

Economic Commentary

January 21, 2003

BANK OF CANADA LEAVES RATES UNCHANGED

The Bank of Canada in the first of its eight regularly scheduled monetary policy meetings announced this morning that its benchmark key overnight money market financing rate will remain unchanged at 2.75%. The announcement was expected by all money market analysts and was no surprise to the market.

Later in the month on January 29th the Federal Reserve Board will announce its decision on rates, but even there most analysts do not expect any change in the fed funds rate, which presently stands at 1.25%.

The next monetary policy meeting of the BOC is scheduled for the 4th of March.

As far as the outlook for rates is concerned, most analysts do not expect a rate hike in Canada, not before the April 15th meeting at the earliest while many analysts do not expect a rate hike until the fourth quarter of the year. Yet some, even expect a further cut in the US fed funds rate later this year.

Kenneth Matziorinis, Ph.D.

Canbek Economic Consultants Inc.