PRESS RELEASE

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Shares over savings accounts: Where experts think you should invest your hard-earned cash

- Unanimous cash rate verdict; all 34 panellists expected a cash rate hold today
- In a low-rate environment, the majority of experts (28%) identified shares as a good investment
- Interchange regulations: 31% of respondents believe rewards credit card programs are of little value

4 July, 2017, Sydney, Australia – Today the Reserve Bank left the cash rate at 1.5%, but despite the low-rate landscape, the majority of experts and economists have identified shares as a viable investment option, according to finder.com.au, the site that compares virtually everything.

All 34 respondents from the finder.com.au RBA survey correctly predicted the official cash rate would hold at 1.5% at the July 2017 meeting.

Low inflation, spare capacity in the economy, and insufficient economic data were cited among the key reasons prompting the Reserve Bank to sit on the sidelines today.

However, the cash rate won't stay static, with 88% (28) experts and economists believing the next rate move will be a rise.

When asked about the future of the Australian dollar, most panellists (82%, 18) believe it will lose value against the US dollar by the end of this year.

Predictions of how low the local currency will fall are split among the respondents; nearly a third indicated a low of 74, 72 and 70 US cents, while two panellists (9%) predicted a low of 68 US cents.

Only three experts (14%) expect the value of the Australian dollar to rise.

Interestingly, no economists are predicting the dollar to fall on an odd number of US cents by the end of the year.

Given the current low interest rate landscape, respondents were asked how they'd advise a relative to invest $AU10,000. The most popular answer was to invest in shares which was favoured by 28% of economists (5).

Placing funds in a savings account (17%, 3) was the second most popular option listed.

Graham Cooke, Insights Manager at finder.com.au, says Australians need to be sensible about how they invest their hard-earned cash.

"Low savings rates means it can be difficult to earn an attractive return on some investments, so savers need to review their options to decide on their investment pathway.

"This could mean researching returns on different investments like shares, high-interest savings accounts, property, or a self-managed super fund (SMSF), and it may also mean finding out how to minimise investment risk through strategies like diversification.

"However, by far the best option to save in the long-term is to pay down any debt you have right now," he says.

Buying foreign currency, gold, opening a term deposit and paying down debt were also listed as viable investment options among the respondents.

As of July 1 (2017), new interchange regulations came into effect which caps the interchange fee at 0.8%, meaning rewards programs may have less competitive earn rates.

When asked what they thought of rewards credit card programs, five (31%) panellists thought they were of little value, with one expert (Dr Kishti Sen of BIS Oxford Economics) saying these products are a scam as they encourage users to get further into debt.

Mr Cooke says credit cardholders need to know how their program is being affected.

"Check your bank's website or your product disclosure statement so you know how your earn rates are being affected. If you don't think you're getting the best value from your rewards program any more, consider switching to a different provider," Mr Cooke says.

To see how rewards programs are being updated, you can visit this page.

Here's what our experts had to say:

Jordan Eliseo, ABC Bullion (Hold): "The RBA will have been fairly encouraged by the recent run of economic data, which will (temporarily in my view) give them confidence that they have the appropriate cash rate in place for now."

Tim Nelson, AGL Energy (Hold): "No material change in conditions from previous month. Prudential regulation is doing the 'heavy lifting' in relation to residential property market pricing. "

Shane Oliver, AMP Capital (Hold): "While downside risks to the growth and inflation outlook have increased, the RBA remains upbeat that growth will pick up particularly after recent solid jobs data. It probably also remains wary as to whether the Sydney and Melbourne property markets have really started to cool or not."

Alison Booth, Australian National University (Hold): "Insufficient change to justify moving rates either up or down."

Darryl Gobbett, Baillieu Holst (Hold): "Future potential risks of increased household leverage from lower rates still out-way any expected benefits to growth of another cut."

Dr Kishti Sen, BIS Oxford Economics (Hold): "I don't think the interest rates will fall further because of: 1. The Reserve Bank is keen to limit the amplitude of the residential cycle amid concerns about household debt and financial stability risks. Hence, it would not want to reignite the housing boom. 2. A lower cash rate will reduce the dollar but it will have little effect on investment. Meanwhile, the Federal Reserve is on a tightening phase and rate rises in the United States will narrow the interest rate differential with Australia and put downward pressure on the A$. 3. The Reserve Bank is also concerned that the more they reduce rates now, the sooner they will have to raise interest rates. I therefore expect the cash rate to stay at 1.5% over calendar year 2017 and 2018."

