

Since June 2006, Credit Suisse and the Centre for European Economic Research (ZEW) in Mannheim have carried out the Financial Market Test Switzerland (a survey of financial market experts). Detailed results of the survey conducted between 7 and 15 January 2010 are published in this edition of the "Financial Market Report Switzerland," which is released on a monthly basis.

Switzerland: Economic expectations brighten up slightly in January

According to the results of the latest survey conducted in conjunction with the Financial Market Test Switzerland, expectations regarding the Swiss economy improved somewhat again in January. The relevant Credit Suisse ZEW Indicator for economic expectations edged up by 2.2 points to the 56.2 mark. Consequently, the indicator has been moving in a sideways trend at a high level in recent months. A noticeable majority of 64.4 percent of respondents continue to view the economic outlook for the coming six months in a basically positive light.

The assessment of the current economic environment revealed a more pronounced improvement in January. The proportion of financial market experts who regard the situation as "bad" declined by a further 9.6 percentage points to 33.3 percent. The corresponding balance of indicators for the present state of the economy improved compared with the previous month's reading, increasing by 15.8 points and reaching the -27.1 level. The lion's share (75.0 percent) of financial analysts still predicts that short-term interest rates will hold steady. The number of experts who anticipate an increase on the interest rate front on a six-month horizon shrank marginally by 1.1 percentage points to 22.9 percent. The relevant balance dipped by 1.2 points to the 20.8 mark. A majority of 82.2 percent (down 7.2 percentage points) of participants expect no change in the interest rate differential between Switzerland and the Eurozone. The corresponding balance rose by 4.2 points to exactly the zero threshold.

Sentiment among the financial market specialists regarding the Swiss stock market has brightened up further, with 70.8 percent (up 9.6 percentage points) presuming that the Swiss Market Index (SMI) will gain terrain in the next six months. On the other hand, a share of just 0.4 percent of respondents are looking for a negative stock market trend. The pertinent balance climbed by 17.6 points and is hovering at 60.4 in January.

In the wake of the Swiss franc's tendency to pick up ground versus the euro in recent weeks, the proportion of analysts who think the trend will continue increased in January: 33.3 percent (up 9.3 percentage points) foresee the EUR/CHF exchange rate declining in a six-month timeframe. In contrast, 20.8 percent

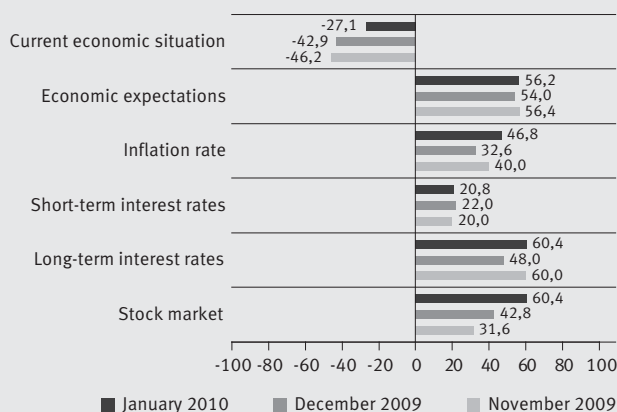
(up 6.8 percent percentage points) of the survey participants see the Swiss currency losing territory against the euro.

The percentage of financial experts who assume that oil prices will rise in the coming half-year continued to sink in January, from 47.9 percent to 39.6 percent. The relevant balance decreased by 8.3 points to 25.0. Regarding the trend in gold prices, merely 29.8 percent (down 8.5 percentage points) of the analysts expect the price of the precious metal to increase. The balance dropped into the negative zone in January, hitting the -2.1 level on the heels of 10.6 the previous month.

Expectations for the corporate earnings situation and profit margins in Switzerland continued to look better in this month's survey. Furthermore, the share of respondents who anticipate that the unemployment rate will fall in the coming six months grew larger: up 8.6 percentage points at 10.6 percent.

