July 2021

QCAM MONTHLY

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QCAM Insight

When risk becomes reality

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The USD bounced on the back of the Fed meeting. Still, risky markets remain optimistic about future growth, while interest-rate markets have become pessimistic. FX markets are stuck in-between. Fundamentals have not changed much and remain a problem for the USD except for the possibility of faster Fed tightening. We prefer to stay neutral in this environment of contradictory market conditions and the balance between fundamentals and risks.

In the last issue of the QCAM Monthly we said that the balance of factors still points to more USD downside but also stated that earlier-than-expected Fed tightening is the main risk to that outlook. A week later, that risk already became reality. The market was prepared for "taper talk" but the Fed's advancement of expected rate hikes to 2023 was a "hawkish" surprise for the market. Equity markets sold off immediately and the USD gained on balance about 2% versus both major as well emerging-markets currencies.

A puzzling market adjustment

Three weeks later, however, the response by financial markets is diverging.

- Risky markets have bounced back strongly. The S&P500, for example dropped initially 1.9% after the Fed meeting and subsequently jumped 4.5%. US high-grade and high-yield credit spreads initially widened, but then narrowed again and are now tighter than before the Fed meeting. Only emerging markets credit spreads are wider, but not much. From the perspective of risky markets, the Fed is clearly no obstacle for more economic and earnings growth as well as higher valuations.
- The opposite is happening in interest-rate markets. US one-month OIS rates two-years forward rose about 25 basis points and now imply 50 basis points of Fed rate hikes by the middle of 2023. Ten-year US Treasury yields, however, fell 20 basis points since the Fed meeting, with the real interest rate (TIPS) going more into negative territory (-1%) and implied inflation expectations falling as well. Bottom-line, interest-rate markets seem to think that the Fed is at risk of moving too early and paving the way for another cycle of low growth and inflation.
- Currency markets and especially the USD are stuck in-between. Higher US short-term interest rates and a flattening of the yield curve are typically USD bullish. On the other hand, bullish sentiment in risky markets is usually USD negative. Not surprisingly, FX markets have struggled to find a clear direction after the initial response to the Fed meeting. On balance, FX markets are trading in a range with a bias toward USD strength. The better performance of the JPY (it lost much less than all other major currency versus the USD) as well as the gains of the CHF versus the EUR suggest that risk aversion has the upper hand in FX markets at the moment.

The fundamentals have not changed much

Our analysis, however, suggests that the USD still lacks sufficient fundamental support to make further gains. First, the twin deficit (fiscal and current account) remains the largest handicap for the USD (see chart). The fiscal deficit has probably passed its peak level but current budget plans suggests that the US deficit as a share of GDP will remain significantly larger than in most other major economies. Similarly, while the US current account deficit has been rising, most other major economies have either surpluses or falling deficits.

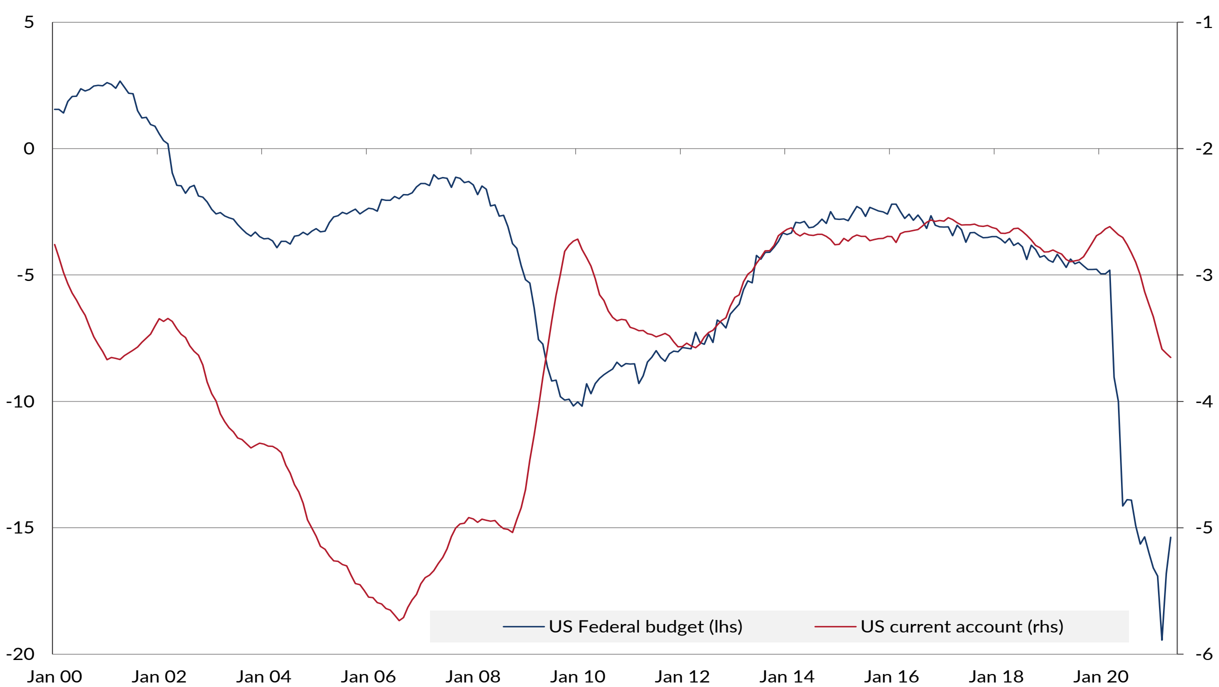
Second, the cyclical lead of the US economy has faded. Our FX BIAS strategy, which captures the cyclical positions of eight major economies is on balance 25% short the USD, notably versus the EUR, the GBP and the SEK. We think that this situation will last unless the global recovery falters, which we think is unlikely this year. To us, that also means that oil and other commodity prices will remain well bid, which is typically USD negative.

The interest rate joker

Against these factors, our measure of current US interest rate support seems insufficient for further USD appreciation. Yet, US interest rate increases remain a clear and present danger. Strong economic reports and high inflation readings in coming months could lead the market to expect more Fed rate hikes. The Fed itself meets again at the end of the month and will probably discuss the "tapering" of its bond purchases. The market widely expects the Fed to start tapering towards year end, but any announcement could still have an element of a hawkish surprise. Meanwhile, the ECB is softening its inflation target, reducing the risk of rate hikes in the Euro-area.

We had decided to move all our discretionary macro positions versus the USD to neutral after the Fed meeting. This was initially guided by damage-control as we were short the USD versus the EUR, the JPY, the CHF and the SEK. Fundamentally, our bias remains short USD, but we prefer to stay neutral for the time being given the contradictory market conditions as well as US interest rate risks. The uncertainty around the delta variant of the Corona virus also favors caution in the short term.

