Dear clients, friends and constant readers,

My newsletter Weekly Updates, covering exclusively financial and economic news for the last 11 years, is published in 50 issues per year (the last week of every year and the first week of the subsequent year being usually very slow on noteworthy economic news).

Please be advised that on December 25th 2015 and January 1st 2016 the Weekly Updates newsletter will not be published. Please look for the next 546th issue on January 8th 2016.

Weekly Updates Issue # 545

1. Weekly Markets Changes

[December 18, 2015]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
13,024.30 +234.4 +1.83%	2,005.55 -6.82 -0.34%	17,128.55 -136.7 -0.79%	4,923.08 -10.38 -0.21%	$0.7164 -1.05¢ -1.44%	$1,065.60 -8.10 -0.75%	$34.55 -0.81 -2.29%

2. Rise in food prices pushes inflation to 1.4%

[December 18, 2015] Canada's annual inflation rate picked up pace last month to hit 1.4%, moving it a little closer to the central bank's ideal target of 2%, says Statistics Canada.

The statistical agency's November inflation reading was up from just 1% in October.

The latest consumer price index says higher prices for food and shelter were among the biggest contributors to the increase. Prices rose in seven of the survey's eight major categories.

The index found that food prices were up 3.4% compared to a year earlier, thanks in large part to the higher costs of meat and fresh vegetables. The category of fresh or frozen meat, excluding poultry, was up 6%, while beef alone climbed 8.1%.

The report says the cost of fresh vegetables rose by 10.9% following big, year-over-year increases in the prices of tomatoes and lettuce.

The lower cost of transportation, meanwhile, put downward pressure on the inflation rate, as gasoline prices fell last month by 10.6% compared to a year earlier.

The agency says consumer prices rose in every province last month compared to the year before.

Meanwhile, the Bank of Canada's core inflation rate, which excludes some volatile items such as gasoline, was 2% last month, compared with 2.1% in October. The core rate is closely followed by the BoC.

On a month-over-month basis, the consumer price index crept up 0.2% in November, which matched October's increase.

Statistics Canada also released October data for wholesale trade, which fell 0.6% to $54.7 billion—its fourth-straight monthly drop.

The agency said lower trade figures were recorded in four areas that, when combined, represent 64% of all sales. Sales fell by 3% to $10.5 billion in the food, beverage and tobacco category (its third decrease in four months.) The category of motor vehicle and parts registered a 2.1% drop to $9.5 billion, its fourth-straight tumble.

3. Coal demand stalls for first time since '90s

[December 18, 2015] The International Energy Agency says global demand for coal, the biggest source of man-made carbon emissions, stalled last year for the first time since the 1990s.

In Friday's report, the Paris-based IEA cited declining appetite for coal in China, the world's biggest coal consumer.

China is expanding renewable sources of electricity such as hydro, wind and solar power. It has also seen a decline in coal-intensive industries like steel and cement.

The IEA projected that the share of coal in power generation worldwide would drop from the current 41% to 37% by 2020, though demand for coal is projected to rise in India and Southeast Asia.

IEA chief Fatih Birol said environmental policies including last week's climate agreement in Paris "will likely continue to constrain global coal demand."

4. No housing correction in 2016

[December 17, 2015] Canada's economic conditions are gradually improving as the country climbs out of a technical recession. Statistics Canada recently stated the nation's GDP grew 2.3% in Q3.

Modest increases in employment and earnings, coupled with low interest rates, should also support real estate demand in 2016.

"We should expect real estate markets across much of the country to remain stable in 2016, benefitting from low interest rates and firmer economic growth," says Sal Guatieri, senior economist at BMO Capital Markets. "Markets in the oil-producing regions should begin to stabilize, as we expect oil prices to recover partially."

And even though last year Guatieri expected interest rates to rise in late 2015, he didn't anticipate the drop in oil prices, which led to the BoC cutting rates twice this year. Guatieri forecasts rates will hold steady in 2016, "though longer-term bond yields will drift modestly higher in response to tighter monetary policy in the U.S."

