

**Australian Bond Exchange Weekly Newsletter**

**12 August 2022**

*"It is better to be roughly right than precisely wrong.”*

* ***John Maynard Keynes***

**Key Points**

* ABS unveils CPI Indicator report
* RBA’s interest rate outlook divides amongst leading economists
* Petrol pain
* US inflation eases
* Meta Platforms Inc sold $10 billion in first ever corporate bond offering

**Australia**

Households and the Reserve Bank will soon have greater insights to inflation movements as the Australian Bureau of Statistics (ABS) intends to publish the first monthly standalone monthly CPI Indicator report in October, alongside the regular quarterly CPI release. The move has been welcomed by experts, industry, and the government on Wednesday and will make it easier for the RBA and households to track when inflation peaks and begins to ease, which will be particularly useful for setting monetary policy.

Economists from some of Australia’s leading bank are deeply divided over the Reserve Bank’s outlook for interest rates and the Australian economy. One camp of economists at Westpac and ANZ believe that the cash rate target will pass 3 percent before the end of this year, with both banks tipping the rate to peak at 3.35 percent. Bill Evans, Westpac’s chief economist has argued that if the Reserve Bank is serious about lowering the inflation rate, the cash rate must be 3.35 per cent, even at the expense of slower economic growth.

The other camp of economists from CBA and NAB have expressed that further “rate rises is not likely” and could take the economy backwards. CBA’s head of Australian economics Gareth Aird commented that further rate rises will put too many households under stress due to a highly indebted household sector in Australia.

The ongoing war in Ukraine has put pressure on international refined petrol and diesel prices and Australians will continue to feel the pain as the fuel excise tax cut comes to an end. The previous federal government cut the fuel excise by 50 percent in March 2022 for six months to reduce prices.

Research from Savvy found 46 percent of Australians were spending between $90 and $160 on petrol.

**Global**

US inflation rates have fallen from a 41-year high of 9.1 percent in June to 8.5 percent in July. The sharp drop is encouraging news for the US and the rest of the world with the biggest factor being the fall in oil prices from more than $US120 a barrel in June to below $US100 a barrel in July. Financial markets have responded positively to the inflation drop, with the US share market rising more than two percent and bond yields easing. The Nasdaq market was up 2.9 per cent, bouncing more than 20 per cent since mid-June. Yields on 10-year bonds have now fallen back below 2.8 per cent, it was 3.5 per cent in mid-June.

Meta Platforms Inc sold $10 billion in its first-ever offering as it looks to fund share buybacks and funding for its business. A 40-year security, yields 1.65 percentage points above Treasuries, was included in the bond offerings. Orders reached over $30 billion from investors. S&P Global Ratings has given Meta an AA-investment-grade rating, while Moody’s assigned the tech giant an A1 rating.

Other tech giants such as Apple Inc and Intel Corp also issued bonds earlier this week, raising $5.5 billion and $6 billion.

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