US fiscal and current account balances (% of GDP)



Source: St. Louis Fed and QCAM

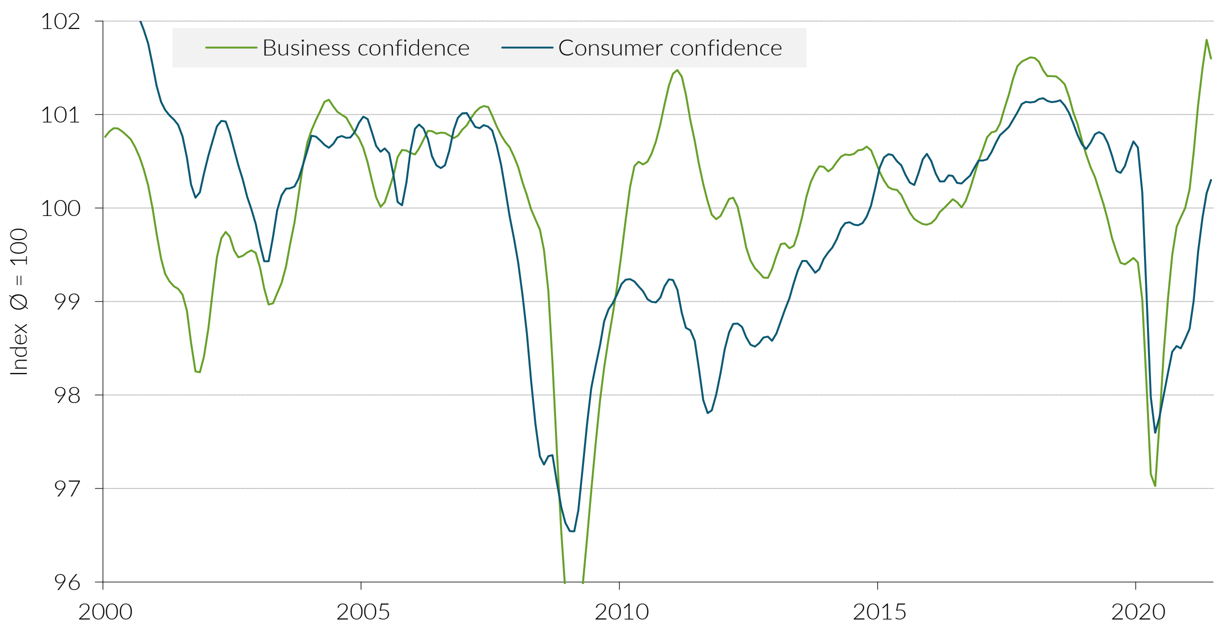
Economy & Interest Rates

The global recovery advanced in the second quarter, but not evenly. Developed countries accelerated thanks to the vaccination progress, while emerging markets slowed, plagued by new Corona infections. The US was so far leading the recovery but other major economies are now catching up, notably the Euro-area. The healing of corporate balance sheet and labor market distortions is also advancing but not completed and many economies will only reach pre-Corona levels by the end of this year. As a result, fiscal deficit and debt projections remain high. The US Fed has signaled that interest rates are likely to rise in two years but a shift to restrictive monetary conditions still seems far away.

	Real GDP growth[1]		Unemployment rate[1]		Inflation rate[1]		Current account[2]		Fiscal balance[2]		Public debt[2]	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Global	-3.5	6.5	n.a.	n.a.	1.6	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-5.0	6.0	n.a.	n.a.	1.6	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	6.5	8.1	5.5	1.3	4.0	-2.9	-3.5	-15.8	-16.0	127	133
Canada	-5.4	6.5	9.6	7.5	0.7	2.5	-1.8	-1.0	-10.7	-8.0	119	116
Euro-area	-6.7	5.5	8.0	8.0	0.3	2.0	2.2	3.0	-8.0	-6.0	97	98
Sweden	-2.8	5.0	8.3	7.5	0.7	2.0	5.2	5.0	-4.0	-4.0	38	40
Switzerland	-2.9	4.0	3.2	3.0	-0.7	0.5	6.4	9.0	-4.4	-3.5	43	45
UK	-9.8	8.0	4.5	5.0	0.9	2.0	-3.9	-4.0	-13.5	-12.0	104	107
Japan	-4.7	3.0	2.8	2.5	0.0	0.0	3.3	3.5	-12.6	-10.0	256	257
Australia	-2.4	5.0	6.5	5.5	0.8	2.5	2.5	2.5	-9.9	-10.0	63	72
Emerging	-1.0	8.0	n.a.	n.a.	2.9	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.3	9.0	4.1	4.0	2.4	1.5	2.0	1.5	-11.4	-10.0	67	70
India	-7.3	9.5	n.a.	n.a.	6.2	5.0	1.0	-1.0	-12.3	-11.0	90	90
Russia	-3.1	4.5	5.8	5.0	3.4	5.5	2.3	4.0	-4.1	-1.0	19	19
Brazil	-4.1	4.5	13.1	13.0	3.2	7.0	-0.7	0.5	-13.4	-9.0	99	100

