SOUTH WAIRARAPA DISTRICT COUNCIL
Kia Reretahi Tātau

Treasury Update

23 July 2026

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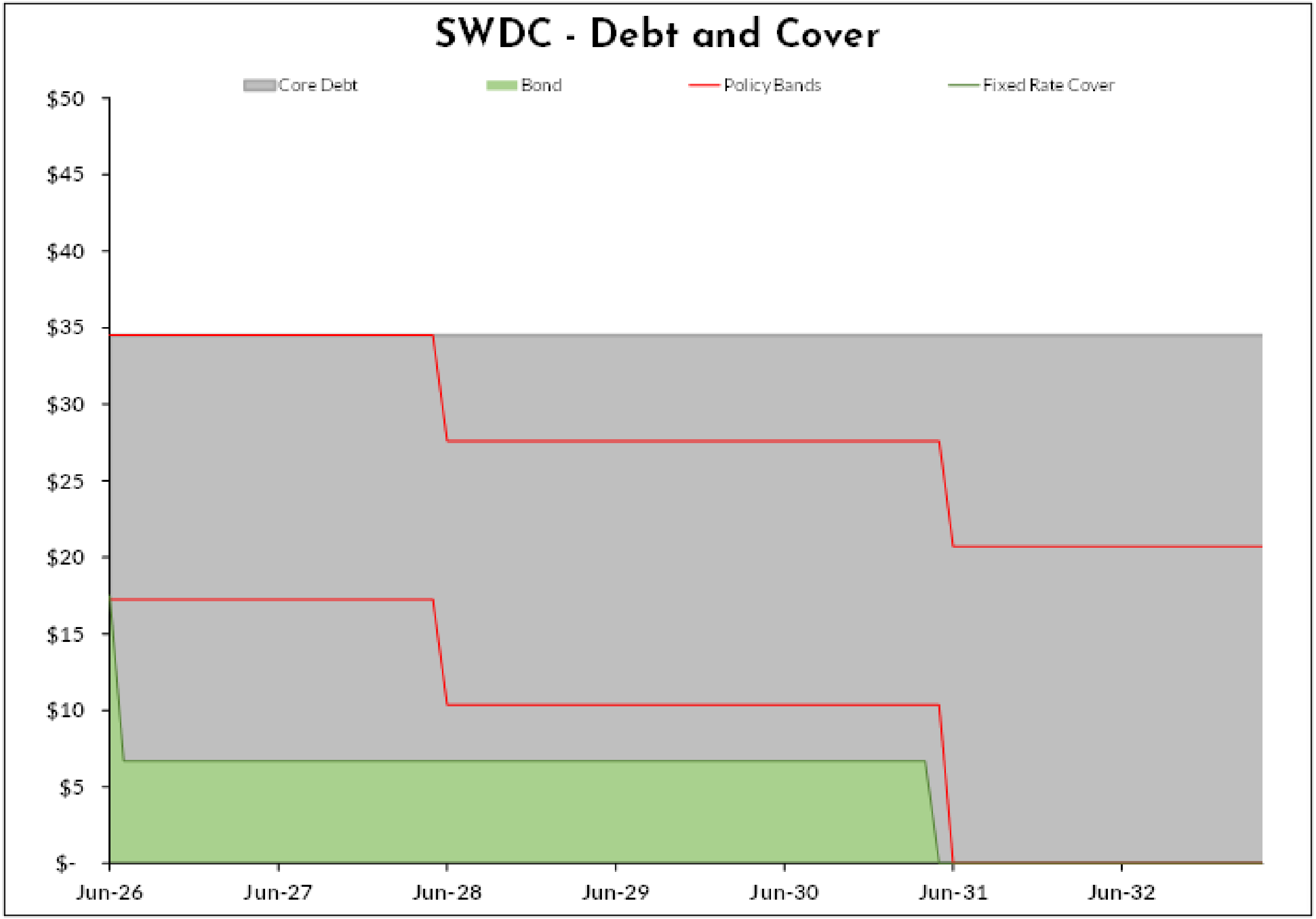
BANCORP TREASURY SERVICES LIMITED

Debt position 30 June



- Drawn debt was stable and we note that most current debt is linked to water activities which will be transferred to the new CCO soon after June 2027.
- Approval has been given to act outside of policy because the water debt is being transferred within the next 12 months.

