Corporate Banking

CREDIT SUISSE

FX Survey 2022. Assessment of exchange rate developments

Contents

Dear reader

The coronavirus pandemic continued to shape both social and economic activity across the globe last year. Adapting to this new reality was essential for companies in Switzerland, and as a result the pandemic has triggered lasting change in many areas. Internal processes as well as business models and working models have been fundamentally overhauled and, wherever possible, digitalized. It's now hard to imagine a time before these changes took place. Many sectors, too, have actually benefited during the year from the combination of COVID-19 restrictions being eased and sustained consumer demand from many Swiss households as people began to spend again.

At the other end of the spectrum, dark clouds gathered on the horizon in the form of global logistics problems, which made movement of goods more difficult throughout almost the whole of 2021 and led to supply bottlenecks. This situation presented major challenges for manufacturing companies and the industrial sector in particular. Rising inflation rates are another area of concern, coupled with the question of how the key central banks will respond to them. This picture is reflected in our survey about the anticipated economic and FX trends for 2022. Many of the companies surveyed indicated they felt uncertain about how things would develop in the US and the EU. If the central banks in these regions actually begin to hike interest rates this year, there is likely to be a corresponding response from foreign exchange rates. Given that the euro and the US dollar continue to be the most important foreign currencies for Swiss companies by far, hedging foreign exchange risks will remain a key consideration for 2022.

The volatile economic environment over the past two years has shown that agility and the ability to respond rapidly are key elements of successful entrepreneurship. This is particularly true in the area of currency hedging. The specialists from our global FX Trading Strategy team help companies in this area by providing well-researched analyses and forecasts on short-term market trends. And with our new FX Academy, which launches in 2022, our experts will be able to share their expertise directly with our clients› employees.

Swiss entrepreneurship has proved itself to be resilient over the difficult period since the outbreak of the pandemic, but looking to the future is much more important than looking back. On the following pages, you can read about the assessments and expectations of Swiss companies regarding future market trends. You can also gather insight from experts on hedging strategies and read our in-depth client interviews to find out how three internationally active companies from three very different sectors have experienced the past two years and how they hedge their foreign exchange risks.

We hope you enjoy this issue

Andreas Gerber
Head of Corporate Banking

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Foreign exchange risks persist

Supply bottlenecks impacting industrial businesses

The coronavirus pandemic continued to hold the economy firmly in its grip in 2021. In the face of high demand for goods and in some cases reduced production output, the industrial sector had to contend with supply bottlenecks that disrupted global value chains. As a result, many industrial business found themselves grappling with difficulties procuring resources and primary products in 2021.

Coronavirus pandemic triggers lasting change

Large parts of the services sector felt the benefits of the COVID-19 containment measures being eased over the summer period, although some segments, such as international tourism and transport, are still lagging well behind pre-crisis levels and some of the pandemic measures have been tightened up again over the winter months.

Almost 1,100 respondents

Our annual FX survey reveals the extent to which these challenges have affected how Swiss companies conduct their foreign currency hedging. Almost 1,100 companies took part in the survey in the fall of 2021. Half of the companies operate in the industrial sector, a little over one-third are service providers, and around 13% of respondents are active across both sectors. The vast majority (about 90%) of the companies operate internationally, either in imports (28%) or exports (23%) or across both sectors (39%). Only 11% have business activities focused on Switzerland.

Euro most important foreign currency

As in previous years, the companies surveyed considered the euro (EUR) to be the most important foreign currency. Some 80% of respondents conduct at least part of their purchasing in EUR, and almost 60% use it for sales. By contrast, 43% use the US dollar (USD) for purchasing and one-third use it for sales. As expected, foreign currencies take on even greater significance when it comes to procurement of primary products, while the Swiss franc (CHF) remains dominant in terms of sales.

Slight revaluation of EUR and stable USD trend expected

The respondents expect to see a slight appreciation of the EUR against the CHF by the end of 2022 (forecast: 1.08); they do not expect any major changes to the USD (forecast: 0.93). Currency forecasts were not as mixed as they were last year.

No expectation of SNB interest rate hike

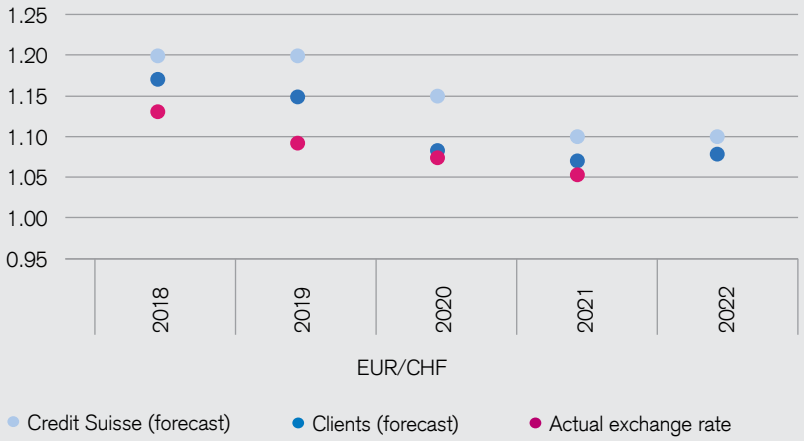
The majority of the companies surveyed do not expect the Swiss National Bank (SNB) to raise interest rates before the end of 2022. Despite rising global inflationary pressures, 80% expect an unchanged key interest rate of -0.75% at the end of 2022. A minority of 17% of respondents expect the key interest rate to increase, and just 3% expect the rate to be even lower by the end of 2022.

Global interest rate differentials could prompt foreign exchange market movements

While there was generally consensus among the companies surveyed about the key interest rates in Switzerland, there is greater uncertainty about developments in the US and Europe. There are also considerable fluctuations in the expectations of financial market participants regarding the initial rate hikes of the Federal Reserve Bank (Fed) and the European Central Bank (ECB), with responses being driven by the latest inflation data and commentary from board members. Interest rate differentials could prompt (unexpected) currency market movements. As such, companies would be wise to give careful consideration to hedging their foreign exchange risks.

Survey participants expect slight appreciation of EUR to 1.08
The EUR lost ground against the CHF again last year, as the participants in the last FX survey correctly predicted. However, both the participants in this year's survey and Credit Suisse's FX strategists expect the downward trend in the EUR/CHF rate that has been apparent since 2017 to tail off by the end of 2022. With an exchange rate of 1.08, on average the survey participants expect a slight appre-cia-tion of the EUR compared with the level of around 1.05 observed at the end of 2021. According to the Credit Suisse forecast, the rate is set to increase to as much as 1.10 by the end of 2022 (see forecasts on page 13). Compared to the last few years, the EUR/CHF forecasts of the survey participants and of Credit Suisse for the end of 2022 are thus relatively well aligned.

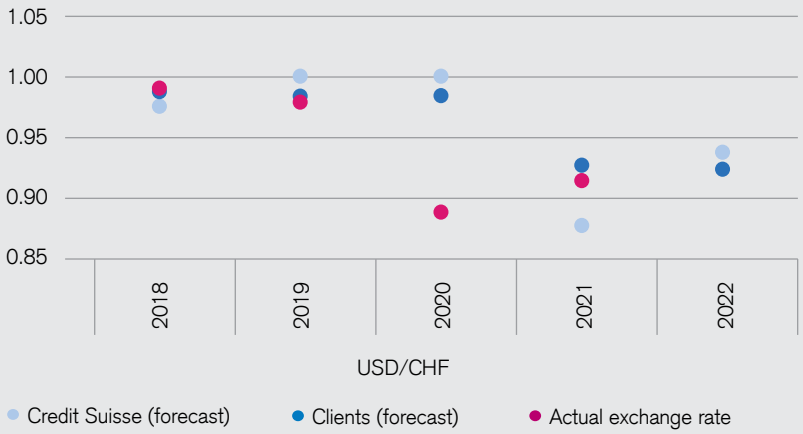
Devaluation of EUR expected to end
Exchange rate forecasts and actual exchange rates for the corresponding year end (December averages)



Source: Credit Suisse FX surveys for 2018–2022, Credit Suisse

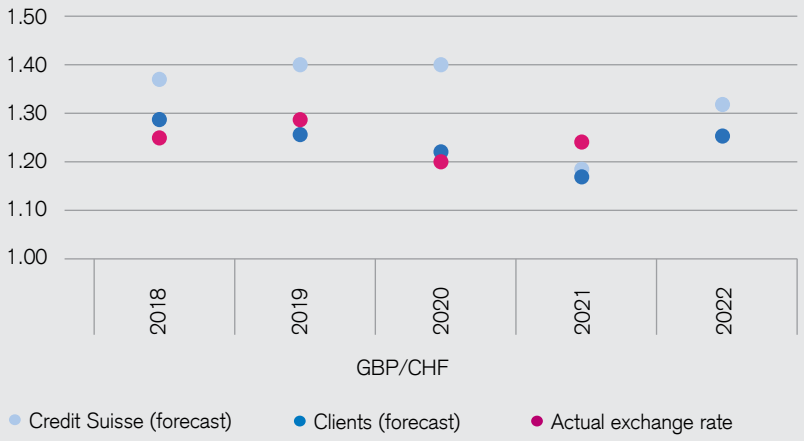
Dollar rate of 0.93 at end of 2022 based on clients surveyed
The considerable pandemic-related uncertainties, which have resulted in widely diverging forecasts over the past year, seem to have subsided in general for 2022 – there appears to be consensus between the surveyed clients and Credit Suisse about the USD/CHF currency pairing too. Based on the forecasts, the USD/CHF exchange rate is set to change only slightly by the end of 2022. The sur-vey participants expect an ex-change rate of 0.93, while the estimate from Credit Suisse's FX strategists is 0.94 (see forecasts on page 13).

