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QCAM Currency Asset Management

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QCAM Currency Asset Management

QCAM Insight

QCAM – The new name for the symbiosis of currency and asset management

Thomas Suter, CEO
QCAM Currency Asset Management AG

Today, currency management und asset management increasingly work hand in hand. FX expertise has become an important factor in successful asset management, says Thomas Suter, CEO of QCAM Currency Asset Management. Blending both disciplines, QCAM has developed an innovative offering of products and services.

After more than a decade of success as currency specialists, Switzerland's Quaesta Capital has changed its name to QCAM Currency Asset Management. The new name reflects a new focus. In the following, QCAM CEO Thomas Suter explains what's behind the name change and discusses the forces currently driving markets.

Thomas Suter, from Quaesta to QCAM: What is QCAM and why the name change?

We are an independent currency specialist located in Pfäffikon, Switzerland, about half an hour from Zurich. We started in 2005 with three people. Today we're a team of about twenty, mostly serving the needs of pension funds, family offices, fund-of-funds and asset managers in Switzerland and abroad. We are regulated by FINMA and the SEC.

With the new name QCAM we highlight the blending of the two disciplines that we have successfully practiced since the firm began – currency management and asset management. All our clients – whether institutions or private persons – receive our tailored advice and personal support on all currency and asset management matters. Our specialties include products and services in the areas of currency management and asset management, and it is particularly in the latter area where our FX expertise can significantly increase yields while at the same time mitigating currency-related risks.

What precisely is on offer from QCAM Currency Asset Management?

In terms of our positioning, our offering has evolved and expanded organically over the years. With a specific focus on currency management, we offer a range of products and services – from our multiple-award-winning v-Pro currency strategy to risk-mitigating active and passive currency overlays, cost-saving FX best execution, revenue-optimizing origination and structuring, and transparent transaction cost analysis. In other activities like cash/yield enhancement, macro analysis and investment services the role of currencies is a significant one. We are convinced that combining the perspectives of currency management and asset management creates some interesting investment possibilities, with considerable room for future development. All our products and services reflect QCAM's core values: *independence*, *transparency* and *integrity*.

Independence and transparency – how should we understand these terms at QCAM?

We operate independently, working with selected external service providers with whom we have negotiated the best terms for our clients. We process currency transactions through a panel of multiple banks. This assures a healthy level of competition for our business, which translates into attractive pricing for our clients. Equally, for other financial services we can independently select the best-fitting solutions for our clients.

Transparency is an important part of how we do business. Our clients pay a clearly defined, fixed fee for our services. There are no hidden commissions. We are never the direct counterparty in the execution of currency transactions, thus completely eliminating the principal-agent problematic. Thus, we bypass this well-known conflict of interests that often puts clients at a substantial pricing disadvantage in currency trading, because most transactions are not carried out in an official securities market, but rather in the interbank market, largely via OTC transactions.

Where do you see the greatest challenges for investors today?

We find ourselves in a market environment shaped by big macroeconomic themes: growth is thin on the ground in the global economy these days, the great growth locomotive, China, is sputtering, and interest rates have been stuck at historical lows. Dangers also lurk in the grossly inflated balance sheets of the world's central banks (see Fig. 1) as well as the growing threat of rising inflation. Clearly, these and other factors pose substantial challenges for asset managers. The performance outlook for fixed-income investments is weak, as seen in Fig. 2. And given their high valuations, stock markets also offer only modest expectations for returns.

In this arid investment environment, successful, professional asset management increasingly relies on the optimal management of the relevant currency risks. This is exactly where QCAM can provide our clients with exceptional added value.

How do you see the role of FX Monthly?

FX is where we come from. In FX Monthly, however, we highlight the increasing importance of proper currency management for asset management. In fact, in a globalized world, asset management without currency expertise invites considerable risks. FX Monthly has been very well received by our clients, and we are genuinely gratified by the many positive responses we've had to the publication. And our cooperation with Wellershoff & Partners is proving to be highly rewarding, both for us and for our clients.

Fig. 1: Central banks' balance sheets

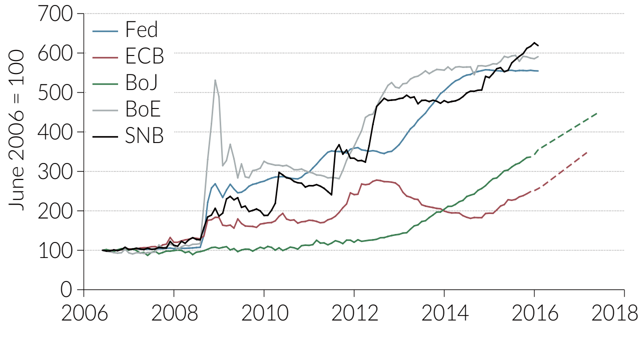
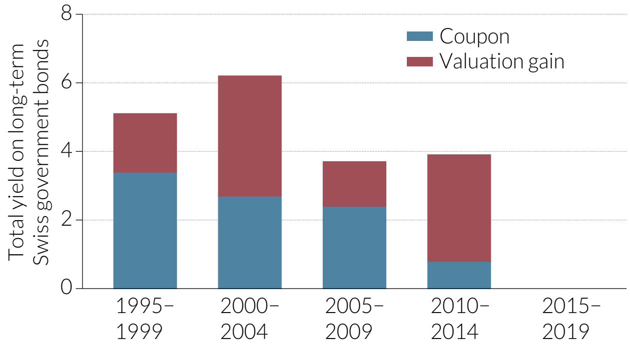


Fig. 2: Yield expectations



Source: Thomson Reuters Datastream, Wellershoff & Partners

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The macro perspective

The Fed will have to face the issue of inflation

Currently, financial markets are carefully scrutinizing every word uttered by Fed officials. The focus has clearly been on assessing the growth outlook. The issue of inflation has largely been treated as an afterthought. This is likely to change in the coming months.

The upturn in the American economy is in its eighth year. Unemployment has fallen to its lowest levels in nearly nine years. And consumer prices have been increasing at an annual rate in the range of just 1 percent. At first glance, it might look like the US can once again lay claim to its reputation as the land of opportunity. But appearances are deceiving.

Warning signals from the US economy

A closer look at the US economy reveals some significant cracks in the rosy picture above. For the first time since the financial crisis struck, corporate investments in new plants and equipment contracted in the first quarter of 2016 compared to a year earlier. Wellershoff & Partners' early warning indicator is signaling a further decline in corporate profits and a generally subdued course of business for companies in this persistently weak investment climate. In addition, we are now also getting warning signs from the previously robust US labor market.

In May a mere 38000 new jobs were added in the secondary and tertiary sectors of the economy. And in March and April the labor market added only 155000 new jobs on average. To compare, in 2015 an average of 230000 jobs were added per month. Given this background, the economic outlook for the US is not merely subdued; rather, it is marked by increased risk of recession.

A sharp rise in inflation is looming

As if that were not enough, we are also seeing indications of a substantial rise in inflation over the coming months. Already in April, US consumer prices rose faster on a monthly basis than they have in the past three years. That upswing is primarily thanks to rising energy prices and it offers a foretaste of what we can expect over the coming months, also for annual inflation rates.

Assuming a price of 50 US dollars per barrel of WTI crude oil, Wellershoff & Partners estimates that the contribution of energy prices to overall inflation should reverse itself, increasing from -1 percentage point currently to over 1 percentage point by the end of this year. With today's core inflation rate of 2.1 percent, this implies an annual overall inflation rate for the US of over 3 percent. If the rising trend in core inflation continues, or if the oil price were to rise towards 60 US dollars per barrel, we would have to expect an annual overall inflation rate of more than 4 percent.

Joy for some, suffering for others

Given these orders of magnitude, it is hard to imagine that capital market rates will not respond at the long end of the curve. And that, of course, will not make the Fed's task any easier. Thanks to low inflation, the Fed has been able to focus on supporting the recovery in recent years. Now it simultaneously must confront an economic slowdown and rising inflation. Taking the strong market reactions to the Fed's communications in recent months as a benchmark, it looks set to be an eventful second half of the year.

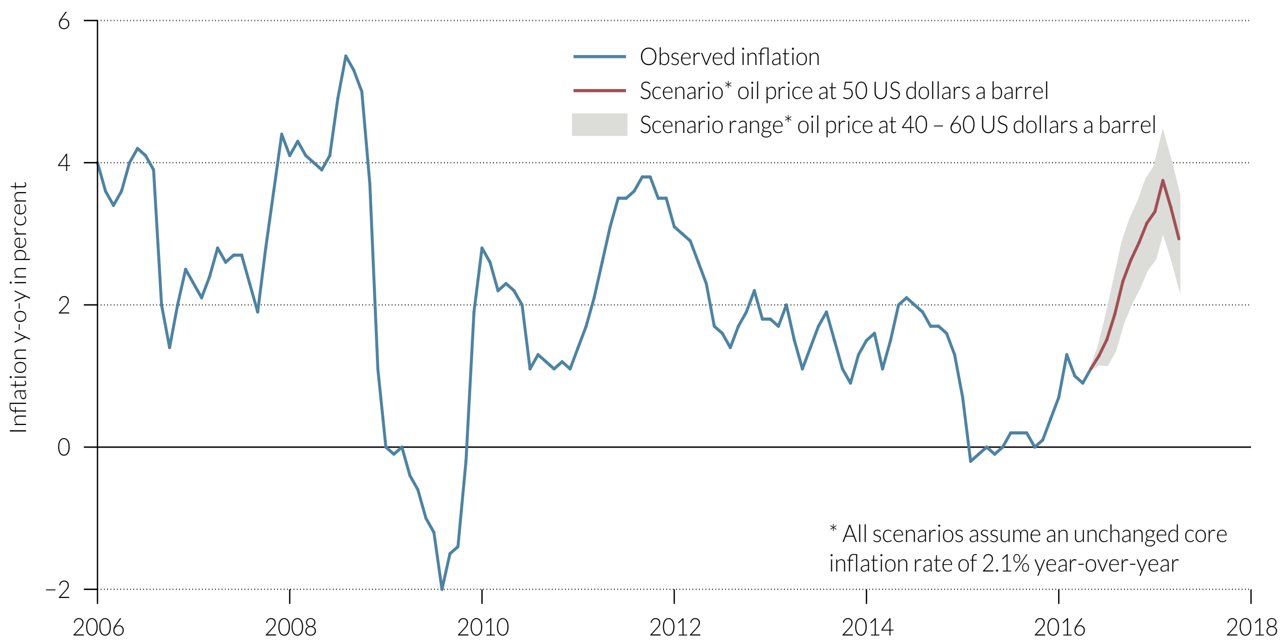
The end of deflation worries in the Eurozone

While the Fed has plenty of work to do over the next few months, the European Central Bank (ECB) may be allowed to relax a bit. Although the effects of rising energy prices will also hit the Eurozone, they are likely to be less severe than in the US given the higher gasoline taxes in the EU. And this should help to finally stifle the tiresome deflation debate. What's more, the economic signals still clearly point to an upswing in the Eurozone. The message from the European Commission's business sentiment surveys, for example, suggests economic growth of more than 2 percent in the Eurozone compared to a year ago.

