Investments - Flash

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SNB RATE HIKES ARE EXPECTED

CHF bond yields are attractive again

The Swiss market is no exception to the recent correlation between capital markets. In spite of different economic cycles and different monetary policies, the less favorable than expected development of inflation in most countries has rekindled uncertainties in monetary policy. In Switzerland, too, the January and February inflation figures have rekindled speculation that the SNB will tighten its policy. While expectations were previously more moderate and supported by monthly inflation close to zero, the adjustment since then has caused yields to rise by 50 bps on most maturities. While the SNB's key interest rate expectations are now at 1.5%, two-year federal government yields, as well as the Confederation's two-year and 10-year bond yields have also reached 1.5%.

We had already announced that the sharp rise in the Swiss yield curve at the end of the year seemed premature in the economic context and in view of the prospect of a reduction in inflationary pressures in 2023. At the time, we considered these yield levels to be opportunities for Swiss investors, who had been deprived of them since 2014 if inflation remained on a downward trend. Today, the projected level of key rates for the first half of the year of around 1.5% to 2% is already close to that observed across the entire government yield curve. We believe that they have therefore reached a likely level of stabilization in the context of the current economic slowdown and an upcoming decline in inflationary pressures. In this context, Swiss bonds offer attractive new prospects.