CMHC, however, is predicting interest rates will "rise gradually from current levels starting late in 2016." This will cause mortgage rates to likewise increase. The corporation expects the one-year mortgage rate to be 3% to 3.8% in 2016, while the five-year rate should be between 4.7% and 6%.

When interest rates do rise, Guatieri warns the Vancouver and Toronto real estate markets could be at risk of correction, though it won't happen in 2016. "As crazy as it sounds, prices are likely to continue rising in these two regions."

The average price of a detached home in Toronto was $669,400 in October, up 11.7% annually from 2014, according to MLS. In Vancouver, the price was $1.2 million, a 20% annual increase.

These prices compare to other major cities: Montreal at $316,500 and Calgary at $496,800. The national average price of a home was $454,976 in October, up 8.3% year-over-year.

Rising property costs are concerning, since Canadian homeowners already feel housing is unaffordable. A Manulife Bank of Canada survey found less than half (46%) of residents in Toronto, Montreal, Calgary, Vancouver and Edmonton describe their property markets as affordable, compared to 68% nationally.

Still, buyer demand in Vancouver and Toronto will remain steady in 2016, notes Guatieri, due to millennials and an influx of foreign investors.

"Montreal will continue to strengthen as Quebec's economy is poised to pick up in response to stronger exports," he adds. "Calgary's battered market should stabilize as oil prices are expected to increase moderately (averaging $52/barrel for WTI) in 2016."

Meanwhile, strong rental demand from immigrants and millennials has boosted condo construction in Canada to its highest in two decades, notes Adrienne Warren, senior economist and manager at Scotiabank.

On an annual basis, overall housing starts are expected to range from 153,000 units to 203,000 units in 2016, and 149,000 units to 199,000 units in 2017, according to CMHC.

"Even with this new supply, the national average rental vacancy rate has edged only modestly higher over the past year, and remains low at 3.3% for purpose-built apartments and just 2.3% for condominiums," says Warren in a report.

A look at the U.S.

Most regions in the U.S. still offer good real estate value, says Guatieri, as affordability remains better than normal.

The median price of a resale home in Q3 2015 was $227,400, according to the National Association of Realtors. The cost of a new home during that time was $294,100.

Lawrence Yun, chief economist of the National Association of Realtors, agrees the U.S. market will see another strong year of housing demand. "Sales will be driven by increasing consumer confidence and solid job growth – especially in the states in the West and South that are leading the rest of the pack and will continue to see further job creation," he says in a report.

He adds the southern and western states have the most competitive real estate markets. "Affordability concerns remain heightened as low inventory continues to drive up prices."

And affordability would become even more difficult as interest rates rise. Yun had forecasted the Fed would raise rates as early as this month (and he was right — yesterday, the Fed raised rates to 0.50%), and then again in March 2016. He predicts mortgage rates will likewise go up to 4.5% by the end of next year.

Guatieri adds other factors could drive up prices, including "pent-up demand from the millennial generation, which delayed its home buying plans because of elevated student debts and the psychological scars from the housing bust."

Further, stronger economic growth in the U.S, "led by American consumers, suggest the U.S. housing market will outperform Canada's market in 2016."

5. Fed hike is a brave experiment

[December 16, 2015] A vote of confidence.

That's what people are calling today's move on interest rates by the U.S. Federal Reserve. The quarter-point uptick is the first hike since the start of the financial crisis.

But is it confidence, or simply a response to longstanding concerns that leaving rates at a mere 25 basis points above the zero mark has made the U.S. appear economically weak for far too long?

In truth, it's a bit of both.

Federal Reserve chair Janet Yellen did the right thing today, even if the rate increase takes some short-term wind out of the sails of a U.S. recovery. She was equally right to mark the first years of her term as Fed chief as an inflation dove, and patiently allow the U.S. unemployment rate to drift down to 5%.

