Views on the foreign exchange market trends – results of the 2019 client survey
Dear Reader

The spotlight was once again on the Swiss franc last year. Optimism about prospects for a normalization of European Central Bank (ECB) monetary policy, coupled with a favorable growth outlook, led the euro to appreciate against the Swiss currency in the early part of the year. By April 19, 2018 the EUR/CHF exchange rate had returned to the 1.20 level for the first time since the Swiss National Bank (SNB) scrapped its minimum exchange rate more than three years previously. For a short spell, Swiss exporters were able to breathe a sigh of relief. However, political uncertainty in Italy soon prompted another wave of volatility and a renewed flight to the Swiss franc. In a matter of days, the EUR/CHF exchange rate was down more than 5 percent.

The foreign exchange market can be volatile and unpredictable, as recent years have made abundantly clear. Changes in monetary policy, geopolitical and political uncertainties, together with one-sided positioning, have all led to major upheaval. Fact is, systematic currency hedging makes it easier for companies to plan ahead and focus on their core activities. Both traditional hedging products and innovative optimization products can be used to reduce risks and exploit opportunities.

As well as managing transaction risks, Credit Suisse offers solutions aimed at addressing the currency risks involved in strategic transactions. Large sums of money and uncertainty can pose major challenges – not just in periods of volatility. In many instances, the use of traditional instruments such as forward transactions and currency options does not have the desired effect. Deal Contingent Hedging from Credit Suisse is an innovative solution that takes account of such uncertainties.

Credit Suisse offers innovative solutions and a wide range of products in the foreign exchange arena. Our specialists in Basel, Geneva, St. Gallen, Lugano, and Zurich will be happy to respond to any questions regarding the currency market.

With the results of our third survey on the foreign-currency expectations of Swiss companies, as well as fascinating interviews with clients, we hope to provide you with some interesting insights for your own business activities.

I hope you enjoy this issue.

Didier Denat
Head of Corporate & Investment Banking

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Assessments of the department heads

Interviewee: Andreas Gerber, Head of SME Switzerland
Andreas Gerber joined Credit Suisse in 1989 and has headed the SME business in Switzerland since April 2015. His career has taken him from advising major clients listed on the stock exchange and managing corporate client business to serving as Head of SME Region Mittelland in 2006. In September 2010, he moved to Zurich, where for four years he led the corporate client business of Region Zurich and Schaffhausen. In addition, he has been the President of the Swiss Venture Club (SVC), Switzerland’s leading entrepreneurial network, since 2017. He has a degree in economics and is a graduate of the Executive Program of the Swiss Finance Institute in Zurich and the Tuck School of Business at Dartmouth in Hanover (US).

Interviewee: Herbert Plank, Head of Trade Finance
Herbert Plank (born in 1966) began working with Credit Suisse in 1984 and has led Trade Finance with teams in Zurich, Geneva, Lugano, and Wroclaw since September 2015. His spent part of his career in Large Swiss Corporates, and in 1991 he was part of the Commodity Trade Finance founding team in Zurich. In 1996/97 he switched to the Commodity Team in London and starting in 1998, he was responsible for a Commodity Trader unit and founded the Eastern European Desk in Zurich. In 2002, he was named Head of Generic Trade Finance Services, and in 2009 he was also named Head of the Syndication Desk. In September 2012, he took over leadership of Export Finance, Structured Trade Finance and Commodity Project Finance, and in 2016 he was named Head of Corporate Solutions (Leasing, Factoring, Employment Share Ownership Service, Payments, and the Regulatory Office Service) and Integrated Export Finance, Structured Trade Finance, and Commodity Project Finance into this newly founded department.

Interviewee: Albert Angehrn, Head of LSC Switzerland
Albert Angehrn joined Credit Suisse in October 1984 as a commercial banking trainee. He completed Credit Suisse’s International Bankers’ School in New York as well as the Global Program for Management Development at the IESE Business School at the University of Navarra. He has worked in various positions during his career at Credit Suisse, including as a Relationship Manager for Fortune 500 companies in the US, as the Head of the Structured Finance Team in Zurich, as well as the Head of Credit Desk Europe, Middle East, Africa, and Trade Finance Worldwide. In 2003, he took over leadership of the Large Swiss Corporates business in Switzerland.

