



CIBC CAPITAL MARKETS

How much higher for how much longer?

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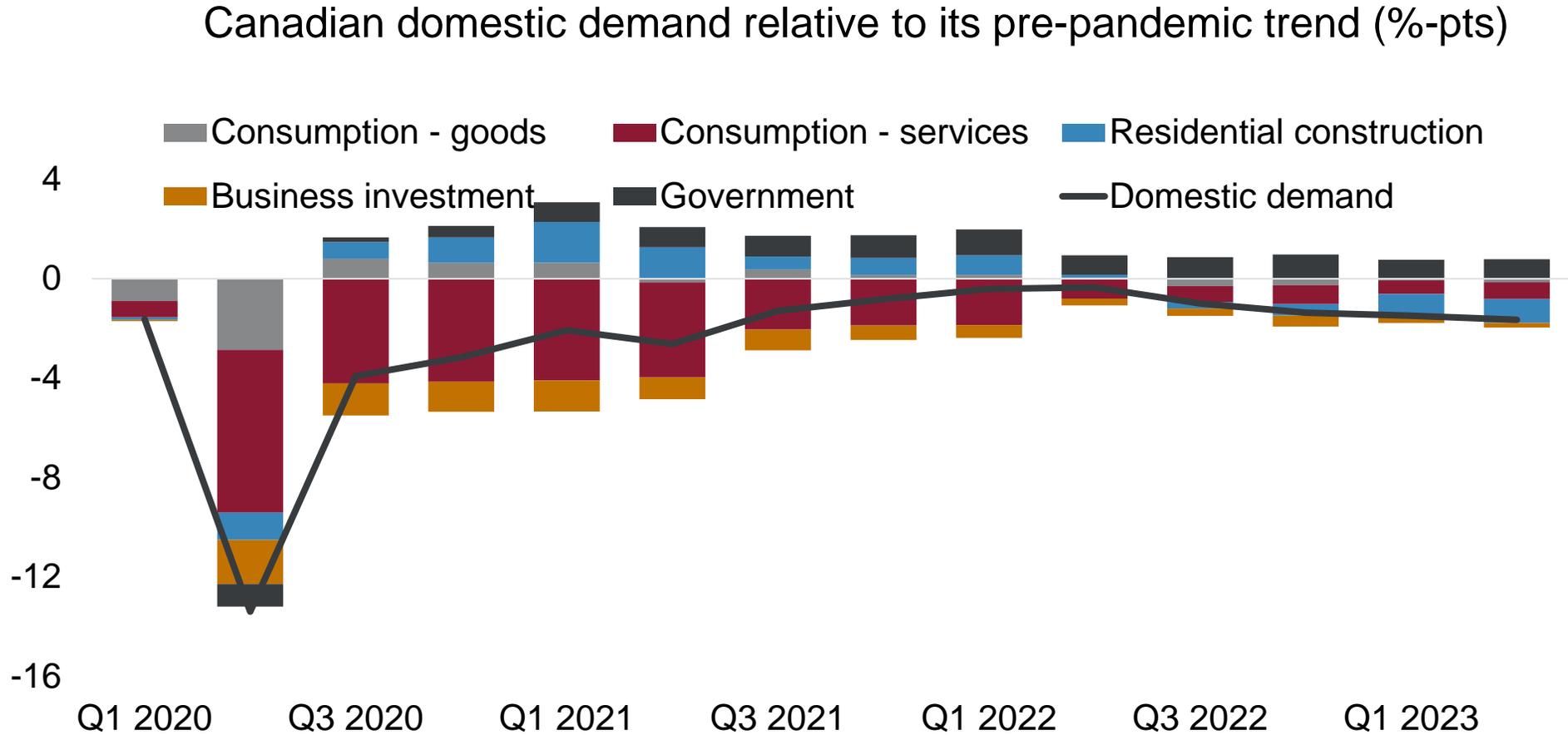
Executive Director & Senior Economist

