

April 2022

# QCAM MONTHLY

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# QCAM Insight

## Surprise me

**Bernhard Eschweiler, Economic Advisor**  
QCAM Currency Asset Management AG

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**The Ukraine war remains a source of uncertainty but has not derailed financial markets. Europe is still most at risk and commodity currencies remain a good hedge but the focus is on inflation, growth and central bank reactions. The Fed is expected to hike rates the most, but the ECB has the potential to spring a hawkish surprise.**

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In the last edition of the QCAM Monthly, we argued that the Russian attack on the Ukraine was a sea change with far reaching political and economic consequences. However, we also noted that the war has not triggered a systemic financial crisis. Five weeks later, we observe that financial markets experienced more volatility but remain optimistic. Despite this week's declines, the MSCI World is up 3.5% since the start of the war. In the US, the S&P500 is up 6%, the VIX is down 9 points and high yield spreads are 31bps tighter. And even in Europe, which is much more negatively impacted by the war, most equity markets have recovered the losses suffered at the beginning of the war.

We see good reasons why financial markets are not experiencing stress, but the upbeat sentiment is at odds with the rapid change in economic conditions. The rise in energy prices has immediately boosted inflation. For the major economies, inflation forecasts for this year have increased on average by two percentage points within a few weeks, while growth forecasts have on average been lowered by half a percentage point. In addition, central banks are speeding up their policy normalization schedules.

Some market commentators worry now about the risk of recession, pointing to the near inversion of the US 2Y-10Y yield curve.

### **Mixed fallout in FX**

In FX markets, the fallout has been mixed. The USD DXY is up 3.6% since February 23rd, but most of the gains have occurred in the first 10 days of the war. The biggest loser has been the JPY, down 7% since the start of the war. The JPY's safe-haven function was more than offset by terms-of-trade losses due to the surge in energy prices and the widening interest rate gap to the USD. The rise in equity risk sentiment further strengthened the appeal of the carry trade. The EUR and the GBP both lost about 3.5% (mirror image of the USD DXY gain), while the CHF managed to gain versus the EUR, which reduced its loss versus the USD to 1.5%. The big winners were the AUD (+4.0%) and the CAD (+1.7%), both benefitting from the commodity link, distance to Europe and monetary policy adjustments.

Emerging markets currencies are holding up better than initially feared. Overall, EM currencies are down just 1% versus the USD. A special case has been the plunge and subsequent rebound of the RUB. Commodity currencies like the BRL and the ZAR have strengthened significantly, while the TRY plunged on rising inflation and central bank inaction. Asian commodity importers like the CNY and the INR depreciated slightly.

### **Uncertainty is not the main theme**

We hope that a ceasefire in the Ukraine war will be

reached as soon as possible, but a full peace settlement is unlikely to emerge soon. As a result, we expect uncertainty related to the Ukraine war to continue for some time. From an economic perspective, the main risk remains a further rise in energy prices. Thus, European currencies remain most vulnerable and the best hedge continues to be commodity currencies in our view.

However, while the Ukraine war creates uncertainty, the bigger theme in FX markets will be in our view central bank reactions to the inflation and growth dynamics. Before the outbreak of the war, our FX BIAS had turned short USD as business surveys signalled a pickup in global growth activity. The business surveys conducted since the start of the war show on balance a negative impact but not a collapse in business conditions. As a result, the FX BIAS has moved from outright short USD to neutral but not to outright long USD.

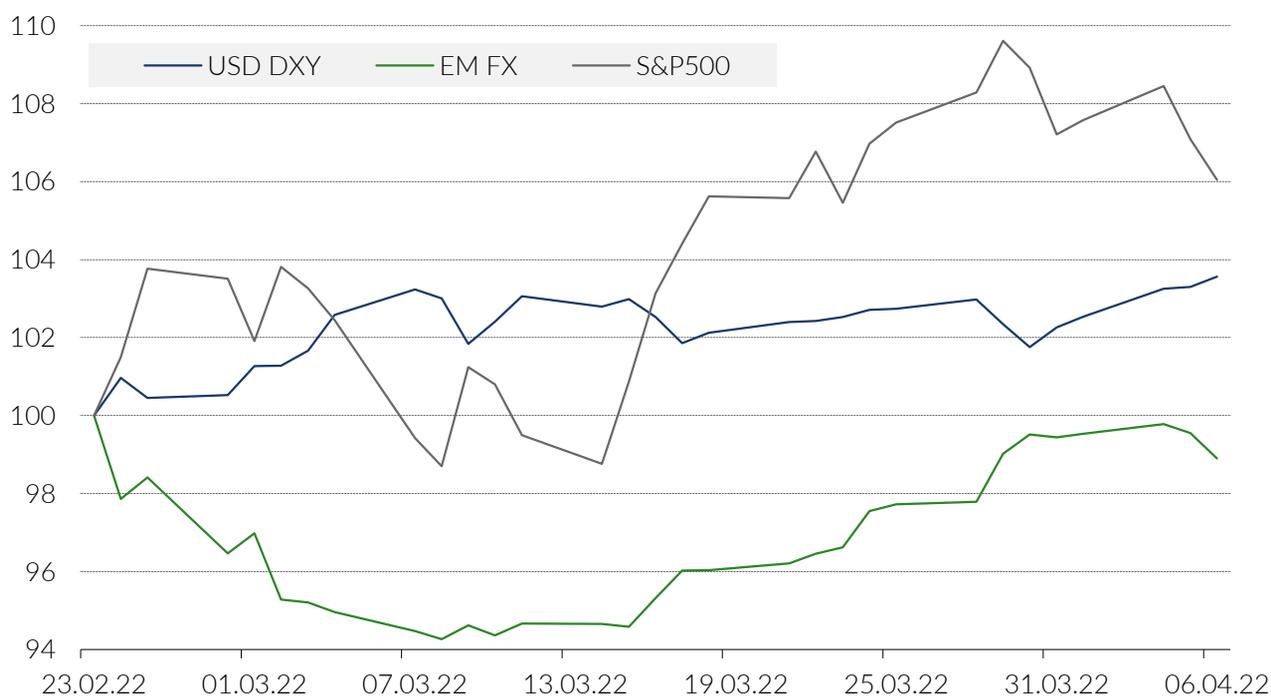
### Who will surprise more

The USD has been well supported by actual and ex-

pected interest rate increases. Market consensus now calls for the Fed funds rate to reach 2.5% at the end of the year with at least two 50bps rate hikes at the next meetings. No other major central bank is likely to top Fed rate hikes. However, the case of the RBA has shown that the directional change and the element of surprise may matter more.

In that respect, the ECB has the potential to push the EUR higher. Given the recent inflation surge, we see a good chance that the ECB will soon announce an unconditional tightening plan, with an end of the asset purchases by the middle of the year and the subsequent removal of negative interest rates. Thus, despite prevailing uncertainties related to the Ukraine, we see an upside potential for the EUR given the chance of a hawkish ECB surprise. The BoJ could also spring a surprise, but we think this is far less likely. Inflation is not out of control and the BoJ probably views this as a chance to finally break the deflation spiral. However, we believe the risk of MoF intervention has risen given the speed and extent of JPY appreciation thus far.

