Zuger Kantonalbank

Rates and bonds

September

01.09.2026

There were no central bank rate decisions in August. However, long-term government bond yields attracted considerable attention: in both Europe and the United States, long-term interest rates reached levels not seen for many years. The main drivers behind this increase remain unclear. Kevin Warsh's speech at the Jackson Hole symposium also failed to reassure markets. We look back at developments on interest rate and bond markets in August, as well as provide an outlook on market expectations for the months ahead.

Swiss bond market

Issuance activity on the Swiss market picked up again after a subdued June and July. Various companies, including a large number of banks from Switzerland and abroad, were active in the Swiss market. As in the past couple of years, Roche used the end of the summer holidays to launch a triple-tranche issue and placed nearly CHF 1 billion in five, ten and fifteen-year bonds. In addition, various property companies such as Mobimo, SPS and Hiag were active in the market with short-dated bonds.

A rare event took place on the euro market, with Swiss company Sika launching a hybrid issue split into two tranches and raising over EUR 1 billion in subordinated capital. Both bonds have a 30-year maturity, but are callable after five-and-a-half and nine-and-a-half years respectively. Swiss issuers rarely feature among corporate hybrids; however, the issue enables Sika to benefit from partial treatment as equity and thus retain its S&P A- rating without having to increase its share capital.

SNB: Rate move unlikely this year

There was no rate decision from the Swiss National Bank (SNB) in August; nor were there any notable public speeches that could have provided details about the future path for interest rates. Only one member of the Governing Board, Petra Tschudin, sent out essentially dovish signals when she stressed in an interview that inflation expectations were firmly anchored and that energy makes a comparatively small contribution to

"Long-term yields point to uncertainties which the equity market is almost completely ignoring at present."

Joel Gubser
Investment Advisor

the Swiss basket of goods. In addition, she reiterated the inflation target of 0 to 2% and cited policy rates as being the main instrument. This means negative interest rates are still not ruled out, should the medium-term inflation forecast come in below the target range.

In fact, inflation in Switzerland is continuing to stagnate at a low level. The latest figures show a reading of 0.4% on a year-on-year basis, indicating a deceleration versus the previous month (0.5%). Core inflation likewise remains firmly anchored on a year-on-year basis: For several months now it has remained unchanged at +0.3% – the lowest figure since 2021 and well below the value measured before the Iran war.

While the multi-year record level of government bond yields is making headlines internationally, capital market interest rates in Switzerland remain unaffected: Yields on 10 as well as 30-year Swiss government bonds are only marginally higher than they were at the start of the year. This underlines Switzerland's solid position thanks to healthy government finances as well as its comparatively low dependence on oil and gas.

Europe: Signs of a rate hike in September

There was no rate decision from the European Central Bank (ECB) either in August. Nonetheless, the derivatives market is indicating the near certainty of a 0.25% rate hike on 10 September. The reason is inflation, where the latest reading of 2.9% points to a further acceleration and is well above the 2% target. Economists expect it to remain off target due to persistently high energy prices – in particular low stocks of natural gas and the approaching winter. The fact that core inflation – though slightly lower at 2.5% – is also well above target justifies a rate move from an inflation perspective.

Overview of current key interest rates

Country	Key interest rate	Last changed
Switzerland	0.00%	19.06.2025 (–0.25%)
Eurozone	2.25%	11.06.2026 (+0.25%)
US	3.50–3.75%	11.12.2025 (–0.25%)

Data as at 31 August 2026

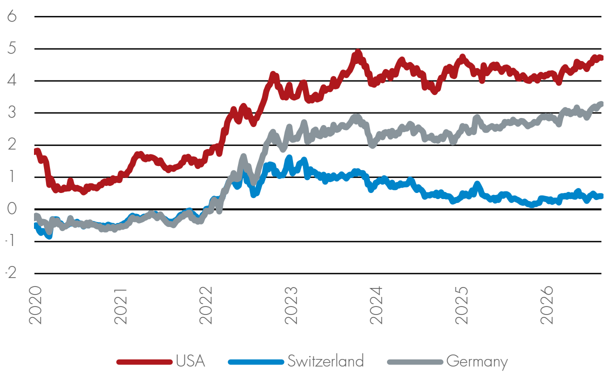
Source: Zuger Kantonalbank

Interest rates on long-dated government bonds are already discounting the longer-term inflation picture: 30-year German government bonds were yielding over 3.75% at times in August – representing the highest level since 2011. Yields on 30-year French government bonds reached nearly 5% – a level not seen since 2008. Nevertheless, the situation on the bond market has not yet prompted any commentary or intervention from the ECB. This is in complete contrast to the US, where the development of interest rates is being monitored with some concern at a political level and intervention is already taking place.

