

SNB Brings Back Zero Percent Interest Rates

With interest rates in developed economies falling but still significantly higher than their respective troughs in 2021-2022, some pundits are claiming that we are entering a new interest rate regime. Gone, they say, are the days of near-zero or even negative interest rates. The Swiss National Bank (SNB) may lead some pundits to rethink their logic. On June 19, 2025, the SNB reduced its policy rate by 25 basis points to 0.00%. Here are some reasons behind the SNB decision.

No Inflation? As shown on the right in the graph below, the latest Swiss inflation reading was -0.1%. The latest reading marks the first deflationary reading in slightly over four years. Moreover, the SNB's inflation forecasts are a mere +0.2% for the rest of 2025 and +0.5% in 2026. The SNB states: *"inflation is likely to remain very low in the coming quarters."* The bank believes that without cutting rates, inflation could fall further, pushing Switzerland into a recession.

Strong Currency? As shown on the left side below, the Swiss Franc has increased by over 10% against the dollar this year and is at its highest levels since the Financial Crisis. An appreciating Franc makes Swiss exports more expensive, thus hurting its global competitiveness. Lower rates reduce the incentive for foreign investors to hold francs, which should ease some of the upward pressure on it. The SNB also signaled that it is ready to intervene in the currency markets to arrest further appreciation.

Support the Economy ? The SNB expects GDP to remain within a range of 1% to 1.5% for the remainder of this year and 2026. Lower rates should stimulate consumer spending and investment activity among corporations and small businesses.



What To Watch Today

Earnings

Thursday Jun 26	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time	
Nike NKE:US	0.11	1.01	10.67B	12.6B	\$82.13B	Q4	PM	★	👤	
McCormick MKC:US	0.68	0.69	1.67B	1.64B	\$18.82B	Q2	AM	★	👤	
Walgreens Boots Alliance WBA:	0.33	0.63	36.97B	36.4B	\$9.31B	Q3	AM	★	👤	
Acuity Brands AYL:US	4.30	4.15	1.15B	968M	\$7.83B	Q3	AM	★	👤	

Economy

Thursday June 26 2025			Actual	Previous	Consensus	Forecast		
06:00 AM	US	Fed Barkin Speech						
06:30 AM	US	Durable Goods Orders MoM MAY	-6.3%	8.5%	5.2%	-1.1%		
06:30 AM	US	GDP Growth Rate QoQ Final Q1	2.4%	-0.2%	-0.2%	1.1%		
06:30 AM	US	Chicago Fed National Activity Index MAY	-0.25		-0.1	-0.1%		
06:30 AM	US	Corporate Profits QoQ Final Q1	5.9%	-3.6%	-3.6%	1.1%		
06:30 AM	US	Durable Goods Orders Ex Transp MoM MAY	0.2%	0%	0.1%	-0.1%		
06:30 AM	US	GDP Price Index QoQ Final Q1	2.3%	3.7%	3.7%			
06:30 AM	US	Goods Trade Balance Adv MAY	\$-87.62B	\$-88.5B	\$-91.0B	1.1%		
06:30 AM	US	Initial Jobless Claims JUN21	245K	245K	247.0K	1.1%		
06:30 AM	US	Retail Inventories Ex Autos MoM Adv MAY	0.3%		0.1%	1.1%		
06:30 AM	US	Wholesale Inventories MoM Adv MAY	0.2%	0.1%	0.1%	1.1%		
06:30 AM	US	Continuing Jobless Claims JUN14	1945K	1950K	1947.0K	1.1%		
06:30 AM	US	Core PCE Prices QoQ Final Q1	2.6%	3.4%	3.4%	1.1%		
06:30 AM	US	Durable Goods Orders ex Defense MoM MAY	-7.5%		4.3%	-1.1%		
06:30 AM	US	GDP Sales QoQ Final Q1	3.3%	-2.9%	-2.9%	1.1%		
06:30 AM	US	Jobless Claims 4-week Average JUN21	245.5K		247.0K	1.1%		
06:30 AM	US	Non Defense Goods Orders Ex Air MAY	-1.3%		0.1%	-1.1%		
06:30 AM	US	PCE Prices QoQ Final Q1	2.4%	3.6%	3.6%	1.1%		
06:30 AM	US	Real Consumer Spending QoQ Final Q1	4%	1.2%	1.2%	1.1%		
07:00 AM	US	Fed Hammack Speech						
08:00 AM	US	Pending Home Sales MoM MAY	-6.3%	-0.3%	-0.3%	-1.1%		
08:00 AM	US	Pending Home Sales YoY MAY	-2.5%		-2.1%	-1.1%		
08:30 AM	US	EIA Natural Gas Stocks Change JUN20	95Bcf	88Bcf		1.1%		
09:00 AM	US	Kansas Fed Composite Index JUN	-3		-4	-1.1%		
09:00 AM	US	Kansas Fed Manufacturing Index JUN	-10		-5	-1.1%		

