

Rates and bonds

April

01.04.2026

With the outbreak of war in Iran, March got off to a turbulent start on all levels. Interest rates around the world rose on renewed fears of inflation, the US dollar became a safe haven again and gold stopped working as a hedge. The SNB, ECB and Fed nevertheless left key interest rates on hold. We take a look back at developments on rates and bond markets in March, as well as turn to market expectations for the months ahead.

Swiss bond market

There were hardly any significant issues in the Swiss bond market in March. Fears of a widening of the war in Iran, volatile interest rates due to renewed inflation risks and uncertain economic prospects led to below-average issuance volumes.

Nevertheless, we did see a dual-tranche offering from E.ON (S&P: BBB+) – one of Germany's biggest energy service providers: This rare issuer, which is virtually unknown on the Swiss market, placed eight-year and twelve-year bonds for a total of CHF 385 million. Further, Basel-based pharmaceuticals firm Sandoz (S&P: BBB) was likewise active in the market, issuing a total of CHF 550 million, also in two tranches.

SNB: No rate change, but willing to intervene in currency market

The SNB decided to leave its policy rates on hold at 0.0% on 19 March. At the start of the month, SNB Chairman Martin Schlegel had already let it be known that the central bank was increasingly willing to intervene in the currency market. From trading at 0.9350 to the Swiss franc in December, the euro fell below 0.90 at times in March. The Swiss franc has therefore gained around 2.5% on a trade-weighted basis since December, causing pain for exporters. Whether the SNB has already weakened the Swiss franc amid the current market environment is uncertain – though based on the bank's commentary we can expect it to intervene should the EUR/CHF exchange rate slip further within a short space of time.



“Due to surging energy prices, inflation fears are back again and have the potential to flip the narrative in the bond market.”

Joel Gubser
Investment Advisor

Fears of a renewed flaring up of inflation have driven capital market interest rates higher around the world – including in Switzerland. A lengthy blockade of the Strait of Hormuz could lead to a temporary bottleneck in the supply of oil, while an extended war in the region and damage to LNG production facilities could result in longer-term supply shortages.

This led to Swiss swap markets pricing in an increased probability of interest-rate increases. The derivatives market currently implies a rate hike of 0.25% by year-end, although whether this is realistic or not is highly questionable: If the war spreads, the value of the Swiss franc – as a safe haven – is likely to rise sharply. Although a stronger currency has a dampening effect on imported inflation, it simultaneously increases pressure on the SNB to act and prevent excessive CHF appreciation. Interest-rate hikes would additionally amplify this appreciation and thus conflict with potential currency market intervention. Against this backdrop, the SNB is clearly caught between fighting inflation and stabilising the exchange rate – hence our view that there is little

likelihood of a hike in benchmark interest rates under current circumstances.

Europe: On hold at 2% with outlook uncertain

The ECB likewise decided on 19 March to leave interest rates unchanged – for the sixth consecutive time. While the sharp jump in energy prices is leading to upside risks for inflation, it also poses downside risks for economic growth. As a result, the ECB has revised its forecasts for 2026: Headline inflation is now expected to be 2.6% (previously: 1.9%) this year, while the growth forecast has been downgraded to below 1%.

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%)
USA	3.5–3.75%	11.12.2025 (-0.25%)