Caution on the US dollar

In the short term, the narrative about the divergent monetary policies of the Fed and the ECB could regain some of its buoyancy and encourage some voices to expect a strong US dollar. We are not convinced, however, and we offer three reasons for caution on the dollar. First, the empirical evidence is far from convincing that an increasing interest rate differential sustainably affects exchange rates. Second, we note this argument has hardly made any difference in recent months. And third, seen from the perspective of purchasing power parity, we think the looming sharp rise in US inflation speaks for a long-term depreciation of the US dollar. In those terms, the US dollar is already today clearly overvalued against the euro.

US: Energy prices drive up inflation rates



Source: Thomson Reuters Datastream, Wellershoff & Partners

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FX market talk

The Swiss franc is set to depreciate further versus the euro

In the year and a half since the Swiss National Bank abandoned its minimum euro exchange rate, the Swiss franc has depreciated markedly against the euro. Given the unprecedented magnitude of the initial mispricing after the SNB's action, this decline is hardly surprising. But the franc remains overvalued and the devaluation process is likely to continue.

In the first quarter of this year Switzerland's economy again grew less vigorously than its European neighbors'. The reason for this is clear: Even a year and half after the Swiss National Bank abolished the EURCHF minimum exchange rate, the strong franc continues to burden the Swiss economy. Nevertheless, the franc has broadly depreciated since its abrupt surge on January 15, 2015. Back then, the EURCHF exchange rate sometimes traded below parity, but all the same, one euro now again costs around 1.10 francs.

An epic mispricing

After the SNB abandoned the minimum exchange rate of CHF 1.20 per euro and the franc surged in value, many observers expected the franc's overvaluation to endure. But the accompanying chart clearly shows just how extraordinary this overvaluation was immediately following the SNB's decision. From an economic perspective, a lasting EURCHF exchange rate close to parity was nearly unthinkable. Instead, a convergence of the two currencies toward their trade-neutral exchange rate was to be expected.

Purchasing power parity

A trade-neutral exchange rate can be estimated by using a so-called purchasing power parity model. In this model the price developments in the respective currencies are compared, noting that exchange rates tend to compensate for different price developments over time. As a rule, the exchange rate tends to follow purchasing power parity. Higher inflation leads to the relative devaluation of a currency – and vice versa. Large deviations from purchasing power parity can nonetheless occur but they tend to dissipate over time. The reason for this is that economic agents adapt their behavior in the event of a significant deviation. For example, demand tends to increase for an undervalued currency because its goods and services have grown less expensive for foreign buyers.

Swiss economic actors slowly find their way out of the crisis mode

Not least because of the franc's extraordinary mispricing, many Swiss economic actors have modified their behavior since the *Frankenschock* of January 2015. That's clear from a look at Switzerland's current account. Swiss companies have resumed investing abroad over the past year and a half. They are thus returning to a practice that was customary for them prior to the global financial crisis. In those days, profits earned abroad were largely reinvested abroad. From 2010 to 2014, however, the foreign-earned profits of Swiss companies were increasingly returned to Switzerland, which was a significant reason for the increased appreciation pressure on the franc. Swiss pension funds meanwhile are still operating in the risk-averse crisis mode. Currently at less than 4 percent, the unsecured euro share in the portfolios of Swiss pension funds is at a record low level.

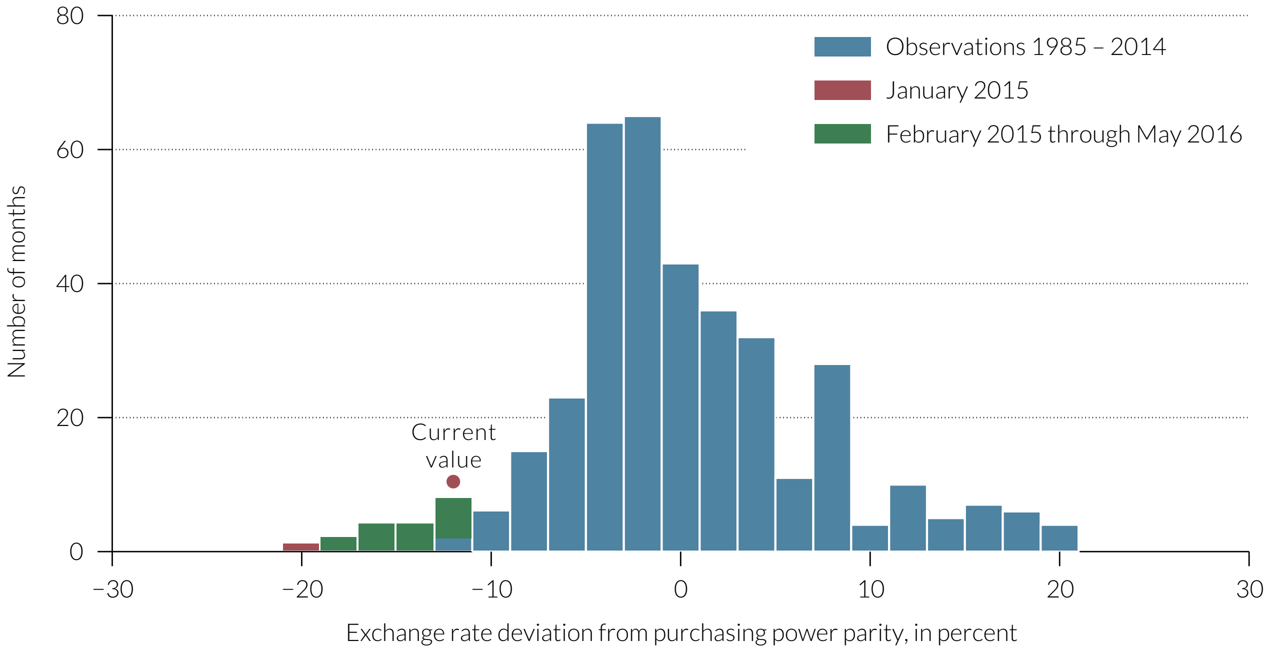
The reduction of the mispricing so far is in line with the historical pattern

Along with some other reasons, the increased investment of Swiss companies abroad has trimmed the franc's overvaluation in recent months. The pace of this adjustment conforms to historical patterns. In the past, mispricings have generally been reduced by 30 percent after one year. After a year and a half, the correction reaches a good 40 percent, which in this case would yield an exchange rate of 1.12 francs per euro, close indeed to the exchange rate at press time. That illustrates two things: First, although slow, the franc's continuing depreciation versus the euro broadly matches previous adjustments. And second, there is still potential for the franc to depreciate further.

Further franc depreciation likely

At around 12 percent, the Swiss franc's overvaluation versus the euro when we got to press was still quite large. This provides an asymmetric risk-reward ratio for Swiss-franc investors in the Eurozone – both for companies and for investors. Since 1985, on a monthly basis, 95 percent of the time the franc was more weakly valued versus the euro than it is now. In addition, the ongoing economic recovery in the Eurozone is likely to further boost confidence in the EU's currency. All in all, from the Swiss franc perspective, this makes the euro very interesting.

The mispricing of the Swiss franc against the euro in January 2015 was unique historically



Source: Thomson Reuters Datastream, Wellershoff & Partners

Economic activity

Compared to a year earlier, the Eurozone's economy grew by 1.7 percent in the first quarter of 2016, a rate of growth not seen since the onset of the debt crisis. And this economic recovery was not only broadly based among the member states; it is also continuing in the second quarter, according to Wellershoff & Partners' proprietary economic climate indicators. One further positive note: the upturn is increasingly reflected in the EU's labor market.

Meanwhile, Brazil remains mired in crisis. In the first quarter of the year the country's GDP contracted by over 5 percent. Wellershoff & Partners' leading economic indicators show no signs of improvement in the coming months. And many questions remain unresolved on the political front, too. A decisive government capable of effective action would be warmly welcomed by the country's economy. Whether or not the new regime is up to the task remains to be seen.

The first quarter of the year saw the Swiss economy grow by 0.7 percent year-over-year. Compared with its neighboring European countries, it is clear that the Swiss economy is still burdened by the strong franc.

