

July 2022

QCAM MONTHLY

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

Page 1 QCAM Insight

The Euro's Italian heel

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

The Euro's Italian heel

Bernhard Eschweiler, Economic Advisor
QCAM Currency Asset Management AG

The USD staged a massive rebound in June and early July boosted by a hawkish Fed and global recession fears. The USD is overvalued and the interest rate advantage is declining but persistent high uncertainty could keep the Greenback bid. The outlook depends also on the strengths and weaknesses of the USD's main counterparts. Italy's debt funding situation, for example, is a serious handicap for the Euro.

After the correction in May, the USD DXY rallied 4.8% in June and early July. The USD also gained 6.2% versus the basket of EM currencies. The USD rally had two stages. The first stage was driven by rate-hike expectations in the run-up to the last FOMC meeting. The second stage was marked by global recession fears. USD strength was broad based although some currencies held up better such as the CHF and the CAD. Whether the USD rally has more upside depends on whether more bad news will darken the outlook for the global economy and how much is already priced in. In our view, the risk of recession over the next 12 months is anticipated by the market with a probability of well over 50%. Thus, the uncertainty is how deep a potential recession could become. This uncertainty and actual negative news flows have the potential to drive the USD higher near term.

On the other hand, the USD's own foundation is vulnerable in our view. First, the USD is significantly overvalued against most major currencies (see page 6). Second, US economic outperformance has been replaced by a global slowdown that now includes the US as well. Third, the USD remains burdened by a large

current account deficit, which rose 1.5% of GDP since the start of the Corona crisis. Finally, expectations of rising US interest rates have stalled, while expectations of rising interest rates in other places have increased, narrowing the USD interest rate advantage.

Our selective short USD discretionary Macro positions have been stopped out by the USD rally, while our Business Sentiment and Technical positions remain on balance modestly long USD. We are comfortable with this position given near-term uncertainties. Whether and when the trend in global FX will change depends not only on the USD's foundation but also on the strengths and weaknesses of other currencies. In the following, we take a closer look at the EUR and in particular the Italian debt situation.

Euro debt sustainability ...

USD strength in recent weeks was partly the mirror image of EUR weakness. Reductions in gas supply have triggered fears that it could come to real shortages and rationing in the winter with dire economic consequences. The surge in energy prices has also squashed the Euro-area's mighty current account surplus. Finally, the rise in interest rates has caused alarm that heavily indebted countries in the southern periphery, most notably Italy, could run into trouble.

Government debt has increased significantly in the Euro-area as a result of the Corona crisis. For the Euro-area as a whole the debt-GDP ratio rose from 84% in 2019 to 96% at the end of last year. At the top end is still Greece (199%) followed by Italy (151%), Portugal (128%) and Spain (119%). Even France has pushed well above the 100% level. Given the high levels of

government debt, sustainability is a key concern. The good news is that headwinds have turned into tailwinds.

In the decade prior to the Corona crisis, the effective interest rate paid on government debt often exceeded nominal GDP growth (see Table). This headwind was particularly strong for Greece, Italy, Spain and Portugal and resulted in rising debt-GDP ratios even where governments' ran primary budget surpluses. Now, the effective interest rate paid on government debt is significantly lower, while nominal GDP growth is higher thanks to the rise in inflation. Moreover, this powerful tailwind is unlikely to fade quickly as it will take some time until the bulk of low-interest rate debt matures, while inflation will probably not yield quickly to deflation. Thus, chances are good that debt-GDP ratios will decline over time even though

many governments are likely to run larger primary deficits.

... and Italian debt funding problems

This positive debt-sustainability arithmetic also applies to Italy. Unfortunately, debt sustainability does not automatically ensure debt funding. In the case of Italy, debt funding has relied heavily on the ECB over the last 10 years (83% on a net basis). Not surprisingly, financial markets reacted adversely when the ECB announced the end of its bond purchase program and subsequent interest rate hikes. How powerful the ECB's forthcoming Anti-Fragmentation-Tool will be to ensure that Italy has sufficient market access and funding supply will be an important factor shaping the Euro's outlook for the next 12 months.

Euro-area government debt sustainability parameters

	In % annual rates	Effective interest rate paid on gov. debt (i)	Nominal GDP growth (y)	i - y	Primary gov. balance / GDP (b)	Implied annual debt/GDP change (d - y)
Euro area	2010-19	2.4	2.6	-0.2	-0.4	0.3
	2022-23	1.2	5.4	-4.2	-2.3	-1.8
	2024-27	1.2	3.4	-2.3	-0.8	-1.4
France	2010-19	2.2	2.3	-0.2	-2.1	2.1
	2022-23	0.8	4.4	-3.5	-3.8	-0.1
	2024-27	0.9	3.2	-2.3	-2.4	-0.2
Germany	2010-19	1.7	3.6	-1.8	1.5	-3.9
	2022-23	0.6	6.4	-5.7	-1.6	-3.5
	2024-27	0.7	3.2	-2.6	0.6	-3.6
Greece	2010-19	2.5	-2.4	4.9	0.6	4.7
	2022-23	1.6	6.6	-5.0	-0.4	-4.9
	2024-27	1.8	3.3	-1.5	1.8	-2.6
Italy	2010-19	3.2	1.3	1.8	1.3	0.9
	2022-23	2.0	4.0	-2.0	-2.0	-0.7
	2024-27	1.8	3.0	-1.2	-0.4	-1.0
Portugal	2010-19	3.1	2.1	1.0	-1.0	2.2
	2022-23	1.8	5.8	-4.0	0.1	-4.1
	2024-27	1.6	4.0	-2.4	0.8	-3.1
Spain	2010-19	2.7	1.6	1.2	-3.7	6.5
	2022-23	1.7	5.6	-3.9	-2.9	-1.5
	2024-27	1.8	3.8	-2.1	-1.9	-0.4

$d - y = (i - y) - b/(D/Y)$, where D/Y is the debt-GDP-ratio at the start of the year

Source: IMF World Economic Outlook April 2022 and QCAM

Economy & Interest Rates

Growth forecasts continue to slide lower. Recession is not imminent given the recovery momentum from the Corona pandemic but it is a clear and present danger. Consumers respond more negatively to high inflation and rising interest rates than businesses. An energy shortage is the biggest risk for Europe, while monetary tightening at full employ-

ment is the bigger risk for the US. Inflation should peak soon given the slowdown in growth and the recovery from the Corona-related supply and demand distortions, but underlying inflation pressures will force more central bank tightening this year and possibly next year.

