

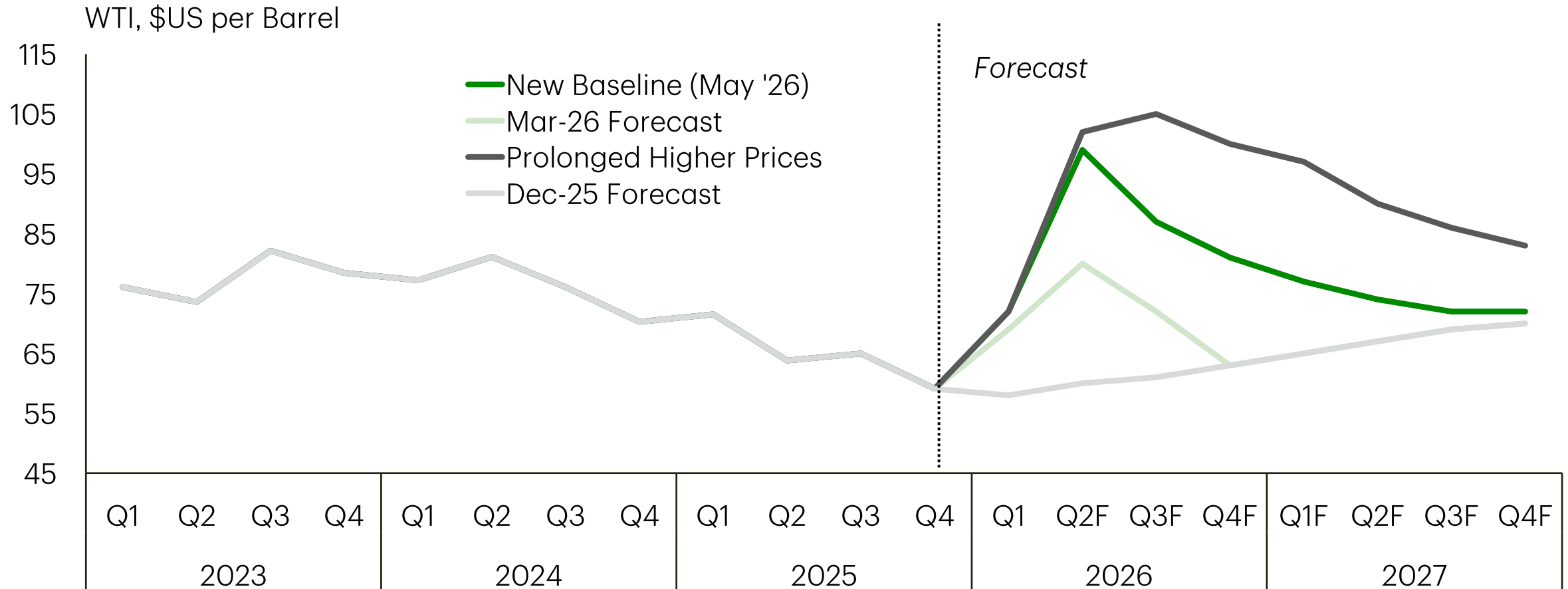


The Return of the Oil Shock

Derek Burleton, Vice President and Deputy Chief Economist

June 2026

Step Increase in Oil Price Forecast as War Drags Out

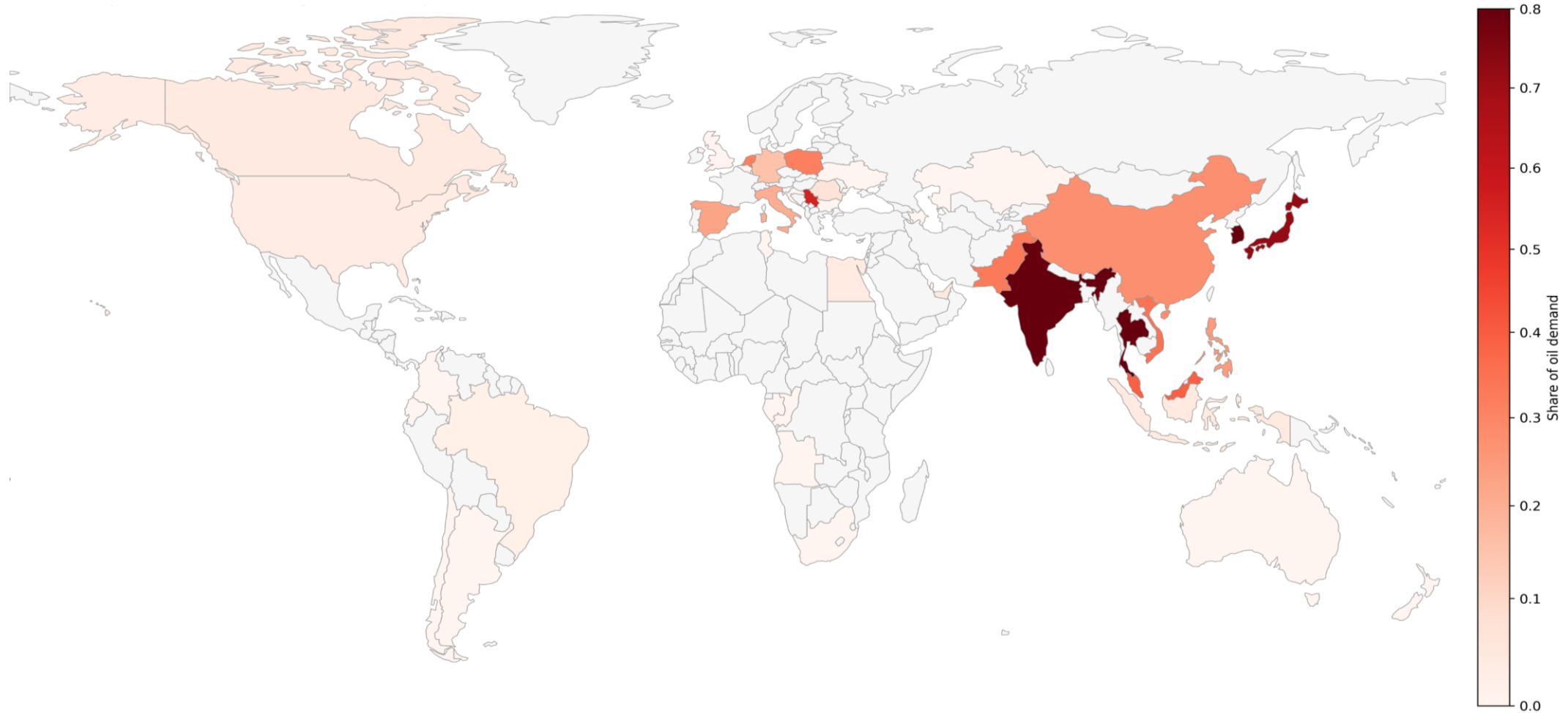


Source: Bloomberg, TD Economics.