No major USD/CHF movements expected
Exchange rate forecasts and actual exchange rates for the corresponding year end (December averages)



Source: Credit Suisse FX surveys for 2018–2022, Credit Suisse

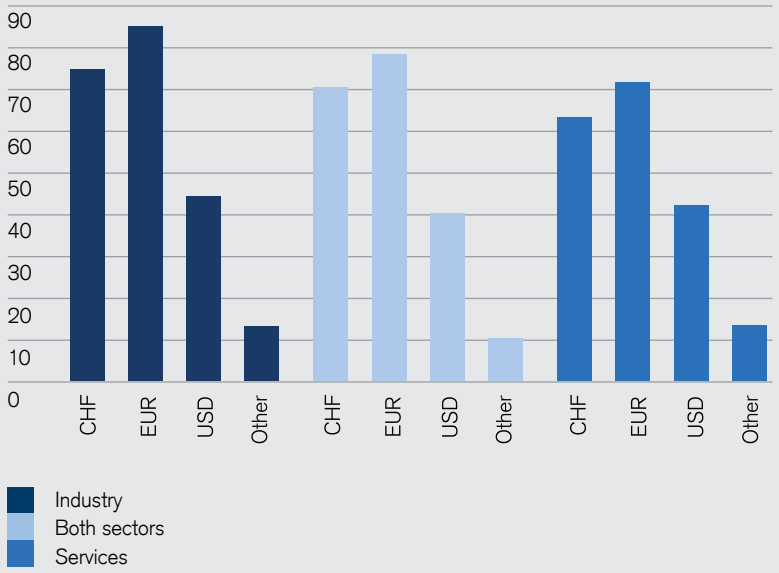
Greater uncertainty once again surrounding GBP/CHF forecast
Exchange rate forecasts and actual exchange rates for the corresponding year end (December averages)



Source: Credit Suisse FX surveys for 2018–2022, Credit Suisse

Companies expect a GBP/CHF rate of 1.26
Only in the case of the British pound (GBP) do the 2022 forecasts of Credit Suisse›s FX strategists and those of the clients surveyed diverge somewhat compared to the previ-ous year. While the GBP/CHF exchange rate forecast for the end of 2022 is 1.32, the survey participants expect only a slight appreciation of the GBP to 1.26. The Brexit-related uncertain-ties eased off last year, but for 2022 there are new questions regarding the details of the trade agreement with the EU and the inflation and interest-rate trends in the UK; the diverging exchange rate forecasts are likely to be driven at least in part by these factors.

Some 85% of industrial businesses surveyed use EUR for purchasing
Proportion of companies using the currency for purchasing, by sector



Scale: In percent (%)
Source: Credit Suisse FX survey 2022

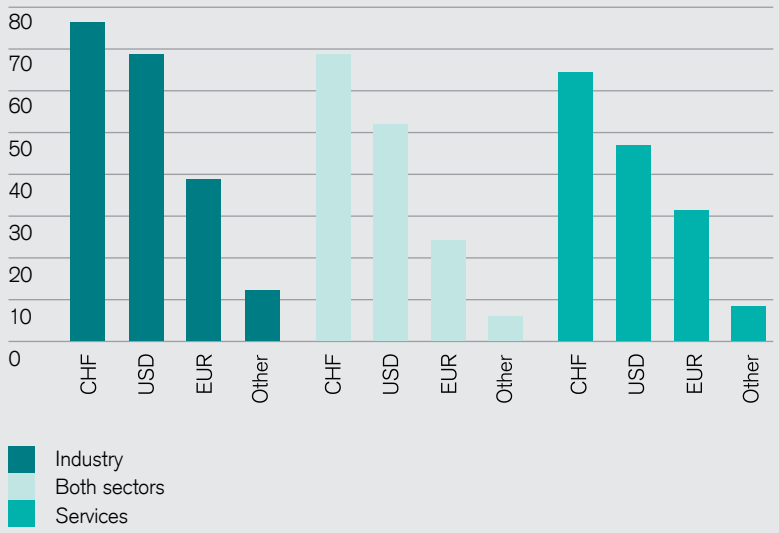
More companies use EUR for purchasing than CHF
Almost 80% of the companies surveyed purchase a portion of their inputs in EUR. On average, the EUR accounts for 44% of purchases for these companies. The EUR is thus used more frequently than the CHF across all sectors (see chart). It is particularly important in the industrial sector, where 85% of companies use the EUR for procurement. By contrast, in the services sector it is used by fewer com-panies – just 71%. The differences with regard to the USD are currently not so pronounced. Between 40% and 45% of companies across all sectors use the USD for procure-ment, where it accounts for an average of one-third of the total purchasing.

CHF retains upper hand in sales

The CHF is the key currency for sales. In total, 70% of the companies surveyed sell a portion of their products or ser-vices in CHF. These companies generate an average of 63% of their sales revenue in CHF. The majority of compa-nies in the industrial sector also use foreign currencies for sales (see chart). Some 69% generate sales revenue in EUR and 39% in USD. For services, however, the figures are «only» 47% and 31% respectively. The signifi-cance of the EUR and USD should not be underestimated, howev-er, as the companies that use them report a total share of sales of 43% and 36% respectively.

Almost 70% of respondents in industrial sector sell products in EUR

Proportion of companies using the currency for sales, by sector



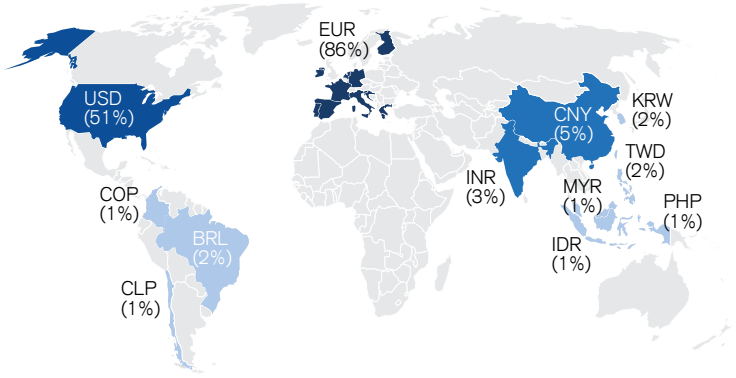
Scale: In percent (%)
Source: Credit Suisse FX survey 2022

EUR remains dominant foreign currency

While the EUR and the USD are often used both for sales and for purchasing, the proportion of compa-nies using Asian or South American currencies is lower. That said, 5% of the companies surveyed conduct a portion of their transactions in the yuan (CNY), with 3% using the Indian rupee (INR). The other currencies are used by 1%–2% of the companies surveyed. In total, 11% have exposure to one of the Asian currencies asked about, and 4% to one of the South American currencies.

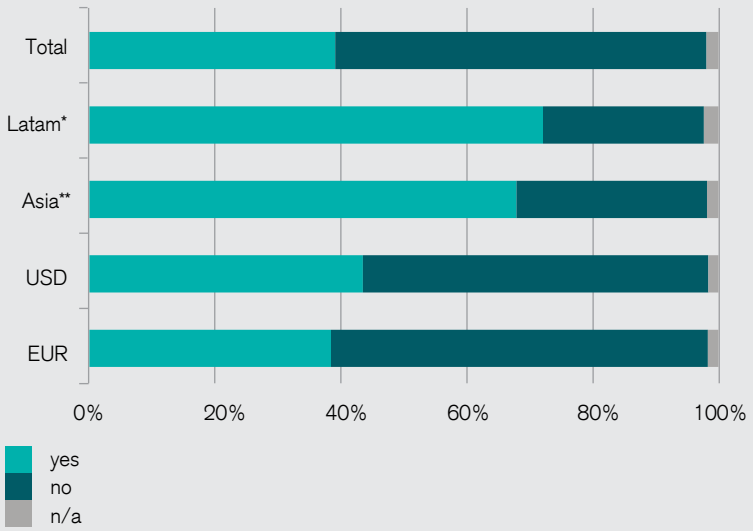
Chinese yuan used by 5% of respondents

Proportion of companies that have foreign currency exposure to the currencies in question



Source: Credit Suisse FX survey 2022

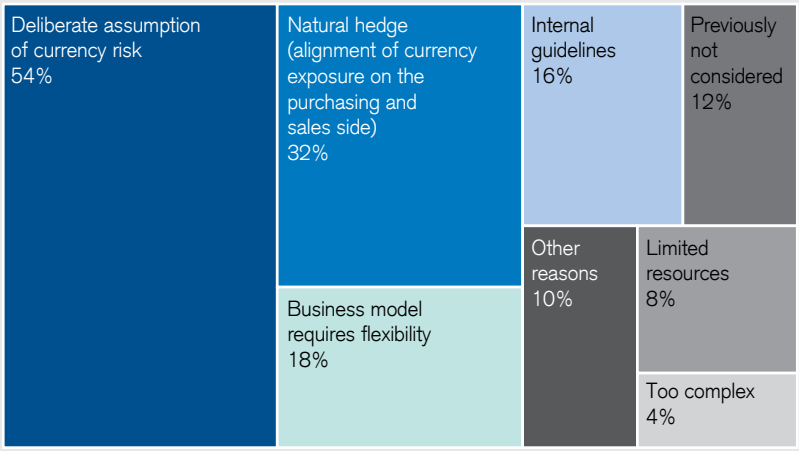
Almost 40% of companies partially hedge their currency risks
Breakdown of responses to the question «Do you hedge your foreign exchange risks?»



