

Are We Headed for Another Interest Rate Hike?

Description

The Bank of Canada (BoC) released its latest Business Outlook Survey this week, and businesses still seem optimistic about the economic outlook for the country. Does this mean Canada is headed for another interest rate hike? Maybe.

The Business Outlook Survey

The survey includes the opinions from senior business managers across the country. The results reflect an overall positive outlook from the business leaders, including expectations for continued growth in sales and plans by some of the firms surveyed to increase investment and hiring. There are some worries about labour shortages and meeting demand for supplies, but the overall survey looks good. If you want to read the entire report, you can find it on the BoC's website.

This report is just one of the things the BoC will look at to determine what it should do with interest rates, but it is one of the last things the bank will review before its next rate announcement on October 25.

Interest rate changes this year

The BoC has already raised interest rates twice this year in the face of good economic news and a desire to get out of the interest rate basement. Financial companies such as **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) immediately followed suit by raising their mortgage and other credit rates.

Many analysts are expecting another hike over the next few months if economic numbers stay positive. Even if they are right, that doesn't mean a hike is coming next week.

Factors that could stop a rate hike

There are also possible worries that might make the BoC hesitant about another rate hike, not least of which is the uncertainty surrounding NAFTA. Negotiations are still ongoing, but it's hard to predict what will happen to the agreement with Trump at the helm in the United States. If the negotiations collapse and the U.S. makes good on its threat to pull out of the agreement, this will likely have a negative effect on the Canadian economy, at least in the short term.

There are also worries about the Canadian housing market still being too hot, and some wonder if the stock market can keep up its hot pace for much longer. Problems in any of these areas would mean trouble for the economy.

Investor takeaway

Regardless of what analysts expect, no one can predict for sure what the BoC plans to do next week. An increase would signal its confidence in the Canadian economy. Staying put won't necessarily mean the BoC is worried, however. It would most likely be a sign that the bank wants to be cautious and not

move rates too much, too fast.

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