

## **US Rates Outlook: The Fed's Third Mandate**

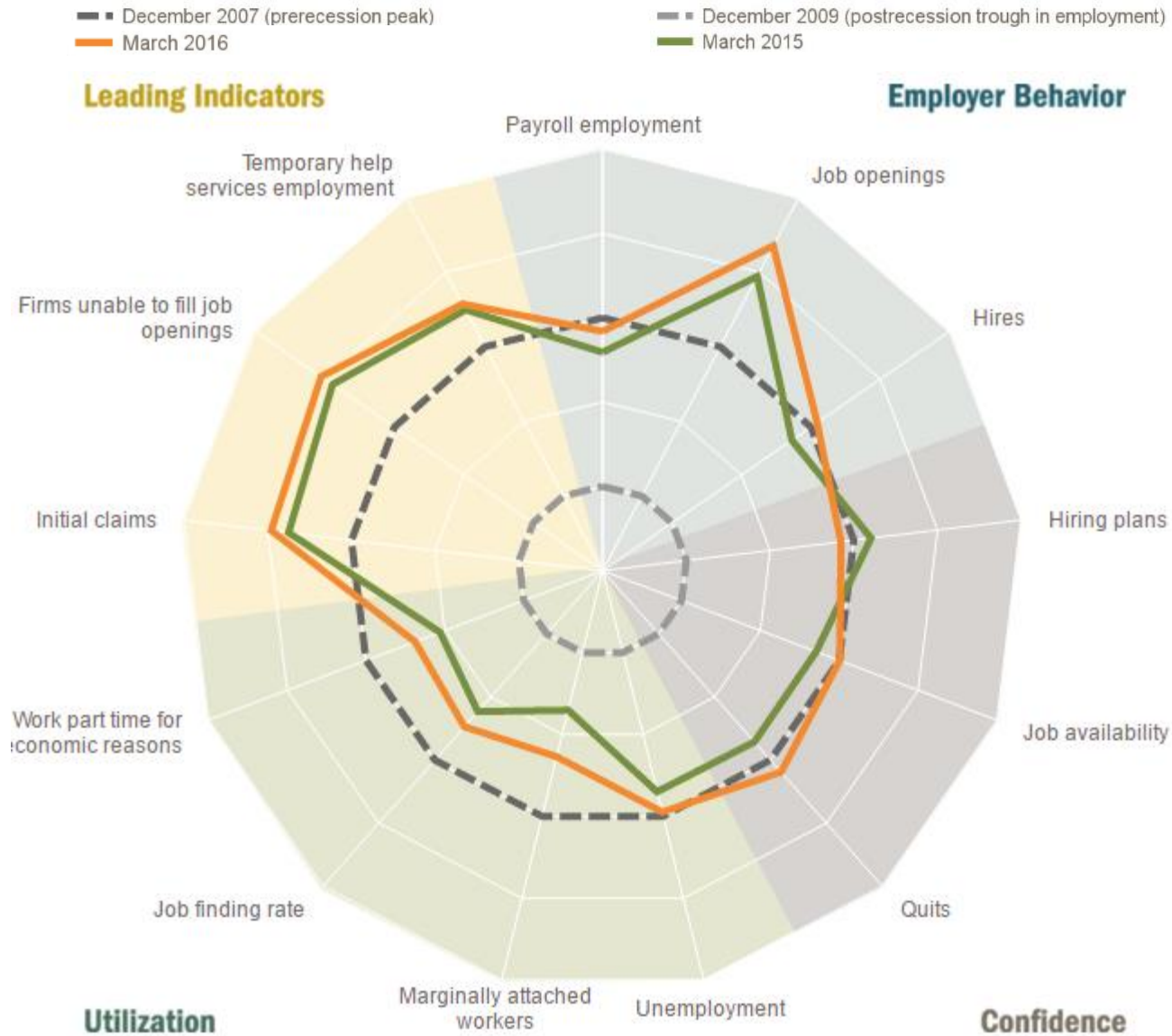
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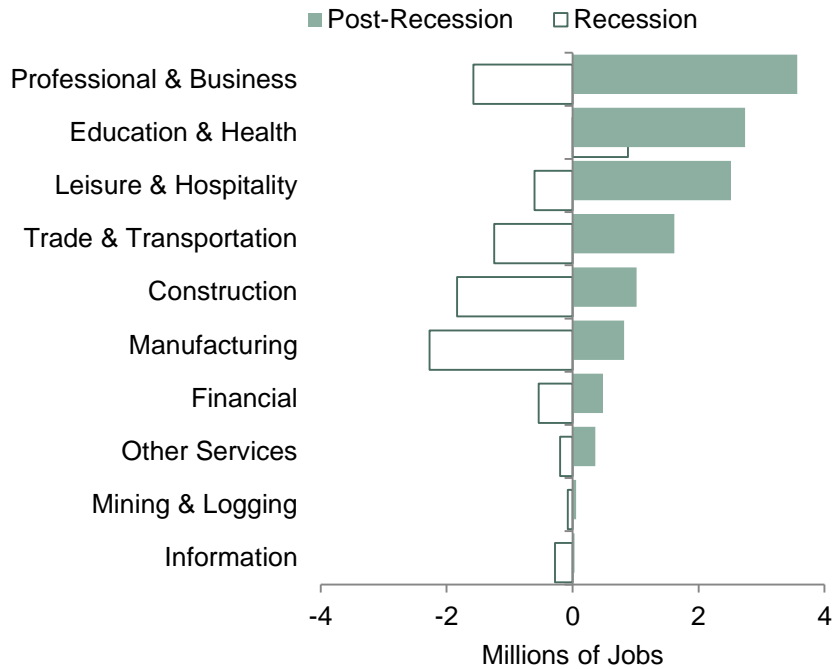


