

Canada has used consumer debt to provide life support to the economy. This strategy which basically pushed the day of reckoning to the next government was old back in 2014, and now is well past its sell-by-date. Recognizing this, and desperate to keep the economy out of a recession, Trudeau is spending more money now than any government in Canadian history. This is mostly on infrastructure spending which [simply does not work](#).

Trudeau's strategy seems to be the strategy (apart from not deploying QE) adopted by many countries as the facts about the global debt situation listed below make clear. Also refer to the list of articles and reports in the next section for reference. Below a list of relevant facts:

- global [debt 332% of GDP](#);
- low interest rates and loose financial conditions," to push total global debt to exceed US\$257 trillion in the first quarter of 2020;
- government debt-to-GDP hit a new high in the U.S. and Australia;
- household debt-to-GDP reached a record high in Belgium, Finland, France, Lebanon, New Zealand, Nigeria, Norway, Sweden and Switzerland;
- Canada's [debt to GDP is sitting at 32%](#);
- Canada household debt is a whopping 177%, comprised of \$2.2 tn in mortgage debt;
- 5.54 per cent of Canadian consumers were 90 or more days past due on at least one non-mortgage credit product in the third quarter.

Despite the fact that the World Bank has issued many risk warnings, debt levels in most developing countries, including China, have hit the highest level in 50 years. This does not appear to stop most nations (now Canada) from "navigating dangerous waters" by continuing to borrow. A particular problem with this is that sovereignty and power move from the borrower to the lender.

Canada, with a low debt to GDP ratio is currently intent on risking our future by spending more money than any government in its history that is not in a war. Again, this will result in a transfer of power. Also, this is a double blow to consumers, because they will be liable for the excesses even though they are not the beneficiary of the excess spend. Lower taxes and support for workers would provide a similar boost to the economy and also resolve social issues contributing to unrest. By unrest I am referring to the Wexit movement which is gathering steam.

In considering how the government should spend taxpayer money, recognize the fact that current spending levels are possible only because of [deliberate government policies](#) that leveraged consumer debt to fund the economy. This is why the debt to GDP ratio is low compared to other countries. As said, this pattern of using consumers to provide life support to the economy was obvious under Harper, but has continued under Trudeau. The effect is that Canada's housing policies have enriched the banks, but are punishing to homeowners, especially first time buyers.

Growing consumer debt has resulted in pumping \$70 bn+ into the economy each year. Yet, despite this cash injection, economists like David Rosenberg feel there is an 80% chance Canada will enter a recession in 2020.

Below is a list of some of the factors contributing to the growing consumer debt pile, and also fueling housing inflation:

- Loose mortgage rules;
- CMHC backstop for bank risk;
- unprecedented immigration levels;
- foreign buyers;
- money laundering;
- ultra-low rates.

In [2015 I suggested dropping helicopter](#) money into the economy as opposed to increasing government spending on infrastructure spending. My reasoning is that the benefit of helicopter money is that the groups most affected by poor economic policies, the 40,000 jobless oil workers and consumers duped into buying too much house, can be made whole. Simply reduce individual taxes for low and mid income Canadians, and offer victims of Harper's contango oil strategy re-training and re-location money.

The alternative is more crony capitalism as Trudeau spends taxpayer money at unprecedented levels.

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The following is a list of articles and reports related to consumer and government debt in Canada and around the world since 2015.

### **TRUDEAU GOVERNMENT HAS PUSHED FEDERAL SPENDING TO THE HIGHEST LEVEL IN CANADIAN HISTORY**

FP - Tegan Hill and Jake Fuss

Sound fiscal policy is crucial for a healthy economy. A key component of sound policy is the appropriate size and role of government (i.e. government spending and regulations). Higher spending comes at the expense of higher taxes, levied now or in the future through larger deficits and greater debt accumulation, all of which can influence economic growth and social

progress. This issue is particularly relevant today, as 2019 marks the highest level of federal government spending in Canadian history.

## **TWO CHINA FIRMS MISS \$526 MILLION BOND PAYMENTS AS WOES GROW**

Bloomberg - Shen Hong, Tongjian Dong and Yuling Yang

The quickening speed of bond defaults in China, especially among ailing private firms, highlights the growing financial strain triggered by the country's worst economic slowdown in three decades and unabated trade tensions with the U.S. Last week, industrial firm Xiwang Group **failed** to pay a 1 billion yuan bond, missing a fresh repayment deadline on an already defaulted bond.

