

Rates and bonds

October

07.10.2025

September was an important month in monetary policy terms, with the US central bank resuming its rate-cutting cycle and lowering its benchmark interest rate by 25 basis points. The move was accompanied by an unusually high degree of political turbulence, with Fed governor Lisa Cook suing Donald Trump following the president's decision to remove her. At the same time, the Swiss National Bank and European Central Bank kept their key rates unchanged. Although issuance activity remained modest overall, a number of Swiss industrial firms took advantage of the favourable environment to place new bonds. We take a look back at developments on interest rate and bond markets in September, as well as turn to market expectations for the months ahead.

Swiss bond market

Issuance activity remained modest in September. Comparatively few new bonds were issued in view of the closely watched Fed rate decision on 17 September and Swiss National Bank (SNB) meeting on the 25th of the month. Several Swiss industrial firms that don't make a regular appearance – including Sonova, Implen and Straumann – nevertheless issued new bonds. The Cham Swiss Properties issue deserves special mention: the real estate company – which resulted from the April 2025 merger of Cham Group with Ina Invest – issued its first bond; with a five-year term and coupon of 1.35%, the CHF 150 million issue was successfully placed in the market. The company has been rated BBB- by ZKB.

Within the Swiss bonds segment, we continue to see medium to longer-term issues as particularly attractive. Despite falling yields, securities with a seven to ten-year term still offer an attractive premium versus the short end. With that in mind, we added the recently issued Groupe E 1.405% bond due 2035 to our top picks list and recommend longer maturities in general. Even though key interest rates in Switzerland are unlikely to fall any further for the time being, we expect a flattening at the longer end of the curve. With short-dated bonds no longer offering positive yields, investors are likely to concentrate on the long end when it comes to new positions.



“Medium to longer-term issues remain particularly attractive despite low interest rates.”

Joel Gubser
Investment Advisor

SNB: stable for now at 0.0%

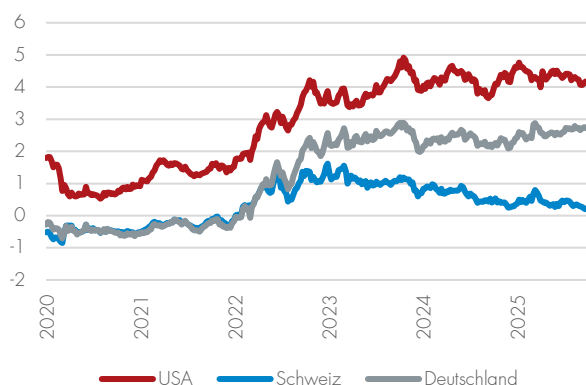
The SNB left its key interest rate unchanged on 25 September at 0.0%, thus ending a series of six rate cuts in succession. While acknowledging that US tariffs are putting a big strain on a few firms in the mechanical engineering and watchmaking industries, chairman Martin Schlegel stressed at the press conference that only around 4% of Switzerland's exports are directly impacted. Given that the service sector has so far felt barely any impact, the effect on the economy as a whole remains limited. The SNB is sticking to its forecast of GDP growth of 1.0% to 1.5% for this year.

Europe: no further rate cuts foreseeable

As expected, the European Central Bank (ECB) kept the deposit rate unchanged on 11 September on the basis that inflation was within the target range of around 2%. No significant information on the future rate path was

provided at the press conference; instead, the bank said it would take a meeting-by-meeting approach. The ECB nevertheless made minor adjustments to its economic forecasts: it now expects GDP to grow by 1.2% in 2025 (previously: 0.9%), while the forecast for 2026 was revised down by 0.1 percentage points to 1%. At the same time, the central bank raised its inflation forecasts for 2025 and 2026 by 0.1 percentage points.

Historical comparison of 10-year government bonds



Comparison of 10-year YTM of government bonds as of 6.10.2025

Source: Zuger Kantonalbank, Bloomberg LP

Following the recent communication from the European Central Bank, the market is not expecting any further rate moves for the time being. If inflation were to fall significantly below the 2%-mark, rate cuts could nevertheless return to the spotlight.

US: rate-cut cycle continues

At its 17 September meeting, the US central bank decided to lower key interest rates by 0.25%. The move was in response to a struggling labour market: the latest labour market data showed that a mere 22,000 new non-farm payroll jobs were created in August, while the revised figures for June actually revealed a decrease. Given that the average figure for the past three years is around 200,000 new jobs per month, the last three months indicate a significant slowing. If we strip out the Covid month of April 2020, the latest labour market data are the worst since 2010.

The Fed also updated its forecasts: committee members expect two more rate cuts in 2025, and a further one next year – despite the likelihood of persistent inflation in excess of 2%. The Fed nevertheless seems to be attaching greater weight to worries about the slowdown in economic growth and the weak labour market.

Once again, the September rate decision was not unanimous. Stephen Miran, the newest Fed governor, had called for a 0.5 percentage-point reduction. Following Adriana Kugler's departure, the Senate quickly confirmed Miran as her successor, and he was sworn in until January 2026. His nomination is nevertheless controversial: the fact that Miran has a second role as chair of the Council of Economic Advisors in the White House, despite being a Fed office holder, raises question marks over his independence. Miran toes the Trump line, is considered the brains behind Trump's reciprocal tariffs and the Mar-a-Lago Accord, and in his academic work has called for restrictions on the Federal Reserve's independence through the introduction of a shorter term of office for its governors. Democrats fear he is acting as Trump's puppet.

