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All Signal, No Noise

MARKET ANALYSIS

MNI SNB Preview: June 2025

By Moritz Arold
June 17, 2024

Executive Summary:

- **Markets see a 25bp policy rate cut to 0.00% as most likely but do acknowledge the risks of an outsized cut into negative territory, with OIS-implied odds standing around 80:20 for a 25bps move vs a 50bps step**
- **Inflation has slowed further since the March meeting and turned negative, moving below the SNB's target range for the first time in 4 years**
- **However, the SNB targets medium-term CPI trends, rather than short-term, which will be the focus in the update to inflation forecasts**
- **CHF has pared some of its strength seen in early April but remains firmer since March - further appreciation pressures may bring up SNB intervention again, which could complicate US criticism of currency manipulation**

Policy decision due at 0830BST/0930CEST, Thursday 19 June 2025, followed by press conference with Governing Board incl. Schlegel

Link to press release (likely URL based on previous meetings) here.
Link to press conference here.

MNI Point of View – Rates To Follow CPI?

Markets and analysts see a **base case of a 25bp SNB policy rate cut to 0.00% as most likely** at Thursday's meeting after inflation materially undershot the SNB's average Q2 forecast of 0.3% Y/Y, and, at -0.1% in May, having left the SNB's 0-2% target range to the downside for the first time in four years. This also puts a potential move into negative rates at least on the table – if not at this meeting, then at one of the two remaining ones later this year. For Thursday, market-implied odds of the SNB cutting only to neutral stand around 80:20, more hawkish than the 60:40 seen around early May, following renewed Governing Board commentary on their *medium-term* inflation focus.

Figure 1: CPI Undershoots Target Range For First Time in Four Years

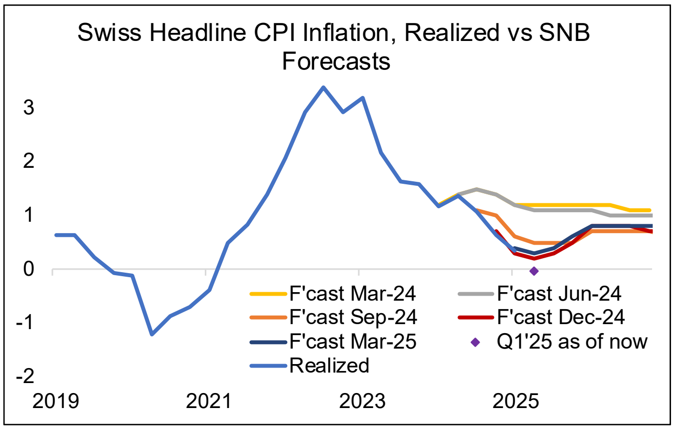
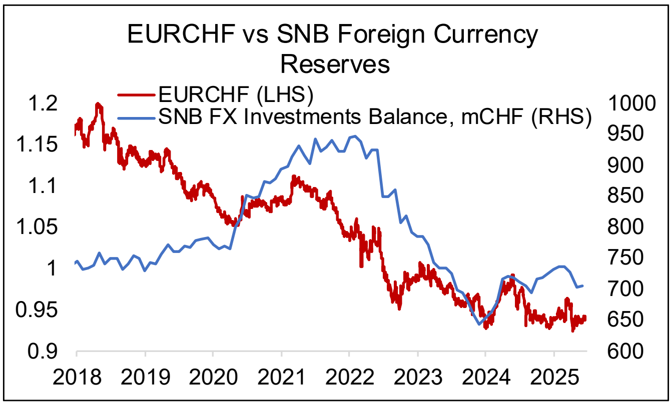


Figure 2: EURCHF Has Further Moved Lower Since March Meeting



The policy rate announcement will be accompanied by the usual press statement, comprised of several key parts. While the **rates outlook** was kept neutral last time, recall that last September, the SNB added a sentence on additional easing potentially becoming necessary in the future. The base case should remain for the usual "*will adjust its monetary policy if necessary to ensure inflation remains within the range consistent with price stability over the medium term*" to remain unchanged. However, especially in the case of a regular-size cut this time, new signals here have the potential to shift the percieved likelihood of negative policy rates further ahead. Current market pricing is for an implied overnight rate of around -0.30% through March 2026.