Figure 1

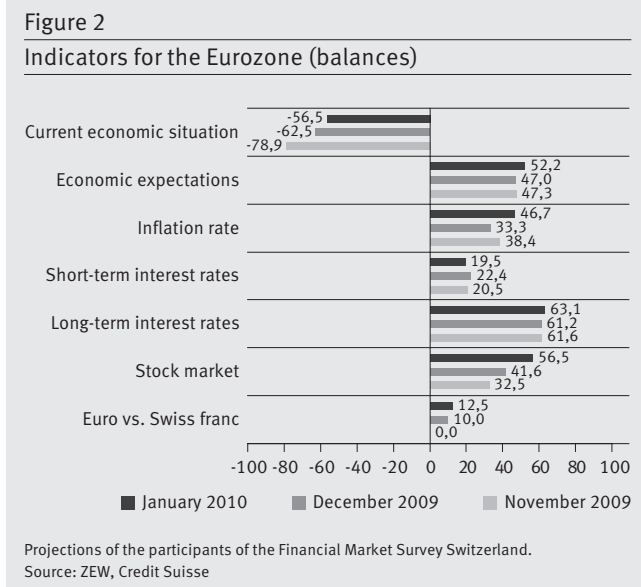
Indicators for Switzerland (balances)



Projections of the participants of the Financial Market Survey Switzerland.
Source: ZEW, Credit Suisse

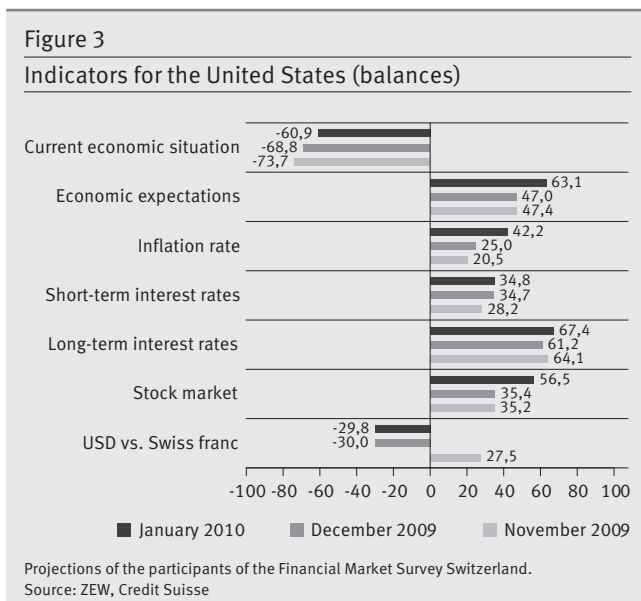
Eurozone: Economic situation improves again somewhat

As in the previous month's survey, the assessment of the prevailing economic climate in the Eurozone improved slightly. The relevant balance edged up in January by 6.0 points and is still wavering at a negative level of -56.5. Survey participants also conveyed marginally better expectations regarding the future economic outlook, with only 6.5 percent predicting deterioration of the trend. The corresponding balance increased by 5.2 points to the 52.2 mark this month.



USA: Noticeably better economic expectations

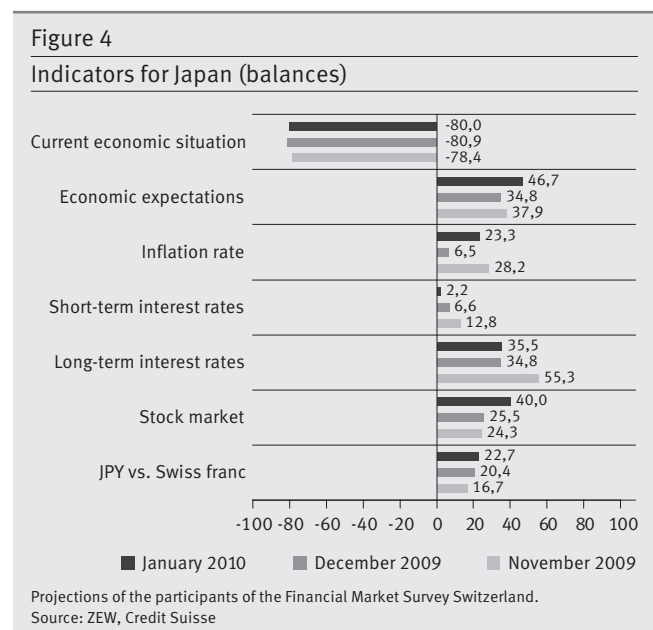
Expectations on the part of the analysts surveyed regarding the US economy painted a much more optimistic picture in January versus the previous month. The pertinent balance climbed by 16.1 points, ascending to the high plateau of 63.1. In fact, nearly 70 percent of the financial experts forecast an im-



provement in the economy. Inflation expectations also increased considerably versus last month's reading: 48.9 percent (up 15.6 percentage points) of the respondents believe that inflation rates will advance in the coming half-year.

