

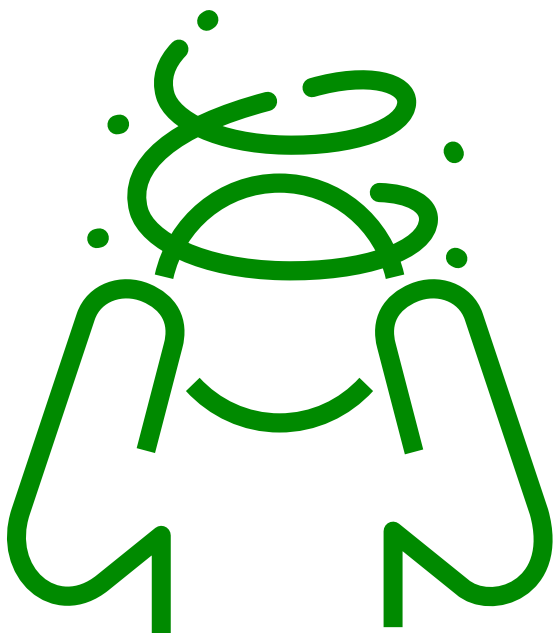
The First 100 Days: Dazed and Confused

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May 2025 - Client Presentation

It's been a whirlwind for forecasters, reminding me of the pandemic days when we were reviewing forecasts every couple of weeks to catch up to policy announcements without a historical reference for what was going to come next.

But we've learned a lot in the first 100 days:



The first is that tariffs will remain the economic weapon of choice on a scale greater than anything in recent history.

The second lesson is that regardless of whether the Administration back-peddles on initial tariff threats, the goal remains the same:

1. Create more production independence, particularly within strategic sectors like technology, chemicals, resources and industrial materials.
2. And, I believe, there's an end goal to have a permanently higher tariff regime at around 10% based on the initial results with the UK and China.

That base tariff rate is used as our forecast benchmark.

Why does 10% look reasonable?

It's low enough to be partially absorbed within the supply chain to limit the pass-through to consumer prices. And It's a revenue raiser for the government. The U.S. is the only OECD country without a national sales tax, which would be wildly unpopular. But under the guise of fairness to American workers, this tactic works by impacting only 14% of the economy (i.e. the share of imports), and consumers don't generally pay the full amount. In contrast, a sales tax is highly observable by consumers by being reflected on every shopping receipt of daily transactions. If imports held constant, it would generate up to \$3 trillion in government revenues over the next decade to fund spending and tax cut initiatives.

But that still means forecasts have been broadly downgraded in the near term on the combination of DOGE cuts, tariff hikes, and a higher and more uncertain operating cost environment for many businesses.

As for Canada, the economy was quick to bend under the tariff-threat. Business and household sentiment has immediately retreated and manifested in the hard data, and now it's a question of how well the domestic political response can address the scale of the external threat.

The Result of the First 100 Days

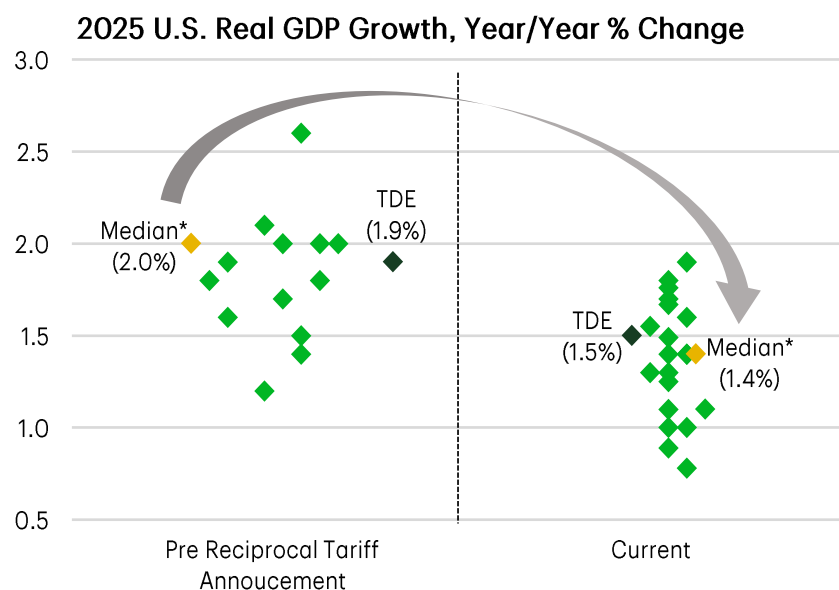
Let's start with the forecasts, where consensus does not yet reflect the 90-day tariff-truce between China and the U.S., but our figure does.

Following the April 2nd Liberation Day tariffs, a universal 40-60 basis point downgrade hit economic growth. The tariff-pause with China was certainly a positive development that will improve estimates, particularly among those with technical recessions. But the theme of downgrades relative to last quarter will hold.

Looking objectively at the situation:

1. Tariffs at 30% on China are higher than pre-Trump days, including a 54% de-minimis rate that was zero. Listening to a retailer on the news who imports educational toys from China, he expressed it succinctly by saying: the only reason to get excited about a 30% price hike is when it used to be 145%. Last year it was zero.
2. A 25% tariff remains on steel, aluminum and autos.
3. There's a laundry list of section 232 investigations underway on semiconductors, copper, lumber, pharmaceuticals, trucks and processed critical minerals. President Trump has even indicated that movies can make the list, underpinning an administration that is still highly prone to unpredictability and a high appetite to press the boundaries.

So there's optimism that the administration is inching towards their goal posts, but the business environment embeds a lot of uncertainty and additional costs. And although the market is behaving as if there's a deal with China, there's not. There's only an agreement to work on a deal, and many things can go wrong with two tough negotiators.



Source: Bloomberg, TD Economics. Last Observation: May 6th, 2025.

*Consensus includes larger U.S. banks and other key contributors.

Tariffs Hit Staggering Level Relative to History

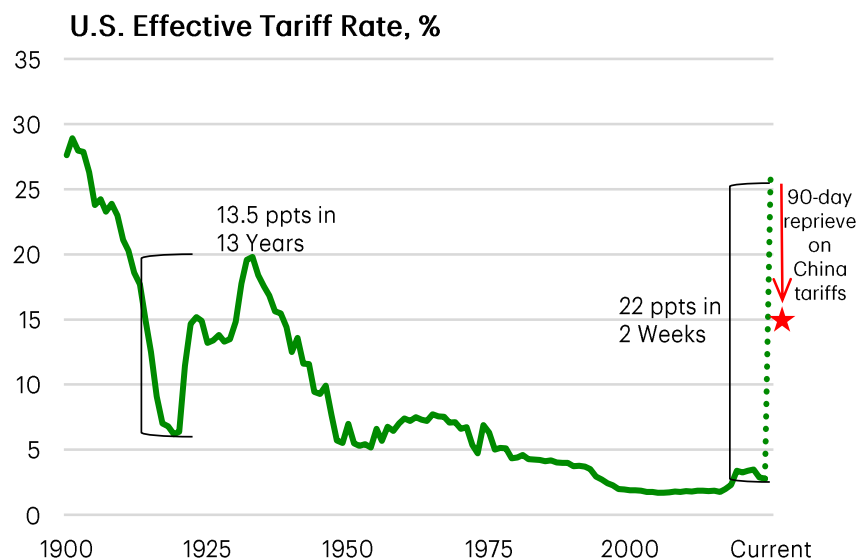
Here's the picture that speaks to the higher cost environment and forecast downgrades.