On top of that, the **inflation forecast** will provide guidance on how high the SNB judges the risk of inflation moving below target in the medium-term conditional on the new policy rate. Pay particular attention to the end-of-horizon 2027

Sources: MNI, Bloomberg Finance L.P.

figure here, which will likely be the key market focus after the rate announcement[1]. A noticeable downward revision of the current figure of 0.8% should be percieved as a dovish twist. SNB leadership has consistently flagged their focus on ensuring price stability in the medium term, and signalled they would not hesitate to take action if there were to see that threatened – which would be implied if that end-of-horizon forecast were to move dangerously close to the 0% lower target bound. Chairman Schlegel should also be expected to provide colour around the further inflation outlook in the press conference.

Focus is additionally on the SNB's **FX communications**, and on any statement change to the key phrase "*willing to be active as necessary*" in foreign exchange markets. Despite real, trade-weighted Franc valuations temporarily having stood at 15-month highs following global uncertainty on the economic outlook, Schlegel subsequently highlighted CHF having appreciated "really a lot". The SNB appears unlikely to escalate their previous rhetoric here. This applies especially as Switzerland was put onto the US currency manipulator "monitoring list" earlier this month, which prompted the SNB to renew "their commitment to adhere to the FX Global Code", flagging they "do not seek to prevent adjustments in the balance of trade or to gain unfair competitive advantages for the Swiss economy". However, that should not deter from the fact that curbing potential further CHF strength to ensure price stability does remain an option for the SNB, and we would expect Chairman Schlegel to commit to that in the Q&A. The Trump administration labelled Switzerland a currency manipulator already in 2020 - to which the SNB back than mentioned that their "monetary policy approach remains unchanged".

Figure 3: Dovish SZ STIR Repricing Since April Has Seen SSYM5/Z5 Spread Widening

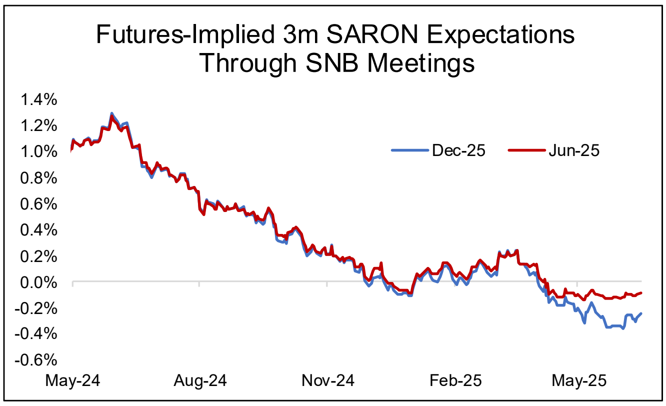
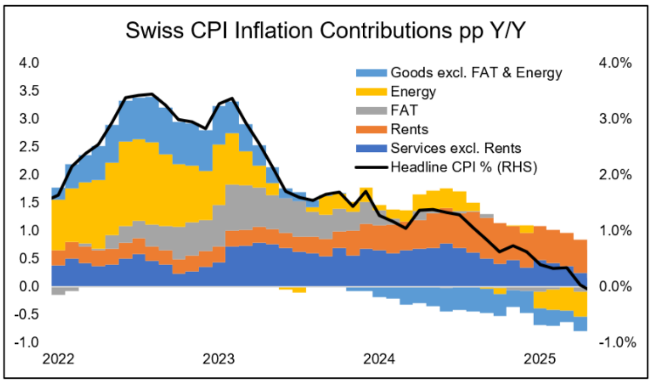


Figure 4: Services ex-Rents CPI Contributions Have Seen Multi-Year Lows Since March Meeting

Swiss Inflation Metrics	May % Y/Y	Apr % Y/Y	May pp contr	Contr Δ vs Apr
Headline CPI	**-0.10%**	**0.03%**	**-**	**-**
Core	**0.50%**	**0.64%**	**0.453**	**-0.127**
Goods	**-1.91%**	**-2.03%**	**-0.755**	**0.046**
Services	**1.05%**	**1.36%**	**0.657**	**-0.181**
Energy and Fuels	**-8.35%**	**-7.84%**	**-0.484**	**-0.027**
Domestic	0.62%	0.83%	0.479	-0.155
Imported	-2.40%	-2.48%	-0.576	0.021
Food & Non-alc Bev	-0.25%	-0.84%	-0.034	0.058
Alcohol & Tobacco	1.62%	0.40%	0.041	0.034
Clothing	-0.29%	-0.20%	-0.017	-0.005
Housing & Energy	1.06%	1.40%	0.273	-0.082
Household	-2.61%	-2.19%	-0.087	-0.012
Heathcare	-0.18%	-0.25%	-0.026	0.011
Transport	-3.65%	-2.56%	-0.422	-0.128
Communication	0.97%	0.96%	0.025	0.001
Recreation	-0.07%	-0.69%	0.012	0.058
Education	0.85%	0.85%	0.006	0.000
Hospitality	1.27%	1.61%	0.126	-0.032
Other	0.03%	0.66%	0.001	-0.036



