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All Signal, No Noise

MARKET ANALYSIS

MNI RBA Review - September 2020

Meeting Date: Tuesday September 1 2020

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Fig. 1: RBA A$ Trade Weighted Index (TWI)

Source: Reserve Bank of Australia

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MNI POV (Point Of View): Off Guard

The Reserve Bank of Australia (RBA) left its headline monetary policy settings, namely its cash rate and 3-Year government bond yield targets, unchanged, but its statement managed to provide several sources of interest, going against the grain of broader expectations, which looked for a very sanguine affair:

Extending & Expanding Of The Term Funding Facility (TFF): See statement on pages 3 & 4 of this document.

Including The A$ In The Statement Accompanying The Decision: This was a topic reserved for the meeting minutes in recent times, but the RBA felt the need to inform us that "the US dollar has depreciated against most currencies over recent months. Given this and higher commodity prices, the Australian dollar has appreciated, to be around its highest level in nearly two years." That is very matter of fact on the face of things. However, the Bank's language provided a twist on the recent "in line with fundamentals" mantra that it has trotted out when opining on the A$ in recent times. The rhetoric offered in the statement that accompanied the latest monetary policy decision also touched on the extra income that Australia will receive for its exports, which underscores a higher value for the A$. This is very much in line with a recent MNI Insight piece, which consisted of an interview with board member Ian Harper. Harper told MNI that "to the extent that commodity prices are rising, we just live with the consequences of a higher rate (for the A$) because we need the stimulatory effect of higher export earnings, especially when services exports are so low," speaking in a private capacity and not as an RBA Board member. He went on to note that "this will outweigh the dampening effect of a higher (A$) rate." The more forthright round of rhetoric also infers that the Bank will not lean against the A$ rally, at least for now, as it would likely prove unsuccessful, given its fundamental nature.

Adjustments To The Guidance Passage: The Bank chose to include the following in its passage surrounding forward guidance: "The Board will maintain highly accommodative settings as long as is ***required and continues to consider how further monetary measures could support the recovery.***" The Governor had previously outlined further easing measures that the Bank could employ, and this line was probably used to shore up the idea that the Bank remains ready to do what it deems necessary to provide easy monetary conditions, especially as it continues to point the finger at the fiscal side of the equation. Still, when combined with the adjustments to the TFF it reassures us that the RBA that is cognisant of the need to maintain sufficient credit provisions within the real economy, especially if credit demand accelerates i.e. via ADIs, which will in turn limit fund raising efforts for those institutions, while keeping a lid on credit spreads. Yes, the Bank may have adopted a slightly more overt train of thought regarding further easing, but it is unlikely to want to pull the heavy levers, unless it is forced to do so.

There were also some givens:

The Bank Adopted Its Usual Glass Half Full Approach: It was keen to stress that the initial economic fallout stemming from the COVID-19 pandemic wasn't as drastic as was initially thought, which was already a known, while identifying the COVID-19 situation in the state of Victoria as the key domestic risk apparent at present. Again, a known. It reiterated the idea that the recovery is likely to be both uneven and bumpy, with the broader performance of the global economy contingent on the containment of the virus.

The Fiscal Rhetoric Changed: The Bank gave a nod to the health of state balance sheets after the Governor's recent request that the states increase infrastructure investment by a cumulative A$40bn over a 2-Year period.

All in all, September's meeting did little to shake the monetary landscape. Yes, the TFF tweak came ahead of the time that most had pencilled in, but at least some form of an extension was widely expected. The language surrounding the A$ provided little fresh information, but was a more forceful way for the Bank to highlight that it will not lean against the wind if currency moves are driven by fundamentals. Finally, the alteration in the guidance paragraph is perhaps dovish at the margin, but the Bank had already outlined potential methods that it could employ to ease it its already very loose monetary settings. Most believe that an upscaling of ACGB purchases would be its first port of call, and the September decision has done little to alter this. We already knew that the Bank was willing to do more on the easing front, if required, but is hesitant to do so. It will look to maintain a healthy amount of liquidity in the system (E/S surpluses are well above historical norms, but shy of the record seen in April), which will keep the cash rate well through target, as has been the case in recent months.

RBA SEPTEMBER 1 2020 MEETING STATEMENT

At its meeting today, the Board decided to maintain the targets for the cash rate and the yield on 3-year Australian Government bonds of 25 basis points. It also decided to increase the size of the Term Funding Facility and make the facility available for longer.

