

## Research

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### Twelve more months of zero-interest rate policy

- **March feels like a lifetime ago.** Yet after three months of global chaos, the Swiss National Bank finds itself right where it started. On June 18th, the bank is set to keep its policy rate steady at 0.00 percent – meaning they'll have maintained a zero-interest rate policy for a full year. Looking ahead, expect at least twelve more months of frozen rates – stretching all the way to the March 2027 meeting (the end of our forecast horizon);
- **Since the last policy meeting, the Swiss franc has notably weakened from its safe-haven peaks – giving the SNB breathing room to redirect its focus toward inflation risks.** Nevertheless, subdued economic growth will stop the bank from executing a true hawkish tilt. Whether framed as data dependence or something else, the SNB will keep its future playbook wide open;
- **The Swiss franc's recent depreciation against both the euro and the dollar opens the road for the SNB to drop the term "heightened" from its FX jawboning playbook.** Nevertheless, given lingering global uncertainty – with an untested deal between the US and Iran – I think it will keep a 'heightened willingness to intervene in FX markets' for another three months;
- **Given the Swiss National Bank's aversion to altering its message in between meetings, we now face another quarter of near-identical messaging.** It reminds me of the time I spoke with SNB Governing Board member Petra Tschudin about being an SNB watcher. Once she realized that meant I read through all of the – virtually identical – interviews given by SNB board members, her response was simply: "I'm sorry";
- **Turning to markets, punters are finally capitulating to what has been our view throughout the entire war: the SNB will remain on hold for the foreseeable future.** Rate-hike pricing has completely lost steam. At the time of our [last update](#) two weeks ago, SARON overnight index swaps were still pricing in over 12bps of hikes for 2026, peaking at nearly two full hikes in late March. Fast forward to today and year-end pricing has fallen to less than 5bps of hikes;
- **Punters haven't completely given up on a March 2027 hike just yet, but SARON swaps are now leaning towards a hold.** Down from a full hike priced in just two weeks ago. With the war in the Middle East winding down as expected I remain convinced: the forecast calls for at least twelve more months of a zero percent policy rate.

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