Many analysts refer to the Smoot-Hawley period in the early 1930s as the prior peak in the level of tariffs. But the rate of change matters more than the level.

In just a couple weeks there was a 22-percentage point jump in import tariffs, far more than the entire decade in the 1920s and early 1930s. This figure is calculated after the 90-day reciprocal pause, which still had tariffs on China at 145%, as well as 25% on global steel, aluminum and auto tariffs.

The deal with the UK didn't change the math, it represents only 3% of US trade. But the temporary reprieve with China at 30% did make a difference.

Even so, the U.S. effective tariff rate has still risen by 12 percentage points, marking a price shock for importing businesses in a very short period. And the level at 15% globally, is not much lower than the peak period during 1933.



Source: Bureau of Economic Analysis, TD Economics.

The Clock Is Ticking Down: Disruptions Caused By Policies

The de-escalation with China is telling us that the Trump administration is paying attention to headlines and market sentiment.

The economic impacts were quickly broadening, spanning shipment disruptions to consumer choices. And if there was ever any doubt on whether President Trump cares about market moves, that was cleared up when he advised the world to: "Better go out and buy stocks"!



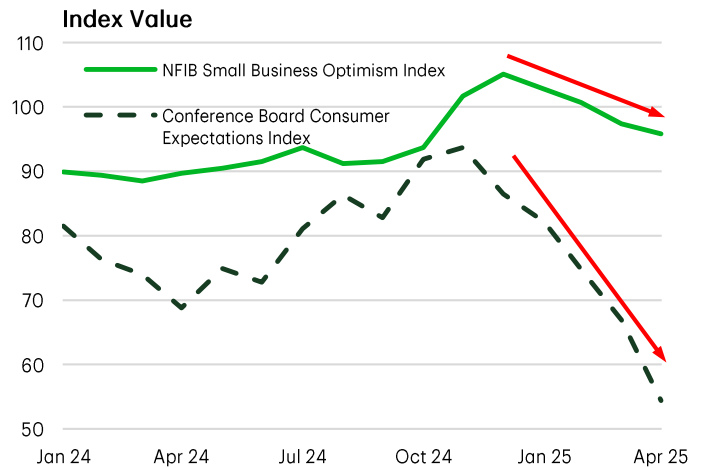
Tick...Tock...U.S. Businesses And Consumers Show Angst

The top graph must be making the administration nervous and speaks to the importance of turning around overall sentiment before it manifests in the hard data.

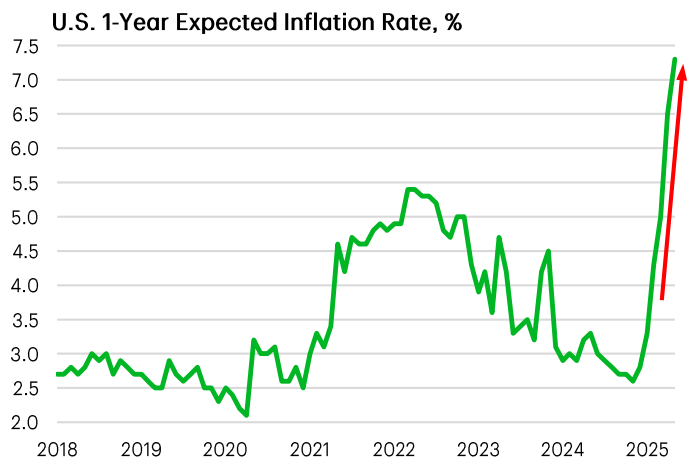
It hasn't yet because it's too early. The hard data is just starting to capture April outcomes, where survey periods may only extend to mid-month. Any large-scale shift in firm behaviors will be transmitted in the following months.

But so far, the data is solid, particularly where it matters most – the job market. It pumped out a 3-month pace of 155K jobs, which is more than sufficient to hold the unemployment rate steady. This is also why the Federal Reserve has noted the importance of watching sentiment, but not reacting with a policy response until there's a direct correlation to the hard data.

The graph below will be trickier for them to interpret. It shows a jump in inflation expectations one year ahead that's greater than during the pandemic. The same picture exists for expectations that are 5 years ahead. The Fed would pay more attention to this metric, but again, prefers the wait-and-see approach by monitoring the hard data.



Source: Conference Board, NFIB, TD Economics. Last Observation: April 2025.



Source: TD Economics. Last observation: May 2025.

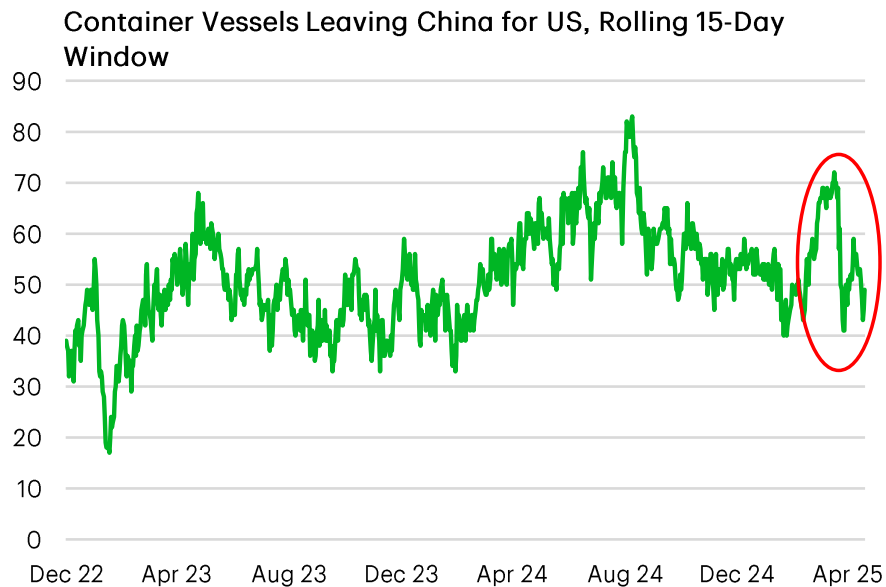
Tick...Tock...Tariffs Immediately Altered Shipments

Here is one piece of hard data that could define an acute risk to future inflation.

Daily data of container shipments from China leaving for the US show a collapse in the days following the tit-for-tat tariff escalation in early April. Anything that wasn't already on a ship and at sea following April 9th would have been tariffed at 145%. No surprise, this immediately locked up supply.

Shortly after, Walmart and Target CEOs sent out warnings of supply chain upheaval and empty store shelves. Meanwhile, the Federal Reserve's Beige Book cited firms already receiving notices from suppliers that costs would be increasing. That survey captured business responses within 10 days of the Liberation Day tariff announcement.

This signals that time is of the essence to get ahead of the inflation data because households have long memories when it comes to their cost of living.



Source: Bloomberg, TD Economics. Last observation: May 19th, 2025.

