

**Inflation-Linked Bonds:
A Future Option for the Swiss National Bank?**

Bachelor Thesis

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Abstract

Inflation-linked bonds are relatively new assets linked to a certain inflation measure. Central banks in particular have issued them as a safe alternative to conventional bonds. The thesis examines three factors concerning the issuance of inflation-linked bonds and applies these factors to Switzerland to find evidence if the Swiss National Bank should consider an implementation. Lower borrowing costs, contribution to social welfare aspects and provision of an indicator for inflation expectations are analysed in the inflation-linked bond-featuring countries Brazil, Germany and the USA.

The thesis concludes that out of the three factors only the social welfare could valuably profit by an inflation-linked debt program. The borrowing costs depend on high volume and frictionless markets which cannot be fully accounted for. The examination of the ability to prospect future inflation has shown no direct evidence that inflation-linked bonds lead to better inflation forecasts in the short-term. On the other hand there could be long-term benefits but inflation predictions do not yet track actual inflation rate accurately and the evaluation has to be extended. For the Swiss Finance Administration and the Swiss National Bank on behalf of it, the implementation of inflation-linked bonds is currently not an issue.