Source: Credit Suisse FX survey 2022
* Currencies queried: BRL, CLP, COP
** Currencies queried: INR, IDR, CNY, KRW, MYR, PHP, TWD

Exposure in LATAM or Asia prompts clients to hedge
The Swiss companies surveyed are exposed to a wide range of foreign exchange risks. Overall, almost 40% hedge the risks (see chart). The hedging ratio is 60% on average. Companies with exposure to FX risks relating to Asian or South American currencies are more likely to hedge. The proportion of companies that hedge their foreign exchange risk – at least partially – is significantly above average for these groups, at 72% and 68% respectively. This could be due to the fact that the companies in this group are comparatively large and international. Another explanation might be that exposure to «exotic» currencies increases the need for hedging. Clients with exposure to EUR and USD foreign exchange risk, by contrast, exhibit an average tendency to hedge.

A total of 54% consciously take on foreign exchange risk
«Why have you not hedged your exposure?» (multiple responses possible), proportion of companies



Source: Credit Suisse FX survey 2022

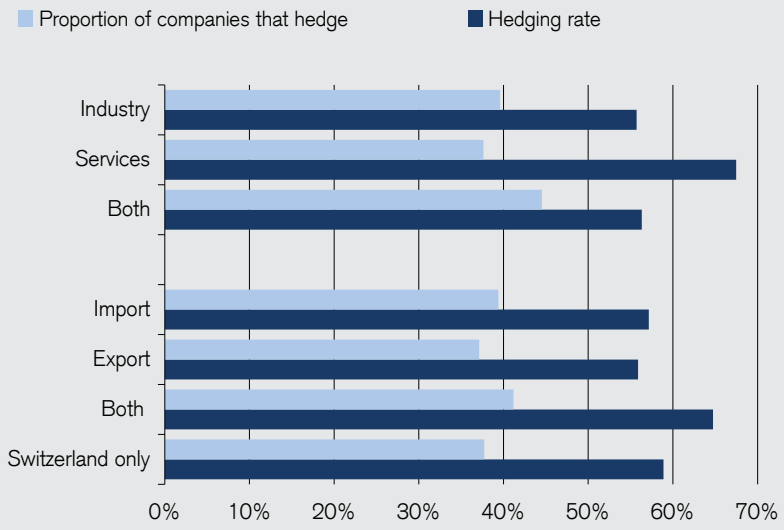
Almost a third use natural hedging
«Natural hedging,» i.e. buying and selling in the same cur-rency, is the second-most common reason given in answer to the question about why exposure is not financially hedged (32%). The survey also reveals that increased flexi-bility (18%) and internal guidelines (16%) discourage some of the participants from enga-ging in financial hedging. Fur-thermo-re, over half of the clients surveyed (54%) are ready to consciously accept a certain level of currency risk so that they might actually even benefit from it. Some of the re-spondents had never even considered hedging (12%), had limited resources (8%), or considered the hedging process to be too complex (4%).

Hedging ratio slightly higher in services sector

The chart to the right illustrates that foreign exchange risks are not unique to specific sectors or business models. The proportion of companies that hedge per sector or business model is roughly the same across all categories, at 37% to 45%. It is only in terms of the hedging ratio that the value is higher for service providers (67%) and companies en-gaged in both import and export activities (65%). «Natural hedging» is likely to be particularly difficult to implement for companies operating a service model.

Few differences in hedging across sectors

«Do you hedge your foreign exchange risks? If so, what is your hedging ratio?»; responses from companies by sector and foreign trade activity



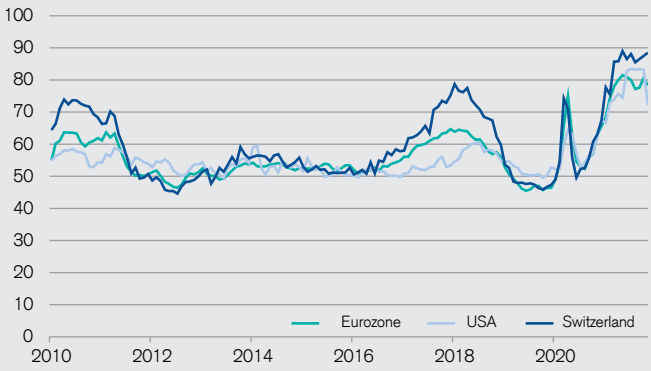
Source: Credit Suisse FX survey 2022

Forecasts for 2022

Europe
Despite setbacks due to repeated restrictions aimed at containing the spread of COVID-19, there has been sustained economic recovery in the euro zone. Growth in the area is still lagging behind that in the US, however. Industrial production is currently feeling the effects of supply chain problems, but is likely to pick up significantly once these problems have been resolved. In the interim, however, supply bottlenecks are generating an unusually strong increase in headline inflation and core inflation. The European Central Bank (ECB) is likely to continue scaling back its securities purchase program over the coming months.

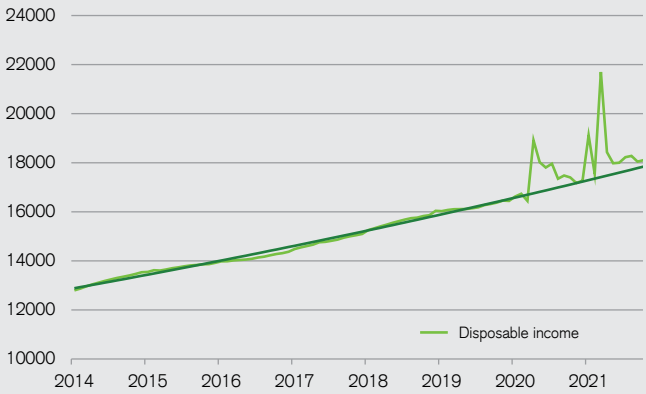
United States
Economic growth is set to remain unusually high for a while longer thanks to high household income driven by state subsidies, but the sluggish recovery in the services sector and the persistent supply chain problems are causing difficulties in the current phase of the pandemic recovery. Following the steep rise in early 2021, inflation is likely to fall somewhat again during the coming year, but there is still a risk of further sharp price increases. The US Federal Reserve (Fed) is gradually scaling back its monetary easing policy and is likely to increase the key interest rate in 2022.

Europe has suffered greatly under the coronavirus pandemic
Industrial sector delivery times index (PMI)



Sources: PMI Premium, Credit Suisse. Last data point: November 2021

US household income overstimulated
In USD billions



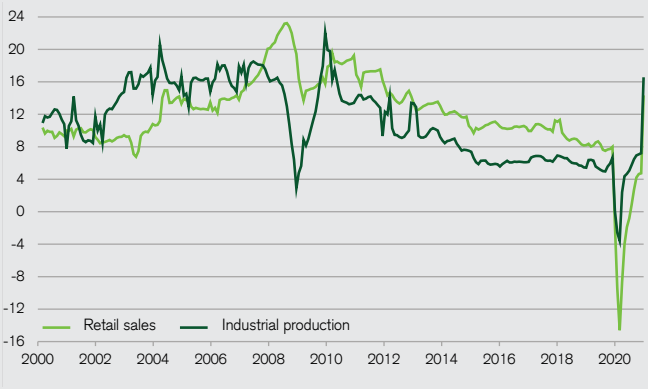
Sources: Refinitiv, Credit Suisse. Last data point: October 2021

Credit Suisse forecasts

China
Economic growth in China has recently slowed further down. This development has been driven by difficulties in the real estate sector as well as regulatory changes and political reform. Through these changes, the authorities are seeking to monitor and control the biggest companies in key growth sectors. Among the affected areas is the real estate market; we do not anticipate a general crisis here, but rather a longer period of downward pressure. In tandem, the consumer recovery is likely to remain subdued and this will curtail strong growth momentum for the time being.

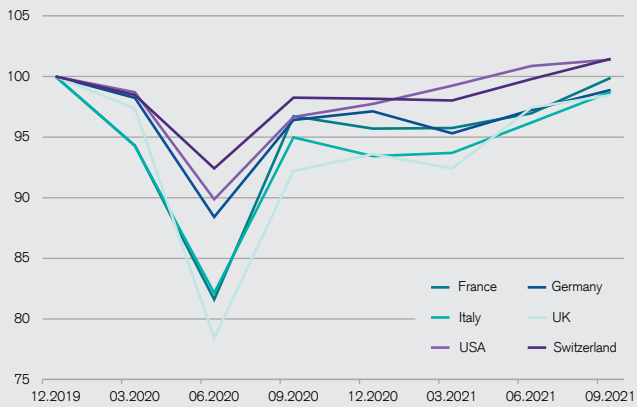
Switzerland
Economic growth in Switzerland in Q3 2021 once again overshot pre-crisis levels by quite some margin, signaling that the Swiss economy is outperforming those of most other countries. The outlook for this year, however, is clouded by the rise in COVID case numbers and the measures taken to contain the spread, as well as by global supply chain problems. That said, the pandemic is likely to dampen the recovery only in the short term, and the supply situation is set to ease over the course of the year. We expect the recovery to continue overall in 2022.