Isolate China? A Hard Nut To Crack for Trump Administration

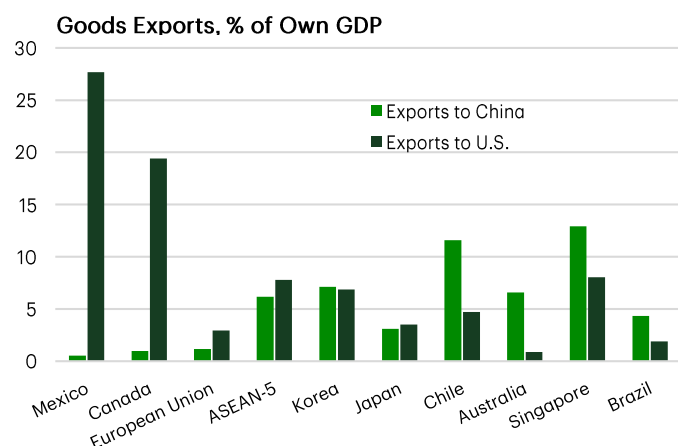
Despite the 90-day reprieve on China, we must be careful in getting too excited. A quick deal will be tough.

China has deep economic ties. The graph on the left shows each country's exports to China and the U.S. as a share of their GDP. Outside of North America, several countries have near equal or higher reliance on China than they do on the US. Some regions, like Brazil, even stand to gain from the trade war escalation, because China has shifted purchases to them for soybeans and other agricultural products.

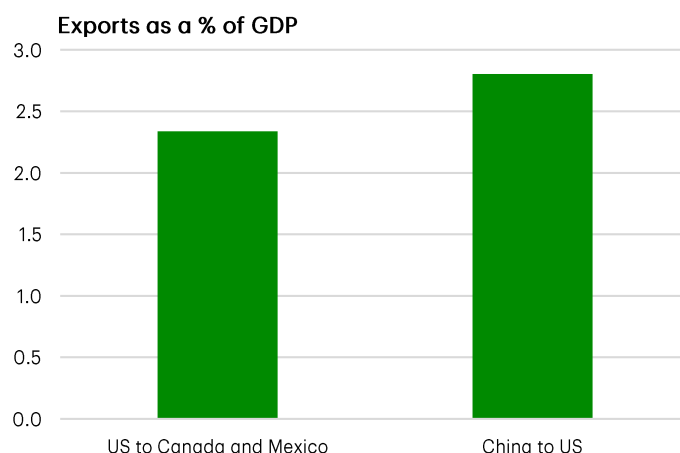
These relationships will complicate negotiations and the U.S. attempt to ring-fence China, whether it's for steel and aluminum, AI chips or other strategic targets. We're already seeing this play out. For the UK to not pay U.S. steel and aluminum duties, it agreed to ensure supply chain security via the ownership of relevant production facilities. This was legal-speak targeted at isolating China from the supply chain. China has already warned the UK that agreeing to this condition could be met with retaliation. This offers a good example of how countries will be caught trying to serve two masters for their export market.

As for how much pain China can take from a trade war...a lot.

The graph on the right shows that they have similar reliance on exports to U.S., as the U.S. has with Canada and Mexico. By logical extension, if the U.S. feels it has leverage over Canada and Mexico because its economy inherits less pain from tariffs, China can argue the same when it comes to the U.S.



Source: IMF, TD Economics.



Source: US Census Bureau, Haver Analytics, TD Economics.

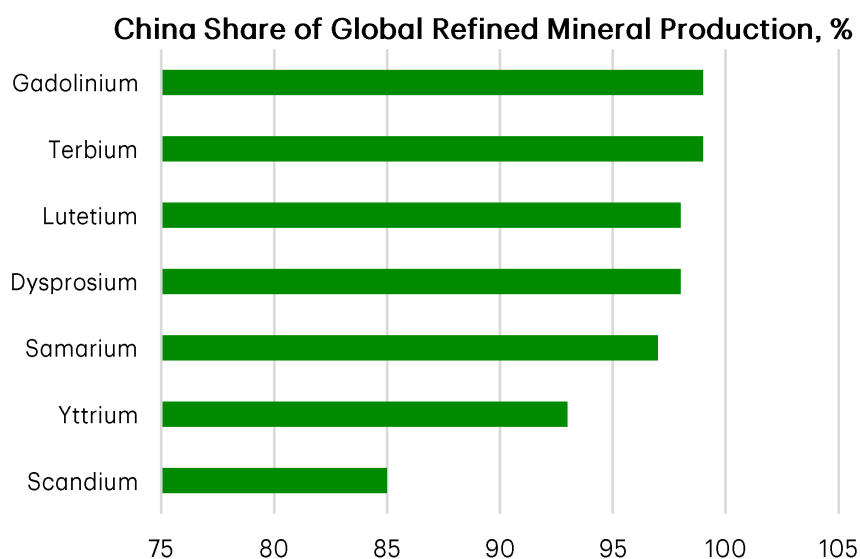
China's Critical Minerals Leverage

This is one reason why we rarely see China blink. The other reason is captured in this graph showing China's control of key rare earth minerals.

As part of the 90-day truce, reports indicate China will loosen export controls that were part of its retaliation response in April. China's restrictions applied to seven medium and heavy rare earths where they have a near full monopoly. In contrast, China was strategic to not impose restrictions on rare earths where there was sufficient diversity in supply from other countries.

The ones shown in this graph are needed for equipment production in aerospace, energy, military and autos. All areas of strategic importance to the U.S., which is the ultimate argument on why the Trump administration wants to pivot away from China.

But that's a long-game strategy and China knows it.



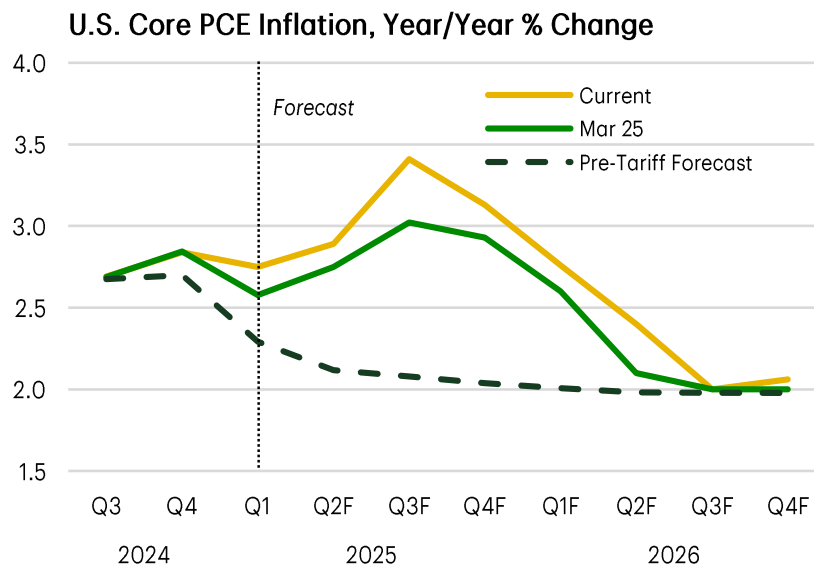
Source: Bloomberg, TD Economics.

An Inflation Lift Still The Base Case

Despite some 11th hour deals and market optimism, the fluid environment still places the balance of risks toward a lift in inflation by the third quarter, as the lagged effects get captured from higher import costs.

As an example of lags, there was a lot of optimism with the restraint shown within April's U.S. CPI inflation data. This was partly because vehicle prices were flat to down on the lagged effect of dealership deals to unload the stockpile of inventories. However, the Manheim used car index was strong in April, jumping nearly 3% in a single month. It takes about two months for that data to first make an appearance within the CPI methodology, putting us into June for the first transmission of tariff impacts on this industry.

