

Research

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Steady as she goes

- **Ok, campers, rise and shine.** No talk of task forces or family fights in Bern this morning. The Swiss National Bank delivered exactly what we expected in our preview – leaving the policy rate unchanged. More importantly, the accompanying statement suggests that the messaging has barely shifted from the March meeting. Expect another three months of near-identical SNB speak - and twelve more months of zero-interest rate policy;
- **Starting with inflation, the SNB nudged its conditional inflation forecast slightly higher in the near term, but still expects inflation to remain in the lower half of the target range.** The adjustment remains a story of the Iran-related commodity shock. Crucially, the medium-term inflation outlook from mid-2027 onwards remains virtually unchanged, with the SNB seeing no meaningful second-round effects from the oil shock yet. Little incentive for the SNB to move, especially with economic growth remaining sluggish;
- **During the post-meeting press conference, questions focused on the possibility of tactical rate hikes to rebuild policy space above zero.** SNB President Martin Schlegel stuck to the bank's no-forward-guidance playbook, sidestepping a direct answer and reiterating that there is no reason to act right now;
- **We do not expect that assessment to change in the near future.** The commodity-driven part of headline inflation should start to fade towards the end of the year, and the Swiss economy remains sluggish and exposed to headwinds. The one factor that could create room for a move is the widening interest-rate differential with both the Eurozone and the US easing pressure on the franc – a development the SNB itself acknowledged. However, with our expectation that the ECB will return to rate cuts in the first half of 2027, the argument for hiking purely to rebuild policy space remains a non-starter;
- **Shifting to FX, the SNB maintained its stance of an “increased willingness to intervene” in the foreign exchange market – a phrase introduced at the last meeting to push back against safe-haven flows that had driven the franc stronger.** However, there was one notable tweak to messaging: the SNB added the qualifier “if necessary” to the statement and repeated it during the press conference. That small addition gives the SNB more flexibility to escalate verbal intervention if safe-haven pressure returns;

- **Make no mistake, the SNB's actual stance on FX intervention has not changed.** The bank is avoiding a premature shift in messaging while global uncertainty – a recurring theme throughout the monetary policy assessment – remains a headache. A sudden turn of events could quickly force the SNB into a policy U-turn. As President Martin Schlegel put it when talking about global uncertainty: “My job isn't going to get easier, I'm not bored”. Well, at least someone isn't bored. The Swiss have maintained a zero-interest rate for the past twelve months and we remain convinced it will last at least twelve months more. Steady as she goes.

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