



RESERVE BANK OF AUSTRALIA

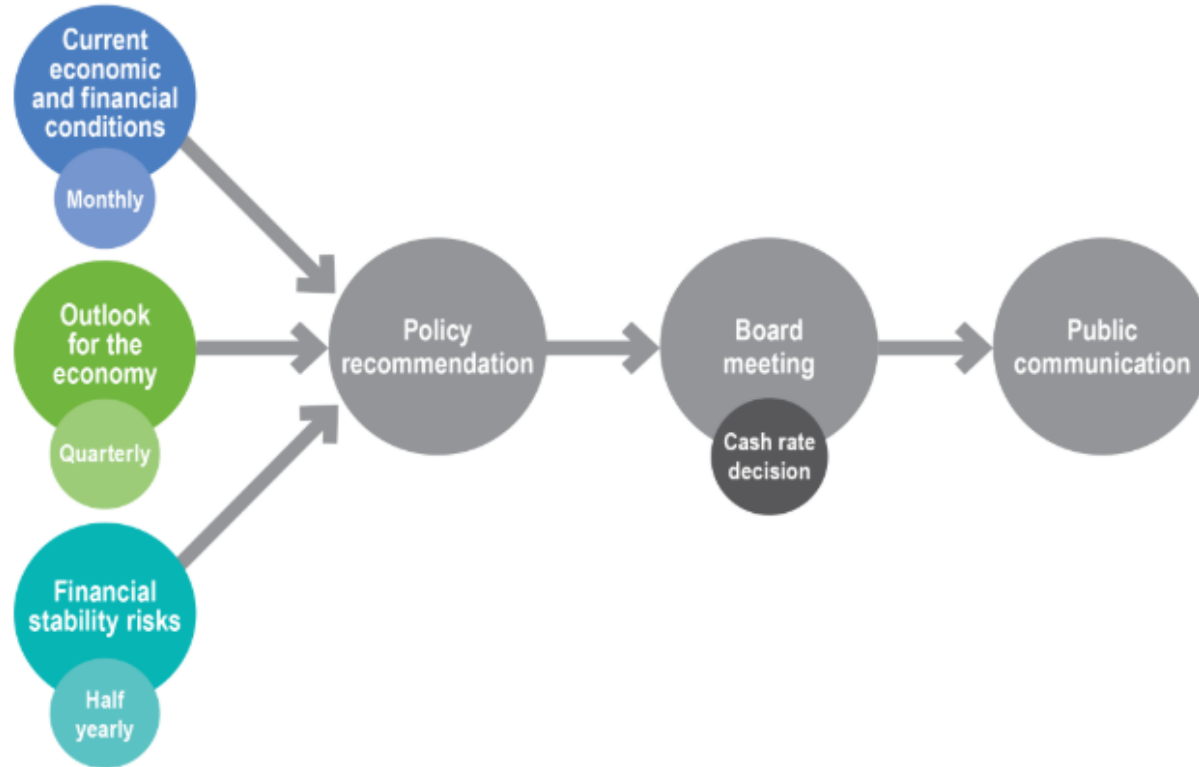
# A Case Study of Monetary Policy Implementation on 3 August 2016

Chris Becker (Domestic Markets)

Education



# Monetary Policy Decision Process





# Monetary Policy Implementation Example

What **'really'** happened on a day that policy was changed?

... 3 August 2016



# Statement by Glenn Stevens, Governor: Monetary Policy Decision, 2 August 2016 (14:30 AEST)

Abridged

The Board decided to [lower the cash](#) rate by 25 basis points to 1.50 per cent, effective 3 August 2016.

The [global economy](#) is continuing to grow, at a lower than average pace.

Australia's [terms of trade](#) remain much lower ...

... globally, [monetary policy](#) remains remarkably accommodative.

In Australia, ... [growth](#) is continuing at a moderate pace ...

... [inflation](#) remains quite low.

Supervisory measures have strengthened lending standards ... the likelihood of lower interest rates exacerbating [risks in the housing](#) market has diminished.

... [prospects](#) for sustainable [growth](#) in the economy, with [inflation](#) returning to target over time, would be improved by [easing](#) monetary policy at this meeting.



