

MARKET UPDATE: July 31st, 2025:

Hello Again! I hope all is well with you and your family! The summer is just flying by! (BOOOO!) Despite that, I hope you've been enjoying it and managing to stay cool in the heat and humidity!!

The Bank of Canada (BoC) met yesterday to discuss monetary policy. And for the third straight meeting they decided to stay on the sidelines and keep the Overnight Rate where it is. Prime still sits at 4.95% (except for at TD, who has TD Prime at 5.10%).

Just like the last few months, the BoC is playing a waiting game to see what Donald does and how the economy reacts.

TO QUOTE THE BoC:

With still high uncertainty, the Canadian economy showing some resilience, and ongoing pressures on underlying inflation, Governing Council decided to hold the policy interest rate unchanged. We will continue to assess the timing and strength of both the downward pressures on inflation from a weaker economy and the upward pressures on inflation from higher costs related to tariffs and the reconfiguration of trade. If a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate.

Governing Council is proceeding carefully, with particular attention to the risks and uncertainties facing the Canadian economy. These include: the extent to which higher US tariffs reduce demand for Canadian exports; how much this spills over into business investment, employment and household spending; how much and how quickly cost increases from tariffs and trade disruptions are passed on to consumer prices; and how inflation expectations evolve.

The big day is Friday August 1st which is the self-imposed deadline that Canada and the USA has set to get a trade deal done. Canada isn't going to rush into things just to get a deal done....much like the EU seemingly did this week. They aren't going to sign a crappy deal just to get a deal done. So there is a very good chance we won't see a deal done Friday, which will anger the Don which means we might have more tariffs heading our way Friday. It remains to be seen what those will be and if Canada will retaliate. But if that is what transpires, it will create more uncertainty and risks of inflation rising. So that is why the BoC did nothing at this meeting. They are still waiting for some level of certainty and need to see how the economy responds.

As mentioned above, the Canadian economy is faring better than expected. The headline would make it seem truly amazing (83,000 jobs created last month)....but in truth only about 14,000 of those were full-time jobs. So does that mean 70,000 people gave up trying to find a full-time job? I don't exactly know which province those jobs were created in, but you certainly can't afford to live in Southern Ontario these days on part-time income. But at least companies are still hiring despite the uncertainty so that should be seen as a good thing.

Some key points that you don't see in the news headlines.... 1 in 6 people looking for a job are now taking more than 27 weeks to find that job. That number continues to go up every month. So there is certainly some signs of weakness in the economy as far as I'm concerned.

Some industries haven't been impacted by Trump and the tariffs, so there is now discussion that maybe the BoC dropping rates isn't the best approach to help our economy. Maybe we should be using fiscal policy to fix this issue (aka the Federal Government) to come out with stimulus packages for certain places or industries to help bail them out. For example, the unemployment rate in some cities out west is below 4%. But in Windsor it is around 11%. So maybe a blanket move like lowering rates for all isn't needed by some and time and money would be better spent focusing on helping those towns and businesses that do need it. I guess time will tell there which approach the BoC and Carney go with.

The US Federal Reserve also didn't drop rates at their meeting yesterday...which I'm sure will have the White House very upset as Donald has been begging for lower rates. Markets believe the US will drop rates in September and possibly at one other meeting (October or December) this year.

SO WHERE ARE INTEREST RATES GOING?!?!?

Lots of uncertainty still. And I guess it depends who you believe as the market and economists are pretty much split. If you ask 5 different people you are probably going to get 5 different answers!!

A Reuters poll conducted last week had 18 of 28 economists who responded saying they expect a quarter percent drop at the next BoC meeting in September. 17 forecast at least 2 cuts coming our way before the end of 2025. And 5 of 28 respondents anticipate a total of 3 cuts coming. So you can see the majority are still of the belief that rates have to come down more.

And here are what the big 6 bank economists think:

- RBC: No more rate drops
- Scotiabank: One more 0.25% drop coming in Q2 of 2026
- TD and CIBC: Two 0.25% drops coming in Q3 of 2025
- BMO: One 0.25% drop in each of the next 3 quarters
- National Bank: One 0.25% drop in Q3 of 2025 and 2 more 0.25% drops in Q4 of 2025.

TODAY'S MORTGAGE RATES:

Fixed mortgage rates continue to creep up a bit just like they were last month. The bond market has stabilized over the last few weeks so there are no more increases that are imminent. We need some clarity on the tariff situation before rates can resume their drop (HOPEFULLY!).

