

# The party is ending for GICs

MATT LUNDY || DECEMBER 7, 2023

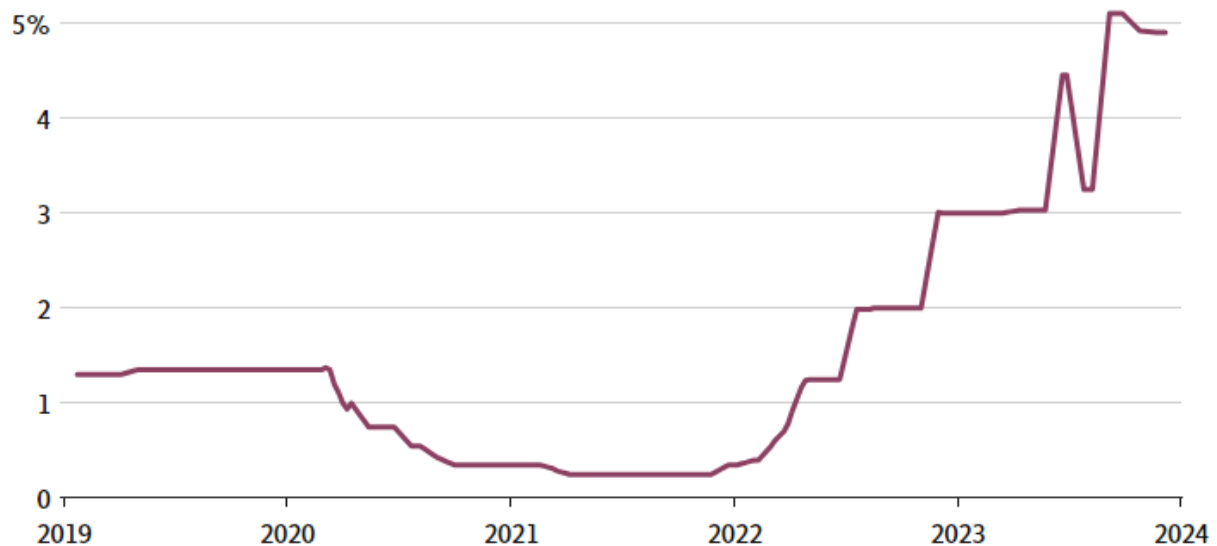
As speculation mounts about the timing of interest-rate cuts, returns for Guaranteed Investment Certificates (GICs) appear to have come off the boil.

The most common rate for a one-year GIC posted by major chartered banks was 4.9 per cent as of Wednesday, down slightly from a recent peak of 5.1 per cent, according to figures from the Bank of Canada.

Investors can often get better rates through promo offers or through alternative banks. But those, too, seem to be waning. EQ Bank was offering one-year GICs at 5.75 per cent in late October, but now they're offered at 5.45 per cent, according to the website HighInterestSavings.ca. Tangerine Bank is offering a one-year GIC at 5.25 per cent, down from 5.95 per cent in late August.

## One-year GIC rates

Four-week moving average of most typical rate offered by major chartered banks



THE GLOBE AND MAIL, SOURCE: BANK OF CANADA

GICs have proven popular during this rate-hike cycle, with overall balances growing by more than \$300-billion from late 2021 to March, 2023, according to data from ISS Market Intelligence.

But the outlook for risk-free investments is less promising than it was just a few months ago. Bond yields have tumbled this fall and the Bank of Canada is widely expected to start lowering

borrowing rates by the middle of next year. Investors have taken note: Demand for GICs was far weaker in the second quarter of this year, ISS said.

The upshot is that financial analysts aren't forecasting a return to rock-bottom lending rates, which means that GIC rates won't be as meagre as they were in 2020 and 2021.

Also, it's possible for investors to lock in reliable returns for years to come. Five-year GIC rates are still running at around 5 per cent, depending on the provider. With inflation falling quickly – the annual rate is 3.1 per cent – real returns on GICs should be firmly positive.