Biding her time let the central bank unwind some of its QE measures (which in many ways were more worrisome than sustained low rates). That same waiting game was expected to allow inflation rates to recover to normal levels of around 2% and put the Fed's governors back into their usual, and more comfortable, roles as inflation hawks.

That didn't happen. President Obama, and both of his Fed chiefs, has been forced to contend with a jobless recovery—the length of which far outstrips the one Bill Clinton and Alan Greenspan faced in the 1990s. While unemployment is now 5%, economists and labour experts, as well as the Fed chief herself in comments today, have raised concerns about the quality of jobs that have been created since 2008, versus those that left the economy.

Further, a strengthening U.S. dollar has cut into retail prices for imported goods and kept inflation well below the Fed's 2% target.

In that context, today's move is an attempt by U.S. central bankers to find a way to remain relevant; and, more importantly, to keep the concept of central banking relevant at a time when most of the world's developed economies remain in the doldrums.

Charged with striking a balance between employment levels and inflation rates, central bankers pine for the days when benchmark rates hovered in the 4% range and they held the tools necessary to keep recessions shallow or shorten their durations.

Yellen and the Fed's governors decided to tinker today because the U.S. economy is the best it's been in a long, long time. So, while the statistics suggest a rate hike isn't ideal right now, there's also a compelling need to see if the tools central bankers wield still hold any power to affect change.

Today's mild hike won't be destructive, even to an economy that hasn't completely regained its legs. The worst consequence would likely be a need to retreat to 0.25% sometime during the coming year. The U.S. has been there before, and the risk of letting its central bank remain impotent for years to come is far greater.

During his tenure as Fed chair, Ben Bernanke stressed the need to learn from the massive policy errors made during the Great Depression. It now falls to Yellen to ensure the U.S. doesn't repeat the mistakes of Japan.

6. What Yellen's move means for investors

[December 16, 2015] Today's 25-basis-point rate hike by the U.S. Federal Reserve didn't surprise markets. What did was how many hikes are expected to occur in 2016 and 2017, says Prab Sagoo, associate director at Nasdaq Advisory Services.

"The calculations from the dot-plot that the Federal Reserve put out indicate there may be up to four rate hikes by the end of 2016," he notes. "I don't think the market is pricing in that many hikes, so there's a little bit of a disconnect as we go into the next two years."

But, he adds, "The Fed is going to keep an eye on how the economy, labour market and inflation develop. Previously, the market had been worried that the Fed may embark on a persistent rate-hike cycle, whereby every meeting or two [it] might hike rates. However, with what's been said so far, the [central bank] seems very dependent on data."

And there's good reason for that, says Jeff Waldman, head of Global Fixed Income at CIBC Asset Management. "Since 2006, when the Fed last hiked rates, total U.S. debt has increased $20 trillion, but the size of the economy has only increased $4 trillion. So it will take fewer increases this cycle to impact growth. Once the Fed realizes that hiking is having a negative impact, that will signal that the Fed's tightening will have run its course."

Impact on equities and bonds

Today's rate hike, in and of itself, is no game changer for equity markets, says Robert Spector, portfolio manager, MFS Investment Management in Toronto. Markets had priced in Yellen's move, "which was clearly telegraphed well in advance." And Fed policy is still extraordinarily accommodative, Spector emphasizes. The Fed funds rate is "well below what anyone would expect in the context of an economic expansion that started seven years ago."

Today's move should not be viewed as a headwind for equities. "The equity outlook is going to be determined by many more things besides the Fed. You have commodity prices, the earnings outlook, company-specific issues, growth in China, and so many other issues. These things are not going to immediately shift based on one hike."

Currently, we're seeing minimal impact on North American equity markets, says Sagoo. "There was a little volatility directly after the announcement, but most of that was just [people] trading positions rather than fundamental movements. For the most part, it's stable on the equity side, with strength building up only fractionally. We have seen some sharp rises in equity markets over the last two days, though, with the TSX up about 2.5%, so we have seen some strong gains and we're adding to that."