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6.1



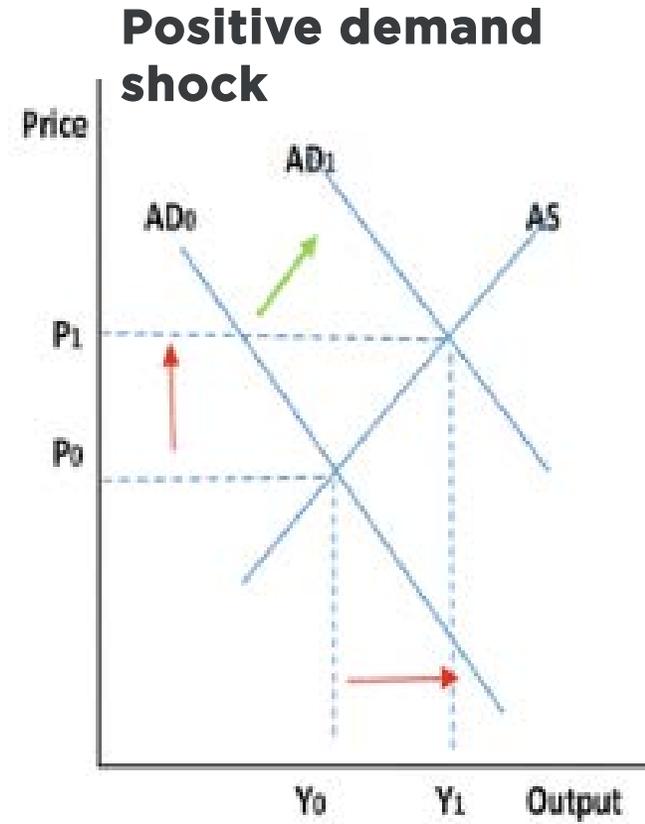
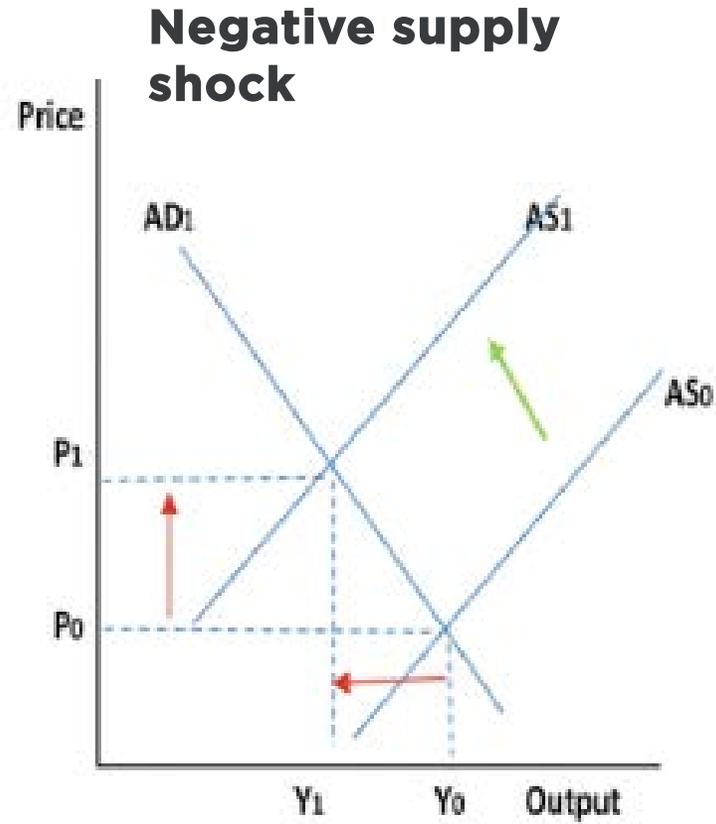
Did we ever have “excess demand”?



