



WWW.OUTLINE.CA | (416) 536-9559
Mortgage Brokerage Lic. #13151

DECEMBER 11TH, 2024

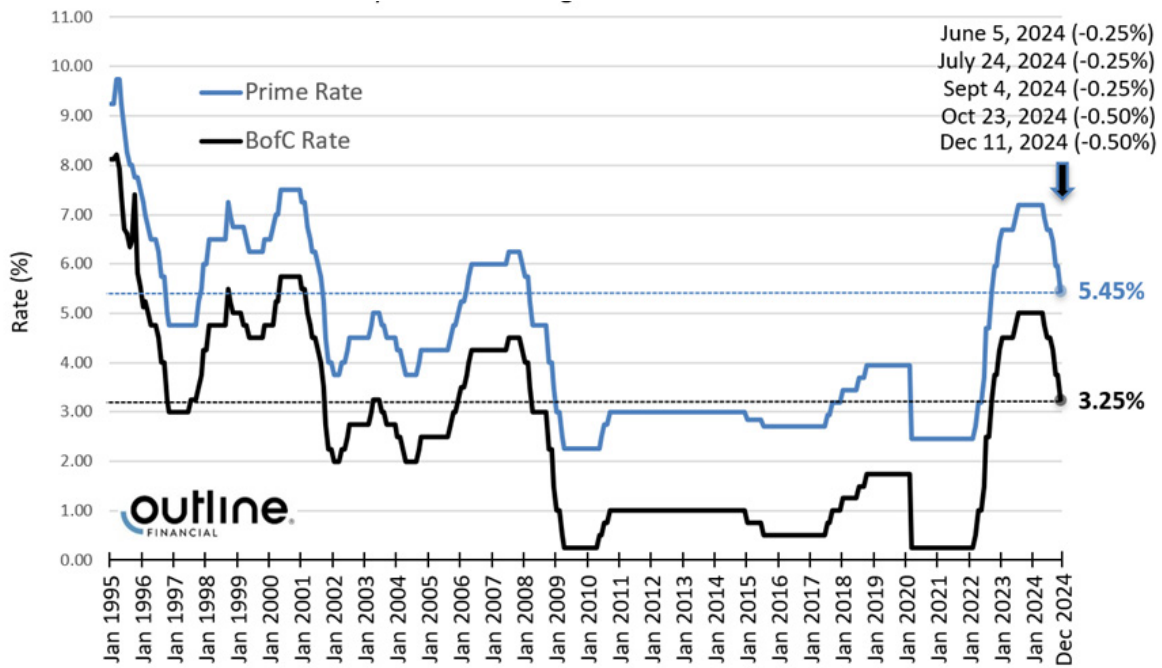
Five in a row!

The Bank of Canada announces a jumbo 0.50% reduction.

What could this mean for you?



History of Bank of Canada Overnight Rate and Prime Rate



Bank of Canada: 2024 Rate Announcement Dates

Dates	Change	Publications
January 24 th , 2024	No Change	Interest Rate Announcement and Monetary Policy Report
March 6 th , 2024	No Change	Interest Rate Announcement
April 10 th , 2024	No Change	Interest Rate Announcement and Monetary Policy Report
June 5 th , 2024	-0.25%	Interest Rate Announcement
July 24 th , 2024	-0.25%	Interest Rate Announcement and Monetary Policy Report
September 4 th , 2024	-0.25%	Interest Rate Announcement
October 23 rd , 2024	-0.50%	Interest Rate Announcement and Monetary Policy Report
December 11 th , 2024	-0.50%	Interest Rate Announcement

The Bank of Canada reduces policy rate by 0.50% (50 basis points “bps”).



On December 11th, 2024 the Bank of Canada announced another decrease in its overnight rate. The Bank of Canada has lowered its rate for the fifth straight meeting, resulting in a cumulative drop of 1.75% since early June 2024. This brings the overnight rate to 3.25% and the prime rate to 5.45%, which are now both at the lowest levels since September 2022.

What could this combined 1.75% of rate drops since June 2024 mean for you?



If you have a variable rate mortgage with adjustable payments:

- You should see a combined decrease in your payments of about \$105 per \$100K of mortgage depending on your amortization.

If you have a variable rate mortgage with static/non-adjustable payments:

- The interest portion will continue to decrease, and more of the payment will go towards the principal (unless you remain above your trigger point).

If you have a home equity line of credit:

- Your minimum payment should decrease by a combined amount of about \$140 per \$100K of HELOC balance.

If you have a fixed-rate mortgage:

- There is no immediate change, although it could positively impact your renewal options.

