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Market Trends

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Hi ... Looks like the variable rate mortgages will continue to be our best option - why???

Find attached this month's Economic Indicators from CIBC World Markets (click below)

Experts Recommend Variable - July 2006

• Canada's GDP growth rate was 3.8 in Q1 of 2006. The forecast is for a 2.2 growth rate in Q1 of 2007.

• US GDP growth rate was a heated 5.6 in Q1 of 2006. The forecast is for a 2.0 growth rate in Q1 of 2007.

These two key forecasts are what leads CIBC World Markets to believe we'll see a 75 bp reduction in both Canada's Bank of Canada rate and the US Fed Funds rate by June 2007. While Canada is no longer in it's tightening mode as evident by moving to the sidelines in the latest meeting, the forecast remains for the US to hike the Fed Funds rate one more time to 5.50% before moving to the sidelines themselves for a short time before reducing rates in 2007.

In Canada the combination of a slowing US economy and a strong CDN Dollar will result in the cooling of the Canadian economy in 2007.

The bond market forecasts continue to be strong, with a prediction of nearly 50 bp reduction in the 10 year Gov't bond yield which should lead to lower long term fixed rate mortgages in 2007.

Other articles in this month's report discuss the US inflation rate which includes rental markets. Because rates have increased in the US, many more Americans cannot afford home ownership and have moved to the rental market which has caused it to tighten and resulted in higher rental rates and reduced vacancies. While the prediction is for core inflation to rise in the near future, a reduction is forecasted in 2007 as the economy cools. Back down to 2004/2005 levels of around 2.0%.

The last article is one that discusses how the US economic growth no longer has as strong an influence as it used to on global growth.

Thank you,
Steve Garganis

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