Swiss Stocks Tumble, Europe Equities Advance After SNB Decision

By Inyoung Hwang - Jan 15, 2015

Stocks in Switzerland tumbled, led by the nation's exporters, while the Euro Stoxx 50 Index rose, after the Swiss National Bank unexpectedly ended its minimum exchange rate.

The Swiss Market Index plummeted 10 percent at 1:16 p.m. in Zurich, for its biggest decline since 1997. The Euro Stoxx 50 advanced 0.6 percent, after earlier climbing as much as 1.5 percent, while the U.K.’s FTSE 100 Index added 0.1 percent. Germany’s DAX Index jumped 0.8 percent.

Swiss exporters slid as the franc jumped to a record against the euro and surged as much as 27 percent versus the dollar. Watchmakers Cie. Financiere Richemont and Swatch Group AG, which get the majority of their revenue from outside the nation, plunged at least 12 percent. Holcim Ltd., the world’s biggest cement maker, slid as much as 21 percent.

Swiss banks and financial companies also retreated. UBS Group AG sank 9.9 percent, while Credit Suisse Group AG slumped 12 percent. Julius Bear Group Ltd. slid 13 percent. Before today’s decision by the SNB, analysts at JPMorgan Chase & Co. said in a note that UBS, Switzerland’s largest bank, would be among lenders benefiting from an appreciating dollar.

“Today's SNB action is a tsunami; for the export industry and for tourism, and finally for the entire country,” Swatch Group AG Chief Executive Officer Nick Hayek said by e-mail.

The SNB gave up its minimum exchange rate of 1.20 francs per euro, ending a three-year-old policy designed to shield the economy from the euro area’s sovereign-debt crisis. The central bank also lowered the interest rate on sight deposit account balances that exceed a given exemption threshold to minus 0.75 percent from minus 0.25.

The rally in the franc briefly caused several benchmark indexes priced in euros to surge as Swiss companies reflected the currency jump. The Stoxx Europe 600 Index showed a gain of as much as 4 percent before paring the increase.

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