Momentum in China's economy trending downward
Compared with previous year in %; three-month average



Sources: Datastream, Credit Suisse. Last data point: February 2021

Swiss economy above pre-crisis levels
Real GDP, seasonally adjusted, Q4 2019 = 100



Sources: Datastream, Credit Suisse. Last data point: Q3 2021

USD/CHF exchange rate

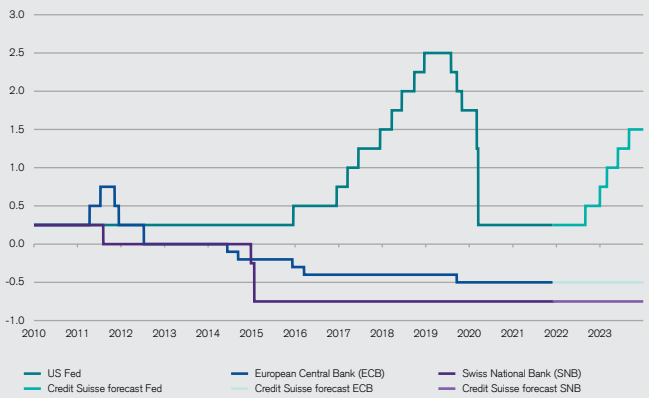
According to the Credit Suisse forecast, the USD/CHF exchange rate is set to reach 0.95 three months from now, and 0.94 after 12 months. Inflation data from the US has repeatedly been higher than expected, fueling inflation concerns and potentially leading to an earlier end to the very strong monetary easing policy in the US. The USD has benefited from the tailwind of expected interest rate hikes in the US. We expect the USD to appreciate further, in particular against the CHF, since interest rates in Switzerland are likely to remain lower for a while longer.

EUR/CHF exchange rate

According to the Credit Suisse forecast, the EUR/CHF exchange rate is set to reach 1.07 three months from now, and as much as 1.10 by the end of 2022. Firstly, stronger inflation momentum in the euro zone makes it likely that the region will see interest rate hikes before Switzerland. Secondly, demand for «safe havens» such as the CHF is set to tail off as the global economy recovers, which would lead to a slight depreciation in the CHF against the EUR. And, thirdly, the EUR is a currency that appreciates when economic growth is robust.

US Fed to raise interest rates ahead of ECB and SNB

Key interest rates, in %



Sources: Datastream, Credit Suisse. Last data point: 14.12.2021

Strong Swiss franc is likely to be temporary

EUR/CHF

Sources: Bloomberg, Credit Suisse. Last data point: 14.12.2021

Burkhard Varnholt, CIO of Credit Suisse (Switzerland) Ltd.

Three trends that will drive the world economy in 2022

In summary: there is a strong chance that 2022 will be a good year for the economy and equity markets. However, focus, discipline, and robust processes remain the best foundation of success for the investor.

Inflation: falling from its peak
Inflation is one of the biggest worries for many investors, borrowers, and decision-makers. Prices in Europe are currently rising at their fastest rate in 13 years – and the figure for the US is the highest in three decades. Yet a look at the main drivers illustrates why this is a temporary phenomenon.

Over half the current rate of price growth is due to the sharp rise in energy prices – electricity, natural gas, and oil. However, this scarcity pricing is the result of a demand shock rather than any supply shortage. This illustrates why a warm spring will put paid to the concerns about inflation.

The current shortages and price rises are the product of supply-chain bottlenecks, which themselves are down to various factors. Most of these issues should disappear in the course of 2022. The demand situation will return to normal after Christmas, with many companies already at an advanced stage in terms of strengthening their supply chains.

Finally, the one-year cut in German VAT rates in the COVID year of 2020 was the third biggest inflation driver for the euro zone in 2021. This factor will automatically drop out of inflation calculations in 2022.

In other words, European inflation is likely to fall significantly from the second half of 2022 at the latest. Understandably, monetary policy will continue to be used to support the overall economic recovery.

So, why all the prophecies of doom? Many fear the unprecedented increase in government debt and money supply could diminish the value of money. However, the opposite is more likely. As long as the financial system continues to be buttressed by freshly printed money, the real economy will likewise be stabilized in the process. Switzerland is the perfect example of this. Over the past ten years, the Swiss National Bank has printed more money than the central bank of any other rich country relative to the size of its balance sheet and national economy. So, has this undermined the stability of the Swiss economy or the Swiss franc? Quite the opposite. As long as the freshly printed money circulates primarily on capital markets and does not compete with the real economy, the impact on inflation is neutral.

Decarbonization of the economy: major mobilization of capital
Many are wondering which economies will emerge as winners and losers from the pandemic and a world in disarray. It would, however, be wrong to answer this question in terms of a particular region; fact is, the answer is more likely to be found at a thematic level. Global efforts with regard to the energy revolution, decarbonization of the economy, and renewal of our fragile infrastructure can be likened to a massive caravan that has just embarked on a long journey and won›t be going back. On the contrary: For as long as it benefits from favorable financing conditions, the caravan will gather speed and continue to pick up other parts of the economy along its way. No comparable, foreseeable supertrend will mobilize as much private and public financial and human capital over the course of the decade as this one. Investors should under no circumstances miss out on this opportunity, because it will lead to growing investment and corporate profits across Europe, America, and Asia. The emissions from a company›s own operations will be a growing cost factor in future. Investing in climate-neutral business processes makes sense for that reason alone.

Equity markets and the economy: unlikely winners
The doubling of prices on many stock markets in less than 15 months has left many investors skeptical. In Shakespeare›s Macbeth, the witches in Act 4 are famous for chanting: «Double, double, toil and trouble.» Will the rapid doubling of market prices inevitably be followed by a correction? There are no compelling reasons for that to happen. Stock prices usually follow corporate profits – which doubled at a faster rate than equities in the wake of the pandemic. Markets are primarily driven by liquidity – and only rarely by valuations. The economy and equity markets are likely to post good figures again in 2022. Persistently high pent-up demand among many households in terms of consumption and home extension/upgrading work point to strong growth. In addition, the government investment packages put together in many countries last year will finally begin to flow through to businesses in 2022. If key interest rates remain low, and with them capital market returns, the shortage of investment opportunities will be amplified, particularly for pension funds. In short, the combination of profitable business growth, ongoing share buybacks, a continued dearth of investment alternatives and a shift out of bonds and into equities, suggests that equity markets will once again present the most attractive investments in 2022. In 2022, earning a positive return on bond markets is likely to be more challenging than it has been in a long time. Europe›s real estate markets should fare a little better. While the Swiss franc is likely to see a continued strengthening of its role as the world›s strongest currency, the upward momentum in capital market yields could translate into greater volatility in exchange rates.

Dr. Burkhard P. Varnholt, Chief Investment Officer of Credit Suisse (Switzerland), Vice-Chairman of the Global Investment Committee

Burkhard Varnholt obtained his Ph.D. from the University of St. Gallen (HSG). He has over two decades of international experience in the management of private and institutional assets, including more than 12 years with Credit Suisse.

FX Outlook 2022

Maxime Gineys, FX Sales Swiss Corporate Clients in Geneva, looks back at the effects the pandemic had on currency management in corporations and says which strategies he thinks are the most promising for 2022.

We've had almost two years of insight on the Covid pandemic. What lessons can we draw from it in relation to currency management?
It's been a tough time for all of us, particularly corporates. In this uncertain situation, it's important to remain as flexible as possible in order to adapt to the rapidly changing environment. The real lessons we learned from this period are threefold: not to commit too large amounts, not to cover 100% of your needs in every case, and not to commit to excessively long periods unless you have to.

This period of uncertainty seems to be prolonged despite the increase in the rate of vaccinated populations. What's your advice for companies that wish to protect themselves against currency risk, without making too much of a long-term commitment?
A company should consider different possible future scenarios, evaluate the impact they may have, and then implement a strategy to decrease the risks. I think it's crucial to have a discussion with your dedicated FX team to analyze the situation and define a target hedging level. The most important thing is to correctly assess your needs by simulating the FX flows of worst-case scenarios. After that, I advise taking a dynamic approach and determining some levels for a standard forward, a risk reversal, or a participating forward based on the current spot. The forex market is flexible; we can offer our clients tailor-made solutions for which they can choose the amounts, level of protection, and maturities in order to match their needs and exposures.

Which strategies do you recommend for companies for 2022?
The most important thing a company needs to do is manage the risks. If they're not hedged, an exposure in foreign currencies can become very expensive if markets develop in an unfavorable way for the company. In an uncertain environment, it's crucial to remain flexible and be able to benefit from market moves in your favor while being hedged in case of adverse events. A solution that would fulfill these criteria is the participating forward.

Companies using this strategy are hedged on 100% of the amount, but only committed on 50%. The strike price is

Example: Participating forward
A company is hedged at 1.06 to buy EUR vs CHF. Each month, it has an expiry with EUR 200,000 protected. If the spot rate at the date of expiry is higher than 1.06, the company is fully protected and can buy EUR 200,000 at 1.06. However, it the spot rate is below 1.06, it only has to buy 50% of the amount, in this case EUR 100,000, at the strike of 1.06. Afterwards, it can choose to buy the other half on the market at a better rate to achieve a more favorable average rate.

fixed at inception. It means the company is protected at this level, while being able to benefit from upside (in the seller's case) or downside movements (in the buyer's case) of the currency. This strategy is suited for companies that are facing uncertainty regarding their future FX flows. If the exposure unexpectedly decreases, their commitment is limited to 50% of the notional.

There is a second strategy that deserves to be presented: the risk reversal or "collar." It's a simple way to frame the exchange rate between two levels. First, we define a lower bound and an upper bound together with our clients. Depending on the direction of the transactions (buyer or seller), one of these two strikes will be used to protect the client's exchange rate, and the other level will represent a commitment. During the lifecycle of the strategy, the client can be sure that the exchange rate will not go below the lower strike or higher than the upper one. If the rate at expiry is between the two bounds, the client is free to trade at the spot rate or to stay put. This strategy can be offered at zero premium.

What are the typical mistakes a corporate should avoid?

