



HIGHLIGHTS OF THE WEEK

United States

- Events this week had been widely anticipated by financial markets and did not disappoint. Stock markets posted impressive gains with the S&P 500 and Dow both setting new highs for 2010
- Congressional midterm elections have caused a shift in America's political landscape, as Republicans have taken back control of the House of Representatives
- On Wednesday, the Fed confirmed that it will begin a program of Treasury purchases, with hopes of kick starting growth in the U.S economy
- The \$600bln size of the program was in line with market expectations, but the decision to only purchase a small portion of bonds in the 10 – 30 year space caused 30 year yields to rise
- Friday's non-farm payrolls report revealed that the U.S. economy created 150K jobs in October, more than twice consensus expectations

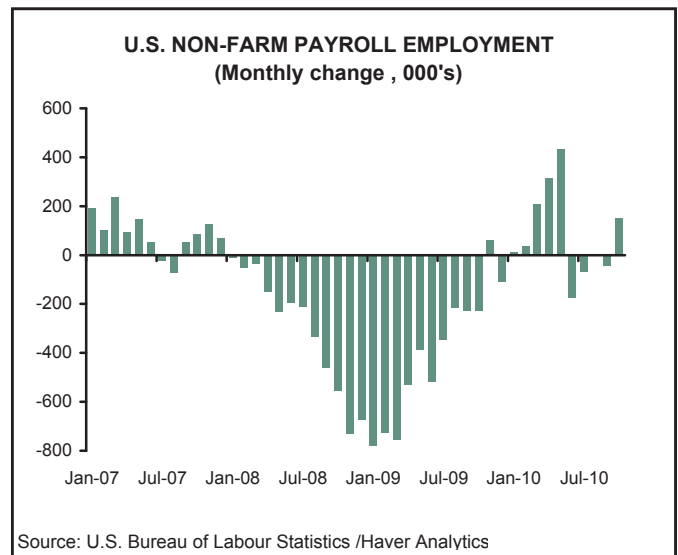
Canada

- Canadian employment stalled in October, but a drop in the labour force helped bring the unemployment rate down to 7.9%. On a positive note, full-time employment is still growing at a relatively decent clip.
- The release of the October CFIB small business confidence index this week underscores our belief that employment growth will remain soft in the near-term.
- While a second round of quantitative easing in the U.S. has helped improve market sentiment, barring a sharp revival in U.S. demand, it is unlikely to materially improve Canadian economic growth and employment. A strong Canadian dollar will remain a headwind for Canadian exporters.

THIS WEEK IN THE MARKETS

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	1221	1183	1221	1023
S&P/TSX Comp.	12879	12676	12879	11093
DAX	6761	6601	6761	5434
FTSE 100	5875	5675	5875	4806
Nikkei	9626	9202	11339	8824
Fixed Income Yields				
U.S. 10-yr Treasury	2.52	2.60	3.99	2.38
Canada 10-yr Bond	2.84	2.81	3.72	2.69
Germany 10-yr Bund	2.40	2.52	3.39	2.12
UK 10-yr Gilt	2.98	3.08	4.23	2.83
Japan 10-yr Bond	0.94	0.94	1.48	0.85
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	1.00	0.98	1.00	0.93
Euro (USD per EUR)	1.41	1.39	1.51	1.19
Pound (USD per GBP)	1.62	1.60	1.68	1.43
Yen (JPY per USD)	81.3	80.4	94.6	80.4
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	86.5	81.4	86.8	66.0
Natural Gas (\$US/MMBtu)	3.53	3.35	7.51	2.44
Copper (\$US/met. tonne)	8594.5	8186.8	8594.5	6067.8
Gold (\$US/troy oz.)	1381.2	1359.4	1392.5	1062.9

*as of 9 am on Friday, **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price), Copper-LME Grade A, Gold-London Gold Bullion; Source: Bloomberg



GLOBAL OFFICIAL POLICY RATE TARGETS

	Current Target
Federal Reserve (Fed Funds Rate)	0 - 0.25%
Bank of Canada (Overnight Rate)	1.00%
European Central Bank (Refi Rate)	1.00%
Bank of England (Repo Rate)	0.50%
Bank of Japan (Overnight Rate)	0.10%

