

What happens after the first RBA rate cut?

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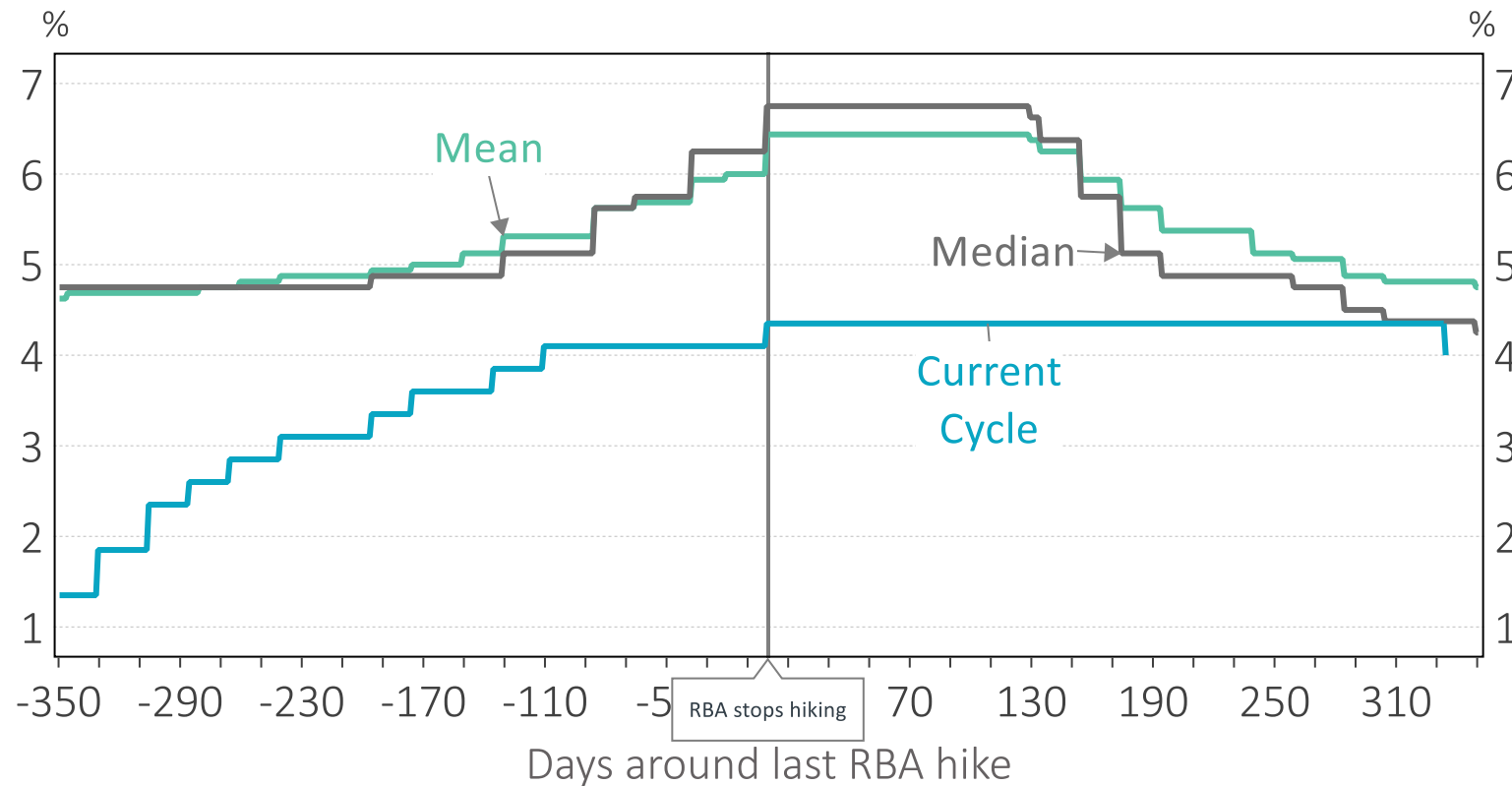
PinPoint Macro also provides bespoke research on a white label basis.

Summary

- The RBA has commenced its 6th monetary policy easing cycle of the past 20 years
- The time at the peak was longer than the average cycle.
- Once a rate-cut cycle is under way, most of the action occurs in the first 12 months.
- The “typical” reduction in the cash rate during Year 1 sits in a 1-2% range.
- Lower interest rates will work their way through the economy and financial markets over the next year.
- During the first year of previous easing cycles:
 - GDP growth typically accelerates, driven by the consumer and residential construction;
 - but unemployment rises for a while;
 - rate cuts are rarely followed by spikes in consumer or business confidence;
 - inflation rates lift – but the acceleration in the more recent easing cycles is quite modest;
 - house price growth accelerates;
 - more often than not, share prices, 10-year bond yields and the AUD fall.

RBA Time At Peak

RBA Cash Rate: Time at Peak (Rate Rise Cycles Since 1994)

