



Laurentian Bank Securities **ECONOMIC RESEARCH AND STRATEGY**

Bank of Canada October Decision: A slight dovish turn triggered by global concerns

The BoC is comfortable to carry on with the current 1.75% overnight rate target for the time being, citing notably that CPI inflation measures are close to the 2% target. Financial markets perceived a dovish tone in the 10AM statement as the BoC focuses on the negative implications related to the weakening global momentum. The softening in Canadian business investment and exports triggered by global trade conflicts and the associated uncertainty is not new. In our view, the BoC will need to see more cracks in the Canadian economy relative to the new *Monetary Policy Report (MPR)* projections to consider easing monetary conditions. The *MPR* base case scenario still pegs real GDP growth forecasts close to potential in 2020 (1.7% instead of 1.9%) and 2021 (1.8% instead of 2.0%) even though the outlook was revised down. Clearly, a decoupling between Canada and the rest of the world cannot exist despite the cited good news relative to the pickup in most housing markets and solid household income growth. In summary, today's statement sounds slightly more dovish than the September 4th statement but not enough to revisit our current forecast. We still see no change to the overnight rate through 2020 unless the global macroeconomic picture deteriorates much further. Today's busy day continues with Governor Poloz's press conference at 11:15AM. Then, at 2PM, financial markets will find out if the Federal Reserve is willing to continue its "mid-cycle adjustment" beyond today's expected 25bps rate cut.

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