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QCAM Insight ++ The macro perspective ++ FX market talk
Economic activity ++ Inflation ++ FX markets ++ Financial markets
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QCAM Insight

Is it time to sell the dollar?

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There are some encouraging signs that the global slowdown has bottomed out - financial markets are already celebrating the good news. However, we don't think we're seeing a repeat of 2016. Today's pattern may be more "bend and stall" than 2016's "bend and bounce." If so, the reflation rally could soon stall and selling USD would be premature.

Three developments boosted financial markets over the last few weeks: dodging a hard Brexit at the end of October, the resumption of trade talks between the US and China, and a round of some good economic news, notably a stabilization in global business sentiment and solid US GDP and labor market data. In response, the S&P 500 gained nearly 7 percent since early October, in the process setting a new all-time high.

Financial markets are hopeful that this is a turning point – one that will be followed by an upswing similar to the rebound seen in 2016. Reflation is often viewed as USD-negative as investors move into riskier and more cyclically sensitive currencies. In our view, however, it is too early to abandon the USD. Granted, uncertainties may have eased but they have not vanished and they can quickly re-emerge. And the current situation differs from that of 2016. Yes, a recession may have been avoided, but a strong rebound is not assured. And finally, we would point out that USD performance is not simply an inverse function of the global growth profile.

Uncertainty is not gone

The developments related to Brexit and US-China trade talks are undoubtedly positive but they do not constitute an all-clear signal. Yes, a hard Brexit has been avoided for now, but Brexit's final outcome remains unclear and could still be negative. For example, worries will quickly revive if December's general election is inconclusive. And US-China trade talks could swiftly sour again, whether due President Trump's tactical agenda or China's intransigence. And besides these two prominent sources of uncertainty, many other simmering trouble spots around the world have potential for significant economic disruption.

Today is not 2016

The turnaround in 2016 followed a downturn that was primarily driven by concerns over Chinese growth and the impact of plunging oil prices from US rising shale gas production. As these uncertainties were overcome, global growth rebounded. A replay of that story is possible today

but not very likely, in our view. Instead, we think a period of lower growth is the more probable path for the global economy today.

More than three years have passed since the turnaround in early 2016. That's a long time in an economic cycle, especially if it is as long in the tooth as the current one. The current cycle's fading dynamics is most evident in the corporate sector, which is struggling to keep up profits. And the damage inflicted by trade disputes is already too large for global trade and investment to revive quickly, even if the US and China were to rapidly reach a trade agreement. China itself is clearly skirting recession but its latest economic stimulus measures only seem capable of achieving a controlled slowdown and not a real surge in growth.

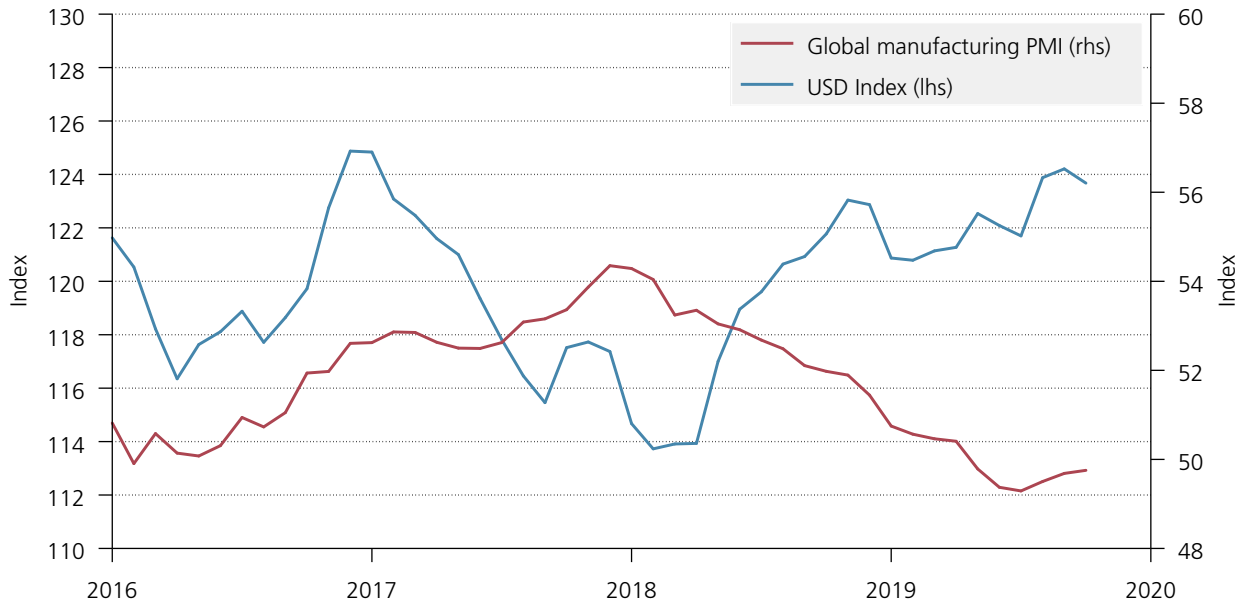
USD is not just about global growth

Looking at the USD in terms of global business cycle dynamics is not wrong. Put very simply, the USD performs better in a global downturn and worse in an upturn. However, the relationship is not linear and simultaneous, and other factors can clearly derail it.

In 2016 it took nearly a year until USD started to weaken (see chart). In fact, it actually gained quite a bit. Two unexpected events contributed to this development: the outcome of the Brexit referendum and the election of Donald Trump as US president. Fortunes only turned in 2017, triggered by the election of Emmanuel Macron as president of France and the simultaneous surge in Eurozone economic activity.

For USD to weaken, some other currency, or group of currencies, needs to step up. EUR is unlikely to take on this role anytime soon, especially as long as the German economy stagnates. Thus, our best guess for USD in the coming months is for it to remain range-bound, with risks on either side. The downside for the dollar could come from a combination of truly good economic news from Europe and/or a political crisis in the US. The upside could be US economic outperformance, with the possible prospect of monetary tightening later in 2020.

USD Index and global manufacturing PMI
Index on both scales



Source: JP Morgan and QCAM

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The macro perspective

Weak corporate investment in the US – so what?

Growth rates are holding up well worldwide. This also goes for the US, but corporate investment remains the problem child there. Weak investment by companies is often followed by a decline in other sectors of the economy but this time we can still hope that this pattern will not apply.

Preliminary estimates for economic growth in the third quarter show that, despite slowing down, we're still a long way from a recession. In China, the authorities reported a growth rate of 6 percent, the lowest since the early 1990s. But we would point out that this mainly reflects the government's willingness to accept lower trend growth rates. China's economy has recently shown some glimmers of hope. In particular, smaller, export-oriented companies have grown a bit more optimistic.

In the third quarter, the Eurozone enjoyed continued stable growth in France and Spain, two economies that are less affected by global industrial and commercial weakness than Germany's. At 1.1 percent year-over-year, the Eurozone showed solid growth in the third quarter. Looking ahead, however, it must be noted that leading indicators for Spain have now deteriorated significantly. Thus, only France looks set to remain a Eurozone growth engine.

Recent data confirmed that US consumers are still in a buying mood. Annualized quarterly growth of 1.9 percent was mainly consumer-driven. The real estate market also helped, though to a lesser extent, contributing positively to overall economic growth for the first time in two years. The sharp decline in interest rates since the end of 2018 has led to increased mortgage lending. Finally, increased government spending has also supported economic growth in the US.

Tax reform with little impact

In contrast to the decent performance of the economy, corporate investment was decidedly sluggish throughout the summer, stuck at levels as low as those seen at the end of 2015. On the one hand, the anemic investment levels reflect the uncertainties companies face in the wake of the US-instigated trade disputes with China and others. Whether due to threatened or implemented tariffs or the fear that supply chains will need to be revised, it seems rational for companies to postpone investments for the time being. The recent reassuring signals from the various conflicting parties should tend to reduce these uncertainties. However, the question remains as to whether too much crockery has already been broken. Can the uncertainties about the future of globalization be erased from the minds of entrepreneurs?

The weak level of corporate investment also shows that any positive effects of tax reform in the US are hard to detect. This is no surprise to the many economists who noted that tax reform has little impact on economic growth. Stimulus measures so late in an economic cycle generally produce repressive effects, not increased growth.

Weak corporate investment can presage a recession ...

What does the feeble state of corporate investment say about the risk of recession? Normally, companies are the

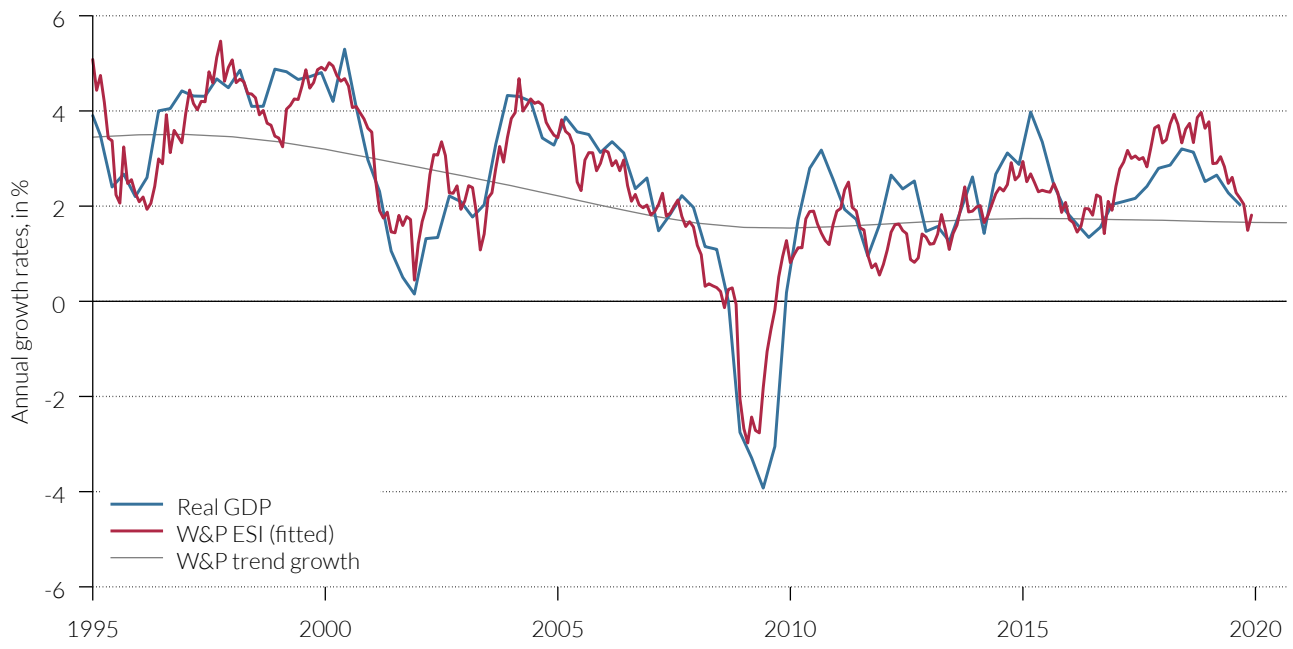
first to realize an impending economic slowdown. Consumers generally remain unaffected until companies start cutting jobs – that is, when the recession is already there. Recession forecast models based on investment actually show significantly higher values. Not only has actual investment declined; corporate profit growth is also lower. Thus, there is less additional money available for investment. In addition, corporate sentiment remains at a subdued level, even though the ISM Manufacturing survey stabilized in October.