One of the main mistakes many companies make is to ignore one fact: Not being hedged equals speculating. Essentially you're making a bet on the exchange rate, in the hope that the market isn't going to move against you.

However, it's important to keep in mind that even if the hedging matches the structure and operation of the company, hedging 100% of its needs isn't always the best solution. Indeed, sometimes it can lead to additional difficulties: for example if an unexpected change in the exposure, such as a decrease in sales, makes it impossible to honor the contract. We usually recommend hedging only a fraction of the needs and monitoring the timing dynamically to reduce the risk. The hedging ratio can increase over time as the cash flows are getting more certain (layering). To be committed to too long a maturity isn't very efficient either, as it reduces the company's flexibility to react if markets move significantly.

One final example: We often hear clients say things like: “The price is too low to sell!” or “It’s too high to buy!” This is a risky mindset, because there’s no guarantee that a rate will stop falling or going up. If the goal of the company is to improve its rate, outperformance strategies can be considered. However, waiting for an opportunity is speculation.

The past year was marked by a drop in volatility on the main currency pairs. How do you respond to companies that see it as a reason not to be hedged?
It’s a fact that there was little volatility in major currencies in 2021. This could be dangerous for companies that may wonder if they really need to hedge their currency exposures, since the moves are not as sharp as in the past. Now is the time to hedge your exposure, however, because whenever there’s a period of low volatility it’s cheaper to hedge risks, especially with FX structures that combine options. It’s therefore an opportunity to cover the exposure levels that are more attractive. The chance of an incident occurring is still possible, but the probability is lower. The markets work the same way. In an environment calmed by central banks, the market anticipates less risk of fluctuations. But that doesn’t mean there won’t be any. Furthermore, 2022 could see many central banks reduce or stop their quantitative programs and start increasing interest rates, which could drive volatility higher. Hence, it’s likely to be in a company’s interest to be hedged rather than be exposed.

Currency hedging in complex times

The pandemic has led to huge changes worldwide. How have Swiss SMEs fared? How three companies from three very different sectors responded to the coronavirus crisis and their approaches to hedging currency risks.

The outbreak of the coronavirus pandemic and the subsequent lockdown in March 2020 marked the start of a period of dramatic change for companies in Switzerland. Almost overnight, carefully laid plans were canceled and expectations that were thought to be certain had to be revised. Many companies had to completely change how they work, not only in day-to-day business but also in terms of currency hedging.

Nicola Tettamanti, CEO of Tecnopinz SA, Louis Siriwardena, CEO of Lets Travel SA, and Sandra Rüegsegger, Managing Director of Kölla AG tell us how their companies survived this difficult period and how they plan to handle currency risks in the future.

The fallout from the coronavirus crisis

The outbreak of the pandemic in March 2020 was a crushing blow to the international travel industry. Vacations planned one day became impossible the next. Lets Travel SA took a direct hit. “We offer adventure trips from Switzerland to Asia, especially to Sri Lanka and Japan. Our business practically came to a complete halt for seven months,” recalls CEO Louis Siriwardena about that difficult time. His SME had to wait until the vaccination campaign started in Switzerland to begin actually planning for the future. It took until the fourth quarter of 2021 for business to gradually start returning to normal.

But Siriwardena and his staff wasted no time in the interim. “Fortunately, we didn’t have to let anyone go. We were able to think about how we could grow – both in terms of internal processes and what we offer. So now we are perfectly positioned for when the travel business picks up again.”

The onset period of the pandemic was also difficult for Tecnopinz SA. The huge degree of uncertainty brought with it new and unknown challenges for the management of the industrial supplier. “Every day, we had to respond to new problems and find new solutions,” says CEO Nicola Tettamanti. The situation has now calmed down somewhat. The entire mechanical, electrical, and metal industry (MEM) has been recovering since the beginning of 2021, and the prospects for the Ticino-based family firm are more positive once more. Nevertheless, a certain degree of uncertainty remains. “We cannot be complacent,” says Tettamanti. “This crisis surely won’t be the last one of its kind. We must always be as prepared as we can be for everything that lies ahead.”

Kölla AG in Gümligen, near Bern, started the pandemic in a rather different position. All the uncertainty at the start of the pandemic was also a concern to the fruit and vegetable supplier, however: “The pandemic also had a positive impact on our business,” explains Sandra Rüegsegger. Although demand from the catering sector fell off a cliff, the retail trade more than compensated for this loss. “There was a strong trend among consumers toward a healthier diet and a desire for fresh vegetables and fruits,” says the managing director. “That helped us.” This development is reflected in the performance results.

There is one aspect that holds true for all three SMEs: The pandemic has fundamentally and permanently changed the way they work. “We were forced to accelerate the transition to digital tools,” says Tettamanti. That meant working from home, Zoom meetings, and fewer physical meetings with clients and partners in Switzerland and abroad. But Tecnopinz SA in particular was not able to switch completely to home working at any point. “We are an industrial manufac-

turer and active in the low-volume, high-complexity market," explains the CEO. "These processes cannot be automated, so we always need employees on site to manage production."

The biggest currency risks for SMEs

Nicola Tettamanti is convinced that the biggest risk is a strong Swiss franc. "Around 90% of our products are exported, either directly or indirectly, through our Swiss clients," says the CEO of the industrial supplier. It's a simple calculation: "When the Swiss franc increases, our margin decreases. It is therefore also important for our planning security that when making its interventions, the Swiss National Bank demonstrate a high level of sensitivity toward the industry." The family firm is securing its future in two ways. First, with forward transactions for long-term contracts. "This enables us to eliminate a large part of the foreign exchange risk," he explains. "As for the rest, we are working with our Credit Suisse advisors to define a strategy that will enable us to take a little more risk and benefit from developments in the markets."

For Kölla AG, the euro rate is the most important thing. "We buy 90% of our products from Europe, for example Spain or Italy," says the managing director. However, she does not see many currency risks for her company, and she is able to take specific precautions to hedge against the ones that she does anticipate. "Our business is very weather-dependent; prices can change at any time and at very short notice." As a general rule, Kölla AG therefore also purchases its foreign currencies in the spot market at the relevant time. Since the purchases made by the fruit and vegetable company in euro are spread throughout the year, any exchange rate differences usually balance out over the long term. Rüegsegger therefore does not employ any special hedging solutions.

For Louis Siriwardena, the risk lies primarily in exchange rate fluctuations, regardless of the direction. "We pay most of our costs in US dollars, and also a lot in local currencies," says the Geneva local with Sri Lankan roots. "So, as far as we're concerned, the more stable the exchange rates, the better." Lets Travel SA buys local currencies in

Sandra Rüegsegger, Managing Director of Kölla AG
Today, Kölla AG trades in fruit and vegetables worldwide and supplies catering companies and wholesalers throughout Switzerland. The SME celebrated its 100th anniversary in 2021. Sandra Rüegsegger has been with the company for 18 years, and has been a member of the management board for over 11 years.

the spot market when the rate is favorable. “We never take the full risk there, either. First we decide how much we need, and accumulate gradually if the exchange rate stays within a certain range.” For the US dollar, however, the tour operator uses hedging tools and relies on a mix of risk reversals and participating forwards. This enables the SME to be hedged against negative market moves and at the same time at least partially profit if rates move in his favor. “This approach has worked well for us so far,” says Siriwardena.

Did the companies’ hedging behavior change at all?
The long-term currency hedging strategy has not changed in any of the three SMEs as a result of the pandemic. “As a family business, we always have to think long term,” says Nicola Tettamanti from Tecnopinz SA. “It never pays to simply discard long-term strategic plans.” Nevertheless, he admits that sensitivity to the issue of exchange rate risks has increased and they have been performing even more detailed assessments before making important decisions.

Credit Suisse as a partner
What is most crucial is the personal and straightforward relationship that they have with their Credit Suisse foreign exchange advisors – all three decision-makers are in agreement here. “They know you and are in regular contact by telephone. They also know exactly what our foreign currency needs are and so are able to provide us with excellent advice,” says Sandra Rüegsegger. The responsiveness and professionalism of the foreign exchange teams are equally as important. “The strategic discussions we have with our advisors help us enormously,” says Louis Siriwardena. “And they have paid off, since we have almost always had positive results with our foreign currency transactions.”

Optimistic future prospects
Lets Travel SA is preparing for a strong recovery. “There is huge pent-up demand for travel abroad,” observes Siriwardena. In addition, more and more clients have returned to seeking tailored advice from travel agencies instead of booking via online platforms. “This is a very positive development for us.” According to him, this optimistic

Nicola Tettamanti,
CEO of Tecnopinz SA
Nicola Tettamanti runs Tecnopinz SA together with his brother Claudio as the second generation leading the family business. The family firm from Ticino has been manufacturing high-precision tool clamping systems and individual high-precision mechanical parts customized to client requirements since 1970.

Louis Siriwardena,
CEO of Lets Travel SA
Geneva-based Lets Travel SA has been offering trips to Asia, in particular Sri Lanka, since 1993. The company works closely and directly with local partners in country. Louis Siriwardena founded the travel agency and continues to lead it today.

outlook is clouded by just two risks. On the one hand, there remains uncertainty about how the pandemic will progress.

"On the other, there is a risk that the US dollar will become less stable compared to the Swiss franc," explains the CEO. "We have been lucky in that respect over the last few years, but there is no guarantee that it will stay that way."

