# MNI RBA Preview - November 2020

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**Link To Statement Page:** https://www.rba.gov.au/monetary-policy/int-rate-decisions/2020/

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## mni Central Bank Watch - RBA

02 November 2020

### MNI RBA Data Watch List

| Inflation | | Current | 3m ago | 3m Chg | 6m ago | 6m Chg | 2Y History | Hit / Miss | Vs Trend | Surprise Index | Z-Score |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CPI (Q) | % y/y | 0.7 | -0.3 | ↑ | 2.2 | ↓ | | | | | -0.81 |
| CPI Trimmed Mean (Q) | % y/y | 1.2 | 1.2 | → | 1.7 | ↓ | | | | | -1.40 |
| Import Prices (Q) | % q/q | -3.5 | -1.9 | ↓ | -1.0 | ↓ | | | | | -1.93 |
| Consumer Inflation Exp | % y/y | 3.4 | 3.2 | ↑ | 4.6 | ↓ | | | | | -0.27 |
| **Economic Activity** | | **Current** | **3m ago** | **3m Chg** | **6m ago** | **6m Chg** | **2Y History** | **Hit / Miss** | **Vs Trend** | **Surprise Index** | **Z-Score** |
| AiG PMI | Index | 56.3 | 53.5 | ↑ | 35.8 | ↑ | | | | | 1.34 |
| GDP (Q) | % y/y | -6.3 | 1.6 | ↓ | 2.3 | ↓ | | | | | -2.46 |
| Building Approvals | % y/y | 8.8 | -13.5 | ↑ | 3.1 | ↑ | | | | | 1.04 |
| Trade Balance | AUD m | 2643 | 7122 | ↓ | 3745 | ↓ | | | | | -1.34 |
| **Monetary Analysis** | | **Current** | **3m ago** | **3m Chg** | **6m ago** | **6m Chg** | **2Y History** | **Hit / Miss** | **Vs Trend** | **Surprise Index** | **Z-Score** |
| Home Loans | % m/m | 1.4 | -0.8 | ↑ | -2.1 | ↑ | | | | | 0.84 |
| Private Sector Credit | % y/y | 2.0 | 2.8 | ↓ | 3.7 | ↓ | | | | | -1.31 |
| Private Capital Expend (Q) | % q/q | -5.9 | -2.1 | ↓ | -2.7 | ↓ | | | | | -1.96 |
| Commodity Prices | % SDR | -0.3 | -14.8 | ↑ | -10.3 | ↑ | | | | | 1.96 |
| **Consumer / Labour Market** | | **Current** | **3m ago** | **3m Chg** | **6m ago** | **6m Chg** | **2Y History** | **Hit / Miss** | **Vs Trend** | **Surprise Index** | **Z-Score** |
| Retail Sales | % m/m | -4.0 | 16.9 | ↓ | 0.6 | ↓ | | | | | -0.82 |
| Consumer Confidence | Index | 105.02 | 87.92 | ↑ | 75.64 | ↑ | | | | | 1.71 |
| Employment Change | k | -29.5 | 227.8 | ↓ | -3.0 | ↓ | | | | | 0.08 |
| Wage Price Index (Q) | % q/q | 0.2 | 0.5 | ↓ | 0.5 | ↓ | | | | | -2.36 |
| **Markets** | | **Current** | **3m ago** | **3m Chg** | **6m ago** | **6m Chg** | **2Y History** | **Hit / Miss** | **Vs Trend** | **Surprise Index** | **Z-Score** |
| Equity Market | Index | 5951.3 | 5927.8 | ↑ | 5522.4 | ↑ | | | | | -0.53 |
| AUD 10-Year Yield | % | 0.82 | 0.82 | ↑ | 0.89 | ↓ | | | | | -0.35 |
| AUD Yield Curve (3s-10s) | bps | 70.4 | 54.7 | ↑ | 64.0 | ↑ | | | | | 1.22 |
| AUD TWI | Index | 134.04 | 129.16 | ↑ | 132.01 | ↑ | | | | | 1.07 |

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.
Source: MNI, Bloomberg



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# MNI POV (Point Of View): All In On Cup Day?