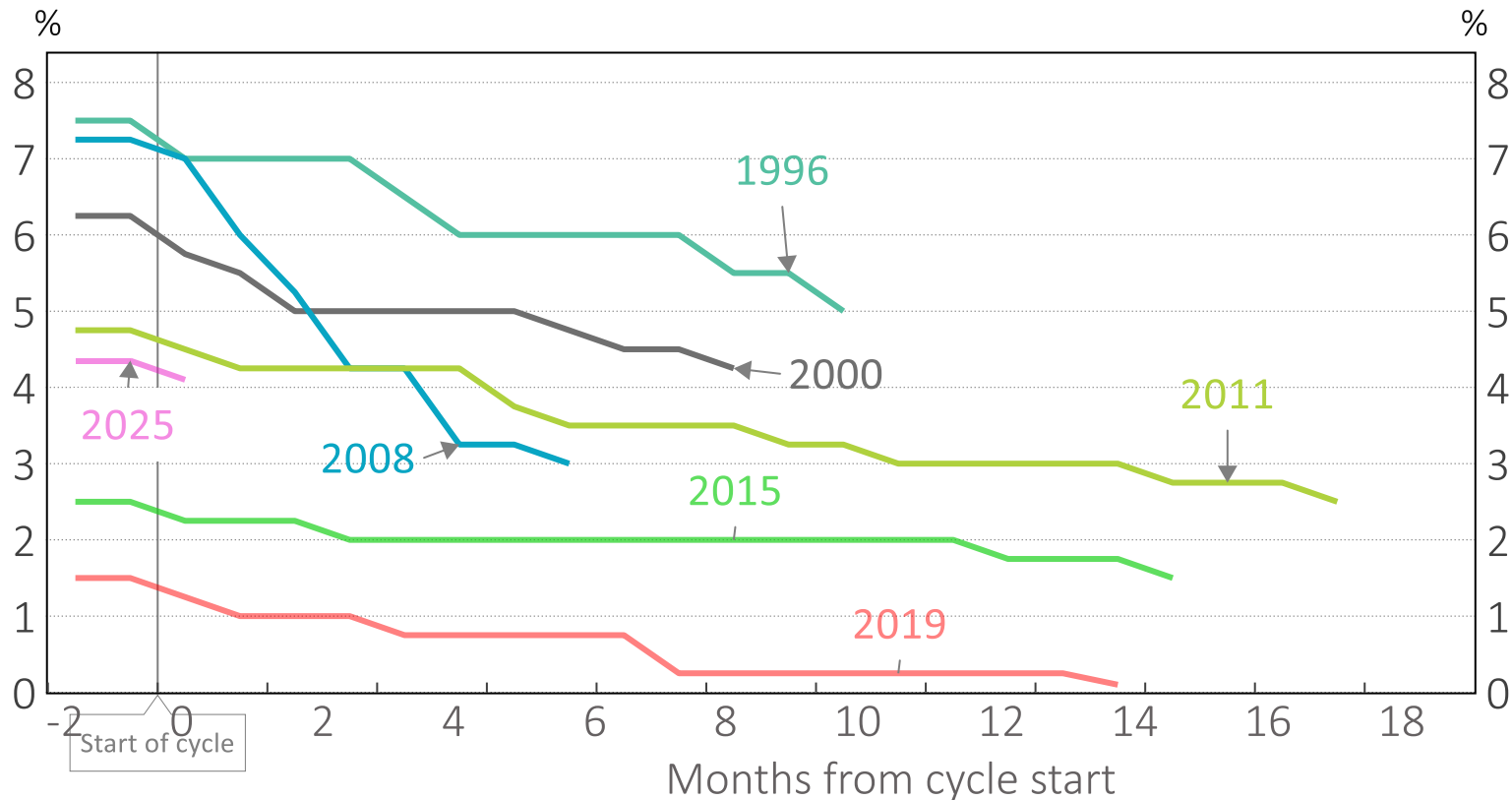


Source: PinPoint Macro Analytics, Macrobond, RBA

RBA Rate Cut Cycles

RBA Cash Rate Cut Cycles

(Cycle Starts at Month 0)



Source: PinPoint Macro Analytics, Macrobond, RBA

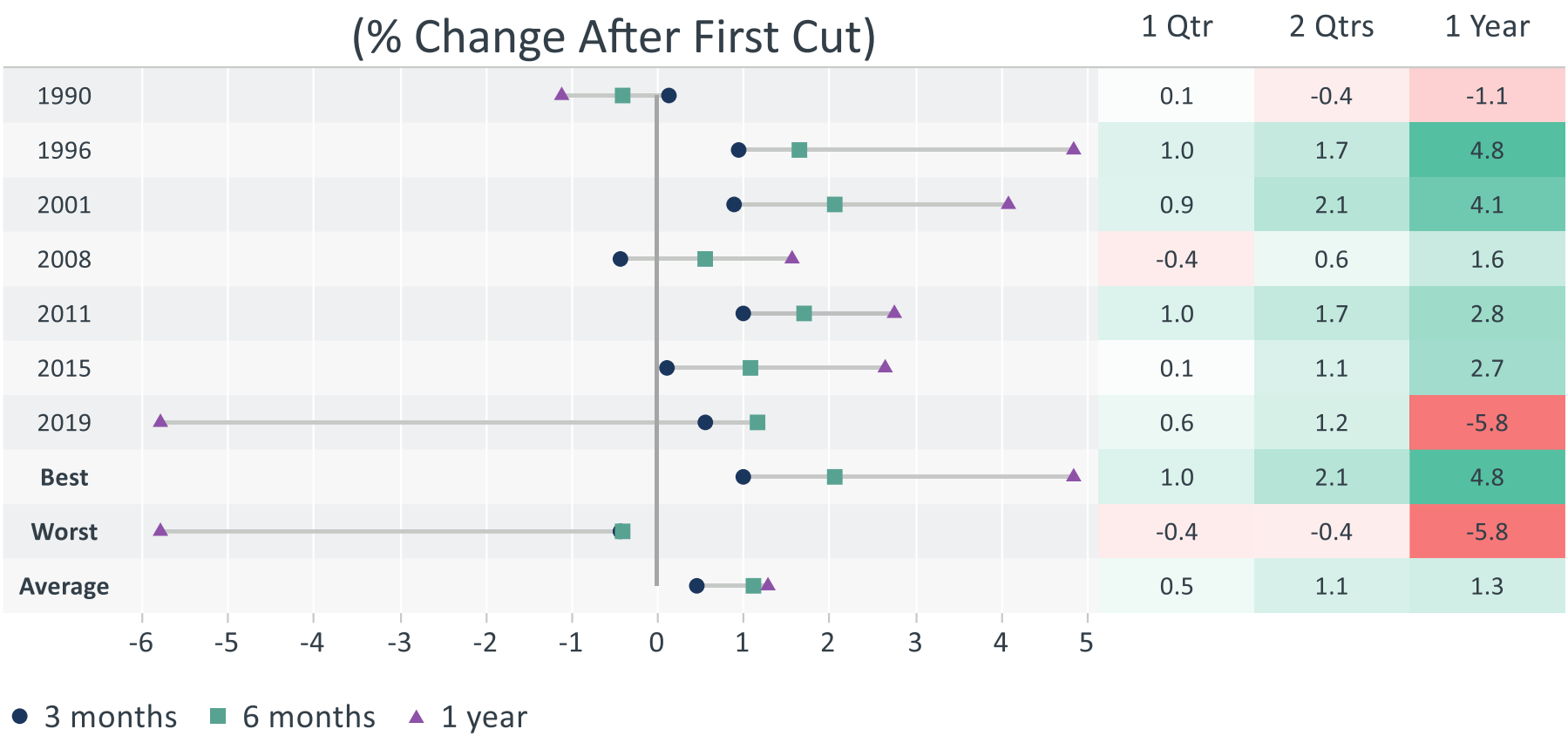
RBA Joins The Rate Cut Club

Central Bank Tracker

	Key rate (%)	Last decision		Last Move	Months since last hike	Months since last cut
Argentina	29.00	-3.00	Cut	1/2025	16	1
Australia	4.10	-0.25	Cut	2/2025	15	0
Brazil	13.25	1.00	Hike	1/2025	1	9
Canada	3.00	-0.25	Cut	1/2025	19	1
Chile	5.00	-0.25	Cut	12/2024	28	2
China	3.10	-0.25	Cut	10/2024	132	4
Colombia	9.50	-0.25	Cut	12/2024	22	2
Costa Rica	4.00	-0.25	Cut	10/2024	28	4
Czech Republic	3.75	-0.25	Cut	2/2025	32	0
Denmark	2.50	-0.25	Cut	1/2025	17	1
Euro Area	2.90	-0.25	Cut	2/2025	17	0
Hungary	6.50	-0.25	Cut	9/2024	29	5
Iceland	8.00	-0.50	Cut	2/2025	18	0
India	6.25	-0.25	Cut	2/2025	24	0
Indonesia	5.75	-0.25	Cut	1/2025	10	1
Israel	4.50	-0.25	Cut	1/2024	21	14
Japan	0.50	0.25	Hike	1/2025	1	109
Mexico	9.50	-0.50	Cut	2/2025	23	0
New Zealand	4.25	-0.50	Cut	11/2024	21	3
Norway	4.50	0.25	Hike	12/2023	14	57
Poland	5.75	-0.25	Cut	10/2023	29	17
Russia	21.00	2.00	Hike	10/2024	4	29
Saudi Arabia	5.00	-0.25	Cut	12/2024	19	2
South Africa	7.50	-0.25	Cut	1/2025	21	1
South Korea	3.00	-0.25	Cut	11/2024	25	3
Sweden	2.25	-0.25	Cut	2/2025	17	0
Switzerland	0.50	-0.50	Cut	12/2024	20	2
Turkey	45.00	-2.50	Cut	1/2025	11	1
United Kingdom	4.50	-0.25	Cut	2/2025	19	0
United States	4.50	-0.25	Cut	12/2024	19	2

