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Dear Libby,

As many of our clients can testify, when tendering general advice and formulating my own personal opinions, I tend to combine a consideration of previous events with a knowledge of human behaviour. I refer to the recent interest rate adjustment.

In my view the RBA delayed a month or two too long before reducing rates. Why did they do this?

This gives us an insight as to how they think and operate. Even though growth figures have been declining for sometime and unemployment has been rising, they did not move until evidence confirmed that inflation was actually falling, although we all know that domestic (non-mining) demand has been very subdued all year.

There are already commentators suggesting that interest rates won't fall any lower. I simply cannot agree with this. On all previous "turning or inflexion points" of interest rate cycles, experts have come out with various predictions. What I have noticed over the past 20 years or so, is that rates tend to move further in direction that many people first think. If RBA did not reduce rates further, the future economic historians will label the 2011 decrease as an error of judgement. In my opinion, we will have more interest rate drops as RBA gives more emphasis to economic growth figures and unemployment. There are several economists already suggesting that RBA's growth forecasts are far too optimistic and as evidence emerges to show this, revisions will need to be made and stimulus will need to be provided by further cuts. What we now know is that the RBA is reluctant to take action until the economic stats support an action of their behalf. This can cause delays in decision making activity.

On a different note entirely, we would like to welcome our first grandchild Jack to the MO'R MORTGAGE OPTIONS family. Congratulations to Kathryn and Justin. Kathryn and Justin wish to thank everyone that has passed on their best wishes.

Until next time

Michael



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Rate Rollercoaster



Old Versus New



House versus
Apartment



Banish Work Blues