Simply put, the U.S. won't be able to fully insulate itself from a 12-percentage point lift in tariffs until deals occur with their big import markets of China, Canada, Mexico and the EU. These account for three-quarters of their trade. The longer it takes to finalize these deals, the greater the risk that inflation won't abate in time to leave the memories of voters ahead of the 2026 mid-term elections, which creates a strong motivation for the Trump team to get it done.

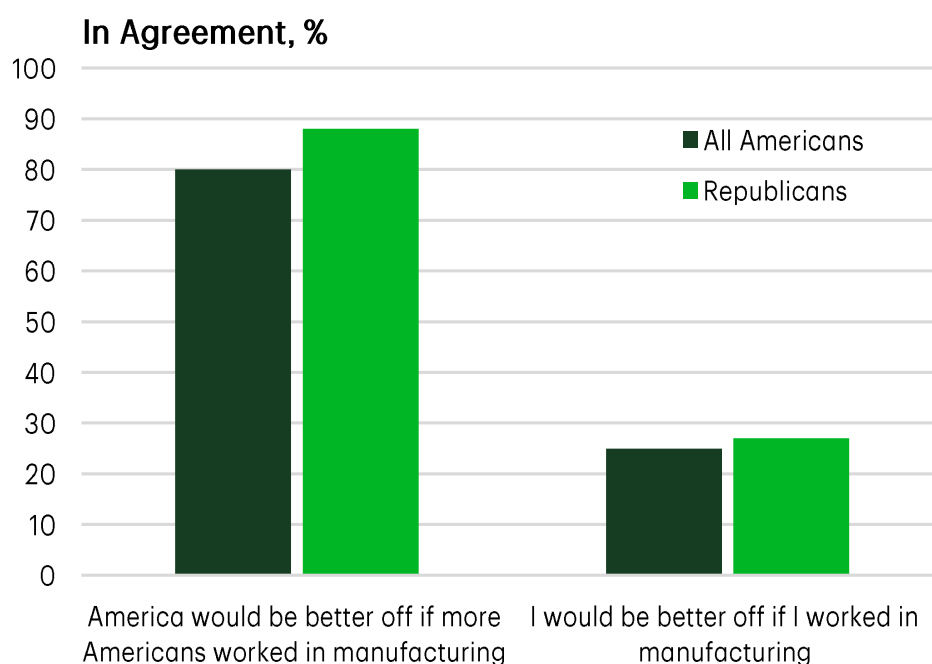


Source: Bureau of Economic Analysis, TD Economics.

Manufacturing Is the American Dream! Isn't It?

And let's face it, most people really only care about how changes affect them and their family.

When it comes to convincing Americans that higher prices are needed to create more manufacturing jobs, the argument gets you only so far in influencing the mindset. Although most Americans agree that more people should work in domestic manufacturing, it just shouldn't be them! In other words, it's a good job for you, but not me.



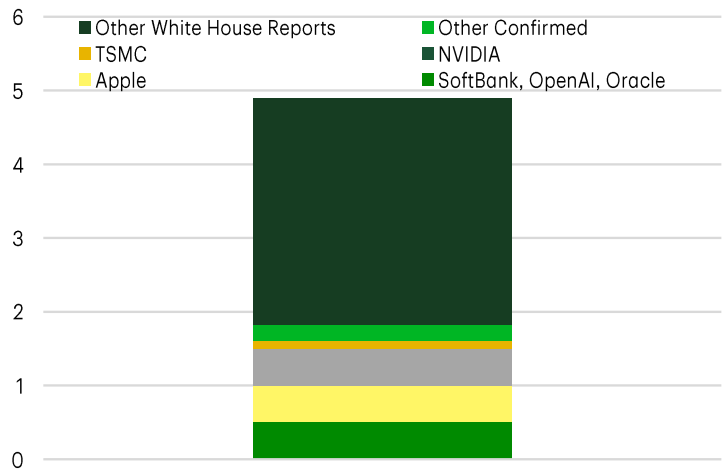
Source: Cato Institute 2024 Trade and Globalization National Survey, TD Economics.

Rotation of Investment? Some Evidence of Corporate Intent

This picture is further complicated with an administration pointing to \$5 trillion in investments flowing into America because of its tariff policy. They may have a harder time convincing the Average Joe who has less visibility on this statistic.

This data is pulled from the White House website and doesn't represent immediate commitments, but rather over a 4-to-5 year period. This is further nuanced by commitments that are not all net new, alongside somewhat nebulous commitments by nations, like the UAE, Japan and Saudi Arabia. For instance, Japan's \$1 trillion commitment includes the purchase of U.S. steel by Nippon Steel, where the administrations in both countries agreed to note it as an investment rather than a takeover.

2025 Investment Announcements, Trillions



Source: White House, Company websites, TD Economics.

Regardless, it's safe to say there's an investment boost happening on the margin, but it's over a multi-year timeframe with amounts that are likely exaggerated.

It's not 100% obvious how much will have significant flow-through to economic activity and whether Americans can see the benefit on a large enough scale to buy their patience.

Take the GM announcement a few weeks ago that's moving a production shift on pick-up trucks from Ontario to Indiana. In doing so, they cited just 25 new jobs, with most of the new jobs going to temporary workers and overtime hours. GM also cited a significant scaling back in investment dollars to preserve capital.

Obviously those 25 workers will appreciate their new jobs, as will the temporary hires, but it's not of a scale that's meaningful to our employment or consumer profiles, particularly if truck prices rise due to tariffs.

Is This Trump's Rope A Dope Strategy? Take a Beating And Come Out Swinging

Which leads to this sequence of events underpinning our forecast assumptions requiring a dialing back in negative influences and a dialing up on the growth drivers as time presses on this year.

Our GDP forecast in 2026 is placed at 2%, which is currently higher than consensus of 1.5%. Recent events have offered some hope that we'll get there, but there's still a long way to the finish line. Tariff stability is needed so that proposed tax cuts and other legislation has a better chance of creating a pro-growth tailwind into 2026.

Most forecasters embed the growth inhibitors from DOGE and tariffs, but not necessarily the growth accelerators, because they remain less defined in scope and timing.

As we get into the next couple of quarters, I'm betting forecast revisions will start going in a positive direction with upgrades to the consensus.

Discussions are on going with the Senate next up to bat, but some elements of the House Bill are shown for guidance. Our forecast embeds a 20-basis point lift to 2026 GDP growth as a placeholder for tax cuts, but this requires tariffs to not cannibalize the benefits. In the absence of significant trade deals, the cost of living could rise by as much as \$3000 per year. In addition, longer dated yields are rising on financial market angst over both tariff uncertainty and the fiscal trajectory. The government will need to get both within their comfort zone.

Deregulation is happening simultaneously, but the impact on the economy tends to boost investment further out in the forecast horizon. And of course, we have these assumptions because there is a time constraint: Mid-term elections.