... but not always

Weak corporate investment alone is not a compelling argument that a recession is imminent. In other words, even though corporate investment weakens, it does not necessarily result in a descending spiral that pulls consumers down with it. The investment weakness in 2015 was just such a case.

Although the recent tax reform had only a limited impact on economic growth, sentiment rose sharply after the Republican victory in the US presidential election of 2016. A similar situation is also conceivable today. If the various political uncertainties can indeed be tamed, there is a plausible case to be made for corporate investment to recover without its recent ills spreading to infect upbeat US consumers.

Current growth rates are close to trend



Source: Refinitiv, Wellershoff & Partners

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FX market talk

Signals from the trade-weighted dollar

The US dollar remains highly valued relative to most currencies that we track. When we look at the dollar relative to the currencies of its major trading partners, we find that the greenback is around 15 percent overvalued by this measure. Data going back to the early 1970s suggests that it is unusual for the dollar to stay so overvalued for as long as it has. However, the data does not tell us when a correction will be due.

Regular readers will know that we have found no evidence that currency moves can be reliably forecast with any degree of precision – especially not the type of point forecasts that one tends to see for end-of-period targets. Nor have we found any robust link between changes in interest rates and sustained, meaningful shifts in exchange rates. Granted, our view that interest rates in and of themselves cannot be regarded as a key determinant of exchange rates has not prevented this argument from being cited often as a reason to buy or sell a currency.

Goods need a price…

We have found stronger links between a currency's fundamental value – that is, the domestic prices of its products – and the need for the exchange rate to compensate for changes in those prices relative to what is on offer from trading partners. Many factors enter into this equation, foremost among them the costs that local producers need to pay for inputs, including the cost of borrowing. So, yes, interest rates also find their way into the calculation, but so do many other factors.

…and the price of goods matters

The notion that the US economy has such a large home market that trade matters less for the value of the dollar is not borne out by the data. The graph shows the deviation of the US dollar from the bilateral purchasing power parity of the US and each of its major trading partners going back to the early 1970s, when the Bretton Woods Agreement of fixed exchange rates collapsed.

What we see from the chart is that there have been extended periods when the dollar was cheap relative to the currencies of its major trading partners – for example, in the 1970s, the 1990s and, at times, between 2004 and 2012. That level of undervaluation did not fall much further than around 12 percent. There were also surges of US dollar strength, the most extreme being in the 1980s when the US dollar was overvalued by more than 30 percent. Such extremes of overvaluation cannot last long either. In those days the US Congress started looking at ways to counter "unfair" foreign trade practices. The insight here is that politics and trade were always closely linked – even in the US with its large domestic market. Politicians always need to respond to complaints from manufacturers and voters in their constituencies. The current strength of the dollar – 15 percent overvalued in trade-weighted terms – is keeping this topic on the agenda.

From peak to trough, sometimes quickly

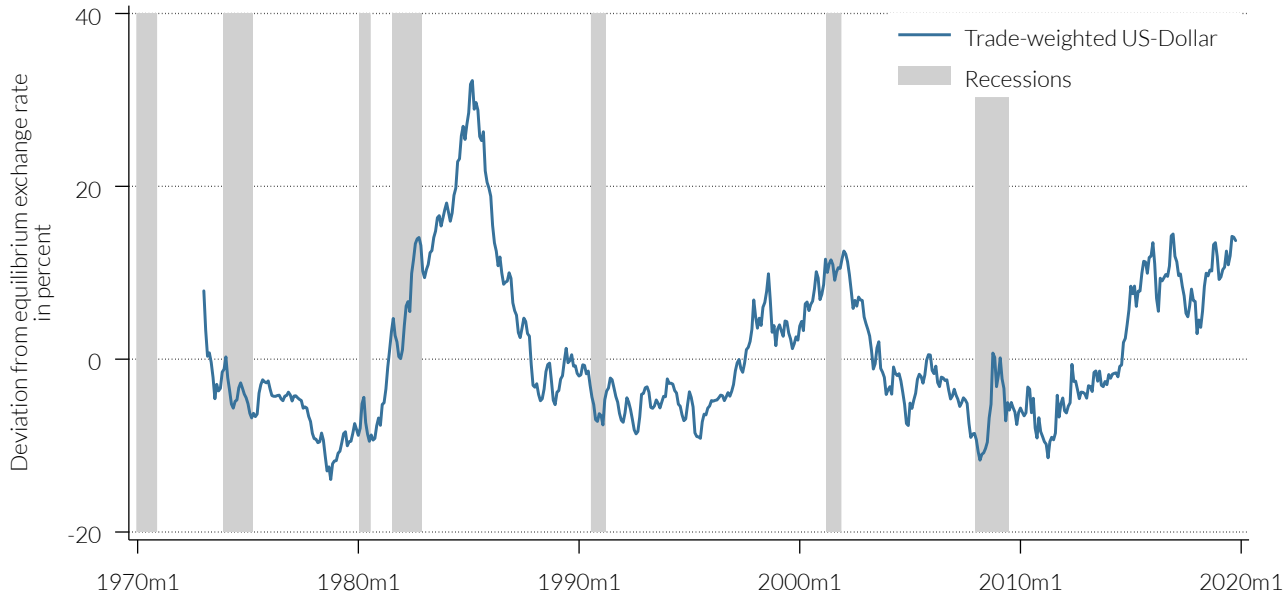
The graph shows that extreme over- and undervaluations tend to be unsustainable, and that the corrections can be quick and sharp. Using our trade-weighted metric, the

dollar is currently the most overvalued it has been since the late 1980s. That should be a bit of a red flag. But while a correction may be due, we do not claim to know when it will occur. The chart shows that the current overvaluation began in 2015 – making it almost half a decade old already. Note, though, the sharp moves in 2017-2018: a sudden correction to fairer value and then a quick return to the previous level of overvaluation. This should serve as a reminder that volatility can also accompany sharp corrections.

What may also be a differentiating factor this time is the extent to which the authorities have interfered with FX moves. Central banks can apply quantitative easing and governments can change tariff structures. If President Trump believes that certain imported goods are too cheap, one way to make them more expensive is to impose an import tariff that goes some way to equal out the US price disadvantage. We know from the textbooks that such punitive tariffs will render an economy horribly uncompetitive in the long run, ultimately leading to a weaker currency. But the long-term effects of poor policy decisions seem not to be on the political agenda in Washington these days.

The price of tradeable goods matters for the US dollar

The deviation of the US dollar from its bilateral purchasing power parity relative to the main US trading partners



Source: Refinitiv, Wellershoff & Partners

Economic activity

The preliminary estimates for economic growth in the third quarter turned out to be fairly accurate. Even though growth recently slowed a bit, it is still close to trend in most cases, that is, the rate deemed sustainable for long-term growth. This also applies to the US, where, thanks to enthusiastic consumers, annualized third-quarter growth of 1.9 percent was probably even slightly above trend. Trend growth is lower in the Eurozone, mainly due to slower population growth. With year-over-year growth of 1.1 percent in the third quarter, this side of the Atlantic also grew close to trend.

Leading indicators are allowing some hope for stabilization. While sentiment in the Eurozone has continued its downward trend, it did so very gradually and from a relatively high level. Sentiment declined much faster in the US economy in recent months, but now seems to have bottomed out. In China, the latest manufacturing data also points to recovery. Finally, the freefall of sentiment indicators in the UK has at least slowed down. That said, the UK's economic outlook is far from rosy in the short term, despite the latest postponement of Brexit.