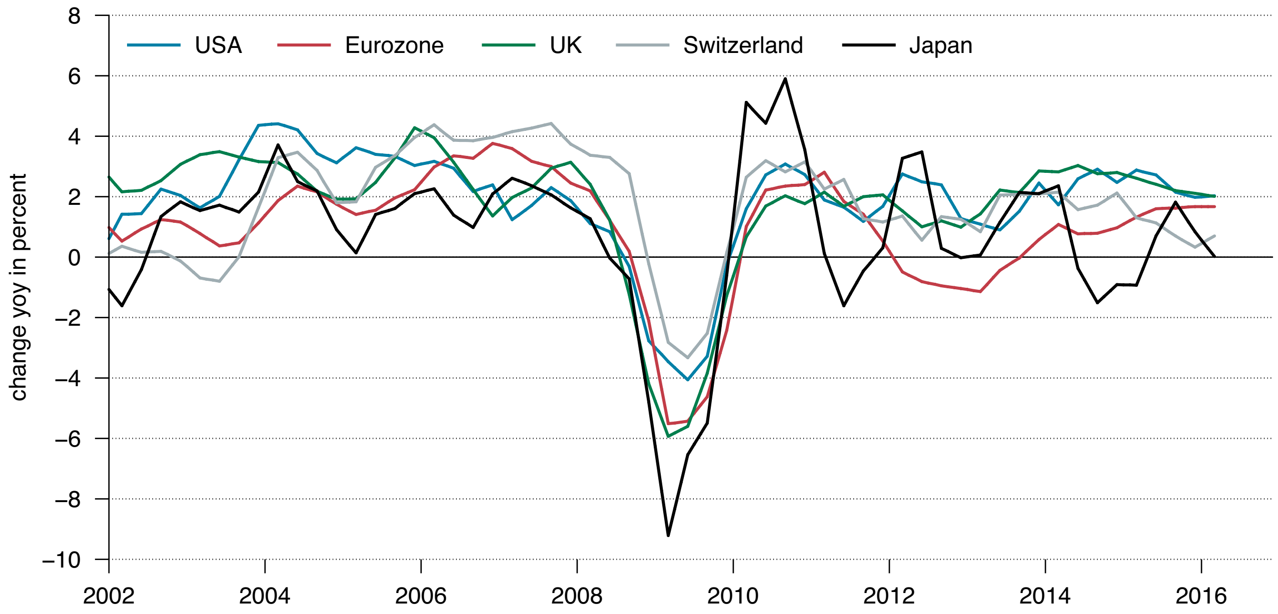
Growth overview

	Trend growth[1]	Real GDP growth[2]				W&P economic sentiment indicators[3]			
		Q2/2015	Q3/2015	Q4/2015	Q1/2016	2/2016	3/2016	4/2016	5/2016
United States	1.7	2.7	2.2	2.0	2.0	2.1	2.6	2.6	2.4
Eurozone	1.0	1.6	1.6	1.7	1.7	2.0	1.8	2.0	2.2
Germany	1.4	1.6	1.7	1.3	1.6	2.1	2.1	2.2	2.2
France	0.7	1.1	1.1	1.4	1.4	1.9	1.6	1.6	1.8
Italy	0.2	0.6	0.8	1.1	1.0	1.5	1.0	1.9	2.0
Spain	1.6	3.2	3.4	3.5	3.4	3.5	3.4	3.2	3.1
United Kingdom	1.8	2.4	2.2	2.1	2.0	2.6	2.7	2.5	2.7
Switzerland	1.5	1.1	0.7	0.3	0.7	0.6	1.0	1.1	1.3
Japan	0.4	0.7	1.8	0.9	-0.1	1.8	2.0	1.9	1.9
Canada	1.6	1.0	1.0	0.3	1.1	0.0	0.3	0.4	0.8
Australia	2.4	2.1	2.7	2.9	3.1	3.3	3.5	3.5	3.5
Brazil	1.4	-2.9	-4.4	-5.9	-5.1	-1.1	-0.2	-2.3	-3.0
Russia	0.1	-4.5	-3.7	-3.8	-1.2	-1.5	-1.9	-2.0	-1.4
India	7.7	7.5	7.6	7.2	7.9	6.1	6.7	5.9	6.0
China	7.4	7.0	6.9	6.8	6.7	7.4	8.4	8.2	8.1
Advanced economies[4]	1.4	2.1	2.1	1.9	1.8	2.2	2.4	2.4	2.4
Emerging economies[4]	6.0	4.6	4.6	4.5	4.9	4.3	5.1	4.6	4.7
World economy[4]	3.5	3.3	3.3	3.2	3.4	3.0	3.3	3.1	3.1

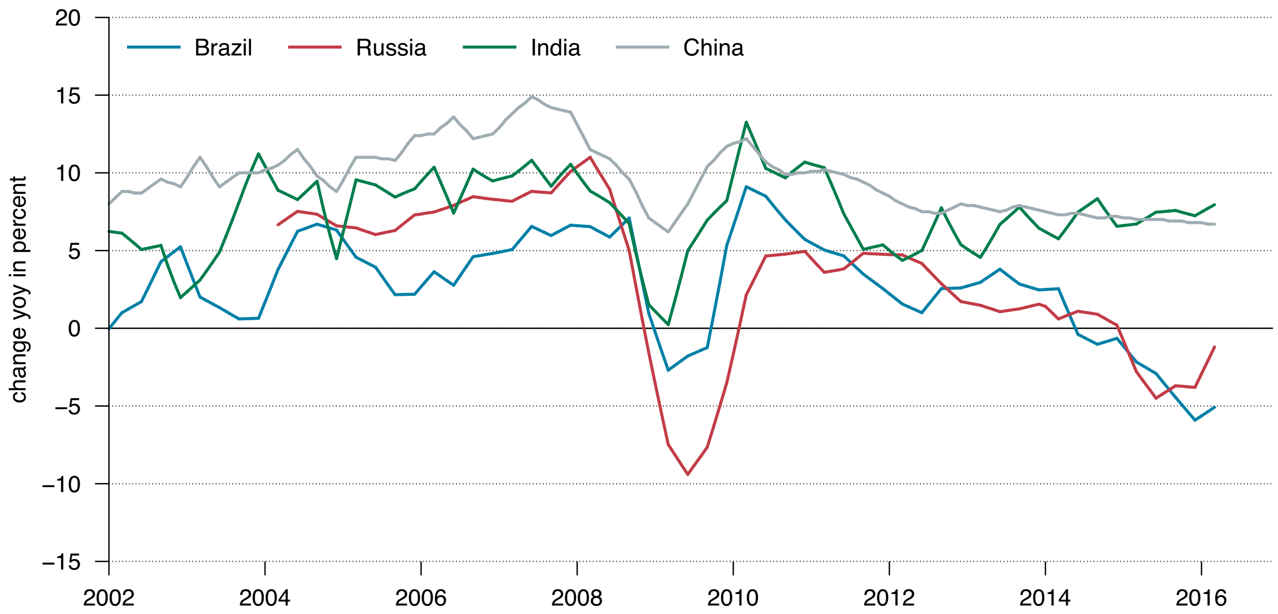
[1] Current year-on-year trend growth rate of real GDP, in percent, according to the proprietary trend growth model of Wellershoff & Partners.
[2] Year-on-year growth rate, in percent.
[3] Wellershoff & Partners economic sentiment indicators are based on consumer and business surveys and have up to 6 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, Thomson Reuters Datastream, Wellershoff & Partners

Economic growth in advanced economies



Economic growth in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

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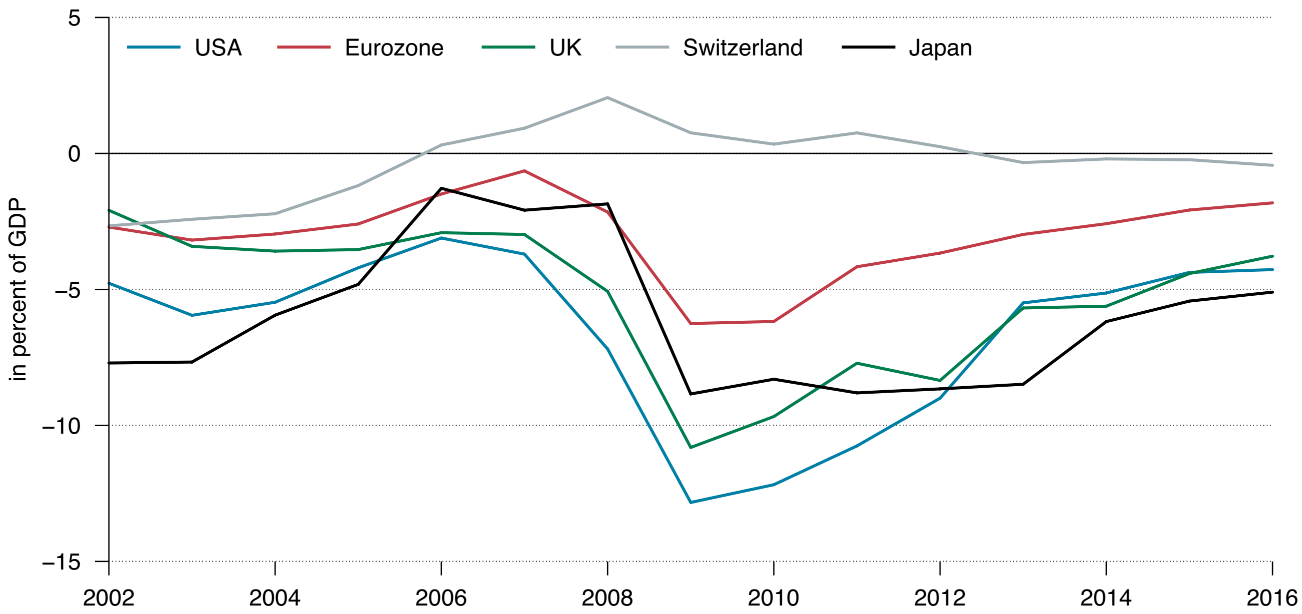
Economic indicators

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	22.4	25.1	-2.6	-2.5	111.3	114.2	-7.0	-4.3	7.2	4.7
Eurozone	17.2	16.0	2.6	3.8	105.1	109.6	-3.1	-1.8	11.2	10.2
Germany	4.9	4.7	7.2	9.2	82.4	75.2	0.0	0.3	6.8	6.1
France	3.6	3.3	-0.8	-0.7	112.6	121.6	-4.3	-3.4	9.6	9.9
Italy	2.8	2.5	0.3	2.1	144.5	160.3	-3.0	-2.3	11.1	11.6
Spain	1.8	1.7	0.1	1.1	101.6	117.4	-7.6	-3.7	23.8	20.4
United Kingdom	3.7	3.7	-3.9	-5.9	110.9	115.3	-6.4	-3.8	3.8	2.1
Switzerland	0.9	0.9	9.9	10.6	45.6	46.2	0.0	-0.4	3.1	3.5
Japan	6.8	6.0	1.5	3.4	220.8	233.1	-7.5	-5.1	4.0	3.2
Canada	2.4	2.0	-3.0	-3.5	86.0	92.3	-2.0	-2.4	7.1	7.1
Australia	1.9	1.6	-3.7	-3.6	30.8	39.1	-3.3	-2.4	5.6	5.7
China	12.5	15.4	2.1	2.6	39.3	46.8	-1.1	-3.1	4.1	–
Brazil	3.1	2.1	-3.3	-2.0	64.2	76.3	-4.9	-8.7	5.7	–
India	2.6	3.1	-2.7	-1.5	67.3	66.5	-7.5	-7.0	–	–
Russia	2.6	1.5	3.5	4.2	14.0	18.4	-0.8	-4.4	5.7	5.9

