



Mortgage Rates: How High Could the Bank of Canada Hike Rates in March?

Description

Well, the cat's out of the bag. After inflation hit a 30-year high of 5.1% in January, the Bank of Canada all but confessed it was going to raise interest rates at its next meeting, March 2.

Of course, they had all but confessed this at their *last* meeting, too. After deciding to postpone raising interest rates then (a decision that might come back to haunt them), they suggested rates would follow a “steady climb” upward, moving by increments throughout the year.

But now a panic seems to be settling in. With inflation rising for the 10th consecutive month, the Bank of Canada is no longer treating it as “transitory.” According to Deputy Governor Timothy Lane, they’re now “alert to the risk that inflation may again prove more persistent.”

No kidding. But what does that mean for the rate hikes in March?

A modest hike

The first interest rate will likely be modest. Most predict the Bank of Canada will raise the rate by 25 basis points to 0.50%. But I say, with inflation still raging, the Bank of Canada should consider raising the rate by 50 basis points to 0.75%.

As much as I think we need a 50-basis-point hike, I doubt they will raise the rate by that much. The reason: the Bank of Canada *still* seems calm in the face of high inflation. It wasn't that long ago, in fact, that Bank of Canada governor Tiff Macklem said inflation could decline, as supply chains normalize and the pandemic eases up. That is, inflation would just “naturally” go away, with little governmental intervention. Whether he's right or not, he's the governor of the Bank of Canada, and if he's not panicking, I doubt he'll make a panicky decision.

Multiple hikes

Keep in mind that the first rate hike won't be the last. In fact, there's likely going to be at least five or six

hikes in 2022.

Recall that the Bank of Canada said interest rates would be “on a rising path.” As of right now, the Bank of Canada has no scheduled dates to announce interest rate changes until March 2, meaning interest rates could stay low until that day. For 2022, the scheduled dates for interest rate announcements are as follows:

- March 2
- April 13
- June 1
- July 13
- September 7
- October 26
- December 7

Should you get a mortgage before March?

If you're serious about buying a home in 2022, now might be the time to get a mortgage pre-approval.

When you get a mortgage pre-approval, your lender will give you an estimated monthly mortgage payment along with — yes — a mortgage rate based on today's rate.

While you're not guaranteed a mortgage, you are guaranteed the rate, at least for a time, usually anywhere from two to four months. Even if the central bank hikes rates in March, you would still benefit from historically low rates by getting pre-approved today.

If you plan on buying a home within the next three to four months, a pre-approval could be right for you. But act fast. You're not the only Canadian trying to lock in historically low interest rates.

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