	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	6.1	3.0	n.a.	n.a.	4.7	7.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	5.2	2.5	n.a.	n.a.	3.1	6.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	5.7	2.0	5.4	3.6	4.7	7.5	-3.5	-3.5	-10.2	-5.0	133	128
Canada	4.6	3.5	7.4	6.0	3.4	6.5	0.1	1.0	-4.7	-2.5	112	102
Euro-area	5.3	2.5	7.7	7.0	2.6	7.0	2.4	1.5	-5.5	-4.5	79	79
Sweden	4.8	2.5	8.8	8.0	2.7	5.0	5.5	4.5	-1.0	-1.0	37	35
Switzerland	3.7	2.5	3.0	2.5	0.6	3.0	9.3	6.0	-1.9	-1.0	42	42
UK	7.4	3.0	4.5	4.0	2.6	8.5	-2.6	-5.0	-8.0	-4.5	95	90
Japan	1.6	1.5	2.8	2.5	-0.3	2.0	2.9	2.0	-7.6	-8.0	263	263
Australia	4.7	3.5	5.1	4.0	2.9	5.5	3.5	3.0	-7.7	-5.5	60	60
Emerging	6.8	3.5	n.a.	n.a.	5.9	8.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	8.1	4.0	4.1	4.0	0.9	2.5	1.8	1.0	-6.0	-7.5	73	78
India	8.9	7.0	n.a.	n.a.	5.5	6.5	-1.6	-3.0	-10.4	-10.0	87	87
Russia	4.7	-5.0	4.8	6.0	6.7	15.0	6.9	10.0	0.7	-4.0	17	17
Brazil	4.6	1.0	14.2	11.0	8.3	10.0	-1.7	-1.5	-4.4	-7.5	93	92

