TD Asset Management

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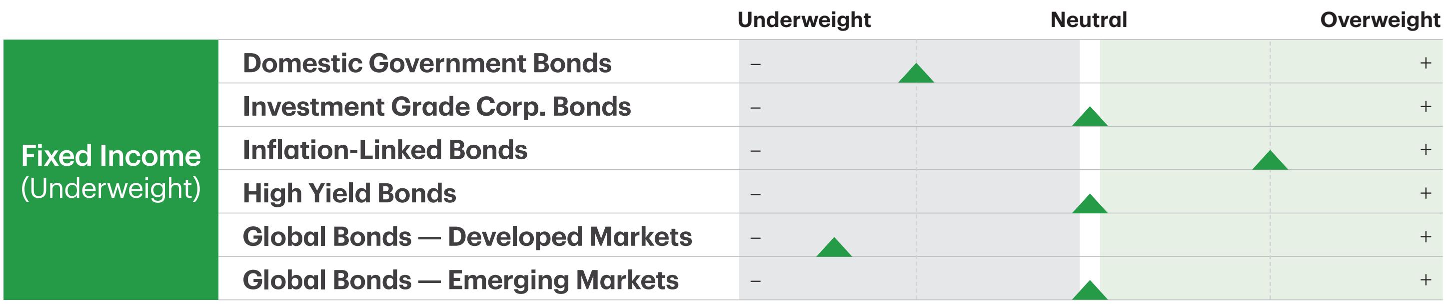
= Greater Insights

Fixed Income Forecast | 2020

The TD Wealth Asset Allocation Committee ("WAAC," "we") is modest underweight fixed income as an asset class. We expect bond yields to remain in a range near current low levels, as global growth expectations continue to be subdued and markets price in rate cuts for the coming years. Yields declined throughout 2019, driven by a wave of easing and dovish central bank policies across the globe as policy makers appear committed to using accommodation to sustain the economic expansion. Although currently underweight, we continue to believe that bonds remain an important component of multi-asset class portfolios as they help provide diversification and stability.



Domestic Government Bonds
(Modest underweight)

- Yields declined throughout 2019, driven by a wave of easing and dovish central bank policies across the globe
- Bond yields to remain in a range near current low levels, as global growth expectations remain subdued

Investment Grade Corporate Bonds
(Neutral)

- With Investment Grade Corporate bonds at full but fair valuation levels, we see a supportive backdrop allowing for continued incremental yield advantage over government bonds

Inflation-Linked Bonds
(Modest overweight)

- While a surge in inflation is not expected, insurance is inexpensive for investors looking to protect against a rise in interest rates

High Yield Bonds
(Neutral)

- High Yield bonds continue to offer an attractive yield advantage over government bonds and we remain positioned with an emphasis on liquidity and quality in our portfolios

Global Bonds – Developed Markets
(Maximum underweight)

- Low or negative nominal and real yields in Europe and Japan are not compelling from a risk-reward perspective

Global Bonds – Emerging Markets
(Neutral)

- Discrete opportunities exist in emerging market sovereign debt amid broader volatility. Asymmetrical risks exist and require focused analysis and monitoring

Part of the WAAC's mandate is to highlight risks and opportunities on the horizon. Below are some of the factors we will be watching in 2020.

↑ Opportunity ↔ Neutral ↓ Risk

What We're Monitoring		Potential Implications
Moderated global economic growth	↓	Yields to remain in a range near current low levels, as global growth expectations continue to be subdued.
	↓	Slowing economic conditions could lead to corporate spread widening, particularly for companies with weaker balance sheets.
Central Bank easing	↔	Central Banks globally have provided increased stimulus. This backdrop remains supportive of a lower for longer yield environment.
Geopolitical concerns	↓	Concerns continue to dominate the geopolitical landscape. These include: U.S.-China trade, Brexit uncertainty, conflict in the Middle-East, populist destabilization of international institutions, and the decline in trust of governments.
Valuations	↔	Valuations remain on the full side of fair. Given the decrease in recession risk due to continued central bank support, corporate securities continue to provide increased income in a low-income environment.