

## **MARKET UPDATE: December 11<sup>th</sup>, 2025:**

Hello Again! I hope all is well and that you and your family are staying healthy! And hopefully everyone is excited for the Holiday Season! (Only 2 weeks from Christmas!!)

The Bank of Canada (BoC) met yesterday to discuss monetary policy. And as was widely expected, they decided to NOT change rates at this meeting. So Prime still sits at 4.45% (except for at TD, who has TD Prime at 4.60%).

The economy seems to be faring ok despite the issues with Trump. (Though the industries directly impacted by Trump's tariffs have started laying off people, so that isn't great news).

We've seen better than expected GDP numbers in Q3 in Canada and September, October and November's Job Reports in Canada were better than expected and called "good" or "great" by many economists.

This (and a \$78Billion budget from Carney) has led to bond yields going up as the bond market starts to price in the chances of a rate hike by the BoC in the near future! If bond yields go up....fixed mortgage rates go up!

I guess anything could happen...you can never say never in this Trumpian world we now live in. BUT....that seems like lunacy to me to suggest that rate hikes are near. All of the risks at the moment appear to be things that would force rates lower and not higher.

For example, Donald throwing more tariffs at us for whatever reason or CUSMA (aka the new NAFTA) not being renewed in July and then EVERY Canadian industry can be hit with tariffs instead of just a dozen or so.

So someone needs to throw cold water on the suggestion that rates can go up soon in my humble opinion. And it appears the BoC tried to do just that with their wording in their announcement yesterday (at least that is what some economists are reading into their message.)

The BoC did not mention hikes once, and when BoC Governor Macklem was asked about it, he didn't want to talk about hikes. He said "we'd make our decisions one meeting at a time. He mentioned uneven and slower growth and that Canada is undergoing a "painful period of transition". Hiring intentions are still "muted" and trade-sensitive sectors are still weak".

So why is the BoC talking about the problems in the economy and not the lower unemployment rate and three "good" jobs report? And why not talk about higher GDP than expected in Q3??

Let's look past the headlines (Something I think the bond traders failed to do)....The headline after November's Job Report reads "Unemployment Rate down to 6.5% and 53,600 jobs created in November" which seems great! But the drop in the unemployment rate was mainly caused by a lower participation rate (30,000 stopped looking for work!!).... and not really because we created so many jobs. And a further deep dive into those numbers shows that we actually created about

64,000 part-time jobs and a net-10,000 full-time jobs were lost. (October's numbers were very similar and were also seemed to be deemed "great"). Now some of those part-time jobs created were for younger people aged 15-24 and that is good news. The unemployment rate for those under 25 was almost 15% a few months ago and now is down to 12.8%. (That is the lowest unemployment rate for this age group in the last 20 months!) So that is definitely a positive sign and IMO the only good thing to take out of the Job Reports of the last couple of months.

But if we are seeing 30,000 people seeking work simply give up looking for work....and people looking for full-time employment settling for part-time work....That doesn't scream to me "the economy is good and ready for rate hikes!!" If people aren't working, they aren't spending money. And if people aren't spending money, it is pretty tough for inflation to take off! And if inflation isn't taking off, raising rates isn't needed!

So if things aren't good, why is Canada's GDP improving in Q3??

The reason for the strong GDP growth was the result of a big swing in the ratio of imports to exports," explains David Larock of Integrated Mortgage Planners. "Imports dropped considerably, exports were basically flat, and because of that it looked like our net trade significantly improved, but our exports didn't actually change".

On top of all of that....The amount of unsecured debt Canadians have is increasing every month....which would indicate more people are needing to borrow to make their budget work. And the length of time for people to find comparable full-time work after losing employment is increasing (between 5 and 6 months currently).

So despite the headlines making it look like things are improving, the economy isn't truly on as good a footing as the headlines would make you believe. The hope (and belief by many) is that the bond market will figure this out soon and you'll see bond yields start to come back down a bit and take pressure off of lenders to raise their fixed mortgage rates.

### **SO WHAT IS GOING TO HAPPEN TO RATES!?!?!?**

NO ONE KNOWS!! Anything could happen! Despite my pessimistic opinion of things, it doesn't mean they won't hike rates in 2026. But as of this moment the BoC certainly doesn't seem to be thinking about hikes, despite the bond market believing they are. Economists agree the tone of Wednesday's announcement was broadly consistent with October's BoC message....which was in essence "We feel like rates are at the right level and don't want to drop or hike rates at the moment". The message also served to gently push back against building expectations of a rate hike.

## **HERE IS WHAT A FEW ECONOMISTS HAVE TO SAY:**

- Doug Porter @ BMO (My favorite economist in Canada) said yesterday that it appears the BoC will be on hold for the foreseeable future and that the chances of the next move being a drop is still higher than the chances of the next move being a hike. But the chances of both a drop or a hike anytime soon, seem slim
- Desjardins believes the BoC will stay on the sidelines for the foreseeable future.
- CIBC expects the BoC to remain on hold throughout 2026, though they acknowledge that rates could go either way depending on incoming data.
- RBC and Oxford Economics says we will get no movement in 2026 and that the next move will be a hike in early 2027.
- Mackenzie Investments calls for 0.50% in drops by mid-2026!
- But National Bank Economists project rate hikes to start in Q4 of 2026 or even the 3<sup>rd</sup> quarter if employment trends continue!

