



# The Economic & Financial Outlook

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# Economic & Financial Themes



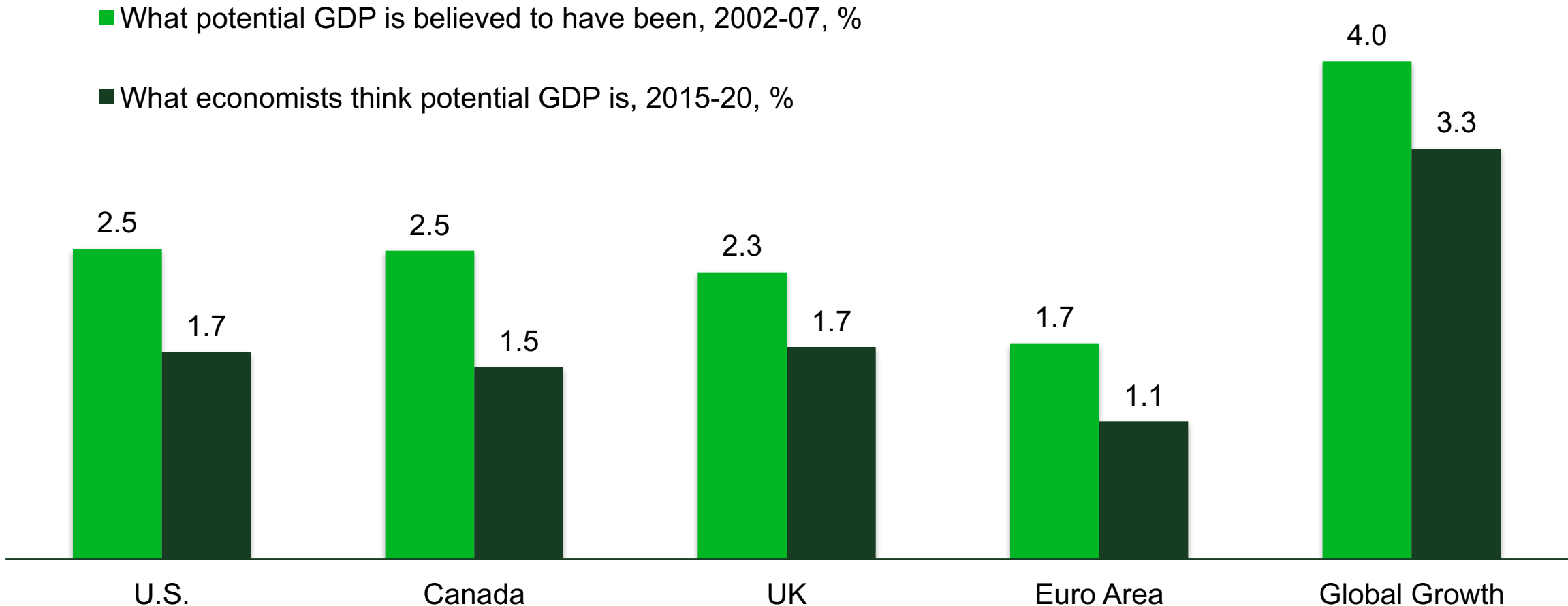
## Global

- Weaker potential growth = thin cushion for data or event risk = to absorb market volatility
- Laundry list of risks: post-Brexit uncertainty, China slowdown, other geopolitical factors
- Implicit central bank backstop means bad news can be good news

## US

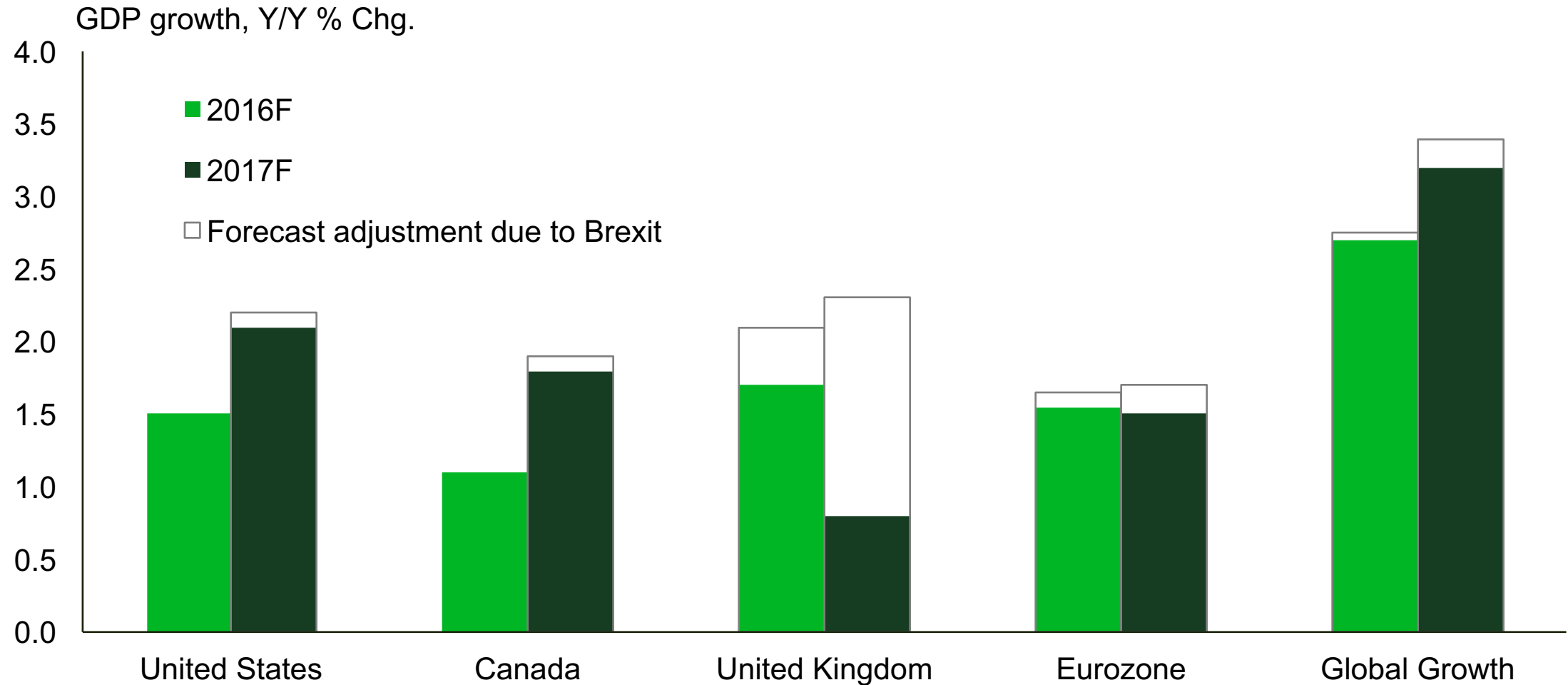
- The Federal Reserve caught in a dual world
  - ✓ domestic economy resilient; inflation diverging with global peers
  - ✗ global instability and disinflation can undermine the US cyclical advantage

# Running Speed Of Key Economies Has Slowed



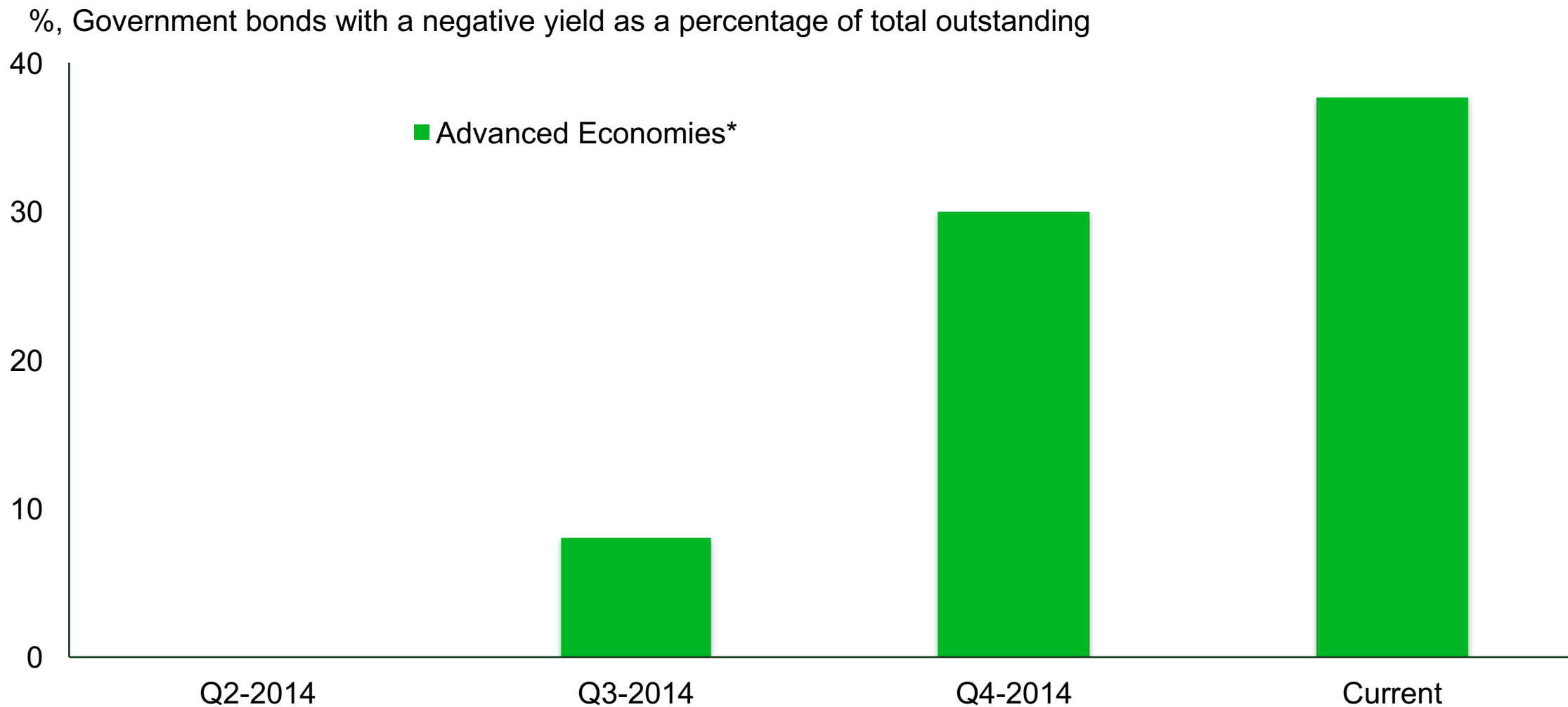
Source: OECD November 2007 & 2016 June Economic Outlook & May 2014 Long-Term Baseline Projection.  
Calculations by TD Economics.

# Brexit Adds Yet Another Layer of Global Risk Via Uncertainty Channel



Source: TD Economics. Forecast as at Sept 2016.