US: Worries about long-term interest rates predominate

There was no rate decision from the US Federal Reserve either in August, although it is having to deal with increasing worries about the solvency of the US government. August saw interest rates on 30-year government bonds reach their highest level since 2007, though without the reasons for the rapid rise being immediately apparent. At the Treasury auction, low demand meant new bonds had to be issued at the highest interest rate since 2001.

Historical comparison of 10-year government bonds



Comparison of 10-year YTM of government bonds as at 31.8.2026

Source: Zuger Kantonalbank, Bloomberg LP

US Treasury Secretary Scott Bessent announced that his department was taking measures to lower long-term interest rates. However, the move sparked criticism and the impact quickly vanished. First, the scope of the long-dated bond buybacks is little more than a drop in the ocean; second, misuse of the Treasury General Account – effectively the government's current account – as part of this operation is likely to meet with resistance in the medium term. In addition, structural problems have not been solved: Government debt continues to grow as deficits widen and borrowing remains elevated. At the same time, the impact of the war on inflation is yet to be seen.

Added to that, Kevin Warsh failed to calm bond markets in what was a closely watched speech at the Jackson Hole Symposium. The market had been hoping for reassuring messages in the form of dovish signals and guidance on the future path of interest rates. Instead, Warsh provided virtually no useful information, although he did reiterate the FOMC's commitment to price stability and the 2% inflation target. In light of the current, significantly higher level of inflation, this was viewed as a hawkish signal implying potential rate hikes. Although the move led to a boost of confidence in the Fed and in its independence from government, it also sparked higher interest rates particularly at the short end of US government bonds. Precisely how the US administration – which has called for lower interest rates on multiple occasions – views the communication from its new Fed chair remains unclear for now.

