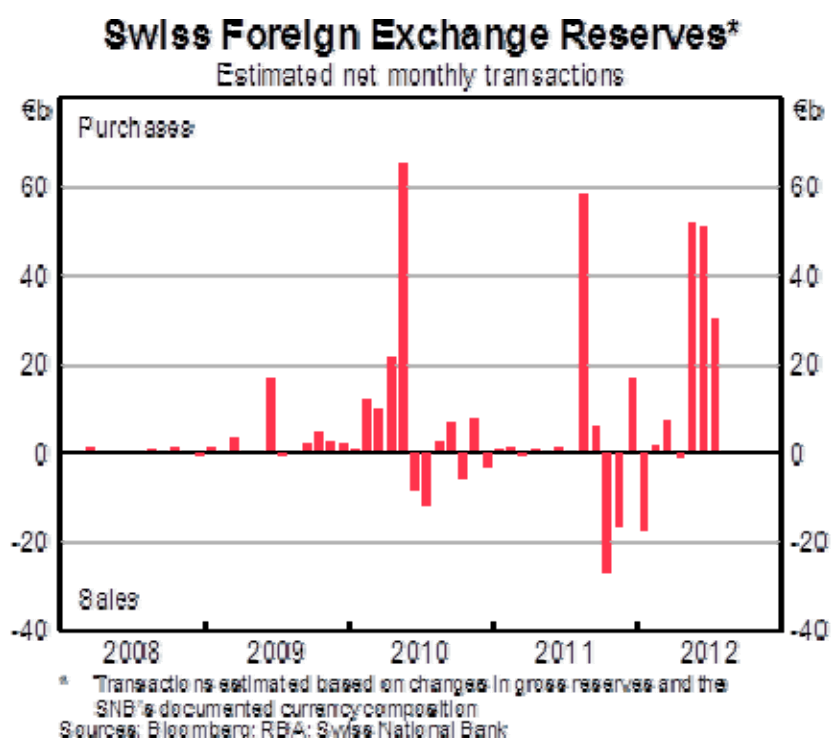


From:
Sent: Wednesday, 8 August 2012 5:31 PM
To:
Cc:
Subject: SNB Intervention over July [SEC=UNCLASSIFIED]

Based on the July reserves data published overnight, we estimate that the SNB undertook net purchases of foreign exchange of around €31 billion in July (equivalent to US\$38 billion; all figures from now on are in US dollars) (Graph 1). At US\$416 billion, Switzerland's reserve portfolio is now the fifth largest globally, behind China, Japan, Saudi Arabia and Russia. Swiss reserves now embody around 68 per cent of annual GDP when measured in CHF terms (or 62 per cent when measured in US dollar terms, which is consistent with the figures we provided last Friday).



Again, we assume that all open purchases of foreign currency by the SNB were in euro. It seems likely that the SNB retained the majority of the euros it purchased in its intervention transactions – as was the case in previous months – given that market conditions in July were broadly similar to June. This suggests the share of Swiss reserves denominated in euro could have increased by up to 3 percentage points over July to 62½ per cent.

The size of the SNB's rebalancing requirements continues to increase. To maintain its reported currency composition of reserves at end June, the SNB would have needed to sell US\$12 billion in euro over July (Table 1). Table 2 contains estimates of additional reserve rebalancing flows required to further reduce the euro share of Swiss reserves to 55 per cent (the estimated share of euros in May 2012; Estimate 1) and 51 per cent (the reported share of euros in

March 2012; Estimate 2) assuming no further intervention. This shows that the SNB would need to sell a further US\$35 billion in euros (in addition to the US\$12 billion it would have needed to sell in July) to return the share of euros in its reserves to 51 per cent. We would expect the SNB to continue to sell euros whenever it is able, which should place downward pressure on the euro.

