



PREVIEW: SNB Policy Announcement due Thursday, 19th March at 08:30GMT

- Expected to maintain the policy rate at 0.00% and make clear that it is willing to intervene in the FX market as needed.
- An FX assessment that could be heightened or feature a return to currency classification, given the Middle East conflict.
- Conflict that has spurred an energy shock and will likely see the SNB keep its optionality open while highlighting the likely inflationary and growth impacts.

OVERVIEW: Expected to maintain the policy rate at the ZLB of 0.00%. The main point of focus will be how the SNB treats the Middle East energy shock, and pertinently how lasting and significant they expect the pass through to Swiss inflation to be; an assessment that will likely determine whether any reaction is dovish or hawkish in nature. As it stands, markets imply around a 26% chance of a March cut, but currently imply a c. 33% chance of a hike by end-2026. Rates/assessment aside, the next focus point will be the currency. A return to formally classifying the CHF would be one way of the SNB re-emphasising that it is attentive to moves and prepared to intervene. Additionally, a firming up of the language around being "more prepared" to intervene could serve as a policy signal, language that was provided at the start of the Middle East conflict. After the announcement, a press conference is held from 09:00GMT.

PREVIOUS MEETING: In December, the SNB maintained the policy rate at 0.00% as expected. Commentary saw the Bank reiterate a willingness to be active in the FX market as necessary. No move in the CHF. Accompanying forecasts saw the 2025 inflation view maintained, while the 2026 and 2027 forecasts were cut slightly to 0.3% (prev. 0.5%) and 0.6% (prev. 0.7%), respectively. Further out, by Q3-2028, inflation was seen averaging 0.8%. On the growth side of things, the 2026 view was maintained at around 1.0%. The press conference with Chairman Schlegel added little, the main focus was on inflation prints and the possibility of NIRP; on which, Schlegel said he cannot say that a lower inflation outlook made NIRP more likely. Additionally, he reiterated the line that while the hurdle for negative rates is higher than a normal cut, they remain ready to take action if needed.

MIDDLE EAST: Evidently, the main update since December has been the Middle East conflict in the last few weeks, which has sparked the largest ever global energy disruption according to the IEA. At the start of the disruption, the SNB outlined that in light of the international situation they were "more prepared" to intervene in the FX market. A remark reiterated by the Vice Chair a few days later. The geopolitical impact and its effect on energy prices could have a contradictory effect on inflation. The franc has strengthened against the euro since the start of the war as investors flock to havens. A currency move that theoretically weighs on inflation, however higher energy prices present an upside risk.

DATA: In February, Swiss inflation came in hotter than expected, with the monthly reading at 0.6% versus a forecast 0.5%, and the annual figure also remaining in inflationary territory. The Bank should be encouraged by the hotter print as it comes in-line with policymaker's projections. For growth, its Q4 GDP quarterly figure came in line with expectations, however the annual figure fell to 0.8% from 0.9%.

EXPECTATIONS: Both ING and Goldman Sachs expect the SNB to stay on hold and take a wait and see approach. GS also expects a notable upgrade to the SNB's 2026 inflation projection, citing heightened uncertainty. Focus will lie on how the Bank characterises the appreciation of the franc and how policymakers assess the inflationary impact of higher energy prices. ING outlines that describing the franc as 'highly valued' or something similar would suggest the Bank is more worried about growth. On the energy impact, GS detailed two scenarios: 1) if energy supply is disrupted for longer resulting in headline inflation approaching the upper end of price stability, and 2) if the disruption is more short-lived. In scenario 1, the bank designates a 20% chance of a 25bp hike in September while in scenario 2, the bank expects a 10% chance of the SNB returning to a NIRP. Markets are pricing in a 26% chance of a cut at the March meeting, and a 34% chance of a hike by the end of 2026.

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