## Bloomberg News Wires - 2 August 2016

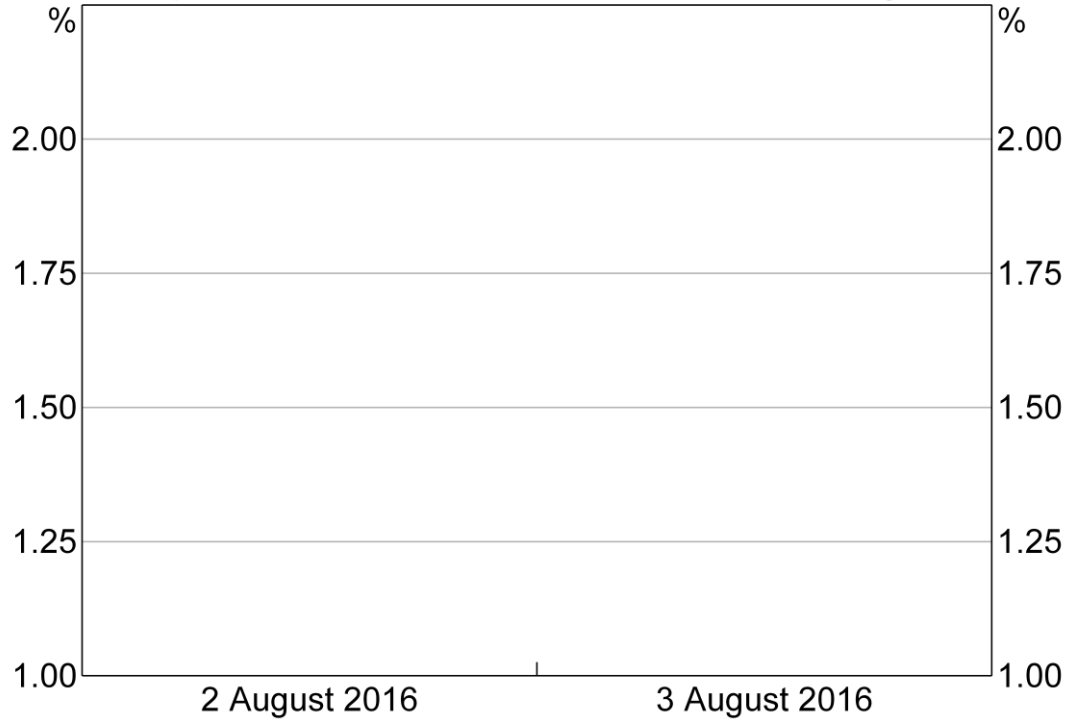
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Search News	Actions	Custom Searches	Translate	Page	News
[RBA/RANK 1 SOURCES]			x		Time
* 15:05	3 )	Aussie Yield Over Treasuries Drops to 15-Year Low as RBA Cuts		BN	08/16
15:00	4 )	Australia Inflation to Remain Focus After RBA Rate Cut: TOPLive		BN	08/16
14:55	5 )	Aussie Pares Drop of as Much as 0.6% After RBA Cuts Rates: Chart		BN	08/16
14:50	6 )	Australia Cuts Rates to Record Low to Spur Inflation, Employment		BN	08/16
14:46	7 )	FastFT: RBA cuts benchmark rate to 1.5%, Aussie tumbles		FTI	08/16
14:45	8 )	Aussie Dollar Sinks As RBA Cut Rate: 3-Yr Yield Hits Record Low		BFW	08/16
14:44	9 )	CBA to Cut Standard Variable Rate by 13bps by August 19		BFW	08/16
14:42	10 )	Aussie declines as RBA Rate Cut Wrong-Footed Bullish Hedge Funds		BN	08/16
14:40	11 )	Oil Retreat Sinks Asian Stocks; Aussie Declines After RBA Cut		BN	08/16
14:37	12 )	TOPLive: RBA Says Prospects for Growth Improved by Rate Cut		BN	08/16
* 14:34	13 )	*CBA CUTS STANDARD VARIABLE RATE MORTGAGES BY 0.13%		BFW	08/16
14:33	14 )	RBA Cuts Rates to Record Low to Counter Low Inflation, Weak Jobs		BN	08/16
14:32	15 )	*RBA SAYS PROSPECTS FOR CPI RETURNING TO TARGET IMPROVED BY CUT		BFW	08/16
14:31	16 )	RBA Statement: Link to Full Text		BFW	08/16
* 14:31	17 )	Aussie Dollar Slips After RBA Cuts Rates as Expected		BFW	08/16
14:30	18 )	Reserve Bank of Australia Monetary Policy History (Table)		BN	08/16
* 14:30	19 )	*AUSTRALIAN STOCKS PARE LOSSES AFTER RBACUTS CASH RATE		BFW	08/16
14:30	20 )	RBA Cuts Rate to Record 1.5% as Seen by 20 of 25 Economists		BFW	08/16
14:30	21 )	*RBA SEES INFLATION REMAINING QUITE LOW FOR SOME TIME		BFW	08/16
* 14:30	22 )	<b>*RBA CUTS CASH RATE TARGET QUARTER POINT TO 1.50%</b>		BFW	08/16
14:25	23 )	RBA Policy Decision Due in 5 Minutes		BFW	08/16
14:20	24 )	*TOPLIVE STARTS: FOLLOW RESERVE BANK OF AUSTRALIA RATE DECISION		BFW	08/16



