

January 2022

QCAM MONTHLY

QCAM Insight ++ Economy and Interest Rates ++ FX Markets ++ FX Analytics
QCAM Products and Services ++ QCAM Profile

Page 1 QCAM Insight

Emerging Markets FX divergence

Page 3 Economy and Interest Rates

Page 5 FX Markets

Page 9 FX Analytics

Page 17 QCAM Products and Services

Page 18 QCAM Profile

QCAM Insight

Emerging Markets FX divergence

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The performance of EM currencies in 2021 has diverged significantly. The primary driver was central banks' resolve to fight inflation. Improving global growth conditions should be good for EM FX, but large differences are likely to prevail because of diverging economic fundamentals, political conditions and central bank reactions. Omicron is the obvious short-term concern for emerging markets, but a more aggressive Fed is ultimately the bigger risk.

EM currencies have held up well in 2021, given the hawkish turn in Fed policy and broad USD strength. On average, EM currencies depreciated about 8% versus the USD in 2021, which is not much different from the depreciation of most major currencies (notably the JPY and the EUR). The big difference is the much wider range. Some currencies have actually appreciated versus the USD (CNY and TWD) and some depreciated only little (IDR, RUB, INR, CZK, MXN and MYR). On the other end of the spectrum, however, there have been steep double digit declines led by the TRY and followed by the ARS and the COP.

Monetary policy credibility and more

Several factors explain the divergence in EM FX in 2021. The most important was probably inflation and central banks' response. Central banks that allowed policy rates to fall much behind inflation (deep negative real policy rates) also experienced higher currency depreciation (see chart).

The most extreme case is Turkey, which even reduced interest rates in the face of soaring inflation.

Argentina kept policy rates unchanged, even though inflation rose from 34% at the end of 2020 to 51% last November. At the other end of the spectrum are countries that never had a big inflation problem to start with, such as Indonesia, China and Taiwan.

Other factors explain the nuances in-between. Latam currencies, for example, face broader political and socio-economic uncertainties. Latam countries are also more vulnerable to rising US interest rates, given higher external debt exposures. In the case of Chile and Colombia, slipping fiscal and current account balances have also been a problem. Only the MXN has performed better in 2021, thanks to rising oil prices and a current account surplus.

Eastern European currencies performed on average better than their Latam peers even though their central banks' resolve to fight inflation was not stronger. The reason is EU membership and less exposure to Fed tightening risk. Russia is not under the EU umbrella, but it benefitted from rising oil prices. South Africa shares many of the Latam problems, but the commodity rally probably helped prevent worse last year.

In Asia, economic, payments and policy fundamentals are strongest, which is reflected in the relatively better currency performances. Still, there are differences within EM Asia. The THB and the KRW underperformed their Asian peers significantly. In both cases the reason is Corona. In Thailand, Corona shattered the tourism industry and turned the current account from a mighty surplus of 7% of GDP in 2019 to a deficit of over 3% of GDP in 2021. In Korea, the pain was mostly felt in the manufacturing sector, which

is the pacemaker of the economy. Supply-chain problems and portfolio outflows in the tech sector compounded the problem.

Less bumpy recovery good for EM

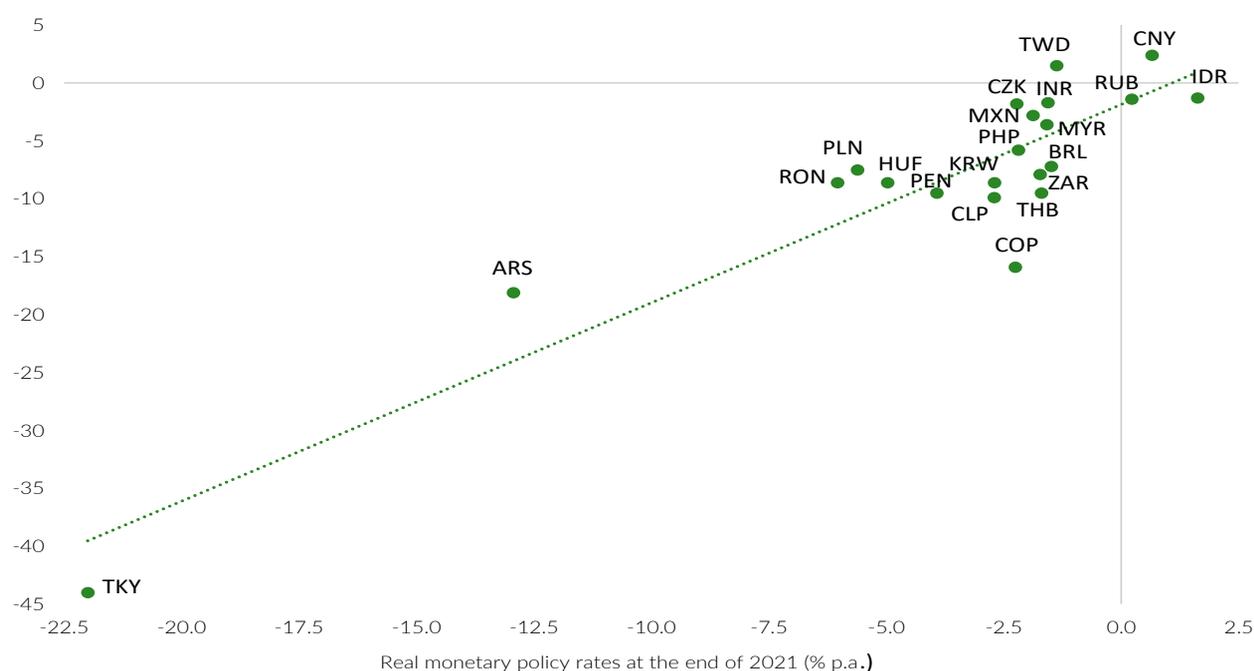
Last year featured a bumpy global recovery and rising inflation. In our base scenario for this year we expect global growth to strengthen and inflation pressures to ease as economic activity decouples more from the virus situation and supply-side bottlenecks recede (see 2022 Sneak Preview, QCAM Monthly, December 2021).

A smoother and less inflationary global recovery would be good for emerging markets. Countries that have remained fundamentally sound but suffered from the crisis, for example in South-East Asia, should do well in this scenario. On the other hand, countries with fundamental deficits and misguided policies are unlikely to do much better. Turkey will probably remain in that group as well as some of the usual suspects in Latam.

