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# Investments - Flash

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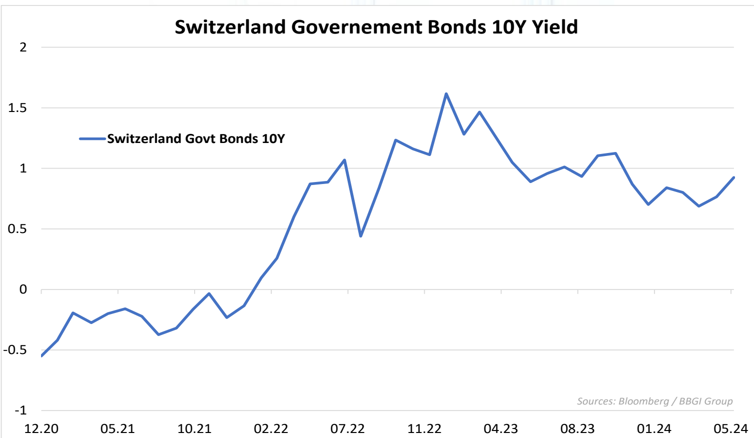
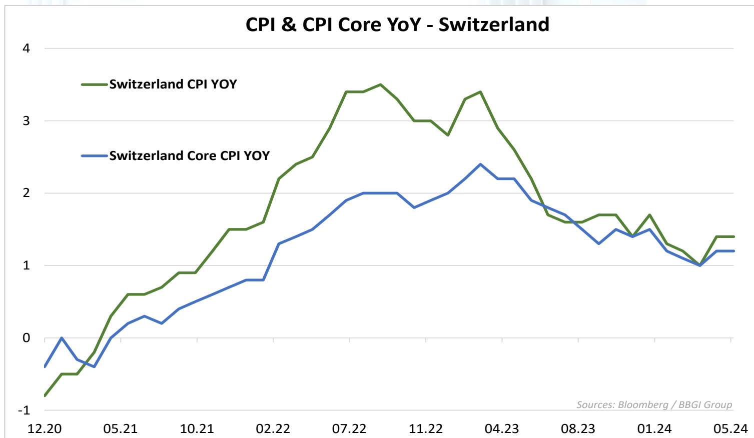
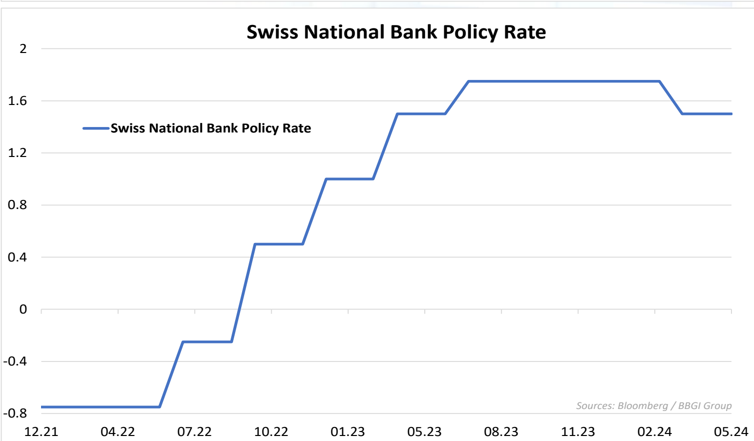
## TEN-YEAR INTEREST RATE TARGET REACHED FOR CONFEDERATION

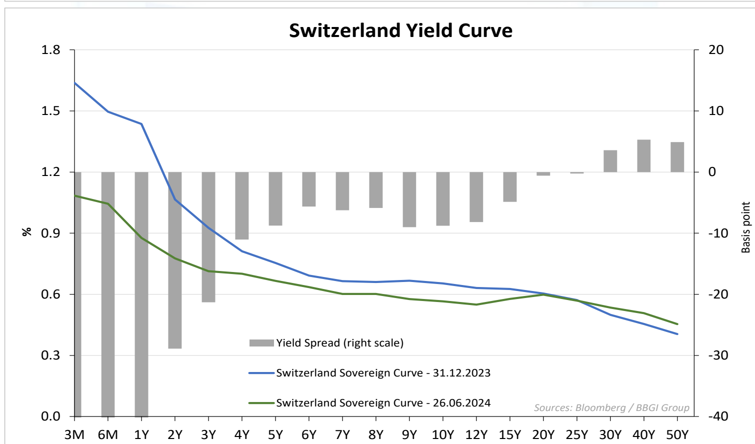
Inflation already expected to fall to 0.5%.

The Swiss National Bank did not initially react to the rise in inflation following the Covid crisis, which strengthened in 2021 and 2022, peaking in August at 3.2% (CPI all items). Inflation had already started to trend downwards, as the SNB raised rates for the first time from -0.75% to -0.25%. It is also interesting to note that the Confederation's long rates had already peaked at this time (June 2022) at 1.6%. A year later, key rates ended their ascent at 1.75%, and the SNB adopted a wait-and-see policy. After nine months of observation, the SNB finally embarked on a new, less restrictive monetary policy cycle, easing rates by 0.25% in March, as we had announced. For two years now, inflation in Switzerland has been deflating, reaching just under 1.15%/year for May 2024. The downward trend predicted by BBGI for Swiss long-term interest rates has thus largely materialized over the past fifteen months, reaching a new low of below 0.6%. Our forecasts of declining inflation and a change in monetary policy have also materialized, with the same expected time lag for SNB action. Our current expectations for long rates are still 0.4% for the next low point in the current cycle, provided that Swiss inflation declines again and also approaches 0.5%/year in the coming months. That said, the recent movement has been very close to our forecast, probably already incorporating the 0.5%/year inflation outlook to a greater extent. The prospects of capital gains on Swiss franc bonds are therefore increasingly limited. The recent trend in Swiss yields is no longer of much interest, except to foreign investors still hoping to make foreign exchange gains.



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