Debt position 30 June

Funder	Principal	Orig Term (yrs)	Rate	Start Date	Maturity
LGFA	10,800,000	0.25	2.765%	15-Apr-26	14-Jul-26
LGFA	6,700,000	10.00	2.72%	17-May-21	15-May-31
LGFA	17,000,000	0.75	2.97%	13-Feb-26	13-Nov-26
	34,500,000		Weighted Ave Debt Cost		**2.86%**

- Outstanding gross debt on 30 June was $34.5M.
- Working capital cash balances of $4.1M including $2.1M of TDs at average rate of
- Weighted average cost 2.86%

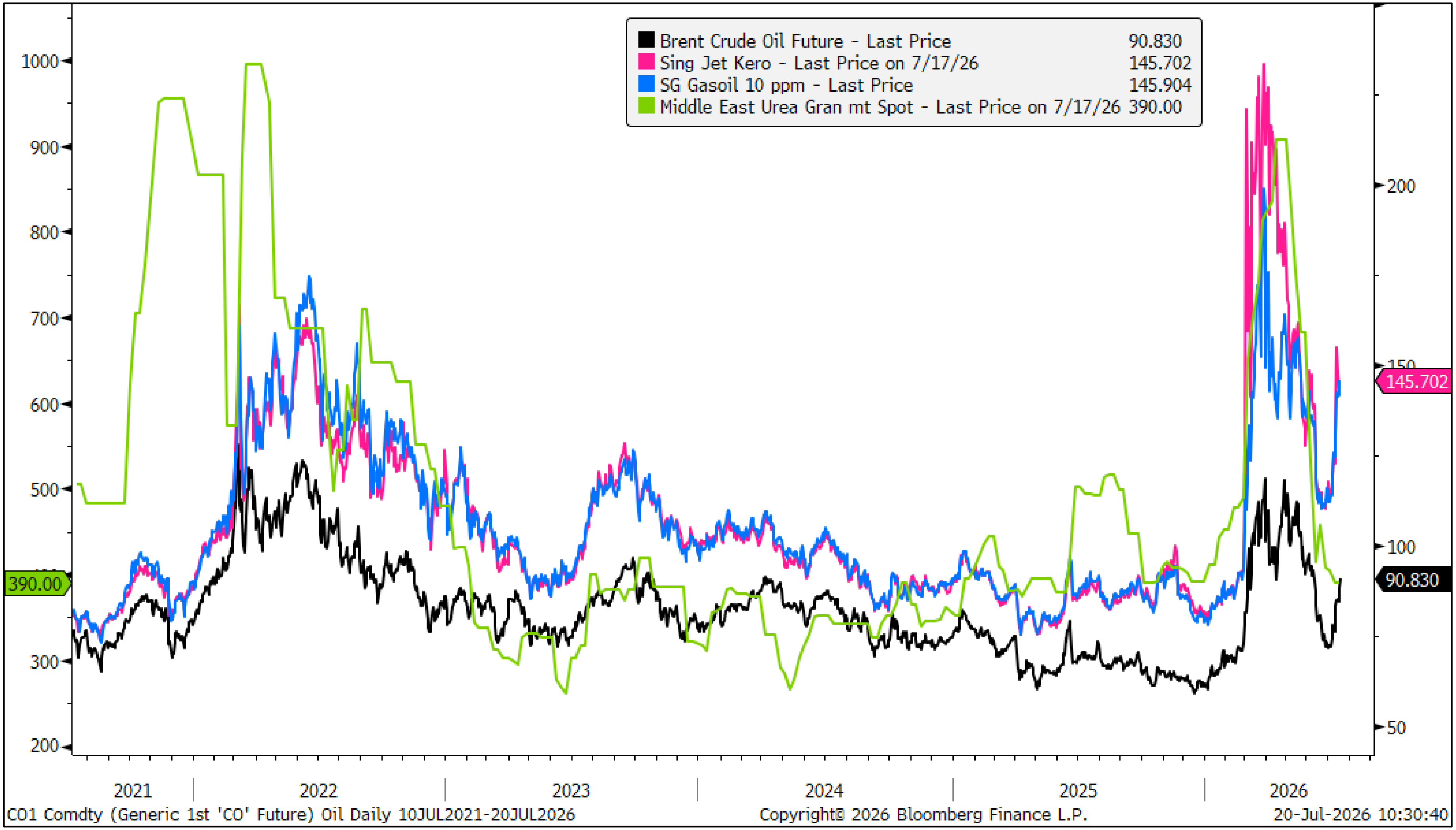
Background

- In mid-June, when confidence re the US/Iran deal was at its peak, brent crude fell to $72 a barrel.
- However, with the deal between the US and Iran breaking down it is now back around $89. While this is well below the $125 peak when this all kicked off, the latest increases will have Central Bank's around the global nervously monitoring inflation expectations.
- The increase in hostilities has bond yields higher with the US10-year bond yield at 4.60%. The US dollar index has drifted up to 100.80, but is well below recent highs around 101.60, despite higher US bond yields and increasing speculation around a 0.25% hike by the Federal Reserve before Christmas.
- The NZD/USD remains below fair value, which is a tailwind for exports, but the prospect of higher rates is starting to add support.
- After the RBNZ increased the OCR by 0.25% it signaled that further hikes will be required, albeit into its 'neutral' 3.00% to 3.50% range. Market pricing has a peak between 3.50% and 3.75% by Q3 2027. Inflation data for Q2 was broadly in line with market expectations with the 1.50% increase down to fuel price increases and the secondary impacts.
- Growth and inflation data over coming months will be the key but at this stage we still expect the OCR to top out between 3.00% and 3.50%.