Australia GDP Growth

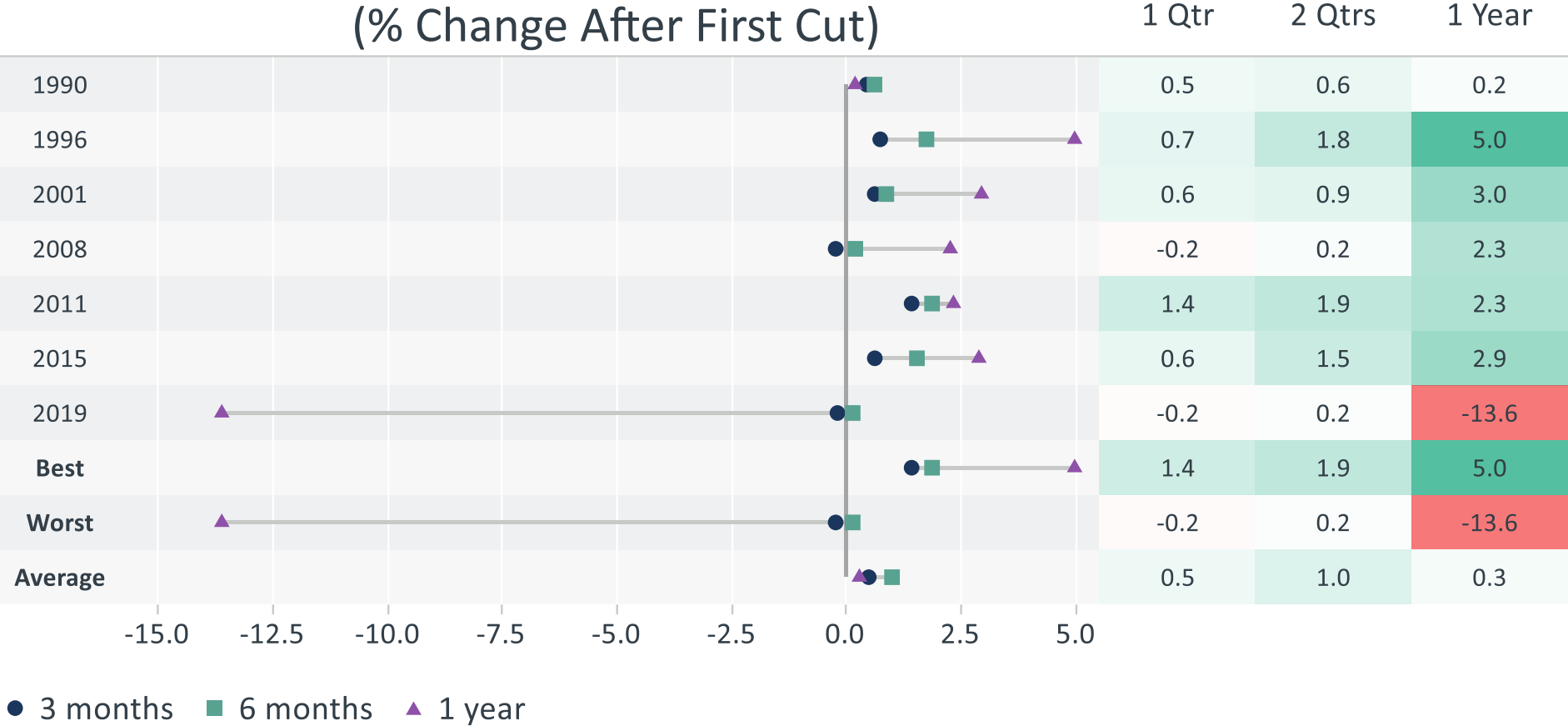
GDP Growth After First RBA Cut



Source: PinPoint Macro, Macrobond, ABS

Consumer Spending

Consumer Spending Growth After First RBA Cut

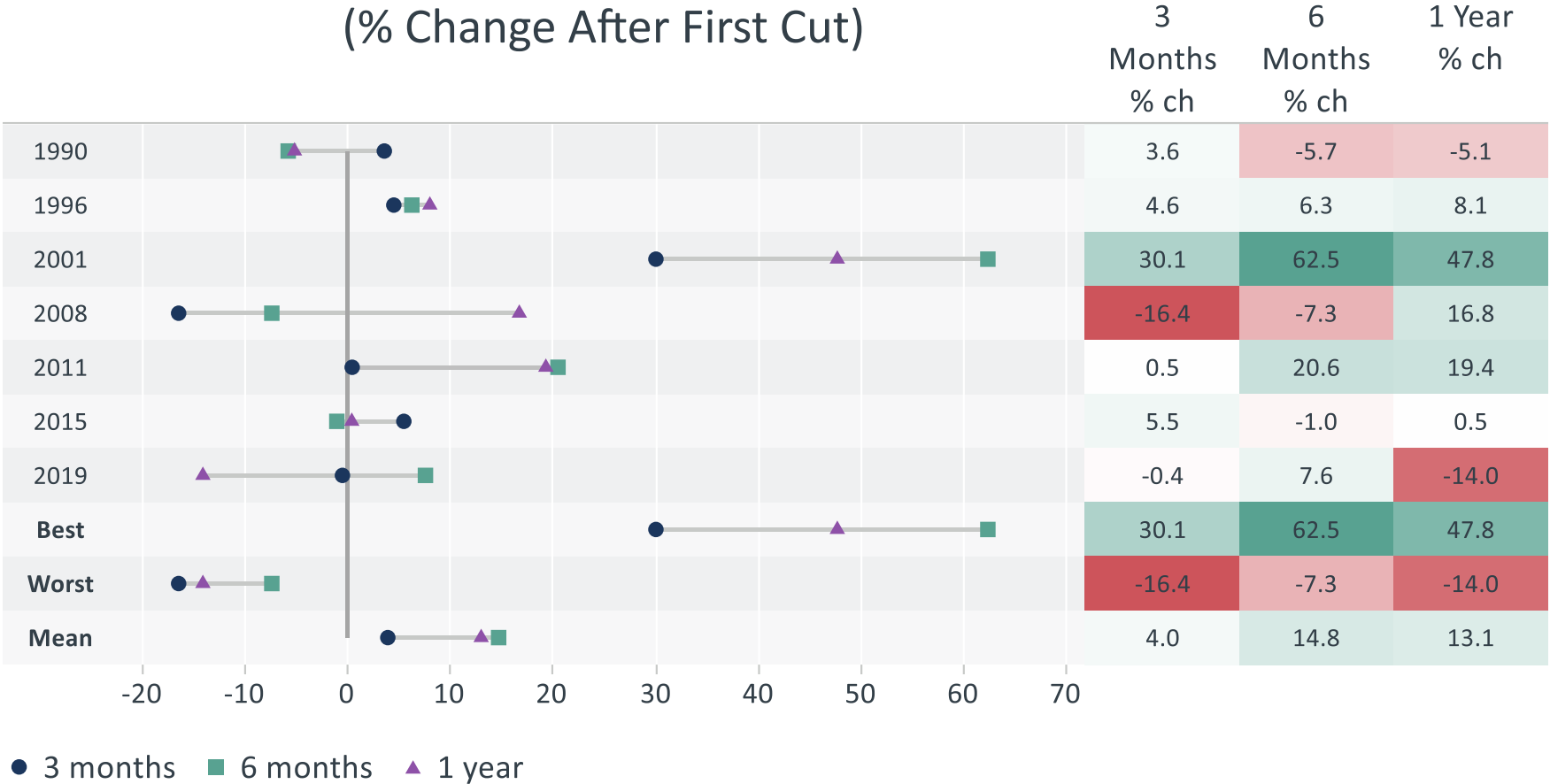


Source: PinPoint Macro, Macrobond, ABS

Australia Building Approvals Growth