If you are currently shopping for a home or have a pre-approval:

- Your buying power may have increased. If your approval rate is reduced by 1.75%, it could increase your purchasing power by about 15%, all else being equal (i.e., if you were buying for \$1,000,000, it's possible you may now qualify for approximately \$1,150,000).
- What if you have a fixed rate pre-approval? As fixed rates typically move in tandem with bond yields (which move in anticipation of a Bank of Canada rate change), the recent rate drops by the Bank of Canada were already priced in most fixed rates. That being said, if we see a continued expectation of further rate reductions, bond yields may decrease slightly as rate cuts become more imminent.

What Could This Rate Drop Mean For You In The Longer Term?

Are More Rate Cuts Expected?

- The short answer? Yes, very likely. As of the time of writing, most economists and banks are projecting another 0.25% to 1.25% of rate reductions by the end of 2025. While the timing of future rate reductions are uncertain, the Bank of Canada is expected to continue on its rate cutting path.
- For reference, the Bank of Canada defines an overnight rate of between 2.25% to 3.25% as the “neutral rate” for the economy (i.e., an overnight rate that is neither expansionary nor contractionary for the economy). Given that the overnight rate has now dropped to within the neutral range, the Bank of Canada acknowledges they will be taking a more gradual approach to any further rate changes as referenced on the next page.

Fixed or Variable?

- As the overnight rate (and prime rate) drops, the potential attractiveness of a variable vs. fixed rate product may grow.
- Looking to weigh your options? At Outline Financial, we have developed a number of analysis tools to help quantify the pros, cons, costs, and benefits when comparing products. Want to compare a short vs. long term fixed rate product? Want to quantify the potential impact of taking a variable rate vs. fixed rate product given the current interest rate outlook? Please contact a member of the Outline team for a customized analysis, as we would be happy to help.

How Will This Impact Fixed Rates?

- As mentioned above, fixed rates are heavily influenced by government bond yields. Given that bond yields move “in anticipation of” a potential Bank of Canada rate change, the most recent 0.50% rate reduction was already priced in most fixed-rate approvals. That being said, if we see a continued expectation of further rate reductions, bond yields may decrease slightly as the rate cuts become more imminent.



Why Did the Bank of Canada Lower Rates Again?

While numerous articles will be written about the December 11th Bank of Canada rate cut, we've included some key takeaways below, along with links to the Bank of Canada press release, press conference, as well as the opening statement from Tiff Macklem (Governor of the Bank of Canada).

Links to the press release, press conference video, and opening statement:

- Bank of Canada, December 11th press release [\[click here\]](#)
- Bank of Canada, December 11th press conference video [\[click here\]](#)
- Opening statement: Tiff Macklem (Governor of the Bank of Canada) [\[click here\]](#)

Why did the Bank of Canada decide to continue reducing rates?

- *"With inflation around 2%, the economy in excess supply, and recent indicators tilted towards softer growth than projected, Governing Council decided to reduce the policy rate by a further 50 basis points to support growth and keep inflation close to the middle of the 1-3% target range."*
-Bank of Canada press release
- *"With inflation back to target, we have cut the policy rate by 50 basis points at each of the last two decisions because monetary policy no longer needs to be clearly in restrictive territory."*
- Tiff Macklem opening statement
- *"To summarize, inflation is back to the 2% target and lower interest rates are beginning to pass through to stronger spending by households. But the economy remains in excess supply and the growth outlook now appears softer than we projected in October."* - Tiff Macklem opening statement

The Bank of Canada acknowledges further rate reduction may be on the way, but it will take them one meeting at a time:

- *"Going forward, we will be evaluating the need for further reductions in the policy rate one decision at a time...with the policy rate now substantially lower, we anticipate a more gradual approach to monetary policy if the economy evolves broadly as expected."* - Tiff Macklem opening statement



For more details about the recent Bank of Canada rate cuts, or to discuss which rate or product options might be right for you, please contact a member of the Outline Financial team as we are always on standby to help.



Outline Financial

T: (416) 536-9559

E: hello@outline.ca

W: www.outline.ca

Outline Financial is an award-winning mortgage brokerage offering direct access to rate and product options from over 30 lenders including banks, credit unions, and mono-line lenders all in one convenient service. The Outline team was formed by senior level bankers and financial planners that wanted to offer their clients strategy and choice with an exceptional service experience. To learn more about the team, please visit www.outline.ca.

Outline Financial Accolades:

- 5-Star Google Rating – 500+ Reviews
- 2022 Global Best in Mortgage 2022 Report
- 2021 CMP Top Canadian Mortgage Workplace
- 2021 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner
- 2020 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner
- 2019, 2021 Outstanding Customer Service Award – CMA Finalist
- 2019 Employer of Choice Award – CMA Finalist

Mortgage Brokerage Licence #13151