Japan: Interest rate expectations practically unchanged

Expectations remain low for interest rates in Japan. An overriding majority (93.4 percent) of experts see no uptick in rates in the coming six months from the current extremely low levels. The corresponding balance dropped by a further 4.4 points to just 2.2. At the same time, however, the economic prospects for Japan continue to brighten up, with 55.6 percent (up 9.9 percentage points) of the respondents anticipating an improvement in the economic outlook down the road.

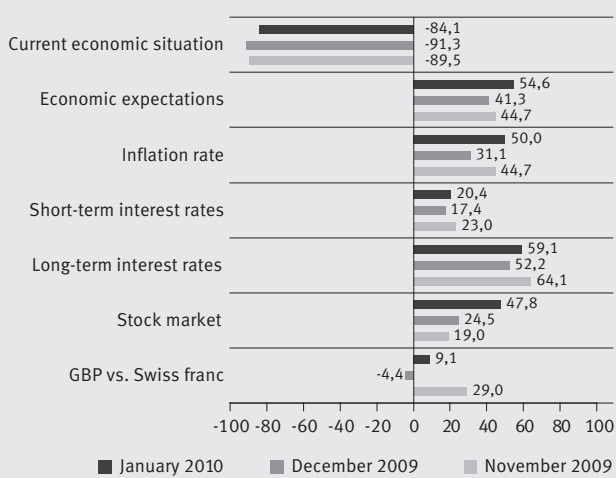


Great Britain: Inflation expectations on the rise

Inflation expectations for Great Britain picked up strongly in the January survey, with the relevant balance now reaching the 50-point threshold following 31.1 the previous month. In the interim, more than half (52.3 percent) of the financial specialists surveyed expect inflation rates to tread upward on a six-month horizon. Roughly 84.1 percent (down 7.2 percentage points) of the analysts view the current economic situation in a "bad" light, while 59.1 percent forecast an improving economic environment.

Figure 5

Indicators for Great Britain (balances)



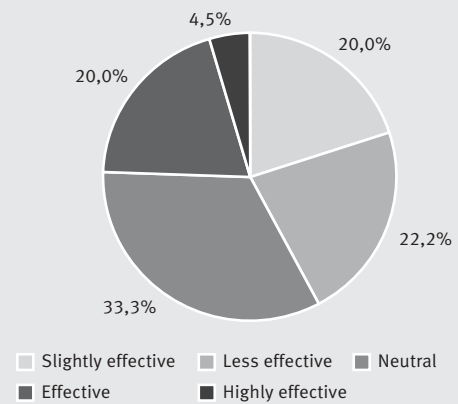
Projections of the participants of the Financial Market Survey Switzerland.
Source: ZEW, Credit Suisse

Special question: Regulatory measures in the financial sector

Within the scope of this month's "special question," the financial market experts were asked to convey their assessments regarding regulatory measures in the financial sector. The first part of the survey addresses the issue of how effective undertaking additional regulatory measures in the financial sector can be in preventing future crises. Roughly 25 percent of the respondents expressed the view that such measures could prove to be effective, or even very effective (see Figure 6). On the other hand, one-third of the analysts maintained a neutral stance toward such measures, while 42.2 percent were rather skeptical. In response to the question regarding the extent that regulatory measures are needed in Switzerland (compared with other regions), 37.8 percent of the financial specialists took a neutral position, 46.7 percent regarded the necessity for regulation as comparatively moderate and 15.6 percent comparatively rather strong. The responses reveal that the experts regard the need for regulation in the Anglo-Saxon regions as stronger than in Europe. Finally, the survey participants provided their assessments regarding the scope of implementation of regulatory measures in the various regions. Here, the expectations for Switzerland were rather moderate by comparison. In contrast, the scope of measures implemented in the USA and Great Britain will likely turn out to be much more far-reaching, according to the views expressed by the respondents.

Figure 6

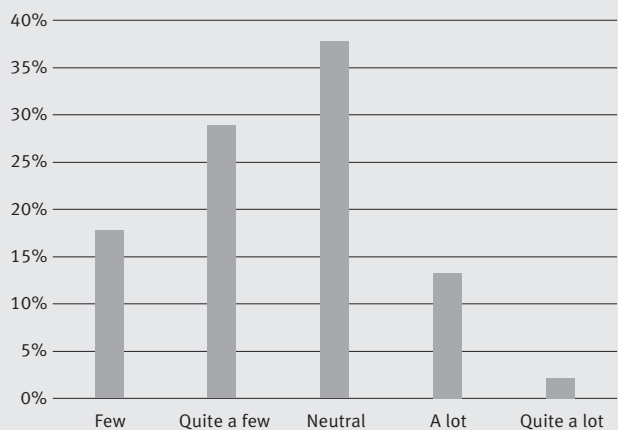
How effective are regulatory measures in preventing future crises?



