



# PREVIEW: RBA Rate Decision is Scheduled on Tuesday 6th February at 03:30GMT/22:30EST

- RBA is widely expected to keep its Cash Rate Target unchanged at 4.35% in its first two-day meeting.
- Overhaul includes fewer meetings a year, a post-meeting press conference and quarterly SoMP.
- Data has been softer including inflation which adds to the case for a pause.

**OVERVIEW:** The RBA is expected to keep its Cash Rate Target unchanged at 4.35% with money markets pricing a 95% expectation for no change to the Cash Rate and just a 5% expectation for a 25bps cut. Furthermore, a recent Reuters poll showed all 29 economists surveyed expect the RBA to keep rates unchanged at 4.35% at this meeting week, while the poll also showed that the RBA is expected to cut the Cash Rate to 3.85% by year-end vs. the previous view for a cut to 4.10% this year.

**FIRST MEETING FOLLOWING THE OVERHAUL:** This will be the first meeting since the revamp at the RBA took effect in which the central bank switched to just 8 meetings a year from the previous 11 although the meetings will now be held over two days and the post-meeting statement will be issued by the board instead of the RBA Governor. Furthermore, RBA Governor Bullock will conduct a press conference to explain the decision after each board meeting which will begin an hour after the policy announcement, while the central bank will also release its quarterly Statement on Monetary Policy at the same time as the outcome of board meetings in February, May, August and November instead of the following Friday.

**PRIOR MEETING:** The RBA unsurprisingly kept the Cash Rate unchanged at the last meeting in December and reaffirmed its forward guidance that whether further tightening is required to ensure that inflation returns to the target in a reasonable timeframe will depend upon data and evolving assessment of risks, while it also repeated that the board remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome, as well as noted there are still significant uncertainties around the outlook. The commentary from the central bank lacked any major hawkish surprises which some were anticipating given the more forceful comments on inflation from RBA Governor Bullock in the weeks leading up to the meeting.

**DATA RELEASES SUPPORT THE CASE FOR A PAUSE:** Recent data releases have printed on the softer side with the latest jobs data showing a surprise contraction with Employment Change at -65.1k vs. Exp. 17.6k (Prev. 61.5k) owing to a drop in full-time employment of 106.6k jobs, while Building Approvals and Retail Sales disappointed in December at -9.5% vs. Exp. 1.1% (Prev. 1.6%, Rev. 0.3%) and -2.7% vs. Exp. -1.0% (Prev. 2.0%, Rev. 1.6%), respectively. Conversely, inflation data has provided some good news as CPI YY for Q4 was softer than expected at 4.1% vs. Exp. 4.3% (Prev. 5.4%) and monthly weighted CPI YY for December also slowed to 3.4% vs. Exp. 3.7% (Prev. 4.3%), although these releases are unlikely to spur the central bank into action given that inflation remains above the 2% -3% target.

**ANNOUNCEMENT:** The announcement is scheduled for 03.30GMT/22:30EST and as the central bank is highly unlikely to conduct any policy tweaks, the focus will turn to the slew of commentary from the central bank including the accompanying policy statement, quarterly SoMP and press conference which participants will scrutinise for any clues regarding future policy.

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