

Rates and bonds

June

01.06.2026

May saw G7 government bond yields rise to levels not seen for around 20 years. Elevated energy prices and increasing deglobalisation trends are once again giving rise to inflation fears. At the same time, persistently high government deficits and uncertainty about the Fed's future monetary policy direction are continuing to drive up maturity premiums. We take a look back at developments on interest rate and bond markets in May, as well as turn to market expectations for the months ahead.

Swiss bond market

New issuance in Switzerland remained fairly subdued due to heightened bond market volatility as well as the increased overall level of interest rates. There was, however, a noteworthy transaction by Amazon: In a six-tranche issue, the US large cap raised just under CHF 3 billion, making it the second US hyperscaler after Alphabet to launch a large-scale Swiss-franc issue. As with Alphabet previously, Amazon likewise issued bonds with very long maturities. Investors thus have the opportunity to purchase 25-year Swiss-franc bonds with a coupon of over 2%. Corporate bonds with such lengthy maturities are rare and likely to meet with keen interest on the part of institutional investors in particular. We think the shorter maturities are also attractive for private investors and have added the bond maturing in 2038 to our Top Picks list.

The issue by Spital Männedorf (rated BBB by ZKB) attracted attention too. To repay a bond maturing in July, the hospital issued a new 7-year bond totalling CHF 50 million with a coupon of 1.95% – representing a risk premium of 133 basis points above swap. This level is highly attractive, not just within the BBB segment but also against the backdrop of long-term guarantees from numerous financially strong municipalities in the Meilen district. In light of the low issue size and associated liquidity risks, we do not actively recommend the bond; we do, however, think it is a viable investment option for experienced investors.



“The Swiss corporate bond market offers exciting potential returns, even in the current market environment.”

Joel Gubser
Investment Advisor

SNB: Uptick in inflation, though unlikely to be sustained

The policy rate remained unchanged, with the SNB due to hold its next rate-setting meeting on 18 June. While capital market interest rates increased significantly last month, derivative markets are continuing to price in the not-insignificant probability of a rate hike by the year-end. The most recently published inflation data do confirm an uptick in inflation but only at first sight: Overall inflation increased by +0.6% year-on-year in April, which is a noticeable increase versus March (+0.3%). However, the main drivers were petroleum products, without which the index would have increased by only 0.25%, and residential rents, which account for 0.2% of the overall index. The fact that the bulk of the 0.6% rise is explained by petroleum products and rents points against lasting inflation. Against this backdrop, we do not expect a rate hike in the foreseeable future and think the SNB's hands are tied due to the EUR/CHF exchange rate.

Europe: Market expects rate hike in June, but signs of disunity on Governing Council

Interest rates remained unchanged in May, with the ECB due to hold its next rate-setting meeting on 11 June. Derivative markets are currently signalling a 90%-plus probability of a one-notch rate hike to 2.25%.

Numerous representatives of the European Central bank have made public statements in recent weeks, with two different camps emerging: One thinks a rate hike as early as June is essential, while the other – which would appear to include President Lagarde – believes it is important to wait for more data before reaching a decision. However, there is a consensus that inflation forecasts will probably need to be adjusted upwards.

On the economic front, sentiment indicators such as purchasing manager indices (PMIs) or the ZEW index point to a slowdown. Against this backdrop, a further tightening of monetary policy – notwithstanding the high probability of such a move occurring – does not seem appropriate in our view given that core inflation in the Eurozone does not show any upward movement up to and including April.

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 | 3.5–3.75% | 11.12.2025 (-0.25%) |

Data as at 29 May 2026

Source: Zuger Kantonalbank

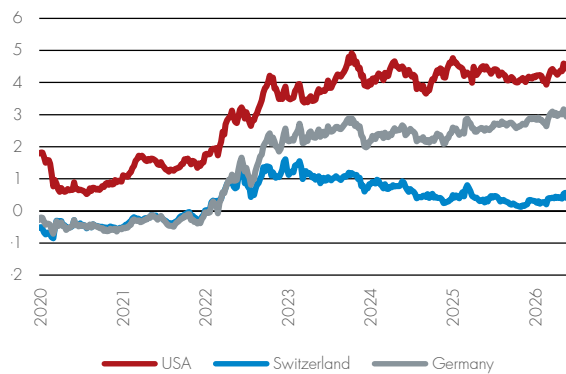
US: No rate-setting meeting, but new chair for Fed

There was no rate decision from the Fed in May; however, the US central bank has had a new head since the 22nd of the month: Kevin Warsh is the central bank's new Chairman and will lead his first meeting of the FOMC in June. He is expected to forge ahead with reducing the Fed's bloated balance sheet and potentially track inflation based on different key metrics.

