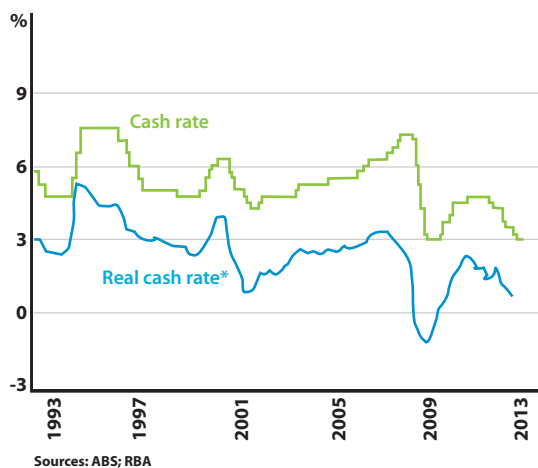


# Bottom of the curve

Where will interest rates go from here?

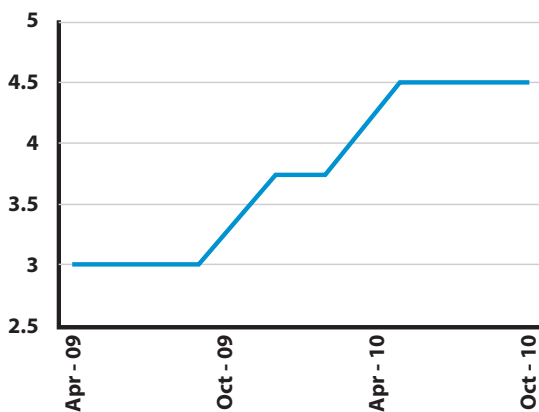
'Bottom of the curve' is a term that has been tossed about since the beginning of this year. The RBA began dropping the cash rate steadily in November 2011 after a 13 month period of no change to official cash rates. Rates were then held at the lowest level on record at 3.0% through the first quarter of 2013.

Despite the Reserve Bank dropping official rates to an historical low of 2.75% in May 2013 opinion remains divided as to where cash rates will head for the rest of the year. We are however aware that cash rates are either approaching or at the bottom of the curve.



Cash rate to April 2013

The concern is that the last time rates began to rise, the increase was rapid. In fact there was a 1.5% increase in the cash rate over just 8 months. We all know that when the cash rate increases, so does the interest rate.

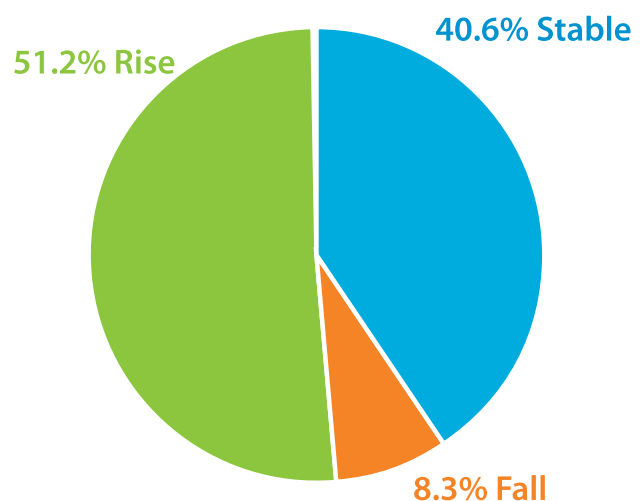


Cash rate April 2009 - October 2010

*20-30% of all borrowers opted to fix some of their loan in March 2013*

## But what about the housing market?

Being driven by improving consumer confidence, the housing market is starting to show some signs of a rebound. A housing market sentiment survey conducted by Nine Rewards and RP Data in early March showed over **half of the respondents believe home values will increase over the next 12 months**, an increase of almost 10%. The responses showed that the vast majority were expecting growth in home prices to be moderate.



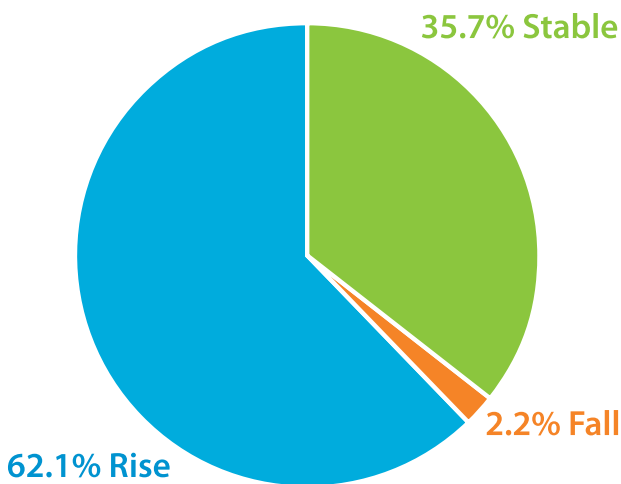
Housing prices  
Source RP Data - Nine Rewards

# Bottom of the curve

Where will interest rates go from here?

## And rental returns?

The housing market sentiment showed positive results for rental returns as well with **62% of respondents expecting rental rates to increase over the next 12 months.**



*Rental returns*  
Source RP Data - Nine Rewards

## Property investment

Sentiment is a major driver in the property market and it is a positive sign that consumer confidence is improving. Clearance rates at auctions have also been increasing. Melbourne, Sydney and Perth have been leading the way with clearance rates around 60%.

Vacancy rates have also remained fairly steady with the national average reported at 1.9%.

## Housing prices

Conditions are good for existing property investors and would be investors. The March quarter showed an average 1.3% growth in housing prices across Australia, with Sydney the best performing at 3.4%. Adelaide was the only city to record a drop of -0.5%. This rate of growth is being tipped by economists to settle and become more moderate over the coming months.

## So what does this all mean?

Housing prices are showing signs of increase, rental returns are looking up and there is still high demand for rental housing.

If you have been **considering a new home or an investment property, the market is showing signs of life.**

There are undoubtedly very attractive fixed rates still on offer and many Australians have been tempted. In March all major lenders saw between 20-30% of borrowers opting to fix all or a portion of their loan.

Fixing a loan is just one option to consider when reviewing your finance. As everyone has different circumstances and requirements, we encourage you to take time to review your personal situation. Then call us before the opportunity to obtain these low rates is missed.



**Still can't decide what to do with your loan? Ask us for our article 'To fix or not to fix?'**



**15 Tench Street**  
**Kingston ACT 2604**  
**T: 0402 098 783**  
**E: [info@sovafinancial.com.au](mailto:info@sovafinancial.com.au)**  
**[www.sovafinancial.com.au](http://www.sovafinancial.com.au)**