



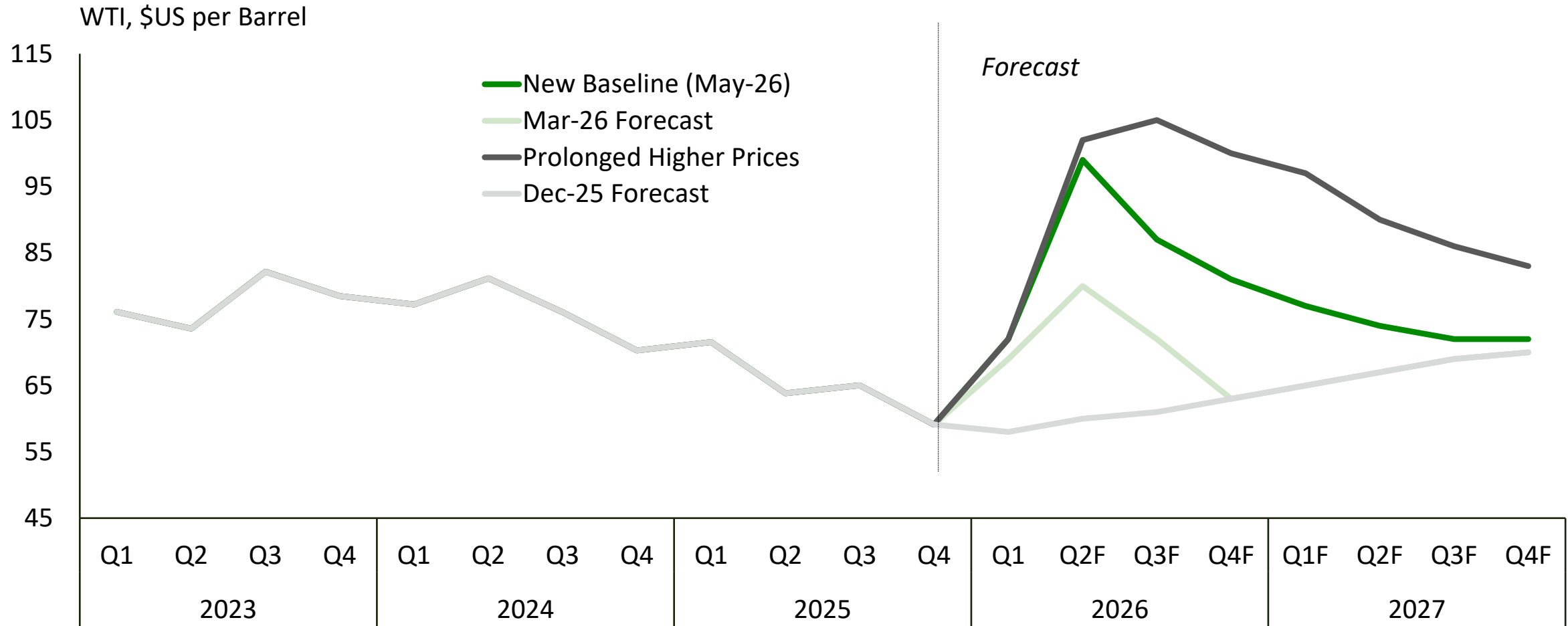
Economic Update – The Return of the Oil Shock

James Marple, Associate Vice President & Senior Economist

FGFOA Annual Conference, June 13-17, 2026

June 15, 2026

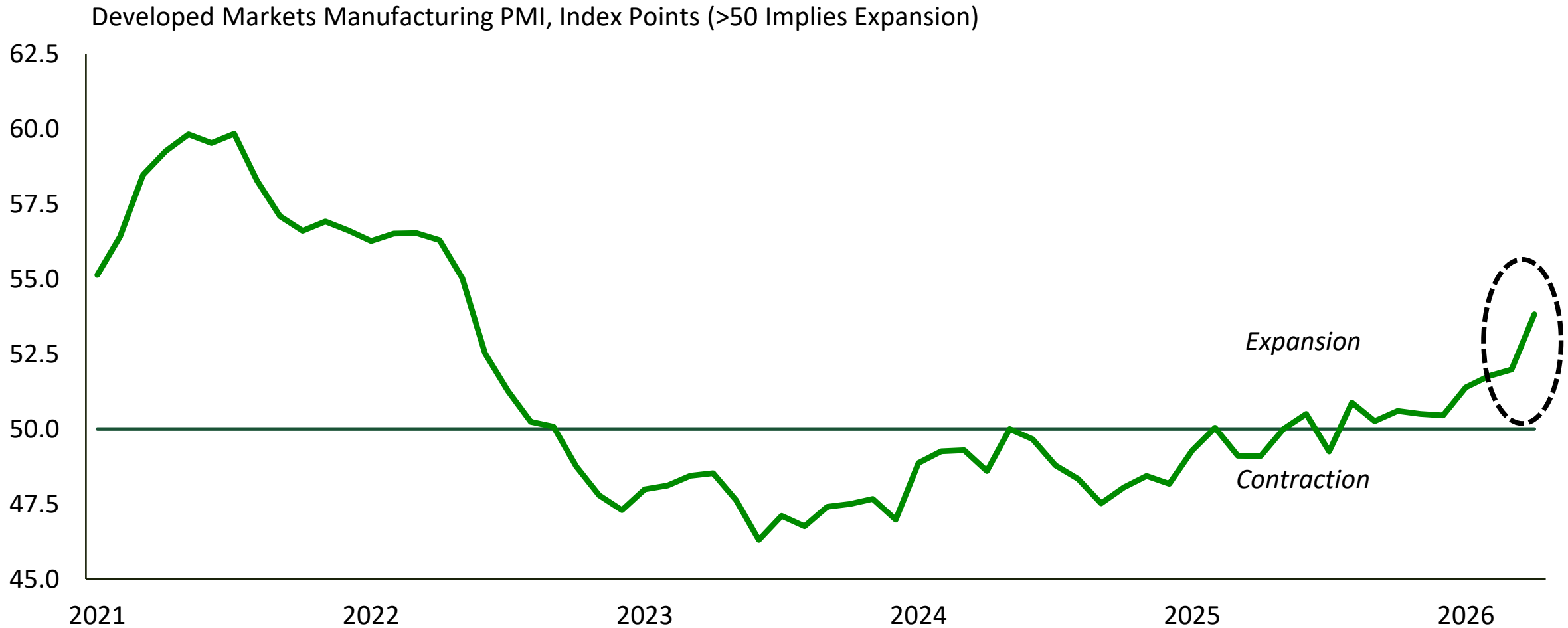
Step Increase in Oil Price Forecast as War Drags Out



Source: Bloomberg, TD Economics.

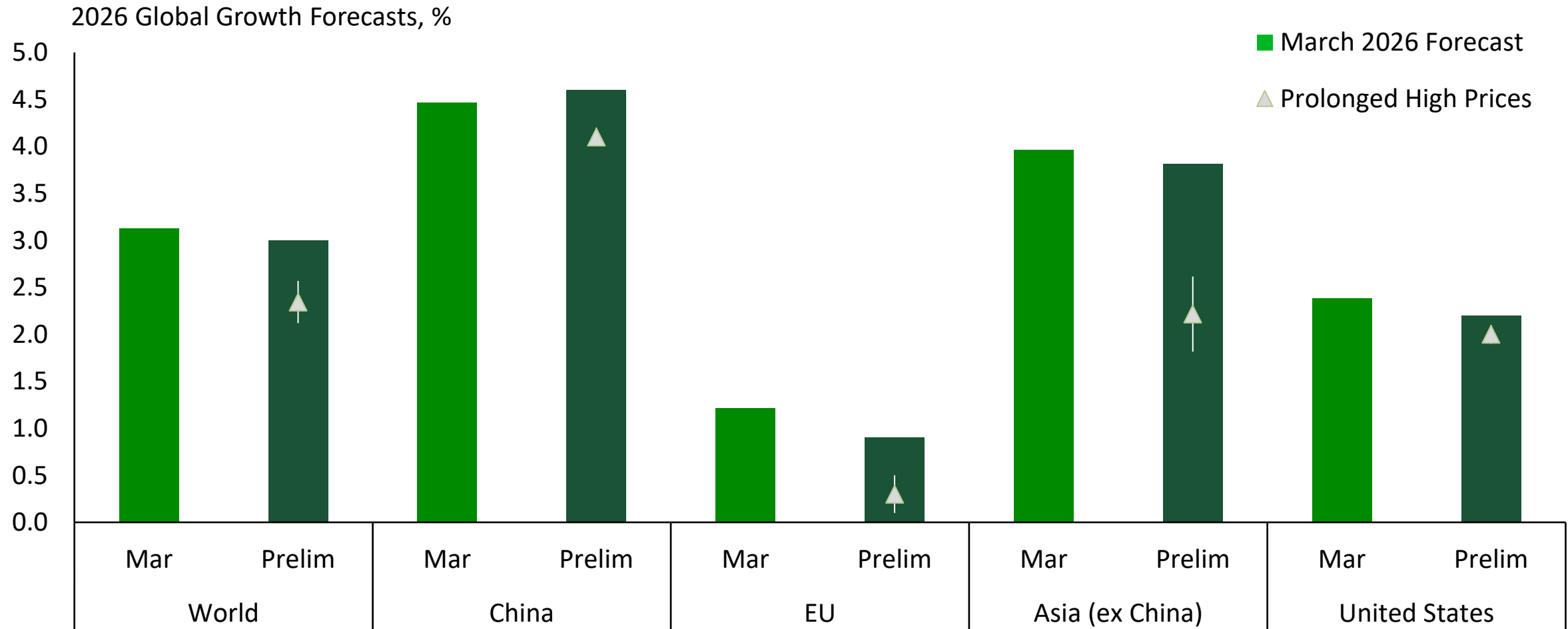
Note: F denotes forecast.