The main short-term risk to this view is the Omicron variant. Although less hazardous, Omicron is far more contagious and could temporarily paralyze economic activity. Especially countries in Asia with no-Covid policies may struggle to isolate their populations only to be eventually overwhelmed by the virus. The result could even be renewed recession although very short and followed by a fast recovery.

Beyond Omicron, the bigger risk for EM FX is still the Fed. For now, financial markets have digested well the accelerated QE tapering and the projected Fed rate hikes. Our expectation is that the Fed will continue to follow the market rather than surprise it. Still, one area where the Fed could surprise is QE unwind. An unexpected and aggressive QE unwind bears the risk of tightening financial conditions for emerging markets sharply and could even lead to crisis situations.

EM currencies versus the USD (% change in 2021) and real monetary policy rates



Source: QCAM

Economy & Interest Rates

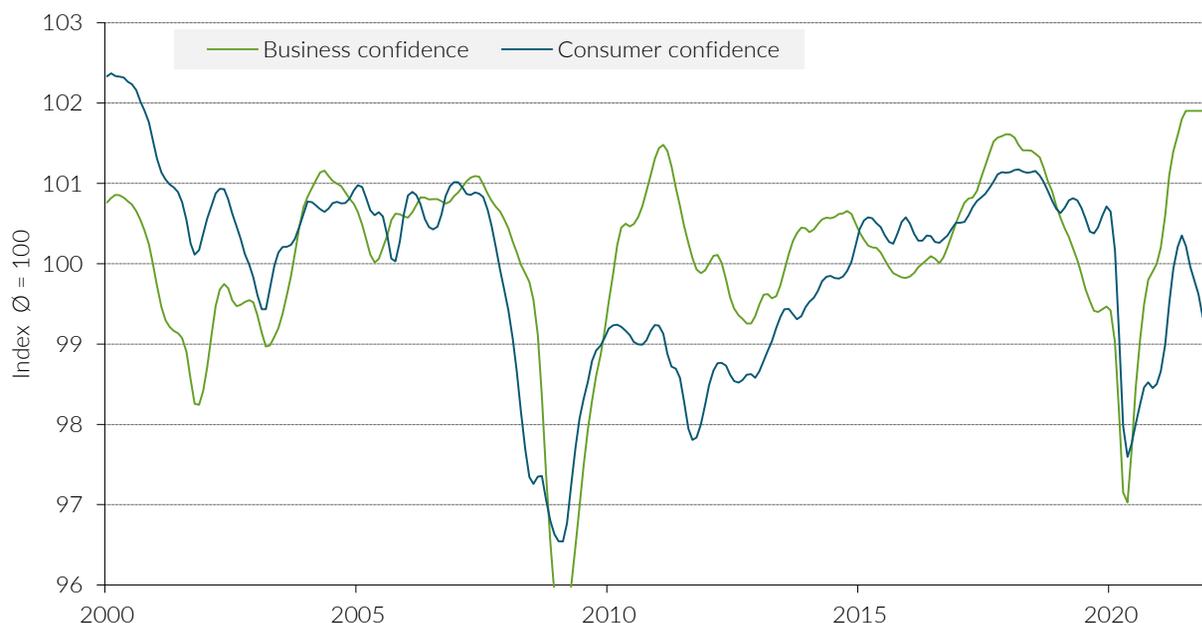
Global economic activity has reaccelerated in the fourth quarter of last year. The Omicron variant is expected to temporarily disrupt but not to derail the recovery path. The decoupling of social and economic mobility from Corona cases should continue, while supply-bottlenecks start to ease. We expect that inflation will decline from the peak

levels of last year but remain higher than before the pandemic. Fiscal policy is starting to consolidate as the pandemic fades but debt levels remain high. Central banks are starting to normalize policy, yet at different speeds. A shift to outright restrictive monetary conditions seems unlikely for 2022.

	Real GDP growth ¹		Unemployment rate ¹		Inflation rate ¹		Current account ²		Fiscal balance ²		Public debt ²	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Global	5.8	4.5	n.a.	n.a.	3.2	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	5.0	4.2	n.a.	n.a.	3.3	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	5.5	4.0	5.5	3.5	4.7	4.0	-3.5	-2.5	-11.0	-6.0	133	131
Canada	4.5	3.5	7.5	5.0	3.5	3.0	0.2	0.0	-6.5	-7.5	110	105
Euro-area	5.0	4.5	7.5	7.0	2.5	3.0	2.7	2.7	-7.7	-4.0	99	97
Sweden	4.0	4.0	9.0	7.5	2.0	2.0	4.0	5.0	-3.0	-1.0	40	40
Switzerland	3.5	3.5	3.0	3.0	0.5	0.5	4.3	3.0	-2.5	-0.5	43	42
UK	7.0	4.5	4.5	4.0	2.5	4.0	-3.4	-3.0	-12.0	-6.0	109	107
Japan	2.0	3.5	2.8	2.5	-0.2	1.0	3.3	3.2	-9.0	-4.0	257	254
Australia	4.0	3.0	5.5	4.5	3.0	2.0	1.3	0.5	-8.5	-6.0	62	66
Emerging	7.0	4.5	n.a.	n.a.	3.3	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	8.0	5.0	4.1	4.0	1.0	2.0	1.5	0.5	-7.5	-7.0	69	72
India	9.5	9.0	n.a.	n.a.	5.5	4.5	-1.5	-2.5	-11.5	-10.0	91	90
Russia	4.5	2.5	5.0	4.5	6.5	6.5	4.5	3.0	-1.0	0.0	18	18
Brazil	4.5	0.0	14.0	13.5	8.0	8.0	-1.7	-3.0	-7.0	-7.5	91	92

Source: OECD, IMF World Economic Outlook and QCAM estimates 1) In percent 2) In percent of GDP