Under the expanded Term Funding Facility, authorised deposit-taking institutions (ADIs) will have access to additional funding, equivalent to 2 per cent of their outstanding credit, at a fixed rate of 25 basis points for three years. ADIs will be able to draw on this extra funding up until the end of June 2021. This extension will ensure that all ADIs continue to have access to the Term Funding Facility after the end of September, when the window for drawings under the initial allowance of 3 per cent of outstanding credit closes. Additional allowances associated with an ADI's growth of business credit will now also be available until the end of June 2021. Further details are provided in the accompanying notice.

To date, ADIs have drawn $52 billion under the Term Funding Facility and further drawings are expected over coming weeks. Today's change brings the total amount available under this facility to around $200 billion. This will help keep interest rates low for borrowers and support the provision of credit by providing ADIs greater confidence about continued access to low-cost funding.

The Term Funding Facility and the other elements of the Bank's mid-March package are helping to support the Australian economy. There is a very high level of liquidity in the Australian financial system and borrowing rates are at historical lows. Government bond markets are functioning normally, alongside a significant increase in issuance. Over the past month, the Bank bought a further $10 billion of Australian Government Securities (AGS) in support of its 3-year yield target of 25 basis points. Since March, the Bank has bought a total of $61 billion of government securities. Further purchases will be undertaken as necessary. The yield target will remain in place until progress is being made towards the goals for full employment and inflation.

Globally, an uneven economic recovery is under way after a very severe contraction in the first half of 2020. The future path of that recovery is highly dependent on containment of the virus. High or rising infection rates have seen a recent loss of growth momentum in some economies. By contrast, in China, economic growth has been relatively strong. In financial markets, volatility is low and the prices of many assets have risen substantially despite the high level of uncertainty about the economic outlook. Bond yields remain at historically low levels. The US dollar has depreciated against most currencies over recent months. Given this and higher commodity prices, the Australian dollar has appreciated, to be around its highest level in nearly two years.

In Australia, the economy is going through a very difficult period and is experiencing the biggest contraction since the 1930s. As difficult as this is, the downturn is not as severe as earlier expected and a recovery is now under way in most of Australia. This recovery is, however, likely to be both uneven and bumpy, with the coronavirus outbreak in Victoria having a major effect on the Victorian economy.

Employment increased in June and July, although unemployment and underemployment remain high. The virus outbreak in Victoria and subdued growth in aggregate demand more broadly mean that it is likely to be some months before a meaningful recovery in the labour market is under way. In the Bank's central scenario, the unemployment rate rises to around 10 per cent later in 2020 and then declines gradually to be still around 7 per cent in two years' time.

Wage and prices pressures remain subdued and this is likely to continue for some time. Inflation is expected to average between 1 and 1½ per cent over the next couple of years.

The economy is being supported by the substantial, coordinated and unprecedented policy easing over the past six months. Fiscal policy is playing an important role. Public sector balance sheets in Australia are in good shape, which allows for continued support. Indeed, fiscal and monetary support will be required for some time given the outlook for the economy and the prospect of high unemployment. In addition, support for the recovery is being provided by Australia's financial institutions, which also have strong balance sheets and access to high levels of liquidity.

The Board is committed to do what it can to support jobs, incomes and businesses in Australia. Its actions, including today's extension of the Term Funding Facility, are keeping funding costs low and assisting with the supply of credit to households and businesses. The Board will maintain highly accommodative settings as long as is required and continues to consider how further monetary measures could support the recovery. It will not increase the cash rate target until progress is being made towards full employment and it is confident that inflation will be sustainably within the 2–3 per cent target band.

MNI POLICY TEAM REVIEW: Funding Scheme Boosted As RBA Targets Recovery

By Lachlan Colquhoun

MNI (Sydney) - The Reserve Bank of Australia left its key policy targets unchanged at its September meeting, but increased the size and duration of its funding facility for commercial banks as policymakers look to the economy's recovery phase.

The official cash rate was left unchanged at the record low of 0.25% for a sixth consecutive month with the 25 bps target for the benchmark 3-year government bond also maintained.

However, the RBA announced an expansion of the Term Funding Facility, originally announced in March, from AUD90 billion to around AUD200 billion under a formula based on a percentage of outstanding credit extended by Australia's authorised deposit taking institutions.