Nicola Tettamanti also expects a new mood to envelop the MEM industry in 2022. "This year business is booming – there is huge optimism in the sector, both in Switzerland and abroad," he says. For him, the main risk is that the Swiss franc comes under such upward pressure that the SNB cannot sufficiently counteract it. He is also concerned about the current global logistics crisis. "We have set ourselves the goal of building up redundancies in the procurement of materials and services over the next few years. Then we will still be able to produce even if everything around us has stopped."

Sandra Rüegsegger is also optimistic about the coming years. The company with its 100-year history is rich in tradition and has so far coped well with the coronavirus pandemic. "And I believe that our industry will continue to become more attractive." The trends toward greater sustainability and a healthier diet have gained traction in the population. Fair production and fair trade in food are also becoming increasingly important. "We can benefit from these developments. We are looking forward to the next 100 years," the managing director says cheerfully.

Minimize foreign exchange risks with flexible hedging strategies

2021 was a challenging year, with many companies still having to operate under difficult circumstances. Both Christophe Müller (CM), Head of Swiss Large Corporates, and Oliver Banz (OB), Head of SME Region Zurich, took up their roles about a year ago. In this interview, they talk about their experiences with clients and as heads of large departments during this challenging time. In addition, they explain the importance of foreign currencies for SMEs and larger companies in the COVID-19 era.

Mr. Müller, you've headed up Swiss Large Corporates since spring 2021. What's it been like during this period – particularly in view of the restrictions imposed due to COVID-19?

CM: It got off to a very interesting start. I was able to meet with and get to know a large number of clients in a short space of time – not only face to face but, of course, on a virtual basis too. I've also sensed a mood of optimism. People want to put COVID-19 and the various associated issues behind them and to look forward. The market environment in many industries is now very positive and there are lots of opportunities that companies would like to exploit.

Mr. Banz, you've headed SME Region Zurich for the past year or so too. What are your impressions?

OB: Starting something new is always exciting and gives me a lot of energy on a personal level. I too was able to meet with a large number of clients and naturally get to know the team and organization as well. You learn a huge amount in a short period of time and are also able to contribute fresh ideas. It's certainly not easy starting a new leadership role at time when there are so many restrictions. At the same time, it presents opportunities and you often come up with new ways of doing things that can be truly inspiring: I met employees virtually as well as face to face, for one-to-ones and in small groups – in some cases even going for a walk together outdoors.

What opportunities and potential has the COVID-19 crisis revealed for the SME sector?

OB: On the one hand, the Swiss economy's great resilience and agility once again became apparent. As has so often been the case, entrepreneurs and executives across the country acted in a smart, circumspect, and resolute manner. Operations were shut down where necessary, and continued where possible. However, many of them made the most of this opportunity by investing in products or distribution channels. Even though there's nothing particularly new about that, it never fails to amaze me: The degree of dynamism and creativity among Swiss businesses is truly breathtaking!

Mr. Müller, your role involves working very closely with Credit Suisse's largest Swiss corporate clients. What are their main concerns right now?

CM: Order books are full for many clients, but at the same time supply-chain issues are a big worry. Postponements and late deliveries are commonplace. This has implications for financing, and for FX hedging in particular. That's why it's so important for my colleagues to work closely with the

client, and to proactively advise and support them in relation to the volatile area of FX.

How evident are foreign exchange risks for your SME clients right now, and have these risks changed in your opinion since last year?

OB: To put it mildly – yes, the situation is anything but easy. On the one hand, interest rates in many currencies are extremely low and volatility is therefore minimal. This provides an opportunity for long-term hedging, but it's sometimes used as an excuse to wait and see. On the other hand, the risks should certainly not be underestimated given the geopolitical situation and supply issues mentioned earlier. Things can change very quickly.

Is it a similar story for Switzerland's biggest companies?

CM: Absolutely – the current imbalance between supply and demand, but also the surge in commodity prices, calls for a very strict yet simultaneously flexible hedging strategy.

Many companies have been through a difficult period, or are still affected by the economic effects of the COVID-19 pandemic. What advice would you give these clients when it comes to foreign currencies?

CM: You need to set out a strategy and then stick to it. Above all, you've got to come to terms with hedging; fact is, every painstakingly obtained percent of improved efficiency can be lost in seconds if you neglect hedging.

You're involved with foreign currencies at a professional level, but they do of course play a role in our private lives too – so, do you have any related anecdotes?

OB: I was in London recently and remembered to take my – admittedly quite old banknotes and coins – with me. They had long been withdrawn from circulation and no bank would change my money. Instead of sightseeing, I tried in vain at a large number of banks before eventually having to go to the headquarters of the Bank of England – though that in itself was a form of sightseeing.

CM: I remember my trip to Mount Kilimanjaro. In preparation I'd obviously obtained the local currency – Kenyan shillings – and a handful of US dollars just in case. When I got there, no-one wanted the shillings – people would only accept US dollars. So, at the end of my trip, I donated the Kenyan currency to a local charity.

Learn from specialists at the FX Academy

Leif Woodtly, Head of FX Sales for corporate and institutional clients at Credit Suisse, introduces the new FX Academy. Credit Suisse specialists will pass on their knowledge to participants through customized courses.

Leif Woodtly, you head up the FX Sales team for corporate clients at Credit Suisse. What exactly are your team's responsibilities?
We basically have two tasks: We advise corporate clients about their cash management with regard to foreign currencies and execute their foreign exchange transactions on the market. We respond to specific requirements on a flexible basis. Many clients, for example, tend to know exactly which strategies and products they would like to use to manage their foreign currency exposure. In such cases, we limit ourselves to carrying out their instructions. Others, such as entrepreneurs with little experience in foreign currency transactions, require more advice or are keen for us to review their strategy regularly. We support them throughout the whole process of currency hedging, from formulating a strategy to trading in foreign currencies and choosing hedging solutions.

It is important for us that we have a close relationship with our clients and that we know and understand them and their business. This is why our employees continue to work in the five regional offices in Lugano, St. Gallen, Basel, Geneva, and Zurich.

How has the pandemic changed your work?
As regulators consider our area of responsibility to be a critical and systemically important function within the bank, we are subject to strict supervisory regulations. Working remotely was therefore not an option for us; we had to continue working within the infrastructure of the Credit Suisse trading floors. It was helpful in this regard that our team is spread across several locations throughout Switzerland. This allowed us to continue operations without any major adjustments or any interruptions. Furthermore, if one site had been forced to close due to the pandemic, we would have had several options open to us to maintain operations. Our clients really valued the continued availability and reliability of our services, especially in the early stages of the pandemic when the markets were volatile, leading to great uncertainty.

There have been two lasting changes though: Our approach to work planning in general and to electronic communication has certainly moved on compared to how things were before the pandemic. Our awareness of unexpected risks has also increased significantly. The pandemic has shown that market participants are no longer predominantly focusing on the traditional market risks. They are also increasingly preparing their companies for the effects of pandemics, supply bottlenecks, and shortages of raw materials.

The FX Academy 2022 is a new concept from Credit Suisse. What exactly does it involve?
Our goal with the Academy is to address a need that we have noticed materializing more strongly among our clients in recent years. This will be achieved by providing specific training in the practical handling of foreign currency transactions for employees working in the finance department.

Previously, we arranged individual sessions to explain the basics of the FX business to participants – essentially a "crash course" on the trading desk. Doing this allowed us to address some of the concerns people had around the topic. They had the opportunity to get to know us personally and ask those questions that had long been playing on their minds.

There were also requests for in-depth workshops, with clients wanting to better understand how more complex strategies and products could be utilized, as well learning

about the associated risks and opportunities. Typically, the topics requested included derivatives in extended hedging operations, or how to apply outperformance strategies in practice, and how companies can use these strategies to become more flexible in their currency hedging. Until now, however, we have only carried out introductory sessions like this on request. With the FX Academy, we now have the opportunity to open up our offering to more of our clients.

How can the participants benefit?
We will be offering one-day courses at various locations, where we will explain the key products and terminology as well as the basic processes and macroeconomic relationships that are important in the day-to-day FX business. We will also offer practical user courses for experienced treasurers. These courses will be a little more in-depth and will illustrate the use of structured hedging operations.

These courses offer numerous benefits: We can efficiently share knowledge and address specific questions from the participants. At the same time, participants can expand their network and discuss the topics directly with their peers. Our training material is also available to our clients online, giving them the opportunity to consult the content on their own.

How can people participate in the FX Academy and where can they find the key information?
Interested clients can approach their Credit Suisse advisors at any time or contact one of our FX support points to learn more or register for a course.

