

STRATEGIC ALLOCATION — TO THE — SWISS FRANC

◆
A 2026 Outlook on Global Finance

— *Intermarket Universe Report* —



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Swiss Franc
Strategic Analysis

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EXECUTIVE SUMMARY

The Swiss Franc gained 13% against the U.S. dollar in 2025—the best G10 currency performance since Liberation Day—while the greenback posted its worst first half in five decades. In the wake of Operation Epic Fury, Switzerland halted arms exports to the United States, the SNB held rates at 0.00% while signaling increased FX intervention willingness, and Morgan Stanley set a bear-case USD/CHF target of 0.64 that would represent an all-time high for the Franc. This report evaluates whether the CHF deserves a permanent allocation as a strategic portfolio anchor—not a tactical trade—in the post-hegemonic monetary order.

The thesis is supported by exceptional structural foundations: a constitutional debt brake that has eliminated structural deficits since 2006, federal debt at 16.1% of GDP versus the OECD average of 111.7%, the world's highest per-capita gold reserves, and a 211-year unbroken record of armed neutrality. The thesis is challenged by non-trivial SNB intervention risk—the 2015 Frankenshock proved the bank can create unprecedented market dislocations without warning—and by speculative positioning that currently runs net short 27,097 contracts.

I. THE CLEAN HAVEN PHENOMENON: WHY THE FRANC STANDS APART

In a year when every major currency carried baggage—fiscal fragility for the dollar, energy dependency for the yen, growth stagnation for the euro—the Swiss Franc stood apart. Morgan Stanley strategist David Adams characterized the CHF as "arguably the most gold-like safe-haven currency," projecting further appreciation with a bear-case USD/CHF target of **0.64**. As of early April 2026, USD/CHF trades at approximately **0.7970**, already near 11-year highs for the Franc, within a 52-week range of

0.7604–0.8857.

The question is no longer whether the Franc is a safe haven. Academic literature from the University of St. Gallen, ScienceDirect, and the Bank for International Settlements has consistently ranked CHF among the top two safe-haven currencies globally (alongside JPY). A 2024 ScienceDirect paper found CHF has functioned as a safe haven since the GFC, while the USD's safe-haven role has diminished. The question for allocators is whether they can afford *not* to own it.

II. THE THREE PILLARS: INFLATION DISCIPLINE, ARMED NEUTRALITY, AND THE DEBT BRAKE

Pillar 1 — Inflation Discipline: The SNB projects 2026 inflation at just **0.5%**, revised up from 0.3% in December 2025 due to energy price pass-through from the Iran conflict. Swiss CPI briefly turned negative at -0.1% YoY in May 2025 before recovering. By comparison, U.S. CPI stood at **2.4%** in February 2026 (down from 2.7% in late 2025). The inflation differential remains the primary purchasing power argument for CHF allocation—there is no term premium demanded on Swiss sovereign debt because the fiscal conditions that create it simply do not exist.

Pillar 2 — Armed Neutrality: Switzerland has been permanently neutral since 1815—a 211-year unbroken record. On March 20, 2026, the Swiss Federal Council halted all new war materiel export licenses to the United States, citing neutrality law following Operation Epic Fury. The U.S. had been Switzerland's second-largest arms customer in 2025 at approximately \$119 million in sales. Switzerland also restricted overflight rights for U.S. military aircraft linked to the conflict. This commitment insulates Swiss-domiciled assets from the seizure risk that rattled dollar reserves after the 2022 Russian freeze—when approximately \$300 billion in central bank assets were frozen by Western nations.

Pillar 3 — The Constitutional Debt Brake: Enshrined in **Article 126** of the Federal Constitution and approved by 84.7% of voters in a March 2001 referendum, the *Schuldenbremse* mechanically caps annual expenditure at cyclically adjusted revenue. Switzerland has not run a structural deficit since 2006. Federal net debt stands at **16.1% of GDP**—versus the OECD average of 111.7% and U.S. gross debt at approximately 123% of GDP. Germany modeled its own debt brake on the Swiss design. This is not a cyclical advantage; it is a constitutional one.

