

Rates and bonds

December

01.12.2025

All eyes are on the Fed, with the last US rate decision of the year due on 10 December. The outcome remains uncertain and will shape financial markets in the run-up to the year-end. No rate changes are likely for Switzerland or Europe, although inflation and growth forecasts will provide clues as to possible rate cuts next year. We take a look back at developments on interest rate and bond markets in November, as well as turn to market expectations for the months ahead.

Swiss bond market

It's still corporate reporting season in Switzerland, so issues were once again pretty thin on the ground in November. However, the triple-tranche issue by Sika deserves a mention: For the second time this year, the Swiss industrial firm launched and successfully placed an issue comprising three tranches. Galenica also attracted attention: The rare issuer, which is rated BBB and has not been active in the market since the start of 2024, successfully placed a CHF 260 million seven-year bond. We think the issue is attractive in relative as well as fundamental terms, and have therefore added the new bond to our Swiss franc top picks list.

SNB: interest rates still zero, but economy struggling

Although there was no interest rate meeting in Switzerland in November, key economic numbers were published, showing a 0.5% fall in gross domestic product in the third quarter – the first contraction since 2023. After strong growth of 0.8% in the first quarter – helped by the pulling forward of exports to the US in view of uncertainty over tariffs – and modest growth of 0.1% in the second quarter, the third-quarter figures now confirm the expected slowdown. The Swiss watch exports index – often used as an indicator of sentiment – shows a tariff-led 47% reduction in exports to the US in October, resulting in a 4.4% drop for the total index.

Along with lukewarm GDP and exports, inflation data also came in below expectations: The latest numbers confirm the weak price situation in Switzerland, with inflation running at just 0.1% year-on-year and a negative 0.3%



"Swiss manufacturing is being hit by US tariffs and a strong Swiss franc, piling pressure on the SNB."

Joel Gubser
Investment Advisor

month-on-month. Both values are primarily a reflection of lower import prices due to the strong Swiss franc. Even so, both underlying and domestic inflation numbers likewise show a decreasing trend. October therefore represents the third consecutive month of falling consumer prices. If rents are stripped out of the index, year-on-year inflation was already a negative 0.3%. With the exception of rising rents, we are therefore in a de facto deflationary environment; indeed the actual price trend lies well below the SNB's 0% to 2% target range, even if this is not apparent from the published total index.

The SNB's next interest rate decision is due on 11 December; we do not expect any change.

Europe: Focus on prospects for 2026 and 2027

There was no interest rate meeting for the European Central Bank (ECB) in November, with the next one scheduled for 18 December. In line with expectations there is unlikely to be a change in the deposit rate given that inflation has stabilised at around 2%. However,

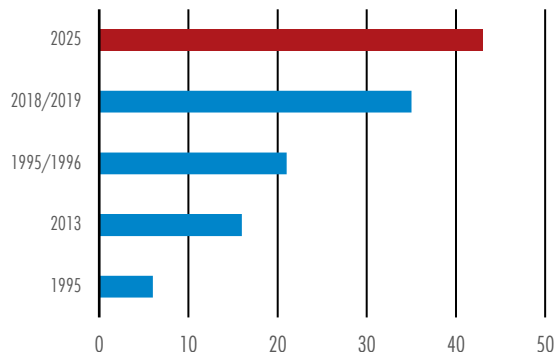
economic data for the currency bloc show a mixed picture at present: Whereas sentiment indicators for manufacturing and the service sector are trending higher at a pan-eurozone level, the key German manufacturing sector – which is crucial for Europe – remains in cautious mood.

In December, close attention will be paid to the latest growth and inflation forecasts given that they provide important indications as to the future course of monetary policy. The ECB currently expects inflation of 1.7% for 2026, with a slight uptick to 1.9% for 2027. If these figures were to be revised downwards, a rate cut could be back on the agenda again in 2026.

US: Fed's 10 December decision uncertain

After 43 days, the longest shutdown in US history ended on 12 November following a preliminary deal. However, this short-term funding bill only applies until the end of January and will then need to be renegotiated – otherwise another shutdown looms from February onwards. The economic impacts and possible effects on the labour market cannot yet be conclusively evaluated but are likely to be reflected in upcoming data series.

Government shutdowns – a comparison

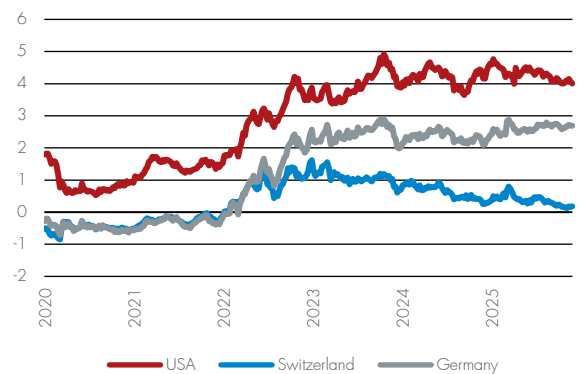


Length of recent government shutdowns by number of days

Source: Zuger Kantonalbank

Various subsequent economic data readings provide valuable insight into the labour market – which is crucial for the Fed. The delayed release of the closely watched non-farm payroll number for September showed a low if slightly stronger than expected figure. Consequently, it remains to be seen what the Fed's rate decision in December will be.