Some Parts of the Globe Are More Exposed

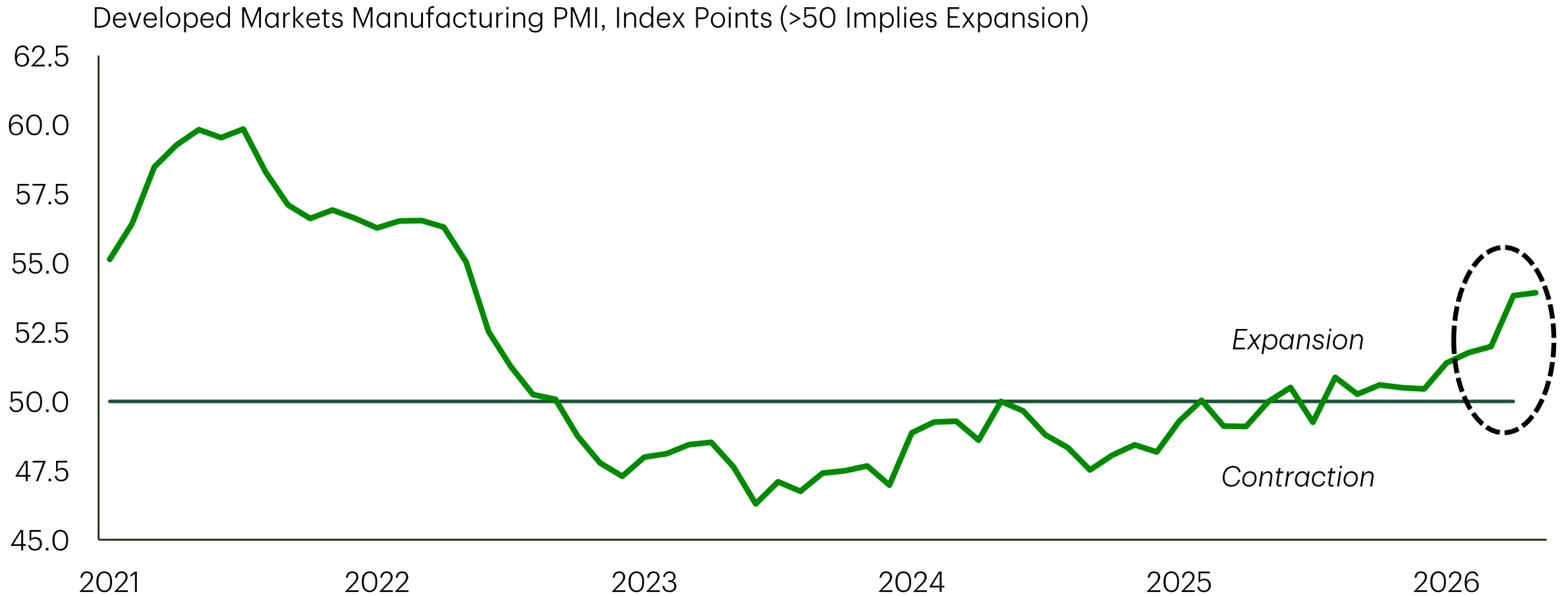


Relative Exposure to Gulf Country Crude Oil Exports, 2023



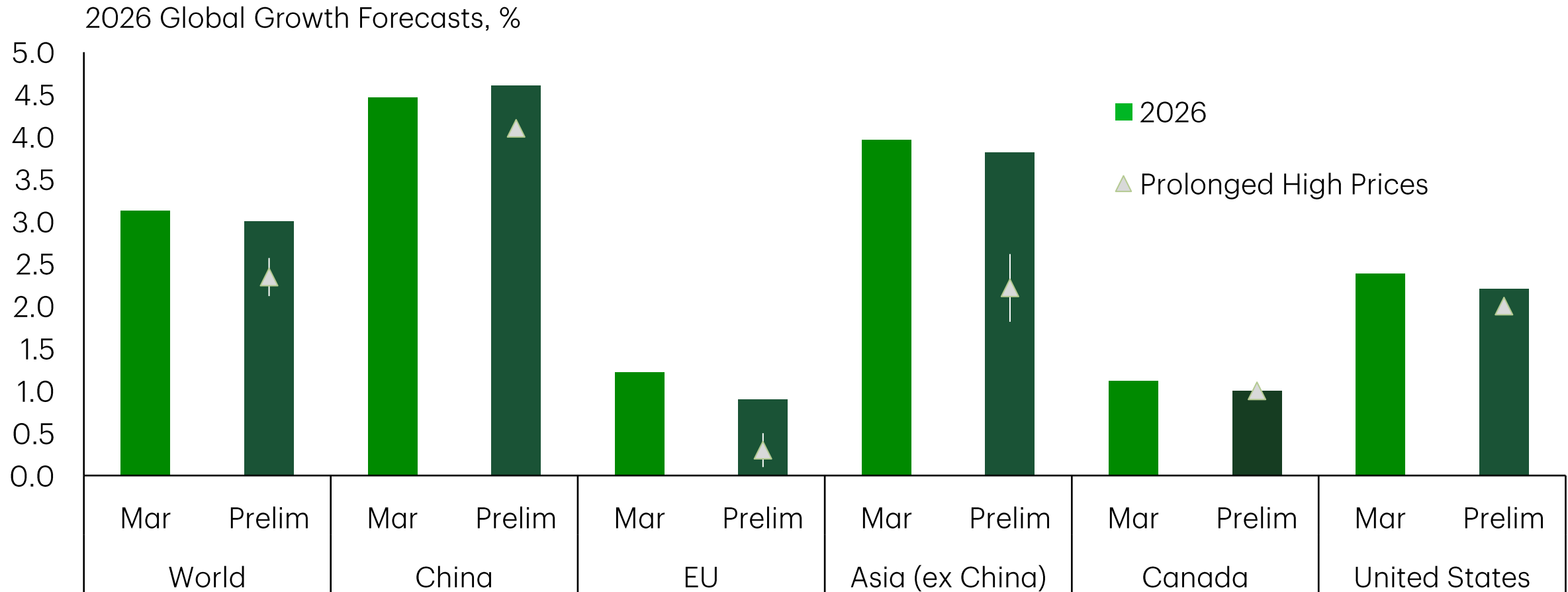
Source: UN Comtrade, OPEC ASB, TD Economics

The "R-Word" Has Been "Resilience" So Far



Source: S&P Global, TD Economics.

Downgrades to Baseline Global Growth Modest

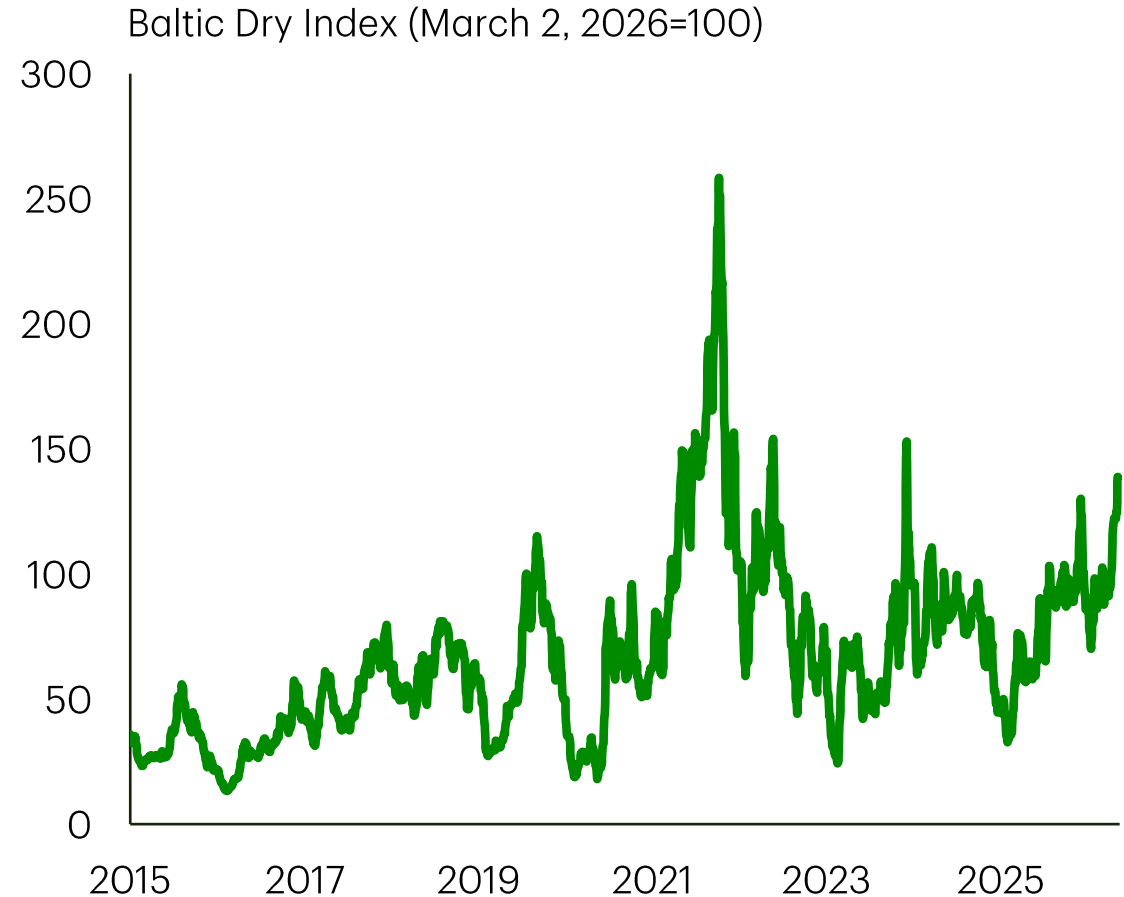


Source: TD Economics.