The TSX Composite closed up 1.91% and the S&P 500 closed up 1.45%.

Today has been a particularly good day for income-oriented sectors such as utilities, real estate and telecommunications. "These sectors are sensitive to rate increases and are often impacted negatively. But today we're seeing strong performances. Utilities tend to underperform heading into rate-hike cycles. However, given the slow schedule that Janet Yellen has indicated, utilities are getting a good bid due to too much negativity being priced into the sector."

Financials are also benefitting, says Sagoo. "It's good for them to have higher base interest rates so they can borrow at cheaper rates and then lend at higher rates further along the curve. [So] we will continue to see banks benefit in the future, if we go along a gradual rate-hike cycle. Also, as every rate hike occurs, banks should benefit."

When it comes to bonds, the rate hike was expected. "But, if you look at the yield of government bonds, the yields for five-, 10- and 30-year U.S. Treasurys were dropping dramatically after the announcement. The market had forecasted that maybe it would be a little bit aggressive of a rate hike cycle, but the [Fed's] release and comments were more dovish. So yield fell and prices rose on both the U.S. and Canadian side. They're coming back up but there was initial weakness."

Impact on loonie and USD

Today's rate announcement could play a role in potential currency movements, says Spector. Though the U.S. dollar has risen for the better part of a year and a half, the monetary policy divergence between the Fed and other countries, combined with stronger growth in the U.S., suggests the greenback "will still have this upward bias."

For now, the loonie is holding steady against the U.S. dollar, says Sagoo. "We've just seen a bit of a pullback because of big traders starting to react on the foreign exchange side to the announcement that the rate-hike cycle may be slower than expected."

And "there could be further weakness in the Canadian dollar, at least in the near term. If we see any type of consistent uptick in underlying inflation in the U.S., the loonie could [fall] further."

For its part, the BoC will wait for more strength in exports before tightening, says Sagoo. "It will need to ensure that the positive effects of a stronger U.S. economy are countering the persistently weak energy sector."

Spector says continued U.S.-dollar strength means "Canadian investors will have to continue to look globally and to the U.S. for opportunities." On the fixed-income side, Spector emphasizes U.S. corporate bonds, "which in a world where policy is still accommodative, the U.S. economy is growing, and the recent rise in credit spreads, present a unique opportunity for investors."

He adds that market has industry diversification opportunities we lack in Canada.

Expect equities to continue to outperform bonds, and particularly government bonds, adds Spector. He's also emphasizing non-Canadian versus Canadian equities.

Given how small the rate increase was, combined with Yellen's emphasis on the gradual nature of further hikes, Spector says there aren't any sectors that will benefit specifically from today's news.

However, Sagoo notes, "A lot of the opportunities will be with companies that have revenue tied to U.S. growth. If you have revenue denominated in U.S. dollars, you'll see a positive tailwind for [these] companies' earnings. But, of course, this is dependent on how the U.S. economy performs. This is a small, token rate hike."

U.S. earnings landscape has been anemic lately, he adds, so this doesn't guarantee investors will see any opportunities in the short term.

But, says Waldman, global divergence of central bank policies will remain. Investors can also consider the stances of the European Central Bank and Bank of Japan as they consider investment strategies going forward.

7. U.S. averts trade war with Canada and Mexico

[December 16, 2015] A trade war between Canada and the U.S. appears to have been avoided.

The U.S. Congress has drafted legislation that responds to Canadian and Mexican demands on meat labelling, the subject of a dispute at the World Trade Organization.

The bill would repeal mandatory country-of-origin labelling on beef and pork, should it pass a vote in the coming days.

