

# Interest rate forecast

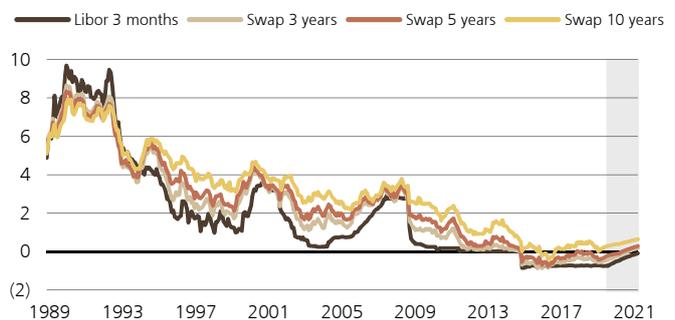
## UBS mortgages in the current interest rate environment – April and May 2019

### Cautious central banks push bond interest rates even lower

In its assessment of the situation in March, the Swiss National Bank (SNB) left its monetary policy unchanged. Its cautious outlook for the global economy in the next quarters does not indicate that they will rethink their monetary policy any time soon. We expect a first interest rate hike from the SNB in the first quarter of 2020 at the earliest if the European Central Bank (ECB) is also prepared to raise its key rates.

The cautious outlook of the SNB, the ECB and the Federal Reserve in the USA has caused long-term interest rates for bonds to fall to their lowest level since 2016. Stabilization of the economy in Europe and a possible first interest rate hike next year may lead to an increase in the long-term interest rates for bonds. Despite this, we do not expect the interest rates of 10-year Swiss bonds to rise above the zero mark in the next 12 months.

### Long-term interest rate trend in %



Sources: Bloomberg, UBS Switzerland AG

### Interest rate forecast in figures

	16/04/19	30/06/19	31/12/19	30/06/20	31/12/20
<b>Libor 3 months</b>	-0.72	-0.75	-0.63	-0.41	-0.22
<b>Swap 3 years</b>	-0.56	-0.51	-0.32	-0.14	0.05
<b>Swap 5 years</b>	-0.38	-0.35	-0.15	-0.03	0.16
<b>Swap 10 years</b>	0.10	0.20	0.34	0.43	0.55

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

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