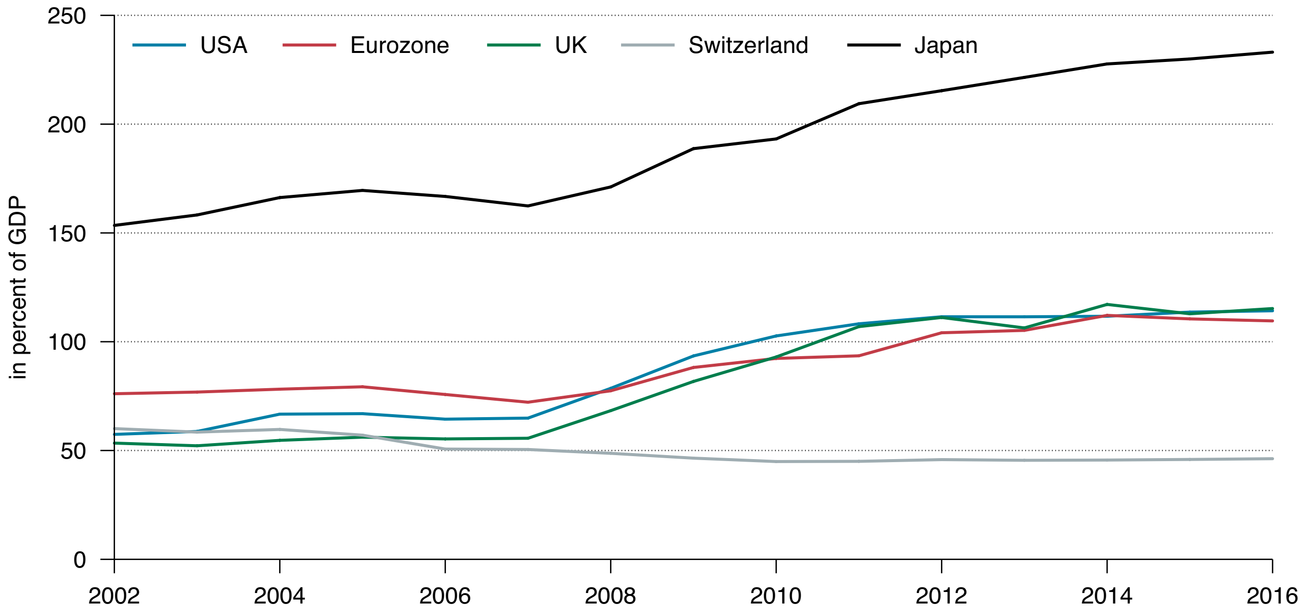
[1] In percent; calculations based on market exchange rates. [2] In percent of nominal GDP. [3] In percent.

Budget deficits in advanced economies

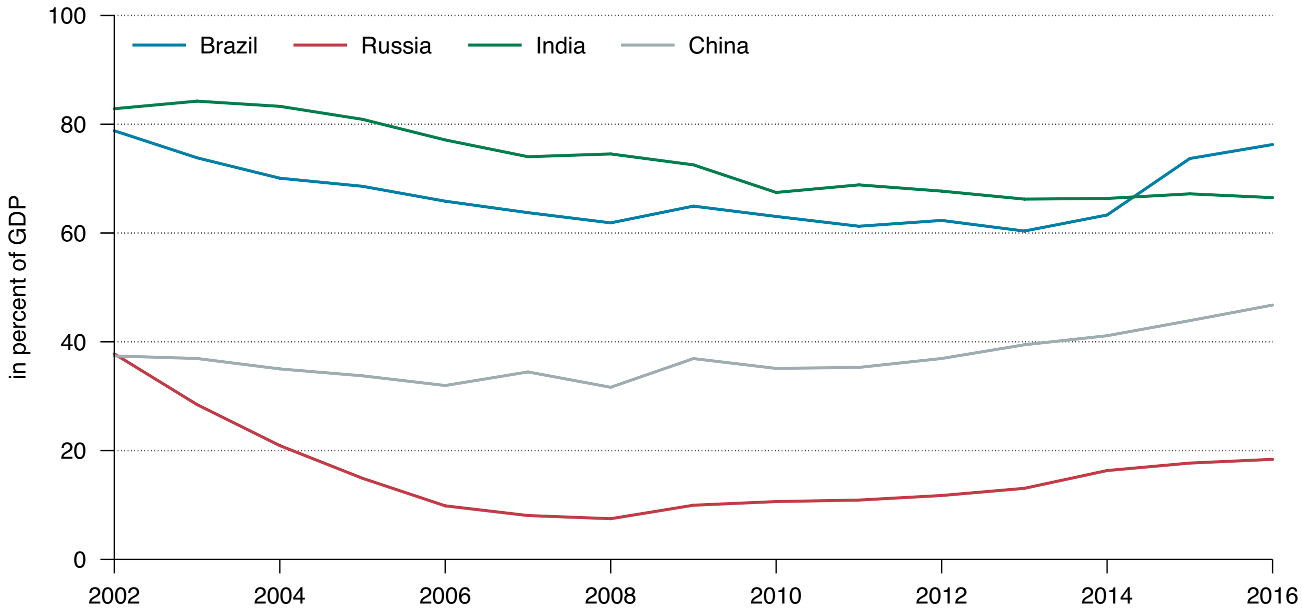


Source: Thomson Reuters Datastream, Wellershoff & Partners

Public debt in advanced economies



Public debt in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

Inflation

Inflation rates have been well below the levels targeted by the central banks in recent years. That may soon change. Since hitting its low point in February 2016, the oil price has nearly doubled lately, to around 50 US dollars per barrel. In April, consumer prices recorded their largest monthly increase in the US in three years.

Wellershoff & Partners' calculations indicate that no further increases in the oil price would be needed for energy prices to drive annual inflation rates upward later this year. In the case of the US, the inflation contribution of the oil price should be around 1 percentage point by the end of the year. In Europe, and in Switzerland in particular, similar effects are emerging. We thus expect a rise in the overall inflation rates above the core inflation rates.

Moreover, in the course of the ongoing economic recovery, shrinking output gaps speak for a slow rise in core inflation. The US is already leading the way here – core inflation has already moved noticeably upward over the past year.

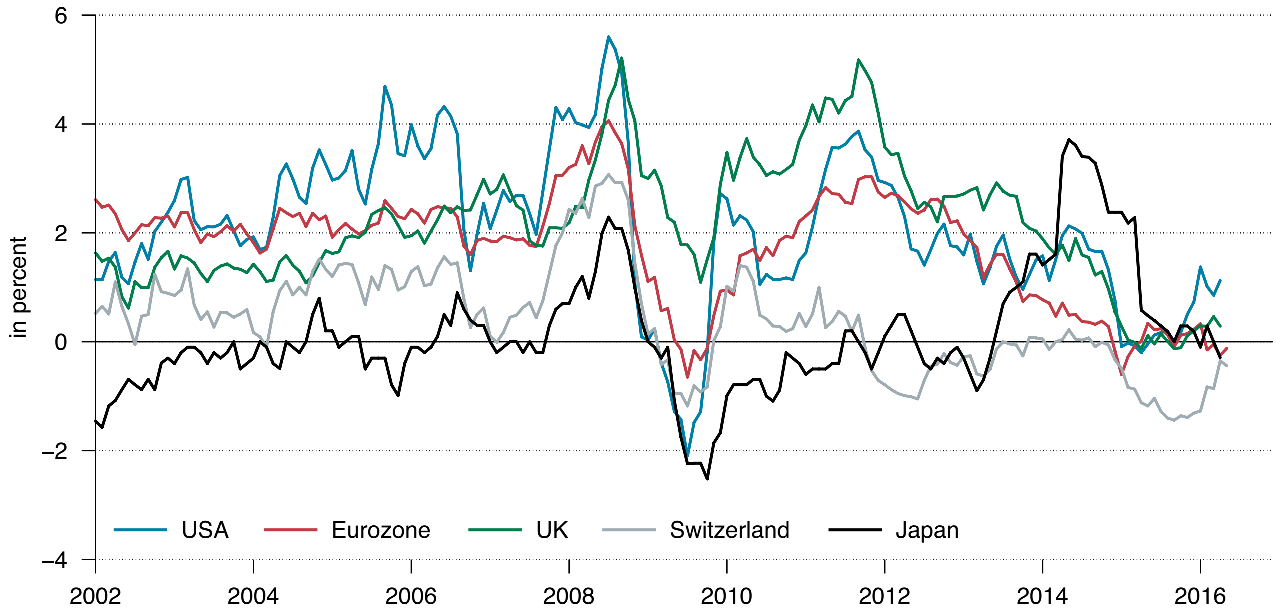
Inflation overview

	Ø 10 years[1]	Inflation[2]				Core inflation[3]			
		2/2016	3/2016	4/2016	5/2016	2/2016	3/2016	4/2016	5/2016
United States	1.9	1.0	0.9	1.1	–	2.3	2.2	2.1	–
Eurozone	1.6	-0.2	-0.1	-0.3	-0.1	0.8	1.0	0.7	0.8
Germany	1.4	0.0	0.3	-0.1	0.1	0.9	1.2	1.2	1.1
France	1.2	-0.2	-0.2	-0.2	-0.1	0.4	0.4	0.4	–
Italy	1.6	-0.3	-0.2	-0.5	-0.3	0.5	0.6	0.5	0.6
Spain	1.6	-0.8	-0.8	-1.0	-1.0	1.0	1.1	0.7	–
United Kingdom	2.5	0.3	0.5	0.3	–	1.2	1.5	1.2	–
Switzerland	0.2	-0.8	-0.9	-0.3	-0.4	-0.5	-0.5	0.0	-0.1
Japan	0.3	0.3	0.0	-0.3	–	0.8	0.6	0.7	–
Canada	1.7	1.4	1.3	1.7	–	1.9	2.1	2.2	–
Australia	2.6	1.4	1.3	–	–	1.8	1.7	–	–
Brazil	5.9	10.4	9.4	9.3	–	9.2	7.9	7.8	–
Russia	9.4	8.1	7.3	7.3	7.3	8.9	8.0	7.6	7.5
India	8.1	5.3	4.8	5.4	–	–	–	–	–
China	2.9	2.3	2.3	2.3	–	1.3	1.5	1.5	–
Advanced economies[4]	1.6	0.5	0.5	0.5	0.5	1.6	1.6	1.5	1.5
Emerging economies[4]	5.3	4.3	4.0	4.1	4.1	3.2	3.1	3.0	3.0
World economy[4]	3.2	2.3	2.1	2.2	2.2	2.0	2.0	1.9	1.9

