



EES abandons CHF – is EUR/CHF controlled by the SNB?

CHF

The Swiss franc depreciated vis-à-vis the U.S. dollar today as the greenback tested offers around the CHF 1.0945 level and was supported around the CHF 1.0840 level. Data released this weekend confirmed the Swiss National Bank has spent more than CHF 40 billion to buy euro this year with CHF 30.2 billion in franc sales in the first quarter alone. Data Swiss National Bank President Hildebrand last week said the SNB will continue to counter any “excessive” gains of the franc, noting there would be a “negative impact” if the franc appreciates “sharply due to its role as a safe haven currency.” Hildebrand noted the SNB “will not allow such a development to turn into a new deflation hazard” and is “acting decisively to prevent an excessive appreciation.” Hildebrand also called on European leaders to conclude negotiations over Greece’s aid package “rapidly.” April consumer price inflation data will be released on Thursday. U.S. dollar offers are cited around the CHF 1.0930 level. The euro moved lower vis-à-vis the Swiss franc as the single currency tested bids around the CHF 1.4320 level while the British pound appreciated vis-à-vis the Swiss franc and tested offers around the CHF 1.6595 level.¹

EUR/CHF Daily Chart



EUR/CHF Hourly Chart



This does not look like a currency chart.



EES had a favorite group of pairs – EUR/USD, EUR/CHF, USD/CHF. The Swiss Franc used to mean something – it meant finance, the old guard. The CHF was backed 40% by physical gold. Now, the SNB will not allow the CHF to appreciate because it would have a negative impact as it's safe haven currency status. Whether that's true or not, we have decided to stop trading the CHF. With the volatility in the EUR and USD due to the Greek crisis, the uselessness of trading the CHF is highlighted even more. Trading multiple pairs can have the advantage in a volatile market of 'hedging' in and out of positions by trading more than 1 pair that share the same currency. However, because the EUR/CHF did not move by more than 10 pips in the last 20 hours, including EUR/CHF in any strategy is useless.

There is a trade here, when the EUR/CHF is 'revalued' the move takes time and traders can jump on the trend and ride the movement. A trend following system could be loaded to capture this trend when it happens. Or you could simply look at the chart and see it breaking out of it's controlled trading bands.



But as EUR/CHF is not actively traded as other pairs, it doesn't have the same opportunities and value as other pairs do.

The SNB seems to feel their political motives are more important than the FX component of their economy, so the foreseeable future, EUR/CHF will be subject to 'revaluations' and a controlled price, which is difficult or impossible to trade.

ⁱ <http://countingpips.com/fx/2010/05/04/forex-daily-market-commentary-54/>