# Central Banks Rely On Negative Rate Policy

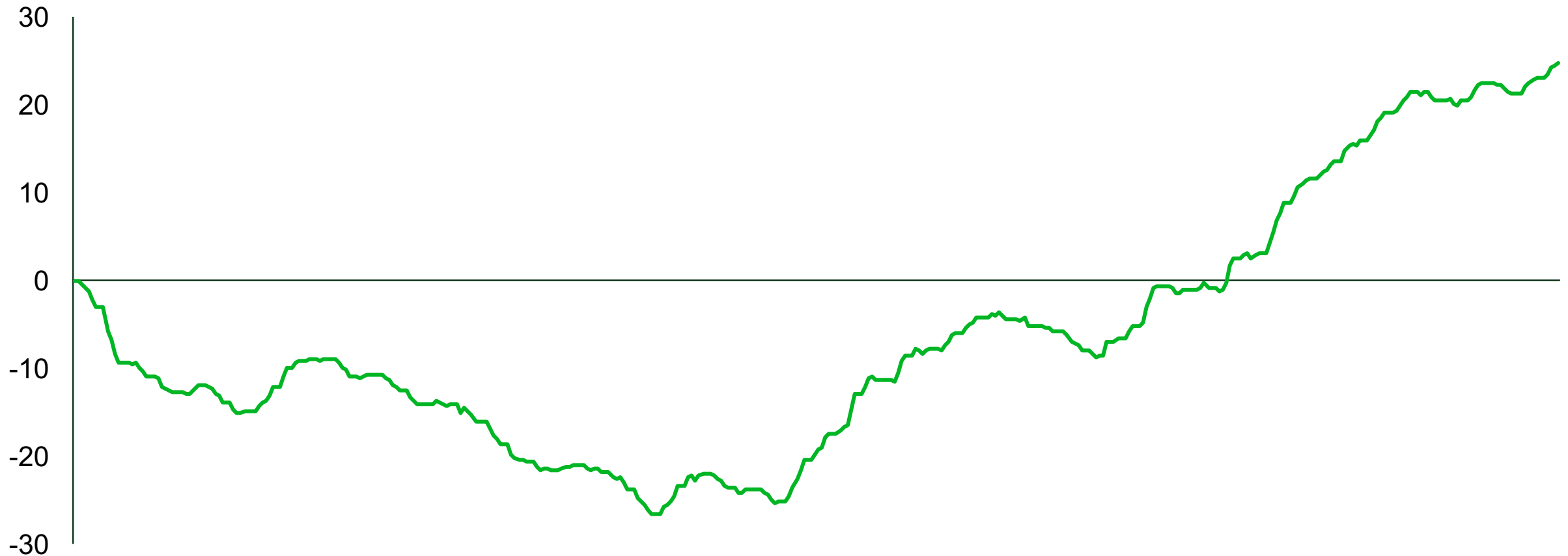


Source: Bloomberg, TD Economics. \*Includes 21 developed countries. As at October 2016.

# In Search of Yields: Investors Flood Into Emerging Markets

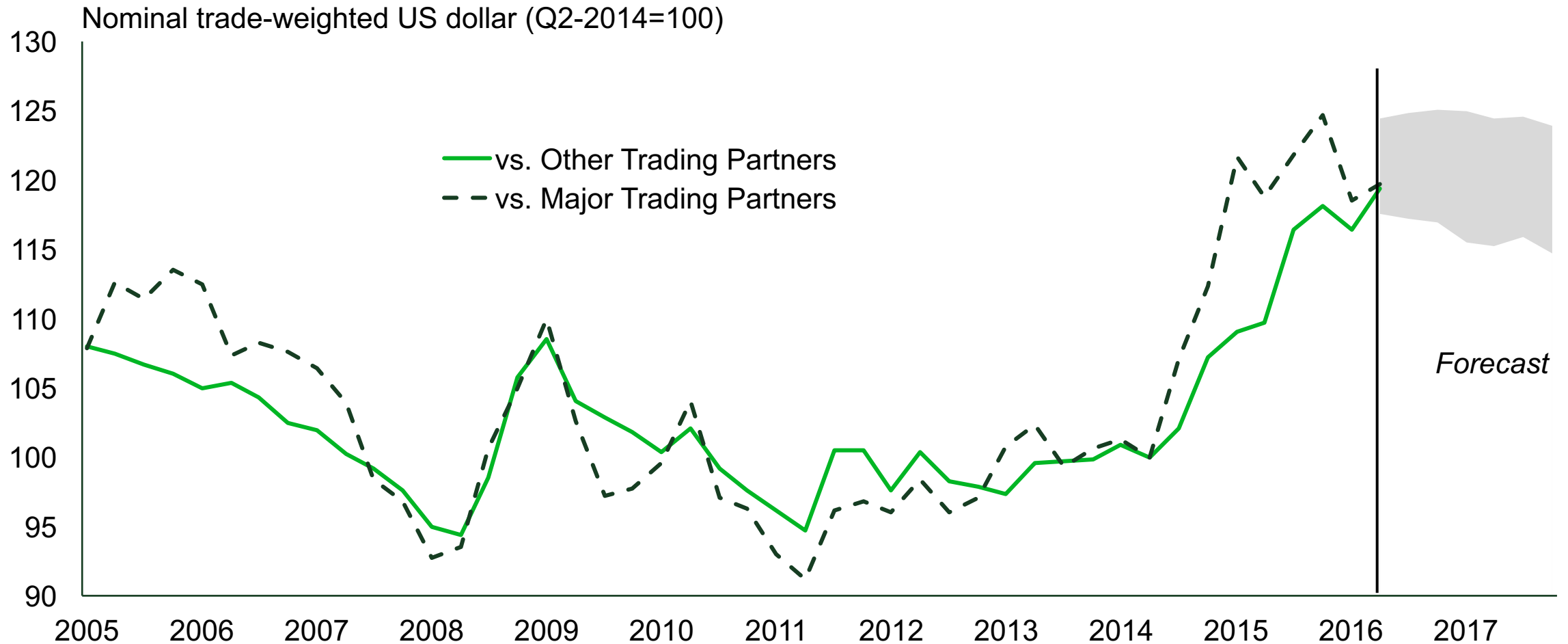


Daily portfolio flows to EMs\* since Aug. 1 2015, \$ U.S. billion



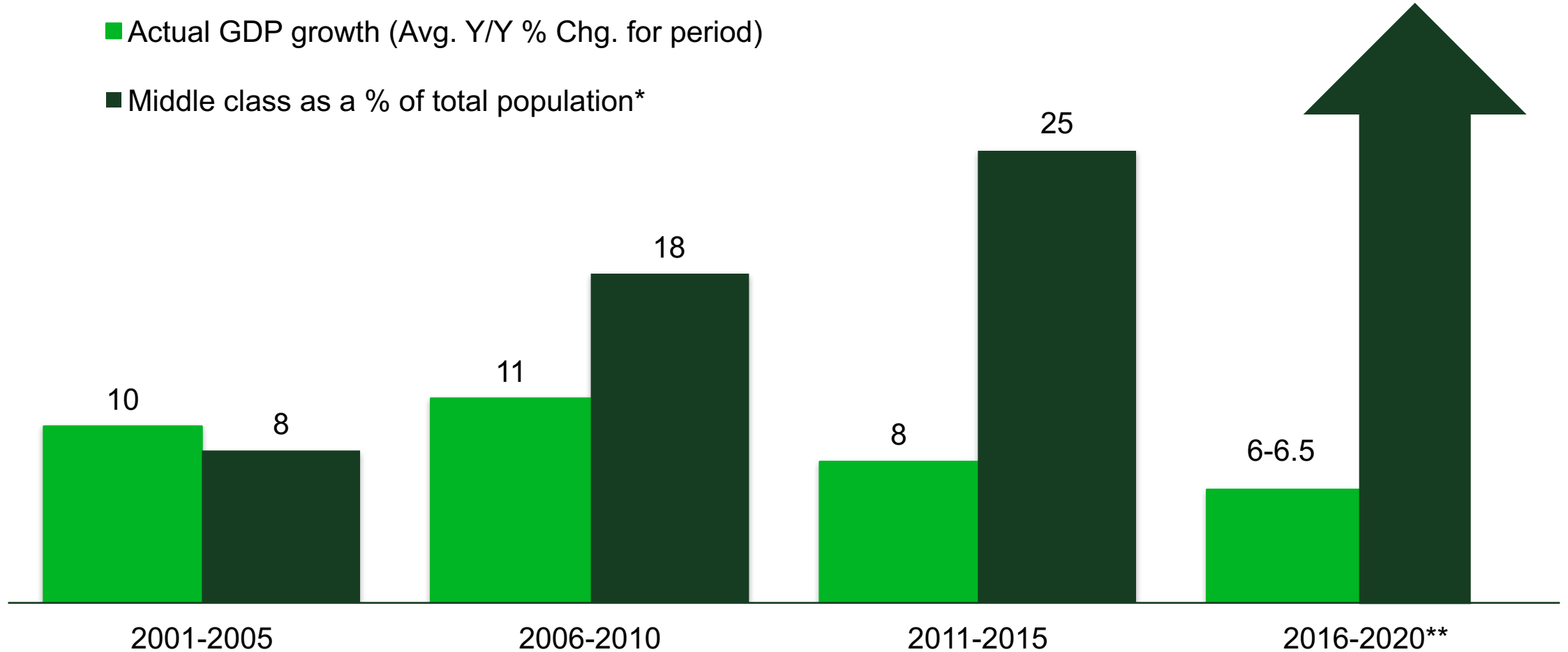
Source: IIF, TD Economics. Last observation September 29, 2016. \*Includes daily portfolio flows for Indonesia, India, Thailand, Korea, South Africa, Brazil, Hungary, Turkey, Mexico.

# U.S. Dollar Likely To Remain Elevated Due To Global Adjustment



Source: Haver Analytics. Forecast by TD Economics as at September 2016.

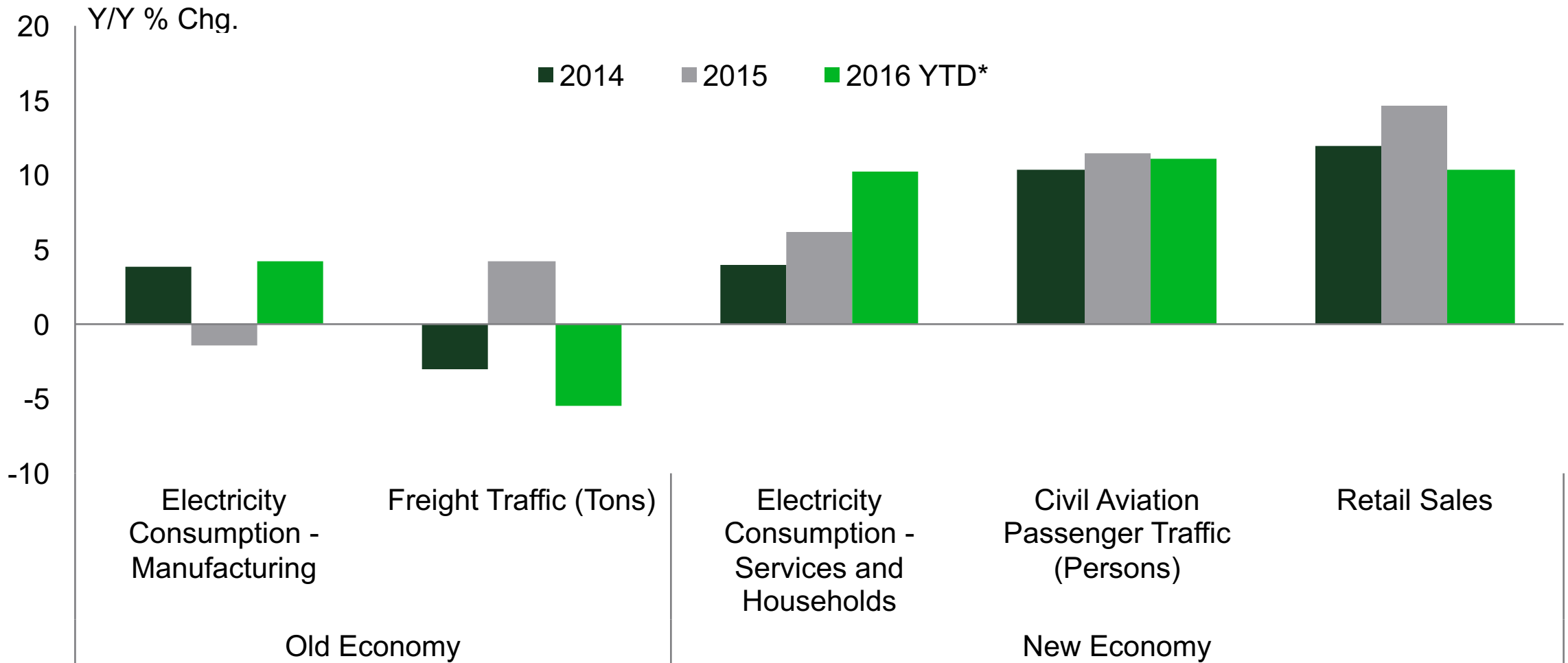
# China's Economy Not What It Used To Be



Source: China National Bureau of Statistics, Haver Analytics.\*Note: 2011-2015 figure for middle class as a share of total population is estimate as of 2011. \*\*Forecast by TD Economics/IMF.