### Equity and FX performance since the start of the Ukraine war



Source: S&P, JPMorgan, investing.com and QCAM; index Feb-23-2022 = 100

# Economy & Interest Rates

The impact of the Ukraine war is now showing up in sentiment shifts and forecast revisions. Inflation forecasts for 2022 have been raised on balance by 2 points, which weighs on consumer confidence. Business sentiment is more resilient but growth forecasts are on balance down half a point as well. Developed markets, especially Europe are hit hard-

er than emerging markets. However, we believe economic momentum is sufficiently resilient coming out of the Corona pandemic to avoid recession in 2022 despite the new uncertainties from the Ukraine war, expected central bank tightening and energy shortages.

	Real GDP growth <sup>1</sup>		Unemployment rate <sup>1</sup>		Inflation rate <sup>1</sup>		Current account <sup>2</sup>		Fiscal balance <sup>2</sup>		Public debt <sup>2</sup>	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Global	5.8	3.5	n.a.	n.a.	3.2	6.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	5.0	3.0	n.a.	n.a.	3.3	6.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	5.7	3.5	5.4	3.5	4.7	6.5	-3.5	-2.5	-11.0	-6.0	133	131
Canada	4.6	4.0	7.5	6.0	3.4	5.5	0.2	0.0	-6.5	-7.5	110	105
Euro-area	5.2	3.0	7.7	6.5	2.6	7.0	2.7	2.7	-7.7	-4.0	99	97
Sweden	4.0	2.5	9.0	7.5	2.0	4.0	4.0	5.0	-3.0	-1.0	40	40
Switzerland	3.5	2.5	3.0	3.0	0.5	2.0	4.3	3.0	-2.5	-0.5	43	42
UK	7.3	3.5	4.5	4.0	2.6	7.0	-3.4	-3.0	-12.0	-6.0	109	107
Japan	1.7	2.0	2.8	2.5	-0.2	1.5	3.3	3.2	-9.0	-4.0	257	254
Australia	4.6	3.5	5.1	4.0	2.8	4.0	1.3	0.5	-8.5	-6.0	62	66
Emerging	7.0	4.0	n.a.	n.a.	3.3	5.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	8.1	4.5	4.1	4.0	0.9	2.0	1.5	0.5	-7.5	-7.0	69	72
India	8.5	7.0	n.a.	n.a.	5.4	6.0	-1.5	-2.5	-11.5	-10.0	91	90
Russia	4.6	-6.0	4.8	5.5	6.7	18.0	4.5	3.0	-1.0	0.0	18	18
Brazil	4.5	0.0	13.5	13.0	8.3	10.0	-1.7	-3.0	-7.0	-7.5	91	92

Source: OECD, IMF World Economic Outlook and QCAM estimates <sup>1</sup> In percent annual average <sup>2</sup> In percent of GDP

## OECD business and consumer confidence\*



Source: OECD and QCAM, \*the last observations are QCAM estimates based on other surveys

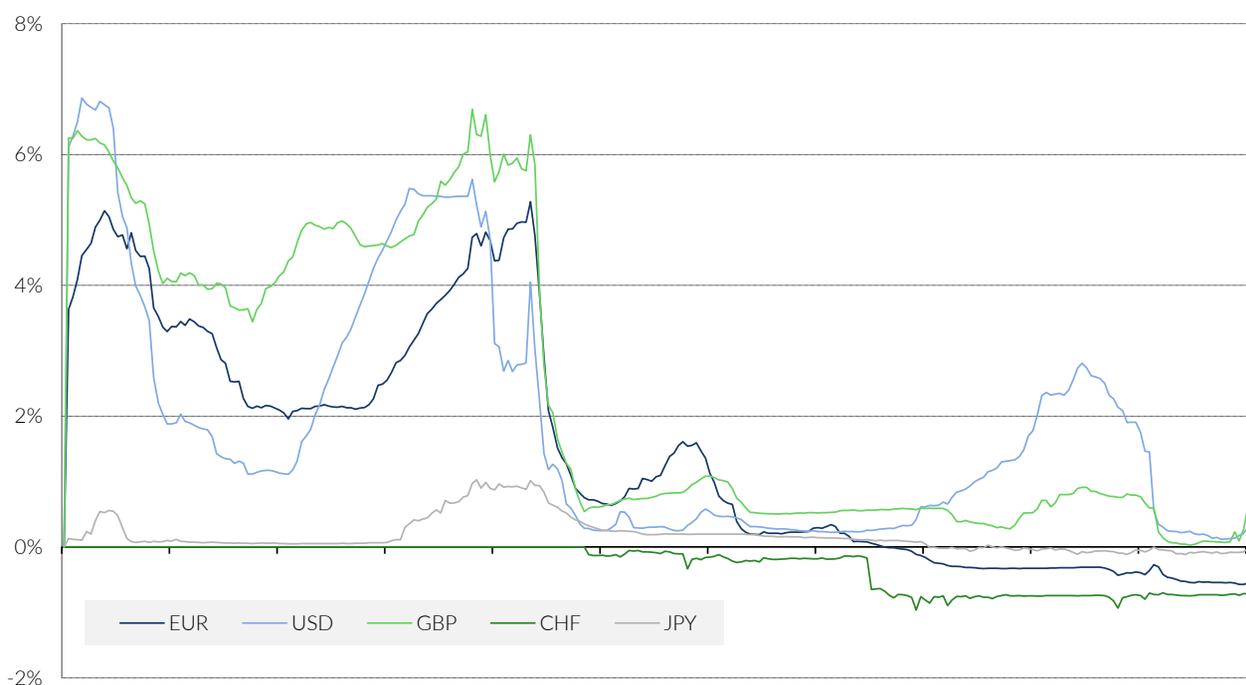
## Interest Rates

### Interest Rate Level Overview

	Short Term Interest Rate (3month OIS)					Long Term Interest Rate (10year Swap)				
	Current	1M ago	3M ago	12M ago	Ø 3 years	Current	1M ago	3M ago	12M ago	Ø 3 years
USD	0.76%	0.42%	0.13%	0.07%	0.65%	2.59%	1.82%	1.76%	1.74%	1.42%
EUR	-0.59%	-0.59%	-0.58%	-0.57%	-0.55%	1.27%	0.72%	0.33%	0.04%	0.06%
JPY	-0.01%	-0.02%	-0.03%	-0.02%	-0.05%	0.36%	0.24%	0.15%	0.15%	0.08%
GBP	0.94%	0.82%	0.36%	0.05%	0.31%	1.69%	1.30%	1.04%	0.77%	0.62%
CHF	-0.72%	-0.73%	-0.71%	-0.73%	-0.74%	0.93%	0.43%	0.17%	-0.09%	-0.19%
AUD	0.21%	0.08%	0.11%	0.03%	0.32%	3.20%	2.42%	2.12%	1.80%	1.43%
CAD	1.01%	0.64%	0.29%	0.19%	0.70%	3.00%	2.19%	2.15%	2.08%	1.70%
SEK	0.03%	-0.04%	-0.05%	-0.03%	-0.08%	1.95%	1.32%	1.03%	0.78%	0.62%
RUB	20.83%	37.07%	8.72%	4.82%	6.79%	14.17%	24.25%	8.78%	7.45%	7.92%
BRL	12.18%	11.48%	10.07%	2.77%	4.45%	11.24%	11.84%	11.35%	9.18%	8.69%
CNY	2.15%	2.16%	2.22%	2.41%	2.35%	2.57%	2.65%	2.57%	3.00%	2.86%
TRY	16.01%	16.01%	16.01%	19.95%	16.09%	28.65%	28.28%	23.50%	18.26%	16.03%
INR	3.80%	3.85%	3.82%	3.47%	4.23%	6.35%	6.19%	5.89%	5.83%	5.45%

Source: QCAM Currency Asset Management, as of April 6th, 2022

### 3-month Libor



Source: QCAM Currency Asset Management, as of end of March 2022

# FX Markets

## FX Performance vs. PPP

The USD appreciated further in March, especially versus the JPY. Commodity currencies like the AUD and the CAD as well as the BRL and the ZAR appreciated the most. The TRY plunged further on soaring inflation and central bank inaction. Speculative positions remained moderate with balances close to neutral, except for a large net short JPY position. Interest rate differentials are rising and

forward hedging versus the USD starts to become costly from the perspective of EUR, JPY and CHF. Actual FX volatilities increased further and implied volatilities stabilized in most cases above long-term averages. PPP estimates continue to crawl against the USD with the notable exception of the EUR. The JPY is now 30% undervalued versus the USD.