## Monetary Policy Easing of 0.25% in August 2016

Operation of the corridor around the cash rate target

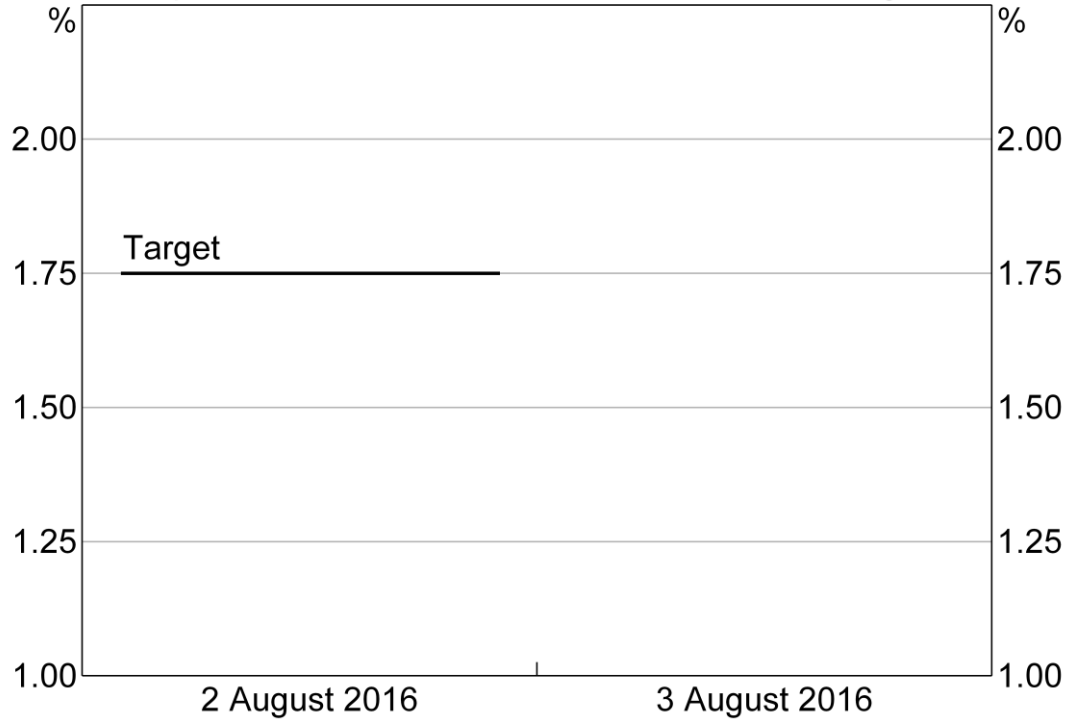


Source: RBA



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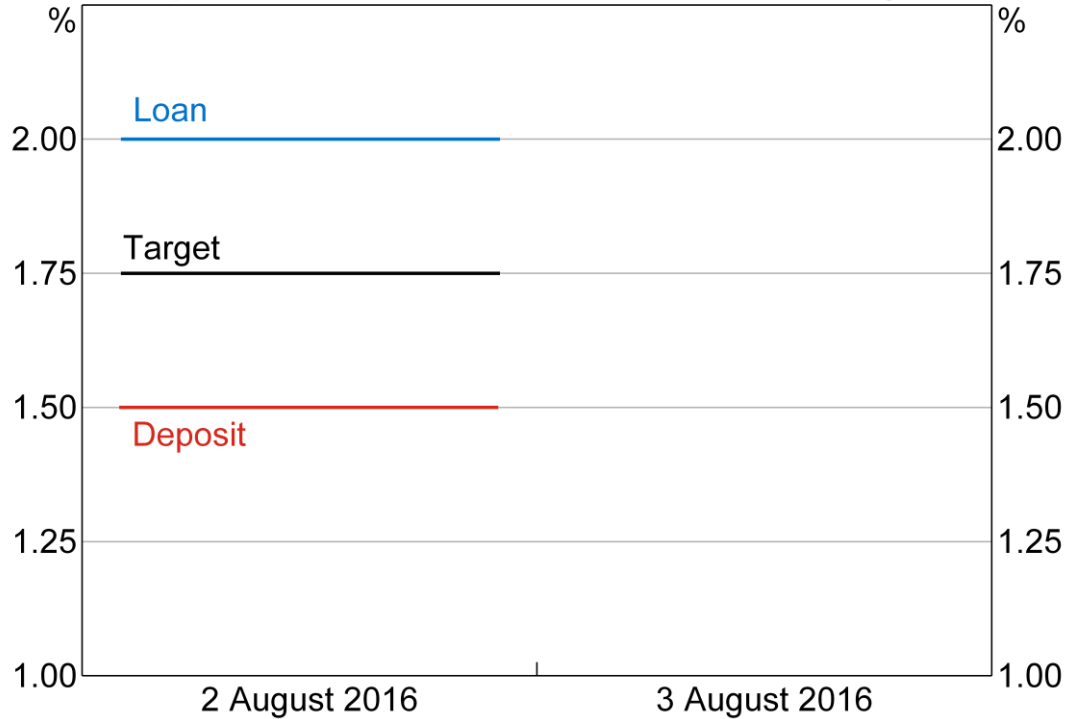


