Interest Rate Markets into July

«The music stopped playing, briefly»

Alan Greenspan, former Chairman of the Federal Reserve, passed away on June 22 at the age of 100. His 18-year tenure between 1987 and 2006 was marked by low and controlled inflation and stable growth. He had a remarkable record navigating crises, where he was able to engineer soft landings (the 1987 stock crash, the 1997/98 Asian crisis, the LTCM collapse, and the dot-com bust) and acted swiftly after the 9/11 terror attacks by lowering rates to allow for more financial liquidity. We were reminded of his work and actions not only through the various obituaries published, but also by Kevin Warsh, who currently holds his position. In his first press conference as chair, Warsh explicitly mentioned that he would go back to the way Greenspan managed the Fed: data driven, communicative but vague, and light on regulation. Recall: Mr. Greenspan's legacy is tainted by his drive to deregulate banking oversight. It is partly blamed for causing the financial crisis of 2008/9. Alan Greenspan himself later acknowledged that his belief that banks could self-regulate to contain risks was flawed. Kissed by the Muse: one legacy that will be kept with high admiration, though, he started out as a Jazz musician.

Swiss National Bank

The base rate of 0% was confirmed. The notion was made that with higher inflation there could be a hike but that the board feels good being in that target range of 0% to 2%. In the press release, the press conference, and speeches by board members in June, the mention of potential currency intervention was not omitted. But given recent developments, it seems likely that the SNB can keep the powder dry in the short run.

Other than that, business as normal. We like that: No drama.

Federal Open Market Committee

The cat is out of the bag. Kevin Warsh chaired his first FOMC meeting. What came out of it was mainly a confirmation of points he had mentioned prior to June 17: he likes a more lean communication with little to no forward guidance (SNB style) and doesn't see the need for the Dot-plot (he abstained from contributing). Key messages were the inception of five task forces (communication, balance sheet, data sources, productivity & jobs, and inflation framework). In addition, he made a very strong remark to contain inflation and bring such down to the targeted 2%. Personally, I don't see this necessarily as a criticism of the previous regime. If he substantially wants to change the approach, this would need to happen in a calm environment.

The outcome of the Fed's June meeting was to keep rates in the 3.50%–3.75% range. The quarterly Dot-plot published alongside the leaner press release indicated one rate hike towards the end of the year.

One word of wisdom: prior to forward guidance and the publication of the Dot-plot, financial markets reacted very nervously to all kinds of signals coming from the Fed and its board members. The effect was felt on the financial trading floor, and the volatility was mostly short-lived but still, it was often noise that was not needed. Fed Chairmen, incl. Mr. Warsh, adamantly state that they are here for Main Street and not Wall Street. But mind you, there is overlap in some areas.

European Central Bank

The increase by 0.25% on all three policy rates was clearly signaled and already absorbed by the market prior to the announcement. What we read and heard from board members, notably Isabel Schnabel, and bank strategists is a potential further increase to tame inflation.

Indeed, the ECB is advised to be proactive in this environment. The economic situation is in dire straits. Fueling a potential recession with high inflation could cause significant harm.

Central Bank Snapshot – June 2026

Central Bank Snapshot
As of June 2026

Category	Fed (Warsh)	ECB (Lagarde)	SNB (Schlegel)
Policy rate	3.50%–3.75% (held)	Deposit rate 2.25% (hiked 25bp)	0.00% (held)
Direction	Hawkish hold – Warsh abstained from the dot plot; 9 of 18 officials see a hike by year-end	Hiking – first increase since 2023	On hold – inflation near zero, no urgency to move
Inflation backdrop	CPI +4.2% y/y (May); PCE +3.8% (April) – 5 years above the 2% target	Headline 3.2% (May), core 2.5% – driven by Middle East energy shock	0.6% forecast for 2026, could dip negative again
Growth outlook	Not explicitly revised at June meeting	Cut to 0.8% (2026), 1.2% (2027) – stagflation risk flagged	~1% (2026), ~1.5% (2027) – global slowdown is main risk
Key driver	Domestic credibility repair after “transitory” miscall; institutional overhaul	Imported energy-price shock from Iran war	Franc strength; geopolitical spillover risk
Notable move	5 task forces launched (comms, balance sheet, data, jobs, inflation framework); dropped dot-plot participation	Schnabel pushed hardest for the hike, warned of 4% inflation risk; Lagarde denies “insurance hike” framing	Increased willingness to intervene in FX markets if franc appreciates sharply
Next meeting signal	No forward guidance given – deliberately opaque	Deutsche Bank sees one more hike (September), then done	Steady as she goes; watching Middle East and US trade policy

Comparison reflects each central bank’s June 2026 policy meeting.