HERE ARE TODAY'S MORTGAGE RATES:

For Purchases with LESS than 20% down payment....

- The 5 year fixed rate is now around 4.29% at most lenders. This is up 0.05% since my last update. And that is quite a bit higher now than the 3.89% we hit prior to "Liberation Day" in early April.
- The best 5 year variable term has not changed and is still at Prime less 0.75% (4.20% as of today).
- The 3 year fixed rate is now around 4.29% at most lenders which is about 0.15% higher than last month. It made it as low as 3.99% in March.

For Purchases with 20% down payment

- The 5 year fixed rate is currently at 4.49%. That is up about 0.15% since last month.
- The discounts on the 5 year variable term have improved in the last few weeks. We were seeing most lenders offering as low as Prime less 0.66% (4.29% as of today). That is about 0.16% than the Prime less 0.50% we were seeing as of my last write-up.
- The best 3 year fixed term is up 0.05% this month to around 4.29%.

IN GTA REAL ESTATE NEWS:

AND NOTE: THIS INFO IS ABOUT A MONTH OLD. THE NEXT UPDATE FROM TREB WILL BE NEXT WEEK WITH THE NUMBERS FOR SALES IN JULY. FYI:

TORONTO, ONTARIO, July 4, 2025 - Ownership housing affordability continued to improve in June 2025. Average selling prices and borrowing costs remained lower than last year's levels. However, despite some month-over-month momentum, many would-be homebuyers remained on the sidelines due to economic uncertainty.

"The GTA housing market continued to show signs of recovery in June. With more listings available, buyers are taking advantage of increased choice and negotiating discounts off asking prices. Combined with lower borrowing costs compared to a year ago, homeownership is becoming a more attainable goal for many households in 2025," said Toronto Regional Real Estate (TRREB) President Elechia Barry-Sproule.

Greater Toronto Area (GTA) REALTORS® reported 6,243 home sales through TRREB's MLS® System in June 2025 – down by 2.4 per cent compared to June 2024. New listings entered into the MLS® System amounted to 19,839 – up by 7.7 per cent year-over-year.

On a seasonally adjusted basis, June home sales increased month-over-month compared to May 2025. New listings declined compared to May. The monthly increase in sales coupled with the monthly decline in new listings continued the tightening trend experienced during the spring.

The MLS® Home Price Index Composite benchmark was down by 5.5 per cent year-over-year in June 2025. The average selling price, at \$1,101,691 was down by 5.4 per cent compared to June

2024. On a month-over-month seasonally adjusted basis, the MLS® HPI Composite and average selling price both edged lower compared to May 2025.

“A firm trade deal with the United States accompanied by an end to cross-border sabre rattling would go a long way to alleviating a weakened economy and improving consumer confidence. On top of this, two additional interest rate cuts would make monthly mortgage payments more comfortable for average GTA households. This could strengthen the momentum experienced over the last few months and provide some support for selling prices,” said TRREB Chief Information Officer Jason Mercer.

“It is important to highlight that housing is not just impacted by economic and financial issues. Canadian residents, both homeowners and renters alike, are increasingly having to deal with the nightmare of violent home invasions and carjackings,” said TRREB CEO John DiMichele.

“TRREB is encouraged by the recent federal announcement to table a crime bill this Fall introducing stricter bail conditions and sentencing for these disturbing crimes. While this is a good first step by the federal government to strengthen public safety, more is needed, such as working with provinces to increase law enforcement funding and improve capacity and efficiency in the court system,” continued DiMichele.

SOOOO....as we've seen of late, we are getting more listings than sales, which is giving buyers a chance to get a bit of a deal in some neighbourhoods! But the market still appears “asleep” in many places due to the uncertainty over tariffs and trade. Without some level of normalcy in the trade department, it will be difficult for the market to take off again.

That's it for this update. The next BoC meeting is on September 17th so I'll be in touch after that. Have a wonderful long weekend and a fun rest of the summer! And good luck getting the kids ready to go back to school.

Take care,
Luke

Lucas Preston
Mortgage Agent, Level 2
Cell: 647-299-5136
lucaspreston@invis.ca
License #: M08003866

Your mortgage....Consider it done!

PLEASE NOTE: This update is for information purposes only. Please do not rely on it to make a major decision! Everyone's situation is different and a “one size fits all” approach doesn't work. For information on how this impacts your personal situation, please contact me directly.