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SNBN is the ticker, in Zurich

Little known is that the Swiss National Bank, Switzerland's own Federal Reserve, has a publicly traded equity stub. Better known is the fact that the Swiss head to the polls on Nov. 30 to decide on a radical populist monetary referendum. It would compel the franc-spinning, euro-gulping institution to bump up its gold holdings to 20% of its assets over the next five years. An Oct. 21 poll found that 45% of the voters approved of the measure, 39% opposed.

We read the plebiscite as a grassroots cry for help. A certain kind of person, untrained in monetary economics, senses that something is wrong with money. He or she seeks refuge in alternatives to government-issued scrip, gold, bitcoin or other. Maybe the people know something. We daresay they do.

As might be imagined, relates colleague Charley Grant, SNB's management is dead set against the motion. It would bar the sale of gold and force the repatriation of SNB bullion held abroad as well as forcing what might be a very large bullion buy order. A "yes" vote would badly crimp the central bankers' power to protect the franc-euro exchange rate against unwanted appreciation, warned the vice chairman of the SNB Governing Board, Jean-Pierre Danthine, in an Oct. 9 address. Then, too, Danthine pointed out, enactment would impair "the SNB's ability to generate profits and distribute them to the Confederation and the Cantons would be impaired."

You wonder if the management might not be a little scornful of the asset whose bear market was responsible for more than 100% of the loss the bank absorbed in 2013 (a loss that forced suspension of dividend payments). You wonder, too, if the SNB is a central bank or an aspirational sovereign wealth fund.

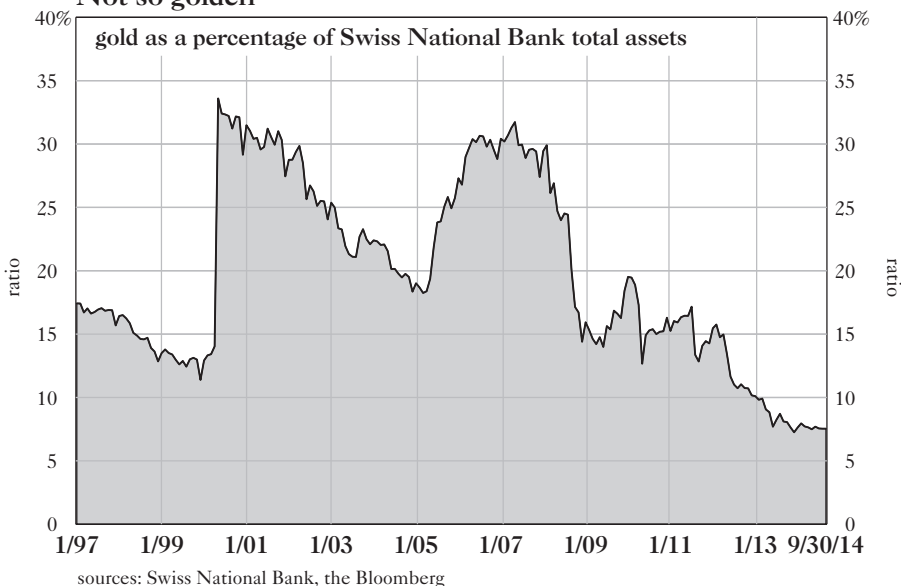
"As of Aug. 31," Grant relates, "the balance sheet showed gold reserves worth CHF 39.4 billion, good for 7.5% of total assets. It was not far off the 17-year low of 7.25% set in 2013. Over the past 17 years, gold holdings have averaged 19.8%, virtually identical to the agitators' target. By weight, the SNB

currently holds 1,040 metric tons. To comply with the stipulated 20%—holding other balance sheet line items constant—management would have to go shopping for an additional 2,500 metric tons of the metal for which it seems to have no love. For perspective, the net purchase of all central banks last year totaled 368 metric tons."

On the one hand, the gold initiative faces formidable opposition. On the other, the voters do sometimes say "yes." In May they enacted an initiative entitled "restrictions on pedophiles." Watch this space.

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Not so golden



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