Source: Statistics Canada, CIBC

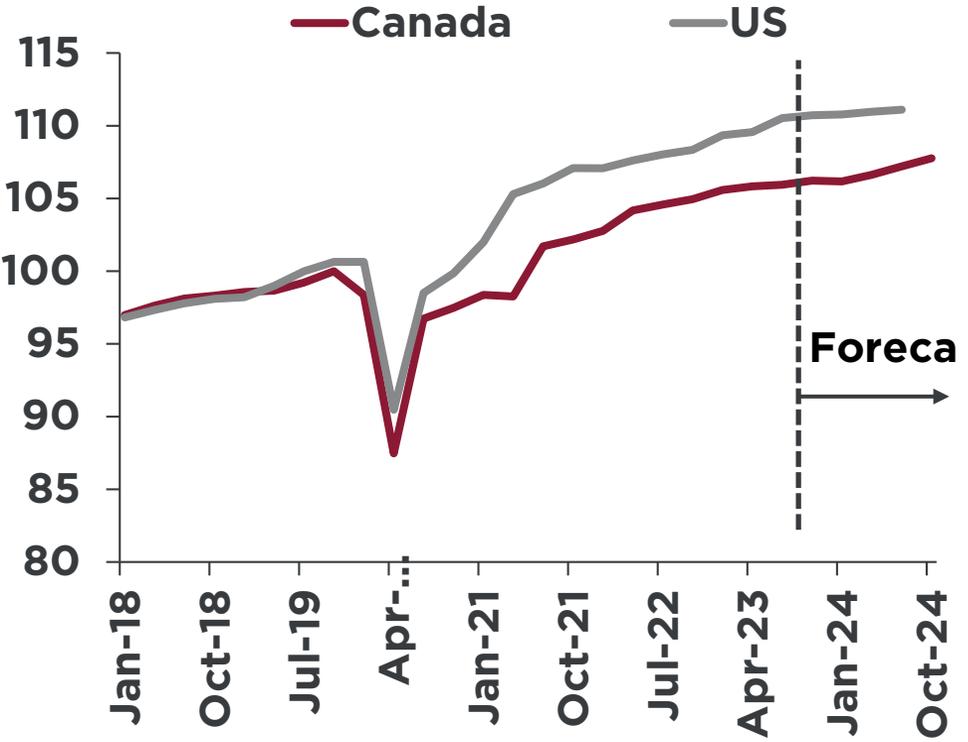


Explaining “higher for longer”

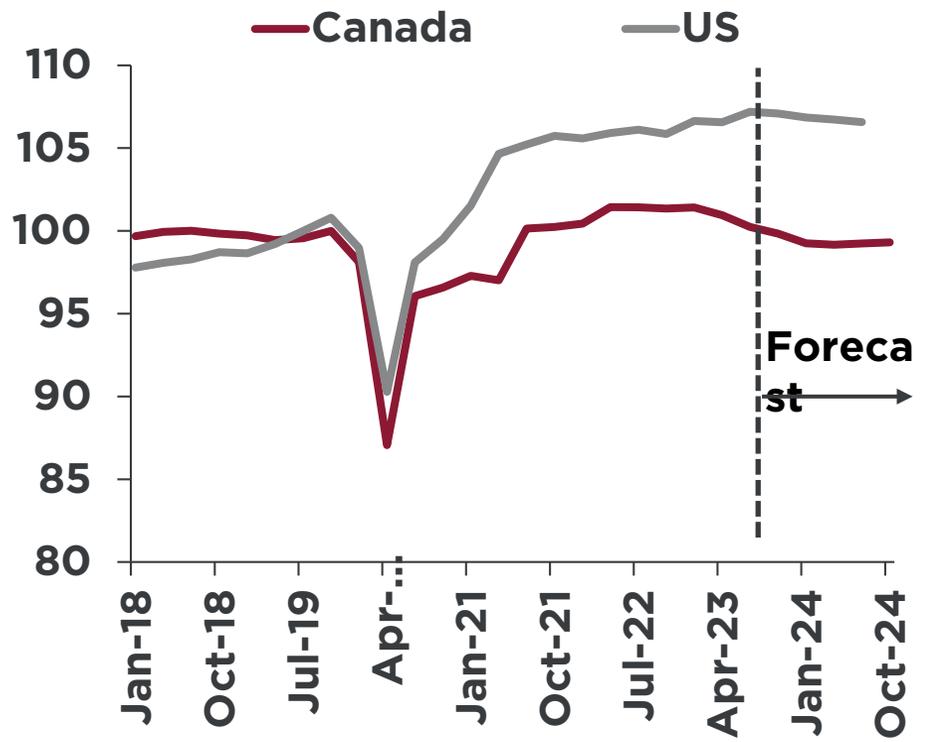


Fall in per capita consumer spending showing interest rate hikes^{6.1} already starting to bite in Canada

Real consumer spending (index Q4 2019 = 100)



Real consumer spending per capita (index Q4 2019 = 100)

