



What fixed rate should I choose for my mortgage? Recent rate hikes have changed the picture.

Banks raise fixed mortgage rates when wholesale swap rates and the cost of hedging fixed-rate lending move higher — and that's exactly what's happened over the past few weeks. No two economists agree on where the OCR is heading either. Here's what the numbers currently show.

OCR: **2.25% (held 8 Apr)**

RBNZ June CPI forecast: **4.2%**

Avg 1-Year Rate: **~4.65%**

Avg 5-Year Rate: **~5.79%**

MARKET OVERVIEW **APRIL 2026**

After another round of fixed mortgage rate hikes this month, the question of which term to fix on has become more consequential — and more complicated. The OCR hasn't moved from 2.25%, but that hasn't stopped banks lifting 2, 3, and 5-year rates repeatedly since late March. Banks raise fixed mortgage rates when wholesale swap rates and the cost of hedging fixed-rate lending move higher — and that's exactly what's happened over the past few weeks. The 2-year rate has risen around 20–30 basis points across the major banks over the past month alone.

One important thing to note is the growing gap between short and longer-term fixed rates. The 1-year rate sits around 4.65%. The 2-year is now around 5.19% on average, and the 5-year around 5.79%. That spread — more than a full percentage point between 1 and 5 years — is significant. Most bank forecasters expect the OCR to settle somewhere around 3%, not far above where it sits today. But longer-term mortgage rates are already pricing in a much steeper and more sustained rise. That gap exists because the longer you lock in, the more you're paying for someone to absorb the risk of what might happen over the next three to five years — and right now, that risk premium is elevated.

So how should you think about the decision? Fixing short keeps your costs lower based on where most forecasters think rates are heading, and gives you the flexibility to reassess each year as the picture clarifies. Fixing longer gives you certainty, but at today's rates you're paying a meaningful premium for it — and based on current forecasts, that premium is unlikely to be recovered. The analysis below works through the numbers across six different OCR scenarios. Under most of them, rolling the 1-year rate annually costs significantly less than fixing for 3 or 5 years. The 2-year sits in between, though with rates where they are now, it's a harder call to justify than it was a month ago.

Importantly, this analysis is a starting point — not a final answer. The right decision depends on your individual situation: your income, your plans for the property, how much rate movement you can absorb, and whether certainty is worth more to you than the potential cost saving. What works for one borrower

won't work for another. The numbers below are designed to help you understand the tradeoffs — but always worth talking through with your adviser before deciding.

RATE STRATEGY ANALYSIS

Implied OCR Path by Forecaster — Month by Month

Each line shows that institution's view of where the OCR will go. The rising dashed line is the breakeven path. For the 5-year fix to win, the actual OCR needs to consistently track above it.

RBNZ Official

Feb 2026 MPS track
(next update May 28)