Since the year 2000, under former Chairman Alan Greenspan, the Fed has focused primarily on the core deflator (core PCE), which measures prices paid by consumers but excludes food and energy costs due to seasonal factors. The core deflator currently shows inflation at 3.3% on a year-on-year basis – significantly above the Fed's 2% target. Based on initial comments, Kevin Warsh advocates using a "trimmed average" – as currently released by both the Dallas Fed and the Cleveland Fed – as the Fed's new measure. Because

they exclude outliers, these metrics currently show lower inflation data compared with the core PCE, i.e. between 2.3% and 2.8%.

Historical comparison of 10-year government bonds



Comparison of 10-year YTM of government bonds as at 29.5.2026

Source: Zuger Kantonalbank, Bloomberg LP

Looking back over slightly longer time periods, however, the trimmed averages are very close to the PCE values (including food and energy) but slightly higher than the core PCE values, which exclude food and energy prices.

Trimmed averages nevertheless have an advantage: As outliers are ignored, the effects of the tariffs introduced by President Trump – considered to be one-time effects – are not reflected in the data. Publicly, however, the pivot is likely to be justified first and foremost by the fact that trimmed averages track longer-term inflation trends on a more reliable basis. This change in methodology is nevertheless of little relevance to US consumers: Inflation rates are at their highest level since May 2023, while fuel and food as well as rents, air fares and hotel accommodation have become more expensive. This is likely to hit consumer sentiment in the medium term. Since private consumption accounts for around 70% of US economic output, this is increasingly creating economic risks.

