

# Mysterious Swiss Franc Slide Shows Reach of Russian Sanctions

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- Swiss currency drops on days turmoil supports other havens
- Investors nervous as sanctions dent Swiss safety: Swissquote

Nervous Russian tycoons may be driving a selloff in the Swiss franc.

The currency's slide this week has been out of character with its status as a safe asset during times of market turmoil. The franc has fallen to its weakest level versus the euro since January 2015 while the yen, also a haven, has gained as the U.S. threatened military action in Syria, escalated a trade spat with China and slapped sanctions on Russian oligarchs.



“The Swiss franc is driven predominantly by capital flows for now and Russia sanctions included Swiss companies where Russians are invested,” said Manuel Oliveri, a currency strategist at Credit Agricole SA, citing [Sulzer AG](#) as an example. “Increased need for liquidity by Russians, and no appetite for leaving cash in Switzerland, is changing the franc’s correlation with risk sentiment,” he said, adding market speculation on this issue was hard to confirm.

The U.S. applied fresh sanctions on Russia last week to punish the nation for actions in Syria and for attempting to subvert Western democracies, leading to a selloff in the ruble and Russian stocks. These included measures severing access to global financial markets for several Kremlin-connected [billionaires](https://www.bloomberg.com/news/articles/2018-04-12/glencore-loses-billionaire-allies-to-trump-s-punitive-sanctions) .

The franc’s drop has been in tandem with sharp moves in other Swiss markets. Shares in [Sulzer](#) , a machinery manufacturer, slid Wednesday before climbing the most in 21 years Thursday after the company said it’s no longer subject to U.S. financial restrictions as sanctioned Russian oligarch Viktor Vekselberg has cut his stake. In bond markets, the yield on two-year Swiss government debt rose to its highest in a month on Thursday, whereas comparable German yields fell.

[Glencore Is Losing Billionaire Allies to Trump’s Sanctions](https://www.bloomberg.com/news/articles/2018-04-12/glencore-loses-billionaire-allies-to-trump-s-punitive-sanctions) <<https://www.bloomberg.com/news/articles/2018-04-12/glencore-loses-billionaire-allies-to-trump-s-punitive-sanctions>>

“The Swiss franc has been caught squarely in the Russian sanctions issue,” said Peter Rosenstreich, head of market strategy at Swissquote Bank SA. “For a small, open economy like Switzerland getting caught in a geopolitical tug of war is extremely risky. Switzerland still derives value from safety and privacy. So when that is threatened in any way certain investors get nervous.”

The franc’s status as a [haven](https://www.bloomberg.com/news/articles/2018-02-07/in-battle-of-two-havens-investors-bet-on-yen-over-swiss-franc) <<https://www.bloomberg.com/news/articles/2018-02-07/in-battle-of-two-havens-investors-bet-on-yen-over-swiss-franc>> has been losing its allure relative to the yen in any case this year as the Swiss National Bank remains reluctant to move away from its rhetoric on a “highly valued” currency. A SNB spokeswoman declined to comment on the franc’s move lower on Thursday.

Some market participants who had hedged risks by going long on the Swiss franc and short the ruble may now be unwinding those positions, according to Neil Jones, head of hedge fund sales at Mizuho Bank Ltd. The ruble rebounded on Thursday after a jump in oil prices.

“People are being stopped out of long franc,” said Jones.

— *With assistance by Robert Fullem, and Catherine Bosley*