### Overview

	Current Exchange Rate	Performance <sup>1</sup>				Purchasing Power Parity <sup>2</sup>		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation <sup>3</sup>
EURUSD	1.091	-4.20%	-0.16%	-8.00%	2.42%	1.23	1.10 - 1.36	-11%
USDJPY	123.750	7.58%	7.82%	12.62%	11.61%	95.16	84.5 - 105.8	30%
GBPUSD	1.308	-3.39%	-1.15%	-5.40%	4.80%	1.57	1.40 - 1.75	-17%
EURCHF	1.017	-1.95%	1.38%	-7.96%	-4.88%	0.99	0.94 - 1.05	3%
USDCHF	0.933	2.33%	1.52%	0.02%	-7.14%	0.85	0.76 - 0.95	10%
GBPCHF	1.220	-1.14%	0.37%	-5.36%	-2.67%	1.21	1.10 - 1.32	1%
CHFJPY	132.667	5.10%	6.19%	12.57%	20.17%	94.44	83.5 - 105.4	40%
AUDUSD	0.753	3.50%	2.16%	-1.70%	-0.19%	0.78	0.69 - 0.87	-3%
USDCAD	1.250	-1.15%	-1.78%	-0.37%	-6.78%	1.22	1.13 - 1.31	2%
USDSEK	9.457	4.64%	-3.79%	9.58%	4.92%	8.06	7.14 - 8.99	17%
EURSEK	10.318	0.29%	-3.91%	0.84%	7.49%	8.63	8.10 - 9.17	20%
USD RUB	82.917	10.44%	-33.78%	7.47%	47.47%	57.59	47.7 - 67.5	44%
USDBRL	4.701	-15.62%	-7.16%	-16.21%	50.93%	3.85	3.18 - 4.53	22%
USDCNY	6.364	0.11%	0.63%	-2.74%	-7.62%	6.78	6.58 - 6.99	-6%
USDTRY	14.745	11.44%	3.76%	80.87%	297.98%	8.84	6.93 - 10.74	67%
USDINR	75.955	1.96%	-0.58%	3.34%	17.58%	70.68	65.6 - 75.7	7%

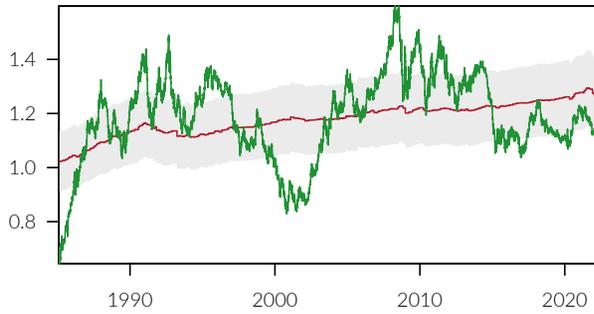
<sup>1</sup> Performance over the respective period of time, in percent

<sup>2</sup> Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by  $\pm 1$  standard deviation of the historical variation around the PPP value.

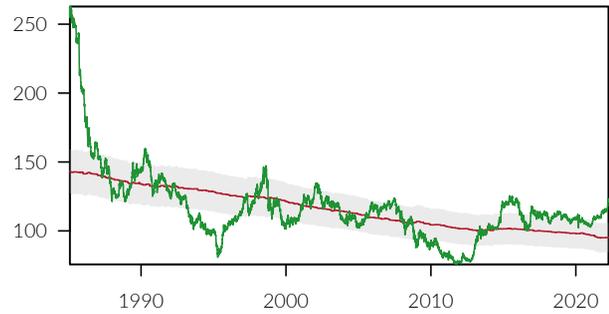
<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity

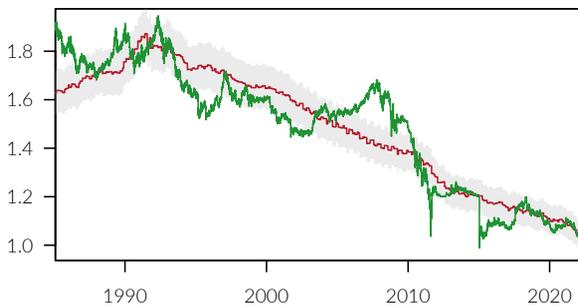
**EURUSD**



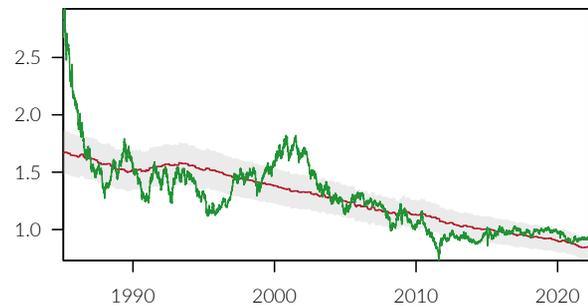
**USDJPY**



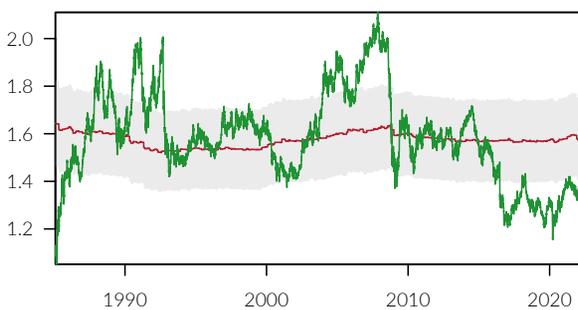
**EURCHF**



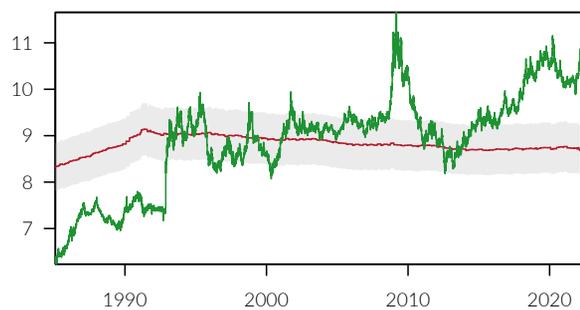
**USDCHF**



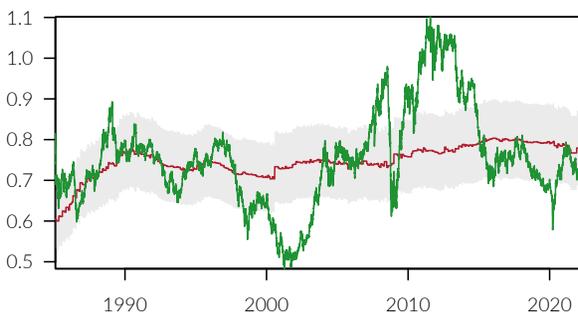
**GBPUSD**



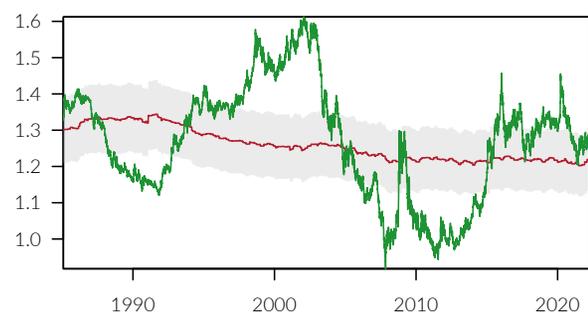
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