Source: RBA



## Monetary Policy Easing of 0.25% in August 2016

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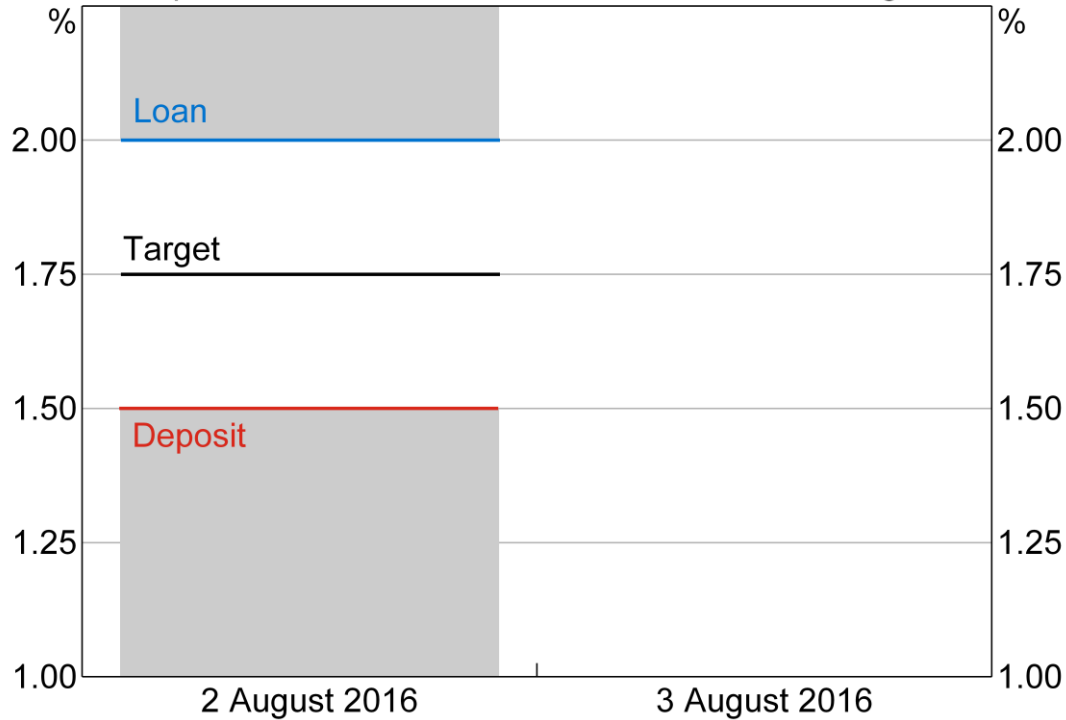
Source: RBA