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

OECD business and consumer confidence*



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

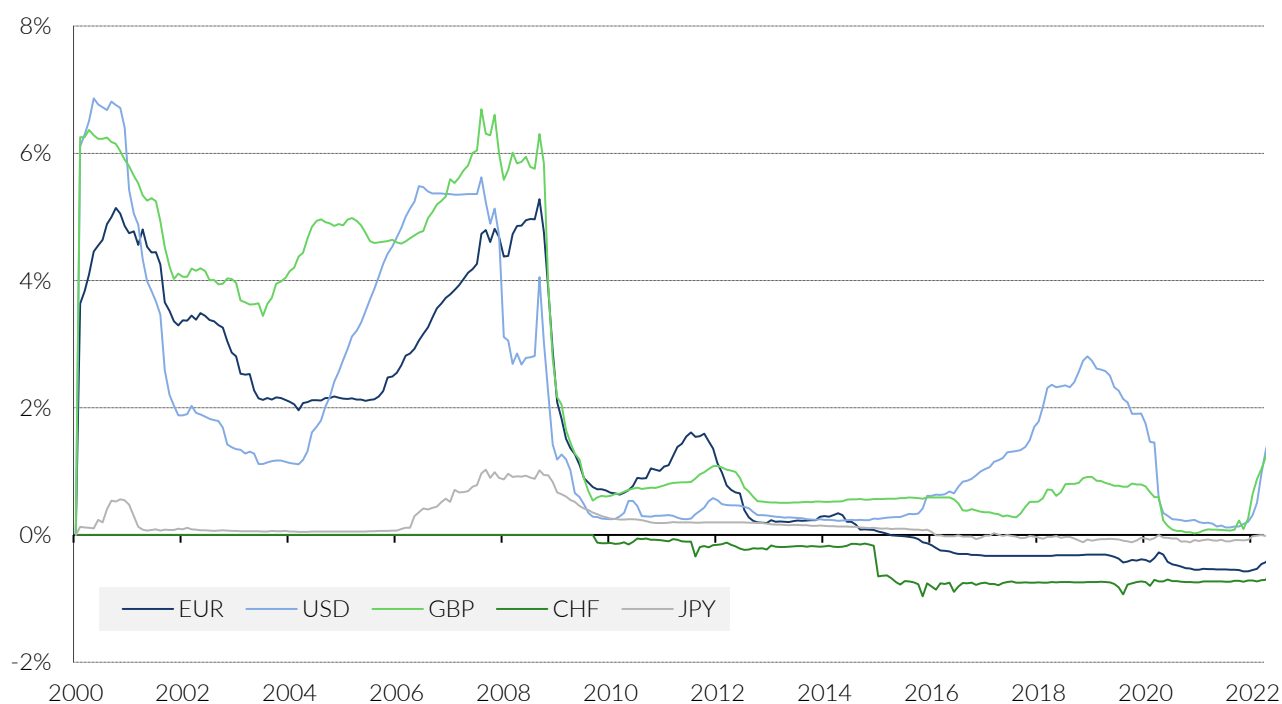
Interest Rates

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	2.19%	1.49%	0.73%	0.09%	0.58%	2.96%	2.98%	2.45%	1.44%	1.48%
EUR	-0.59%	-0.59%	-0.59%	-0.58%	-0.56%	2.07%	1.89%	1.20%	0.11%	0.18%
JPY	-0.04%	-0.03%	-0.01%	-0.03%	-0.05%	0.46%	0.40%	0.37%	0.08%	0.11%
GBP	1.56%	1.31%	0.92%	0.05%	0.36%	2.20%	2.20%	1.65%	0.72%	0.71%
CHF	-0.18%	-0.59%	-0.72%	-0.73%	-0.73%	1.54%	1.45%	0.89%	-0.06%	-0.06%
AUD	1.65%	1.02%	0.18%	0.03%	0.29%	3.97%	3.82%	3.11%	1.55%	1.58%
CAD	2.26%	1.77%	0.97%	0.20%	0.69%	3.67%	3.44%	2.93%	1.84%	1.82%
SEK	0.79%	0.48%	0.03%	-0.03%	-0.03%	2.59%	2.56%	1.91%	0.75%	0.76%
RUB	9.25%	9.25%	21.47%	6.07%	7.18%	8.10%	8.15%	14.17%	7.36%	8.06%
BRL	13.12%	12.03%	11.70%	4.47%	5.00%	12.78%	12.40%	11.17%	9.01%	8.96%
CNY	1.88%	1.86%	2.16%	2.36%	2.30%	2.75%	2.57%	2.57%	2.94%	2.80%
TRY	20.16%	20.25%	16.19%	19.09%	0.00%	38.04%	33.93%	28.07%	17.95%	17.11%
INR	5.25%	4.98%	3.81%	3.51%	4.14%	7.02%	7.20%	6.31%	6.07%	5.55%

Source: QCAM Currency Asset Management, as of July 8th, 2022

3-month Libor



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

FX Markets

FX Performance vs. PPP

The USD surged in June and early July and the USD DXY is now up 10.5% since the start of the year. The CAD has held up best versus the USD both over the last six weeks as well as YTD. Among EM currencies, the RUB is ironically the best performer so far this year, while the TRY is down the most. Speculative net long USD positions were range bound. Interest rate differentials are no lon-

ger rising but forward hedging versus the USD remains costly from the perspective of EUR, JPY and CHF. Actual and implied FX volatilities rose both over the last month and stand well above their long-term averages. PPP estimates continue to roll selectively against the USD. The JPY is now 46% undervalued versus the USD.

Overview

	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.017	-10.71%	-4.55%	-14.33%	-10.88%	1.27	1.14 - 1.41	-20%
USDJPY	136.170	18.38%	1.50%	23.57%	19.40%	93.44	82.9 - 104.0	46%
GBPUSD	1.202	-11.20%	-3.96%	-13.27%	-6.74%	1.59	1.42 - 1.77	-24%
EURCHF	0.995	-4.15%	-4.56%	-8.39%	-9.57%	0.99	0.94 - 1.05	0%
USDCHF	0.978	7.33%	0.01%	6.93%	1.47%	0.81	0.72 - 0.90	21%
GBPCHF	1.176	-4.69%	-3.94%	-7.25%	-5.35%	1.17	1.06 - 1.27	0%
CHFJPY	139.208	10.28%	1.51%	15.55%	17.67%	94.90	83.9 - 105.9	47%
AUDUSD	0.684	-6.05%	-3.99%	-8.65%	-10.09%	0.74	0.65 - 0.83	-8%
USDCAD	1.297	2.54%	2.48%	3.98%	0.85%	1.19	1.11 - 1.28	9%
USDSEK	10.533	16.55%	6.57%	22.79%	25.02%	8.26	7.31 - 9.20	28%
EURSEK	10.710	4.10%	1.72%	5.20%	11.43%	8.69	8.15 - 9.22	23%
USDRUB	64.903	-13.55%	13.13%	-12.77%	7.50%	58.52	45.7 - 71.3	11%
USDBRL	5.309	-4.72%	8.57%	0.93%	61.71%	3.79	3.13 - 4.45	40%
USDCNY	6.687	5.19%	-0.12%	3.11%	-1.72%	7.48	7.23 - 7.73	-11%
USDTRY	17.298	30.74%	2.32%	99.73%	378.09%	10.10	7.93 - 12.3	71%
USDINR	79.282	6.43%	1.85%	6.36%	22.66%	69.15	64.2 - 74.0	15%

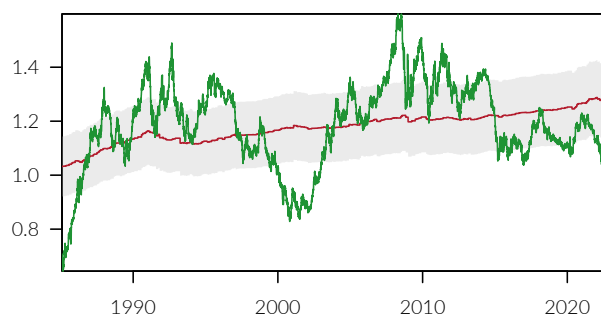
¹ Performance over the respective period of time, in percent

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.

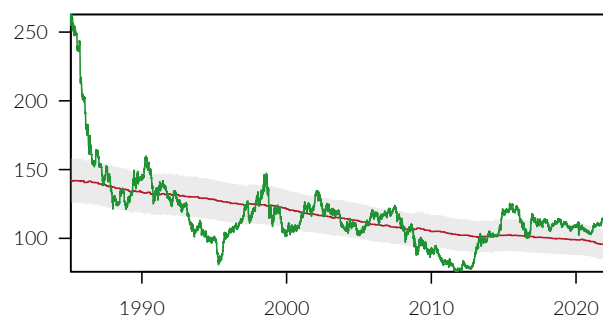
³ Deviation of the current spot rate from PPP, in percent.

