

Interest rate forecast

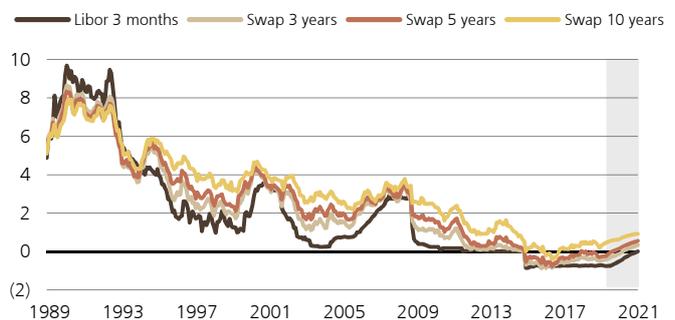
UBS mortgages in the current interest rate environment – March and April 2019

The European economy gives the SNB cause for concern

Economic and political risks continue to dominate the economic outlook. From a political perspective, a possible trade war between the USA and Europe and the suspense over how the United Kingdom will leave the EU are the greatest sources of uncertainty. From an economic perspective, the predominant concern is about the European economy.

Against this backdrop, the Swiss National Bank (SNB) will continue with its previous monetary policy and keep the interest rate differential between the euro and Swiss franc money market interest rates stable. If the above risks are not realized, we anticipate a first interest rate hike from the European Central Bank in early 2020, which will also give the SNB leeway to raise its own interest rates for the first time. Positive key interest rates should not be expected in Switzerland before 2021, and even beyond that, short- and long-term Swiss interest rates should not climb over the one percent mark for a while.

Long-term interest rate trend in %



Sources: Bloomberg, UBS Switzerland AG

Interest rate forecast in figures

	04/03/19	30/06/19	31/12/19	30/06/20	31/12/20
Libor 3 months	-0.70	-0.75	-0.58	-0.29	-0.05
Swap 3 years	-0.47	-0.38	-0.17	0.09	0.29
Swap 5 years	-0.25	-0.18	0.09	0.33	0.51
Swap 10 years	0.31	0.49	0.62	0.79	0.90

Sources: Bloomberg, UBS Switzerland AG

Please note that the stated interest rate is in part a forecast and the actual interest rate may be higher or lower.

Overview of UBS mortgage products

Current interest rates can be considered "low" from a long-term perspective. How are UBS mortgages positioned in this environment?

- UBS Fixed-Rate Mortgages remain attractive, especially those with longer maturities that allow clients to secure low interest rates for years to come. What's more, you can fix the interest rate of your new mortgage up to twelve months in advance.
- For mortgage clients with financial leeway the UBS Libor Mortgage is still an attractive proposition. You can protect yourself against rising interest rate by switching to multi-year UBS Fixed-Rate Mortgage at the beginning of a new fixed-rate-interest period free of charge.

UBS mortgages offer attractive combination opportunities for all mortgage profiles under any interest rate conditions

Interest rate level	UBS Fixed – Rate Mortgage			UBS Libor Mortgage
	short	medium	long	
high	●	●	●	●
decreasing	●	●	●	●
normal	●	●	●	●
rising	●	●	●	●
low	●	●	●	●

● suitable ● suitable under certain conditions ● not suitable

The right mix for every mortgage profile

We recommend that wherever possible our clients combine different products and maturities, thus diversifying the interest rate risk.

- Staggering the durations means you can avoid a situation whereby, upon maturity, you have to renew all your financing in an unfavorable interest rate situation.
- Combining products means that the risk of interest rate movements can be diversified among different underlying interest rates.

Your UBS advisor will be happy to explain the various options available to you.

Product recommendation

Mortgage Profile	Financing proposal	
Stable	30 – 40%	60 – 70%
		UBS Fixed-Rate Mortgage 3 years
		UBS Fixed-Rate Mortgage 5 - 8 years
Balanced	25 – 35%	65 – 75%
		UBS Libor Mortgage (3 months)
		UBS Fixed-Rate Mortgage 4 - 7 years
Market-oriented	35 – 55%	45 – 65%
		UBS Libor Mortgage (3 months)
		UBS Fixed-Rate Mortgage 3 - 6 years

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