OECD business and consumer confidence*



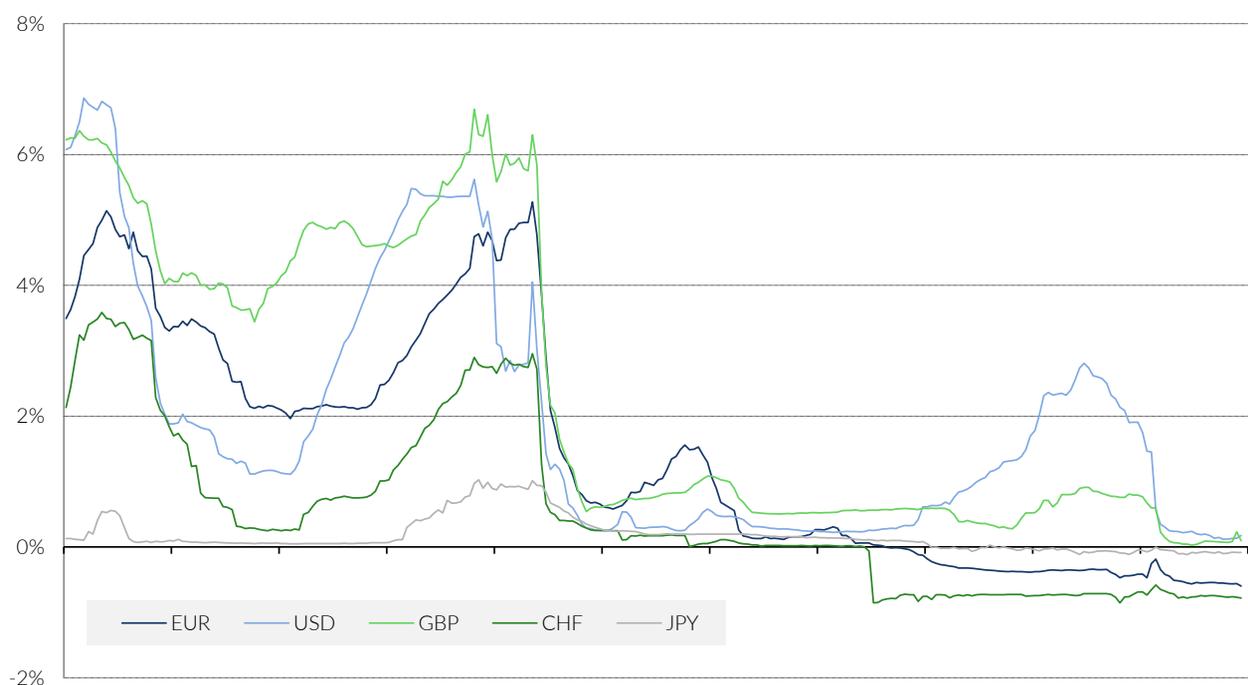
Source: OECD and QCAM, *the last observations are QCAM estimates based on other surveys

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	0.13%	0.08%	0.08%	0.08%	0.81%	1.76%	1.44%	1.53%	0.95%	1.47%
EUR	-0.58%	-0.59%	-0.58%	-0.57%	-0.54%	0.33%	0.10%	0.19%	-0.27%	0.05%
JPY	-0.03%	-0.04%	-0.02%	-0.04%	-0.05%	0.13%	0.10%	0.12%	0.04%	0.07%
GBP	0.36%	0.15%	0.11%	0.03%	0.31%	1.04%	0.75%	1.00%	0.16%	0.60%
CHF	-0.71%	-0.74%	-0.73%	-0.74%	-0.75%	0.17%	-0.07%	0.05%	-0.37%	-0.23%
AUD	0.11%	0.05%	0.03%	0.04%	0.43%	2.12%	1.91%	1.68%	0.98%	1.42%
CAD	0.29%	0.25%	0.20%	0.19%	0.79%	2.15%	1.92%	1.97%	1.23%	1.69%
SEK	-0.05%	-0.05%	-0.06%	-0.04%	-0.10%	1.03%	0.83%	0.91%	0.36%	0.59%
RUB	8.72%	8.37%	7.15%	4.18%	6.03%	8.78%	8.77%	7.99%	6.43%	7.37%
BRL	10.07%	8.34%	7.11%	1.36%	3.99%	11.35%	11.08%	11.01%	7.12%	8.49%
CNY	2.22%	2.31%	2.31%	2.34%	2.38%	2.57%	2.69%	2.66%	2.84%	2.90%
TRY	16.01%	15.75%	18.80%	17.95%	16.82%	23.50%	21.68%	18.31%	12.67%	15.20%
INR	3.82%	3.74%	3.60%	3.55%	4.43%	5.89%	5.64%	5.96%	5.08%	5.45%

3-month Libor



Source: QCAM Currency Asset Management, as of January 5th, 2022

FX Markets

FX Performance vs. PPP

The USD and FX markets broadly were range-bound in December. Among major currencies, the GBP performed best, while the JPY fell the most. EM currencies were also in a range, but with a wider spread and the TRY on a roller-coaster of its own. Speculative long USD positions stabilized and are not yet overextended. Interest rate differentials are

rising but forward hedging remains cheap by past standards. Actual and implied FX volatilities declined after the rise in November and remain low by past standards. PPP estimates were mixed in December but on average continue to crawl against the USD. Among major currencies, the JPY is most undervalued followed by the GBP and the EUR.

Overview

	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.134	-0.40%	0.27%	-7.80%	7.01%	1.28	1.14 - 1.42	-11%
USDJPY	115.970	0.82%	2.78%	12.98%	0.49%	94.14	83.6 - 104.7	23%
GBPUSD	1.359	0.40%	2.66%	-0.32%	9.43%	1.59	1.41 - 1.76	-15%
EURCHF	1.039	0.13%	0.05%	-3.79%	-2.97%	1.04	0.99 - 1.10	0%
USDCHF	0.916	0.52%	-0.22%	4.34%	-9.33%	0.84	0.75 - 0.94	9%
GBPCHF	1.245	0.89%	2.42%	3.99%	-0.80%	1.21	1.10 - 1.32	3%
CHFJPY	126.604	0.29%	3.03%	8.28%	10.84%	93.84	82.9 - 104.8	35%
AUDUSD	0.726	-0.18%	3.65%	-6.45%	-0.99%	0.77	0.68 - 0.86	-6%
USDCAD	1.271	0.47%	-1.01%	0.24%	-3.89%	1.21	1.12 - 1.30	5%
USDSEK	9.060	0.26%	-0.79%	10.76%	0.67%	8.07	7.14 - 8.99	12%
EURSEK	10.277	-0.10%	-0.52%	2.15%	7.74%	8.67	8.13 - 9.21	19%
USD RUB	76.030	1.27%	2.87%	2.80%	27.55%	55.25	46.8 - 63.7	38%
USDBRL	5.678	1.92%	0.35%	7.53%	77.41%	3.68	3.03 - 4.32	54%
USDCNY	6.369	0.18%	-0.08%	-1.00%	-6.16%	6.87	6.66 - 7.08	-7%
USDTRY	13.617	2.92%	-0.76%	84.17%	278.95%	6.10	4.82 - 7.39	123%
USDINR	74.283	-0.29%	-1.28%	1.54%	9.64%	70.31	65.2 - 75.4	6%