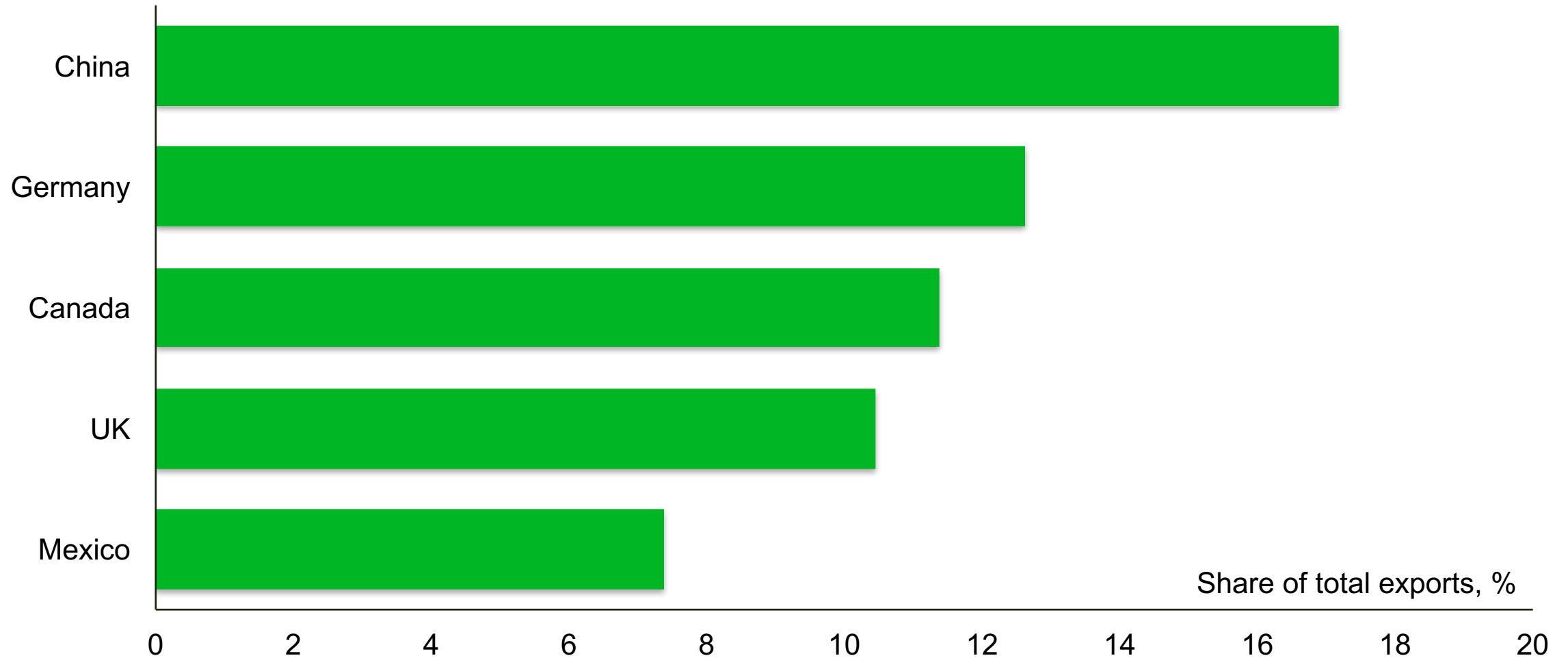


# China's Two World Economy



Source: Haver Analytics. As of August 2016.

# Why China Matters For South Carolina

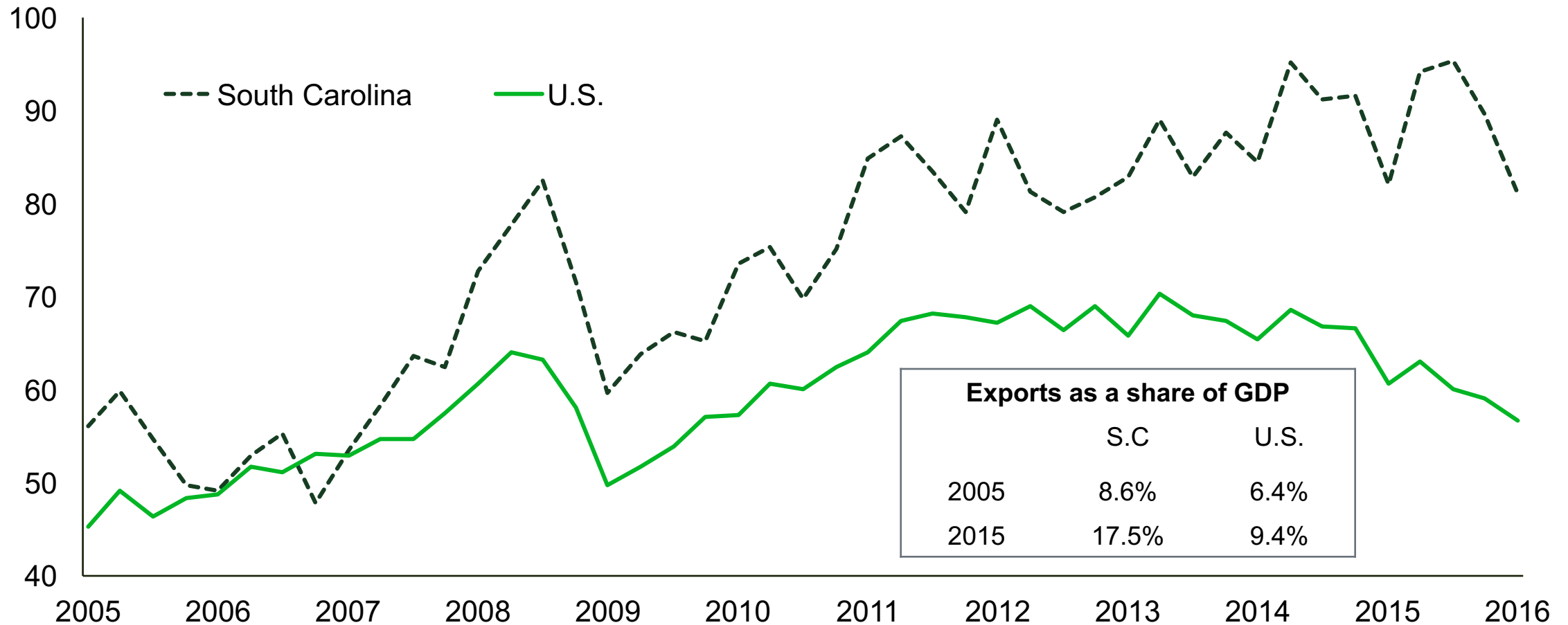


Source: U.S. Census Bureau, TD Economics. As of August 2016.