Market Trading Update

As ***noted yesterday***, the breakout of the bullish wedge was encouraging and led to a decent rally into the close. As discussed, use any market weakness to add exposure as needed, as we are entering a more seasonally strong month of July.

One asset we continue to watch very closely is the US Dollar. As shown, the dollar is deeply deviated from its longer-term mean, oversold on multiple levels, and has been basing since April. As noted last Friday, the incredibly negative bias and position against the dollar are excellent contrarian signals for a counter-trend rally at some point.



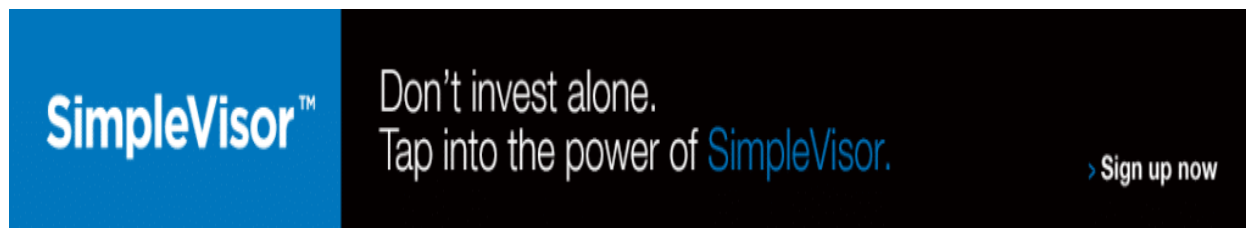
It is worth paying attention to the dollar, particularly if you are long gold exposure currently. **Central banks and foreign holders of reserve currencies have three primary choices to store foreign reserves: US Stocks, US Treasury Bonds, and Gold**, as each is traded in US Dollars. Gold has been a primary choice for reserves over the last two years due to the weakness in the dollar. However, if that reverses, we could see a shift out of gold into stocks and bonds, which should perform better as the dollar strengthens?**just something to watch.**



Also, a stronger dollar should lead to higher oil prices and better performance from energy-related stocks.



There have been many narratives surrounding the recent decline in the dollar, from de-dollarization to the demise of US exceptionalism. Given the depth of the current oversold conditions of the dollar, along with an enormous short position, any counter-trend rally from current levels could be pretty significant. It is probably a decent time to start taking profits in anti-dollar plays and adding positions that will benefit from a stronger dollar.



Bowman And Waller Leaning Towards July Rate Cuts

In testimony to Congress and last week's FOMC press conference, Chairman Powell made it seem highly unlikely that a Fed rate cut could occur at the July meeting. To wit, when asked at the FOMC meeting about the potential for a July rate cut, Powell replied- *"We don't need to be in any rush."* Powell and some other members of the Fed think that tariff-induced inflation will prompt them to maintain the current Fed Funds rate until later this year.

