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Record Low Interest Rates To Remain

A recent rate increase in the land down under had some market pundits wondering whether Canada's central bank would be next to follow suit. But it was very clear from this morning's press release that overnight rates in Canada are not going anywhere, anytime soon.

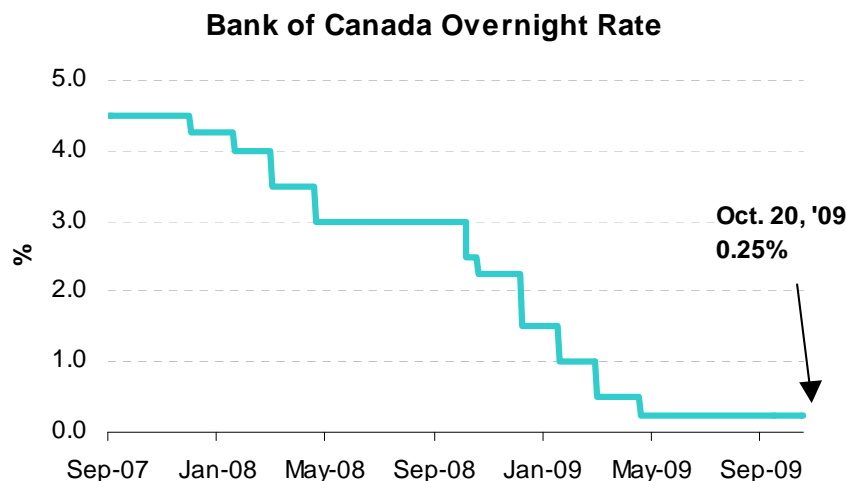
The Bank of Canada announced that overnight interest rates will remain at their 0.25% record level, and they reaffirmed their commitment to keep them there until June 2010.

BOC officials acknowledged that the economic recovery was stronger over the summer than was anticipated in July but that "significant fragilities remain". As of today's report, the Bank anticipates the Canadian economy "to grow by 3.0 per

cent in 2010 and 3.3 per cent in 2011, after contracting by 2.4 per cent this year."

The tough talk regarding the elevated level of Canada's currency was again front-and-center in today's release: "The current strength in the dollar is expected, over time, to more than fully offset the favourable developments since July.

It seems as though the BOC is still largely in wait-and-see mode when it comes to interest rate policy. The more serious question that is probably on most analysts' minds, as well as that of Canadian businesses and consumers, will be just how fast interest rates will rise after June 2010.



Source: Bank of Canada, Oct. 20, 2009

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Where there's a way