New Swiss-franc issues

Currency	Coupon	Issuer	Maturity	Price	Yield	Spread	Denomination	ISIN	Issuing volume
CHF	1%	Givaudan SA	17.03.2032	100.17	0.99	46	5k + 5k	CH1598619992	100 m
CHF	1.35%	Givaudan SA	17.09.2035	100.51	1.30	61	5k + 5k	CH1598620008	200 m
CHF	0.65%	Aargauische Kantonalbank	11.06.2029	100.375	0.51	34	5k + 5k	CH1603293015	200 m
CHF	0.95%	Investis Holding SA	19.02.2029	100.13	0.93	61	5k + 5k	CH1581468217	100 m
CHF	1.7325%	Deutsche Bank AG	16.09.2036	100.40	1.71	119	100k + 100k	CH1602654332	150 m
CHF	0.575%	Luzerner Kantonalbank AG	17.09.2029	99.91	0.63	28	5k + 5k	CH1575271072	180 m
CHF	1.155%	Nordea Bank Abp	07.09.2034	100.11	1.15	54	200k + 200k	CH1593191120	200 m
CHF	1.02%	Credit Agricole Home Loan SFH SA	04.09.2034	100.19	1.02	39	5k + 5k	CH1593191112	125 m
CHF	0.65%	Basler Kantonalbank	10.09.2029	100.18	0.62	26	5k + 5k	CH1480163794	200 m
CHF	0.3%	Valiant Bank AG	01.09.2027	100.05	0.30	21	5k + 5k	CH1600033430	100 m
CHF	1.3775%	MassMutual Global Funding II	01.09.2033	100.29	1.36	80	5k + 5k	CH1600409556	225 m
CHF	0.84%	Glarner Kantonalbank	17.03.2032	99.99	0.87	37	5k + 5k	CH1593191104	100 m
CHF	1.3%	Hiag Immobilien Holding AG	15.09.2032	100.35	1.26	75	5k + 5k	CH1581468209	100 m
CHF	1.44%	E.ON SE	27.08.2035	100.47	1.41	74	5k + 5k	CH1564882012	140 m
CHF	0.86%	Chubb INA Holdings LLC	24.08.2029	100.07	0.86	52	5k + 5k	CH1564881998	175 m
CHF	1.22%	Chubb INA Holdings LLC	24.08.2033	100.22	1.20	66	5k + 5k	CH1564882004	225 m
CHF	0.895%	Fed. des Caisses Desjardins du Quebec	01.09.2033	100.10	0.90	34	5k + 5k	CH1593191096	175 m
CHF	1.17%	National Grid PLC	03.09.2031	99.93	1.22	73	5k + 5k	CH1593191070	235 m
CHF	1.6275%	National Grid PLC	03.09.2036	100.02	1.66	93	5k + 5k	CH1593191088	230 m
CHF	0.875%	Hypo Vorarlberg Bank AG	31.08.2033	99.96	0.91	34	5k + 5k	CH1598618937	120 m
CHF	1.135%	NatWest Markets PLC	26.08.2031	100.13	1.16	66	100k + 100k	CH1593191062	210 m
CHF	1.2575%	Banco Santander Chile	26.08.2031	100.42	1.20	72	5k + 5k	CH1564881980	100 m
CHF	0.995%	Mobimo Holding AG	09.11.2029	100.17	0.95	61	5k + 5k	CH1593191054	100 m
CHF	1.29%	Axpo Holding AG	15.09.2034	100.27	1.27	66	5k + 5k	CH1597777528	100 m
CHF	1.05%	Aargauische Kantonalbank	07.09.2035	100.62	1.00	32	5k + 5k	CH1597524565	190 m
CHF	0.7812%	Roche Kapitalmarkt AG	26.11.2031	99.99	0.82	32	5k + 5k	CH1593191021	365 m
CHF	1.095%	Roche Kapitalmarkt AG	26.08.2036	100.06	1.16	39	5k + 5k	CH1593191039	410 m
CHF	1.355%	Roche Kapitalmarkt AG	26.08.2041	100.26	1.35	48	5k + 5k	CH1593191047	200 m
CHF	1.2%	Stiftung PWG	11.09.2036	100.25	1.19	47	5k + 5k	CH1581468142	100 m
CHF	0.9575%	Banque Cantonale de Fribourg	08.09.2033	100.05	0.97	41	5k + 5k	CH1596571526	150 m
CHF	0.6982%	Cembra Money Bank AG	27.02.2029	100.06	0.71	40	5k + 5k	CH1581468126	125 m
CHF	0.9975%	Cembra Money Bank AG	28.08.2031	100.08	1.01	53	5k + 5k	CH1581468134	175 m
CHF	1.125%	UBS Group Ltd	12.08.2031	100.09	1.15	73	200k + 200k	CH1593190999	265 m
CHF	1.4911%	UBS Group Ltd	14.02.2035	100.12	1.50	91	200k + 200k	CH1593191005	285 m
CHF	1.1%	Walliser Kantonalbank	20.08.2035	100.34	1.09	41	5k + 5k	CH1553185930	115 m
CHF	1%	Muenchener Hypothekenbank eG	27.08.2035	100.45	0.98	29	5k + 5k	CH1593190973	170 m

Source: Zuger Kantonalbank, cbonds.com, 31 August 2026

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

Conclusion

The outlook for interest rates has rarely been so unclear. Worries about long-term interest rates and the ever-more acute debt burden are increasingly becoming a major political issue, while the market is being given very little information about the rate path. This uncertainty is causing nervousness, as already reflected in the US yield curve. The fact that the ECB will likely increase key interest rates once again is likely to take some pressure out of the EUR/CHF and help the SNB.

Interest rates remain elevated and in some cases at multi-year record highs. A distinctly negative scenario remains priced in, which may constitute an attractive entry point in the event of a turnaround in the inflation narrative. We continue to view the Swiss market as stable and see the average yield of around 0.92% within the Swiss Bond Index as 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

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