<u>Upcoming Central Bank meetings</u>

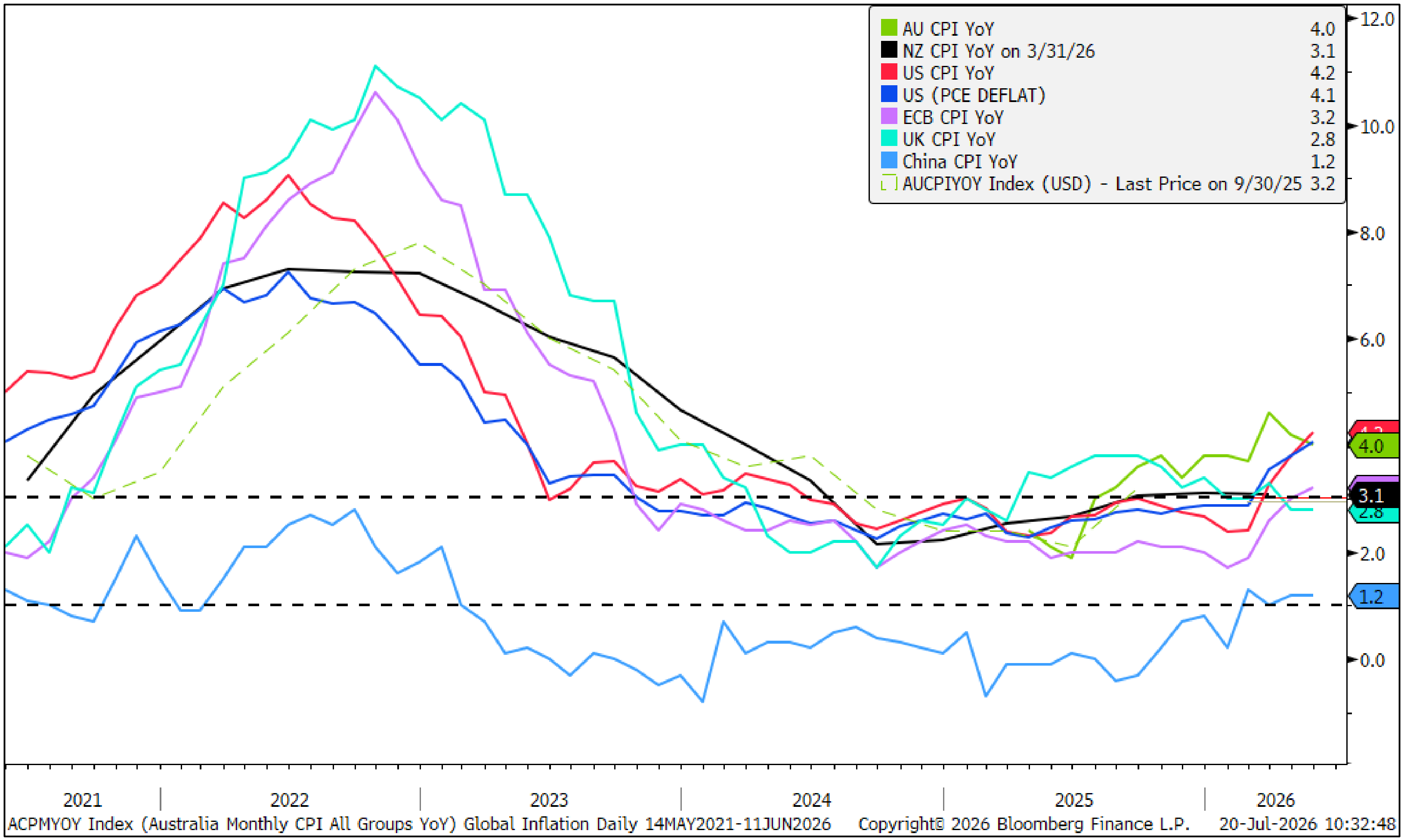
• 29 July	Fed	10% chance of 0.25% hike priced in (to 3.75% to 4.00%)
• 11 Aug	RBA	15% chance of 0.25% hike priced in (to 4.60%)
• 2 Sept	RBNZ	90% chance of 0.25% hike priced in (to 2.75%)

Oil Prices (USD)

