

CAMA RBA SHADOW BOARD – COMMENTS

APRIL 2020

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SALLY AULD

No comment.

PAUL BLOXHAM

No comment.

RENÉE FRY-MCKIBBIN

No comment.

MARIANO KULISH

The cash rate should be kept at 0.25% for a long time. The Bank has complemented the recent emergency cash rate reduction with a target for the 3-year Australian Government bond yield, conveying the expectation that the cash rate may remain at 0.25% for the next 3 years. This is a decisive response in the right direction. As the magnitude of the economic consequences from the COVID-19 crisis becomes clearer, it will be important to re assess the RBA's forward guidance and increase the precision about the duration of the zero interest rate policy.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

The RBA has moved the policy rate to its stated effective lower bound of 0.25% and also engaged in yield curve control to bring the 3-year government bond rate to around 0.25%. This is a welcome development given the clear enormity of the global economic crisis caused by the COVID-19 outbreak and the various measures implemented to mitigate the pandemic. The RBA will not change the policy rate at the April meeting and I would not recommend it do so. The policy rate could, in principle, be lowered further. But the stimulative effects of a further decrease in the policy rate even closer to zero or possibly to a negative value would be small compared with the effects of more unconventional policies such as the yield curve control. The main task for the RBA Board now is to explicitly confirm that the choice of a 3-year bond rate for yield curve control signals a strong expectation of keeping the overnight policy rate at 0.25% for at least 3 years and to explain what would be the conditions under which the yield curve control would be lifted (presumably an indication that the economic contraction due the COVID-19 crisis is easing) and subsequently when the overnight rate would be lifted (again, I would strongly suggest tying this to being at least 3 years from now and when a set of long-term inflation expectations measures return to the middle or top end of the 2-3% target range).

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JOHN ROMALIS

We are now almost splitting hairs when it comes to changing the cash rate. If there is a need for firms to “hibernate” during this crisis then actual borrowing rates for affected entities need to be pushed towards zero or to zero, and the banks compensated in other ways.

JEFFREY SHEEN

The cash rate is now at its effective lower bound, and I support the RBA’s declared plans for its unconventional response to the severe macroeconomic effects of the developing COVID-19 crisis.