What We Are Keeping Our Eye On to Gauge Strains

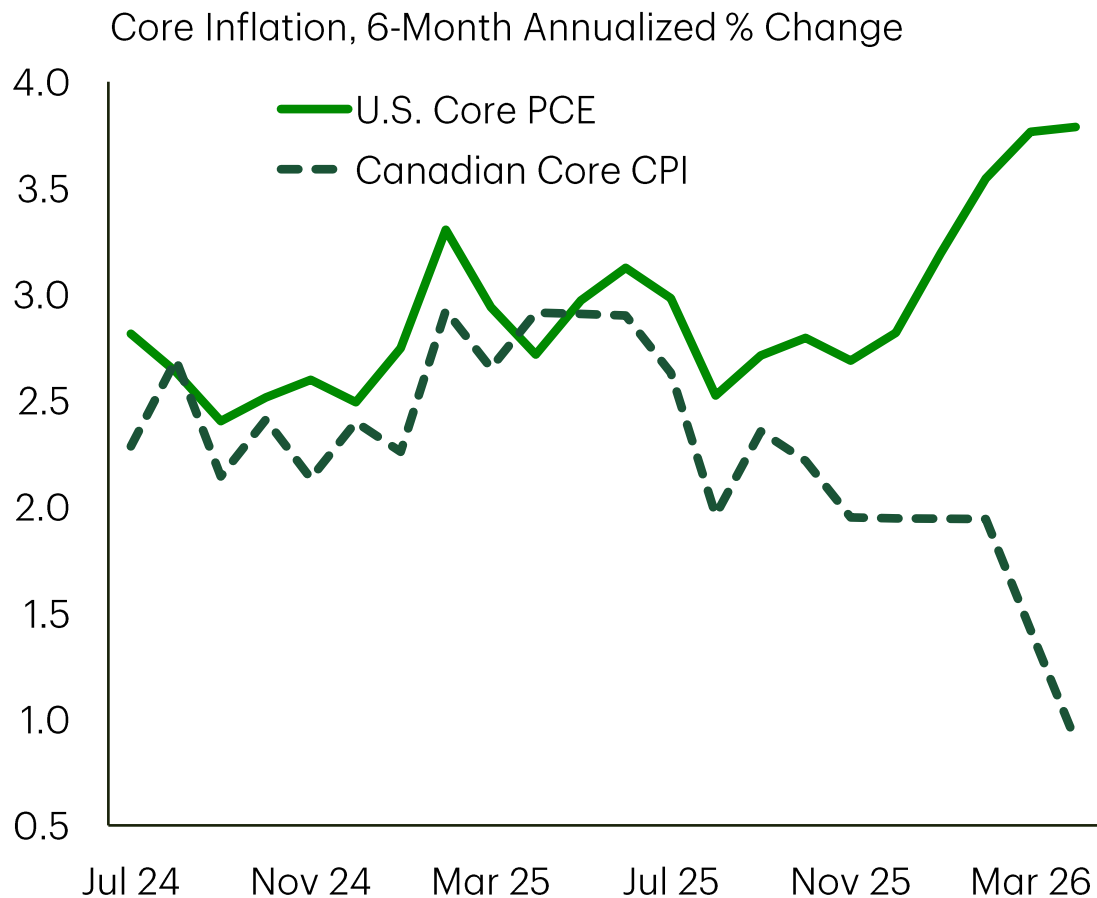


Source: Bloomberg, TD Economics.

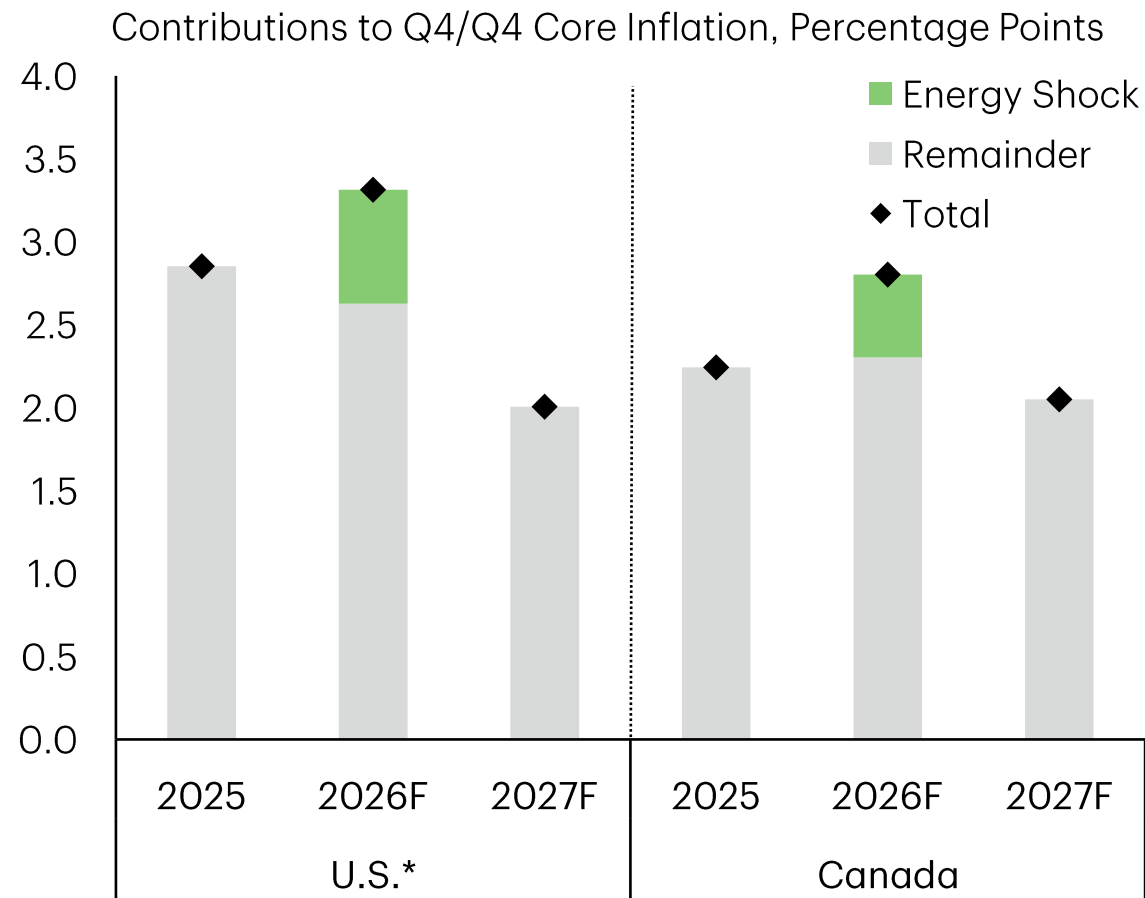


Source: Bloomberg, TD Economics.

Inflation Starting Point – Canada in a Better Position

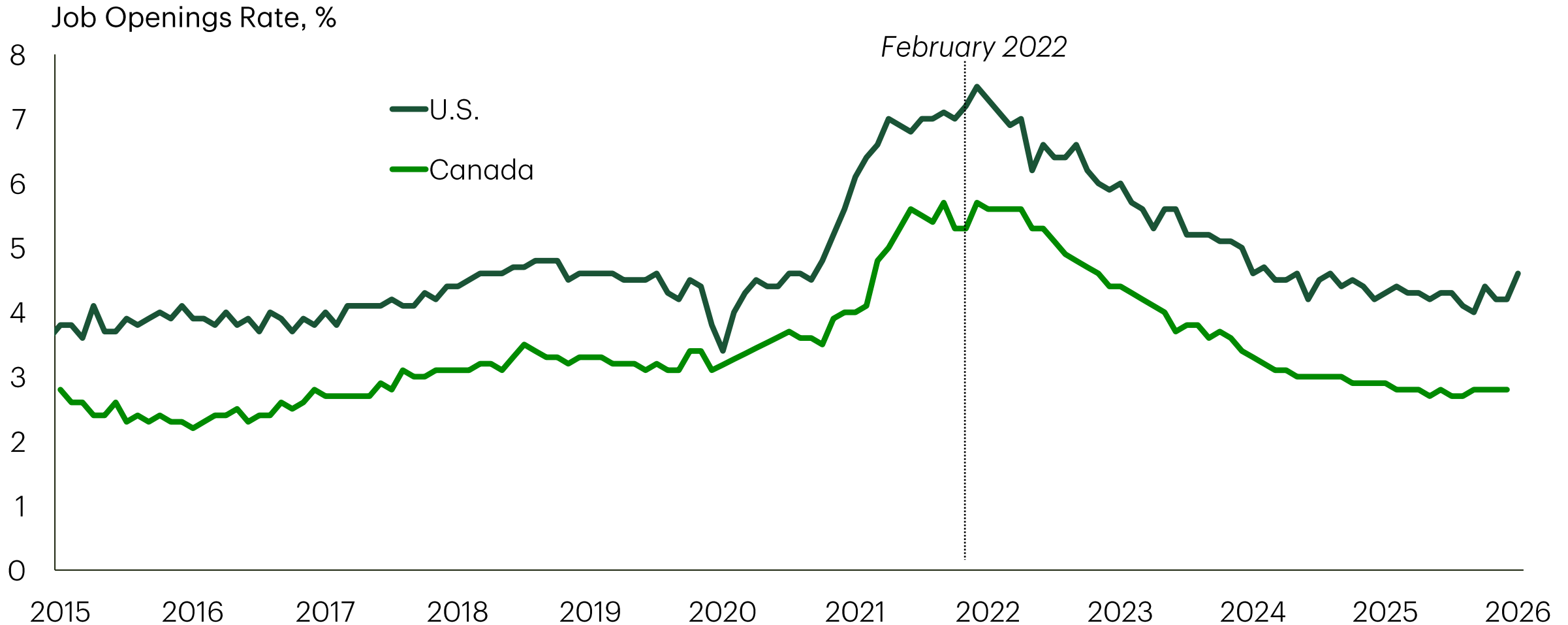


Source: U.S. Bureau of Economic Analysis, Statistics Canada, TD Economics.