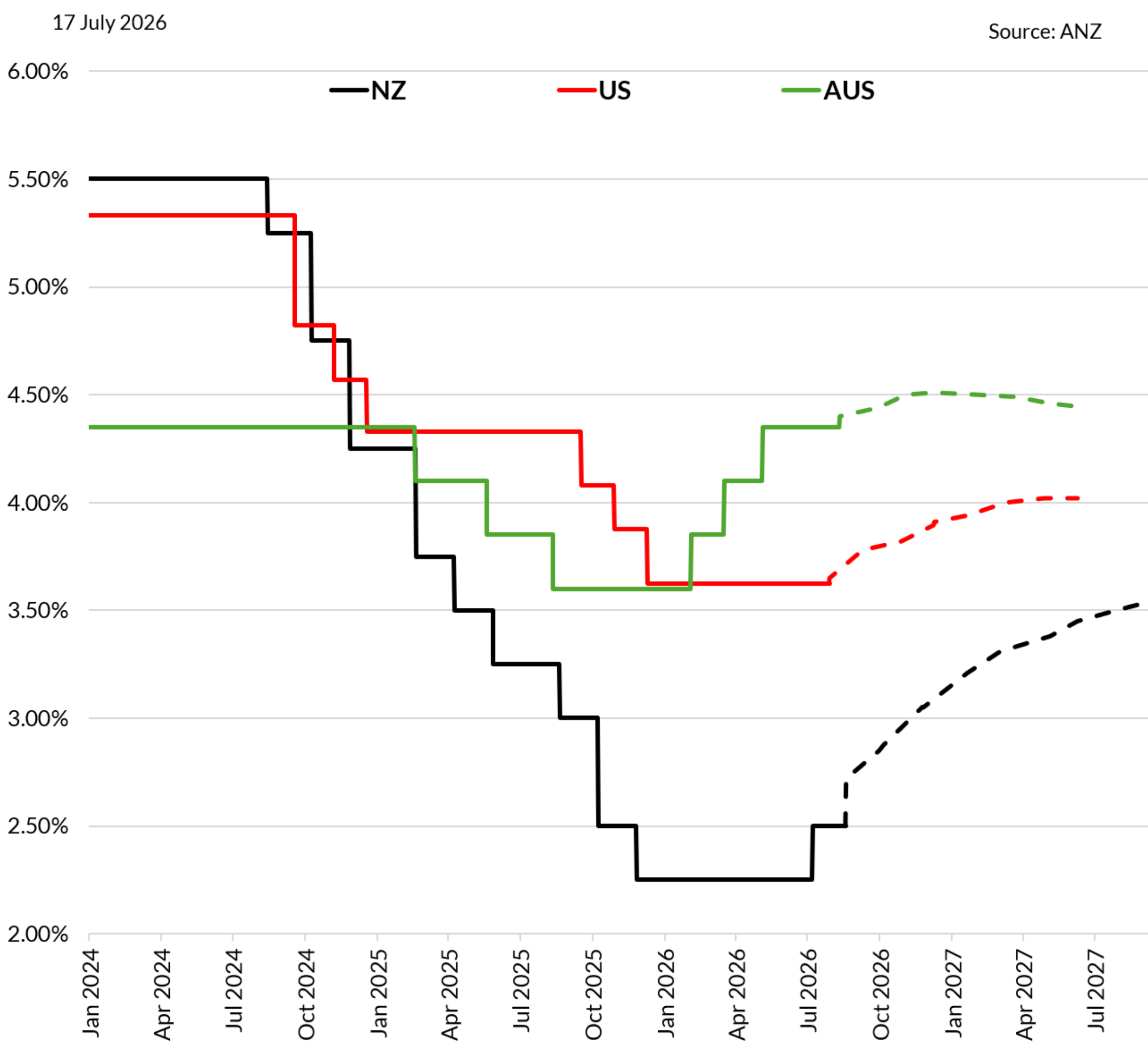


- Markets are now pricing in an expectation this war will drag on.

Global Inflation Measures



Market monetary policy expectations



New Zealand	Rate	Change from current
Current Rate¶	*2.50*	
Wed 2 Sep 26	2.72	*0.22*
Wed 28 Oct 26	2.85	*0.35*
Wed 9 Dec 26	3.05	*0.55*
Wed 10 Feb 27	3.21	*0.71*
Wed 17 Mar 27	3.31	*0.81*
Wed 5 May 27	3.38	*0.88*
Wed 16 Jun 27	3.45	*0.95*
Wed 4 Aug 27	3.50	*1.00*
Wed 15 Sep 27	3.54	*1.04*
Wed 27 Oct 27	3.57	*1.07*

USA	Rate	Change from current
*Effective FFR^*	3.63	
Wed 29 Jul 26	3.65	*0.03*
Wed 16 Sep 26	3.78	*0.15*
Wed 28 Oct 26	3.82	*0.20*
Wed 9 Dec 26	3.91	*0.28*
Wed 27 Jan 27	3.94	*0.32*
Wed 17 Mar 27	4.00	*0.38*
Wed 28 Apr 27	4.02	*0.40*
Wed 9 Jun 27	4.02	*0.39*

Australia	Rate	Change from current
Current Rate ∆*	4.35	
Tue 11 Aug 26	4.40	*0.04*
Tue 29 Sep 26	4.44	*0.09*
Tue 3 Nov 26	4.50	*0.15*
Tue 8 Dec 26	4.51	*0.16*
Tue 9 Feb 27	4.50	*0.15*
Tue 23 Mar 27	4.49	*0.14*
Tue 4 May 27	4.46	*0.11*
Tue 22 Jun 27	4.44	*0.09*