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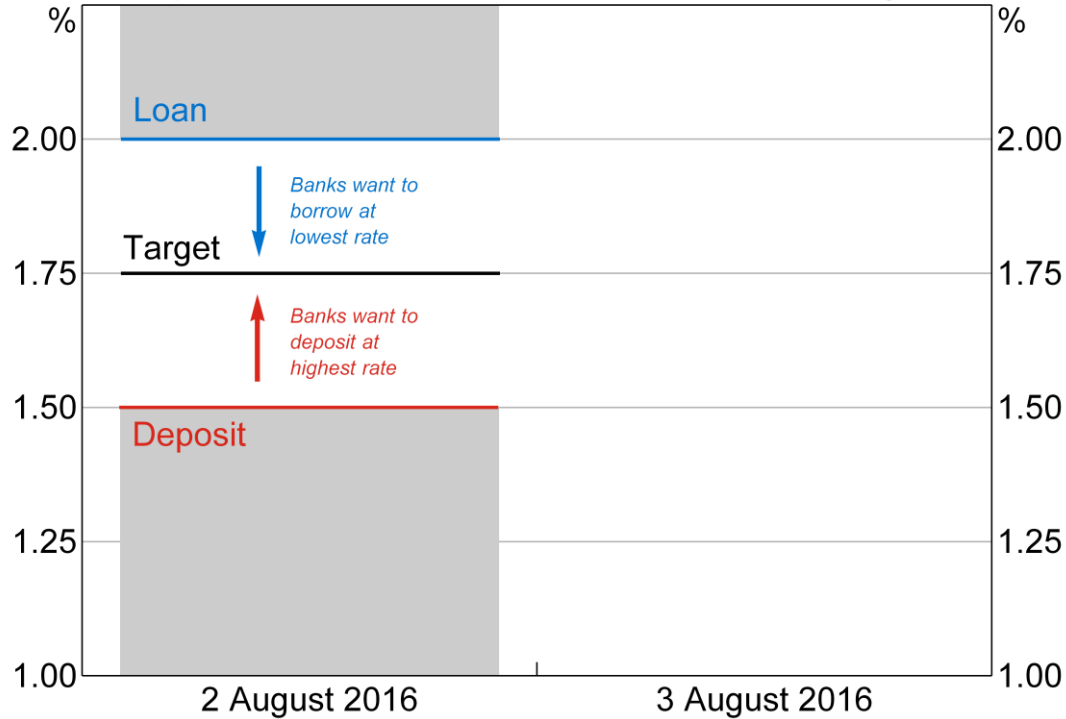


Source: RBA



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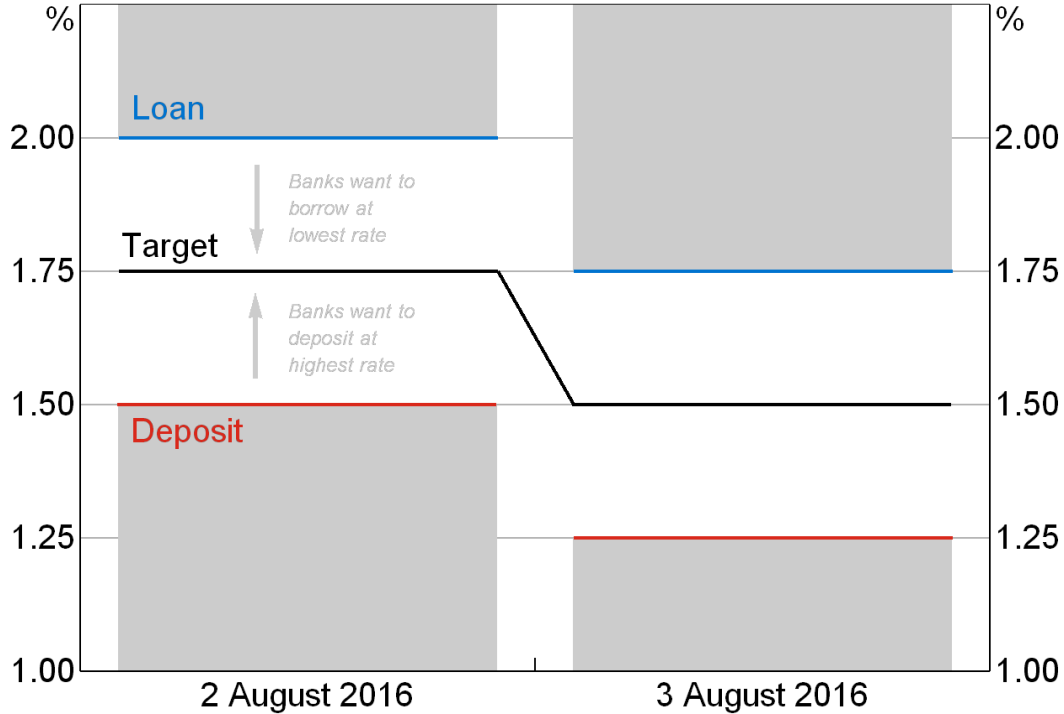