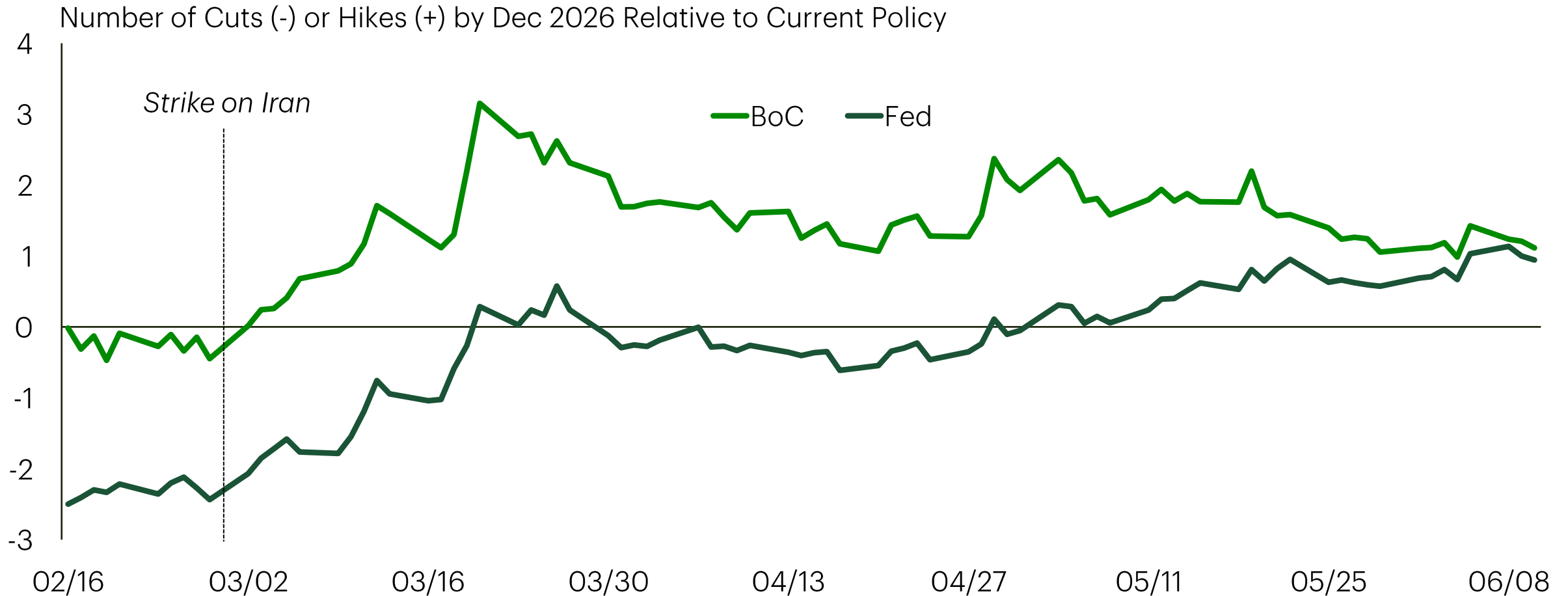
Source: U.S. Bureau of Economic Analysis, Statistics Canada, TD Economics.

This Episode is No Encore of the 2022 Inflation Shock



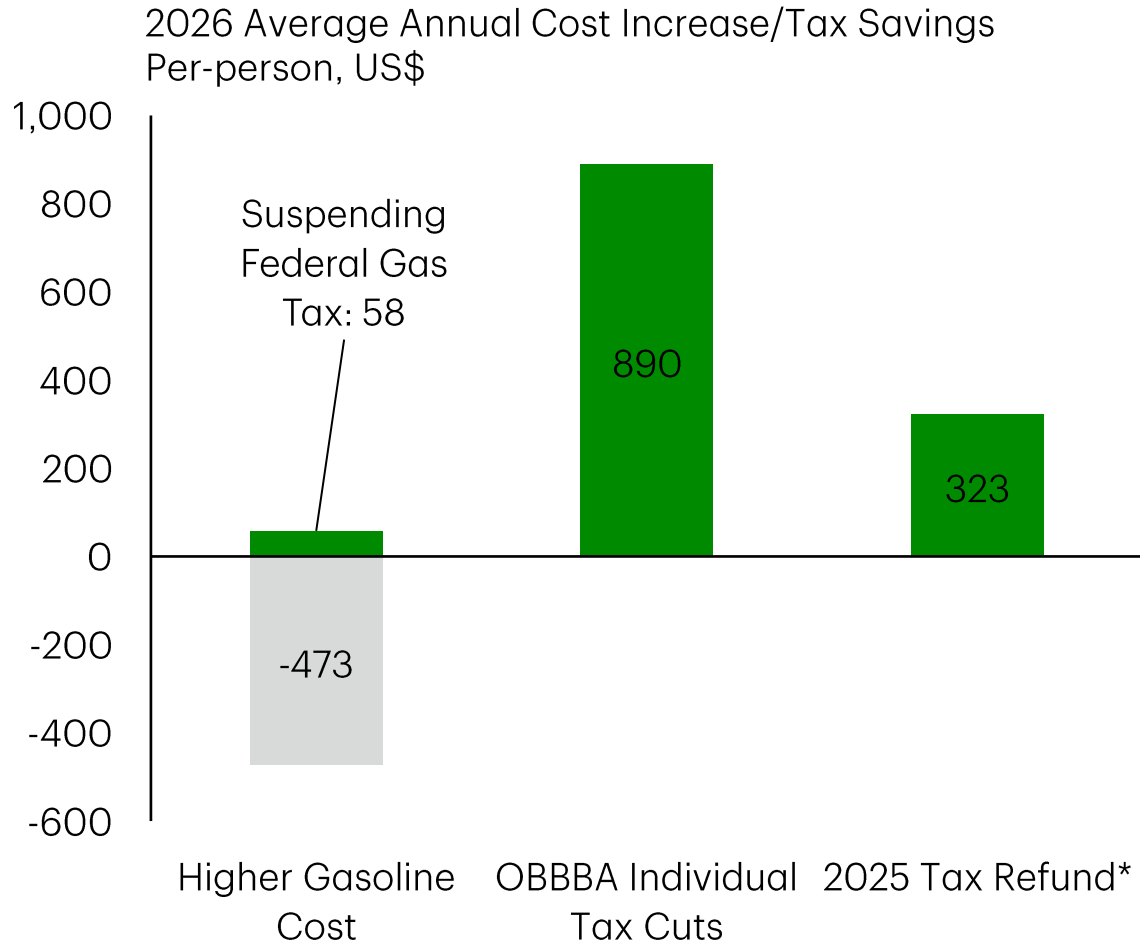
Source: U.S. Bureau of Labor Statistics, Statistics Canada, TD Economics.

Markets Recalibrate Central Bank Rate Expectations

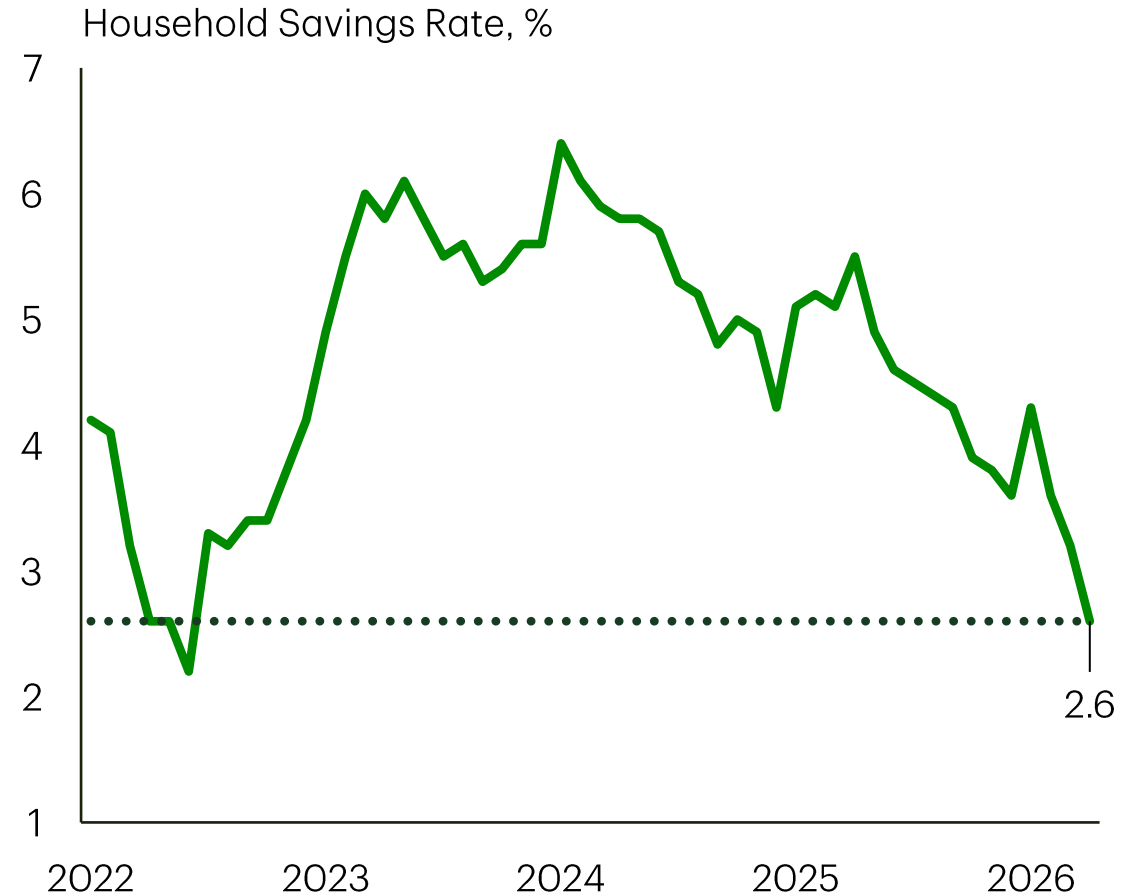


Source: Bloomberg, TD Economics.