However, two Fed members are publicly concerned that the job market is deteriorating and that the impact of tariffs on inflation will be minimal. In their eyes, a July rate cut is a distinct possibility. Consider the following quotes from Michelle Bowman in a speech on Tuesday.

"Should the incoming data continue to indicate that inflation pressures are contained, I would support lowering the target range for the federal funds rate, potentially as early as the July FOMC meeting."

"Recent data suggest that inflation is moderating, and the risks to the labor market are becoming more concerning. I am increasingly attentive to signs of softness in spending and potential fragility in the economy."

"I expect the direct inflationary impact of recent and proposed tariffs to be minimal, primarily resulting in one-off price adjustments rather than sustained inflationary pressure."

Next, we share Chris Waller's comments, also made this week.

"I think we're in a position that we could do this (cut rates) as early as July. That would be my view, whether the committee would go along with it or not."

"If you're starting to worry about the downside risk (to the) labor market, move now, don't wait. Why do we want to wait until we actually see a crash before we start cutting rates?"

"I'm all in favor of saying maybe we should start thinking about cutting the policy rate at the next meeting, because we don't want to wait till the job market tanks before we start cutting the policy rate."

"Any tariff inflation? I don't think is going to be that big and we should just look through it in terms of setting policy."

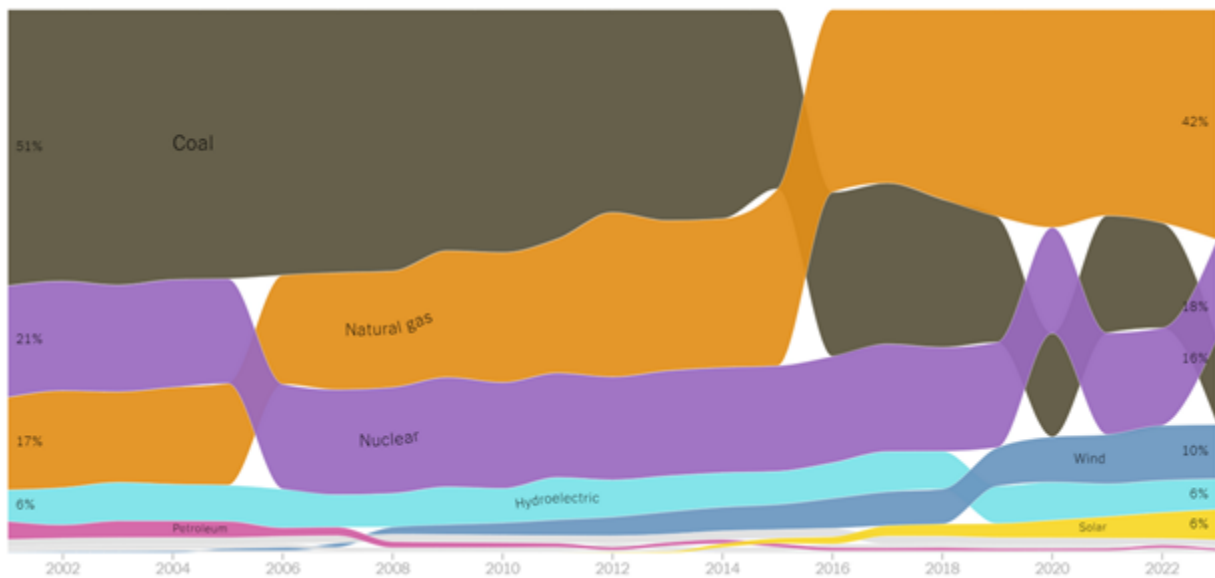
Fueling AI Data Centers: Behind The Meter Solutions

Despite concerns regarding the electrical power grid, there are solutions to meet the surge in AI-driven energy demand. For example, nuclear energy is making a comeback. The problem is that it can take eight or more years to build nuclear facilities. Renewable energy sources are becoming increasingly efficient and are being utilized to a greater extent. However, their reliability and efficiency are problematic. Fueling AI data centers requires a bridge to span the gap between future energy sources and the structural limits of today's power grid.

