

CAMA RBA SHADOW BOARD – COMMENTS

MAY 2016

Each CAMA RBA Shadow Board member is invited (but not obliged) to provide a personal comment on monetary conditions. Neither the comments nor the probabilities constitute financial advice. The views of the Shadow Board members are not those of CAMA. Any individuals utilizing these comments, or the probabilities, do so at their own risk.

PAUL BLOXHAM

No comment.

MARK CROSBY

Despite falls in inflation in Australia there is no compelling reason for a rate cut, with little prospect of further deflation in the medium term and global prospects stable for the moment. At the 6 to 12 month horizon the most likely outcome still seems likely to be some rises in the Fed funds rate and so resulting pressure for the RBA to raise rates late in this year or early into 2017.

MARDI DUNGEY

No comment.

BOB GREGORY

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

The unexpected weakness in inflation, including in underlying measures, suggests that the RBA should cut the policy rate by 25 basis points.

JEFFREY SHEEN

The CPI fell in the first quarter of 2016. This deflation came from falls in petrol and fruit prices, which are not due to deficient aggregate demand in Australia. However the 4-quarter change in inflation remains well below target, which allows an opportunity to cut the cash rate now. Interest rates everywhere remain persistently low, almost certainly due to ongoing global excess saving, which affects Australia and requires a low medium term interest rate. This further supports the case for a cut, which is needed to encourage capital formation in non-mining sectors.