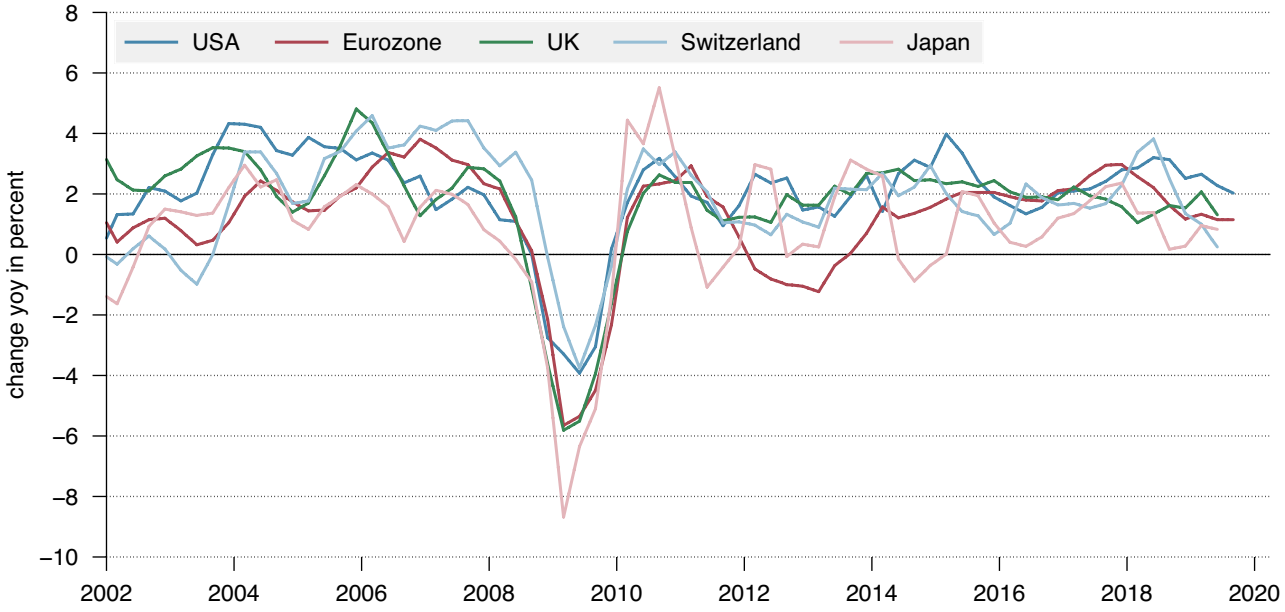
Growth overview

	Trend growth[1]	Real GDP growth[2]				W&P economic sentiment indicators[3]			
		Q4/2018	Q1/2019	Q2/2019	Q3/2019	7/2019	8/2019	9/2019	10/2019
United States	1.7	2.5	2.7	2.3	2.0	2.2	2.0	1.5	1.8
Eurozone	1.0	1.2	1.3	1.1	1.1	1.6	1.7	1.4	1.3
Germany	1.4	0.6	0.9	0.4	–	1.4	1.4	1.2	1.2
France	0.7	1.2	1.3	1.4	1.3	1.5	1.5	1.4	1.4
Italy	0.2	-0.1	0.0	0.1	0.3	0.2	0.1	0.0	0.0
Spain	1.6	2.1	2.2	2.0	2.0	1.8	2.0	1.6	1.2
United Kingdom	1.8	1.5	2.1	1.3	–	0.9	0.7	0.3	0.5
Switzerland	1.5	1.4	1.0	0.3	–	1.2	1.5	0.9	1.2
Japan	0.4	0.3	1.0	0.8	–	1.7	1.7	1.6	1.6
Canada	1.6	1.6	1.4	1.6	–	1.6	1.8	1.3	1.4
Australia	2.4	2.2	1.7	1.4	–	2.3	2.3	2.4	2.5
Brazil	1.4	1.1	0.5	1.0	–	1.7	1.8	1.7	–
Russia	0.1	2.7	0.5	0.9	–	-0.4	-0.5	-3.2	-2.3
India	7.7	6.6	5.8	5.0	–	5.7	5.5	5.4	5.2
China	7.4	6.4	6.4	6.2	6.0	6.2	6.3	6.5	6.6
Advanced economies[4]	1.4	1.9	2.0	1.6	1.5	1.8	1.8	1.4	1.5
Emerging economies[4]	6.0	4.9	4.5	4.4	4.3	4.6	4.6	4.7	4.7
World economy[4]	3.5	3.5	3.3	3.1	3.0	3.2	3.1	3.0	3.1

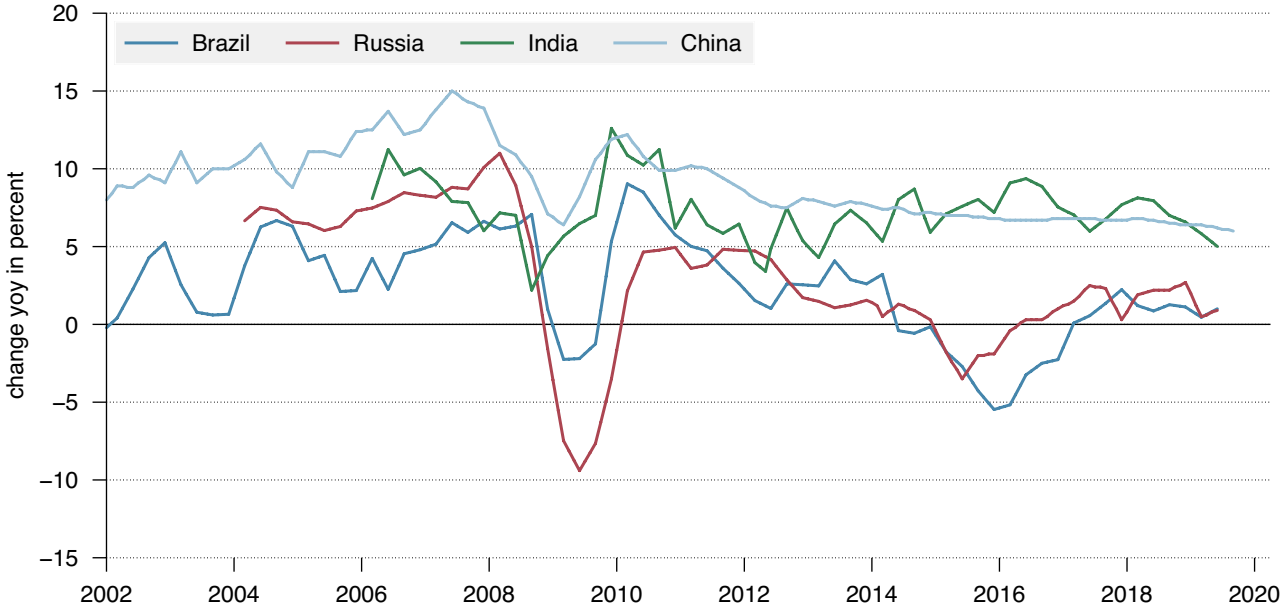
[1] Current year-on-year trend growth rate of real GDP, in percent, according to the proprietary trend growth model of Wellershoff & Partners.
[2] Year-on-year growth rate, in percent.
[3] Wellershoff & Partners economic sentiment indicators are based on consumer and business surveys and have up to 6 months lead on the year-on-year growth rate of real GDP.
[4] Calculations are based on nominal GDP weights derived from purchasing power parity exchange rates.

Source: European Commission, Penn World Table, Refinitiv, Wellershoff & Partners

Economic growth in advanced economies



Economic growth in emerging economies



Source: Refinitiv, Wellershoff & Partners

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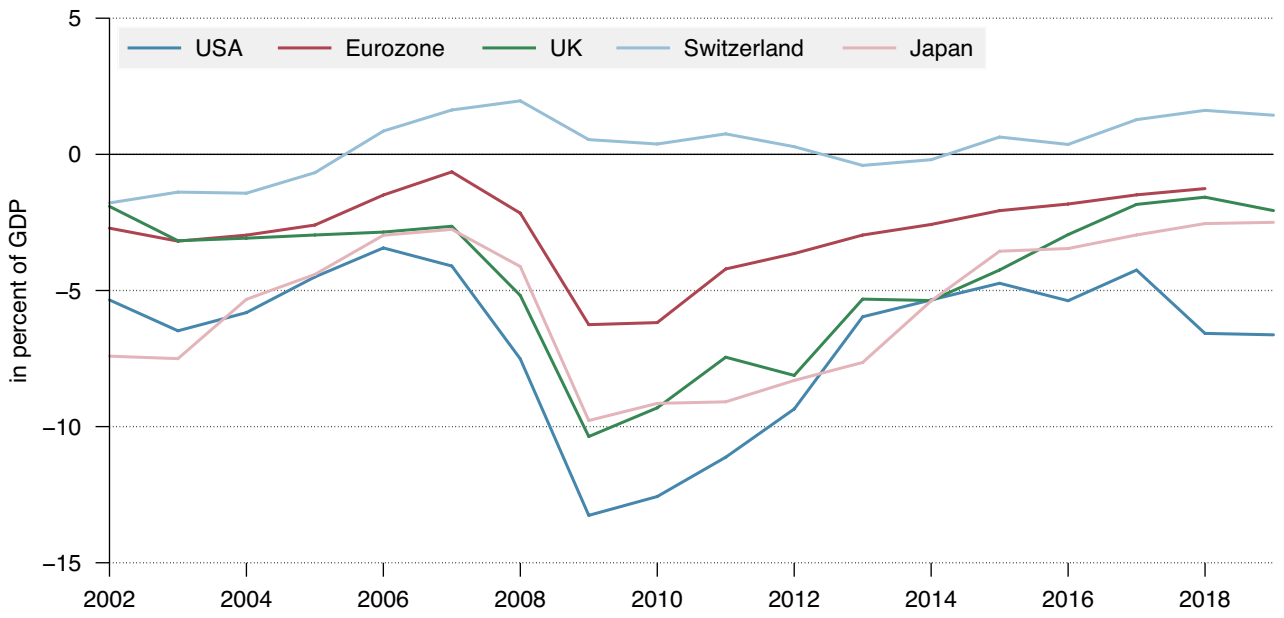
Economic indicators

Overview

	Global GDP share[1]		Current account[2]		Public debt[2]		Budget deficit[2]		Unemployment rate[3]	
	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current
United States	24.0	24.8	-2.3	-2.4	105.7	110.3	-5.3	-6.6	4.9	3.6
Eurozone	16.1	15.4	3.8	–	109.2	–	-1.8	–	10.0	7.5
Germany	4.6	4.5	7.9	7.3	76.2	66.5	1.0	0.9	6.0	5.0
France	3.3	3.1	-0.6	0.0	121.8	124.1	-3.3	-3.2	9.5	8.2
Italy	2.5	2.3	2.3	2.6	155.5	151.0	-2.5	-2.4	11.6	9.8
Spain	1.7	1.6	1.5	0.8	115.9	113.0	-4.3	-2.0	19.7	14.2
United Kingdom	3.6	3.2	-4.5	-5.6	113.7	112.4	-3.2	-2.1	4.7	3.3
Switzerland	0.9	0.8	9.2	9.6	42.7	40.3	0.7	1.4	3.1	2.2
Japan	6.1	6.0	3.1	3.0	220.8	225.6	-3.6	-2.5	3.1	2.4
Canada	2.1	2.0	-2.9	-1.9	89.8	87.5	-0.2	-0.7	6.6	5.5
Australia	1.7	1.6	-3.1	-0.3	38.9	41.8	-2.1	-0.7	5.7	5.2
China	14.8	16.3	1.7	1.0	44.5	55.6	-3.2	-6.1	4.0	–
Brazil	2.5	2.1	-1.9	-1.2	77.0	91.6	-8.1	-7.5	10.3	11.8
India	3.0	3.4	-1.4	-2.0	67.8	69.0	-7.0	-7.5	–	–
Russia	2.0	1.9	3.7	5.7	15.7	16.5	-1.3	1.0	5.3	4.5

