* C**ompare Switzerland to the U.S.**:
  + Does Switzerland earn an “exorbitant privilege” too?
  + Do its **valuation gains or losses offset its large current account surplus**?
  + What role does the **SNB’s (that means NFA) asset composition (e.g., gold, FX reserves)** play in these valuation effects?
  + Unlike the U.S., does Switzerland suffer from **exorbitant duty** (i.e., losses on foreign assets)?

Would you like a brief visual diagram comparing the U.S. vs. Swiss external positions in this framework?

### 4. Decomposition of NFA into Its Components

Where:

* CAj : current account
* VAj : valuation effects
* RESj : residual discrepancies or statistical errors
* Gold: SNB Gold Reserves,
* DJIA: Dow Jones Industrial Average returns,
* FX: Exchange rate variables (EUR/CHF),
* CD: dummy variables for major crisis periods.

We should bring this relatively early: “of a long-standing macroeconomic puzzle: why sustained current account surpluses have not translated into proportionate increases in external wealth.”

**These questions from your supervisor’s comments are to answer.**   
“What is the relationship between NFA, capital flows, valuation channels and gold reserves? Before, you had a decomposition in your thesis. I loved that because it showed how changes in the NFA can be broken down into its parts. Now, I am lost as I don’t know how these parts add up.

I do not understand what you are trying to do. What is the goal of your analysis? You want to see what drives changes in the NFA? Why don’t you do a decomposition of the change in the NFA and plot its evolution by shutting down each component at a time. This should already be quite informative about what components are relevant. In a second step, you might want to exogenous(!) variables that drive the individual subcomponents.

“I’m not quite sure what to make out of this. Can you contextualize it? Are you saying that we ‘entered a new world’ after the financial crisis? Or that the financial crisis itself had a big effect on the NFA and then things became more like the way they were before. “

“They are too large to just be statistical residuals. Could you explain a bit more why these residuals are so large? “- explain the residuals

“These figures are difficult to interpret. They have different scales. I don’t know what to take out of them except that (i) there are fluctuations and (ii) CA tends to be positive and VA tends to be negative. “—adjust the scales and explain what is to take out to connect to the other results.

“How are FA, CA and FDI linked? Is FA = CA + FDI? Or NFA = CA+FA+FDI? I’m lost here.” – show the equation

“Can you decompose the valuation effect into the four channels? I would love to see such a decomposition. “ – Decomposition  
  
“These are returns on bonds and equity?” – answer this by another graph.

“That’s interesting. Returns were higher on assets than liabilities in the past, but now the picture has reversed. Why is that? “ – Explain the negative excess return starting from 2017.

“Do you know the exchange rate composition of foreign assets? Then you could just report that exchange rate basket rather than bilateral exchange rates.” – we do that.

“How is the cumulative SNB rate effect calculated?” – write how this is calculated.