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SNB September 2026 Post-Mortem: really, this is fine

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Research

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Don't fear the energy shock

- **Zero: that is both the Swiss National Bank's policy rate and its appetite for moving rates following today's interest rate decision.** While I have long been in the camp that the SNB will stay on hold for the foreseeable future, even I had anticipated a more hawkish message. Instead, SNB President Martin Schlegel saw little need to up the ante, even with the worsening energy price shock, the weaker franc and resilient global growth raising inflation expectations;
- **Whenever the SNB releases a rate decision, my first stop is its conditional inflation forecast – given that it is the bank's most forward-looking piece of messaging.** Energy price pressures and a weaker franc have left their mark, raising the inflation outlook compared to June. However, with quarterly average inflation now peaking at just 1.2 percent YoY before falling back below 1.0 percent in Q2 2027 – there is currently little threat to Swiss price stability. And little reason to hike rates;
- **During the press conference – conducted in the SNB's typical mix of German, French and English (luckily skipping Italian and Romansh) – President Schlegel made clear that the near-term inflation uptick is driven almost entirely by energy prices, with no signs of second-round effects.** The SNB will look through an energy shock of this size. And if you do look through, things don't look all that bad. For 2027 and 2028, the average inflation forecasts were only revised up by a marginal 0.1 percentage points each – to 0.8 percent YoY – leaving ample room before inflation threatens the target range;
- **The most notable shift in the SNB's messaging came in the statement's FX intervention language, which softened.** In its latest assessment, the SNB noted it is "also willing to be active in the foreign exchange market," stepping back from June's language regarding an "increased willingness to intervene" if necessary;
- **As I expected, the SNB appears comfortable with current franc levels.** However, that does not imply total passivity: rather than focusing strictly on appreciation, the updated language covers all risks to monetary policy conditions – signaling a willingness to act if depreciation begins to threaten price stability;

- **With such language, I'm even more convinced that the SNB will hold off on using FX intervention as a standalone tool to prop up the franc – barring any abrupt and sharp depreciation.** Interventions could (with emphasis on could) be part of a package with rate hikes – if hikes materialize at all. If the SNB suppresses inflation through intervention alone, Washington is unlikely to take it well. Even if the goal isn't to 'subsidize' lower interest rates, with President Trump already fixated on low Swiss rates the SNB won't want to risk trade retaliation;
- **Look, the Swiss National Bank acknowledged – as it always does – that there is plenty of uncertainty that could alter the outlook.** This ranges from an escalation in the Middle East to exchange rate risks, trade policies and (if you read between the lines) stronger global economic growth. However, in both its and my view, these risks aren't big enough to warrant a change in policy for the foreseeable future. My view remains that the Swiss National Bank will remain on hold for the coming twelve months. While central banks around the world are in a rush to hike, the Swiss are comfortable right where they are.