

Interest rate forecast

UBS mortgages in the current interest rate environment – August and September 2019

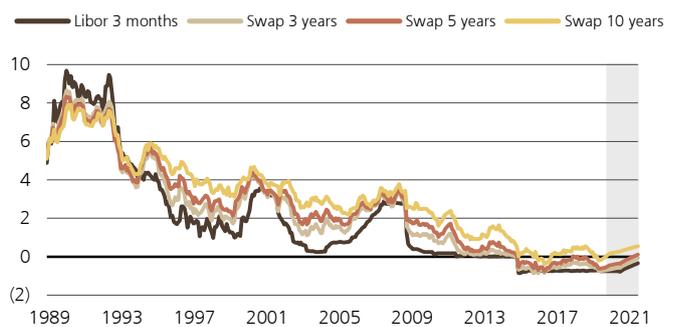
Concerns about global trade – hope of intervention by central banks

In early August, US President Donald Trump announced a new 10% tariff on 300 billion US dollars of imported goods from China, reigniting concerns about the state of the global economy.

The US Federal Reserve and the European Central Bank (ECB) are now prepared to take active measures in response. The Fed cut interest rates by 25 basis points at the end of July and is prepared to make another interest rate cut later this year. In its press conference, the ECB announced a loosening of monetary policy in the face of the sluggish state of European economies.

If the ECB really does cut its interest rates, the Swiss National Bank would be forced to do the same. The prospect of a reflationary monetary policy has driven bond interest rates in Switzerland to a record low. Concern about global trade and hope of intervention by central banks may continue to keep interest rates at an all-time low over the next few months.

Long-term interest rate trend in %



Sources: Bloomberg, UBS Switzerland AG

Interest rate forecast in figures

	13.08.19	31.12.19	30.06.20	31.12.20	30.06.21
Libor 3 months	-0.79	-0.75	-0.75	-0.61	-0.40
Swap 3 years	-0.91	-0.69	-0.58	-0.38	-0.15
Swap 5 years	-0.83	-0.50	-0.37	-0.18	0.04
Swap 10 years	-0.50	0.09	0.24	0.37	0.51

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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