Shutterstock

Pouring Cold Water on Swiss Interest Rates

9 July 2025, 11:25 UTC, written by UBS Editorial Team

The end-of-June rate cut to zero percent by the Swiss National Bank (SNB) reduced the already low potential of savings accounts and bonds. With a well-diversified, defensive portfolio focused on dividend stocks, investors can tackle two challenges at once: protecting income from loss of purchasing power during a zero or negative interest rate phase, and avoiding significant additional risks.

Given the high temperatures this summer, cold water might actually sound appealing. However, Swiss savers likely found little pleasure when the Swiss National Bank (SNB) poured cold water on interest rates in June by cutting its key interest rate to 0 percent. Further rate cuts into negative territory appear unlikely but cannot be ruled out if the global trade dispute does not ease in the coming months.

Investors should not assume that zero interest rates are just a short-term phenomenon: In mid-2011, the SNB lowered its key interest rate to 0 percent, then lowered it into negative territory and only allowed it to rise above the zero percent mark more than ten years later. During this period, the interest rate on savings deposits averaged less than 0.1 percent.

It could be argued that the SNB is pursuing zero or negative interest rates due to low inflation. Indeed, Swiss inflation is currently also at 0 percent, so investors should generally be able to maintain their purchasing power in real terms, though there are some instances where costs are rising.
Take, for example, rising health insurance premiums. While most of the cost increases in the health care system are due to expanded services and are therefore rightly not counted as inflation, they can still represent a significant strain on household budgets. This added expense should at least be offset by investing, which is not possible with a savings account in a zero or negative interest rate environment.

In such a situation, investors must ask themselves how much liquidity they actually want to hold, as cash has become an expensive luxury in a zero or negative interest rate environment. Excess liquidity can be invested in equities through a professionally managed portfolio. Swiss equities delivered an average annual return of 7.5 percent (SPI Total Return) during the last zero and negative interest rate period between 2011 and 2022.

Low interest rates pose a particular challenge for investors who rely on regular income. Bonds can no longer guarantee this income in a zero-interest-rate environment. As an alternative, dividend stocks are an option—specifically, shares of companies that pay high dividends.

Of course, the volatility of equities is significantly higher than that of bonds or a savings account, which should be considered when allocating excess liquidity. Dividend stocks should therefore not only offer high dividend payouts, but also have defensive qualities, meaning solid balance sheets and belonging to defensive sectors.

Risk management can be further improved by paying special attention to diversification. This includes spreading equity investments broadly, both geographically and across sectors.

With a well-diversified, defensive portfolio focused on dividend stocks, investors can kill two birds with one stone: protect income from loss of purchasing power during a zero or negative interest rate phase while avoiding significant additional risks.

Disclaimer

Hong Kong / Singapore: For Global Wealth Management clients of UBS AG Singapore / Hong Kong branch, please refer to the HK/SG Marketing Material Disclaimer .

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. Additional Disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

This document and the information contained herein are provided solely for your information and UBS marketing purposes. Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS**. Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of it its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Additional Disclaimer relevant to Credit Suisse Wealth Management: Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website https://www.credit-suisse.com. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Please visit https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html to read the full legal disclaimer applicable to this document.