The evolution in the language deployed by the RBA over the last month or so has resulted in almost unanimous expectations re: further easing being deployed this month with most expecting the Bank to go 'all in' on Melbourne Cup day. If the RBA does decide to implement a fresh round of easing it will likely consist of:

- A 15bp cut in the cash rate target, 3-Year ACGB yield target and interest rate applied to the TFF (from 25bp to 10bp in all 3 cases).
- A formal announcement in which it pledges to purchase 5-10 Year ACGBs (and potentially semi-government bonds).
- A cut in the rate applied to the surplus E/S balances lodged at the Bank (most probably to 0.01%)

A recent address from RBA Assistant Governor Kent effectively cleared the way for a 0.01% level for the interest rate applied to surplus E/S balances lodged at the RBA, as he noted that it would not be a surprise to see BBSW fixings "pop into" negative territory. IB pricing out to March 2022 currently troughs around 0.03%, which is roughly in line with the effective overnight cash rate (which IB's price off)-interest paid on E/S surplus relationship that we have seen in recent months, assuming the RBA does cut the former to 0.01% (3bp has been the typical prevailing difference between the cash rate and interest paid on E/S surplus balances lodged at the RBA in recent times i.e. 0.13% and 0.10% respectively).

The only question that seemingly remains open surrounds the Bank's choice of 5-10 Year ACGB/semi government bond purchase amounts. It makes sense for the RBA to outline a target, otherwise it risks a 'hawkish' market reaction. There seems to be some consensus forming around a A$100bn purchase amount, at least initially, with risks skewed towards larger purchases.

Elsewhere, the Bank's messaging re: the willingness to do more, if required, will likely remain, although the expected movements in the cash rate target and interest paid on E/S surplus balances would effectively put the Bank at its lower bound on the interest rate side of the equation (outside of the potential for some relatively menial tweaks to the cash rate target, that would like likely have little impact) given its continued push back against the idea of negative interest rates.

The Bank will also issue its latest round of economic projections via its SoMP, although this will have to wait until Friday, as is the norm, with the Bank likely to allude to any major swings in its projections in Tuesday's statement. Both the RBA and the Federal Government have been keen to stress that the initial COVID hit to the domestic economy wasn't as hard as either institution foretold, although the ongoing virus situation in Victoria has resulted in a more uneven recovery. Swings in the GDP and unemployment forecasts will come under the most scrutiny, and won't provide any meaningful movement to the Bank's short-term monetary direction given its forward guidance (the August SoMP projections can be found here):

"It will maintain highly accommodative policy settings as long as is required and 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."

The Bank recently when further on this rhetoric as it noted that:

"Given the higher level of uncertainty about inflation dynamics in the current economic environment, the Board agreed to place more weight on actual, not forecast, inflation in its decision-making. Members indicated that they would also like to see more than just progress towards full employment before considering an increase in the cash rate, as the Board views addressing the high rate of unemployment as an important national priority."

The focus on actual vs. expected goals points to a lower for longer backdrop at the RBA. The question is what is the RBA looking to achieve? We believe the list can essentially be boiled down to the following:

- The RBA ultimately believes that the widening of its ACGB purchase scheme will weigh on the AUD, which will give the inflation and exports a boost.
- A lower cost of financing for both national and state governments, which should promote infrastructure investment.

# RBA October 6 2020 Meeting Statement

At its meeting today, the Board decided to maintain the current policy settings, including the targets for the cash rate, the yield on 3-year Australian Government bonds, and the parameters for the expanded Term Funding Facility.

The global economy is gradually recovering after a severe contraction due to the pandemic. However, the recovery is uneven and its continuation is dependent on containment of the virus. While infection rates have declined in some countries, they have increased in others. The recovery is most advanced in China, where conditions have improved substantially over recent months. Globally, inflation remains very low and below central bank targets.

Financial conditions remain accommodative around the world and supportive of the economic recovery. Financial market volatility is low and the prices of many assets have risen substantially despite the high level of uncertainty about the economic outlook. Bond yields are at historically low levels, as are interest rates for most businesses and households. The Australian dollar remains just a little below its peak of the past couple of years.

The Australian economy experienced a sharp contraction in the June quarter, with output falling by 7 per cent. As difficult as this was, the decline in output was smaller than in most other countries and smaller than was earlier expected. A recovery is now under way in most of Australia, although the second-wave outbreak in Victoria has resulted in a further contraction in output there. The national recovery is likely to be bumpy and uneven and it will be some time before the level of output returns to its end 2019 level.