The TFF, under which ADI's have drawn down AUD52 billion in the last six months, will be extended until the end of June 2021. The facility gives ADI's access to funds at 0.25% on the condition that they are used for business lending.

RECOVERY

The RBA said that while the economy was going through the biggest contraction since the 1930s, the downturn "is not as severe as earlier expected and a recovery is now under way in most of Australia", although and bounceback was likely to be "both uneven and bumpy," with the renewed coronavirus outbreak in Melbourne and surrounding areas having a major impact on the Victorian economy.

The RBA said it would be some months before there was any meaningful recovery in the labour market, and under its baseline scenario unemployment -- at 7.5% in July -- would rise to around 10% later this year and would only fall to around 7% in two years' time.

The economy was being supported by fiscal policy and monetary easing, while both public sector and commercial banks' balance sheets were strong, with access to high levels of liquidity.

The RBA said it would maintain its current "highly accommodative settings" for as long as required, and said there would be no increase in the cash rate until progress was made towards full employment and inflation,which stood at 1.9% in Q2, returned to the 2-3% target range.

ANALYSTS' KEY COMMENTS

ANZ:

- In a major development, the RBA Board decided at its September meeting to extend the Term Funding Facility (TFF):
- While we have long expected the TFF to be extended, the timing surprised us. We thought the RBA would wait until next year to do so. However, it wanted to ensure: That all ADIs continue to have access to the Term Funding Facility after the end of September, when the window for drawings under the initial allowance of 3 per cent of outstanding credit closes.
- This decision will have a number of impacts. It further reduces the need for banks to go to wholesales markets for funding. This will add to the downward pressure on credit spreads. It also signals the RBA's willingness to add further stimulus where it can. Indeed, the September statement specifically adds words to this effect by stating that the Board, "continues to consider how further monetary measures could support the recovery."
- This has the market on notice that further changes to the monetary policy support program can be expected. At the very least, we expect the RBA to eventually add 'pure' QE to its current policy of yield curve control aimed at the 3y bond. It is possible that the additional steps could also include a 'micro' cut in the cash rate to 0.1%. However, with October's Federal Budget likely to contain considerable additional stimulus and state budgets also expected to add spending at this stage we think it likely that the RBA will hold back on further steps until 2021.
- Unless, that is, the economic data takes a turn for the worse over the next few months and/or the Australian dollar rallies strongly. Either of these may be enough to bring forward additional stimulus to this year.
- And we can't rule out the data disappointing. The statement notes that: The virus outbreak in Victoria and subdued growth in aggregate demand more broadly mean that it is likely to be some months before a meaningful recovery in the labour market is under way.
- Consistent with this, ANZ observed card spending data reveals that spending is slowing and is now in negative territory in y/y terms. So we have to be mindful of the prospect that the RBA will decide that more support is required before the year is out. For now, though, we think stimulatory fiscal policy will keep the RBA from acting again until next year.

Barclays:

- The Reserve Bank of Australia (RBA) maintained its cash rate and target yield for 3y Australian government bonds at 0.25%. The tone of the statement remained dovish, in line with expectations, as the virus outbreak and related lockdown are "having a major effect on the Victorian economy." The bank confirmed that it will not increase the cash rate or the yield target until progress is made toward full employment and it is confident that inflation is sustainably within the 2-3% target band.
- The key takeaway today was that the bank decided to increase the size and extend the period of availability of the Term Funding Facility announced on 19 March. The take up of the TFF has likely been slower than the bank expected – only AUD52bn had been drawn under the scheme from April to date (AUD152bn available at the beginning of September without expansion of program). However, we note that the use of the facility has been increasing, especially during July and August. It is likely that the extension of the tenor will keep cost of borrowing low when demand for credit increases in the economy as authorized deposit-taking institutions (ADIs) will now have access to cheap credit until June 2021.
- In a change to its earlier statement, the bank today stated that it "continues to consider how further monetary measures could support the recovery." The bank resumed bond purchases last month, made changes to the TFF this month and RBA Governor Philip Lowe stated that a separate bond-buying program or other changes to the March policy package have not been "ruled out."1
- However, the bank has been stressing the fact that the mid-March policy is working and will continue to provide material support. Governor Lowe has also been emphasizing the role that fiscal policy has been playing during the pandemic and said that government policies have an important role to play to boost jobs, "beyond" what monetary policy can do. In our view, the bank may continue to adjust its mid-March package as it sees fit, such as changes in the frequency of bond buying and open market operations. However, the crux of the policy package – of maintaining the cash rate and the yield of 3y government bonds at 0.25% – is unlikely to be changed for some time.

