

## BOC to cut rates 50 bps to 1% Tuesday

The Bank of Canada is expected to cut interest rates 50 basis points to 1% Tuesday. The rate cut would follow 75 basis point rate cut last month. One member of C.D Howe Institute panel of economist's calls for a 125 bps BOC rate cut as way to shock the credit markets. The consensus of the panel calls for a 50 bps rate cut. Canada's CPI data will be released Tuesday and expected to show a sharp decline reflecting lower energy prices. Canada's core CPI is expected to remain steady. Monday, Canada reported foreign outflows of 4.3 billion in November; the trade was looking for 1 billion inflows. Steady Canadian core CPI and reported a sharp outflow of foreign funds in the month of November make an aggressive BOC rate cut unlikely. CAD traded 4.7% lower last week pressured by a sharp drop in Canada's trade balance and BOC rate cut speculation. The drop in the trade balance reflects declining demand for Canadian exports. A 50 bps BOC rate cut should be discounted by last weeks CAD decline and CAD may experience a short term rebound. CAD rebound may present a selling opportunity with focus quickly returning to deteriorating global economic outlook. USD/CAD break of 12753 the December 16th high could spark a move to 1.3000.



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Michael J. Malpede is Chief Market Analyst with Easy-Forex and has previously been featured on Bloomberg TV, Bloomberg radio, Reuters, MarketWatch, Wall Street Journal, Chicago Tribune, Chicago Sun Times, Toronto Star and Nikkei press. In analyzing the markets, he draws from 29 years of Foreign Exchange Research as a Foreign Exchange Analyst.

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