



Assessment of the interest rate and mortgage market

Interest Rate Market:

Despite the tariff shock, the Swiss yield curve has remained stable and is virtually unchanged compared with the previous month. At the short end of the yield curve, there are no significant expectations for the SNB meeting in September.

Monetary Policy:

The US tariff shock is putting pressure on Switzerland's export industry and poses risks to companies and jobs. While the Federal Council is negotiating a new agreement, a deal is not expected before the end of October. Until then, the question remains whether the SNB will intervene. We consider further monetary easing to be of limited effectiveness at this stage and expect the SNB to remain on hold for now.

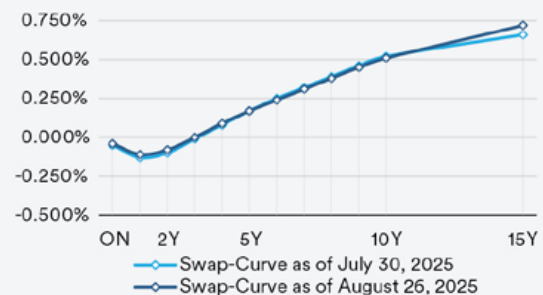
Mortgage Rates:

Mortgage rates showed some volatility in August, particularly in the ten-year fixed rate segment, but have since stabilized. The average lending margin for SARON-based mortgages is currently above one percent – significantly higher than before the 2021 rate-hiking cycle – creating scope for optimization in both new financing and refinancing.

Interest Rate Market

The unexpected 39% tariff imposed on Swiss exports to the US in early August had only a modest and short-lived impact on interest rates. The yield curve initially moved slightly lower but has since normalized and is now back at roughly the previous month's levels. At the short end, there are no significant expectations for an SNB rate cut in September. At the long end, the ten-year swap rate remains firmly anchored at around 0.5%, suggesting that market participants do not view the tariffs as permanent and anticipate some adjustment to current tariff levels.

Interest Rate Swap Curve Structure



Source: Refinitiv Eikon. ON = Overnight Rate (SARON).

Swiss monetary policy

The SNB's monetary policy assessment on 25 September 2025 will take place in an environment of exceptional strain. The US tariff shock has fundamentally altered the economic backdrop. Since 7 August, around 40% of Swiss exports to the US have been subject to a tariff of 39%. Together with the appreciation of the Swiss franc against the US dollar, this amounts to a price increase of nearly 50% for affected goods. While the pharmaceutical industry has so far been excluded from higher tariffs, many industrial exporters are facing severe pressure.

Over the past years, the US has replaced Germany as Switzerland's most important export market. Today, almost one in five Swiss export francs is earned there. The trade surplus

with the US has grown from CHF 28 billion before the pandemic to over CHF 38 billion, equivalent to nearly five percent of Swiss GDP. This shift has significantly supported Switzerland's economic resilience while Europe, particularly Germany, has stagnated or even contracted. It now becomes clear that this heavy export dependence on the US is also a central vulnerability, one that the Trump administration is deliberately exploiting in order to secure better terms for the US.

If the tariffs remain in place over a longer period, substantial declines in production and job losses in certain sectors would be unavoidable. The Federal Council is negotiating a new agreement, but a conclusion is unlikely before the

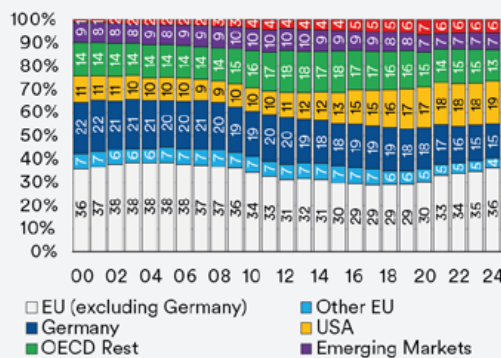
end of October. Until then, uncertainty remains high. Industry associations such as Swissmem are already calling for measures including an expansion of short-time work schemes, a reduction of administrative burdens, and the acceleration of trade agreements.

For Swiss monetary policy, the question is whether a rate cut is the right response to the tariff shock. For the export industry, this shock resembles an abrupt currency appreciation and prompts memories of the franc shock of 2015. While the entire economy was affected back then, today the impact is concentrated on specific export sectors, but there it is all the more severe. With

inflation broadly in line with SNB projections and recently turning slightly positive, there is no immediate pressure to act. Should the SNB cut rates below zero, it would require at least 0.5% to have an effect. At the same time, such a move risks being perceived as targeted support for individual industries.

