

Canada Sideswiped By Global Tensions

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Global Economic Slowdown Concerns Bank of Canada



Slower U.S. Still Tops Developed World

China's Growth Slowest in 30 Years

Europe and Japan Weak

Brexit Fallout

Canada's Growth Peaked in Q2

Most Central Banks Cut Rates

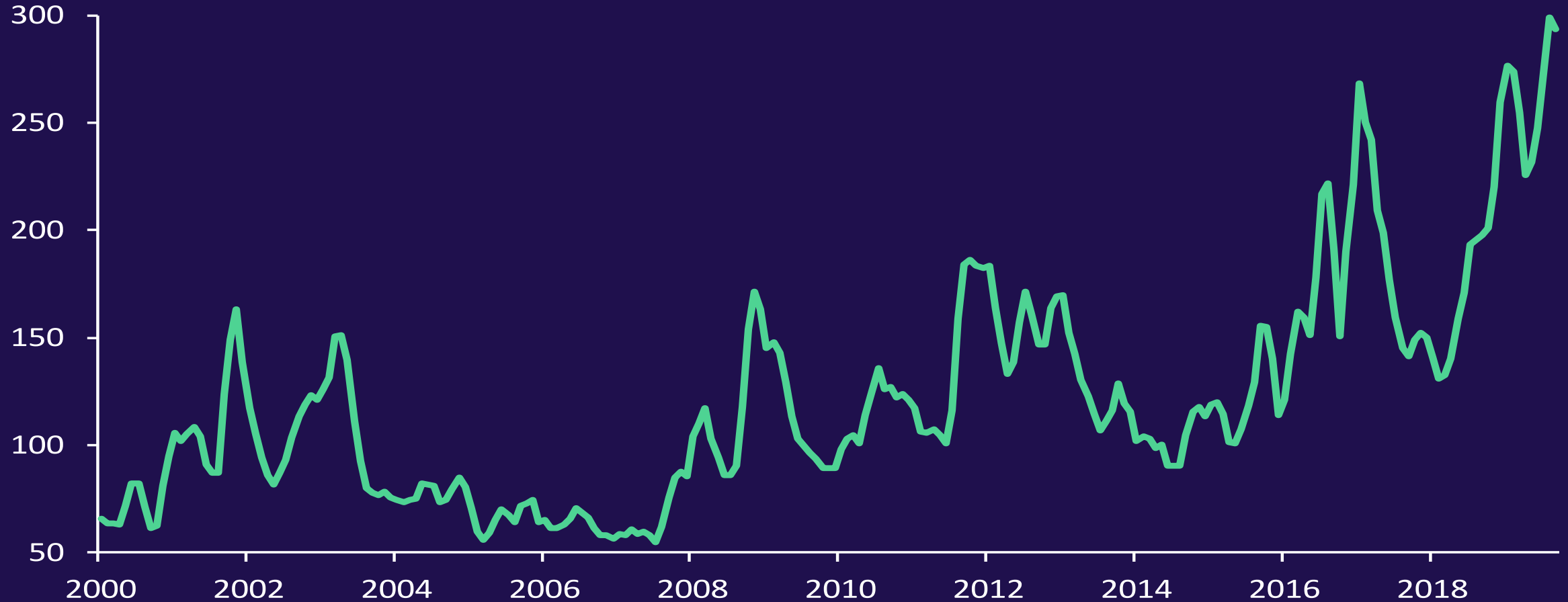
Inverted Yield Curve

Negative Interest Rates Abound

Global Economic Policy Uncertainly Surges

Global Economic Policy Uncertainty Index

(current price GDP weighted, 3-month moving average, mean = 100)



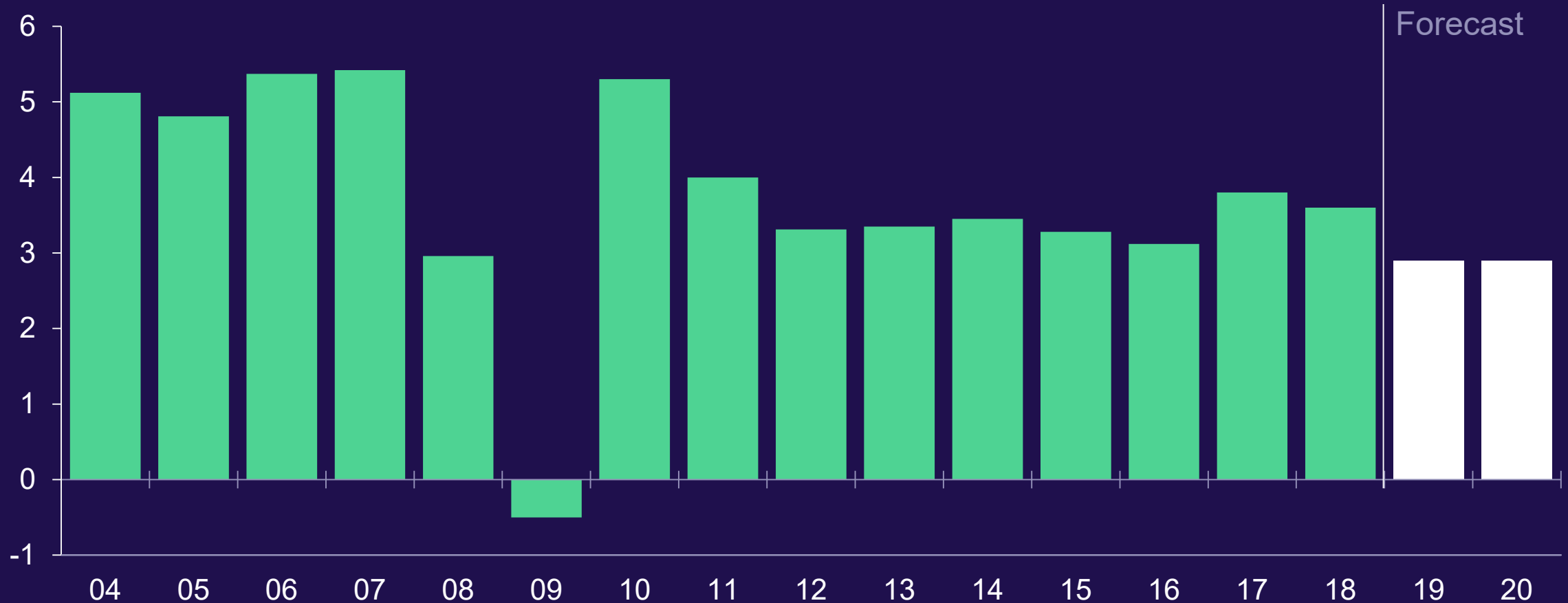
Source: PolicyUncertainty.com (Davis, Steven J., 2016. "An Index of Global Economic Policy Uncertainty," Macroeconomic Review, October)

Global Growth Slows As Tensions Build

Real GDP
(year/year % change)

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	2018	2019	2020
Global	3.6	2.9	2.9