"It's getting harder for companies to get funding help when facing a debt crisis, unless they're centrally-controlled companies and local SOEs that have great importance to the local economy," said Yang Hao, fixed income analyst from Nanjing Securities Co.

## **REVERSE MORTGAGE BUSINESS IS BOOMING IN CANADA AS SENIORS TAP HOME EQUITY TO PAY DEBTS**

FP - Barbara Shecter

"Seniors now are taking more debt into retirement and debt is pretty hard to manage on a fixed income," said Steven Ranson, chief executive of HomeEquity Bank, which originated a record \$820 million in reverse mortgages in 2019, up from \$767 million a year earlier and \$309 million five years ago.

## **A SAUDI FEUD THAT SPLIT ONE OF THE RICHEST FAMILIES, A DECADE-LONG DEBT SAGA AND A COURT'S \$14 BILLION DECISION**

FP - Davide Barbuscia

Saudi Arabia's largest and longest debt saga, fuelled by a feud that has split one of its richest families, could be nearing a resolution after a court approved about US\$14 billion in claims related to the collapse of two business empires a decade ago.

## **DEBT LEVELS IN MOST DEVELOPING NATIONS HIT HIGHEST LEVEL IN 50 YEARS, MANY IN DANGEROUS WATER, WORLD BANK WARNS**

G&M - PAUL WALDIE

The World Bank is warning that debt levels in most developing countries including China have hit the highest level in 50 years and many nations are “navigating dangerous waters”.

## **HIGH HOUSEHOLD DEBT HAS BANK OF CANADA HEMMED IN, MAKING RATE CUT UNLIKELY IN 2020**

G&M - DAVID PARKINSON

The Bank of Canada just went all of 2019 without an interest-rate move. The way it's being hemmed in by Canada's high household debts, it could go all of 2020 without one, too.

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## **BANK STOCKS TURN VOLATILE AS LOAN LOSSES RISE UNDER NEW RULES**

G&M - James Bradshaw

For investors in Canadian banks, volatility has arrived.

## **CANADA'S MOST FAMOUS ECONOMIST THINKS THERE'S AN 80 PER CENT CHANCE OF RECESSION NEXT YEAR - HERE'S HOW YOU SHOULD INVEST**

G&M - Derek Decloet

What he's not excited about is the Canadian economy in 2020. Mr. Rosenberg sees an 80-per-cent chance of the economy dropping into recession next year, owing in part to mammoth levels of household debt, which will continue to be a drag on consumer spending. “It's rather incredible that in this era of uber-low interest rates, Canadian households are spending 15 cents out of every after-tax dollar on servicing the debt, including principal,” he says.

## **BILL MORNEAU'S POLITICAL MINEFIELD: THE CANADIAN GOVERNMENT IS SO BROKE THAT**

G&M - Michael Babad

As The Globe and Mail's Bill Curry reports, the Liberal budget deficits are under pressure from a hefty adjustment to pension and benefit costs, plus the government's tax changes.

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## **THE LIBERALS CAN'T KEEP ELECTION PROMISES, MAINTAIN THE DEBT-TO-GDP RATIO AND 'PRESERVE FISCAL FIREPOWER'**

G&M - Campbell Clark

The magic trick of Liberal fiscal policy is that deficits and the debt burden are always going down, but never actually get lower.

## **'CANADA HAS BEEN ENTIRELY DEPENDENT ON A DEBT BINGE TO CREATE THE ILLUSION OF A STRONG ECONOMY.' (OH, AND HAPPY HOLIDAYS)**

G&M - Michael Babad

Here's a holiday season thought for you: "No matter how you slice it, Canada has been entirely dependent on a debt binge to create the illusion of a strong economy."

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## **EUROPE ON ALERT FOR A HOUSING BUBBLE WITH MORTGAGE RATES UNDER 1 PER CENT**

G&M - Liz Alderman

Europe's economy is struggling to gain traction after years of anemic growth. But the rock-bottom interest rates meant to power a recovery are fuelling a property boom that is creating a new set of problems.