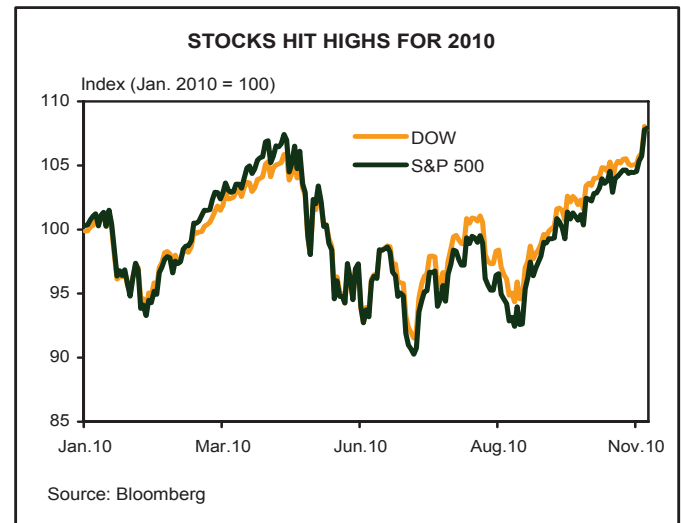
Source: Central Banks, Haver Analytics

UNITED STATES – NEW POLICY DIRECTIONS

To say this was a big week for financial markets is a bit like saying that San Francisco Giant’s ace Tim Lincecum is a good pitcher. The midterm elections and meeting of the Federal Reserve Board set the tone for U.S. economic policy in 2011. And if that was not enough, a consensus busting non-farm payrolls report suggests that the economy showed signs of life in October.

Tuesday’s Congressional midterm elections saw changes to the country’s political make-up. While the Republicans failed to capture the Senate, they took back control of the House in convincing fashion. The most immediate fall out from the change of guard could be on the contentious extension of the Bush era tax cuts. In a press conference following the election, President Obama reached out to Republicans, and signaled that the Democrats would be willing to negotiate an extension of the tax cuts for both middle and high income families during the lame-duck session of Congress before January. How much of an impact this will have on the economy is not immediately clear, but since families earning more than \$250K a year are an important source of durable good spending, it cannot hurt.

The most anticipated event of the week came on Wednesday, when the Fed indicated that it will continue to prime the pumps in hopes of boosting the U.S. recovery. The Fed has committed to buying \$600bln in Treasury securities, distributed in eight monthly purchases of \$75bln, conditional on the evolution of inflation and job growth. As well, the Fed will continue to purchase Treasuries with the proceeds of its mortgage back securities holdings, likely extending their monthly purchases beyond \$100bln. By in large, the size of this plan was in line with market expectations. Nonetheless, the bond market was caught a little off guard when Fed indicated that it would only make 6% of its purchases

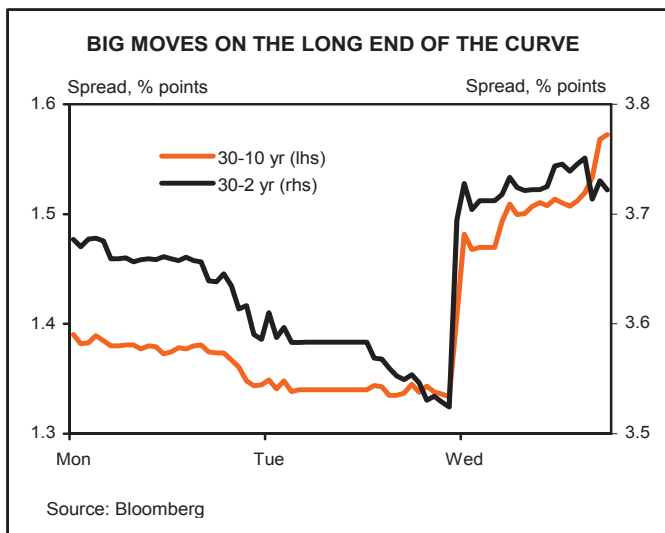


in the 10-30 year space, driving the spread between 10 and 30 year bond yields sharply higher.