Forecast = BMO Capital Markets
Source: OECD, BMO Capital Markets

Canada's Growth Running Shy Of Potential



Consumer Spending

Job Growth Strong

Household Income Rising

Housing Rebounds

Business Investment Dismal

Net Exports Slow

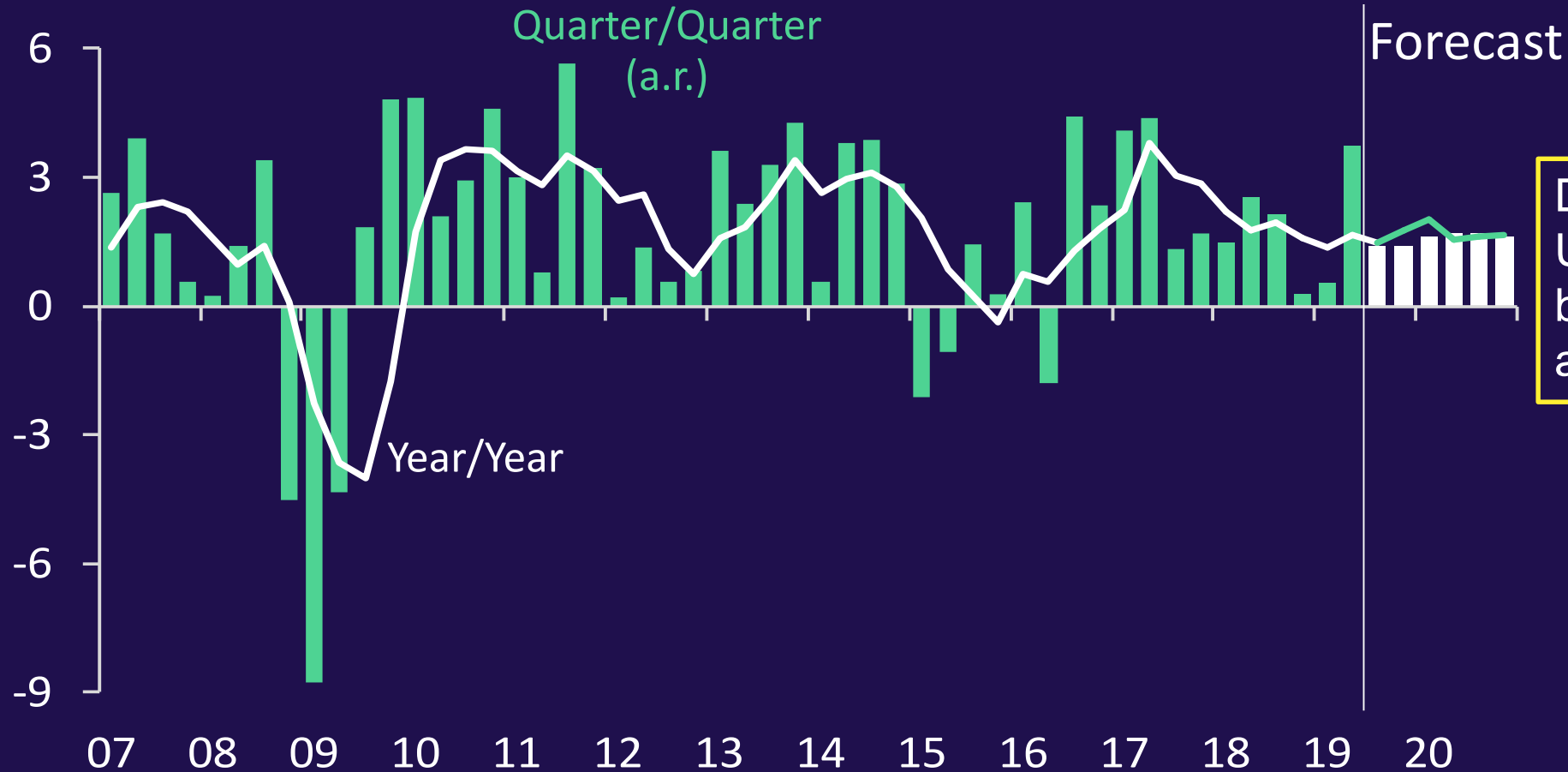
Trade Uncertainty

Canadian Growth Hits Potential

Real GDP
(percent change)

2018	2019	2020
1.9	1.5	1.7

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Dampened by slower U.S. growth and China's ban on Canadian canola and beef imports.

Forecast = BMO Capital Markets Economics

Source: Haver Analytics, Statistics Canada, Royal Bank of Canada Economics

U.S. Growth Slows To Sub-2%



Consumers Solid For Now

Rest of the Economy Sags

Tariffs

Waning Effect of Tax Cut

Business Spending Weakens

Manufacturers Struggle

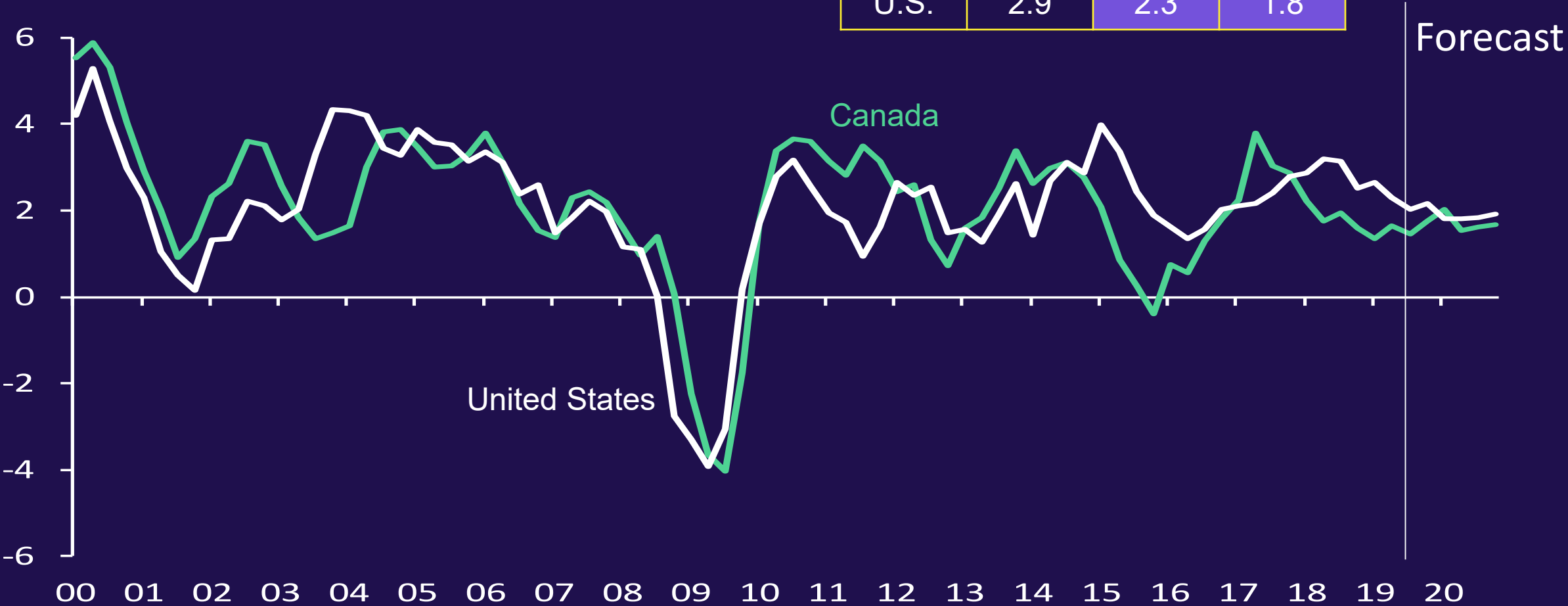
Exports Plunge

Residential Construction Shrinks

U.S. Economy Slows Too

Real GDP
(year/year % percent)

	2018	2019	2020
Canada	1.9	1.5	1.7
U.S.	2.9	2.3	1.8



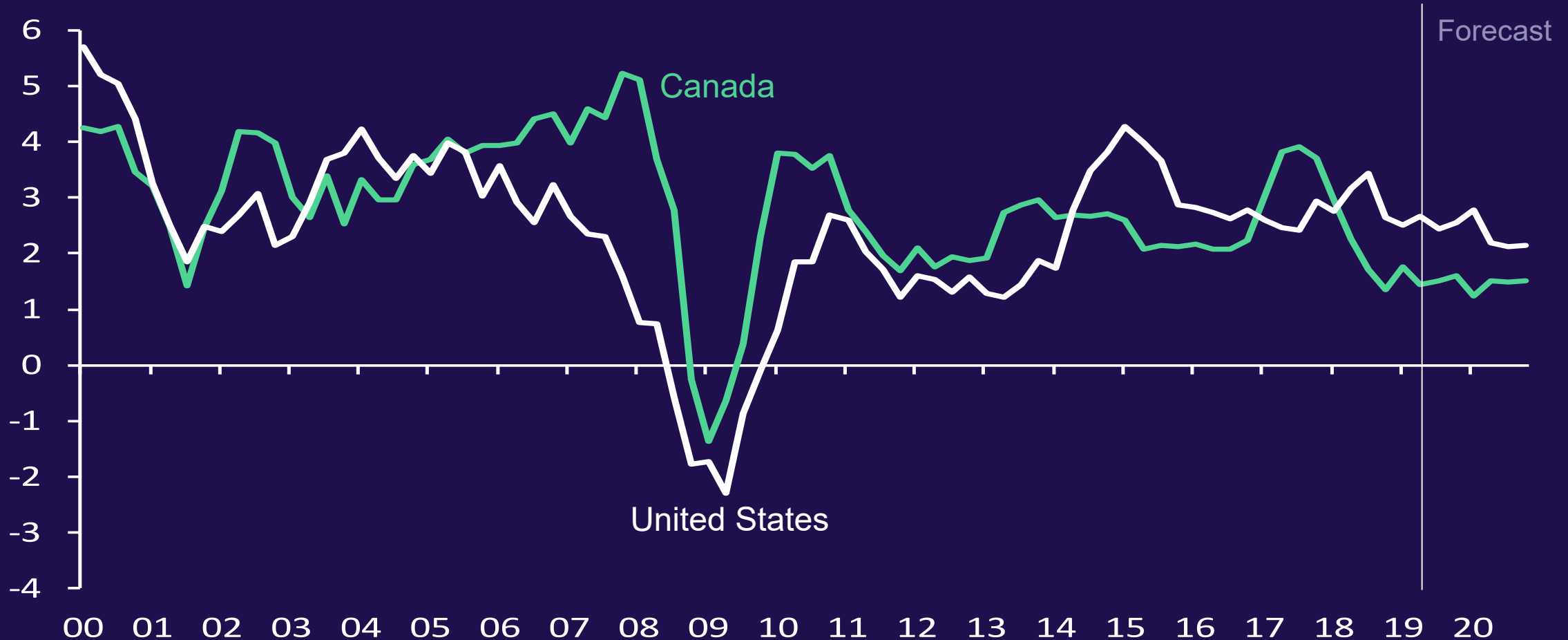
Forecast = BMO Capital Markets Economics
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

