

The dovish central bank of Canada drops future rate hike hints

Bank of Canada has become the latest global central bank to officially put its tightening cycle on hold, although we aren't convinced that this latest dovishness will translate into the rate cuts investors are beginning to price in



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The Bank of Canada has been taking a more dovish line for some time, but if there were any remaining hints of hawkishness, they were firmly abandoned at the April policy meeting today. Interest rates were kept on hold at 1.75%, but more notably, the central bank removed its explicit reference to possible future rate hikes.

Policymakers are focussed on three key issues - global trade uncertainty, the weaker outlook for the energy sector, and doubts surrounding household activity. This cocktail of risks led the Bank to make a fairly hefty downgrade to its 2019 growth from 1.7% to 1.2%.

1.2% YoY

Bank of Canada 2019 growth forecast

Down from 1.7% YoY

So the question is, will the next move in rates be up or down? Markets are now fully pricing a rate cut over the next year, but we think there is scope for some more upbeat news as we enter the second half of the year. Like everywhere else, a lot hinges on the direction of US-China trade talks, but the domestic outlook should find support from the underlying strength in the jobs market and some better news on wage growth. [Housing-related activity](#) may also receive a boost later in the year as some measures from the Federal budget begin to kick in.

It's also worth noting the Bank is continuing to describe its current stance as "accommodative", perhaps suggesting the committee is less convinced than the market that rate cuts are on the horizon. That said, we don't expect a rate hike over the course of 2019 either, and while the overall policy bias in the medium-term may be slightly tilted in favour of some further tightening, this is unlikely to materialise unless global economic sentiment begins to noticeably rebound.

[Read if things in the Canadian housing market are really that bad?](#)

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