Building Approvals After First RBA Cut

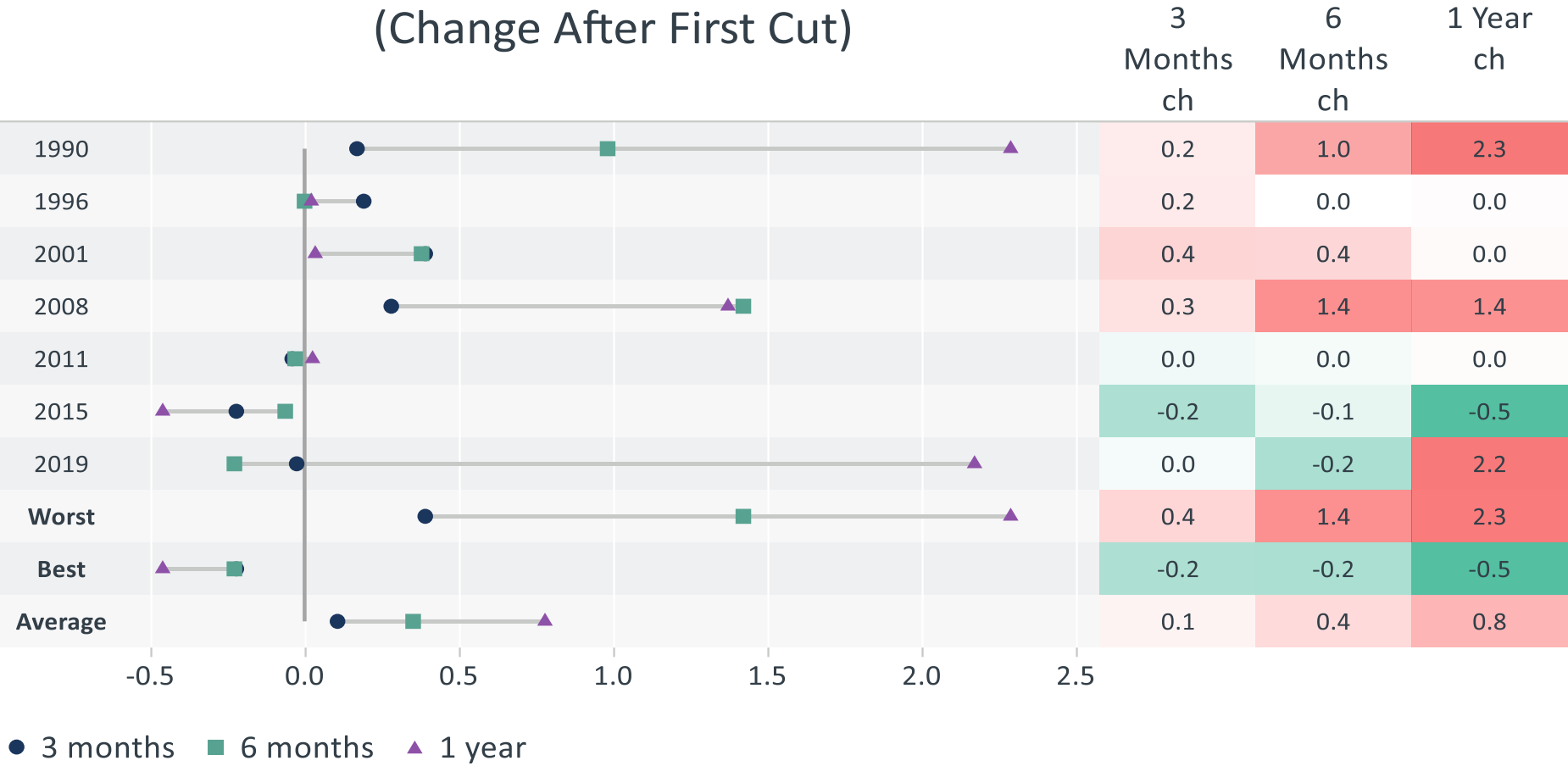
(% Change After First Cut)



Source: PinPoint Macro, Macrobond, ABS

Australia Unemployment

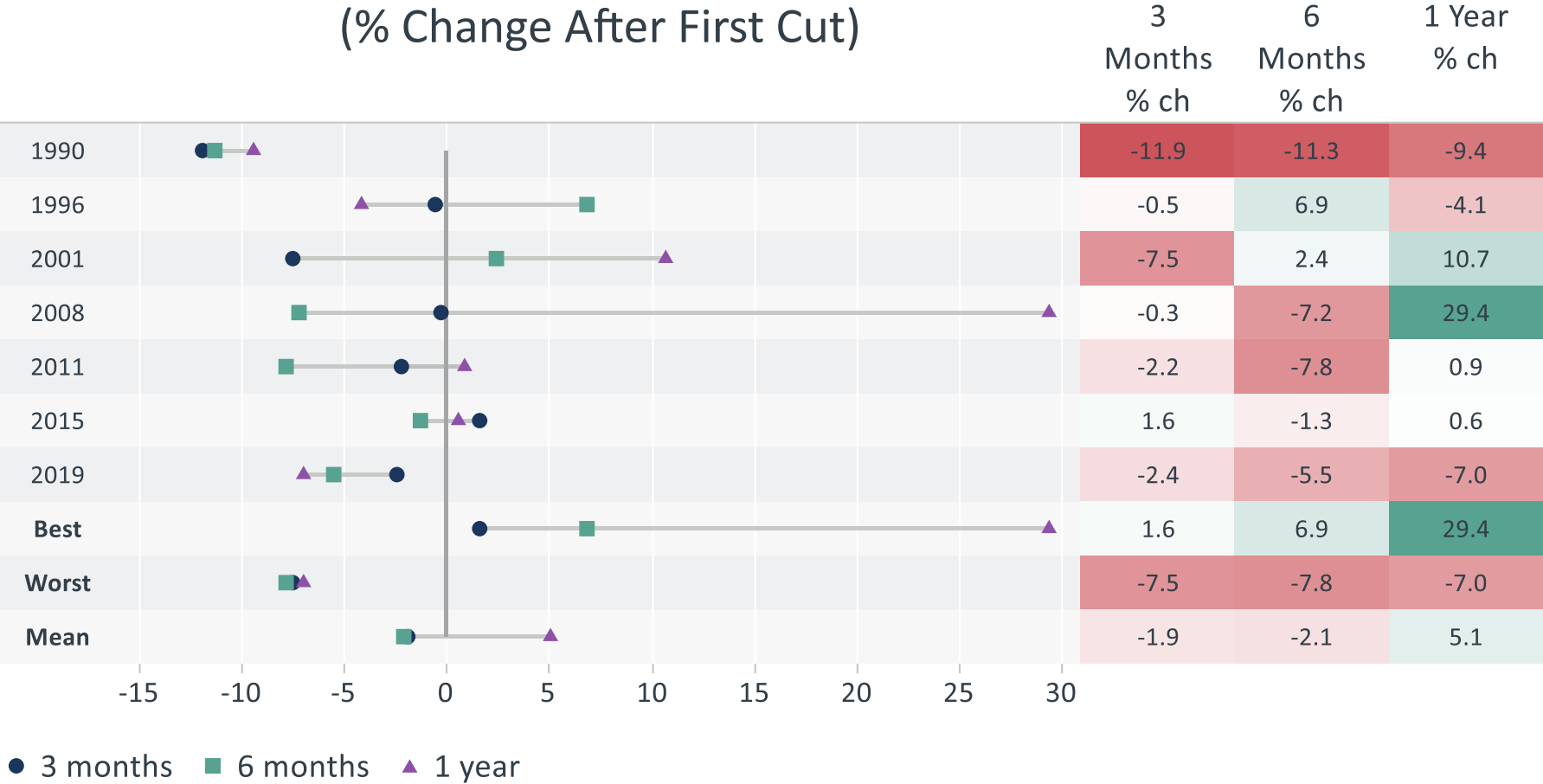
Unemployment Performance After First RBA Cut (Change After First Cut)