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



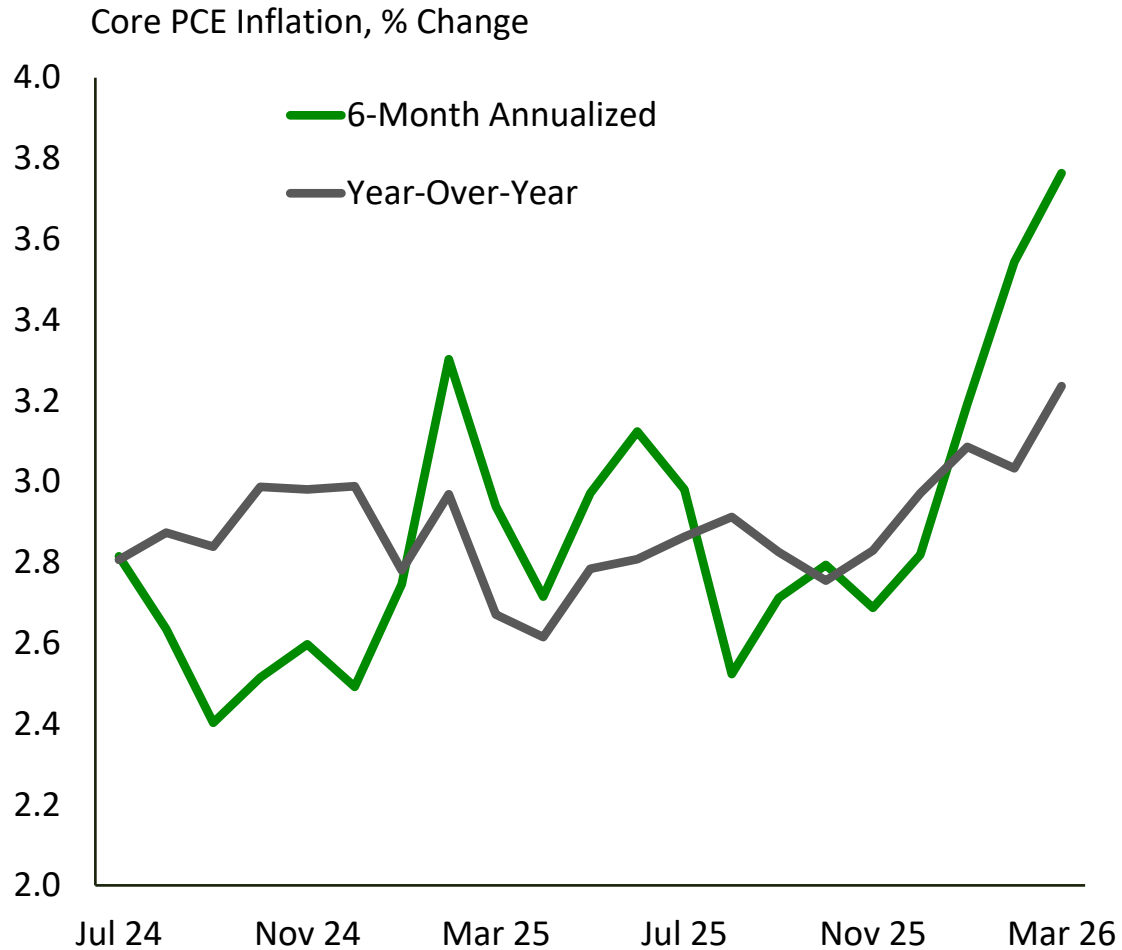
Source: S&P Global, TD Economics.

Downgrades to Baseline Global Growth Are Modest

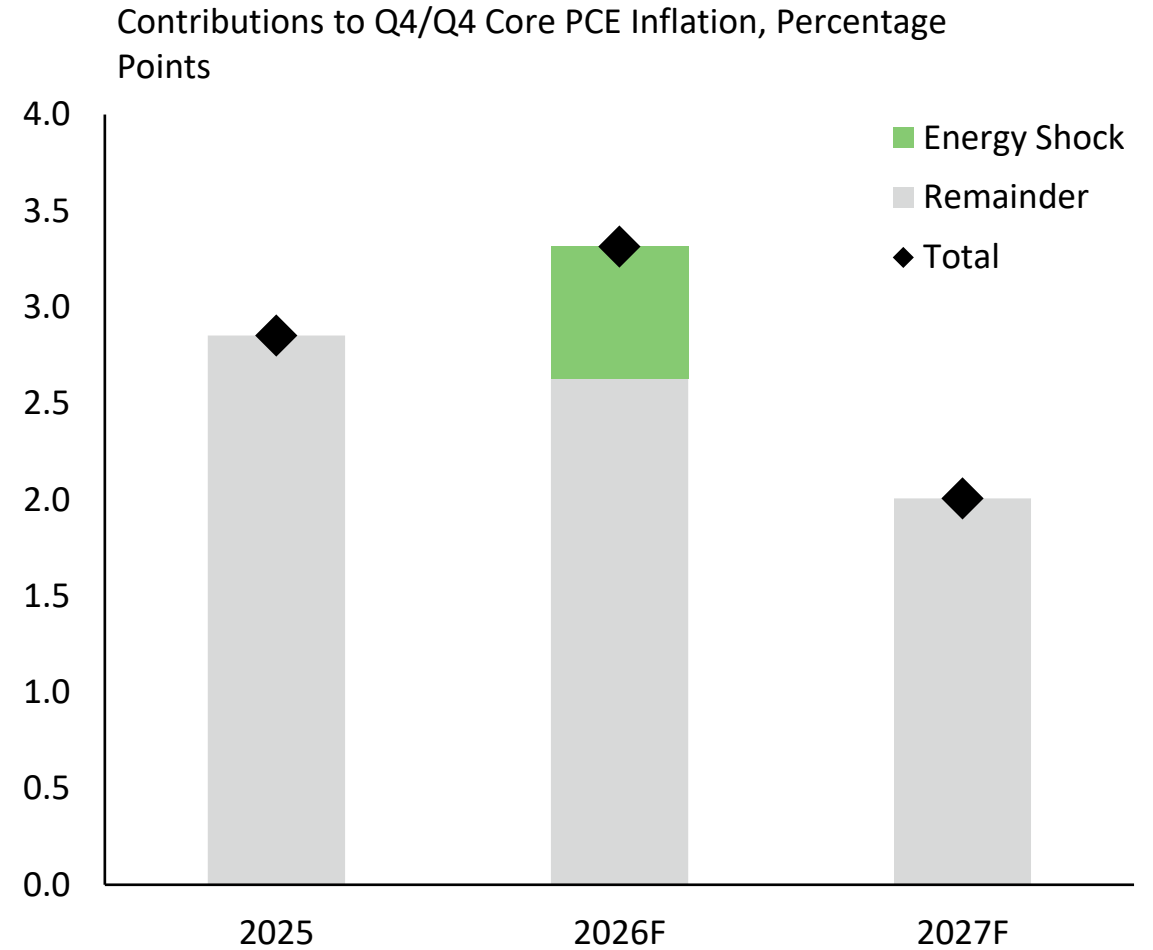


Source: TD Economics.

