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Brief updates on portfolios, markets & more 25 September 2025

The Swiss National Bank's monetary policy of the steady hand

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PRIVATE BANKING

The Swiss National Bank is pursuing its monetary policy with a steady hand and leaves the key interest rate at 0%. This decision appears reasonable given the current economic and political situation and aligns with financial market expectations. The Swiss economy continues to perform relatively well despite the US tariff shock, core inflation remains within a healthy range, and the ECB is also keeping key interest rates unchanged for now, with little indication of change ahead. As a result, the Swiss franc has shown hardly any movement against the euro since the end of June. Since we currently anticipate fewer interest rate cuts by the US Federal Reserve than the market does, we also see less pressure on the SNB to reduce its key interest rate further. Hence, we do not expect any further changes to the SNB's key interest rate until at least the end of this year, and likely not before mid-2026.

A high hurdle for a negative policy rate

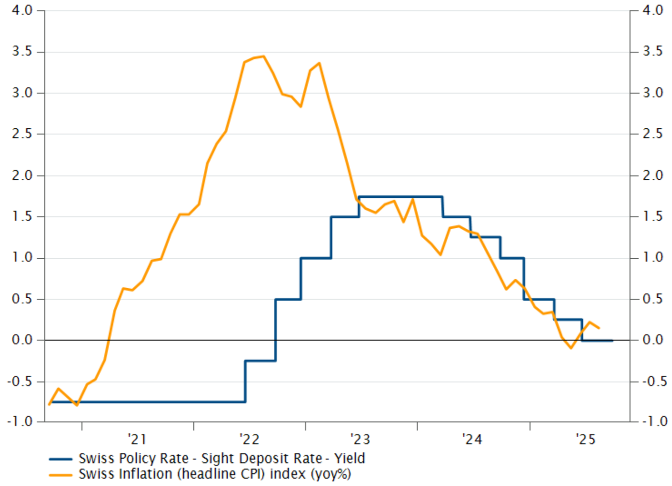
In both its press conference and its written assessment, the SNB committee highlighted the considerable uncertainty facing the Swiss export sector, which also remains the biggest question mark in our current economic outlook for Switzerland. Should a significant deterioration occur, the SNB could come under greater pressure to lower interest rates below zero after all. Nevertheless, SNB President Martin Schlegel emphasised several times that the SNB sees a bigger hurdle in going "below zero" than in a conventional interest rate cut of 25 basis points. We interpret these statements to mean that the SNB is now more attuned to the drawbacks of a negative key interest rate than it was when it first moved below zero. Consequently, the a further deterioration of the Swiss economy—particularly in the export sector due to US import tariffs—would need to be significantly more severe for the SNB to consider taking the step of cutting rates "below zero" again.

The delicate situation around the US-Swiss tariff dispute could influence the SNB

At the press conference, the three-member SNB Governing Board also stated that it continues to see both instruments —a cut in the key interest rate to below zero and possible interventions in the foreign exchange market— as valuable policy tools, should circumstances require them. However, given the tense situation with the US over the tariff dispute, we see little appetite on the SNB's part to risk once again having to justify to US authorities that Switzerland is not engaging in 'currency manipulation'. We therefore expect the SNB to exercise great caution in deploying this instrument, at least until a resolution is reached in the tariff dispute.

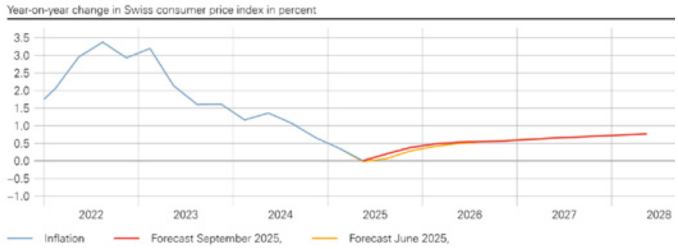
In addition, with the SNB's inflation broadly unchanged from June—and even showing a slight upward revision in the second quarter of 2028, which was projected for the first time—today's decision appears consistent and should not come as a surprise to the financial markets.

1. As long as inflation stays steadily above, the SNB will likely stay at zero



Source: FactSet, SNB, Syz Bank

2. The SNB's inflation forecast shows a slightly stronger inflation for the coming quarters



Source: SFSO, SNB

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