Source: PinPoint Macro, Macrobond, ABS

Consumer Sentiment

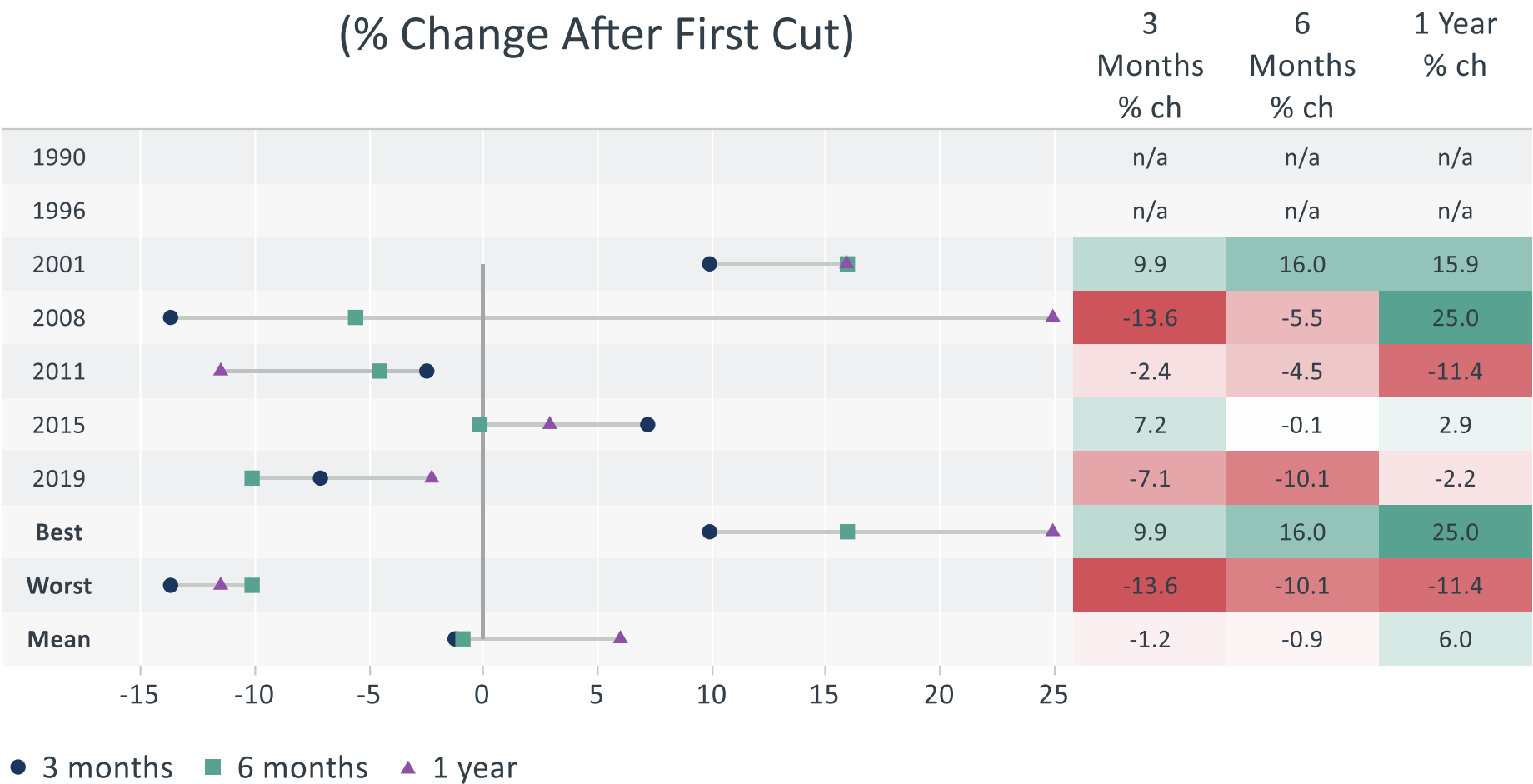
Consumer Sentiment After First RBA Cut



Source: PinPoint Macro, Macrobond, Melbourne Institute of Applied Economic & Social Research