[1] as it is announced also on the media call, as opposed to the quarterly figures, which are only available in the, sometimes laggy, written statement

Sources: MNI, Bloomberg Finance L.P.

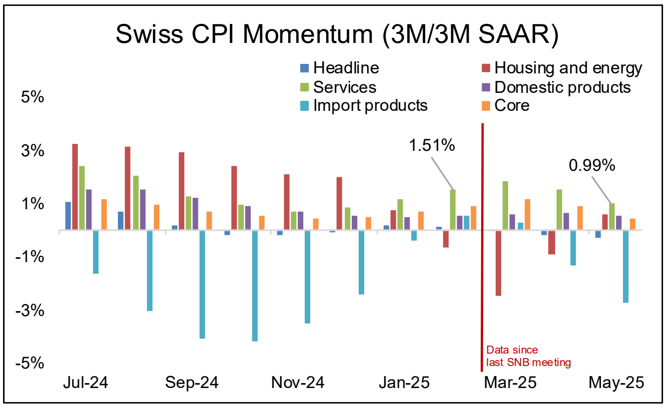
Macroeconomic Developments Since March

May CPI Moves Below SNB Target But Services Momentum Remains

Swiss CPI inflation printed inline with consensus at -0.1% Y/Y in May (vs -0.1% cons; 0.0% prior), and 0.1% M/M (vs 0.1% cons; 0.0% prior). Core CPI meanwhile decelerated to 0.5% Y/Y (vs 0.6% prior).

- This means that Swiss inflation left the SNB's target range of 0%-2% for the first time since March 2021. Despite this, remember that SNB President Schlegel has reiterated their aversion to negative rates multiple times historically, and has recently highlighted that even sub-zero prints might be acceptable for the SNB in single months. As such, the signal for near-term SNB policy expectations may be more muted, with the SNB's easing bias now well established.
- Looking at the main categories:
  - Domestic 0.6% vs 0.8% prior
  - Imported -2.4% vs -2.5% prior
  - Services 1.1% vs 1.4% prior
  - Goods -1.9% vs -2.0% prior
  - Energy and fuels -8.3% vs -7.8% prior
  - Housing rental 2.6% vs 3.2% prior

Figure 5: Seasonally-Adjusted Services Momentum Has Slowed Since March But Remains Positive



Further highlights of the May Swiss CPI print, with plenty of moving parts:

- CPI excl. housing rentals remained unchanged at -0.7% Y/Y after the category saw its quarterly update (2.6% vs 3.2% prior)
- Airfares continued their downward trajectory, now contributing -0.14pp to headline (-13.9% Y/Y vs -9.5% prior), lowest rate since March 2021
- This, together with lower fuel inflation and rental cars, brought down the transport category to its lowest rate since July 2023
- Food inflation meanwhile ticked up by 0.59pp to -0.25% Y/Y, adding 0.06pp to headline vs April
- The acceleration in the recreation category appears to be a mix of package holidays and some goods subcategories in the sector.
- Services momentum has decelerated since March but remains well in positive territory (see figure 5) – on the margin, that speaks against a looming deflationary spiral and Swiss inflation leaving the SNB's target range mid-term.

Decline in Foreign Trade Puts Strong March Increase into Perspective

"After two months of strong growth, Swiss foreign trade lost considerable momentum in April 2025. Seasonally adjusted, exports fell by 9.2 percent and imports by as much as 15.6 percent. As in previous months, the main driver of this development remained the pronounced volatility in the chemical and pharmaceutical sector. The sharp decline in imports led to a new monthly record surplus in the trade balance of CHF 6.3 billion. […] Swiss foreign trade remains volatile, with no clear upward or downward trend.", the Swiss Federal Office for Customs and Border Security comments on the April foreign trade data.

