

The BoC Cuts As Expected

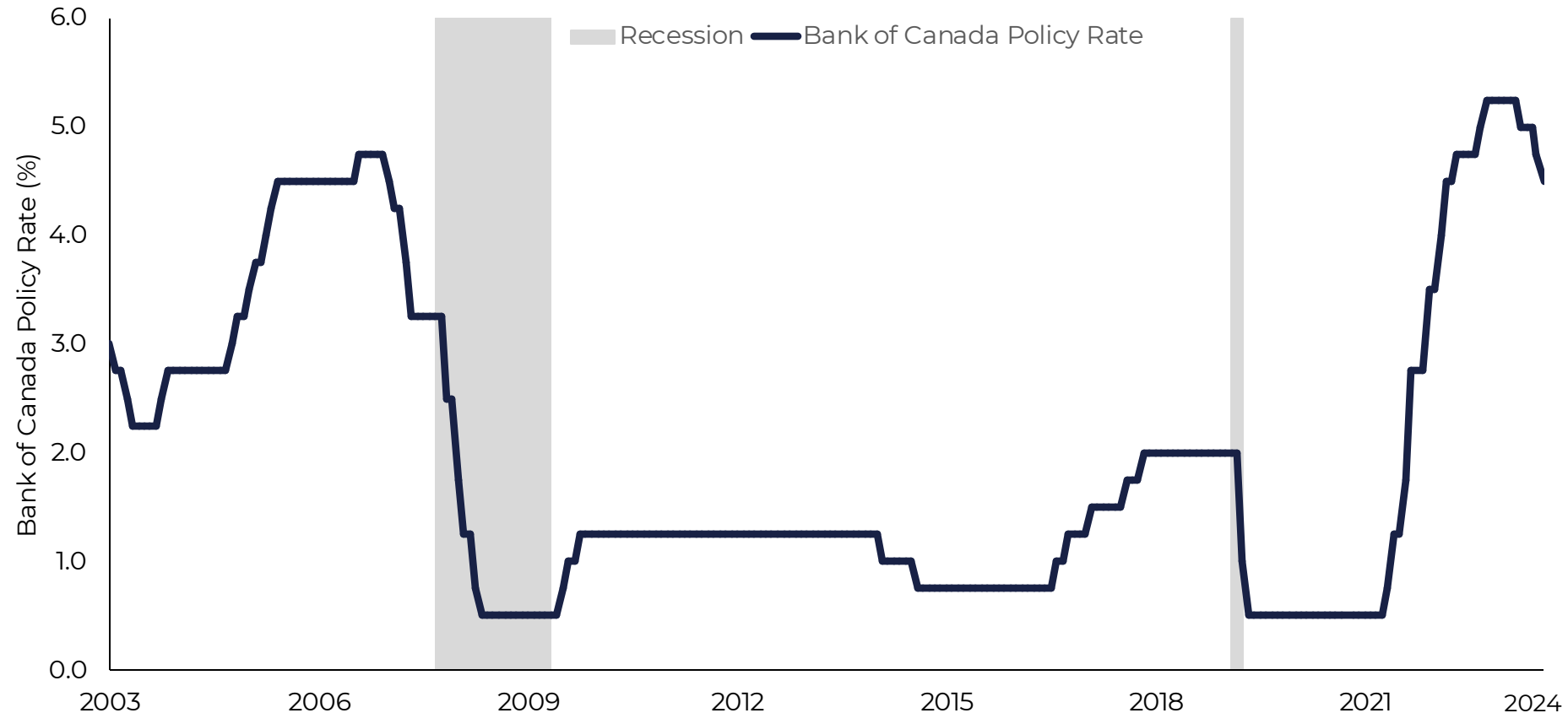


Key Takeaways:

- **Bank of Canada (BoC) Interest Rate Decision:** Following an initial rate cut in June, the BoC continued to ease rates further, announcing a 25 basis point cut to overnight rates, lowering them to 4.5% from 4.75%. The bank also indicated that it is continuing its policy of balance sheet normalization. While this announcement was in line with expectations, comments from BoC Governor Tiff Macklem remained focused on the population effect overshadowing broad-based weakness.
- **The Population Hangover:** The Canadian economy is expected to have expanded by 1.5% in H1 2024, largely driven by an unsustainable 3% increase in the population. A deeper analysis reveals a “real” economy that is weak and still experiencing the hangover effects of elevated policy rates. As the BoC accurately highlighted in today’s release, “household spending, including both consumer purchases and housing, has been weak. There are signs of slack in the labour market, with the unemployment rate rising to 6.4%.” While the BoC is projecting the economy to grow by 1.2% for the full year 2024, it is not expecting a recovery back to the long-term trend until 2025, with growth projected to be slightly above trend at 2.4% in 2026.
- **Final Thoughts for Investors:** There is no question that beneath the surface, the Canadian economy is slowing and in need of rate relief. While today’s rate cut will provide some relief to households, more is required to prevent a hard-landing scenario for the economy. Although Canadian equities are up 8.47% YTD, we remind investors that this is not a reflection of the state of fundamentals in the real economy.
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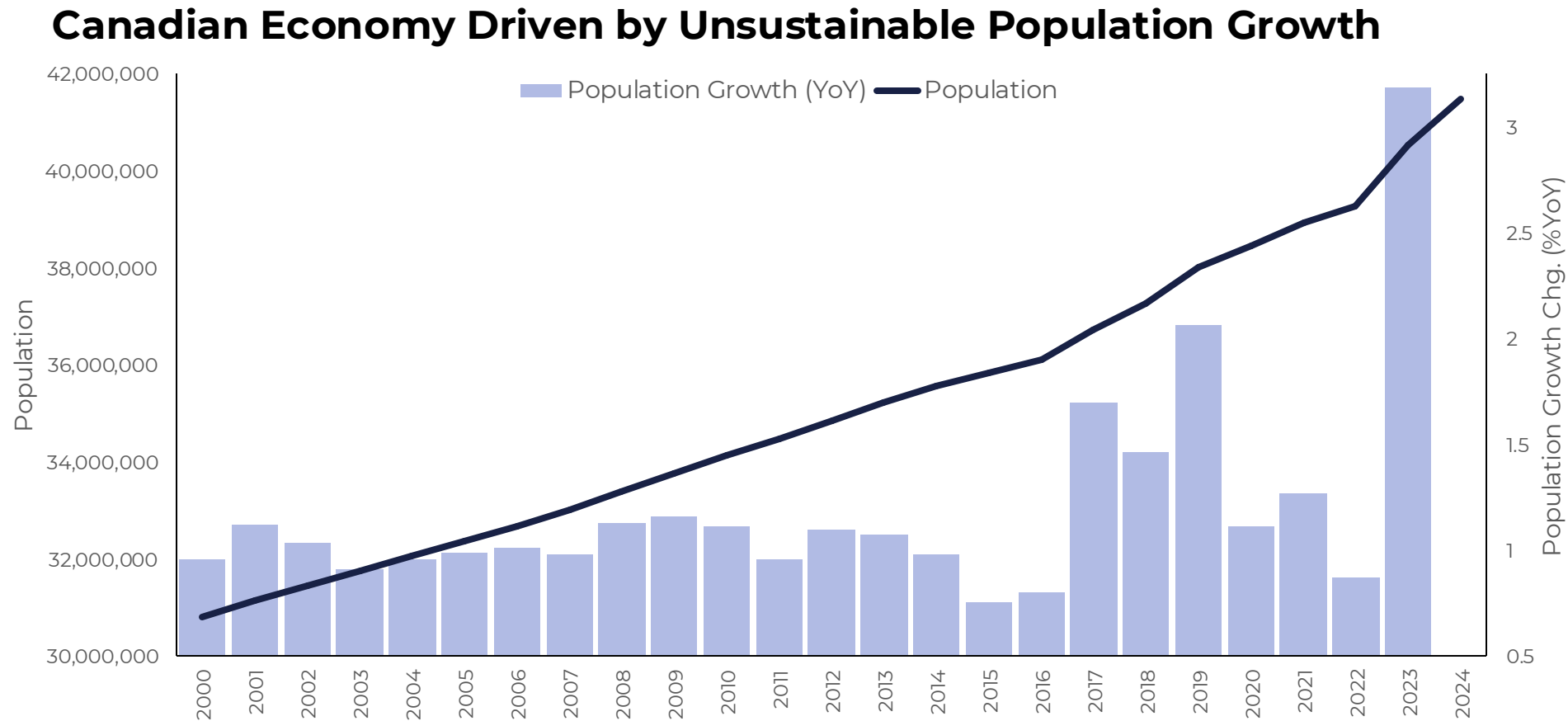
More Cuts on the Horizon