Business Sentiment

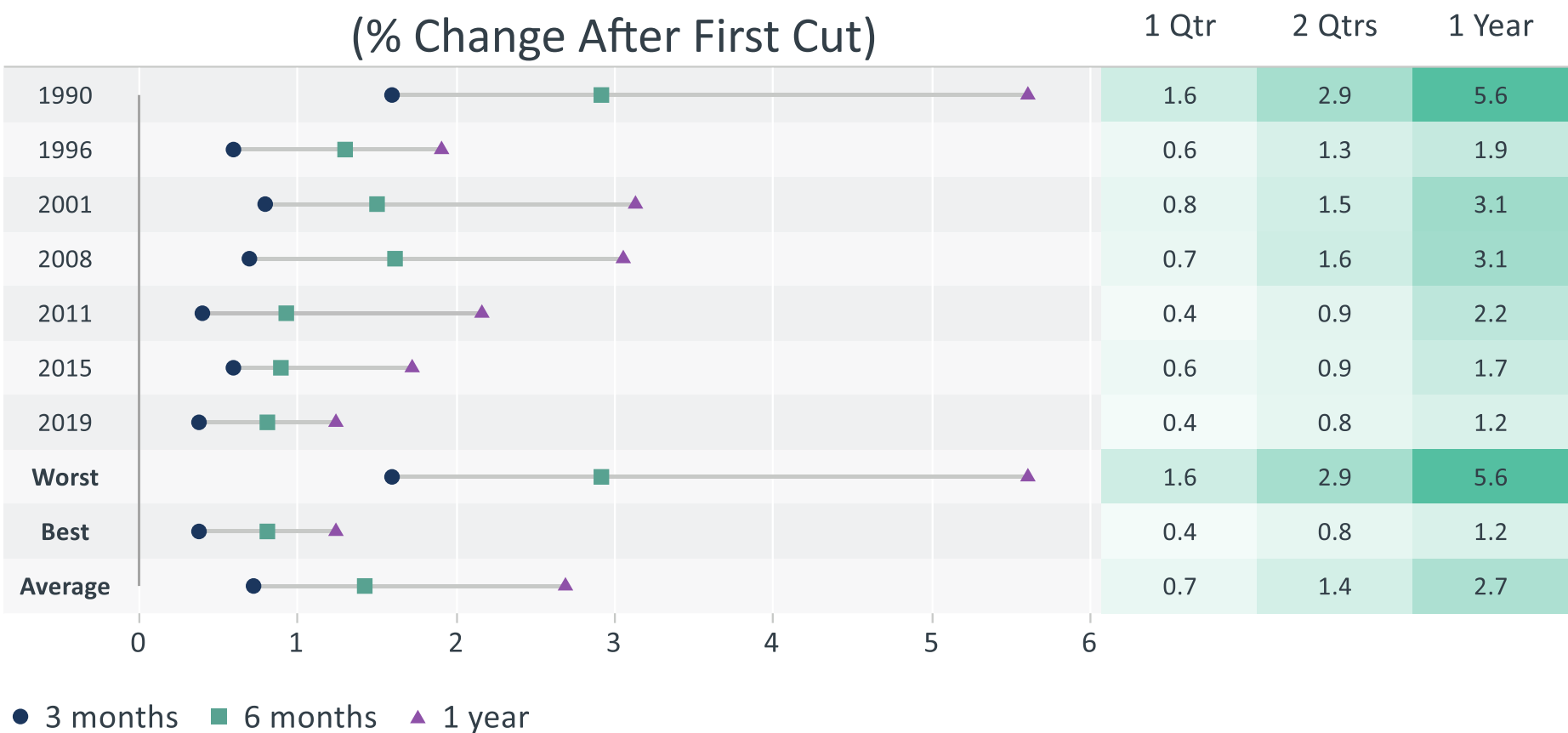
Business Sentiment After First RBA Cut



Source: PinPoint Macro, Macrobond, NAB

Australia Underlying CPI Growth

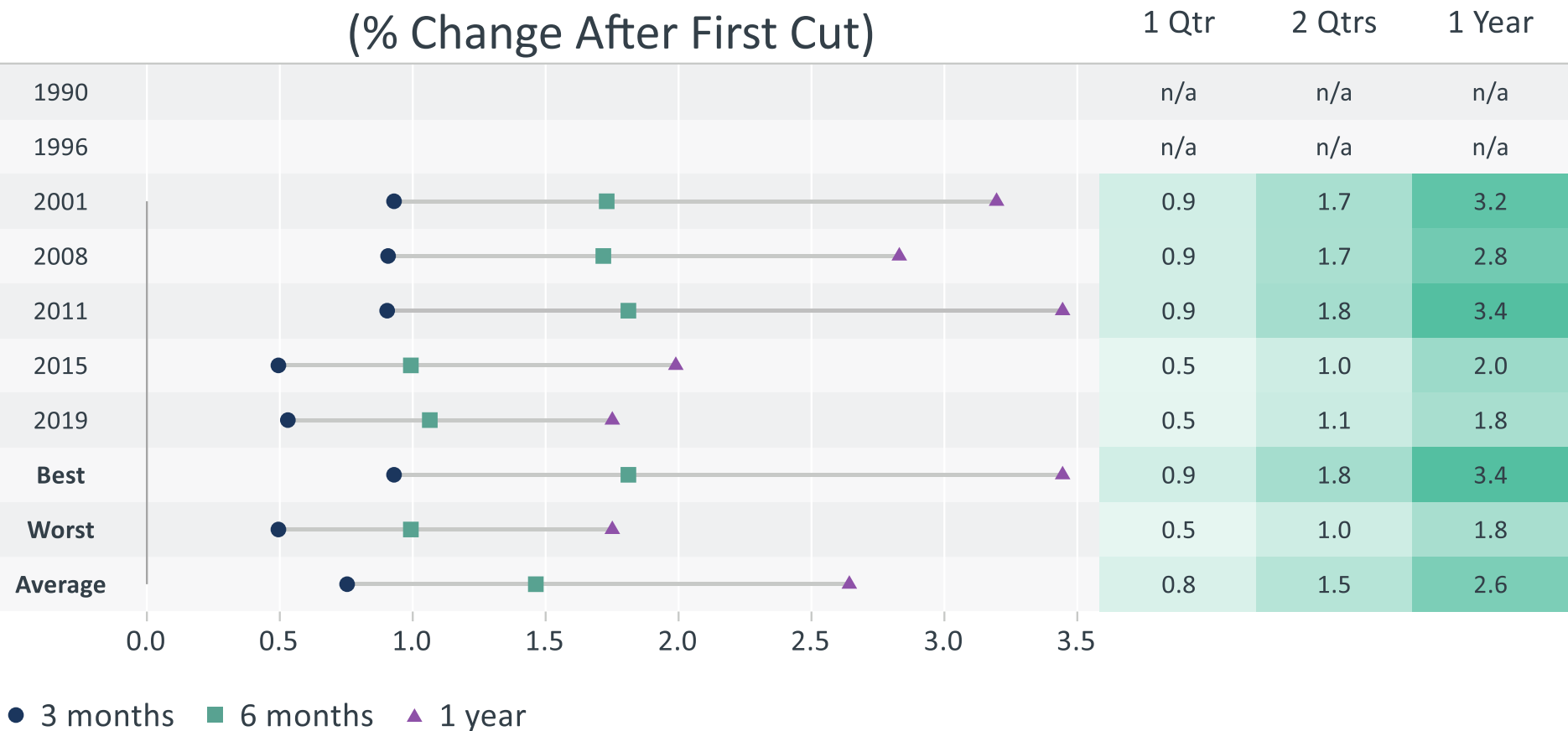
Underlying CPI Growth After First RBA Cut



Source: PinPoint Macro, Macrobond, ABS

Wages Growth

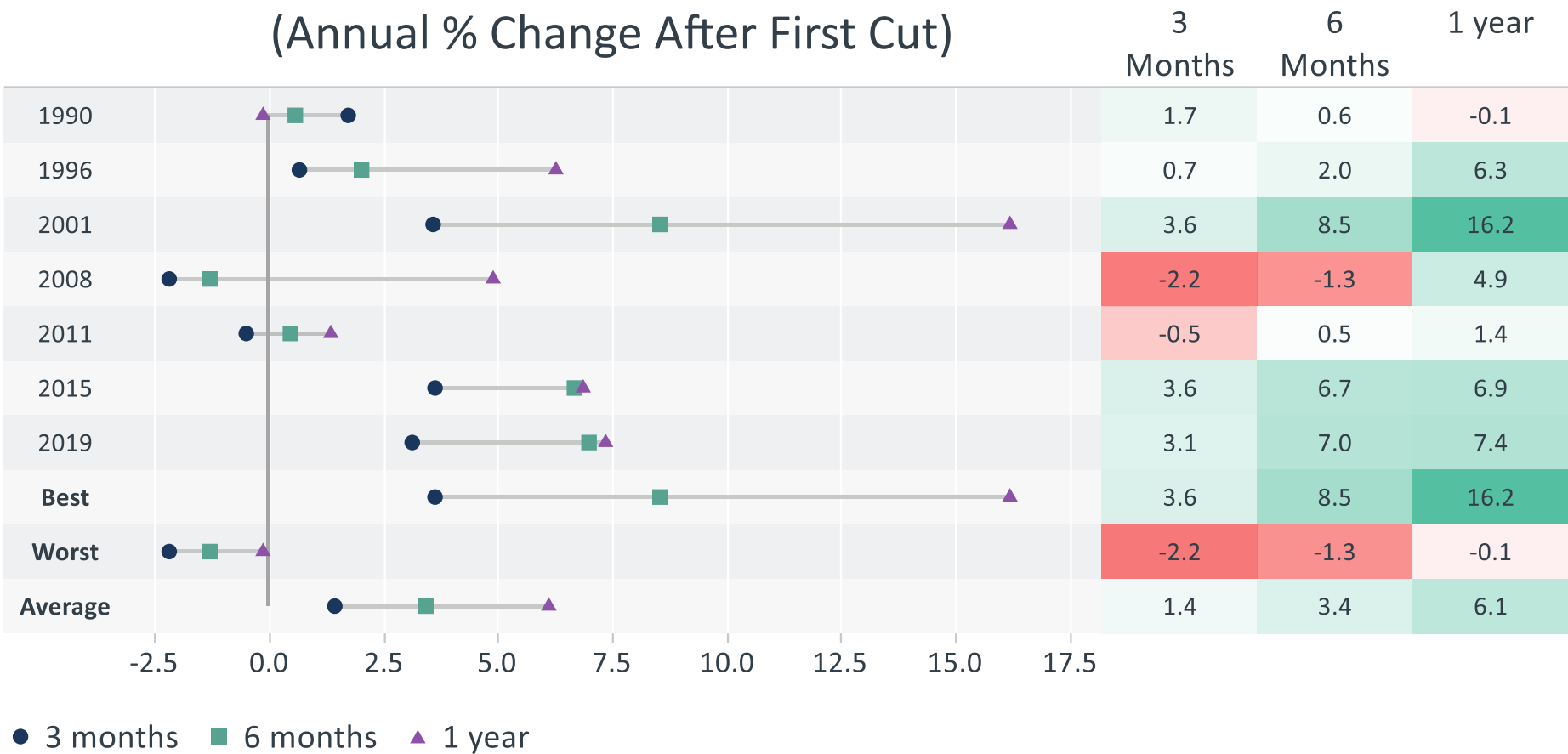
Wage Price Index Growth After First RBA Cut



