



Assessment of the interest rate and mortgage market

Interest Rate Market:

The Swiss yield curve has shown little movement compared to the previous month, with no significant volatility observed. While the return of the key interest rate to negative territory remains a possible scenario, markets currently assign it a lower probability than in previous months.

Monetary Policy:

Inflation in June returned slightly to positive territory, raising the question of whether May's decline was merely a temporary deviation or the beginning of a sustained move into negative territory. A growth downturn caused by the renewed US tariff shock could amplify deflationary pressure and increase the likelihood that the SNB will lower its policy rate into negative territory as early as September.

Mortgage Rates:

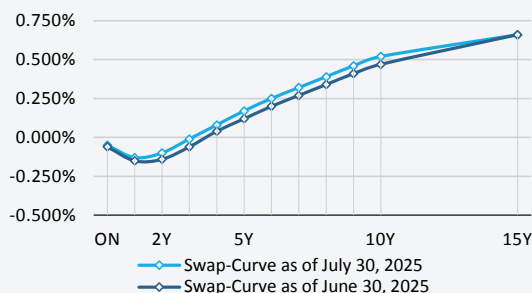
At the end of July, mortgage rates were roughly in line with the previous month. Since the beginning of the year, lending margins have generally increased, and the differences between providers have widened significantly. For SARON-based mortgages, the average margin has risen by 20 basis points, which corresponds to almost a full rate move.

Interest Rate Market

The Swiss swap curve remained largely unchanged in July and showed remarkable stability. Maturities for up to two years continue to trade below the SARON rate and thus remain in negative territory, while longer maturities exhibit a positive slope and stay in positive territory.

Short-term maturities now imply a lower likelihood of another policy rate cut to -0.25% in September and no longer point clearly to such a step, as was the case prior to the SNB's June decision. Market expectations regarding a potential move by the SNB are likely to fluctuate until the next monetary policy assessment.

Interest Rate Swap Curve Structure



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

Swiss monetary policy

Inflation in Switzerland returned slightly to positive territory in June, after posting -0.10% in May—the first negative annual rate in several years. Among economists, opinions differ as to whether this marks an initial stabilization or merely a temporary interruption of the broader downward trend. On the one hand, base effects are likely to lift annual inflation somewhat in the coming months. On the other, the continued global economic slowdown is expected to exert downward pressure on prices. Which of these forces will prevail—and whether this would justify further monetary easing from the SNB—remains open for now.

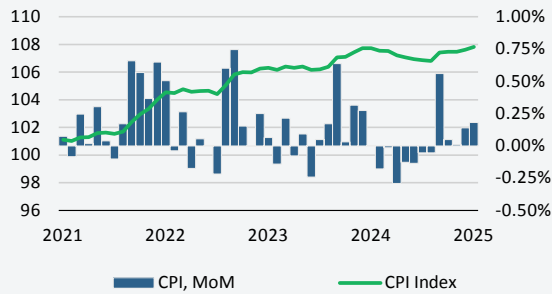
With the US government's announcement to impose punitive

tariffs of 39 percent on selected Swiss export goods as of 8 August 2025—unless an agreement is reached before then—the external economic environment for Switzerland is changing significantly. Since the pandemic, Switzerland's export structure has shifted strongly toward the US. In 2024, nearly one in five export francs was destined for the US, and the trade surplus reached 5% of GDP. This economic concentration compensated for weakness in Europe—especially Germany—but, combined with growing geopolitical asymmetry, now creates an exposed risk profile. Under Trump's tariff policies, a unilateral shock threatens to destabilise the export structure and expose macroeconomic vulnerabilities.

The new tariffs would put substantial pressure on the Swiss economy. Globally, and especially in comparison to neighbouring EU countries (15% US tariffs) and the United Kingdom (10% US tariffs), Swiss companies would face a significant competitive disadvantage. Independent early estimates expect the Swiss GDP to decline by around 0.3% to 0.6%. Such a pronounced

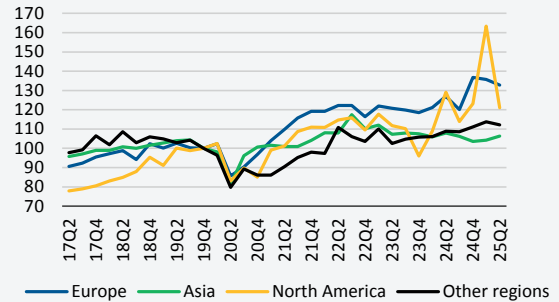
downturn in growth could further intensify deflationary pressure and increase the likelihood that the SNB would lower its policy rate into negative territory as early as September.

