

## RBNZ leaves rates on hold

And hints that rates are not going to go up anytime soon



The Reserve Bank of New Zealand (RBNZ) left rates on hold at 1.75%. Reading the latest RBNZ policy assessment, it sounds more likely that monetary policy will have to be eased, not raised. According to the statement (and not all of it seems supportable by recent data flow), recent GDP growth was slower than expected, house price inflation is moderating, CPI inflation has eased, and the NZD remains too strong for tradable goods price inflation. is that the

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No-one is expecting the RBNZ to ease. And so long as the major central banks continue their slow march towards policy normalisation, then no-one should expect any RBNZ easing either.

But the statement continued to refer to policy remaining accommodative for “a considerable period”. The official projection shows rates on hold into 2019. That seems too long. But what does look more likely, and backed up by market futures, is that the Reserve Bank of Australia will likely raise rates before the RBNZ, which raises some longer run questions about the recent AUDNZD weakness.

Despite some downbeat comments recently from Australia's central bank Governor Philip Lowe, the macro story in Australia looks to us to have greater upward momentum. The normalisation cycle in Australia should return sooner. And with it, should follow the AUD/NZD rate.

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