Of course, domestic interest rates weren’t the only thing impacted by the Fed’s announcement. On a trade weighted basis, the dollar fell by nearly 1% over the course of Wednesday and Thursday. Given that the size of the purchases was more or less in line with expectations, it seems that this drag was related to alleviating uncertainty as to the exact shape and form of QE. In any case, the greenback’s recent decline, Fed policy and global imbalances are destined to take center stage at next week’s much anticipated G-20 meeting.

In the midst of these crucial policy maneuvers, this week’s data also indicated that the economy may have started to pick up steam in October. Industry surveys showed broad gains across the manufacturing and non-manufacturing sectors. But, these reports were just appetizers before the main event – Friday’s non-farm payrolls report. After months of stagnation, the U.S. economy created 150K jobs in October, more than doubling consensus expectations. The details of the report were also promising as almost all of the jobs were created in the dominant service sector, which has been very slow to recover during this cycle.

So, what can we take away from this week’s events? Well, U.S. economic policy has officially changed course. Republicans will now have greater say on fiscal matters in Washington and the Federal Reserve has officially embarked on an entirely new monetary policy path. The ultimate test will be whether or not these changes do anything to get America’s fifteen million unemployed back to work. And, while Friday’s jobs report was an encouraging step in the right direction, there remain considerable challenges ahead. The road to recovery is sure to remain bumpy no matter who is behind the wheel.



CANADA – SLOW AND STEADY SHE GOES

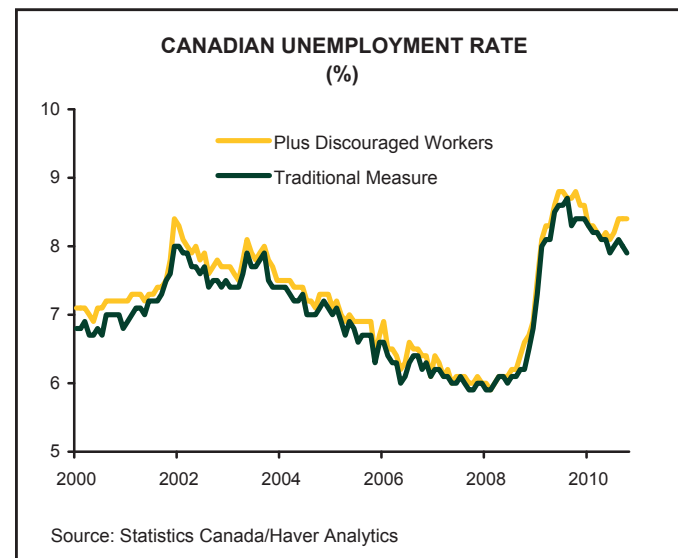
Slowing economic growth in Canada has led to a sharp deceleration in job creation over the second half of 2010 – and employment has remained virtually unchanged from August to October.

Digging deeper into October's labour force survey paints a rosier picture than the headline figure suggests. During the heydays of the recovery, employment strength was largely fuelled by part-time employment, and the unemployment rate, when you include those involuntarily in part-time positions, started to creep up in July of this year. But, that trend has now reversed and over the last three months there has been a notable shift from part-time to full-time employment. On a three-month moving average, full-time employment gains increased to 55,000 in October, up from this year's low of -7,600 in July. The recovery in full-time employment is still moving at a pace significantly faster than that experienced after each of the last two recessions.

Nonetheless, it still hasn't been enough to absorb the slack in the labour market. While the unemployment rate edged down to 7.9% in October, if you include discouraged workers the unemployment rate stalled at an even higher 8.4% in the month. Consistent with the amount of slack in the labour market, wage growth has remained relatively weak, averaging 2.1% y/y over this year so far – half the pace experienced in the two years leading into the recession.

Furthermore, the release of the Canadian Federation of Independent Business' (CFIB) small business outlook survey this week helped underscore our belief that employment gains going forward will remain subdued. Sentiment among small businesses perked up in October, indicating that the economy has pulled out of its slump and the recovery remains on track. However, the pace of economic growth is not enough to help spur hiring. The CFIB stated that only 12% of businesses intend to increase full-time employment – a low even for a recession. Luckily, a wide scale job cutting is also an unlikely scenario – as the large majority of firms intend to hold employment levels firm.

