

Australia's Reserve Bank does nothing again

The Reserve Bank of Australia left rates on hold for the 15th consecutive meeting



No change to policy rates

For the 15th consecutive meeting, the Reserve Bank of Australia (RBA) has left rates unchanged at 1.5%. This will have surprised no-one, with the consensus of forecasters showing not a single economist looking for rates to be changed at this meeting. But the lack of action is beginning to grate against an increasingly positive assessment of the economy.

Wages and inflation in Australia were singled out as being on the soft side, but then that could be said of virtually everywhere, including the US, and there, the central bank is in hiking mode. All that separates Australia from the US is consumer spending and even today's retail sales figures were a little brighter than in recent months

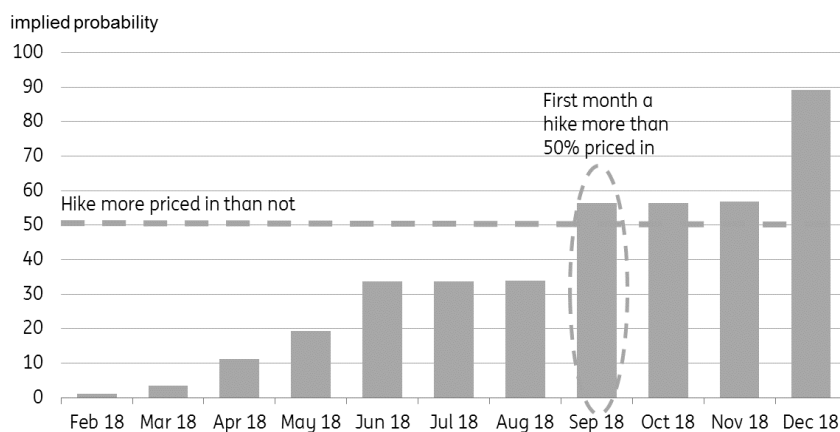
1.5% Key policy rate
Unchanged again

As expected

Markets pricing in very little hiking for 2018

Financial markets are pricing in very little tightening by the RBA in 2018, with no hike even half priced in until September 2018, and nothing fully priced in even by the year-end. But with some brighter spots emerging on the economy, and sky-high household debt, we suspect that markets may not be pricing in enough, soon enough from the RBA next year.

Market implied rates (% probability hike)



Source: Bloomberg

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