New Swiss franc issues

| Currency | Coupon | Issuer | Maturity | Price | Yield | Spread | Denomination | ISIN | Issue volume |
|----------|---------|---|------------|--------|-------|--------|--------------|--------------|--------------|
| CHF | 0.875% | Geberit AG | 15.10.2030 | 100.20 | 0.82 | 65 | 5k + 5k | CH1562934625 | 180 m |
| CHF | 1.35% | Amag Leasing AG | 17.12.2029 | 100.25 | 1.28 | 114 | 5k + 5k | CH1564488687 | 180 m |
| CHF | 0.885% | Cie de Financement Foncier SA | 06.03.2036 | 98.20 | 1.08 | 69 | 5k + 5k | CH1564488703 | 150 m |
| CHF | 1% | Holcim Helvetia Finance AG | 01.06.2029 | 100.37 | 0.88 | 62 | 5k + 5k | CH1564488646 | 190 m |
| CHF | 1.375% | Holcim Helvetia Finance AG | 03.06.2032 | 100.81 | 1.23 | 79 | 5k + 5k | CH1564488653 | 245 m |
| CHF | 1.75% | Holcim Helvetia Finance AG | 03.06.2036 | 100.99 | 1.65 | 97 | 5k + 5k | CH1564488661 | 315 m |
| CHF | 0.6% | Valiant Bank AG | 12.12.2028 | 100.29 | 0.52 | 26 | 5k + 5k | CH1569410850 | 200 m |
| CHF | 1.35% | Siegfried Holding AG | 14.06.2030 | 100.58 | 1.22 | 86 | 5k + 5k | CH1564488620 | 200 m |
| CHF | 1.235% | Inter-American Development Bank | 17.06.2044 | 101.11 | 1.19 | 22 | 5k + 5k | CH1570292529 | 115 m |
| CHF | 1.2175% | PPG Industries Inc. | 03.06.2030 | 100.55 | 1.09 | 75 | 5k + 5k | CH1538715397 | 180 m |
| CHF | 1.6648% | PPG Industries Inc. | 02.06.2034 | 101.10 | 1.53 | 95 | 5k + 5k | CH1564881923 | 140 m |
| CHF | 0.7% | Basellandschäftliche Kantonalbank | 04.06.2029 | 100.51 | 0.57 | 27 | 5k + 5k | CH1434204355 | 210 m |
| CHF | 1.44% | Raiffeisen Schweiz Genossenschaft | 24.06.2033 | 101.24 | 1.28 | 76 | 100k + 100k | CH1537606795 | 200 m |
| CHF | 1.25% | Raiffeisen-Landesbank Tiroal AG | 28.02.2030 | 100.78 | 1.08 | 72 | 100k + 100k | CH1533656190 | 100 m |
| CHF | 1.3625% | Deutsche Telekom AG | 02.06.2034 | 101.08 | 1.24 | 65 | 5k + 5k | CH1568283811 | 200 m |
| CHF | 1.63% | Deutsche Telekom AG | 02.06.2038 | 101.30 | 1.53 | 74 | 5k + 5k | CH1568283829 | 120 m |
| CHF | 1.2525% | Iberdrola Finanzas SA | 04.06.2032 | 100.86 | 1.12 | 64 | 5k + 5k | CH1564488570 | 135 m |
| CHF | 1.5675% | Iberdrola Finanzas SA | 04.06.2036 | 101.24 | 1.45 | 75 | 5k + 5k | CH1564488588 | 125 m |
| CHF | 1.95% | Spital Männedorf AG | 24.06.2033 | 101.33 | 1.77 | 122 | 5k + 5k | CH1562934617 | 50 m |
| CHF | 3.95% | CPI Property Group SA | 26.05.2031 | 100.77 | 3.80 | 340 | 5k + 5k | CH1533656182 | 105 m |
| CHF | 1.0575% | Inter-American Investment Corp. | 18.06.2036 | 101.20 | 0.96 | 24 | 5k + 5k | CH1538715389 | 100 m |
| CHF | 0.75% | St. Galler Kantonalbank AG | 12.06.2029 | 100.70 | 0.57 | 25 | 5k + 5k | CH1567846147 | 140 m |
| CHF | 1.4% | Primeo Holding AG/Switzerland | 15.06.2033 | 101.05 | 1.26 | 72 | 5k + 5k | CH1552014347 | 150 m |
| CHF | 0.6% | Aargauische Kantonalbank | 27.11.2028 | 100.30 | 0.52 | 26 | 5k + 5k | CH1565676587 | 150 m |
| CHF | 1.4% | Energie 360 Grad AG | 09.06.2034 | 100.11 | 1.39 | 81 | 5k + 5k | CH1562934526 | 150 m |
| CHF | 0.835% | Amazon.com Inc. | 28.05.2029 | 100.21 | 0.78 | 51 | 5k + 5k | CH1538715322 | 900 m |
| CHF | 1.2% | Amazon.com Inc. | 28.05.2032 | 100.12 | 1.19 | 74 | 5k + 5k | CH1538715330 | 585 m |
| CHF | 1.675% | Amazon.com Inc. | 28.05.2038 | 99.82 | 1.71 | 92 | 5k + 5k | CH1538715355 | 390 m |
| CHF | 1.9389% | Amazon.com Inc. | 25.05.2044 | 99.34 | 1.99 | 105 | 5k + 5k | CH1538715363 | 245 m |
| CHF | 2.0825% | Amazon.com Inc. | 25.05.2051 | 99.09 | 2.15 | 116 | 5k + 5k | CH1538715371 | 225 m |
| CHF | 1.4475% | Amazon.com Inc. | 28.05.2035 | 99.99 | 1.46 | 82 | 5k + 5k | CH1538715348 | 475 m |
| CHF | 0.55% | St. Galler Kantonalbank AG | 29.11.2028 | 100.20 | 0.51 | 25 | 5k + 5k | CH1554416714 | 155 m |
| CHF | 1.5% | Luzerner Kantonsspital AG | 03.06.2036 | 99.78 | 1.53 | 84 | 5k + 5k | CH1562934518 | 177 m |
| CHF | 1.215% | Victoria Power Networks Finance Pty Ltd | 10.06.2033 | 99.67 | 1.27 | 74 | 5k + 5k | CH1552014313 | 140 m |
| CHF | 1.2175% | Intershop Holding AG | 12.06.2031 | 99.94 | 1.24 | 83 | 5k + 5k | CH1515238769 | 125 m |
| CHF | 1.375% | Grande Dixence SA | 03.06.2036 | 99.75 | 1.42 | 72 | 5k + 5k | CH1499437304 | 110 m |
| CHF | 0.7% | Zürcher Kantonalbank | 13.05.2030 | 100.34 | 0.64 | 28 | 5k + 5k | CH1515238744 | 300 m |
| CHF | 2.125% | OC Oerlikon Corp AG Pfäffikon | 29.05.2031 | 100.78 | 1.97 | 157 | 5k + 5k | CH1552014230 | 200 m |