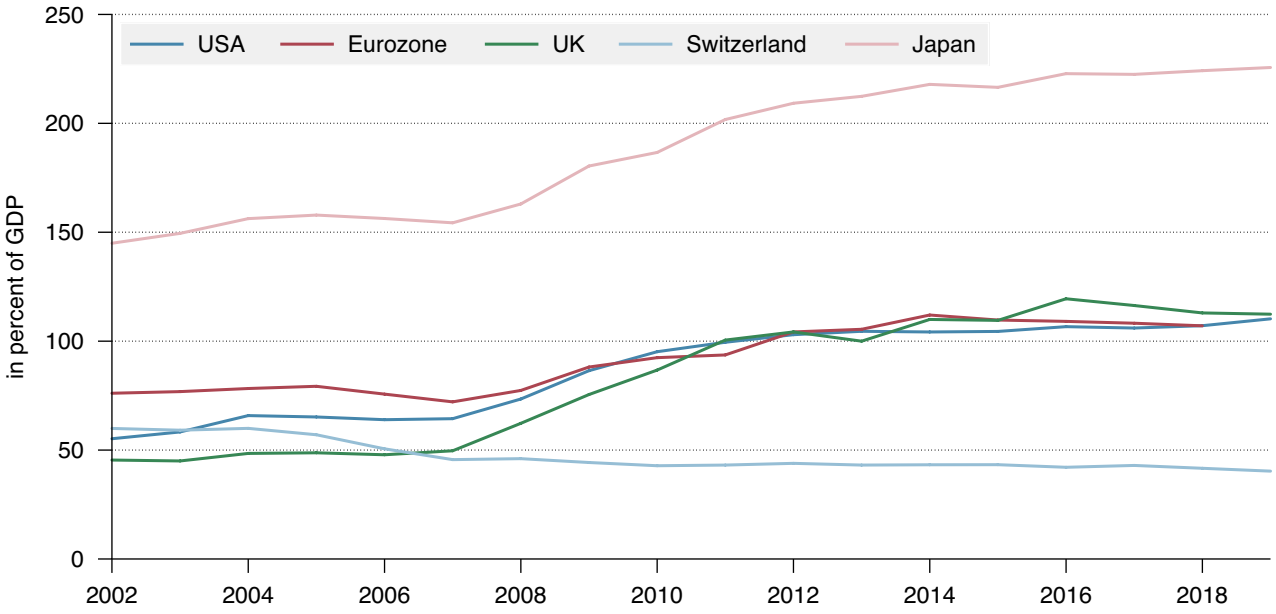
[1] In percent; calculations based on market exchange rates. [2] In percent of nominal GDP. [3] In percent.

Budget deficits in advanced economies

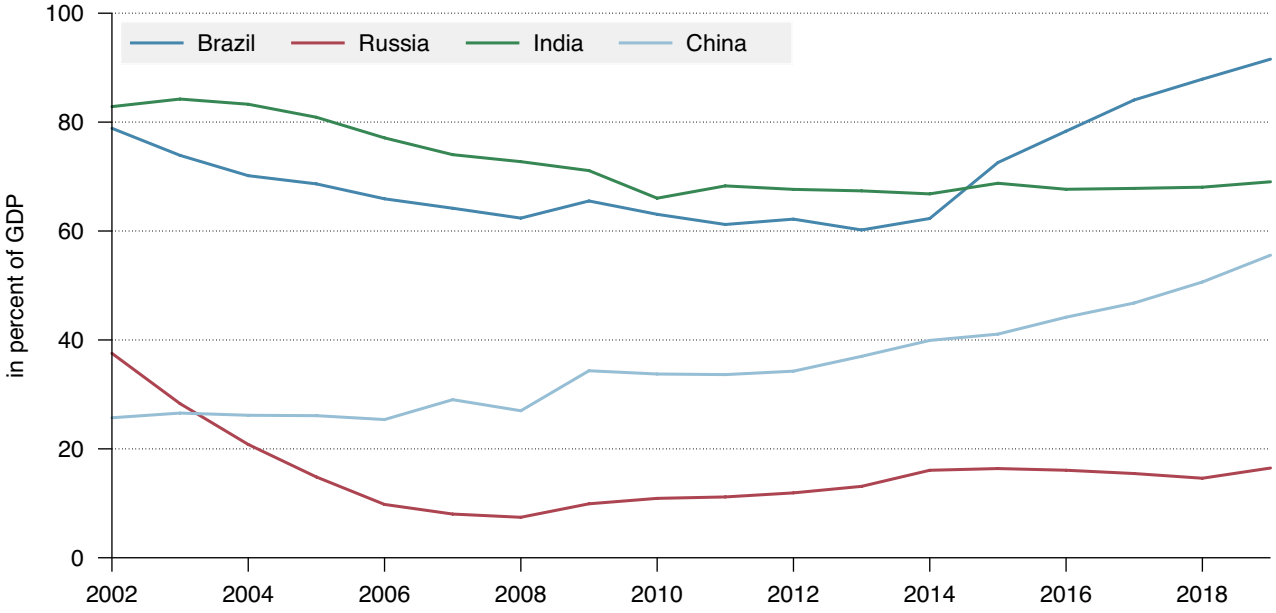


Source: Refinitiv, Wellershoff & Partners

Public debt in advanced economies



Public debt in emerging economies



Source: Refinitiv, Wellershoff & Partners

Inflation

Worldwide, inflation rates remain modest. In Switzerland, inflation even retreated into negative territory in October. Compared to September, consumer prices fell by 0.2 percent and by 0.3 percent year-on-year. Core inflation, which excludes food and energy prices, rose by 0.2 percent over the previous year. This is only just within the band that the Swiss National Bank has targeted with its monetary policy. But the SNB no longer has many options for influencing prices, although its representatives never tire of stressing that further interest rates cuts are still possible. In the short term, however, the SNB would rather rely on further currency interventions if necessary in order to avoid currency appreciation and even lower inflation.

Inflation also declined in the Eurozone in October, hitting a three-year low at 0.7 percent compared to a year earlier. Sagging energy prices, down 3.2 percent year-over-year, was the main reason for the lower inflation,. However, core inflation remained at just 1.1 percent, much lower than the European Central Bank's target.

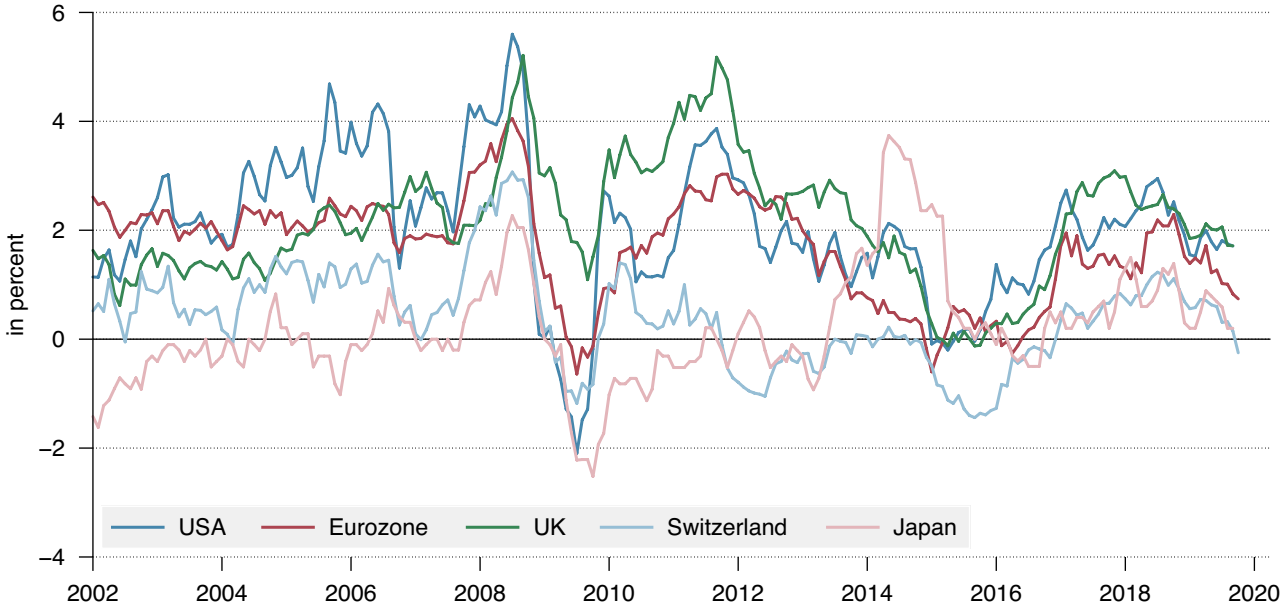
Inflation overview

	Ø 10 years[1]	Inflation[2]				Core inflation[3]			
		7/2019	8/2019	9/2019	10/2019	7/2019	8/2019	9/2019	10/2019
United States	1.8	1.8	1.8	1.7	–	2.2	2.4	2.4	–
Eurozone	1.3	1.0	1.0	0.8	0.7	0.9	0.9	1.0	1.1
Germany	1.3	1.7	1.4	1.2	1.1	1.5	1.4	1.4	–
France	1.1	1.1	1.0	0.9	0.7	0.9	0.7	0.9	–
Italy	1.2	0.4	0.4	0.3	0.3	0.5	0.5	0.6	0.8
Spain	1.2	0.5	0.3	0.1	0.2	0.9	0.9	1.0	–
United Kingdom	2.3	2.1	1.7	1.7	–	1.9	1.5	1.7	–
Switzerland	0.0	0.3	0.3	0.2	-0.3	0.4	0.4	0.4	0.2
Japan	0.4	0.6	0.2	0.2	–	0.6	0.5	0.6	–
Canada	1.7	2.0	1.9	1.9	–	2.0	1.9	1.9	–
Australia	2.1	1.6	1.6	1.7	–	1.6	1.8	1.9	–
Brazil	5.8	3.2	3.4	2.9	2.5	3.3	3.4	–	–
Russia	7.0	4.6	4.3	4.0	3.7	4.5	4.3	4.0	3.7
India	6.8	3.2	3.3	4.0	–	–	–	–	–
China	2.5	2.8	2.8	3.0	1.5	1.6	1.5	1.5	1.5
Advanced economies[4]	1.5	–	–	–	–	–	–	–	–
Emerging economies[4]	4.3	3.1	3.1	3.3	3.7	2.1	2.0	2.0	2.0
World economy[4]	2.8	–	–	–	–	–	–	–	–