Table 1. Estimated SNB Intervention and Rebalancing Flows July

	US\$ billions						
	Estimated Intervention [*]	Euros retained	Rebalancing Flows - to end Q2 2012 shares				
US\$ bought			Euros sold	Yen bought	Pounds bought	Canadian bought	
Jul-12	38	26	7	12	2	1	1
Share of Capital Flows [†] (Per cent)			0.0	7.3	0.5	-1.1	2.5
Share of FX Turnover [‡] (Per cent)			0.1	0.7	0.2	-0.1	0.8

^{*} Assumes all rebalancing flows occur at the end of the month

Δ Including A\$, Swedish krona, Danish krone, Singapore dollar and Korean won. Exercise assumes all in A\$.

[†] Average quarterly gross capital outflows for the euro area and inflows for all other countries; averaged over the past year, except Japan, which is the average of recent positive inflows only.

[‡] Monthly global spot FX turnover in FX crosses against euro (for the euro, monthly total euro spot FX turnover)

Table 2. Estimated Future Further Rebalancing Flows

In addition to rebalancing required to return to end Q2 2012 shares

	US\$ billions					
	US\$ to be bought	Euros to be sold	Yen to be bought	Pounds to be bought	Canadian \$ to be bought	Other to be bought ^Δ
	Flows required to revert back to estimated May 2012 currency composition					
Estimate 1	12	17	1	3	1	0
	Flows required to revert back to reported March 2012 currency composition					
Estimate 2	25	35	1	6	3	0

Δ Including A\$, Swedish krona, Danish krone, Singapore dollar and Korean won.

Exercise assumes all in A\$.

From:

Sent: Thursday, 1 November 2012 18:18

To:

Cc:

Subject: Swiss reserves currency composition - September quarter [SEC=UNCLASSIFIED]

The data released yesterday by the SNB on the composition of its foreign currency reserves showed that over the September quarter, the percentage of reserves held in euro declined from 60% to 49%, the percentage held in USD and GBP increased from 22% to 28% and from 3% to 7% respectively, while there were also small increases in the percentage held in JPY and other currencies (including AUD) (Graph 1).

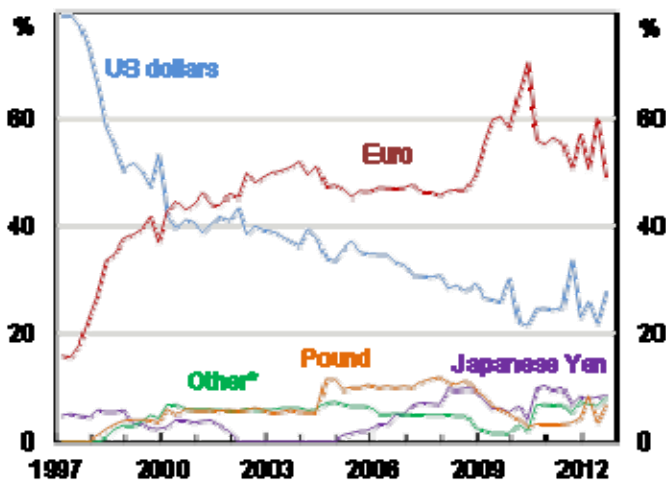
Based on the currency composition data, we estimate that the SNB purchased around €2 bn euros over the September quarter through intervening in EUR/CHF but sold around €61 bn euros in diversifying into other currencies, particularly USD and GBP (around €3 bn and €14 bn euros equivalent respectively) (Graph 2, Table 1). The net sale of euros over the quarter likely reflects efforts to rebalance following the interventions undertaken since May. The diversification flows have moved the SNB's reserves currency composition back to around its March 2012 levels.

