# Interest Rate Swap Market

Without getting too technical, the Interest Rate Swap Market is key component to what you will pay on your fixed rate loan.

Banks will source their funding from a variety of sources, both within and outside of New Zealand. Once Banks source their funds, they on lend to their customers. The customers make their own individual decisions about whether to float or fix, and if so how long they wish to fix.

The Banks can never match their funding interest maturities with their customer's lending maturities. So they use the "Swap Market" to manage their own interest rate risk. The swap market is driven by supply and demand, which in turn is partly driven by the outlook for the New Zealand and International economies.

It is beyond the scope of this website to fully explain the complexities of the interest rate market. But you should understand that the swap market has a major influence on what you are likely to pay for a fixed rate loan.

Other factors are:

Bank funding costs. The actual cost for Banks to raise their funding.

The Bank's own operating efficiency and expectations of profit from their shareholders.

Competition between Banks.

Your own "Credit Quality". The stronger your credit quality the lower the level of capital the Bank will be required set aside to cover your loan, so the lower the margin.

For all that though and in very general terms, if the swap market is lifting, so will fixed interest rates and vice versa. The graphs below should only be used as an indication of what is happening.

As yet we have been unable to find a graph that is as accurate at predicting what is going to happen. As soon as we find one with 20/20 vision you will be the first to know.

To use the Graphs, click on the tabs with 1 year %, 2 year %, 3 year % etc to see the varying terms. You can also change the time line by using the slider at the bottom of the graph.

There are also a number of other graphs you can select.