## **NEGATIVE INTEREST RATES ARE DESTROYING OUR PENSIONS**

Bloomberg - Mark Gilbert

There's nothing irrational, however, in fearing the economic consequences of keeping borrowing costs below zero for a sustained period of time. The emergency measures introduced to resuscitate growth, including central banks expanding their balance sheets by embarking on quantitative easing, were supposed to be transient. Instead, they've become fixtures of the economic firmament.

## **FUZZY MATH THAT FUELED JUNK DEBT BOOM IS SPARKING JITTERS**

Bloomberg - David Scigliuzzo

In perhaps the most flagrant example of creative Ebitda, office-sharing company WeWork turned a \$933 million loss into \$233 million of what it called “community adjusted Ebitda” last year, when it issued its debut bond. The **widely ridiculed**—and since discontinued—metric excluded even basic general and administrative expenses. “We have never seen a net negative adjustment to Ebitda—it only goes up,” says Jason Dillow, CEO of Bardin Hill, a credit investment firm. “It is basically what can you get away with while keeping a semi-straight face.”

## **CANADIANS' DEBT BURDEN RISES, SPARKING CONCERN**

G&M - Matt Lundy

The national debt burden is a closely watched metric of Canadians' financial health, inspiring no shortage of concern as it steadily increased through much of the decade. In recent years, however, the ratio has levelled off – and in some quarters, actually decreased – after the Bank of Canada raised interest rates and tougher mortgage lending conditions went into effect.

## **THE \$3.7 TRILLION CORPORATE DEBT QUESTION**

WSJ - WSJ Video

**About half of all issued corporate bond debt is rated triple-B, the lowest score for investment-grade debt. Analysts say all this debt could be a mess in the making, especially if the economy enters a recession. WSJ's Gunjan Banerji explains**

## **CANADIAN SENIORS NOW OWE OVER \$3.88 BILLION IN REVERSE MORTGAGE DEBT**

Better Dwelling - Daniel Wong

Canadians added almost a billion in reverse mortgage debt to the pile. The balance outstanding is \$3.88 billion as of September, up 1.32% from the month before. This represents a 26.43% increase compared to the same month last year. If you're looking for dollar amounts, it was \$50.82 million in September alone, and \$811.62 million from the last year. Reverse mortgage debt for the month prints another consecutive all-time high.

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## **PERSONAL INSOLVENCIES HIT HIGHEST LEVEL IN A DECADE**

G&M - Matt Lundy

During October, Canadians filed the highest number of personal insolvencies in a decade, the latest sign that households are struggling to cope with elevated debt loads.

## **â€˜DEBTPOCALYPSE' NOW? STRESS LEVELS ABOUT MONEY ARE SOARING, AND SO ARE CONSUMER INSOLVENCIES**

G&M - Rob Carrick

The financial health of Canadian households took a big hit this year and worse may be ahead in 2020.

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## **ARGENTINA CREDITORS JOCKEY FOR LEAD AHEAD OF \$100-BILLION DEBT TALKS**

G&M - Cassandra Garrison

Argentina is once again buckling under the weight of its sovereign debts, which total around US\$100-billion, and Mr. Fernandez needs to urgently agree a deal with creditors to ease the burden and give his government space to try to revive the economy.

## **FED FLAGS ELEVATED ASSET PRICES, HIGH DEBT AS U.S. RISKS**

WSJ - Andrew Ackerman

The Federal Reserve identified elevated asset prices and historically high debt owed by U.S. businesses as top vulnerabilities facing the U.S. financial system, according to the latest central bank financial-stability report.

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## **HIGH LEVELS OF GLOBAL DEBT COULD CREATE A â€˜PERFECT STORM' OF FINANCIAL RISK IN ECONOMIC SLUMP: BOC**

G&M - DAVID PARKINSON

Bloated global debts could feed a “perfect storm” of financial risk in the event of a trade-war-induced global economic slump, making the downturn “deeper than usual and fraught with financial stresses,” Bank of Canada Senior Deputy Governor Carolyn Wilkins said.

## **LESS SAVINGS, MORE DEBT: INSIDE A MULTI-DECADE SHIFT IN CANADIANS' FINANCES**

G&M - Matt Lundy

Canadians are saving much less than they used to, the result of a long-term shift in incentives that has favoured borrowers over savers and seen households pile on billions of dollars in mortgage debt to build wealth.

