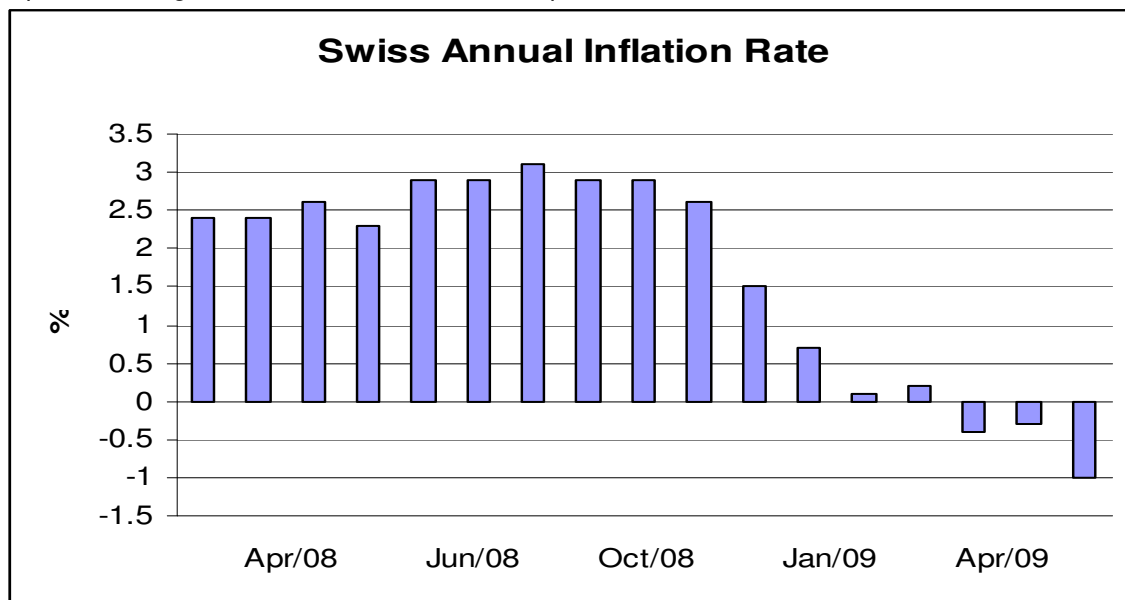


## SNB rate decision June 18th

The Swiss National Bank (SNB) will hold its monetary policy meeting on Thursday June 18th. The SNB is expected to hold rate policy steady at 0.00%-0.75%. Recent Swiss economic data confirms deteriorating Swiss economy and declining inflation. Monday, Switzerland reported that producer and import prices declined the most in two decades. Swiss Q1 GDP contracted at its fastest pace in 15 years and Swiss May inflation fell at its fastest rate in 50 years. Swiss exports fell 14% since the start of 2009. SNB officials are concerned about the threat of deflation and the impact of strong CHF on inflation and Swiss export outlook.



At the March SNB meeting the SNB announced that it would intervene to prevent further CHF appreciation versus the EUR to counter the risk of deflation and to combat the dramatic deterioration in the Swiss economy. Since the March SNB policy meeting EUR/CHF has been holding above 1.5100. The SNB appears satisfied with the stability of the EUR/CHF cross. This may mean the SNB will tone down its intervention rhetoric. Note in the graph below the big EUR/CHF rally from 1.4500 to 1.5300 after the SNB intervened to buy EUR in March and the relative stability of the cross since.



The SNB also announced at the March meeting an asset purchase plan to buy private bonds to increase liquidity. The trade will be looking for any sign at the June meeting that the SNB plans to ramp up intervention or expand asset purchases. In light of the sharp drop in Swiss inflation the SNB may have little choice but to expand its asset purchase plan. The SNB will announce its semi annual economic forecast Thursday. The SNB has forecast that the economy will contract by 3 % this year. Downward revisions are expected. The SNB will also publish its bank financial stability report Thursday. If the SNB reaffirms commitment to intervene to weaken the CHF, the CHF will may weaken and price volatility could spike. Expansion of quantitative ease would be a short term negative for the CHF. Expect key USD/CHF support at 1.0590 the June 2nd low with resistance at 1.1010 the 61.8% retracement of 10590 -1.1265 range.



**By Michael J. Malpede,**

Michael J. Malpede is Chief Market Analyst with Easy-Forex and has previously been featured on Bloomberg TV, Bloomberg radio, Reuters, MarketWatch, Wall Street Journal, Chicago Tribune, Chicago Sun Times, Toronto Star and Nikkei press. In analyzing the markets, he draws from 29 years of Foreign Exchange Research as a Foreign Exchange Analyst.

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