

Manitoba Hydro's Forecast of Key Economic and Financial Indicators (Summer 2019)

Manitoba Hydro's forecast of key economic and financial indicators are based on a consensus view of several independent sources including Canada's primary financial institutions and several other independent sources, all of which are well known and respected. Consensus forecasts are compiled for employment, population, housing, Manitoba disposable income, real gross domestic product (GDP), the consumer price index (CPI), GDP price deflators, interest rates, and exchange rates. The consensus forecasts of interest rates and exchanges rates are updated quarterly whereas the consensus forecast of economic indicators are typically prepared once a year in the spring.

The economic indicators are derived from the following forecasting sources which were available in the spring of 2019: IHS, The Conference Board of Canada, Stokes Economics (formally Spatial Economics), BMO Nesbitt Burns, CIBC, Desjardins, Laurentian, Royal Bank of Canada, Scotiabank, National Bank, and TD Bank. The forecast of key economic indicators has been provided in Table 1 below.

The 3-month T-bill rate and the Canadian long-term bond 10 year+ rate for 2019/20 has been provided in Table 2 and Table 3 below. The 2019/20 forecast reflects the consensus view from the same forecasting sources, where available, to the beginning of July 2019.

Copies of the publically available source interest rate forecasts are provided at the end of this document. For forecasters that provided end of period rates, rates are adjusted to a comparable average period basis. For example, end of period rates for Q2 and Q3 are averaged for a Q3 average period forecast. The interest rates in Tables 2 & 3 represent a 4-quarter or 12-month average.

The Manitoba credit spread and the Provincial Guarantee Fee (PGF) are added to the consensus Canadian benchmark rate to arrive at Manitoba Hydro's forecasted borrowing costs. Table 4 summarizes Manitoba Hydro's current forecasted borrowing costs for 2019/20 and beyond.

TABLE 1 – MANITOBA/CANADA ECONOMIC INDICATORS (SPRING 2019) – FISCAL YEAR

Year	Manitoba					Canada			US
	Man. Real GDP % chge	Man. CPI % chge	Man. Real Disposable Income % chge	Man. Population '000s	Man. Residential Customers '000s	Cdn. Real GDP % chge	Cdn. CPI % chge	Cdn. GDP Price Deflator % chge	US GDP Price Deflator % chge
1994/95	2.9	1.6	0.0	1,125	396	4.7	0.4	1.7	2.1
1995/96	0.7	2.5	-0.9	1,130	398	1.7	2.1	2.2	2.0
1996/97	3.0	2.5	-0.9	1,135	400	2.4	1.7	1.7	1.8
1997/98	4.4	1.5	0.2	1,136	404	4.5	1.4	0.7	1.6
1998/99	3.7	1.5	2.7	1,139	405	3.8	0.9	-0.1	1.1
1999/00	2.1	2.2	2.5	1,144	408	5.5	2.2	2.8	1.6
2000/01	3.4	2.5	0.9	1,148	411	4.5	2.7	4.5	2.3
2001/02	1.2	2.1	3.2	1,153	413	1.6	2.2	0.2	2.1
2002/03	1.6	2.3	1.4	1,158	415	3.1	3.0	2.9	1.6
2003/04	1.6	0.9	1.6	1,166	419	1.6	1.9	2.4	1.9
2004/05	2.6	2.7	1.5	1,174	422	3.5	2.2	3.5	2.9
2005/06	3.0	2.4	0.8	1,180	426	3.3	2.3	3.1	3.1
2006/07	3.4	2.0	4.2	1,185	430	2.0	1.9	2.7	3.0
2007/08	2.8	1.9	4.6	1,192	434	2.1	2.1	3.5	2.4
2008/09	2.7	2.2	3.3	1,200	440	0.0	2.2	2.2	1.8
2009/10	0.5	0.6	3.4	1,212	444	-2.0	0.4	-0.7	0.6
2010/11	2.4	1.0	3.4	1,224	448	3.4	2.0	2.6	1.5
2011/12	2.6	4.2	0.2	1,238	453	3.0	2.8	3.0	2.1
2012/13	3.0	0.2	4.9	1,254	459	1.6	1.2	1.2	1.9
2013/14	2.7	2.4	1.7	1,268	465	2.6	1.1	1.8	1.8
2014/15	1.8	1.5	1.9	1,282	471	2.7	1.8	1.2	1.7
2015/16	1.2	1.3	3.0	1,298	477	0.4	1.2	-0.7	1.0
2016/17	2.0	1.4	0.7	1,319	483	1.5	1.5	1.5	1.4
2017/18	2.6	1.7	3.1	1,340	489	3.0	1.6	2.2	1.9
2018/19	1.2	2.2	0.7	1,356	495	1.7	2.0	1.5	0.6
Forecast									
2019/20	1.6	2.0	1.5	1,372	502	1.7	1.8	1.8	2.1
2020/21	1.4	2.0	1.2	1,387	508	1.8	2.0	2.1	2.3
2021/22	1.4	1.9	1.3	1,402	514	1.7	1.8	2.0	2.4
2022/23	1.6	1.9	1.4	1,417	519	1.8	1.8	2.1	2.4
2023/24	1.6	2.0	1.5	1,432	525	1.9	1.9	2.0	2.3
2024/25	1.5	1.9	1.6	1,447	530	1.8	2.0	2.0	2.3
2025/26	1.5	1.9	1.5	1,462	536	1.7	2.0	1.9	2.2
2026/27	1.5	1.9	1.5	1,477	541	1.7	2.0	1.9	2.2
2027/28	1.5	1.9	1.5	1,492	547	1.7	2.0	1.9	2.2
2028/29	1.5	1.9	1.5	1,507	552	1.7	2.0	1.9	2.2
2029/30	1.5	1.9	1.5	1,522	558	1.7	2.0	1.9	2.2
2030/31	1.5	1.9	1.5	1,537	563	1.7	2.0	1.9	2.2
2031/32	1.5	1.9	1.5	1,551	568	1.7	2.0	1.9	2.2
2032/33	1.5	1.9	1.5	1,566	574	1.7	2.0	1.9	2.2
2033/34	1.5	1.9	1.5	1,580	579	1.7	2.0	1.9	2.2
2034/35	1.5	1.9	1.5	1,593	584	1.7	2.0	1.9	2.2
2035/36	1.5	1.9	1.5	1,607	589	1.7	2.0	1.9	2.2
2036/37	1.5	1.9	1.5	1,619	593	1.7	2.0	1.9	2.2
2037/38	1.5	1.9	1.5	1,632	598	1.7	2.0	1.9	2.2
2038/39	1.5	1.9	1.5	1,644	602	1.7	2.0	1.9	2.2