Projections of the participants of the Financial Market Survey Switzerland.
Source: ZEW, Credit Suisse

Figure 7

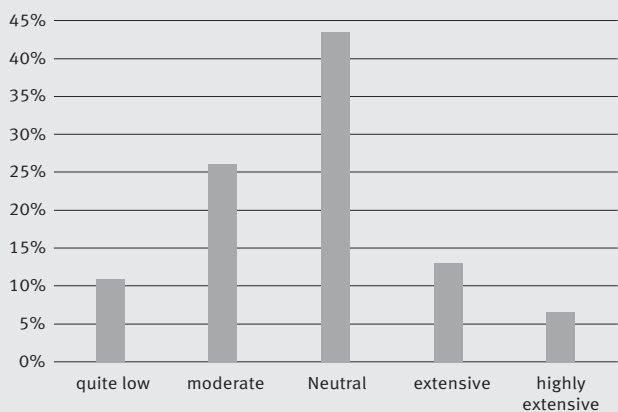
What's the need for regulatory measures in Switzerland?



Projections of the participants of the Financial Market Survey Switzerland.
Source: ZEW, Credit Suisse

Figure 8

How far-reaching will the regulatory measures implemented turn out to be?



Projections of the participants of the Financial Market Survey Switzerland.
Source: ZEW, Credit Suisse