Regards

Graph 1

SNB Foreign Currency Reserves Composition

Quarterly, share of total foreign currency reserves

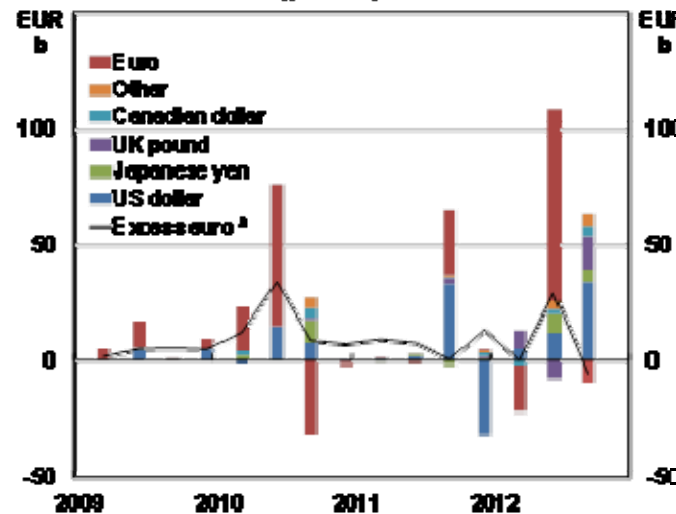


* Including A\$, Swedish krona, Danish krona, Singapore dollar and Korean won.
Source: SNB

Graph 2

Estimated Swiss Reserves Net Flows

Quarterly, euro equivalent billions



* Compared to assets; based on reported flows Q1 2012 on the way to the SNB. Source: SNB, IMF, OECD, BIS, SNB, SNB.

Table 1: Estimated SNB Rebalancing Flows (euro equivalent billions)

	<i>Euros bought through intervention</i>	<i>Diversification flows</i>					
		<i>Euros sold</i>	<i>Currencies bought</i>				
			<i>USD</i>	<i>JPY</i>	<i>GBP</i>	<i>CAD</i>	<i>Other**</i>
<i>Quarter:</i>							
June	101	18	12	8	-7	2	4
September	52	61	33	5	14	4	4

* Including A\$, Swedish krona, Danish krone, Singapore dollar and Korean won.

| Senior Analyst | International Department
 RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
 | w: www.rba.gov.au

From:
Sent: Thursday, 3 January 2013 4:56 PM
To:
Cc:
Subject: Swiss reserves - JPY valuation effects [SEC=UNCLASSIFIED]

In the table below we have estimated the exchange rate valuation effects on Swiss reserves since end-September 2012, assuming that the currency composition remained as last reported in the September quarter. We then compare these estimates to those obtained from a hypothetical scenario in which the SNB did not diversify its reserve holdings out of euros (that is, assuming the currency composition remained the same as reported in the June quarter) to roughly gauge the costs of diversification.

Overall, we estimate valuation losses of CHF8.3bn (EUR7.4bn) based on the SNB's September quarter currency composition data, compared to valuation losses of CHF 7.1bn (EUR6.4bn) based on the June quarter currency composition data. As a result, this simplified exercise suggests that the SNB's diversification out of euros increased the SNB's loss by CHF1.2bn (EUR1bn). The relatively modest impact of diversification reflects the fact that the bulk of the diversification out of euros was actually directed towards US dollars rather than the yen (the USD share of SNB reserves increased by around 6 percentage points over the September quarter, compared to around ½ a percentage point for the JPY).

Although the effect of diversification itself was relatively small, it is nevertheless true that the bulk of the estimated valuation loss since end-September (based on September quarter currency composition data) was attributable to the SNB's yen holdings (an estimated loss of CHF4.8bn or EUR4.0bn), reflecting the 13 per cent depreciation of the yen against the euro over this period. We estimate that losses on the SNB's USD holdings contributed a further CHF2.8bn (EUR2.4bn) to the loss since end-September, reflecting the USD's 2 per cent depreciation against the euro over this period.

Regards

Estimated Exchange Rate Valuation Effects on Swiss Reserves since end-September 2012						
	Total	USD	EUR	JPY	GBP	CAD
Currency composition (%)						
June 2012	100.0	21.7	60.1	8.3	3.3	3.2
September 2012	100.0	27.6	49.0	8.6	6.7	4.0
Value of reserves - September 2012 (CHF bn)	429	118	210	37	29	17
Valuation change since September 2012 (CHF bn)						
Based on September 2012 composition	-8.3	-2.8	0.3	-4.8	-0.5	-0.4
Hypothetically based on June 2012 composition	-7.1	-2.2	0.4	-4.6	-0.3	-0.3
<i>Estimated effect of diversification</i>	-1.2	-0.6	-0.1	-0.2	-0.3	-0.1

* Valuation estimates assume "Other" comprises AUD only