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

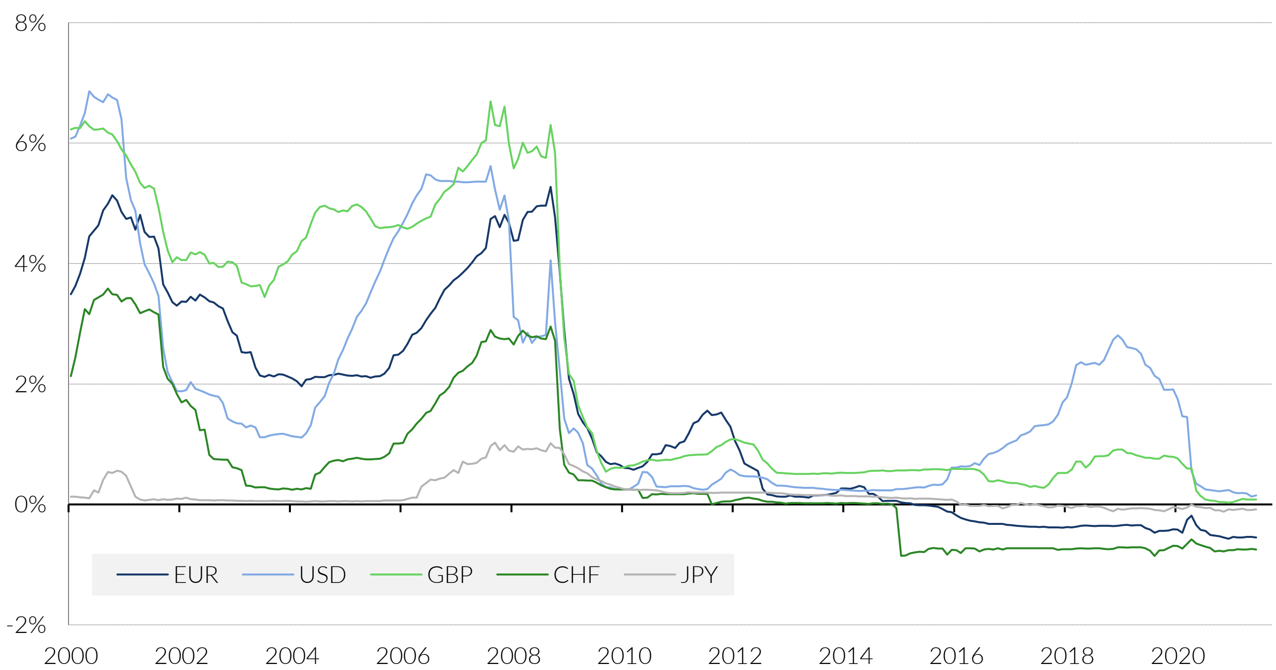
QCAM® Currency Asset Management

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	0.09%	0.08%	0.07%	0.07%	1.17%	1.30%	1.54%	1.71%	0.61%	1.73%
EUR	-0.48%	-0.48%	-0.49%	-0.48%	-0.44%	0.03%	0.12%	0.03%	-0.16%	0.19%
JPY	-0.03%	-0.03%	-0.02%	-0.06%	-0.06%	0.06%	0.12%	0.13%	0.06%	0.10%
GBP	0.05%	0.05%	0.05%	0.05%	0.41%	0.86%	1.05%	1.01%	0.37%	0.93%
CHF	-0.73%	-0.73%	-0.73%	-0.71%	-0.75%	-0.13%	-0.03%	-0.06%	-0.34%	-0.16%
AUD	0.03%	0.03%	0.03%	0.13%	0.67%	1.48%	1.68%	1.74%	0.83%	1.60%
CAD	0.20%	0.20%	0.19%	0.24%	1.04%	1.76%	1.92%	2.00%	1.00%	1.83%
SEK	-0.03%	-0.04%	-0.03%	-0.02%	-0.17%	0.66%	0.82%	0.75%	0.33%	0.65%
RUB	6.24%	5.52%	4.89%	4.27%	6.05%	7.38%	7.34%	7.58%	6.01%	7.55%
BRL	4.70%	3.85%	3.14%	1.84%	3.78%	9.17%	8.79%	9.43%	7.17%	8.58%
CNY	2.31%	2.37%	2.40%	2.25%	2.45%	2.89%	3.03%	3.07%	2.81%	3.01%
TRY	19.95%	19.95%	19.95%	7.87%	17.87%	18.18%	18.52%	18.27%	13.14%	15.04%
INR	3.51%	3.44%	3.54%	3.72%	4.94%	6.11%	5.85%	5.87%	4.65%	5.68%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of July 7th, 2021

FX Markets

FX Performance vs. PPP

The USD bounced after the Fed meeting and the USDDXY rose 2.7% in June. Hardest hit was the SEK (-4.4%) and least affected was the JPY (-1.3%). Among EM currencies, the BRL fell the most (-4.6% in June) followed by the INR and the RUB (both -2.7%). Short-USD speculative future positions declined in June and are approaching neutral. Forward hedging remains a cheap option despite some small interest rate increases. Actual and implied FX volatilities were little changed in June. PPP estimates continue to crawl gradually against the USD and the USD rise increased its overvaluation versus most major currencies. AUD and CAD, however, are still close to fair-value.

Overview

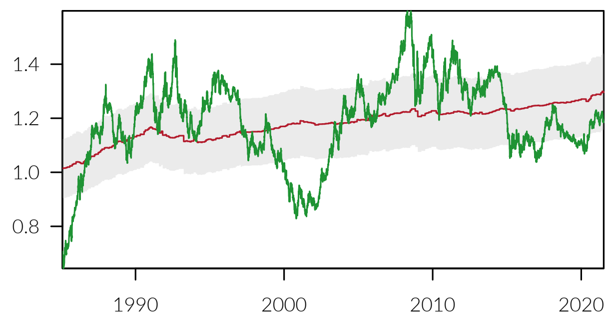
	Current Exchange Rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.180	-3.48%	-3.24%	4.52%	6.65%	1.30	1.16 - 1.44	-9%
USDJPY	110.670	7.13%	1.27%	2.93%	9.93%	94.29	83.7 - 104.9	17%
GBPUSD	1.380	1.07%	-2.70%	9.85%	6.93%	1.60	1.42 - 1.78	-14%
EURCHF	1.092	0.94%	-0.17%	2.74%	0.95%	1.07	1.01 - 1.13	2%
USDCHF	0.926	4.56%	3.17%	-1.69%	-5.35%	0.85	0.75 - 0.94	9%
GBPCHF	1.277	5.69%	0.37%	7.99%	1.21%	1.25	1.13 - 1.36	2%
CHFJPY	119.578	2.47%	-1.82%	4.72%	16.16%	93.33	82.4 - 104.2	28%
AUDUSD	0.749	-2.68%	-3.55%	7.51%	0.07%	0.77	0.68 - 0.86	-3%
USDCAD	1.248	-2.23%	3.50%	-8.13%	-3.94%	1.20	1.12 - 1.29	4%
USDSEK	8.621	4.91%	4.36%	-6.72%	0.50%	8.05	7.12 - 8.98	7%
EURSEK	10.173	1.27%	0.98%	-2.50%	7.19%	8.68	8.14 - 9.21	17%
USDRUB	74.762	0.77%	2.67%	4.61%	16.06%	53.84	45.5 - 62.2	39%
USDBRL	5.269	1.45%	4.62%	-1.70%	57.24%	3.48	2.87 - 4.09	51%
USDCNY	6.475	-0.41%	1.36%	-7.72%	-3.36%	6.75	6.54 - 6.96	-4%
USDTRY	8.697	17.04%	1.02%	26.85%	195.96%	5.30	4.21 - 6.38	64%
USDINR	74.806	2.40%	2.74%	-0.05%	10.85%	69.17	64.2 - 74.2	8%

[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.