- The strong trade surplus suggests a positive external sector contribution to Swiss Q2'25 growth is off to a good start.
- Overall, Swiss imports were back to around their mid-term levels in April – while exports remain elevated despite a drop from March. That means that the monthly trade surplus has scope for a correction, as US tariff front running (which can followed from strong figures from the pharmaceutical sector) might reverse in the months to come.

Sources: MNI, Bloomberg Finance L.P.

Retail Sales Weak In April, Clothing/Footwear Driven

Swiss real retail sales were rather weak in April, printing -0.3% M/M (seasonally-adjusted) and 1.3% Y/Y (calendar adjusted, weakest yearly rate since June 2024). Overall, the print might be consistent with Swiss economic conditions cooling a little in Q2 vs a strong first quarter - the KOF barometer also indicated softer sentiment for the months ahead.

- On a broad Y/Y 3m average basis, Swiss retail sales continue to print above their long-term average recently - suggesting that the sector overall is in solid shape. However, the drop from March was noticeable also here - see first chart below.
- The April weakness appears to be driven by the clothing and footwear category, which can be volatile but saw its softest consecutive print since October 2024. Most other categories were also on the weaker side in April.

KOF Indicator Should Not Be A Surprise To SNB

The Swiss KOF Economic Barometer recovered in May, to 98.5 (vs consensus of 98.4) but was not able to make up for April's drop from 103.3 to 97.1 following the deterioration in global trade conditions.

- “The indicator bundle for manufacturing included in the Barometer shows particularly positive developments. The demand-side indicator bundles for foreign demand and private consumption, however, are under pressure.”
- Remember that SNB Chairman Schlegel mentioned on May 19 that Swiss growth is likely to be lower than thought "a few weeks ago" - the SNB March 2025 growth forecast was for 1.0-1.5%, while Q1 growth was strong, at 0.8% Q/Q.
- That means the KOF deterioration vs levels seen until March is consistent with Schlegel's overall weakened outlook for Swiss economic conditions.

Government Downwardly Revises Growth Forecasts

"The Federal Government Expert Group on Business Cycles has revised down its forecast for Swiss economic growth. GDP adjusted for sporting events is expected to grow by 1.3% in 2025, followed by 1.2% in 2026 (March forecasts: 1.4% and 1.6% respectively). This would mean the Swiss economy growing at a significantly below-average rate in both years. The forecast assumes no further escalation of the international trade conflict."

- Despite the downward revision, the forecasts would represent reasonable growth momentum for the Swiss economy, and would thus not warrant an outsized 50bp SNB cut into negative territory at Thursday's meeting. However, the SNB's current main concern appears to lie on inflation; in May, CPI printed -0.1% Y/Y, leaving the SNB's target range to the downside for the first time in four years.
- The SNB's latest GDP forecast meanwhile sits at 1.0-1.5% for 2025 and 1.5% for 2026. Chairman Schlegel has recently mentioned that Swiss growth this year will likely be a bit weaker than estimated "a couple of weeks ago" - it was not entirely clear if he was referring to that official SNB forecast with the statement, or was previously assuming some upside risks to that following a strong 0.8% Q/Q Q1.

Policymakers' Key Commentary Since March Meeting

Key quotes of board members after the March meeting in chronological order below – arguably with higher-than-usual tangibility for near-term SNB monetary policy:

Schlegel, Apr 25th	• An "economic slowdown cannot be ruled out. Growth is likely to be lower than was expected just a few weeks ago" (SNB real GDP forecast was 1.0-1.5% for 2025, 1.5% for 2026 in March meeting) • FX intervention is "not about achieving a specific exchange rate target. In principle, Switzerland has flexible exchange rates. However, if exchange rate movements influence monetary conditions in such a way that price stability is threatened, then we react" - an (in our view) non-meaningful a rephrasing from a recent Tschudin interview and the usual press statement phrase "willing to be active in the foreign exchange market as necessary") • The SNB continues to "adjust [its] monetary policy if necessary, to ensure price stability in the future"
Jarom Steiner (President of the Bank Council), Apr 25th	• "The SNB's balance sheet risks are high and probably much higher since the beginning of this year."
Schlegel, May 06th	• The Swiss Franc has appreciated 'really a lot'.
Schlegel, May 19th	• "SNB tolerates negative inflation rate in short term" (Schlegel mentioned in the last SNB press conference that the inflation rate can temporarily move into negative territory for individual months.) • "We always focus on the medium term. That means that in the short run, inflation can also be below zero or above 2%." • "Inflation outlook is very uncertain" • "Swiss 2025 growth will be lower than expected". • "Tariff situation very challenging for some firms [...] Uncertainty is toxic for growth" • "Can't rule out use of negative rates again if needed" • "Franc is bought by domestic and foreign investors" • "Too much gold on balance sheet not an advantage" • "There is currently no alternative to US Treasuries"
Schlegel, May 27th	• "In the coming months we cannot rule out negative inflation in Switzerland" • "Our focus is not on current rate of inflation, but price stability over the mid term" • "We see a certain easing in the Franc's exchange rate"
Tschudin, June 3rd	• "We're focused on the medium term," Governing Board member Petra Tschudin said. Referring to a report earlier in the day that showed that annual consumer prices fell below zero for the first time since the pandemic, she highlighted that "this is just one data point." (writeup via Bloomberg) • "The uncertainty in connection to the trade-policy situation is very great" • "The situation changes every day, we will have to look and see what to do at next meeting"

