



## PREVIEW: RBA Rate Decision due Tuesday 4th October at 04:30BST/23:30EDT

- RBA is expected to hike the Cash Rate Target with 21 out of 29 analysts forecasting a 50bps hike to 2.85%.
- Focus will also be on the statement for any clues of a future slowdown in rate increases
- Firmer than expected GDP and firm monthly CPI data suggests scope for the central bank to maintain its current hiking pace.

**OVERVIEW:** RBA is expected to hike rates at its meeting on Tuesday with 21 out of 29 analysts surveyed by Reuters expecting another 50bps rate hike to lift the Cash Rate Target to 2.85%, although money markets were nearly even last week in terms of pricing the chances of either a 25bps or 50bps hike.

**PRIOR ACTIONS AND RHETORIC:** As a reminder, the central bank reiterated at the last meeting that the Board is committed to doing what is necessary to ensure that inflation returns to the target and expects to increase rates further in the months ahead, but it is not on a preset path, while members saw the case for a slower pace of rate hikes as becoming stronger as the level of the Cash Rate increases, as well as noted that interest rates had been raised quite quickly and are getting closer to normal settings. Furthermore, RBA Governor Lowe recently stated that at some point, they will not need to hike by 50bps with the central bank getting closer to that point and they are closer to normal on rates, but not there yet. Lowe also noted that rates are still too low right now and that they will consider tightening by 25bps or 50bps at the upcoming meeting which were the options discussed last month. The increased hints about a future slowdown has spurred some expectations for the central bank to switch gears with AMP forecasting a 25bps move at the upcoming meeting and for rates to peak at 2.85%, but acknowledged upside risks given the strength in lagged data and RBA hawkishness, while NAB adjusted its RBA rate hike forecast for October to 50bps from 25bps.

**DATA RELEASES:** The latest data releases also suggest there is scope for the RBA to stick with the current pace as Real GDP YY strengthened in Q2 to 3.6% vs. Exp. 3.5% (Prev. 3.3%) and although jobs data missed slightly, the increase in the employment change was solely driven by full-time work and the unemployment rate remained firmly below 4.0%. In addition, Australia's first ever monthly CPI releases showed inflation remained elevated at 7.0% in July and 6.8% in August which is more than double the higher-end of the 2-3% target and would likely keep the central bank on its current hiking track.

**ANNOUNCEMENT:** The rate decision is scheduled for 04:30BST/23:30EDT, while the focus will also be on the statement for any clues of when the central bank will start to slow on its rate hikes with any suggestion of a shift to 25bps at the next meeting likely to pressure AUD/USD.

### Disclaimer

The information contained within this document has been prepared and issued by Newsquawk Voice Limited ("Newsquawk") on the basis of publicly available information and other sources believed to be reliable. Whilst all reasonable care is taken to ensure that the facts stated are accurate, neither Newsquawk nor any of its directors, officers or employees shall be in any way held responsible for its content or your use of it. Neither the provision of any content herein nor anything on our website or any other media we use is intended to, and should not be construed as, providing advice and/or enticing an offer or solicitation to invest in, buy or sell securities or other financial instruments.