# Lopsided employment picture rapidly improving



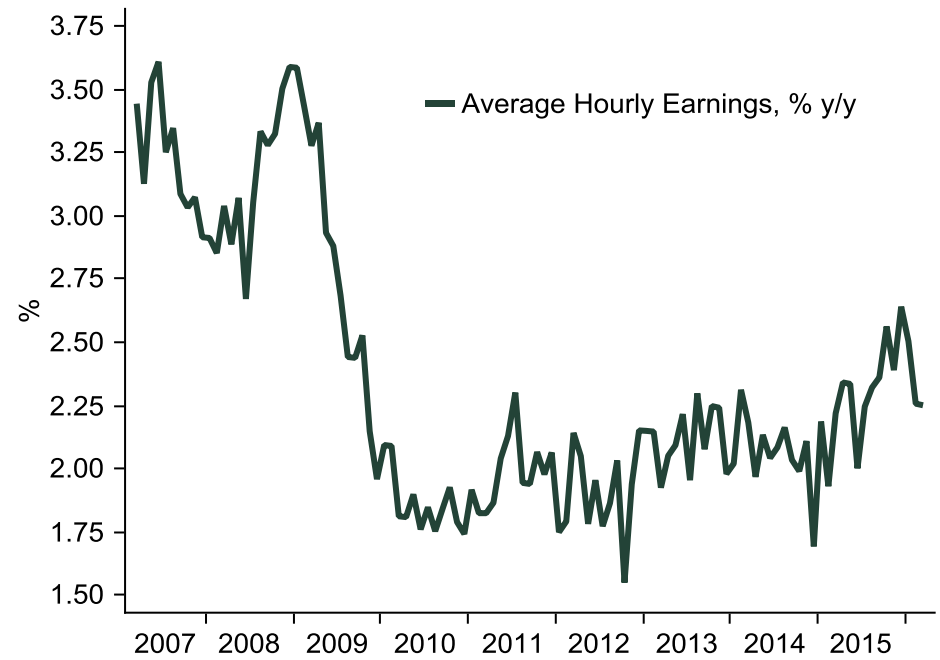
# Wage inflation: a bifurcated picture

**Jobs Have Returned...**



Source: Macrobond, TD Securities

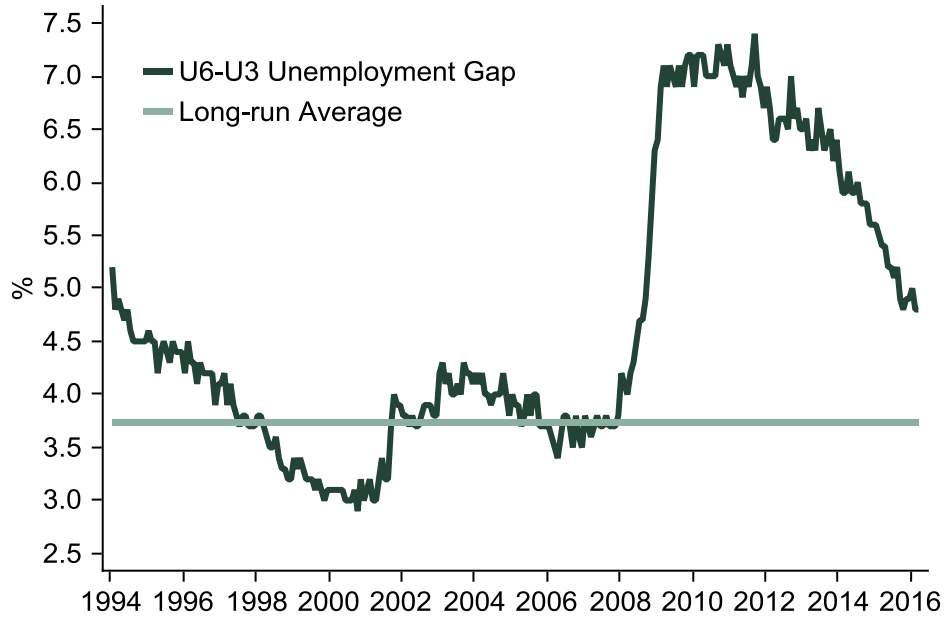
**...But Wages Have Failed to Accelerate**