For the most part, improving sentiment among small businesses was concentrated in industries tied to trade – like agriculture, natural resources and manufacturing. This may have been driven by the expectations of a second round of quantitative easing from the U.S. Federal Reserve. While the additional monetary stimulus could help stimulate Canadian export growth – the direct impact is likely to be marginal. For one, any net benefit may be partially offset by a strong loonie, which has risen to 0.99 U.S. cents since



Wednesday when the stimulus was announced. Further still, the impact on employment will likely be negligible. The hiring binge of late 2009-early 2010 came at the expense of rising labour costs, and corporate profitability. Given poor labour productivity growth, even if Canadian businesses experience a revival in demand, they are more likely to meet that demand through investing in productivity-boosting machinery and equipment rather than through new hires. The switch between labour and capital will be further supported by a strong Canadian dollar, low interest rates and capital tax reductions which have helped lower the cost of business investment.

What a further round of quantitative easing in the U.S. has done is help improve financial market sentiment, with stock markets gaining from the news of additional stimulus. This would typically have positive wealth effects for Canadian households. However, it is coming at a time when the household balance sheet is over-leveraged, and a larger priority for Canadian households will be to scale back borrowing to help repair balance sheets. As such, barring a sharp resurgence in U.S. demand, the additional stimulus in the U.S. does not change our view that the Canadian economy will only grow in a range of 1.5-2.0% over the next year. This type of growth is consistent with only a modest uptick in employment. An even larger boon to Canadian economic growth would be more likely to occur with a greater improvement in U.S. employment. Let's hope October's pattern of upside surprises to non-farm payrolls continues.



U.S.: UPCOMING KEY ECONOMIC RELEASES

International Trade - September*

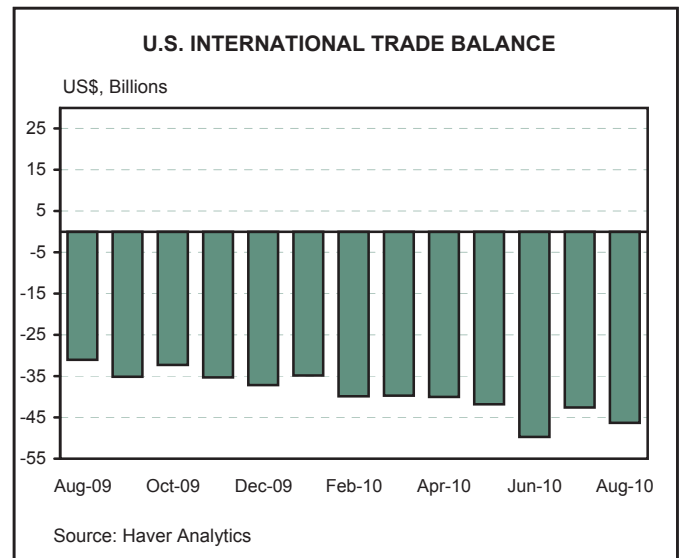
Release Date: November 10/10

August Result: -\$46.3B

TD Forecast: -\$44B

Consensus: -\$45B

After the sharp acceleration in August, the U.S. trade deficit is expected to narrow in September, falling from \$46.3B to a more modest \$44B. Much of the improvement is expected to come from the favorable impact from the weakening dollar, which should provide some much needed boost to export activity. During the month, we expect the lagged impact from the 15% percent plunge in the trade weighted US dollar since June to bolster exports, while also slowing the pace of import growth. Higher crude oil prices, however, should partially offset the positive impact from the weak dollar. In real terms, trade is expected to add favorably to U.S. economic activity during the month, though it remains a significant source of drag during the quarter. In the months ahead, the performance of the U.S. trade deficit



is likely to be somewhat mixed, as the positive impact from the weak U.S. dollar is likely to be partially offset by rising energy prices and soft global demand.

*Forecast by Rates and FX Strategy Group. For further information, contact TDRates&FXResearch@tdsecurities.com.