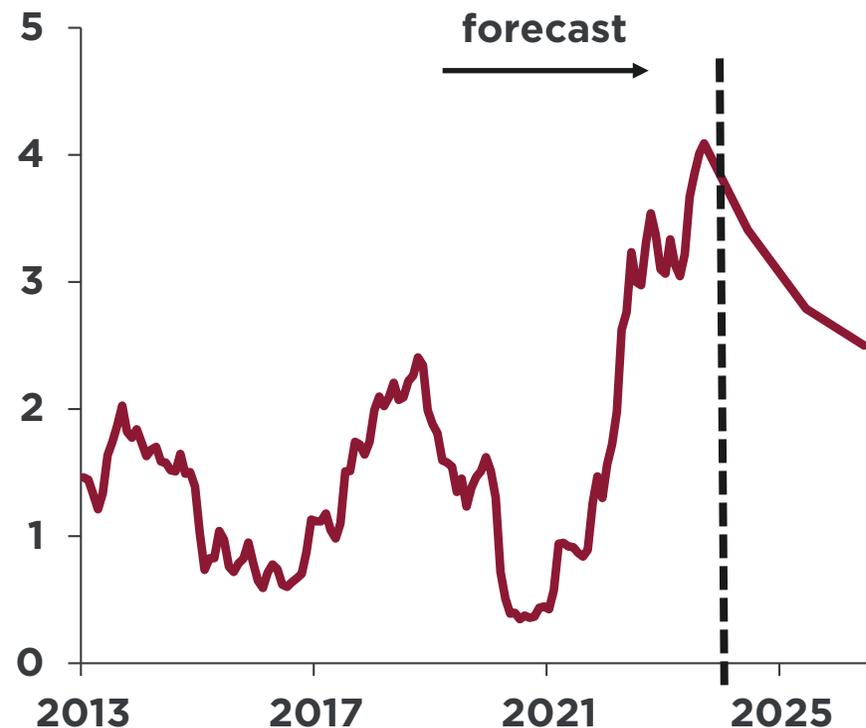


Source: Statistics Canada, CIBC.

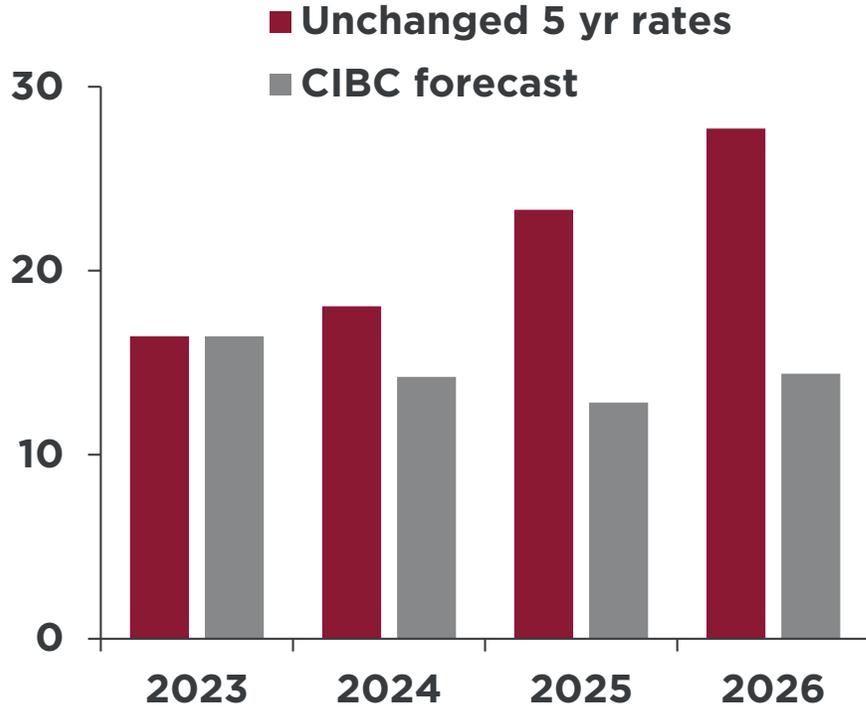


5-Year bond yields have likely peaked (l), easing needed to avoid even deeper pain for those renewing mortgages in 2025/26 (r) ^{6.1}

Canada 5-yr bond yield (%)



