

# **Economic Commentary**

March 19, 2001

## **Further Rate Cuts Ahead**

As forecast at our last meeting the Canadian prime should go down to at least 6.25%, if not more. Already the prime has been cut 50 bps with another 50 bps in the cards on April 17th, should bring it to 6.25% by then. The Fed is sure to cut rates by 50 bps when the FOMC starts meeting tomorrow. Some expect 75 bps. If the economic weakness persists over the next two months, given the tame inflation numbers that came out of the US last week, we should continue to see cuts in rates. By May I can see the Canadian prime down to 6.00% for sure and maybe as low as 5.5%. In the meantime the CAD \$ will remain under pressure with little prospect of a sustained reversal in the immediate future.

Kenneth Matziorinis, Ph.D.

**Canbek Economic Consultants Inc.**