

This thesis investigates the relationship between financial news and Swiss franc exchange rate in the context of Switzerland being safe haven for European investors. We employ the ARMA-GARCH econometric model extended by our custom component called “Floating Returns” to estimate the reaction of the investors to particular financial news. We find out that the bad news lead to significant short-term appreciation of the Swiss franc. Furthermore, we find out that not only the real macroeconomic data but also the investors’ expectations are important for exchange rate determination. Finally, our model quantify the reaction to the particular news depending on the expected values and the announced values.