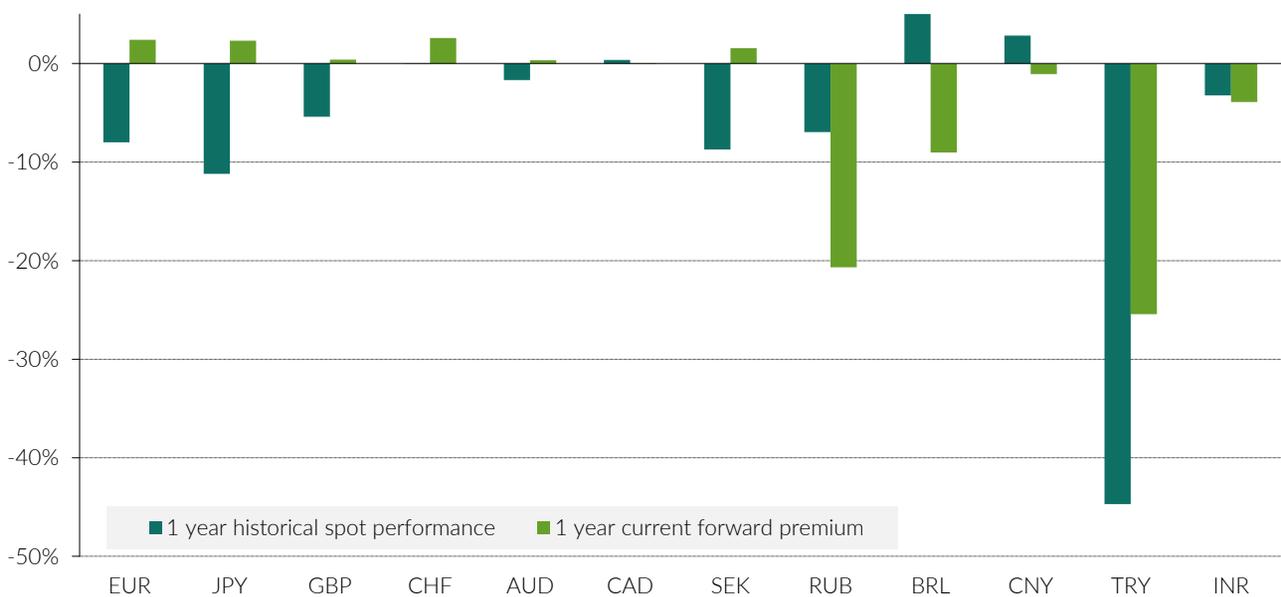
Source: QCAM Currency Asset Management, as of April 6th, 2022.

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.091	1.0919	1.0950	1.1169	1.12%	1.52%	2.34%
USDJPY	123.750	123.6755	123.4026	120.9476	-0.70%	-1.11%	-2.22%
GBPUSD	1.308	1.3074	1.3075	1.3125	-0.20%	-0.04%	0.36%
EURCHF	1.017	1.0172	1.0170	1.0155	-0.16%	-0.15%	-0.18%
USDCHF	0.933	0.9316	0.9287	0.9091	-1.28%	-1.67%	-2.46%
GBPCHF	1.220	1.2181	1.2143	1.1933	-1.47%	-1.70%	-2.11%
CHFJPY	132.667	132.7331	132.8538	132.9993	0.58%	0.56%	0.25%
AUDUSD	0.753	0.7535	0.7543	0.7556	0.41%	0.59%	0.31%
USDCAD	1.250	1.2507	1.2508	1.2514	0.24%	0.12%	0.07%
USDSEK	9.457	9.4512	9.4323	9.3138	-0.68%	-1.02%	-1.48%
EURSEK	10.318	10.3215	10.3305	10.4054	0.44%	0.50%	0.83%
USD RUB	82.917	84.8214	87.7416	104.5296	24.32%	23.02%	25.71%
USDBRL	4.701	4.7384	4.8252	5.1690	9.19%	10.43%	9.76%
USDCNY	6.364	6.3795	6.3990	6.4339	2.71%	2.16%	1.07%
USDTRY	14.745	15.0955	15.8573	19.7749	26.76%	29.85%	33.65%
USDINR	75.955	76.2322	76.7507	79.0598	4.24%	4.15%	4.01%

### Historical Spot Performance and Current Forward Premium vs. the US Dollar



Source: QCAM Currency Asset Management, as of April 6th, 2022

## FX Volatility

### Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility <sup>1</sup>				Implied Volatility <sup>2</sup>			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.091	9.15%	7.75%	5.89%	6.25%	8.15%	9.63%	6.00%	6.54%
USDJPY	123.750	7.10%	5.05%	4.72%	6.52%	8.98%	7.73%	6.38%	7.14%
GBPUSD	1.308	6.84%	6.76%	6.34%	8.08%	8.00%	8.95%	7.53%	8.65%
EURCHF	1.017	8.44%	6.69%	4.05%	4.23%	6.68%	8.35%	4.65%	5.03%
USDCHF	0.933	7.38%	7.21%	6.58%	6.35%	7.43%	7.15%	6.60%	6.50%
GBPCHF	1.220	6.63%	6.13%	6.19%	7.73%	7.38%	8.07%	7.33%	8.16%
CHFJPY	132.667	6.77%	6.28%	5.31%	5.94%	8.70%	7.93%	6.23%	6.65%
AUDUSD	0.753	11.39%	10.85%	10.16%	8.55%	10.40%	10.78%	9.85%	8.86%
USDCAD	1.250	7.31%	8.07%	6.28%	6.56%	7.03%	8.07%	6.50%	6.64%
USDSEK	9.457	14.89%	12.26%	8.27%	8.56%	12.23%	15.28%	8.63%	8.79%
EURSEK	10.318	9.29%	7.37%	4.17%	5.65%	7.55%	9.28%	5.65%	6.03%
USDRUB	82.917	95.24%	56.41%	10.39%	13.37%	48.50%	74.17%	14.83%	14.05%
USDBRL	4.701	14.41%	14.82%	19.18%	14.51%	17.95%	17.75%	18.68%	15.52%
USDCNY	6.364	2.92%	2.88%	4.27%	4.30%	3.95%	4.05%	5.05%	5.06%
USDTRY	14.745	14.85%	65.27%	23.98%	18.48%	30.23%	31.88%	26.98%	18.55%
USDINR	75.955	6.43%	5.50%	5.38%	5.44%	5.88%	6.83%	6.18%	6.23%

<sup>1</sup> Realised 3-month volatility (annualised)    <sup>2</sup> Market implied 3-month volatility (annualised)

### QCAM Volatility Indicator<sup>3</sup>



<sup>3</sup> 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: QCAM Currency Asset Management, as of April 6th, 2022

# FX Analytics

**QCAM has developed an analytical framework to take scalable exchange rate positions. The QCAM exchange rate strategy for each currency pair has three principle components:**

- **Macro**
- **Business Sentiment**
- **Technical**

The positioning signals from each component are aggregated into an overall positioning score for each currency pair. This score is used for the dynamic exposure management.