Historical comparison of 10-year government bonds



Comparison of 10-year YTM of government bonds as of 28.11.2025

Source: Zuger Kantonalbank, Bloomberg LP

Several Fed members made public statements over the past month signalling that in most cases they are against another rate cut in December. The sole source of optimism was FOMC Vice Chairman John Williams, whose words carry major weight: He described a "near term" reduction as appropriate, in a comment that revived hopes regarding the decision on 10 December. Given that no public comments were issued by Fed Chair Jerome Powell in November, Williams' statement is largely seen as an indirect cue from the Chairman.

No further official NFP data will be published ahead of the interest rate meeting, given that publication of the October and November data by the Bureau of Labour Statistics is delayed until mid-December. The data therefore remains limited. Even so, figures from private agency ADP – which reported a weekly drop in employment of 11,250 jobs for October – are likely to be influential.

Overview of current key interest rates

Country	Key interest rate	Last changed
Switzerland	0.00%	19.06.2025 (–0.25%)
Eurozone	2.00%	05.06.2025 (–0.25%)
US	3.75–4.00%	29.10.2025 (–0.25%)

Data as of 28.11.2025

Source: Zuger Kantonalbank

New issues in Swiss francs

Currency	Coupon	Issuer	Maturity	Price	Yield	Spread	ZKB rating	Denomination	ISIN	Issue volume
CHF	1.0075 %	Credit Agricole SA	11.12.2031	100.27	0.97	71		5k + 5k	CH1503892726	250 million
CHF	Floater	Swiss Prime Site Finance AG	17.06.2027	100.01	0.13	42	BBB+	5k + 5k	CH1498422919	100 million
CHF	0.85 %	Banque Cantonale de Geneve	15.12.2032	100.23	0.84	50	A+	5k + 5k	CH1503816055	125 million
CHF	0.95 %	Berner Kantonalbank AG	15.12.2033	100.49	0.90	50	AA-	5k + 5k	CH1416797517	180 million
CHF	0.9675 %	DekaBank Deutsche Girozentrale	16.12.2030	100.23	0.94	74		100k + 100k	CH1485827401	100 million
CHF	0.9425 %	Galderma Holding SA	10.12.2030	100.17	0.94	75	BBB-	5k + 5k	CH1485827393	175 million
CHF	0.7 %	Bank Cler AG	28.11.2029	100.34	0.64	52	A	5k + 5k	CH1265891098	100 million
CHF	1.1825 %	Banco de Credito e Inversiones SA	03.12.2031	100.17	1.17	91		5k + 5k	CH1503892668	130 million
CHF	0.505 %	Glarner Kantonalbank	10.12.2030	100.09	0.56	31	AA	5k + 5k	CH1503892627	115 million
CHF	0.45 %	Sika AG	27.08.2027	100.14	0.42	44	A-	5k + 5k	CH1503892635	100 million
CHF	0.85 %	Sika AG	28.11.2030	100.39	0.81	60	A-	5k + 5k	CH1503892643	250 million
CHF	1.2 %	Sika AG	28.11.2034	100.76	1.13	67	A-	5k + 5k	CH1503892650	250 million
CHF	1.08 %	Galenica AG	09.12.2032	100.50	1.02	70	BBB	5k + 5k	CH1494626398	250 million
CHF	0.5875 %	Westpac Banking Corp	24.11.2032	99.95	0.62	28		5k + 5k	CH1494626406	210 million
CHF	0.75 %	Luzerner Kantonalbank AG	01.12.2034	99.99	0.80	31	AAA	5k + 5k	CH1489902499	175 million
CHF	1.5 %	Aroundtown SA	18.11.2030	100.46	1.42	125		5k + 5k	CH1477661297	150 million
CHF	0.95 %	Banque Cantonale Vaudoise	28.11.2034	100.12	0.95	49	AA-	5k + 5k	CH1501970607	220 million
CHF	1 %	Corner Banca SA	19.11.2029	100.47	0.90	79		5k + 5k	CH1494626356	150 million
CHF	1.1475 %	Kraftwerke Linth-Limmern AG	05.12.2035	99.88	1.17	66	A-	5k + 5k	CH1494626364	100 million
CHF	0.59 %	Caribbean Development Bank	19.11.2030	100.04	0.62	41		5k + 5k	CH1485827385	100 million
CHF	1.65 %	Clariant AG	28.11.2030	100.31	1.63	141	BBB-	5k + 5k	CH1494626331	200 million
CHF	2.2 %	Clariant AG	29.05.2034	100.60	2.16	172	BBB-	5k + 5k	CH1494626349	100 million
CHF	0.565 %	Cembra Money Bank AG	27.11.2029	100.07	0.59	45	A-	5k + 5k	CH1498422828	150 million
CHF	0.6 %	Nidwaldner Kantonalbank	28.10.2030	100.70	0.48	34	AA+	5k + 5k	CH1487331998	100 million

New issues in November in Swiss francs (excludes government borrowers, taps and emissions under 100 million)

Source: Zuger Kantonalbank, cbonds.com, 28 November 2025

Conclusion

At times, up to four rate cuts had been expected for the US in 2025. However, the Fed has so far cut rates only twice – on each occasion by 0.25%. The softening labour market indicates potential for further rate cuts in December and in 2026, which is likely to favour price gains for bondholders. We continue to believe Swiss bonds represent an attractive safe haven, providing stability for a balanced portfolio at a time of uncertainty. For US dollar investors we continue to recommend short-dated bonds, which benefit directly from potential cuts in key interest rates.

Implementation options

Individual security recommendations:
Bond top picks, available from your client advisor

ZugerKB Fonds – Obligationen ESG:
Distributing: Security no. 129774937
Reinvesting: Security no. 129774938

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