Gas-Cost Pain in the U.S. Partly Buffered By Tax Cuts

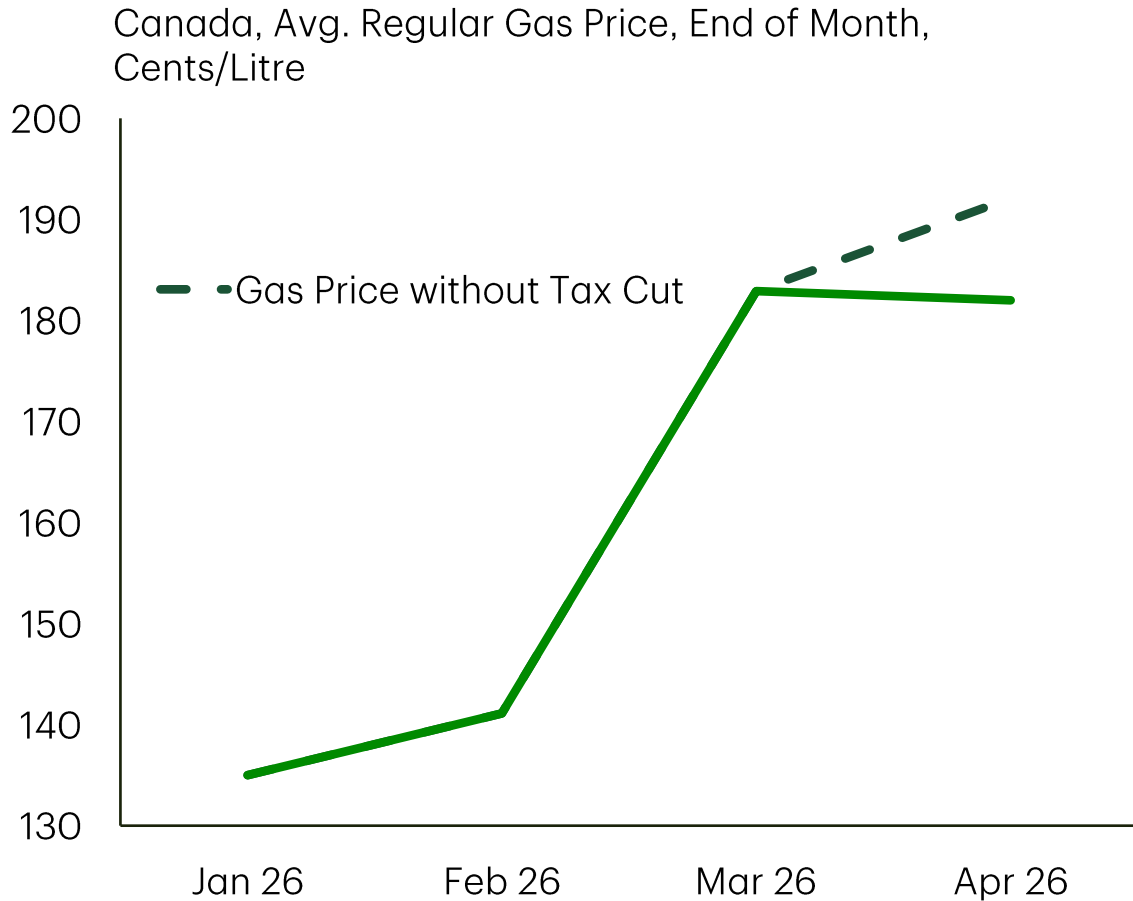


Source: U.S. Bureau of Economic Analysis, TD Economics.

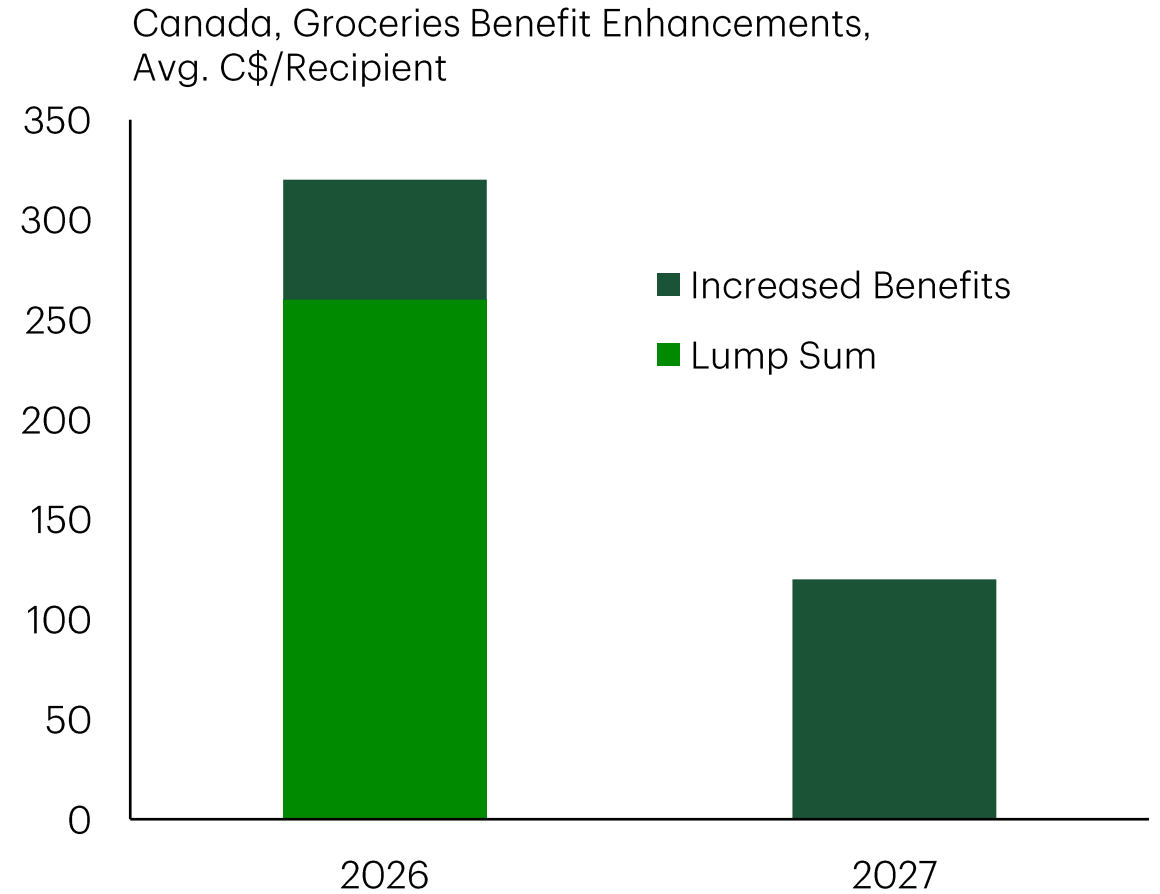


Source: U.S. Bureau of Economic Analysis, TD Economics.

Government Provides Relief to Canadian Consumers

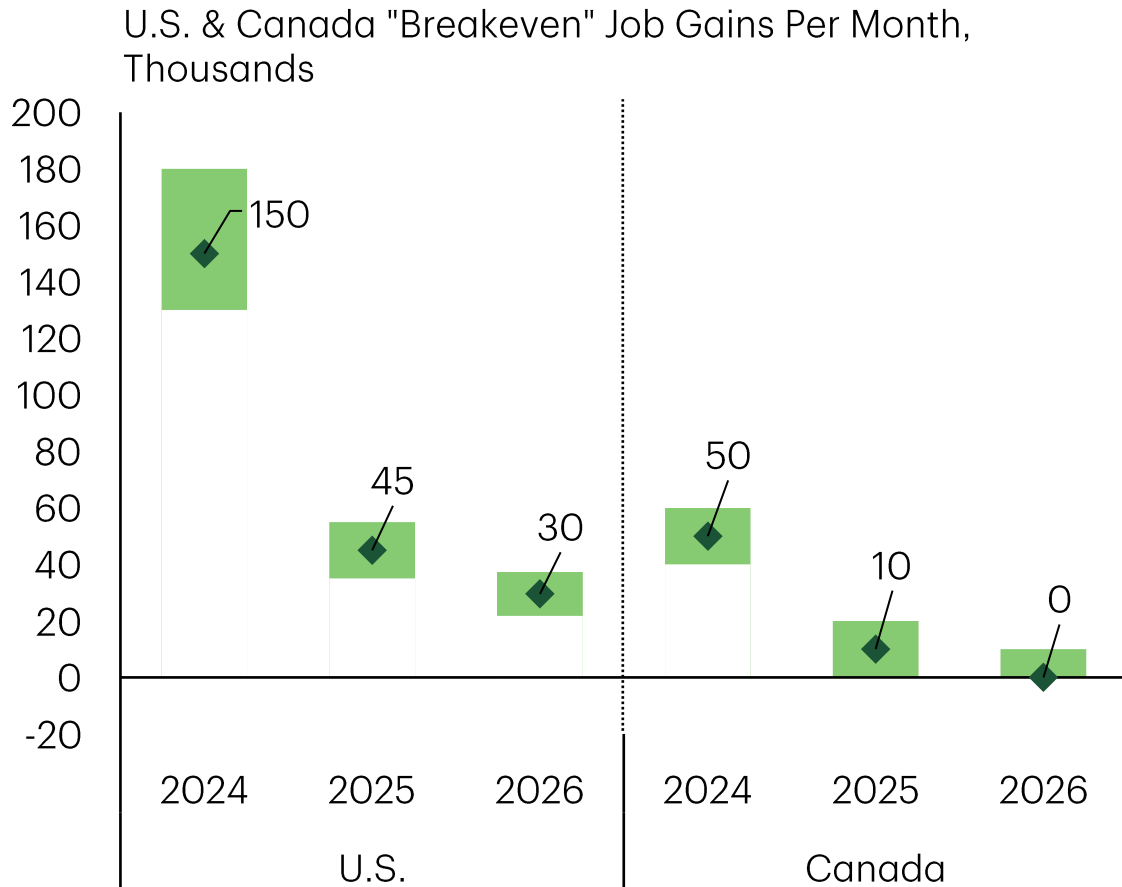


Source: MJ Ervin & Associates, TD Economics.