The Macro component consists typically of economic growth, balance of payments, fiscal and monetary policy and in some cases commodity fundamentals. The positions are either discretionary or model driven.

The Business Sentiment component is a rule-based framework built on business surveys.

The Technical component consists primarily of the technical analysis of daily exchange rates (trend following and mean reversion). We also consider

speculative futures positions and the deviation of exchange rates from purchasing power parity.

The summary table below and the following pages show the QCAM strategy framework and the positioning for the major currency pairs actively covered by QCAM. The tables break each of the three strategies into subcomponents with an indication of the current impact. The charts show the respective exchange rate with past QCAM positions and their scale.

## Current positioning

We have shifted the long USD Macro positions to neutral. The situation in the Ukraine and the economic implications remain uncertain but the market seems to have largely adjusted to the war situation. Business Sentiment positions now reflect the war situation as well and shifted from a balance of long USD to roughly neutral. Technical positions are mixed and on balance slightly long USD. The balance of all three strategy groups is roughly neutral USD.

## Overview<sup>1</sup>

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	+/0	-	Macro shifted from short EUR to neutral and the long EUR Business Sentiment position declined
USDJPY	0/+	--	++	The Macro interest model went to short JPY. Discretionary Macro stayed neutral and Business Sentiment long JPY, while Technical shifted to short JPY
EURCHF	0	-	-	The Macro positions shifted to neutral, while the Technical positions stayed long CHF. Overall, the position is modestly long CHF, but more versus the EUR than versus the USD.
USDCHF	0	0	-	
GBPUSD	0	--	-	Macro shifted from short to neutral and Business Sentiment from long to short. Overall half short GBP.
EURSEK	-/0	++	+	Macro shifted from short to long SEK, while Business Sentiment stayed short. Overall short SEK.
USDCAD	-/+	++	--	Technical switched from short to long CAD. All other positions remained unchanged.

<sup>1</sup> The signs relate to the first currency of the exchange rate pair ; ++ or -- mean 100% long or short; \*/\* means split position.

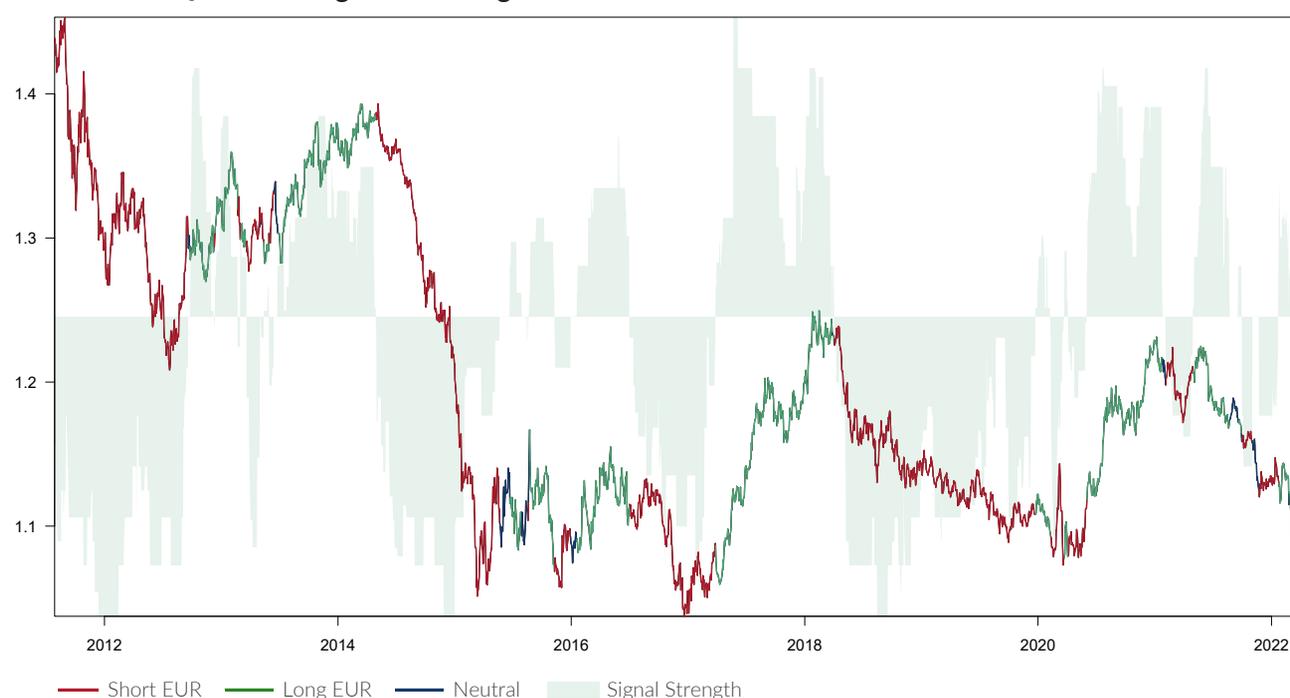
## EURUSD

We have shifted the short EUR Macro position to neutral as the market seems to have adjusted to the war situation. We see the risks going forward two sided. The situation in the Ukraine could again escalate with more negative economic implications (e.g. oil and gas embargo). On the other hand, there is a good chance that the ECB surprises on the

hawkish side at the next meeting. Business Sentiment has incorporated the new situation as well with the position shifting from outright long EUR to a small long EUR position. Technical remains short EUR. The balance of the three strategy position is slightly short EUR.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	The gap between the US deficit and the Euro-area surplus is likely to decline due to terms of trade shifts
	Fiscal Balances	0	The US deficit has declined after the surge at the start of the year and is approaching a similar level to the Euro-area deficit
	Interest Rate Differentials	-	Interest rate differentials are a positive for the USD but unlikely to widen further and could even shrink on ECB surprise
	Oil prices	0	Oil prices are moving in a volatile range
<b>Sentiment</b>	Business Sentiment	0	The momentum in Euro-area surveys has declined to a similar pace as US surveys and may slip further
	Risk Sentiment	-	Uncertainty related to the Ukraine war remains high
<b>Technical</b>	Price Action	-	Price technicals remain short EUR
	Spec Positions	0	Positions are close to neutral
	PPP Valuation	+	EUR undervaluation is around 11%

### EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

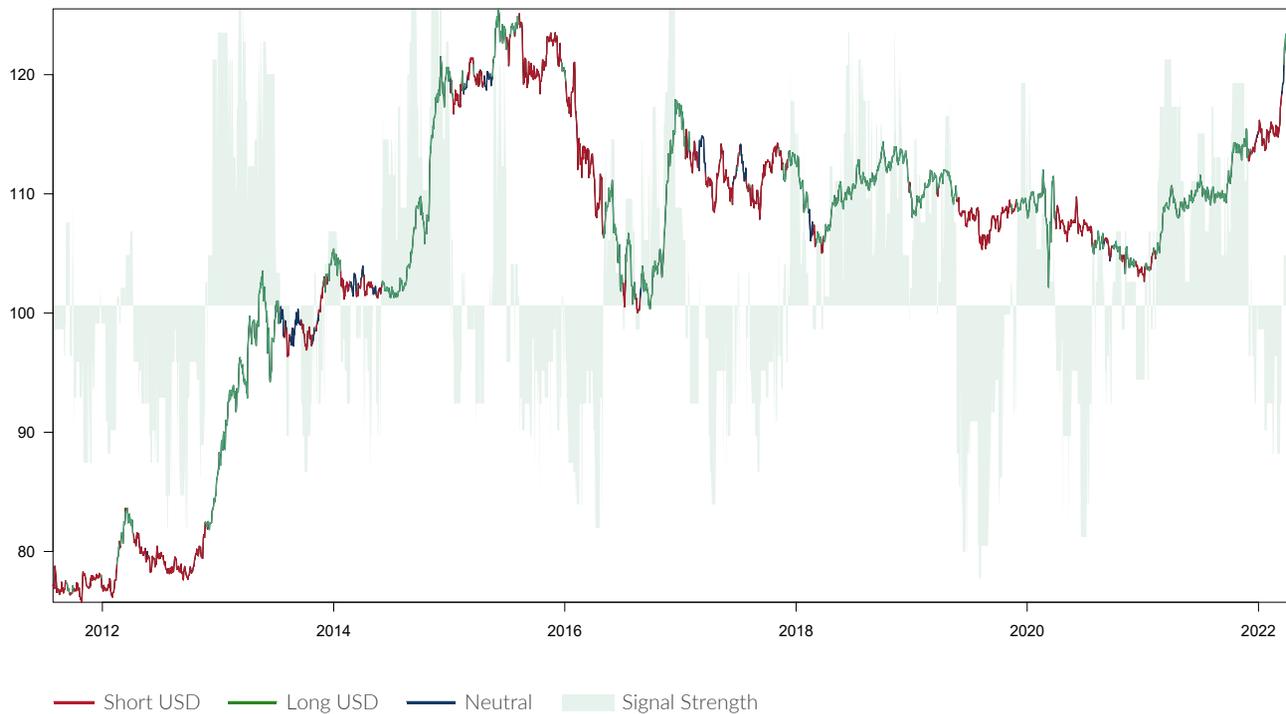
## USDJPY

We kept the discretionary Macro position at neutral. The JPY remains vulnerable as the BoJ stays put, while other central banks tighten policy. However, we think the sharp move in recent weeks increases the risk of MoF intervention. The Macro Carry model switched

to short JPY due to rising interest rate spreads and improving equity market risk sentiment. Business Sentiment in Japan held up well and maintained the long JPY position, while Technical shifted to short JPY. The balance of all strategy positions is close to neutral.

	FX Factors	JPY Impact	Comment
<b>Macro</b>	Current Account Balances	0	The Japanese surplus has slipped due to terms of trade effects from higher commodity prices
	FDI Flows	0/-	Net outflows remain below the pre-Corona level
	Interest Rate Differentials	--	Japanese short-term rates remain zero-bound, while short-term rates rise elsewhere, especially in the US
<b>Sentiment</b>	Business Sentiment	+	Momentum of Japanese Business Sentiment continues to improve
	Risk Sentiment	-	Recovery in equity risk sentiment favors carry outflows
<b>Technical</b>	Price Action	--	Price action has turned JPY negative
	Spec Positions	0	Net short JPY position rose sharply reaching reversal point
	PPP Valuation	+	The JPY is currently about 30% undervalued

### USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

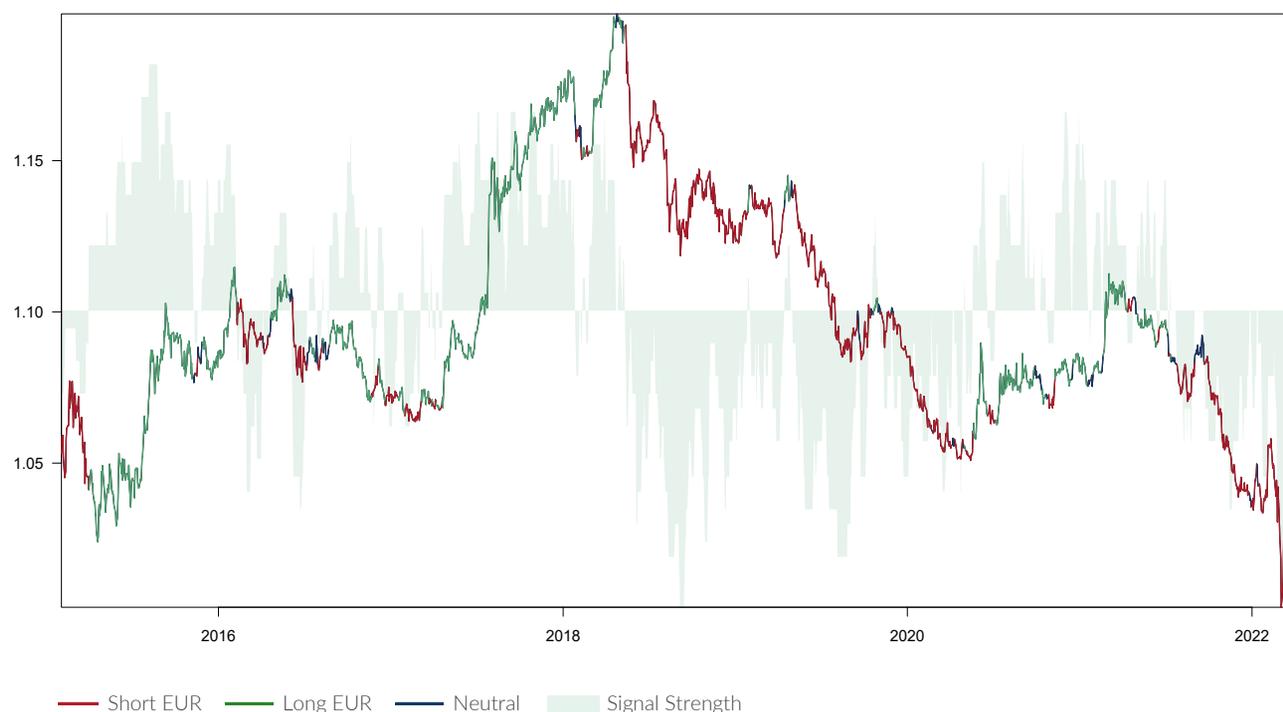
## EURCHF

We have shifted the long CHF macro position to neutral. The CHF remains fundamentally strong but its safe haven function within Europe seems to fade as the market adjusts to the war situation. The SNB is also

showing more resistance to limit further CHF strength. Business Sentiment and Technical remain long CHF. Our three strategy positions are on balance moderately long CHF versus the EUR.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus remains steady support for CHF
	Capital Flows (Safe Haven)	+	Some inflows on Ukraine concerns
	Interest Rate Differentials	0	CHF interest rates likely to trail EUR interest rate
	SNB Policy Intervention	0	The SNB has intervened to smooth the exchange rate but not to force a significant correction
<b>Sentiment</b>	Business Sentiment	+	Swiss economy is overtaking the Euro-area in the surveys
	Risk Sentiment	0/+	The CHF benefits as a safe haven within Europe, but that is partly offset by improved equity risk sentiment
<b>Technical</b>	Price Action	+	The positive CHF trend remains in place
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	0/-	CHF is around fair-value versus the EUR