Interviewee: Leif Woodtly, Head of FX Sales
Leif Woodtly has worked for Credit Suisse since 1992 and has served in various functions within trading. Since 2013, he has been responsible for foreign exchange advisory and sales coverage of corporate clients in Switzerland.

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Views on the foreign exchange market trends

Questions to Andreas Gerber, Head of SMEs

How important is the topic of currency hedging to you and your clients? Swiss SMEs are heavily export-orientated – whether toward Europe, the US, or other countries – and therefore closely intertwined with foreign markets. Thus small and medium-sized companies in Switzerland are exposed to greater currency risks than firms in virtually any other country. I reckon well over 50% of SMEs hedge their currency risks – at least partially. That shows the vital importance of currency hedging to day-to-day business, for clients as well as for Credit Suisse.

What was the most popular FX instrument for your clients last year, and is there anything new in the pipeline for 2019? Spot and forward trades are certainly among the solutions most widely used by our clients in order to meet their needs. However, we’re noticing increased interest in advanced hedging and outperformance strategies in addition to these basic instruments. Given the current interest rate environment, we’re seeing a lot of interest in dual currency deposits from clients with surplus liquidity.

Questions to Herbert Plank, Head of Trade Finance

Trading in the Chinese renminbi remains limited, although it is increasing in importance. Do you think the US dollar will continue to be the dominant trading currency and, if so, why? In my view the US Dollar will continue to dominate for a long time to come. We often see attempts being made to conduct more transactions in other currencies. However, the political and economic situation in other major currencies often prevents this. Whether crypto currencies can make any inroads is more than questionable at the moment due to the lack of legal clarity and very limited tradability.

Where do you see commodity prices going in future? Commodity prices are influenced by a huge number of factors that are difficult to predict. For us, the development of the global economy is an important yardstick. The current geopolitical situation makes it even more difficult to predict the price trend. Transport costs are another factor with a major bearing on prices and shouldn’t be overlooked.

Questions to Albert Angehrn, Head of Large Swiss Corporates

What impact did the strong Swiss franc have – or is it having – on your clients? The strength of the Swiss franc is impacting clients on various levels. It hits the balance sheet in particular, and this therefore affects equity capital as well as asset and liability management. In terms of event transactions such as acquisitions abroad, a strong Swiss franc can have a positive impact provided the foreign currency purchase and transaction execution are hedged. A strong Swiss franc is also positive for purchases of goods, provided the benefits are not wiped out again by selling the end-product abroad. So, it’s an issue that affects everyone in some way or another and needs to be dealt with – mainly because the speed of currency movements means you have no time to react. The better we understand the client’s intentions and requirements, the more specifically we can address and advise the client within an appropriate market window.

What sets Credit Suisse apart from its competitors in your area? I regard client focus and service quality as competitive advantages. In addition to standard products, we also have unique products such as the Deal Contingent Hedge. We don’t just need to go the extra mile; we also need to have a unique selling proposition. That’s the way we can build a clear competitive advantage.

Assessments of the department heads
Widespread euro skepticism

The corporate clients surveyed by us are generally expecting a weakening of Swiss economic growth and just under a half of respondents are expecting the SNB to increase interest rates by the fourth quarter of 2019 at the latest. They remain skeptical about the prospects for the euro and envisage a EUR/CHF exchange rate of 1.15 by the end of 2019. This is partly because they perceive the greatest political risks to be emanating from within Europe – and from Italy in particular.