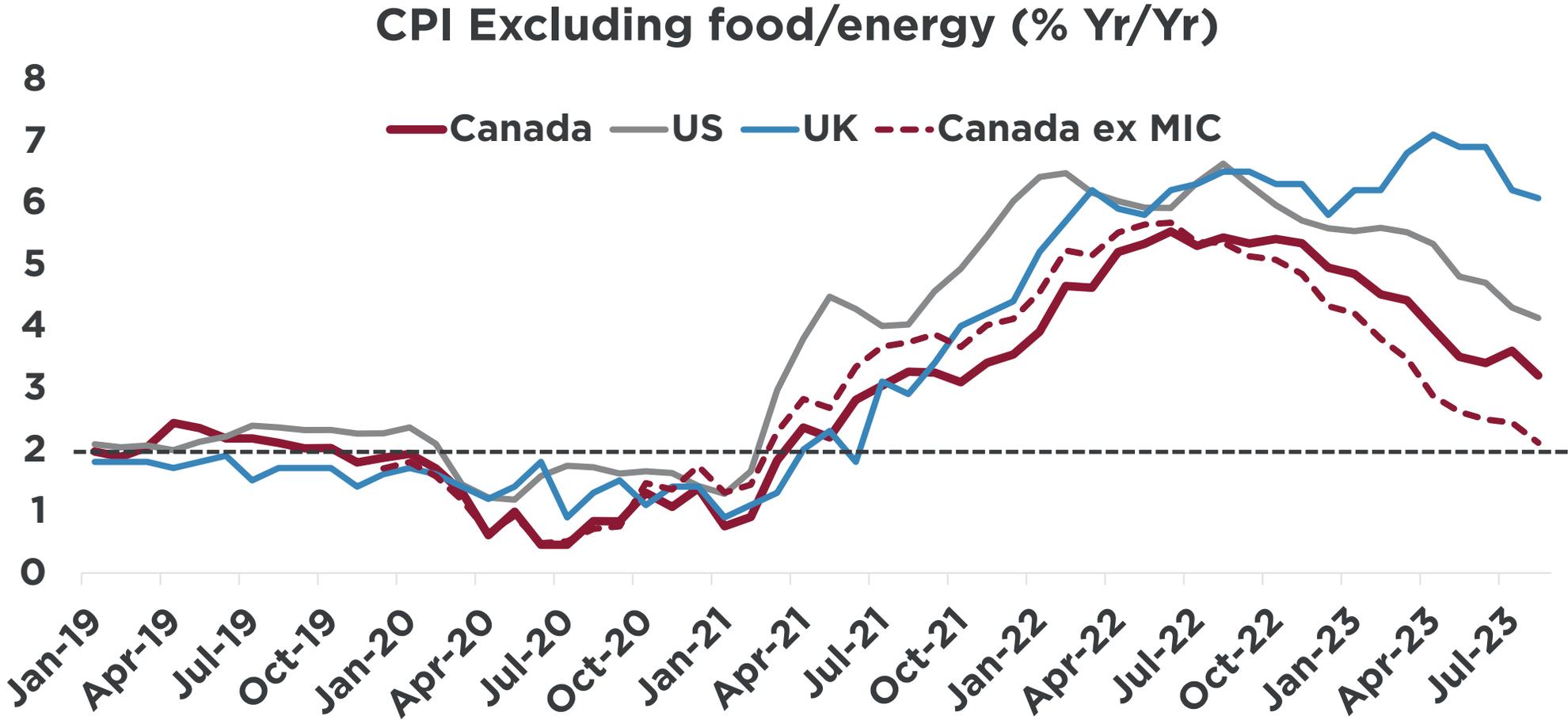
% Change in average monthly payment for 5-year mortgage at renewal