Consumer prices



Source: Federal Statistical Office, SNB. CPI = Consumer Price Index.

Seasonally adjusted exports by continent (nominal)



Source: Federal Office for Customs and Border Security, Q4 2019 = 100.

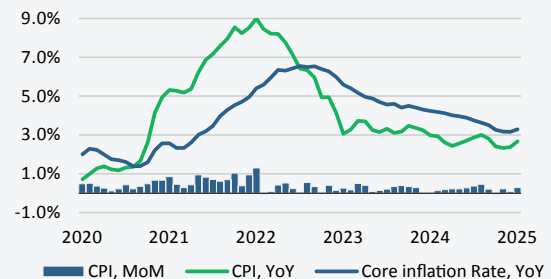
Foreign monetary policy

At its most recent meeting, the US Federal Reserve maintained its policy rate, as widely expected. However, the vote within the Federal Open Market Committee (FOMC) drew attention: two of the seven Fed Governors dissented. A double dissent at the Board level is highly unusual and has not occurred in over 30 years. While divergent views among regional Fed Presidents are common, such a split among the Governors is seen as a clear signal of rising internal tensions and growing uncertainty about the future course of monetary policy.

The inflationary impact of the recent tariffs has so far been less pronounced than initially feared. Many companies appear to have front-loaded inventory purchases, which likely mitigated some of the upward pressure on prices. At the same time, the announced trade agreements and the prospect of lower tariffs suggest that any inflationary effects may be both smaller in magnitude and delayed in timing. Against this backdrop, the two dissenting Governors see the inflation path as still broadly aligned with the 2 percent target, while assigning greater weight to emerging risks in the labor market. Although employment data remains strong, there are increasing signs of a gradual slowdown. From their perspective, a rate cut would already have been justified at the July meeting.

Fed Chair Jerome Powell left the door open to a potential rate move in September but refrained from making any firm commitment. The Fed remains clearly data dependent. We expect internal pressure within the committee to build over the coming weeks. If inflation remains subdued, a rate cut in September currently appears to be the most likely outcome.

US-Inflation



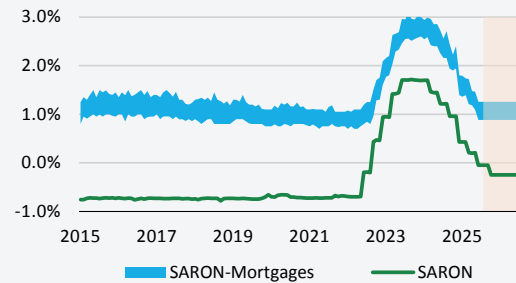
Source: Fred

Mortgage interest rates

Fixed-rate mortgage rates remained broadly stable at the end of July, with volatility remaining low, in line with developments in the broader interest rate market. However, the spread between providers has become increasingly noticeable. Some banks have raised their lending margins to maintain profitability in the current environment, while others, with a more competitive positioning, continue to offer significantly more attractive terms.

A clear trend is also visible in SARON-based mortgages. Average credit margins have risen by more than 20 basis points since the beginning of the year, which is roughly equivalent to a full rate move. Here too, there are notable differences between providers. In the current environment, comparing not only interest rates but also key contractual elements such as affordability criteria, loan-to-value requirements and amortization rules is particularly worthwhile, as these conditions can vary significantly from one lender to another.

SARON-mortgages and forecast



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

Zinsprognose in Zahlen

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

Quelle: Bloomberg, UBS Switzerland AG.
Bitte beachten Sie, dass es sich bei dem angegebenen Zinssatz teilweise um eine Prognose handelt und dieser sich sowohl nach unten wie oben verändern kann.

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 August 2025.



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