Almost a half of respondents expect SNB rate hike by 2019

For the third year in succession we asked our corporate clients for their views on selected themes that could influence the global economy, the policy of central banks, and therefore the development of exchange rates. A total of some 760 companies took part, ranging from sole proprietorships with just a few hundred thousand francs of annual sales through to major conglomerates with thousands of employees and annual sales of more than a billion francs. The great majority of these companies have strong international connections – only a sixth do no business outside Switzerland. Around half of the participant companies are active in manufacturing, with the rest active in the services sector or a combination of the two.

Almost a half of the corporate clients surveyed, the Swiss National Bank (SNB) is likely to tighten the interest rate screw – for the first time since fall of 2007 – by the end of 2019 at the latest (cf. Fig.). In December 2018, the SNB announced in its monetary policy situational analysis that it would stick to its monetary easing course for the time being and leave its key interest rate unchanged.

Companies do not expect euro to strengthen

The survey results of previous years revealed that companies were doubtful about any strong upturn in the eurozone economy and accordingly did not expect any real resurgence on the part of the euro (cf. Fig.). For the end of 2019, they are on average expecting a EUR/CHF exchange rate of 1.15 (CS forecast: 1.20).

For the exchange rate pairs USD/CHF and GBP/CHF, the forecasts of respondents work out at 0.99 and 1.26 respectively (CS forecasts: 1.00 and 1.40). Furthermore, the exchange rate forecasts of the surveyed companies reveal almost no differences when broken down by industry sector, foreign trade activity (exports vs. imports), or company size.

A different picture emerges with regard to the exchange rates taken into consideration for the annual budgeting process. Here exporters are budgeting for a much stronger franc than their import-oriented counterparts. In other words, the majority of survey participants – just like in previous years – are factoring in a certain margin of security.
Assessment of economic and political risks
As a “safe haven,” the Swiss franc comes under enormous upward pressure above all at times of political and economic uncertainty. According to the companies surveyed, the monetary policy decisions of foreign central banks such as the ECB and the Fed are likely to have the strongest impact on the development of the franc. They perceive the indebtedness of the Italian government as the most significant risk not relating to monetary policy. The least significant risks perceived by respondents are the influence of the current Brexit negotiations and indications of a growth slowdown in China.

Settlement currencies
For the companies surveyed, the purchase and sale of goods and services in foreign currencies are part and parcel of everyday business. The currency risks of importers are obviously first and foremost to be found in contracts of purchase, 71% of which dictate that transactions are processed in foreign currencies. Sales are for the most part settled in CHF. Among exporters, in addition to sales (72%), the majority of purchases (57%) are also settled in foreign currencies – predominantly EUR or USD. This is likely to reflect the fact that the input goods of these companies are mainly sourced abroad. In other words, exporters are much better positioned when it comes to the natural hedging of currency risks.

Hedging of currency risks
Of the companies with an EUR proportion of at least 20% (purchase or sale currency), 27% use financial instruments to hedge currency risks, whereas just under a third do not engage in this practice at all. For companies with USD exposure, the hedging proportion is significantly higher. In many cases this is attributable to the fact that these companies do not purchase goods and services in the same currency as they sell their products, which means they do not benefit from “natural currency hedging” (see above).
Stress tests for the global economy

The Credit Suisse “house view” forecast for the global economy is moderately optimistic, despite certain risks. The following specific political assessments underlie our forecasts.

Calmer political situation in Europe
We take the view that the current political turbulence in Europe will subside somewhat. The United Kingdom’s exit from the European Union (EU), which is scheduled to take place on March 29, 2019, should not have severe consequences for either side as long as it is adequately processed. In Germany, the ongoing political realignment is unlikely to lead to instability, as the more extreme parties have only a limited influence. Meanwhile, we believe that Italy and the EU will ultimately agree on a compromise with regard to the former’s proposed budget deficit, while at the same time reaffirming Italy’s continued participation in the currency union.

China’s flexibility to alleviate consequences of trade dispute
The fiscal imbalance in the US is much starker than it has been in previous phases of expansion. Shortly before the recession of 2001, the US federal budget delivered a surplus of more than 2.5% of GDP, whereas the deficit in mid-2007 amounted to just over 1% of GDP.