TABLE 2 – CANADIAN 3-MONTH T-BILL RATE % (SUMMER 2019)

			Cdn 90 Day T-Bill Rate %			
Forecaster	Date of Forecast	End of Period or Average	2019			2020
			Q2	Q3	Q4	Q1
BMO Nesbitt Burns	11-Jun-19	Average	1.68	1.65	1.65	1.65
CIBC	13-Jun-19	End of Period	1.68	1.68	1.70	1.65
Desjardins	20-Jun-19	End of Period	1.68	1.66	1.65	1.68
Laurentian	10-May-19	End of Period	1.68	1.68	1.73	1.75
National Bank	1-Jun-19	End of Period	1.68	1.67	1.68	1.70
Royal Bank	7-Jun-19	End of Period	1.68	1.66	1.65	1.65
Scotiabank	7-Jun-19	End of Period	1.68	1.66	1.65	1.65
TD Bank	1-Jun-19	End of Period	1.68	1.66	1.65	1.65
IHS Global Insight	5-Jul-19	Average	1.68	1.65	1.67	1.72
Conference Board	1-Jul-19	Average	1.68	1.71	1.71	1.71
			2019/20			
			1.65			

Note: In the case where source forecasts are provided as end of period, the 2019 Q2 end of period actual rate was averaged with the source forecasters' end of period rate for 2019 Q3 in order to approximate an average period 2019 Q3 forecast rate.

TABLE 3 – CANADIAN LONG TERM BOND 10 YR+ RATE % (SUMMER 2019)

			Cdn LT Bond 10 Yr+ Rate %			
Forecaster	Date of Forecast	End of Period or Average	2019			2020
			Q2	Q3	Q4	Q1
BMO Nesbitt Burns	11-Jun-19	Average	1.71	1.58	1.55	1.58
CIBC	13-Jun-19	End of Period	1.71	1.71	1.89	1.90
Desjardins	20-Jun-19	End of Period	1.71	1.55	1.58	1.68
Laurentian	10-May-19	End of Period	1.71	1.82	2.15	2.30
National Bank	1-Jun-19	End of Period	1.71	1.75	2.03	2.15
Royal Bank	7-Jun-19	End of Period	1.71	1.75	1.98	2.08
Scotiabank	7-Jun-19	End of Period	1.71	1.61	1.70	1.79
TD Bank	1-Jun-19	End of Period	1.71	1.62	1.73	1.83
IHS Global Insight	5-Jul-19	Average	1.71	1.53	1.65	1.78
Conference Board	1-Jul-19	Average	1.71	1.98	2.25	2.43
			2019/20			
			1.80			

Note: In the case where source forecasts are provided as end of period, the 2019 Q2 end of period actual rate was averaged with the source forecasters' end of period rate for 2019 Q3 in order to approximate an average period 2019 Q3 forecast rate.

TABLE 4 – MANITOBA HYDRO’S FORECASTED INTEREST AND EXCHANGE RATES (SUMMER 2019)

	CAN Short-Term Interest Rate				CAN Floating Debt Interest Rate						CAN Fixed Debt Interest Rate				U.S. - Cdn Exchange Rate
	Consensus Benchmark 90 Day T-Bill Rate*	Manitoba Spread	PGF	MH Interest Rate	Consensus Benchmark 90 Day T-Bill Rate**	Spread from CAN T-Bill to CAN BA Rate	CAN 90 Day BA Rate	Average Margin Level	PGF	MH Interest Rate	Consensus Benchmark Long Term Bond 10+ Rate**	Manitoba Spread	PGF	MH Interest Rate	
2019/20	1.67		1.00	2.65	1.67	0.33	2.00	0.50	1.00	3.50	1.83	0.88	1.00	3.70	1.32
2020/21	1.75		1.00	2.75	1.75	0.36	2.10	0.50	1.00	3.60	2.13	0.91	1.00	4.05	1.31
2021/22	1.83		1.00	2.85	1.83	0.38	2.20	0.50	1.00	3.70	2.37	0.92	1.00	4.30	1.30
2022/23	1.89		1.00	2.90	1.89	0.38	2.25	0.50	1.00	3.75	2.45	0.92	1.00	4.35	1.29
2023/24	1.98		1.00	3.00	1.98	0.38	2.35	0.50	1.00	3.85	2.52	0.92	1.00	4.45	1.29
2024/25	2.13		1.00	3.15	2.13	0.38	2.50	0.50	1.00	4.00	2.43	0.92	1.00	4.35	1.28
2025/26 & on	2.19		1.00	3.20	2.19	0.38	2.55	0.50	1.00	4.05	2.45	0.92	1.00	4.35	1.28

* 2019/20 consensus rate calculated using 12 month average (2019 Q2 actuals and 2019 Q3, 2019 Q4 & 2020 Q1 forecasts)

** 2019/20 consensus rate calculated using forecast data to the end of the fiscal year (2019 Q3, 2019 Q4 & 2020 Q1 forecasts)

Rates Scenario



Interest Rate Forecasts

Percent (averages)

