Council Borrowing Rates and Update

Thursday, 4 June 2020

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Short Term Borrowing	BKBM Base Rate	Borrowing Yield Rated Councils	Borrowing Yield Unrated Councils
1 month	0.265%	0.515%	0.625%
2 month	0.260%	0.510%	0.620%
3 month	0.255%	0.505%	0.615%
4 month	0.257%	0.507%	0.617%
5 month	0.258%	0.508%	0.618%
6 month	0.260%	0.510%	0.620%
1 year	0.260%	0.560%	0.670%

Short Term Borrowing Update:
Groundhog day/week for money markets with yields unchanged to 0.5 bps lower across the curve and remains just above the 0.25% OCR. Markets are however pricing in a 21 bps fall in the OCR to 0.04% by May 2021.

Long Term Borrowing Update:
Bond yields higher and the curve steeper for the second consecutive week with longer end yields climbing due to "risk on" sentiment in global markets. Outright yields are 2 bps (2022s) to 17 bps (2033s) higher and LGFA borrowing spreads wider by 2 bps in the front end and 7 bps in the 2033s on recent increase in supply. LGFA $200m bond tender yesterday combined with $1.36 billion of "AAA" rated Kauri issuance over past month has dented market sentiment after both LGFA and Housing NZ each issued $1 billion of bonds in April and we issued $200 million in May.

Fixed Rate Long Term Borrowing	Base Yield	Borrowing Yield AA rated Councils	Borrowing Yield AA- rated Councils	Borrowing Yield A+ rated Councils	Borrowing Yield Unrated Guarantors	Borrowing Yield Non Guarantors
May-21	0.36%	0.56%	0.61%	0.66%	0.76%	0.86%
Apr-22	0.41%	0.61%	0.66%	0.71%	0.81%	0.91%
Apr-23	0.52%	0.72%	0.77%	0.82%	0.92%	1.02%
Apr-24	0.61%	0.81%	0.86%	0.91%	1.01%	1.11%
Apr-25	0.78%	0.98%	1.03%	1.08%	1.18%	1.28%
Apr-26	0.92%	1.12%	1.17%	1.22%	1.32%	1.42%
Apr-27	1.05%	1.25%	1.30%	1.35%	1.45%	1.55%
Apr-29	1.31%	1.51%	1.56%	1.61%	1.71%	1.81%
Apr-33	1.69%	1.89%	1.94%	1.99%	2.09%	2.19%

Floating Rate Long Term Borrowing	Base Margin	Borrowing Margin AA rated Councils	Borrowing Margin AA- rated Councils	Borrowing Margin A+ rated Councils	Borrowing Margin Unrated Guarantors	Borrowing Margin Non Guarantors
May-21	14 bps	34 bps	39 bps	44 bps	54 bps	64 bps
Apr-22	20 bps	40 bps	45 bps	50 bps	60 bps	70 bps
Apr-23	29 bps	49 bps	54 bps	59 bps	69 bps	79 bps
Apr-24	34 bps	54 bps	59 bps	64 bps	74 bps	84 bps
Apr-25	43 bps	63 bps	68 bps	73 bps	83 bps	93 bps
Apr-26	48 bps	68 bps	73 bps	78 bps	88 bps	98 bps
Apr-27	58 bps	78 bps	83 bps	88 bps	98 bps	108 bps
Apr-29	60 bps	80 bps	85 bps	90 bps	100 bps	110 bps
Apr-33	84 bps	104 bps	109 bps	114 bps	124 bps	134 bps

Note: All the above borrowing yields and spreads are fully inclusive of the applicable base lending and credit margins outlined below

Short Term Lending Margins	30 to 181 days	182 to 364 days
Rated Councils	25 bps over BKBM	30 bps over BKBM
Unrated Councils	36 bps over BKBM	41 bps over BKBM

Long Term Base Lending Margin	All Terms Beyond 1 year
	20 bps

Upcoming Bond Tender Dates

- 8 July 2020
- 13 August 2020
- 7 October 2020
- 12 November 2020
- 14 December 2020

Long Term Credit Margin (added to Base Lending Margin)	AA and AA+	AA-	A+	Unrated Guarantor	Non Guarantor
	0 bps	5 bps	10 bps	20 bps	30 bps