- The RBA sees a recovery in the rest of the economy (excluding Victoria). The bank once again termed the recovery as "uneven and bumpy." We think the RBA will continue to flag uncertainty and risks to recovery, but will remain comfortable with its stance, given the signs of green shoots emerging in the rest of the economy and the already expansionary fiscal and monetary settings. With the RBA unlikely to make any changes to its policy we continue to expect the cash rate to remain at 0.25% for three years.

CBA:

- The TFF gives authorised deposit-taking institutions (ADIs) access to funding at a fixed rate of 25bps for three years. So far ADIs have drawn $A52bn under the TFF. The RBA has today increased the total amount available under the TFF to $A200bn, which means that there is another $A148bn still available to ADIs. Total funds available under the TFF are now equivalent to a touch over 10% of GDP. This is not direct stimulus, however, and should not be conflated with the Government's fiscal injection into the economy. The TFF simply provides a source of low-cost funding for the banking system that keeps borrowing costs low for households and businesses.
- It's very easy to miss little changes in the RBA's communication. But it's very important to look at each and every word in the Governor's post meeting statements and how his language evolves. Changes to the statement each month are not made lightly. Indeed words and sentences in the statement are inserted and deleted in meticulous fashion. In that context, we think there was a very important addition in the Governor's concluding paragraph today. Specifically: "the Board will maintain highly accommodative settings as long as is required and continues to consider how further monetary measures could support the recovery."
- This is the closest that we have been since the emergency mid-March Board meeting to the Governor signalling that more monetary easing could be on the offering in his post meeting statements. We do not know what form additional easing may take. And we don't think that more easing is imminent. But it does suggest a slight shift in the Governor's thinking.
- One potential form of additional monetary policy easing could be to take the cash rate into negative territory. But despite the Governor's shift in language today we continue to believe that the probability of a negative cash rate in Australia is very low, particularly while Philip Lowe remains Governor.
- In August before a Senate Committee, the Governor reiterated that negative interest rates in Australia are, "extraordinarily unlikely". Governor Lowe believes that the potential costs outweigh the benefits – and we agree. More specifically, the Governor said that, "negative interest rates in most countries do impair the profitability and efficiency of the financial system and ultimately its ability to provide credit to the real economy ….. they would also create distortions in our financial system, because deposit rates would effectively be bounded at zero …… and there is increased concern that negative interest rates encourage people to save more, not spend more".
- On that evidence alone it looks crystal clear to us that unless there is a radical change of view from Governor Lowe on the efficacy of negative rates we will not see a negative cash rate in Australia.
- At this stage it would appear that more monetary policy easing would most likely take the form of more aggressive bond buying. Strictly speaking that is not a change in monetary policy per se. But it would inject more liquidity into the system and at the margin it would exert some very mild downward pressure on the exchange rate thus delivering a loosening in financial conditions. We will watch this space carefully from here.

Goldman Sachs:

- At its September Board meeting, the RBA maintained the 0.25% target for the cash rate and 3-year Australian Government Bond yields, and extended the size and window to access the Term Funding Facility (TFF; by ~A$60bn to ~A$200bn). We view the latter as a pragmatic decision to maintain current highly accommodative policy settings – given that the window for initial drawdowns on the TFF (which was designed in March) was scheduled to close at the end of the month – rather than a large incremental easing in financial conditions.
- Even so, today's expansion of the TFF – alongside the introduction of language that the RBA "continues to consider how further monetary measures could support the recovery" – amounts to a slight dovish shift, in our view. Our base case remains for the RBA to remain on hold, though we assess the chance of further incremental easing to have risen slightly (to 30%; previously 25%).