Despite an uninterrupted period of economic growth of almost 10 years, the fiscal deficit currently lies at around 4% of GDP, which means that the US debt mountain is continuing to increase. A significant rise in interest rates would therefore have tangible repercussions for debt servicing costs. That said, a full default on the part of the US government remains an extremely improbable scenario. After all, in an emergency scenario the US central bank (Fed) would step in as the “lender of the last resort.” It is nonetheless worth bearing in mind that a more obliging monetary policy stance on the part of the Fed could stoke inflationary risks.

Strengths outweighing weaknesses in emerging markets
We believe the vulnerability of the emerging markets to a rise in interest rates or a rise in value of the US dollar to be very limited. However, certain countries – above all Argentina, Turkey, and South Africa – are heavily reliant on foreign deposits, though the external imbalances are much less precarious in other key countries such as Brazil, Mexico and Indonesia. There has been a dramatic improvement in this respect since the 1990s. The countries that were plunged into crisis back then (notably Thailand and Malaysia) have significantly improved their current account balances. On the other hand, a certain degree of deterioration in budget discipline is evident in many countries.

US debt mountain rising
The ongoing dispute between the world’s two largest economies over trade matters does not appear to be having a negative impact on the confidence of US companies: The business trend indicator for small and medium-sized US companies (SMEs) is currently higher than at any point since 2005. Whereas corporate investment in the US is once again set to grow powerfully on the back of positive sentiment in 2019, construction investment is likely to prove weaker, as construction costs and the corresponding financing costs are rising against a backdrop of increasing wage costs and successive hikes in interest rates.

Credit Suisse forecasts for 2019

Europe
The European labor market situation has recently improved further, which should also positively affect consumer spending next year. The likelihood of robust consumption should then also help to mitigate the growth slowdown in the Eurozone, despite what is likely to be lower foreign trade activity next year. As the European Central Bank (ECB) is not expected to raise interest rates for the first time until the second half of 2019 at the earliest, the EUR will appreciate modestly at best, which is good news for exporters.

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Ongoing improvement in labor market situation

Persistent optimism among US SMEs

Source: Datasream, Credit Suisse

Source: Statistical office of the European Union (Eurostat), Credit Suisse
Views on the foreign exchange market trends

Credit Suisse forecasts for 2019

China
It is likely that there will be another slight slowdown in growth in China in 2019. High debt levels in connection with real estate and the associated debt servicing burden should weigh on consumer spending, while growth in investment spending is likely to remain modest. However, the Chinese central bank is likely to counter the negative effects of US tariffs with a combination of credit stimuli and “artificial” currency devaluations. China’s contribution to global growth should remain substantial in the short term.

Switzerland
The Swiss economy is set to grow by 1.7% in 2019, which is a decline on 2018. The main growth driver will be consumer spending. The improved labor market situation in general and the decline in the unemployment rate in particular are likely to have a positive impact on consumer confidence. By contrast, export growth is likely to weaken further and the reduced export dynamism will probably have the effect of slowing capital expenditure growth. We are likewise expecting lower investment growth in the construction industry, as the degree of oversupply in the rental apartment market is increasing and order books are generally becoming leaner.

USD/CHF exchange rate
Despite the various political flashpoints, CHF has barely risen against USD in recent weeks. As long as the risks remain moderate over the coming months, we believe this relative stability will persist. As the US economy is still growing strongly and the US continues to enjoy a significant interest rate advantage, we believe a sharp rise in CHF against USD remains an unlikely scenario. We are therefore expecting the USD/CHF exchange rate to trade in a narrow range around the 0.99 mark over the next three months. Over a 12-month horizon this currency pair can be expected to reach parity.