Source: BEA, FRBSF, CIBC



Canadian inflation is easing more than elsewhere



Source: Bloomberg, CIBC

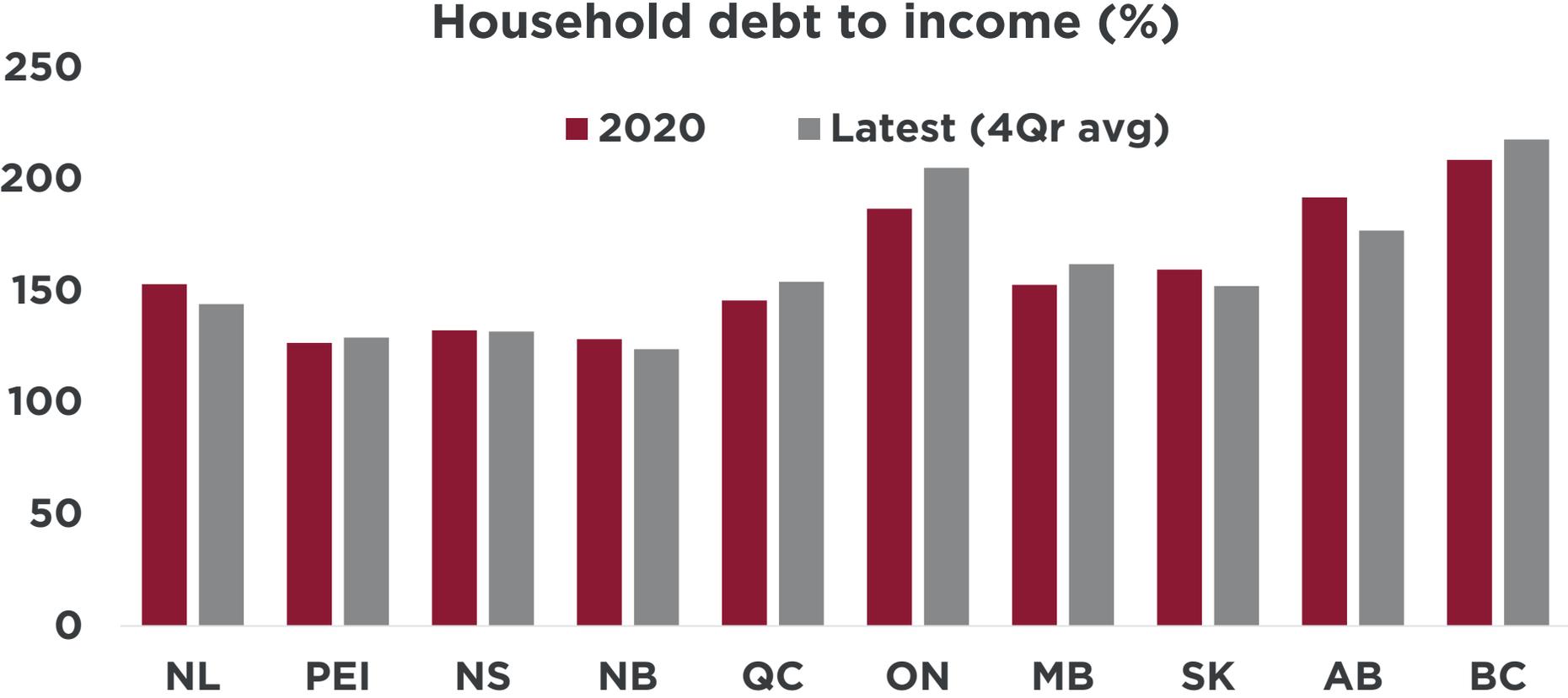


Interest rate and FX forecasts

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		2023		2024			
END OF PERIOD:		14-Nov	Dec	Mar	Jun	Sep	Dec
<u>CDA</u>	Overnight target rate	5.00	5.00	5.00	4.75	4.00	3.50
	98-Day Treasury Bills	5.02	5.05	5.05	4.60	3.90	3.35
	2-Year Gov't Bond	4.40	4.50	4.40	4.00	3.40	3.00
	10-Year Gov't Bond	3.69	3.80	3.65	3.50	3.35	3.20
	30-Year Gov't Bond	3.50	3.65	3.50	3.60	3.50	3.40
	Canada - US T-Bill Spread	-0.35	-0.30	-0.25	-0.65	-1.25	-1.40
	Canada - US 10-Year Bond Spread	-0.76	-0.80	-0.90	-0.90	-0.85	-0.65
	Canada Yield Curve (10-Year — 2-Year)	-0.72	-0.70	-0.75	-0.50	-0.05	0.20
<u>U.S.</u>	Federal Funds Rate (midpoint)	5.375	5.375	5.375	5.375	5.375	4.875
	91-Day Treasury Bills	5.38	5.35	5.30	5.25	5.15	4.75
	2-Year Gov't Note	4.84	4.95	4.80	4.65	4.50	4.10
	10-Year Gov't Note	4.44	4.60	4.55	4.40	4.20	3.85
	30-Year Gov't Bond	4.62	4.70	4.70	4.55	4.40	4.30
	US Yield Curve (10-Year — 2-Year)	-0.39	-0.35	-0.25	-0.25	-0.30	-0.25
EXCHANGE RATES	CADUSD	0.73	0.72	0.70	0.72	0.73	0.74
	USDCAD	1.37	1.39	1.42	1.39	1.37	1.35