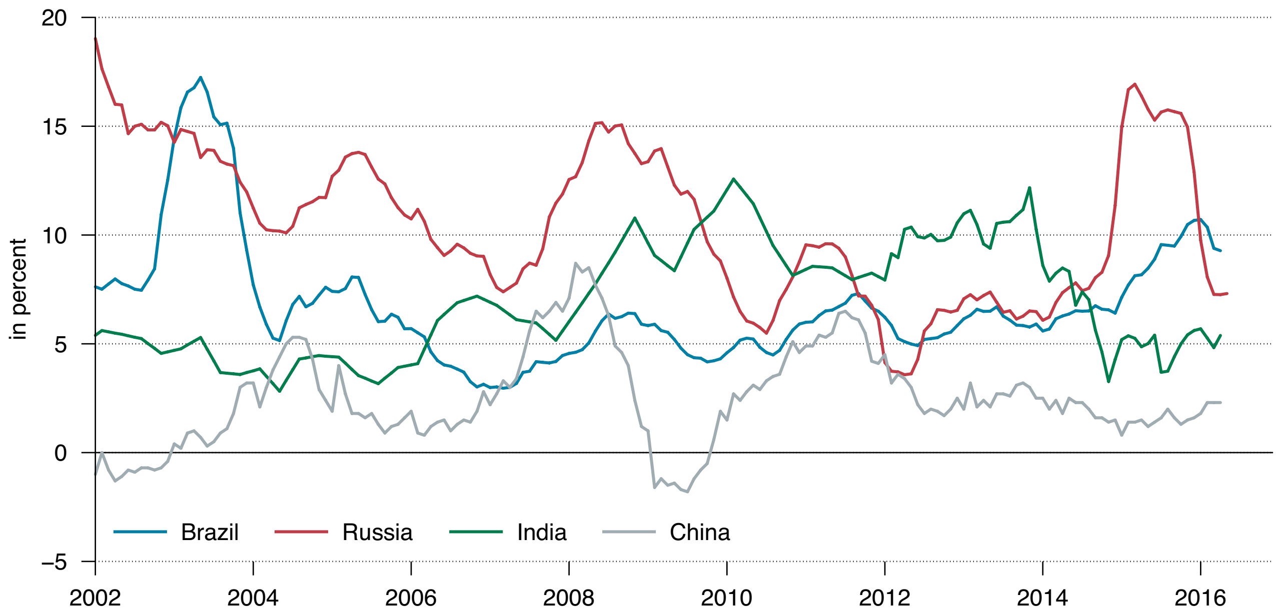
1 Average annual consumer price inflation, in percent.
2 Year-on-year change of the consumer price index (CPI), in percent.
3 Core inflation is a measure of inflation that excludes certain items that can experience volatile price movements, such as energy and certain food items; year-on-year change of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

Source: Thomson Reuters Datastream, Wellershoff & Partners

Consumer price inflation in advanced economies



Consumer price inflation in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

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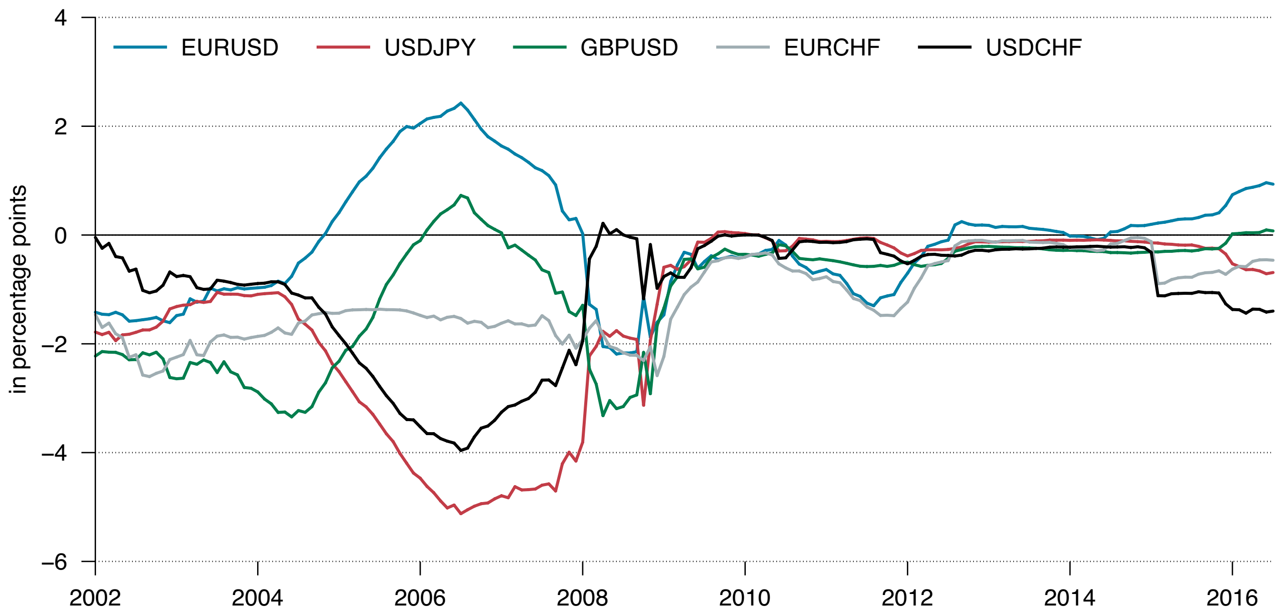
Interest rates

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	1.135	0.90	0.33	0.05	-0.05	1.33	0.63	0.16	-0.01
USDJPY	107.2	-0.69	-0.18	-0.21	-1.07	-1.20	-0.52	-0.43	-1.21
GBPUSD	1.456	0.08	-0.28	-0.30	-0.57	0.31	-0.23	-0.36	-0.62
EURCHF	1.098	-0.50	-0.74	-0.48	-0.88	-0.47	-0.72	-0.62	-0.96
USDCHF	0.967	-1.40	-1.06	-0.53	-0.83	-1.80	-1.35	-0.78	-0.95
GBPCHF	1.407	-1.32	-1.35	-0.83	-1.41	-1.48	-1.58	-1.14	-1.57
CHFJPY	110.9	0.71	0.88	0.32	-0.24	0.60	0.83	0.35	-0.25
AUDUSD	0.745	-1.03	-1.69	-2.45	-2.59	-0.29	-1.14	-1.80	-2.20
USDCAD	1.280	0.24	0.71	0.83	0.41	-0.18	0.33	0.60	0.23
USDSEK	8.138	-1.17	-0.64	0.55	0.29	-1.53	-0.85	0.39	0.25
USDRUB	65.00	9.99	13.36	8.61	7.03	8.96	12.43	8.22	7.39
USDBRL	3.465	13.36	13.56	10.42	9.68	11.76	13.23	10.21	9.64
USDCNY	6.572	2.29	2.62	4.03	2.43	1.76	2.63	3.66	2.20
USDTRY	2.898	9.23	10.78	8.89	9.86	8.82	10.31	8.74	10.16
USDINR	66.75	7.47	7.68	8.82	6.93	5.71	6.88	6.25	4.42

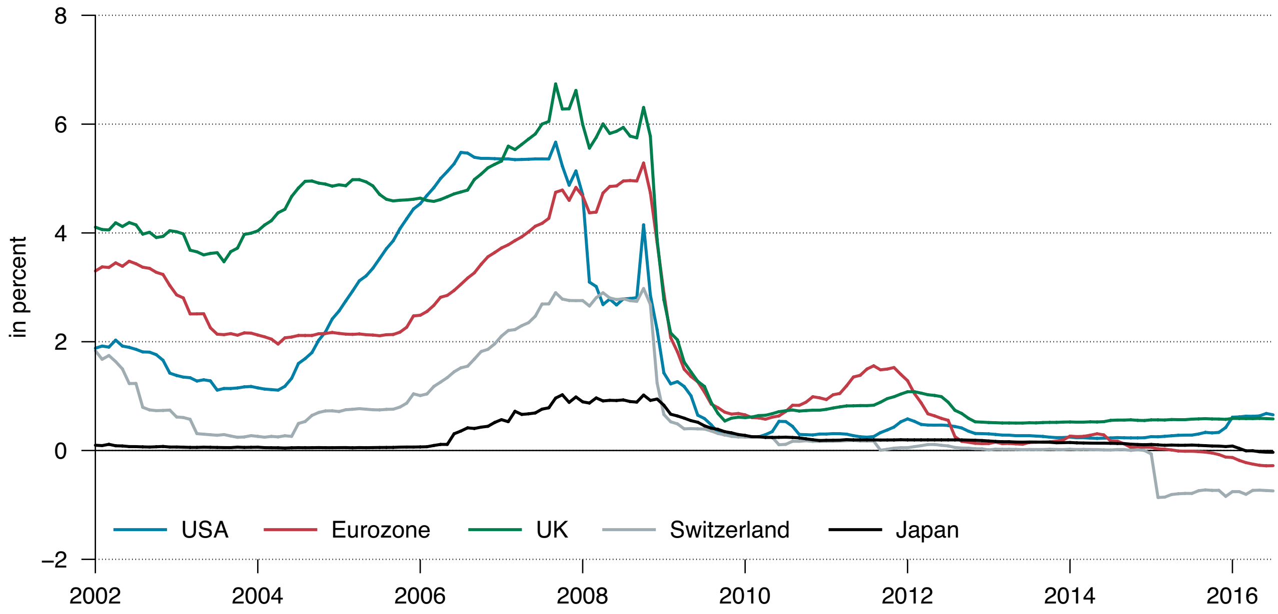
[1] The gap in interest rates between the second currency and the first one, in percentage points; e.g. US dollar minus euro for EURUSD.