Sources: MNI, Bloomberg Finance L.P.

Central Bank Watch - SNB

June 17, 2025

MNI SNB Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI	% y/y	-0.1	0.3	↓	0.7	↓					-2.01
Core CPI YoY	% y/y	0.5	0.9	↓	0.9	↓					-1.74
Producer & Import Prices	% y/y	-0.7	-0.1	↓	-1.5	↑					0.06
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Manufacturing PMI	Index	42.1	49.6	↓	47.7	↓					-0.86
KOF Leading Indicator	Index	98.5	102.7	↓	102.3	↓					-0.98
Industrial Output	%y/y	8.5	2.1	↑	2.8	↑					1.63
GDP QoQ	%QoQ	0.5	0.3	↑	0.5	→					0.76
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Money Supply M3	%y/y	2.90	1.72	↑	1.40	↑					1.41
CH Household Credit Total	CHF bn	1038.1	1032.8	↑	1026.9	↑					1.32
Foreign Currency Reserve:	CHF bn	703.6	735.4	↓	724.7	↓					-1.43
Total Sight Deposits	CHF bn	444.9	437.4	↑	459.0	↓					-0.50
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales YoY	% m/m	1.3	3.2	↓	1.9	↓					0.47
Consumer Confidence	Index	-37.0	-34.0	↓	-37.0	→					-0.45
Unemployment Rate SA	K	2.9	2.7	↑	2.6	↑					1.67
Registered Job Openings	% y/y	38142	44398	↓	32908	↑					-0.02
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity Market (SMI)	Index	11996	13004	↓	11764	↑					0.78
SW 10-Year Yield	%	0.33	0.46	↓	0.25	↑					-0.97
SW Yield Curve (2s-10s)	bps	45.9	27.3	↑	6.4	↑					1.17
BIS CHF Nominal EER	Index	118.70	114.79	↑	116.55	↑					1.98

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.
Source: MNI, Bloomberg Finance L.P.

Sources: MNI, Bloomberg Finance L.P.

Sell-Side Analysts Summary (A-Z)

Analysts tilt towards predicting a 25bp cut of the policy rate in the upcoming meeting.

BAK Economics: 25bp cut
- “The monetary authorities are likely to refrain from going below zero for the time being. ‘That would require a more pronounced deterioration of the economy’”
- “Other factors, such as a further appreciation of the franc or lower rates in the eurozone, would be needed before the threshold could be crossed again […] it is ‘certainly appropriate’ to prepare for longer-term negative interest rates” (writeup per swissinfo.ch)