Purchasing Power Parity

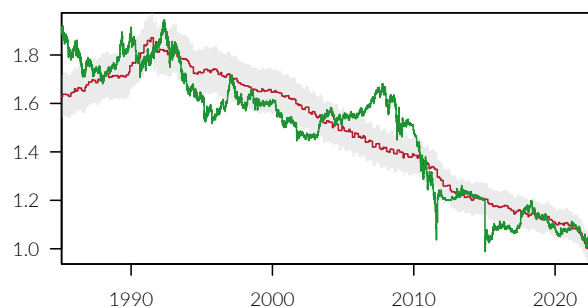
EURUSD



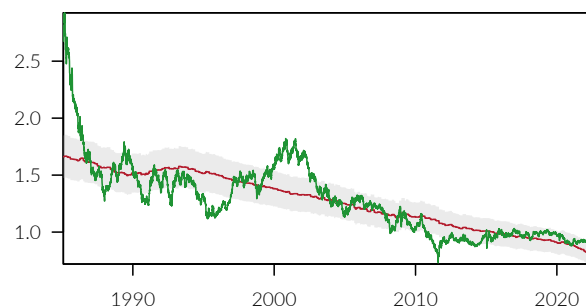
USDJPY



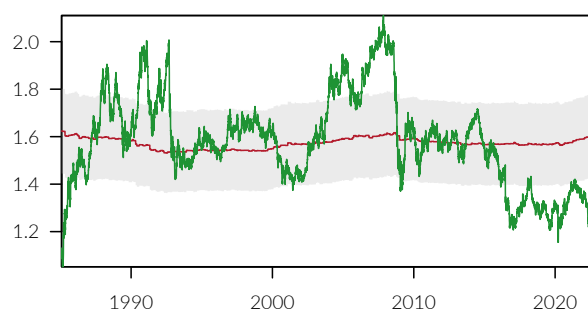
EURCHF



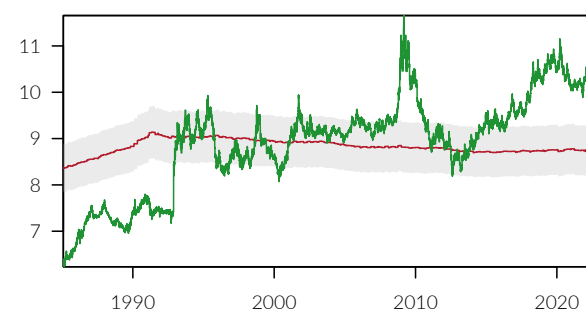
USDCHF



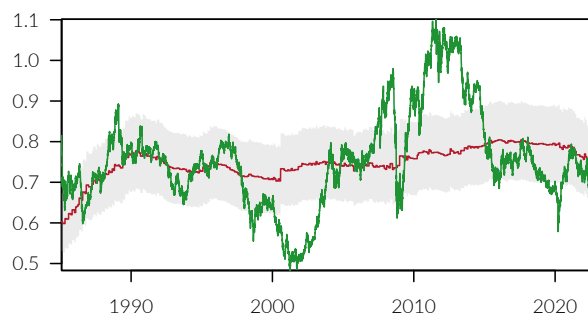
GBPUSD



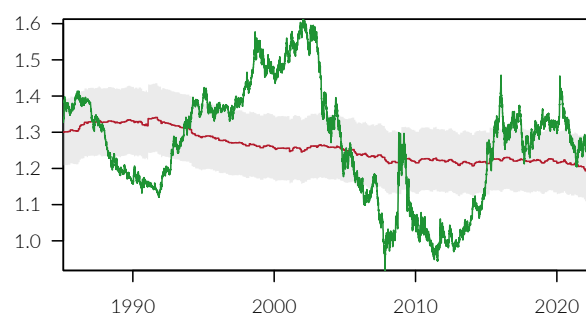
EURSEK



AUDUSD



USDCAD



— PPP — Spot — Neutral Range

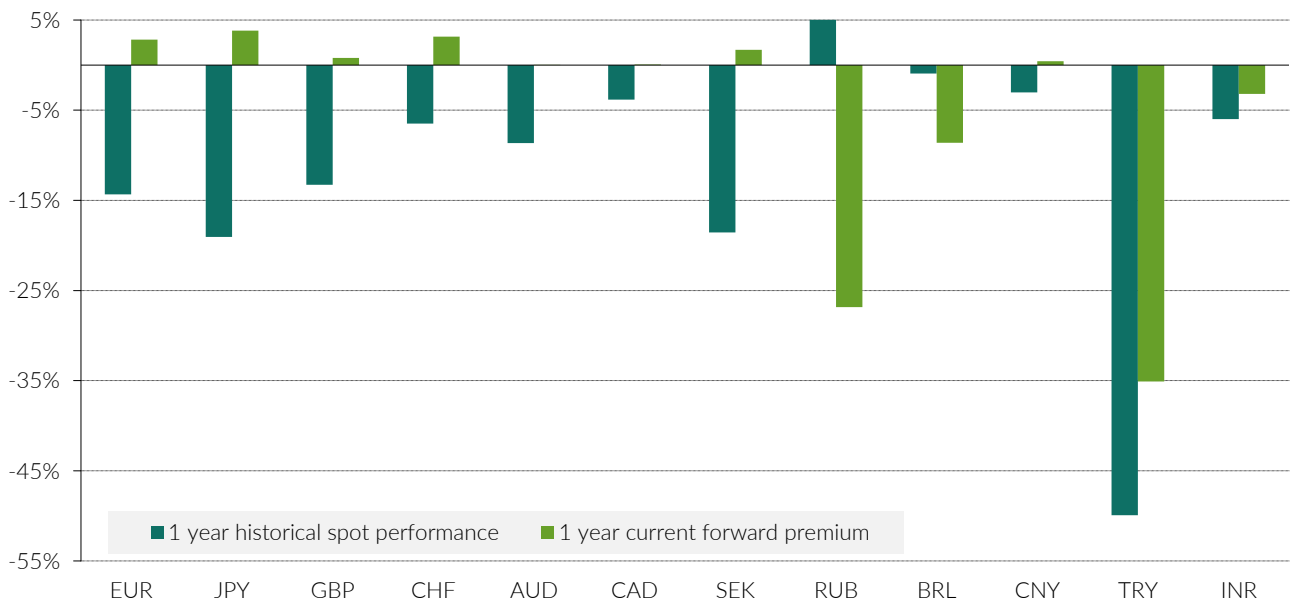
Source: QCAM Currency Asset Management, as of July 8th, 2022.

