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E–WEDNESDAY

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"Someone's sitting in the shade today because, someone planted a tree a long time ago."

- Warren Buffet

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Money

"You can make a million excuses or you can make a million dollars." ~ @LUXQUOTES

What's the neutral rate, and why did the Bank of Canada raise it?

The Bank of Canada's interest rate decision last week didn't bring cuts, but it did bring new insight into where the central bank thinks interest rates may be headed.

The bank kept its overnight interest rate steady at five per cent, but it raised something else: its nominal neutral interest rate.

The neutral rate is the rate at which the central bank's monetary policy is neither stimulating nor holding back the economy.

It's essentially the "Goldilocks" interest rate, explained Sheila Block, an economist and research associate with the Canadian Centre for Policy Alternatives. It's where the economy can keep growing, but inflation won't get out of hand.

The neutral rate is now estimated to be between 2.25 per cent and 3.25 per cent, up from two per cent to three per cent in the central bank's last report.

While the neutral rate isn't a perfect science — that's why it's given as a range — it's still an important guide for the central bank's monetary policy, and a metric Canadian consumers, especially those with debt, should keep an eye on, Block said.

"Central banks are trying to reach this sweet spot where their rate decisions aren't causing a recession, and they're similarly ... not fuelling inflation," she said.

Raising the neutral rate indicates that the Bank of Canada thinks interest rates will land at a higher level once it's done cutting than previously projected, said Block, though the neutral rate doesn't tell us anything about the timing or pace of cuts.

"It's a signal of how low the bank feels rates can go. And what it's saying today is, the bank feels that rates can't go as low as they had felt earlier," she said.

Bank of Canada governor Tiff Macklem said during a press conference last week that the neutral interest rate doesn't have a big impact on the bank's deliberations in real time.

"It's a necessary input in our models," he said, but doesn't have much influence on "real-time monetary policy."

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"The neutral rate is where our policy rate would be in the long run, when inflation is at target, the output gap is closed, and there are no shocks."

Canadians grew accustomed to low interest rates before the COVID-19 pandemic, said Block, but any hopes that rates would return to pre-pandemic levels after the central bank had quelled inflation were "dashed a long time ago."

"Now the question is, how much higher are they going to be?"

The longer-term economic environment is changing because of several factors that will necessitate a higher neutral interest rate, she said. These include increasing government debt and the demands on investment from climate change.

Despite the uptick in the neutral rate, the bank's projection is still relatively optimistic, given that many market watchers think it could be higher, said Royce Mendes, managing director and head of macro strategy at Desjardins, in a note.

Block is one of those who thinks the neutral rate will move higher still.

"I think there are a lot of inflationary factors that have accelerated. And so it will be more difficult to stay at two per cent (inflation)," she said. Two per cent is the central bank's target for inflation.

Avery Shenfeld and Ali Jaffery at CIBC wrote in an April 5 report that they expected the Bank of Canada to raise the neutral rate this week and said they expect the U.S. Federal Reserve will eventually bring its own neutral rate higher.

However, measuring where the neutral rate will land a couple of years out is "fraught with difficulties," they wrote, "and we'll only really know it when we see how the economy does as we get near to it."

They added that the Bank of Canada hasn't been shy about saying the neutral rate could move higher.

Canada's neutral rate has historically been lower than the U.S.'s for nearly a decade, Shenfeld and Jaffery wrote, and they expect this gap to continue, owing largely to the fact that Canadians hold more debt on average than their neighbours to the south.

Spring housing market surge unlikely as affordability, cost of living weigh on buyers

After five straight holds of the Bank of Canada's key interest rate that followed its hiking cycle of more than a year, economists say a rebound awaits the national housing market — but don't expect a big surge just yet.

With modest cuts likely in store later this year — some forecasts call for those to begin as soon as June — it could take months before buyers are confident enough to come crawling back from the sidelines.

That uncertainty may keep some buyers cautious throughout the spring, said TD Bank economist Rishi Sondhi.

"I think it's a bit of a muddy backdrop there and maybe that might be restraining some of the activity," he said.

But Sondhi said Canada's housing market is "akin to a bit of a coiled spring," noting sales activity and prices typically jump when there's a shift "that jolts the market" such as an interest rate cut.

"There's significant pent-up demand out there, particularly in Ontario and B.C., so it just takes a bit of a spark."

In its latest report on national home sales and pricing data, the Canadian Real Estate Association hinted that February could mark "the last relatively uneventful month of the year."