Labour market conditions have improved somewhat over the past few months and the unemployment rate is likely to peak at a lower rate than earlier expected. Even so, unemployment and underemployment are likely to remain high for an extended period. Wage and inflation pressures remain very subdued. The Bank will publish a full set of updated forecasts next month.

Over the past six months, the Australian economy has been supported by a substantial easing of fiscal policy. Public sector balance sheets in Australia are in good shape, which allows for continued support, with the Australian Government budget to be announced this evening. Both fiscal and monetary support will be required for some time given the outlook for the economy and the prospect of high unemployment.

The Bank's policy package is working as expected and is underpinning very low borrowing costs and the supply of credit to households and businesses. There is a very high level of liquidity in the Australian financial system and borrowing costs are at record lows. $81 billion of low-cost funding for authorised deposit-taking institutions (ADIs) has been advanced under the initial allowance of the Term Funding Facility. ADIs currently have access to a further $120 billion under this facility. As this is drawn down, there will be a further very significant expansion of the Reserve Bank's balance sheet.

Government bond markets are functioning well, alongside a significant increase in issuance. Bond yields are around record lows. Early in September, the Bank bought a further $2 billion of Australian Government Securities (AGS) in support of its 3-year yield target, bringing total purchases of government securities since March to $63 billion. Over the past couple of weeks, 3-year yields have fallen to around 18 basis points as markets price in some probability of further monetary policy easing.

The Board is committed to do what it can to support jobs, incomes and businesses in Australia. Its actions, including last month's decision to expand the Term Funding Facility, are keeping funding costs low and assisting with the supply of credit. The Board views addressing the high rate of unemployment as an important national priority. It will maintain highly accommodative policy settings as long as is required and 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. The Board continues to consider how additional monetary easing could support jobs as the economy opens up further.

# MNI Policy Team Preview: RBA Set To Trim Rates, Up Bond Buys

By Lachlan Colquhoun

SYDNEY (MNI) - The Reserve Bank of Australia is set to ease policy at the November meeting, with growing expectations of a modest reduction in rates and a revised bond buying program focusing on quantitative volume rather than specific yield targets.

The central bank has prepared the market for a move in recent weeks, feeding expectations of further easing through a series of speeches by Governor Philip Lowe and Deputy Governor Guy Debelle, both of whom have said that easier monetary policy will have more traction in a re-opening and recovering economy.

As lockdown restrictions are eased in Victoria and Australia saw no new Covid-19 cases reported on Saturday, the first blank in 5 months, the RBA could decide the timing is right to ride an economic uptick and boost the economy.

At 0.25%, official interest rates are already at a record low but are not at the RBA's lower bound, which MNI understands is now at around 0.10%.

--BOND BUYING

Since March, the RBA has also purchased around AUD63 billion in government securities, targeting a 0.25% yield on the benchmark three-year bond, but Lowe has mused publicly in recent weeks on the impact of also targeting longer dated bonds. Fellow board member Ian Harper added fuel to the speculation of further bond purchases this week, telling MNI: that interest rates were not the only "weapon" in the RBA armory.

"There's nothing to stop the central bank intervening at other points along the yield curve to secure lower rates at different terms thereby communicating in the most credible manner what it regards as the outlook for the cash rate into the future," Harper said, speaking in a private capacity and not as an RBA board member.

There is an expectation that instead of setting a yield target and purchasing bonds to achieve it, the RBA will shift focus and quantify the bonds it intends to purchase in a more recognizable form of QE.

Inflation data published in late October showed a 1.6% rise in the all groups Consumer Price Index in Q3, for annualized inflation of 0.7%, and while this was slightly ahead of forecasts the data is not expected to dissuade the RBA from moving on Tuesday. At 0.7%, inflation is still well below the RBA target of between 2% and 3%.

# Sell-Side Analyst Views

**AMP Capital:**

The RBA is expected to announce significant further monetary easing across multiple fronts. We expect the key elements to be:

- A cut in the cash rate, the term funding facility rate and the three-year bond yield target to 0.1% (from 0.25%)
- An additional bond buying (or QE) program beyond what would occur for maintaining the three-year bond yield at 0.1% of around $12bn a month with the RBA saying something along the lines that “it will be continued for as long as necessary”. This will amount to nearly $150bn over a year and will focus on bonds beyond the three-year maturity. It may also come with a yield target for the five-year bond.
- A formal revision to forward guidance along the lines that “the RBA will maintain highly accommodative monetary policy settings as long as is required and will not increase the cash rate until full employment is reached and actual inflation is sustainably within the 2-3 percent inflation target.”
- Further easing has already been foreshadowed by various RBA communications over the last month or so and the RBA will likely tie the need for more stimulus back to revised economic forecasts which will likely continue to show that it does not expect to meet its inflation and employment objectives over the next two years. Friday will also see the release the RBA’s Statement on Monetary Policy which will contain its latest economic forecasts.

