

Normal interest rate scale is turned upside down

TORONTO - Where's that big drop in interest rates we've all been waiting for?

Interest rates have eased a bit over the past two months. The benchmark prime business lending rate is 14.25 per cent at most banks and trust companies, down a half point from its recent high. But with all this talk of recession, is that all there is?

To understand what might happen to rates, it is useful to step back and review how strange things have been over the past year or so.

In normal times, you pay more for money the longer you want to borrow it. Conversely, you charge more interest the longer you are willing to lend your money out. So a five-year mortgage loan should cost more than a one-year one. And you should earn money per year on a five-year guaranteed investment certificate than you do on a one-year one.

UPSIDE DOWN

This has not been the case recently. Indeed, the opposite is true. Today, the longer the mortgage loan, the less you pay. Conversely, the longer the GIC term, the less you earn. This is what is known as an inverted yield curve - the normal upward slope of interest rates over time is upside down.

Recent rates at the Royal Bank



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of Canada show this. A one-year GIC, for example, pays 11.75 per cent annually. Three-, four- and five-year GICs pay 11.25 per cent. One-, two- and three-year mortgage loans cost 13.75 per cent. Four- and five-year loans cost 13.5 per cent.

Yet the difference, while notable, is narrowing. The inverted yield curve could soon flatten. Then it could return to its normal upward slope. The question is, how will it do this? Will rates on the short end fall, or those on the long end rise? Or both?

Chances are, both. Short-term rates are set by the money market; long-term rates by the bond market. While the Bank of Canada has been easing its tight hold on the money reins, bond markets have been growing increasingly restive.

This is partly because bond buyers do not believe North American central bankers will win the battle against inflation. More significant, though, is the big increase in Japanese interest rates. Higher interest rates in Japan will suck money from North America, making it harder for governments to finance their deficits, so the thinking goes.

NO RELIEF

If this ominous situation comes to pass, borrowers awaiting interest-rate relief will have to wait a while longer. Instead of falling, as expected, mortgage rates could stay where they are or climb higher. The bank rate could ease a bit further, but fixed-term rates could rise.

This scenario was not in the cards, a short while ago. The consensus was that, sooner or later, rates would fall across the board. By this time next year, they would be substantially lower, economists predicted. They were forgetting about the rest of the world.

Still, there are those who would argue that mortgage rates will fall no matter what the term simply because the real estate market is so weak. Bad news will turn into good news in time. I share this view. Japan and Germany can do what they will with interest rates. In North America, they will fall or we will be in trouble.

Survey Completed Wednesday, Sept. 26, 1990	MORTGAGE RATES ANNUAL INTEREST					
	SIX MONTH	ONE YEAR	TWO YEAR	THREE YEAR	FOUR YEAR	FIVE YEAR
TRUST COMPANIES						
Canada Trust	N/A	13.25	13.25	13.25	13.25	13.25
Municipal Trust	N/A	13.75	13.75	14.00	14.00	14.00
NRS/Royal Trust	13.25	13.25	13.25	13.25	13.25	13.25
CHARTERED BANKS						
Bank of Commerce	13.50	13.25	13.25	13.25	13.25	13.25
Bank of Montreal	13.25	13.50	13.25	13.25	13.25	13.25
Bank of Nova Scotia	N/A	13.25	13.25	13.25	13.25	13.25
Royal Bank	13.25	13.25	13.25	13.25	13.25	13.25
Toronto Dominion	13.25	13.25	13.25	13.25	13.25	13.25

This survey was prepared to help the Herald Homestyle readers track weekly Bank and Trust Company rates.

Public is increasingly concerned about environmental issues

By BERNICE BROWNE
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Public concern for environmental issues has accelerated in recent years. Opinion surveys show that safeguarding the environment continues to be the most important issue for consumers in Canada and in many other countries.

'Blue Box' collection programs for recyclable materials are springing up in many areas with very high rates of participation. Retailers are getting involved in providing a wide array of 'green products'.

It is no surprise that some Canadians are unsure of the validity of claims that products are friendly to the environment, or recyclable, or biodegradable.

So-called 'friendly' products can have some negative impact in their production, use, or disposal. Recycling facilities may not exist in certain parts of the country, resulting in a glut of items collected through Blue Box programs. And biodegradable products may not be a panacea because of questions about residues produced as they break down.

But important efforts are being made by many consumers to reduce the waste they produce. Some packaging manufacturers are responding to consumer concerns and are redesigning their products so they are less wasteful of resources. And Canada's Environmental Choice Program (ECP), mentioned elsewhere in this issue, is ensuring that consumers do have a real choice to make in the impact they have on the environment when they purchase goods.

CSA's ECP Technical Committee provides expertise to develop Guidelines for product categories, in order that manufacturers can be

authorized to apply the EcoLogo to approved products which comply with the Guidelines. Products least harmful to the environment will be allowed to carry the EcoLogo.