Data as at 31 March 2026

Source: Zuger Kantonalbank

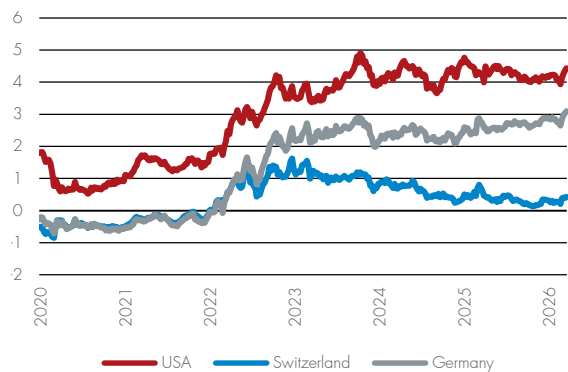
Inflation risks led Eurozone capital market interest rates significantly higher in March; indeed at times the consensus from the derivatives market suggested at least three ECB rate hikes by the end of the year. However, the medium and long-term impacts of the oil shock are hardly possible to gauge at the current point in time and are crucially dependent on how long oil remains at elevated levels. An imminent end to the war, ceasefire or full reopening of the Strait Hormuz would therefore lead to lower interest rates: The inflation risks currently priced in are likely to be eliminated again quickly if trading in oil normalizes. Meanwhile, various economic sentiment indicators such as Germany's ZEW (Centre for Economic Research) or industrial orders are tilted downwards – which in normal circumstances would have led to increased expectations of interest-rate reductions.

US: Benchmark rate stable despite weak labour market

As with the SNB and ECB, the Fed likewise left key interest rates unchanged in March. Communications and the latest predictions of FOMC members were seen by the market as being neutral and in most cases within expectations. The FOMC members' median forecast for the current year is another 0.25% rate cut; however, the latest data from the US economy provide clear evidence of a slowdown: The closely watched non-farm payroll number for February showed that no new jobs were created, and indeed 92,000 jobs were lost. This is one of the worst figures seen in recent years and in normal

circumstances would immediately have led to greater expectations of interest rate cuts.

Historical comparison of 10-year government bonds



Comparison of 10-year YTM of government bonds as at 31.3.2026

Source: Zuger Kantonalbank, Bloomberg LP

That did not happen, however, due to the war in Iran and attendant inflation risks; indeed US capital market interest rates went up significantly in March: 10-year government bonds rose from 3.93% in February to over 4.42% at times during the month, while long-term interest rates are once again at nearly 5%. Thus, investors expect substantial inflation risks for the US too, with interest rates reflecting a more protracted war with elevated oil prices for an extended period.

Market movements on rumours that the US and Iran were already in talks and that a ceasefire or end to the war was imminent nevertheless showed that markets respond very sensitively to any calming of the situation: Interest rates across all currencies immediately show massive falls on such rumours, while equity markets react with price gains. Thus, the length of the war and duration of the blockade of the Strait of Hormuz are likely to be crucial in determining the future course of interest rates – whether in USD, EUR or CHF.

