
BIS Symposium CIP-RIP?

Panel discussion: *"Should the basis worry us?
What, if anything, should we do about it?"*

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Non-zero FX basis is a global and persistent phenomenon

FX BASIS

USD FX basis, based on 3M Libor rates, in percentage points



Source: SNB, Bloomberg

Should the SNB worry? Three perspectives

(1) Market functioning

- Are USD funding markets liquid?
- Do prices reflect economic realities?

(2) Monetary policy transmission

- Does it impair the interest rate channel?
- Does it impact the exchange rate?

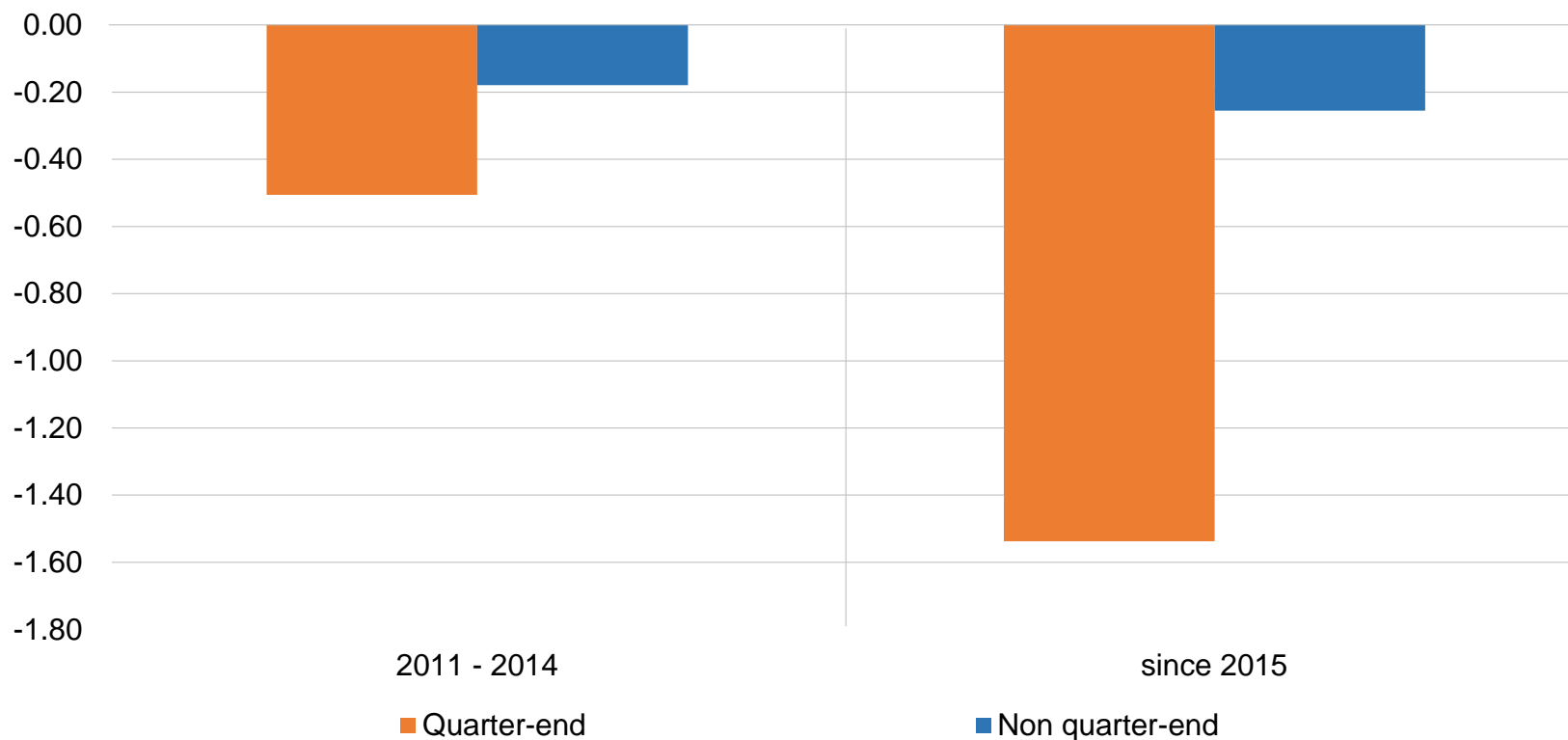
(3) Financial stability

- Can banks access USD funding markets?

