Swiss Franc Investment Fallout

If you are a **European homeowner**, especially in Eastern Europe, who has a mortgage denominated in Swiss francs you are up the proverbial creek without a paddle! The BBC reports that 37% of all mortgages in Poland are denominated in francs and the franc just went up in value by more than twenty percent against every other currency!

It's a very worrying time for many thousands of people in Central and Eastern Europe, as they helplessly watch the Swiss franc rise against their local currencies and see their mortgage repayments go up and up.

An estimated 566,000 Poles have taken out Swiss franc-denominated loans, that's about 37% of all mortgages here. By Tuesday, the Swiss franc had risen 21% against the Polish zloty, following the Swiss National Bank's decision to abandon its currency ceiling against the euro last Thursday.

It's not just Poles. Many Hungarians, Croats and Austrians have taken out Swiss franc-denominated loans.

Doing business in Swiss francs just became a lot more expensive. Why did this happen?

Supporting the Euro Became Too Expensive

The most salient aspect of the Swiss franc has always been the rock hard stability of the currency. The dollar might slide and countries like Argentina might devalue their currency but the franc was always there, safe and secure. Because of this stability the franc has traditionally been a safe haven currency. However, Switzerland does not have a large economy compared to the Euro Zone and the Swiss had pegged their currency 1.2 francs to one euro, buying euros along the way to keep their currency from being overpriced and their exports competitive. But, as the euro slides the policy simply became too expensive. *Reuters* reports on the Swiss franc investment fallout after the **Swiss Central Bank** removed the cap on the euro.

The Swiss National Bank shocked financial markets on Thursday by scrapping a three-year-old cap on the franc, sending the currency soaring against the euro and stocks plunging on fears for the export-reliant Swiss economy.

[This move] sent the franc nearly 30 percent higher against the euro in chaotic early trading. Coming a week before the European Central Bank is expected to unveil a bond-buying program to counter deflationary pressures, it fed speculation that this quantitative easing (QE) scheme will be so big that the SNB would have struggled to defend the cap.

With more than 40 percent of Swiss exports going to the euro zone, firms across Switzerland warned of a plunge in profits, with the luxury and tourism industries most exposed.

The cost to Switzerland of supporting a weakening Euro would have been a lot but the cost of scrapping the policy may have been more. The Swiss franc investment fallout is spread across the globe and within Switzerland itself. What is the Swiss franc investment fallout for offshore investing? How do currency rates figure in when you put your money in an offshore bank or invest in a business offshore?

Investment and Trust

In an uncertain world **foreign direct investment**, banking offshore or simply putting your money in a fund that invests offshore requires trust. *The Guardian* offers their opinion that **Switzerland's special status** as a trusted asset and investment haven is gone.

The abolition of the Swiss franc cap means the country is no longer a safe haven, and the consequences could be grave,

We may have just witnessed the start of an entire new chapter in Swiss history. At the moment no one seems entirely capable of giving a confident prediction of precisely what the future will hold. But there is a vague consensus that Switzerland is facing a tough future. People here used to see their country as an island of tranquility in a sea of euro-crisis tears. Those days look certain to be over.

We have seen money flowing out of Russia due to a worsening investment climate. Brazil ceased to be everyone's darling when China reduced its demand for raw materials. And China is becoming questionable as the four decade long economic miracle is cooling off. Japan is in a recession and the EU is heading that way. The USA is the only major economy on the upswing and in an instant it has become a lot cheaper to invest in the USA than Switzerland.

Educational Resources

Click the links below to get your FREE training materials.

Free Weekly Investing Webinars

Don't miss these free training events!

http://www.profitableinvestingtips.com/free-webinar

Forex Conspiracy Report

Read every word of this report!

http://www.forexconspiracyreport.com

Get 12 Free Japanese Candlestick Videos

Includes training for all 12 major candlestick signals.

http://www.candlestickforums.com