Interest rate differentials

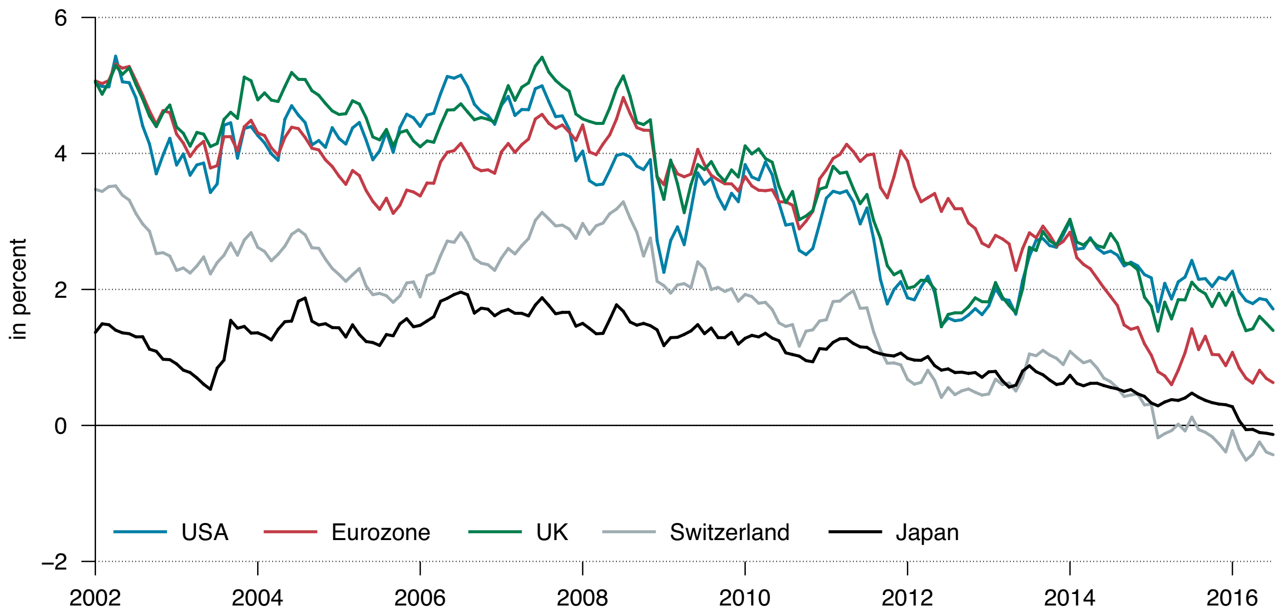


Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

3-month Libor



10-year government bond yields



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

FX markets

The latest batch of disappointing US economic data also triggered rapid reactions in the currency markets. Immediately after the publication of the latest labor market report, the EURUSD exchange rate increased from 1.115 to 1.135, which corresponds to around a 2-percent depreciation for the US dollar. The USDCHF exchange rate reacted similarly. Nevertheless, the US dollar is still broadly overvalued according to the estimates of Wellershoff & Partners. For the EURUSD exchange rate, the deviation from purchasing power parity at press time stood at about 13 percent.

From the perspective of investors with the Swiss franc as their home currency, the euro and the yen are still attractive. Not only does an upside potential of around 12 percent according to purchasing power parity speak for the euro, but also a positive momentum signal. The yen has indeed appreciated by about 8 percent since the beginning of the year, but at press time it still shows an upside potential of over 20 percent.

Heightened volatility still plagues the British pound. No wonder, given the imminent referendum on Britain's membership in the European Union. At press time, three-month implied volatility was around 70 percent – and thus substantially! – above the pound's historical five-year average.

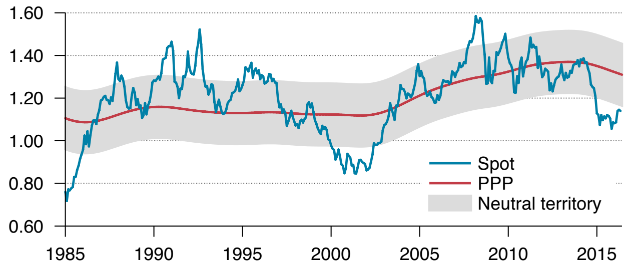
FX overview

	Current exchange rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	3 months	1 year	5 years	PPP	Neutral territory	Deviation[3]
EURUSD	1.135	4.5	3.1	1.3	-22.3	1.31	1.16 - 1.45	-13.3
USDJPY	107.2	-10.9	-5.0	-14.4	34.2	97.3	77.5 - 117.0	10.3
GBPUSD	1.456	-1.2	2.3	-4.7	-11.1	1.63	1.47 - 1.79	-10.8
EURCHF	1.098	0.9	0.1	4.6	-10.3	1.25	1.15 - 1.35	-12.0
USDCHF	0.967	-3.4	-3.0	3.2	15.4	0.98	0.79 - 1.18	-1.6
GBPCHF	1.407	-4.6	-0.7	-1.7	2.6	1.60	1.32 - 1.88	-12.2
CHFJPY	110.9	-7.7	-2.1	-17.1	16.3	91.1	78.5 - 103.6	21.8
AUDUSD	0.745	2.4	-0.7	-2.4	-29.9	0.70	0.58 - 0.82	6.7
USDCAD	1.280	-7.9	-3.8	2.8	30.7	1.20	1.12 - 1.27	6.9
USDSEK	8.138	-3.5	-3.5	-2.6	31.6	7.03	6.14 - 7.92	15.8
USDRUB	65.00	-11.0	-8.5	15.7	134.5	38.6	31.4 - 45.9	68.4
USDBRL	3.465	-12.4	-6.2	10.8	119.2	2.96	2.45 - 3.47	17.2
USDCNY	6.572	1.2	0.9	5.9	1.5	6.42	6.21 - 6.63	2.4
USDTRY	2.898	-0.7	0.2	4.8	83.2	2.30	2.04 - 2.56	25.8
USDINR	66.75	0.9	-0.7	4.1	49.3	64.1	60.9 - 67.3	4.2

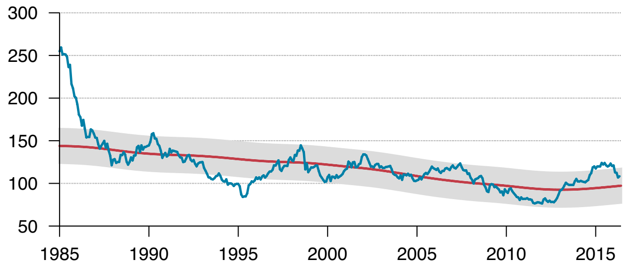
[1] Performance over the respective period of time, in percent.
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral territory is determined by +/- 1 standard deviation of the historical variation around the PPP value.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

Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

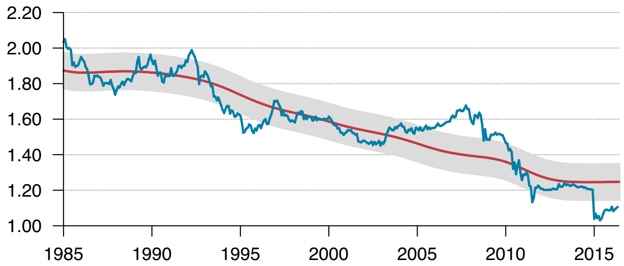
EURUSD



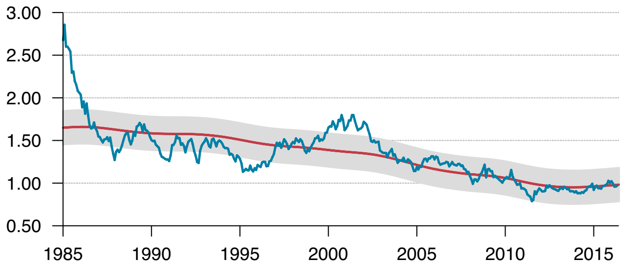
USDJPY



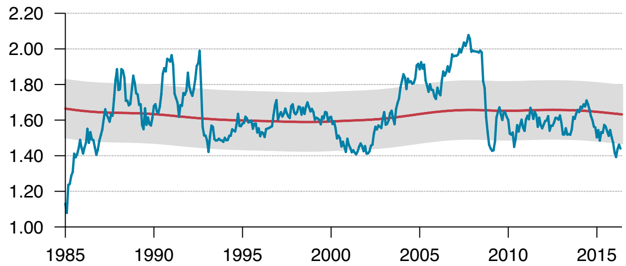
EURCHF



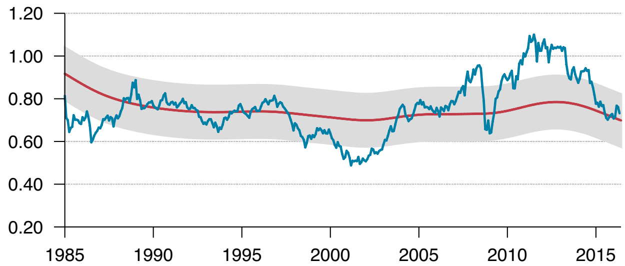
USDCHF



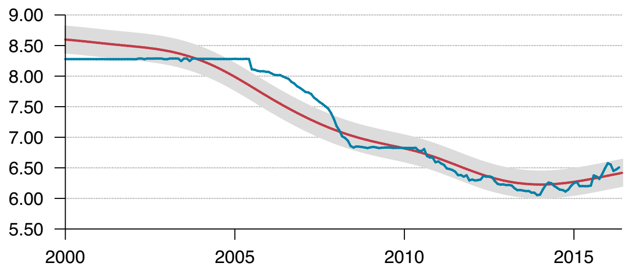
GBPUSD



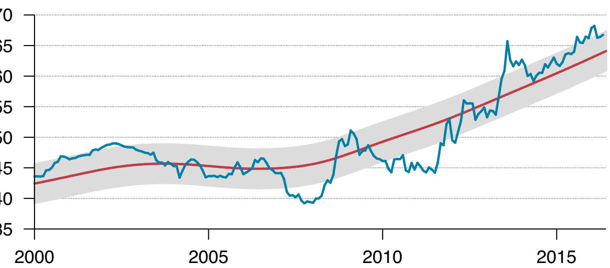
AUDUSD



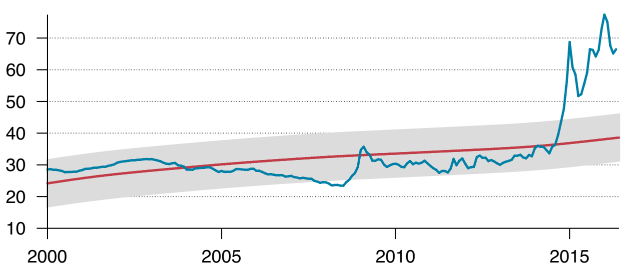
USDCNY



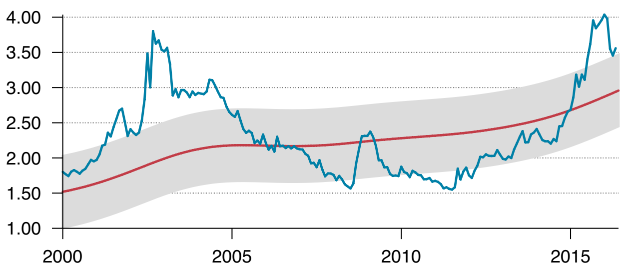
USDINR



USDRUB



USDBRL



Source: Thomson Reuters Datastream, Wellershoff & Partners

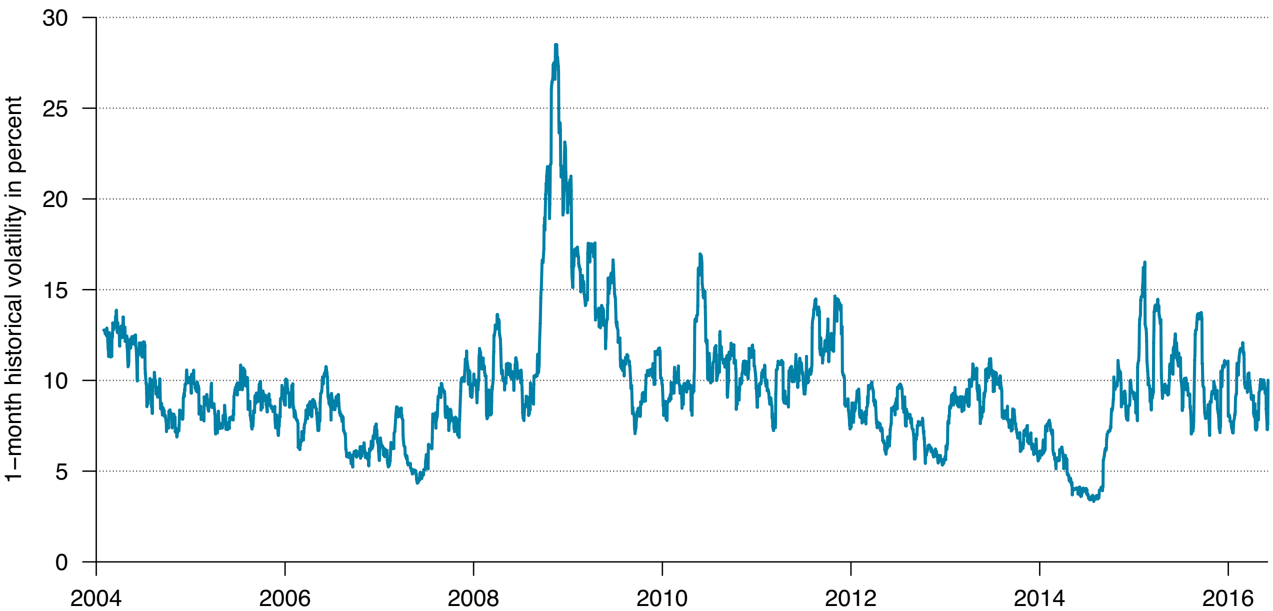
FX volatility

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	1.135	8.6	8.9	9.6	10.4	10.3	9.1	10.1	10.7
USDJPY	107.2	10.7	10.8	9.6	10.6	9.8	10.6	10.5	11.0
GBPUSD	1.456	9.5	15.1	8.2	9.6	8.4	11.1	8.9	10.0
EURCHF	1.098	4.6	6.6	6.1	6.1	6.6	7.2	7.1	6.4
USDCHF	0.967	8.2	8.9	10.1	10.5	9.8	9.3	10.6	10.8
GBPCHF	1.407	9.0	15.2	8.9	9.8	10.1	11.8	9.6	10.2
CHFJPY	110.9	10.0	11.0	11.0	11.3	10.3	11.3	11.7	11.8
AUDUSD	0.745	12.8	11.1	10.9	12.3	12.5	11.9	11.7	12.6
USDCAD	1.280	10.4	9.2	8.2	9.8	9.7	9.4	8.7	10.1
USDSEK	8.138	9.2	9.3	11.3	12.5	10.9	9.8	11.8	12.7
USDRUB	65.00	20.1	18.7	15.8	13.2	24.3	20.1	16.2	14.2
USDBRL	3.465	19.6	17.7	14.8	15.2	19.3	18.2	15.3	15.7
USDCNY	6.572	2.8	4.9	2.7	2.8	3.4	6.9	3.6	4.4
USDTRY	2.898	10.3	11.2	11.8	13.4	11.9	13.3	13.2	14.8
USDINR	66.75	4.1	6.3	9.5	9.5	4.6	8.1	10.5	10.3

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

QCAM volatility indicator[3]

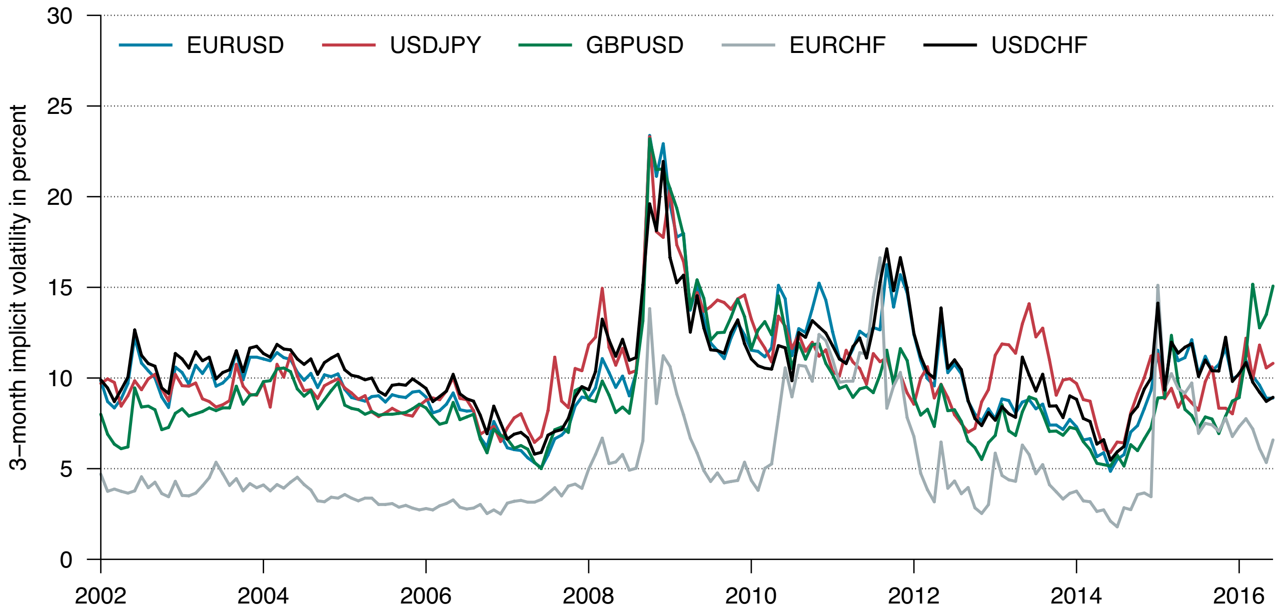


[3] The QCAM volatility indicator measures general volatility in global FX markets; the indicator is based on historical volatility of the main exchange rates, which are weighted by trading volume.

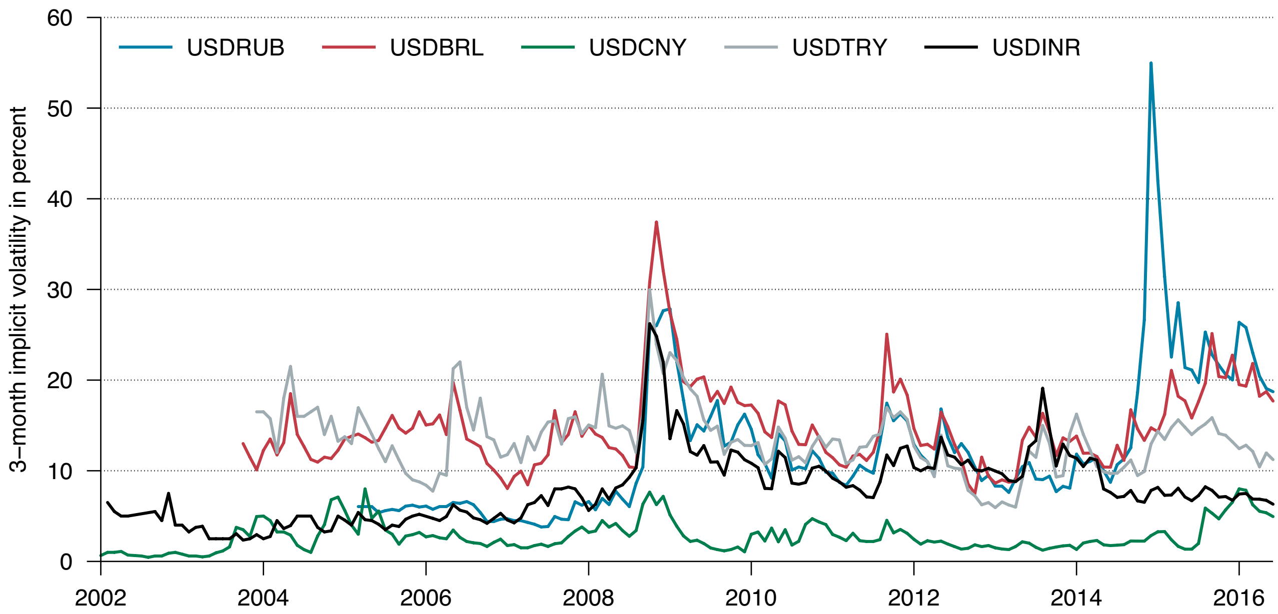
Source: Bloomberg, Thomson Reuters Datastream, QCAM, Wellershoff & Partners

