

**BUSINESS & FINANCIAL OVERVIEW**

## Swiss Market Fails To Hold Early Gains, Ends Flat

The Switzerland stock market moved higher after a slightly weak start on Thursday, but after trading firm for much of the session, ended flat on Thursday.

The market's fall from higher levels was partly due to profit taking. Investors were also reacting to the data on producer and import prices for the month of May and the Swiss National Bank's monetary policy assessment. The benchmark SMI ended up 2.10 points, or 0.02%, at 9,861.83. The index which touched a low of 9,841.30 in early trades, moved on to a high of 9,906.77 a little before noon.

Swatch Group, Richemont, Lonza Group, UBS Group and Nestle lost 0.5 to 1.2%. SGS, Alcon and Credit Suisse also ended lower, albeit with less pronounced losses.

On the other hand, LafargeHolcim moved up 1.7% and Sika gained 1.15%. Novartis, Adecco and Roche Holding posted modest gains. According to a report from the Federal Statistical Office, Switzerland's producer and import prices fell 0.8% year-on-year in May.

On a monthly basis, producer and import prices held stable in May due to higher price in petroleum products, while chemical and pharmaceutical products price were cheaper. Producer prices fell 0.3% annually and import prices declined 1.6%. On a monthly basis, both the producer prices and import prices remained flat in May.

The Swiss National Bank today decided to replace its current Libor based interest rate band with a new policy rate, citing concerns over the future of the former, and kept the overall monetary policy expansionary.

In the monetary policy assessment on Thursday, the SNB said it will use new policy rate in communicating the monetary policy decisions.

Accordingly, the SNB policy rate, currently at -0.75%, replaced the target range for the three-month Libor. The UK financial regulator has ensured the maintenance of the Libor only until 2021, the bank pointed out. As the future of the Libor is not guaranteed, the SNB launched its new policy rate.

The central bank, which aims to keep the Swiss franc money market rates close to the SNB policy rate, reiterated that the currency is still highly valued and the situation on the foreign exchange market remains fragile.

The bank raised its inflation forecast for 2019 to 0.6% from 0.3% projected in March. The forecast for 2020 was raised marginally to 0.7% from 0.6%. The central bank continues to expect the economy to grow by around 1.5% in 2019.

Elsewhere, the expert group of State Secretariat for Economic Affairs upgraded the 2019 growth projection to 1.2% from 1.1%, while the outlook for 2020 was retained at 1.7%.

