

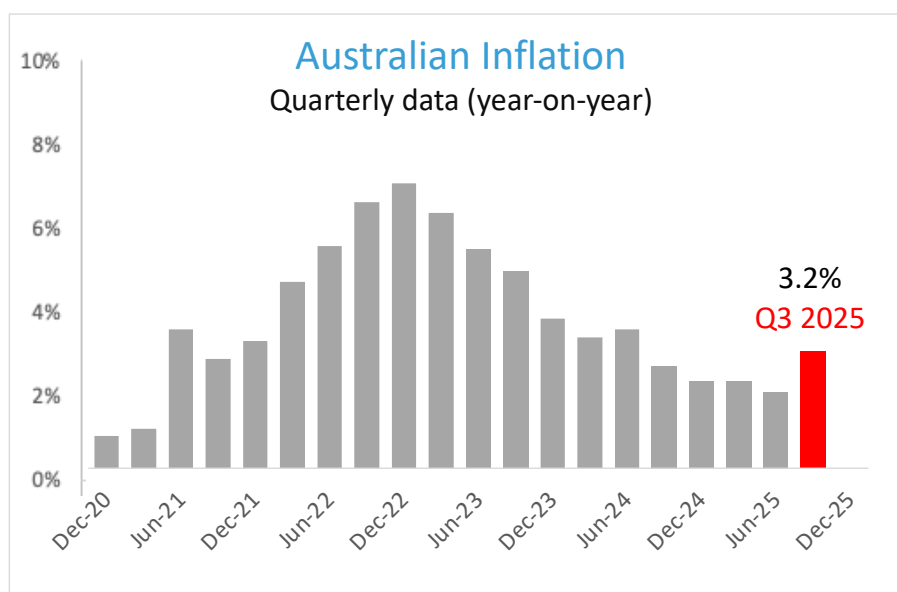
Don't Bet on a Rate Cut



The RBA's next monetary policy board meeting will Melbourne Cup Day on Tuesday 4th November. There will be plenty of bets placed on favorites, not-favorites, and every other one of the 24 horses that take part in the iconic race. But here is one bet not to even think about – that the RBA will lower interest rates by 25bps.

Data just released shows underlying inflation rose for the first time in almost three years to 3 per cent – the top of the Reserve Bank's target band. The result, well above the 2.7 per cent underlying price rise market economists were expecting, dashes hopes of an interest rate cut on Cup Day but also slashes the prospect of a rate cut in December.

The trimmed mean – the RBA's preferred measure of inflation that strips out the most volatile price movements – rose 1 per cent in the September quarter, according to the Australian Bureau of Statistics.



Electricity prices jumped a sharp 9 per cent in the quarter, following the expiration of government energy bill rebate payments in Queensland, Western Australia and Tasmania. Housing (+2.5 per cent), recreation and culture (+1.9 per cent) and transport (+1.2 per cent) also recorded large quarterly increases in prices.

The bond market immediately reacted with a spike in short term yields, reflecting that bond traders have now abandoned all hopes of an interest rate cut by the Reserve Bank of Australia until at least mid-2026,

Currency markets also reacted with the Australian dollar jumping to a three-week high of US66.07¢, while the sharemarket tumbled the most in two months, sending some of the country's biggest property stocks including Mirvac tumbling more than 2 per cent.

Economists are now stating that there's absolutely no chance of a rate cut at the November Cup Day board meeting and no chance of a cut at the December meeting. The central bank could even be done and dusted this cycle. Have fun if you are betting on Melbourne Cup Day, but don't bet on a rate cut from the RBA.

Dr Steve Garth
30 October 2025