Tariff Trauma

- Next 60-90 days requires trade deals = frameworks
- Most important: China and EU; USMCA still on deck
- Deal: Export controls, commitments to buy US products, tariff reductions, limit trade diversion, >US business market access

Tax Cuts: Beyond Extending TCJA

- Eliminate taxes on overtime pay & tips + car loan interest deduction
- Raise standard deduction by \$4,000 for people aged 65+ and increase child tax credit to \$2,500 (currently \$2,000)
- Increase SALT deduction

Deregulation And Pro-Tech Agenda

- Ten-for-one deregulation order = removing barriers
- Open federal lands to oil & gas exploration, eliminate freeze on LNG export applications, repealing Biden's climate EO's & EV mandates
- Ending SEC crypto lawsuits, rolling back AI regulations

Eye On The Prize: November 2026 Elections

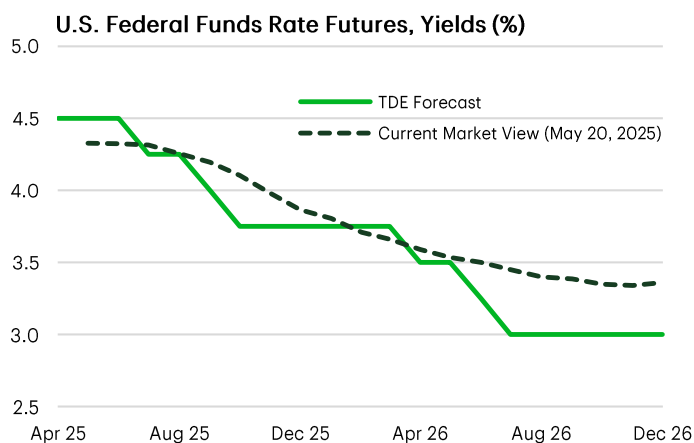
Will The Federal Reserve Be Caught In A Bind?

This sequence of events also has the benefit of achieving lower interest rates.

The policy rate is holding high at 4.50% after 100 basis points in cuts last year. At this level, it's still restrictive to the economy. Last year, the Fed cut proactively to stay ahead of economic momentum. But that strategy switched to a “wait and see” stance once tariffs came into place.

The prospect of a higher unemployment rate and rising inflationary pressures is the worst combination for a central bank with a dual mandate to anchor both. We've penciled in three rate cuts for this year, the first occurring in the third quarter once sufficient tariff risks recede. However, this is a highly fluid forecast that will require adjustment if our sequence of events don't fall into place.

In 2026, the expectation is for the Federal Reserve to return the policy rate to a neutral stance of 3% with an economy growing at around 2% and inflation risks abating. The market largely shares that view. However, we admit this depicts a perfect landing with a landing strip shrouded in thick fog.



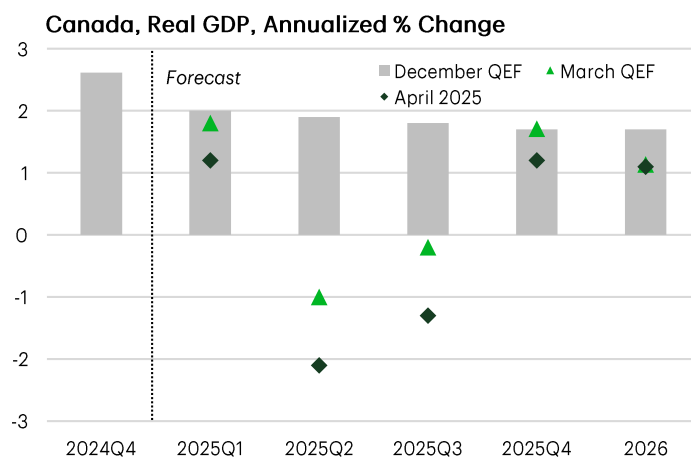
Note: Monthly data. Source: Bloomberg, TD Economics.

Marking Down A Downbeat Canadian Forecast

Moving to Canada, here too the forecast has been downgraded, but on a greater scale.

The bars show our view in December, capturing an economy with clear signs of improvement. In March, we incorporated tariff assumptions on Canada that also reflected long term scarring in investment. That judgement had the right lean but did not go far enough once the reciprocal tariffs were announced, captured by the dots representing our April forecast.

The effective tariff rate on Canada is estimated to be about 12%, which is higher than our original assumption of roughly 5%. This took our forecast from a technical recession to a formal one.



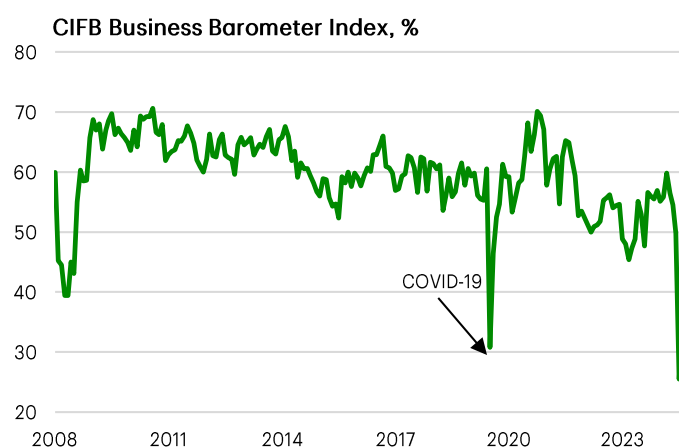
Source: Statistics Canada, TD Economics.

The unemployment rate peaks at 7.2% in this forecast, which is a 100-basis point adjustment relative to the counterfactual in December's forecast that had a falling unemployment rate.

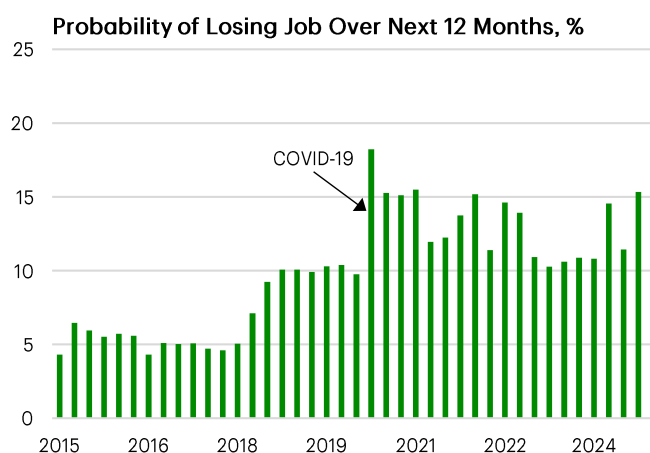
Tariff Threats Sap Business Confidence And Fuel Job Insecurity

Two indicators show the big picture: small businesses sentiment and the expectation of losing a job in the next year. Like the U.S., there's been a deterioration in sentiment among businesses and households, but the difference with Canada is the sharper retreat, exceeding the levels captured during the pandemic surveys.

The other big difference is the tight correlation between sentiment and the hard data, which has not been the case yet south of the border.



Source: Canadian Federation of Independent Businesses, TD Economics.



Source: Bank of Canada (Canadian Survey of Consumer Expectations), TD Economics.

The Fear Is Real...

Jobs were on a comeback late last year, until tariff talk went from rhetoric to reality.

