

Interest Rate Forecast- May 2009**Regular commentary returns next month.**

The most significant changes to the forecast are higher government bond yields, which are increasing at a faster pace than previously expected. Bonds markets here and in the U.S. are reacting to higher supplies of government debt coming onto the now and in the future. Recent news of Canada's federal government deficit exceeding \$50 billion in FY2009 added to those concerns.

Target Overnight Rate Forecast	
BoC Meeting Date	Rate
Apr. 21 a	0.25
June 4 (f)	0.25
July 21	0.25
Sept. 10	0.25
Oct. 20	0.25
Dec. 8	0.25
Jan. 2010	0.25
Mar.	0.25
Apr.	0.25
June	0.25
July	0.50
Sept.	0.75
Oct.	1.25
Dec.	1.25
Jan. 2011	1.50
Mar.	1.75



Interest Rate Forecast									
Item	2009 Q1a	2009 Q2f	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Target Overnight Rate	0.95	0.25	0.25	0.25	0.25	0.25	0.60	1.25	1.50
Prime Rate	2.95	2.25	2.25	2.25	2.25	2.25	2.60	3.25	3.50
1-mo. T-Bill	0.53	0.20	0.20	0.20	0.25	0.25	0.55	1.15	1.40
3-mo. T-Bill	0.64	0.25	0.25	0.25	0.30	0.35	0.70	1.30	1.65
6-mo. T-Bill	0.69	0.35	0.35	0.40	0.40	0.45	0.85	1.45	1.75
1-year T-Bill	0.77	0.50	0.55	0.55	0.50	0.65	1.05	1.75	2.10
2-year GoC Bond	1.12	1.10	1.35	1.45	1.40	1.50	1.55	2.05	2.40
3-year GoC Bond	1.47	1.50	1.85	1.95	1.85	1.95	1.95	2.35	2.70
5-year GoC Bond	1.89	2.15	2.50	2.65	2.60	2.65	2.60	2.65	3.00
10-year GoC Bond	2.88	3.15	3.50	3.65	3.45	3.55	3.55	3.65	4.05
Spread: 10y less 3m	2.21	2.90	3.25	3.40	3.15	3.20	2.85	2.35	2.40

Note: Quarterly average based on daily or weekly data. a = actual, all others forecast.

Deposit Rate Forecast									
Item	2009 Q1a	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Prime Rate	2.95	2.25	2.25	2.25	2.25	2.25	2.60	3.25	3.50
1-year GIC	0.86	0.30	0.30	0.30	0.30	0.40	0.80	1.40	1.75
3-year GIC	1.86	1.50	1.50	1.55	1.50	1.50	1.50	1.70	2.00
5-year GIC	2.18	1.80	1.80	1.90	1.90	1.85	1.80	2.05	2.30

Note: Quarterly average based on weekly data. a = actual, all others forecast. Redeemable rates.

Lending Rate Forecast									
Item	2009 Q1a	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Prime Rate	2.95	2.25	2.25	2.25	2.25	2.25	2.60	3.25	3.50
1-year Mortgage	4.98	4.00	3.85	3.80	3.95	4.10	4.25	4.45	4.65
3-year Mortgage	5.39	4.25	4.10	4.10	4.20	4.45	4.50	4.70	5.10
5-year Mortgage	5.93	5.30	5.25	5.20	5.25	5.25	5.25	5.35	5.55

Note: Quarterly average based on daily or weekly data. a = actual, all others forecast. Fixed term posted mortgage rates.