## **CANADIAN HOUSEHOLDS ARE PILING INTO MORTGAGE DEBT, EVEN AS CONSUMER DEBT SLOWS**

Better Dwelling - Daniel Wong

Canadian household debt reached a new high, but growth is a little stalled. The balance of household debt reached \$2.24 trillion in September, up \$82.0 billion from last year. The increase represents a rise of 3.8%, when compared to the same month last year. The pace of growth has stalled, as consumer credit growth continues to slow.

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## **CONSUMER INSOLVENCIES ARE ACCELERATING, WITH NEAR 20% BUMP IN SEPTEMBER**

G&M - Matt Lundy

In total, there were close to 12,000 consumer insolvencies filed across the country in September, compared with about 10,000 a year earlier, the Office of the Superintendent of Bankruptcy said. Insolvencies are comprised of both bankruptcies and proposals – the latter being an offer to pay back a percentage of money owed, extend the payment timeline, or both.

## **PENSION FUNDS NEED TO MAKE THE CASE AGAINST NEGATIVE RATES**

FT - Robin Wigglesworth

In the depths of the financial crisis, Warren Buffett showed a “really extraordinary” slide to those who had gathered to hear him speak at Berkshire Hathaway’s annual meeting. The slide revealed how the conglomerate had in December 2008 sold \$5m of Treasury bills for \$5,000,090.07 despite the debt maturing just a few months later. In other words, at a negative yield — a phenomenon so bizarre that Mr Buffett felt it deserved highlighting. “You’ve got . . . less for your money from the US Treasury than you got from sticking it under a



mattress,” he marvelled to the audience. “I’m not sure you’ll see that again in your lifetime. But it’s been a very extraordinary year.”

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## **SOARING DEBT TRIGGERS A PLUNGE IN SOUTH AFRICA'S CURRENCY**

G&M - Geoffrey York

South Africa’s Finance Minister has revealed that the country’s debt is soaring much faster than expected, triggering a plunge in its currency and sparking fears of another downgrade in its credit rating.

## **WHO IS BUYING NEGATIVE-YIELDING GERMAN BONDS? FOREIGN CENTRAL BANKS, PERHAPS**

G&M - Dhara Ranashinghe

German government bonds with their sub-zero yields have lured foreign inflows for four straight months. Talk is that it’s reserve managers from Switzerland and China who are among those paying to lend money to Berlin.

## **40% OF CORPORATE DEBT IS NOW AT RISK, MORE THAN DURING THE FINANCIAL CRISIS, WARNS IMF**

FP - Pete Schroeder

The International Monetary Fund heightened its warnings for the corporate debt market on Wednesday, as investors search for richer returns in riskier assets after recent interest rate cuts by central banks.

## **FED RESTARTS DEBT PURCHASES “â€” JUST DON'T CALL IT QE**

FT - Joe Rennison

Ten minutes after Federal Reserve chair Jay Powell insisted that the central bank restarting its Treasury purchases was “in no way” the same as the post-financial crisis policy of quantitative easing, one Wall St analyst sent a note to his clients saying that the new strategy “sure sounds like QE”.

## **LOAN DEFAULTS IN CANADA ARE LOW. BUT THEY'RE RISING. WHERE AND HOW THEY'RE RISING**

G&M - Michael Babad

The rate of loan defaults in Canada is low. But it's rising.

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## **CANADA HAS TAKEN A PERILOUS ROAD TO AN ASSET-BASED ECONOMY**

G&M - Kean Birch

A bold claim, you might think. But if we look at housing booms in the past, each lasted around 10 years and we're reaching that boom end point in the next year or so. Canada largely survived the 2008-09 housing crash unscathed, which seemed – and still seems – like a good thing until you realize it just means this country has had another 10 years to embed housing assets at the heart of its economy.

## **EUROPEAN CENTRAL BANK INTRODUCES AGGRESSIVE STIMULUS PACKAGE TO REVIVE AILING ECONOMY**

CBC - Reuters

As Draghi's eight-year mandate nears its close, the ECB cut rates deeper into negative territory and promised bond purchases with no end-date to push borrowing costs even lower, hoping to kick-start activity nearly a decade after the bloc's debt crisis.

