CAMA RBA SHADOW BOARD – COMMENTS

JULY 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

The Brexit vote has obviously caused volatility in financial markets in recent days, but this Leave result has changed nothing in terms of Australia's fundamentals. EU GDP is still only about 3% above pre GFC levels, and the ongoing weak growth has had little impact on Asian economies. The UK is no longer an important trading partner for Australia, and the Brexit result should strengthen not weaken our relationships with the UK. In short there is very little reason for the RBA to cut rates until the next inflation number is released.

MARDI DUNGEY

The uncertainty created by Brexit substantially dampens the international outlook in the mid-term. This slowdown and uncertainty will impact on Australian markets, and consequently reduce opportunities for future growth. I have revised my expectations of appropriate policy levels downwards so that on balance I now believe current settings are appropriate. However, the current events do not require a further cut in the rates at this point, through luck and good management the economy already has in place the stimulatory policy needed to help credit markets weather this latest development.

BOB GREGORY

No change since last time even despite Brexit.

I just feel as though we should have come to the end of interest rate cuts until something really dramatic happens and as you might know I even think we have gone a little too far.

GUAY LIM

No comment.

WARWICK MCKIBBIN

The surprise outcome of the Brexit referendum in Britain has increased risk in the global economy and has significant implications for Britain as well as for other countries in the EU and the Eurozone in particular who are under severe economic stress. This will emerge over time The effects on Australia are likely to be small through the international trade channel but shifts in global capital following the risk shock and changes in confidence in the Australian economy can be significant. The distribution of interest rate outcomes in my vote over the next 12 months has shifted to the left however my best guess of the most likely appropriate setting of interest rates at the 1,6, and 12 months has not changed.

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JAMES MORLEY

Brexit represents a negative financial and economic shock to the world economy. However, the extent of financial shock appears minimized enough that the RBA does not need to respond directly to it. Instead the RBA should keep its focus on domestic conditions. Meanwhile, the economic shock of Brexit is longer-term and uncertain as we wait to see the repercussions for the UK and the EU, but it is not something to be addressed by Australian monetary policy.

JOHN ROMALIS

No comment.

JEFFREY SHEEN

Given the election in early July, the uncertainty following the Brexit referendum result, global financial market volatility, and Q2 inflation becoming available in late July, I strongly recommend not changing the cash rate at the July meeting. However in the next 6 and 12 months, I believe the current global frailty is likely to worsen and therefore my expected recommendations are weighing further towards cutting the future cash rate.