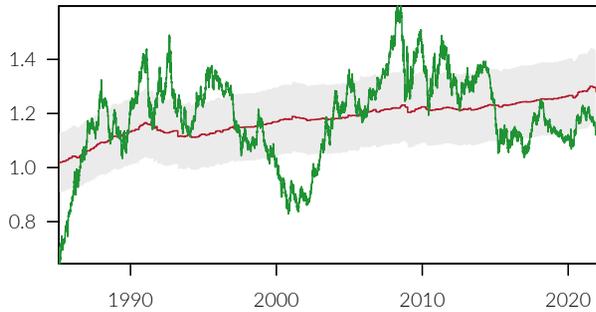
¹ Performance over the respective period of time, in percent

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

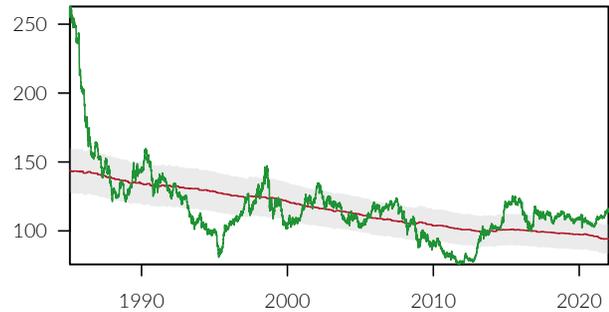
³ Deviation of the current spot rate from PPP, in percent.