**ANZ:**

We think the RBA has made it pretty clear it will ease further on Tuesday. We expect:

- A cut in the cash rate to 0.1%
- The 3y yield target and the interest rate on the TFF to be reduced to 0.1%
- The interest rate on excess reserves to be cut to at least 0.05% but increasingly is looking like 0.01%
- The introduction of bond purchases in the 5y-10y part of the curve, with both ACGBs and semis to be included. On balance we expect the RBA to announce a target of at least AUD100bn of purchases over the period to June 2021, but there are a range of options the RBA might choose.
- There has been some discussion that the RBA might announce a move to QE, but not specify the quantity to be purchased. We think this option could be interpreted as a lack of commitment to bond purchases, which would undermine the signalling effect of the policy announcement. As such we expect the RBA to announce a specific quantity of bonds to be purchased.
- There are other details about QE that will be important. Given the central role that semis play we expect them to be explicitly included in the bond purchase program. We don’t, however, think the RBA will specify the likely volume of purchases across Commonwealth and semi bonds. Nor do we think it will specify volumes of purchases across different bond maturities well ahead of the actual purchase date. But there are a range of choices available about these sorts of details. Bond purchases will take place in the secondary market, not directly from the AOFM or semi issuers.
- The better starting point, alongside the impact of a stimulatory budget and (likely) further monetary policy easing suggests that GDP forecasts will be revised higher, and unemployment estimates revised lower. That said, uncertainty around the outlook is still high. On inflation, we expect some minor adjustments to the RBA’s outlook.

**Bank of America:**

We expect the Reserve Bank of Australia (RBA) to lower the cash rate target, 3-year yield target and the rate for the Term Funding Facility to 0.1% from 0.25% on 3 November. Importantly, we expect the RBA to launch more extended bond purchases to reinforce the government's aim to drive unemployment lower following the expansive Budget.

- We expect the RBA to unveil a flexible approach to its bond buying program. A schedule or conditional targets would be a bullish surprise. We see RBA QE focusing on 5-10y sectors and currently expect


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purchases around AUD75-100bn to the end of 2021. A lack of detail could disappoint consensus and trigger temporary AU curve steepening, as well as AUD strength.

**Barclays:**

We expect the RBA to cut the cash rate, and the TFF rate and 3y AGB yield target (which are tied to the OCR).

- We expect the RBA to raise its 2020 growth forecast (from -6%) and lower its 2021 forecast, which calls for growth of 5%, in line with its view that a recovery is visible in all states except Victoria, and the effects of Victoria's lockdown are likely to be less than it earlier assumed.

**CBA:**

We think there is enough evidence in the RBA's recent communication to expect that they will now push key policy rates lower at the November Board meeting. We expect a reduction in the cash rate, the yield target for 3-year Australian Government bonds and the interest rate charged on the TFF to 10 basis points. We expect the interest paid on exchange settlement accounts to be lowered to 5 basis points from 10basis points. On bond buying we expect the RBA to commit to purchasing a fixed quantity of $A100bn (approx. 5% of GDP) of ACGBs and semi-government securities with a specific intention to focus on purchases on the 5-10 year part of the curve. We think any bond purchases of shorter duration intended to maintain the 3-yr ACGB yield target will also form part of the announced quantum.

- The RBA's Statement on Monetary Policy (SMP) is a quarterly release containing their updated economic outlook and forecasts. The RBA have recently flagged that they expect the data to show that the Australian economy expanded in Q3 20 and that the economy has exited the recessionary period. Any revisions to their forecasts bear close monitoring. We expect that the RBA will revise their unemployment rate forecasts lower in the near term and revise up their GDP growth forecasts. We expect a similar set of numbers to those presented in the October Federal Budget.

