

RBA will not change interest rate: traders

- By Felicity Williams
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<http://www.news.com.au/money/interest-rates/traders-tip-a-hold-on-interest-rates/story-e6frfmn0-1226079669030>



Traders are punting that the RBA will remain on the interest rate sidelines until Europe's debt crisis is resolved / File.

- Rates may decline - traders
- "Global economy will influence RBA"
- Pressure on rates has abated

TRADERS are punting that the Reserve Bank will remain on the interest rate sidelines until Europe's sovereign debt crisis is resolved.

Betting on the futures market now indicates that Australia's official interest rate will remain on hold - or even decline - this year as the global economic outlook starts to look wobbly.

In the minutes from its monthly meeting on June 7 released yesterday, the bank board noted that the flow of economic data in the past month had not added any urgency to the need to adjust monetary policy.

"While there had been additional evidence of a strong pick-up in investment in the resources sector, activity remained quite subdued in some other parts of the economy, partly reflecting the board's earlier actions as well as the appreciation of the exchange rate," the board stated.

Home loans, savings accounts and more

"In addition, the global activity data had been somewhat softer and downside risks to the international economy had become a little more prominent over the past month, especially in the case of the sovereign debt problems in Europe."

ANZ senior economists Julie Toth and Riki Polygenis said the Reserve Bank minutes showed that the immediate pressure for another interest rate rise had abated, although the tightening cycle would remain unchanged in the medium-term.

They said an August rate rise would depend on CPI data for the second quarter, due out on July 27. "Our current forecasts indicate the second-quarter consumer price index will need to surprise on the upside to justify an August rise."

The bank has left the official interest rate at 4.75 per cent since November amid signs that Australian consumers are reining in spending as house prices soften.

Traders had priced in a 44 per cent chance of a 25-basis point increase in interest rates to 5 per cent this calendar year after Reserve Bank Governor Glenn Stevens warned last week that inflation - price increases for consumer goods and services - was building.

Those odds have disappeared as European leaders remain in talks about releasing a loan payment to Greece, putting heat on that nation to enact tough new austerity measures.

Read more: <http://www.news.com.au/money/interest-rates/traders-tip-a-hold-on-interest-rates/story-e6frfmn0-1226079669030#ixzz1PzMfy38Q>