	Actual	Forecasts					2019	2020	Q2	Q3	Q4
	2019	2019									
	May	Jun	Jul	Aug	Sep	Oct	Q4	Q1			
Cdn. Yield Curve											
Overnight	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
3 month	1.68	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65
6 month	1.71	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65
1 year	1.72	1.65	1.65	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.65
2 year	1.58	1.40	1.35	1.35	1.30	1.30	1.25	1.30	1.40	1.50	1.60
3 year	1.57	1.35	1.35	1.35	1.30	1.30	1.30	1.35	1.40	1.50	1.60
5 year	1.54	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.40	1.50	1.55
7 year	1.58	1.35	1.35	1.35	1.35	1.35	1.35	1.40	1.45	1.50	1.50
10 year	1.66	1.45	1.45	1.45	1.45	1.45	1.40	1.45	1.45	1.45	1.50
30 year	1.91	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85
1m BA	1.98	1.95	1.95	1.95	1.95	1.95	1.95	2.00	2.00	2.00	2.00
3m BA	2.01	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
6m BA	2.08	2.00	2.00	2.00	2.00	2.00	2.00	2.05	2.05	2.05	2.05
12m BA	2.22	2.10	2.10	2.10	2.10	2.05	2.05	2.05	2.10	2.10	2.10
Prime Rate	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
U.S. Yield Curve											
Fed funds	2.38	2.38	2.13	2.13	2.13	1.88	1.88	1.88	1.88	1.88	1.88
3 month	2.40	2.30	2.20	2.10	2.05	1.95	1.85	1.80	1.85	1.90	1.90
6 month	2.42	2.15	2.10	2.05	1.95	1.90	1.85	1.80	1.85	1.90	1.95
1 year	2.34	2.00	1.95	1.90	1.85	1.80	1.75	1.80	1.85	1.95	2.05
2 year	2.21	1.85	1.80	1.80	1.75	1.70	1.65	1.70	1.85	1.95	2.10
3 year	2.16	1.80	1.80	1.80	1.75	1.75	1.75	1.80	1.90	2.00	2.10
5 year	2.19	1.85	1.85	1.85	1.85	1.85	1.80	1.85	1.95	2.00	2.10
7 year	2.29	1.95	1.95	1.95	1.95	1.95	1.90	1.95	2.00	2.05	2.10
10 year	2.40	2.10	2.10	2.05	2.05	2.05	2.00	2.00	2.05	2.10	2.10
30 year	2.82	2.60	2.55	2.55	2.55	2.50	2.50	2.50	2.55	2.55	2.60
1m LIBOR	2.44	2.40	2.15	2.15	2.15	1.90	1.90	1.95	1.95	2.00	2.00
3m LIBOR	2.53	2.45	2.35	2.30	2.20	2.10	2.05	2.00	2.05	2.10	2.15
6m LIBOR	2.57	2.40	2.30	2.25	2.15	2.10	2.05	2.00	2.10	2.20	2.25
12m LIBOR	2.65	2.35	2.30	2.25	2.20	2.15	2.15	2.15	2.30	2.40	2.50
Prime Rate	5.50	5.50	5.25	5.25	5.25	5.00	5.00	5.00	5.00	5.00	5.00
Other G7 Yields											
ECB Refi	0.00	0.00 ¹	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10yr Bund	-0.08	-0.15	-0.25	-0.30	-0.40	-0.45	-0.55	-0.55	-0.45	-0.35	-0.25
BoE Repo	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
10yr Gilt	1.06	0.95	0.90	0.80	0.70	0.60	0.55	0.50	0.60	0.70	0.80
BoJ O/N	-0.06	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05	-0.05
10yr JGB	-0.06	-0.05	-0.05	-0.04	-0.04	-0.03	-0.02	0.00	0.00	0.00	0.00

Policy rates are end of period; ¹ actual value for June 2019

MARKET CALL

- With the US economy looking like its slowing down, and with downside risks from tariffs rising, Fed members have started talking about the possibility of cutting interest rates. And with core PCE inflation likely to remain below 2% through the end of the year (see pages 6-7), there's scope for them to do so. Assuming no near-term resolution to the US-China trade dispute, we have brought forward and added to our previous forecast for Fed rate cuts. We now expect two, in Q4 2019 and Q1 2020.
- While we're likely to get some better news on the Canadian economy over the remainder of 2019 (see pages 3-5), the BoC is still relying heavily on exports and business investment to drive the economy by 2020. However, continued global trade uncertainties, combined with a temporary appreciation in the C\$ as the Fed cuts interest rates, could see the BoC reluctantly join in and reduce rates by 25bp in Q2 2020.
- Financial markets may be correct in assuming that interest rate cuts are coming. However, they may be incorrect in just how many will be needed to stabilize growth and inflation. Long-term interest rates appear to be pricing in a much more dire outlook than the 1½% growth rates we forecast for next year. As such, there's scope for 10-year yields to rise even as central banks cut at the short end.

INTEREST & FOREIGN EXCHANGE RATES

END OF PERIOD:	2019			2020			
	12-Jun	Sep	Dec	Mar	Jun	Sep	Dec
CDA Overnight target rate	1.75	1.75	1.75	1.75	1.50	1.50	1.50
98-Day Treasury Bills	1.67	1.70	1.70	1.60	1.40	1.45	1.45
2-Year Gov't Bond	1.46	1.60	1.60	1.50	1.40	1.40	1.45
10-Year Gov't Bond	1.51	1.75	1.85	1.70	1.65	1.50	1.60
30-Year Gov't Bond	1.76	1.95	2.00	2.05	1.95	1.90	1.85
U.S. Federal Funds Rate	2.375	2.375	2.125	1.875	1.875	1.875	1.875
91-Day Treasury Bills	2.25	2.35	2.13	1.80	1.70	1.80	1.88
2-Year Gov't Note	1.88	2.05	2.00	1.90	1.70	1.90	2.00
10-Year Gov't Note	2.13	2.35	2.45	2.20	2.20	2.30	2.40
30-Year Gov't Bond	2.62	2.75	2.75	2.70	2.65	2.65	2.60
Canada - US T-Bill Spread	-0.59	-0.65	-0.43	-0.20	-0.30	-0.35	-0.43
Canada - US 10-Year Bond Spread	-0.62	-0.60	-0.60	-0.50	-0.55	-0.80	-0.80
Canada Yield Curve (10-Year — 2-Year)	0.05	0.15	0.25	0.20	0.25	0.10	0.15
US Yield Curve (10-Year — 2-Year)	0.25	0.30	0.45	0.30	0.50	0.40	0.40
EXCHANGE RATES							
CADUSD	0.75	0.76	0.75	0.75	0.74	0.74	0.72
USDCAD	1.33	1.31	1.34	1.34	1.35	1.36	1.38
USDJPY	108	106	105	104	103	101	100
EURUSD	1.13	1.16	1.18	1.20	1.23	1.23	1.24
GBPUSD	1.27	1.33	1.37	1.41	1.46	1.46	1.46
AUDUSD	0.70	0.70	0.71	0.74	0.76	0.78	0.78
USDCHF	0.99	0.97	0.96	0.94	0.93	0.93	0.94
USDBRL	3.86	3.65	3.80	3.85	3.95	3.90	3.80
USDMXN	19.7	20.1	19.9	20.1	20.4	20.6	20.7

