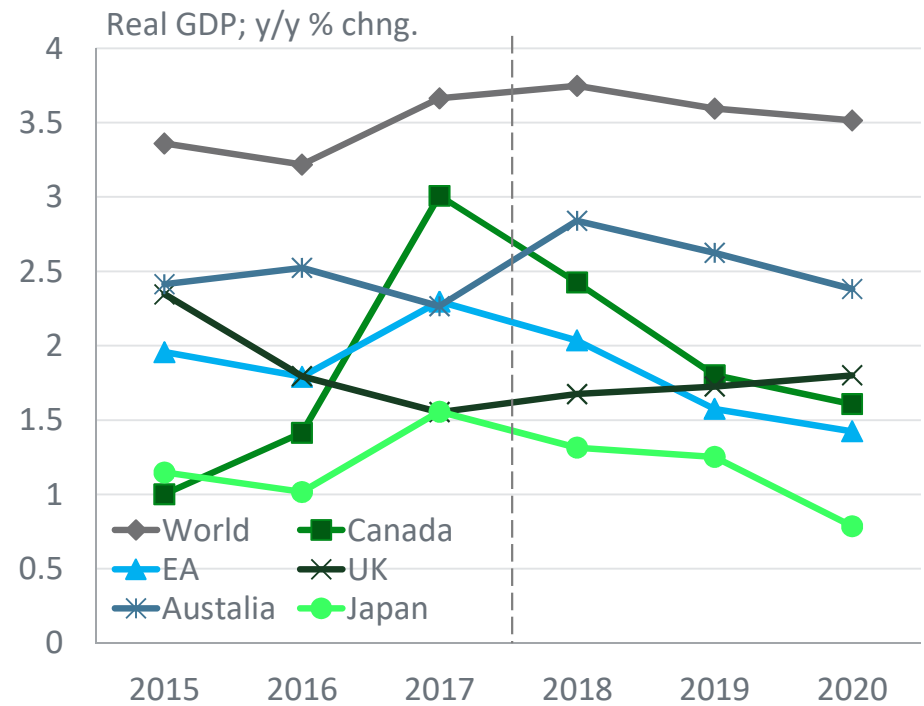
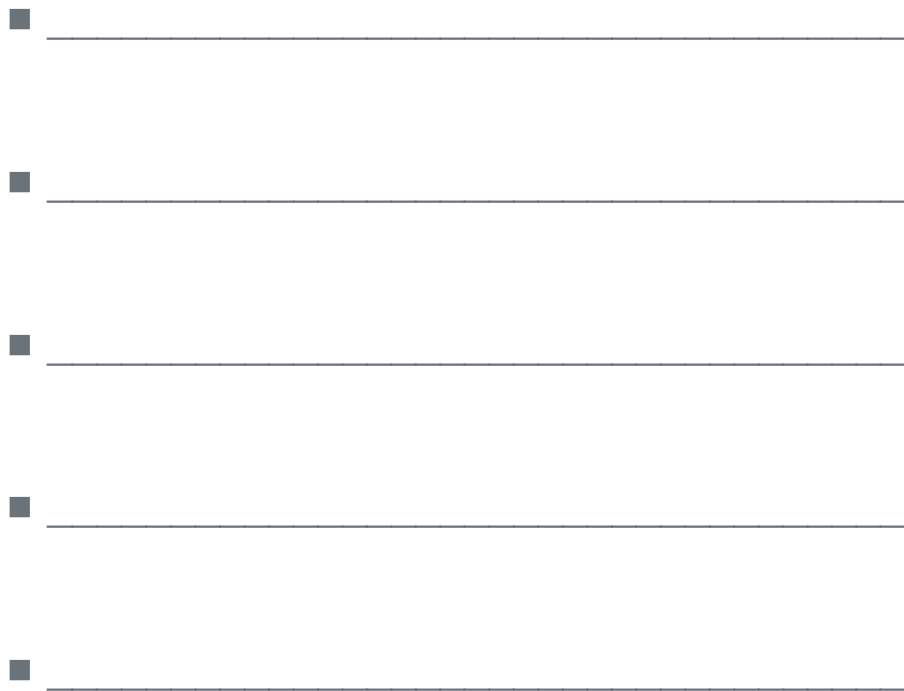
Source: Bureau of the Census, TD Economics.

Importance of manufacturing has been on a relative decline well before NAFTA or China's WTO entry



Source: TD Economics

Global growth to accelerate before slowing in-line with potential



Source: TD Economics



Thank you

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