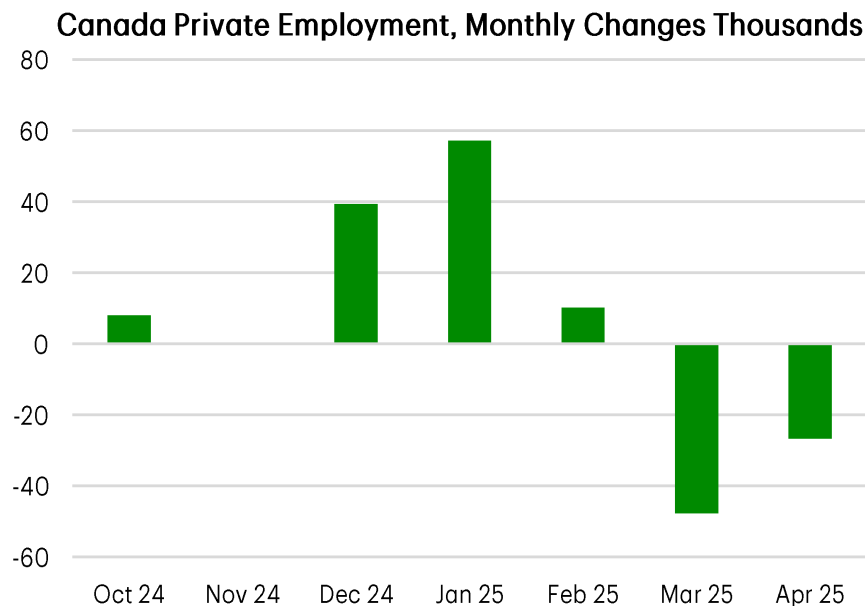
Although Canadian jobs were reported up by 7K in April, this was due to public sector hiring for the election. Private sector hiring better correlates to the business cycle. On this front, firms have cut 75K jobs in just two months, with half of those in manufacturing.

Within our forecast, it's anticipated that another 100K Canadian jobs can be lost through the third quarter. After which, we look for stabilization on the assumption that tariff turmoil gains clarity and the Canadian government gets going on the bigger pillars of domestic policies.

The Liberal platform has initiatives that could stabilize and potentially grow manufacturing jobs, if well executed. One initiative directly targets manufacturing via \$2 billion placed against an "all in Canada" manufacturing network to build more car parts domestically and limit cross-border production reliance.

Other initiatives could deepen the manufacturing base indirectly through the supply chain required for greater energy independence with an east-west corridor and an acceleration in home building with greater production capacity in modular and prefab homes. Even meeting Canada's NATO defense commitments can create opportunities in high-value manufacturing.

But for now, there's immediate transparency in jobs at risk of being lost, rather than what can be gained.



Source: Statistics Canada, TD Economics.

Canada's Housing Market = Immediate Loss Of Confidence

Continuing the theme on how fast negative sentiment has transmitted into actual outcomes, the housing market probably offers the best example.

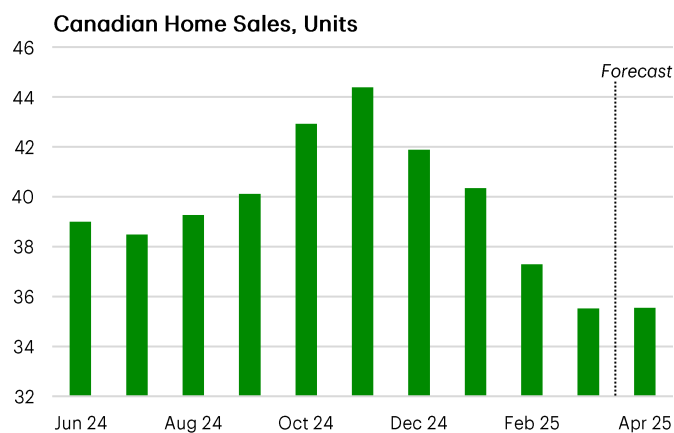
This market is highly sensitive to interest rates and has always been the go-to in Canada to jump start the economy. Within a matter of months, the benefits are transmitted from sales to related household purchases to renovation activity.

The Bank of Canada has cut the overnight rate by 225 basis points since May of last year, of which 100 basis points has occurred since November. Yet, home sales have retreated by 20% since November.

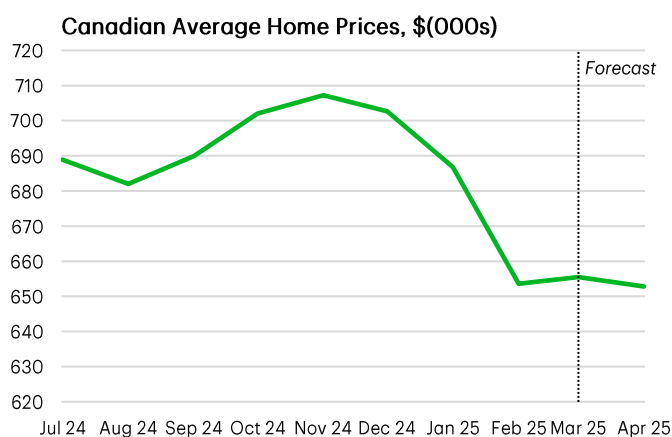
The negative confidence channel is overriding the positive interest rate channel.

The Bank of Canada has repeatedly said its policy tool will be of limited use to this type of supply and confidence shock, and that's playing out.

In fact, uncertainty on the Canadian outlook is so high that the BoC has pulled out its pandemic playbook. They are no longer providing point forecasts and have instead reverted to discussing scenarios.



Source: CREA, TD Economics.



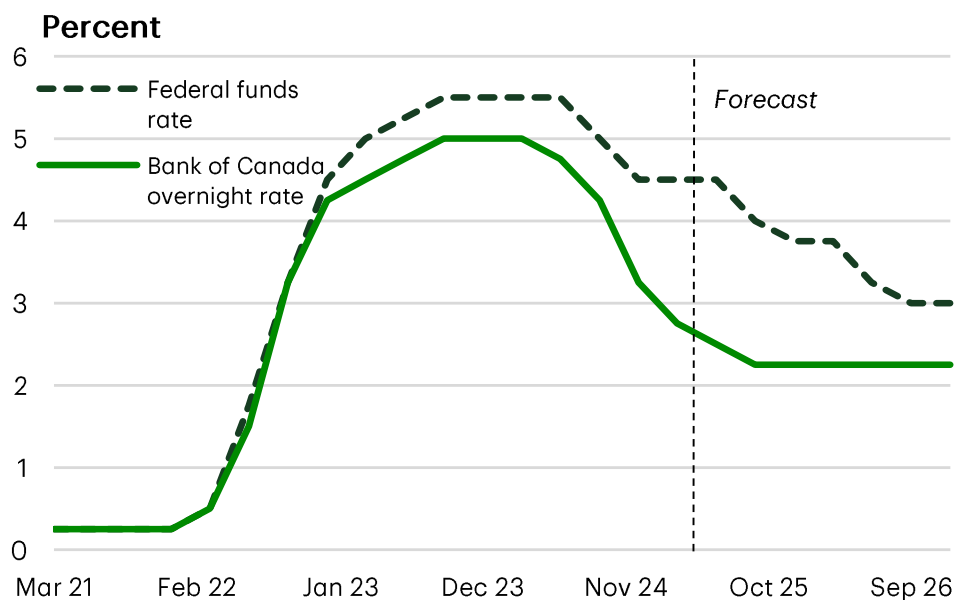
Source: CREA, TD Economics.

We Still Think the BoC Will Stay Ahead Of the Fed on Rate Cuts

Even so, there's more confidence on our call for the Bank of Canada to lower its policy rate at least two more times this year than our U.S. call, despite Tiff Macklem having already been more proactive than the Fed.