FINANCIAL FORECASTS

Volatility remains relatively high on financial markets since China and the United States resumed trade hostilities in early May. Yet a last-minute deal between the Mexican and U.S. leaders to improve border security helped for now avoid opening a new front in the trade wars. Investor sentiment also improved after the Chair of the Federal Reserve (Fed) confirmed that he was monitoring the situation closely and that he would act in an appropriate manner to ensure continued economic growth. The U.S. monetary authorities have opened the door to an imminent decrease in key rates at their June 19 meeting. We are now counting on two key rate cuts of 0.25% each in the United States, with one in July and one in September, which would help bond yields maintain their current position near rock-bottom levels. The primary aim of the Fed's gestures would be to respond to market pressure and to reaffirm its determination to hold inflation anticipation close to the 2% target. It would be surprising for the Bank of Canada to follow suit, especially since monetary tightening is not as far along in Canada. Therefore, we continue to count on key rates in Canada staying at their current level for a long time as the scenario of a temporary slowdown in the Canadian economy followed by a rebound seems to be coming true even as international threats are on the rise. The favourable change in interest rate spreads could cause the Canadian dollar to appreciate slightly in the coming months.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2018		2019				2020			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	2.25	2.50	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00
Canada	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Federal bonds										
<u>United States</u>										
2-year	2.82	2.51	2.29	1.75	1.65	1.80	1.90	1.95	2.00	2.00
5-year	2.95	2.49	2.23	1.75	1.65	1.80	1.95	2.00	2.05	2.05
10-year	3.06	2.69	2.41	2.05	1.95	2.05	2.10	2.15	2.20	2.20
30-year	3.21	3.02	2.82	2.55	2.45	2.50	2.55	2.60	2.60	2.60
<u>Canada</u>										
2-year	2.21	1.86	1.55	1.40	1.30	1.45	1.55	1.65	1.70	1.70
5-year	2.33	1.88	1.52	1.35	1.30	1.45	1.60	1.70	1.75	1.75
10-year	2.42	1.96	1.62	1.50	1.45	1.55	1.65	1.75	1.80	1.80
30-year	2.41	2.18	1.90	1.70	1.60	1.70	1.80	1.90	1.95	1.95
Currency market										
Canadian dollar (USD/CAD)	1.29	1.36	1.33	1.32	1.31	1.32	1.31	1.32	1.32	1.32
Canadian dollar (CAD/USD)	0.77	0.73	0.75	0.76	0.77	0.76	0.77	0.76	0.76	0.76
Euro (EUR/USD)	1.16	1.14	1.12	1.13	1.14	1.14	1.15	1.16	1.17	1.17
British pound (GBP/USD)	1.30	1.27	1.30	1.27	1.28	1.30	1.33	1.34	1.36	1.37
Yen (USD/JPY)	114	110	111	109	109	110	111	112	111	110
Stock markets (level and growth)*										
United States – S&P 500	2,507		Target: 3,000 (+19.7%)				Target: 3,150 (+5.0%)			
Canada – S&P/TSX	14,323		Target: 16,750 (+16.9%)				Target: 17,550 (+4.8%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	65 (45*)		57 (58*)				56 (55*)			
Gold (US\$/ounce)	1,269 (1,280*)		1,320 (1,320*)				1,280 (1,240*)			

f. forecasts, WTI: West Texas Intermediate, * End of year.
Sources: Datastream and Desjardins, Economic Studies



TABLE 8
Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE							AVERAGES	
	2017	2018	2019 ^f	2020 ^f	2021 ^f	2022 ^f	2023 ^f	2014–2018	2019–2023 ^f
United States									
Real GDP (var in %)	2.2	2.9	2.6	2.1	1.4	1.1	2.2	2.4	1.9
Total inflation rate (var in %)	2.1	2.4	1.8	2.0	1.5	1.2	1.6	1.5	1.6
Unemployment rate	4.4	3.9	3.6	3.4	4.1	4.9	5.0	4.9	4.2
S&P 500 index (var in %) ¹	19.4	-6.2	19.7	5.0	-8.0	10.0	7.0	6.7	6.7
Federal funds rate	1.10	1.90	2.30	2.00	1.75	1.50	1.70	0.80	1.85
Prime rate	4.10	4.90	5.30	5.00	4.75	4.50	4.70	3.80	4.85
Treasury bills – 3-month	0.95	1.97	2.15	1.90	1.60	1.35	1.60	0.66	1.72
Federal bonds – 10-year	2.33	2.91	2.20	2.15	1.85	1.80	2.30	2.35	2.06
– 30-year	2.89	3.11	2.70	2.60	2.25	2.20	2.70	2.96	2.49
WTI oil (US\$/barrel)	51	65	57	56	43	45	53	60	51
Gold (US\$/ounce)	1,258	1,269	1,320	1,280	1,250	1,250	1,240	1,240	1,268
Canada									
Real GDP (var in %)	3.0	1.9	1.3	1.6	1.2	1.0	2.0	1.9	1.4
Total inflation rate (var in %)	1.6	2.3	1.8	1.6	1.4	1.2	1.6	1.7	1.5
Employment (var in %)	1.9	1.3	2.1	1.1	0.8	0.3	1.0	1.1	1.1
Employment (thousands)	337	241	391	208	146	60	193	193	200
Unemployment rate	6.3	5.8	5.6	5.5	6.1	6.5	6.3	6.6	6.0
Housing starts (thousands of units)	220	213	198	199	188	185	200	203	194
S&P/TSX index (var in %) ¹	6.0	-11.6	16.9	4.8	-12.0	10.0	9.0	5.9	5.7
Exchange rate (US\$/C\$)	0.77	0.77	0.76	0.76	0.74	0.75	0.76	0.80	0.75
Overnight funds	0.70	1.40	1.75	1.75	1.55	1.25	1.30	0.77	1.52
Prime rate	2.90	3.61	3.95	3.95	3.75	3.45	3.50	2.88	3.72
Mortgage rate – 1-year	3.16	3.47	3.65	3.65	3.60	3.50	3.50	3.18	3.58
– 5-year	4.76	5.26	5.25	5.10	5.05	5.00	5.05	4.85	5.09
Treasury bills – 3-month	0.69	1.37	1.65	1.70	1.45	1.20	1.35	0.80	1.47
Federal bonds – 2-year	1.09	1.99	1.55	1.65	1.40	1.30	1.55	1.05	1.49
– 5-year	1.37	2.15	1.50	1.70	1.45	1.45	1.80	1.34	1.58
– 10-year	1.78	2.28	1.65	1.75	1.60	1.55	1.95	1.81	1.70
– 30-year	2.28	2.36	1.80	1.90	1.75	1.70	2.10	2.31	1.85
Yield spreads (Canada—United States)									
Treasury bills – 3-month	-0.26	-0.60	-0.50	-0.20	-0.15	-0.15	-0.25	0.13	-0.25
Federal bonds – 10-year	-0.55	-0.63	-0.55	-0.40	-0.25	-0.25	-0.35	-0.54	-0.36
– 30-year	-0.61	-0.75	-0.90	-0.70	-0.50	-0.50	-0.60	-0.65	-0.64
Quebec									
Real GDP (var in %)	2.8	2.1	1.9	1.4	1.0	0.7	1.5	1.7	1.3
Total inflation rate (var in %)	1.0	1.7	1.7	1.6	1.4	1.2	1.6	1.2	1.5
Employment (var in %)	2.2	0.9	1.2	0.5	0.3	0.1	0.5	1.0	0.5
Employment (thousands)	90	39	50	20	15	5	20	40	22
Unemployment rate	6.1	5.5	5.1	4.9	4.8	5.2	4.9	6.8	5.0
Retail sales (var in %)	5.5	2.9	2.7	2.1	1.8	1.0	2.5	3.9	2.0
Housing starts (thousands of units)	46	47	46	43	38	35	40	42	40
Ontario									
Real GDP (var in %)	2.8	2.2	1.5	1.7	1.5	1.2	1.8	2.5	1.6
Total inflation rate (var in %)	1.7	2.4	1.7	1.6	1.5	1.5	2.0	1.9	1.7
Employment (var in %)	1.8	1.6	2.6	1.3	0.5	0.8	1.0	1.2	1.2
Employment (thousands)	128	114	188	99	38	61	76	84	92
Unemployment rate	6.0	5.6	5.6	5.4	6.0	6.3	6.1	6.4	5.9
Retail sales (var in %)	7.7	4.4	1.1	2.7	3.0	2.5	5.0	6.0	2.9
Housing starts (thousands of units)	79	79	68	70	64	67	72	72	68