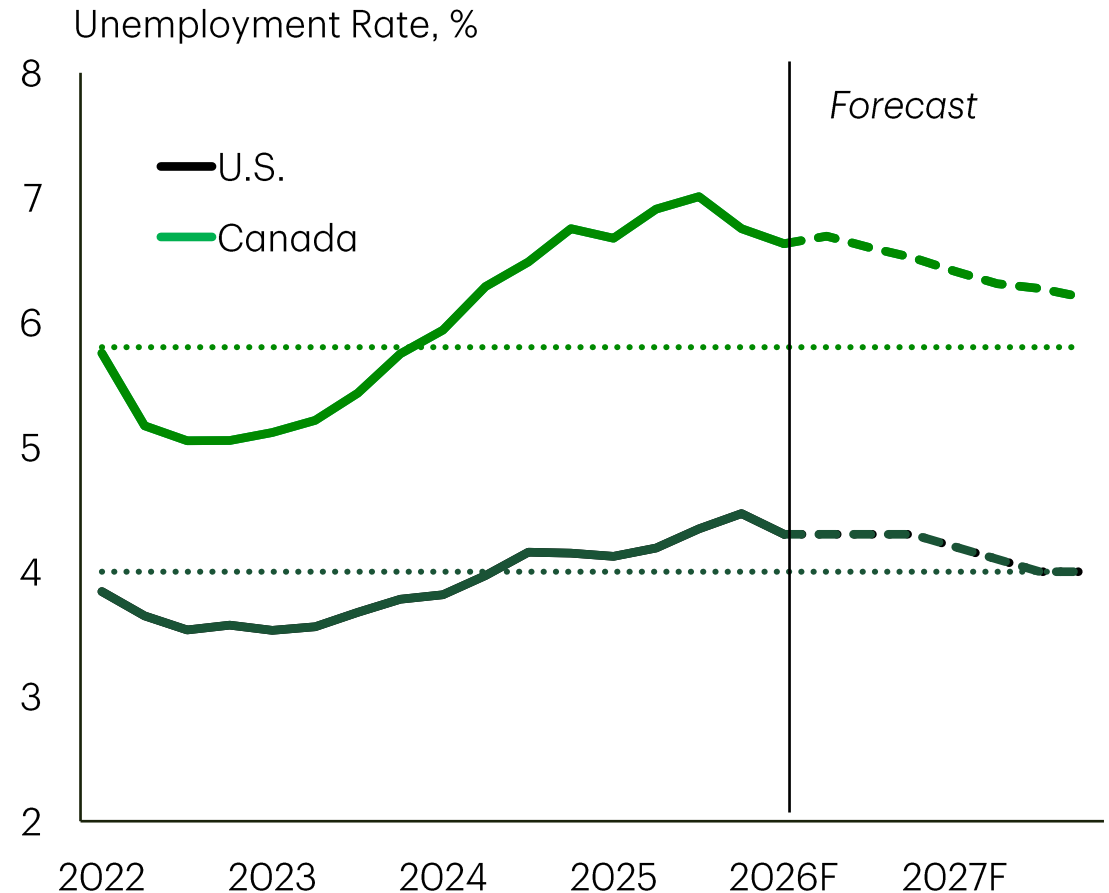


Source: Department of Finance, TD Economics.

Fewer New Jobs Needed to Keep Jobless Rate Steady

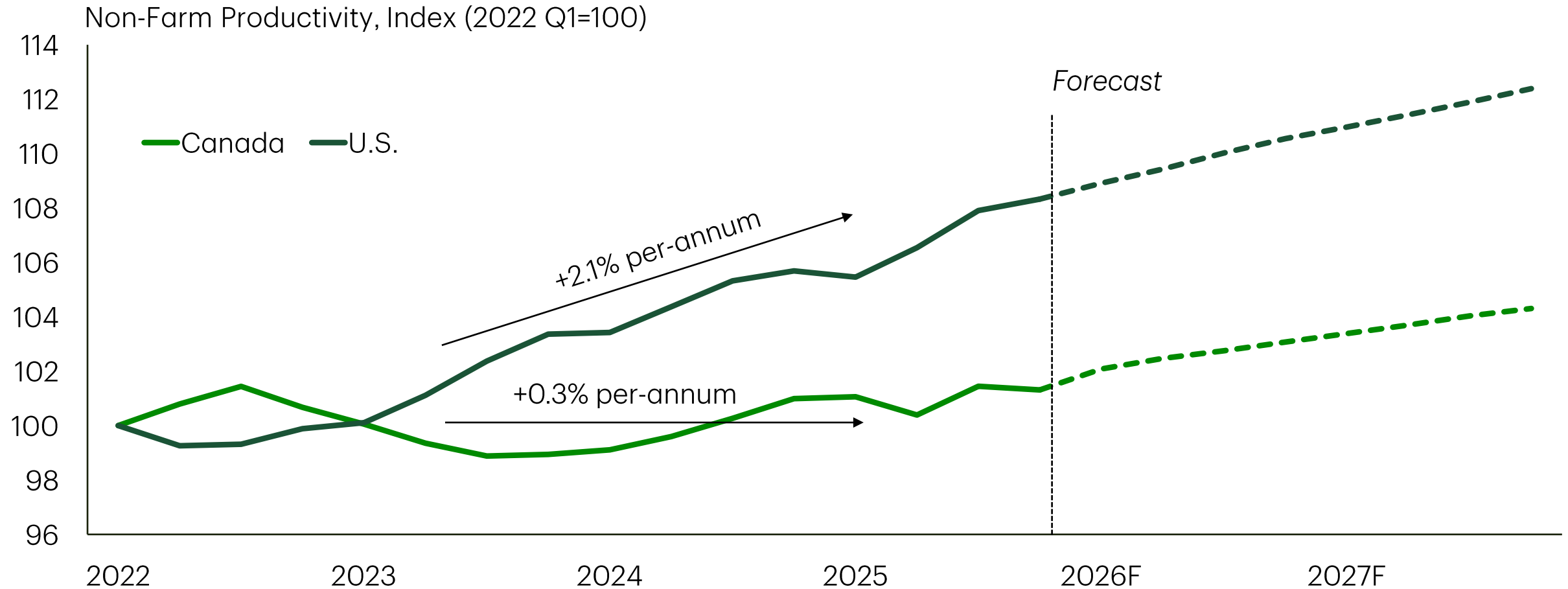


Source: U.S. Bureau of Labor Statistics, Statistics Canada, TD Economics.