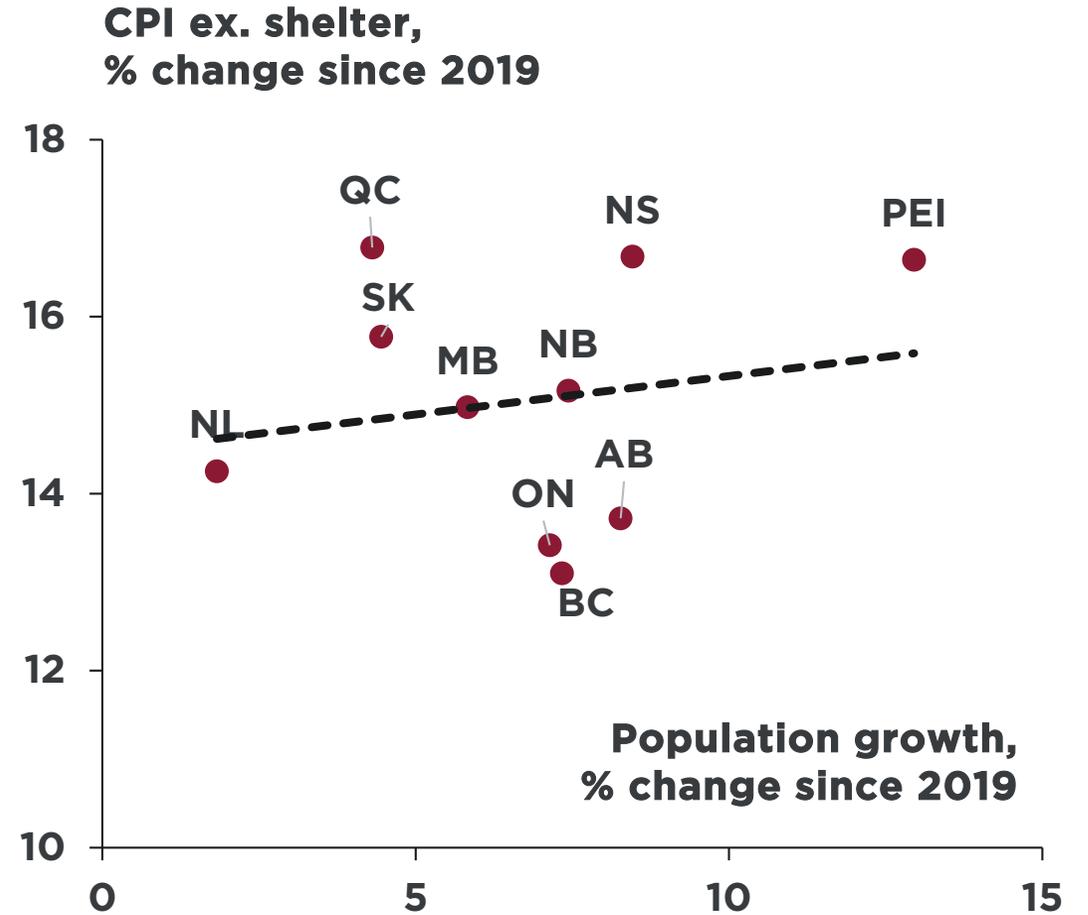
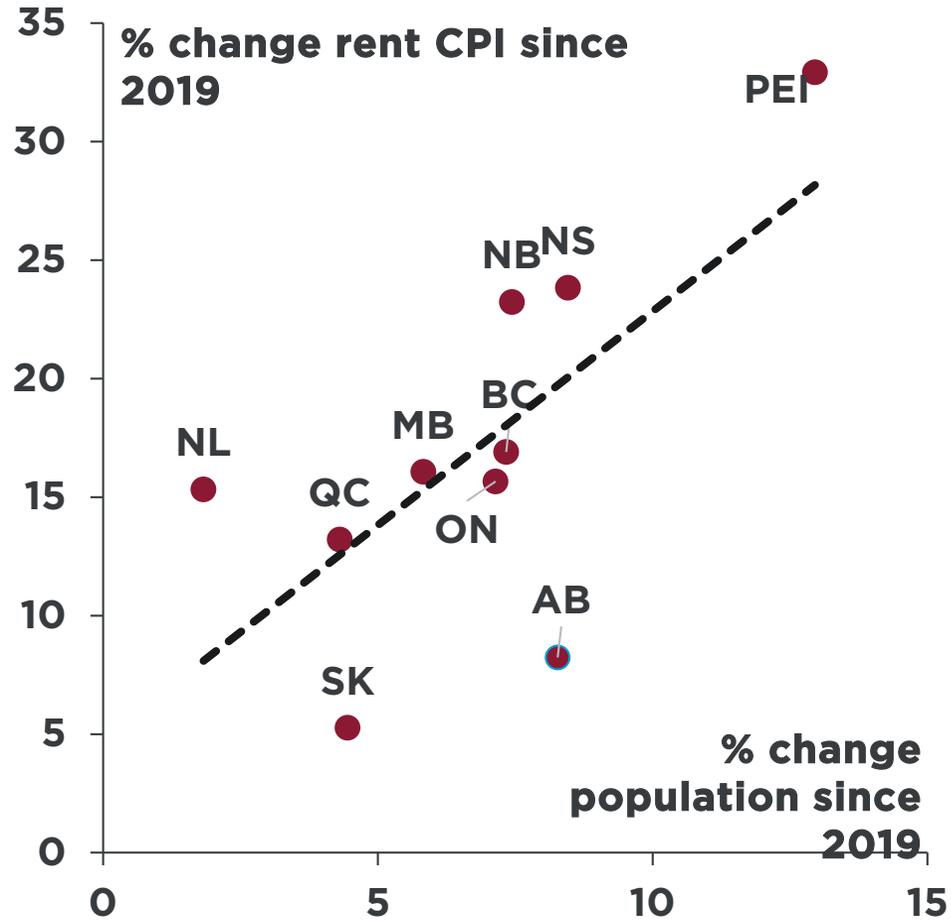
Provinces with most indebted households took on even more debt during the pandemic ⁶¹