CANADA: UPCOMING KEY ECONOMIC RELEASES

Canadian Housing Starts - October*

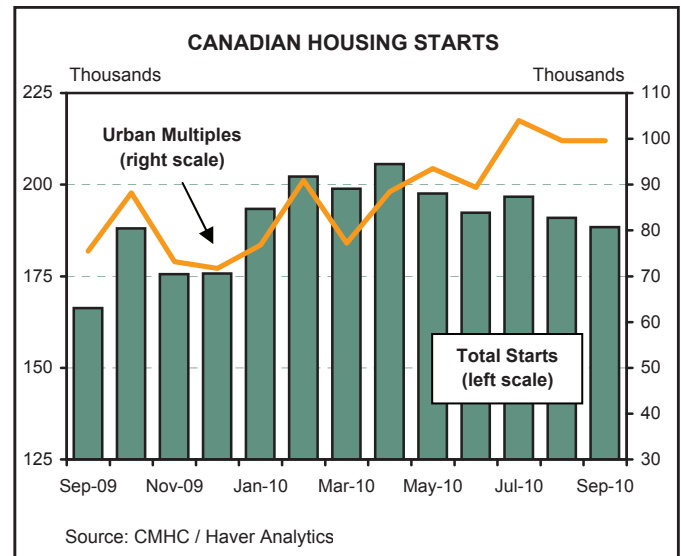
Release Date: November 8/10

September Result: 186.4K

TD Forecast: 190K

Consensus: 180K

We expect the decline in housing starts over the past three months to come to a halt for now and forecast a slight pop to 190K units. Our expectation is corroborated by the modest improvement in a broad measure of recent Canadian economic data. The muted bounce in housing starts is expected to come from a subtle rising trend in building permits and gains in employment in the construction sector. Moreover, borrowing costs remain low despite hikes by the Bank of Canada in past months. This could further support housing starts in the immediate short-term, particularly as we expect the Bank of Canada to remain on the sidelines at least until March next year. That said, the upside is limited given our trajectory for GDP growth in early 2011 remains muted at just below 2.0%. In terms of the broad housing



market view, we still see that house prices and activity have further to correct, albeit on a gradual pace.

*Forecast by Rates and FX Strategy Group. For further information, contact TDRates&FXResearch@tdsecurities.com.