We think the policy rate will get to 2.25% over the summer, which places it at the bottom of the Bank's neutral range – where monetary policy isn't helping or hurting the economy. If this was a normal business cycle with deteriorating job prospects due to a financial event, they would likely cut more, to a 1-handle on the policy rate. But there's greater skepticism this time around given Governor Macklem's comments on the limited effects monetary policy can have on restoring lost supply.

And this time around, the Bank of Canada will also be highly sensitive to government policies that are backstopping the economy after criticism following the pandemic that both institutions compounded the inflation problem.



Source: Bank of Canada, Federal Reserve, TD Economics.

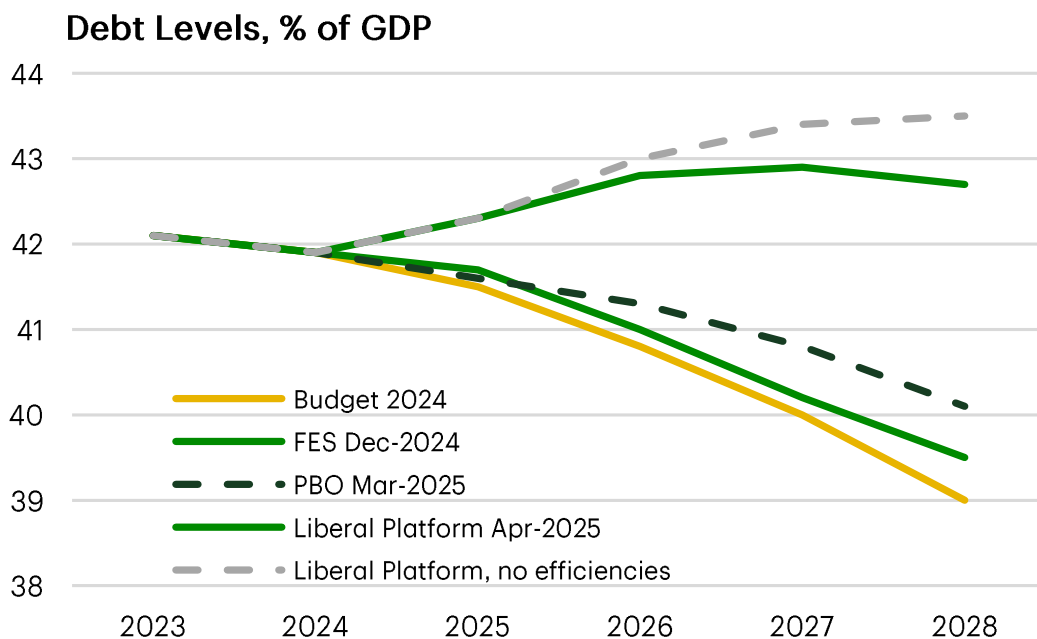
Fiscal Discipline Relaxed In Fight Against Trump Threats

Turning to government policies under the new Federal government, this graph shows the evolution of the debt-to-GDP ratio under the Liberal policies prior to President Trump discussing wanting to crush Canada economically and subsume it as the 51st state. At every iteration of the budget or fall economic statement, the downward trajectory remained in place

That's no longer the case. The solid line that says "no efficiencies" adds back the assumed savings from public service productivity increases, which was listed directly in the platform but is always a questionable area.

Here's my take on this graph, and it's probably not where you think I'm going with it.

The proposed amount of spending pre and post Trump threats amounts to an additional \$90 billion lift in debt. That amount is probably too little to achieve the needed economic transformation.



Source: Federal Budget Documents, Trevor Tombe's "The Liberal Platform Walks Away From The Party's Own Fiscal Commitments", TD Economics.

Tall Order For New Government

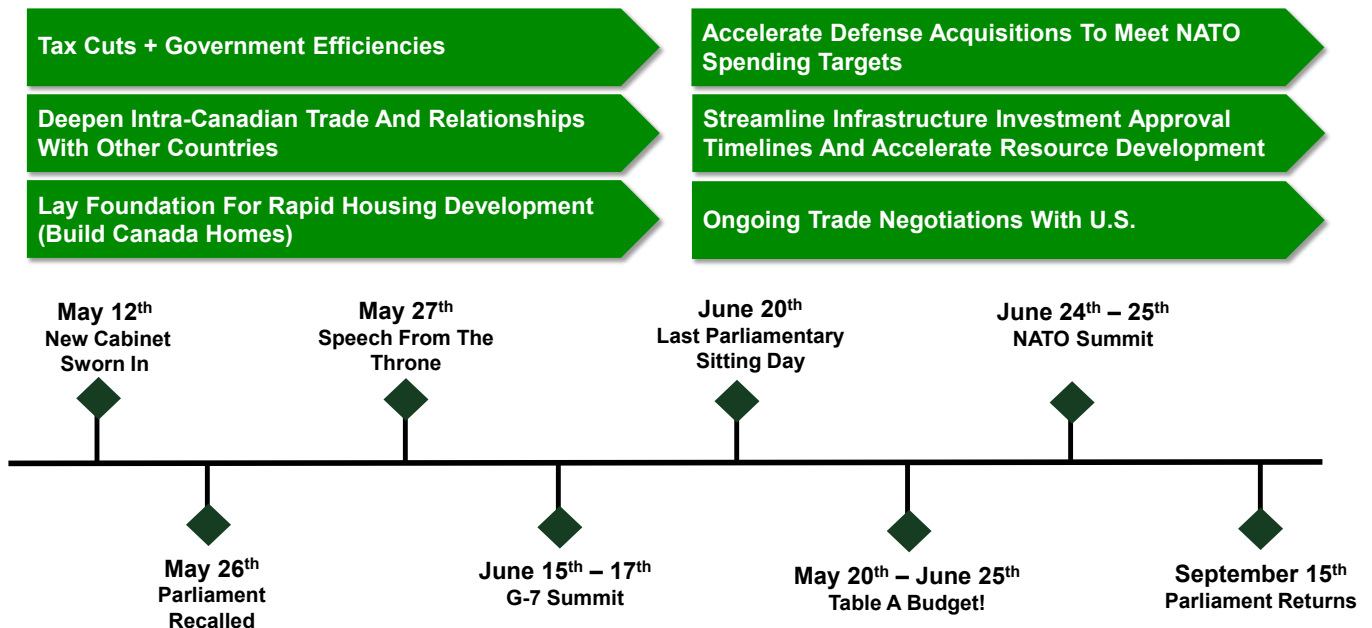
So backing up a bit to start with the Parliamentary timeline to get things done shows there's only 20 business days before breaking until mid-September.

The government will likely produce a budget this fall, and in the meantime, they have proceeded with the low hanging fruit, like a 1 percentage point drop in the tax rate on the lowest tax bracket and will also proceed with removing the federal overlap in interprovincial barriers.

This is slightly disappointing because neither is sufficient to backstop an economy that's already teetering. For the average income earner, the income tax amounts to roughly \$32 showing up on a paycheck every two weeks. However, the price tag for that tax cut is roughly \$5.6 billion per year. Despite having appeal between parties and the voting base, it won't deliver a meaningful lift to consumer spending. In times of job uncertainty, people will save it.

The money would be better spent to stop-gap the confidence shock for the next three-to-six months until the government organizes complex infrastructure programs and rollouts. These typically reflect measures that incent a "pull-forward" in spending by using time-limited tax credits and subsidies. Examples include housing retrofits for climate resiliency, bonus depreciation for businesses, a broad GST holiday on business inputs or retail purchases, and so forth.