→ Roll 1Y

ANZ

Apr 13 2026 ✓
Revised to 3.0% — 3 hikes from July

→ Roll 1Y

BNZ

Apr 2026 ✓ No hike until 2027 — peak 3.0%

→ Roll 1Y

ASB

Apr 2026 ✓ No 2026 hikes — most dovish

→ Roll 1Y

Westpac

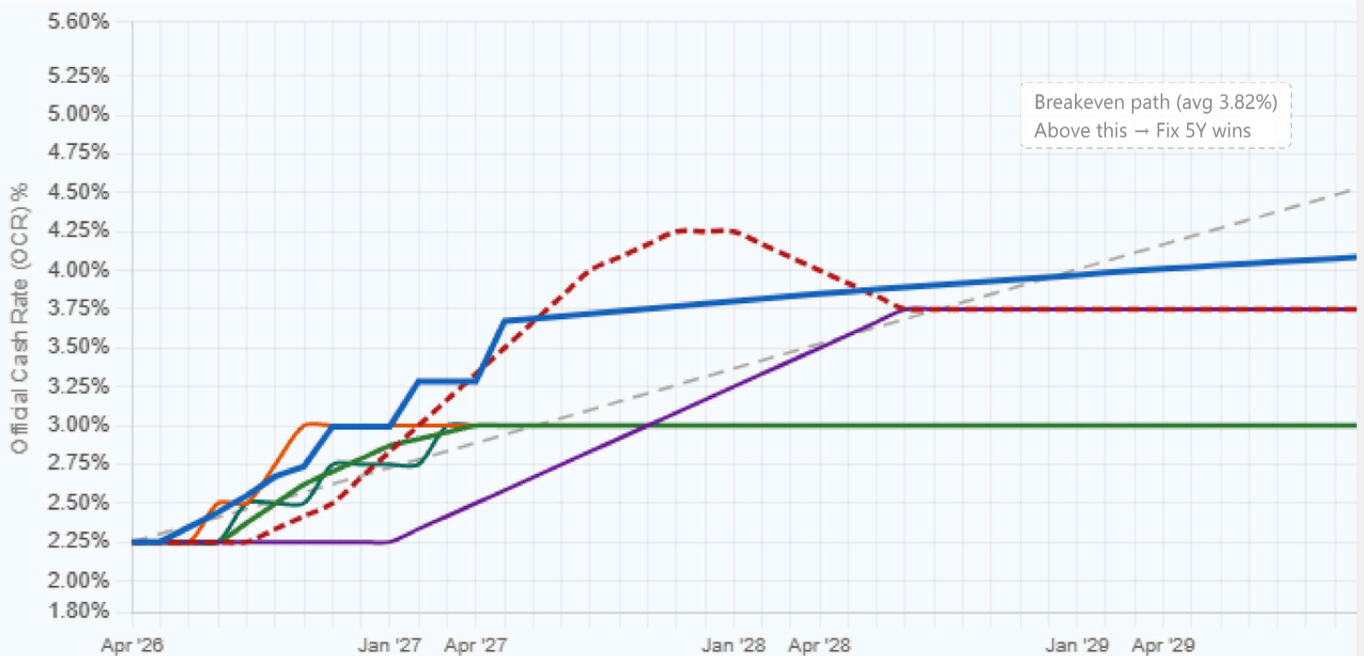
Apr 2026 ✓ Hikes from Dec 2026 — most hawkish

→ Roll 1Y

Swap Market (model)

21 Apr 2026 ✓
Revised down

→ Roll 1Y



➤ STRONGLY FAVOURS ROLLING SHORT

Bank Economists' View

Roll 1Y wins under all 6 scenarios. ANZ revised their OCR peak down to **3.0%** on April 13 — three hikes starting July — putting ANZ in line with RBNZ and BNZ on the landing zone. BNZ believes the OCR has already peaked; ASB expects no 2026 moves at all. With the 2-year rate now at ~5.19%, the break-even clears every forecast including Westpac's. Savings vs fixing 5 years range from **\$15K to \$39.5K** depending on the scenario.

➤ ALSO FAVOURS ROLLING SHORT

What the Swap Market Says

Wholesale swap rates have been rising since early April as markets price in persistent inflation and global rate uncertainty. Banks have passed this on via higher fixed rates — particularly at 2, 3, and 5-year terms. Even so, rolling 1-year still comes out ahead under swap market pricing — saving around **\$15,375** on \$750K vs fixing 5 years. The 1Y/2Y breakeven rate (5.73%) is well above the swap market's implied yr2 rate (5.30%), meaning rolling short wins clearly under current market pricing.

✦ THE CENTRAL QUESTION

Will Iran Risk Embed?

The RBNZ held on April 8 but left the door open to hikes if inflation persists. June CPI is forecast at 4.2%. Banks have already moved fixed rates higher, driven by global wholesale markets — so some of this risk is already in the price. Whether the OCR follows depends on whether current inflation pressures prove sticky. Five years is a long time and outcomes could differ significantly from any forecast here.

✓ **THE CASE FOR ROLLING SHORT**

If the OCR peaks near 3% — which is now the view of **RBNZ, ANZ, and BNZ** — rolling 1-year saves around \$39,500 vs fixing 5 years on a \$750K loan. Even under ASB's more gradual hike path, rolling short comes out ahead by around \$23,000.

⚠ **EVERY SITUATION IS DIFFERENT**

These numbers are a starting point, not a final answer. Your income stability, risk tolerance, loan structure, and plans for the property all matter. If you prefer certainty over optimising for cost, a 2-year fix is understandable — but at today's rates the premium is harder to justify than it was a month ago. The 3-year fix is difficult to justify on current data: rates would need to reach 5.76% in year 3, and no current forecast gets there. Getting personalised advice is always worthwhile.