Inflation Headed Further Above Fed's Target

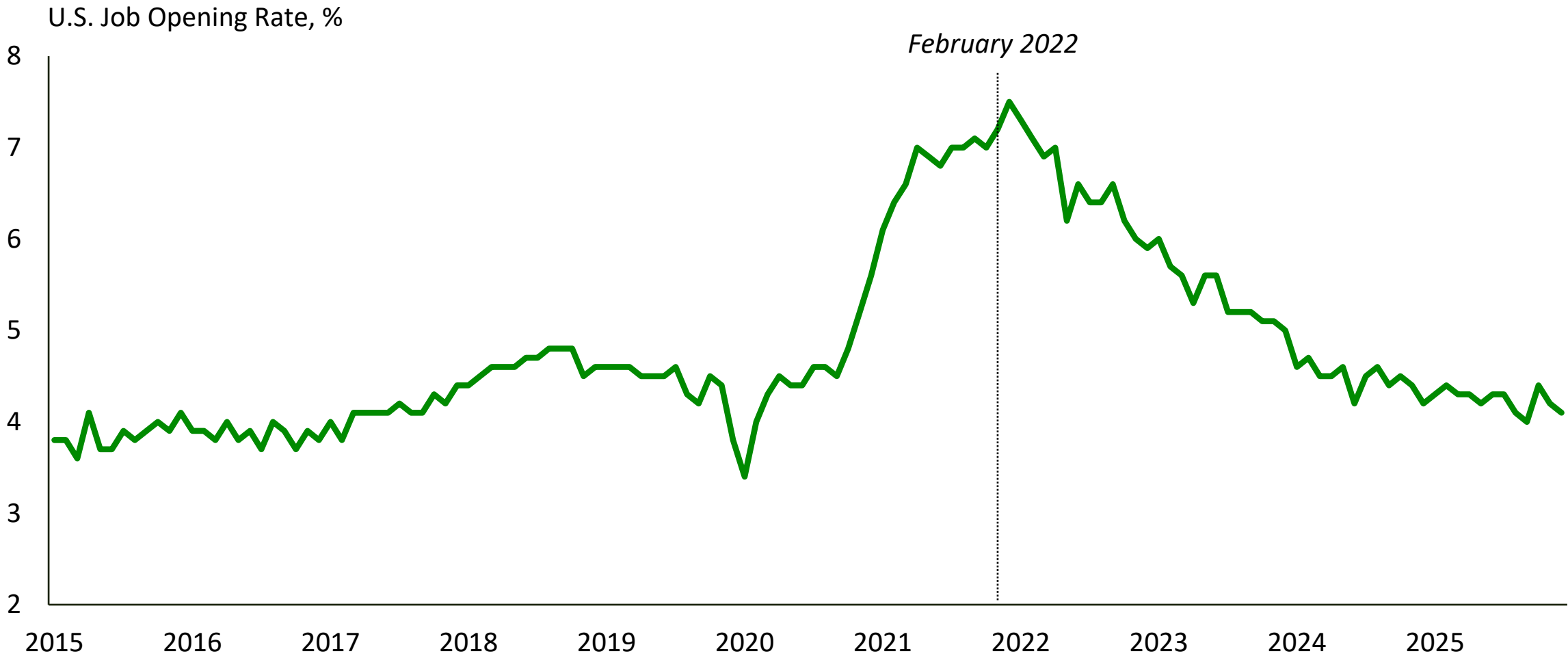


Source: Bureau of Economic Analysis, TD Economics.



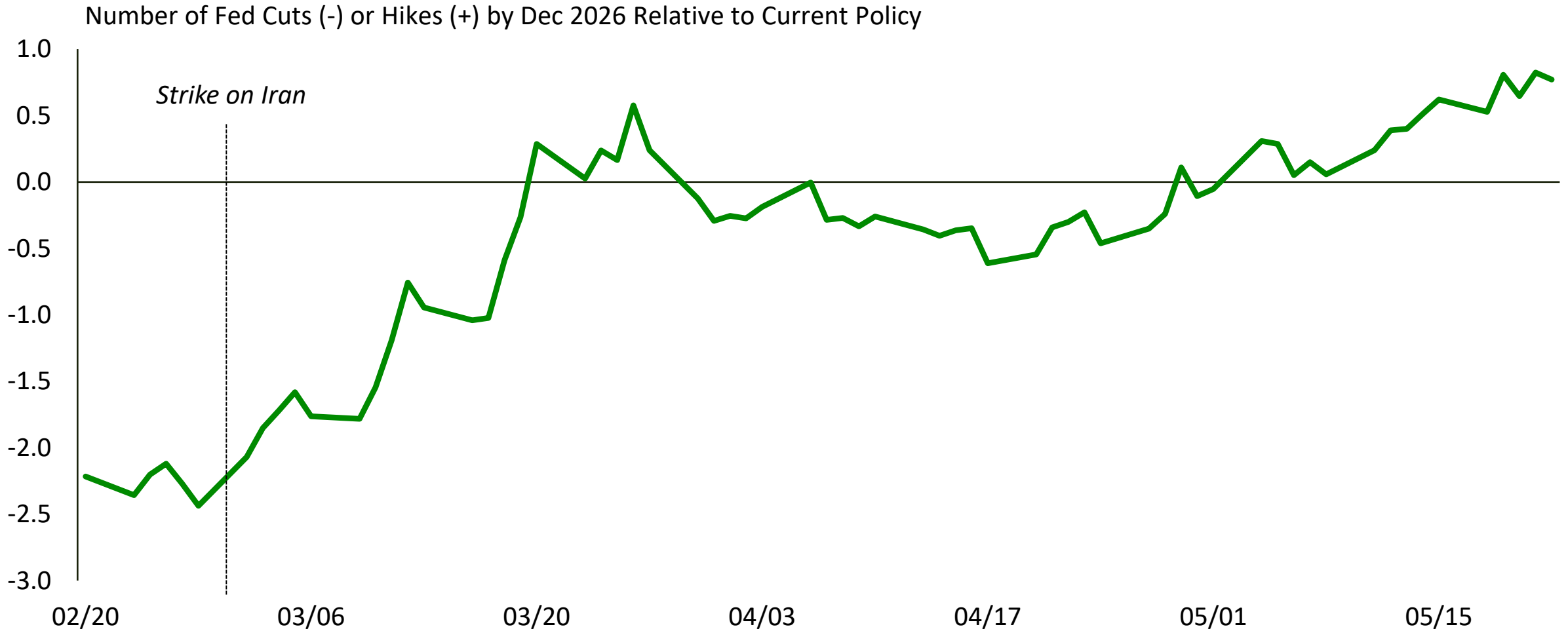
Source: Bureau of Economic Analysis, TD Economics.

This Episode is No Encore of the 2022 Inflation Shock



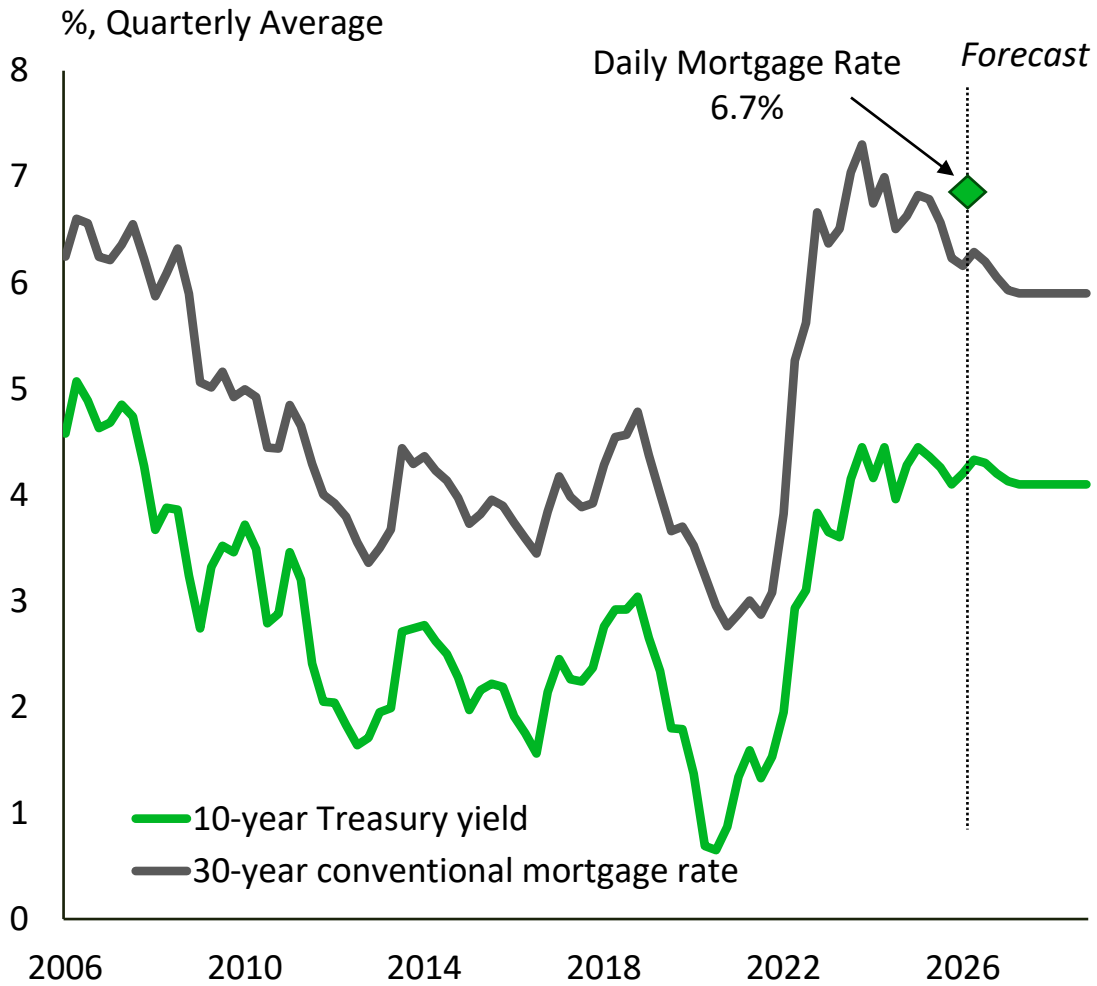
Source: Bureau of Labor Statistics, TD Economics.