Purchasing Power Parity

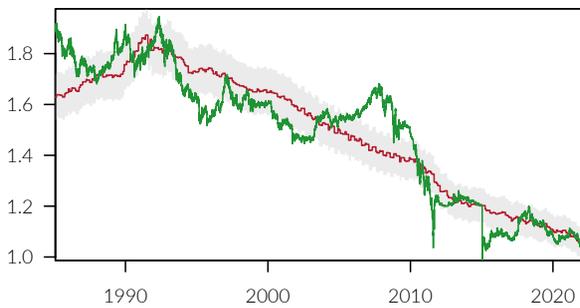
EURUSD



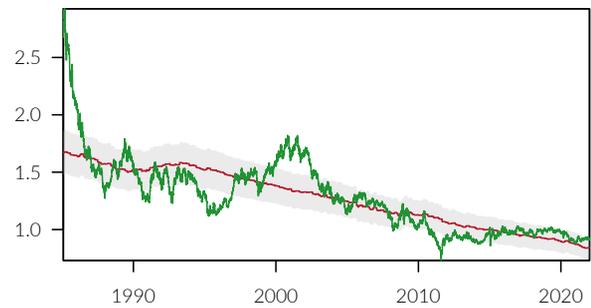
USDJPY



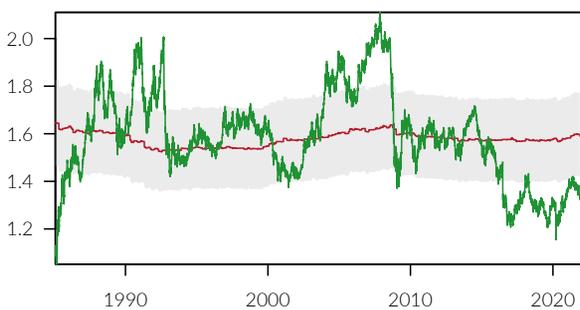
EURCHF



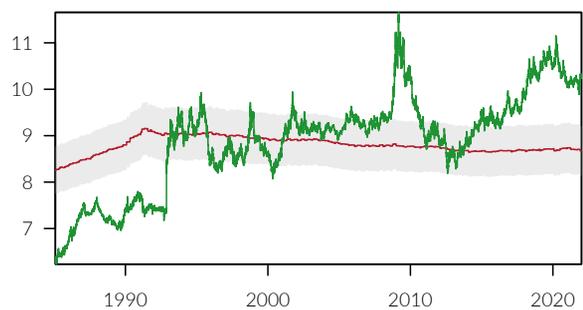
USDCHF



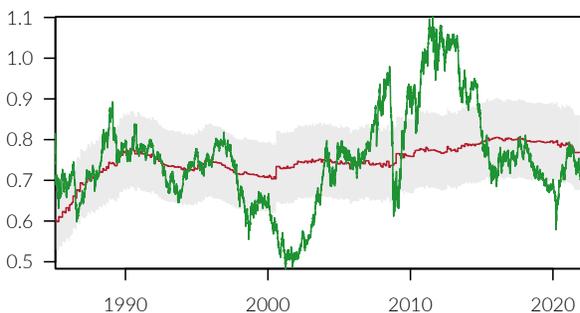
GBPUSD



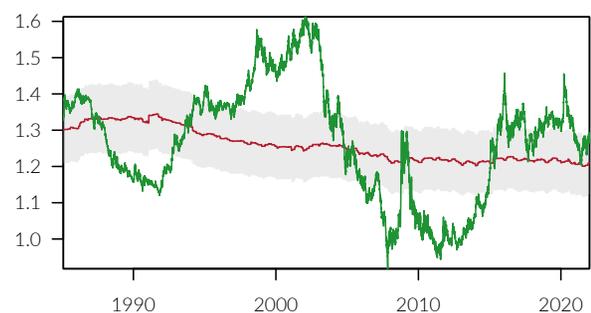
EURSEK



AUDUSD



USDCAD



— PPP — Spot — Neutral Range

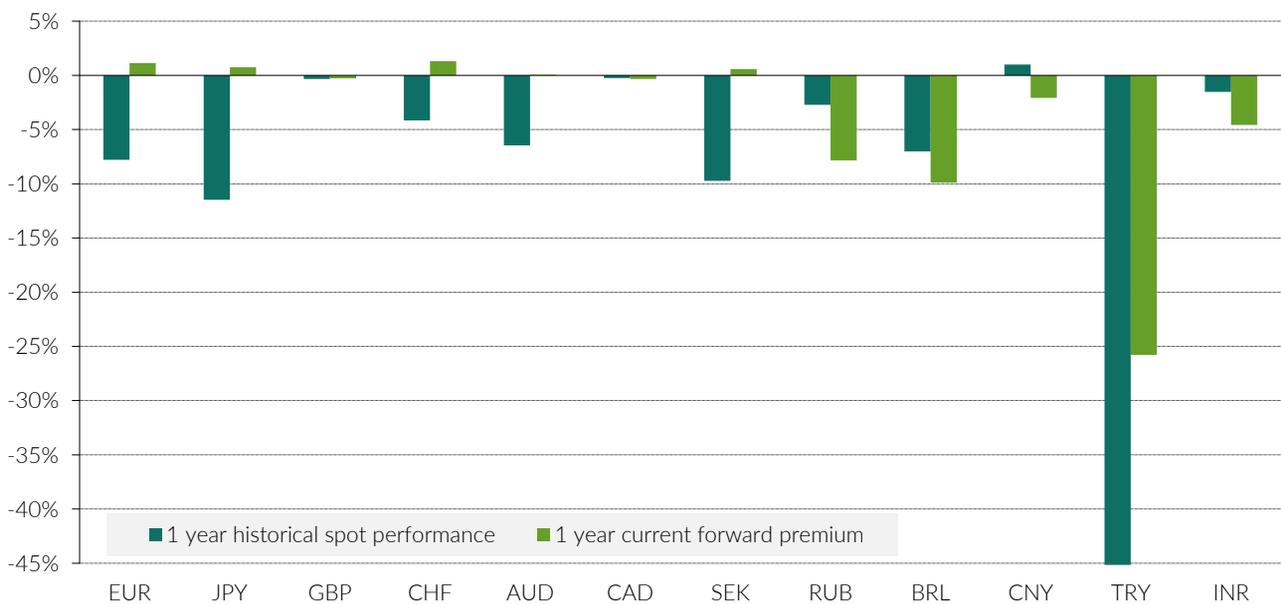
Source: QCAM Currency Asset Management, as of January 5th, 2022.

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.134	1.1348	1.1362	1.1470	0.68%	0.75%	1.12%
USDJPY	115.970	115.9450	115.8760	115.0944	-0.25%	-0.32%	-0.74%
GBPUSD	1.359	1.3588	1.3583	1.3553	-0.09%	-0.18%	-0.26%
EURCHF	1.039	1.0388	1.0385	1.0372	-0.21%	-0.20%	-0.17%
USDCHF	0.916	0.9154	0.9139	0.9042	-0.89%	-0.94%	-1.27%
GBPCHF	1.245	1.2437	1.2412	1.2253	-0.97%	-1.12%	-1.53%
CHFJPY	126.604	126.6737	126.8000	127.3048	0.64%	0.62%	0.54%
AUDUSD	0.726	0.7265	0.7266	0.7269	0.10%	0.13%	0.06%
USDCAD	1.271	1.2708	1.2711	1.2750	0.04%	0.08%	0.33%
USDSEK	9.060	9.0582	9.0533	9.0079	-0.26%	-0.31%	-0.57%
EURSEK	10.277	10.2810	10.2890	10.3342	0.42%	0.45%	0.55%
USD RUB	76.030	76.5634	77.6374	82.5029	8.14%	8.36%	8.40%
USDBRL	5.678	5.7184	5.8116	6.3014	8.18%	9.38%	10.76%
USDCNY	6.369	6.3773	6.3998	6.5036	1.55%	1.95%	2.08%
USDTRY	13.617	13.9969	14.7298	18.3440	31.39%	32.69%	34.24%
USDINR	74.283	74.5227	75.1665	77.8399	3.76%	4.76%	4.70%

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



Source: QCAM Currency Asset Management, as of January 5th, 2022

FX Volatility

Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility ¹				Implied Volatility ²			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.134	6.38%	5.45%	5.73%	6.30%	5.38%	6.20%	6.48%	6.66%
USDJPY	115.970	6.99%	7.29%	6.41%	6.78%	5.93%	7.40%	6.55%	7.35%
GBPUSD	1.359	6.27%	6.85%	9.21%	8.26%	6.19%	7.55%	8.30%	8.78%
EURCHF	1.039	3.78%	3.83%	3.12%	4.10%	4.38%	4.90%	4.40%	5.05%
USDCHE	0.916	6.59%	6.36%	6.22%	6.38%	5.80%	6.67%	6.45%	6.58%
GBPCHF	1.245	6.84%	7.11%	9.36%	7.81%	5.95%	7.33%	7.68%	8.27%
CHFJPY	126.604	6.07%	5.38%	5.18%	6.00%	5.80%	6.90%	6.15%	6.78%
AUDUSD	0.726	8.40%	7.35%	8.60%	8.48%	8.28%	10.10%	9.85%	8.85%
USDCAD	1.271	6.73%	6.20%	6.23%	6.57%	6.45%	7.05%	6.85%	6.68%
USDSEK	9.060	8.41%	7.71%	8.73%	8.44%	8.32%	9.50%	9.90%	8.72%
EURSEK	10.277	6.39%	5.80%	6.13%	5.53%	5.80%	6.63%	6.78%	5.98%
USDRUB	76.030	11.13%	10.83%	13.09%	11.88%	15.55%	14.75%	15.56%	12.48%
USDBRL	5.678	14.01%	13.98%	15.50%	14.46%	16.20%	16.50%	20.13%	15.39%
USDCNY	6.369	3.18%	3.19%	4.75%	4.45%	3.85%	4.30%	6.38%	5.14%
USDTRY	13.617	70.84%	31.14%	19.45%	16.41%	54.48%	37.06%	18.38%	17.76%
USDINR	74.283	4.22%	4.14%	4.06%	5.42%	5.00%	5.38%	6.15%	6.23%

¹ Realised 3-month volatility (annualised) ² Market implied 3-month volatility (annualised)

QCAM Volatility Indicator³



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: QCAM Currency Asset Management, as of January 5th, 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 maintained all neutral discretionary macro positions except for the GBP, which shifted to short. The balance of Business Sentiment positions shifted from modestly long USD to modestly short USD. The balance of Technical positions has moved from outright long USD to moderately long USD. The long Technical position of the CHF vs. the EUR has stayed in place.