That provision is embedded in two pages of a monster 2,000-page bill crafted in marathon negotiations between Republican and Democratic leaders.
Canada and Mexico had been poised to immediately impose $1 billion in tariffs on a wide range of American products including wine and frozen orange juice following wins at the WTO.
Canada's ambassador to the U.S., Gary Doer, welcomed the news but said he wouldn't be celebrating until the bill passes both chambers of Congress and gets signed by the president.
Votes on the bill could happen later this week, or early next week.
Supporters of country-of-origin labelling say consumers deserve to know where their meat comes from. Opponents say it doesn't do anything for safety — for which there are inspections.
Those critics call it a thinly disguised protectionist measure, designed to complicate importing meat from abroad into the U.S. They say Canadian meat exports plummeted as a result of decade-old country-of-origin labelling rules.
John Masswohl of the Canadian Cattlemen's Association pointed to the example of Tyson Foods. He said Canada used to export beef to four of its U.S. facilities, and now exports to only two — and only on one day per week, so that it can segregate Canadian cows from American ones and apply the proper country-of-origin labels.
"We think this is going to have a huge impact," Masswohl said in an interview Wednesday.
"And it could have a pretty immediate impact in terms of the prices we receive."
The bill lifts beef and pork from the list of products subject to country-of-origin labelling requirements. But that's only one provision in a major piece of legislation that will keep the U.S. government funded.
It might be most remembered in the U.S. for another provision: a relaxing of the 40-year-old quasi-total ban on oil exports from the U.S., imposed amid the energy scare of the 1970s.
That provision could have a huge impact on American energy exports, not to mention a trickle-down effect on the U.S.'s biggest oil supplier: Canada.

8. BoC watching bond market liquidity

[December 15, 2015] The Bank of Canada is keeping an eye on liquidity in fixed-income markets, identifying it as a vulnerability to the Canadian financial system.
The central bank, whose biannual Financial System Review report identifies risks to the system, on Tuesday referred to the "flash rally" in U.S. Treasury

markets in October 2014 and the German “bund tantrum” in April 2015 as indications of increased risk for sudden drops in liquidity.

In its last FSR in June, the BoC identified excessive risk-taking as a vulnerability given strong issuance of high-yield bonds, low corporate spreads and high valuations in equity markets.

And now, “Given the new regulatory architecture, we may not know just how resilient market liquidity is until there’s a true stress event,” says BoC Governor Stephen Poloz.

The BoC’s new Canadian fixed-income forum with industry will play a role as the bank continues to study liquidity.

“Some of the watchers will be surprised that this new risk was highlighted by the Bank of Canada, because I don’t think a lot of people were expecting them to add it as third major [vulnerability],” says Cynthia Caskey, a portfolio manager for TD Wealth. “We think it’s a welcome dialogue. The more you talk about risks, the more you have contingency plans for it.”

Mutual funds and ETFs have taken up a larger portion of bond markets since the financial crisis, as investors seek yields and companies issue more bonds in a low-interest rate environment, the BoC noted.

The FSR report said the increased potential “for market liquidity to evaporate is a worry for investors and issuers, as well as a systemic concern. A sudden decline in market liquidity could exacerbate price changes and increase volatility, especially if many investors tried to unwind their positions in the same manner at the same time.”

It added that “adjustments in market liquidity are likely occurring globally, including in Canadian fixed-income funds.”

Global financial regulations like Basel III, while strengthening the system, are affecting liquidity, leverage, and other balance sheet issues for investment dealers, says Walter Posiewko, vice-president and senior portfolio manager for RBC Global Asset Management.

“That has had more of an impact on liquidity than anything you might read in the papers today about high-yield bonds and whatnot,” Posiewko says. “It seems they [the BoC] are coming around to this reality that yes, in fact, there are liquidity issues.”

Fund managers have to be aware of more complex trading, regulations and market structures, says Raymond Kerzérho, director of research in Montreal with PWL Capital Inc. “Alternative exchanges are a big part of the market,” Kerzérho says. “It’s a much more complex environment now. Every now and then there are new risks that arise.”

