

# Interest rate forecast

## UBS mortgages in the current interest rate environment – July and August 2021

### The second half of the year belongs to the Fed

In the first half of the year, the Coronavirus crisis and the vaccination campaign dominated events on the capital markets. In the second half of the year, however, attention will likely shift to how strongly the economy is recovering and how central banks respond to this change, especially the US Federal Reserve (Fed).

If the US economy picks up significantly – and here the focus will be on the US labor market – then the Fed should signal to investors that it is willing to reduce its bond purchases next year and then raise interest rates for the first time in 2023. Such indications are likely to lead to an increase in interest rates on US bonds in the second half of the year, as well as on Swiss bonds, albeit to a lesser extent.

Discussion about an initial rate hike in Switzerland is not expected until 2024, however, if not later. In such an environment, interest rates on government bonds and mortgage rates are likely to remain low overall in the second half of the year, despite a slight increase.

### Long-term interest rate trend in %



Sources: Bloomberg, UBS Switzerland AG  
This is only an indicative interest rate. The effective interest rate is calculated using the margin + Compounded SARON of the accounting period. The Compounded SARON cannot be negative.

### Interest rate forecast in figures

	08/07/21	31/12/21	30/06/22	31/12/22	30/06/23
<b>SARON</b>	-0.73	-0.75	-0.75	-0.74	-0.73
<b>Swap 3 years</b>	-0.58	-0.58	-0.56	-0.49	-0.43
<b>Swap 5 years</b>	-0.44	-0.30	-0.27	-0.19	-0.12
<b>Swap 10 years</b>	-0.08	0.11	0.13	0.23	0.30

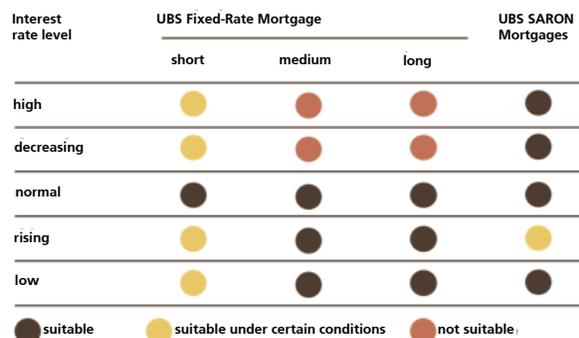
Sources: Bloomberg, UBS Switzerland AG  
Please note that the stated interest rate is in part a forecast and the actual interest rate may be higher or lower.

### 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.
- SARON-based financing makes sense when interest rates are expected to fall or remain the same and the client has some financial room for maneuver. To protect yourself against rising interest rates, you have the option of switching to a multi-year UBS Fixed-Rate Mortgage, in whole or in part, within a few working days. With a UBS Fixed-Rate Mortgage, you fix the interest rate for the entire term of the contract.

### UBS mortgages offer attractive combinations for all mortgage profiles under any interest rate conditions



## 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>	40 – 50%
	50 – 60%
	UBS Fixed-Rate Mortgage 7 years
	UBS Fixed-Rate Mortgage 10 years
<b>Balanced</b>	30 – 40%
	60 – 70%
	UBS SARON Mortgage
	UBS Fixed-Rate Mortgage 10 years
<b>Market-oriented</b>	20 – 30%
	70 – 80%
	UBS Fixed-Rate Mortgage 7 years
	UBS SARON Mortgage

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