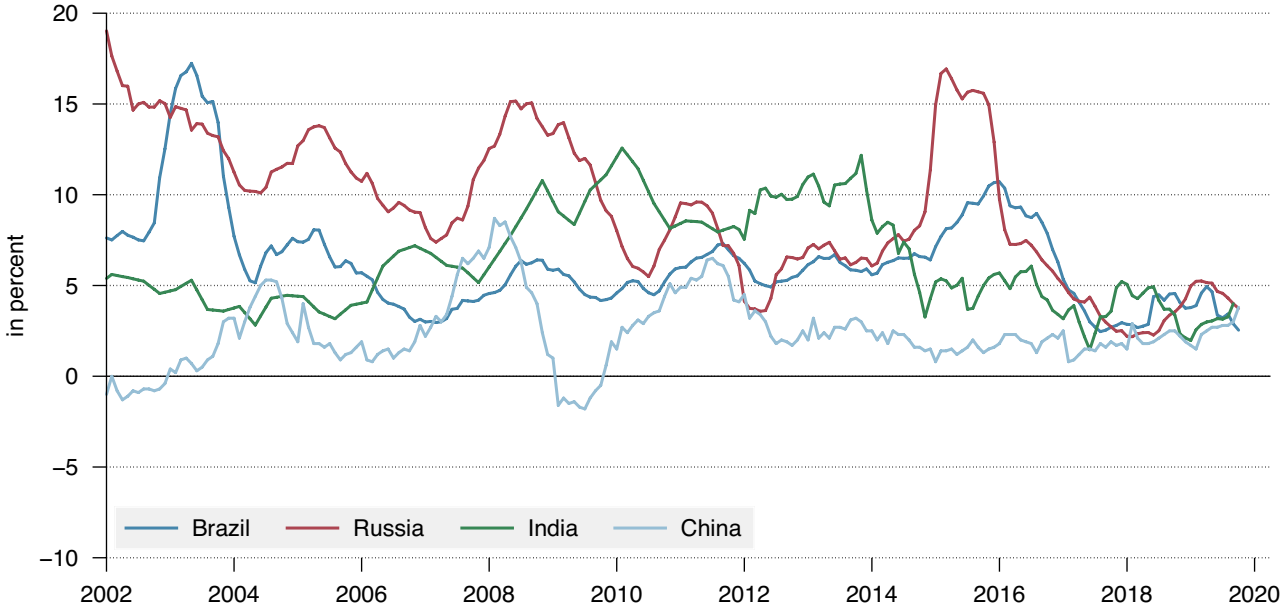
[1] Average annual consumer price inflation, in percent.
[2] Year-on-year change of the consumer price index (CPI), in percent.
[3] Core inflation is a measure of inflation that excludes certain items that can experience volatile price movements, such as energy and certain food items; year-on-year change of the core consumer price index, in percent.
[4] Calculations are based on nominal GDP weights derived from purchasing power parity exchange rates.

Source: Refinitiv, Wellershoff & Partners

Consumer price inflation in advanced economies



Consumer price inflation in emerging economies



Source: Refinitiv, Wellershoff & Partners

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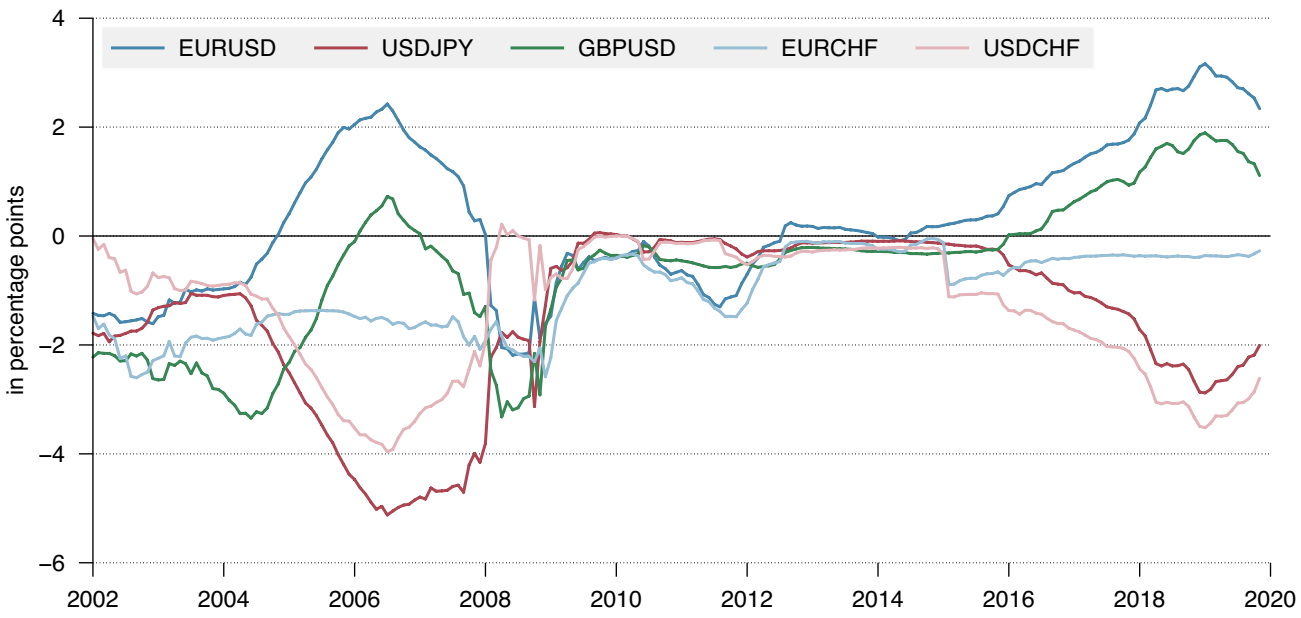
Interest rates

Interest rate differentials overview

	Current exchange rate	Interest rate differentials 3 months[1]				Interest rate differentials 12 months[1]			
		Current	1 year ago	Ø 5 years	Ø 10 years	Current	1 year ago	Ø 5 years	Ø 10 years
EURUSD	1.102	2.48	2.95	1.60	0.66	2.23	3.31	1.87	0.79
USDJPY	109.1	-2.14	-2.72	-1.34	-0.73	-1.85	-3.02	-1.64	-0.96
GBPUSD	1.279	1.27	1.75	0.75	0.19	0.96	1.98	0.86	0.18
EURCHF	1.099	-0.33	-0.42	-0.46	-0.48	-0.26	-0.37	-0.43	-0.57
USDCHF	0.997	-2.81	-3.37	-2.06	-1.14	-2.49	-3.68	-2.30	-1.36
GBPCHF	1.275	-1.54	-1.61	-1.30	-0.95	-1.53	-1.70	-1.45	-1.19
CHFJPY	109.5	0.67	0.64	0.71	0.40	0.64	0.65	0.66	0.40
AUDUSD	0.686	1.39	1.12	-0.28	-1.78	1.38	1.59	0.22	-1.26
USDCAD	1.322	-0.06	-0.41	0.01	0.44	0.21	-0.57	-0.19	0.26
USDSEK	9.704	-2.15	-3.05	-1.70	-0.32	-1.82	-3.20	-1.87	-0.46
USDRUB	63.8	5.02	4.83	8.33	7.32	4.95	4.96	7.80	7.00
USDBRL	4.137	13.54	13.54	13.03	9.86	2.91	3.72	8.30	8.84
USDCNY	6.988	0.64	0.38	2.23	3.06	1.02	0.41	1.98	2.72
USDTRY	5.764	13.30	22.69	13.51	10.78	13.08	23.15	13.44	10.82
USDINR	71.27	4.05	4.96	5.89	7.10	3.62	4.20	5.15	5.96

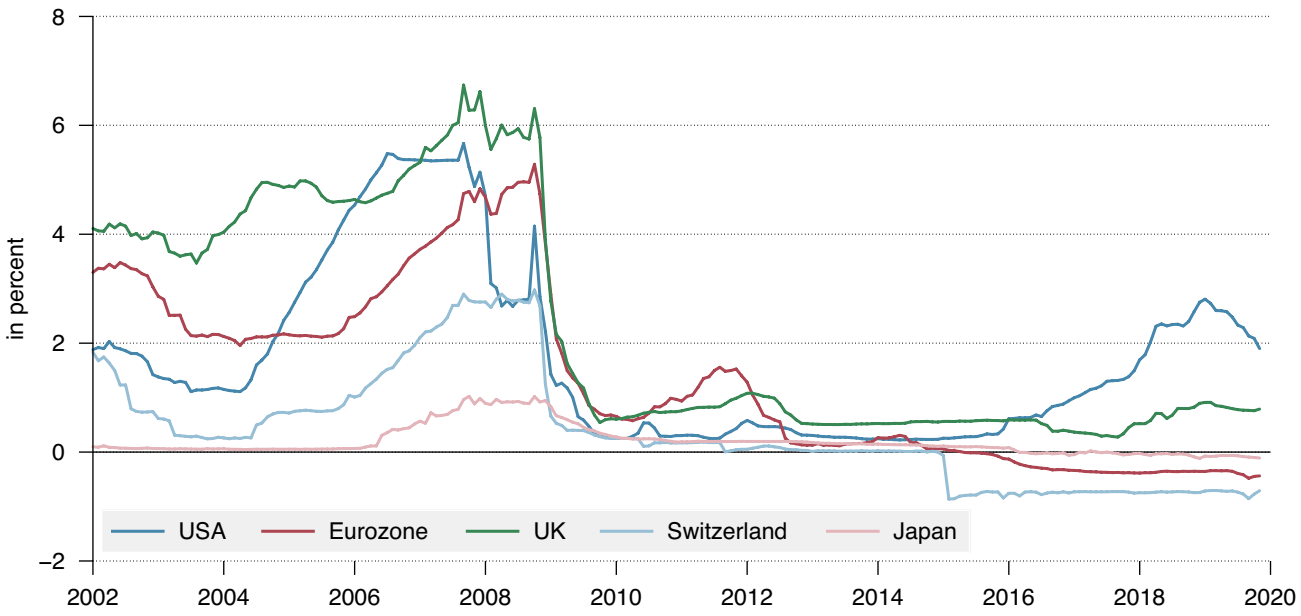
[1] The gap in interest rates between the second currency and the first one, in percentage points; e.g. US dollar minus euro for EURUSD.