New Swiss franc issues

Currency	Coupon	Issuer	Maturity	Price	Yield	Spread	Denomination	ISIN	Issue volume
CHF	1.45%	Alpiq Holding AG	29.04.2033	100.51	1.39	93	5k + 5k	CH1548688204	245 million
CHF	1.9%	Alpiq Holding AG	29.04.2038	100.75	1.84	117	5k + 5k	CH1548688212	155 million
CHF	1.3%	Georg Fischer Finanz AG	14.10.2030	100.52	1.19	87	5k + 5k	CH1548688188	165 million
CHF	1.65%	Georg Fischer Finanz AG	14.04.2034	100.91	1.55	105	5k + 5k	CH1548688196	160 million
CHF	1.1%	Banque Cantonale de Geneve	21.04.2034	100.49	1.04	55	5k + 5k	CH1539666995	185 million
CHF	0.6624%	Kiwibank Ltd	16.10.2029	100.17	0.63	35	5k + 5k	CH1540977308	170 million
CHF	0.8175%	Kiwibank Ltd	16.04.2032	100.21	0.80	40	5k + 5k	CH1540977316	105 million
CHF	0.9575%	Mondelez International Inc	10.04.2029	100.04	0.94	72	5k + 5k	CH1548828396	325 million
CHF	1.2713%	Mondelez International Inc	10.11.2032	99.89	1.29	88	5k + 5k	CH1548828404	245 million
CHF	1.625%	Mondelez International Inc	10.04.2036	99.88	1.64	107	5k + 5k	CH1548828412	280 million
CHF	0.7925%	ASB Bank Ltd	23.04.2029	100.10	0.77	52	5k + 5k	CH1540977274	160 million
CHF	1.0375%	ASB Bank Ltd	23.04.2032	100.01	1.04	65	5k + 5k	CH1540977282	130 million
CHF	1.55%	Cham Swiss Properties AG	28.04.2033	100.29	1.49	107	5k + 5k	CH1540977266	100 million
CHF	1.125%	BKW AG	27.04.2032	100.61	1.02	64	5k + 5k	CH1523562002	200 million
CHF	1.235%	EFG Bank AG	02.04.2032	99.86	1.28	88	5k + 5k	CH1546495099	130 million
CHF	1.0475%	Asian Development Bank	16.04.2046	100.40	1.05	19	5k + 5k	CH1540977217	135 million
CHF	0.753%	Toyota Motor Finance Netherlands BV	03.04.2029	99.88	0.82	57	5k + 5k	CH1540977183	215 million
CHF	1.055%	Toyota Motor Finance Netherlands BV	31.03.2032	99.98	1.07	68	5k + 5k	CH1540977191	150 million
CHF	0.9025%	Westpac Banking Corp	01.04.2036	100.12	0.91	32	5k + 5k	CH1540977209	190 million
CHF	1.4%	Liechtensteinische Landesbank AG	10.04.2036	100.98	1.30	73	100k + 100k	CH1515238538	200 million
CHF	0.7525%	Royal Bank of Canada	14.04.2033	100.34	0.73	27	5k + 5k	CH1540977167	170 million
CHF	0.75%	Banca Dello Stato del Cantone Ticino	15.10.2030	100.28	0.70	38	5k + 5k	CH1533656174	125 million
CHF	0.75%	Glarner Kantonalbank	08.07.2031	100.31	0.73	34	5k + 5k	CH1540977142	110 million
CHF	0.7775%	European Investment Bank	01.04.2036	100.48	0.75	16	200k + 200k	CH1540977159	160 million
CHF	0.5925%	IBRD	20.04.2032	100.17	0.58	18	100k + 100k	CH1544708642	300 million
CHF	1.15%	Banque Cantonale Vaudoise	27.11.2036	100.89	1.08	46	5k + 5k	CH1538792636	200 million
CHF	1.6174%	E.ON SE	19.03.2038	100.60	1.57	92	5k + 5k	CH1544189181	135 million
CHF	1.3025%	E.ON SE	20.03.2034	100.30	1.27	80	5k + 5k	CH1544189173	250 million
CHF	1.4775%	BPCE SA	30.03.2032	100.25	1.48	105	100k + 100k	CH1540977126	215 million
CHF	0.5675%	Watercare Services Ltd	27.03.2029	100.11	0.54	30	5k + 5k	CH1533151101	100 million
CHF	0.9975%	Watercare Services Ltd	27.03.2035	100.38	0.96	43	5k + 5k	CH1533151119	150 million
CHF	0.95%	Engadiner Kraftwerke AG	24.03.2034	99.52	1.04	54	5k + 5k	CH1480163729	100 million
CHF	1.1875%	Sandoz Group AG	15.04.2032	100.10	1.17	80	5k + 5k	CH1543592732	275 million
CHF	1.55%	Sandoz Group AG	15.04.2036	100.25	1.52	96	5k + 5k	CH1543592740	275 million
CHF	0.7%	Graubundner Kantonalbank	25.03.2033	99.67	0.77	32	5k + 5k	CH1540324691	170 million
CHF	1.0225%	Chubb INA Holdings LLC	17.03.2032	99.72	1.08	69	5k + 5k	CH1533151044	200 million
CHF	0.85%	St Galler Kantonalbank AG	25.09.2035	99.81	0.89	32	5k + 5k	CH1539290069	180 million

Source: Zuger Kantonalbank, cbonds.com, 31.3.2026

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

Conclusion

Capital market interest rates U-turned in March and are now once again pricing in significant inflation risks due to the oil price shock.

While macro numbers for the US and Eurozone economies tend to suggest downside risks, markets are mostly ignoring the economic risks and focusing on the inflation threat. But as soon as an end to the war is in sight and trading in oil returns to normal, we expect the bond market to settle down and see attractive buying opportunities for bonds.

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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