Consumers Have Bolstered The Economy

Real Personal Consumption Expenditure
(year/year % percent)



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Forecast= BMO Capital Markets

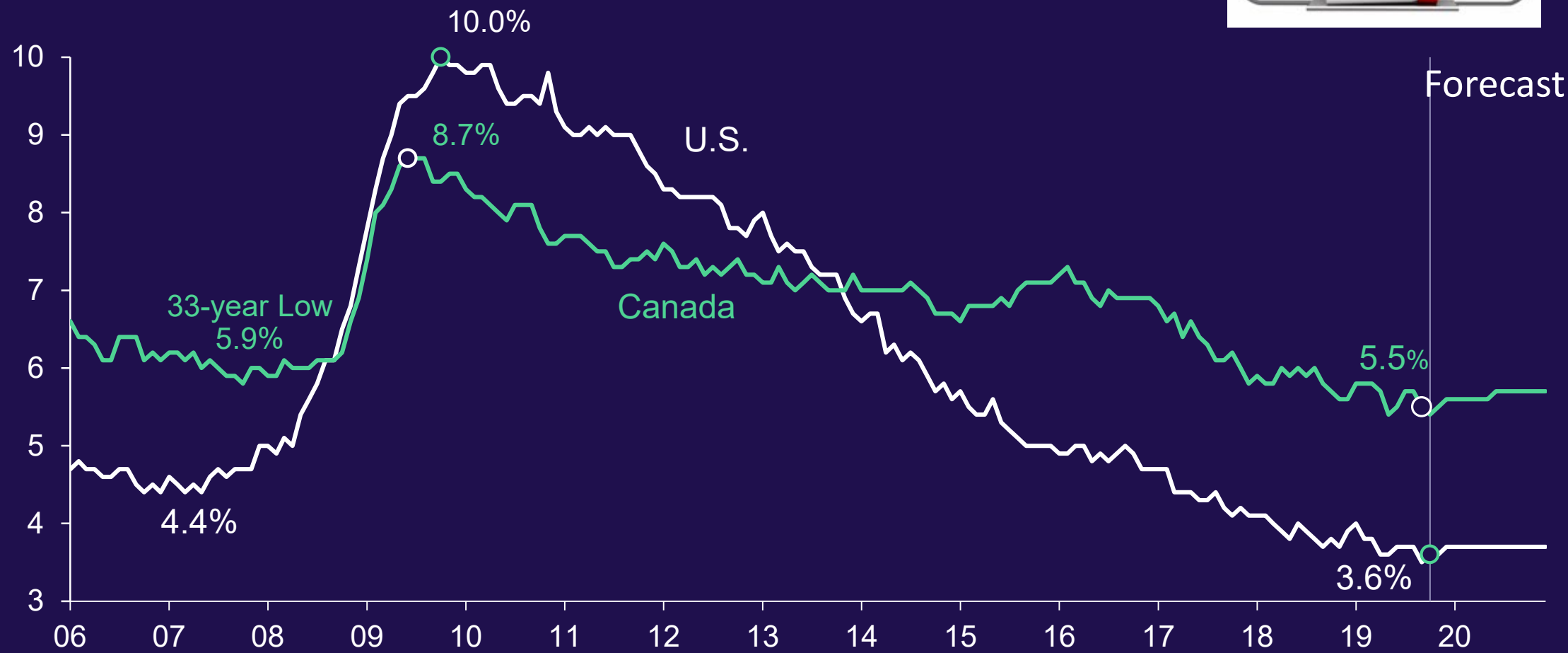
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

Jobless Rate At Historical Lows As Incomes Grow

(percent)



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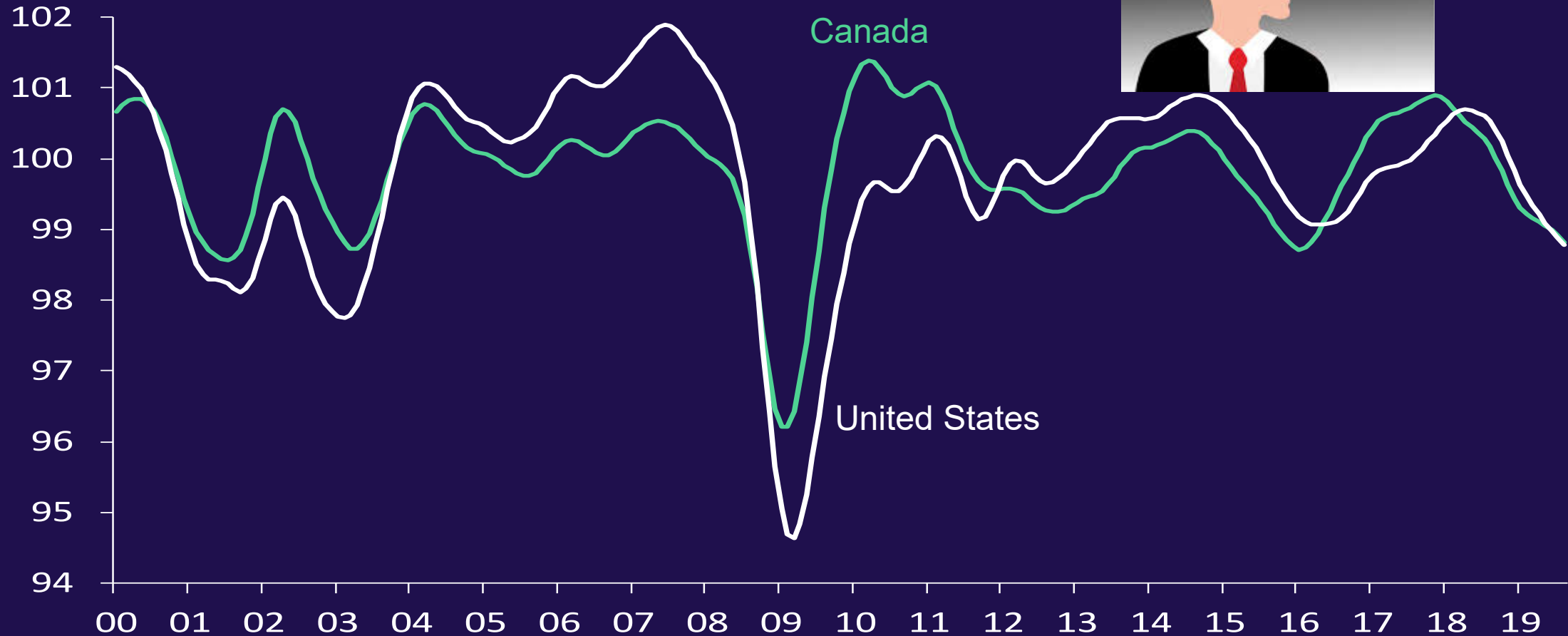


Source: Haver Analytics, Statistics Canada, Bureau of Labor Statistics

But Consumer Confidence Weakens

OECD Consumer Confidence Index
(long-term average = 100)