“After two years of mostly quiet resale housing activity, there’s a feeling that things are about to pick up,” CREA chair Larry Cerqua said in a statement last month.

“At this point, it’s hard to know whether buyers are going to wait for a signal from the Bank of Canada or whether they're just waiting for the spring listings to hit the market."

Greater Toronto Area-Realtor Dean Artenosi called the current moment a "tipping point where the worst is behind us." He said the central bank has signalled that interest rates have "levelled out" through its consecutive rate holds, and that has made buyers more optimistic.

"The mood and the mindset, the psyche, is that we're back to a normal market," said Artenosi, co-owner of Coldwell Banker The Real Estate Centre Brokerage.

"People have gotten comfortable ... and are used to making the payments at these higher rates. Buyers are starting to come back into the marketplace. Obviously there's talk of the rates starting to come down now and we're seeing multiple offers again on some properties."

Out West, activity cooled in March after 2024 got off to a red-hot start, said Tim Hill with Re/Max All Points Realty.

The Vancouver real estate agent said many of his clients now find themselves in a holding pattern while waiting for rates to fall. He said others are weighing the pros and cons of buying before that point in time, which is expected to spur price growth amid lower borrowing costs.

"We can all feel pretty confident that (the central bank is) not making a change yet, as much as people might wish. But maybe we'll get some more information soon of where their heads are at and when we might see that Bank of Canada rate come down," said Hill.

"For me, I'm feeling now that we've seen this kind of lull, I think April is going to be a really tell-tale month for how the rest of the spring goes."

RBC assistant chief economist Robert Hogue predicted a "gradual" rebound later this year as the central bank's rate-cutting cycle progresses, rather than a major uptick in activity following its first reduction.

He said there are some exceptions to that forecast, notably the Calgary market, which has remained strong despite elevated rates. Increased demand from interprovincial migration and below-average inventory have kept the market tight in that city, according to the local real estate board.

"That's a market that continues to be pretty robust and we don't see that changing," Hogue said.

Despite pent-up demand, affordability remains a major issue in markets such as Toronto, Vancouver and Montreal.

"I don't see it as much of an issue of being prudent or cautious, but more in terms of the budget constraint to buyers," said Hogue.

He said Canada could see a "series of small waves" in some markets within the next few months, where activity picks up as some try to get ahead of interest rate cuts.

"For those mini-waves to be sustained, you need a critical mass of buyers making their way back into the market," Hogue said.

"For that, our view remains that we need to see a significant drop in mortgage rates, which I think is more of a second half of 2024 story than the spring market."

Artenosi said he's urging his clients not to wait. While borrowing conditions could be more favourable in the months to come, he warned of other factors, including Canada's growing population, that could make it more difficult to buy at an affordable price.

Statistics Canada's live population tracker showed Canada's population topped 41 million in late March, less than a year after hitting the 40-million milestone.

"Playing the waiting game is a mistake," said Artenosi, who added those holding out may increasingly find themselves in bidding wars.

Portfolio manager says loonie could fall to half of greenback's value

One portfolio manager says that the loonie could fall to 50 cents U.S. over the longer term if Canada doesn't fix its issues around inflation and affordability.

Jean-Francois Tardif, founder and portfolio manager at Timelo Investment Management, said in an interview with BNN Bloomberg that a drastic decrease in the value of Canada's currency "won't happen overnight," but could be a "slow erosion" if certain trends aren't reversed.

If not, he added the loonie could "easily" fall to 50 U.S. cents.

"We have here in Canada a housing affordability (issue)," Tardif said.

"And we have wage pressure because people can't afford houses. The price of everything is up... so people are going to ask for higher wages which creates higher inflation. Higher inflation means that the economy is not doing as well."

He also highlighted that economic weakness will mean less interest from foreign investors, which could also weigh on Canada's currency.

Our Own Backyard

"Look at the stars. See their beauty. And in that beauty see yourself." ~ Draya Mooney

A Canadian park was just named the best stargazing spot in the world - *By Emma Kilburn-Smith*

>4 min read

If the recent solar eclipse sparked an interest in astronomy and you can't get enough, you might want to visit this incredible Canadian park for the best possible stargazing views.

Inghams, a UK-based travel company, released a list of the best places for stargazing worldwide, and a Canadian spot ranked first!

Waterton-Glacier International Park in Alberta came out on top, beating out 19 other spots around the world.

The ranking was determined based on Google Reviews scores, All Trails scores, and average monthly searches.