Obviously without the benefit of a crystal ball or a time machine, we can't know today what is going to happen in 2026 and which predictions are correct! But it certainly seems likely that rates shouldn't go anywhere for the next number of months. Even the most optimistic views (e.g. National Bank's) don't think we can raise rates until Q3 of 2026. And again....Most/all of the risk to the Canadian economy at this time are not to inflation (which would mean they have to increase rates), but rather to the state of the economy.

So incoming news will determine the direction and timing of rate hikes or drops. And that is why the BoC wants to take it one meeting at a time. For now, we should enter a period of pretty stable rates. That might be a good thing for the housing market.

## **TODAY'S MORTGAGE RATES:**

Fixed mortgage rates continue to be very stable. However, as mentioned above, there has been some pressure on rates to go up in the short-term. But I believe that will turn out to be a blip only and if fixed rates do increase, they can settle back down close to today's levels when the bond market realizes that they might have gotten ahead of themselves starting to price in a rate hike before the end of 2026. It could happen still, but it isn't a foregone conclusion like they were anticipating.

## **HERE ARE TODAY'S MORTGAGE RATES:**

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

- The 5 year fixed rate is now around 3.99-4.24% at most lenders. This is pretty much the same as last month. Though some lenders have raised rates as much as 0.20% in the last couple of days.
- The best 5 year variable term we are seeing today is Prime less 0.75%. With Prime down to 4.45%, that would mean your rate is 3.70%. Again there has been very little change here in the last month.

-The 3 year fixed rate is now around 3.99%-4.24% at most lenders. This is actually down about 0.10% since last month.

#### **For Purchases with 20% down payment ....**

-The 5 year fixed rate is currently at 4.19%-4.39%. There has been very little change here since September.

-The discounts on the 5 year variable term haven't changed in the last couple of months. Most lenders are offering in the Prime less 0.10% to Prime less 0.20% range. Though there are a couple who have rates as low as Prime less 0.50% (which would be 3.95% today). Again...no change really since September.

-The best 3 year fixed term has improved slightly in the last month. Many lenders are in the 4.24%-4.34% range which is down about 0.10%-0.15% in the last month.

#### **IN GTA REAL ESTATE NEWS:**

*TORONTO, ONTARIO, December 3, 2025 -Greater Toronto Area (GTA) home sales, new listings, and average selling price were down compared to a year earlier in November 2024. Intending homebuyers remained on the sidelines awaiting more positive economic news.*

*“There are many GTA households who want to take advantage of lower borrowing costs and more favourable selling prices. What they need most is confidence in their long-term employment outlook. Fortunately, we saw encouraging news on jobs and the broader economy in November. If this positive momentum continues, consumer confidence will strengthen, and more people will be in a position to consider purchasing a home in 2026,” said TRREB President Elechia Barry-Sproule.*

*GTA REALTORS® reported 5,010 home sales through TRREB's MLS® System in November 2025 – down by 15.8 per cent compared to November 2024. New listings entered into the MLS® System amounted to 11,134 – down by four per cent year-over-year.*

*On a seasonally adjusted basis, November home sales were down slightly month-over-month compared to October 2025. New listings also edged lower compared to October.*

*The MLS® Home Price Index (MLS® HPI) Composite benchmark was down by 5.8 per cent year-over-year in November 2025. The average selling price, at \$1,039,458, was down by 6.4 per cent compared to November 2024.*

*On a month-over-month seasonally adjusted basis both the MLS® HPI Composite and the average selling price remained close to October figures. The MLS® Composite was down slightly, whereas the average selling price edged up.*

*“November reports on employment and economic growth were much stronger than expected. The Canadian economy may be weathering trade-related headwinds better than expected. More*

*certainty on the trade front coupled with positive economic impacts of recently announced infrastructure projects could improve homebuyer confidence moving forward,” said TRREB Chief Information Officer Jason Mercer.*

*“Homebuyers are currently benefitting from a well-supplied resale market. However, as this inventory is absorbed, new construction is required to fill the housing pipeline. It will be key to see projects that bridge the gap between condominium apartments and traditional single-family homes. Home construction results in large economic benefits that would help in today’s economic climate,” said TRREB CEO John DiMichele. “All three levels of government should offer further incentives to build more homes for Ontarians,” continued DiMichele.*

So the theme here continues to be that we need job security and certainty to want to buy a home. That makes a ton of sense! They keep hammering home the idea that we will eventually run out of inventory and will need more homes built. That too makes a lot of sense! Though at today’s high house prices (and interest rates higher than we’ve grown accustomed to in the last 15 years), I’m not sure how builders can sell enough units to be able to get their shovels in the ground anytime soon.

In my humble opinion we need to change focus and increase the major incentives given to builders to start building purpose-built rental homes instead of homes and condos they intend to sell. That would allow shovels to go into the ground NOW so we aren’t having to play catchup when the housing market finally takes off again.

That’s it for this update. The first BoC meeting of 2026 is on January 28<sup>th</sup>, so I’ll be in touch after that.

Wishing you and your family a wonderful Holiday Season and a happy, healthy and prosperous 2026!

Take care,

And have a great rest of 2025 and a wonderful start to 2026.

Luke

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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.