Markets Recalibrate Fed Rate Expectations

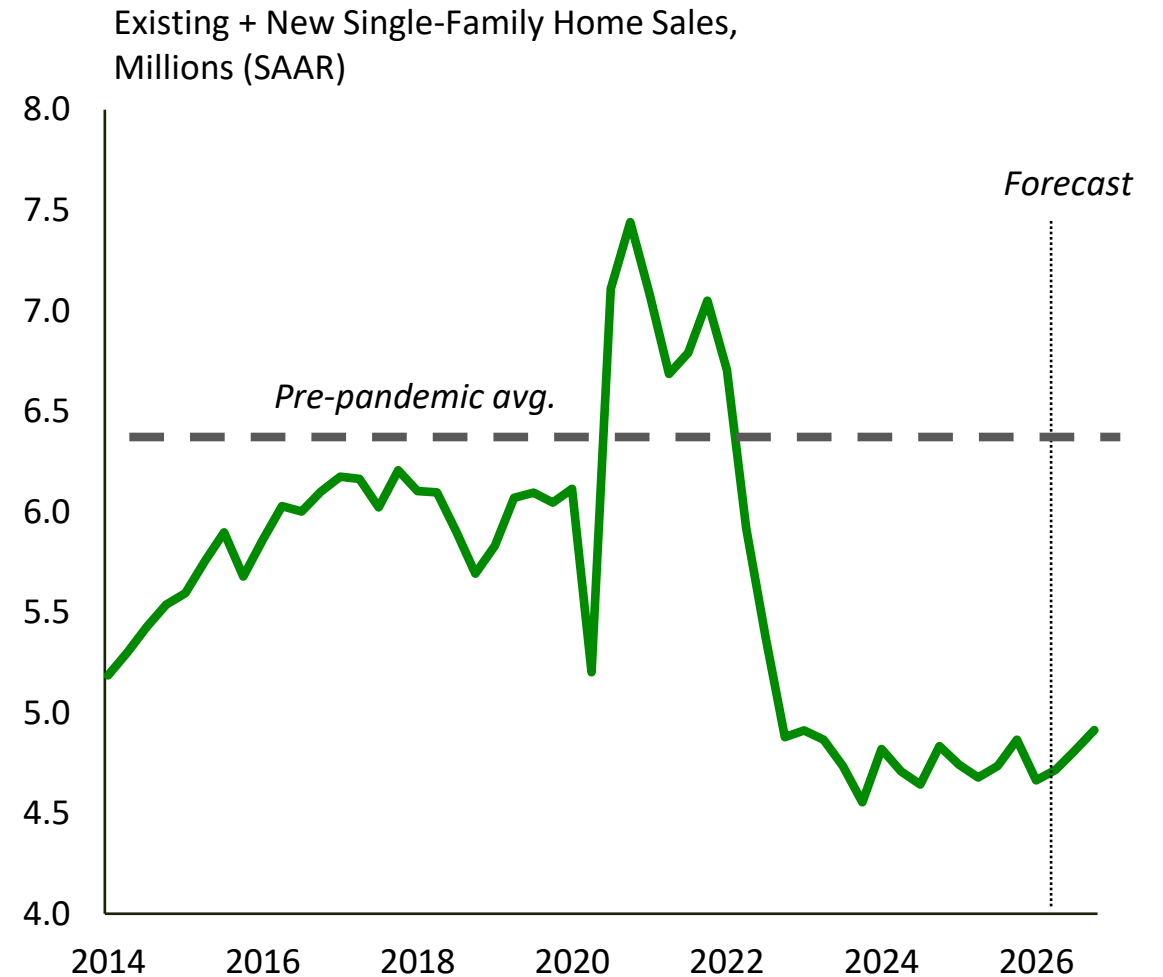


Source: Bloomberg, TD Economics.

Higher Rates Weighing on Housing Activity

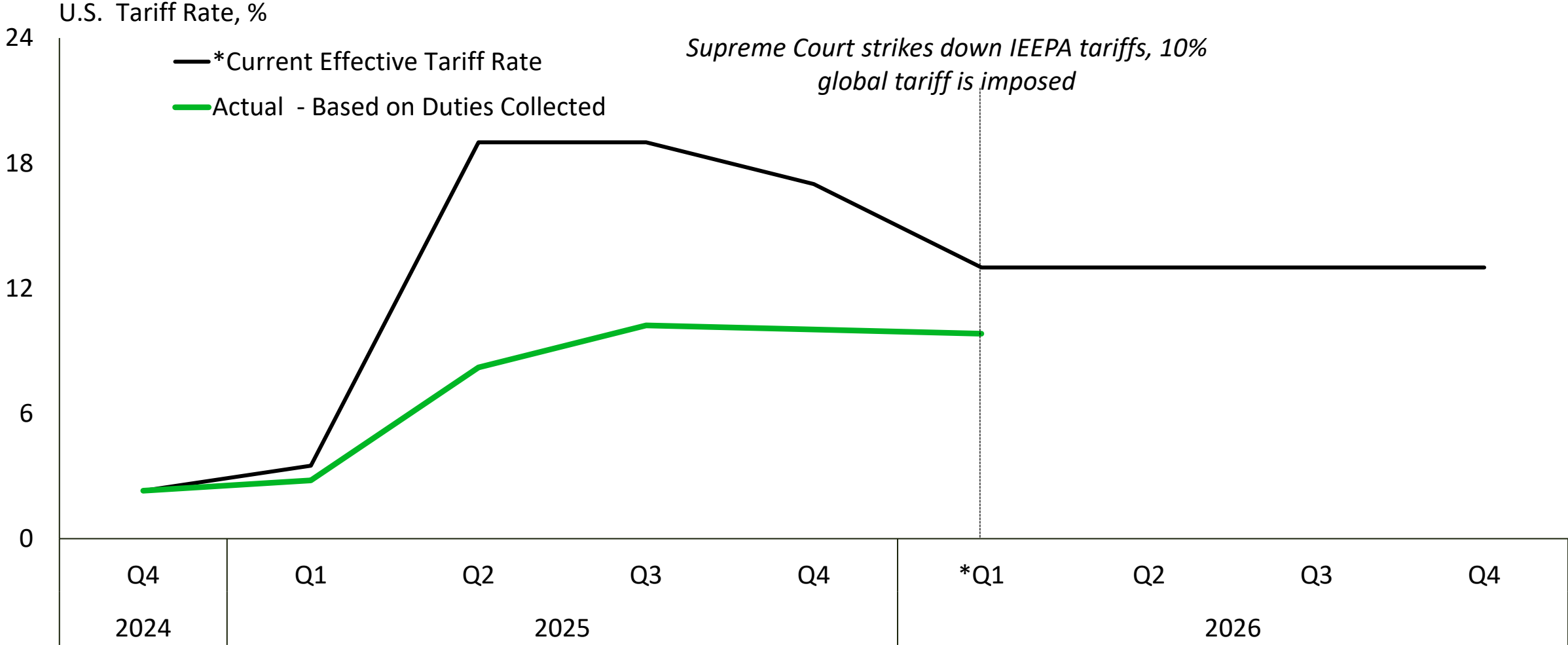


Source: Bloomberg, TD Economics.



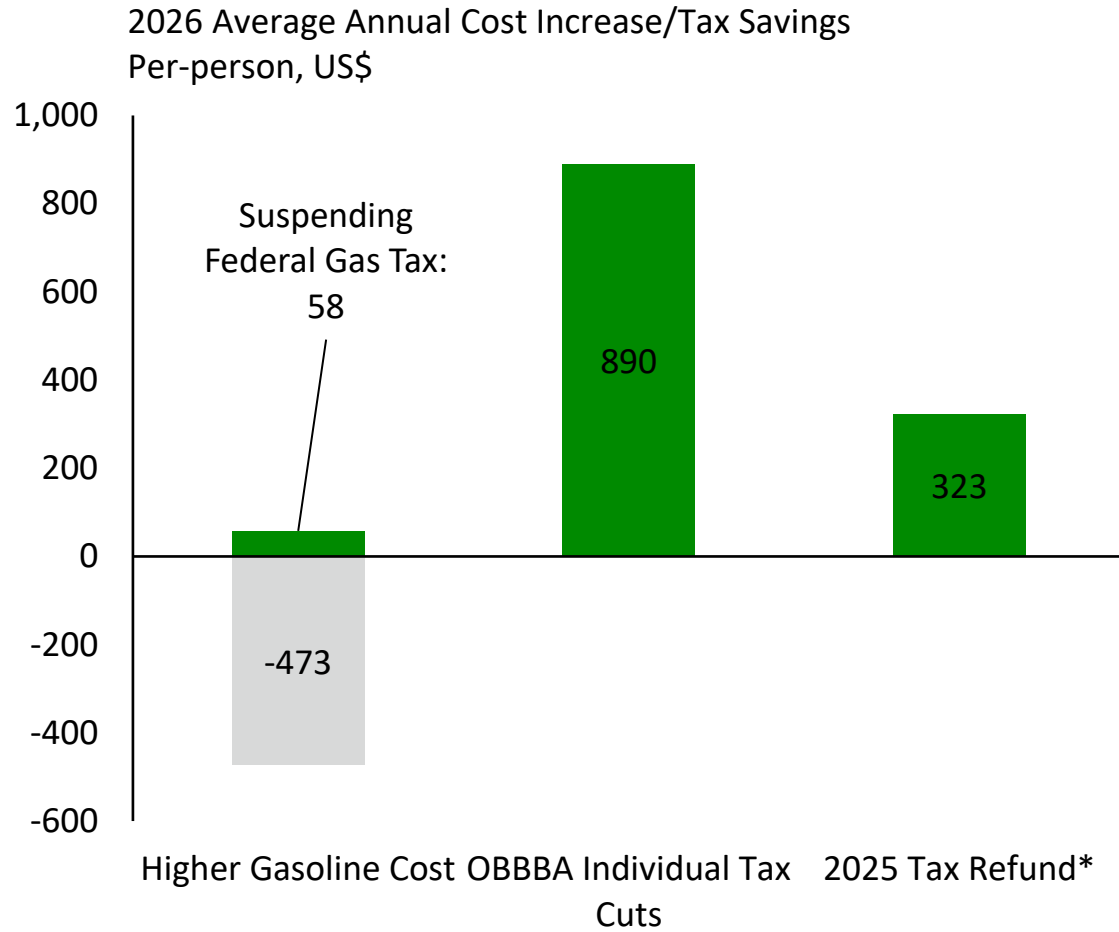
Source: NAR, Census Bureau, TD Economics.