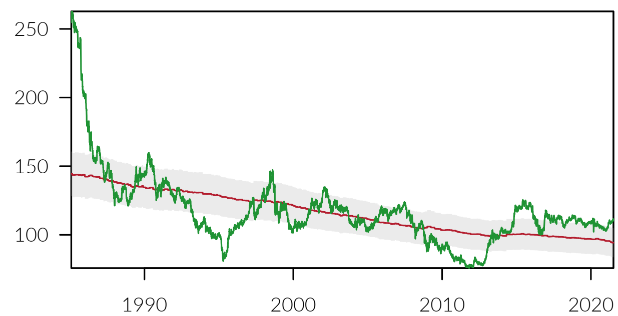
Source: QCAM Currency Asset Management, as of July 7th, 2021.

Purchasing Power Parity

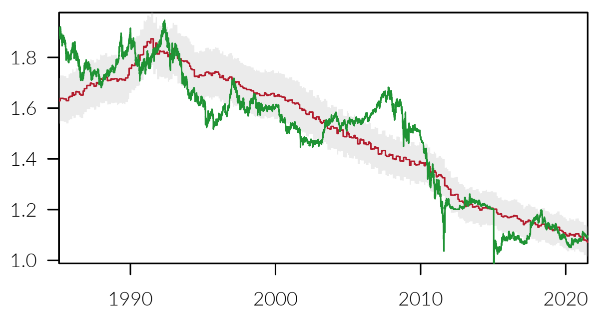
EURUSD



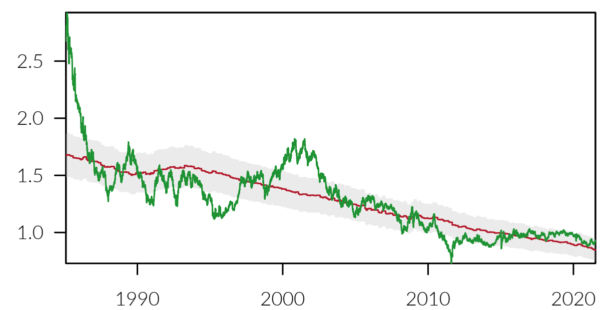
USDJPY



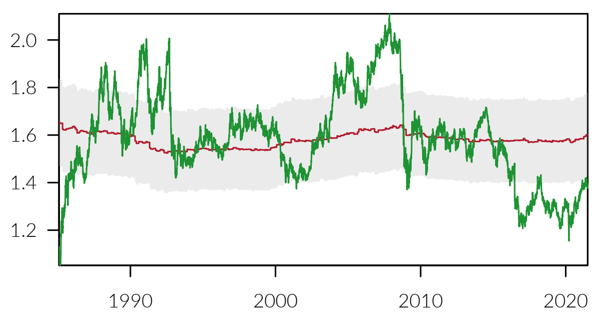
EURCHF



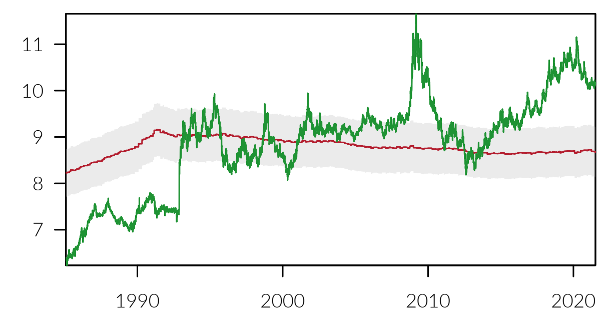
USDCHF



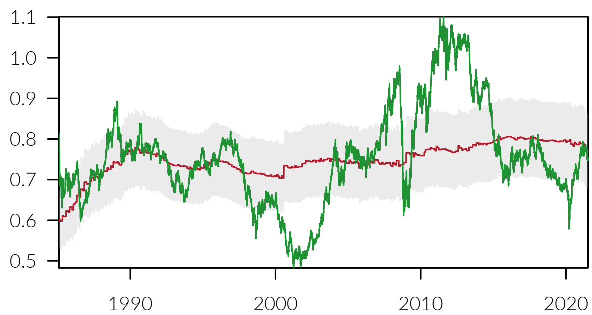
GBPUSD



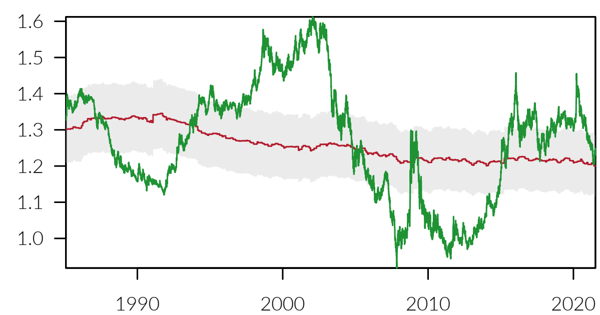
EURSEK



AUDUSD



USDCAD



PPP Spot Neutral Range

Source: QCAM Currency Asset Management, as of July 7th, 2021.

