



Preview: RBA Rate Decision Scheduled for Tuesday 19th March 2024 at 03:30GMT/23:30EDT

- RBA is expected to keep the Cash Rate Target unchanged at 4.35%.
- Money markets are pricing a 95% chance for rates to be kept unchanged, while a poll also showed unanimous expectations for no adjustment.
- Recent central bank rhetoric and data support the case for a pause.

OVERVIEW: The RBA will announce the conclusion of its 2-day policy meeting on Tuesday with the central bank expected to keep rates unchanged at 4.35% as the ASX 30 Day Interbank Cash Rate Futures indicates a 95% expectation for rates to be maintained at the current level and just a 5% expectation for a 25bps cut to 4.10%. Furthermore, a recent Reuters poll showed all 40 economists surveyed were unanimous in their forecasts that the RBA will keep the cash rate unchanged.

RBA MAINTAINED A HAWKISH TONE AT THE LAST MEETING: The RBA kept rates unchanged as unanimously forecast last month which was the first meeting since the overhaul at the central bank took effect, while it stuck to the hawkish rhetoric as it reiterated that the board remains resolute in its determination to return inflation to the target and that a further increase in interest rates cannot be ruled out. It also repeated that returning inflation to the target within a reasonable timeframe remains the board's highest priority and although it noted that inflation continued to ease in the December quarter, it added that inflation remains high at 4.1%. Furthermore, the minutes revealed that the board considered a case to hike by 25bps or hold steady although the case to hold steady was the stronger one and appropriate given balanced risks to the outlook, while data gave the board more confidence inflation would return to the target in a reasonable timeframe although it would take some time before the board could be confident enough about inflation and it agreed it was appropriate not to rule out another rise in rates.

RHETORIC HAS SINCE BEEN LESS HAWKISH, WHILE DATA SUPPORTS THE CASE FOR A PAUSE: The rhetoric from officials has since been less hawkish as RBA Governor Bullock noted that the Board hasn't ruled out a further increase in interest rates but neither has it ruled it in, while she added that inflation doesn't need to be in the 2%-3% band for them to think about rate cuts and if consumption slows more quickly than expected, it will be an opportunity to cut rates. Furthermore, Bullock acknowledged that there are some encouraging signs although the inflation challenge is not over, while RBA's Harper stated they will not wait until inflation is within the target band before cutting rates and are not fixating on any sort of inflation to signal a start of the easing cycle but added that they cannot rule out the need for further rate hikes. Recent key data releases from Australia also support the case for a pause as GDP for Q4 was somewhat inconclusive and printed mixed with QQ growth at 0.2% vs. Exp. 0.3% (Prev. 0.2%) and Y/Y at 1.5% vs. Exp. 1.4% (Prev. 2.1%), while the latest monthly inflation data was steady and remained above the central bank's 2%-3% inflation target with Weighted CPI YY for January at 3.40% vs. Exp. 3.60% (Prev. 3.40%) which RBA watcher McCrann suggested leaves only one real option at the next meeting and noted the RBA won't seriously consider a hike but nor are cuts on the horizon with inflation still too high to contemplate a rate cut.

ANNOUNCEMENT: The announcement is scheduled for Tuesday at 03:30GMT/23:30EDT and as no change in rates is seen as a foregone conclusion, participants will be eyeing the statement to see if it remains hawkish or for clues on whether it supports the current median forecast for the RBA to cut the cash rate to 3.85% by end-2024. Furthermore, RBA Governor Bullock will conduct a press conference which will begin an hour following the initial rate announcement.

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