

WHERE TO FROM HERE?

Up until the recent global financial upheaval, there was arguably negligible difference between fixing or floating your mortgage.

But clearly the situation around interest rates has changed rapidly.

Only a few weeks ago the OCR was set to increase by the end of the year, and interest rates were tipped to rise.

But now global risks reduce the odds of immediate Reserve Bank rate hikes.

"Recent events are a firm reminder that the global economy faces numerous years of hard slog and slow growth to heal itself. In this environment interest rates are not going to be heading up overly aggressively," Cameron Bagrie, ANZ's chief economist says.

"I think people were too sanguine on the global economy a few weeks ago not realising the challenges ahead. Financial crises healing processes are not one, two or three year affairs. Reality appears to have set in."

"Over time interest rates will need to move up, but not aggressively".

"This does not mean there is no value in fixing. It provides certainty. However, in a de-leveraging environment globally, the investors and savers will hold the upper hand. They want to be compensated more for their money so there is now more of a term premium meaning that longer-dated yields have to be higher than short-dated equivalents. This is a structural shift and will see the average cost of fixing above floating."