Interest rate differentials

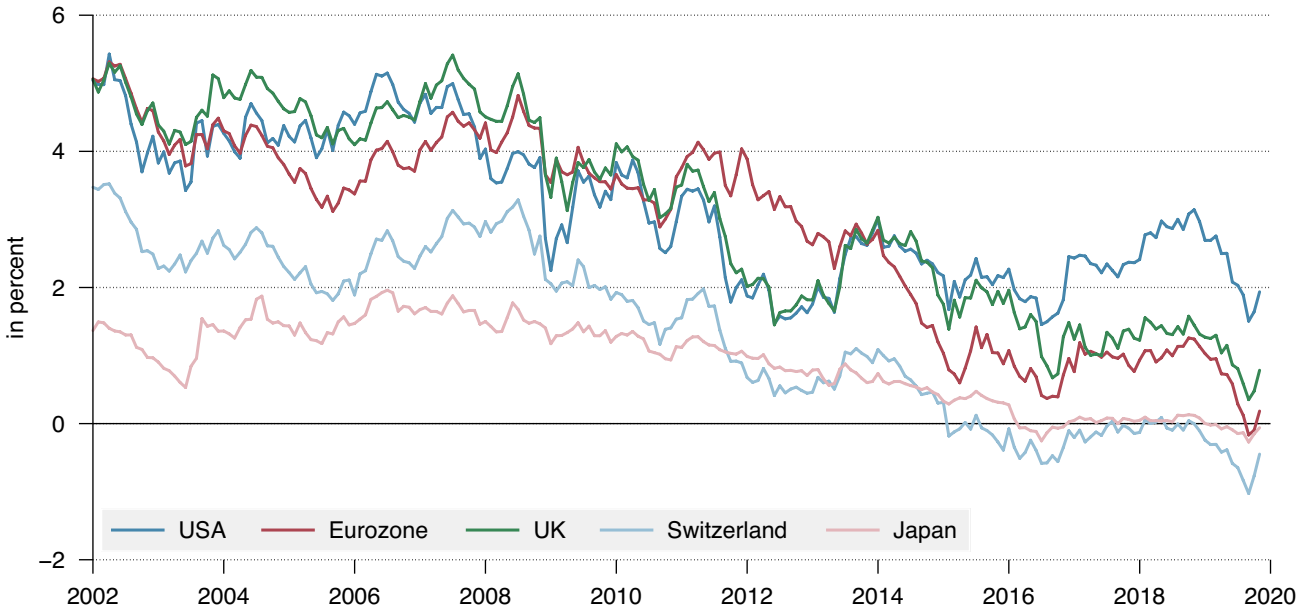


Source: Refinitiv, Wellershoff & Partners

3-month Libor



10-year government bond yields



Source: Refinitiv, Wellershoff & Partners

FX markets

Currency markets were placid in October, although there was still no trade agreement between the US and China. But the optimistic signals from both parties contributed to investors' optimism. Demand for safe-haven currencies remained low. The franc hovered in a narrow range of between 1.10 and 1.11 versus the euro and slightly below parity versus the US dollar. October passed without a hard Brexit, which continues to support the British pound. Prime Minister Johnson failed to achieve his goal of leading the UK out of the EU on 31 October. The new Brexit date is the end of January 2020, but a general election will be held on 12 December and its consequences for the Brexit issue are anything but clear.

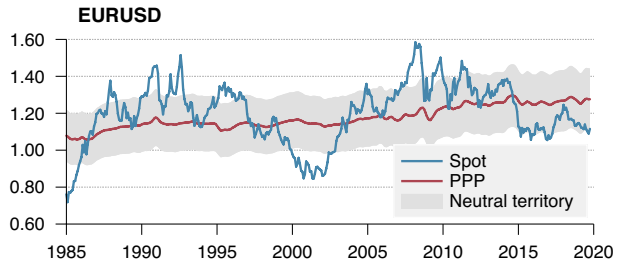
In Argentina, as expected, opposition candidate Alberto Fernandez clearly won the presidential election. This means that his predecessor, Mauricio Macri, who tried to stabilize the country and set it on a liberal economic course while battling with inflation of more than 50 percent, has had to relinquish his office. In response to the election, the Argentine peso continued to lose ground, even though the central bank tightened capital controls shortly after the elections..

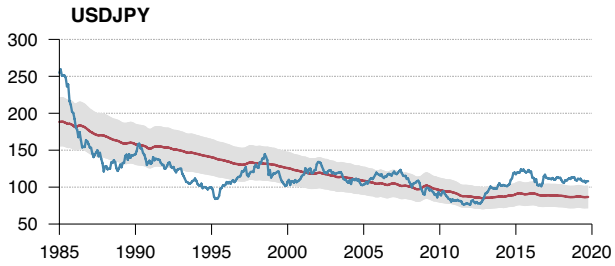
FX overview

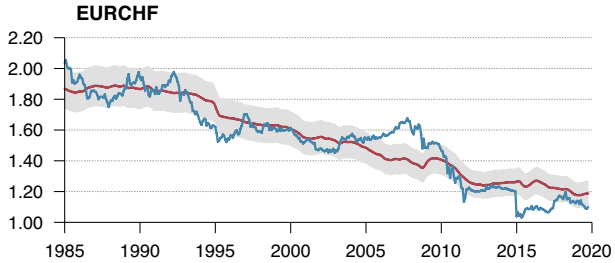
	Current exchange rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	3 months	1 year	5 years	PPP	Neutral territory	Deviation[3]
EURUSD	1.102	-13.3	-1.6	-3.5	-11.2	1.28	1.11 - 1.44	-13.6
USDJPY	109.1	5.5	3.3	-4.1	-5.1	86.7	71.3 - 102	26.0
GBPUSD	1.279	-19.6	5.9	-2.5	-19.2	1.56	1.39 - 1.78	-18.2
EURCHF	1.099	-16.3	0.7	-4.1	-8.7	1.19	1.1 - 1.27	-7.5
USDCHF	0.997	-3.5	2.3	-0.6	2.8	0.93	0.81 - 1.05	7.1
GBPCHF	1.275	-23.0	8.4	-3.1	-17.0	1.45	1.25 - 1.66	-12.3
CHFJPY	109.5	8.5	0.9	-3.5	-7.7	93.1	78.8 - 107.5	17.6
AUDUSD	0.686	-18.2	0.9	-5.9	-20.3	0.69	0.59 - 0.85	-1.2
USDCAD	1.322	14.7	-0.2	0.9	16.4	1.20	1.1 - 1.3	9.8
USDSEK	9.704	28.7	1.6	8.2	30.4	7.67	6.6 - 8.74	26.5
USDRUB	63.8	56.9	-2.5	-4.0	36.2	46.8	37.1 - 56.5	36.4
USDBRL	4.137	64.7	5.0	10.4	61.8	3.10	2.53 - 3.67	33.4
USDCNY	6.988	2.2	-0.9	0.9	14.1	6.28	6.04 - 6.52	11.3
USDTRY	5.764	143.9	4.7	5.7	155.2	4.23	3.8 - 4.66	36.3
USDINR	71.27	30.2	0.7	-2.5	15.6	69.2	64.9 - 73.4	3.1

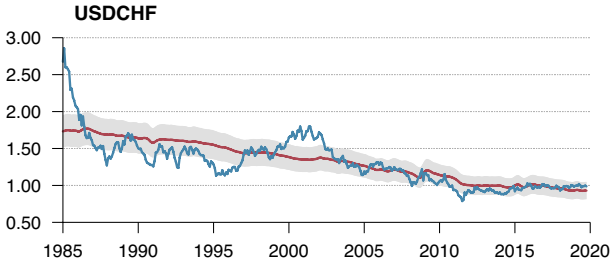
[1] Performance over the respective period of time, in percent.
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral territory is determined by ± 1 standard deviation of the historical variation around the PPP value.
[3] Deviation of the current spot rate from PPP, in percent.

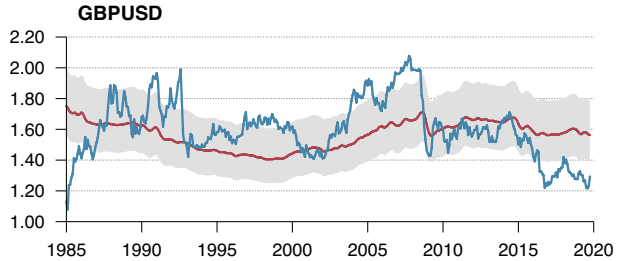
Source: Refinitiv, Wellershoff & Partners