### EURCHF and QCAM Strategic Positioning



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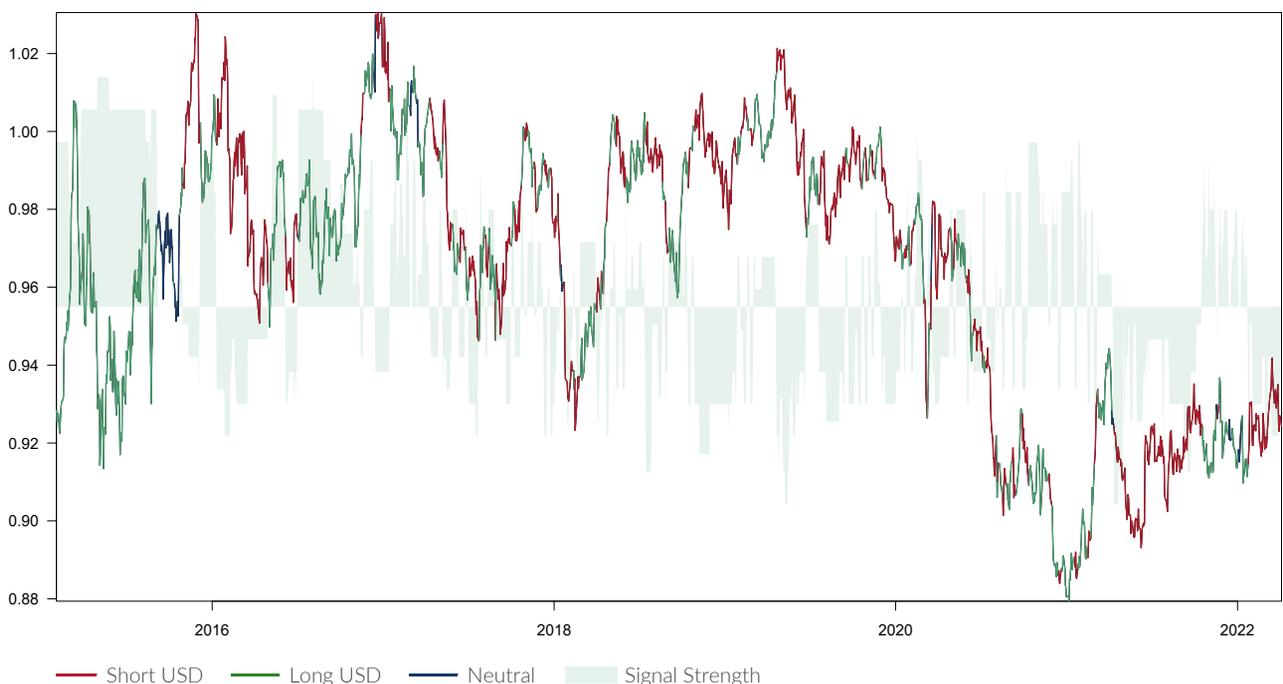
## USDCHF

Given our Macro positions in EURCHF (neutral) and EURUSD (neutral), we are also neutral CHF versus the USD. The CHF is fundamentally strong, but rising USD interest rates make the CHF less attractive versus the

USD. Business Sentiment shifted from long to neutral CHF and Technical moved from neutral to long CHF. The balance of all three strategies is slightly long CHF.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus remains steady support for CHF
	Capital Flows (Safe Haven)	+	Some inflows on Ukraine concerns from Europe
	Interest Rate Differentials	-	Rising USD interest rates have widened the rate differential
	SNB Policy Intervention	0	Tied to EURCHF intervention risk but currently neutral
<b>Sentiment</b>	Business Sentiment	+	Swiss surveys roughly on par with US surveys
	Risk Sentiment	0/+	The CHF benefits from the Ukraine uncertainty but more versus the EUR than the USD
<b>Technical</b>	Price Action	+	Price action has become CHF friendly
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	0/+	CHF is about 10% undervalued versus USD

### USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

## GBPUSD

We moved the short Macro position to neutral as the market seems to have adjusted to the war situation. We are still fundamentally bearish on the GBP given the negative Brexit fallout. However, the GBP also tends to do well in periods of improving

equity risk sentiment. Business Sentiment has turned sharply from long to short GBP, while Technical remains short GBP. The balance of our strategies is half short GBP.

	FX Factors	GBP Impact	Comment
<b>Macro</b>	Current Account Balances	0	The UK has like the US a twin deficit problem
	Interest Rate Differentials	-	US interest rates are rising above UK rates across all maturities
	Oil Price	0	Volatile range
<b>Sentiment</b>	Business Sentiment	--	Momentum in UK surveys has slipped below US surveys
	Risk Sentiment	0	Ukraine related uncertainties are balanced with improving equity risk sentiment
<b>Technical</b>	Price Action	-	Technicals remain short GBP
	Spec Positions	0	Net GBP position shifted from neutral to moderate short
	PPP Valuation	+/0	The GBP is still 17% undervalued, but has recovered much of the losses since the BREXIT vote

### GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

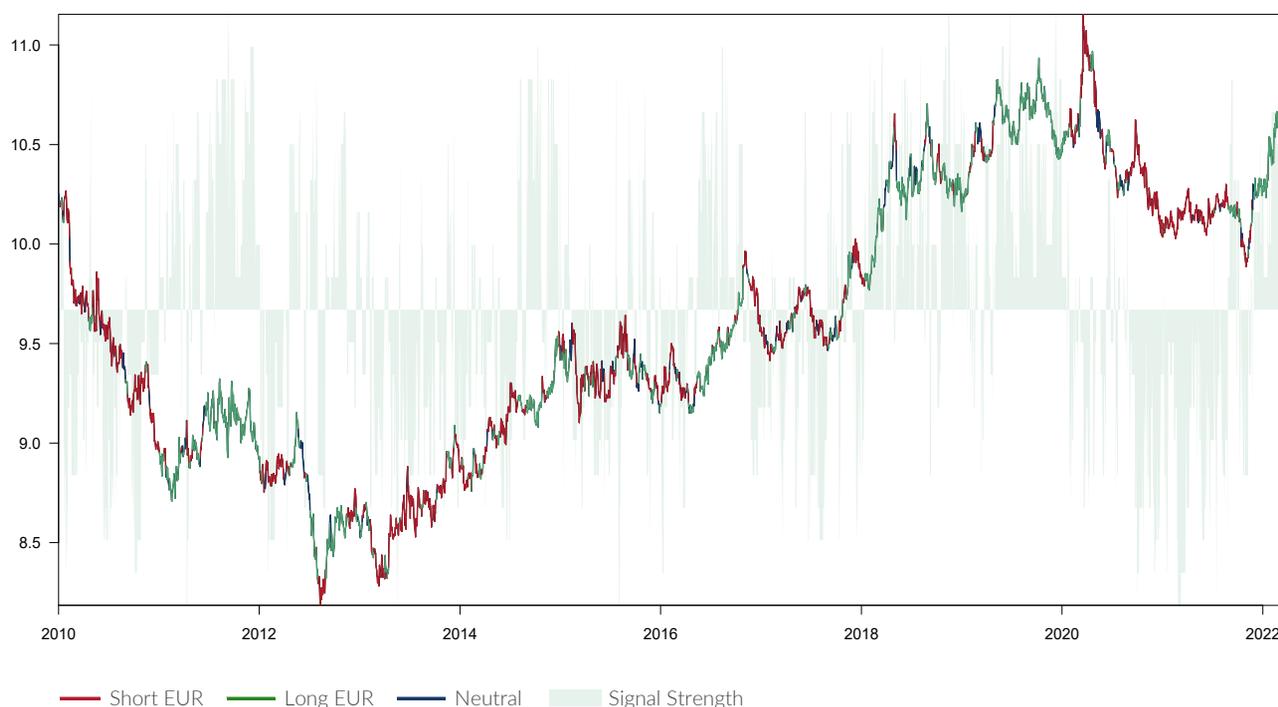
## EURSEK

Sweden's fundamentals remain sound and the SEK is undervalued. The SEK has gone through a roller coaster since the start of the Ukraine war, first falling sharply and then recovering strongly. We have shifted the discretionary Macro position to long SEK as we see more fundamental upside potential