Overview of current key interest rates

Country	Interest rate	Last changed
Switzerland	0.00%	19.06.2025 (−0.25%)
Eurozone	2.00%	05.06.2025 (−0.25%)
US	4.0–4.25%	17.09.2025 (−0.25%)

Data as of 6.10.2025

Source: Zuger Kantonalbank

The issue of exerting political influence on traditionally independent institutions is consequently coming under the spotlight again. We have already seen the market discontent and volatility fuelled by the removal of Fed governor Lisa Cook and the ongoing legal process. The firing of the chair of the Bureau of Labor Statistics (BLS) and nomination for her replacement have likewise attracted criticism. The BLS – whose data on employment and consumer prices, for example, is respected around the world and is of major relevance to the US central bank's rate decisions – has traditionally been run on a cross-party, independent basis. Trump nevertheless fired the chair due to disappointing labour market data and nominated a MAGA loyalist as her successor. The latter's nomination has since been withdrawn, however, and a new candidate is likely to be announced shortly.

New issues in Swiss francs

Currency	Coupon	Issuer	Maturity	Price	Yield	Spread	ZKB rating	Denomination	ISIN	Issue volume
CHF	1.35%	Cham Swiss Properties AG	31.10.2030	100.21	1.32	112	BBB-	5k + 5k	CH1487331980	150 million
CHF	1%	Walliser Kantonalbank	28.07.2034	101.03	0.91	44	AA-	5k + 5k	CH1462975157	110 million
CHF	1.525%	Commerzbank AG	15.10.2035	100.02	1.55	134		100k + 100k	CH1472996938	125 million
CHF	0.85%	Schaffhauser Kantonalbank	26.10.2035	99.95	0.88	35	AAA	5k + 5k	CH1487331972	100 million
CHF	0.8175%	IBRD	30.10.2040	99.31	0.90	16		100k + 100k	CH1485827120	130 million
CHF	1.25%	Banque Cantonale Vaudoise	29.10.2040	100.04	1.28	55	AA-	5k + 5k	CH1491533340	130 million
CHF	0.45%	Banque Cantonale du Jura SA	23.10.2028	100.12	0.44	38	A+	5k + 5k	CH1452396539	100 million
CHF	0.9275%	Sonova Holding AG	06.10.2033	100.10	0.94	54	A	5k + 5k	CH1487331956	150 million
CHF	1.055%	Daimler Truck Finance Canada Inc	29.09.2031	100.15	1.05	78		5k + 5k	CH1450810242	175 million
CHF	2.05%	Implen AG	03.10.2030	100.14	2.03	184	BB+	5k + 5k	CH1485827047	200 million
CHF	1.9275%	Swiss Life AG	26.09.2045	100.35	1.92	141	A-	5k + 5k	CH1487331949	250 million
CHF	1.05%	AKEB AG	24.10.2029	100.25	1.01	88	A-	5k + 5k	CH1487331923	100 million
CHF	1.6%	AKEB AG	24.10.2033	100.14	1.59	120	A-	5k + 5k	CH1487331931	120 million
CHF	1.3975%	Empr. de Transp. de Pasajeros Metro SA	07.10.2033	99.97	1.43	102		5k + 5k	CH1450810234	205 million
CHF	1.3%	Siegfried Holding AG	08.10.2031	100.02	1.30	105		5k + 5k	CH1471403886	300 million
CHF	0.75%	Groupe E SA	26.09.2029	100.05	0.76	64	A	5k + 5k	CH1485827013	100 million
CHF	1.405%	Groupe E SA	26.09.2035	100.14	1.41	89	A	5k + 5k	CH1485827021	150 million
CHF	0.165%	Aargauische Kantonalbank	23.09.2026	99.99	0.24	25	AA+	100k + 1k	CH1463759303	100 million
CHF	1.16%	Amag Leasing AG	25.09.2028	100.24	1.12	106	BBB	5k + 5k	CH1485826999	165 million
CHF	1.53%	Amag Leasing AG	25.09.2031	100.13	1.53	126	BBB	5k + 5k	CH1485827005	115 million
CHF	0.875%	BKW AG	15.10.2031	100.08	0.89	61	A	5k + 5k	CH1478430866	200 million
CHF	1.075%	Bayer AG	11.09.2030	100.13	1.06	89		5k + 5k	CH1478430841	140 million
CHF	1.645%	Bayer AG	11.09.2034	100.30	1.62	119		5k + 5k	CH1478430858	125 million
CHF	0.55%	Straumann Holding AG	03.10.2028	100.20	0.50	46	A-	5k + 5k	CH1478430833	250 million
CHF	1.3375%	Banque Federative du Credit Mutuel SA	30.09.2033	100.87	1.25	84		5k + 5k	CH1477661255	185 million
CHF	1.5125%	HOCHTIEF AG	30.09.2032	100.25	1.49	117		5k + 5k	CH1450810218	180 million

New issues in September in Swiss francs (excludes government borrowers)

Source: Zuger Kantonalbank, cbonds.com, 6.10.2025

Conclusion

Monetary policy in Switzerland and Europe is likely to remain unchanged for now, while all eyes are on developments in the US. As for the Fed, a legal case on the removal of Lisa Cook is under way, and further rate cuts are likely. However, the exertion of political influence on the Fed is not going down well with the markets, and the "sell America" trade could reignite at any time – especially with the US having been in shutdown since 1 October owing to the failure to agree a new spending bill.

For US dollar investors we recommend short-dated bonds, which are likely to benefit directly from rate cuts. On a Swiss franc basis, however, we prefer longer maturities given the attractive potential returns still on offer.

Implementation options

Individual security recommendations:

Bond top picks, available from your client advisor

ZugerKB Fonds – ESG bonds:

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:



Rechtlicher Hinweis

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. (V2025)

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.