**Goldman Sachs:**

At its October Board meeting, the RBA left its policy settings unchanged, including the 0.25% target for the cash rate and YCC program. The attending statement was fairly dovish, noting the need to lower unemployment ("an important national priority") and explicitly acknowledging market pricing for further easing ("3-year yields have fallen to around 18 basis points as markets price in some probability of further monetary policy easing").

- In the week after October's meeting, Governor Lowe delivered a dovish speech arguing that renewed monetary easing would gain more traction going forward given social distancing restrictions had been relaxed. He also noted the RBA's balance sheet had expanded by less than international peers and that AUD 10-year rates were higher than 'almost everywhere else in the world'.
- We viewed the speech as incrementally dovish - particularly regarding the prospect of additional QE - and raised the odds of an easing package at November's Board meeting to 80% (from 60% previously). Specifically, we expect the RBA to lower the cash rate, YCC, and TFF targets by -15bp to 0.1% and announce a new ~A$100bn QE program aimed at reducing longer-term yields. We expect the purchases to be focused on 5-10yr bonds (AGS & semis) and implemented at a fairly even monthly pace of ~A$8bn over the course of 2021. While this was a dovish and out-of-consensus view when we first updated our call in September, it is now broadly in line with consensus expectations. A recent Reuters' survey of 14 economists (including us) suggested a median expectation of a new A$100bn QE package (range A$75-200bn) to be implemented by end 2021.
- That said, there is still uncertainty around the exact details around the package, including the deposit rate below the cash rate (likely zero or 1bp) and the exact size, scope & timing of the QE program, including whether it is explicitly tied to economic outcomes. A recent media report hinted that the QE purchases could be linked to reducing unemployment below a particular level, consistent with the RBA's recent rhetoric that reducing unemployment was a 'national priority'. It would also be consistent with the recent shift in the Government's fiscal strategy, which involves providing ongoing fiscal support until unemployment falls 'significantly below 6%'.

**J.P.Morgan:**

The Bank is widely expected to lower the cash rate and YCC target to 10bp, with interest on excess reserves to be set at zero. Official commentary suggests balance sheet expansion (via 5-10Y purchases) is now an end in itself, though there has also been media speculation that the YCC target will be extended from 3 to 5 years. If the March/April experience is any guide, a YCC target is established by forceful purchases in the short run, but results in a lower terminal program size, compared to a more programmatic schedule of regular purchases. This is of course how the RBA ended up expanding its balance sheet less than others in the first place, which the governor now wants to address. We expect the RBA to commit to regular purchases in the 5-10Y sector—i.e., stability in quantities, rather than stability in yields (longer YCC).

- On Friday, November 6, the RBA releases the Statement on Monetary Policy (SoMP) which will reveal the Bank's updated macro-forecasts. We expect the year-end GDP forecasts will be upgraded by a few percentage points, mostly to reflect the less dire 2Q outcome. This should cascade through to the longer-dated GDP numbers, though elevated uncertainty surrounding the virus and the potential for future outbreaks should temper the magnitude of the upgrades. The Bank currently expects the unemployment rate to peak at 10% in December, a forecast that seems unlikely given recent outperformance in the labor data. These numbers are likely to be trimmed by a few percentage points, while the peak in joblessness should be shifted into early 2021 to coincide with fading government support.

**Morgan Stanley:**

The RBA has continued its dovish rhetoric over the past few weeks, and so we move forward our expected timing for policy easing from February to November. Our views on the form of easing remain unchanged: We expect the RBA to cut policy rates (cash rate target, 3Y yield target and the Term Funding Facility rate) from 25bps to 10bps, and the interest rate on Exchange Settlement balances from 10bps to 5bps. At this stage, however, debate is centred around the potential broadening of its bond purchase program.

- The RBA has shifted significantly from its previous price-based focus for easing, and looks to be pivoting to the addition of a quantity-based bond purchase program to complement other measures. We expect the RBA will favour a flexible program, and think it will implement minimum monthly purchases of A$5bn of Government and Semi-government bonds across the yield curve.
- The RBA's recent commentary around central bank balance-sheet size and longer-term yields has focused on levels relative to other economies. This appears consistent with RBA research suggesting that the primary impact of lower longer-term yields for the economy is through the exchange rate. As such, we expect the RBA will focus on relative, not absolute yields, and so we still see scope for the yield curve to steepen if driven by offshore moves.
- While we expect the RBA to upgrade its economic forecasts at the November meeting – as the Governor has noted that the recovery is likely to be "bumpy" – it is likely that further easing will be at least priced at some point. One of the reasons we expect a relatively modest target on the QE program is that we expect the RBA to guide to an expansion of minimum purchases as the preferred avenue of further easing from here, given a continued aversion to negative short-end policy rates.

