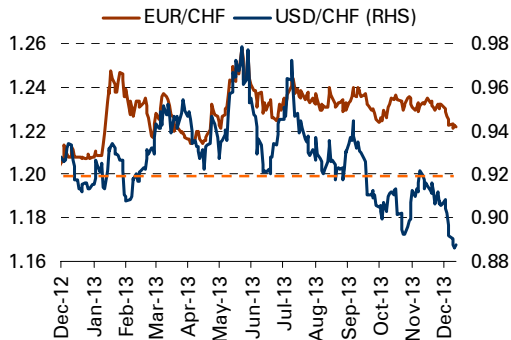


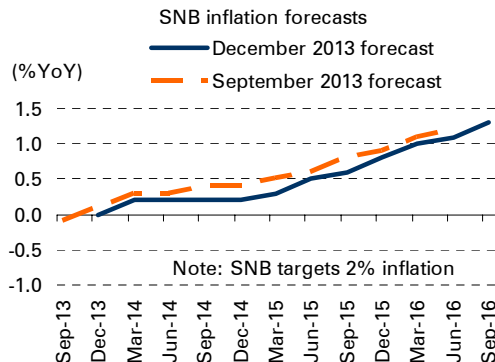
Switzerland: SNB maintains dovish stance

Chart 1: EUR/CHF floor kept unchanged at 1.20



Source: Bloomberg, ICICI Bank Research

Chart 2: SNB trims price forecasts; sees no inflation risks at least till 2015



Source: SNB, ICICI Bank Research

December 12, 2013

Tadit Kundu

tadit.kundu@icicibank.com

Tel no: +91-22-2653-1414 (extn: 2087)

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- **SNB maintains status quo as expected; leaves the EUR/CHF floor unchanged at 1.20 and maintains the policy rate at a record low of 0.0-0.25%**
- **SNB revised down its inflation projections and remains comfortable with the current low interest rates and ample liquidity scenario**
- **We expect the SNB to maintain its accommodative stance and keep policy rate unchanged till H1'2014; EUR/CHF floor at 1.20**

SNB keeps policy unchanged, no surprises

The Swiss National Bank (SNB), in its quarterly monetary policy review, maintained status quo, in line with expectations. The **EUR/CHF floor was unchanged at 1.20** while stressing that the minimum exchange rate remains important in order to avoid an undesirable tightening of monetary conditions. The SNB also reiterated its pledge to buy unlimited amount of foreign currency to defend the floor. The **benchmark 3-month Libor target range was left unchanged at 0.0-0.25%**, with bias towards the lower end.

SNB notes improved economic conditions, but highlights risks

The SNB said that the Q3 domestic GDP growth was favourable. However, it noted that the economic situation in the global economy remained uncertain. Specifically, SNB expressed concerns over the forthcoming assessment of banks' balance sheets in the Eurozone. The SNB kept its 2013 GDP growth forecast unchanged +1.5-2.0% YoY (GDP grew by 1.9% YoY in Q3).

SNB trims inflation forecasts; reiterates absence of inflation risks

The SNB slightly revised down its 2014 inflation forecast to (+)0.2% vs. the earlier projection of (+)0.3% YoY, while keeping the 2013 projection unchanged at (-)0.2% YoY. The long-term inflation outlook remains unchanged. The SNB expects no threat of high inflation in the foreseeable future and remains comfortable maintaining its ultra-easy monetary policy stance.

Outlook: Policy expected to remain accommodative

Despite recent improvement in growth, the SNB continued to sound caution and highlighted the downside risks to growth. While the SNB did acknowledge the rise in real estate prices, it made no indication that it could tighten liquidity to rein in property prices. The statement continued to emphasise on the need for keeping monetary conditions supportive of growth.

Thus, it is expected that SNB will keep the policy rate target unchanged at record low of 0-0.25% at least till June 2014. On EUR/CHF floor, no action is expected in the near term as the SNB remains in a wait-and watch mode.

ICICI Bank: ICICI Bank Towers. Bandra Kurla Complex. Mumbai- 400 051. Phone: (+91-22) 2653-1414

Treasury Research Group

Economics Research

Sunandan Chaudhuri	Senior Economist	(+91-22) 2653-7525	sunandan.chaudhuri@icicibank.com
Kamalika Das	Economist	(+91-22) 2653-1414 (ext 6280)	kamalika.das@icicibank.com
Kanika Pasricha	Economist	(+91-22) 2653-1414 (ext 2260)	kanika.pasricha@icicibank.com
Samir Tripathi	Economist	(+91-22) 2653-7233	samir.tripathi@icicibank.com
Tadit Kundu	Economist	(+91-22) 2653-1414 (ext 2087)	tadit.kundu@icicibank.com
Pooja Sriram	Economist	(+91-22) 2653-1414 (ext 2023)	pooja.sriram@icicibank.com
Nikhil Gupta	Economist	(+91-22) 4259-2180	nikhil.gupta@icicibank.com
Shanjukta Nath	Economist	(+91-22) 2653-1414 (ext 2085)	shanjukta.nath@icicibank.com

Treasury Desks

Treasury Sales	(+91-22) 2653-1076-80	Currency Desk	(+91-22) 2652-3228-33
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