ZEW Credit Suisse Financial Market Survey: Results January 2010

Current economic situation	good		normal		bad		balance	
Switzerland	6,3	(+6,3)	60,4	(+3,3)	33,3	(-9,6)	-27,1	(+15,8)
Eurozone	0,0	(+/-0,0)	43,5	(+6,0)	56,5	(-6,0)	-56,5	(+6,0)
USA	2,2	(+2,2)	34,8	(+3,6)	63,0	(-5,8)	-60,9	(+7,9)
Japan	0,0	(+/-0,0)	20,0	(+0,9)	80,0	(-0,9)	-80,0	(+0,9)
Great Britain	0,0	(+/-0,0)	15,9	(+7,2)	84,1	(-7,2)	-84,1	(+7,2)
Economic expectations	improve		no change		worsen		balance	
Switzerland (ZEW CS indicator)	60,4	(-3,6)	35,4	(+9,4)	4,2	(-5,8)	56,2	(+2,2)
Eurozone	58,7	(-0,5)	34,8	(+6,2)	6,5	(-5,7)	52,2	(+5,2)
USA	69,6	(+10,4)	23,9	(-4,7)	6,5	(-5,7)	63,1	(+16,1)
Japan	55,6	(+9,9)	35,5	(-7,9)	8,9	(-2,0)	46,7	(+11,9)
Great Britain	59,1	(+2,6)	36,4	(+8,1)	4,5	(-10,7)	54,6	(+13,3)
Inflation rate	increase		no change		decrease		balance	
Switzerland	48,9	(+12,2)	49,0	(-10,2)	2,1	(-2,0)	46,8	(+14,2)
Eurozone	51,1	(+13,6)	44,5	(-13,8)	4,4	(+0,2)	46,7	(+13,4)
USA	48,9	(+15,6)	44,4	(-14,0)	6,7	(-1,6)	42,2	(+17,2)
Japan	25,6	(+12,6)	72,1	(-8,4)	2,3	(-4,2)	23,3	(+16,8)
Great Britain	52,3	(+14,5)	45,4	(-10,1)	2,3	(-4,4)	50,0	(+18,9)
Short-term interest rates	increase		no change		decrease		balance	
Switzerland	22,9	(-1,1)	75,0	(+1,0)	2,1	(+0,1)	20,8	(-1,2)
Eurozone	21,7	(-4,8)	76,1	(+6,7)	2,2	(-1,9)	19,5	(-2,9)
USA	37,0	(+0,3)	60,8	(-0,5)	2,2	(+0,2)	34,8	(+0,1)
Japan	4,4	(-6,5)	93,4	(+8,6)	2,2	(-2,1)	2,2	(-4,4)
Great Britain	22,7	(+1,0)	75,0	(+1,0)	2,3	(-2,0)	20,4	(+3,0)
Short-term interest rates (Diff.)	increase		no change		decrease		balance	
Switzerland-Eurozone	8,9	(-1,5)	82,2	(+7,2)	8,9	(-5,7)	0,0	(+4,2)
Long-term interest rates	increase		no change		decrease		balance	
Switzerland	64,6	(+10,6)	31,2	(-8,8)	4,2	(-1,8)	60,4	(+12,4)
Eurozone	67,4	(+2,1)	28,3	(-2,3)	4,3	(+0,2)	63,1	(+1,9)
USA	71,7	(+6,4)	24,0	(-6,6)	4,3	(+0,2)	67,4	(+6,2)
Japan	42,2	(+3,1)	51,1	(-5,5)	6,7	(+2,4)	35,5	(+0,7)
Great Britain	65,9	(+9,4)	27,3	(-11,9)	6,8	(+2,5)	59,1	(+6,9)
Long-term interest rates (Diff.)	increase		no change		decrease		balance	
Switzerland-Eurozone	17,4	(+7,2)	78,3	(-7,4)	4,3	(+0,2)	13,1	(+7,0)
Stock market indices	increase		no change		decrease		balance	
SMI (Switzerland)	70,8	(+9,6)	18,8	(-1,6)	10,4	(-8,0)	60,4	(+17,6)
STOXX 50 (Eurozone)	67,4	(+7,0)	21,7	(+0,9)	10,9	(-7,9)	56,5	(+14,9)
S&P 500 (USA)	67,4	(+9,1)	21,7	(+2,9)	10,9	(-12,0)	56,5	(+21,1)
Nikkei 225 (Japan)	55,6	(+8,8)	28,8	(-3,1)	15,6	(-5,7)	40,0	(+14,5)
FT-SE 100 (UK)	61,4	(+12,5)	25,0	(-1,7)	13,6	(-10,8)	47,8	(+23,3)
Exchange rates (Swiss franc vs.)	appreciate		stay constant		depreciate		balance	
Euro	33,3	(+9,3)	45,9	(-16,1)	20,8	(+6,8)	12,5	(+2,5)
US dollar	19,1	(-2,9)	32,0	(+6,0)	48,9	(-3,1)	-29,8	(+0,2)
Yen	31,8	(+2,3)	59,1	(-2,3)	9,1	(+/-0,0)	22,7	(+2,3)
UK pound	27,3	(+0,6)	54,5	(+12,3)	18,2	(-12,9)	9,1	(+13,5)
Commodities	increase		no change		decrease		balance	
Oil (Northsea Brent)	39,6	(-8,3)	45,8	(+8,3)	14,6	(+/-0,0)	25,0	(-8,3)
Gold (Ounce)	29,8	(-8,5)	38,3	(+4,3)	31,9	(+4,2)	-2,1	(-12,7)
Specific indicators Switzerland	increase		no change		decrease		balance	
Earnings Situation	60,9	(+8,8)	30,4	(-2,9)	8,7	(-5,9)	52,2	(+14,7)
Profit Margins	34,0	(-1,4)	53,2	(+7,4)	12,8	(-6,0)	21,2	(+4,6)
Unemployment Rate	70,2	(+2,9)	19,2	(-11,5)	10,6	(+8,6)	59,6	(-5,7)

Note: 79 analysts participated in the January survey which was conducted during the period 07-15 January 2010. Analysts were asked about their expectations for the next 6 months. Numbers displayed are percentages. Balances refer to the difference between positive and negative assessments.

Quelle: ZEW, Credit Suisse

Disclaimer Credit Suisse: This report was produced in cooperation with ZEW, the Centre for European Economic Research. The report is published solely for information purposes and does not constitute an offer or an invitation by, or on behalf of, Credit Suisse to buy or sell any securities or related financial instruments or to participate in any particular trading strategy in any jurisdiction. It has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Although the information has been obtained from and is based upon sources that Credit Suisse believes to be reliable, no representation is made that the information is accurate or complete. Credit Suisse does not accept liability for any loss arising from the use of this report. Neither this report nor any copy thereof may be sent, taken into or distributed in the United States or to any US person. Local law or regulation may restrict the distribution of research reports into certain jurisdictions. This report may not be reproduced either in whole or in part, without the written permission of Credit Suisse.

© 2010 ZEW/Credit Suisse