BoC Cuts Rates from 4.75% to 4.5%



Sources: Advisor Insights, Statistics Canada

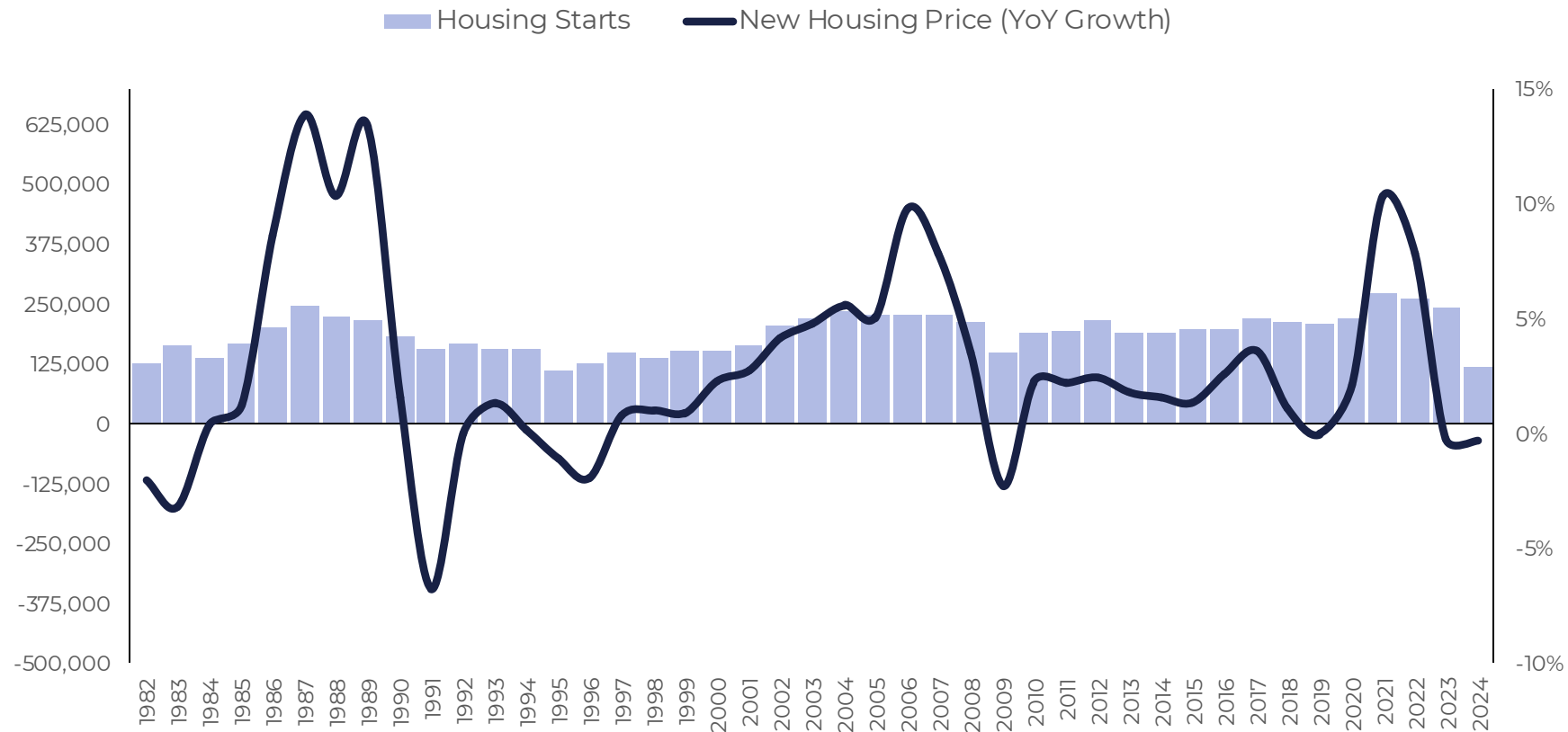
Unsustainable Growth



Sources: Advisor Insights, Statistics Canada

Housing Feeling the Pressure...

Housing Pressures Persist



Sources: Advisor Insights, Statistics Canada

...and Slack in the Labour Markets

Population Growth Outpaces Job Creation



Sources: Advisor Insights, Statistics Canada

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