Tariffs Survive Supreme Court Ruling



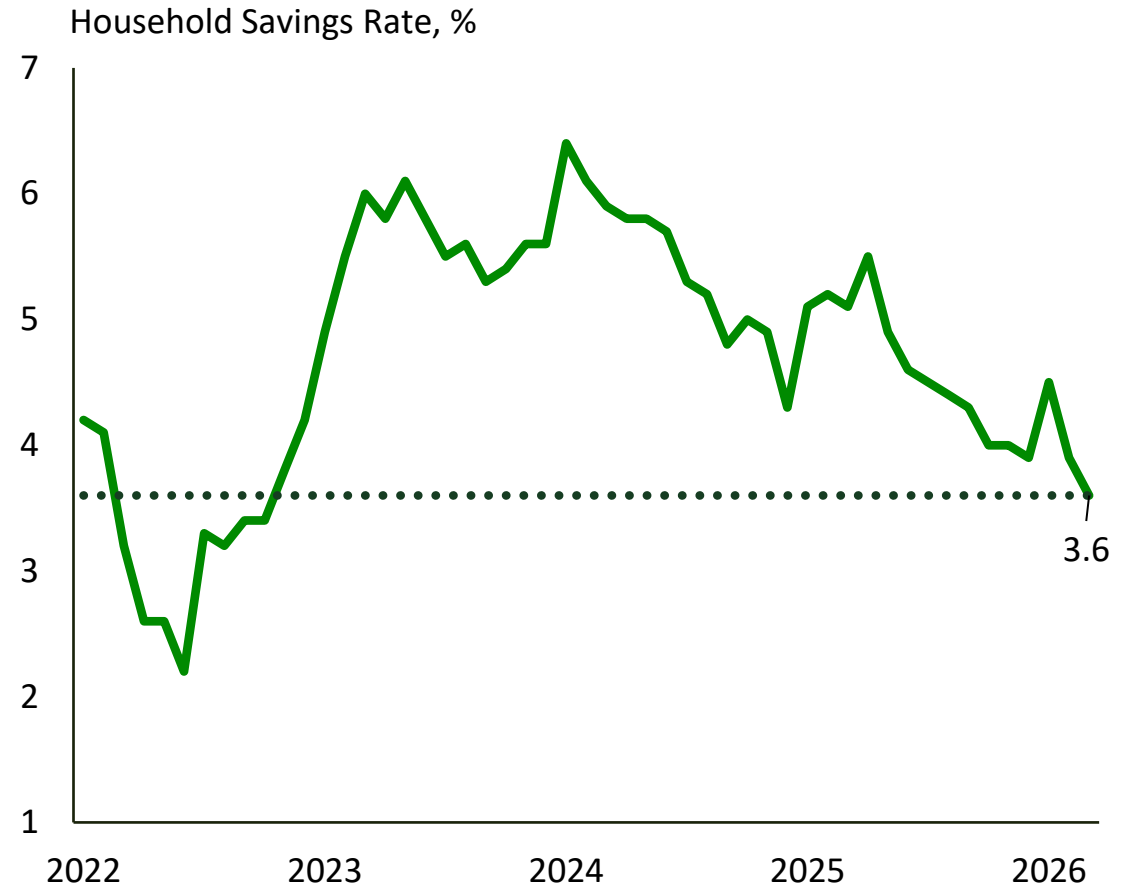
Source: Census Bureau, TD Economics.

Gas & Tariff Pain Partly Buffered By Tax Cuts



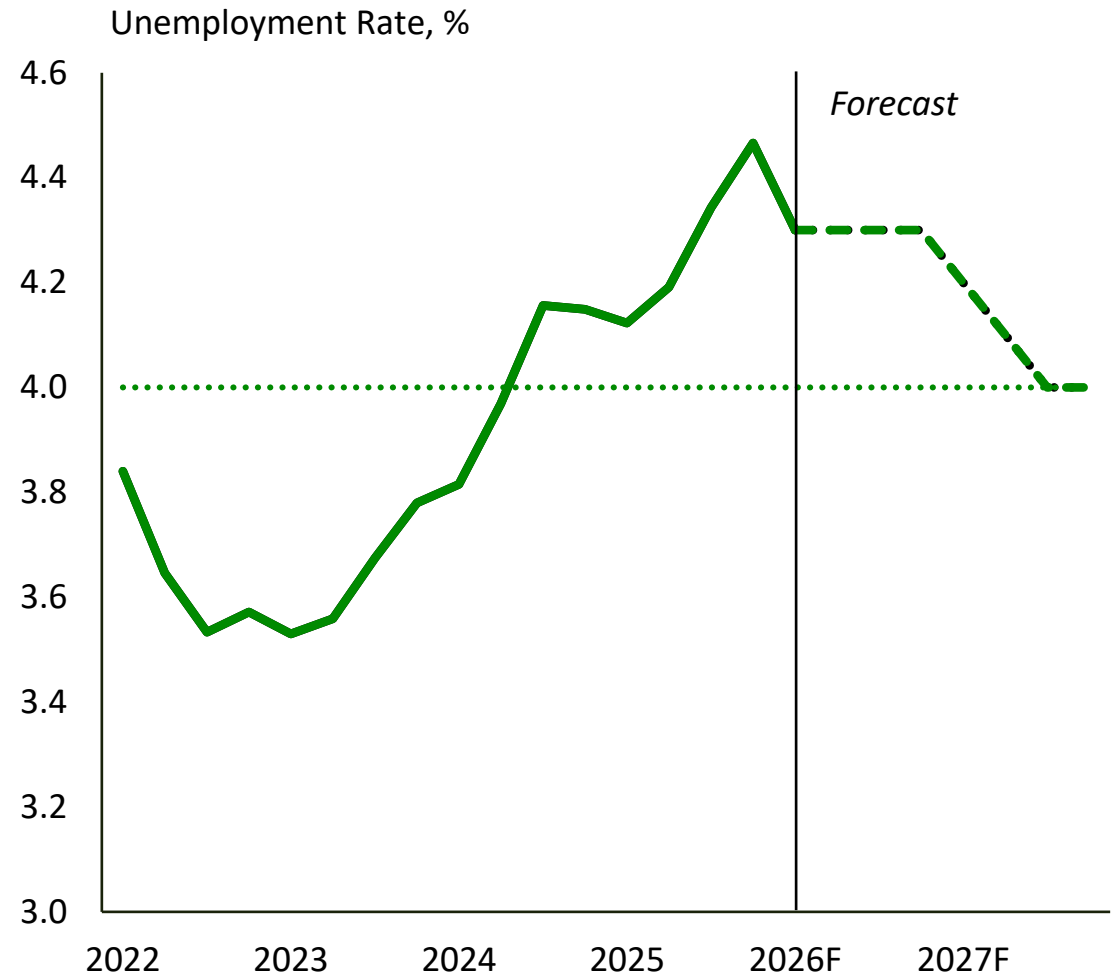
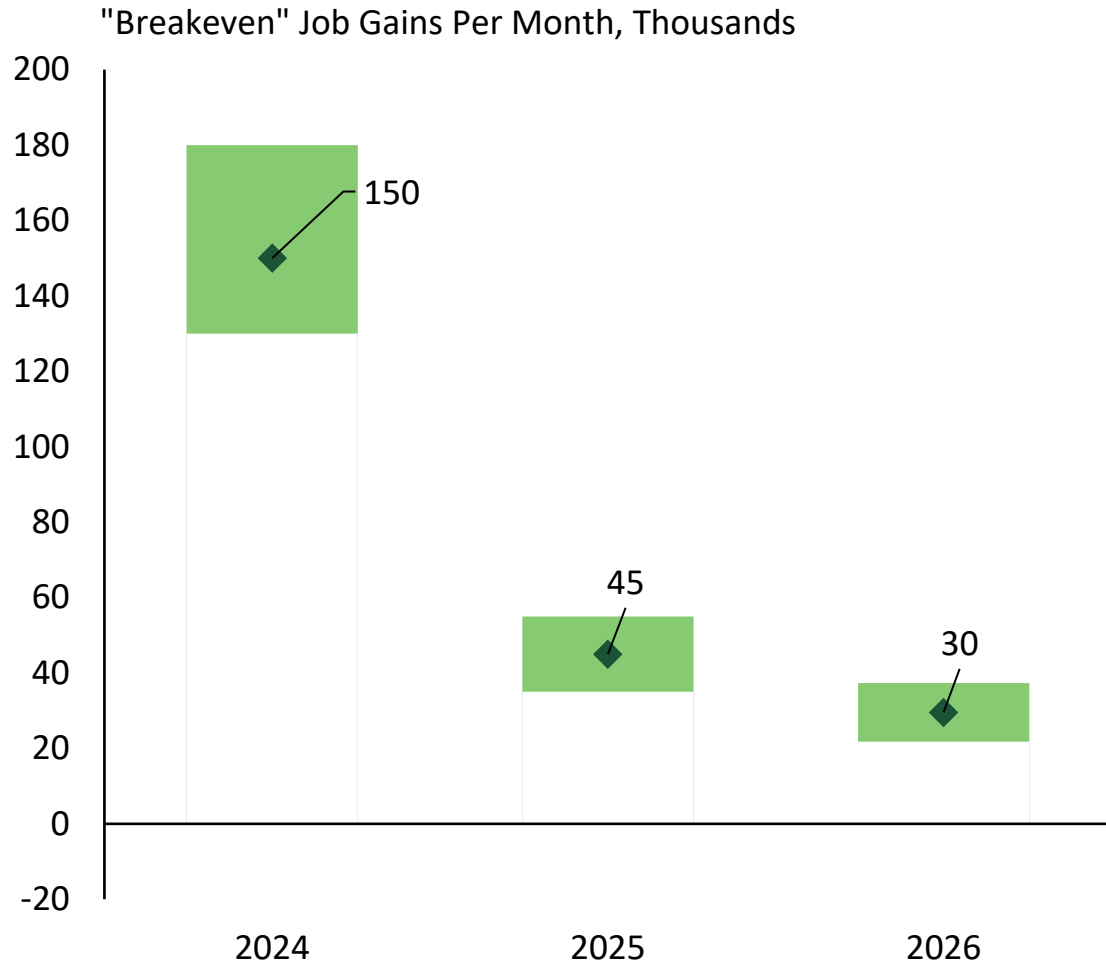
Source: Bureau of Economic Analysis, TD Economics.