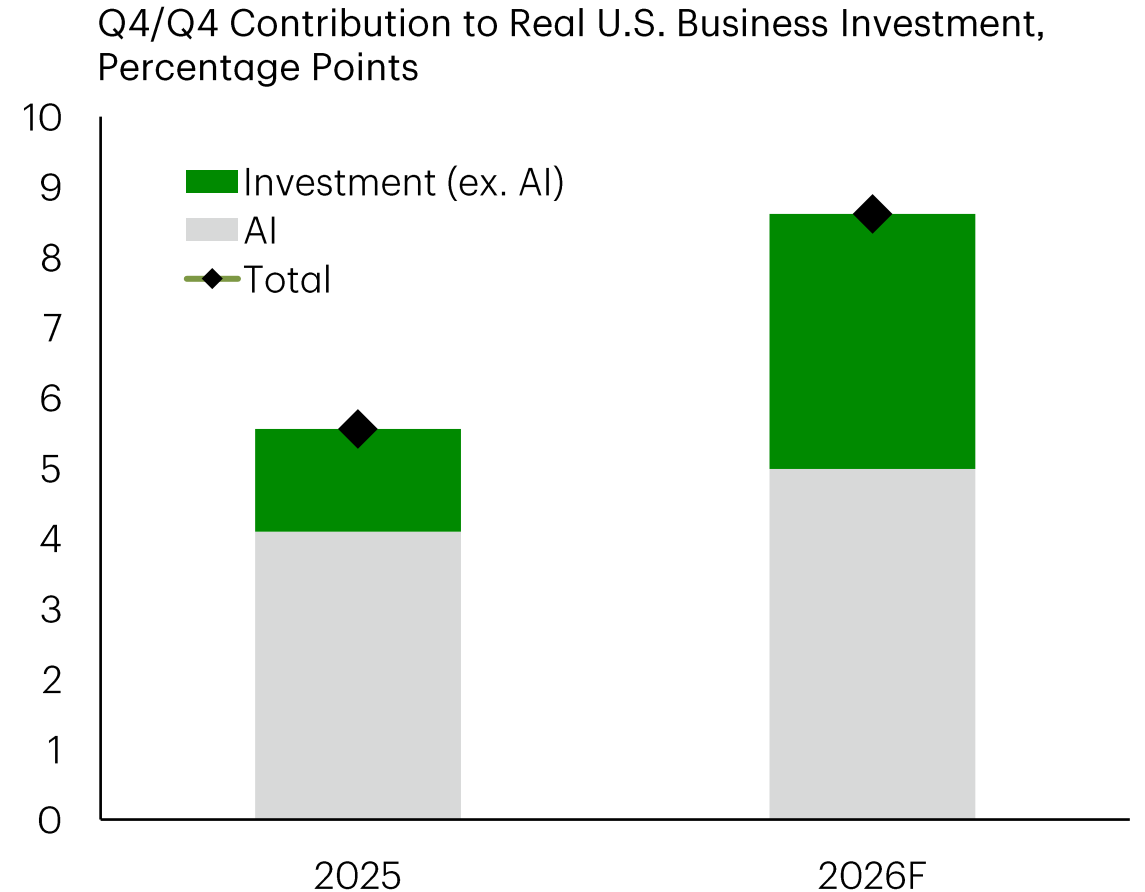
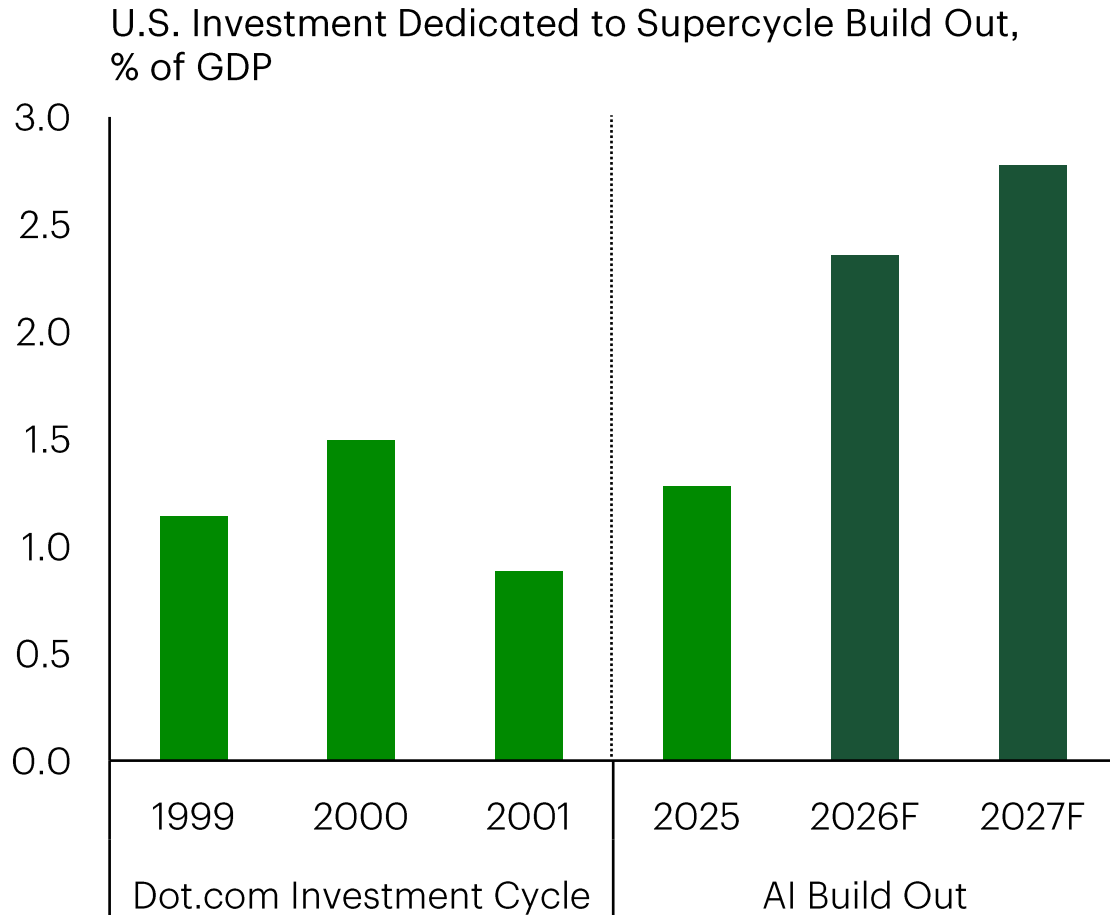
Source: U.S. Bureau of Labor Statistics, Statistics Canada, TD Economics.

A Growing Reliance on Productivity For Growth



Source: U.S. Bureau of Economic Analysis, Statistics Canada, TD Economics.

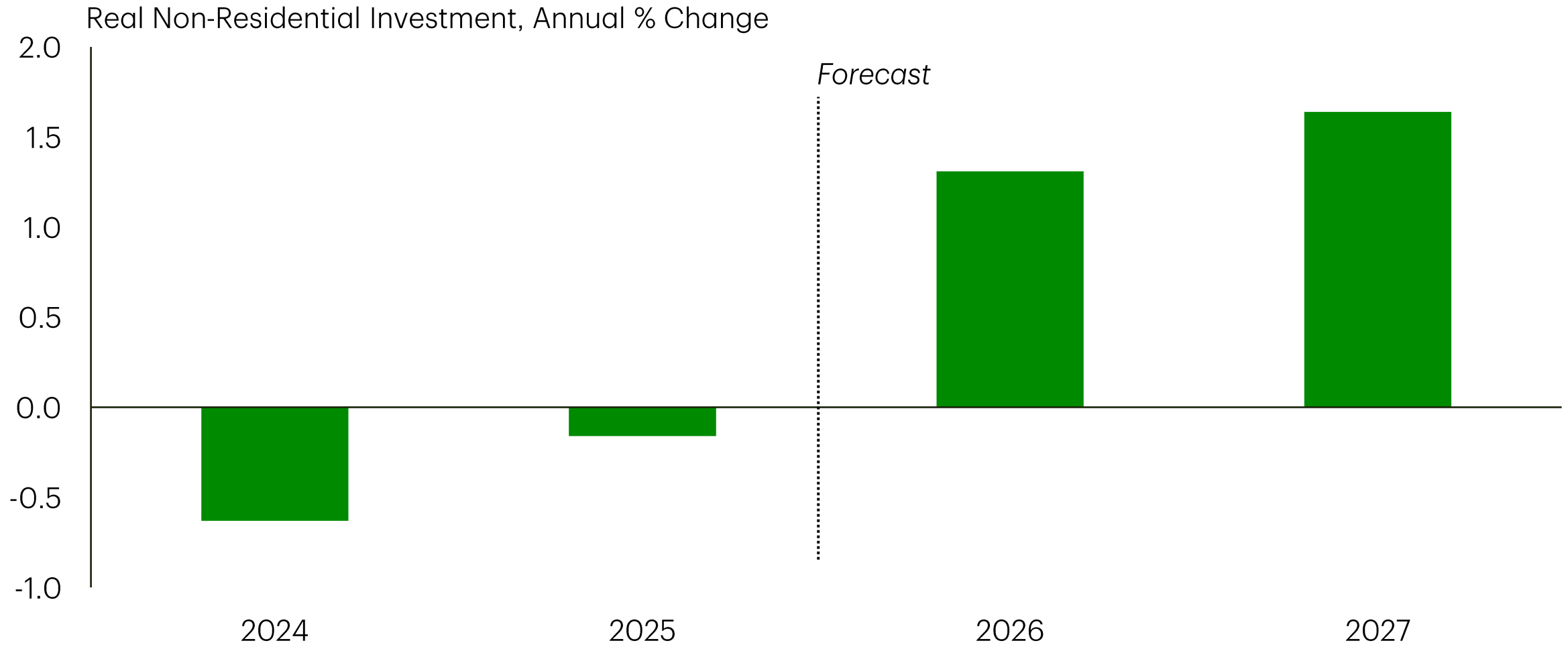
AI to Remain Dominant Force Driving U.S. Investment



Source: U.S Bureau of Economic Analysis, Hyperscaler earnings releases, TD Economics.