Source: RBA



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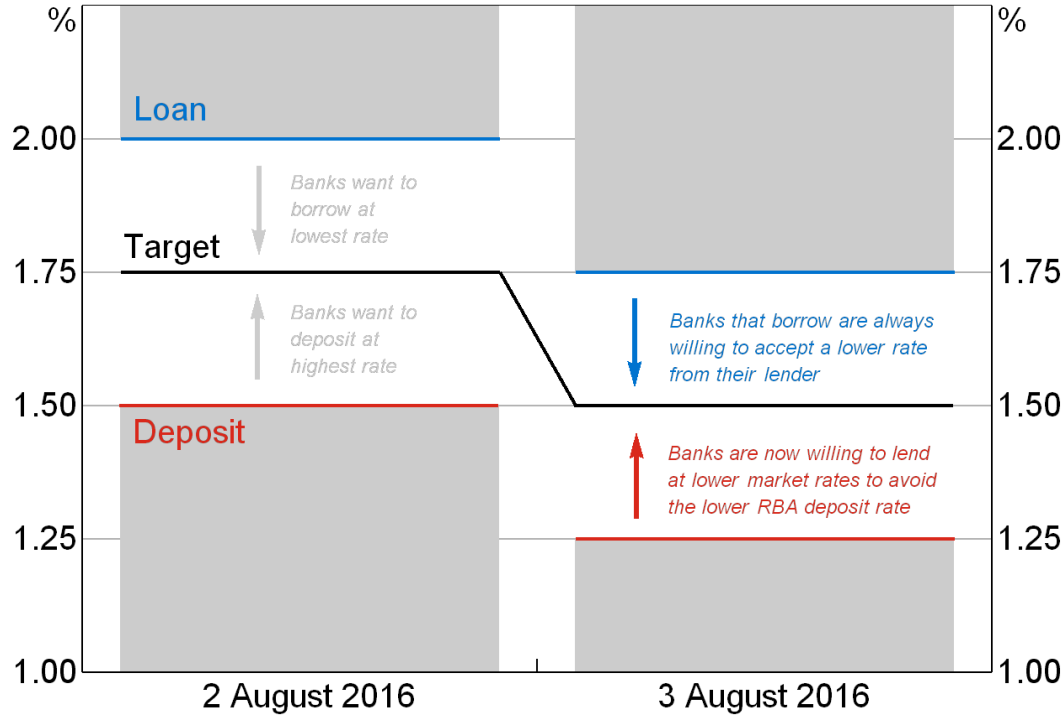


Source: RBA



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Operation of the corridor around the cash rate target