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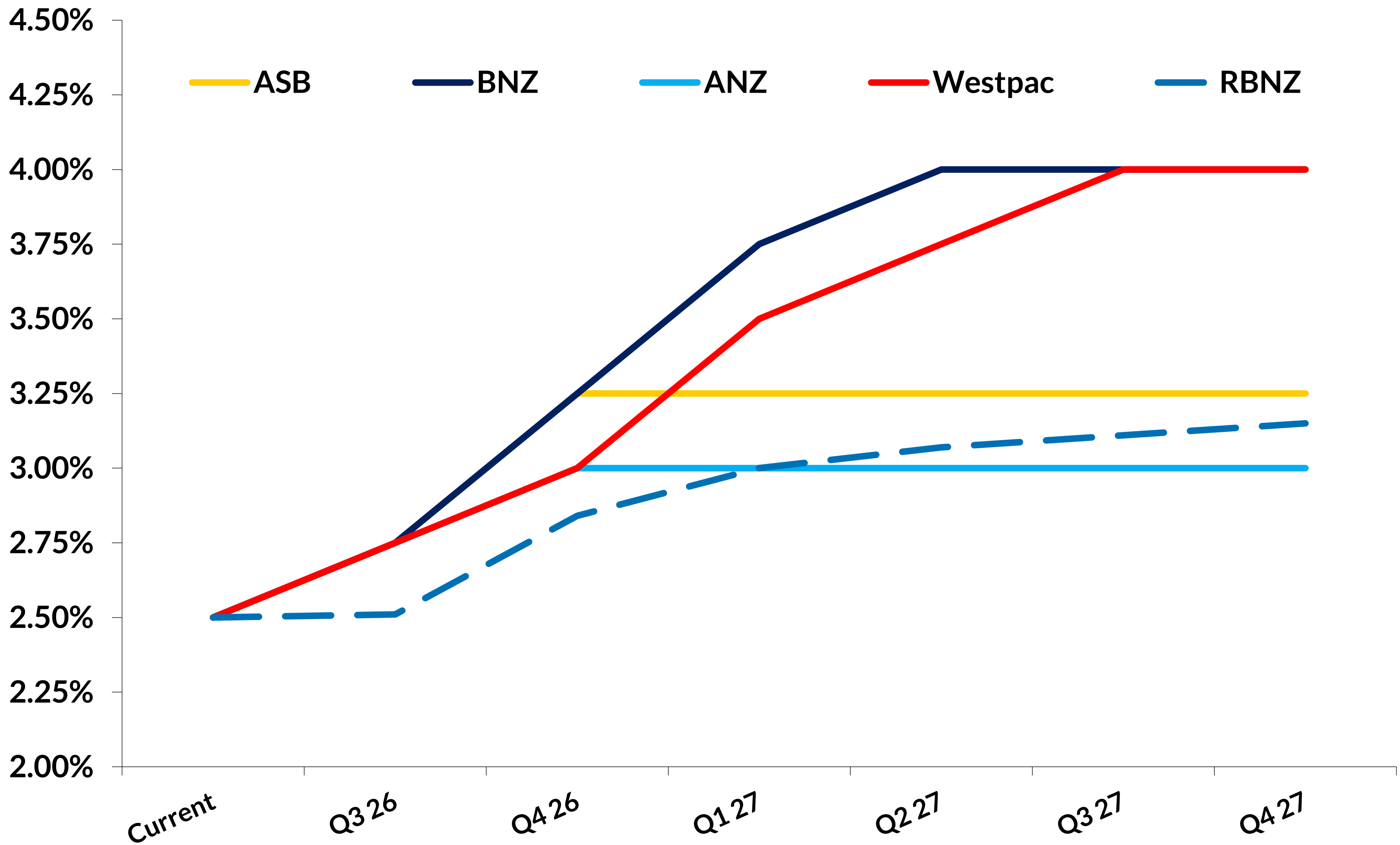
Economists OCR Forecast



