

Swiss Financial Markets

January 2012

Currency

- The real trade-weighted CHF is well above its long run average.
- In nominal terms, CHF is above its historical averages against all other major currencies except JPY and AUD.
- Compared with six months ago, CHF is lower against all of the other major currencies.

90 Day Rates

- The Euroswiss futures curve has moved down compared to six months ago.
- 90 day rates are priced to become negative with the SNB lowering its current target band of 0.0%-0.25%.
- The yield curve is marginally flatter than historical norms.

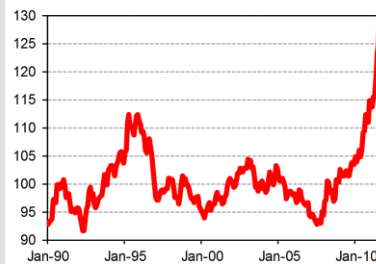
10 Year Yields

- Swiss yields have fallen by 0.8% from six months ago and at 0.9%, they are very low by historical standards.
- Swiss yields have fallen in line with global yields so spreads have generally been stable.
- Bond spreads are not systematically higher or lower than their historical norms against the other major countries.

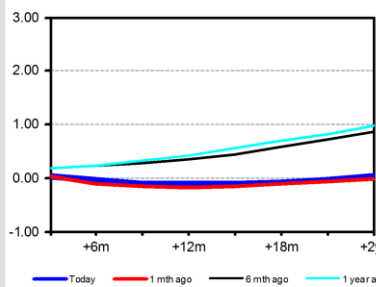
Equities

- Equities have declined recently and provided a loss of more than -10% during the past twelve months.
- Swiss returns were in line with the losses incurred in other major markets during the past year.
- A cumulative loss of nearly -35% by Swiss equities in the past five years has been a bottom tier performance.

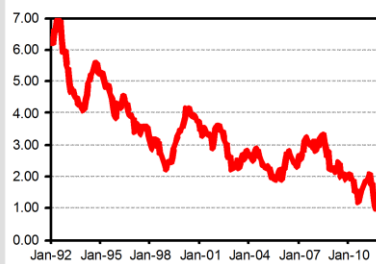
Real Trade-Weighted Index
(SNB index)



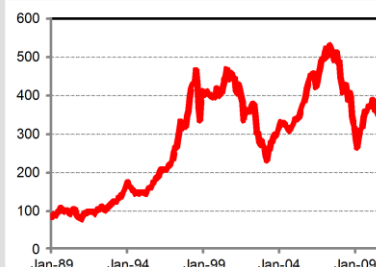
90 day future strips
(%)



10 year bond yields
(%)



Swiss Equity Market
(Total return index)



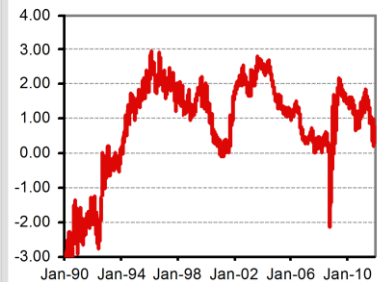
CHF: Now vs History

	Now	Average	Difference
USD	0.95	1.36	30%
EUR	1.21	1.60	24%
JPY	81	85	-5%
STG	1.47	2.26	35%
SEK	7.26	5.58	23%
NOK	6.31	5.09	19%
CAD	0.93	1.05	11%
AUD	0.98	0.96	-2%
NZD	0.75	0.80	6%
TWI	117	100	17%

(average refers to 1990-2010)

Yield Curve

(10 year – 90 day)



Bond Spreads: Now vs History

	Now	Average	Difference
USA	-0.85	-1.86	102bp
Ger	-0.91	-1.53	62bp
Japan	-0.12	1.26	-138bp
UK	-1.44	-2.22	79bp
Swede	-0.78	-2.08	130bp
Nor	-1.48	-2.26	79bp
Can	-1.16	-2.07	91bp
Aus	-3.14	-3.13	-1bp
NZ	-3.48	-3.42	-6bp

(average refers to 1995-2010)

Recent Equity Returns

	6m	1 year	5 years
US	-4%	2%	-1%
Euro	-18%	-17%	-34%
Japan	-13%	-17%	-52%
UK	-14%	-9%	5%
Swiss	-6%	-11%	-33%
Swede	-13%	-15%	-3%
Nor	-6%	-9%	-12%
Can	-10%	-11%	-7%
Aus	-6%	-9%	-5%
NZ	-4%	1%	-18%