Zuger Kantonalbank

Rates and bonds
November

03.11.2026

Both the Fed and the ECB are on hold for now, but a hike can be expected in December. Meanwhile, French yields are going mad despite the fact that interest rates globally are trending lower if anything. At the same time, the US midterms point to some downside potential in US government bond yields. We look back at developments on interest rate and bond markets in October, as well as provide an outlook on market expectations for the months ahead.

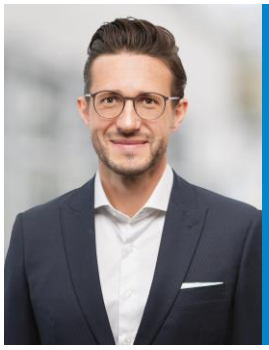
Swiss bond market

October brought fewer issues on the Swiss bond market compared with September. Even so, several popular Swiss issuers were active in the market. ABB (ZKB: A), for example, issued new bonds for a total of CHF 825 million in a triple-tranche issue maturing in 2029, 2032 and 2035. In another three-tranche issue, Holcim placed CHF 480 million in the market with maturities of two, four and nine years. Other popular companies including Sulzer, Galenica and Allreal were also active. In addition, a new issuer appeared in the Swiss market: VIA Outlets (no rating) raised CHF 170 million through a five-year issue carrying a coupon of 2.0325%. VIA Outlets operates fashion outlets in Europe, including the Landquart Fashion Outlet in Switzerland.

SNB: No decision in October and probably no move in December

There was no rate decision from the Swiss National Bank (SNB) in October. However, details were published of the monetary policy discussion at its last rate-setting meeting on 24 September.

Notably, the SNB dropped the wording "increased willingness to intervene in the foreign exchange market" because it no longer considered this necessary given circumstances at the time. The EUR/CHF exchange rate stood at over 0.94 at the time of its rate decision; since then, however, the Swiss franc has made significant gains and is now back at around 0.92. Whether this wording would also have been removed given today's circumstances remains unclear.



"We expect the SNB to remain on hold again in December – but the Fed and the ECB will likely hike rates."

Joel Gubser
Investment Advisor

In addition, the SNB stated in September that medium-term inflation pressure had increased only marginally and that there was virtually no sign of any identifiable second-round effects due to the increase in energy prices. According to the SNB, there was no clear indication that higher prices were spilling over into other goods, services or wages. However, it did state that the risk of such second-round effects increases, the longer oil prices remain at a high level.

The derivatives market indicates only minimal likelihood of a rate hike at the next decision in December. One or two rate moves are expected in the coming year, however. On that basis, we too think the SNB is likely to remain on hold again in December.

Europe: On hold, but move expected in December

The European Central Bank (ECB) kept rates unchanged in October. There was a slightly dovish tone to the press conference, with President Christine Lagarde stressing that so far there was virtually no evidence of any second-round effects due to higher energy prices and

that interest rates on the capital market already discounted the more restrictive financing conditions.

The decision likely took into account the fact that a surprise rate hike would have caused unnecessary uncertainty on the European bond market. This comes at a time when France's deficit and interest rates are already in the headlines. Notwithstanding the fact that inflation showed another slight increase, the decision is also likely to have reflected weakening sentiment indicators showing a decreasing trend almost across the board in the course of October. If the derivative-market forecasts are to be believed, the ECB will very likely increase rates again in December before reaching its terminal rate next year following one more hike.

While yields in the rest of Europe stabilised, the risk premium for France widened again. The growing

Overview of current key interest rates

Country	Key interest rate	Last changed
Switzerland	0.00%	19.06.2025 (–0.25%)
Eurozone	2.5%	10.09.2026 (+0.25%)
US	3.75–4.00%	16.09.2026 (+0.25%)

Data as at 30 October 2026

Source: Zuger Kantonalbank

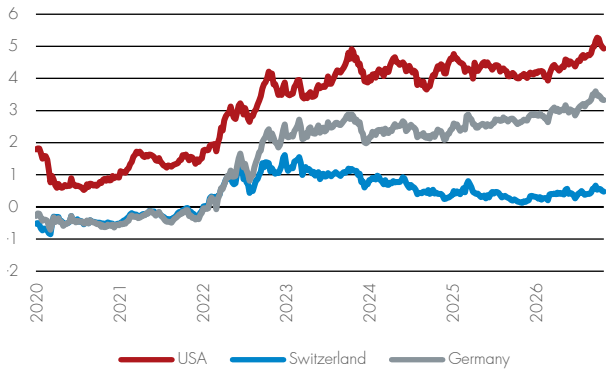
protests caused a further sell-off in French government bonds: 10-year French government bonds were at times trading at a risk premium of over 170 basis points versus their German equivalent. To date this premium has only been higher on a handful of days in November 2011 – at the peak of the European debt crisis. The debate in the French parliament and decision on reducing expenditure – aimed at reaching a deficit of no more than 5% in 2027 – have still not been concluded. We consequently expect further volatility, although we view the current extreme situation as an attractive entry point for investors with a longer-term horizon.

US: On hold until December; major changes at the Fed

As expected, the US Federal Reserve left its key interest rate unchanged in October. Following September's rate hike, the derivatives market was temporarily pricing in the probability of a further increase in October at nearly 80%. In the weeks ahead of the decision, however, market expectations were significantly dampened by the comments made by various Fed members in over 50 public statements.

This is irritating for Fed Chairman Kevin Warsh given that he has advocated a "quiet" central bank, whose decisions are not discounted by the market in advance.