FIX TERM GUIDE — WHAT EACH OPTION LOOKS LIKE RIGHT NOW

✓ **1 YEAR — ~4.65%**

Favoured under all current forecasts

Saves \$15K–\$39.5K vs fixing 5 years across all 6 scenarios modelled. Wins all 6 outright — including under Westpac's more aggressive path, where rising 2-year rates have erased the previous edge. Lowest entry cost, maximum flexibility to adapt as the picture changes.

⚠ **2 YEAR — ~5.19%**

Harder to justify after recent rate hikes

Now ~54bp above the 1-year rate. With 2Y rates at ~5.19%, the breakeven yr2 rate is **5.73%** — the 1Y rate would need to rise 108bp in 12 months to justify it. No current scenario supports that. If certainty matters more than cost for your situation, it remains an option — but the numbers have shifted against it.

⚠ **3 YEAR — ~5.38%**

Hard to justify on current data

A meaningful premium over rolling short. Breakeven yr3 rate of **5.76%** is not reached by any of the 6 scenarios modelled — Westpac's yr3 implied rate (5.54%) comes closest but still falls short. Difficult to justify without a much more aggressive inflation outlook than any major bank currently holds.

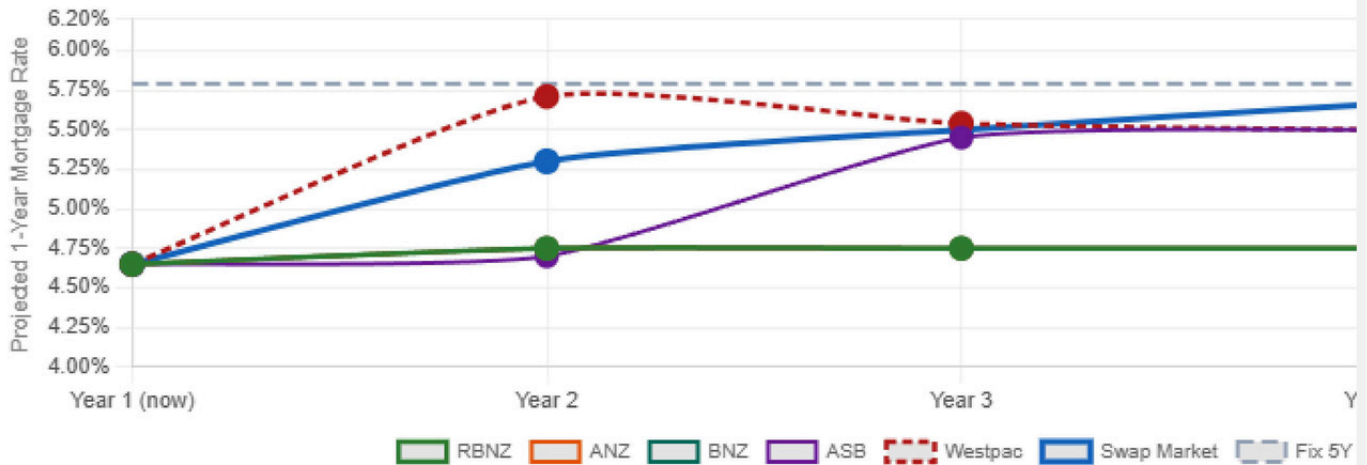
● **5 YEAR — ~5.79%**

A significant commitment

The OCR would need to sustain a high enough average to justify this rate over 5 years. No current bank forecast supports the implied path — rolling short outperforms by \$15K–\$39.5K depending on the scenario. The five-year term offers certainty, but at a substantial cost premium under all current forecasts.

Projected 1-Year Mortgage Rate at Each Annual Rollover

What rate would you be refixing at in each year, under each OCR scenario? The dashed line shows the 5-year fix equivalent (~5.79% avg).