Source: Macrobond, TD Securities

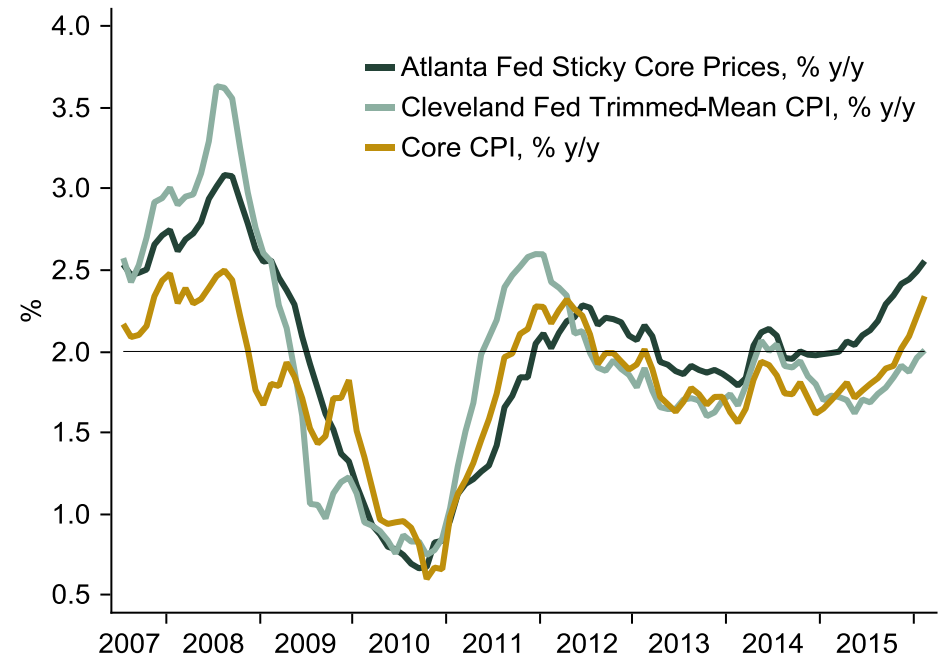
# So why are interest rates still so low?