The Alberta spot scored remarkably high on all counts, coming out just below a perfect five rating at 4.9 stars on Google and 4.8 on All Trails.

Rank	Dark Sky (Park)	Country	Google Review Score	All Trails Score	Average Monthly Searches	Weighted Quality Score
1	Waterton-Glacier International Peace Park	Canada	4.9	4.8	1,300	94.1%
2	Yeongyang Firefly Eco Park	South Korea	4.7	5	90	94.0%
3	Ainos National Park	Greece	4.9	4.7	480	92.1%
4	Mayland Earth to Sky Park & Bare Dark Sky Observatory	USA	4.9	4.7	480	92.1%
5	UbarU Camp and Retreat Center	USA	4.9	4.6	50	90.2%

It was the only Canadian park to make the list, with other notable locations coming out of South Korea, Greece and the United States.

The website also added that part of Waterton's charm is its lesser-known status.

"Coupled with the fact that it remains fairly unknown in terms of Google search volumes, this Dark Sky park offers star gazers a peaceful and unforgettable adventure."

Locals know that Waterton is a bit of a hidden gem and often offers a quieter visitor experience compared to other Alberta mountain towns.

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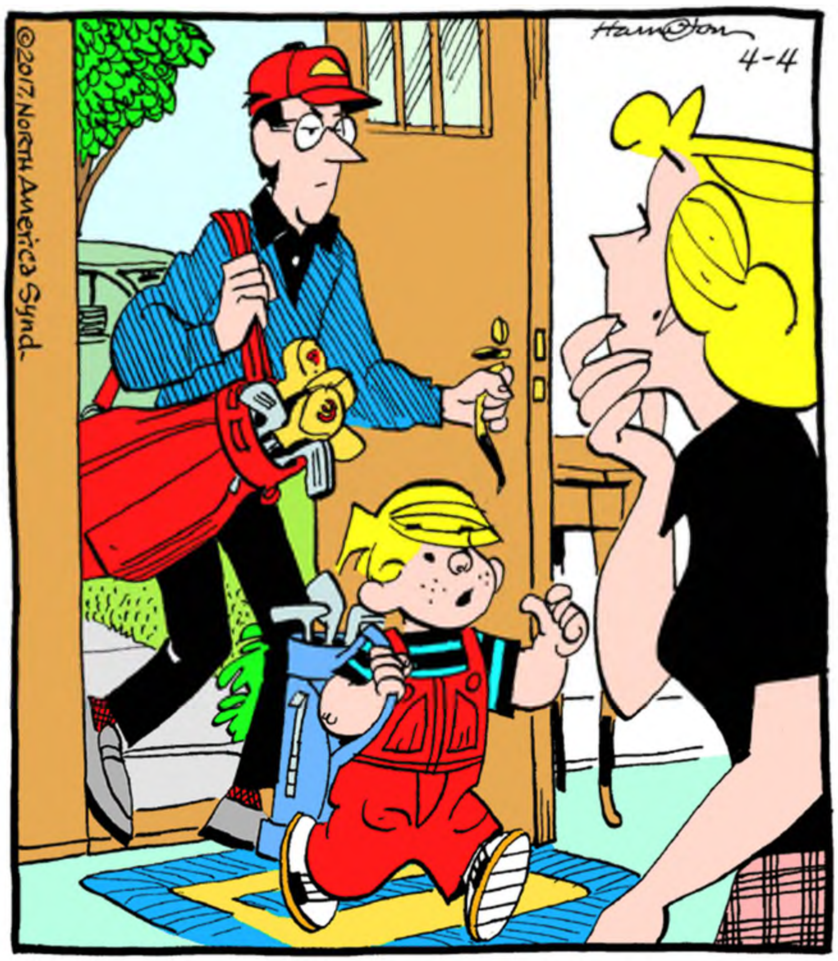
https://dailyhive.com/canada/waterton-glacier-international-peace-park-stargazing

Wit

"The easiest shot in golf is your fourth putt." ~ Unknown



"DAD DIDN'T GET A HOLE-IN-ONE, BUT HE DID GET A WINDSHIELD IN THE PARKING LOT."

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“ Someone asked me ‘who hurt you’? I replied, ‘my own expectations.’.” ~ @Funkylife.in

Three ways to avoid making emotionally charged financial decisions

4min read

Your emotions can influence the choices you make. Learn how to better equip yourself to make emotionally well-grounded financial decisions.