## **TORONTO AND VANCOUVER HOMEOWNERS SEE HELOC PAYMENTS JUMP**

Better Dwelling - Daniel Wong

It's well known Canadians have been flocking to HELOC debt over the past few years. That shouldn't surprise anyone, especially if you've seen the total balance swell. The fact that it's growing so much faster than any other segment of debt should be a concern.

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## **WHY EUROPE'S BANKS ARE TREMBLING IN FEAR OF EVEN MORE NEGATIVE RATES**

G&M - Eric Reguly

Abolishing interest rates sounds like the greatest idea since spray cheese. Money for nothing, mortgages for free! In Denmark, Jyske Bank AS is offering 10-year mortgages where the bank actually pays the borrower interest of 0.5 per cent a year. Imagine that. But that's what happens when the banking world turns upside down.

## **ARGENTINA PUSHES CREDITORS FOR MORE TIME TO PAY BACK ITS DEBTS**

Bloomberg - Carolina Millan and Jorgelina Do Rosario

Hemmed in by an uphill re-election bid and a worsening debt and currency crisis, Argentine President Mauricio Macri will try to cajole creditors into giving the country more time to repay them as he struggles to simply finish his term.

## **U.S. BOND YIELDS JUST INVERTED – HERE'S WHY THAT MATTERS**

CBC - AP

It seems illogical. Economists call it an "inverted" yield curve. Normally, short-term debt yields less than a long-term debt that requires investors to tie up their money for a prolonged period. When a short-term debt pays more than a long-term debt, the yield curve has inverted.

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## **GERMANY FOR FIRST TIME SELLS 30-YEAR BONDS OFFERING NEGATIVE YIELDS**

WSJ - Paul J. Davies, Patricia Kowsmann

Germany sold 30-year debt at a negative yield for the first time, as investors desperate for safe assets bet that further falls in yields will boost the value of the bonds in the future.

## **COUNTDOWN TO RECESSION: WHAT AN INVERTED YIELD CURVE MEANS**

G&M - RICHARD LEONG, DAN BURNS AND KAREN BRETTELL

The yield curve is a plot of the yields on all Treasury maturities – debt sold by the federal government – ranging from one-month bills to 30-year bonds.

## **WINTER IS COMING, AND SO IS AN UNCHARTED ECONOMIC ABYSS: NEIL MACDONALD**

CBC - Neil Macdonald

Question No. 1: *How in heaven's name did we arrive in a world where you must pay someone to borrow your money, and what does that mean to the punters?* At the moment, there is more than **\$14 trillion** US in negative-yielding debt extant in the world, meaning money is not just cheap, it's on sale at a loss.

## **CANADIAN NON-BANK MORTGAGE LENDERS HELD OVER 34,000 OVERDUE MORTGAGES**

Better Dwelling - Daniel Wong

Non-bank mortgage lenders are a big part of the Canadian real estate industry. In Q4 2018, non-bank mortgage lenders held over 1.7 million residential mortgages. The value of the mortgage debt held adds up to \$325.5 billion at the end of the same quarter. These lenders sound unofficial, but they're a huge segment of the country's borrowing. The biggest difference from a consumer perspective is you have to get one of these from a mortgage broker vs a traditional bank. Being a non-deposit taking institutions, these lenders don't usually have branches.

## **HAPPY DAYS FOR EUROPE'S GIANT BOND SELLERS**

Bloomberg - Marcus Ashworth

Sellers of euro-denominated corporate bonds had their best fund-raising month for three years in June, topping off their best six months since 2012. Some 210 billion euros (\$238 billion) in new company debt was snaffled up by investors between January and June, 21% higher than the same period last year.

## **CANADIAN HOUSEHOLDS ARE SPENDING MORE THAN EVER ON DEBT PAYMENTS**

G&M - Matt Lundy

Canadian households are spending a record portion of their disposable income on debt payments, according to new figures from Statistics Canada.

## **CANADIAN MORTGAGE DEBT HITS A NEW RECORD, \$1.56 TRILLION OUTSTANDING**

Better Dwelling - Daniel Wong

Annualizing growth is one method used to forecast where a trend is heading. Analysts do this by measuring a short period, and projecting it as though it were the whole year. Since the 12 month trend can't grow without larger near-term numbers, it's helpful to watch them for signs of growth. The shorter annualized period needs to be larger long enough to "drag" the 12 month growth higher.

