



May News 2013

Current Interest Rates

Rates offered are the best of standard, carded interest rates available and do not reflect any discounts your Advisor may be able to obtain for your client. Rates correct as at 1/5/13.

Variable	5.55%
6 Month Fixed	4.99%
1 Year Fixed	4.95%
2 Year Fixed	4.99%
3 Year Fixed	5.65%
5 Year Fixed	5.99%

Interest Rate Outlook

The Reserve Bank (RBNZ) continues to be caught between a rock & a hard place around what to do with interest rates. On one side the high exchange rate is pushing inflation ever lower.

Meanwhile, the Canterbury rebuild and rising house prices are showing potential to push domestic inflation up. For the team being it looks like the RBNZ will sit on the fence and deal with the housing issue later if it has to.

The RBNZ can't increase the official cash rate (OCR) early for fear of exacerbating the high currency and pushing inflation even further below target in the short run; equally, it can't reduce the OCR or keep it unchanged forever, for fear of stoking the overvalued housing market and creating runaway inflation in the longer term. As such the RBNZ has opted to sit on their hands for the time being.

Eventually, one or the other of the opposing forces will win out, forcing the RBNZ to climb down from its current position on the fence. We firmly believe that the rebuild and housing-induced domestic inflation will eventually prove the stronger forcing the OCR to move upward. Over the course of New Zealand's history, construction booms have generated inflation pressures and rising house prices have provoked consumer spending. We believe that these themes will be repeated in the upcoming cycle – and the RBNZ will have to act swiftly to keep a lid on the effect this could have.

As for the best mortgage interest rate strategy in this environment the value looks to sit in the 1 to 2 year part of the curve with 2 year rates a click under the magical 5% rate. We can't see any value in floating when it is 0.25% to 0.50% higher than the 2 year rate, although everyone's circumstances are different so please do talk to us before finalising any decision.

What's Hot

The hot part of the interest rate curve is currently the 2 year fixed piece, traditionally the tool that banks have played with to gain market share it is again proving so with rates under 5% currently, representing great value - Refer your clients now & let us negotiate on their behalf!

Deal of the month

Everyone deserves a second chance, even Housing Corp NZ believes so, we helped 2 clients into a new home via the HCNZ First Home Buyers Grant and accessing their Kiwi Saver funds last month when they were not aware that they were eligible to withdraw these funds via HCNZ's second chance policy – Talk to us, we deliver!

Our Latest News!

Remember, if you or your clients require personal insurance or a review on existing cover, we can also discuss your needs.

We can now refer all clients directly for a **FREE** house, car and contents insurance quote.

Call us for further details!

“The biggest compliment you could ever give us is a referral to a friend or family member”

CONTACT

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