

## Reserve Bank of Australia's Lowe talks up rate cuts

At a speech to the Queensland branch of the Economic Society of Australia, Governor Lowe said the RBA would discuss rate cuts at their next meeting.

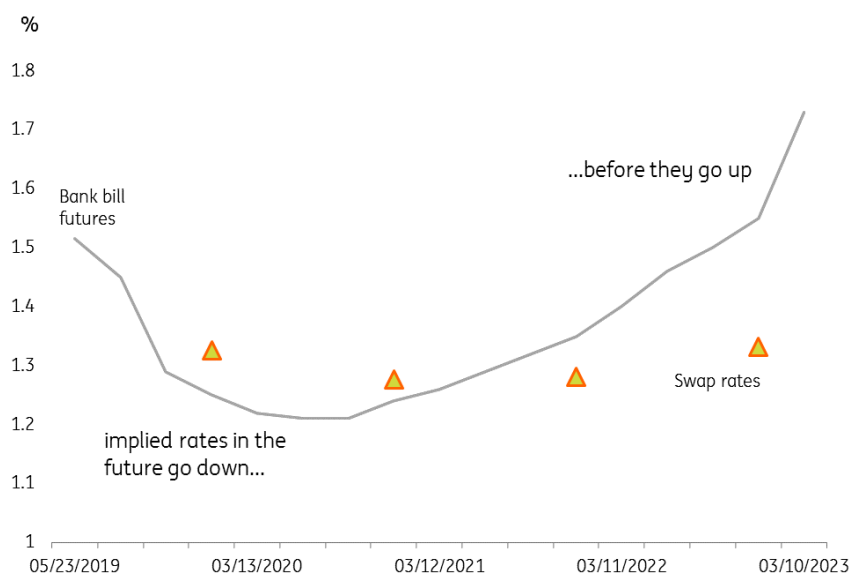


### We are already looking for 2 cuts this year

We penciled in two 25bp rate cuts by the RBA this year at [our last forecast update](#), following on from the very weak 1Q19 inflation figures (1.3%YoY). RBA Governor, Lowe seems to agree, noting at his speech on Tuesday that inflation would not likely reach its 2-3% target range without further falls in the unemployment rate, and that achieving this would be easier with some additional monetary support.

"Given this assessment, at our meeting in two weeks time, we will consider the case for lower interest rates".

## Implied future policy rates from bank bill futures



Source: Bloomberg  
Bank bill futures

## RBA now has a clear easing bias

Why two 25bp cuts? Well, if the argument is strong enough for one, then we figure it is probably strong enough for at least two. There are some in the market now calling for a total of 100bp of easing, though we don't believe things have come to that just yet.

Our 2Q19 forecast of AUD/USD 0.69 has already been achieved, and now exceeded, with the AUD trading below 0.69 today. We clearly have to re-look at that forecast with a view to a lower trough should we get the two rate cuts we now expect. That said, markets are already aggressively pricing easing, so the additional AUD weakening may not be substantial.

### Author

#### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.