

The Return of Bond Risk

In a world where inflation, geopolitics and public debt are reshaping the price of risk, bonds require a more discerning approach. For Swiss investors, currency exposure matters just as much as the stated yield.

A fixed coupon is not a guarantee of stability. When rates rise, already-issued fixed-rate bonds lose value, and longer maturities are generally the most exposed. Even a top-tier issuer offers no protection from this movement, because the prospect of repayment at maturity eliminates neither interim fluctuations nor the erosion of purchasing power.

Part of today's inflationary pressures originates outside the traditional economic cycle. The conflict in the Middle East keeps uncertainty alive over energy and supply routes. Over the longer term, the fragmentation of trade and the pursuit of sovereignty may also raise production costs. This does not mean uncontrollable inflation, but rather a less predictable trajectory, one that could keep interest rates high.

To this uncertainty is added the financing needs of governments. Persistent deficits require heavy issuance, while rising interest costs progressively weigh on budgets. A vicious circle sets in: investors become more demanding in compensation for time and for political uncertainty. Long-term rates therefore also depend on budgetary credibility: a cut in policy rates would not necessarily be enough to bring them down.

This tension extends beyond the bond market. It raises the cost of refinancing for companies and can weigh on real estate as well as on equity valuations. When a shock is inflationary, equities and bonds can fall together: the statistics clearly show that the more rates rise, the less bonds play their role as a counterweight to equity risk. Conversely, faced with a slowdown accompanied by disinflation, high-quality bonds can regain their role as a shock absorber. The origin of the shock matters more than the label of the asset class.



Switzerland remains in a singular position. On 24 September 2026, the SNB held its policy rate at 0%, against a backdrop of moderate inflation. This stability does not, however, insulate Swiss wealth from international tensions. Seeking higher yields in dollars or euros adds currency risk: an appreciation of the Swiss franc can absorb the bond income, and even more. Hedging this exposure also carries a cost, which often reduces the apparent advantage of the investment.

It would nonetheless be excessive to conclude that one should turn away from bonds. Higher yields improve future income and reinvestment conditions. Our approach remains constructive on credit, with careful selection of issuers and their ability to refinance their debt. It is accompanied by heightened caution on government bonds, as well as a shortening of average duration. Managing rate sensitivity, diversifying maturities and aligning currencies with the client's needs once again become decisive choices.

In this new regime, preserving wealth requires looking beyond the coupon. The safety of a bond allocation is built on the quality of its assets and on its consistency with the investment horizon of the person who holds them.



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