^f forecasts. WTI – West Texas Intermediate. ¹ Variations are based on observation of the end of period.
Sources – Datastream, Statistics Canada, Institut de la statistique du Québec, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies



Laurentian Bank Securities ECONOMIC RESEARCH AND STRATEGY

Forecasts Tables

Financial Forecasts												
	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Canada												
Overnight Rate Target	1.25	1.25	1.50	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.25
3-Month Treasury Bills	1.10	1.26	1.58	1.65	1.70	1.70	1.70	1.75	1.75	2.00	2.25	2.25
2-Year Bond	1.77	1.92	2.21	1.86	1.55	1.60	1.75	1.90	2.15	2.30	2.35	2.35
5-Year Bond	1.96	2.06	2.33	1.88	1.50	1.60	1.75	1.95	2.20	2.25	2.30	2.40
10-Year Bond	2.09	2.17	2.42	1.96	1.60	1.75	1.95	2.10	2.25	2.50	2.60	2.70
30-Year Bond	2.23	2.20	2.42	2.18	1.90	2.05	2.20	2.35	2.50	2.65	2.75	2.80
United States												
Federal Funds Rate Target*	1.75	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.75	3.00	3.00	3.00
3-Month Treasury Bills	1.70	1.89	2.15	2.40	2.50	2.45	2.45	2.45	2.70	2.95	2.95	2.95
2-Year Bond	2.3	2.5	2.8	2.51	2.30	2.45	2.65	2.85	3.05	3.15	3.20	3.20
5-Year Bond	2.6	2.7	3.0	2.50	2.25	2.40	2.65	2.85	3.05	3.20	3.25	3.25
10-Year Bond	2.7	2.9	3.1	2.69	2.45	2.60	2.75	2.90	3.05	3.20	3.30	3.30
30-Year Bond	2.97	2.99	3.21	3.02	2.90	3.10	3.20	3.30	3.40	3.45	3.55	3.60
Canadian Dollar (US\$/C\$)	0.78	0.76	0.77	0.73	0.75	0.76	0.77	0.78	0.79	0.80	0.80	0.80
S&P 500 Index	2641	2718	2914	2507	2850	2900	3000	3050	3075	3100	3150	3200
TSX Index	15367	16278	16073	14323	16250	16400	17000	17500	18000	18350	18700	19000
Oil WTI (US\$/barrel)	65	74	73	45	60	62	67	67	67	67	67	67

Quarter-end data

Updated: May 2019 * Upper bound of the target range for the Fed funds rate



LAURENTIAN BANK
SECURITIES

Monthly Economic Monitor

Economics and Strategy



NATIONAL BANK OF CANADA

FINANCIAL MARKETS

Canada Economic Forecast

<i>(Annual % change)*</i>						Q4/Q4		
	2016	2017	2018	2019	2020	2018	2019	2020
Gross domestic product (2012 \$)	1.1	3.0	1.9	1.4	1.8	1.6	1.7	1.7
Consumption	2.1	3.6	2.1	1.8	1.1	1.4	1.8	1.0
Residential construction	3.5	2.4	(1.5)	(3.0)	(0.7)	(5.7)	(0.1)	(1.8)
Business investment	(9.9)	2.5	1.9	(1.5)	2.7	(4.0)	2.5	3.2
Government expenditures	1.2	2.7	3.0	2.2	1.7	1.6	2.7	1.2
Exports	1.3	1.1	3.2	2.3	3.7	4.1	2.8	3.9
Imports	(0.0)	4.2	2.9	1.4	1.8	0.0	2.9	2.0
Change in inventories (millions \$)	2,291	17,582	12,738	10,226	4,226	13,891	5,822	3,044
Domestic demand	0.6	3.1	2.0	1.2	1.3	0.5	1.9	1.1
Real disposable income	(0.7)	3.4	2.1	1.9	1.6	0.9	1.9	1.5
Employment	0.7	1.9	1.3	1.8	0.7	1.2	1.5	0.7
Unemployment rate	7.0	6.3	5.8	5.7	5.7	5.6	5.7	5.7
Inflation	1.4	1.6	2.3	2.0	1.9	2.0	2.3	2.1
Before-tax profits	6.4	20.1	0.5	(2.8)	4.5	(5.7)	6.2	3.5
Current account (bil. \$)	(64.9)	(60.1)	(58.5)	(66.4)	(58.4)

* or as noted

Financial Forecast**

	Current							
	5-31-19	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2018	2019	2020
Overnight rate	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.25
3 month T-Bills	1.68	1.68	1.68	1.72	1.88	1.64	1.68	2.21
Treasury yield curve								
2-Year	1.43	1.65	1.78	1.82	1.94	1.86	1.78	2.31
5-Year	1.37	1.66	1.81	1.88	2.01	1.89	1.81	2.38
10-Year	1.49	1.81	2.01	2.07	2.15	1.96	2.01	2.47
30-Year	1.77	2.05	2.23	2.28	2.34	2.19	2.23	2.65
CAD per USD	1.35	1.33	1.30	1.31	1.32	1.37	1.30	1.34
Oil price (WTI), U.S.\$	53	60	65	61	61	45	65	58