Bank of America: 25bp cut
- “Expect it to deliver a 25bp cut next week, with the policy rate reaching a terminal level of 0%. […] We do not foresee any other cut in 2H25. Rates in negative territory are a risk scenario, contingent on a meaningful deterioration in inflation outlook.”
- “We believe a 25bp cut would be consistent with the view (as expressed by SNB President Schlegel in his April speech) that rates are the bank's primary instrument. We expect this cut to be framed by lower conditional inflation forecasts.”
- In the statement, we anticipate the standard reference to its willingness "to be active in the foreign exchange market as necessary" as well as "adjust its monetary policy if necessary to ensure inflation remains within the range consistent with price stability over the medium term".
- “We expect new SNB forecasts to be ca 10bp lower, at 0.3% and 0.7% for 2025/26 [… which] should constrain bolder policy actions […] This compares with our updated CPI forecasts at 0.2% and 0.6% for 2025/26, respectively.”
- “Recent communications from SNB speakers suggest a one- or two-month inflation deviation would be tolerated. As such, we believe a return to negative rates would require a more persistent inflation undershoot.”
- “To clarify, we disagree with expectations of action ranging from 25bp to 50bp of policy rate cuts. For us, a debate between a 25bp cut or the SNB staying on hold in June seems better placed. We see more arguments backing an on-hold decision in June than a 50bp cut. To name them: preserving optionality given limited room for manoeuvre and still high global trade-policy uncertainty; the Swiss inflation profile accelerating from 2H25; SNB tolerance for monthly deviations; the possibility of FX intervention as an extra tool for easing monetary conditions; and some small relief from the ECB's hawkish tone in its June meeting. Still, as we need to anticipate what the SNB will do (not what it should do), we think it would be difficult for it not to deliver the cut that is currently fully priced in by markets.”

Barclays: 25bp cut
- “SNB is likely to deliver another 25bp cut this week but wait for more news on tariffs and local inflation dynamics before considering moving back to negative rates territory, in line with recent communication.”
- “Forecast revisions should also be limited to the near term, pending more data on inflation. On the FX front, a stronger intervention signal via the labeling of the CHF as "expensive" is also premature, in our view, pending tariff decisions by the US”
- “The above imply modest hawkish risks into the meeting, with the market having likely flipped short the franc in recent weeks.”
- Messaging on foreign exchange will be a key focus at Thursday's meeting (last writeup per DJ)

BNY:
- “Widely expected to cut its policy rate by 25bp”

CIBC: 25bp cut
- "We anticipate that the central bank remains acutely aware of competitiveness pressures and disinflationary tendencies [...] given such concerns we remain mindful of the return to negative rates, albeit we only expect such a scenario in Q3."

Danske: 25bp cut
- “We expect a final 25bp cut at the next meeting [...] and the SNB to opt for FX intervention before resorting to negative territory. Growth data to the strong side also supports this [...] the risk of a larger 50bp cut is definitely on the table following the print yesterday further amplified by the negative effects from the trade war with Switzerland set to be hit by a 32% tariff rate."

Sources: MNI, Bloomberg Finance L.P.

Ecofin Portfolio Solutions
- “Interest rates are already extremely low — and we have slow inflation because of the exchange rate and the oil price. That’s not a situation against which the SNB should take action”
- “If we had the risk of a true domestic deflation, we could talk about rate cuts. But we don’t”

EFG Bank: 25bp cut
- “Fifty basis points is a bit of a London trading floor kind of view, far away from Switzerland and from how things stand here”

Goldman Sachs: 25bp cut
- “We estimate a Taylor rule for the SNB and find that—due to the subdued inflation outlook— the SNB is likely to further loosen monetary conditions. We think the SNB will first lower its policy rate into negative territory before turning to substantial FX interventions”
- “First, the SNB still has room to cut the policy rate before it reaches the effective lower bound, which we see below -0.75%. Second, Switzerland has experience in implementing negative interest rates while cushioning the impact on bank profitability. Third, we expect lower domestic inflation to be the main driver of medium-term inflation and policy rates more directly affect domestic inflation. Fourth, the US has put Switzerland on the watchlist of countries monitored for unfair trade and currency practices, which at the margin could make substantial FX interventions less likely.”
- “While these constraints on substantial FX interventions could bring larger interest rate cuts into play, recent SNB commentary suggests that the SNB is not alarmed by the recent inflation prints. We thus continue to expect two more 25bp policy rate cuts in June and September to a terminal rate of -0.25% (with a subjective probability of 50%), in line with our Taylor rate estimates. That said risks around our baseline are skewed to the downside with deeper cuts of 50bp in June and September more likely (40% probability) than just a single cut to 0% in June (10% probability).”

ING: 25bp cut
- “We expect the SNB to cut its policy rate by 25 basis points at its next meeting on 19 June, with further cuts likely. Based on current data, a return to negative interest rates before year-end appears increasingly probable. Our base case includes a second 25bp cut in September, bringing the policy rate to -0.25%. While the SNB would prefer to avoid deeper cuts, a 50bp reduction in June cannot be ruled out.”