Being on an emotional roller-coaster may impact your approach to decision-making. During periods of heightened emotions, decisions tend to be based on short-term objectives, without much consideration for their long-term implications. This applies to your financial choices as well. While it may be difficult to watch the value of your portfolio decline, it may be even more difficult to recover from a series of poorly timed decisions.

It’s important to remember that remaining calm during all market environments and staying focused on the long term is critical to reaching your financial goals.

Below are a few suggestions on how to better manage your emotions, and in turn, your strategy planning and decision-making:

1. Ask big-picture questions

During times of market volatility, it may be helpful to revisit your goals to see if anything has changed. Consider asking yourself questions such as:

- Are my goals still the same now that my investments have declined?
- Are there near-term financial needs that can wait, or do I have other sources of liquidity to help hold me over so I can stay invested longer?
- Is my portfolio aligned with my risk tolerance and my time horizon for when I might need the money?
- Does my portfolio have an appropriate level of diversification?

If the answer is “yes” to these questions, then ask yourself why you need to make any changes given the risks involved in getting it wrong. If the only thing that has changed is the current value of your portfolio, should this affect your long-term plan? These bigger-picture questions can help shift the focus away from short-term discomfort. However, if the answer to any of the questions is “no,” then discuss these changes with your advisor; they will review your plan and work with you to adjust as needed.

2. Avoid constantly checking your investment

Are you guilty of checking your portfolio on a daily basis? One way to reduce the emotional impact of market volatility is by simply looking at it less often and instead focusing on your big picture wealth plan. The market tends to be more volatile over shorter time periods, so the more often you check, the greater the likelihood you'll see wider fluctuations in the value of your portfolio. Checking your portfolio less frequently may mean you're more likely to see trends over the long term.

3. Speak with an advisor

Many advisors have been through multiple market cycles and have seen difficult periods before. Having an advisor who can share their expertise and experience and provide you with advice during difficult times can be extremely helpful in keeping your plan on track.

Thinking about switching to cash?

If you are thinking about moving to cash, one thing to keep in mind is that when inflation is high, sitting on excess cash will normally result in negative real returns. Here are some questions to consider:

- What is my plan for getting back into the markets?
- What are the tax implications of my decision?
- Where should I direct my savings in the meantime?
- How long can I afford to be out of the market while ensuring my goals are still achievable?
- How will I know when (and if) it's safe to get back into the stock market?
- If I re-enter the market, how can I be more comfortable with volatility in the future?

History tells us that it is generally a bad decision to sell in down markets with the hope of timing your way back into the market with good results. With that said, market volatility can provide opportunities to find some bargains and even offset some gains with losses.

Dos and don'ts for controlling emotions

- Do seek advice.
- Do understand your goals, objectives, risk tolerance and investing timeline.
- Do find the right information about your investments (e.g. analyst reports, financial statements, etc.).
- Do stay focused on your customized wealth plan.
- Don't panic and act before understanding the implications of your decisions.
- Don't check your investments too frequently.

Keep your emotions in check

Wealth plans shouldn't be derailed by uncertainty and periods of volatility. Reacting emotionally often complicates the process, and the more you try to time your decisions according to the markets, the worse off you may be.

Even though wealth planning is driven by facts and numbers, it's also important to take into account your feelings and beliefs about money. Nearly everything we do requires it in some shape or form—and yet money is intensely personal. People dedicate so much of their lives to earning it, and humans are emotional beings by nature.

As you grow your wealth, it's important to work with an advisor who can share their experience and insight to help you make well-grounded financial decisions.

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https://www.rbcwealthmanagement.com/en-us/insights/three-ways-to-avoid-making-emotionally-charged-financial-decisions

An Active Lifestyle

"Never stop exploring, always keep your hopes alive; for life cannot get boring, if you let adventure thrive." ~Terry L Rath

The 2024 Guide to Buying an Electric Bike - *by Aisla Ross*

6min Read

Now's a great time to buy an eBike. The quality of available models is only going up, and if you're looking for ways to use your gas-powered vehicles less often, taking more trips on an eBike could help to reduce your greenhouse gas emissions.

You'll be pedalling, of course; eBikes aren't actually a 'slow moped' or 'very slow motorbike'. They're bicycles, with motors. And that motor will provide you with an assist up the kind of hill that might be difficult to summit with only pedal-based power.

Before buying an eBike, here are some of the key things to consider for making your purchase.