# South Carolina's Manufacturing More Outward Focus

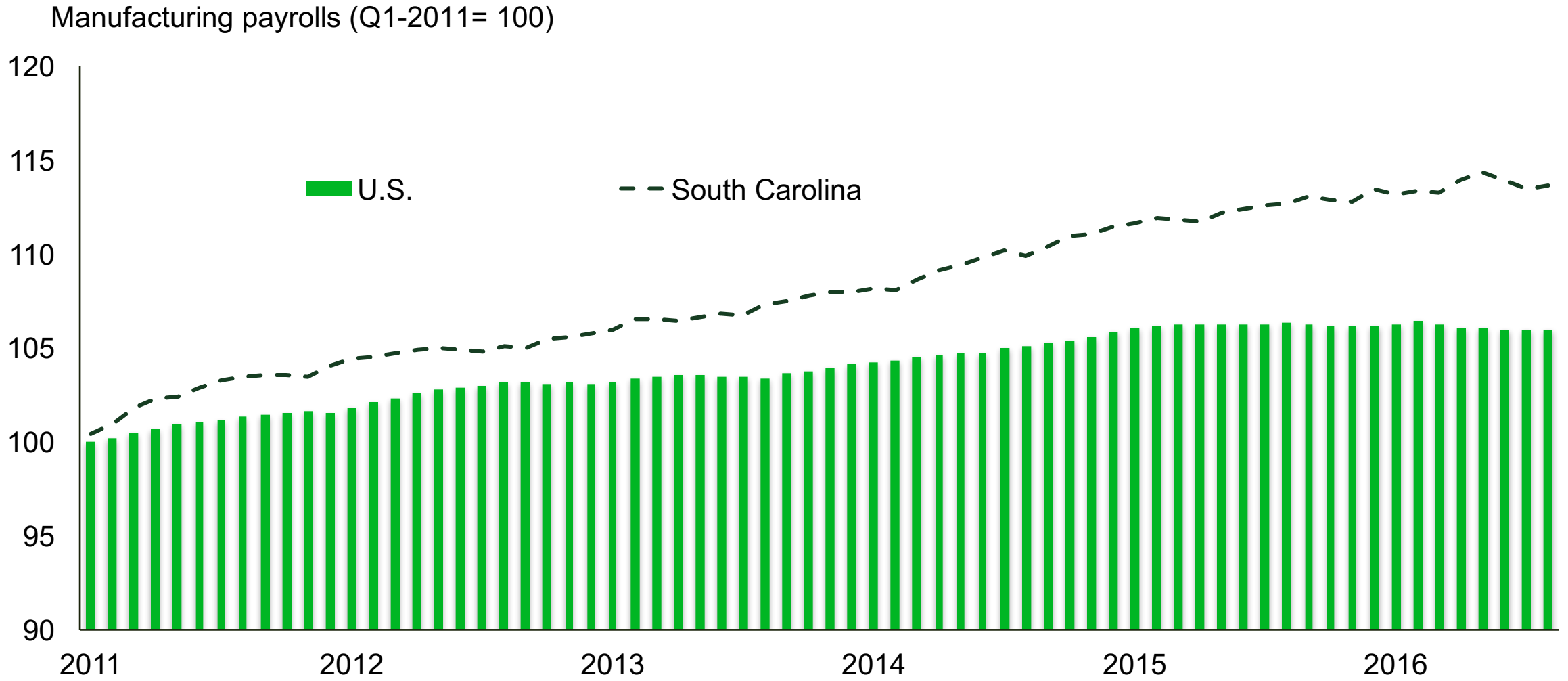


Manufacturing exports as a share of total manufacturing output, %



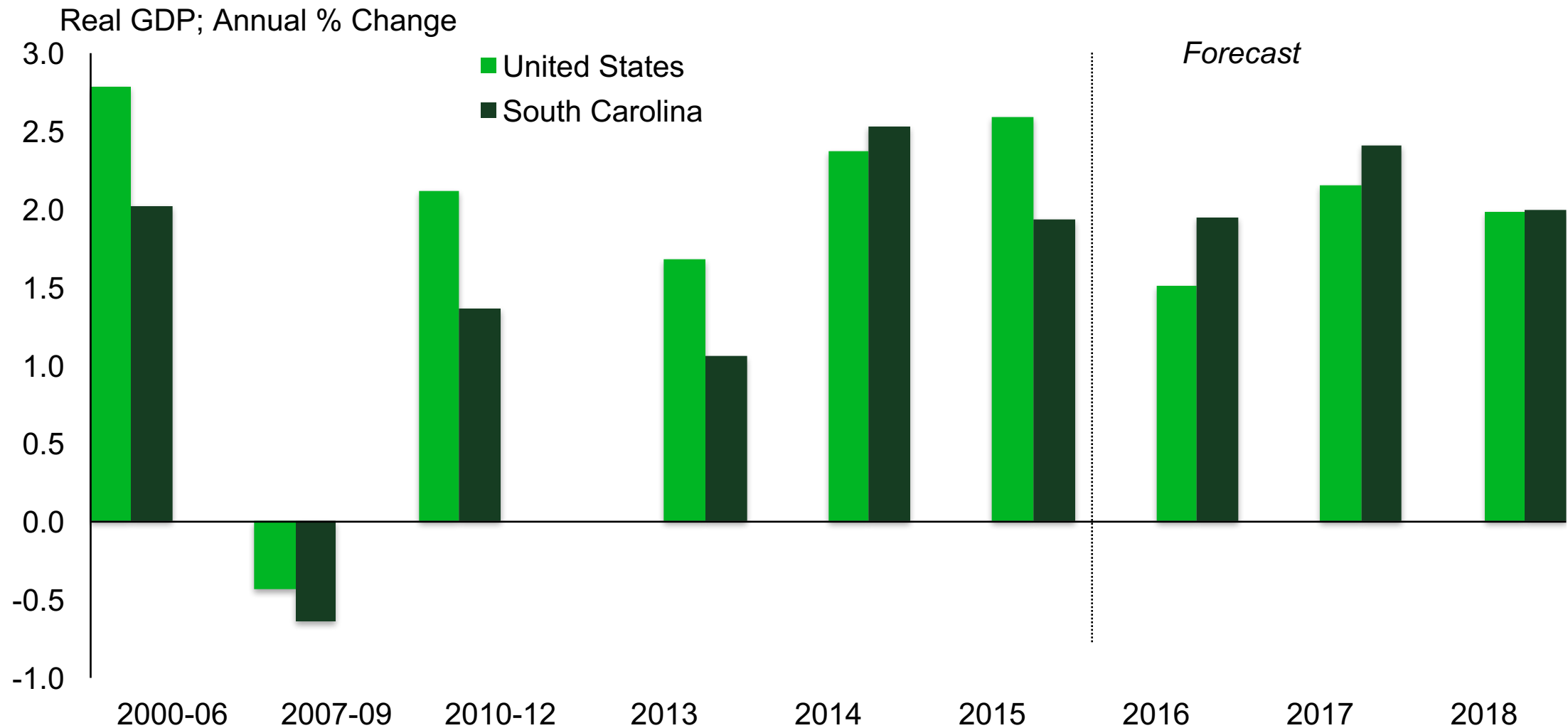
Source: U.S. BEA, U.S. Census Bureau, TD Economics.

# South Carolina Manufacturing Leads Payroll Gains



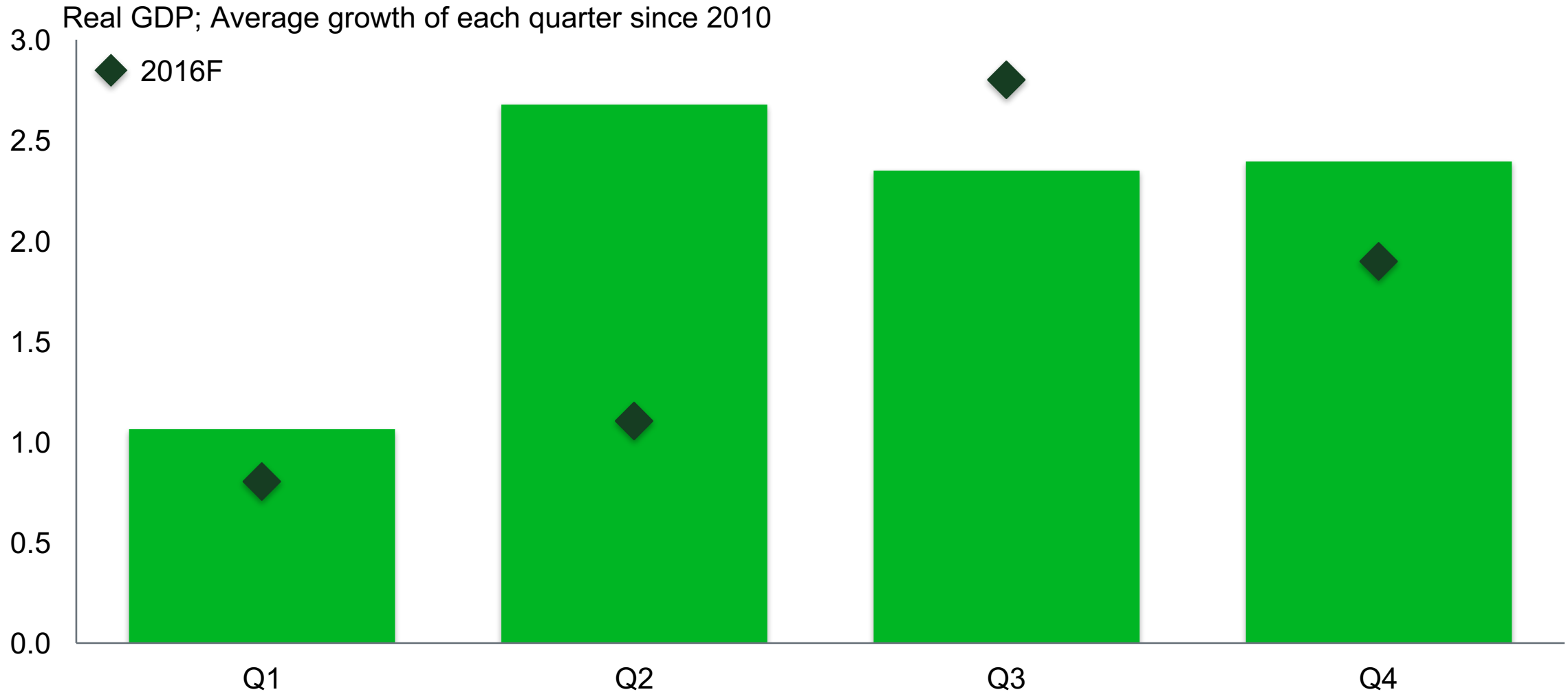
Source: Bureau of Labor Statistics, TD Economics. As of August 2016

# South Carolina Economy Holding Firm



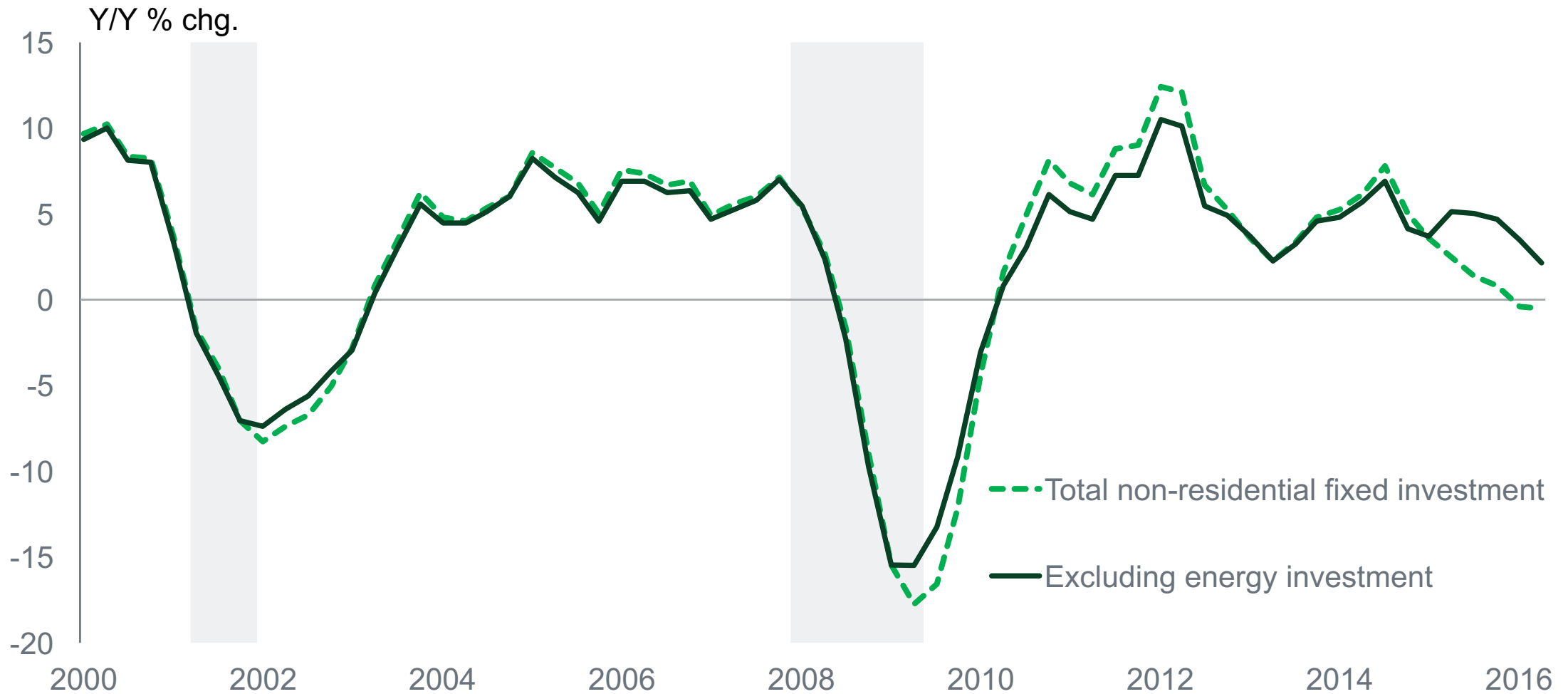
Source: Bureau of Economic Analysis. Forecasts by TD Economics