Market Outlook – Waiting for More Clarity

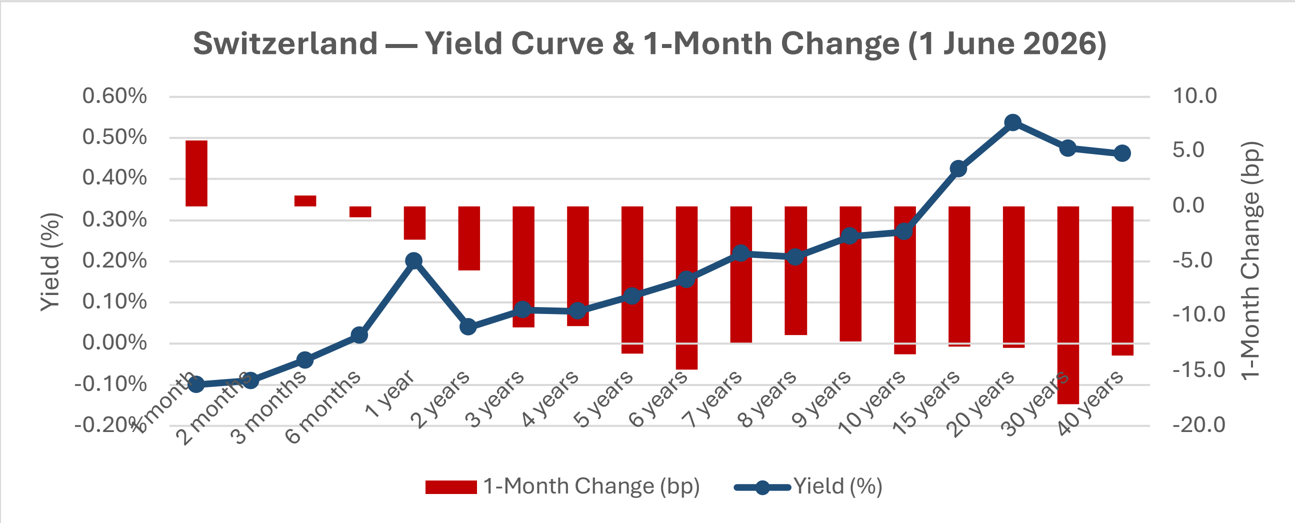
SARON 3 Month futures currently show a less aggressive rate increase than last month. There is one hike of 0.25% priced in from June/Sep 2028 (!) now. Given that rates overall quote lower than at the beginning of June, the market follows the narrative that growth and inflation remain muted in Switzerland.

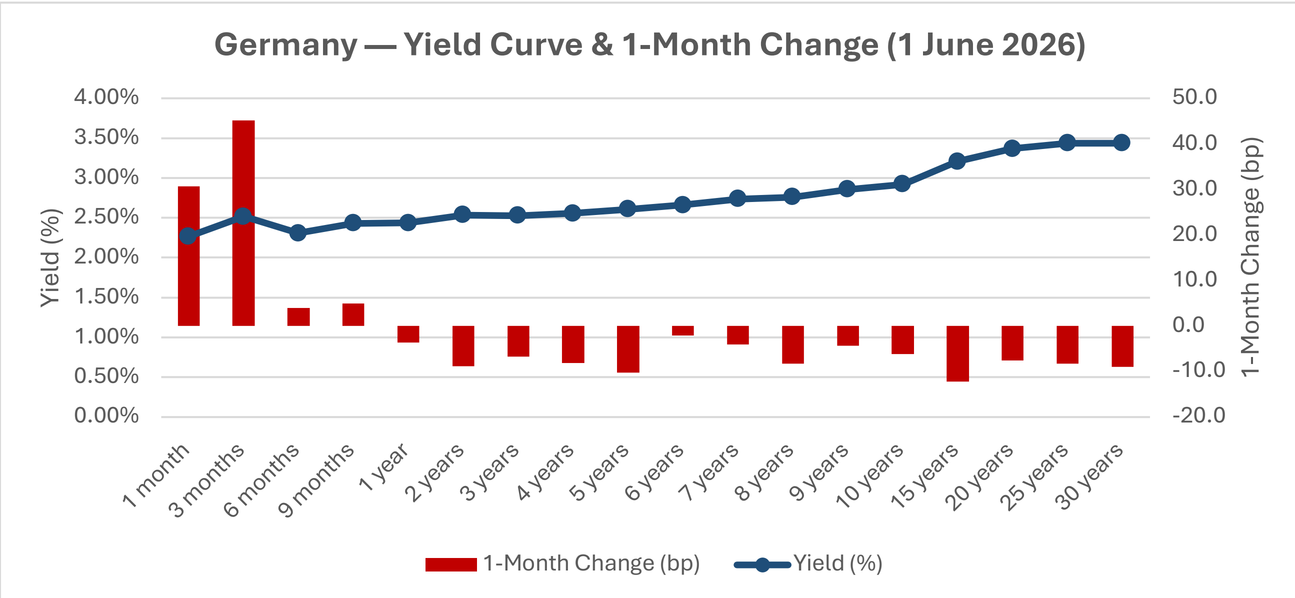
The **US** economy remains very robust and benefits from AI and consumer spending. Inflation is the big unknown in the short-run. The market sees higher base rates with fed funds at around 3.75% to 4% over the next 18 months. The 2 to 10 year segment of the yield curve has slightly increased on the back of this. The longer end trades lower, though, signaling expectations of stable growth and inflation. Note here, there are some houses, like Bank of America, who are hawkish and see up to three 0.25% hikes by the Fed over the next months.