J Safra Sarasin: 25bp cut
- “Overall, the situation is not so dramatic that negative interest rates are absolutely necessary.”
- 50bp cut unlikely as CHF appreciation is politically driven and as such could falter quickly again (writeup per Bloomberg)

JP Morgan: 25bp cut
- “We are in the 25bp camp though it is a close call”
- “Inflation undershoots relative to forecasts (by the most in the past year at -0.43%pts on headline) and the trade-weighted currency rally would call for 50bp, but the fact that such a cut would already push rates into negative territory, recent SNB comments downplaying negative inflation prints, and expectations that the SNB may want to keep more powder dry for if/when the global outlook deteriorates further, leave us leaning towards 25bp.”
- “We do not think an ultimate landing zone in negative territory would be much of a headwind to franc strength if global/regional growth forces are in its favor. We do not expect a change in the FX intervention language given scrutiny from the US Treasury and a preference for the policy rate tool.”

Oddo BHF Switzerland: 50bp cut
- An outsized move “could slightly weaken the appreciation of the Swiss franc. This is because currency interventions by the SNB would effectively be limited by US requirements and the customs negotiations environment” (writeup per cash.ch)

MUFG: 25bp cut
- Expect a regular cut following Tschudin’s comments “attempting to downplay the importance of the negative print”.

Nomura: 25bp cut
- “We think the risk of a 50bp rate cut at June’s meeting is high, and attach a 40% probability on such an outcome, versus 60% to our base case of a 25bp cut. We see the risk of any other outcome, including no cut, as minimal.”

Sources: MNI, Bloomberg Finance L.P.

- “Concerns about the impact of a negative policy rate on the banking system may lead policymakers to approach the decision with caution despite the SNB’s recent history of using negative rates”
- “We expect downward revisions to the SNB’s inflation projections and 25bp cuts at each of the next two meetings, in June and September.”
- Guidance on FX interventions unchanged
- “SNB may have become more hesitant to use FX interventions amid increased scrutiny from the US.”

Pictet Asset Management: 50bp cut
- “Pictet Asset Management firmly believes that the SNB should push its key interest rate into negative territory by 0.50 percent in June. This would mark the end of the interest rate reduction cycle. A five percent appreciation of the Swiss franc – as has been the case since the beginning of 2025 – signals a critical threshold that should trigger an interest rate equivalent response of 25 basis points.”
- “The bottom line is that the National Bank only has the interest rate channel left. It is close to the zero interest rate limit, where monetary policy is not very effective. That is why we are heading for a liquidity shortage. A significant interest rate cut would therefore be more effective in breaking the deflationary momentum from abroad in the long term.“ (writeup from cash.ch)

Swiss Life Asset Managers: 50bp cut
- “To weaken the CHF and slow down disinflation, the SNB is likely to cut its key interest rate by 50 bp in June and 25 bp in September, bringing the interest rate to –0.5%.”

SEB: 25bp cut
- “We acknowledge the risk of a 50 cut rather than a 25 cut but as that would leave little room for further cuts, we expect them to go ahead with the smaller alternative for now.”
- “CHF remains at strong levels especially versus the generally weak USD and intervening in the FX market to weaken it does not seem prudent with the US Trump administration keeping a keen eye on FX manipulation.”
- “A cut would therefore be the best current way to support inflation (which is way below target) and GDP (which remains low but where PMI indicates lower growth).”

Scotia:
- “The Swiss National Bank could well bring back some of it in Thursday’s decision [referring to negative yielding debt]. -50bps would be [a] significant surprise.”

Standard Chartered: 25bp cut

UBS: 25bp cut
- “We expect the SNB to lower its policy rate to 0% at its June meeting”

UniCredit: 25bp cut
- “We expect the SNB to cut its key rate, by a further 25bp, to 0%, with a meaningful possibility of it cutting into negative territory.”
- “On FX, the CHF is likely to weaken across the board, although a scenario of negative interest rates in Switzerland is already priced into forward rates”