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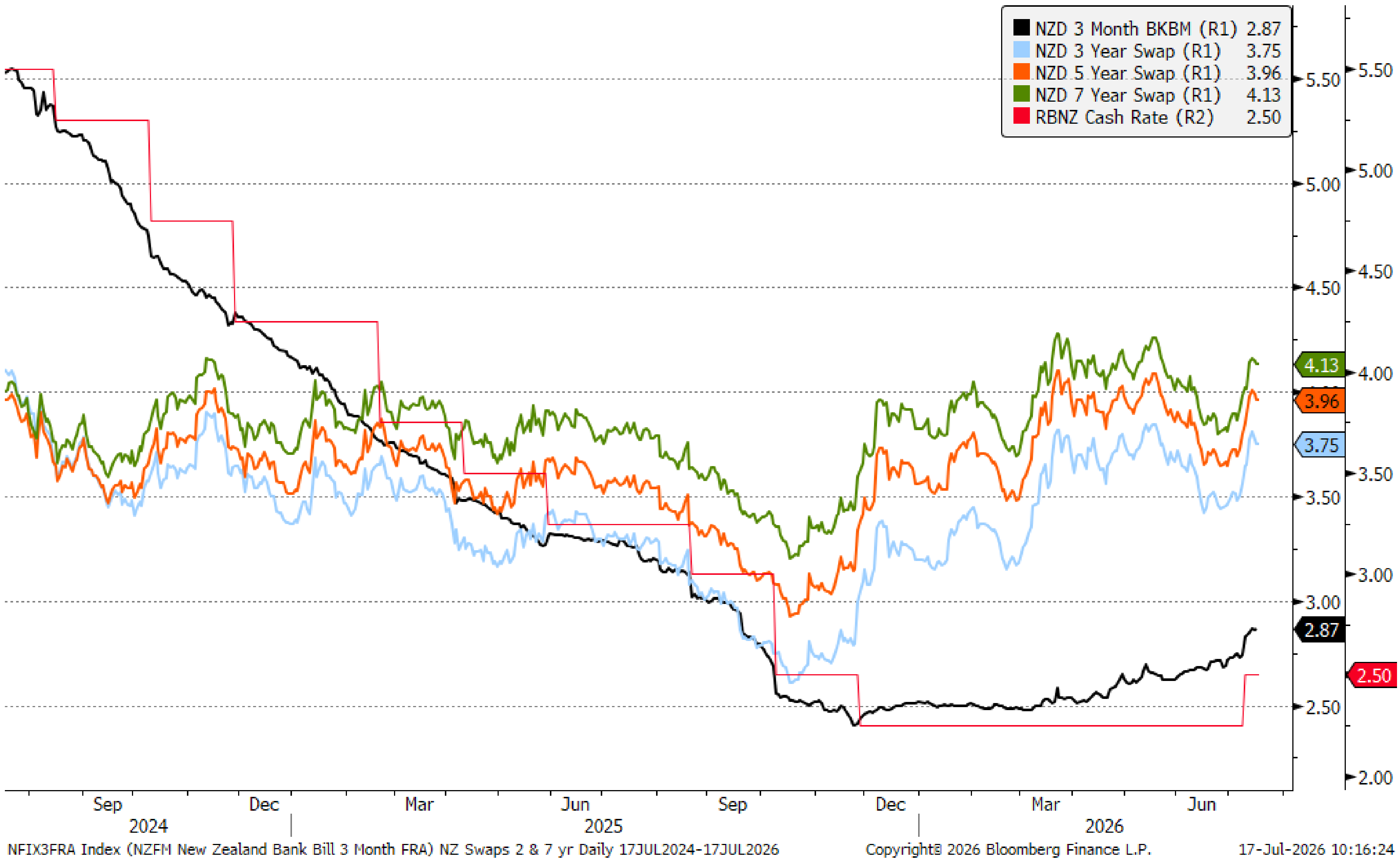
Historical swap rates (2-years)



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Historical swap rates (10-years)

NFIX3FRA Index (NZFM New Zealand Bank Bill 3 Month FRA) NZ Swaps 2 & 7 yr Weekly 19JUL2016-17JUL2026