Market functioning: resilient, despite sharp quarter-end effects since 2015

FX BASIS AND QUARTER-END EFFECTS

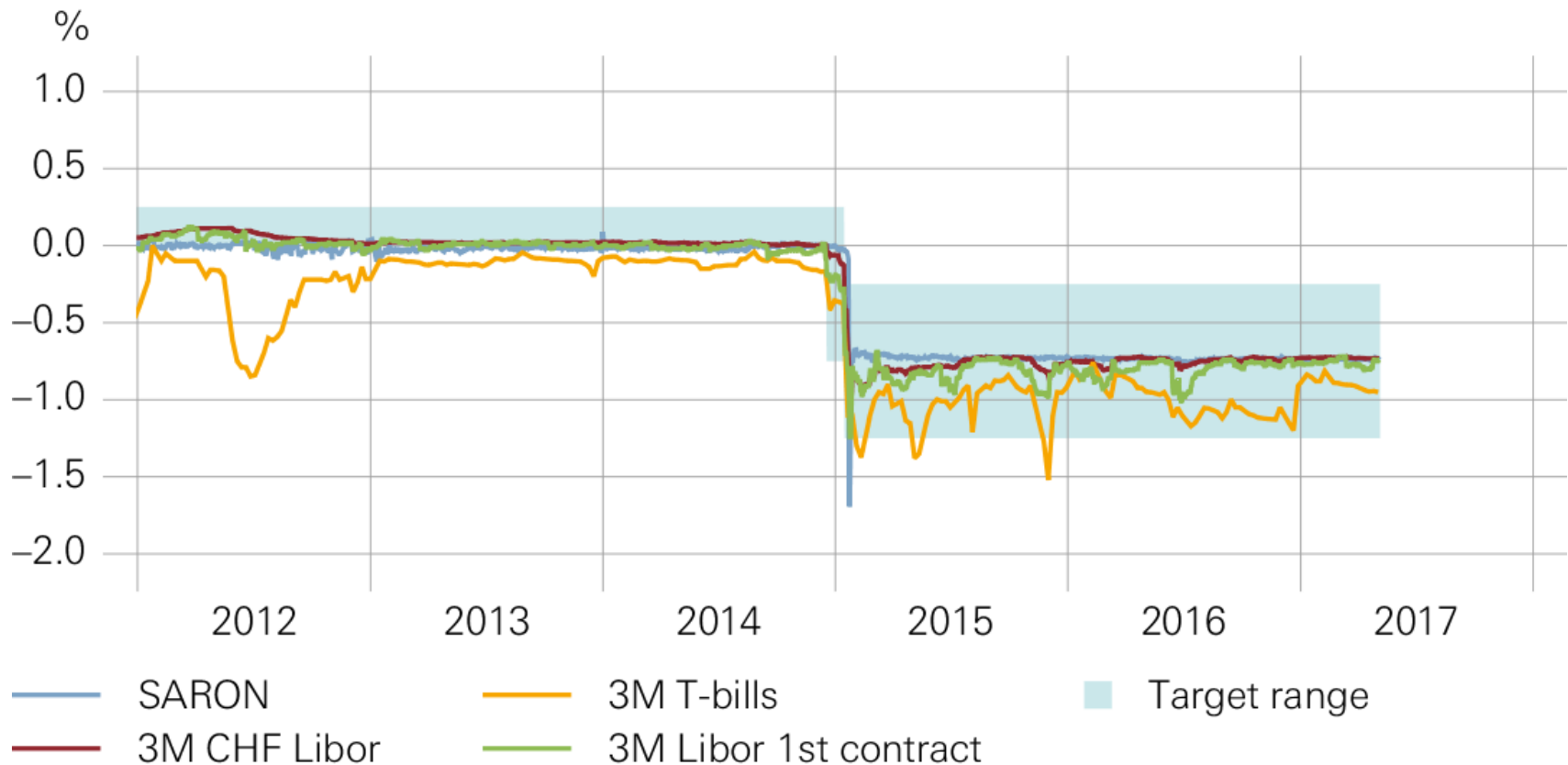
FX basis based on USDCHF and 1W Libor rates, in percentage points