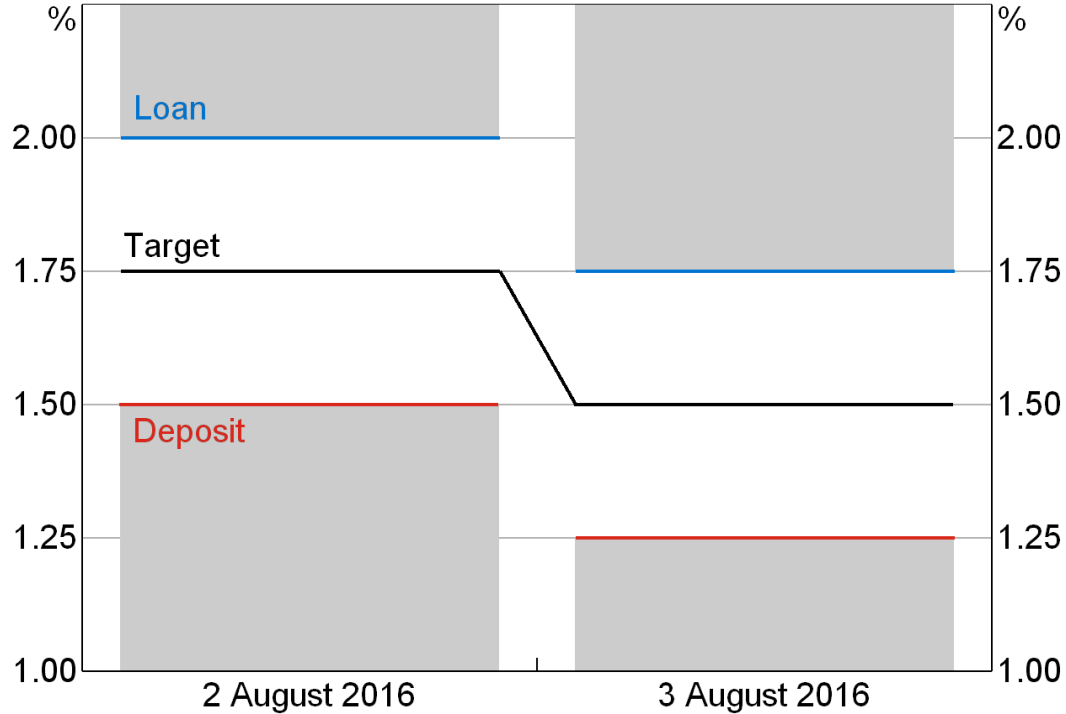


Source: RBA



# Monetary Policy Easing of 0.25% in August 2016

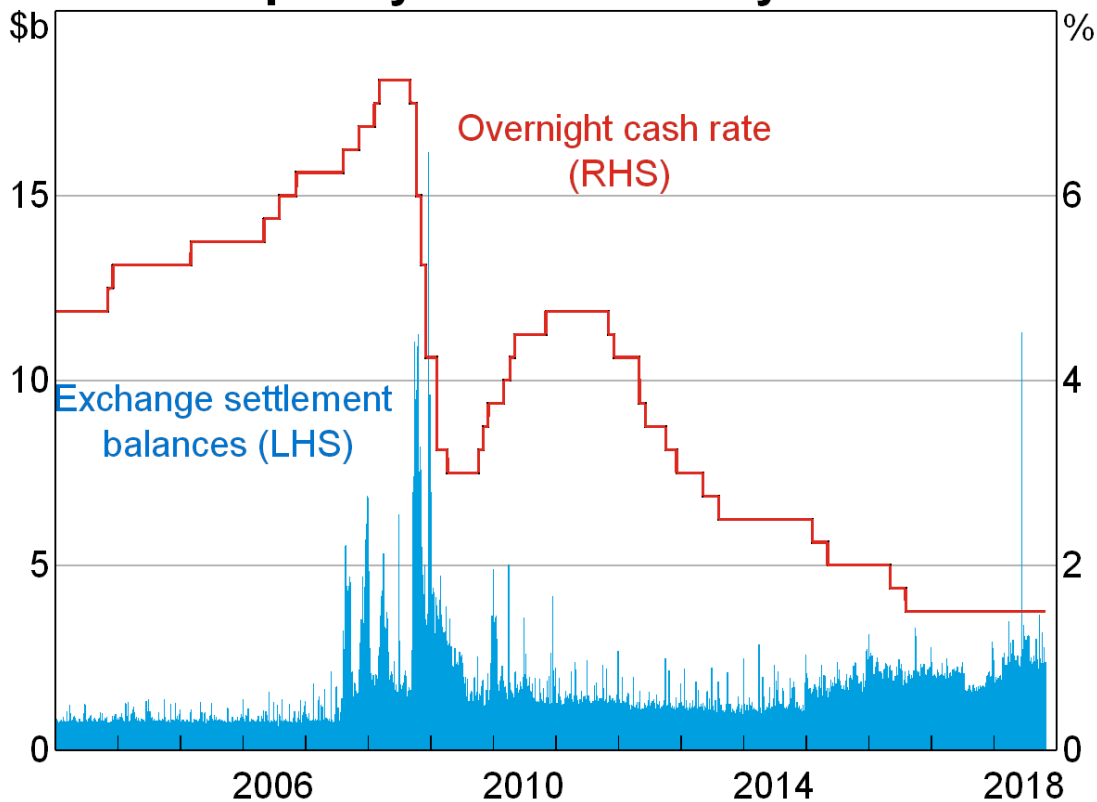
Operation of the corridor around the cash rate target