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.017	1.0188	1.0235	1.0453	2.42%	2.62%	2.77%
USDJPY	136.170	135.9087	135.2435	131.1484	-2.23%	-2.66%	-3.64%
GBPUSD	1.202	1.2026	1.2042	1.2114	0.67%	0.74%	0.78%
EURCHF	0.995	0.9946	0.9944	0.9912	0.11%	-0.04%	-0.33%
USDCHF	0.978	0.9763	0.9716	0.9483	-2.31%	-2.64%	-3.02%
GBPCHF	1.176	1.1741	1.1701	1.1488	-1.64%	-1.91%	-2.26%
CHFJPY	139.208	139.2174	139.2003	138.3064	0.08%	-0.02%	-0.64%
AUDUSD	0.684	0.6839	0.6844	0.6840	0.38%	0.39%	0.04%
USDCAD	1.297	1.2971	1.2968	1.2962	0.05%	-0.05%	-0.06%
USDSEK	10.533	10.5206	10.4897	10.3557	-1.36%	-1.60%	-1.66%
EURSEK	10.710	10.7193	10.7371	10.8254	1.06%	1.01%	1.07%
USDRUB	64.903	66.4109	71.3127	88.6977	26.98%	38.65%	36.16%
USDBRL	5.309	5.3590	5.4468	5.8085	11.05%	10.08%	9.29%
USDCNY	6.687	6.6866	6.6835	6.6580	-0.09%	-0.21%	-0.43%
USDTRY	17.298	17.9146	19.4148	26.6438	38.86%	47.88%	53.28%
USDINR	79.282	79.5148	79.9428	81.8848	3.41%	3.26%	3.24%

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



Source: QCAM Currency Asset Management, as of July 8th, 2022

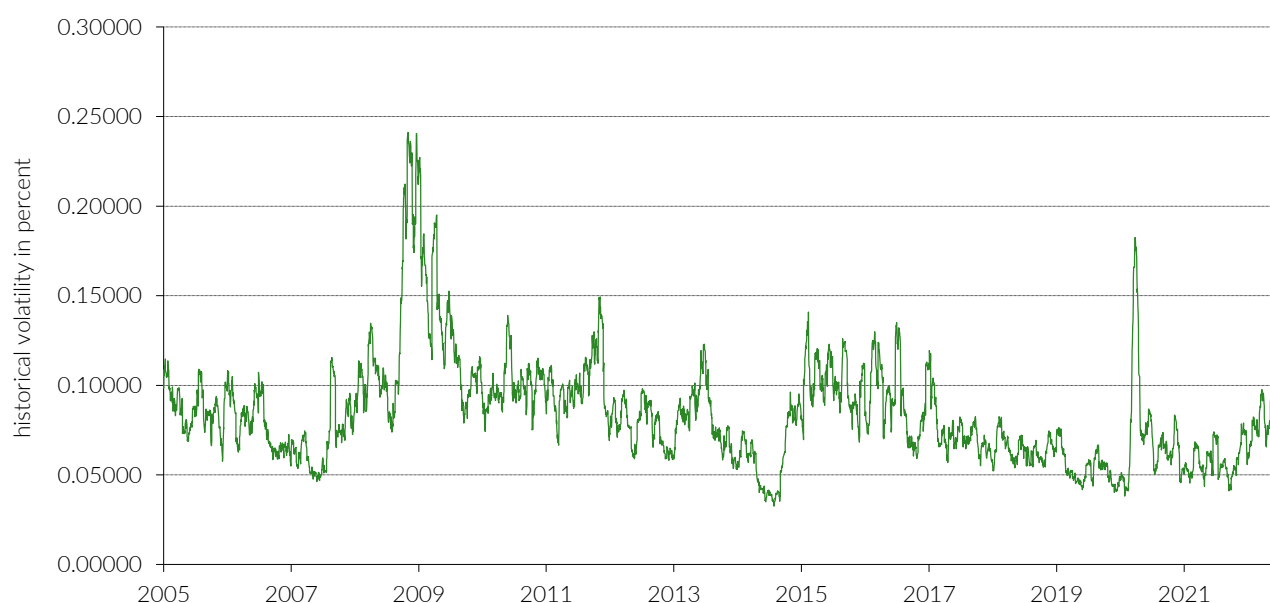
FX Volatility

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	1.017	10.53%	9.11%	6.28%	6.39%	10.35%	8.05%	5.63%	6.61%
USDJPY	136.170	11.67%	10.05%	4.81%	6.57%	11.43%	11.45%	5.96%	7.26%
GBPUSD	1.202	12.54%	8.89%	6.90%	8.15%	11.05%	9.33%	6.68%	8.74%
EURCHF	0.995	8.12%	6.84%	2.85%	4.43%	8.40%	7.03%	4.25%	5.15%
USDCHE	0.978	11.19%	7.77%	6.47%	6.46%	9.00%	8.57%	6.28%	6.59%
GBPCHE	1.176	9.28%	8.20%	4.87%	7.76%	9.88%	8.78%	6.48%	8.23%
CHFJPY	139.208	12.07%	10.47%	5.61%	6.06%	11.28%	10.53%	5.90%	6.75%
AUDUSD	0.684	13.64%	12.06%	9.12%	8.79%	12.43%	11.73%	9.15%	9.08%
USDCAD	1.297	8.35%	6.77%	7.01%	6.62%	8.20%	7.13%	7.08%	6.70%
USDSEK	10.533	13.27%	13.05%	9.09%	8.88%	13.98%	11.78%	7.90%	9.02%
EURSEK	10.710	6.84%	8.08%	4.16%	5.85%	7.48%	7.08%	4.85%	6.12%
USDRUB	64.903	53.75%	63.30%	8.75%	16.81%	50.25%	45.67%	12.45%	15.96%
USDBRL	5.309	18.63%	17.49%	13.02%	14.55%	20.73%	19.40%	17.73%	15.82%
USDCNY	6.687	7.23%	6.91%	3.92%	4.43%	5.05%	6.28%	4.40%	5.17%
USDTRY	17.298	14.33%	9.50%	12.82%	18.41%	32.43%	42.92%	16.76%	19.54%
USDINR	79.282	3.49%	4.46%	4.96%	5.45%	5.65%	5.60%	5.70%	6.25%

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 July 8th, 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 principal 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

Our selective long USD Macro positions have been stopped out. The balance of the Business Sentiment positions is modestly long USD. The Technical positions are long USD except for the CHF. The overall strategy portfolio is moderately long USD.