Better economic data likely to support EUR/CHF
Following the appreciation of CHF in the summer, the Swiss National Bank (SNB) has made it publicly clear that this appreciation may well have been excessive. In view of the persistent political risks in the eurozone, CHF could continue to come under upward pressure, at least in phases. On the other hand, improved economic data would give the euro a boost. In our view, the risks for EUR/CHF therefore appear to be balanced at current levels. Our outlook for EUR/CHF over the next three months is set at 1.14, while over a 12-month horizon an exchange rate of 1.20 appears realistic.
To what extent is Ronda affected by the strength of the Swiss franc?
Dominik Schneider: Most of our sales at Ronda are in Swiss francs, meaning that the strong Swiss franc has little direct influence on our turnover. But indirectly, we felt it severely. The watch industry – and hence our clients – slid into a crisis. Demand for Swiss watches collapsed. We had to introduce short-time working in order to maintain capacity.

What is your outlook for 2019?
Dominik Schneider: We are optimistic. Feedback from our clients and the receipt of orders promise better times for the watch industry. We were able to end short-time working in April 2018. However, we are not yet at the same level as before the franc shock.

What do you think are the biggest market risks in 2019?
Dominik Schneider: First and foremost, political risks. These affect consumer confidence. In particular, we in the watch industry hope that the amount of travel and consumption by people in Asia will increase again.

We use currencies for optimization rather than speculation.

Currency management is also important for SMEs that only generate a small fraction of their turnover in foreign currencies. For example, if they sell their foreign currency surplus.

Ronda supplies the global market with watch movements. To a large extent, production and sales take place in Switzerland – in Swiss francs. But two of the company’s five subsidiaries are located in Asia.

Do you hedge your foreign exchange risks?
Dominik Schneider: We do not hedge in the traditional sense. We have little need for that. We only generate about 30 percent of our revenue in foreign currencies. And 20 percent of our expenditure is in foreign currencies. Our aim is to sell the surplus as favorably as possible. We want to maintain our liquidity in Swiss francs.

Which hedging products do you use?
Dominik Schneider: We optimize transactions from US dollars to Swiss francs using ratio knock-out forwards (RKOF). In addition, we currently invest part of our liquidity in dual currency deposits. This is because we would have to pay to park money in Swiss francs owing to negative interest rates.

How has your experience with these products been?
Dominik Schneider: The instruments suit us. They are solutions that I understand. They are not too complex. Continuity is also important to us. We use currencies for optimization rather than speculation. These solutions make that possible. In addition, the balance between optimization and residual risk is right for us.

You mention residual risk. Have you ever had to acknowledge an error due to currency fluctuations?
Dominik Schneider: Apart from the franc shock, which caught us unawares like many other companies, we have also had to post a loss owing to the fall in the US dollar. However, we’re willing to take this risk, especially as only a very small part of our turnover is in US dollars. By contrast, fluctuations in the euro exchange rate hardly affect us.

Ronda AG is one of the biggest manufacturers of watch movements in the world. This third generation family firm has 1,400 employees at its headquarters in Lausen in the Canton of Basel-Land and its five subsidiaries. Dominik Schneider (48) started his commercial training at Ronda 32 years ago. He has been Chief Financial Officer and a member of the Executive Board for five years. In his private life, he can be found on the ski slopes in Lenzerheide in the company of his wife and three children, or on the football pitch, where he trains the junior team at FC Bubendorf.
Walter Matter SA

We hedge against all eventualities.

Commodity traders are exposed to fluctuating prices and currencies. They can hedge themselves against the latter, though currency fluctuations can still decrease their margins.

Walter Matter SA trades internationally in coffee and cacao — mostly in dollars, but also in euros, pounds, and Swiss francs. They mainly sell to Switzerland and neighboring countries.

Have you ever had to conduct write-downs because of currency fluctuations?
Roger Fry: There have been scenarios that we haven’t been well prepared for. Brexit, for example, or the Swiss franc shock of January 15, 2015. Such events influence our accounts and conversely our assets. However, the effects ultimately balance out.

What effect did the Swiss franc shock you mentioned have on your business?
Roger Fry: Because we keep our accounts in Swiss francs, a strong franc reduces our margins. Ultimately, we can’t simply sell the goods at a higher price just because we take in a smaller margin after conversion into Swiss francs. We were definitely doing better when the dollar was strong.