## Despite 5% Unemployment Rate, Still Too Much Labor Market Slack



Source: Macrobond, TD Securities

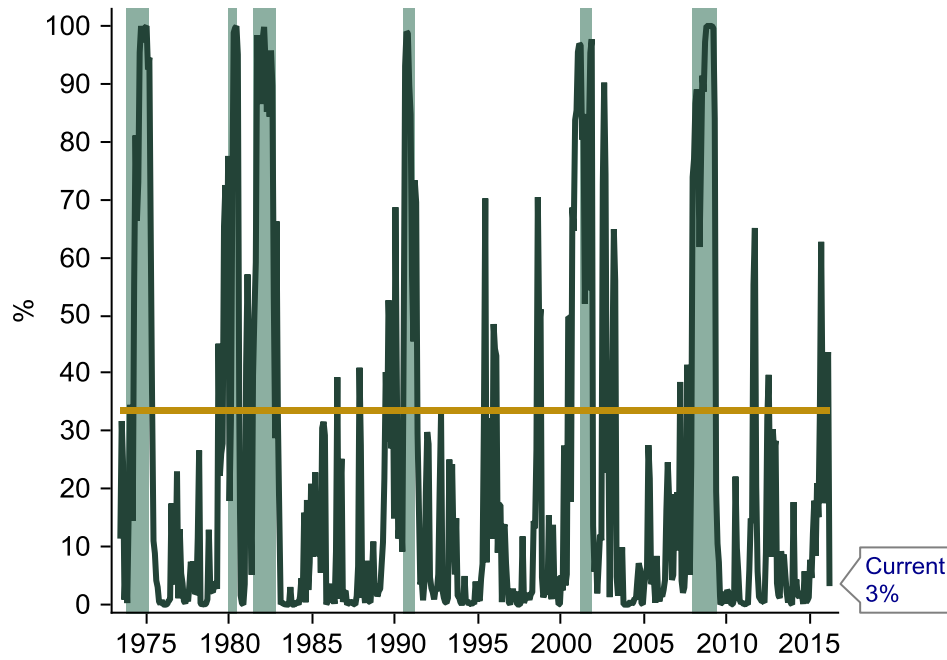
## Inflation Accelerating Only Slowly



Source: Macrobond, TD Securities

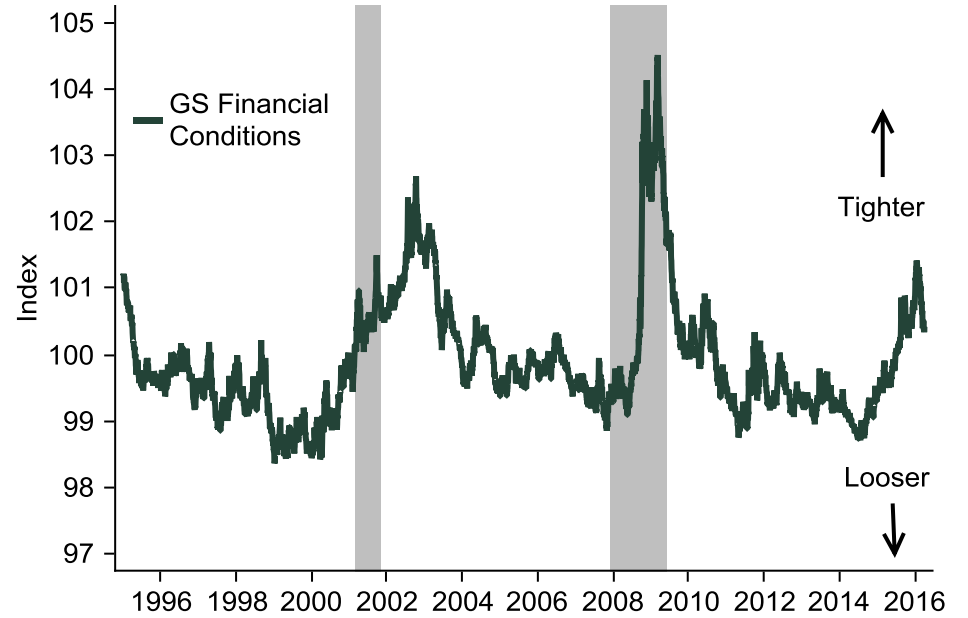
# Recession probability is low, but financial conditions have tightened

### Probability of US Recession Within 6 Months



Source: Macrobond, TD Securities

### Financial Conditions Remain Tight, But Have Moved Off the Highs



Source: Bloomberg, TD Securities

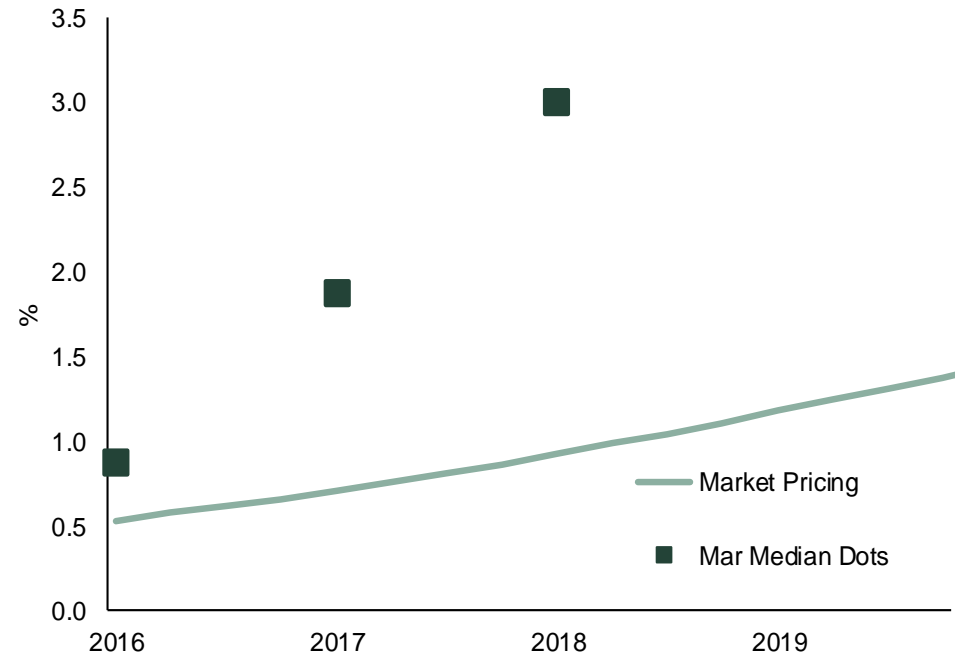
# Global headwinds pose risk to US outlook, markets pricing in low rates

## Chinese Hard Landing Poses Major Risk to Growth



Source: IMF, TD Securities

## Fed Dots Gradually Converging to Market Pricing



Source: Bloomberg, TD Securities \* Note: To compute pricing we use EDs, adjusting for Libor-FF basis, term premium, and FF effective vs target basis.

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