## **WHY THE GLOBAL ECONOMY CAN'T HANDLE HIGHER INTEREST RATES**

G&M - Ian McGugan

Canada marks a significant anniversary this year, even if it's not one that is going to be celebrated with cakes and fireworks.

## **CANADA'S DEBT TO GDP RATIO: 'NERVE-RACKING TO SEE DEBT SERVICING COSTS RISING SO QUICKLY,' RBC ECONOMIST SAYS**

FP - Larysa Harapyn - video

Dawn Desjardins, RBC's Deputy Chief Economist speaks with Financial Post's Larysa Harapyn on Canada's debt to GDP ratio — covering federal, corporate and household levels.

## **DEBT AND WEALTH: SO MANY CANADIANS ARE EITHER MESSED UP OR POOR**

G&M - Michael Babad

8.4 per cent of families have less than \$500 in net worth.

## **GROWING DEBT LOADS WEIGHING ON GROWTH, OPENING UP VULNERABILITIES, BANK OF CANADA DEPUTY WARNS**

G&M - Andy Blatchford

The Bank of Canada's senior deputy governor says an explosion of global debt over the last decade is a top concern that she argues is holding back economic growth and creating vulnerabilities in the world's financial system.

## **LOOSE MONEY ERA LEAVES TRAIL OF U.S. CORPORATE DEBT JUNKIES**

Reuters - Jessica DiNapoli, Kate Duguid, Joshua Franklin

The number of companies struggling with their debt obligations is hovering near record highs. Some 17 percent of publicly-traded U.S. companies had trouble making debt interest payments at the end of last year, up from less than 10 percent in 2010 and off from a high of over 20 percent in 2016, according to the Institute of International Finance Inc, a trade group for financial institutions.

## **RISING RATES, HIGH DEBT COULD LEAD TO FINANCIAL CRISIS IN CANADA, REPORT WARNS**

G&M - Ian McGugan

Canada risks a financial crisis within three years as rising interest rates collide with already lofty levels of indebtedness, a Citigroup report warns.

## **GE SEEKS URGENT ASSET SALES TO CUT COMPANY'S HEAVY DEBT LOAD, CEO SAYS**

G&M - Alwyn Scott

General Electric Co. is pursuing asset sales with “urgency” to reduce its high debt and is unsure when its ailing power business will hit bottom, chief executive Larry Culp said in a television interview on Monday, sending the company’s shares down as much as 10 per cent.

## **U.S. ON A COURSE TO SPEND MORE ON DEBT THAN DEFENSE**

WSJ - ate Davidson, Daniel Kruger

In the past decade, U.S. debt held by the public has risen to \$15.9 trillion from \$5.1 trillion, but financing all of that debt hasn’t been a problem. Low inflation and strong global demand for safe U.S. Treasury bonds held the government’s interest costs down.

## **A BIG SHORT IS GROWING IN ITALIAN DEBT**

G&M - ABHINAV RAMNARAYAN AND SAIKAT CHATTERJEE

A surge of interest in Italian bond futures may be a sign of a substantial short position building up in the derivatives market as tensions rise over budget negotiations between Rome and Brussels.

## **EMERGING MARKETS BECOME MORE ABLE TO WITHSTAND A CRISIS**

FT - Jonathan Wheatley, James Kynge

The frequency of crises in emerging market economies has declined from eight to 10 per year in the 1980s and 1990s to two to four per year more recently as the finances of developing nations have become more robust and sophisticated.

## **CIBC, RBC, SCOTIABANK FACING FALLOUT FROM DEBT RESTRUCTURING IN BARBADOS**

G&M - Tim Kiladze

A trio of Canadian banks is facing the fallout from a debt restructuring in Barbados that will slash the value of hundreds of millions of dollars worth of government paper they collectively own.

## **RBC ISSUES FIRST BAIL-IN DEBT BOND**

G&M - James Bradshaw

Royal Bank of Canada has set the bar for bail-in debt, issuing the first in a new class of bonds intended to keep taxpayers from having to bail out distressed banks in the event of a crisis.

## **CANADIAN REAL ESTATE OWNERS ARE PAYING THE MOST TO SERVICE DEBT SINCE 1993**

Better Dwelling - Daniel Wong

The debt service ratio (DSR) is the percent of disposable income used for regular loan payments. Disposable income is the money left over, after taxes and “non-discretionary” spending. Since paying debt down is basically paying for something you’ve already bought, the higher the DSR, the slower the future growth. Less disposable income means less future spending – kind of important for economic growth.

