



Benjamin Tal Economic Buzz

A big picture of what's happening in the industry and what it means for you
Economic insight from your FirstLine Registered Mortgage Broker

Benjamin Tal - Deputy Chief Economist, CIBC World Markets

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The American consumer is starting to move in the right direction.

First quarter US GDP was OK, but nothing to write home about. What's important, however, is that the American consumer is starting to move in the right direction. Will the bruised American consumer regain its traditional role as the main engine of America's economic growth? We think so. An array of indicators suggests that consumers will build on recent momentum and will probably surprise the market with their regained resiliency.

In Europe, both the UK and Spain are now officially in a recession and once again the market gets nervous. While the European Central Bank will take its time to intervene, there are already some communications from the Bank that it will be willing to reintroduce its lending program if needed. The likelihood is that this kind of merry-go-round will dominate the European markets in the coming months.

Bank of Canada might start raising rates before the end of the year.

In Canada, the government is giving Canada's banking regulator—The Office of the Superintendent of Financial Institutions—new authority to oversee Canadian Mortgage and Housing Corporation (CMHC). The government is also putting a stop to banks using mortgages insured by CMHC as collateral on covered bonds. We view these two developments as marginally negative to the mortgage market.

It appears that the Bank of Canada is turning hawkish again suggesting that it might start raising rates before the end of the year. Note that exactly a year ago, we were in the same situation when the Bank hinted even more strongly that it will start raising rates, but had to change its mind due to the increased global macro economic uncertainty. At this point the likelihood of a move before the end of the year is about 50%—but even if the Bank starts moving, say in the 4th quarter, it will be a very slow and hesitant move.

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About FirstLine® Mortgages

At FirstLine Mortgages, our focus is on providing flexible mortgage products to consumers through an independent broker network. We are committed to empowering our independent mortgage professionals to select the right FirstLine mortgage product to meet the financing needs of their clients. After funding, our clients can count on the support of dedicated, in-house account representatives. We strive to provide our clients, brokers, and employees with the tools to succeed.



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