*Measures the dollar increase relative to 2024.



Source: Bureau of Economic Analysis, TD Economics.

Fewer New Jobs Needed to Keep Jobless Rate Steady

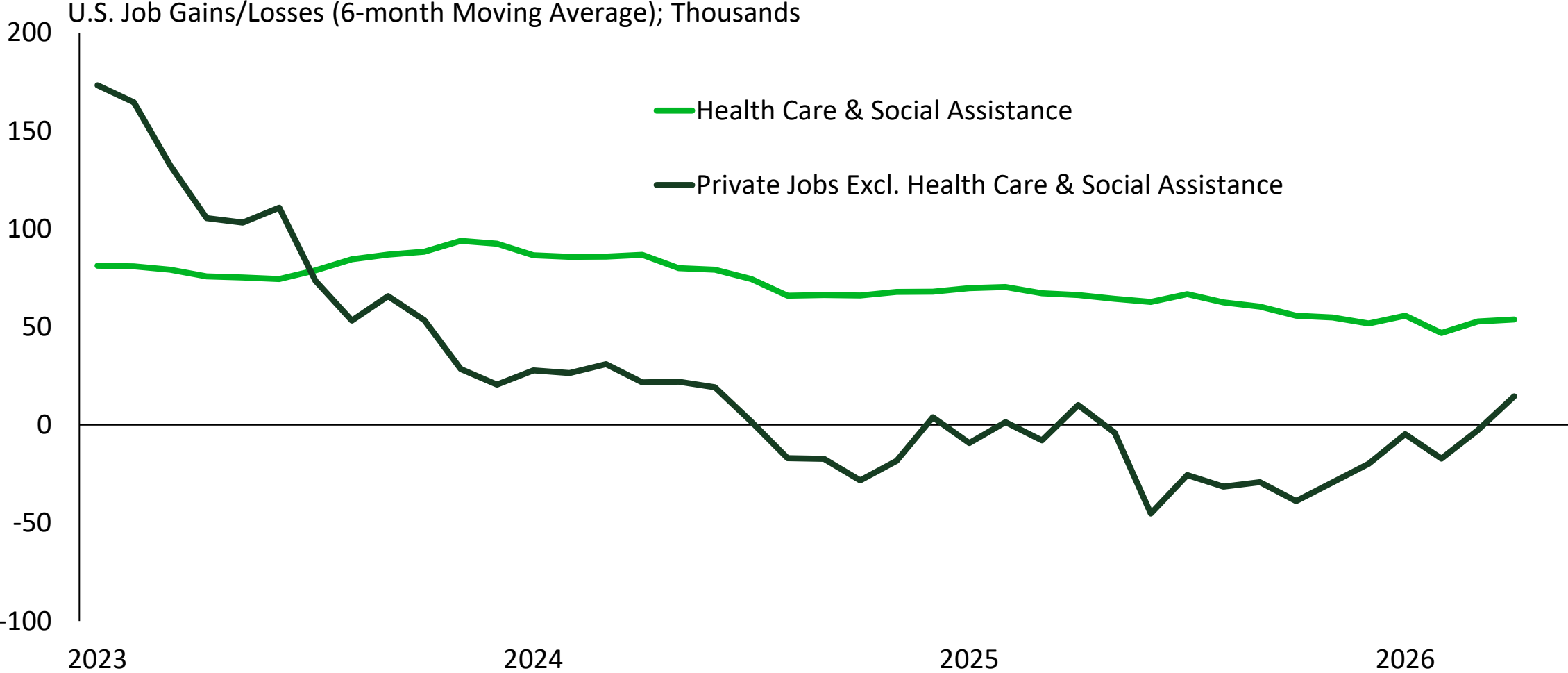


Source: Bureau of Labor Statistics, TD Economics.

Source: Bureau of Labor Statistics, TD Economics.

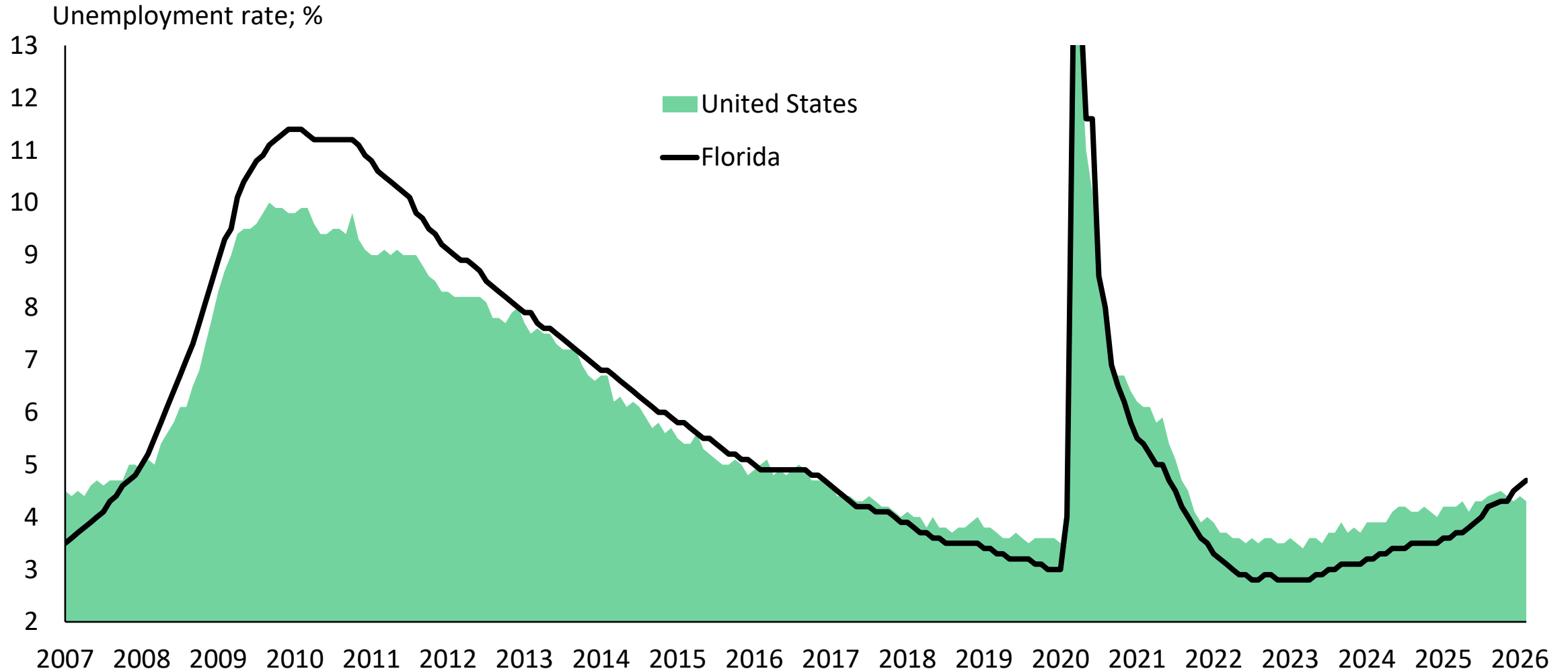
Note: Breakeven is the number of job gains required on a monthly basis to keep the unemployment rate steady.