** end of period

Quarterly pattern

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
	actual	actual	actual	forecast	forecast	forecast	forecast	forecast
Real GDP growth (q/q % chg. saar)	2.1	0.3	0.4	2.5	2.0	1.9	1.5	1.8
CPI (y/y % chg.)	2.7	2.0	1.6	2.2	1.9	2.3	2.1	1.7
CPI ex. food and energy (y/y % chg.)	2.1	2.0	1.9	2.1	1.8	2.1	1.8	1.9
Unemployment rate (%)	5.9	5.6	5.8	5.7	5.7	5.7	5.7	5.7

National Bank Financial

Monthly Economic Monitor

Economics and Strategy



NATIONAL BANK OF CANADA
11 of 17

FINANCIAL MARKETS

United States Economic Forecast

(Annual % change)*						Q4/Q4		
	2016	2017	2018	2019	2020	2018	2019	2020
Gross domestic product (2012 \$)	1.6	2.2	2.9	2.5	1.9	3.0	2.0	2.0
Consumption	2.7	2.5	2.6	2.3	2.0	2.6	1.9	2.1
Residential construction	6.5	3.3	(0.3)	(1.0)	1.7	(3.3)	1.3	1.5
Business investment	0.5	5.3	6.9	2.8	1.6	7.0	1.5	1.7
Government expenditures	1.4	(0.1)	1.5	1.9	1.6	1.5	2.3	1.2
Exports	(0.1)	3.0	4.0	2.0	1.0	2.3	2.2	1.0
Imports	1.9	4.6	4.5	2.1	1.4	3.4	1.3	1.0
Change in inventories (bil. \$)	23.4	22.5	45.0	96.3	35.7	96.8	62.9	25.9
Domestic demand	2.3	2.5	2.9	2.2	1.9	2.7	1.9	1.9
Real disposable income	1.7	2.6	2.8	2.2	1.7	3.0	1.8	1.7
Payroll employment	1.8	1.6	1.7	1.5	1.1	1.8	1.3	0.9
Unemployment rate	4.9	4.4	3.9	3.7	3.6	3.8	3.7	3.6
Inflation	1.3	2.1	2.4	1.8	2.0	2.2	2.0	1.8
Before-tax profits	(1.1)	3.2	7.8	1.9	4.9	7.4	2.2	3.7
Federal balance (unified budget, bil. \$)	(587.0)	(666.0)	(779.0)	(897.0)	(903.0)
Current account (bil. \$)	(432.9)	(449.1)	(488.5)	(549.3)	(549.5)

* or as noted

Financial Forecast**

	Current					2018	2019	2020
	5-31-19	Q3 2019	Q4 2019	Q1 2020	Q2 2020			
Fed Fund Target Rate	2.50	2.50	2.50	2.50	2.50	2.50	2.75	
3 month Treasury bills	2.30	2.33	2.33	2.34	2.51	2.40	2.77	
Treasury yield curve								
2-Year	1.95	2.22	2.53	2.64	2.70	2.48	2.77	
5-Year	1.93	2.24	2.55	2.67	2.76	2.51	2.86	
10-Year	2.14	2.48	2.80	2.87	2.93	2.69	3.01	
30-Year	2.58	2.87	3.13	3.17	3.23	3.02	3.28	
Exchange rates								
U.S.\$/Euro	1.11	1.12	1.15	1.14	1.13	1.14	1.13	
YEN/U.S.\$	109	111	114	113	112	110	112	

** end of period

Quarterly pattern

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
	actual	actual	actual	forecast	forecast	forecast	forecast	forecast
Real GDP growth (q/q % chg. saar)	3.4	2.2	3.1	1.4	2.0	1.6	1.8	2.2
CPI (y/y % chg.)	2.6	2.2	1.6	1.8	1.8	2.0	2.3	2.0
CPI ex. food and energy (y/y % chg.)	2.2	2.2	2.1	2.1	2.2	2.2	2.2	2.3
Unemployment rate (%)	3.8	3.8	3.9	3.7	3.7	3.7	3.6	3.6

National Bank Financial



FINANCIAL MARKET FORECASTS

June 7, 2019

Interest rates (% , end of quarter,)

	Actual					Forecast								Actual		Forecast	
	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	2017	2018	2019	2020	
Canada																	
Overnight	1.25	1.25	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.00	1.75	1.75	1.75	
Three-month	1.10	1.26	1.59	1.64	1.67	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.06	1.64	1.65	1.65	
Two-year	1.78	1.91	2.21	1.86	1.55	1.50	1.60	1.70	1.75	1.85	1.85	1.90	1.69	1.86	1.70	1.90	
Five-year	1.97	2.07	2.34	1.89	1.52	1.50	1.65	1.80	1.85	1.95	1.95	2.00	1.87	1.89	1.80	2.00	
10-year	2.09	2.17	2.43	1.97	1.62	1.65	1.80	1.90	2.00	2.10	2.15	2.20	2.04	1.97	1.90	2.20	
30-year	2.23	2.20	2.42	2.18	1.89	1.90	2.05	2.15	2.25	2.30	2.35	2.35	2.27	2.18	2.15	2.35	
Yield curve (10s-2s)	31	26	22	11	7	15	20	20	25	25	30	30	35	11	20	30	
United States																	
Fed funds*	1.75	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	1.50	2.50	2.50	2.50	
Three-month	1.73	1.93	2.19	2.45	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	1.39	2.45	2.40	2.40	
Two-year	2.27	2.52	2.81	2.48	2.27	2.00	2.20	2.35	2.45	2.55	2.55	2.55	1.89	2.48	2.35	2.55	
Five-year	2.56	2.73	2.94	2.51	2.23	2.05	2.25	2.45	2.55	2.65	2.75	2.75	2.20	2.51	2.45	2.75	
10-year	2.74	2.85	3.05	2.69	2.41	2.25	2.45	2.60	2.70	2.80	2.85	2.85	2.40	2.69	2.60	2.85	
30-year	2.97	2.98	3.19	3.02	2.81	2.75	2.90	3.00	3.10	3.20	3.20	3.20	2.74	3.02	3.00	3.20	
Yield curve (10s-2s)	47	33	24	21	14	25	25	25	25	25	30	30	51	21	25	30	
Yield spreads																	
Three-month T-bills	-0.63	-0.67	-0.60	-0.81	-0.73	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.33	-0.81	-0.75	-0.75	
Two-year	-0.49	-0.61	-0.60	-0.62	-0.72	-0.50	-0.60	-0.65	-0.70	-0.70	-0.70	-0.65	-0.20	-0.62	-0.65	-0.65	
Five-year	-0.59	-0.66	-0.60	-0.62	-0.71	-0.55	-0.60	-0.65	-0.70	-0.70	-0.80	-0.75	-0.33	-0.62	-0.65	-0.75	
10-year	-0.65	-0.68	-0.62	-0.72	-0.79	-0.60	-0.65	-0.70	-0.70	-0.70	-0.70	-0.65	-0.36	-0.72	-0.70	-0.65	
30-year	-0.74	-0.78	-0.77	-0.84	-0.92	-0.85	-0.85	-0.85	-0.85	-0.90	-0.85	-0.85	-0.47	-0.84	-0.85	-0.85	

