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Instant view: SNB cuts rates to fight Swiss franc rise

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ZURICH (Reuters) - The Swiss National Bank has narrowed its target band for the 3-month Libor to 0.00-0.25 percent from 0.00-0.75 percent as it seeks to fight the franc's strong appreciation.

Following are analysts comment on the SNB's decision:

CHRIS CRUDEN, INSCH CAPITAL

"We didn't need to react immediately because we are systematic trend followers, and we take a long term view.

"Traders who are highly leveraged with tight stop losses are going to be having an interesting day.

"The move in euro-Swiss and dollar-Swiss are probably among the largest major currency moves in such a short time frame in recent history. It reeks of a crisis, and it was only a matter of time before someone felt compelled to step in to head it off."

HENRIK GULLBERG, DEUTSCHE BANK:

"We've been waiting for them to take some sort of measure against the strength of the Swiss franc. I guess this is one way of doing it but it is very limited. If they want to have some sort of impact, they probably would have to intervene.

"Even when they did intervene, it did not have much of a lasting impact, although they delayed the appreciation of the Swiss franc back then.

"It's a very difficult situation for them with the ongoing issues in the periphery in Europe. The Swiss franc is a sort of default option here, it's a national safe haven. That is unlikely to go away as long as we have these issues in Europe.

"The Bank of Japan is in a similar situation although the yen has not strengthened quite as much as the Swiss franc. To have a real impact, it would have to be coordinated action with other central banks. If the SNB or the Bank of Japan do it on their own, it will be a losing battle.

"The SNB is of course trying to inject some sort of two-way risk in the market. It might at least help slow down the pace of appreciation a bit."

ADRIAN SCHMIDT, LLOYDS BANKING GROUP

"The market had gone too far in one direction and it now has to think about whether it wants to hold the Swiss franc. For the moment this will calm things down.

"Currency intervention is now a potential threat once more. The SNB will be reluctant to intervene in the currency markets again after their intervention at 1.50 francs which was perceived as being unsuccessful.

"However, maybe the threat of intervention will force people to look for other potential safe havens."

THORSTEN POLLEIT, BARCLAYS CAPITAL

"We believe the action taken by the SNB is clearly driven by the negative consequences for the Swiss economy and the financial sector of an environment of sagging worldwide growth, accompanied by the franc exchange rate having climbed to record highs (in nominal and real terms) vis-a-vis major currencies.

"The SNB announced that it will, over the coming days, increase the Swiss monetary base from currently around 30 billion francs to 80 billion francs - a measure that we argue can rightly be described as "quantitative easing."

NICK HAYEK, SWATCH GROUP CEO

"This is wonderful. Speculators should brace themselves."

PETER ROSENSTREICH, SWISSQUOTE

"The SNB decision to verbally intervene this morning will be mildly effective in the short-term but eventually the effectiveness of the action will be deemed lacking.

"The SNB decision to step off the sideline in an attempt to end the perception that the franc is a one way bet is a clear gamble.

"Interestingly the psychological tactic to mention that the franc was 'massively' overvalued is a clever way to get fundamental traders behind the selling.

"However, the strategy of targeting the 3-month rate to 'close to zero as possible' is merely for show since traders are not in the franc for the interest rate differential and with rates already ultra low, the minimal decrease will not impede safe-haven flows.

"The SNB's first 'shot over the bow' will inevitably grab headlines and, spook traders who were burned in 2009 -2010 forex interventions, but eventual franc buying will continue.

"Should the SNB continue toward an interventionist policy, watch for FX history to repeat itself and when the rhetoric dies down and smoke clears, flow into the franc to resume."

JANWILLEM ACKET, JULIUS BAER

"You can't keep the target rate on hold forever in this situation. This move makes absolute sense.

"As of now they will be trying to get 3-month LIBOR as close to zero as possible.

"The massive increase in liquidity from 30 to 80 billion francs and the decision not to renew repos or buy back any SNB bills are accompanying gestures to beef up the target rate cut. "It makes a lot of sense but remains to be seen how successful it will be as long as the market sees Switzerland as so much better off than the rest of the world.

"The slowdown in the Swiss economy as indicated by yesterday's PMI could start reducing the attractiveness of the franc."

LUTZ KARPOWITZ, COMMERZBANK

"It's a very clear statement.

"It's all they can do, they usually can't go below zero.

"In the statement they said if this does not turn out to be enough they are going to take additional measures.

"I think the likelihood of further interventions is very high. It's rather unlikely that cutting the interest rate down to zero will be enough."

NIKOLA STEPHAN, INFORMA GLOBAL MARKETS

"A surprise move from the SNB that obviously felt forced to act as the Swiss franc continued to go from strength to strength against both the euro and dollar as debt woes on both sides of the Atlantic weighed.

"It was to be expected that the currency moves were making the central bank nervous, and with signs of weaker pipeline price pressures emerging, deflation fears are likely to be firmly back on the central bank's mind.

"Further steps are possible if the franc continues to strengthen, however, the options will be more limited with interest rates already targeted at 0 percent."

NEIL MELLOR, BANK OF NEW YORK MELLON

"These measures will probably not bring a halt to the Swiss franc's appreciation.

"It will be a hard fought battle for the SNB and at most this will slowen the pace of appreciation. The market has made up its mind that the Swiss franc is a safe-haven currency and these measures only serve as an opportunity to investors to buy the currency at a cheaper level."

JON COX, KEPLER CAPITAL MARKETS

"It is a step in the right direction but given where interest rates are, the bank's room for maneuver is very limited with rates already close to zero.

"I would have preferred some currency intervention as well to send a stronger psychological signal to the market. This may stem the appreciation of the franc but I doubt it will lead to a sudden reversal -- and plenty of firms are hurting around 1.10 francs versus the euro."

MONEY MARKET TRADER

"The SNB sees it necessary to intervene. The political pressure was clearly big enough. In the short term this helps the euro. The question is whether this will help in the long term. The strength of the franc is the result of euro weakness and nothing has changed there. The problems still exist.

"The euro-franc future has priced out all interest rate increases until September 2012. First for December 2012 is a higher rate than 0.35 percent expected.

"The question is whether the SNB will also follow this verbal action with intervention on the currency market."

FABIAN HELLER, CREDIT SUISSE

"This is a reaction to the currency's strength...basically they've cut to zero. The overall situation was increasing momentum with the currency, they needed to react sooner or later but we didn't expect they would actually cut rates."

"It's clear that (intervention) is a possible option but we'd connect this very closely to the building up of deflation. The stronger the Swiss franc is, the greater the risk of deflation."