III. CRISIS PERFORMANCE: A 100-YEAR TRACK RECORD UNDER SCRUTINY

The original analysis claimed the CHF appreciated against the dollar in "100% of analyzed geopolitical conflicts from World War I to 2026." This claim, while technically true within a narrow sample of four to five modern conflicts (Kuwait 1990, 9/11 2001, Ukraine 2022, Iran–Israel 2024–2026), requires significant qualification. During WWI, Switzerland was neutral and the franc strengthened against belligerent currencies, but the gold standard limited USD/CHF variability. During the Korean and Vietnam Wars, Bretton Woods fixed rates made free-floating appreciation structurally impossible. The claim holds

rigorously only for the post-1971 floating-rate era.

Within that era, the evidence is compelling. Ranaldo and Söderlind (University of St. Gallen) documented that CHF appreciated 3% within two hours of the 9/11 attacks—the single most dramatic intraday demonstration of any currency's safe-haven reflex. Over the five-day 9/11 event window, USD depreciated 4.5% against CHF. During the GFC, CHF appreciated roughly 40% against the euro over 3–4 years (EUR/CHF fell from approximately 1.67 to near 1.00 before the SNB imposed its 1.20 floor in September 2011). However, during the acute Lehman phase in October 2008, CHF actually weakened against USD due to a global dollar liquidity squeeze—a nuance that undermines simplistic "CHF always wins" narratives.

Table 1: Swiss Franc Performance During Geopolitical Stress Events

| Event | Period | CHF vs. USD | Note |
|-------------------------|---------|----------------|---|
| September 11 Attacks | 2001 | +3.0% (2 hrs) | Immediate flight-to-neutrality |
| Global Financial Crisis | 2008–11 | ~+40% vs EUR | Multi-year; weak vs. USD in acute phase |
| Gulf War / Kuwait | 1990–91 | Appreciated | USD lost –7.8% in March 1991 |
| U.S. Tariff Shocks | 2025 | +13% full year | Best G10 since Liberation Day |
| Operation Epic Fury | 2026 | +0.9% TWI | Modest; SNB intervention dampened move |

Source: University of St. Gallen, DIY Investor/Bloomberg, CNBC, MNI Markets, FXStreet; compiled by Intermarket Universe

IV. HOW THE SWISS NATIONAL BANK (SNB) MANAGES FRANC STRENGTH — AND WHY IT CAN BREAK WITHOUT WARNING

As of March 19, 2026, the SNB holds its policy rate at **0.00%**—unchanged since June 2025 and confirmed by 28 of 29 economists in the December Reuters poll. Chairman Martin Schlegel has repeatedly stated the bar for negative rates remains high due to "undesirable side effects." The March 19 assessment explicitly stated that the SNB's "willingness to intervene in the foreign exchange market has increased" given the Middle East conflict. In a separate poll, 14 of 15 economists recommended the SNB increase FX intervention to address franc strength. EUR/CHF is expected to fall toward 0.87–0.91 by year-end 2026, per Morgan Stanley and Raiffeisen.

The Frankenshock: The Essential Risk Case

Any CHF bull thesis that does not prominently address January 15, 2015 is incomplete. On that date, the SNB removed its EUR/CHF 1.20 floor without warning—just three days after publicly reaffirming it. EUR/CHF crashed from 1.20 to an intraday low near 0.85, a momentary plunge of roughly 29%. The franc surged approximately 30% against the euro and over 15% against all 150+ currencies tracked by Bloomberg. FXCM, the largest U.S. retail FX broker, suffered \$225 million in client negative balances and required a \$300 million emergency rescue. Alpari UK entered insolvency. Citigroup, Deutsche Bank, and

Barclays lost a combined ~\$400 million.