QCAM Currency Asset Management

Implied volatility



Implied volatility



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

QCAM®
Currency
Asset
Management

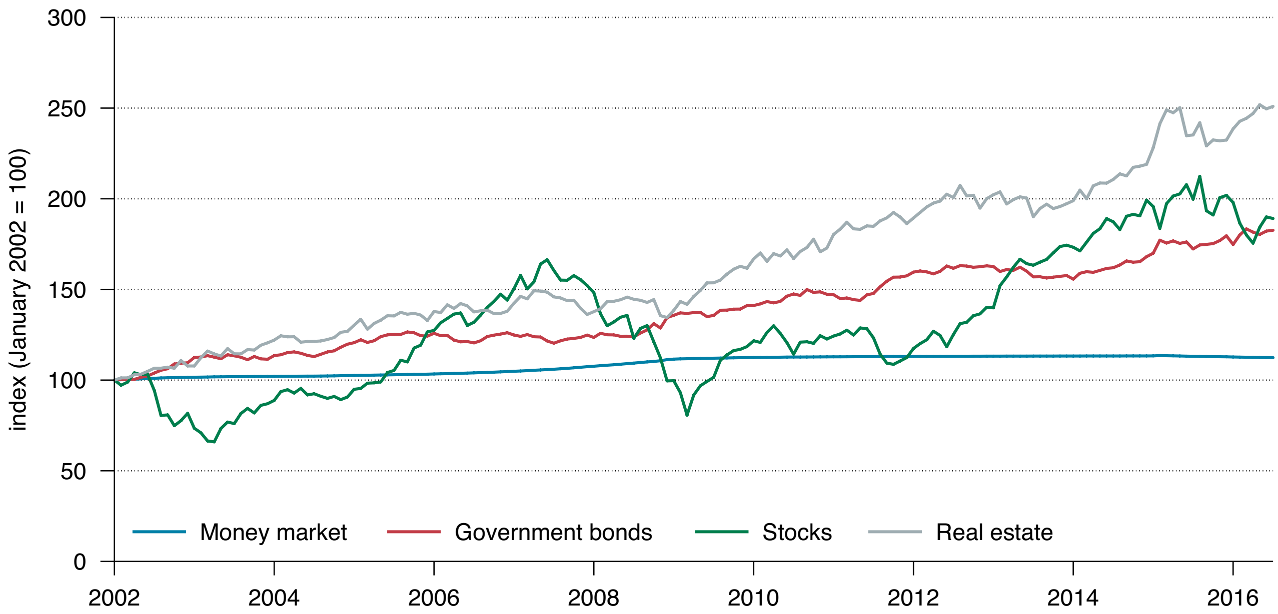
Financial markets

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	-0.3	-0.2	-0.7	-0.5	-0.3	-0.2	-0.7	-0.5
Swiss government bonds	4.7	1.1	6.7	24.1	4.7	1.1	6.7	24.1
Swiss corporate bonds	2.9	0.6	4.2	19.4	2.9	0.6	4.2	19.4
Swiss equities (SMI)	-3.7	5.1	-6.1	53.8	-3.7	5.1	-6.1	53.8
Eurozone equities (Stoxx600)	-2.9	4.2	-7.0	51.6	-1.4	4.5	-2.3	36.3
UK equities (Ftse100)	2.8	3.5	-3.8	29.0	-1.3	2.7	-5.2	32.3
Japanese equities (Topix)	-12.5	1.6	-17.7	83.2	-4.5	2.7	-1.5	57.3
US equities (S&P 500)	4.4	6.7	3.8	82.5	1.9	3.4	6.8	111.0
Emerging markets equities	6.1	6.7	-12.1	-16.0	3.6	3.4	-9.6	-2.9
Global equities (MSCI World)	3.4	7.0	-0.8	47.8	0.9	3.7	2.1	70.9
Swiss real estate	4.4	1.5	7.6	34.3	4.4	1.5	7.6	34.3
Global real estate	7.7	7.6	10.9	51.9	5.1	4.2	14.0	75.7
Commodities	12.4	11.1	-12.2	-47.1	9.7	7.6	-9.7	-38.8
Brent oil	43.5	25.0	-17.9	-57.0	40.1	21.1	-15.5	-50.2
Gold	16.8	-1.2	6.0	-19.4	14.1	-4.3	9.0	-6.8

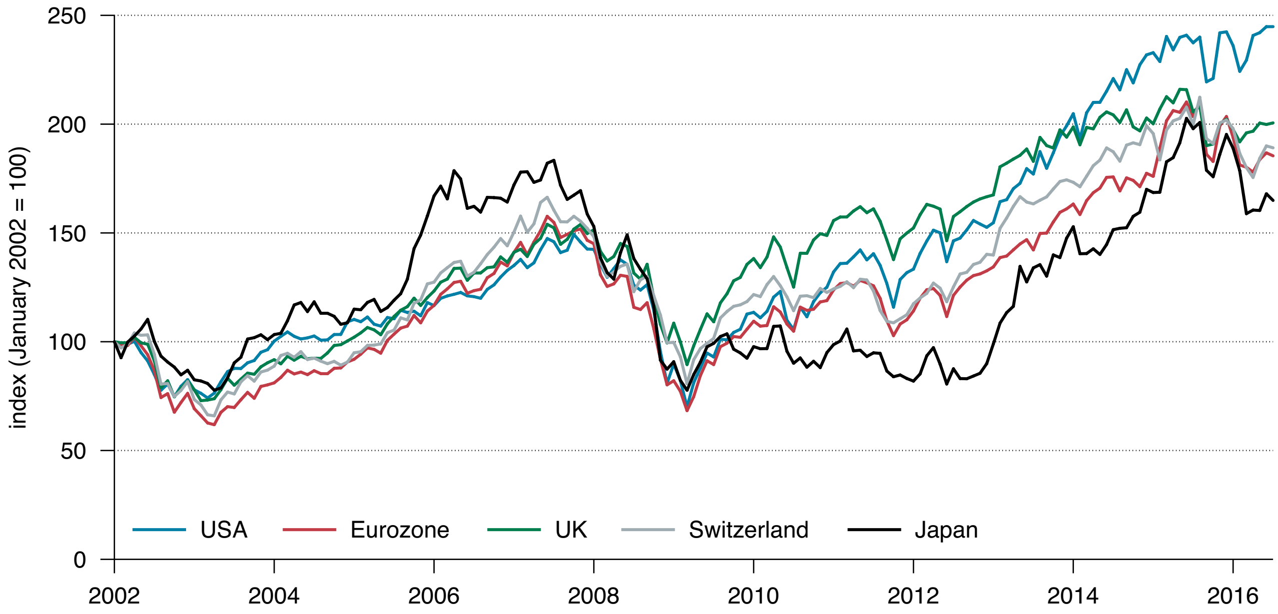
[1] Performance over the respective period of time, in percent.

Performance of selected Swiss asset classes

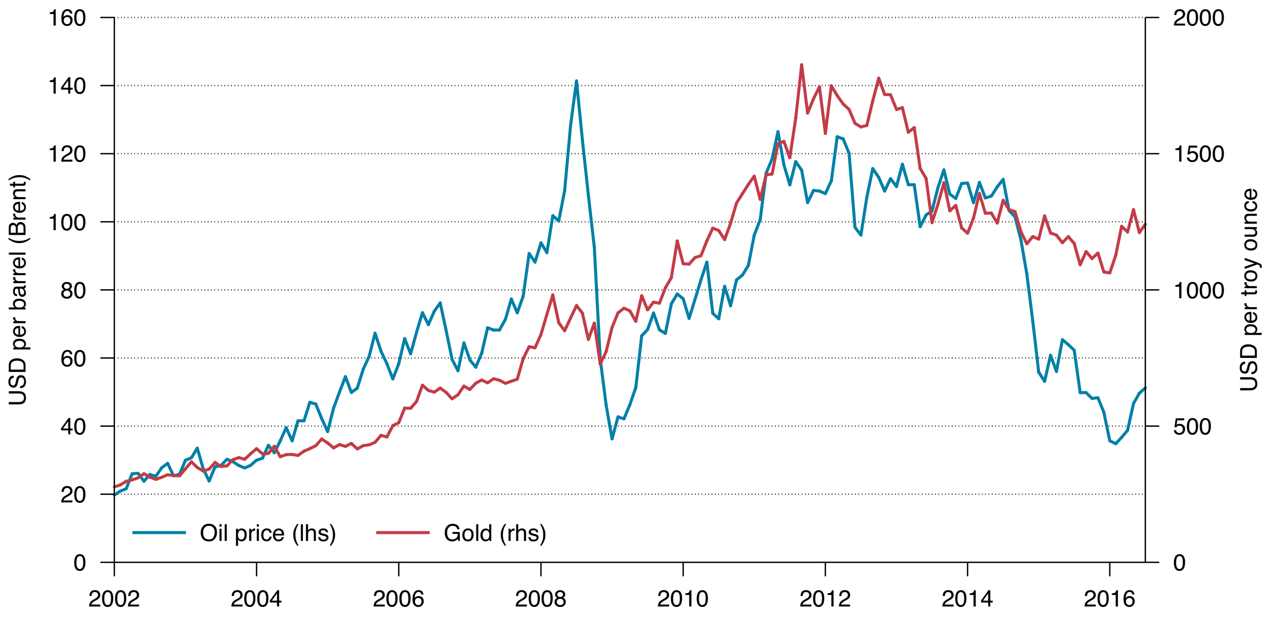


Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

Performance of selected equity markets (in local currency)



Performance of selected commodity prices



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

Number of the month

6.1 percent

China's economic growth has been losing steam for years. In the first quarter of this year, Chinese authorities declared a growth rate of 6.7 percent. Wellershoff & Partners has examined China's production statistics in painstaking detail and come up with an alternative to the official proclamations on GDP growth. The result? The Chinese economy looks set to grow by a mere 6.1 percent in the second quarter of this year.