**NAB:**

The RBA should cut rates to 0.1% and announce a QE programme at its November meeting. On Tuesday, the RBA is widely expected to cut the cash rate, 3-year yield target and term funding facility (TFF) rate to 0.1%, from 0.25%. Alongside cutting rates to a record low, NAB expects the RBA will also announce a QE programme.

- In our view, the RBA's QE programme will direct purchases at longer-dated 5-10 year bonds, including both Commonwealth and state government bonds. While we don't think the RBA will announce a target amount of bonds to be purchased, it's likely the RBA will link QE to reducing unemployment, which it sees as a "national priority". Our analysis suggests that the RBA would need to purchase $143bn worth of bonds to reduce unemployment to 5%, which we estimate is the current level of the NAIRU or full employment.
- The RBA will also release updated forecasts in its Statement on Monetary Policy on Friday. Since its last forecast update, the Victorian second wave has been controlled, minimising a major source of downside risk. Further, the government's stimulus plan was been announced in its 6 October budget and economic data has shown the rebound from the peak of the pandemic has been stronger and quicker than the RBA initially anticipated.

- As such, we expect the RBA to revise up its near-term economic forecast for GDP. We also expect the RBA will forecast a lower peak in unemployment of around 8%, down from 10%, in line with the government's budget forecasts. That said, the RBA should continue to expect only a gradual improvement in unemployment to around 6.5% at the end of 2022 (down from 7%). For inflation, we think the RBA will revise down its near-term CPI forecast, given recent data is weaker than it forecast, but it will keep the medium-term outlook for inflation to only reach 1.5% by end 2022.
- This outlook is important particularly given the RBA's revised forward guidance. The RBA recently raised the hurdle for higher rates, stating it would only raise the cash rate when: (1) unemployment has returned to a level "consistent with inflation being [at] target", and (2) actual inflation is sustainably within the target range. This is clearly years away, even with the RBA undertaking a QE programme and rates are expected to remain low for at least three years.

**RBC:**

Expectations are high for multiple easing measures to be announced on Tuesday including a QE program. We expect a cut in the overnight cash rate, 3y yield target, and rate on the TFF to 0.10% from 0.25%. The odds of a proper QE program being announced are high given the shifting tone of RBA communication and market discussion although we have argued that there is merit in leaving this until early 2021 amid more challenging economic circumstances. Nevertheless, should a proper QE program be adopted on Tuesday, we anticipate an annual program towards the lower end of a A$100–180bn range, with semis to be included in the purchases. The SOMP is likely to see modest upward revisions to GDP and downward revisions to the UR and peak, consistent with some resilience in the data and additional fiscal (and likely monetary) stimulus.

**TD Securities:**

We expect the cash rate, the 3yr YCC Target and the Term Funding Facility rate to be cut to 0.10%, ESA interest at 0.01%. The RBA is likely to announce a QE program to purchase 5-10yr ACGBs and semis, a program of around A$100b appears likely. We expect the Bank to purchase bonds regularly but don't expect the RBA to keep purchases constant each week, but vary on supply/demand

**Westpac:**

The Reserve Bank is set to unveil additional stimulus at the November Board meeting.

- Recall that in March the RBA cut rates and introduced a package of measures as an initial response to the pandemic and the resulting recession. In September, the Bank boosted the Term Funding Facility.
- In November, another package of measures will be unveiled.
- As we indicated in September, we expect the RBA to lower rates, cutting both the cash rate target and the 3 year government bond target from 0.25% to 0.10%. In addition, the Bank will announce an expanded bond buying program, QE, with the aim of lowering rates across the curve, including 5 years to 10 years.
- The rate on surplus Exchange Settlement balances will be cut from 10bps to 1bp.
- Partial data has shown that the contraction in Victoria has been more mild than initially anticipated; the labour market has been more resilient; and outside Victoria, the reopening of the economy and containment of the virus has been much more successful than expected; while the Federal Budget on October 6 also boosted the growth outlook.
- The RBA is likely to make some very significant changes to its unemployment forecasts


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