The lesson is non-negotiable: the SNB has demonstrated willingness to create massive, discontinuous market events without warning. For long-CHF positions, this cuts both ways—the Frankenshock was a violent move *in favor* of CHF holders, but a future capping event would move violently against them. With speculators currently net short 27,097 contracts (CFTC data, March 24, 2026)—down from –41,300 in mid-March—the crowded-short positioning creates squeeze risk that could amplify any SNB policy shift in either direction.

V. SWITZERLAND'S STRUCTURAL ADVANTAGES: GOLD, BANKING, AND COMMODITIES

Gold Reserves: Switzerland holds **1,040 tonnes** of gold valued at approximately \$168 billion (January 2026), ranking 7th globally. At ~118 grams per citizen, Switzerland has the highest gold reserves per capita in the world. The country refines an estimated 50–70% of the world's gold through four major refineries—Valcambi, PAMP, and Argor-Heraeus (all in Ticino), and Metalor (headquartered in Neuchâtel)—with gold exports exceeding \$100 billion in 2023 (roughly 27% of all Swiss exports).

Cross-Border Wealth Management: Switzerland remains the world's #1 center for cross-border private wealth, managing approximately CHF 2.4 trillion (~21–25% of the global total). Total banking assets under management stand near CHF 9.2 trillion. While Hong Kong and Singapore are gaining ground, Switzerland's advantages extend well beyond the banking secrecy that formally ended with OECD Common Reporting Standard adoption in 2017–2018. On the Tax Justice Network's Financial Secrecy Index 2022, the Cayman Islands ranked first, the United States second, and Switzerland third—a notable shift from Switzerland's long-held top position.

Commodity Trading Hub: Switzerland handles approximately 35% of global oil trading, 60% of metals, and 50% of cereals through Geneva, Zug, and Lugano. These trades are overwhelmingly settled in USD—the CHF is not a commodity settlement currency—but the concentration of commodity trading infrastructure creates deep structural demand for Swiss financial services and reinforces the country's role as a neutral commercial nexus.

Political Stability: Switzerland's consensus government (seven-member Federal Council, four parties, the "magic formula"), direct democracy (citizens vote on national issues roughly four times per year), and cantonal federalism (26 cantons with their own constitutions) create institutional inertia against dramatic policy shifts. This 211-year track record of stability is the foundation of the franc's safe-haven premium—and it is not replicable.

VI. PORTFOLIO IMPLEMENTATION: THE STRATEGIC FRAMEWORK

For the actively managed portfolio, the Swiss Franc is transitioning from a tactical hedge to a long-term diversifier. A permanent 5–10% allocation to CHF-denominated assets provides a structural counterbalance to dollar-volatility risk. The implementation has three tiers:

Tier 1 — CHF Cash Positions (2–5%): Direct Swiss franc deposits offer separation from U.S. political and financial risk with transparent tax reporting (FBAR/Form 8938). The simplest and most liquid expression of the view.

Tier 2 — Swiss Defensive Equities (3–5%): Novartis, Roche, and Nestlé offer global revenue streams with dividend yields denominated in an appreciating currency—a compounding effect unavailable in gold or Bitcoin.

Tier 3 — Managed Currency Overlay (tactical): Active managers navigating SNB intervention levels can capture alpha during dollar fatigue. Appropriate for institutional allocators with dedicated FX capabilities.

VII. INVESTOR ACCESS: FOREX, ETFs, FUTURES, AND DIRECT CHF EXPOSURE

For investors seeking to implement a Swiss Franc allocation, several vehicles offer varying levels of directness, leverage, and complexity. The choice depends on portfolio size, risk tolerance, tax considerations, and whether the objective is currency appreciation, yield, or hedging.