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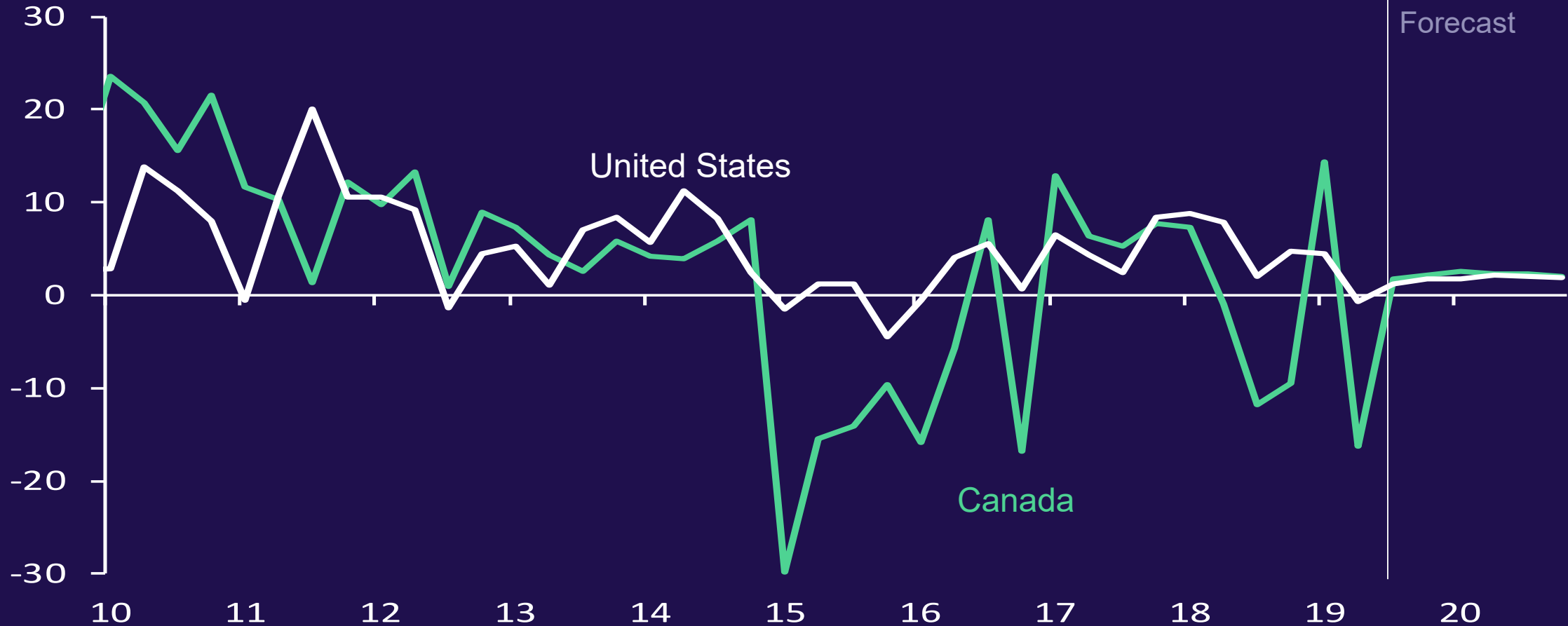


Uncertainty Drags Down Business Investment

Real Non-Residential Business Investment
(Qtr/Qtr, percent at annual rates)



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Loonie Tied To Oil And New NAFTA



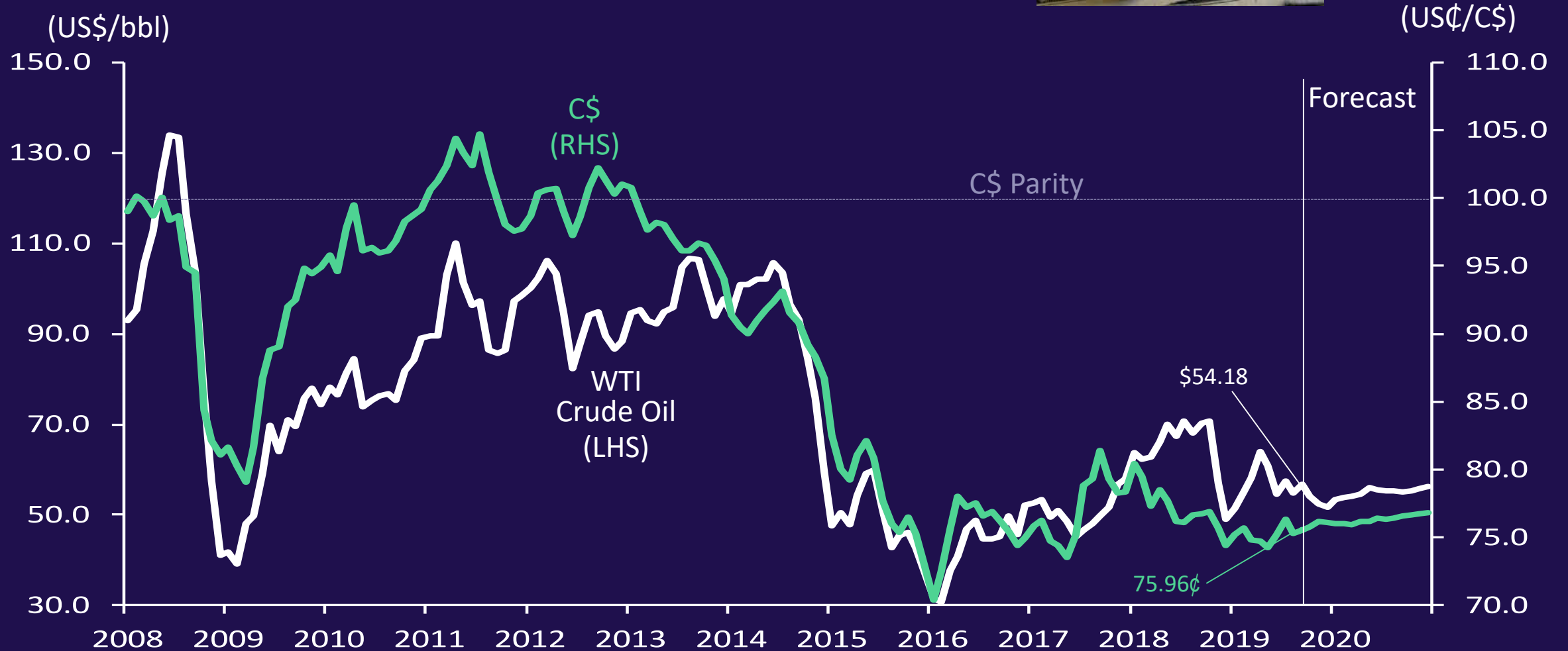
Oil Prices Down From Recent Peak
Trade War Uncertainty Escalates
USMCA in 2019?

Oil Price And The Loonie

(as of October 31, 2019)



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Forecast = BMO Capital Markets

Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration

Financial Markets

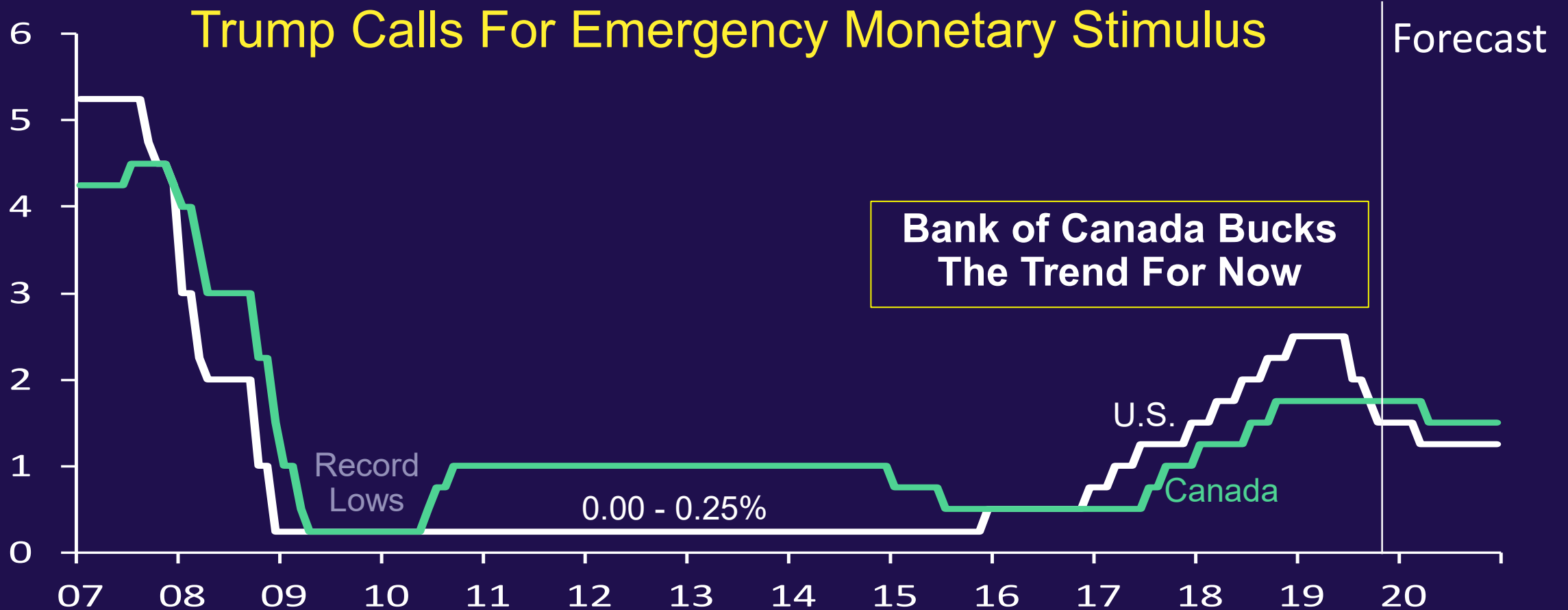


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Bank of Canada Shifts to Neutral
Fed and Other Central Banks Ease
Mortgage Rates Fell Sharply...
Now Edging Upward
Inverted Yield Curves