Caskey says when trading ETFs, “I always recommend incorporating a limit on stop-loss orders.”

9. Housing vulnerabilities have edged higher: BoC

[December 15, 2015] Vulnerabilities in the housing sector have edged higher, the BoC says today in its Financial System Review (FSR), while the overall level of risk to Canada's financial system has remained roughly unchanged since June.

The BoC continues to identify two key vulnerabilities related to the Canadian household sector: the elevated level of household indebtedness, and imbalances in the housing market. A third vulnerability relates to uncertain market liquidity in fixed-income markets.

Nonetheless, the BoC believes the Canadian financial system is resilient, and the global financial system has been made safer through the implementation of recent reforms, most notably larger capital and liquidity buffers at major financial institutions.

The BoC's base-case scenario continues to predict a constructive evolution of housing imbalances, says Governor Stephen Poloz. "Housing activity should stabilize in line with economic growth, as the driver of growth in the economy switches from household spending to non-resource exports. Certain vulnerabilities are still edging higher, but recent changes by Canadian authorities to the rules for mortgage financing will help to mitigate these risks as we move into 2016."

Household vulnerabilities could be exacerbated by a severe recession that is accompanied by a widespread and prolonged rise in unemployment. This could reduce the ability of households to service their debt and cause serious and broad-based declines in house prices, adds the BoC. This is the most important risk outlined in the FSR, but its probability of occurring remains low.

The drop in commodity prices in 2015 has reduced Canadian incomes and wealth, but to date there is no evidence of a significant increase in loan delinquency rates, it notes.

The other key risks identified in the FSR are a sudden increase in global risk premiums which would lead to higher borrowing rates; stress emanating from China and other emerging-market economies; and prolonged weakness in commodity prices.

10. Investors pull out of junk bonds, fear spike in defaults

[December 15, 2015] Investors are rushing out of junk bonds, spooked by last week's closure of a mutual fund focused on some of the lowest-quality, highest-yielding bonds. The shutdown comes on top of fears that a spike in

bond defaults is coming, and it's led investors to rush for the exits in a corner of the market that generally doesn't handle such things well.
The price drops are hitting many investors who are new to junk bonds and have little experience with the notoriously volatile market. Since the Federal Reserve slashed interest rates to a record low in 2008, investors have been creeping into ever-riskier options in search of more income.
They've been attracted to junk bonds, also known as high yield, because they pay higher interest rates than high-quality bonds. The downside is that they're issued by companies more likely to default, socking investors with losses.
In just two days, the central bank is widely expected to finally raise rates above their emergency low levels. The policy has helped avert a deeper downturn following the financial crisis, but critics say it's also spread hidden risks throughout the financial system by making investors cavalier.
"Investors took more and more risk without even knowing it," says George Cipolloni, a co-manager of the Berwyn Income fund.
As investors have demanded their money back from junk-bond funds in recent days, managers are being forced to sell bonds to raise cash. And with buyers scarce for the lowest-quality bonds, managers are selling higher-quality ones. The forced selling is pushing prices lower across the junk-bond market, not just for the kinds that led to last week's fund closure. That's making investors even more scared and creating a vicious cycle of fear and selling. It led the largest junk-bond mutual fund to a 1.2% loss on Friday — its biggest in four years. The biggest junk-bond exchange-traded fund fell 1% Monday after dropping 2% Friday.
The price drops have been so sharp and indiscriminate that some analysts see a chance to buy some types of junk bonds at attractive prices. But that doesn't mean they expect the declines to end soon.
"It's going to affect the entire market," says Jim Kochan, chief fixed-income strategist at Wells Fargo Advantage Funds. "It would be overly optimistic to say that this is finished."
If the junk-bond swoon gets worse, it could eventually hit higher-rated bonds and other markets. One of the big drivers for the stock market — stock buybacks — could be in for a slowdown, for example.

