

CAMA RBA SHADOW BOARD – COMMENTS

NOVEMBER 2020

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.

SALLY AULD

No comment.

PAUL BLOXHAM

No comment.

RENÉE FRY-MCKIBBIN

No comment.

MARIANO KULISH

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

The forward guidance in a recent speech by Governor Lowe (<https://www.rba.gov.au/speeches/2020/sp-gov-2020-10-15.html>) to suggest the policy rate would not be raised until actual inflation “sustainably” returns to the target range and to explicitly state this is not expected to happen for at least three years is a welcome development. The immediate drop in the exchange rate following the speech suggests that it represents a material increase in public expectations about how long the RBA is expected to keep the policy rate low. This shows the power of forward guidance and the importance of specifics when conducting forward guidance.

The apparent recovery in economic activity in China is good news for the Australian economy, even given political tensions that are putting some trade between the two countries at risk. But, despite a somewhat more positive outlook for the economy, it makes sense for the RBA to continue to signal that a highly accommodative stance and focus on keeping inflation expectations from falling.

JOHN ROMALIS

No comment.

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JEFFREY SHEEN

There are signs that parts of the Australian economy are beginning to turn the corner (as in the 2008 crisis) by fiscal and monetary stimulus, and relatively strong growth in our major trading partner, China. Obviously, there remains much uncertainty, which is muting both consumer and business confidence. Even though a tiny cut to the cash rate will make little difference to any financial calculations, the likely positive effect on confidence makes it worthwhile. The cash rate should remain very low for a couple of years, at least.