

not be able to absorb the increase in their monthly payments if interest rates rise by just one percentage point. A staggering seven million Canadian consumers carry a variable-rate mortgage or a line of credit with a variable interest rate. They will be the first group hit by rising debt costs.

Expect these issues to grow in importance over the coming years. These trends will inevitably impact Canadian equities at some point; banks such as **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **National Bank of Canada** ([TSX:NA](#)) are likely to face pressure from non-performing loans.

According to **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), the rapidly rising real estate market will end poorly for consumers, lenders, and the economy as a whole. "Odds are that if this kind of price growth continues, it will end badly," a bank analyst said in a research note. Bank of Canada governor Stephen Poloz has said that over 720,000 households could struggle to make debt payments during a downturn.

If you're a buyer in this market, tread carefully.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BMO (Bank Of Montreal)
4. TSX:NA (National Bank of Canada)
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Date

2025/08/26

Date Created

2016/09/17

Author

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