# Weak U.S. Q1 Capturing Long-Standing Seasonal Anomaly Q2 Slightly Better, But Weakness Persists



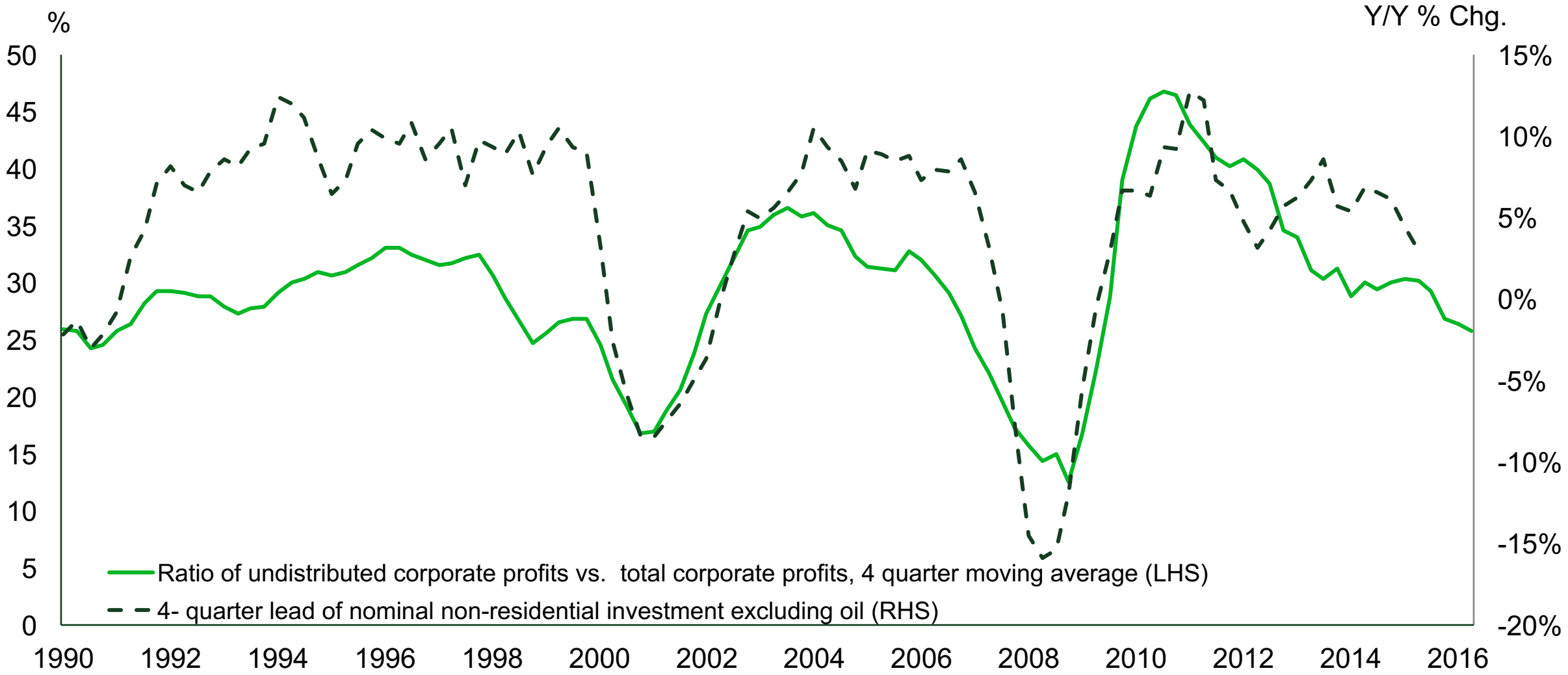
Source: Bureau of Economic Analysis. F: Forecast by TD Economics. 2016Q1 & Q2 are actual.

# Weak Investment A Key Source Of GDP Underperformance



Source: Bureau of Economic Analysis, TD Economics. As at Q2 2016.

# Profit Cycle Presents Risk To Investment Outlook



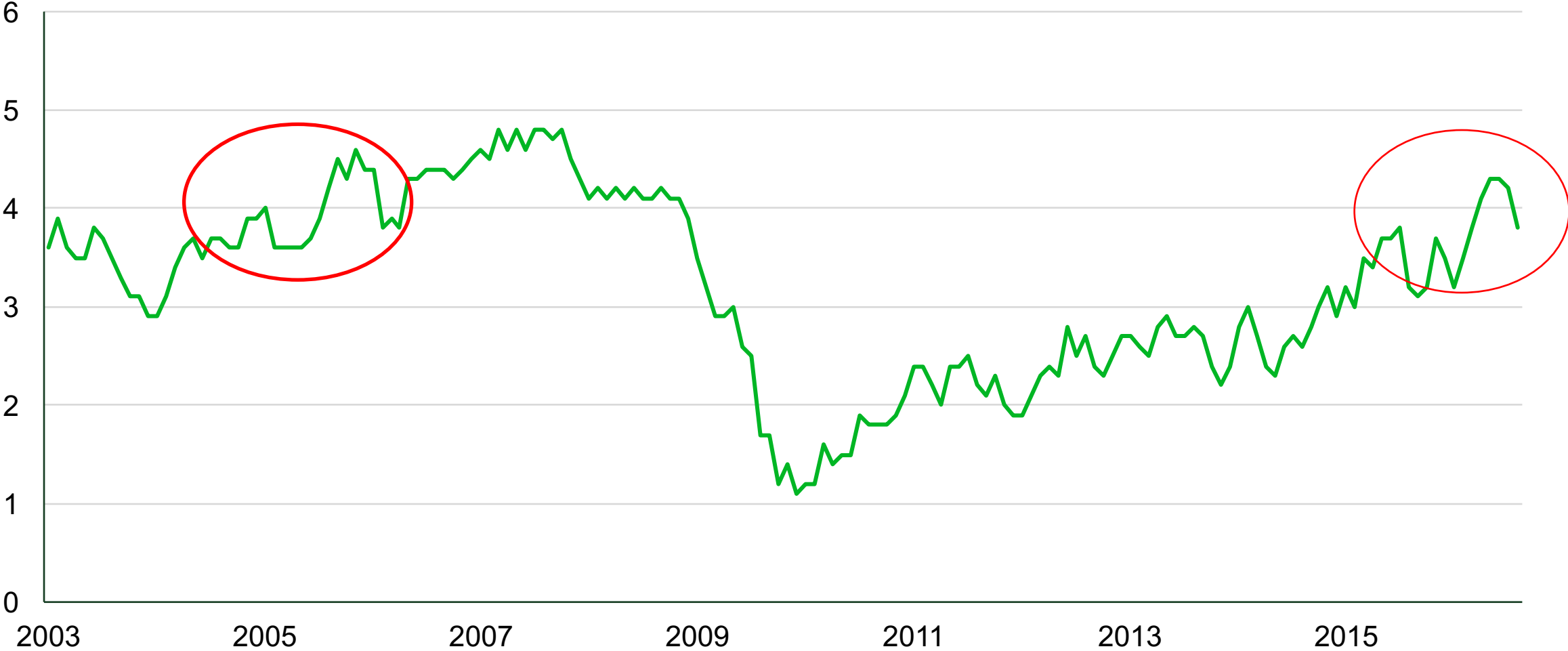
Source: Haver Analytics, TD Economics. As at Q2 2016.



# Job Market Health = Wage Growth Holding In A 3-4% Range

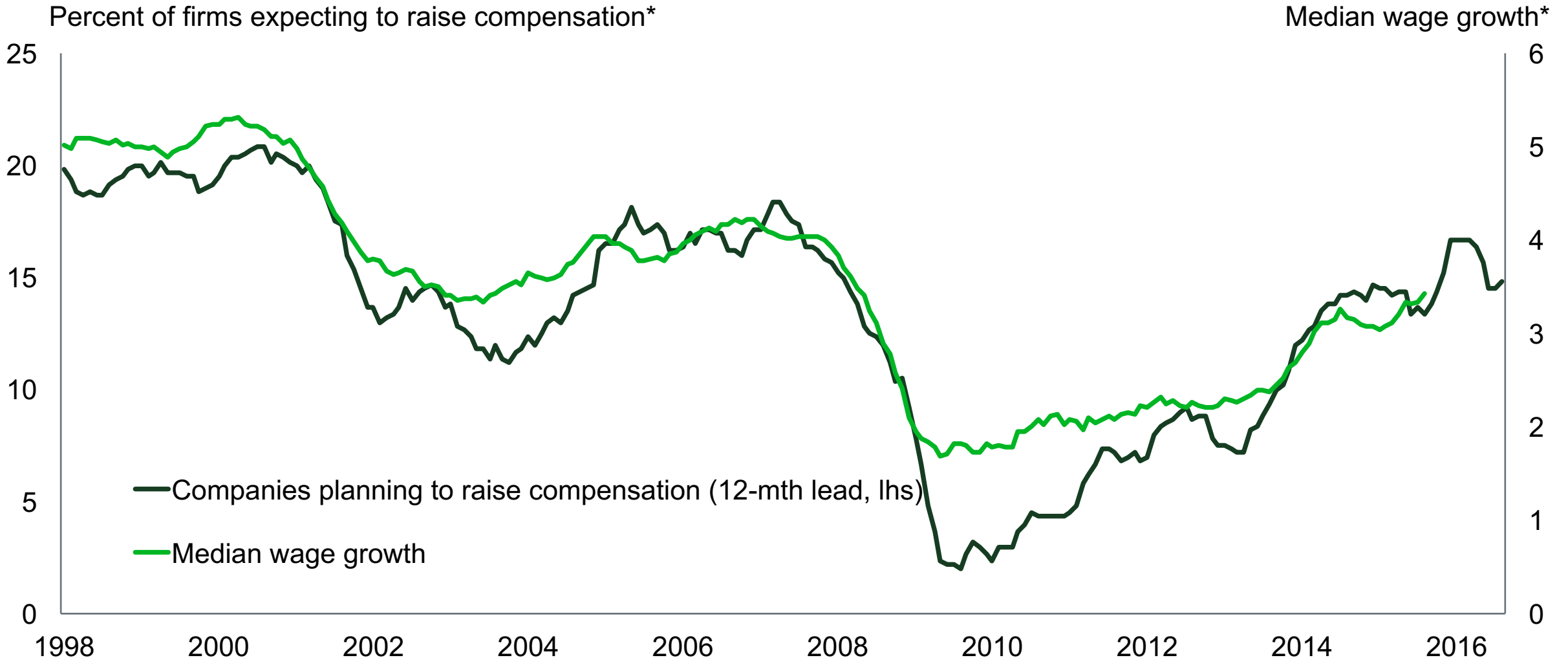


Job Switcher (3-month mov. avg. of median wage growth), %.