if the risk situation does not deteriorate. The interest rate Macro model stayed neutral but there is a chance of a hawkish surprise from the Riksbank. Business Sentiment stayed short SEK and Technical moved to short SEK. The balance of all strategy positions is half short SEK versus the EUR.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0/+	Swedens surplus less likely to suffer terms of trade losses
	Interest Rate Differentials	0	The Macro interest rate model remained neutral SEK
<b>Sentiment</b>	Business Sentiment	-	Surveys remained short SEK
	Risk Sentiment	0/+	SEK benefits from improving equity risk sentiment
<b>Technical</b>	Price Action	-	Technicals are still short SEK but should shift to long given recent price action
	PPP Valuation	+	The SEK is roughly 20% undervalued versus the EUR

### EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

## USDCAD

We see the CAD well supported as a commodity currency with a tightening central bank. As a result, we maintain the long CAD discretionary Macro position. The Macro oil price model is currently short CAD as the forecasts are not showing oil price increases above

current levels. The Business Sentiment position remains short CAD and the Technical position shifted from short to long CAD. On balance, the strategy positions are neutral CAD.

	FX Factors	CAD Impact	Comment
<b>Macro</b>	Current Account Balances	+	Canada's current account remains about balanced, while the US deficit is widening
	Oil Prices	+	Oil price increases continue to support the CAD
	Interest Rate Differentials	0	CAD short-term rates remain above USD rates, while long rates are about equal
	USD DXY Trend	0/-	Negative correlation with USD is small
<b>Sentiment</b>	Business Sentiment	-	Canada still trails the US in the surveys
	Risk Sentiment	0/+	CAD benefits from improving equity risk sentiment
<b>Technical</b>	Price Action	+	Technicals moved from neutral to long CAD
	Spec Positions	0	Net long CAD positions stayed in lower range
	PPP Valuation	0	CAD is about 2% undervalued versus the USD

### USDCAD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

# QCAM Products and Services

**Our edge derives from a focus on professional currency management, the absolute transparency and the careful examination of risk. It is our mission to offer our clients innovative transparent solutions, in a thoughtful and risk-controlled environment, and to surpass investment goals.**

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## Currency Overlay

Risks under control – opportunities in sight: QCAM Currency Overlay offers customised solutions for individual needs and investment goals. Our Passive Overlay focuses on risk management, reduction of transaction costs and the customer specific management of resulting cash flows. Our Dynamic Overlay aims to generate returns based on QCAM's proprietary FX Analytics, embedded in a strict risk budgeting framework.

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## FX Best Execution

With larger foreign currency transactions, even a small difference in pricing leads to a major impact on costs and revenues. While it is unattainable for most players to keep the full overview of the deals available in the market, independence and transparency are essential. We carry out a Transaction Cost Analysis for our clients to evaluate potential cost savings. Also, QCAM assists its clients in the design of an optimal multibank-setup and conducts clients FX transactions transparently, independently and in the client's best interests.



## Money Market Plus

QCAM's Money Market Plus Strategy «MMP» enhances yield via the use of the FX interbank swap-market. Also, we take advantage from excellent conditions which we receive from our large pool of partner banks and highly rated debtors for money market and currency transactions QCAM's MMP strategy has outperformed its peers for many years on a constant basis.

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## FX Alpha

Currencies as an attractive portfolio diversification via QCAM FX BIAS. The focus on QCAM's Business Intelligence Alpha Strategy is on business indicators which we have successfully used for many years. The strategy is market-neutral, no specific market environment necessary. Diversification via a pool of eight different currencies and their respective trading signals.



# QCAM Profile

## About us

QCAM Currency Asset Management AG is an independent financial services provider with a specific focus on currency and liquidity management. QCAM brings together a team of internationally experienced Currency and Asset Management specialists, who are managing assets of institutional clients of approx. USD 5 billion.

Our core competences are Currency Overlay Services, FX Transaction Execution according to „Best Execution“ principles, FX Alpha and Liquidity Management.

Long-standing customers of QCAM are pension funds, family offices, investment funds, companies, NGOs and HNWLs.

### Headquarters

Zug, Switzerland

### Founded

2005

### Regulation

FINMA since 2007  
 SEC since 2014

## Independent and Transparent

- Interests directly aligned with those of our clients

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- Client focused solutions, tailored to each individuals requirements

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- Independent selection of suitable external services providers

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- No principal-agent conflicts

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- Transparent fee model – no hidden costs

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- Transparent reporting

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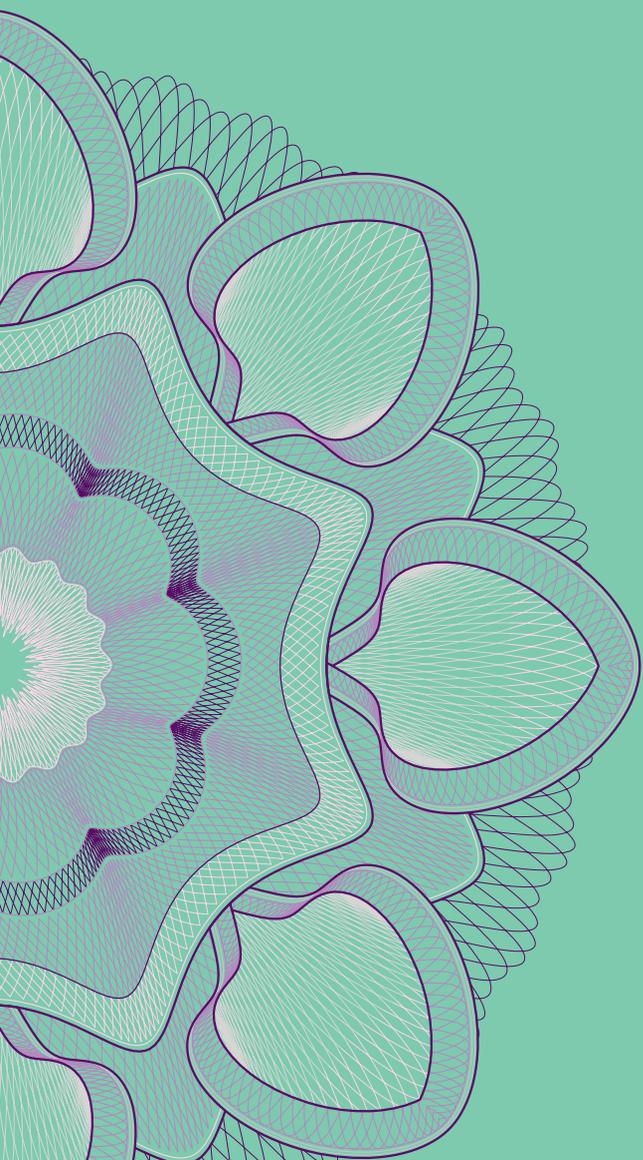
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