What is your outlook for 2019?
Roger Fry: We expect to trade more in terms of raw weight. This is because we can tap into new markets thanks to our access to new producers.

Which market risks could be an obstacle for you?
Roger Fry: Our biggest risk is climate. In 2014, for example, dry conditions in Brazil led to wild speculation about possibly declining coffee harvests. Local political crises also create problems for us. They can severely restrict trading and transportation.

We hedge against all eventualities.

Walter Matter SA buys and sells around 60,000 tons of coffee and the same amount of cacao every year. Thirty-two employees work at the company’s headquarters in Geneva. Roger Fry (61) has been with the family firm, now in the third generation, for 38 years. Originally from Zurich, in his free time he likes to travel to coffee nations such as Brazil and Vietnam with his wife and two daughters, and follows the Swiss national football team to their matches. He can be found just as often on Mallorca, where he owns an apartment.
In a major corporation, it is important that everyone supports the hedging strategy, as this is the only way to achieve the desired goals.

Rieter develops and manufactures machinery, systems, and technological components used to convert natural and manmade fibers into yarns. Serving the global market, the company has 17 manufacturing locations in ten countries. Materials and currency flow through all of its closely intertwined units. The most important currencies for Rieter are the Swiss franc, the euro, the Czech koruna, the U.S. dollar, the renminbi, and the Indian rupee.

Why does Rieter hedge its currency risks?
Thomas Stäubli: We have two goals when hedging currencies. Firstly, we want to protect our margins and cash flows. Secondly, we want to reduce the volatility of our income. We only carry out hedging transactions and we have no opportunistic goals.

Which products do you use?
Thomas Stäubli: We use spot, forward, and swap transactions, as well as non-deliverable forwards (NDFs) for currencies that cannot be freely traded. Hardly ever do we hedge with options. We only use standard products – nothing exotic.

Why do you avoid exotic products?
Thomas Stäubli: Even when the market environment is very volatile, the market is usually big enough for us to be able to buy or sell standard products at a fair price. Standard products are also more transparent and can be modeled more easily in risk models.

What lessons has your previous experience of hedging currencies taught you?
Thomas Stäubli: A good currency hedging strategy is always based on an in-depth corporate analysis, which is carried out in advance, and must always be tailored to suit the relevant business model. It also makes sense to consult each of the involved parties at every stage. You can only achieve your desired objectives if everyone supports and lives the currency hedging strategy.

Currencies have become more volatile. What impact does this have on your hedging strategy?
Thomas Stäubli: Fundamentally, we stick to our strategy, regardless of what we expect from future currency developments. But we have refined our strategy as a result of the high level of volatility; for example, we have significantly increased the hedging quota for project business.

What are some limiting factors to consider when currency hedging?
Thomas Stäubli: The main limiting factors are the regulatory requirements of individual countries. For example, Indian and Chinese subsidiaries are not allowed to process intra-corporate exchange transactions.

Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four end spinning processes currently established on the market.

Thomas Stäubli
Head of Group Treasury, Rieter Management AG

Rieter employs a global workforce of around 5,250 employees. In 2017, the textile machinery company posted sales of 965.6 million Swiss francs.

Thomas Stäubli (44) has been Head of Group Treasury at Rieter Management AG since 2011. Previously, he held the same position at Bucher Industries AG for a considerable period of time. The passionate hobby chef enjoys traveling to places that have not yet become tourist hot spots. The book “Philosophie” by Jonas Pfister is currently inspiring him to grapple with life’s big questions.
Optimize your cash position

The innovative investment

How to actively manage your liquidity

Interest rates are low, and the cash holdings are high. A lot of companies see themselves faced with this situation nowadays. Many businesses have liquid assets, some of which are earning negative interest or no interest at all. At the same time, many companies have a need to buy or sell foreign currencies.

In these circumstances, structured money market investments are an interesting solution. A dual currency deposit combines a conventional money market investment with a currency option, enabling you to enhance your return by accepting the possible conversion of the investment into an alternative currency.

