



You are subscribed as %%emailaddress%%

[Forward to a friend](#)

## Dear %%First Name%%

Once again, fixed or variable?

I'll try not to bore you to death but there are several schools of thought about this topic.

After several rate rises in a row it seems evident that we should expect rates to stay where they are or move upwards again. A rate cut is highly unlikely. Given that, the fixed rate question looms again and I am writing to give you a couple of different perspectives on the subject.

There remains a big gap between the variable and the fixed rates. A decent 3 year fixed rate sits at 7.5% and a similar 5 year fixed term closer to 8%. The variable rate today for most clients is around 6.5%. A similar gap between fixed and variable has been in place since rates started dropping. There has been no perfect time to fix in my opinion.

I have been waiting for the fixed rates to fall back towards the variable because for the last 2 years the fixed rates have been sky high. Recently I've noticed that fixed loans have actually held at the same sort of rate for some time now while the variables increase to meet them.

I read an article today where the International Monetary Fund is suggesting to the Reserve Bank they push rates up another 0.75 this year to combat inflation, which seems to still be rising slightly outside the expected range as indicated by a 0.8 increase in inflation during the March quarter when 0.7 was widely tipped taking the headline inflation rate to 2.9% for the year so far. The main contributing factor to the jump was, however, housing which added 0.3 and finance and insurance which added another 0.2.

That is 0.5 of the 0.8 rise directly attributed to the housing boom, but is that just fallout from the first home buyer boost which ended in December? Will the recent rate rises dampen the housing market? If so would it not be likely that this 0.5 inflation spike would reduce?



**Marc Barlow**

Mortgage Broker Melbourne

134 Barkly St

Mornington, VIC 3931

1800 111 626

[info@mortgagebrokermelbourne.net.au](mailto:info@mortgagebrokermelbourne.net.au)

[mortgagebrokermelbourne.net.au](http://mortgagebrokermelbourne.net.au)

- [Our people](#)
- [Services](#)
- [Calculators](#)
- [Guides](#)
- [Contact us](#)

The Reserve Bank target is between 2% and 3% but they don't just watch this one figure, there are 2 other measures they consider, the weighted average and the trimmed mean and both of those have been falling steadily this year.

The IMF also says that, if economic growth continues at the same rate, the cash rate will increase another 1.75 by the end of 2011.

If that were to happen, today's variable rate of 6.5% would increase to 8.25%. Is that a good enough reason to fix now for 3 years at 7.5% or 5 years for close to 8%?

Will China slow? There are signs that they are going through a housing bubble over there, lenders are seriously restricting the amounts they will allow people to borrow fearing a housing crash. If China stalls then our economy ceases to grow so rapidly and rates stop increasing.

It depends on your individual circumstances, some will simply stay variable and increase their payments so they have some available redraw as a buffer if rates rise, others would like the protection of a fixed rate now, even if it may cost them more in the long run.

I wish I knew what was going to happen but even top economists get it wrong. Please do not consider this to be advice to fix, there isn't anyone out there who knows. It is my job to keep you informed. This probably just raises more questions than it answers!

Feel free to call to discuss.

---

The contents of this document are intended for information purposes only and may contain personal opinions of the author. It is not intended to be a substitute for specific financial or legal advice. Before making any decisions you should consider your personal situation, objectives and needs. While all reasonable care has been taken in the preparation of this information, we take no responsibility for any actions taken based on the information contained in the newsletter or for any errors or omissions.

**MortgageBroker**  
**Melbourne.net.au**

[To stop receiving these emails click here.](#)

**Mortgage Broker Melbourne**  
**134 Barkly St, Mornington, VIC 3931**  
**1800 111 626**  
**info@mortgagebrokermelbourne.net.au**