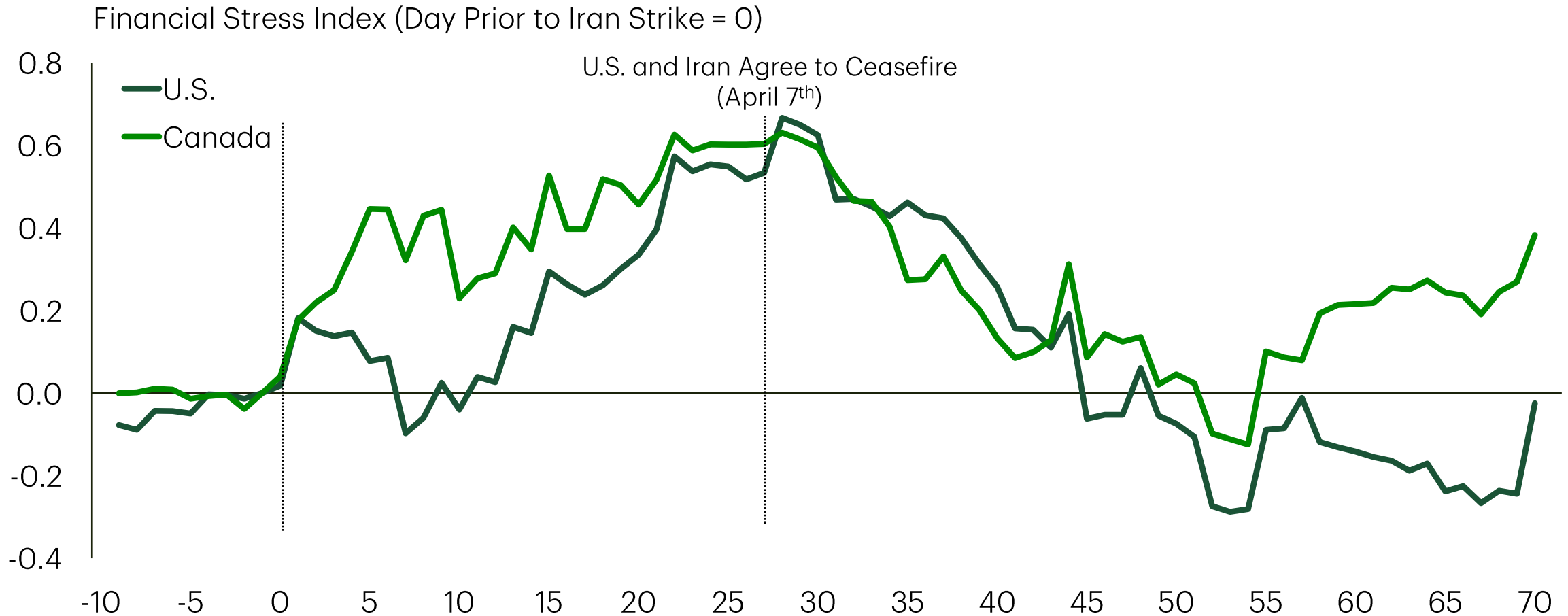
Source: U.S. Bureau of Economic Analysis, TD Economics.

Canada's Investment Outlook On An Improving Track



Source: Statistics Canada, TD Economics.

Are Financial Markets Complacent?

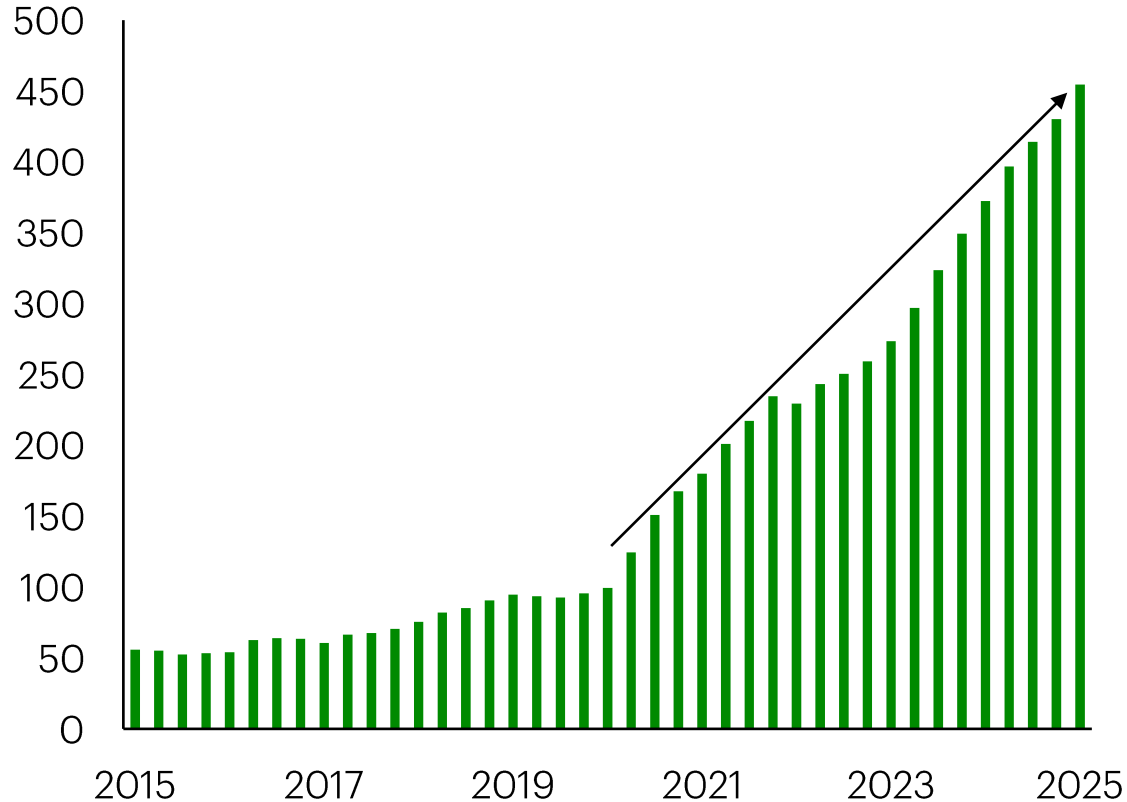


Source: Haver Analytics, TD Economics.

Higher Scrutiny on Private Credit

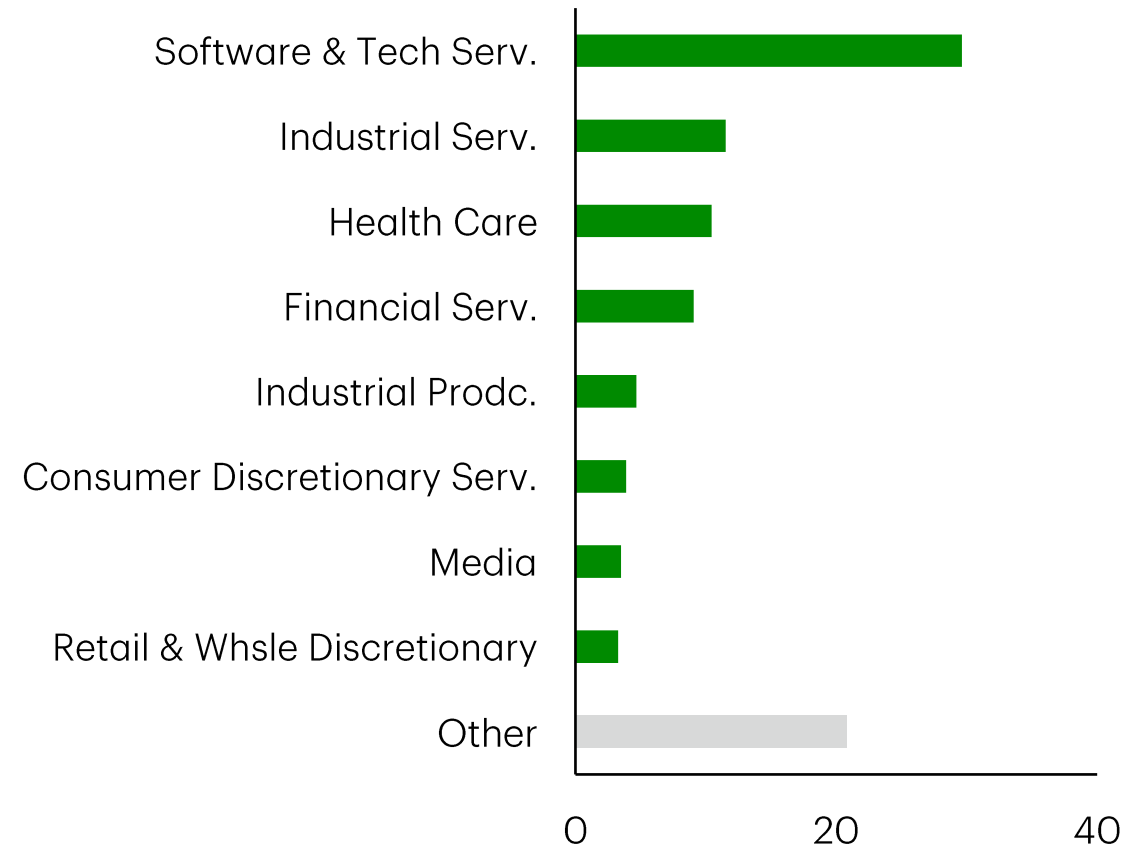


Assets Under Management by U.S. Business Development* Companies, US\$ Billion



Source: Bloomberg, TD Economics.

Direct Lending Deals, % of Total US\$ Value**



Source: Bloomberg, TD Economics.

- The Mid-East Conflict is expected to deliver a larger temporary shock to inflation than growth.
 - U.S. and Canadian growth expectations have been downgraded for 2026 and 2027, but only modestly.
 - Inflation is likely to peak at 4% y/y and 3%, respectively, but pass-through to core prices will be limited by slowing consumer demand.

- Inflation concerns will keep the Fed on the sidelines until H1-27, when a final two quarter point cuts are anticipated.
 - The BoC is expected to remain on hold over the forecast horizon, disappointing market expectations for two hikes.

- With the labour force stalling on both sides of the border, growth will become increasingly dependent on productivity gains.
 - No (or minimal) net job gains will be needed to keep jobless rates stable.
 - U.S. productivity is expected to continue running at 2%+ y/y, the envy of the G-7.
 - Canada's productivity is expected to improve to 1-1.5% on a firming in AI and non-AI investment.