J.P.Morgan:

- The RBA Board kept the cash rate and 3Y yield targets unchanged at today's decision, but surprised by increasing the term funding facility for banks (TFF) a bit earlier than expected.
- The first round of the TFF was announced in March and offered unconditional funding of 3% of bank assets for 3 years at the cash rate target (0.25%). The window for the original facility closes at the end of September, and we had expected the RBA would want to avoid any overlap with that operation before announcing the next, or an extension. Still, this is the last meeting before that operation closes, so is a natural juncture to formalize another round. The 2nd round of the TFF adds a further 2%-pts of capacity as a share of bank assets, or A$57bn. It is still a three-year operation, is still priced at 0.25%, and will be open from October 1 to June 30, 2021. Together with the amount already pinned down under the first round (including the additional allowance for business lending), the total on offer is now A$200bn.
- The message, consistent with the 3Y bond yield target, is that the RBA prefers incremental extensions to biting off a larger ex ante commitment (say 5 years). Nevertheless the implication for markets is similar, in that extra TFF capacity is likely to further swell excess reserves in the system, pushing shorter-term funding spreads to even more depressed levels, while reduced bank funding needs will continue to push the cross-currency curve lower.
- We have also favoured swap curve flatteners, though that is mostly driven by demand-side factors from deleveraging, and the bigger the facilities get, the more prospect of a boost to credit growth coming eventually, which mitigates some of the impulse of weaker hedging flows. Note the conditional component of the TFF allowance, which offers further top-ups conditional on increased business lending (and leveraged 5x funding for every dollar of extra SME credit), has also been extended in time to June 2021 from March 2021.
- We make the following read-throughs for policy generally: 1) this is the second consecutive meeting where the RBA has delivered more than expected, but it has favoured quantity (QE and bank funding) over price (changes to existing target yields). 2) Policy will remain activist and biased to ease, but the policy package is just that – a package – all elements were designed together, so we should expect them to drift together (e.g., rolling of the 3Y yield target and TFF are of a similar tenor). 3) The RBA is in no particular rush to change the cash rate target. Pricing at a fixed rate of 0.25% out to June signals officials don't place a high value on the optionality of changing the cash rate in the interim - excess reserves are depressing short funding rates anyway.
- There wasn't much else in the remainder of the decision statement of note. The recovery is "both uneven and bumpy" and Victoria's outbreak is having a "major effect" on that state's economy in particular. The guidance still states the cash rate will not be increased until there is progress toward full employment and the board is "confident that inflation will be sustainably within the 2-3 per cent target band.".

NAB:

- Today the RBA provided further support for the economy in the form of an increased and extended Term Funding Facility (TFF). Authorised-deposit taking institutions (ADIs) will have access to a "supplementary allowance" equivalent to 2 per cent of their outstanding credit, on top of the existing facility, a three month extension. Banks are now able to drawdown on the TFF until 30 June 2021. To date, ADIs have drawn $52 billion under the TFF, while today's change brings the total amount available under this facility to around $200 billion.
- The final paragraph reveals the Board is perhaps more actively considering what else could be done than generally perceived: "The Board…continues to consider how further monetary measures could support the recovery". Last month the Minutes noted that there was no reason to adjust the current package of measures though "Members agreed, however, to continue to assess the evolving situation in Australia and did not rule out adjusting the current package if circumstances warranted." Obviously the main policy support will be via fiscal and structural policy but the RBA remains open to other options if they think it might help.
- Consideration of what else might be done is likely a reflection of the RBA's forecasts of 10% unemployment later this year, 7% unemployment in two years' time and inflation expected to average a well-below target 1-1.5% over the next two years. The cash target and 3-year yield target were left unchanged at 0.25% and it was reiterated that neither will be increased/removed before there is progress toward the goals of full employment and the inflation target.

- The Statement repeats the Bank's assessment that the recovery is expected to be uneven and bumpy and highly dependent on containment of the virus. The renewed outbreak in Victoria has meant "that it is likely to be some months before a meaningful recovery in the labour market is under way".
- On the $A: The RBA notes: "The US dollar has depreciated against most currencies over recent months. Given this and higher commodity prices, the Australian dollar has appreciated, to be around its highest level in nearly two years.". This suggests there is little reason to think that the RBA is changing its view that FX intervention could be effective in the current circumstances, which is the RBA's current stated position.