Note: Interest Rates are end of period rates. * Top of 25 basis point range

Exchange rates (end of quarter,)

	Actual					Forecast								Actual		Forecast	
	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	2017	2018	2019	2020	
AUD/USD	0.77	0.74	0.72	0.70	0.71	0.69	0.68	0.67	0.67	0.67	0.66	0.66	0.78	0.70	0.67	0.66	
USD/CAD	1.29	1.31	1.29	1.36	1.33	1.34	1.34	1.35	1.35	1.36	1.36	1.37	1.26	1.36	1.35	1.37	
EUR/USD	1.23	1.17	1.16	1.15	1.12	1.10	1.12	1.14	1.15	1.17	1.18	1.18	1.20	1.15	1.14	1.18	
USD/JPY	106.3	110.8	113.7	109.7	110.9	113.0	117.0	120.0	119.0	118.0	117.0	116.0	112.7	109.7	120.0	116.0	
USD/CNY	6.28	6.62	6.87	6.88	6.71	7.00	7.25	7.40	7.50	7.50	7.60	7.70	6.51	6.88	7.40	7.70	
USD/CHF	0.95	0.99	0.98	0.98	1.00	1.02	1.01	0.99	0.99	0.98	0.98	0.98	0.97	0.98	0.99	0.98	
GBP/USD	1.40	1.32	1.30	1.28	1.30	1.26	1.27	1.30	1.31	1.33	1.34	1.34	1.35	1.28	1.30	1.34	

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.



GLOBAL ECONOMICS
| SCOTIABANK'S FORECAST TABLES

June 7, 2019

International	2000-17	2017	2018	2019f	2020f	2000-17	2017	2018	2019f	2020f
	Real GDP (annual % change)					Consumer Prices (y/y % change, year-end)				
World (based on purchasing power parity)	3.9	3.8	3.7	3.1	3.2					
Canada	2.1	3.0	1.9	1.4	2.0	1.9	1.8	2.0	1.9	2.1
United States	2.0	2.2	2.9	2.4	1.5	2.2	2.1	2.2	1.8	2.2
Mexico	2.2	2.1	2.0	1.4	1.3	4.4	6.8	4.8	4.0	3.8
United Kingdom	1.9	1.8	1.4	1.1	1.2	2.1	3.0	2.1	1.9	2.0
Eurozone	1.4	2.4	1.9	1.1	1.5	1.8	1.3	1.5	1.2	1.5
Germany	1.4	2.2	1.4	0.9	1.4	1.5	1.4	1.6	1.5	1.6
France	1.4	2.3	1.7	1.3	1.4	1.4	1.2	1.6	1.3	1.5
China	9.3	6.8	6.6	6.2	6.0	2.3	1.8	1.8	2.2	2.3
India	7.1	6.9	7.4	6.5	7.0	6.8	5.2	2.1	4.3	4.8
Japan	0.9	1.9	0.8	0.8	0.7	0.1	1.1	0.3	1.9	1.0
South Korea	4.1	3.1	2.7	2.4	2.8	2.5	1.4	1.3	1.3	1.6
Australia	2.9	2.4	2.8	2.3	2.6	2.7	1.9	1.8	1.7	2.0
Thailand	4.1	4.0	4.1	3.5	3.5	1.9	0.8	0.4	1.5	1.6
Brazil	2.5	1.1	1.1	0.9	1.8	6.5	3.0	3.8	4.9	4.6
Colombia	3.9	1.4	2.6	3.4	3.8	5.1	4.1	3.2	3.2	3.1
Peru	5.0	2.5	4.0	4.0	4.0	2.7	1.4	2.2	2.4	2.5
Chile	3.9	1.5	4.0	3.2	3.2	3.3	2.3	2.6	2.8	3.0
Commodities	(annual average)									
WTI Oil (USD/bbl)	62	51	65	59	61					
Brent Oil (USD/bbl)	65	55	72	67	68					
WCS - WTI Discount* (USD/bbl)	-16	-13	-26	-15	-21					
Nymex Natural Gas (USD/mmbtu)	4.83	3.02	3.07	2.90	2.80					
Copper (USD/lb)	2.38	2.80	2.96	3.00	3.20					
Zinc (USD/lb)	0.84	1.31	1.33	1.25	1.20					
Nickel (USD/lb)	7.12	4.72	5.95	5.75	6.00					
Aluminium (USD/lb)	0.87	0.89	0.96	0.90	0.90					
Iron Ore (USD/tonne)	67	72	70	77	70					
Metallurgical Coal (USD/tonne)	131	187	206	185	160					
Gold, London PM Fix (USD/oz)	890	1,257	1,268	1,300	1,300					
Silver, London PM Fix (USD/oz)	14.80	17.05	15.71	16.00	17.00					
* 2008-16 average										
Sources Scotiabank Economics, Statistics Canada, BEA, BLS, IMF, Bloomberg										



Interest Rate Outlook												
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2*	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Canada												
Overnight Target Rate	1.25	1.25	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
3-mth T-Bill Rate	1.10	1.26	1.59	1.64	1.67	1.66	1.65	1.65	1.65	1.65	1.65	1.65
2-yr Govt. Bond Yield	1.77	1.91	2.21	1.86	1.55	1.38	1.50	1.55	1.60	1.65	1.70	1.75
5-yr Govt. Bond Yield	1.96	2.06	2.33	1.88	1.52	1.33	1.50	1.55	1.65	1.70	1.75	1.80
10-yr Govt. Bond Yield	2.09	2.17	2.42	1.96	1.62	1.44	1.55	1.65	1.75	1.85	1.90	1.95
30-yr Govt. Bond Yield	2.23	2.20	2.42	2.18	1.89	1.70	1.80	1.90	2.00	2.10	2.15	2.20
10-yr-2-yr Govt Spread	0.32	0.26	0.21	0.10	0.07	0.05	0.05	0.10	0.15	0.20	0.20	0.20
U.S.												
Fed Funds Target Rate	1.75	2.00	2.25	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00
3-mth T-Bill Rate	1.70	1.89	2.15	2.40	2.35	2.14	1.98	1.85	1.85	1.85	1.85	1.85
2-yr Govt. Bond Yield	2.27	2.52	2.81	2.48	2.27	1.84	1.95	2.00	2.05	2.10	2.15	2.20
5-yr Govt. Bond Yield	2.56	2.73	2.94	2.51	2.23	1.83	2.00	2.10	2.20	2.30	2.35	2.40
10-yr Govt. Bond Yield	2.74	2.85	3.05	2.69	2.41	2.08	2.20	2.30	2.40	2.45	2.50	2.55
30-yr Govt. Bond Yield	2.97	2.98	3.19	3.02	2.81	2.59	2.45	2.55	2.65	2.70	2.75	2.80
10-yr-2-yr Govt Spread	0.47	0.33	0.24	0.21	0.14	0.24	0.25	0.30	0.35	0.35	0.35	0.35
Canada-U.S. Spreads												
Can - U.S. T-Bill Spread	-0.60	-0.63	-0.56	-0.76	-0.68	-0.47	-0.33	-0.20	-0.20	-0.20	-0.20	-0.20
Can - U.S. 10-Year Bond Spread	-0.65	-0.68	-0.63	-0.73	-0.79	-0.65	-0.65	-0.65	-0.65	-0.60	-0.60	-0.60