International Consumer Concerns

Consumers in other countries are also concerned about the environmental impact of their purchasing decisions. The Consumer Policy Committee of the International Organization for Standardization (ISO) is discussing environmental issues.

International efforts to label products to reflect their degree of environmental impact, (e.g. Canada's ECP) will be evaluated with a view to seeking uniformity in labelling of such products. This could reduce expected confusion in the global marketplace as trade barriers are eliminated and products bearing a variety of 'marks' cross borders more easily.

Reducing High Energy Use

Consumers are also making strides in reducing their consumption of energy. Regulators are imposing restrictions on the amount of energy that major household appliances can use. For example, Ontario sets specific maximum energy consumption levels for certain household appliances and other provinces are considering similar regulations.

CSA's Consumer Program

The CSA Consumer Program provides a vital link between CSA and consumers/end users of products and services. Volunteer consumer participation on many CSA standard writing committees and five Advisory Panels assists CSA to be more responsive to the needs of consumers. Some of the subjects considered by CSA's Advisory Panels during the past year include: mobile homes, head protection equipment

ventilation requirements in housing, the elevator safety code, and sun-tanning equipment. Your input can make a difference.

Help Wanted

Electrical cord failures - Consumers have expressed concern about failures of electrical cords on appliances such as hair dryers, kettles, toasters, irons, etc. Heavy use and use patterns, such as storing appliances with cords wrapped tightly around them, may result in wire conductor breakage inside the cord covering. Most such problems occur where the cord enters the appliance or at the plug end, and it appears that more failures occur with flat rather than round cords. If you have had a cord failure we would like your response to the following:

1. To what appliance was the cord connected?
2. Was the cord flat or round?
3. Writing which appears on the cord identifies the wire gauge and type; if you still have the product, what information is on the cord?
4. At what point on the cord did the failure occur, e.g. at the appliance or plug end, or in between?
5. What was the nature of the failure: E.g. were there visible sparks or 'arcing', or did the cord simply stop functioning?
6. What was the age of the cord/appliance, and how frequently was it used?
7. Did the failure cause any injury or property damage, e.g. where there burns or scorching of surfaces?

Your input will assist CSA to improve standards and related product safety. Please send your responses to Bernice Browne, Manager, CSA Consumer Services, 178 Rexdale Blvd., Rexdale, Ontario, M9W 1R3. Thanks for your help!

Home danger points should be identified

This article is provided by local Realtors and the Ontario Real Estate Association (OREA) for the benefit of consumers in the real estate market.

Is your home a danger zone for tiny fingers and inquisitive little minds? If you have small children of your own, or receive frequent visits from young relatives who like to "explore," then you should do some investigating yourself to make sure your house is "child-proofed".

Every year, many children are hurt in household accidents which could have been easily prevented with a little foresight. By child-proofing your home an using some common sense, you can avoid accidents altogether.

Remember that to a young child, a home is full of bright and interesting things - like the dangling cord on a hot iron or an unprotected wall socket.

Also keep in mind that toddlers have been known to climb up onto counters, open unlocked medicine cabinets - and in some cases - even pry off the caps of "child-proof" medicine bottles.

Some Precautions You Can Take

There are several simple and inexpensive things you can do around the house to make it a safe haven for children. Put special socket covers on electrical outlets when they are not being used; this prevents children from poking them with their fingers or sticking foreign objects into them.

Have the temperature of your water heater adjusted if the water coming out of your hot water tap is extremely hot. Children often like to play with taps and young skin is very sensitive and can burn quite quickly.

When drawing a bath, try running cold water first and add hot as required, to warm it up. Also make sure you use rubber mats or skid strips in the tub, so toddlers won't

slip and hurt themselves. Never leave a child unattended in the bath.

You should also cover any sharp corners of furniture with protective rubber covers to protect children if they fall against them.

It's also a good idea to make sure all your furniture is stable. For instance, check to ensure that a chest of drawers won't tip over if all the drawers are pulled open.

Also make sure the cords of your window blinds are kept out of reach of children. Youngsters tend to be fascinated by dangling objects and could accidentally strangle or hang themselves with the cord. They can also choke if they try to swallow the cord weights.

Don't Leave Unattended

Children should never be left by themselves to play in the garage, basement or attic. Often, there are many substances located in these areas that could be fatal if ingested - such as insulation or paints.

If you smoke, empty your ashtrays regularly. Discarded cigarettes are objects of great interest to curious children. Lighters and matches should also be kept well out of harm's way.

You should also keep all hazardous substances (such as solvents and herbicides) in their original containers in a secure place. Many young children have been poisoned by drinking substances stored in old pop bottles or food jars.

Keep your cupboards and cabinets locked with latches and make sure other potentially dangerous materials like bleach, drain cleaner, detergents, cleansers, pesticides and any medicine are kept well out of reach, in a secured cabinet.

You should also take the time to educate your children and explain why certain items around the house are dangerous. Their understanding and co-operation will give you a great deal of peace of mind.