Source: PinPoint Macro, Macrobond, ABS

Australia Dwelling Price Growth

Dwelling Price Growth After First RBA Cut

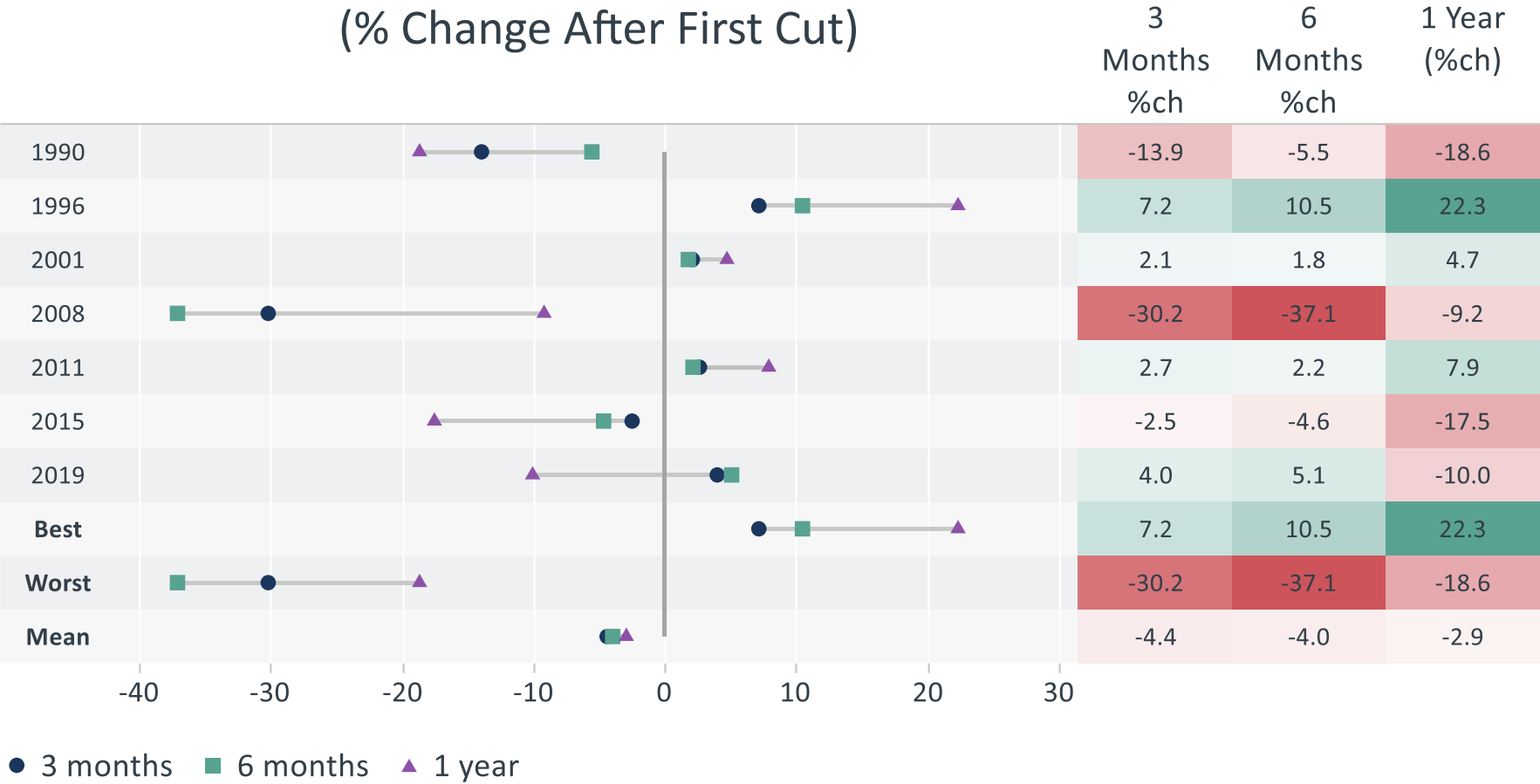


Source: PinPoint Macro, Macrobond, CoreLogic Australia

Australia ASX 200

ASX 200 Performance After First RBA Cut

(% Change After First Cut)



Source: PinPoint Macro, Macrobond, S&P Global

Australia Sectoral Alpha

Sectoral Alphas After First RBA Cut

(Average Performance Relative to Broad Equity Market)