AVG ADVERTISED RATES (ANZ/ASB/BNZ/WESTPAC/KIWIBANK) — 23 APR 2026:

6M
~4.49%

1 YEAR
~4.65%

2 YEAR
~5.19%

3 YEAR
~5.38%

5 YEAR
~5.79%

ROLLING 1-YEAR — RATE AT EACH ANNUAL ROLLOVER (BASED ON FORWARD SWAP RATES + MODEL MARGIN)

OCR Scenario	Pub.	OCR Peak	Rate Yr 1	Rate Yr 2	Rate Yr 3	Rate Yr 4	Rate Yr 5	Avg Rate	Total Interest	vs Fix 5Y
RBNZ Official	Feb MPS	3.00%	4.65%	4.75%	4.75%	4.75%	4.75%	4.73%	~\$177,375	Roll saves ~\$39.8K
ANZ	Apr 13 ✓	3.00%	4.65%	4.75%	4.75%	4.75%	4.75%	4.73%	~\$177,375	Roll saves ~\$39.8K
BNZ	Apr ✓	3.00%	4.65%	4.75%	4.75%	4.75%	4.75%	4.73%	~\$177,375	Roll saves ~\$39.8K
ASB	Apr ✓	3.75%	4.65%	4.70%	5.45%	5.50%	5.50%	5.16%	~\$193,500	Roll saves ~\$23.6K
Westpac	Apr ✓	4.25%	4.65%	5.71%	5.54%	5.50%	5.50%	5.38%	~\$201,750	Roll saves ~\$15.4K
Swap Market	21 Apr ✓	~4.1%	4.65%	5.30%	5.50%	5.66%	5.79%	5.38%	~\$201,750	Roll saves ~\$15,375

Model — bootstrapped IRS forward rates, tenor-adjusted margins. Each year's rate = avg(OCR over the 12-month fixing window) + OIS-IRS spread (0.245%) + tenor margin (1Y: +1.50%, 2Y: +1.55%, 3Y: +1.60%). Margins step up 5bp per tenor to reflect higher bank funding costs at longer maturities. Year 1 uses today's avg 1Y rate of ~4.65% (ANZ 4.69%, ASB 4.59%, BNZ 4.65%, Westpac 4.69%, Kiwibank 4.65%). Swap row uses NZ IRS forward rates bootstrapped from 21 Apr 2026 OIS/IRS data. Fix 5Y cost = 5.79% × \$750K × 5 years = \$217,125 (avg 5Y rate — sourced interest.co.nz 23 Apr 2026). **Key assumption:** Bank margins and cost of funds remain broadly stable through the rate cycle. Actual costs will vary with loan balance, repayment structure, and exact rate timing. Illustrative only, not financial advice. ANZ revised OCR peak to 3.0% (Apr 13 OCR Call Change — 3 hikes from July). BNZ Apr 2026: OCR at terminal rate, first hike not until early 2027. ASB: no 2026 hikes.

STRATEGY COMPARISON — TOTAL 5-YEAR INTEREST COST ON \$750K BY FIX TERM

Scenario	Roll 1Y	Roll 2Y	Roll 3Y	Fix 5Y	Best Strategy
RBNZ (OCR → 3.0%)	\$177,375	\$185,475	\$192,825	\$217,125	Roll 1Y — saves \$39.8K
ANZ (OCR → 3.0%)	\$177,375	\$185,475	\$192,825	\$217,125	Roll 1Y — saves \$39.8K
BNZ (OCR → 3.0%)	\$177,375	\$185,475	\$192,825	\$217,125	Roll 1Y — saves \$39.8K
ASB (OCR → 3.75%)	\$193,500	\$201,900	\$204,075	\$217,125	Roll 1Y — saves \$23.6K
Westpac (OCR → 4.25%)	\$201,750	\$202,650	\$204,075	\$217,125	Roll 1Y — saves \$15.4K
Swap Market (21 Apr)	\$201,750	\$208,875	\$209,325	\$217,125	Roll 1Y — saves \$15,375

2Y roll: Yr 1–2 at today's 2Y rate (~5.19% avg; ANZ/Kiwibank 5.29%, ASB/BNZ 5.09%, Westpac 5.19%), Yr 3–4 at bootstrapped 2Y forward from OCR path (avg OCR[24:48] + 0.245% + 1.55%), Yr 5 at 1Y forward (+1.50%). 3Y roll: Yr 1–3 at today's 3Y rate (~5.38% avg), Yr 4–5 at bootstrapped 2Y forward from OCR path (avg OCR[36:60] + 0.245% + 1.55%). Fix 5Y: 5.79% throughout. Margins: 1Y +1.50%, 2Y +1.55%, 3Y +1.60% — 5bp per tenor, reflecting higher funding costs at longer tenors. With 2Y rates now at ~5.19% avg, Roll 2Y is more expensive than Roll 1Y under every scenario including Westpac.