Health Care Driving Job Gains



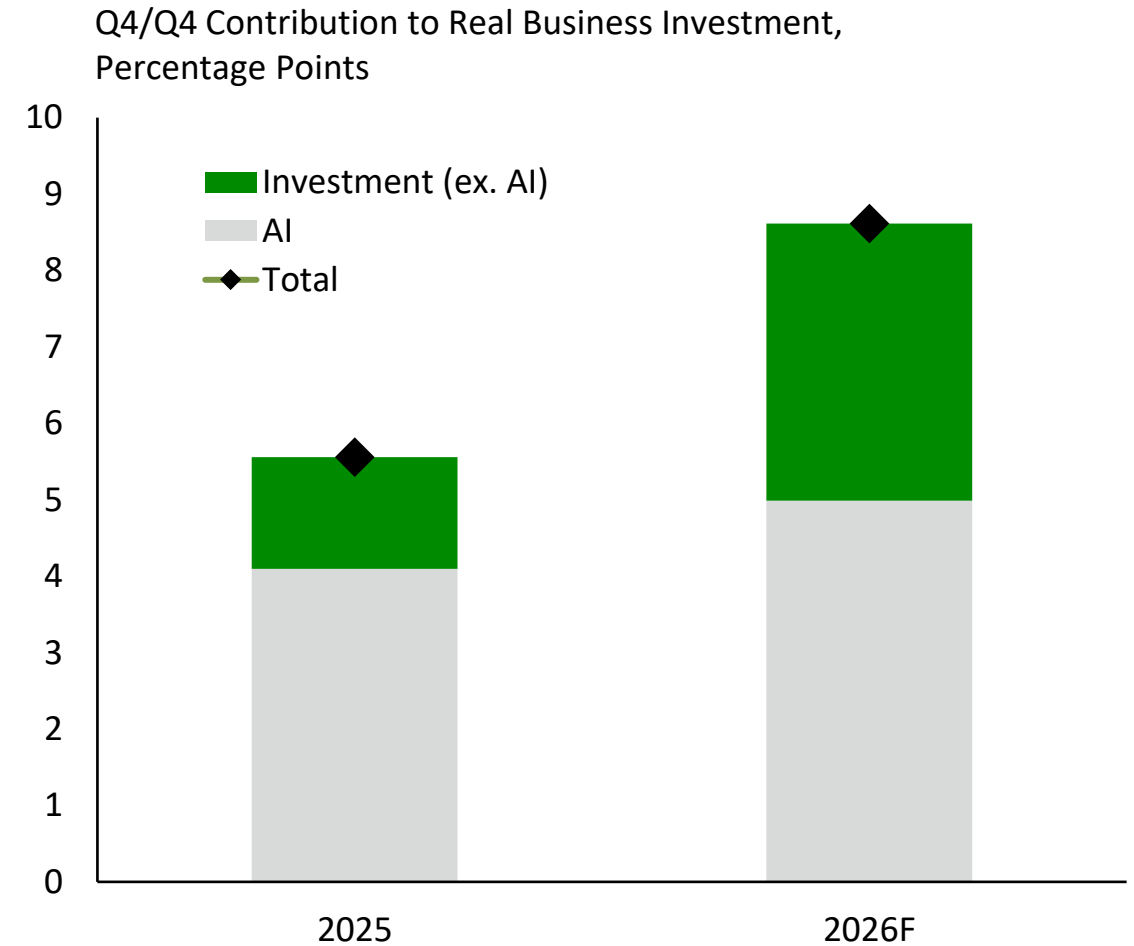
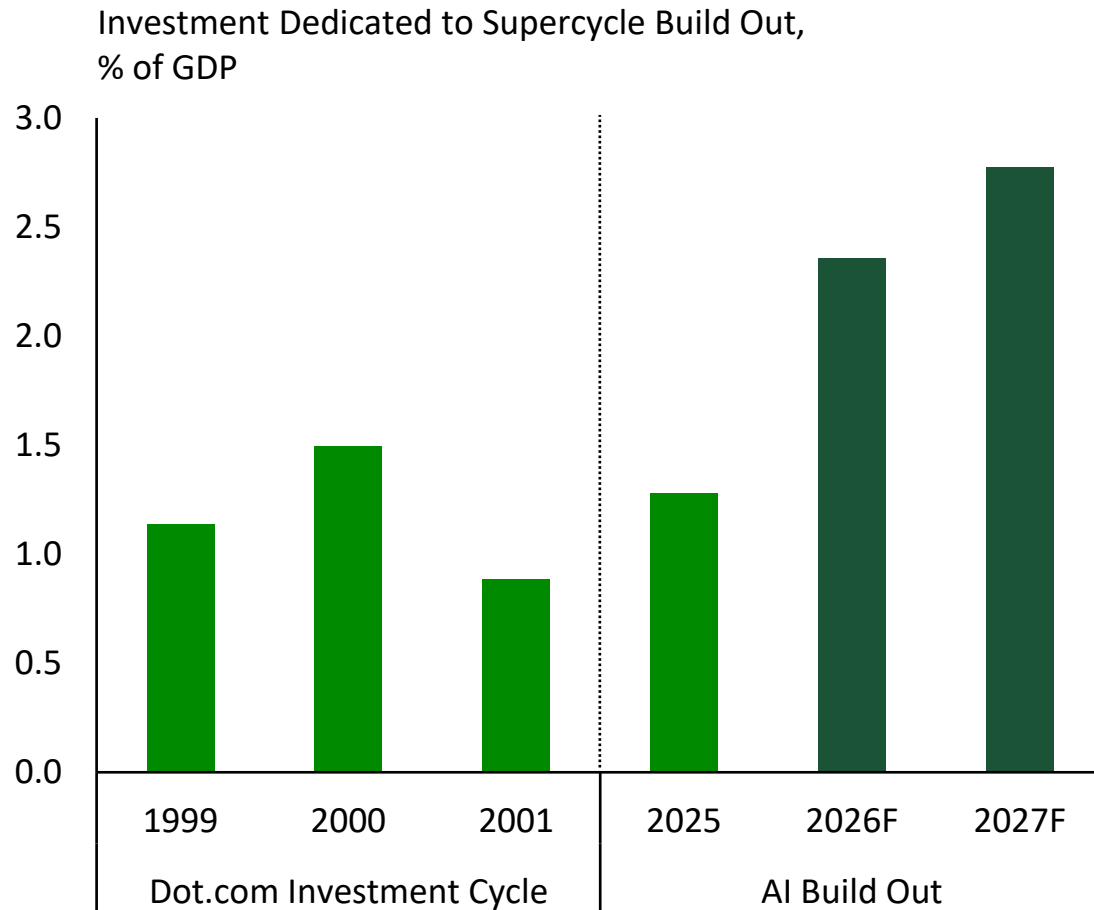
Source: Bureau of Labor Statistics, TD Economics.