Forex: USD/CHF Spot and Forward Positions

The most direct route to CHF exposure is through the foreign exchange market. A **short USD/CHF** position (selling dollars, buying francs) expresses the core thesis. Retail investors can access this through regulated forex brokers such as Interactive Brokers, OANDA, or Saxo Bank, typically with leverage ranging from 20:1 to 50:1 depending on jurisdiction. For institutional allocators, the interbank forward market allows customized tenors and settlement dates. Key considerations include the **negative carry**—with U.S. rates at 3.50–3.75% and Swiss rates at 0.00%, a long-CHF position costs approximately 3.5% annualized in interest differential—and the SNB intervention risk that can produce violent reversals. Position sizing should reflect the Frankenshock precedent: a 15–30% move in a single session is within the historical range.

CHF-Denominated ETFs

Exchange-traded funds offer the most accessible and tax-efficient path for most investors. Key vehicles include:

Invesco CurrencyShares Swiss Franc Trust (FXF): The most liquid pure-play CHF ETF, holding physical Swiss francs in a JPMorgan Chase deposit account. Tracks the CHF/USD exchange rate directly. Expense ratio: 0.40%. Suitable for investors who want currency exposure without leverage or futures complexity.

iShares MSCI Switzerland ETF (EWL): Provides exposure to Swiss equities (Nestlé, Roche, Novartis, UBS, ABB) denominated in CHF. Offers both currency appreciation and dividend income. Expense ratio: 0.50%. This is the Tier 2 implementation vehicle—benefiting from safe-haven capital flows into both the currency and the equity market.

WisdomTree Swiss Franc Fund: An alternative pure-currency vehicle that holds short-term Swiss government obligations, providing a modest yield pickup versus holding physical francs while maintaining direct CHF exposure.

CME Swiss Franc Futures

The CME Group lists Swiss Franc futures (ticker: **6S**) with standard contracts of CHF 125,000 and E-micro contracts of CHF 12,500. Futures offer institutional-grade liquidity, transparent pricing via the CME Globex platform, and the ability to express directional views with defined expiration dates. As of late March 2026, open interest in CHF futures exceeds 50,000 contracts, and CFTC data shows speculators net short 27,097 contracts—a positioning imbalance that could amplify upside moves. Futures are also the preferred vehicle for hedging existing USD-denominated portfolios against further dollar weakness.

Direct Swiss Franc Bank Accounts

U.S.-based investors can open CHF-denominated accounts at Swiss banks (UBS, Julius Baer, Pictet) or through multi-currency accounts at Interactive Brokers and Wise (formerly TransferWise). This provides the cleanest separation from U.S. political and financial risk. U.S. tax reporting obligations include **FBAR (FinCEN Form 114)** for accounts exceeding \$10,000 in aggregate foreign balances and **FATCA Form 8938** for specified foreign financial assets above \$50,000 (or \$200,000 for single filers residing abroad). Interest earned is taxable as ordinary income.

Additional Vehicles

Swiss Government Bonds: Confederation bonds offer near-zero or slightly negative yields but provide sovereign credit quality rated AAA by all three major rating agencies—one of fewer than ten nations globally. Accessible through Swiss-domiciled brokers or institutional bond desks.

Options on USD/CHF: Listed at CME and available through most institutional brokers, options allow investors to define risk precisely—buying CHF calls (USD puts) limits downside to the premium paid while retaining full upside participation if the franc appreciates.

Structured Notes: Several Swiss and European banks offer capital-protected notes linked to CHF appreciation, suitable for conservative allocators who want exposure without the risk of leveraged FX positions.

Table 4: CHF Investment Vehicles — Comparison

| Vehicle | Ticker / Access | Expense / Cost | Best For |
|------------------|-------------------|---------------------------|-------------------------------|
| Forex (USD/CHF) | OANDA, IBKR, Saxo | Spread + carry (~3.5%/yr) | Direct, leveraged exposure |
| FXF ETF | NYSE Arca: FXF | 0.40% ER | Simple currency exposure |
| EWL ETF | NYSE Arca: EWL | 0.50% ER | Currency + equity + dividends |
| CME Futures (6S) | CME Globex | Commission + margin | Institutional hedging |

| | | | |
|------------------|-------------------|-------------------|---------------------------------|
| CHF Bank Account | UBS, Pictet, IBKR | Account fees vary | Full separation from USD system |
| Swiss Govt Bonds | Via Swiss broker | Near-zero yield | AAA sovereign safety |
| USD/CHF Options | CME | Premium cost | Defined-risk directional bets |

Source: CME Group, NYSE, OANDA, Interactive Brokers; compiled by Intermarket Universe. See full disclosure at end of report.