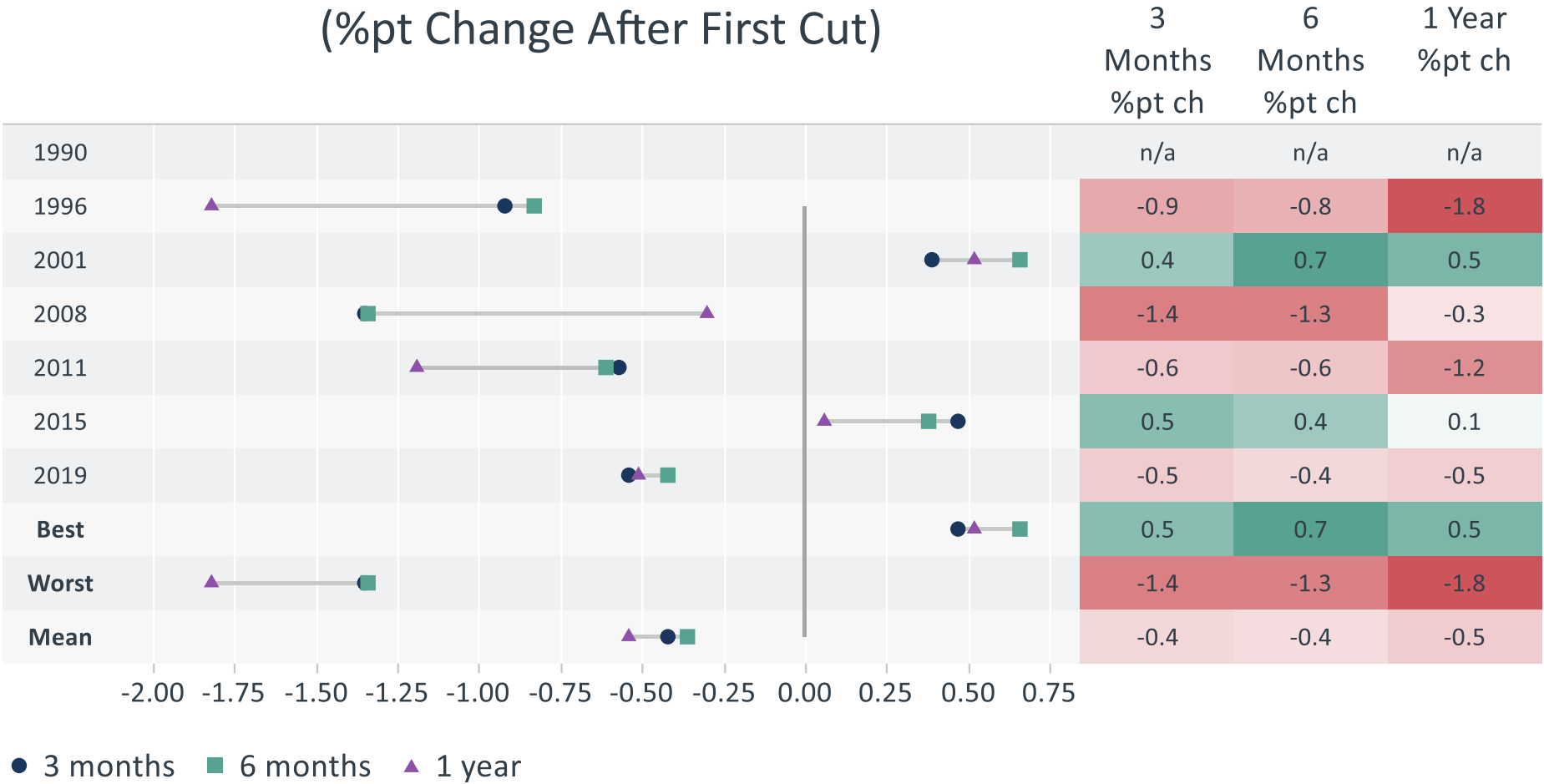
	+1m	+2m	+3m	+6m	+9m	+12m
Consumer Cyclicals	-1.4	0.1	0.3	5.3	10.9	16.5
Healthcare	3.9	5.8	4.1	9.5	13.2	12.9
Consumer Non-Cyclicals	1.0	3.6	4.2	5.1	8.1	7.2
Finance	1.4	2.7	1.0	2.9	5.0	4.8
Industrials	-0.3	0.0	1.1	1.5	1.4	1.9
Technology	-2.4	-6.2	-5.1	-4.2	-5.9	-2.2
Utilities	1.2	2.7	4.1	1.5	2.3	-3.1
Telecommunications	-0.8	3.7	1.3	-2.8	-4.0	-3.8
Business Services	1.9	0.8	-0.6	-0.8	-3.9	-4.1
Non-Energy Materials	0.2	-2.6	-0.2	-3.0	-5.8	-4.4
Consumer Services	-0.5	-1.3	-1.7	-0.9	-2.2	-4.8
Energy	-1.0	-2.5	-1.7	-0.1	-3.6	-5.9

Red indicates underperforming benchmark | green indicates outperformance

Source: PinPoint Macro Analytics, Macrobond, FactSet

Australia 10-Year Bonds

10-Yr Bonds Performance After First RBA Cut

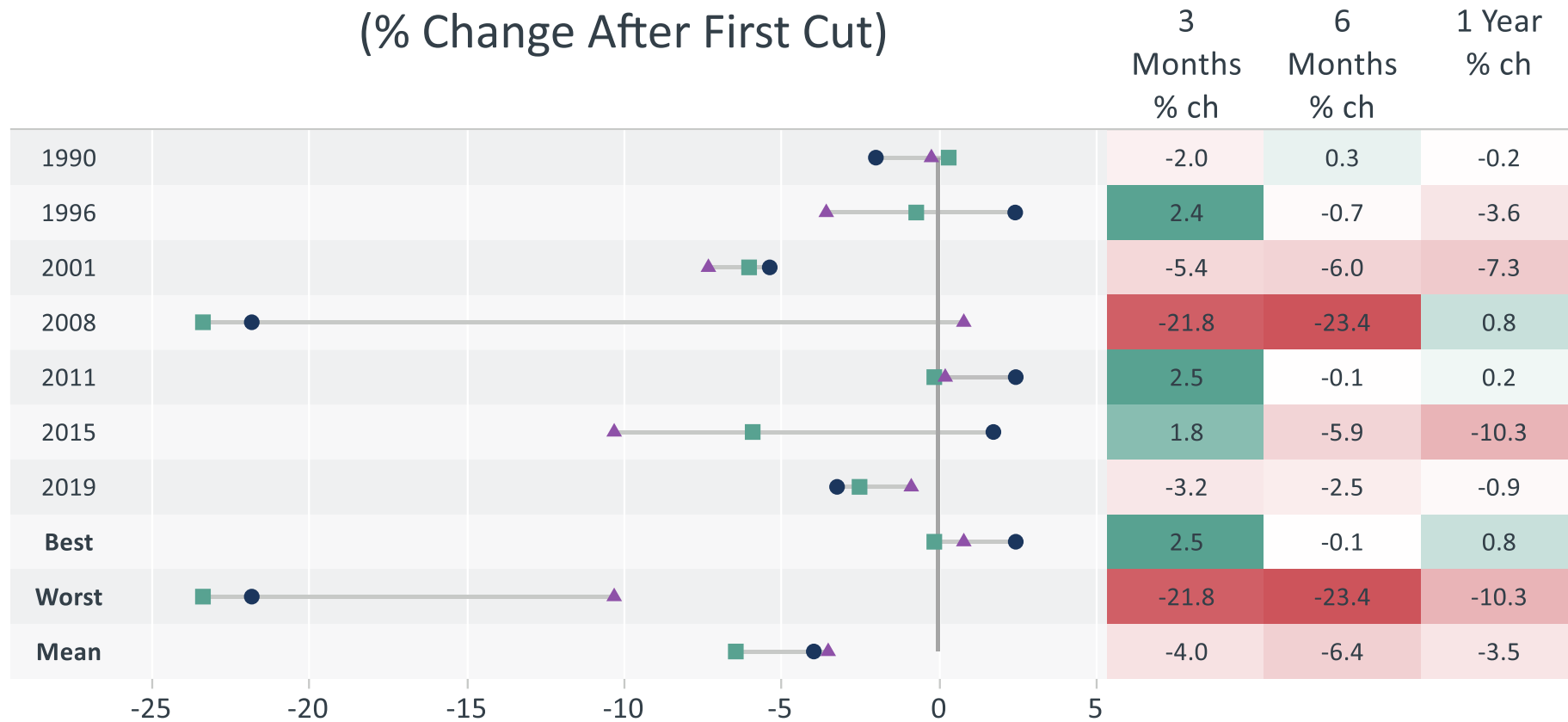


Source: PinPoint Macro, Macrobond

AUD/USD

AUD/USD Performance After First RBA Cut

(% Change After First Cut)



● 3 months ■ 6 months ▲ 1 year

Source: PinPoint Macro, Macrobond, RBA



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