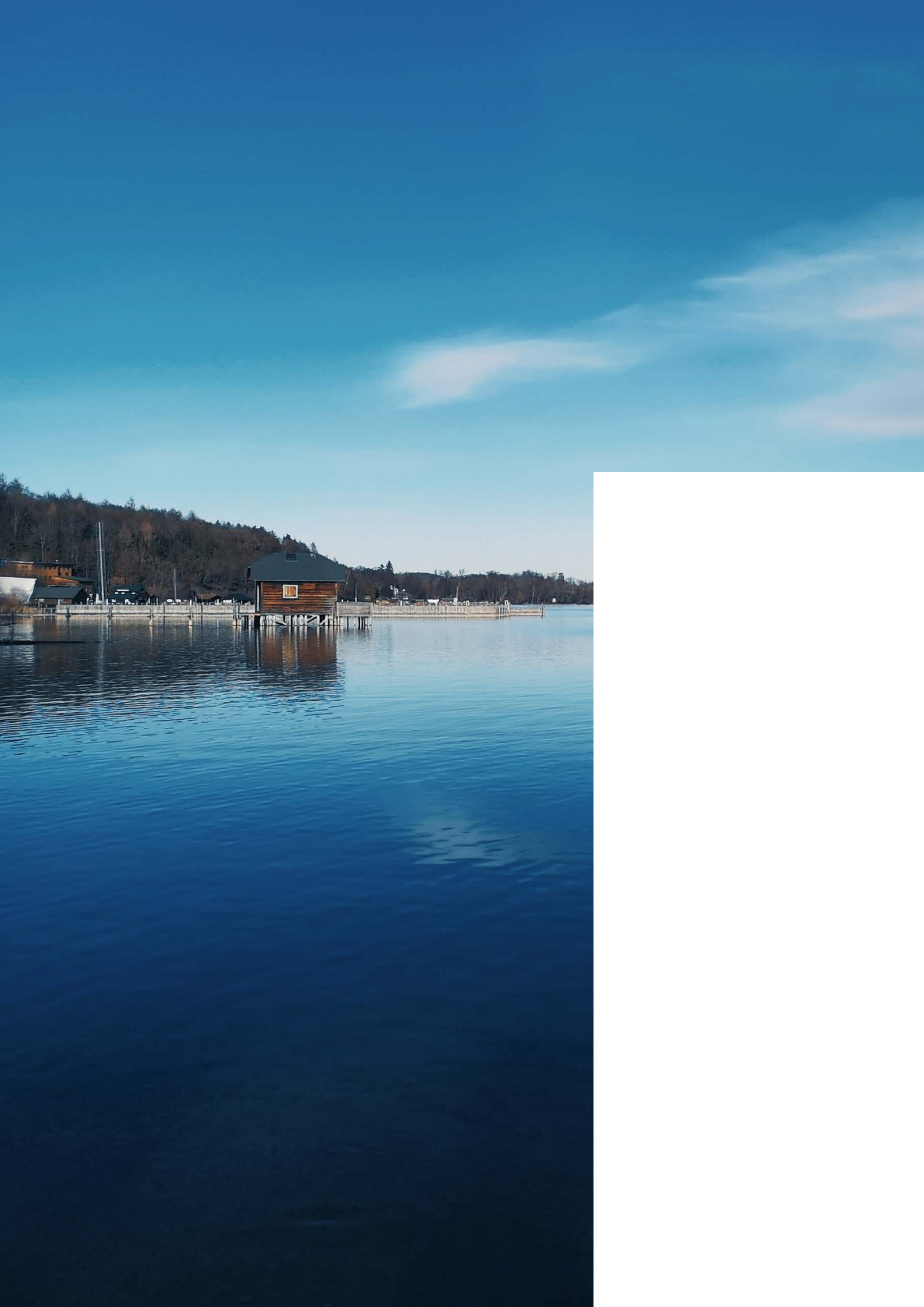
Credit Suisse's FX Strategy Desk

What are the most important trends that will influence currency markets in the coming months? How will markets develop in the short to medium term? The Credit Suisse FX Trading Strategy team provides clients with essential information to support them in drawing up appropriate strategies for their specific business needs.

Developing tactical trading ideas is the core competency of Credit Suisse's Foreign Exchange Trading Strategy team. The ten specialists in New York, London, Zurich, Buenos Aires, Singapore, and Moscow cover all relevant aspects in developed and emerging markets. In contrast to the long-term forecasts produced by Credit Suisse's Research team, our analyses tend to have a much shorter horizon of up to three months. In addition to traditional market data and the global risk environment, the opinions factor in local monetary policy as well as fiscal and political developments. As a result, they offer detailed and comprehensive insight into the short-term future of the markets both for clients and for the sales and trading teams at Credit Suisse.

Dr. Günter Grimm is FX Strategist and Director at Credit Suisse. He has more than 20 years of experience on the buy- and sell-side, having worked at various international investment banks as currency strategist and FX sales expert advising institutional clients and corporates. In May 2019, he joined Credit Suisse's Global Trading Desk FX Strategy team based in Zurich.

We update our views continuously in weekly publications and a podcast available to clients globally. With this information, clients can benefit from a general overview of the macroeconomic environment and the trade ideas for specific currencies provided by our experts. In addition, Swiss-based clients can subscribe to a daily newsletter in German and English as well as a weekly German publication containing the latest and most relevant developments on the FX markets. For clients with specific needs or requests, we can even provide individual calls and visits.



Swap transactions and liquidity management

A smart solution for uncertain times

Maintaining full flexibility in liquidity management with swaps

Given the extraordinary uncertainty that has characterized the economy in the last year, liquidity management has been one of the key topics for many corporations. The strong economic recovery and corresponding demand growth in 2021 has caused one of the worst supply chain disruptions ever seen in almost every economic sector. This has led to significant delays in production and shipping that have completely unsettled customer and supplier payments projections.

Swap transactions can be an effective tool for this purpose since they offer companies an opportunity to rearrange the maturity of existing transactions. In fact, a swap provides full flexibility in managing a company's liquidity, while preserving the goal of the original forward transaction – hedging foreign exchange risks.

Despite being around for more than 40 years, swaps are still undervalued and many corporations use them rarely. Nevertheless, they are a simple solution where the exchange rates are only determined by the interest rate differential between the two currencies. Given today's environment with low interest rates across the board, they represent a convenient and valid measure for liquidity management.

Swap transactions and liquidity management

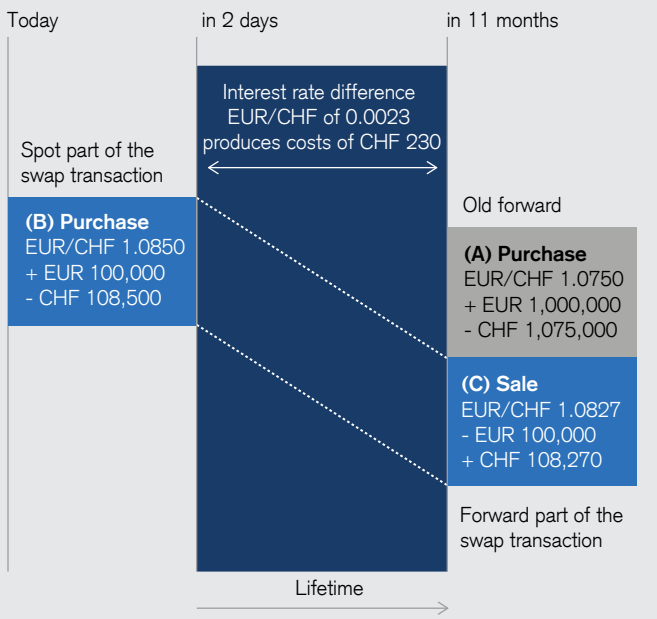
The following two case studies illustrate the benefits swaps can offer corporate clients:

Case study 1 – a Swiss importer looking for flexibility
A Swiss company has concluded a forward transaction for the purchase of EUR 1 million due in one year. This trade enables the company to hedge the foreign exchange exposure forecasted by its management for the entire next year. Moreover, the corporation was able to take advantage of the favorable exchange rate level in EUR/CHF at 1.0750, well below its initial budget.

Scenario 1 – shortening the maturity
After one month, the company needs EUR 100,000 immediately for the first tranche of payments to its European supplier. A swap transaction allows the company to purchase the needed amount of EUR at spot (in two working days) and simultaneously sell them back again at the original date. Thus, the foreign currency is available at spot, while the sale offsets the original forward transaction that is reduced to EUR 900,000. The cost of this swap transaction is only the interest differential between EUR and CHF for the remaining eleven months.

Currency pair: EUR/CHF
Notional: EUR 1 million
Duration: 1 year
Spot: 1.0750

Chart 1



(A) The company has purchased EUR 1,000,000 for forward delivery at a rate of 1.0750, payable in 12 months.

(B) After one month, the company needs EUR 100,000 immediately. A swap transaction enables it to shorten the maturity of a fraction of the original amount. The company purchases EUR 100,000 in a spot transaction at the current rate of 1.0850.

(C) Simultaneously, the company sells EUR 100,000 again on the date of the old forward transaction. The discount of 0.0023 corresponds to the interest differential between EUR and CHF for the remaining 11 months of the original transaction, resulting in a forward rate of 1.0850 – 0.0023 = 1.0827. In this case, the result is a less favorable EUR/CHF rate on the front end (near leg - 1.0850), though this is counterbalanced on the back end (far leg) by the gain on the old forward date (purchase at 1.0750 versus sale at 1.0827). All in all, this swap transaction produces costs of CHF 230.

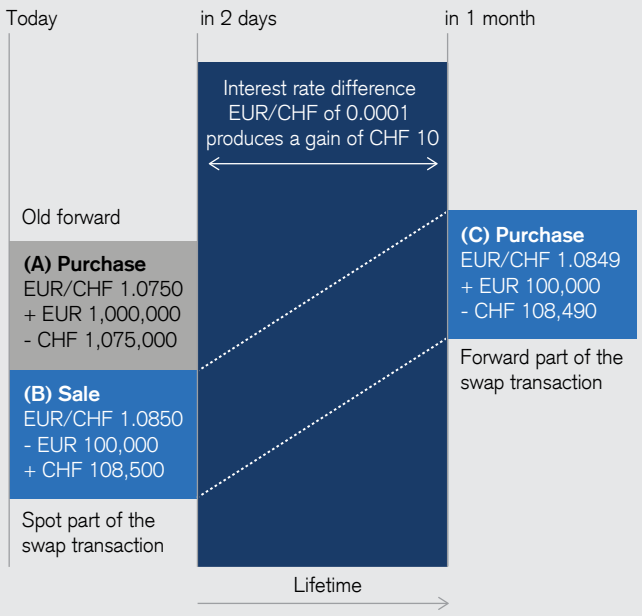
Scenario 2 – extending the maturity
One year has passed and the forward transaction is due in two days (spot). However, part of the goods have not yet been delivered. The company needs to defer EUR 100,000 by one month. Through a swap, the company is able to extend the maturity by the desired term. In this case, the interest rate differential between EUR and CHF for one month generates a gain.