BREAK-EVEN ANALYSIS — WHEN DOES FIXING LONGER PAY OFF?

Comparison	Today's Rates	Monthly Premium	Break-even Rate	Forecasters Above Break-even	Verdict
Fix 2Y vs Roll 1Y	2Y: ~5.19% vs 1Y: ~4.65%	+\$338/mo in Year 1 (on a \$750K IO loan)	5.73% 1Y rate in Year 2 needed to break even	0 of 6 — None Westpac yr2 (5.71%) just below breakeven; swap mkt 5.30%	Not supported under any current scenario — with 2Y rates at 5.19%, the premium is too large to recover even under Westpac's path
Fix 3Y vs Roll 2Y	3Y: ~5.38% vs 2Y: ~5.19%	+\$119/mo vs Fix 2Y (+\$457/mo vs Roll 1Y)	5.76% 1Y rate in Year 3 needed to break even	0 of 6 — None Closest: Westpac 5.54%, Swap mkt 5.50%	Not justified under any current scenario — no forecaster prices year 3 rates above 5.76%

1Y VS 2Y — THE NUMBERS

Rolling 1Y today costs **\$2,906/mo** on a \$750K IO loan.
Fixing 2Y costs **\$3,244/mo** — \$338 more each month.
That extra cost buys 2 years of rate certainty.
To justify it, Year 2 rates need to exceed **5.73%**.
Today's 1Y rate is 4.65% — rates would need to rise **108bp** in 12 months.

2Y VS 3Y — THE NUMBERS

Fixing 2Y costs **\$3,244/mo**.
Fixing 3Y costs **\$3,363/mo** — \$119 more each month.
That buys an extra year of certainty (Year 3).
To justify it, Year 3 rates need to exceed **5.76%**.
No scenario currently prices above this — swap market yr3 is 5.50%, Westpac 5.54%.

Break-even rates calculated on IO basis at \$750K: extra monthly cost ÷ loan balance = break-even rate differential in the unfixed year. The 1Y/2Y break-even (5.73%) is not crossed by any of the 6 scenarios modelled — Westpac's yr2 implied rate (5.71%) comes closest but falls just below. The swap market yr2 rate (5.30%) and all bank economist yr2 rates are well below this threshold. The 2Y/3Y break-even (5.76%) is also crossed by none of the 6 scenarios — Westpac yr3 is 5.54%, swap market 5.50%, all others below 5.0%. Neither a 2-year nor a 3-year fix is supported by any current scenario.

Disclaimer: This analysis is general information only and does not constitute personalised financial advice. All figures are illustrative, based on a \$750,000 interest-only loan. Actual interest costs will vary with loan balance, repayment structure, rate timing and individual circumstances. OCR paths, forward rates and savings estimates are modelled scenarios, not predictions. Before making mortgage decisions you should seek advice from a financial adviser who can assess your specific situation and circumstances. Rupert Hunt is a New Zealand financial adviser.

Taranaki Home Loans
Financial Adviser ·
Independent mortgage
advice

Sources: RBNZ Feb 2026 MPS track (next MPS: 28 May 2026) · ANZ Apr 13 2026 (revised to 3.0% — 3 hikes from July) · Westpac Apr 2026 (hikes from Dec 2026) · BNZ Apr 2026 (no hike until 2027) · ASB Apr 2026 (no 2026 hikes)
NZ OIS & swap market data: **21 April 2026** · Taranaki Home Loans forecast model
Avg advertised rates: ANZ, ASB, BNZ, Westpac, Kiwibank — **updated 23 April 2026** (BNZ: 1Y +6bp to 4.65%, 2Y +20bp to 5.09%) · Illustrative only — not financial advice