



[Homepage](#) - [Our People](#) - [News and Views](#)

NEWS Alert... August 2016 Interest Rate Cut



A Quality Focus

The RBA announced a further 0.25% rate cut yesterday. Low inflation and slowing housing growth provided the RBA the flexibility to lower interest rates to support growth. While the market was anticipating the rate cut and therefore the reaction is muted, we note the following implications:

1. The cut provides broad support for equities given the gap between dividend yields and cash rates remains wide.
2. A cut places further pressure on the currency given interest rate differentials are narrowing. This is positive for stocks with offshore earnings and for exporters but might limit enthusiasm from offshore investors for the Australian market. Positive for Treasury Wine Estates (ASX:TWE), SKYCITY Entertainment Group (ASX:SKC), SEEK (ASX:SEK), Macquarie Group (ASX:MQG).
3. Commonwealth Bank (ASX:CBA) has announced they will only pass on half the rate cut to mortgage holders. While this initially looks positive for the banks we note the banks funding costs will be higher as they will need to retain attractive TD rates to grow deposits. Lower interest rates will reduce risk of bad debts, so overall it is mixed from a banks perspective.
4. Domestic cyclical stocks and small business should benefit. There will be more money available for consumers (Tatts Group (ASX:TTS), Woolworths (ASX:WOW), other retailers) and it might extend the property cycle (or at least assist with settlements).

Low inflation suggests a further rate cut is likely.

Kind regards,
Jamie Nicol | Chief Investment Officer

Share:   

Chick St Clair & Partners, Suite 1201, Level 12, 54 Miller St, North Sydney, NSW 2060
P 02 9925 0522 F 02 9925 0533 E mail@csp.com.au

Chick St Clair & Partners Pty Ltd ABN 29 110 058 618 are a Corporate Authorised Representative of The Advice Exchange Pty Ltd ABN 55 107 629 194 Australian Financial Services Licence Number 278937.

The Advice Exchange Pty Ltd is committed to ensuring the confidentiality and security of your personal information. A copy of our privacy policy detailing how we handle your personal information is available on request. We may send you further information from time to time about financial planning and advice services with The Advice Exchange. You may elect to stop receiving such information at any time by contacting your adviser. You may at any time advise us that you wish to recommence receiving The Advice Exchange information. The information contained in this site is general information only. It is not intended to be a recommendation, offer, advice or invitation to purchase, sell or otherwise deal in securities or other investments. Before making any decision in respect to a financial product, you should seek advice from an appropriately qualified professional.

We believe that the information contained in this document is accurate. However, we are not specifically licensed to provide tax or legal advice and any information that may relate to you should be confirmed with your tax or legal adviser. Please refer to the Product Disclosure Statement (PDS) before investing in any products mentioned in our newsletter. The information is current as at the date on this document.

You're receiving this because this newsletter is a service of CSP. If you wish to opt out from future messages please click the Unsubscribe link below.