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Dear clients,

The news in the real estate market has been relatively quiet for the last 6 weeks. I thought I would provide some information on the greater picture.

The Bank of Canada has remained – somewhat defiantly – on the sidelines yet again, but it is feeling the pressure to get back into the game and one obstacle has now been removed.

The bank held its benchmark rate at 1.75% for an eighth straight setting. At the same time it has clearly signalled it may not be able to hold that line much longer. In its quarterly Monetary Policy Report (MPR) the bank pointed directly at trade conflicts (such as the U.S. – China tariff war) as the key cause of a global economic slowdown. Growth has fallen to its lowest level since the financial collapse in 2007. Around the world more than 35 other central banks have already cut rates in an effort to keep growth from stopping altogether.

The U.S. Federal Reserve has made three cuts in the past several months. That has boosted the strength of the Canadian dollar which makes the country's exports more expensive on the world market. Given that the central bank has been counting on more business investment and spending to pick up the economic slack as debt-burdened consumers switch from spending to saving and repaying their loans, headwinds for exports and business are unwelcome.

The Bank of Canada, however, is not concerned that a drop in interest rates will trigger a renewed frenzy of debt-funded consumer spending. It is satisfied that the biggest component of household debt – mortgages – have been stabilized by the B-20 regulations. And another big obstruction has been removed. The federal election is over so the bank can operate without risking the appearance of political favouritism.

We have been expecting a rate drop in variable for some time now and it seems the Bank of Canada is waiting until the new year. I will keep everyone informed as I hear.