

## FLASH NEWS REPORT Tuesday, September 6<sup>th</sup> 2011

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The Swiss National Bank (“SNB”) announced today that it has set a floor exchange rate of the Swiss Franc to the Euro at 1.20 and that it will defend this “line in the sand”. It said “it will enforce the floor with utmost determination” and “ aims at substantial, sustained weakening of the Swiss Franc”. Wao, finally, the Swiss are taking bold, needed action here.

This announcement caused a 10 point fall in the exchange rate, from 1.1089 to 1.2191 against the EUR, and the US\$ raced up from 0.7850 to 0.8550.

FX Trading Desks at the large banks became unreachable. The screens showed huge bid-offer spreads and the FX world went silly for a while. The Swiss Franc settled now at 1.2030 or so, the Swiss to the US\$ at 0.8485 and the Swiss stock market raced up by almost 5% The rest of the European markets swung to positive grounds, broadly trading at +1.00 to +1.50% Rather decisive, the Swiss here!

The Euro to the US\$ remained fairly calm, trading in a range of one point, now at 1.4185 in positive ground. Gold which had rallied back through \$1’900/oz. is back below this figure, at 1’882 as we write.

US Equity futures are pointing to a lower opening, about 1.40% down but significantly above where they had been pointing earlier today. Still, quite an ugly opening in the making (about 175 points down on the DJIA)

US Treasuries rallied to their lowest yields in 60 years, touching 1.91% on the ten year Note, German Bunds rallying as well to record low-yields.

What has changed? The real change here is that the safe-haven status of the Swiss Franc has been tarnished- it is now pegged to the Euro, at least for a while, or for as long as the Swiss reserves can afford it... Gold may get a boost here as its main competitor for safety has become a kind of Euro... Gold in Swiss Francs has risen to 1’609, a 114 franc rise.

Will the SNB’s act be copied by the Japanese? At 77 to the US\$, it too is destroying the Japanese economy. What could they do here?

Let’s stay long the Chinese Yuan. It is rising steadily and is likely to continue in the same direction for many points to come.

We believed that after the first move by the SNB to weaken the CHF after it hit a record high in mid august, the CHF had turned for good. We are now even more convinced, although the markets will surely “test” the resolve of the SNB in the days and weeks to come.