Source: Statistics Canada, CIBC



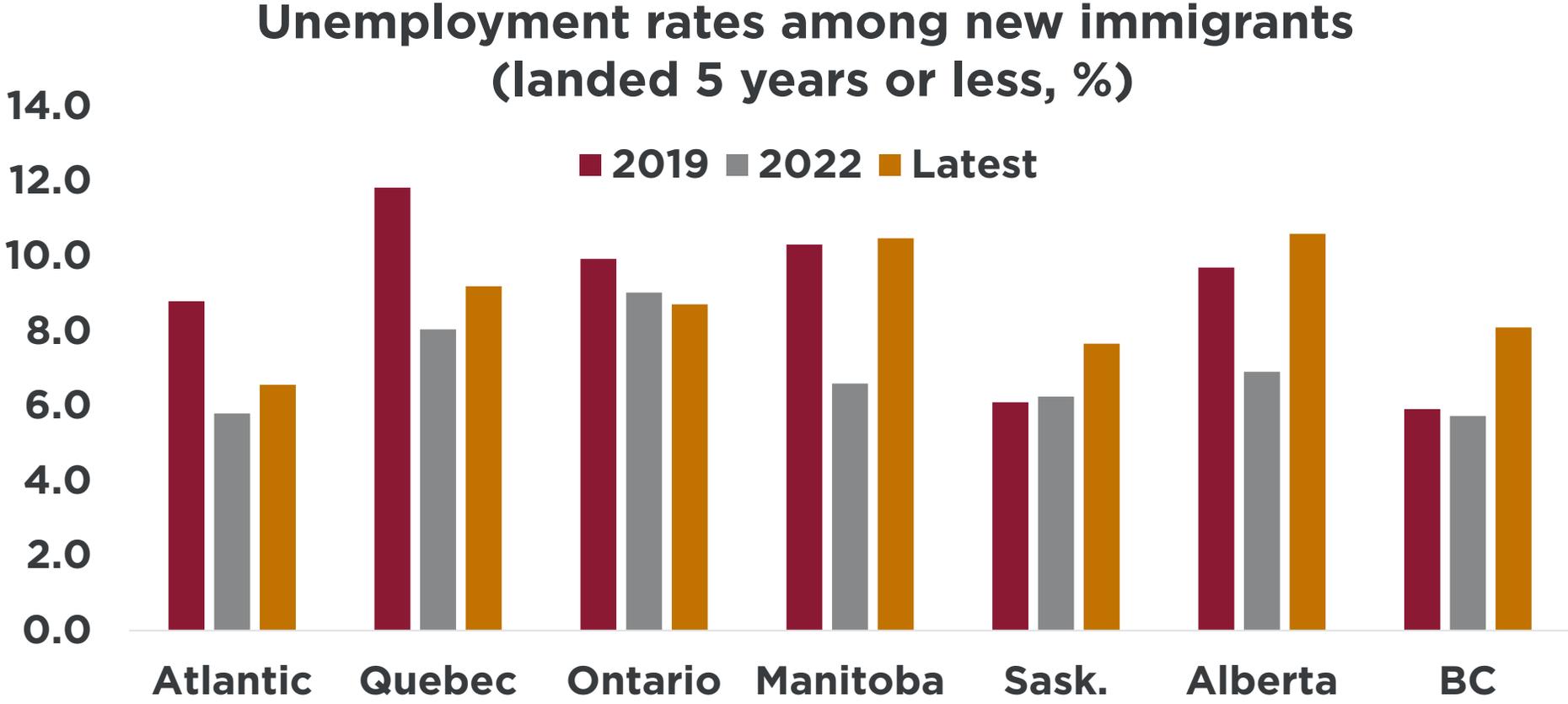
Evidence of population growth boosting housing costs (l), but not inflation in other areas (r)



Source: Statistics Canada, CIBC



Immigration-fuelled labour force growth easier for some provinces to absorb than others ⁶¹



Source: Statistics Canada, CIBC



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