More Than 30 Central Banks Have Cut Rates in 2019

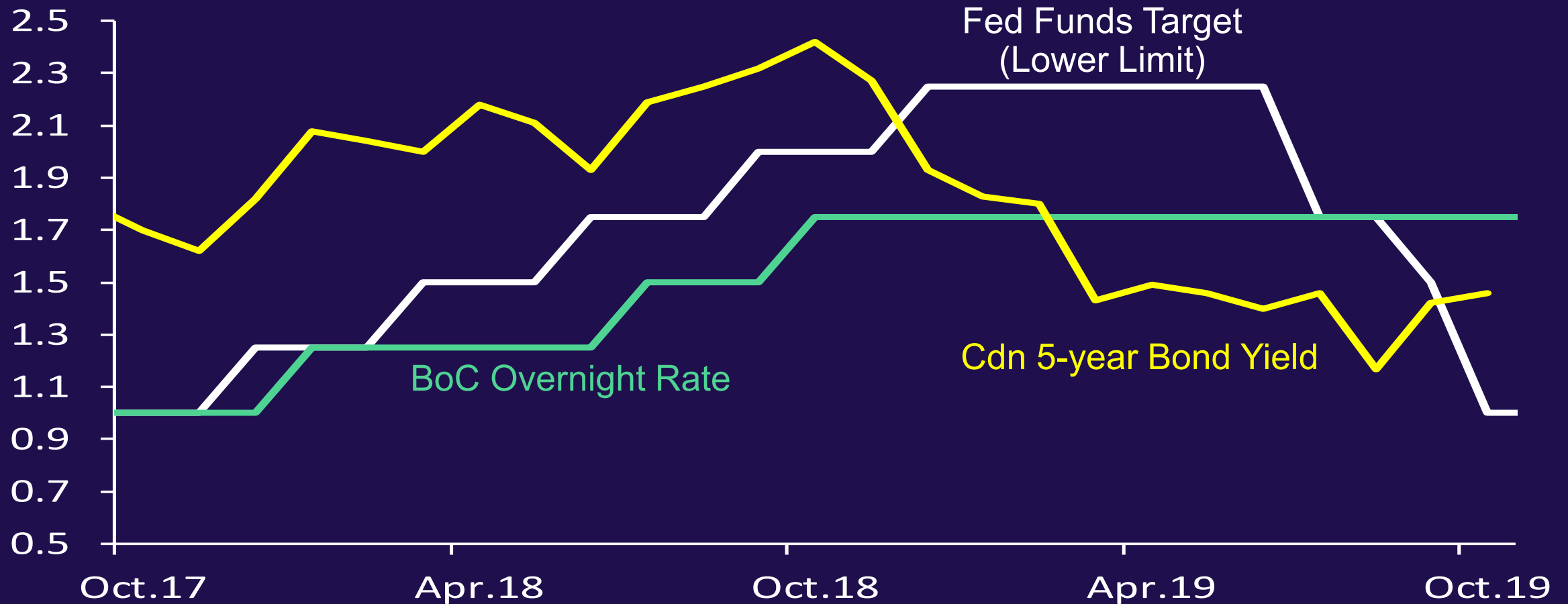
Overnight Rate
(percent)



Canada Has Highest Target Overnight Rate Of the Majors

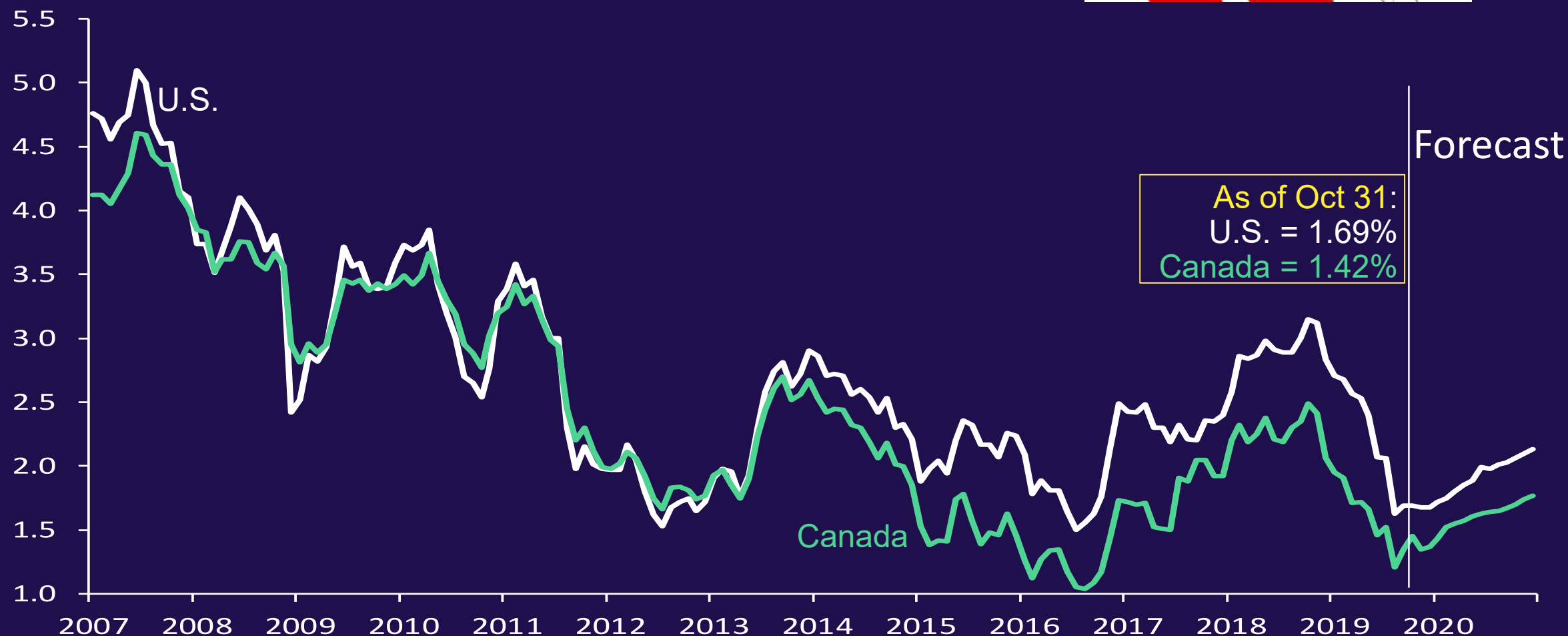
(percent)

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Long Yields Low, But Edged Up Recently

10-year Bond Yields
(percent)



Forecast = BMO Capital Markets

Source: Bank of Canada, Federal Reserve Board



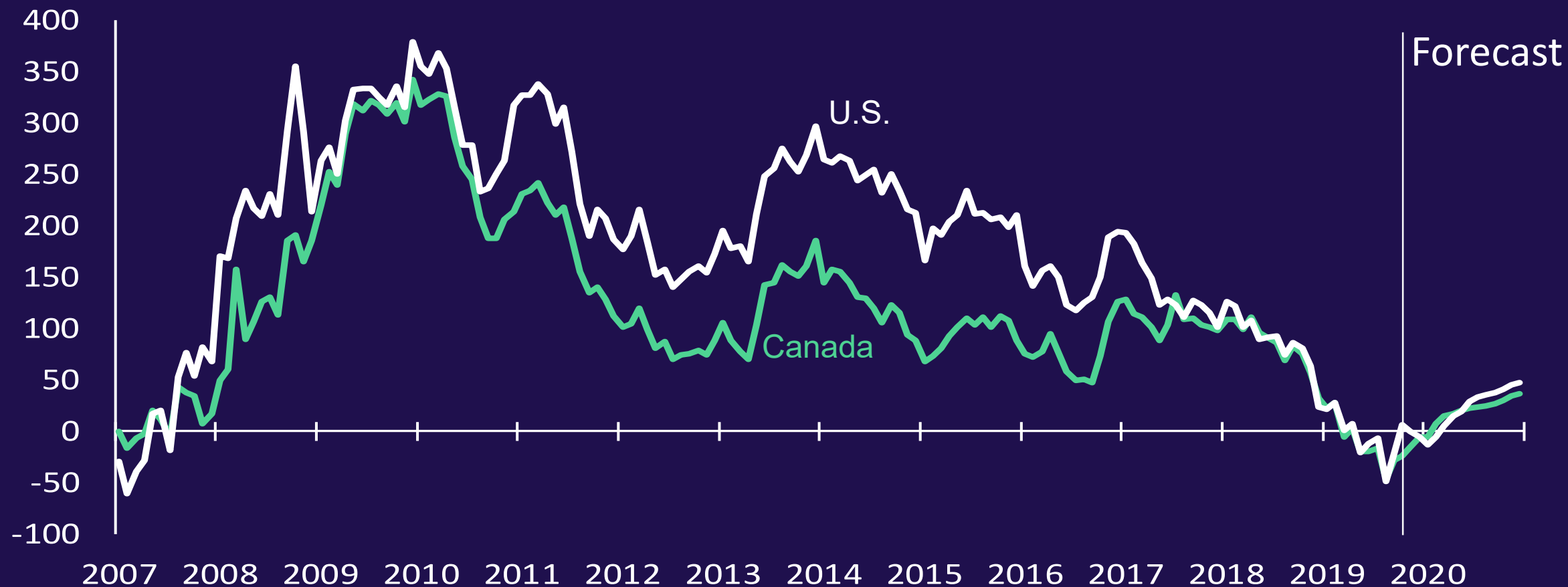
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Inverted Yield Curve in Canada & U.S.