RECENT KEY ECONOMIC INDICATORS: NOVEMBER 1-5, 2010

Release Date	Economic Indicators	Data for Period	Units	Current	Prior		
United States							
Nov 1	Personal Income	Sep	M/M % Chg.	-0.1	0.4	R▼	
Nov 1	Personal Spending	Sep	M/M % Chg.	0.2	0.5	R▲	
Nov 1	PCE Deflator	Sep	Y/Y % Chg.	1.4	1.4	R▼	
Nov 1	PCE Core	Sep	M/M % Chg.	0.0	0.1		
Nov 1	ISM Manufacturing	Oct	Index	56.9	54.4		
Nov 1	ISM Prices Paid	Oct	Index	71.0	70.5		
Nov 1	Construction Spending	Sep	M/M % Chg.	0.5	-0.2	R▼	
Nov 2	ABC Consumer Confidence	31-Oct	Index	-46	-47		
Nov 3	MBA Mortgage Applications	29-Oct	W/Y % Chg.	-5.0	3.2		
Nov 3	Challenger Job Cuts	Oct	Y/Y % Chg.	-31.8	-44.1		
Nov 3	ADP Employment Change	Oct	Thousands	43	-2	R▲	
Nov 3	ISM Non-Manf. Composite	Oct	Index	54.3	53.2		
Nov 3	Factory Orders	Sep	M/M % Chg.	2.1	0.0	R▲	
Nov 3	FOMC Rate Decision	3-Nov	%	0.25	0.25		
Nov 3	Domestic Vehicle Sales	Oct	Mlns	9.27	8.82		
Nov 3	Total Vehicle Sales	Oct	Mlns	12.25	11.73		
Nov 4	Nonfarm Productivity	3Q	Q/Q % Chg.	1.9	-1.8		
Nov 4	Unit Labor Costs	3Q	Q/Q % Chg.	-0.1	1.3	R▲	
Nov 4	Initial Jobless Claims	30-Oct	Thousands	457	437	R▲	
Nov 4	Continuing Claims	23-Oct	Thousands	4340	4382	R▲	
Nov 4	ICSC Chain Store Sales	Oct	Y/Y % Chg.	1.6	2.6		
Nov 5	Change in Nonfarm Payrolls	Oct	Thousands	151	-41	R▲	
Nov 5	Change in Private Payrolls	Oct	Thousands	159	107	R▲	
Nov 5	Change in Manufact. Payrolls	Oct	Thousands	-7	-2	R▲	
Nov 5	Unemployment Rate	Oct	%	9.6	9.6		
Nov 5	Avg. Hourly Earnings All Emp.	Oct	M/M % Chg.	0.2	0.1	R▲	
Nov 5	Avg. Weekly Hours All Emp.	Oct	Hours	34.3	34.2		
Nov 5	Pending Home Sales	Sep	M/M % Chg.	-1.8	4.4	R▲	
Nov 5	Consumer Credit	Sep	USD, Blns	--	-3.3		
Canada							
Nov 4	Ivey Purchasing Managers Index	Oct	Index	56.7	70.3		
Nov 5	Full Time Employment Change	Oct	Thousands	47.2	37.1		
Nov 5	Net Change in Employment	Oct	Thousands	3.0	-6.6		
Nov 5	Participation Rate	Oct	%	67.2	67.3		
Nov 5	Part Time Employment Change	Oct	Thousands	-44.2	-43.7		
Nov 5	Unemployment Rate	Oct	%	7.9	8.0		
Nov 5	Building Permits	Sep	M/M % Chg.	15.3	-9.5	R▼	
International							
Oct 31	AU	TD Securities Inflation	Oct	Y/Y % Chg.	3.8	3.2	
Nov 1	UK	PMI Manufacturing	Oct	Index	54.9	53.5	R▲
Nov 1	JP	Monetary Base	Oct	Y/Y % Chg.	6.4	5.8	
Nov 1	AU	RBA Cash Target	2-Nov	%	4.75	4.50	
Nov 3	UK	Official Reserves (Changes)	Oct	\$, Mlns	657	1935	
Nov 3	NZ	Unemployment Rate	3Q	%	6.4	6.9	R▲
Nov 3	AU	Trade Balance	Sep	AUD, Mlns	1760	2446	R▲
Nov 4	EU	Euro-Zone PPI	Sep	Y/Y % Chg.	4.2	3.6	
Nov 4	UK	BOE Asset Purchase Target	Nov	GBP, Blns	200	200	
Nov 4	UK	BOE Rate Announcement	4-Nov	%	0.50	0.50	
Nov 4	EU	ECB Rate Announcement	4-Nov	%	1.00	1.00	
Nov 5	AU	Foreign Reserves	Oct	AUD, Blns	44.0	42.8	
Nov 5	GE	Factory Orders	Sep	Y/Y % Chg.	14.0	20.4	R▲
Nov 5	EU	Euro-Zone Retail Sales	Sep	Y/Y % Chg.	1.1	1.3	R▲

