Investments - Flash

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NEGATIVE INTEREST RATES LIKELY TO RETURN TO SWITZERLAND ON 11/12

The collapse of GDP and deflation will push the SNB into action

The SNB is now facing the reality of a decline in growth. The shock of US tariffs caused a proven contraction in GDP of -0.5% in Q3, while uncertainty continues to push investors towards the CHF. The strength of our currency is acting like a slow poison, eroding the margins of an industry already in recession and creating lasting deflation. The risks of deflationary expectations becoming entrenched are increasing, as the policy of maintaining the status quo at 0% has not been enough to stem the deterioration in fundamentals. On December 11, the SNB will undoubtedly announce a return to negative rates, now the only way to avoid a downward spiral. A mere 25 basis point cut would likely be perceived by the markets as a cosmetic measure, incapable of countering the appreciation of the franc or reviving sluggish domestic demand. We believe that radical action is more necessary than ever and that a 50 basis point cut in key interest rates is the appropriate response. We have been saying since June that such a decision was essential to create a sufficient psychological shock and divert speculative capital away from the franc, signaling to investors and economic agents that the SNB will do "whatever it takes" to pull Switzerland out of deflation and the technical recession that threatens 2026.