

# FX-Week

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## Market fears EUR/CHF long positions


The central bank's currency floor, which has been maintained at 1.20 since September 2011, has come under pressure before, following other bouts of euro weakness.

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Felix Adam, ACT Currency Partners

However, due to the relative success the euro has had recently compared with other major currencies, the Swiss franc has been relatively untested. But the apparent diver-

gence in monetary policy, with the European Central Bank potentially beginning quantitative easing and the US winding down its own asset purchases, has spurred FX markets back to life.

“I don't know many people that are prepared for a break to the downside,” says Felix Adam, chief executive at ACT Currency Partners in Zurich. “A break of the peg would be a huge surprise and the positioning in the market is definitely long euros, which increases the risk as well. More worryingly, many local pension funds are all invested in euros and use the SNB peg as a natural hedge. The SNB has done an excellent job, but the risk is how long the peg will continue – no-one knows the answer to that.” 

*Robert Mackenzie Smith*