Historical comparison of 10-year government bonds



Comparison of 10-year YTM of government bonds as at 30.10.2026

Source: Zuger Kantonalbank, Bloomberg LP

The Fed is set to implement one of the biggest changes in US monetary policy: Until now the FOMC has held eight rate-setting meetings a year; however, Warsh intends to hold just seven next year – then only six from 2028 onwards.

US government bonds recovered significantly during October, with yields on 10-year treasuries falling back below the 5% mark. On days when equity markets corrected, government bonds benefited significantly – once again clearly fulfilling their role as a portfolio hedge.

Polling figures for the US midterm elections show that a Democratic majority in the House of Representatives – and possibly the Senate too – is realistic. We view this as mildly positive for government bond yields: Spending packages and tax reforms that increase the country's deficit and have in the past led to uncertainty for long-term bonds, will require the consent of the Democrats from 2027 and they tend to be more cautious in relation to tax reforms for companies.

New Swiss-franc issues

Currency	Coupon	Issuer	Maturity	Price	Yield	Spread	Denomination	ISIN	Issuing volume
CHF	1.25%	Banque Cantonale Vaudoise	04.02.2033	100.45	1.19	58	5k + 5k	CH1623667214	165 m
CHF	1,11 %	Banque Cantonale de Fribourg	19.11.2032	100.23	1,08	46	5k + 5k	CH1624432758	150 m
CHF	1%	Holcim Helvetia Finance AG	24.11.2028	100.03	1.01	62	5k + 5k	CH1619473981	110 m
CHF	1.375%	Holcim Helvetia Finance AG	24.02.2031	100.26	1.32	76	5k + 5k	CH1619473999	210 m
CHF	1,75 %	Holcim Helvetia Finance AG	23.11.2035	100.76	1.66	96	5k + 5k	CH1619474005	160 m
CHF	0.935%	ABB Ltd	23.11.2029	100.07	0.93	43	5k + 5k	CH1619473957	250 m
CHF	1.235%	ABB Ltd	23.11.2032	100.16	1.22	60	5k + 5k	CH1619473965	250 m
CHF	1.4125%	ABB Ltd	23.11.2035	100.26	1.39	69	5k + 5k	CH1619473973	325 m
CHF	1.2775%	Galenica AG	05.11.2030	100.27	1.23	68	5k + 5k	CH1623313488	200 m
CHF	1.495%	Allreal Holding AG	21.11.2033	100.06	1.50	85	5k + 5k	CH1609605394	100 m
CHF	0.625%	Basellandschaftliche Kantonalbank	30.10.2028	100.01	0.66	26	5k + 5k	CH1434204371	150 m
CHF	1.055%	Toronto-Dominion Bank/The	04.11.2033	100.19	1.03	39	5k + 5k	CH1609605386	150 m
CHF	1.35%	Berner Kantonalbank AG	12.04.2034	100.60	1.28	61	5k + 5k	CH1416797533	160 m
CHF	1.55%	Kernkraftwerk Goesgen-Daeniken AG	12.11.2031	100.36	1.51	90	5k + 5k	CH1588286505	110 m
CHF	1.4425%	Bank of Montreal	03.11.2032	100.26	1.40	82	5k + 5k	CH1609605378	175 m
CHF	2.0325%	VIA Outlets BV	06.11.2031	100.25	2.00	142	5k + 5k	CH1585337715	170 m
CHF	0.9387%	Cembra Money Bank AG	31.01.2029	100.18	0.87	46	5k + 5k	CH1621056493	350 m
CHF	1.6%	Amag Leasing AG	04.02.2030	100.27	1.54	102	5k + 5k	CH1609605352	180 m
CHF	1.3925%	Sulzer AG	13.11.2031	100.39	1.33	74	5k + 5k	CH1609605345	120 m
CHF	1.85%	VP Bank AG	03.11.2033	100.96	1.73	107	200k + 200k	CH1606711542	130 m
CHF	1.2%	Aargauische Kantonalbank	26.10.2034	101.13	1.06	39	5k + 5k	CH1609647610	150 m
CHF	1.4%	Viseca Payment Services AG	25.10.2030	100.78	1.21	67	5k + 5k	CH1609605337	150 m
CHF	1.05%	Schaffhauser Kantonalbank	28.10.2031	100.44	0.98	39	5k + 5k	CH1606711534	160 m
CHF	1.5388%	Cembra Money Bank AG	18.02.2031	100.48	1.43	88	5k + 5k	CH1606711518	150 m
CHF	1.8026%	Cembra Money Bank AG	28.10.2033	101.13	1.64	100	5k + 5k	CH1606711526	100 m
CHF	0%	UBS Switzerland AG	24.01.2034	93.01	1.03	36	5k + 5k	CH1609605303	2,500 m
CHF	1.98%	Banco BICE	29.10.2030	100.66	1.89	128	5k + 5k	CH1609605287	115 m

Source: Zuger Kantonalbank, cbonds.com, 30 October 2026

New issues in October in Swiss francs (excludes government borrowers and reopenings, only includes issues over CHF 100 million)

Conclusion

Though originally priced in, there were no hikes in US or European key interest rates in October. However, the outlook of both central banks does point to a rate increase in December. There is little expectation of a rate hike in Switzerland, particularly following the recent rise in the value of the Swiss franc versus the euro and especially given that inflation data remains at the lower end of the target range.

The US midterms could stem upward pressure on US interest rates and ensure lower interest rates at the longer end of the curve. In Europe we see France's historically high risk premiums versus Germany as an attractive entry point for investors with a longer horizon, despite the fact that the environment is likely to remain volatile until such time as the 2027 budget is confirmed.

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

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Please do not hesitate to contact your client advisor.

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