

# **Economic Commentary**

October 23, 2001

## **50 Basis Point Cut Expected Today by BOC**

In today's regularly scheduled meeting the Bank of Canada is widely expected to announce a 50 basis point cut in the target overnight rate to 3.0% from 3.5%. This rate will match the 50 basis point rate cut delivered earlier in the month (October 2, 2001) by the Fed. After the cut Canadian short-term money rates will still be 50 basis points higher than the comparable fed funds rate in the US and will force a drop in the Canadian prime lending rate to 4.75% from 5.25%.

Most analysts expect the Fed to cut another 25 - 50 basis points by the end of the year and the Bank of Canada is expected to go along. The next BOC meeting is on November 27<sup>th</sup>, which will be the last for the year.

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