10-year Bond Yields minus 90-Day Bill Rates (Oct. 31, 2019)
(percent)



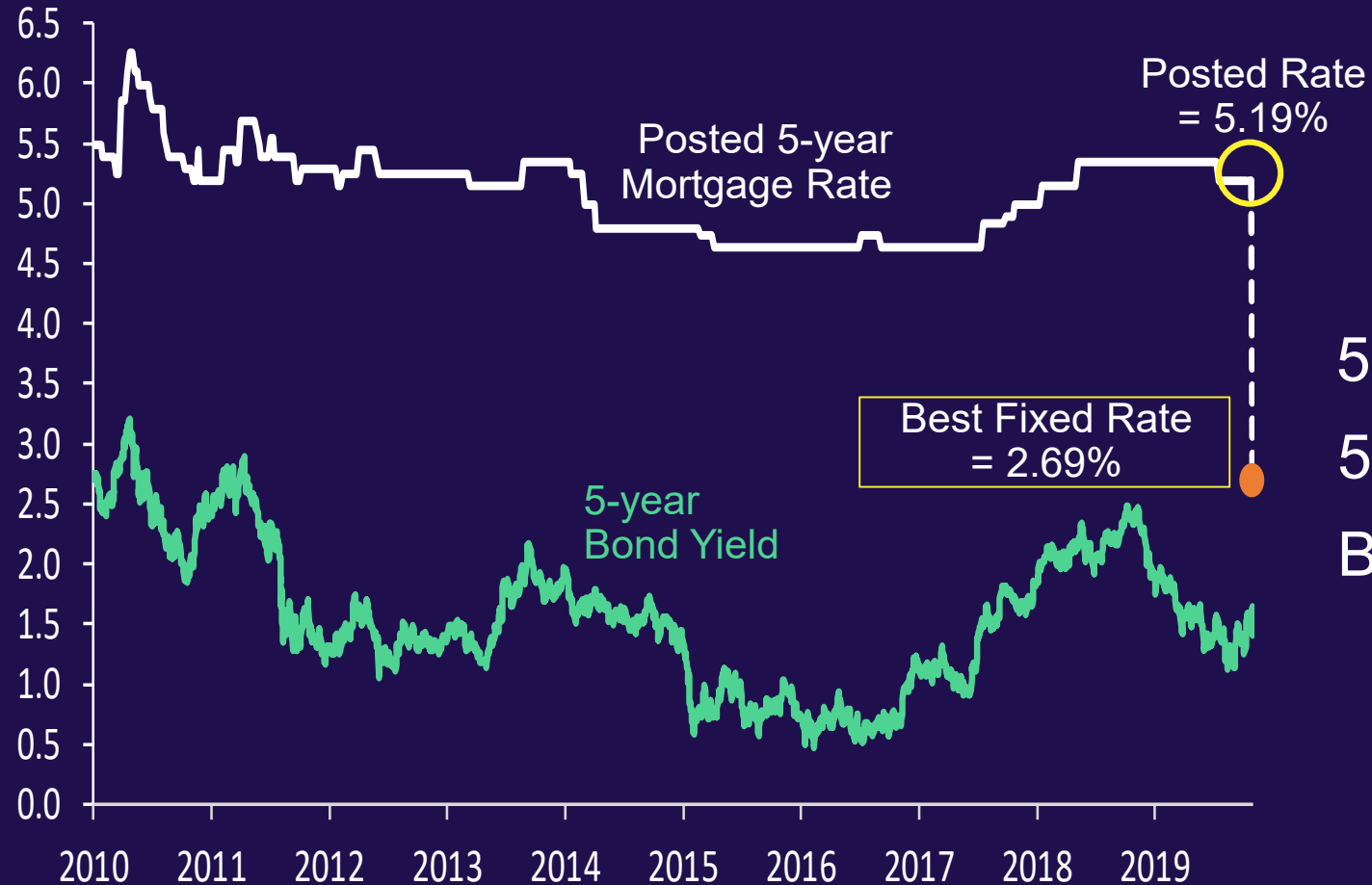
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Some Upside Pressure On Mortgage Rates

Canada

(percent, as of October 31, 2019)



5-year Bond Yield Up A Bit Recently
5-year Fixed Mortgage Rates Up
But Lenders Compete Aggressively



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Long-Term Yields Are Tumbling, Especially Fixed Mortgage Rates

(Canada, percent, as of November 1, 2019)

Canadian	Year-End 2018	Sept 20, 2019	BP Change Sept 20 Ytd	Nov 1, 2019	BP Change Nov 1 Ytd
3-Month Bill	1.64	1.63	-1	1.57	-7
Prime Rate	3.95	3.95	0	3.95	0
5-Year Bond	1.85	1.42	-43	1.47	-38
10-Year Bond	1.92	1.38	-54	1.46	-46
Mortgage Rates	Year-End 2018	Sept 20, 2019	BP Change	Nov 1, 2019	BP Change
Qualifying	5.34	5.19	-15	5.19	-15
Best 5-Year Fixed	3.49	2.59	-90	2.69*	-80
Best 5-Year Var	2.95	2.90	-5	2.90*	0

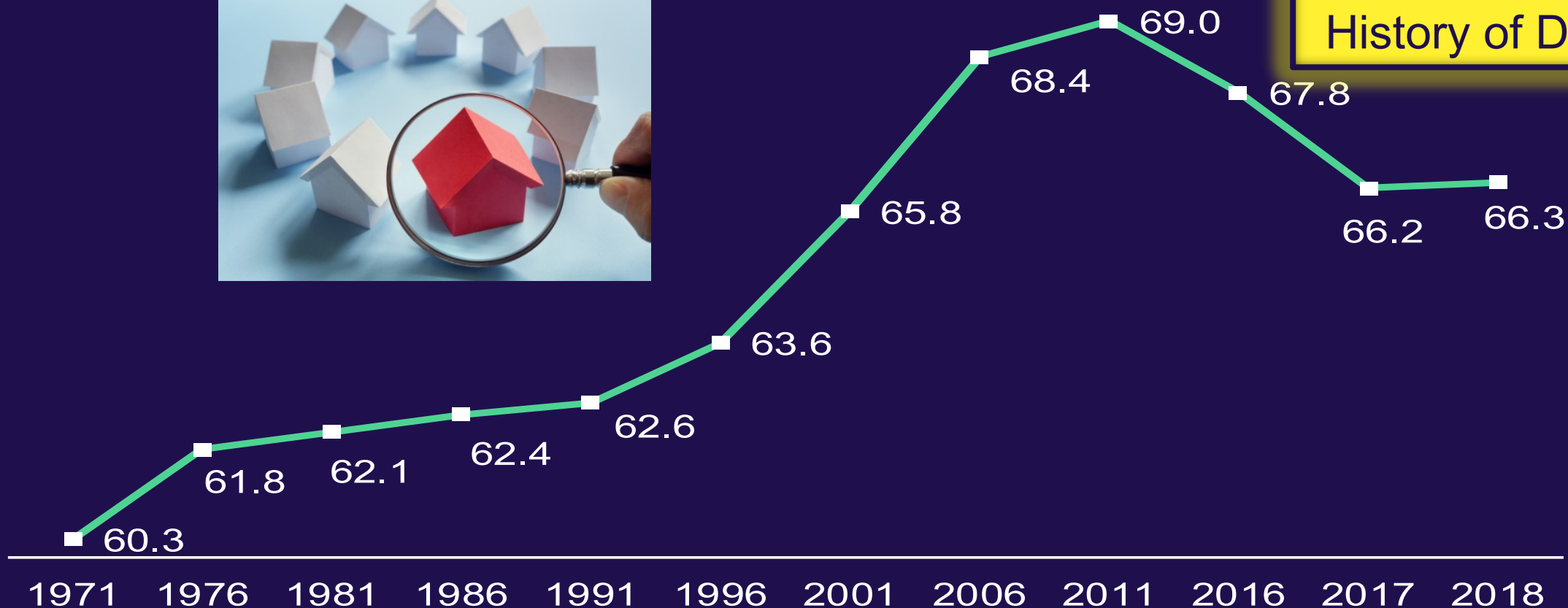
Housing Recovery In Play



B20 Still Binding For Many
Momentum in FTHB Space
Mortgage Quality Strong Except Prairies
High Ratio Mortgage Market Improving
Affordability Improves A Bit
Mortgage-Broker Channel Growing