VIII. STRATEGIC OUTLOOK: CHF vs. USD vs. GOLD IN A MULTI-POLAR ORDER

Table 5: CHF vs. Peers — Strategic Comparison (April 2026)

| Metric | Swiss Franc (CHF) | U.S. Dollar (USD) | Gold (XAU) |
|-------------------|-------------------|----------------------------------|----------------------------|
| Safe-Haven Status | World's Cleanest | Contested Hegemon | Surging Alternative |
| 2026 Inflation | 0.5% (SNB) | 2.4% (Feb CPI) | N/A (yieldless) |
| Policy Rate | 0.00% | 3.50–3.75% | N/A |
| Federal Debt/GDP | 16.1% | ~123% | N/A |
| 2025 vs. USD | +13% | Baseline | +65% |
| Portfolio Role | Strategic Anchor | Liquidity / Trade Medium | Crisis Hedge |
| Primary Risk | SNB Intervention | Fiscal Crisis / Confidence Shock | Volatility (9% 1-day drop) |
| Key Bull Call | MS: 0.64 USD/CHF | N/A | \$6,000+ (multiple) |

Source: SNB, Federal Reserve, World Gold Council, Morgan Stanley, UBS, ING; compiled by Intermarket Universe

Table 6: Institutional USD/CHF Forecasts (2026)

| Institution | USD/CHF Forecast | EUR/CHF Forecast | Stance |
|--------------------------|---------------------------------|------------------|------------------------------|
| Morgan Stanley | Bear case: 0.64 | 0.87 | Most bullish CHF on street |
| UBS | ~0.78 (stable) | 0.94–0.95 | Moderate CHF strength |
| Raiffeisen | N/A | 0.91 | CHF appreciation expected |
| St. Gallen Cantonal Bank | 0.75 (if US credibility erodes) | N/A | Conditional bull |
| Goldman Sachs | Broad USD weakness | N/A | 30% US recession probability |

Source: Morgan Stanley, UBS, Raiffeisen, Goldman Sachs, St. Gallen KB; compiled by Intermarket Universe

Risk Factors

Three risks warrant continuous monitoring. First, **SNB capping**: the 2011–2015 floor and the Frankenshock proved the bank will create discontinuities without warning; current intervention signaling suggests tolerance for gradual appreciation but resistance to disorderly moves. Second, **EU dependency**: roughly 60% of Swiss merchandise exports go to the EU, and some models suggest ~90% currency correlation in non-crisis periods—a severe European recession would drag Swiss fundamentals. Third, **energy pass-through**: elevated crude oil prices increase domestic goods inflation, potentially forcing the SNB off its 0% rate assumption before 2028.

Conclusion: The Neutral Gear

The Swiss Franc in 2026 represents what the dollar was in 1995—a structurally undervalued safe-haven asset backed by fiscal discipline, institutional credibility, and constitutional property protection, at a moment when the incumbent reserve currency is stretched thin. The difference is that the Franc will never replace the dollar as the global medium of exchange. It does not need to. Its role is narrower and arguably more valuable: the permanent neutral gear in a portfolio that can no longer afford to assume any single currency is risk-free.

For readers of *The Dollar's Contested Throne*, the Swiss Franc is the natural extension of the report's allocation framework. Gold hedges panic. Bitcoin hedges debasement. The Franc hedges the system itself. A portfolio built for the multi-polar monetary order needs all three.

IMPORTANT DISCLOSURES AND RISK WARNINGS

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