RBC:

- The September RBA meeting delivered an unexpected surprise by announcing an increase in the size of the Term Funding Facility (TFF) and extension to the cutoff. The expanded facility will now be available to mid-2021 including the additional allowances. In our recent note an expanded facility (and lower rate) was a favoured option for the RBA to extend easing, but we did not expect it this soon. The timing is interesting given that there is still considerable drawdown availability under the current facility. It suggests an RBA which feels the need to shift to more accommodative stance, with a preference to do so in a less direct fashion than buying bonds (and thus effectively monetising debt) with a focus instead on supporting the provision of credit via the banks. The other dovish tinge in the key final paragraph was a new reference to considering "further monetary measures" to support the recovery. Today's statement also highlighted the increasing co-ordination amongst policy makers with the RBA remaining vocal on the "important role" of fiscal policy and the need for ongoing "fiscal and monetary support". The blurry lines that we have referred to for some time between these two policy arms extends to the banking system with today's announcement adding to that.
- There are two key changes to the TFF. Firstly, the RBA will add a new "supplementary allowance" which will let banks draw down funding equivalent to another 2% of their outstanding credit ($57bn) starting 1 October and running through to the end of June, irrespective of lending growth. This is on top of the original 3% allowance ($84bn) which remains available to the end of September. Secondly, the additional allowance period (which is tied to business lending growth, particularly SME lending) has been extended for another 3 months, from end-March 2021 to end-June 2021. In the near term, the RBA estimates TFF availability will expand to a total of $200bn (from ~$160bn at the moment), and possibly significantly more depending on future business lending growth. At present, banks have drawn down $52bn, so the contribution from the TFF to liquidity in the system could more than quadruple over the next 9 months if banks decide to use all the funding available. All other parameters of the TFF remain the same, including the rate of 0.25%.
- For markets, some of this additional liquidity is likely to find its way not just to business & consumer credit but also to government and semi-government bonds. The "yield enhancement" theme we've seen playing out in (especially) front-end spread product will likely continue, with the extra liquidity keeping incremental downward pressure on credit spreads, and cross-currency basis also likely to keep drifting lower given AU banks have even less need now to seek offshore funding.
- We also note that the dovish tinge to the statement strengthens in the key final paragraph, with a new reference to consideration of "further monetary measures" to support the recovery on top of the TFF changes. While sufficiently vague to possibly include any of a number of options, we think today's TFF changes underline that the RBA's preferred approach is to support the provision of credit via the banks and their lending rather than via bond buying (unless circumstances demand). Next steps could include a lower TFF rate and further expansion and extension. It is also consistent with our observation from the beginning of the RBA's unconventional journey that the aim was to buy as little as possible in terms of AGS.

Westpac:

- It is interesting that the Governor has adopted a new phrase in his closing paragraph, "the Board continues to consider how further monetary policy measures could support the recovery".
- The Board has decided to expand the Facility to give additional funding equivalent to 2% of outstanding credit of an eligible ADI to be drawn down between 1 October 2020 and 30 June 2021. This is calculated at $57 billion across all ADI's.
- This follows the original offer of 3% of outstanding credit to be drawn down between 6 April 2020 and 30 September 2020. This first allowance is calculated at $84 billion.

- There has also been an existing additional allowance which is equal to the sum of one times the increase in Large Business Credit Outstanding for the three months between 31 January 2020 and the three months ending 30 April 2021 plus five times the equivalent growth in SME Credit Outstanding. The deadline for drawdowns on this facility has been extended from 31 March to 30 June 2021. At the start of September, the available funds from this facility had lifted to $68 billion.
- The Governor has assessed that the total available funds under the TFF will reach around $200 billion. (Seems an understatement given that the additional allowance has another seven months to run).
- To date "only" $52 billion has been drawn compared to an available $152 billion.
- Perhaps this is because current bank bill rates are more reflecting the banks' return on their Exchange Settlement Accounts of ten basis points as banks enjoy extremely liquid financial conditions.
- It seems highly likely, however, that the first allocation of $84 billion will be fully drawn down before the expiry date given the three year term of the funding and the opportunity to fund maturing offshore facilities.
- This policy initiative further emphasises the Board's desire to play its role in supporting the Australian economy.
- The Governor also noted that the Bank had purchased a further $10 billion of AGS reaching a total of $61 billion. This is an impressive effort when we compare these purchases with the estimated Commonwealth Budget deficit of $85 billion for 2019/20. (The $61 billion includes around $10 billion of semi government securities.
- Of most importance, "the Board continues to consider how further monetary measures could support the recovery".
- This phrase has not been used in the Governor's Statements certainly since the Board adopted the extraordinary policy measures on March 19.
- Arguably we can conclude that the Board wants to be able to support the economy (with no inflation constraint) as far as possible.
- The use of "further monetary measures" provides some encouragement that unexpected initiatives like today's decision might see a more active RBA than has been generally anticipated.

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