Wells Fargo: 25bp cut
- “Although the SNB's guidance has not been definitive, we see a few factors that point toward another rate cut this month. First, the overall ebbing of inflation pressures is enough to put monetary policy easing back on the table. Second, the expectations for further SNB easing are very widespread, with market participants pricing in more than a 100% chance of a 25 bps rate cut for June, and cumulative rate cuts of more than 50 bps over the rest of this year. Finally, the noticeably soft Eurozone inflation figures for May—which saw both core and services inflation slow significantly—also increase the chances of a more dovish approach from the European Central Bank going forward.”
- “In our view, a subdued Eurozone economy and dovish European Central Bank are relevant factors for Swiss National Bank policymakers, even if they are not the primary drivers of their monetary policy decisions. Given this backdrop, we expect the Swiss National Bank to lower its policy rate by 25 bps to 0.00% at its June monetary policy announcement. We would be surprised, but not completely shocked, if the central bank held its policy rate steady at the current 0.25% level. We are less persuaded by the case for further rate cuts beyond June and, at this time, do not expect the SNB to take its policy rate into negative territory. We think a more significant

deceleration in Switzerland's economic performance is needed to warrant a return to negative interest rates. That is, we think underlying inflation measures—in addition to headline inflation—would also need to drop into deflationary territory, and Swiss GDP growth would need to slow to only a marginally positive pace in the range of 0% to 0.5% annually, for the Swiss National Bank to lower interest rates further beyond its June meeting. Accordingly, we are not convinced the second rate cut that is priced in by market participants for later this year will be delivered by the Swiss National Bank."

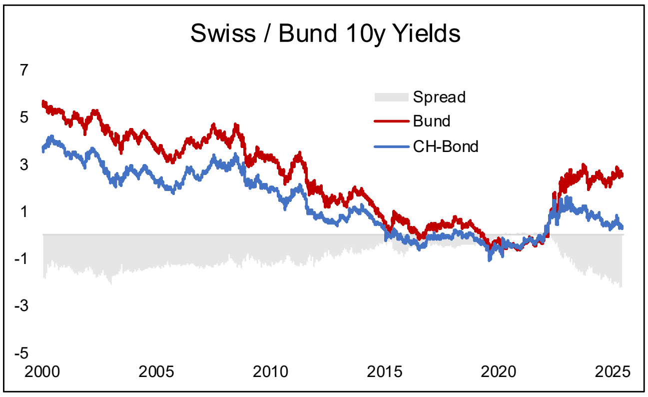
- "Beyond the June meeting, we see a less persuasive case for further easing, as the Swiss economy has shown a degree of resilience. In our view, further rate cuts after June would likely only materialize if there was a significant deceleration in economic activity and if we saw deflation become evident in underlying price measures as well. At this time, we believe that 0.00% will be the low for this monetary easing cycle."
- "In our assessment, we think Swiss growth and inflation data provide a reasonable, but not decisive, case for further SNB monetary policy easing. Comments from the Swiss National Bank have also highlighted the possibility of further easing from the central bank, without being definitive. In recent weeks, SNB President Schlegel has said the central bank has not ruled out cutting the policy rate to zero, or ruled out negative interest rates, while also indicating that while the central bank expects negative inflation in some months, its does not necessarily see a need to react to every single inflation print."

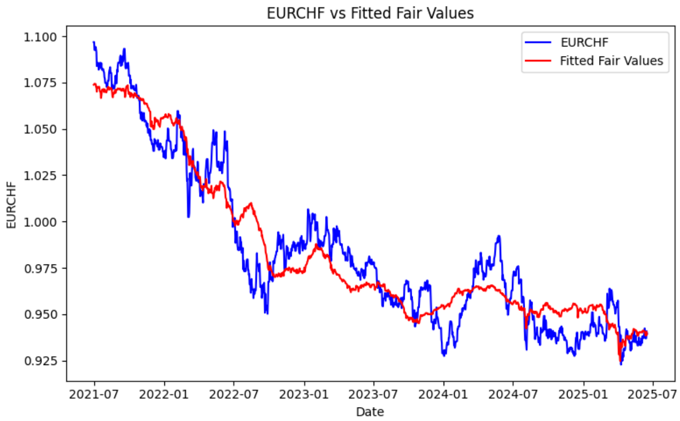
Sources: MNI, Bloomberg Finance L.P.

Appendix 1: Additional Charts

Two additional charts below:

- On the left CH-Bond vs Bund 10y yields.
- On the right looking at CHF against a “fair value” comparison, regressing the cross-section of EURCHF daily closes since mid-2021 on the SNB’s foreign currency holdings, a risk aversion coefficient, the Swiss bond-Bund 10y yield spread, the relative consumer price level between the Eurozone and Switzerland, and the relative level of the SMI vs the DAX.





Sources: MNI, Bloomberg Finance L.P.