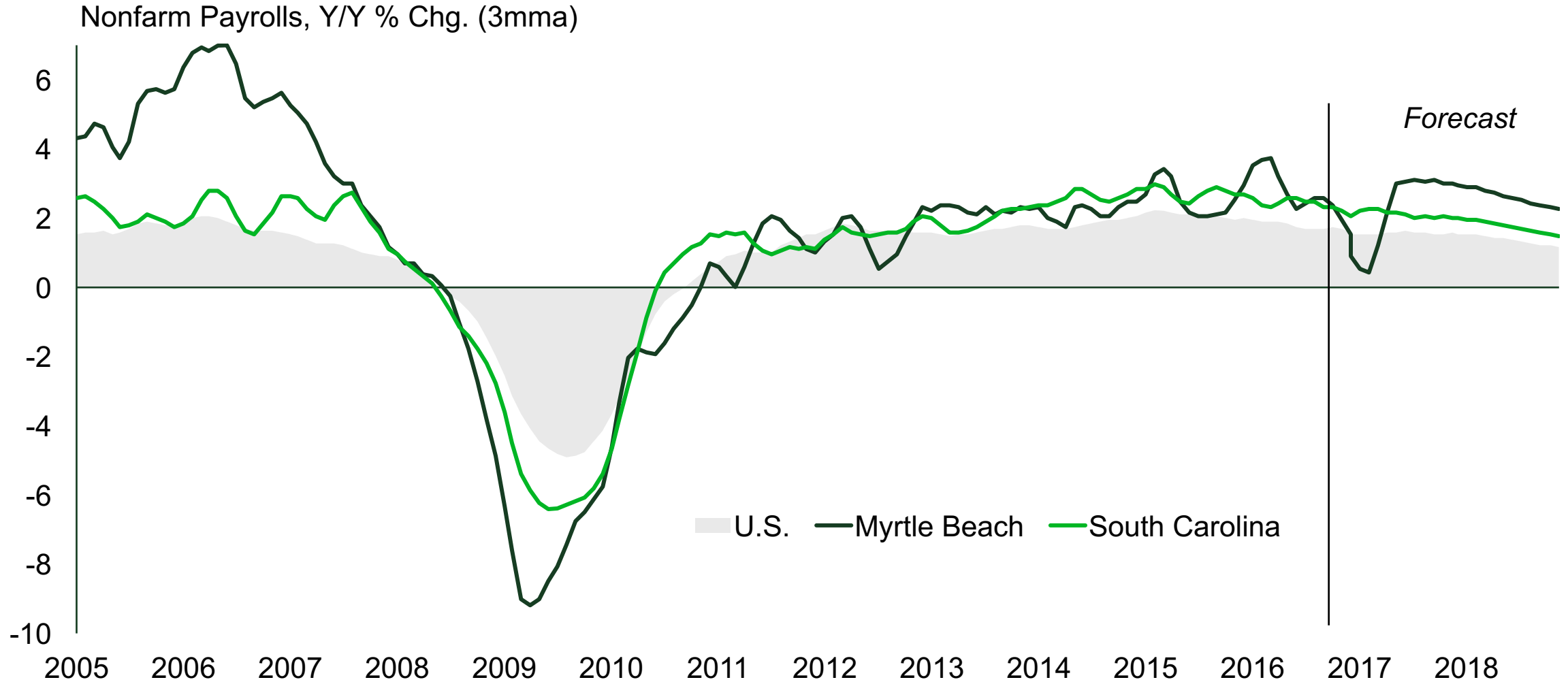
Source: Atlanta Fed, TD Economics. As at August 2016.

# Accelerating Wage Growth In The Pipeline



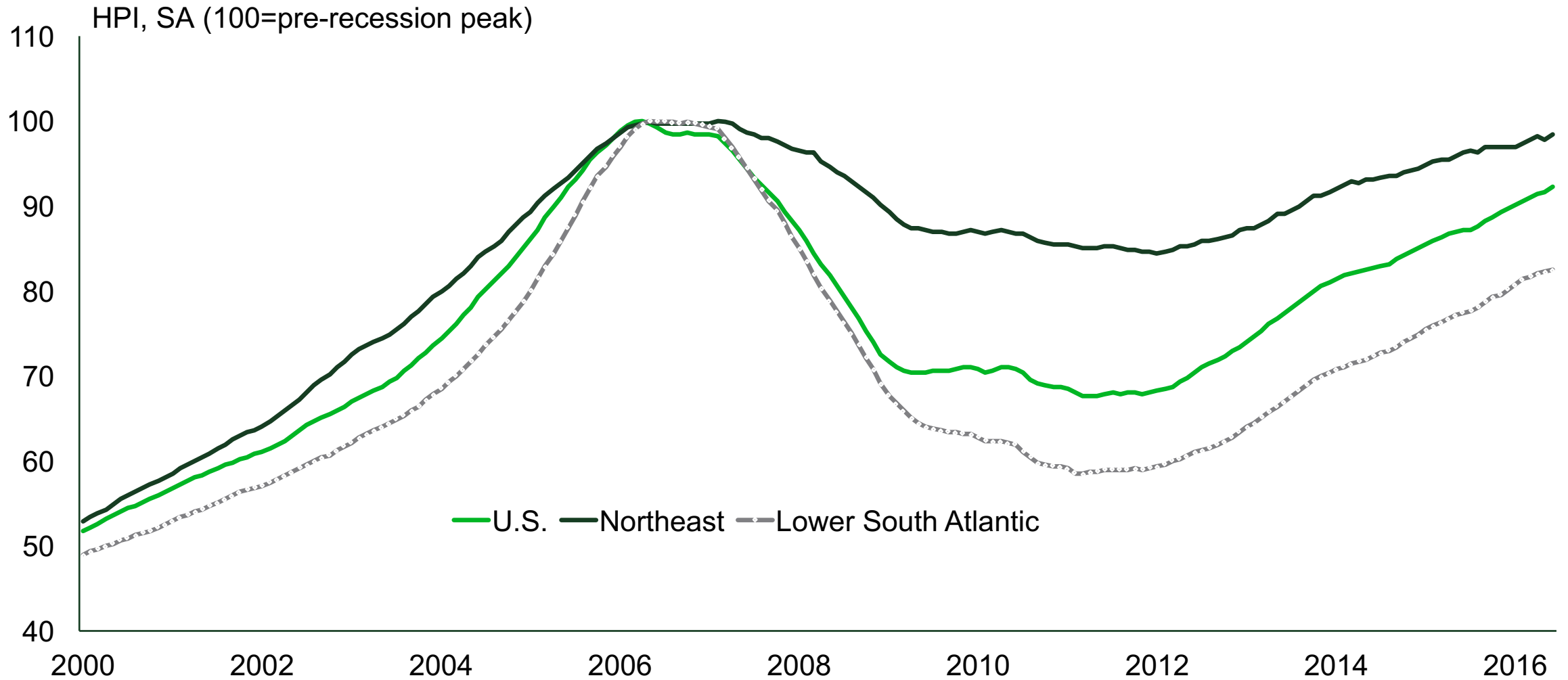
Source: Atlanta Fed, National Federation of Independent Business, TD Economics. \*Six month moving average. As at August 2016.

# South Carolina Showing Persistence In Job Gains



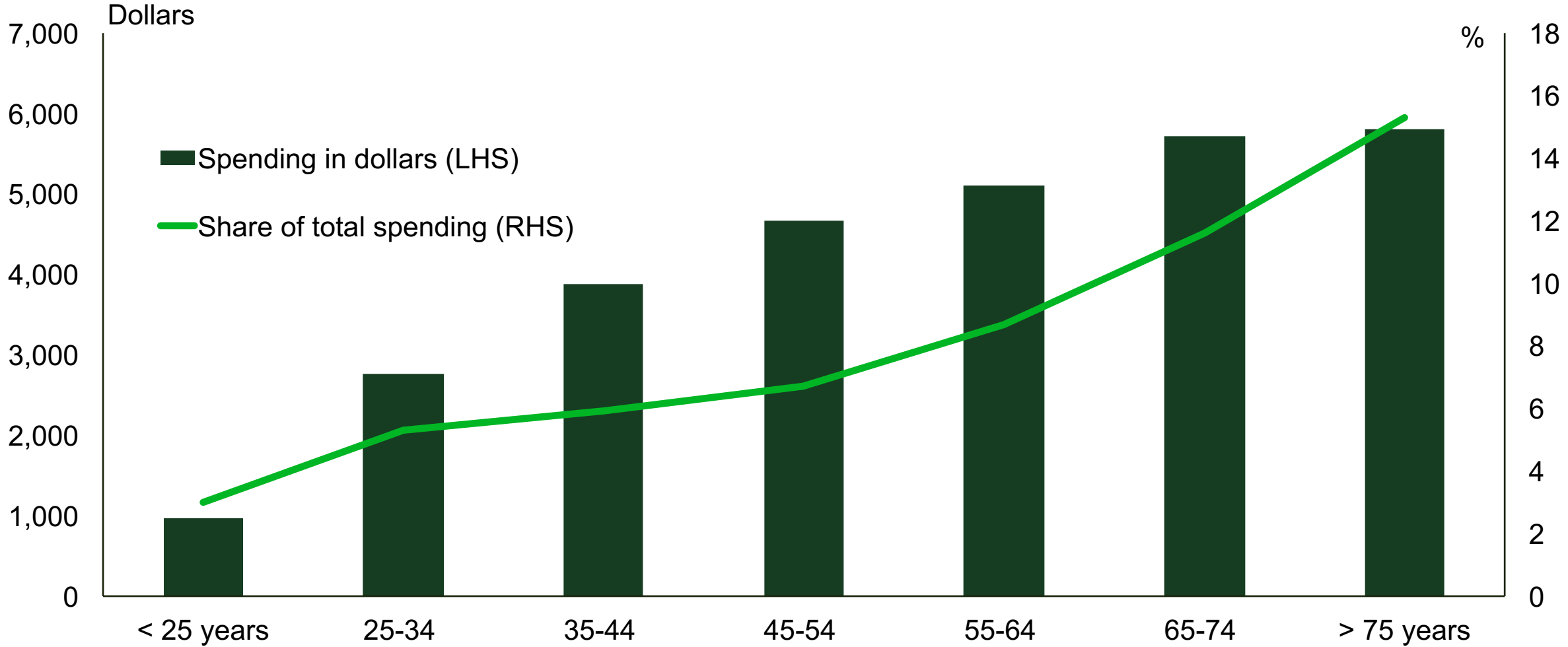
Source: Bureau of Labor Statistics, TD Economics. \*Charleston-North Charleston, SC MSA