Overview¹

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	--	-	Macro was reversed from long EUR to neutral, while all other positions remained unchanged.
USDJPY	0/-	--	+	The Macro interest model went long JPY, while all other positions remained unchanged.
EURCHF	0	--	-	Macro and Business Sentiment went both to neutral in USDCHF, while all other positions remained unchanged.
USDCHF	0	0	-	The balance of our positions remains modestly long CHF but more versus the EUR than versus the USD.
GBPUSD	0	-	-	Positions have not changed and remain modestly short GBP.
EURSEK	0/+	++	-	The Macro interest rate model moved to short SEK and the Technical position shifted to long SEK.
USDCAD	0/+	--	++	Discretionary Macro shifted to neutral, the Macro oil model both moved to short CAD and Business Sentiment went long CAD

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

EURUSD

Uncertainties related to the Ukraine war and a possible energy crisis in Europe dominate EURUSD. On the other hand, the Euro-area economy is holding up well given the circumstances and the ECB is set to tighten policy. Our half-long EUR discretionary

macro position was stopped out by the fall in EURUSD. Business Sentiment remains fully short EUR and the Technical positions are on balance half short EUR. Overall, our position is half short EUR versus the USD.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	0/+	The surge in energy prices has reduced the Euro-area's current account surplus
	Fiscal Balances	0	The US deficit has declined after the surge last year and is approaching a similar level to the Euro-area deficit
	Interest Rate Differentials	-/0	Interest rate differentials are a negative for the EUR vs the USD but more likely to narrow than to widen further
	Oil prices	0	Oil prices are moving in a volatile range
Sentiment	Business Sentiment	--	The momentum in Euro-area surveys has fallen below US surveys
	Risk Sentiment	--	Uncertainty related to the Ukraine war and a possible energy crisis in Europe has increased
Technical	Price Action	-	Price technicals remain short EUR
	Spec Positions	0	Positions are only slightly short EUR
	PPP Valuation	+	EUR undervaluation is around 20%

EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

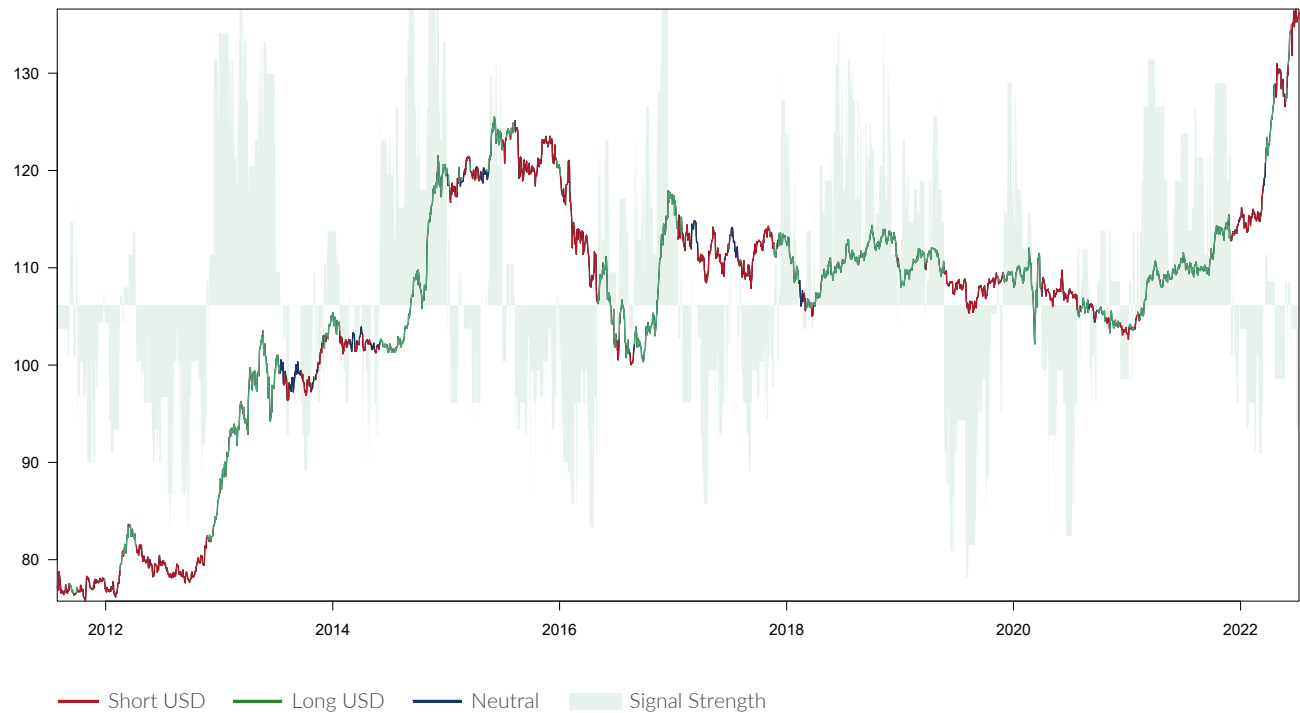
USDJPY

The economy is holding up better than feared, but the current account cushion is declining and the commitment to the zero interest rate policy remains strong. Our discretionary Macro position remains neutral and the Macro carry model switched to long JPY due to in-

creased equity market volatility. Business Sentiment in Japan held up and maintained the long JPY position, while Technical stayed short JPY. The balance of all strategy positions is slightly long JPY.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	0/+	The Japanese surplus has declined most recently on rising energy prices
	FDI Flows	-	Net outflows have increased to the pre-Corona level
	Interest Rate Differentials	--	Japanese interest rates remain zero-bound, increasing the attraction of the carry trade
Sentiment	Business Sentiment	++	Momentum of Japanese Business Sentiment versus the US remains positive
	Risk Sentiment	0	Changes in risk sentiment had little impact so far this year
Technical	Price Action	-	Price action remains JPY negative
	Spec Positions	0	Oversold positions have declined
	PPP Valuation	+	The JPY is currently about 46% undervalued

USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

EURCHF

We maintain the neutral Macro position. The CHF is fundamentally strong and the SNB rate hike has given the CHF a big push but we think further upside is lim-

ited for now. Business Sentiment and Technical remain both long CHF. Our three strategy positions are on balance half long CHF versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Capital Flows (Safe Haven)	0	No significant inflows on Ukraine concerns
	Interest Rate Differentials	+	The SNB surprised with an earlier rate hike
	SNB Policy Intervention	0	The SNB has continued to stay sidelined
Sentiment	Business Sentiment	+	Swiss economy is overtaking the Euro-area in the surveys
	Risk Sentiment	0	Changes in risk sentiment had little impact so far this year
Technical	Price Action	+	Technical stayed long CHF
	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



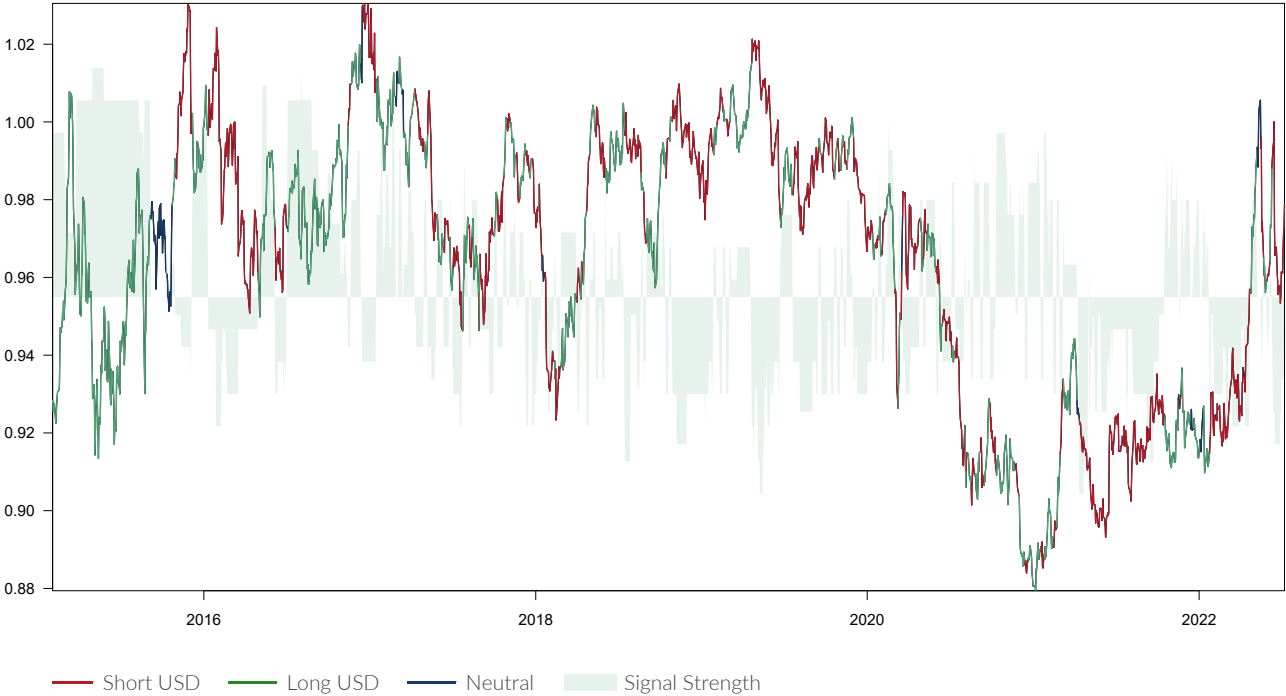
Source: QCAM Currency Asset Management

USDCHF

Our Macro positions in EURCHF (neutral) and EURUSD (neutral) imply also neutral for USDCHF. USDCHF remains dominated by moves in EURUSD with some possible moderation from EURCHF. Business Sentiment moved to neutral CHF, while Technical stayed long CHF. The balance of all three strategies is slightly long CHF.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Capital Flows (Safe Haven)	0	No significant inflows on Ukraine concerns
	Interest Rate Differentials	-/0	Interest rate differentials are a negative for CHF versus the USD but more likely to narrow than to widen further
	SNB Policy Intervention	0	Tied to EURCHF intervention and interest rate policy
Sentiment	Business Sentiment	0	Swiss surveys are in line with US surveys
	Risk Sentiment	0	Changes in risk sentiment had little impact so far this year
Technical	Price Action	+	Price action still CHF friendly
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	+	CHF is about 21% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