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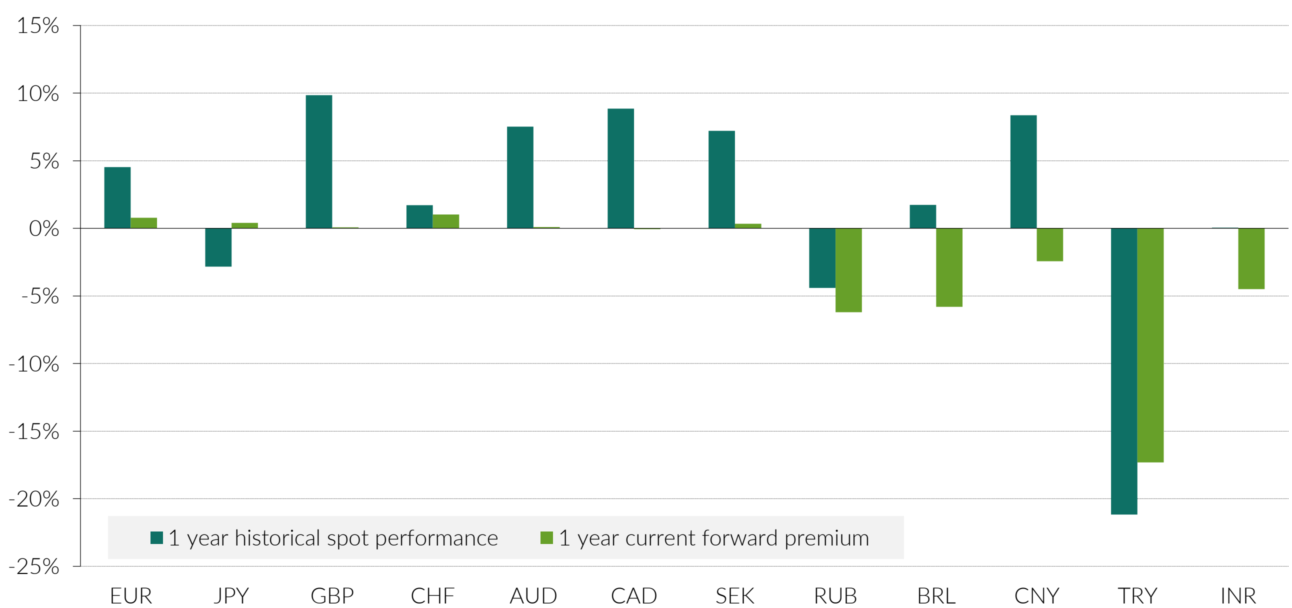
FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.180	1.1807	1.1823	1.1893	0.71%	0.73%	0.77%
USDJPY	110.670	110.6411	110.5801	110.2154	-0.29%	-0.31%	-0.40%
GBPUSD	1.380	1.3798	1.3800	1.3807	0.10%	0.08%	0.07%
EURCHF	1.092	1.0920	1.0916	1.0897	-0.22%	-0.21%	-0.22%
USDCHF	0.926	0.9249	0.9233	0.9163	-0.93%	-0.94%	-0.99%
GBPCHF	1.277	1.2761	1.2741	1.2651	-0.83%	-0.86%	-0.92%
CHFJPY	119.578	119.6457	119.7775	120.2956	0.64%	0.63%	0.59%
AUDUSD	0.749	0.7489	0.7491	0.7494	0.18%	0.16%	0.08%
USDCAD	1.248	1.2483	1.2483	1.2492	0.01%	0.01%	0.07%
USDSEK	8.621	8.6189	8.6141	8.5916	-0.31%	-0.31%	-0.34%
EURSEK	10.173	10.1769	10.1845	10.2184	0.40%	0.41%	0.43%
USDRUB	74.762	75.1146	75.8871	79.7119	5.30%	5.89%	6.53%
USDBRL	5.269	5.2870	5.3318	5.5938	3.88%	4.44%	6.04%
USDCNY	6.475	6.4888	6.5183	6.6361	2.55%	2.56%	2.45%
USDTRY	8.697	8.8407	9.1191	10.5190	18.63%	19.00%	20.67%
USDINR	74.806	75.0707	75.6555	78.3223	4.12%	4.31%	4.61%

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



Source: QCAM Currency Asset Management, as of July 7th, 2021.

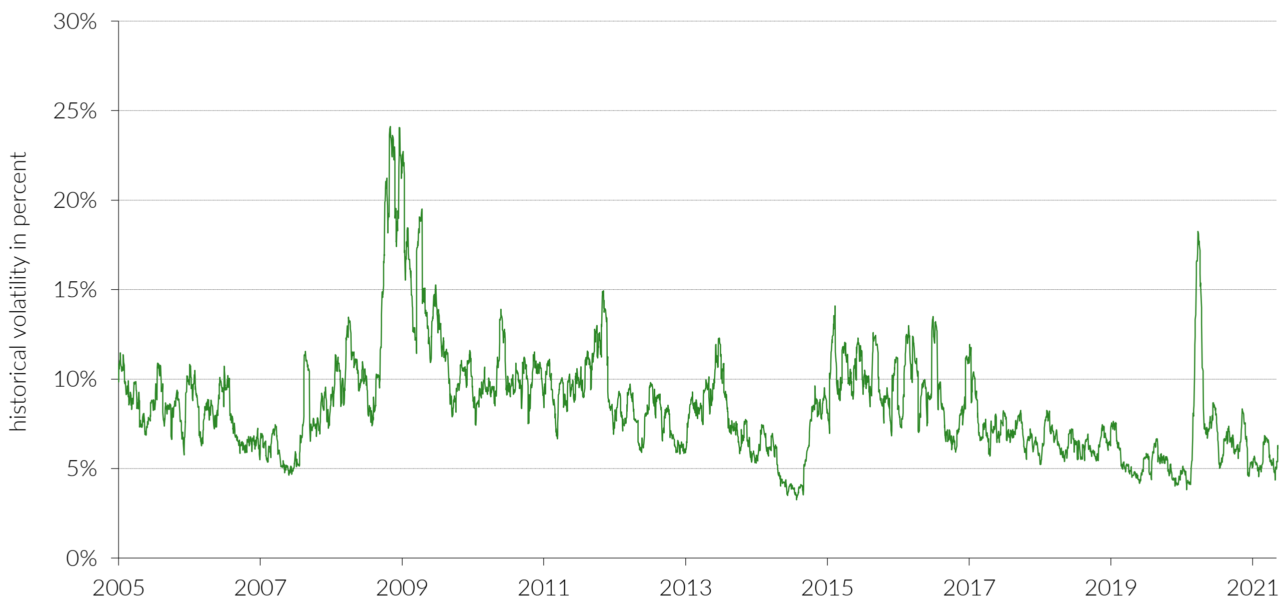
FX Volatility

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	1.180	6.28%	5.46%	6.86%	6.45%	5.60%	5.53%	6.63%	7.00%
USDJPY	110.670	4.81%	4.95%	6.20%	7.40%	5.75%	5.63%	6.05%	7.96%
GBPUSD	1.380	6.90%	6.65%	9.52%	9.03%	6.58%	6.48%	8.55%	9.15%
EURCHF	1.092	2.85%	3.47%	4.28%	4.15%	4.03%	4.20%	5.10%	5.20%
USDCHF	0.926	6.47%	5.80%	6.89%	6.46%	6.11%	5.95%	5.88%	6.83%
GBPCHF	1.277	4.87%	6.11%	8.87%	8.48%	6.28%	6.33%	7.78%	8.62%
CHFJPY	119.578	5.61%	4.85%	6.98%	6.56%	5.72%	5.48%	6.08%	7.30%
AUDUSD	0.749	9.12%	8.78%	12.61%	8.60%	8.88%	8.68%	9.73%	9.02%
USDCAD	1.248	7.01%	5.42%	8.86%	6.62%	6.78%	6.40%	6.03%	6.89%
USDSEK	8.621	9.09%	8.02%	10.11%	8.56%	7.88%	7.95%	9.23%	8.87%
EURSEK	10.173	4.16%	4.12%	7.13%	5.59%	4.83%	5.08%	6.25%	6.12%
USDRUB	74.762	8.75%	10.22%	16.46%	12.37%	12.20%	11.30%	14.10%	12.81%
USDBRL	5.269	13.02%	15.07%	25.37%	14.48%	17.73%	15.40%	20.25%	15.36%
USDCNY	6.475	3.92%	3.50%	3.99%	4.42%	4.30%	4.53%	4.75%	5.29%
USDTRY	8.697	12.82%	22.59%	8.81%	15.61%	16.76%	18.56%	12.74%	16.67%
USDINR	74.806	4.96%	5.36%	6.66%	5.43%	5.63%	5.53%	5.83%	6.33%

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

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: QCAM Currency Asset Management, as of July 7th, 2021.

