



**WILL AUSTRALIA RAISE INTEREST
RATES WHILE THE REST OF THE
WORLD CUTS?**

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Agenda:

- Neutral rates round-up: US, Europe, China, Australia
- Market implications

Neutral rate of interest: US

- Fed sees 2.8% (currently 5.25%)
- Fiscal significant: Dems lower than Rep
- Labour gap to play a role
- Deglobalisation over-egged
- AI an issue

Neutral rate of interest: Europe

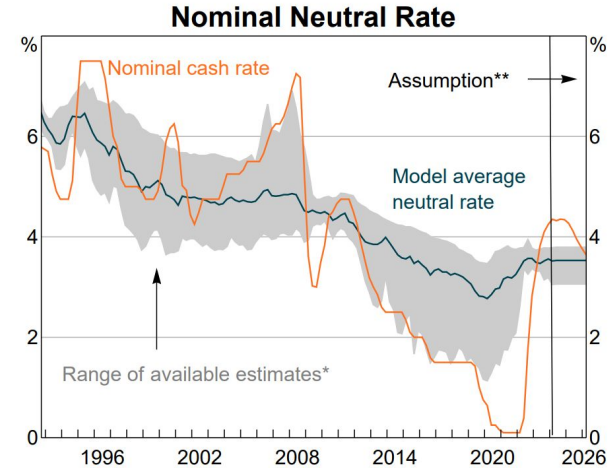
- ECB sees about 1% (currently 4.2%)
- Fiscal less significant
- Energy prices more important: likely to fall
- China and deglobalisation a bigger issue
- AI material over longer time frame

Neutral rate of interest: China

- PBoC sees 3.5%? (currently 3.35%)
- But losing credibility.
- Actually ZIRP as it takes Japanese path but worse.
- Five D's all lower for longer: Debt, deleveraging, deflation, deglobalisation, dictator
- CNY major swing factor

Neutral rate of interest: Australia

- No rate hikes.
- RBA sees 3.5% but never got below 3%.
- Only if fiscal pump remains on and it won't be as structural terms of trade crash arrives.
- Immigration/wages still deflationary but less so on housing. Ignore weak productivity.
- Energy disaster inflationary.
- AI material over longer time frame.
- On balance, outlook is more deflationary than consensus expects.



* Range of central estimates corresponding to available models. Nominal neutral rates are defined using trend inflation expectation.

** The nominal cash rate assumption is based on market pricing for overnight indexed swaps (OIS) on June 24, 2024.

Sources: LSEG; RBA.

Market implications

- Rates to trigger growth scare
- Australian interest rates to fall slower than other DMs for a year.
- Then fall faster as Chinese shock manifests more and more.
- Immigration response to shock households again via wages and taxes.
- US productivity large and growing wages/profits advantage.
- 1990s analogy for outer years as US-linked rises, Chinese-linked falls.

Choose themes to screen from your portfolio away from (i.e. remove stocks)

Climate Change

War

Human Rights

Health

Vices

Animal Rights

Religion

Asset Class

Thematic

Climate Change

- No Fossil Fuels (Worst Offenders) 
- No Fossil Fuels (Any) 
- No Coal Seam Gas or Fracking 
- No Nuclear Power 
- No Old Growth Forest Logging 

Personalise Your Portfolio

Screens

You can exclude the below to customise your portfolio

Climate Change	War	Human Rights	Health	Vices
Animal Rights	Religion	Asset Class	Thematic	

- No Fossil Fuels (Worst Offenders) ?
- No Fossil Fuels (Any) ?
- No Coal Seam Gas or Fracking ?
- No Nuclear Power ?
- No Old Growth Forest Logging ?

Tilts

You can add the below to customise your portfolio

Investment Style Factors	Climate Change	Technology	
Consumption	Commodities	Military	GICS Sectors

- Quality Stocks ?
- Value Stocks ?
- Growth Stocks ?
- Defensives ?



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Build Your Portfolio

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- Investment Choice
- Risk Profile
- Build Your Portfolio**
- Ethical Overlay
- Review
- Applicants
- Bank Details
- Compliance
- Final Review

Portfolio Tilts



Quality Stocks

Value Stocks

Growth Stocks

Oil & Gas Stocks

Gold Stocks

Agribusiness

Large Technology Stocks

Cloud Computing Stocks

Robotics/AI

Video Gaming

Cybersecurity

Clean Energy

Defensives

Battery Supply Chain

Nuclear Power

Defense Contractors

Travel

Luxury Goods

Logistics

Global Communication Services

Global Consumer Discretionary

Global Consumer Staples

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Global Financials

Global Health Care

Global Industrials

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