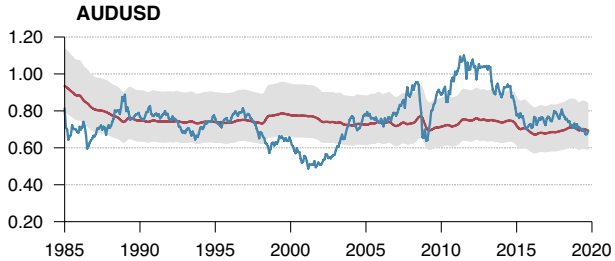


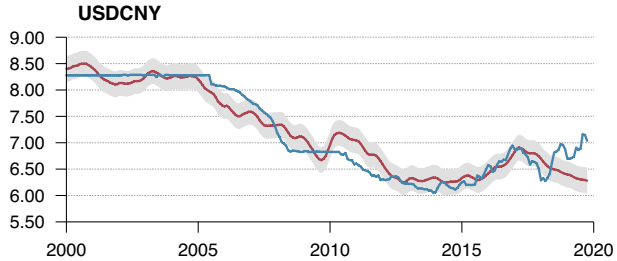


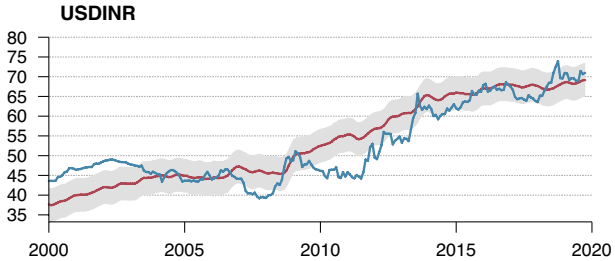


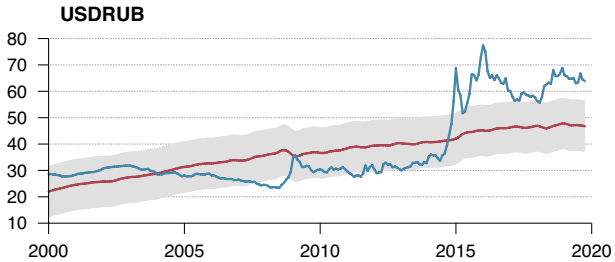


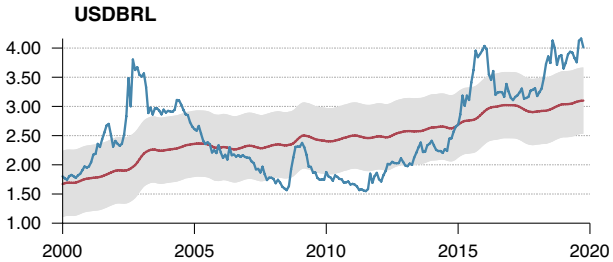












Source: Refinitiv, Wellershoff & Partners

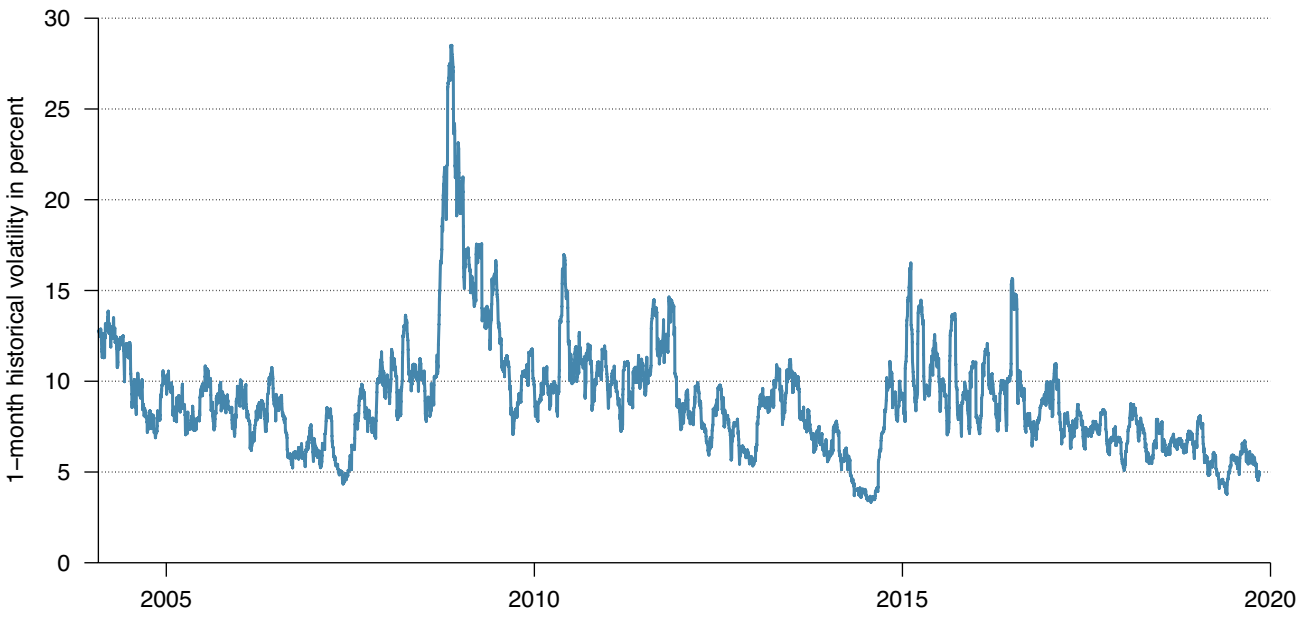
FX volatility

FX volatility overview

	Current exchange rate	Volatility 3 months[1]				Volatility 12 months[1]			
		Historical	Implied	Ø 5 years[2]	Ø 10 years[2]	Historical	Implied	Ø 5 years[2]	Ø 10 years[2]
EURUSD	1.102	5.2	5.0	8.3	9.3	5.6	5.9	8.5	9.8
USDJPY	109.1	6.3	5.8	9.0	9.6	6.2	7.0	9.3	10.4
GBPUSD	1.279	9.1	9.7	9.4	9.2	8.5	8.7	9.6	9.7
EURCHF	1.099	5.0	4.2	6.2	6.3	4.5	4.7	6.7	6.9
USDCHF	0.997	6.0	5.0	8.2	9.3	5.8	6.1	8.7	9.9
GBPCHF	1.275	9.9	9.5	9.5	9.4	8.6	8.4	9.6	9.9
CHFJPY	109.5	5.6	5.0	8.8	10.2	6.0	5.9	9.4	11.1
AUDUSD	0.686	6.7	6.6	9.7	10.7	7.7	7.6	10.2	11.5
USDCAD	1.322	4.8	4.8	7.8	8.3	5.5	5.6	8.1	8.9
USDSEK	9.704	8.0	7.6	9.7	11.0	8.1	8.4	10.0	11.5
USDRUB	63.8	8.4	8.6	16.8	14.0	9.1	10.5	17.1	14.8
USDBRL	4.137	13.1	12.4	15.7	14.5	12.8	12.7	15.9	15.2
USDCNY	6.988	3.6	4.7	4.8	3.5	3.8	5.0	5.6	4.4
USDTRY	5.764	21.5	11.8	15.3	13.4	19.3	16.0	16.4	14.7
USDINR	71.27	5.4	5.5	6.6	8.4	6.2	6.4	7.7	9.4

[1] Annualized volatility, in percent. [2] Average of implied volatility.

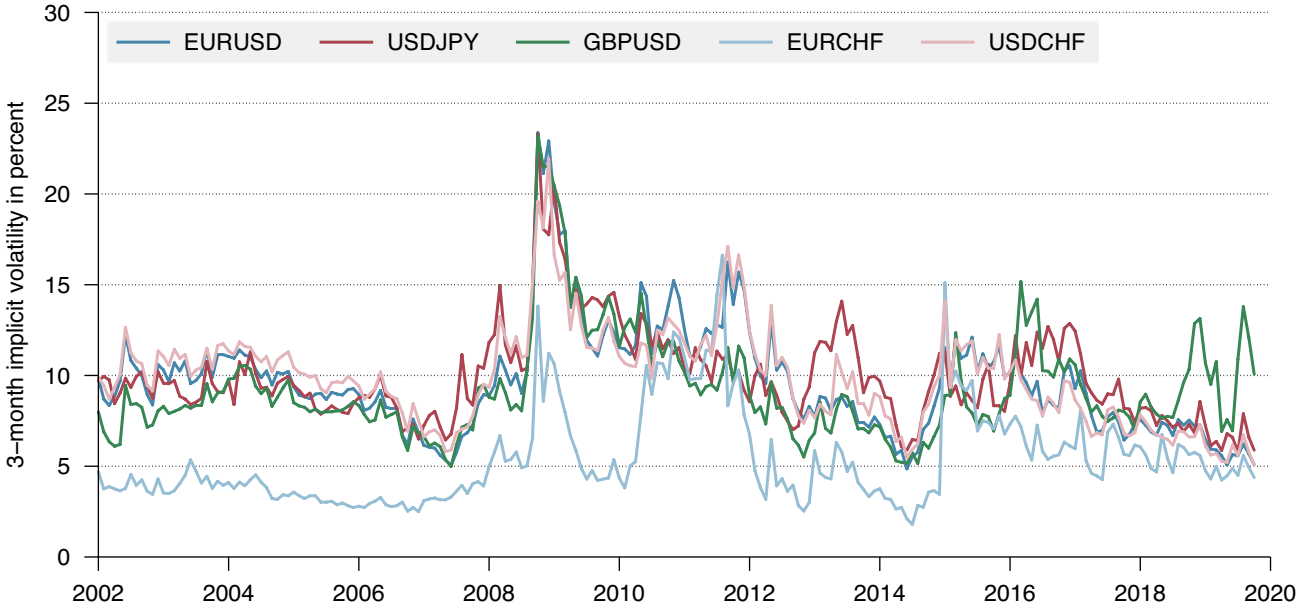
QCAM volatility indicator[3]



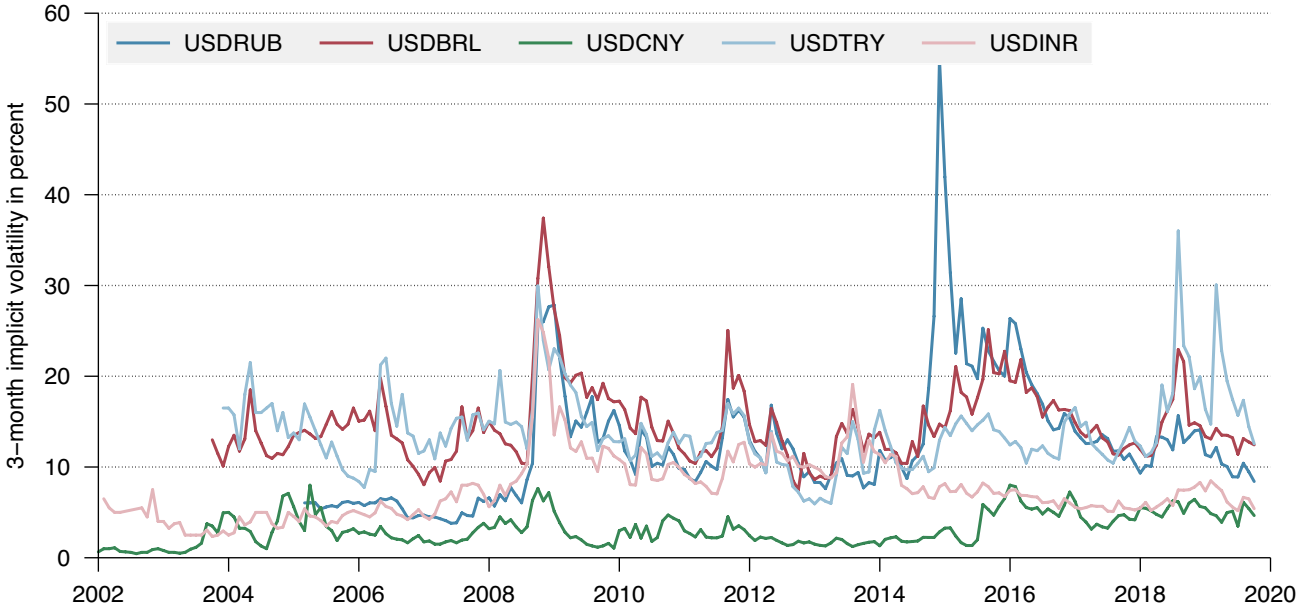
[3] The QCAM volatility indicator measures general volatility in global FX markets; the indicator is based on historical volatility of the main exchange rates, which are weighted by trading volume.