Unemployment Rate in Florida Moving Higher



Sources: Bureau of Labor Statistics, TD Economics

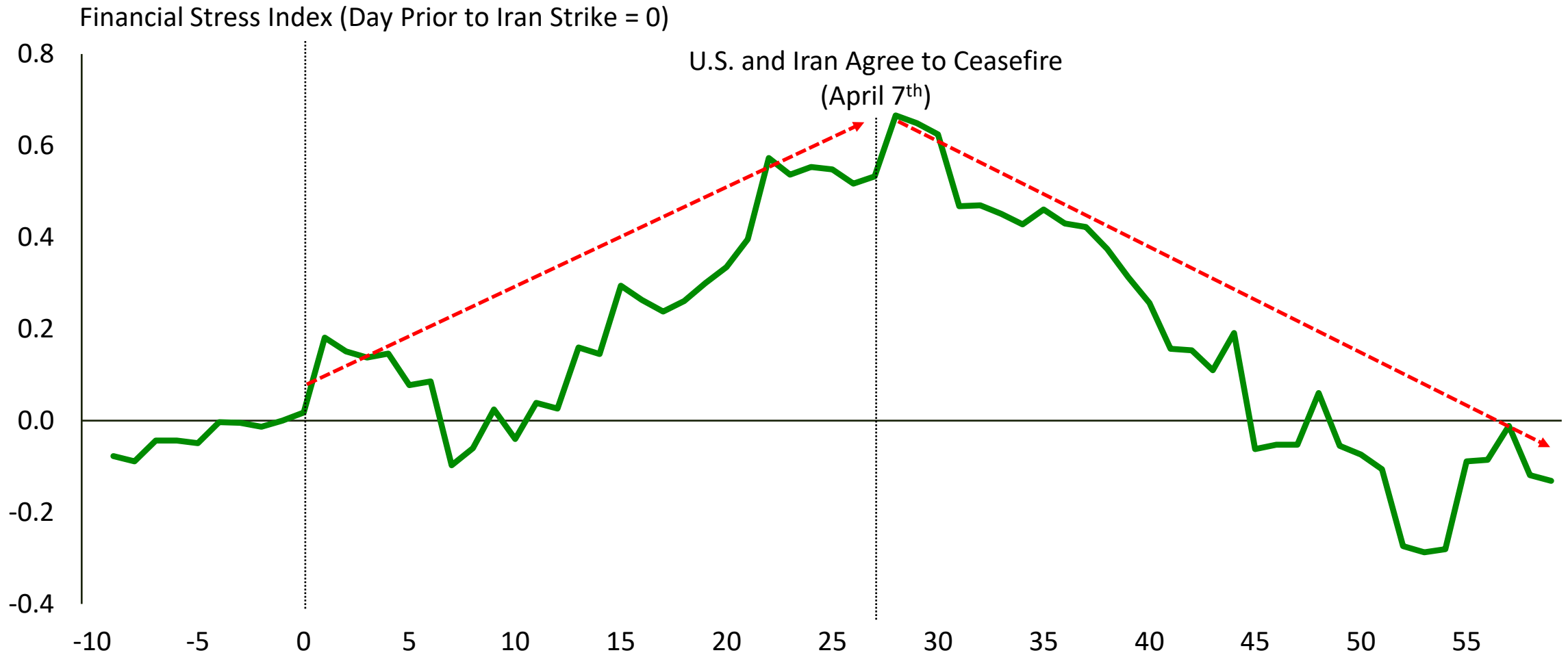
AI to Remain Dominant Force Driving U.S. Investment



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

Source: Bureau of Economic Analysis, TD Economics.

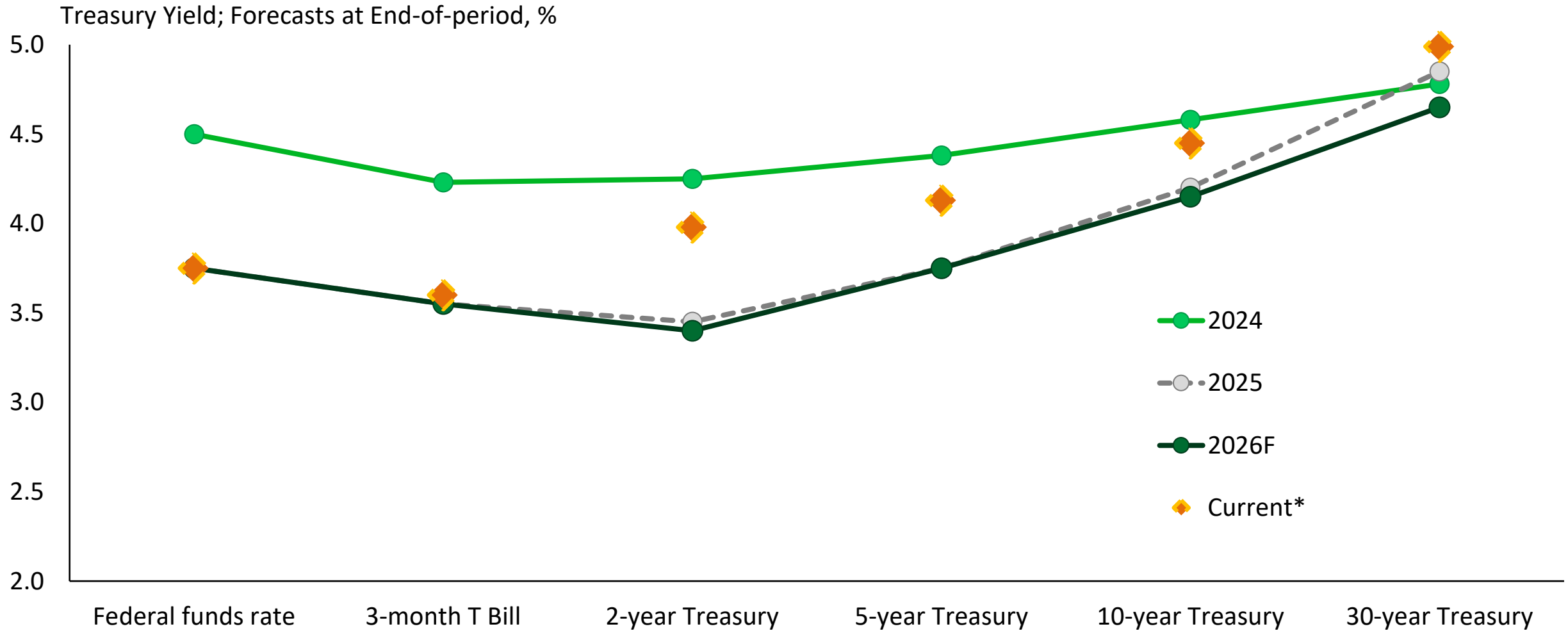
Are Financial Markets Complacent?



Source: Haver Analytics, TD Economics.

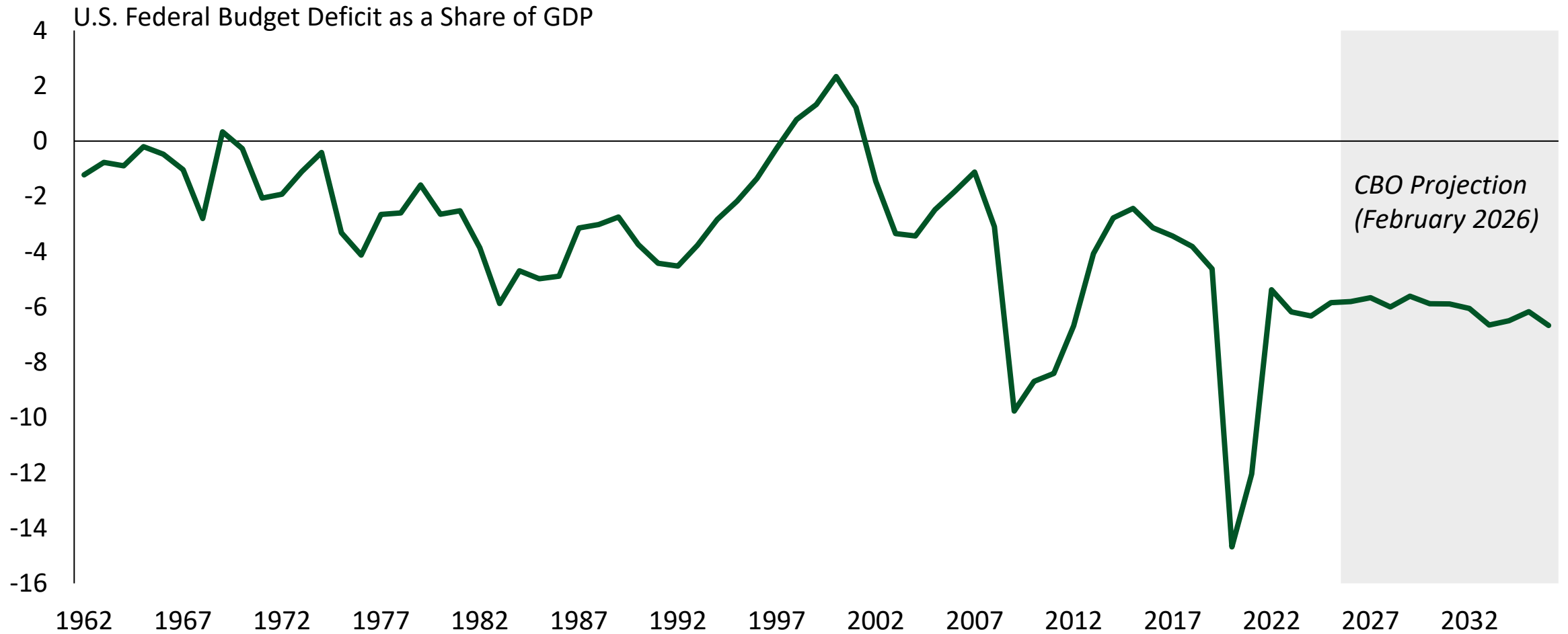
Last Observation: May 21, 2026

More Uncertainty Than Usual in Rate Outlook



*May 29 2026. Source: Federal Reserve, Bloomberg.

Stein's Law Still Applies to Federal Deficit



Source: Congressional Budget Office, TD Economics

■ *If something cannot go on forever, it will stop.

- The Mid-East Conflict is expected to deliver a larger temporary shock to inflation than growth.
 - U.S. growth expectations have been downgraded for 2026 and 2027, but only modestly.
 - The jobless rate is expected to remain stable in the low-4's.
 - Inflation is likely to peak at 4% y/y, 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 the final two quarter point cuts are anticipated.

- In the meantime, higher yields are weighing on interest sensitive activity, most notably housing.

- With the labor force stalling, real GDP growth has become increasingly dependent on productivity gains.
 - U.S. productivity is expected to continue running at 2%+ y/y, the envy of the G-7.