Richard Robinson, BIS Oxford Economics (Hold): "Inflation is low, but the RBA doesn't want to cut rates as it fears pumping up the already overheated residential property sector"

Paul Dales, Capital Economics (Hold): "The RBA will almost certainly keep rates on hold at 1.50% at this meeting. And while the recent improvement in the labour market has quashed talk of further rate cuts, weak underlying inflation will prevent the RBA from hiking rates until 2019. "

Michael Blythe, CBA (Hold): "Economy is not in need of any extra interest rate assistance"
Savanth Sebastian, CommSec (Hold): "Reserve Bank looks comfortable on the interest rate sidelines. Policymakers will keep a close eye on the property market."

Dr Andrew Wilson, Domain Group (Hold): "Better recent economic news supports clear recent steady bias by the Bank"

Saul Eslake, Economist (Hold): "Data releases and other evidence since the last meeting will not have prompted any material change in the RBA's assessment of the economic outlook or the appropriate stance for monetary policy"

Mark Brimble, Griffith University (Hold): " Bias remains to the downside with the economy struggling to generate momentum. With banks (and apra) tightening credit the markets and sentiment are softening. Further support is required, but the rba is likely to not be willing to provide this as this stage"

Paul Bloxham, HSBC (Hold): "Underlying inflation is still below its 2-3% target."

Michael Witts, ING Bank (Hold): "The slowdown in the housing market is occurring via the adjustment to rates for investors and interest only loans. This enables the RBA to maintain the cash rate at 1.5% for the benefit of the broader economy."

Glen Hawke, Karis Communications (Hold): "The current economic data is inconclusive of a need for a shift."

Brendan Rynne, KPMG Economics (Hold): "Continuation of excess capacity in the labour market, and the maintenance of inflation below RBA target band."

Leanne Pilkington, Laing+Simmons (Hold): "There appears to be a growing consensus among economists that the next rate move will be up, especially if some of the RBA's forecasts around economic growth come to fruition. However, we believe that current economic, employment, political and household debt scenarios support a status quo in fiscal policy in the near term."

Nicholas Gruen, Lateral Economics (Hold): "Because they've not signalled anything else and I think they won't have the confidence to raise the rate, even if they'd like to."

Matthew Tiller, LJ Hooker (Hold): "Little discernible change in the domestic economic environment over the past month."

John Caelli, ME (Hold): "The RBA won't cut rates because it remains concerned about fuelling further increases in house prices and household debt."

Michael Yardney, Metropole Property Strategists (Hold): "Our property markets have slowed down over the last few months taking pressure of the RBA to raise interest rates. On the other hand the RBA can't afford to drop rates to bolster our bumbling economy and further fuel our property markets. So rates will remain on hold."

Mark Crosby, Monash University (Hold): "While globally rate movements are beginning the long path back to normalisation in some key economies, the strong exchange rate and economic fragility locally point to holding rather than raising rates at this meeting."

Jessica Darnbrough, Mortgage Choice (Hold): "There is no urgent reason for the Reserve Bank of Australia to adjust the current cash rate setting. All of the latest economic data is looking fairly positive at the moment, providing the RBA with no incentive to adjust their long-standing plan of attack."

Alan Oster, NAB (Hold): "Too early to see what is happening re the labour market v house prices."

Jonathan Chancellor, Property Observer (Hold): "There is no risk in holding this July."

Matthew Peter, QIC (Hold): "The holding pattern will continue, despite a weak growth and inflation outlook, until the housing market is clearly in retreat. "

Noel Whittaker, QUT (Hold): "There is no reason to lower – and no reason to raise."

Janu Chan, St.George Banking Group (Hold): "The RBA will be encouraged by the improvement in the labour market, but will still be of the view that there remains spare capacity in the economy. That would prevent any thought of raising rates. However, ongoing concerns regarding risks from the housing market and high household debt is preventing any cuts to rates. "

Steven Milch, Suncorp Group (Hold): "Labour market strengthening balances against sub target inflation. Little case to ease yet too early to tighten."

Brian Parker, Sunsuper (Hold): "RBA has made it pretty clear that they'd be very reluctant to cut rates again, and their view probably hasn't changed over the month."

Other participating economists: Scott Haslem - UBS (Hold), Bill Evans - Westpac (Hold), Alex Joiner - IFM Investors (Hold).

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