# The South Is Still Looking Very Affordable



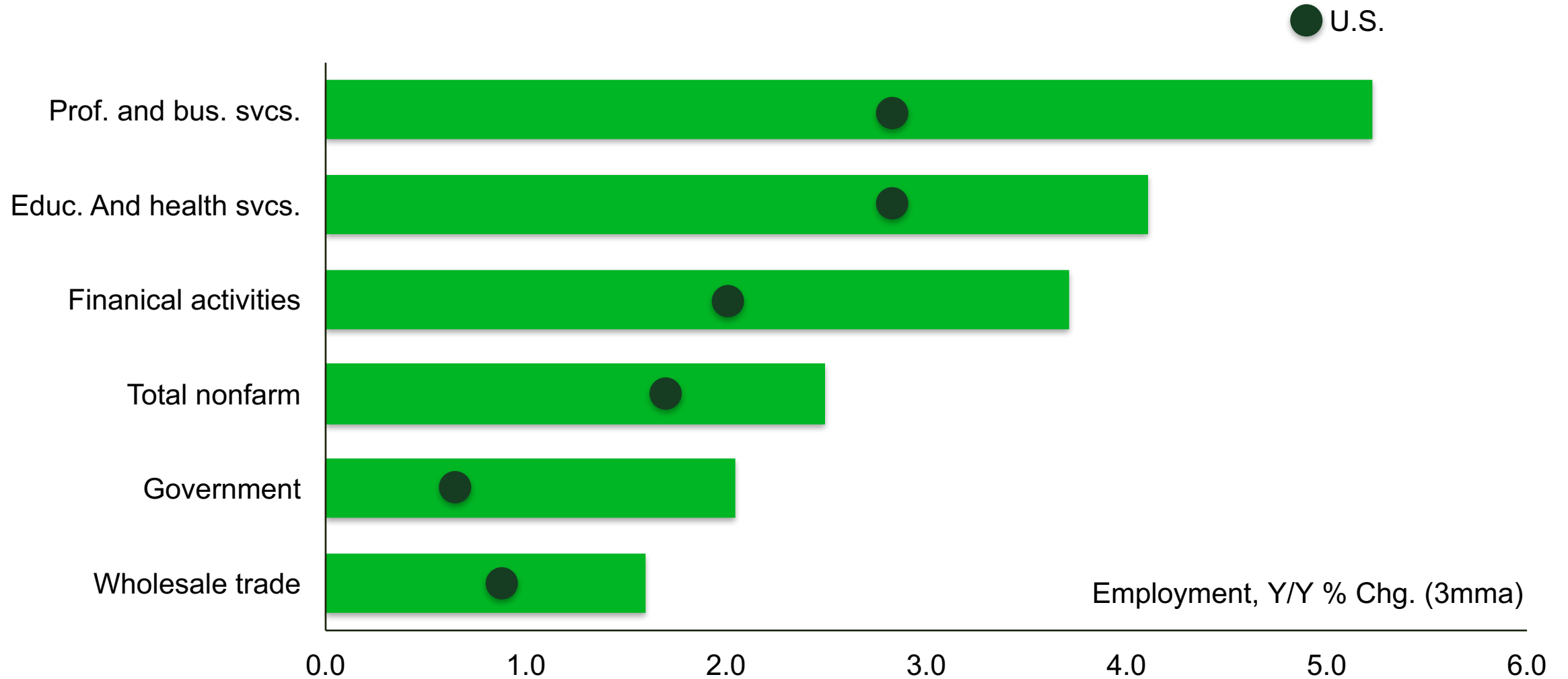
Source: Corelogic, TD Economics

# Healthcare Spending Increases With Age



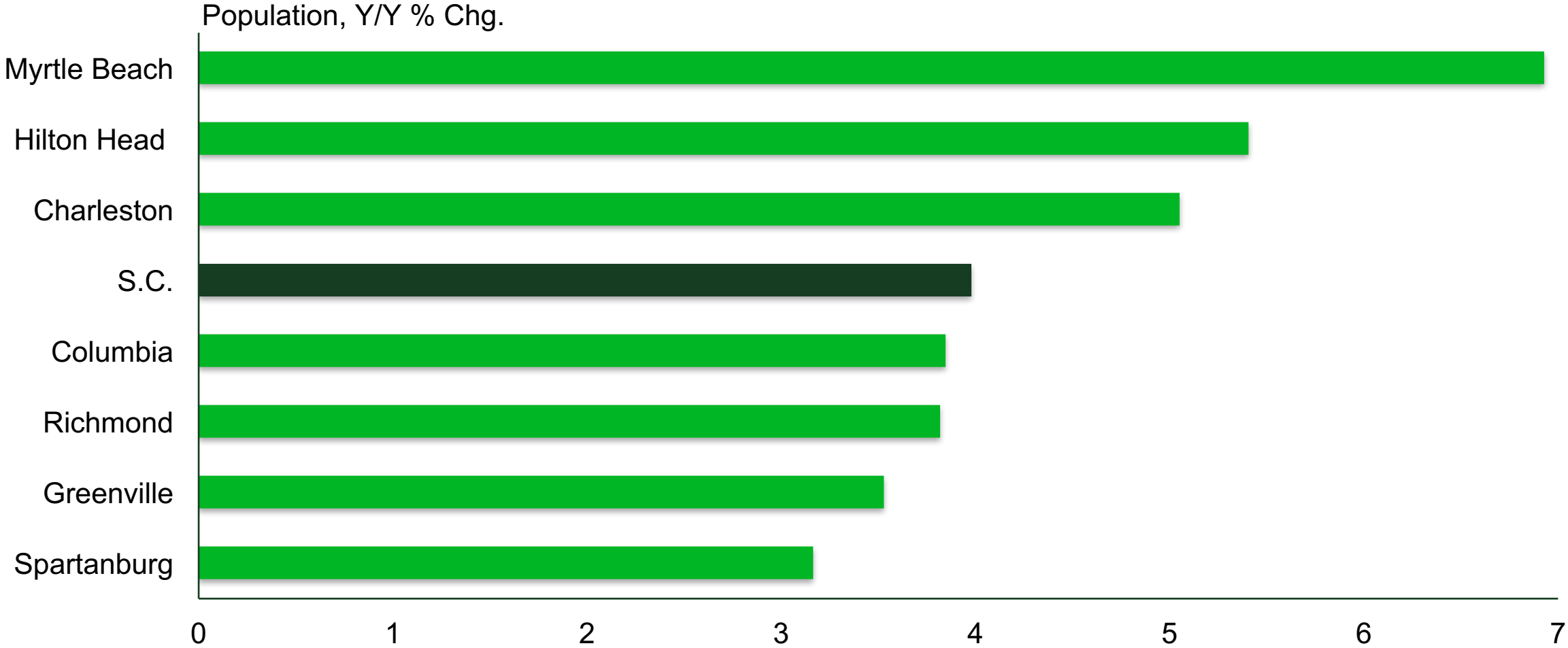
Source: Bureau of Labor Statistics, TD Economics

# New Wave Of Baby Boomers Will Support Hiring In South Carolina



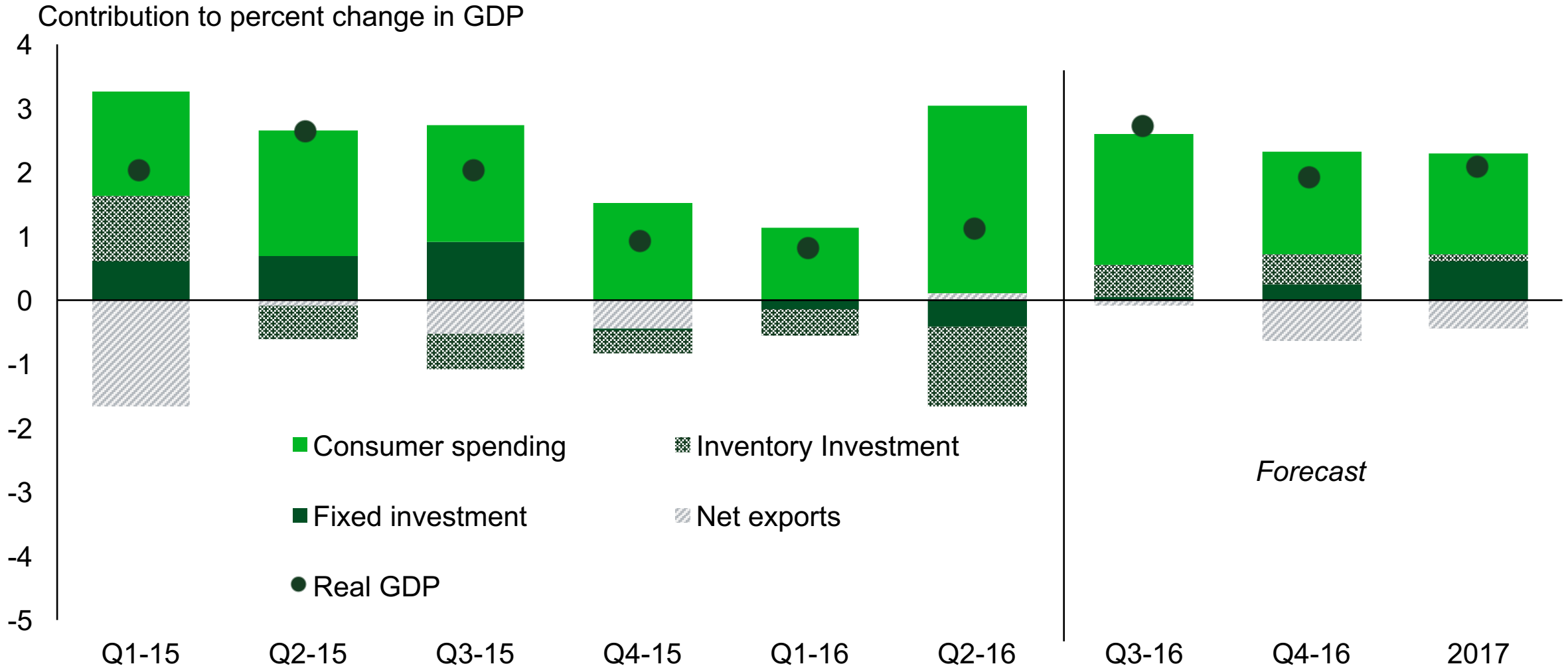
Source: Bureau of Labor Statistics, TD Economics

# Retirement magnets will derive the most benefit



Source: Census Bureau, TD Economics

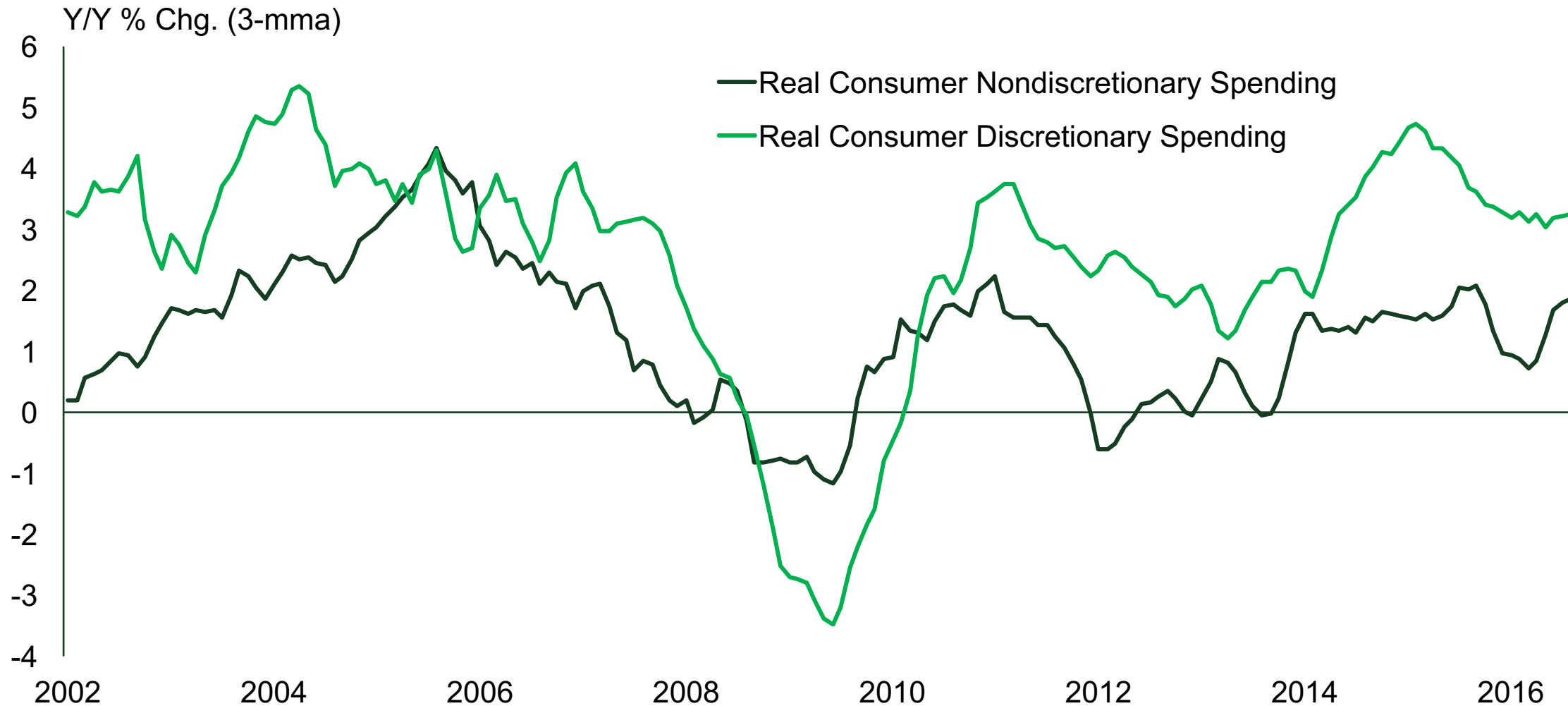
# U.S. Outlook Fueled By Consumer



Source Bureau of Economic Analysis. Forecast by TD Economics as at August 2016.