## **ZAMBIA'S LOOMING DEBT CRISIS IS A WARNING FOR THE REST OF AFRICA**

Economist - Economist

DEBT stalks Africa once again. Over the past six years sub-Saharan governments have issued \$81bn in dollar bonds to investors hungry for yield. Piled on top of this are murkier syndicated loans and bilateral debts, many to China and tied to big construction projects. Public debt has climbed above 50% of GDP in half the countries in sub-Saharan Africa. The risk of a crisis is growing. Consider Zambia. In 2012 this southern African country could borrow more cheaply than Spain. Now bond yields have jumped above 16%, suggesting that investors fear that it will default (see [article](#)). This fall from grace offers several lessons.

## **CIBC CEO WARNS ABOUT RISING GLOBAL DEBT LEVELS; URGES CANADA TO ATTRACT MORE FOREIGN DIRECT INVESTMENT, IMMIGRATION**

G&M - James Bradshaw

The chief executive officer of Canadian Imperial Bank of Commerce is sounding an alarm over rising global debt levels, warning that Canada needs to start preparing now for the next economic shock.

## **THE PERILS OF CHINA'S "DEBT-TRAP DIPLOMACY"**

Economist - Economist

China is not used to recipients of its largesse challenging the terms on which it is offered. Yet growing numbers of them are struggling with debts to Chinese entities taken on to fund Chinese-staffed projects. The Centre for Global Development in Washington reckons that eight

## **A DECADE ON, AND THE BANKING BAILOUTS STILL FUEL THE RISE OF GLOBAL POPULISM**

G&M - Eric Reguly

In the thick of the crisis, in the fall of 2008, governments pretty much everywhere had to make a choice: Protect the rich, that is, the bankers, their big-name clients and investors, or let them sink.

## **MAKING ENDS MEET IN ARGENTINA**

FT - Colby Smith

The ingredients of Argentina's ongoing economic and currency crises are painfully familiar: an overvalued peso, gaping twin deficits and a hefty pile of dollar-denominated debt. Cue the IMF, and it's difficult to avoid flashing back to the country's \$100bn-plus default in the early 2000s—the biggest in history at the time. But while Argentina's roughly \$75bn financing needs



for this year and next certainly appear daunting, there's reason to be (cautiously) optimistic that the country will be able to make ends meet this time around.

## **HOW \$8-BILLION IN ADDED MORTGAGE COSTS WILL SQUEEZE CANADIANS AND THE ECONOMY**

G&M - Michael Babad

Rising mortgage rates won't kill us. But, with all due respect to singer Kelly Clarkson, they sure won't make us stronger.

## **DESPITE A STRONG ECONOMY, DEBT-RELATED STRESS IS ON THE RISE IN CANADA**

G&M - Rob Carrick

Like an antibiotics-resistant germ, household debt is holding up alarmingly well as the economy improves.

## **WE MAY BE FACING A TEXTBOOK EMERGING MARKET CRISIS**

Moneyweb - Satyajit Das

The textbook recipe for an emerging-market crisis requires a large dose of debt and an associated domestic credit bubble, including misallocation of capital into uneconomic trophy projects or financial speculation. Then add: a weak banking sector, budget deficits, current-account gaps, substantial short-term foreign-currency debt and inadequate forex reserves. Season with narrowly based industrial structures, reliance on commodity exports, institutional weaknesses, corruption and poor political and economic leadership.

## **WORLD ARGENTINA UNVEILS AUSTERITY PROGRAMME TO STEM CRISIS**

FT - Benedict Mander

"We believed with excessive optimism that we could go along fixing things bit by bit. But reality shows us that we have to move faster," Mr Macri said. "The world has told us that we are living beyond our means."

## **CRY FOR ME, ARGENTINA: PESO TUMBLES AMID HEAVY SELLING OF RESERVES, PLEA FOR EARLY IMF HELP**

G&M - HUGH BRONSTEIN AND JORGE OTAOLA

Nerves are frayed in Latin America's No. 3 economy as it struggles to break free from its notorious cycle of once-a-decade financial crises. The last recent one, which was punctuated by a 2002 debt default, tossed millions of middle-class Argentines into poverty.