17-Jul-2026 10:17:12

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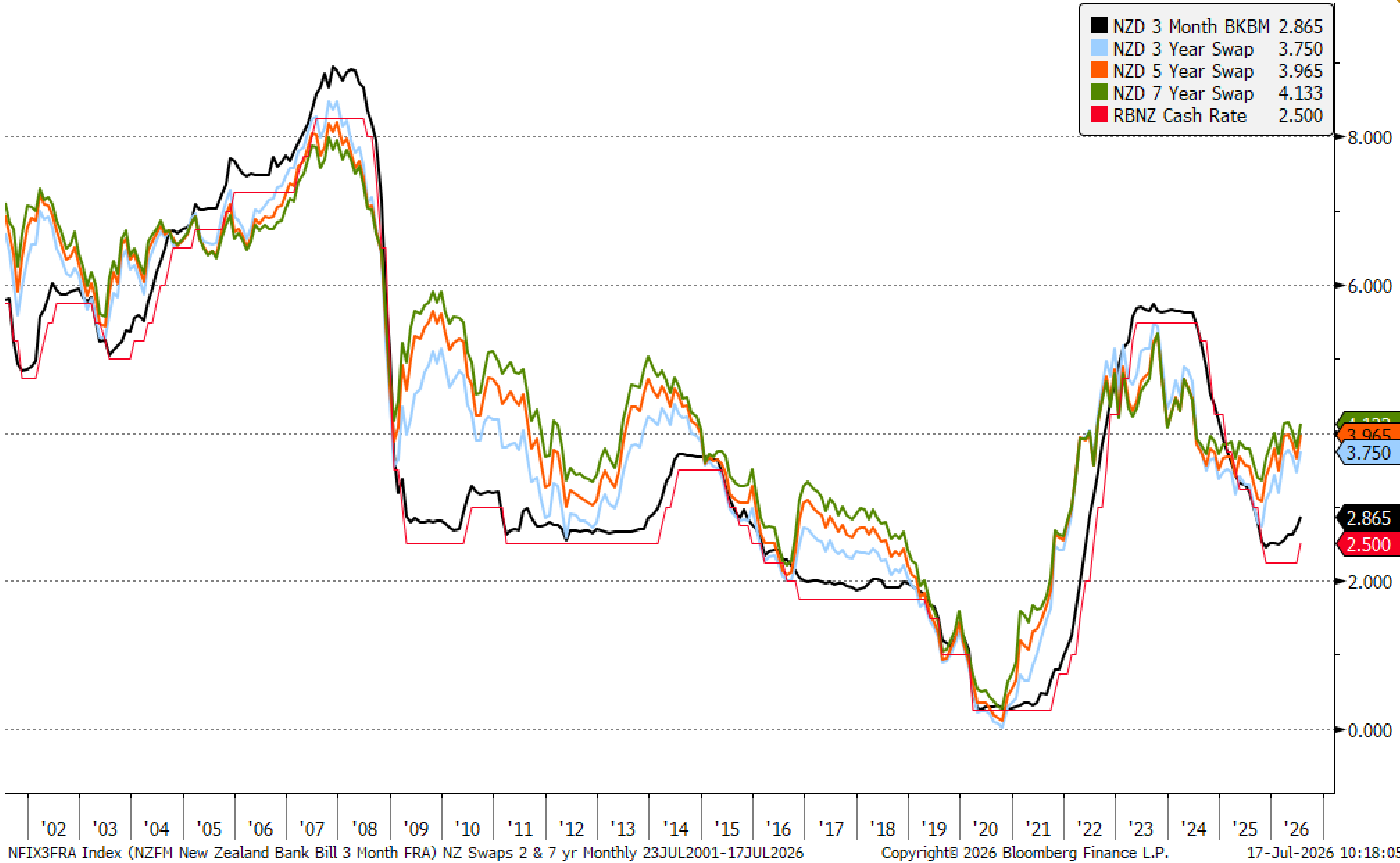
Historical swap rates (25-years)



NZD/USD 10-years

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