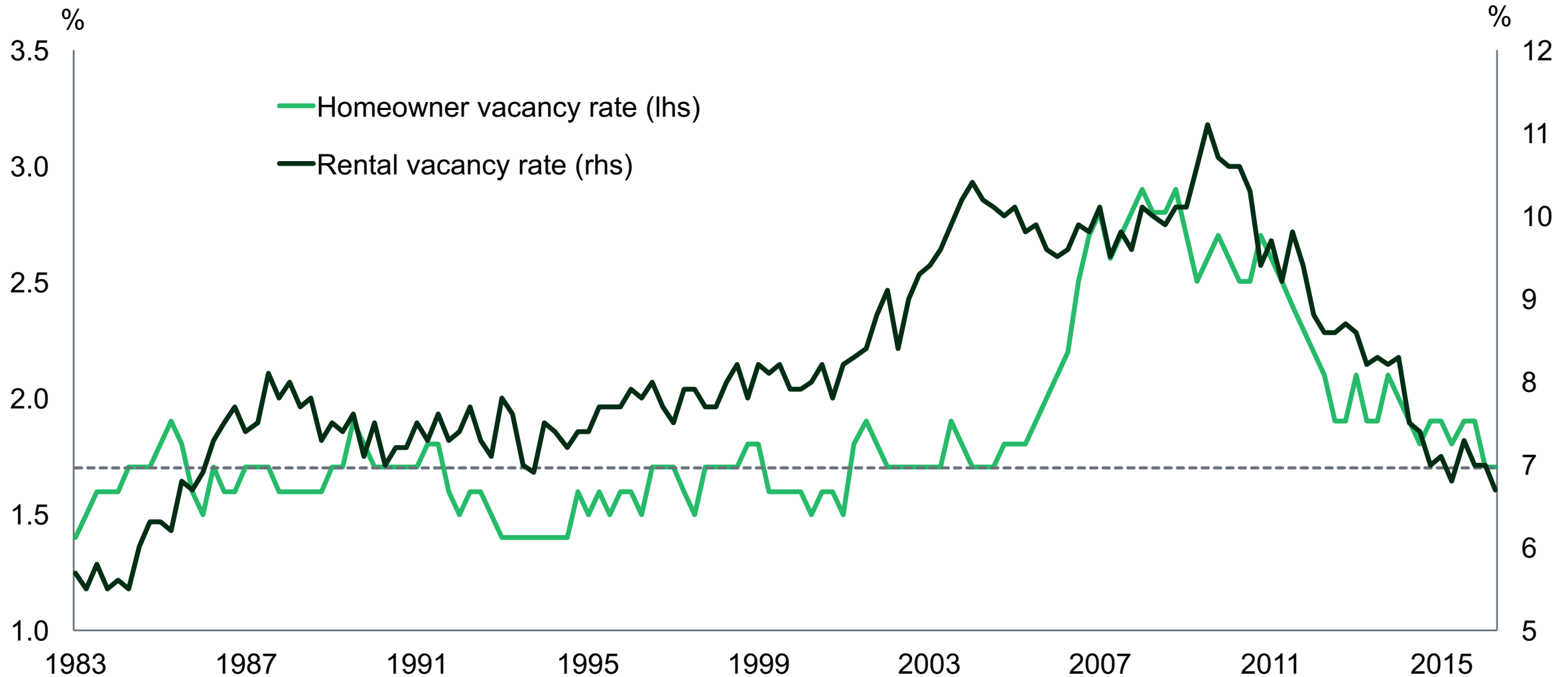


# Shifting Consumer Spending Preferences = Firmer Economic Fundamentals



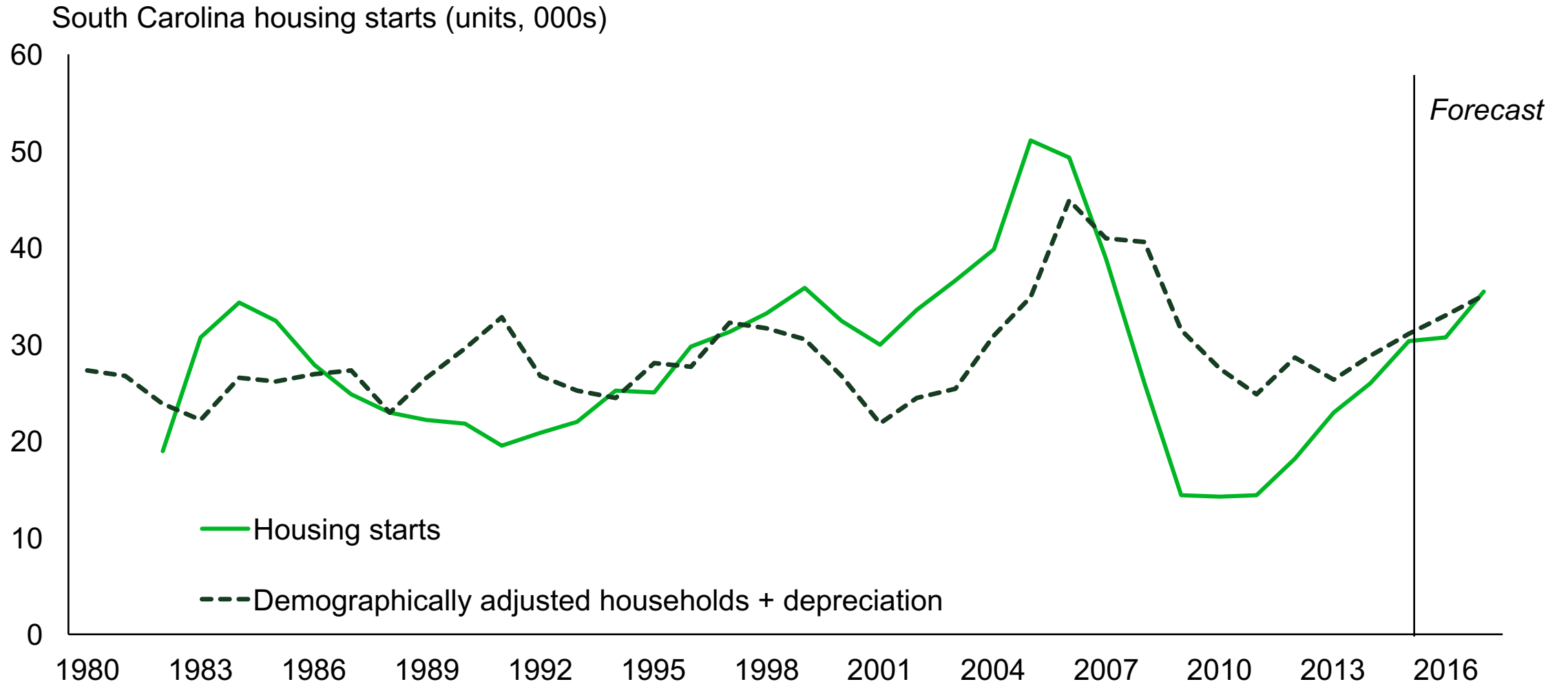
Source: Haver Analytics, TD Economics. \*Nondiscretionary: food, clothing, energy, and housing. As at August 2016.

# It's Now A Supply-Side Story: Housing Market Transitioned From Over-Supplied to Under-Supplied



Source: Census Bureau, TD Economics. As at Q2 2016.

# South Carolina Pent-Up Housing Demand



Source: U.S. Census Bureau, Economy.com, TD Economics

# Outlook On Home Prices



## Housing Prices

*HPI (Jan 2000=100)\*, Y/Y % Change*

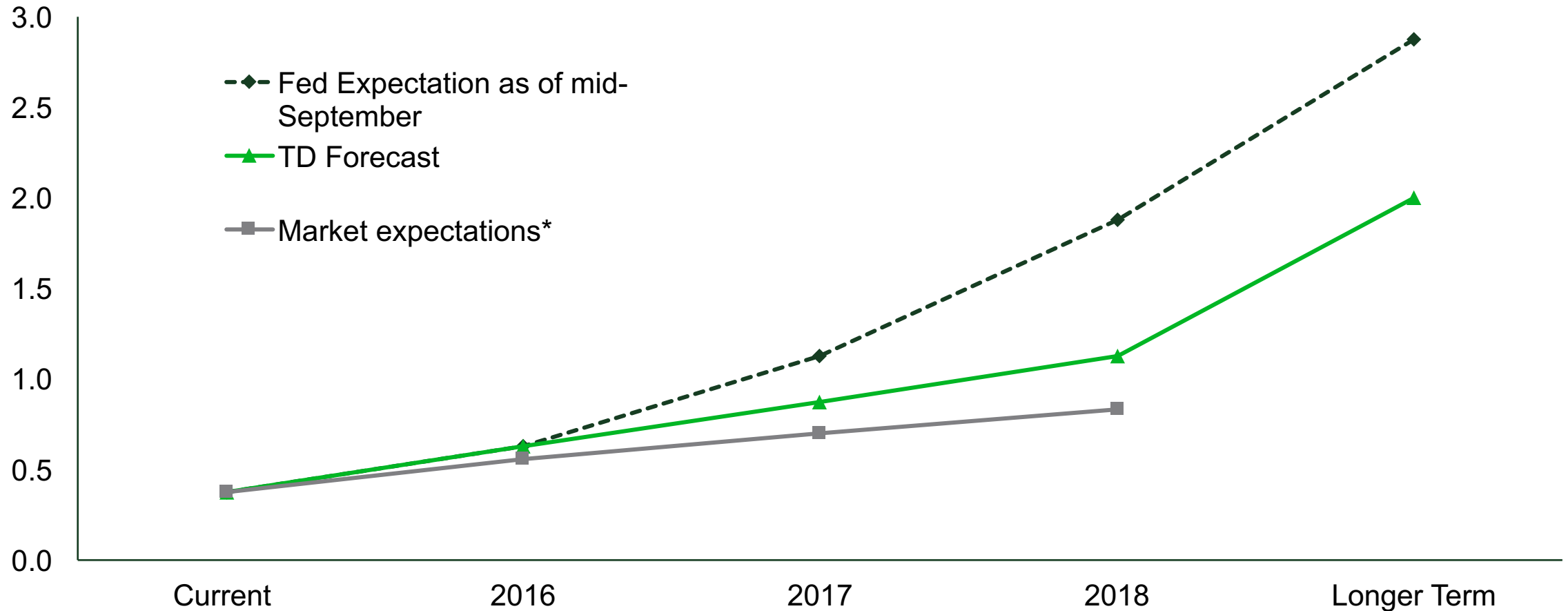
	2003-2012	2013-2015	2016-2018F
South Carolina	1.5	5.1	5.1
Myrtle Beach	2.7	5.8	7.1
South Atlantic	2.1	4.6	5.6
U.S.	1.4	7.0	4.2

Source: Corelogic, TD Economics. \*Index is not adjusted so we use a 12-month moving average.

# Federal Reserve And Markets Usually Don't See Eye-to-Eye



Median FOMC participant projection & market expectation; percent



Source: Federal Reserve Board, Bloomberg. \*OIS curve: September 21, 2016.

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