### **CANADIAN ECONOMIC INDICATOR FLASHING RED**

G&M - Scott Barlow

Goldman Sachs economist Jan Hatzius, arguably the most respected sell side economist in the United States, points out that Canadians are living beyond their means, dependent on asset sales and debt to maintain current lifestyles,

### **BEING IN DEBT SIMILAR TO A TOXIC RELATIONSHIP, SAYS NEW SURVEY**

Insurance Journal - IJ

A new national survey from Credit Canada has found that 47 per cent of Canadians with debt believe it has a negative impact on their lives, creating negative thoughts and actions similar to being in a toxic personal relationship.

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### **GREEK BAILOUT ENDS, BUT EUROPE'S DEBT PROBLEMS PERSIST**

G&M - David McHugh

Greece officially completes its bailout program on Monday, after eight years of cutbacks enforced in return for massive loans and following an economic collapse on the scale of the Great Depression.

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### **BOC: 8% OF CANADIAN HOUSEHOLDS OWE MORE THAN 20% OF THE \$2.1 TRILLION IN DEBT**

Better Dwelling - Daniel Wong

Canadian real estate debt hit a new high, and the news gets worse as they explain it further. The **Bank of Canada** (BoC) updated household debt numbers for March. In a speech this week, BoC's Governor Stephen Poloz also gave further insights on the numbers. The record debt

levels are concentrated in a smaller segment of Canadians. These Canadians are now in a “highly vulnerable” position, and they’re f\*\*ked if they don’t start preparing for higher rates now.

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## **THE IMPACT A RATE RISE WILL HAVE ON CANADIAN BANKS (2014)**

BankNews.TV - Mark Sibthorpe

Canadian banks have made money throughout the credit crisis, but this trend may be about to reverse. The rationale supporting this prediction is that revenue has grown despite a declining net interest margin (NIM). It has grown in spite of this fact because Canadian debt (loan lease volume) has risen significantly, as shown in chart 2.

## **CANADIANS' \$2-TRILLION DEBT MOUNTAIN FORCING CAUTIOUS APPROACH TO INTEREST RATE HIKES: POLOZ**

FP - CP

Bank of Canada governor Stephen Poloz says Canadians have amassed a \$2-trillion mountain of household debt that is now casting a big shadow over the timing of his next interest rate hike.

## **FOR MANY NEW HOMEOWNERS, DEBT CONSUMES HALF OF INCOME**

WSJ - WSJ

More Americans are stretching to buy homes, the latest sign that rising prices are making homeownership more difficult for a broad swath of potential buyers.

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## **CANADIANS WARNED TO CLIMB OUT OF DEBT BEFORE IT'S TOO LATE, AS THREAT OF COOLING HOUSING MARKETS LOOMS**

FP - FP

Scott Hannah says low borrowing costs and rising home prices have lured Canadians into a debt trap they may not escape if looming economic threats materialize

## **THE DARK SIDE OF DIVIDENDS: BALLOONING CORPORATE DEBT**

G&M - Tim Shufelt

Canadian corporations have racked up a hefty debt load to feed the country's dividend habit.

## **PHILIP CROSS: CANADA CAN'T BREAK ITS DEBT HABIT, AND IT'S KILLING GROWTH**

FP - Philip Cross

The marked slowdown in Canada's economic growth reflects the economy's failure to make the transition from household and government spending to exports and business investment that the Bank of Canada has tried to engineer for years.

## **CANADIAN REAL ESTATE DEBT IS NOW THE SIZE OF 76% OF GDP, AND "CORRUPT AFRICAN LEADERS" ARE BUYING HOMES IN CANADA**

Better Dwelling - Staff

Debt on residential Canadian real estate has been growing much faster than GDP. Over the past 60 quarters, 59 saw mortgage debt grow faster than GDP. The result? Outstanding mortgage debt is now 76% the size of the most widely used measure of the Canadian economy. That's nearly double what it was 60 quarters ago.

## **HELICOPTER MONEY 2015 REPORT**

BankNews.TV - Mark Sibthorpe

Consumer debt spending appears to have insulated Canada from the worst of the credit crisis, but now the alarming magnitude of consumer debt (\$1.92-trillion) could exacerbate a day of reckoning.