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

All USD Macro positions have been shifted to neutral after the Fed meeting. Business Sentiment positions are mostly outright long or short with the balance now slightly short USD. Technical positions have become less strong given recent market volatility.

Overview[1]

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	++	0	Macro and Technical switched to neutral with only Business Sentiment still long EUR
USDJPY	0/+	++	+	Discretionary Macro switched to neutral and the Macro interest rate model remained short JPY. Business Sentiment and Technical both stayed short JPY
EURCHF	0	+	–	The balance of CHF strategy positions is neutral CHF versus EUR and slightly long CHF versus USD. The main CHF support comes from Technical
USDCHF	0	0	–	
GBPUSD	0	++	–	Technical has shifted to short GBP but Business Sentiment remains long, leaving the overall position slightly long GBP
EURSEK	–/0	– –	–	The Macro interest rate model shifted to neutral but the overall position remains long SEK
USDCAD	0/+	++	0	Technical shifted from long CAD to neutral and the balance of all strategies is now short CAD

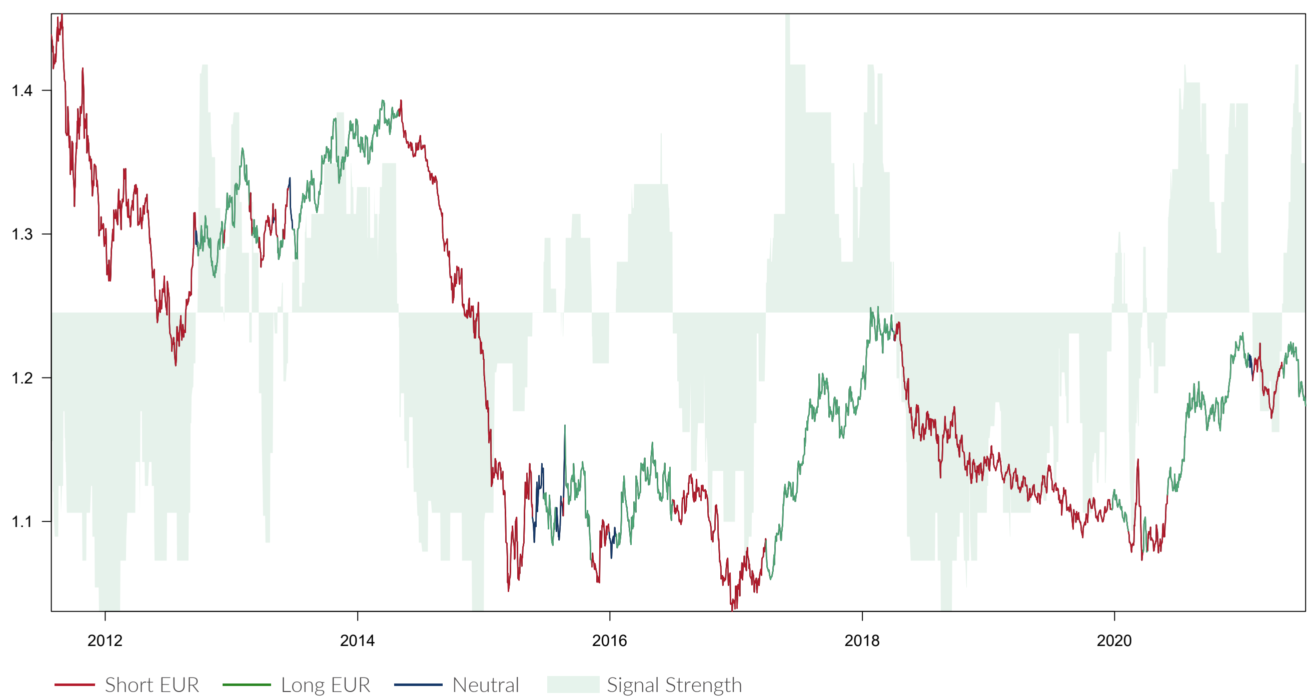
[1] The signs relate to the first currency of the exchange rate pair ; ++ or –– mean 100% long or short; */* means split position.
Source: QCAM Currency Asset Management

EURUSD

We remain negative on the USD on fundamental grounds (twin deficits). The Euro-area is catching up on vaccination progress and economic recovery momentum. However, the US interest rate outlook is a clear risk and we shifted the Macro position to neutral. The USD bounce has also shifted Technicals from long EUR to neutral. Currently, only Business Sentiment is still outright long EUR. The balance of all strategy positions has shifted from outright long EUR to a small long EUR.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The US deficit surged in recent months while the Euro-area surplus consolidated
	Fiscal Balances	+	The US deficit is likely to decline in the second half, but will remain high versus the EUR deficit
	Interest Rate Differentials	–	Interest rate differentials are a positive for the USD and the risk of earlier rate hikes has increased
	Oil prices	+	Further oil price upside seen limited
Sentiment	Business Sentiment	+	The momentum in Euro-area surveys remains stronger relative to US surveys
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
Technical	Price Action	0	Price technicals have shifted to neutral
	Spec Positions	0	The large EUR overbought position has disappeared
	PPP Valuation	+	EUR undervaluation is around 7%

EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

USDJPY

We shifted the discretionary JPY Macro position to neutral after the Fed meeting. We still like Japan's strong balance of payments position, but the recovery has not gathered speed as in Europe. The Macro interest rate model as well as the Business Sentiment and Technical positions remain all short JPY. As a result, the overall short JPY position increased further.