(A) The company has purchased EUR 1,000,000 for forward delivery at a rate of 1.0750, payable in 12 months.

(B) After one year, their liquidity needs require a postponement of EUR 100,000 by another month. By using a swap, the company sells EUR 100,000 in a spot transaction at the daily rate of 1.0850 in order to match the existing forward transaction, neutralizing the fraction not needed.

(C) At the same time, the company buys EUR 100,000 one month forward at the new rate of 1.0849 (1.0850 minus the discount of 0.0001). As of the near leg, there is a substantial gain between the forward falling due and the new spot transactions (sale at 1.0850 versus purchase at 1.0750), which is offset on the new maturity date. The result of this transaction is a gain of CHF 10.

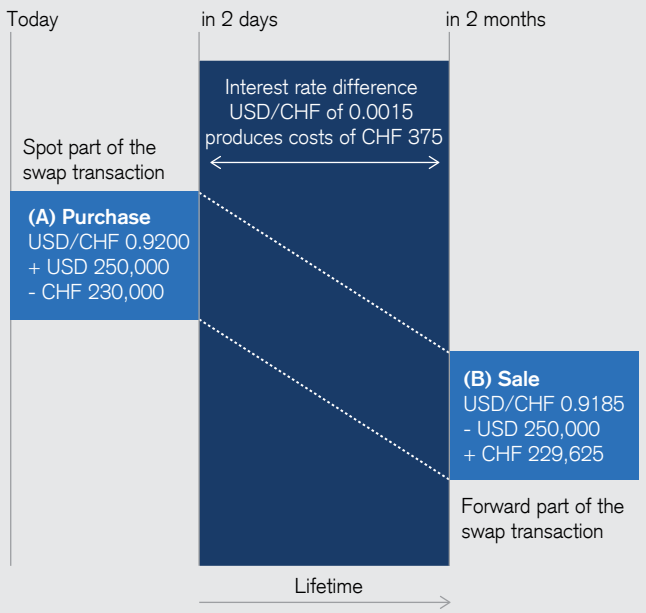
Chart 2



Swap transactions and liquidity management

Case study 2 – liquidity management for a multinational company
An international company is headquartered in Switzerland and maintains its accounts in CHF. While it collects revenues and pays expenses in different foreign currencies, liquidity and operating loans are held in CHF. The USD account shows a debit balance of USD 250,000. The company forecasts a significant USD cash inflow in two months' time. Since it prefers to avoid forex exposures arising from spot transactions, management opts for a swap transaction. A swap allows the use of CHF liquidity for temporary financing of the USD debit balance, making it the optimal solution in this case.

Chart 3:



(A) The company purchases USD 250,000 against CHF in a spot transaction at 0.9200 in order to cover the debit balance.

(B) Simultaneously, the same amount of USD are sold forward in two months at 0.9185 (0.9200 minus a discount of 0.0015). In this way the exchange rate risk is hedged by the forward sale. In two months, USD will be debited, and the original account balance restored.

The cost of 15 pips (0.0015) represents the interest rate differential in the market between USD and CHF calculated over the term.

The cost of the swap is CHF 375. Assuming 0% interest income/cost on CHF, this corresponds to 0.98% p.a.*, considerably lower compared to the debit interest on USD.

*** Interest differential formula:**

$$\frac{(0.0015 \times 360 \times 100)}{(60 \times 0.9200)} = 0{,}98\%$$

What hedging solution suits your needs better will depend on various factors such as type of activity, market expectations, risk ability, and risk tolerance. **Riccardo Spinelli**, FX Sales Corporate and Institutional Clients in Lugano, advises corporate clients in Ticino to find the most suitable solution that meets their needs.

Finding the optimal hedging solution
Economic uncertainties of the past year have led many companies to reach out to the Lugano desk in order to manage their forward positions. Currency hedging enables companies to improve their liquidity management and focus on their core activities. At the same time, swaps allow for flexibility while preserving the hedging potential.

Advantages	Disadvantages
▪ The swap transaction is used to extend (or shorten) a spot transaction, forward transaction or another swap transaction or to manage liquidity ▪ Swap rate (if in your favor)	▪ No hedging ▪ Swap rate (if at your expense)

Swiss companies are benefiting from the recovery in the US

Martin Naville, CEO of the Swiss-American Chamber of Commerce, talks about the opportunities and risks for Swiss firms exporting to the US.

Mr. Naville, you're highly familiar with both the US and Switzerland. How important are economic ties with the US for Swiss companies?
They're absolutely vital. First, because the two countries are very similar in many ways. They're the world's only direct democracies, and both offer a very high level of legal certainty and transparency. On top of that, both countries are highly driven by innovation and boast first-class universities. This gives firms a solid basis for operating successfully in the long term.

Second, the Swiss export sector has experienced an incredible surge in growth in the US over the past two decades. In fact, the US now outstrips Germany as the biggest export destination for Swiss goods. By way of comparison, 17 years ago, the US, France, and Italy all accounted for roughly the same volume of Swiss exports. Today, Swiss companies export more to the US than they do to Italy, France, the UK, and Austria combined! And twice as much as they do to the BRICS countries. That was unthinkable just a few years ago. Sales to the US continue to grow apace, with many industries – particularly pharmaceuticals – now earning more money there than they do in all other markets.

How do you see the economic situation in the US developing? Do you think the current recovery will continue?
Yes, absolutely. The US economy has very agile and flexible structures; at the same time, there's huge pent-up demand in infrastructure, sustainable energy sources, healthcare, and repatriation of production capacity. In fact, government investment totaling USD 1,200 billion has been agreed for these areas. Swiss firms could also be among the beneficiaries – particularly those with a strong presence in the US already. It's true that the current problems faced by the logistics industry, as well as the difficulties on the labor market, are clouding things a little at the moment. Even so, we can expect strong economic growth over the next two to three years. I'm very bullish on that front.

There's some uncertainty surrounding inflation rates as many things are still not clear. Without doubt, the high rate of inflation we're seeing at the moment is due in part to base effects as well as temporary logistics problems. Economists are sharply divided on the subject of a potentially protracted bout of core inflation. The US Federal Reserve has said that it won't raise interest rates. If pressure increases, however, it will probably need to take corrective action.

What does this mean for the value of the US dollar?
Much of the evidence points to a weakening of the dollar. Versus the Swiss franc in particular, the US currency has been heading in one direction only – namely toward a stronger Swiss franc – for the past 40 years. Betting against this trend doesn't pay off, even though the exchange rate has been relatively stable in recent years. However, the US dollar's status as the leading global currency is not in serious jeopardy. There's simply no other currency to match it on a global level. However, we could see regional shifts: For example, China could pressure its trading partners into using the renminbi as a means of payment in bilateral transactions.

Where do you see the biggest opportunities and risks for 2022?
The risks are always with us, of course – that's something we've learned over the past couple of years. The threat of another eurozone crisis, for example, has not been completely banished. At a global level, growing tensions between the US and China – for instance on the question of Taiwan – could hurt the global economy.

It's important for the situation in the logistics industry to gradually settle down over the next 12 months and for the flow of goods to start functioning properly again. But basically I expect a lot of positive things in 2022 from an economic point of view, particularly for Switzerland and the

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US. Both countries' economies have so far proved to be highly resilient throughout the COVID-19 crisis. The outlook for the corporate sector is now correspondingly positive. This isn't something that's happened by chance, in my view. Fact is, both Switzerland and the US have relatively liberal economic policies; this in turn has a positive impact on the innovative strength of their corporate sectors. And that's absolutely fundamental for achieving economic success.

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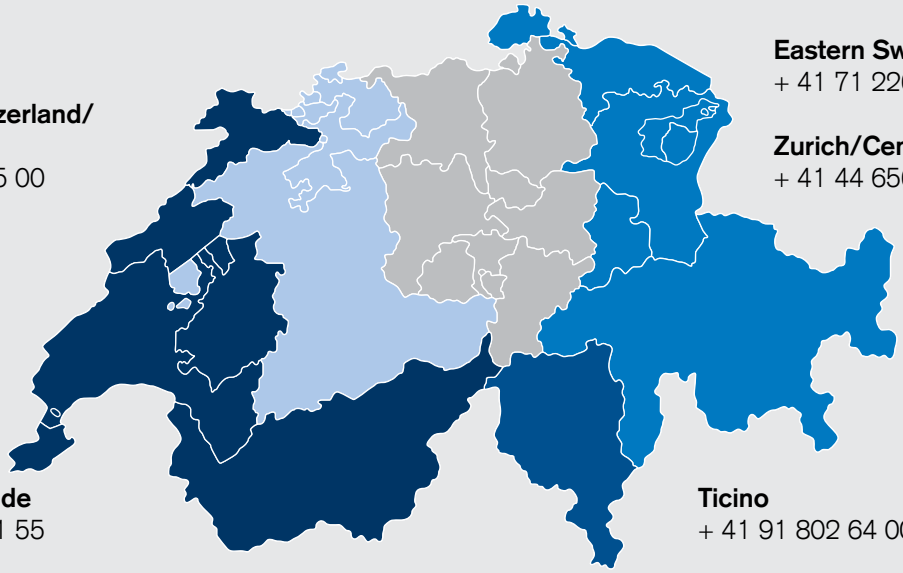

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