Overview¹

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	-	-	Macro and Business Sentiment remained unchanged, while the Technical short EUR position moderated
USDJPY	0/+	--	+	The Macro interest rates position switched to short JPY, while all other positions remained unchanged, leaving the overall position at neutral
EURCHF	0	-	--	The CHF Business Sentiment position switched from short to long versus the EUR and from short to neutral versus the USD. The balance of CHF strategy positions is long versus the EUR and neutral versus the USD.
USDCHF	0	0	0	
GBPUSD	-	++	0	Macro shifted from neutral to short, Business Sentiment from short to long and Technical from short to neutral, with the overall position half long GBP
EURSEK	0/0	++	+	Technical switched from long to short SEK, shifting the overall position to half short SEK
USDCAD	0/-	++	++	The Macro oil model has turned long CAD, while all other strategy positions remain unchanged

¹ The signs relate to the first currency of the exchange rate pair ; ++ or -- mean 100% long or short; */* means split position.
 Source: QCAM Currency Asset Management

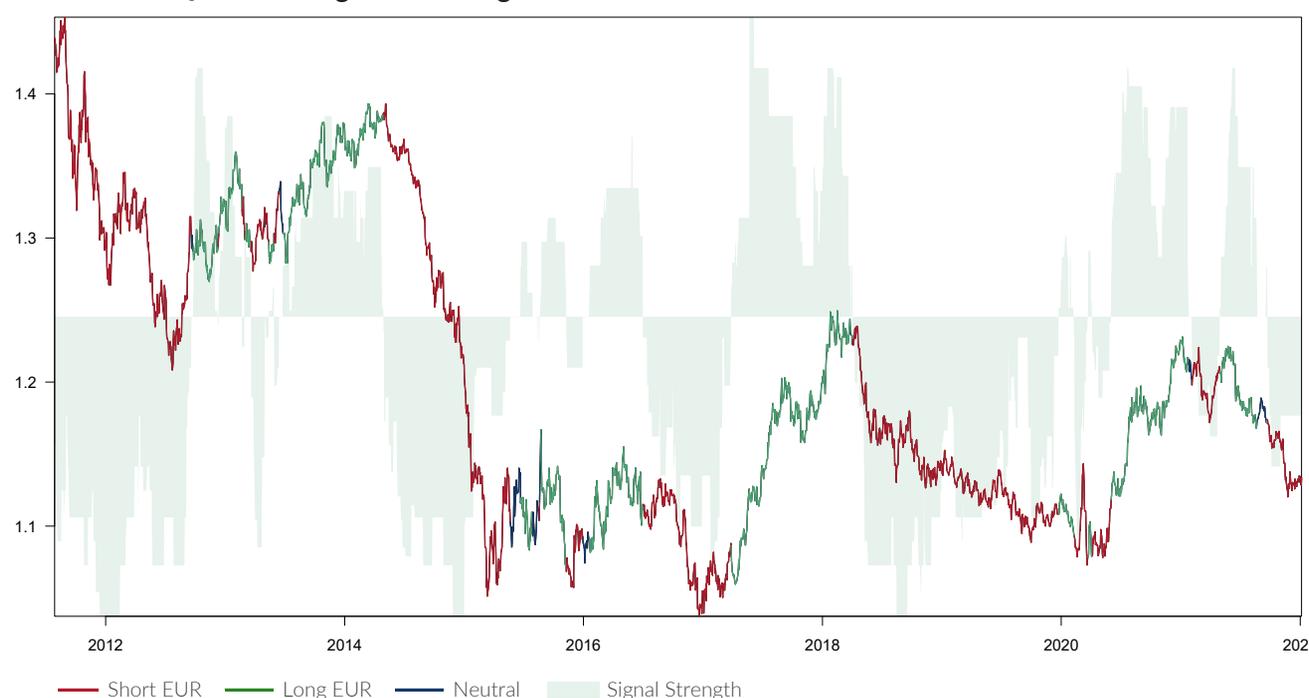
EURUSD

We maintain the neutral discretionary Macro position, given short-term uncertainties related to Omicron. The EUR remains supported by favorable balances but the USD has higher and rising interest rate expectations on its side. The EUR has upside potential if Omicron does little real damage

and the global business cycle accelerates. A hawkish Fed surprise would favor the USD. Business Sentiment and Technical are modestly short EUR. The balance of our strategy positions is mildly short EUR.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The gap between the US deficit and the Euro-area surplus is consolidating
	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 and likely to widen further
	Oil prices	0	Oil prices are consolidating at higher levels
Sentiment	Business Sentiment	-	The momentum in Euro-area surveys continues to lag the US
	Risk Sentiment	0	Global growth concerns have declined but the Omicron variant creates new uncertainty in the short-term
Technical	Price Action	-	Price technicals remain short EUR
	Spec Positions	0	The EUR is net oversold but not at extreme levels
	PPP Valuation	+	EUR undervaluation is around 11%

EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

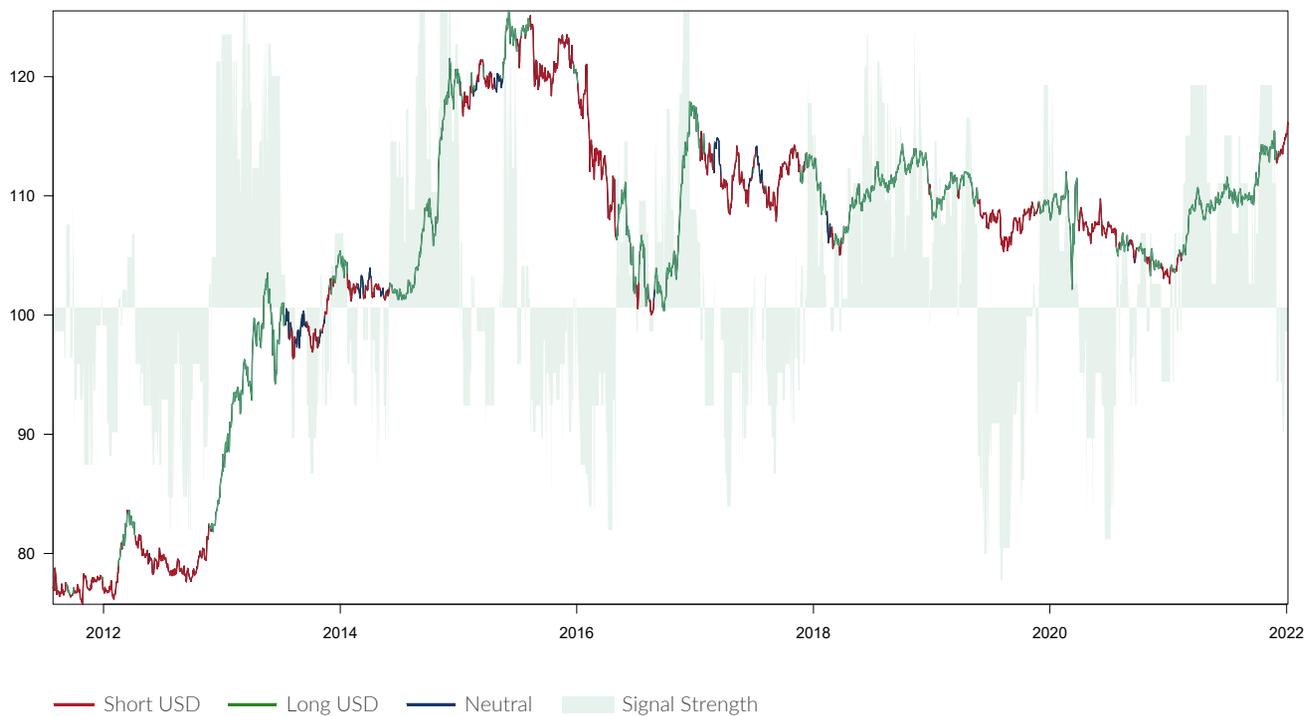
USDJPY

We maintain the neutral discretionary Macro position, given near-term Omicron uncertainty. The interest rate differential to the USD is rising and increasingly hurting the JPY (carry outflows). On the other hand, the JPY has solid current account

support and is heavily undervalued. Moreover, Business Sentiment is picking up momentum. Technical remained short JPY. The overall JPY position is close to neutral.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	The Japanese surplus has returned to the levels before Corona, while the US deficit has widened
	FDI Flows	0/-	Net outflows have increased again, but not to the pre-Corona level not offsetting the current account surplus fully
	Interest Rate Differentials	--	Japanese short-term rates remain zero-bound, while short-term rates rise elsewhere, especially in the US
Sentiment	Business Sentiment	++	Momentum of Japanese Business Sentiment has picked up
	Risk Sentiment	0	JPY has failed to benefit from Omicron uncertainty
Technical	Price Action	-	Price action remains short JPY
	Spec Positions	0	Net short JPY position declined
	PPP Valuation	+	The JPY is currently about 23% undervalued

USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

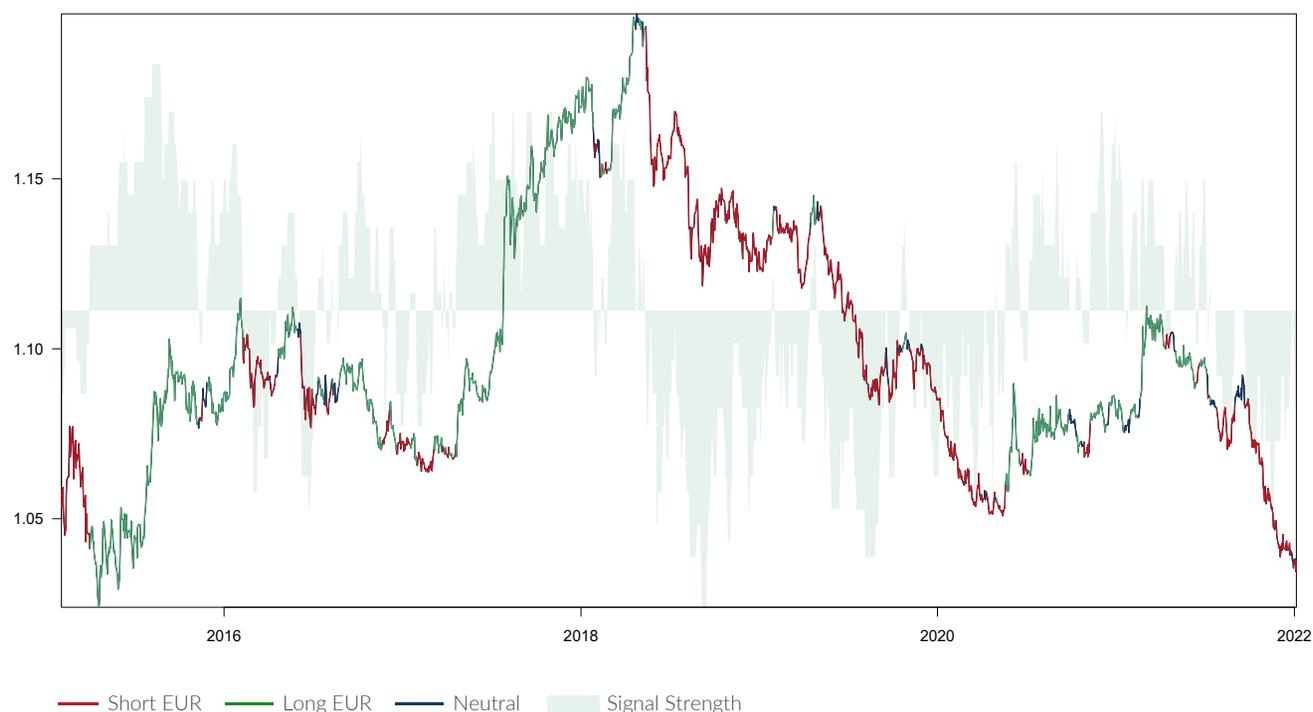
EURCHF

The CHF gained further versus the EUR on safe-haven flows. The SNB seems comfortable to let the CHF appreciate gradually. Fundamentally, CHF and EUR are in balance but the CHF has gained significantly versus the EUR since September. We maintain a neutral Mac-

ro position given the extent of the CHF appreciation. Business Sentiment switched to long CHF and Technical stayed long CHF. The balance of all strategies is half long CHF versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/+	Some inflows on Omicron concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	+	The SNB has not intervened despite EURCHF approaching 1.03, signalling a more relaxed policy stance
Sentiment	Business Sentiment	0	Swiss economy is catching up with the Euro-area in the surveys
	Risk Sentiment	0/+	While global risk sentiment has broadly improved, the CHF seems to benefit from Omicron related uncertainty
Technical	Price Action	+	The undeterred move toward 1.03 has been a positive technical signal
	Spec Positions	0	Net short CHF position declined approaching neutral
	PPP Valuation	0/-	CHF is around fair-value versus the EUR

EURCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

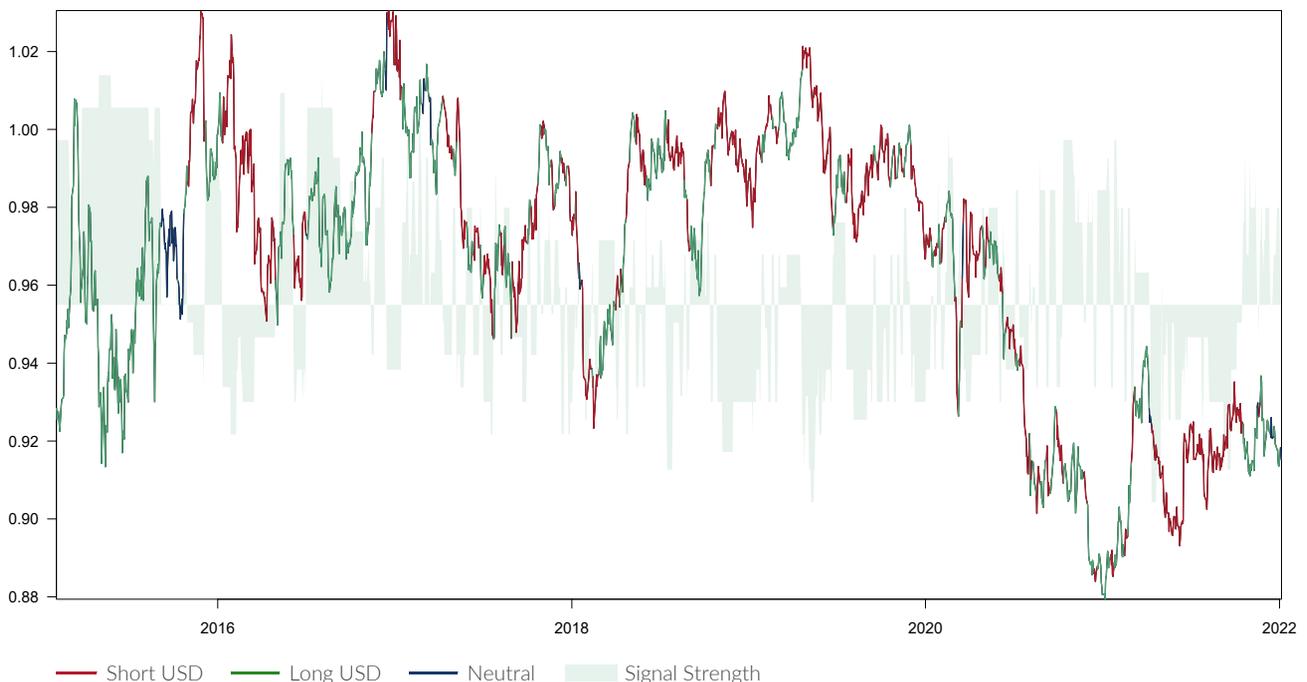
USDCHF

Our Macro position remains neutral CHF versus the USD (same as EURCHF and EURUSD). The CHF is fundamentally strong, but rising USD interest rates make the CHF less attractive. Business Sentiment

moved from short to neutral CHF and Technical remained neutral. The balance of all three strategies is neutral as well.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/+	Some inflows on Omicron concerns
	Interest Rate Differentials	-	Rising USD interest rates have widened the rate differential
	SNB Policy Intervention	0	Tied to EURCHF intervention risk but currently neutral
Sentiment	Business Sentiment	0	Swiss surveys have caught up with US surveys
	Risk Sentiment	0	While global risk sentiment has broadly improved, the CHF seems to benefit from Omicron related uncertainty
Technical	Price Action	0	Price action is in a range and remained neutral
	Spec Positions	0	Net short CHF position declined approaching neutral
	PPP Valuation	0/+	CHF is about 9% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

GBPUSD

We switched the discretionary Macro position to short GBP basically as an offset to the GBP favorable market sentiment. Our view is primarily based on the negative Brexit fallout, which should become more visible in 2022. The BoE is also unlikely to

hike interest rates sufficiently to offset the current account deficit handicap. Business Sentiment has switched to long GBP and Technicals has moved to neutral. The balance of our strategies is about 50% long GBP.

	FX Factors	GBP Impact	Comment
Macro	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	Stabilizing
Sentiment	Business Sentiment	++	Momentum in UK surveys has strengthened
	Risk Sentiment	0	The GBP benefits from improving risk sentiment despite the rapid spread of Omicron in the UK and ongoing Brexit-related problems
Technical	Price Action	0	Technicals have shifted from short to neutral GBP
	Spec Positions	0	Net short GBP position increased further but not to extreme level
	PPP Valuation	+/0	The GBP is still 15% 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 (recovery potential as political crisis fades). The discretionary Macro position stays at neutral, given the short-term Omicron uncer-

tainty, and the interest rate Macro model was neutral as well. Business Sentiment remained short SEK and Technical switched to short SEK. The balance of all strategy positions is half short SEK.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0	The Macro interest rate model remained neutral SEK
Sentiment	Business Sentiment	-	Surveys remained short SEK
	Risk Sentiment	0	Short-term Omicron uncertainty, medium-term positive sentiment from global recovery
Technical	Price Action	-	Technical shifted to short SEK
	PPP Valuation	+	The SEK is roughly 19% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

USDCAD

CAD depreciated despite the oil recovery and falling risk aversion. The balance of our strategies remain short CAD with the exception of our oil-price macro

model that turned long CAD. We also kept our discretionary Macro position at neutral given the uncertainty around Omicron and FED policy decisions.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit has turned into a small surplus, while the US deficit remains stubbornly large
	Oil Prices	+	Oil prices are recovering after November drop
	Interest Rate Differentials	0	CAD short-term rates remain above USD rates, while long rates are about equal
	USD DXY Trend	0	No strong direction at the moment
Sentiment	Business Sentiment	-	Canada still trails the US in the surveys
	Risk Sentiment	0	CAD has failed to benefit from the recent rise in risk sentiment
Technical	Price Action	-	Technicals remain short CAD
	Spec Positions	0	Net long CAD positions are declining towards neutral
	PPP Valuation	0	CAD is about 5% 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.



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.

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.

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

- Client focused solutions, tailored to each individuals requirements

- Independent selection of suitable external services providers

- No principal-agent conflicts

- Transparent fee model – no hidden costs

- Transparent reporting

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