Source: Bloomberg, TD Economics



UPCOMING ECONOMIC RELEASES AND EVENTS: NOVEMBER 8-12, 2010

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Nov 8	12:30	<i>Fed's Bullard Speaks to New York Analysts Society</i>				
Nov 8	13:00	<i>Fed's Fisher Speaks in San Antonio, TX</i>				
Nov 8	15:30	<i>Fed's Warsh Speaks at Sifma Conference in New York</i>				
Nov 9	7:30	NFIB Small Business Optimism	Oct	Index	--	89.0
Nov 9	10:00	IBD/TIPP Economic Optimism	Nov	Index	--	46.4
Nov 9	10:00	JOLTs Job Openings	Sep	Thousands	--	3201
Nov 9	10:00	Wholesale Inventories	Sep	M/M % Chg.	0.6	0.8
Nov 9	17:00	ABC Consumer Confidence	7-Nov	Index	--	-46
Nov 10	7:00	MBA Mortgage Applications	5-Nov	W/W % Chg.	--	-5.0
Nov 10	8:30	Trade Balance	Sep	USD, Blns	-45.0	-46.3
Nov 10	8:30	Import Price Index	Oct	M/M % Chg.	1.1	-0.3
Nov 10	8:30	Initial Jobless Claims	6-Nov	Thousands	450	457
Nov 10	8:30	Continuing Claims	30-Oct	Thousands	--	4340
Nov 10	14:00	Monthly Budget Statement	Oct	USD, Blns	-153.5	-176.4
Nov 11	18:00	<i>Fed's Lockhart Speaks on U.S. Economic Outlook in Atlanta, GA</i>				
Nov 12	9:55	U. of Michigan Confidence	Nov	Index	69.0	67.7
Nov 13	19:40	<i>Fed's Lacker Speaks on Unemployment in Richmond, VA</i>				
Canada						
Nov 8	8:15	Housing Starts	Oct	Thousands	180.0	186.4
Nov 9	8:30	New Housing Price Index	Sep	M/M % Chg.	--	0.1
Nov 9	12:30	<i>BoC's Carney Speaks on Global Financial Reform in Geneva</i>				
Nov 10	8:30	Int'l Merchandise Trade	Sep	CAD, Blns	-1.5	-1.3
International						
Nov 7	18:50	JP Official Reserve Assets	Oct	USD, Blns	--	1109.6
Nov 8	0:00	JP Leading Index CI	Sep	Index	99.0	99.5
Nov 8	2:00	GE Exports	Sep	M/M % Chg.	1.5	-0.4
Nov 8	2:00	GE Trade Balance	Sep	Euro, Blns	11.9	9.0
Nov 8	4:30	EU Sentix Investor Confidence	Nov	Index	9.5	8.8
Nov 8	6:00	GE Industrial Production WDA	Sep	Y/Y % Chg.	9.5	10.7
Nov 8	18:50	JP Adjusted Current Account Total	Sep	Yen, Blns	1273.4	1179.0
Nov 8	18:50	JP Trade Balance (BoP Basis)	Sep	Yen, Blns	876.9	195.9
Nov 8	19:01	UK <i>BRC October Retail Sales Monitor</i>				
Nov 8	19:01	UK RICS House Price Balance	Oct	M/M % Chg.	-39	-36
Nov 8	19:30	AU NAB Business Confidence	Oct	Index	--	10
Nov 9	0:00	JP Eco Watchers Survey: Outlook	Oct	Index	--	41.4
Nov 9	2:45	FR Bank of France Business Sentiment	Oct	Index	102	102
Nov 9	2:45	FR Trade Balance	Sep	Euro, Blns	-3.9	-4.9
Nov 9	4:30	UK Total Trade Balance	Sep	GBP, Mlns	-4500	-4643
Nov 9	4:30	UK Industrial Production	Sep	Y/Y % Chg.	3.6	4.2
Nov 9	4:30	UK Manufacturing Production	Sep	Y/Y % Chg.	4.9	6.0
Nov 9	15:00	NZ <i>Reserve Bank Financial Stability Report</i>				
Nov 9	18:30	AU Westpac Consumer Confidence Index	Nov	Index	--	117.0
Nov 10	0:00	JP Consumer Confidence	Oct	Index	40.8	41.4
Nov 10	1:30	FR CPI - EU Harmonised	Oct	M/M % Chg.	1.8	1.8
Nov 10	2:45	FR Industrial Production	Sep	Y/Y % Chg.	4.7	3.2
Nov 10	2:45	FR Manufacturing Production	Sep	Y/Y % Chg.	5.1	3.2
Nov 10	5:30	UK <i>Bank of England Quarterly Inflation Report</i>				
Nov 10	18:50	JP Machine Orders	Sep	Y/Y % Chg.	4.9	24.1
Nov 10	18:50	JP Domestic CGPI	Oct	Y/Y % Chg.	0.5	-0.1
Nov 10	19:00	AU Consumer Inflation Expectation	Nov	M/M % Chg.	--	3.8
Nov 10	19:30	AU Unemployment Rate	Oct	%	5.0	5.1
Nov 11	4:00	EU <i>ECB Publishes November Monthly Report</i>				
Nov 11	16:00	NZ REINZ Housing Price Index	Oct	M/M % Chg.	--	-0.3
Nov 11	16:00	NZ REINZ House Sales	Oct	Y/Y % Chg.	--	-33.1
Nov 12	1:30	FR Gross Domestic Product	3Q	Y/Y % Chg.	1.9	1.7
Nov 12	5:00	EU Euro-Zone GDP	3Q	Y/Y % Chg.	1.9	1.9
Nov 12	5:00	EU Euro-Zone Industrial Production WDA	Sep	Y/Y % Chg.	7.1	7.9

* Eastern Standard Time; Source: Bloomberg, TD Economics



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