Canadian Homeownership Ratio Falls

Homeowners as a % of all Canadian Households
(percent)

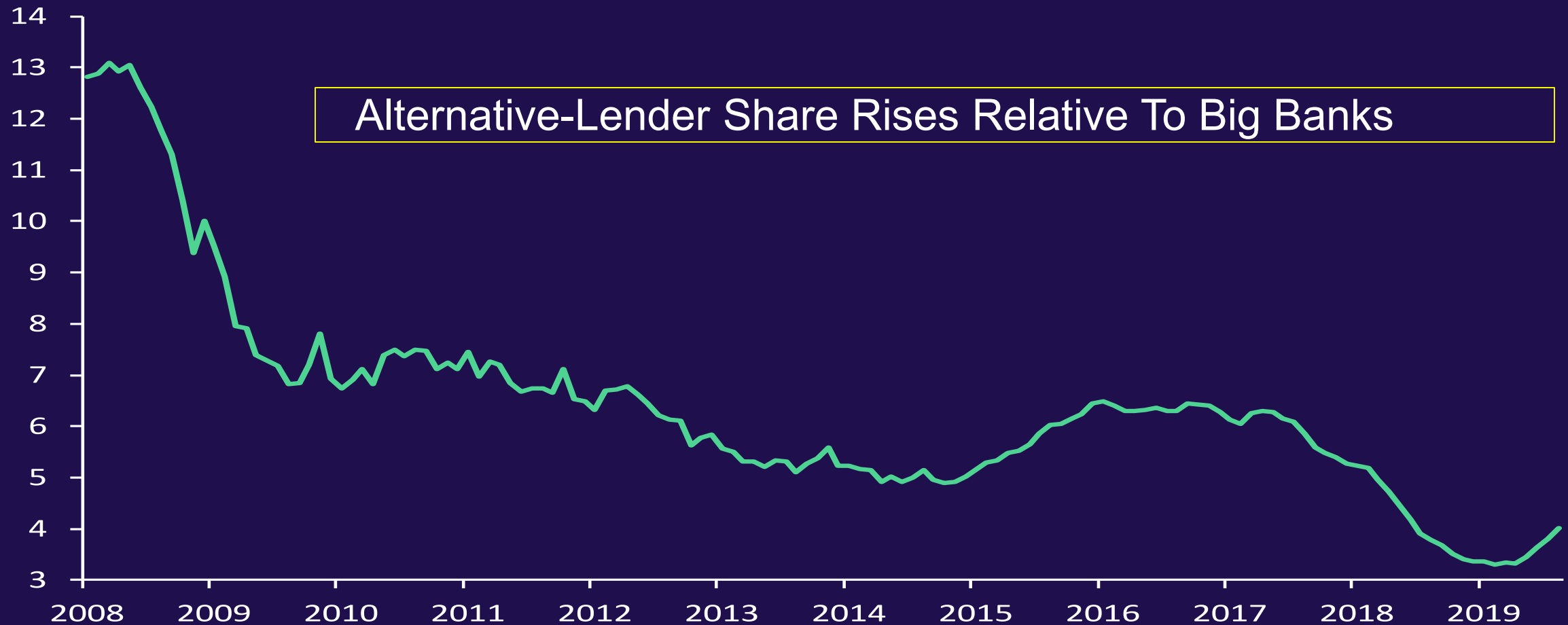


First Decline in
History of Data

Big-Bank Home Mortgage Lending Edges Up Slowly

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Residential Mortgage Credit
(year/year % change, seasonally adjusted)



Over-Extended Debtors A Small Segment



40% of Homeowners Are Mortgage-Free
33% of Households Are Debt-Free
25% Have Less Than \$25k in Debt...

So 58% of Households Nearly Debt Free

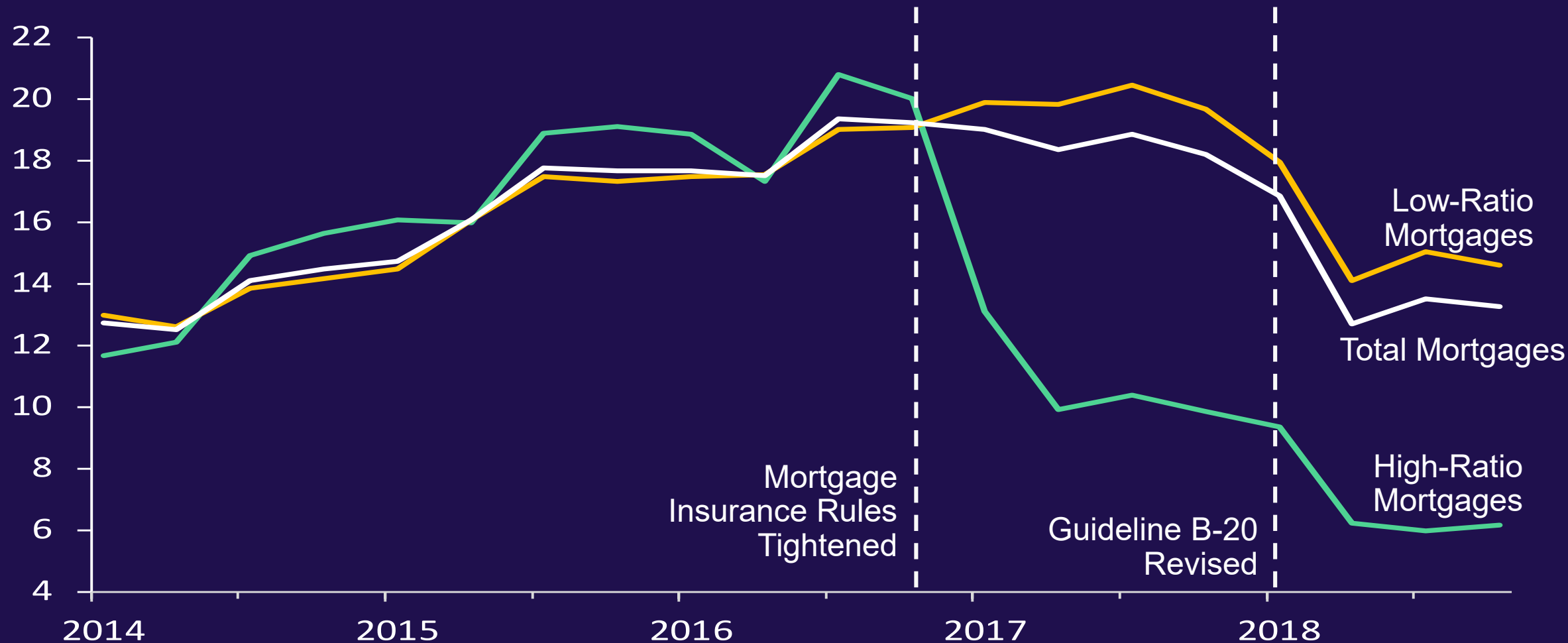
Mortgage Delinquencies--.23% in Canada...
But Up Sharply to 0.86% in Saskatchewan
and to .50% in Alberta



Fewer Mortgages Are Going To Highly Indebted Borrowers

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Share of New Mortgages with Loan-to-Income Ratios Greater than 450%