The example below illustrates this principle:

**Brief description from the perspective of a USD/CHF seller**

<table>
<thead>
<tr>
<th>Spot rate</th>
<th>CHF 0.9990 per USD 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying USD/CHF</td>
<td>USD/CHF exchange rate</td>
</tr>
<tr>
<td>Duration</td>
<td>1 month</td>
</tr>
<tr>
<td>Conversion rate</td>
<td>CHF 1.0100 per USD 1</td>
</tr>
<tr>
<td>Fixed coupon</td>
<td>4.00% p.a.</td>
</tr>
<tr>
<td>Investment</td>
<td>USD 250,000</td>
</tr>
</tbody>
</table>

For illustrative purposes only

**How it works**

The fixed coupon of 4.00% p.a. will be paid in all cases. The Redemption at Maturity of both the Investment and the Fixed Coupon may occur either in the investment currency USD or in the alternative currency CHF depending on the USD/CHF exchange rate at Expiry.

The following two redemption scenarios may occur:

**Scenario 1**

If at Expiry the Underlying trades below the Conversion Rate, you will receive at Maturity the initial Investment plus the Fixed Coupon of 4.00% p.a. in the investment currency USD.

**Scenario 2**

If at Expiry the Underlying trades at or above the Conversion Rate, you will receive at Maturity the payment in the alternative currency CHF. The sum paid corresponds to the initial Investment plus the Fixed Coupon of 4.00% p.a. in the investment currency USD, converted at the predefined Conversion Rate of 1.0100 CHF per 1 USD.

Enjoy full planning certainty and benefit from favorable market moves

Most companies hedge with conventional forward transactions. A forward transaction is a great way to hedge price risks of future cash flows. However, forward transactions have the disadvantage that you are unable to benefit from favorable price developments in the future.

An innovative form of hedging involves combining various hedging instruments. You will be well positioned for diverse market developments thanks to the combination of different hedging solutions.

For example, you have the option of concluding a participating forward transaction in addition to the normal forward transaction. The purpose of the participating forward is to create a 100% reliable basis for planning while at the same time ensuring 50% participation in favorable market movements.

The example below illustrates this principle:

**Brief description from the perspective of a EUR/CHF buyer**

<table>
<thead>
<tr>
<th>Spot rate</th>
<th>CHF 1.1310 per EUR 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average forward rate</td>
<td>CHF 1.1283 per EUR 1</td>
</tr>
<tr>
<td>Hedge rate</td>
<td>CHF 1.1500 per EUR 1</td>
</tr>
<tr>
<td>Duration</td>
<td>12 months</td>
</tr>
<tr>
<td>Expiry dates</td>
<td>Monthly</td>
</tr>
<tr>
<td>Nominal amount per expiry</td>
<td>EUR 100,000</td>
</tr>
<tr>
<td>Participation ratio</td>
<td>50%</td>
</tr>
</tbody>
</table>

For illustrative purposes only

This strategy is designed for clients who want to hedge their CHF position against a higher EUR/CHF exchange rate, but nonetheless are aiming to keep the opportunity to benefit partially from a depreciation.

This specific Participating Forward grants in all cases a hedge at 1.1500 CHF per 1 EUR. If EUR/CHF trades on Expiry at or below the Strike, you are obliged to buy only part of the Notional Amount at the Strike. The difference to the Notional Amount could be bought at the prevailing Spot, which is better than the Strike (outside this structure).

**How it works**

On each Expiry, one of the following scenarios may occur:

**Scenario 1**

EUR/CHF trades above the hedge rate. You buy EUR 100,000 against CHF at the hedge rate on the respective settlement date.

**Scenario 2**

EUR/CHF trades at or below the hedge rate. You are obliged to buy EUR 50,000 (Notional Amount multiplied by Participation Ratio 50%) against CHF at the Hedge rate on the respective settlement date.
Don’t let top performance go unnoticed

Fully engaged for Swiss SMEs.
For more than 18 years the Swiss Venture Club (SVC) has passionately dedicated itself to small and medium-sized enterprises in Switzerland – it does this while being rooted regionally but present nationally.