Source: RBA



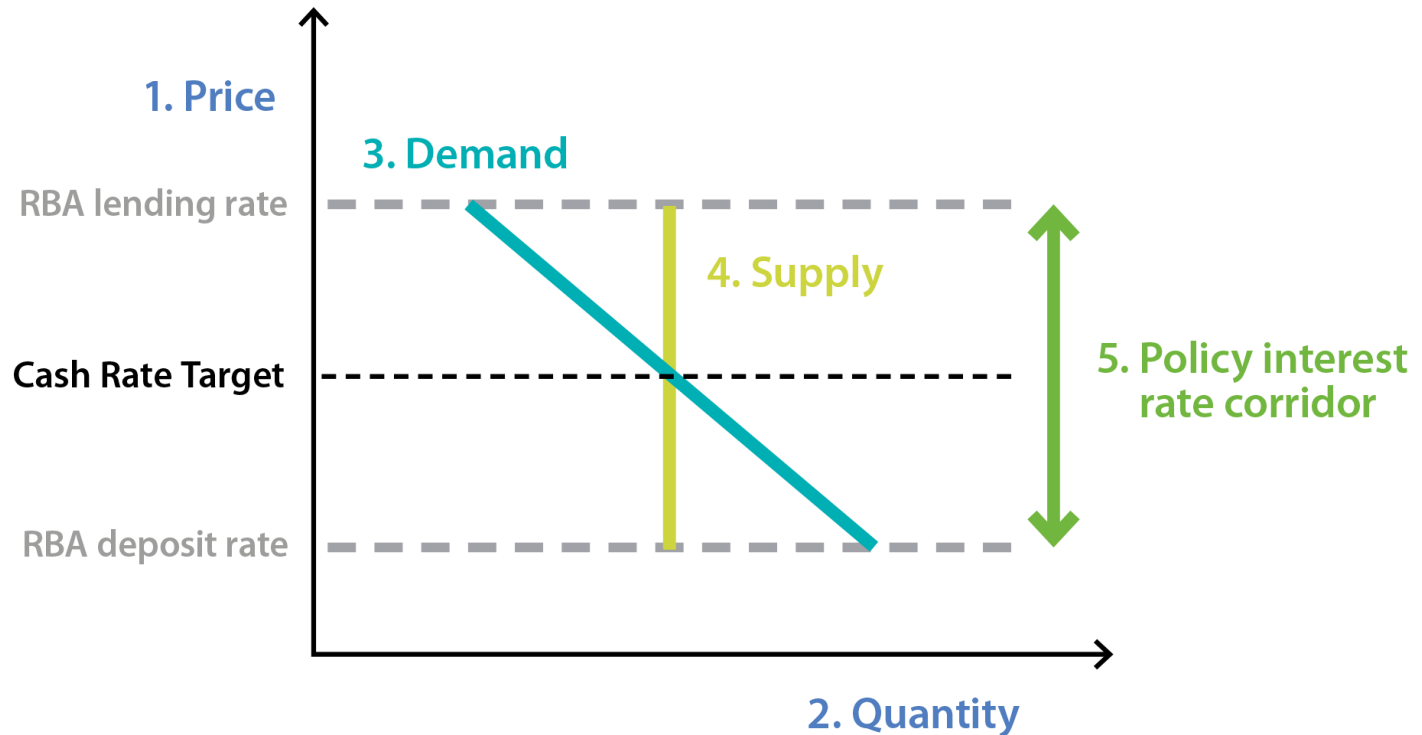
## Liquidity and the Policy Rate



Source: RBA



# Stylised Supply, Demand and the Corridor

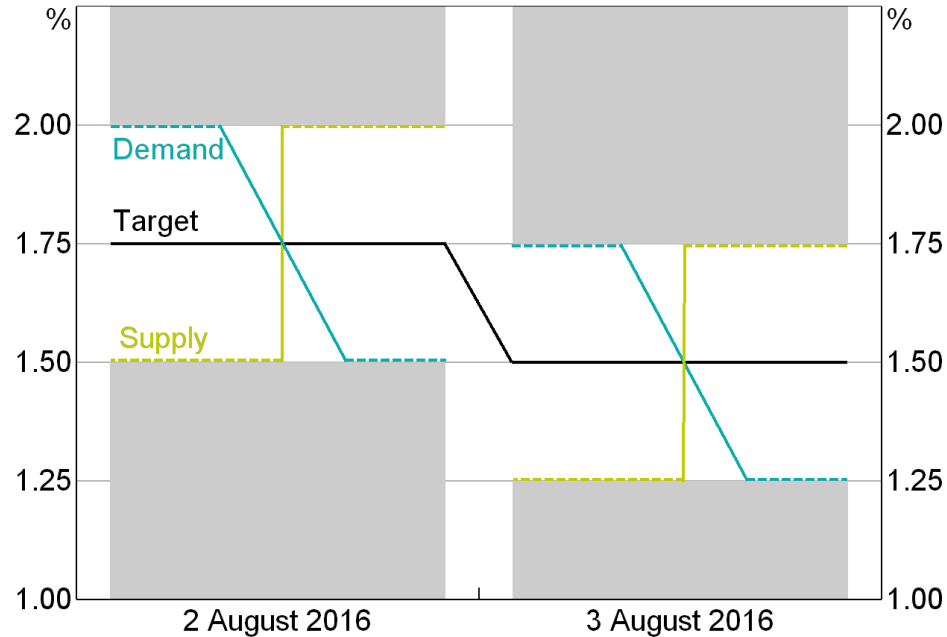




# Stylised Supply, Demand and the Corridor

## Monetary Policy Easing of 0.25% in August 2016

Operation of the corridor around the cash rate target



Source: RBA