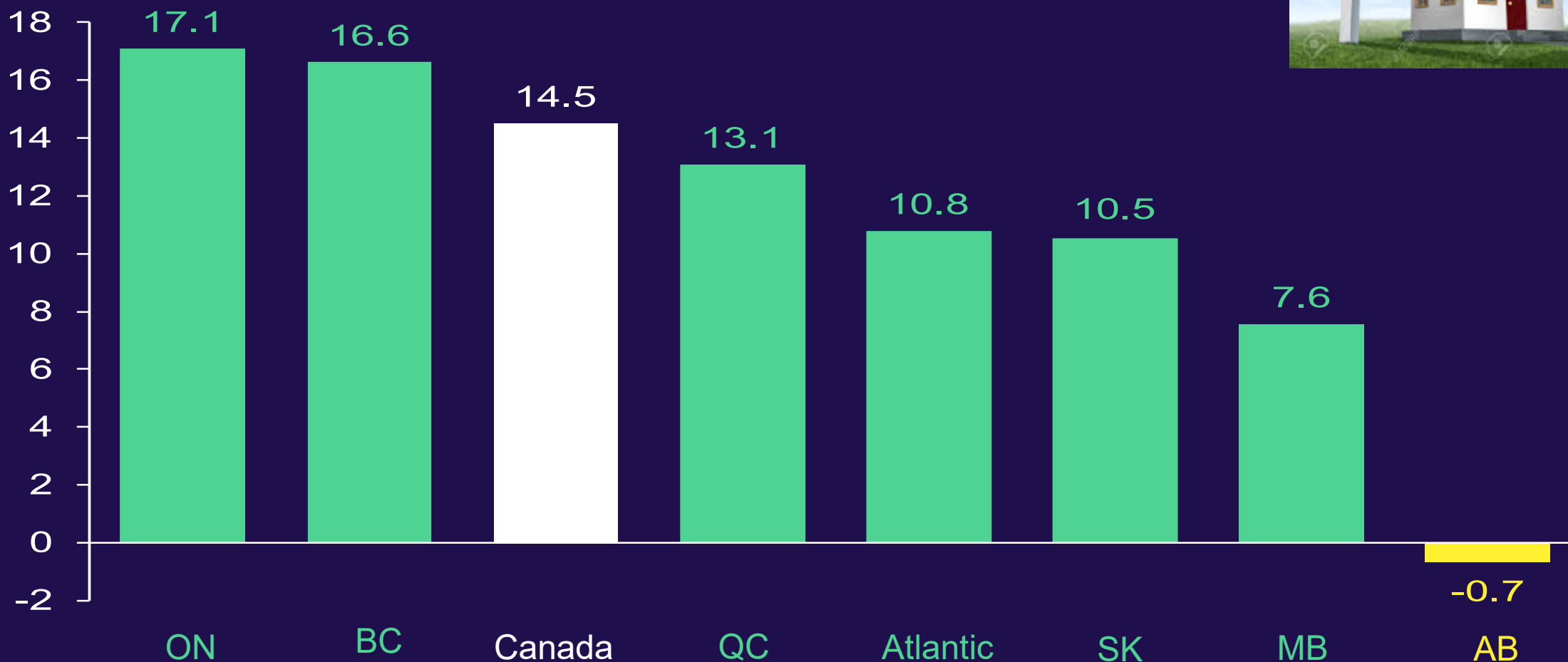
Notes: Data include purchases and refinances originated by federally regulated financial institutions. High-ratio mortgages have a loan-to-value ratio greater than 80 per cent and must be insured. Low-ratio mortgages have a loan-to-value ratio of 80 per cent or less. B-20 is the mortgage underwriting guideline for federally regulated lenders.

Source: Bank of Canada – “Financial System Review – 2019”

Home Sales Growth Rises Except in Alberta

Existing Home Sales

(year/year % change, September 2019)



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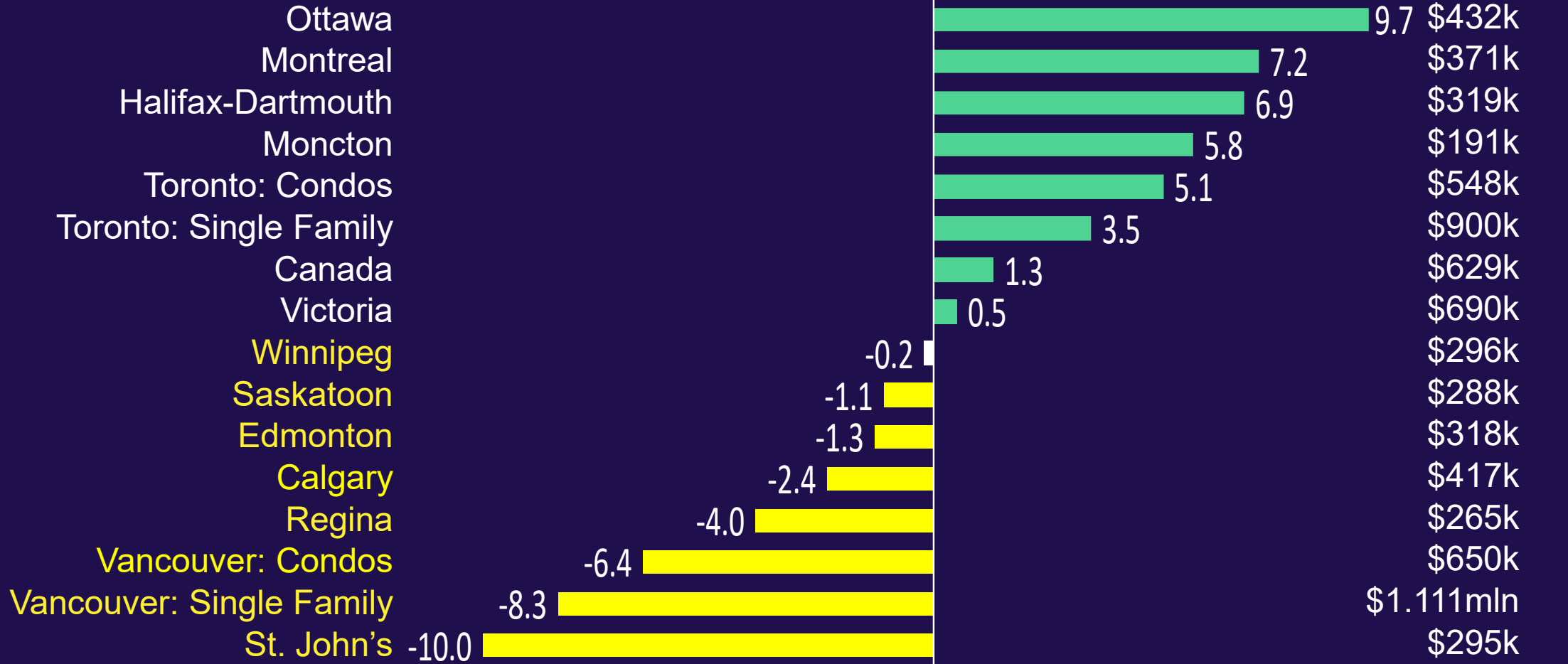
House Prices: Location, Location, Location

MLS® Home Price Index (HPI)

(year/year % change: as of September 2019)



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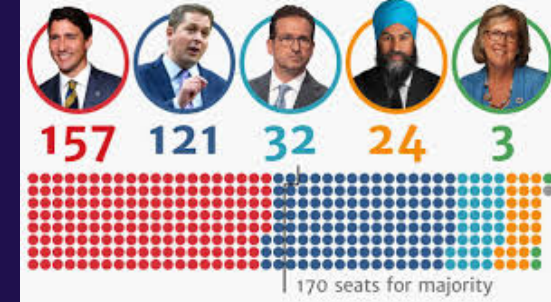


Toronto And Vancouver Housing Markets Now Balanced

Sales-to-New Listings Ratio (September 2019)

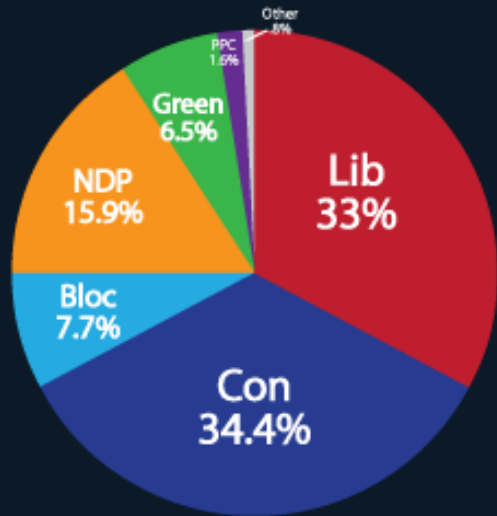


Liberal Minority Government-- No Stress-Test Relief



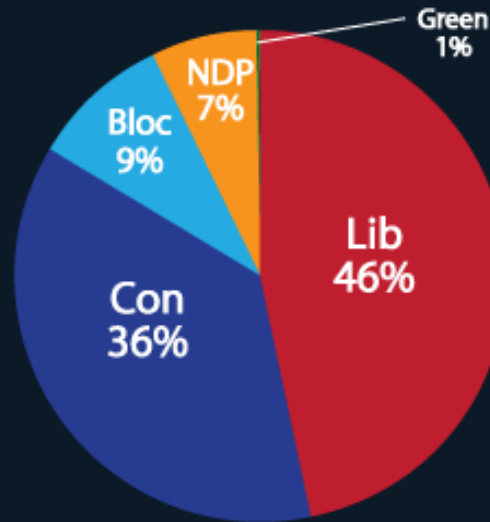
Canada votes 2019

HOW WE VOTED



Proportional representation

WHAT WE GOT



First-past-the-post

First-time Home Buyer Incentive:
Raised Value to \$800K (GVA & GTA)

No 30-year Amortization

National Tax on Vacant Fgn-Owned Homes

Money Laundering Concern— Registries

Raise RRSP Withdrawal to \$35,000

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