Source: Zuger Kantonalbank, cbonds.com, 29 May 2026

New issues in May in Swiss francs (excludes government borrowers and reopenings, only includes issues over CHF 100 million, including Spital Männedorf)

Conclusion

Derivative markets point to rate hikes, which even more remarkable given that Kevin Warsh – Trump's pick – has taken charge of the US Federal Reserve and Trump has repeatedly called for lower interest rates.

We think a predominantly negative scenario is currently priced into interest rate and bond markets. This situation nevertheless provides opportunities, and we are fairly critical of the global rate-hike speculation. We therefore think the current elevated level of capital market interest rates provides an attractive buying opportunity for bonds. Swiss bonds look particularly attractive: With an average yield of around 0.90% within the Swiss Bond Index, we think this segment offers an attractive entry level.

Implementation options

Individual security recommendations:
Fixed Income Top Picks, available from your client advisor

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

Do you have any questions or thoughts on the Market Minute?

Please do not hesitate to contact your client advisor.

We are signatories to or members of the following organisations:



Disclaimer

This document has been prepared for information and marketing purposes only and does not constitute an offer or an invitation by, or on behalf of, Zuger Kantonalbank (ZugerKB) to buy or sell financial instruments or banking services. It is addressed to recipients designated by ZugerKB with residence in Switzerland for personal use and may not be reproduced, in whole or in part, changed or distributed or disseminated to any other addressees without the written permission of ZugerKB. The information in this document is given as of a specific date and has been obtained from sources that ZugerKB believes to be reliable. Nevertheless, ZugerKB cannot make any representation that the information is accurate, complete or up-to-date. ZugerKB does not accept liability for any loss arising from an investment behaviour based on the information in this document. The prices and values of investments mentioned and any income resulting therefrom may fluctuate, rise or fall. A reference to past performance does not include statements about future results. This document does not contain any recommendations of a legal nature or regarding accounting or taxes. Nor should it in any way be construed as an investment or strategy that is appropriate for or tailored to the personal circumstances of the recipient. (V2026)

This publication may contain data from third parties.

"Swiss Exchange AG ("SIX Swiss Exchange") is the source of SIX indices and the data comprised therein. SIX Swiss Exchange has not been involved in any way in the creation of any reported information. SIX Swiss Exchange does not give any warranty and excludes any liability whatsoever (whether through negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in the SIX indices or their data. Any dissemination or further distribution of any such information pertaining to SIX Swiss Exchange is prohibited. Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent. The MSCI EMU Top 50 index is a custom index. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by, Zuger Kantonalbank. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. The use of data from MSCI ESG Research LLC or its subsidiaries ("MSCI") by Zuger Kantonalbank and the use of MSCI logos, trademarks, service marks or index names do not constitute sponsorship, endorsement, recommendation or promotion of Zuger Kantonalbank by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided "as is" and without warranty. MSCI names and logos are trademarks or service marks of MSCI. Bloomberg® and Bloomberg indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the indices (collectively, "Bloomberg") and have been licensed for use for certain purposes by Zuger Kantonalbank. Bloomberg is not affiliated with Zuger Kantonalbank, and Bloomberg does not approve, endorse, review, or recommend products from Zuger Kantonalbank.