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How Canadians are growing richer but deeper in debt

Canada's net worth rises

Canadians are getting richer as stocks and house prices rise. Household net worth rose 1.3 per cent in the first quarter of the year, or $74-billion, to $6-trillion, Statistics Canada said today, as the value of assets eclipsed the rise in liabilities. "This follows a 1.8 per cent advance in the previous quarter," the federal statistics gathering agency said. "Gains in the value of financial assets, especially equities, as well as increases in residential real estate contributed to the advance in net worth."

Household debt also rose, particularly mortgages, Statistics Canada said. The ratio of household credit market debt-to-income now stands at 147 per cent, up from 144.9 per cent in the fourth quarter of 2009.

China currency moves drives markets

China's surprise decision on currency reform is driving global markets sharply higher this morning, and has put the Canadian dollar (CAD/USD-I0.980.0060.57%) back on a run toward parity with its U.S. counterpart. London's FTSE 100, Germany's DAX and France's CAC-40 were all up between 1 per cent and 1.5 per cent, and New York was set to follow suit, with Dow Jones industrial average (YM-FT10,493.00120.001.16%) and S&P 500 (ES-FT1,125.2515.001.35%) futures also up 1.3 per cent and 1.4 per cent respectively. The loonie was up 0.6 per cent at about 6:30 a.m. ET, at 98.41 cents U.S. The move also boosted the outlook for commodities, sending metals prices and mining stocks higher, and driving up the price of oil (CL-FT78.821.642.12%).

China made good on its promise today as the yuan rose against the U.S. dollar to its highest since its revaluation in 2005. The Reuters news agency said China's central bank chose not to intervene in currency markets, a rare move, and seemingly wanted traders to drive the currency higher to back up its pledge.

"I think for anybody who has an export-dependent economy with China, it's good for them," said Scotia Capital currency strategist Camilly Sutton, adding that China's weekend announcement also provides reassurance to markets that policy makers do not expect Europe's debt troubles to escalate further.

China has been under extreme pressure to allow the yuan to rise as other countries warn it is artificially skewing trade balances, an argument Beijing has rejected. The announcement by the People's Bank of China Saturday, in advance of the G20 summit in Toronto this week, also comes amid investor fears that China's economy is overheating and that monetary officials will move to slow down the engine of the global recovery.

"The weekend decision by the Chinese authorities to increase the flexibility of the yuan to a managed float against the U.S. dollar could well make an interest rate rise to cool the growing Chinese economy less likely in the very short term," said CMC Markets analyst Michael Hewson. "This in turn should give an additional boost to risk appetite on top of the slow return of investor confidence we saw at the end of last week. However, while Chinese inflation remains above 3 per cent, the risk of a further tightening in policy in the medium term should not be ruled out, further down the line."

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