This two-part article discusses one such bridge: natural gas and Behind the Meter solutions (BTM). Part One of this article focuses on BTM solutions, and Part Two will focus on investing in companies involved in these solutions.

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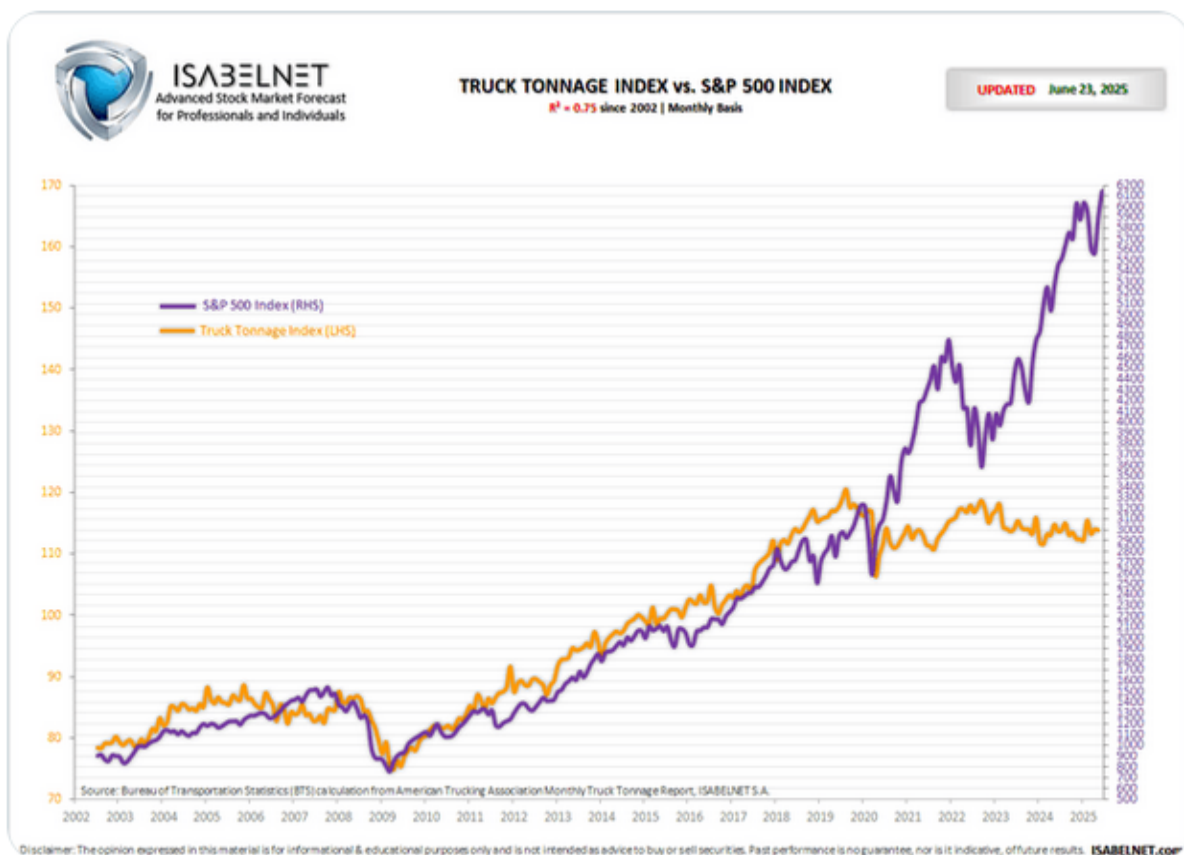


🇺🇸 S&P 500

The Truck Tonnage Index decreased by 0.1% in May. Historically, the S&P 500 tends to increase in line with the physical size and expansion of the US economy

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