Today, with more than 3,000 members from all sectors and regions, this independent and not-for-profit SME association is one of the largest and most important networks for Swiss entrepreneurs. It brings together innovative people from business, science, politics, media, and culture, and allows them to make high-level contacts and share personal experiences. In this way, the SVC encourages entrepreneurship and plays its part in making Switzerland a success.

The fact is that national media headlines have traditionally focused on large companies with catchy names. This is exactly where the SVC comes in. It offers regionally rooted and successful SMEs a unique stage and platform that resonate both regionally and nationally. Small and medium-sized enterprises in particular play a major role in the structure of our economy. Many of the finalists are strongly rooted in local market niches and have simultaneously developed an impressive competitive standing in the global market. Other companies provide regional services or work and thus make a major contribution to our country as a business hub. The Prix SVC shows how important SMEs are for the Swiss economy and is intended to motivate companies to surpass themselves.

Prix SVC – Make invisible high performers visible
What began in 2003 as a general project with the “Espace Mittelland Business Award” has developed over the years into a veritable display of who’s who in the local Swiss SME scene. As sponsor and organizer of the current Prix SVC, the SVC honors innovative companies that achieve significant and sustainable economic success through outstanding achievement. The Prix SVC has established itself as one of the most important business awards in the country and is awarded every two years in each of the seven economic and three language regions: Espace Mittelland, Northern Switzerland, Eastern Switzerland, French-Speaking Switzerland, Italian-Speaking Switzerland, Zurich, and Central Switzerland.

Don’t stand still – the SVC has important new focal points for 2019
In the future, the SVC will continue to systematically address young entrepreneurs. In addition, the digitalization process for the association will continue: A new website scheduled to go live in June 2019 and an active presence on social media will offer new opportunities for networking.

New event formats
Additionally, new event formats have been implemented on the sociopolitical level since 2015 to give SMEs a voice. Therefore, the SVC is increasingly focusing on events with partners, because together we can achieve more.

The ideas competition “Wunsch-Schloss” (Dream Castle) was created in collaboration with StrategieDialog21 along with the new project “5vor12 – ein Preis für schlaue De-Regulierung” (5to12 – a prize for smart deregulation). The deregulation event is how Andri Silberschmidt came to inspire the public at the Bern city hall at exactly 11:55 p.m. with his idea “pop-up license for temporary use.” With his pop-up licenses, he wants to enable temporary use for projects with a limited term – regardless of building zone.

Creativity in the area of deregulation is rewarded with this novel and positive event. In addition, it will be an incentive and inspiration to critically examine the regulations in one’s own sphere of activity and to generate new ideas. Thanks to the success of the first event, it will be held again on October 24, 2019 at the Bern city hall. Further information can be found at www.5-vor-12.ch

Strong partners for Swiss entrepreneurship – we’re in this together.
For 12 years, Credit Suisse has been a supporter and strategic partner of the Swiss Venture Club. This cooperation is based on the common goal of sustainably promoting entrepreneurship as a bank and as an SME association for entrepreneurs.
Successful currency management

Your local FX partners

Every company that operates internationally is confronted with foreign-exchange and interest-rate risks on a daily basis. That means exchange rates and interest rates can rise or fall virtually overnight.

Depending on a company’s situation, this can have a positive or negative effect on any given foreign currency transaction. And because the Swiss economy as a whole is becoming increasingly internationalized, an increasing number of small and medium-sized enterprises are affected. That makes proper planning and hedging crucial.

We will be pleased to help you optimize returns with hedging or investment proposals tailored to your company’s requirements.

We are available from 7:00 a.m. to 6:00 p.m. (CET). Please contact your client advisor in the first instance.

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Heinz Leuthold, CEO and Chairman of the Board of Directors of Leuthold Mechanik AG, winner of a Prix SVC Zurich Economic Area award

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