F: Forecast by TD Bank Group as at June 2019. All forecasts are end-of-period.

Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics. * Spot rate as at June 14, 2019 with the exception of policy rates.

Foreign Exchange Outlook													
Currency	Exchange rate	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2*	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Exchange rate to U.S. dollar													
Euro	USD per EUR	1.23	1.17	1.16	1.15	1.12	1.12	1.14	1.15	1.16	1.17	1.18	1.19
UK pound	USD per GBP	1.40	1.32	1.31	1.28	1.30	1.26	1.29	1.30	1.31	1.32	1.33	1.34
Japanese yen	JPY per USD	106	111	113	110	111	109	107	106	105	104	104	103
Chinese renminbi	CNY per USD	6.27	6.62	6.87	6.88	6.71	6.93	6.90	6.90	6.90	6.90	6.90	6.90
Exchange rate to Canadian dollar													
U.S. dollar	USD per CAD	0.78	0.76	0.77	0.73	0.75	0.75	0.76	0.77	0.77	0.77	0.77	0.77
Euro	CAD per EUR	1.59	1.53	1.50	1.56	1.50	1.50	1.49	1.50	1.51	1.52	1.53	1.55
UK pound	CAD per GBP	1.81	1.73	1.69	1.74	1.74	1.69	1.69	1.69	1.70	1.72	1.73	1.74
Japanese yen	JPY per CAD	82.4	84.3	87.8	80.4	82.8	81.0	81.7	81.5	80.8	80.0	79.6	79.2
Chinese renminbi	CNY per CAD	4.87	5.04	5.32	5.04	5.03	5.16	5.26	5.31	5.31	5.31	5.31	5.31

F: Forecast by TD Bank Group as at June 2019. All forecasts are end-of-period.

Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics. * Spot rate as at June 14, 2019.

Commodity Price Outlook												
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, \$US/bbl)	63	68	70	59	55	60	58	59	60	61	62	62
Natural Gas (\$US/MMBtu)	3.08	2.86	2.93	3.80	2.92	2.60	2.60	2.55	2.50	2.51	2.53	2.54
Gold (\$US/troy oz.)	1329	1306	1213	1229	1303	1290	1300	1325	1350	1375	1400	1425
Silver (US\$/troy oz.)	16.74	16.56	15.02	14.58	15.58	14.65	15.25	16.00	16.75	17.25	18.00	18.25
Copper (cents/lb)	316	312	277	280	282	284	279	279	297	297	311	311
Nickel (US\$/lb)	6.01	6.56	6.02	5.21	5.60	5.67	5.47	5.65	5.90	6.12	6.35	6.35
Aluminum (cents/lb)	98	102	93	89	84	83	84	86	90	93	98	98
Wheat (\$US/bu)	7.42	7.46	6.70	6.85	6.80	6.85	6.85	6.90	6.93	6.95	6.98	7.00

F: Forecast by TD Bank Group as at June 2019. All forecasts are period averages.

Source: Bloomberg, TD Economics, USDA (Haver).

C	D	TOBANK FORECAST JUNE 2019																												
		AV	AW	AX	AY	AZ	BA	BB	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX
		04-2018	01-2019	02-2019	03-2019	04-2019	01-2020	02-2020	03-2020	04-2020	01-2021	02-2021	03-2021	04-2021	01-2022	02-2022	03-2022	04-2022	01-2023	02-2023	03-2023	04-2023	01-2024	02-2024	03-2024	04-2024	01-2025	02-2025	03-2025	04-2025
FED@TD	Fed Funds Target Rate	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
US3M@TD	US 3-mth T-Bill Rate	2.40	2.35	2.20	1.98	1.85	1.98	2.00	2.00	2.25	2.50	2.50	2.23	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
USS@TD	US 5-yr Govt Bond Yield	2.51	2.23	1.95	2.00	2.10	2.20	2.30	2.35	2.40	2.50	2.55	2.23	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
US10Y@TD	US 10-yr Govt Bond Yield	2.63	2.41	2.15	2.20	2.30	2.40	2.45	2.50	2.55	2.60	2.65	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
CA3M@TD	CAN 3-mth T-Bill Rate	1.64	1.67	1.65	1.65	1.65	1.65	1.65	1.65	1.70	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CAN5Y@TD	CAN 5-yr Govt Bond Yield	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.90	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
CAN10Y@TD	CAN 10-yr Govt Bond Yield	1.96	1.89	1.80	1.90	1.95	1.95	1.95	2.00	2.05	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
CA30Y@TD	CAN 30-yr Govt Bond Yield	2.38	2.18	1.89	1.75	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
Yield@TD	Oil - West Texas Intermediate	53.08	54.83	60.00	58.00	61.00	62.00	62.00	62.00	62.31	62.62	62.93	63.25	63.57	63.88	64.20	64.52	64.85	65.17	65.50	65.82	66.15	66.48	66.82	67.15	67.49	67.82	68.16	68.50	
USD@CAD@TD	USD per CAD	0.733	0.749	0.758	0.763	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	0.769	
USD@GBP@TD	USD per GBP	1.276	1.303	1.280	1.290	1.300	1.310	1.320	1.330	1.340	1.350	1.370	1.380	1.390	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	
UK@TD	Unemployment Rate (%)	3.770	3.879	3.638	3.631	3.674	3.725	3.788	3.853	3.892	3.917	3.922	3.921	3.925	3.927	3.931	3.949	3.965	3.977	3.990	4.006	4.023	4.048	4.074	4.087	4.103	4.116	4.123	4.135	4.148

