

## **Reserve Bank of Australia leaves rate unchanged**

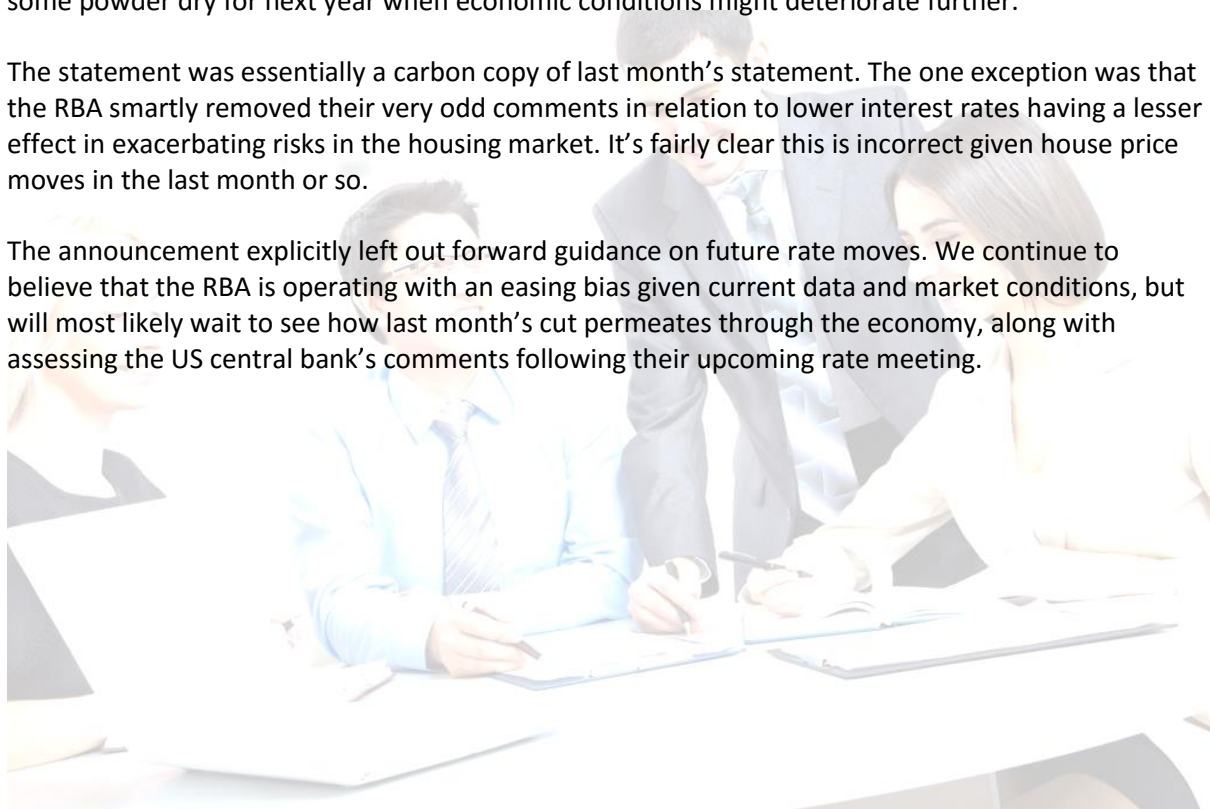
At today's meeting, the RBA decided to leave the cash rate at 1.50%, following last month's cut. The decision was expected given no real basis to ease again and given it was Glenn Stevens' last meeting as Governor before formally stepping down from the role.

Immediately post the announcement, equity markets had fallen slightly, whilst the Aussie dollar has edged slightly higher. Market seems to have focused its attention on the dropping of one word from the statement, which is ridiculous.

The decision comes as no surprise given the RBA remains in an easing bias but is attempting to keep some powder dry for next year when economic conditions might deteriorate further.

The statement was essentially a carbon copy of last month's statement. The one exception was that the RBA smartly removed their very odd comments in relation to lower interest rates having a lesser effect in exacerbating risks in the housing market. It's fairly clear this is incorrect given house price moves in the last month or so.

The announcement explicitly left out forward guidance on future rate moves. We continue to believe that the RBA is operating with an easing bias given current data and market conditions, but will most likely wait to see how last month's cut permeates through the economy, along with assessing the US central bank's comments following their upcoming rate meeting.



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