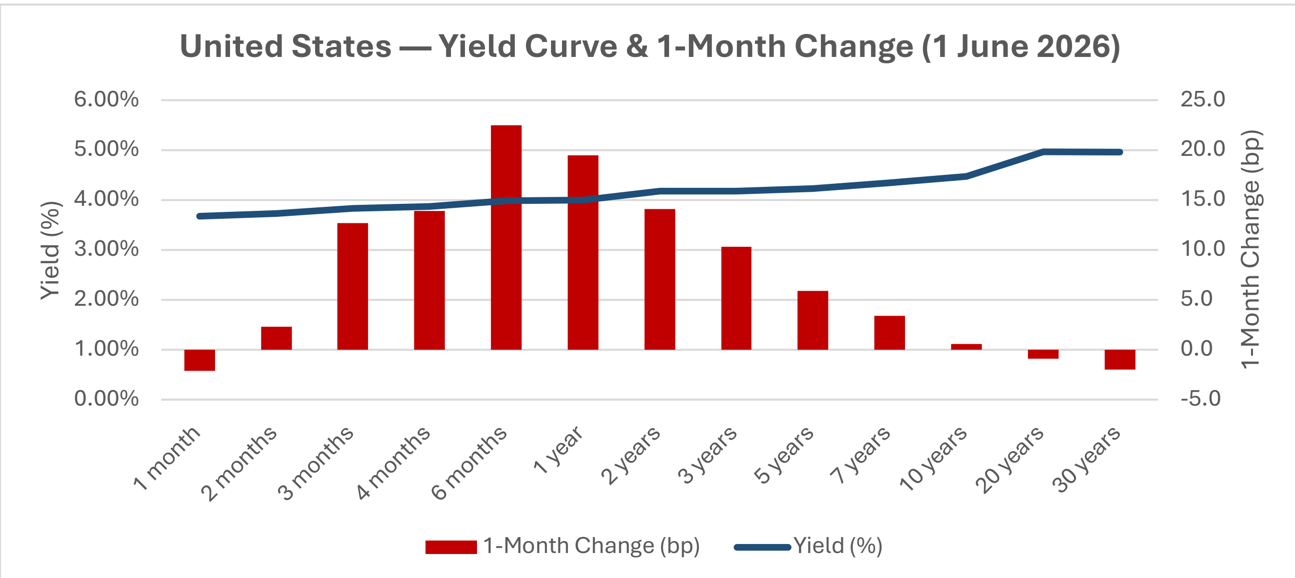
The **EUR** rates curve has been flattening. This is to absorb higher policy rates and lower growth expectations over the medium to long term. At this stage, there is significant work to be done on the fiscal and monetary side in the Eurozone. Not so sure that the political side is fully aware of that.

Current Snapshot of Government Yields

Government Bond Yield Curves — 1 June 2026







Source: World Government Bonds, 1 June 2026. Bars represent the 1-month change in basis points (right axis).

Economic Indicators

Economic Data Snapshot
As of July 2026

Indicator	Country	Value	As of	Trend	Next Release
Base Rate	Switzerland	0.00%	18.Jun.26	→	24.Sep.26
Base Rate	United States	3.75%	17.Jun.26	→	29.Jul.26
Base Rate	Eurozone	2.25%	11.Jun.26	↑	23.Jul.26
GDP Growth YoY*	Switzerland	0.40%	01.Jun.26	↑	03.Sep.26
GDP Growth QoQ*	United States	2.10%	25.Jun.26	↑	30.Jul.26
GDP Growth YoY*	Eurozone	0.80%	05.Jun.26	↓	20.Jul.26
CPI YoY	Switzerland	0.60%	04.Jun.26	→	02.Jul.26
CPI YoY	United States	4.20%	10.Jun.26	↑	14.Jul.26
CPI YoY	Eurozone	3.20%	01.Jun.26	↑	01.Jul.26
Unemployment Rate	Switzerland	3.00%	04.Jun.26	→	03.Jul.26
Unemployment Rate	United States	4.30%	05.Jun.26	→	02.Jul.26
Unemployment Rate	Eurozone	6.30%	01.Jun.26	→	01.Jul.26

** US GDP is reported QoQ; Switzerland and Eurozone GDP are YoY.*

*** Trend reflects direction over the last three months.*

Sources: Investing.com, Eurostat, Swiss National Bank (SNB), U.S. Bureau of Economic Analysis (BEA).