Source: SNB, Bloomberg

SNB monetary policy: effective irrespective of FX basis dynamics

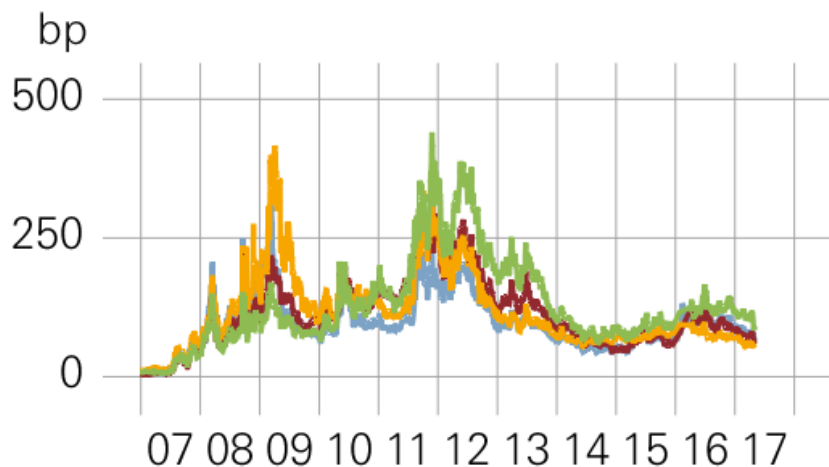
CHF MONEY MARKET INTEREST RATES



Source: SNB, Bloomberg

Financial stability: no sign of bank funding stress

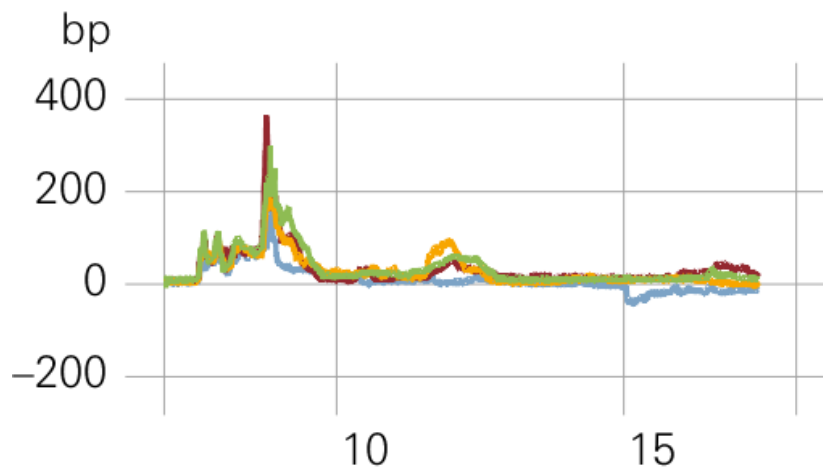
CDS PREMIA OF GLOBAL BANKS



- Swiss banks (mean)
- UK banks (mean)
- US commercial banks (mean)
- Euro area banks (mean)

Sources: SNB, Bloomberg

RISK PREMIUM MONEY MARKET



- CHF Libor 3m - TOIS swap 3m
- USD Libor 3m - OIS swap 3m
- EUR Euribor 3m - Eonia swap 3m
- GBP Libor 3m - Sonia swap 3m

Sources: SNB, Bloomberg

Thank you for your attention

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