Key issues

The spark

The Third Avenue Focused Credit fund told shareholders last week it was closing, in part because many shareholders were asking for their money back. David Barse, who stepped down Monday as CEO of Third Avenue Management, told investors the fund may have been able to make gains on its investments if given enough time.

But the fund saw that if it wanted to raise cash quickly, it would have to sell holdings at steep discounts, and that would "unfairly disadvantage the remaining shareholders."

By closing the fund, it could take more time and net the highest prices possible. But, in an unusual move for mutual funds, investors may also have to wait a year or more to get most of their cash back.

Default rates

The default rate is still relatively low for junk bonds, but the pace is picking up around the world. Standard & Poor's has counted just over 100 defaults so far this year, the highest number since the end of the recession.

Much of the pain is focused on companies that produce oil and metals, whose prices have plummeted. A barrel of oil is at its lowest price since 2009, which makes it tough for energy producers to make enough money to repay their debt. That's caused investors to flee the sector on worries of a spike in defaults.

Junk bonds of energy companies have lost 19% this year on average, much worse than the average loss of 5% for the broad junk-bond market.

Traders can't find partners

Similar junk-bond selloffs in recent history were followed quickly by rebounds, like the selloffs in 2011 over fears about Europe's debt crisis, in 2013 over fears about rising interest rates, and late last year as oil tumbled.

But Berwyn's Cipolloni thinks this time is different, in part because of how far and wide the fear has rippled out among investors, from junk bonds in one industry to junk bonds in others. "It started in energy and materials, and now it's spread to retail and healthcare. It will become more pervasive."

He cites investment-grade bonds issued by Community Health Systems due in 2022, which are currently trading at $92.57, compared with $106 in early October, a big move down for a bond.

Part of the problem is it's become more difficult for bond investors to find trading partners, making the market less flexible, or, as traders say, less liquid.

Mutual funds and ETFs are designed to be relatively liquid investments, so investors can sell and exchange their investment for cash. Critics say that mixing such liquid investments with an illiquid junk-bond market can cause these vicious cycles.

Broader impact

Marilyn Cohen, founder of bond manager Envision Capital, says the market is particularly vulnerable now because of what companies did with the trillions of dollars they raised from bonds.

Instead of expanding their business, which might have made it easier to pay off what they owe, many companies used the cash to buy back their own shares or hand out fat dividends to their shareholders.
Corporations have been the biggest buyers of stocks for years, helping to lift the market. If companies find it tougher to borrow, even those with strong credit ratings, the torrid pace of stock buybacks could slow.

11. Home prices to fall in 3 oil-producing provinces

[December 15, 2015] The Canadian Real Estate Association expects average house prices in Alberta, Saskatchewan and the province of Newfoundland and Labrador to fall next year because of the downturn in the oil industry.
The association is estimating Alberta's average housing price will fall in 2016 by 2.5%.
The decline in Saskatchewan is expected to be 1.2% and in Newfoundland the decline is expected to be 1%.
Canada's national average house price is expected to edge higher by 1.4% in 2016, to $448,700 — with Ontario leading the other regions with an increase of 2.9%.
CREA says low interest rates will assist sales but that the federal government's recent reforms to mortgage lending rules will have a negative effect beyond its intended targets in the Vancouver and Toronto areas.
It adds the new mortgage rules will also likely reduce sales activity in Calgary once they take effect early next year.

12. Household debt grew in Q3

[December 14, 2015] The amount that Canadians owe compared with their disposable income rose in Q3 2015, says Statistics Canada. It finds the amount of household debt compared with disposable income rose to 163.7% from 162.7% in Q2.
That means the average household has roughly $1.64 in debt for every dollar of disposable income.
The increase came as disposable income increased 0.8%, while household credit market debt grew 1.4%— total household credit market debt, which includes consumer credit, and mortgage and non-mortgage loans, reached $1.892 trillion.
Consumer credit debt was $572.3 billion, while mortgage debt stood at $1.234 trillion.

I wish you all 

and

Have a nice and fruitful week!