How to spend a \$5-6bn price tag in the early days of this transition will be key to putting a floor under the economy, because doing minimal measures means that by the time the House returns in September, there's a good chance Canada is already in a recession. By then, any negative employment dynamics become harder to unwind.



Re-inventing Canada, Not At \$90 Billion Proposition

Refocusing the lens to the long game, Prime Minister Carney has a daunting task in orchestrating an industrial revolution on the scale of a “war time effort”. Policies must be designed to simultaneously insulate Canada from future American economic aggression, create more self-reliance and diversify trade to other global markets.

This graph shows two benchmarks with Australia and the U.S. relative to Canada. Australia was chosen because it’s often a comparator given its resource dependence and comparable size. But a gut check with countries in the EU reflects a similar theme. As a share of the total economy, Canada is undersized in defense and business investment, particularly intellectual property and equipment. And, to nobody’s surprise, it’s oversized in housing and trade, of which that trade is further skewed to the U.S.

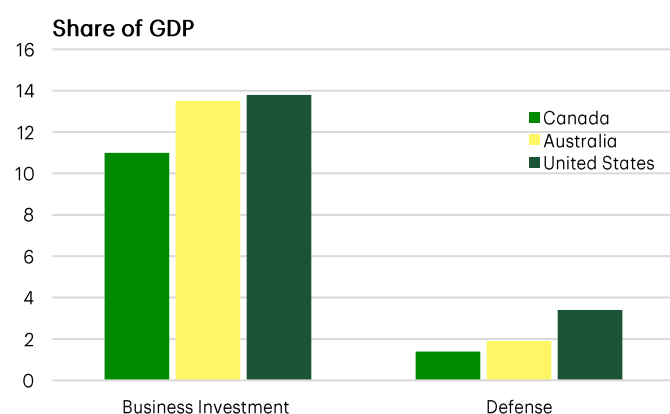
In an ideal industrial pivot, investments and policies would promote raising the bars on the left by simultaneously growing the entire GDP pie. The Liberal platform, on paper, could accomplish this. It’s a scattershot of large initiatives that includes facilitating large public investments in infrastructure, energy and defense, to building more housing to even conducting a review of the corporate tax structure.

But doing this for an additional \$90 billion in debt over 4 years?

For perspective, it took more than \$30 billion to build the Trans Mountain pipeline. High-Speed rail between Windsor and Quebec City under the prior Liberal government initiated a 5-year design phase at a cost of almost \$4 billion. And a single hospital in Ontario cost \$1.7 billion to build. Don’t forget, Canada doesn’t have the resources to go running in all directions. The government will have to pick priorities.

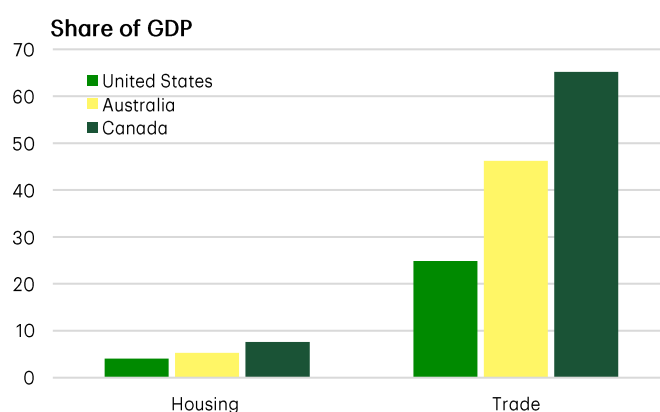
Naturally it’s not all on the federal government. There’s private sector funding involved, as well as cooperation by other levels of government. Some initiatives involve little money like coordinating permit and review processes to speed up resource development.

But there’s a risk the debt figures are under-stated and Canada will see a higher profile.



Source: Statistics Canada, Bureau of Economic Analysis, Australian Bureau of Statistics, Haver Analytics, TD Economics.

Note: Total trade is the ratio of the sum of exports and imports to total GDP.



Source: Statistics Canada, Bureau of Economic Analysis, Australian Bureau of Statistics, Haver Analytics, TD Economics.

*Total trade is the ratio of the sum of exports and imports to total GDP.

What does that mean?

If projects are done well and improve Canada's output and productivity, it's the best way to spend money and it'll be recouped in the long run. This will cause a significant "bending" in that debt-to-GDP curve in the outer years.

But, if projects carry unanticipated timelines, cost overruns and lack scale, Canada could face debt downgrades by rating agencies, higher yields and wider spreads to international counterparts. This risks deepening the vulnerability to the United States.

Simply put, Canada is about to commence a grand experiment that will go far beyond any near-term trade dislocation currently being observed, making the Canadian economic outlook more uncertain than that south of the border.

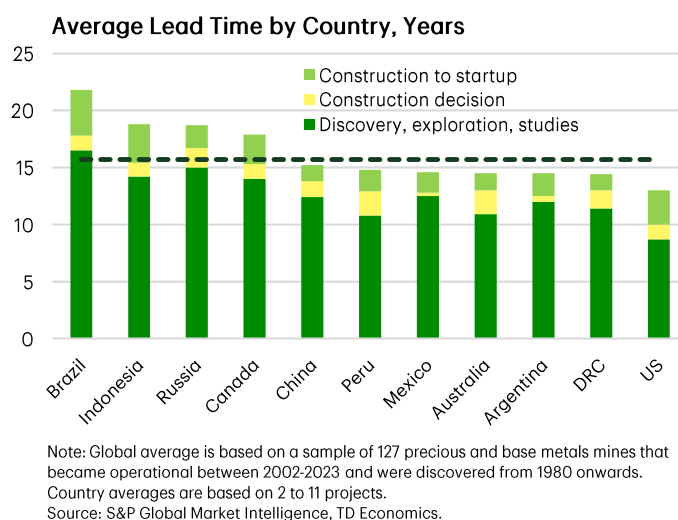
Will Streamlining Approvals Change The Math Enough?

But if done right, there are tremendous growth opportunities for Canada.

We published a report last year showing how 41 proposed projects in critical minerals can amount to a \$500 billion opportunity though economic reconciliation with Indigenous peoples. Of those, only 4 were publicly confirmed with government approval and the rest were in various stages of studies, permitting applications and Indigenous consultations.

In addition to a shorter federal approval timeline, PM Carney pledged to move forward with the "One Project, One Review" proposal from Budget 2024. It's intended to reduce duplication of environmental assessments and Indigenous consultation processes that are required by the different levels of government. Of course, we have to be realistic. Streamlining permitting processes helps reduce lead times for mine development, but it still takes time to get financing, undertake construction and ramp up production to commercial quantities.

But Canada became so out of step with other regions globally that any improvement is welcomed. And, policy prescriptions should aim for a more aggressive timeline than the global average to attract and accelerate the needed investment with a competitive advantage.



Building Optimism

The final message is that there are some budding signs of optimism amidst a concrete jungle.

For Canada, it took an economic attack from the U.S. to compel domestic policy to become more business oriented and pro-development. It's the right pivot for the long term to prevent an ongoing deterioration in the standard of living. Now it's a question of execution.

For the U.S., optimism rests with the art of the deal. Developments with China a couple weeks ago provide some promise that the U.S. can pull itself back from the brink to reset trade relationships in a more reasonable fashion. But the road ahead will have twists and turns that will need to be quickly navigated to let the growth dynamics dominate in 2026.



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