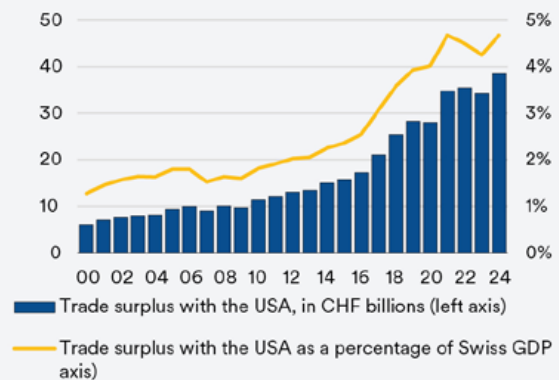
As long as the consequences are not widespread and devastating for the economy as a whole, the SNB is therefore likely to wait and see. Only in the event of a clear deterioration would a significant rate cut become conceivable.

USA is Switzerland's most important export market: Share of export destinations over time



Source: Source: Federal Office for Customs and Border Security (BAZG)

Swiss trade surplus with the USA



Note: Excluding precious metals, coins, gold trade and transit trade
Source: Federal Office for Customs and Border Security (BAZG)

Foreign monetary policy

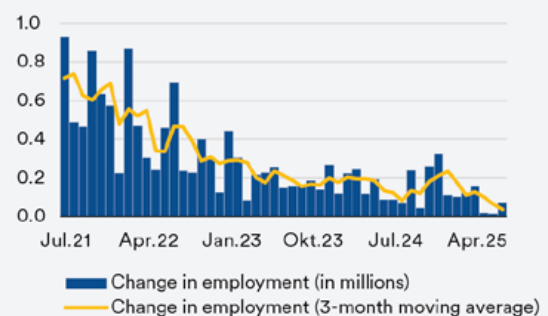
At the recent Jackson Hole symposium, Jerome Powell opened the door to a rate cut in September. Financial markets reacted euphorically, with interest rate derivatives now pricing in a nearly 90% probability of rate cut in September. Already last year, Powell triggered expectations of an easing cycle by pointing to labor market concerns, a cycle that ended abruptly after a total reduction of 1% in interest rates by late 2024. Now the central question again is: what happens after September, and what trajectory is realistic for policy rates?

On the one hand, the latest tariffs are increasingly showing price effects, though less severe than initially feared. On the other hand, the US labor market has cooled noticeably: hiring has fallen to the lowest level since the pandemic. At the same time, the overall participation rate is declining, while the prime-age participation rate (25–54 years) has risen to a 20-year high, pointing to structural frictions in the labor market. This trend is reinforced by stricter immigration policies, which have reduced the share of foreign-born labor.

Economic growth has also slowed markedly: after 2.75% in the second half of 2024, it stood at just 1.25% in the first half of 2025. The combination of tariff policy, a weaker labor market, and declining growth momentum suggests that the US economy is moving into a cyclical soft patch. In addition, inventory build-up in the first quarter allowed some firms to front-run tariffs, while others absorbed costs through margin compression. This indicates that prices are likely to rise once these buffers are exhausted.

Following a possible rate cut in September, the Fed will therefore have to navigate an environment marked by economic weakness as well as potential inflationary pressures. A continuation of the easing cycle is by no means guaranteed.

Hiring momentum in the US falls to the lowest level since the pandemic



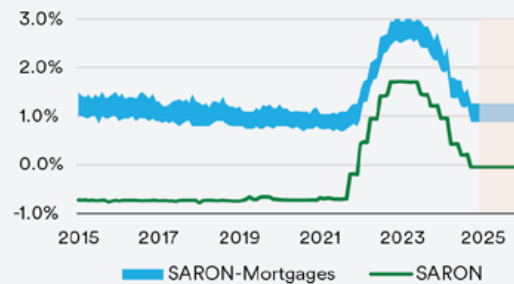
Source: Fred.

Mortgage interest rates

Mortgage rates were slightly volatile in August, particularly in the ten-year fixed rate segment, but have since stabilized. The persistent low interest rate environment means that banks manage profitability through lending margins, leading to significant differences in conditions for the same financing. Institutions with a strong funding base are currently able to offer lower margins, giving them a clear competitive advantage.

The average lending margin for SARON-based mortgages is currently above one percent, compared with around 0.70 percent before the start of the rate-hiking cycle in 2021. This is equivalent to more than a full SNB rate step and creates considerable potential for optimization when taking out new financing or refinancing existing loans. Beyond comparing interest rates alone, it is therefore worth also considering contractual elements such as affordability, loan-to-value, and amortization requirements, which can vary significantly among different banks.

SARON-mortgages and forecast



Source: SNB, smzh ag. The range of SARON mortgage rates covers half of all loan agreements. Forecast from September 2025.

Interest rate forecast in figures

	31.12.25	30.06.25	31.12.26	30.06.27
SARON	0.00	0.00	-0.01	0.00
Swap 3 years	0.06	0.06	0.06	0.09
Swap 5 years	0.23	0.23	0.22	0.26
Swap 10 years	0.61	0.60	0.60	0.65

Source: Bloomberg, UBS Switzerland AG
Please note that stated interest rate is in part a forecast and the actual interest rate may be higher or lower.

Fixed-rate mortgages and forecast



Source: smzh ag. The interest rates for fixed-rate mortgages are based on advertised rates from various providers. Forecast from September 2025.



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