	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 offsetting the current account surplus
	Interest Rate Differentials	0/–	Short-term interest rate differentials remain too low for a sizeable return of the carry trade
Sentiment	Business Sentiment	– –	Japanese surveys still trailing US surveys
	Risk Sentiment	0/+	Rising risk aversion is a marginal support for the JPY
Technical	Price Action	–	Price action remains short JPY
	Spec Positions	0/+	Net short JPY position increassed further
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

USDJPY and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

EURCHF

The CHF gained a bit versus the EUR but remains well above the SNB intervention levels. The Swiss economy is recovering, but trails the Euro-area a bit in the surveys. There are also no specific Euro-concerns that could push funds back into Switzerland. Overall, we see the CHF trading in a range of 1.08 to 1.11 versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	Inflows have eased on reduced Euro concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	0	The SNB was not active in June and should stay on the sidelines unless EURCHF approaches 1.07
Sentiment	Business Sentiment	0/–	Swiss economy trails the Euro-area slightly in the surveys
	Risk Sentiment	0	Risk conditions look more balanced going forward but the CHF seems to benefit a bit from risk aversion in FX
Technical	Price Action	+	Technicals have shifted to long CHF
	Spec Positions	0	Close to neutral
	PPP Valuation	–	CHF unlikely to correct overvalued position significantly soon

EURCHF and QCAM Strategic Positioning

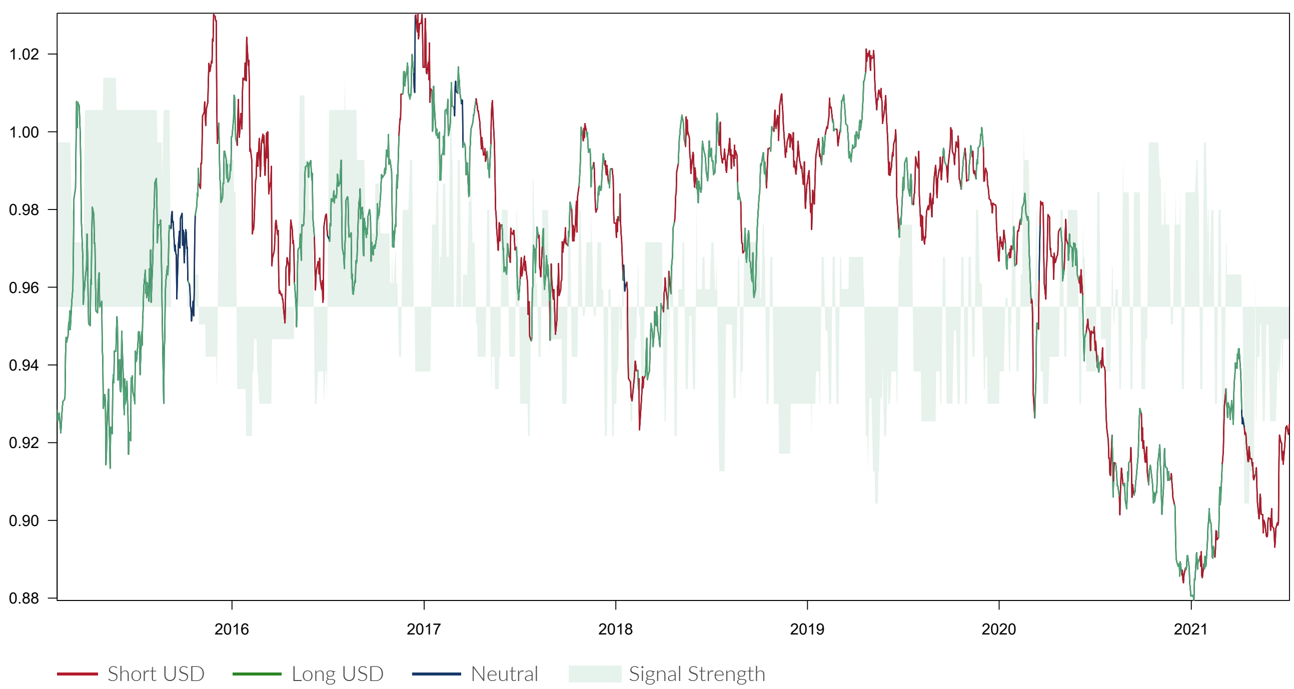
Source: QCAM Currency Asset Management

USDCHF

With the neutral EURCHF Macro view and the neutral EURUSD position, we also remain neutral CHF versus the USD. Fundamentals, espcially the current account surplus, are CHF favorable. Reduced risk sentiment is marginally positive for the CHF. Business Sentiment has shifted neutral CHF while Technicals have turned long CHF. The balance of strategy positions is slightly long CHF.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/–	Inflows have eased on reduced Euro concerns
	Interest Rate Differentials	0/–	Reduced differential detracts bond market outflows and increases USD hedging but US rate hike risk is rising
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
Sentiment	Business Sentiment	0	Swiss surveys roughly in line with US surveys
	Risk Sentiment	0/+	Higher risk aversion is marginally CHF positive
Technical	Price Action	+	Technicals have shifted long CHF
	Spec Positions	0/–	Net long CHF positions have increased
	PPP Valuation	0	CHF close to fair value