Decide what kind of rider you are

The main types of eBikes to look at are city bikes (including cargo bikes), road bikes, and mountain bikes. They all have their pros and cons, so it's important to consider what kind of rider you are so you can narrow your choices down to the right model.

For the weekly grocery haul

If you're really just planning to do short trips from point A to point B without ever getting off tarmac, then a city bike might be your best fit. You might even consider a cargo bike for extra capacity to haul goods, groceries, kids, and pets around your neighbourhood.

For the daily commute

If your eBike is chiefly going to be for commuting on, a foldable city bike that you can easily bring up to the office, rather than leaving locked on the street, can be a good option that will give you peace of mind that it's in a safe place. Foldable bikes are also a great option if you're short on storage space in your apartment.

For trails and long-distance routes

If you're a serious mountain biker or road cyclist, then it makes sense to get an eBike for that specific purpose. Like their traditional counterparts, electric mountain bikes (also know as e-MTBs) and road bikes have specialized features that help you travel on off-road terrain or long-distances, with the added bonus of motor assistance to help you travel faster and farther.

Work out your budget

You're going to want to have an idea of your budget before going to the store. Depending on the features you want, a new eBike could cost anywhere between $300 and $10,000.

One of your deciding factors might be the cycling range you'd like your bike to have. Are you taking a short-distance ride to get to work everyday, or planning long-distance adventures on your eBike?

Typically, you can expect lower-cost models have smaller batteries, which means they'll have a shorter cycling range. Pricier models tend to have better battery optimization, which increases their range, so you'll be able to travel farther.

You may also want to calculate annual maintenance costs of owning an eBike: Just like a regular bike, you'll need to look after your eBike's brakes, tires, gears and chains – plus its battery health. Experts recommend budgeting around $150 for eBike maintenance.

Shop with Avion Rewards: Shop Best Buy's catalogue of new eBikes with your points. Learn more

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Consider purchasing a second hand electric bike

To save money, and reduce the consumption of new goods, consider looking for a second hand model. It's possible to find well-maintained second hand eBikes at a local bike shop, or a specialist second hand seller in your area. Online buy-and-sell websites or community groups may also prove fruitful in your search.

Shopping second hand eBikes: What to look out for

Just as you would with a second hand car, you'll want to know how much the model you're looking at has been used. If the mileage is high, the brakes, gears, and cogs might be pretty worn if they haven't been replaced — so ask about the bike's maintenance in order to make an informed decision.

Most important of all, given that this is an eBike you're looking at, is what state the battery is in. If the eBike's been used quite regularly for short trips, that can actually be a good thing: it means the owner was charging the battery regularly, which helps keep it in good condition.

Warranties for eBikes don't generally transfer to second owners. So if the battery is going to need replacing soon, consider whether you're willing to factor in the extra cost. Also, check to see if the eBike battery you're looking at is still on the market. The batteries are typically unique to the specific eBike model and brand, so check online to ensure that you can still purchase one.

Tip: Always make sure to ask for proof of ownership from the seller, so that you're not contributing to bike theft.

Keeping your eBike safe and secure

If your home or tenant insurance doesn't cover eBikes, consider taking out a specific policy for your new purchase. It's also worth considering investing in a good lock — a U-lock or heavy-duty steel chain with a padlock from a reputable manufacturer could help to prevent the theft of your eBike. When locking your eBike, if you can't store it inside, choose a well-lit space where there tends to lots of foot traffic. Also, consider checking to see if there's a bike registration program with the police in your area, and keep a note of the serial number on the frame — that'll assist in making it easier to recover your eBike if it does get stolen.

Practice cycling safety on the road

You'll also want to keep yourself safe when on the road. Don't forget to wear a helmet. Make sure it fits snugly on your head — it shouldn't slide forward and back when you move. Also get some front and rear lights for your new eBike, as well as reflectors, and a bell. And, if it's been a while since you did much cycling, consider taking a cycling safety refresher course so you can feel confident and be on top of all the traffic laws.

Talk to the staff at your local bicycle shop

If you have a decent eBike shop in your area, that could help you in your search for an eBike. Consider talking to the specialists there; tell them your budget and your life story — or at least, let them know what you realistically plan to be doing on your new eBike!

Ask to take a range of models for a test spin. Test spins could help you decide which model's for you.

And while you're in the store, do ask if they do tune-ups and other eBike maintenance. If they do, it's much more likely that you and your new eBike will have a long-standing relationship, rather than a short one where it ends up languishing in the garage for the next few years because it's a hassle to send it away for repair.

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