Source: Refinitiv, QCAM Currency Asset Management, Wellershoff & Partners

Implicit volatility



Implicit volatility



Source: Refinitiv, Wellershoff & Partners

QCAM®
Currency
Asset
Management

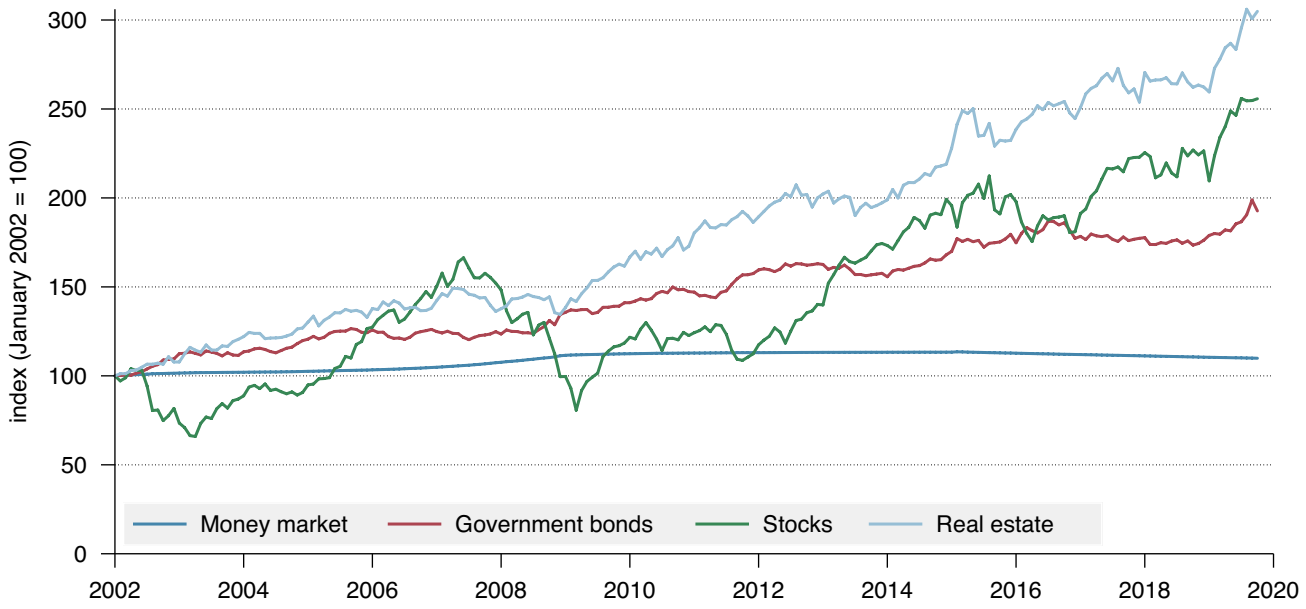
Financial markets

Performance overview

	Performance in either local curreny or USD[1]				Performance in CHF[1]			
	YTD	3 months	1 year	5 years	YTD	3 months	1 year	5 years
Swiss money market	-2.3	-0.2	-0.7	-3.1	-2.3	-0.2	-0.7	-3.1
Swiss government bonds	10.7	-5.7	6.2	11.4	10.7	-5.7	6.2	11.4
Swiss corporate bonds	8.9	-3.0	4.0	7.9	8.9	-3.0	4.0	7.9
Swiss equities (SMI)	50.3	5.9	17.1	38.0	50.3	5.9	17.1	38.0
European equities (Stoxx600)	45.0	9.6	14.5	43.2	36.4	10.3	9.8	30.7
UK equities (Ftse100)	36.3	2.5	7.9	37.2	24.3	11.1	4.5	13.9
Japanese equities (Topix)	48.5	14.4	3.9	39.2	45.3	13.3	7.7	50.8
US equities (S&P 500)	74.1	6.5	12.5	68.7	68.3	4.1	13.1	64.1
Emerging markets equities	22.5	9.2	10.4	23.8	17.8	6.7	11.1	20.4
Global equities (MSCI World)	55.6	6.9	11.8	50.7	50.1	4.4	12.5	46.5
Swiss real estate	35.8	-2.3	16.2	40.6	35.8	-2.3	16.2	40.6
Global real estate	44.5	3.5	15.3	38.2	39.3	1.1	16.0	34.4
Commodities	-29.3	3.2	-4.0	-32.1	-32.5	0.8	-3.5	-34.0
Brent oil	-22.9	5.5	-13.5	-25.9	-26.6	3.0	-13.0	-27.9
Gold	9.3	-2.4	19.8	25.9	4.7	-4.6	20.5	22.4

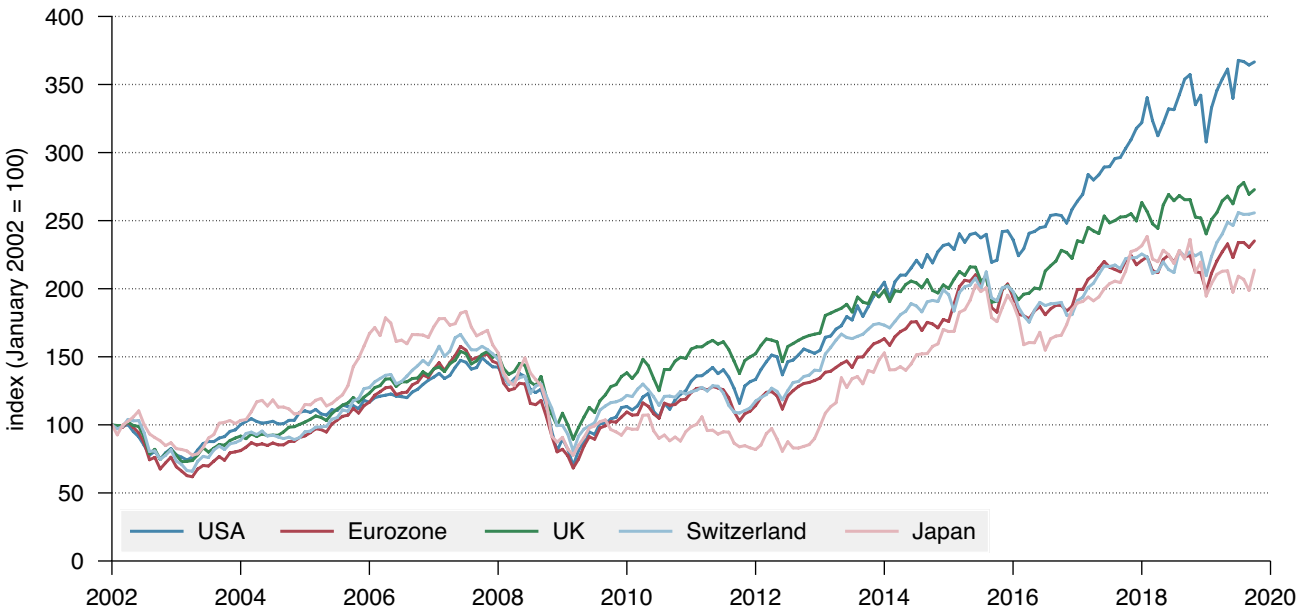
[1] Performance over the respective period of time, in percent.

Performance of selected Swiss asset classes

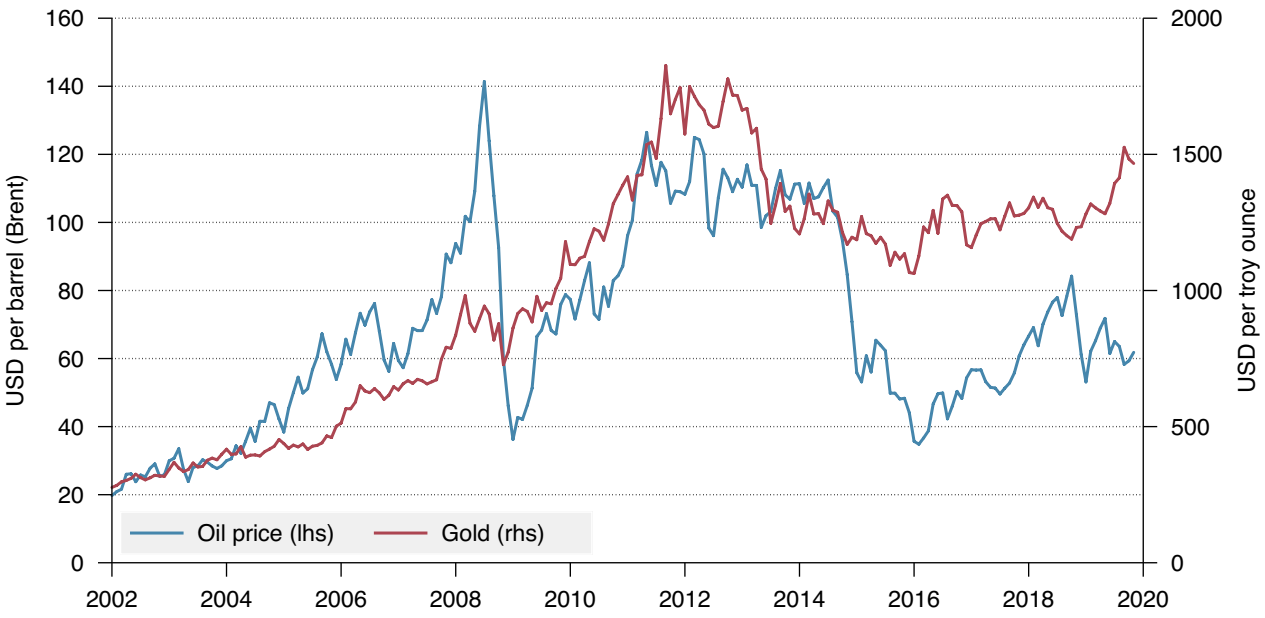


Source: Refinitiv, Wellershoff & Partners

Performance of selected equity markets (in local currency)



Performance of selected commodity prices



Source: Refinitiv, Wellershoff & Partners

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Asset
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Number of the month

S&P 500:
3097.8 index points

The risks to the economy have increased, driving the US Federal Reserve to cut the fed funds rate by 25 basis points to between 1.5 and 1.75 percent, the third rate cut in a row this year. Nevertheless, the stock market soared, with the S&P 500 setting a new all-time high. Was this because of the lower interest rates and the other measures undertaken by central banks? The apparent relaxation in the US-China trade conflict certainly also helped, neutralizing one significant economic threat. So can we look for the Fed to hike interest rates anytime soon? That is far from clear as the economic outlook still remains fraught.