USDCHF and QCAM Strategic Positioning



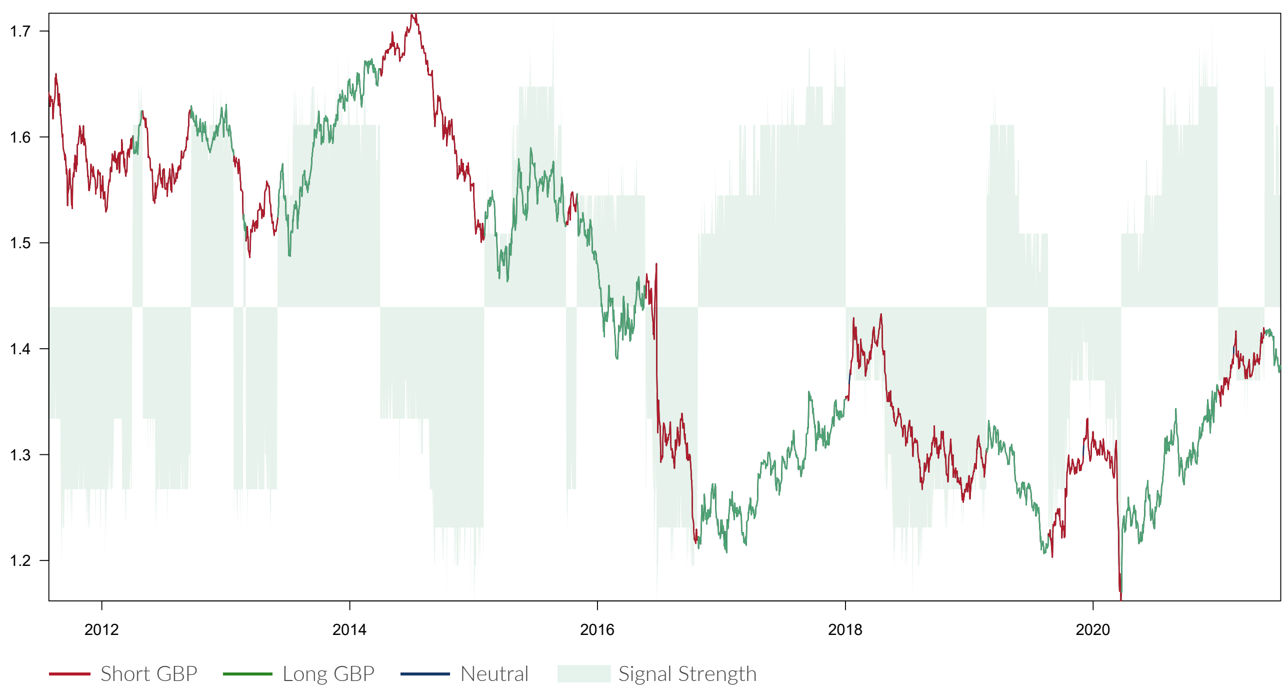
Source: QCAM Currency Asset Management

GBPUSD

Our macro position remains neutral on the GBP and Technical has shifted neutral as well, leaving only Business Sentiment long GBP. The persistent current account deficit and the risk that the long-term economic impact of BREXIT is negative leave the GBP vulnerable. The GBP has also come a long way since the BREXIT vote and long GBP positions are increasingly crowded.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	The UK has like the US a twin deficit problem
	Interest Rate Differentials	0/–	US and UK interest rates are about equal, but US rates have more upside risk
	Oil Price	+	Further oil price upside seen limited
Sentiment	Business Sentiment	++	UK surveys have strengthened overtaking the recovery momentum in the US
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side (spread of delta variant)
Technical	Price Action	–	Technicals shifted to short GBP
	Spec Positions	0/–	Large net long GBP positions increase correction risk
	PPP Valuation	+/0	The GBP is still undervalued, but has recovered much of the losses since the BREXIT vote

GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

EURSEK

The SEK weakened versus the EUR after the Fed meeting. The balance of scores and strategy models continues to favor the SEK. The biggest support comes from Business Sentiment. Important remains the refusal of the Ricksbank to return to negative interest rates. We expect the SEK to out-perform the EUR in a general reflation environment.

	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 switched to neutral but a return to negative interest rates seems unlikely
Sentiment	Business Sentiment	+	Surveys remain supportive of the SEK
	Risk Sentiment	0	Risk perceptions concerning Sweden's different Corona strategy have faded and vaccination progress is catching up as well
Technical	Price Action	+	Technicals have shifted to long SEK
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

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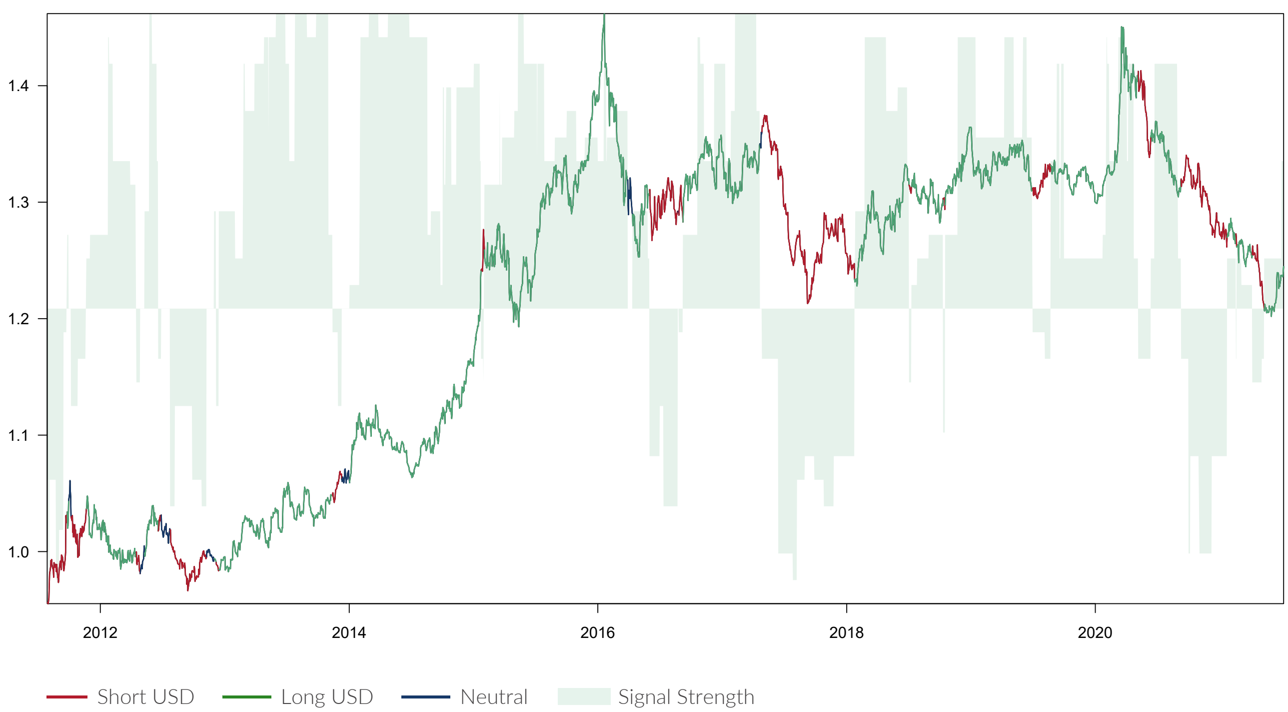
USDCAD

The CAD had a good run this year until the Fed meeting. We had shifted our discretionary Marco position already to neutral before the Fed meeting, partly because the CAD was overbought and no longer undervalued. The Macro oil-price model also remains short CAD as actual oil prices rose above prices predicted by market experts. Business Sentiment remains short CAD, while Technicals shifted to neutral. Overall, the balance of strategies is now clearly short CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit is declining while the US deficit is rising
	Oil Prices	+	Further oil price upside seen limited
	Interest Rate Differentials	0/–	USD and CAD interest rates close but US rates may rise faster
	USD DXY Trend	0/–	Neutral range with some potential of USD DXY strength
Sentiment	Business Sentiment	–	Canada still trails the US in the surveys
	Risk Sentiment	0	Risk issues are more balanced
Technical	Price Action	0	The balance of short and long term technicals has turned neutral
	Spec Positions	–	Net long CAD position declined, reducing correction risks
	PPP Valuation	0	CAD undervaluation has disappeared

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 mulitbank-setup and conducts clients FX transactions transparently, independently and in the client's best interests.

Optimized Liquidity Management

QCAM's Optimized Liquidity Management Strategy «OLM» 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 OLM 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 HNWIs.

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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