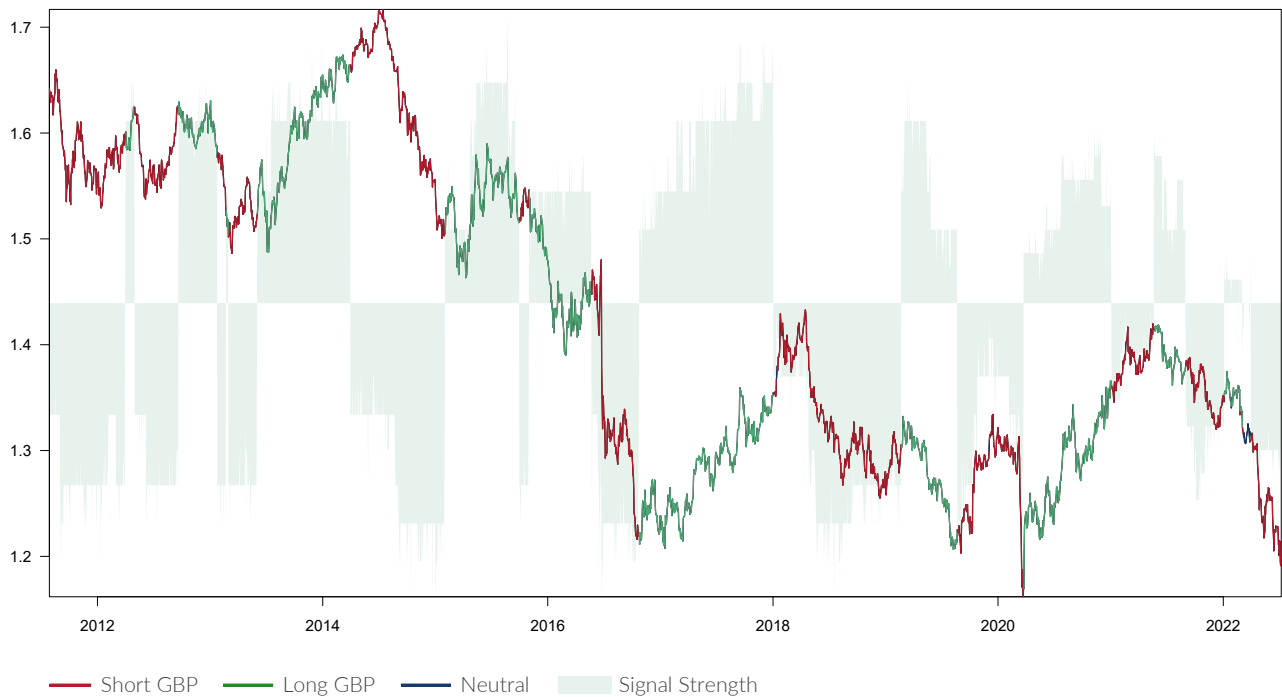
GBPUSD

We are fundamentally bearish on the GBP given the negative Brexit fallout and growing stagflation pressures. From a portfolio perspective, we main-

tain the neutral Macro position given short GBP positions in Business Sentiment and Technical. The balance of our strategies is half short 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 have increased above UK interest rates across all maturities
	Oil Price	0	Volatile range
Sentiment	Business Sentiment	-	Momentum in UK surveys remains below US surveys
	Risk Sentiment	0/-	Political uncertainty
Technical	Price Action	-	Technicals remain short GBP
	Spec Positions	0	Net short GBP position declined
	PPP Valuation	+/0	The GBP is 24% undervalued

GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

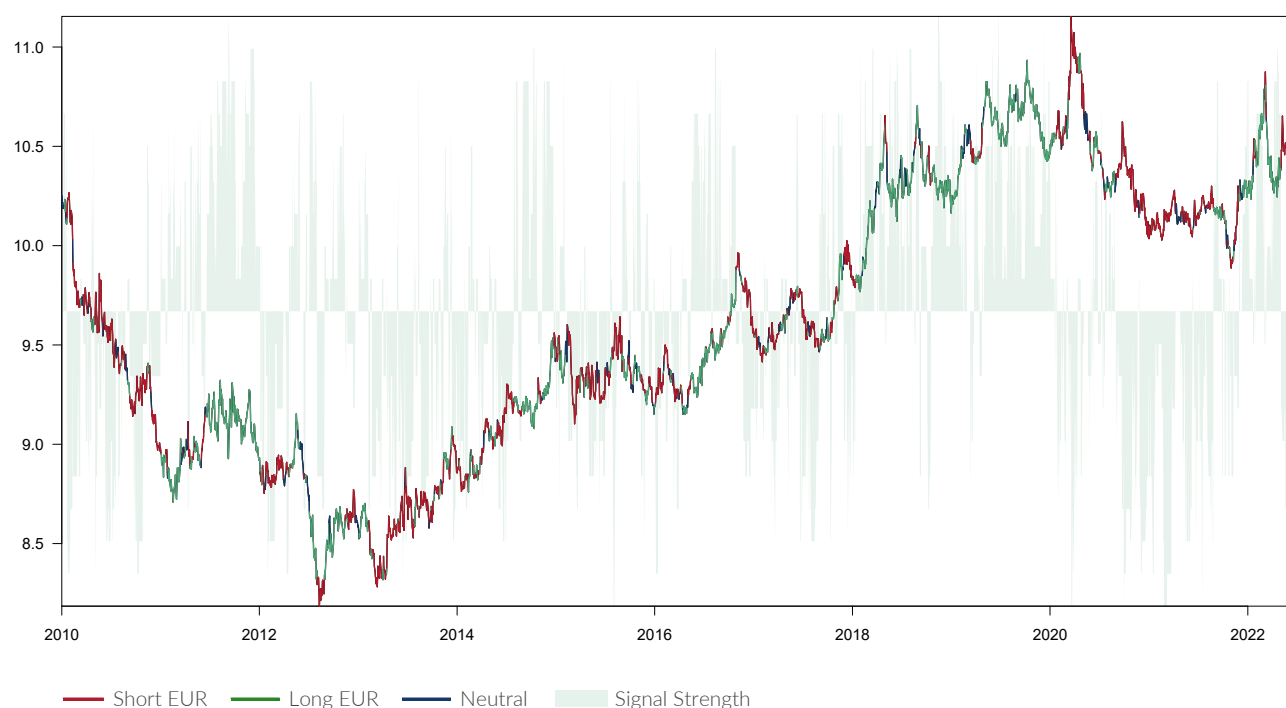
EURSEK

Sweden’s fundamentals remain sound and the SEK is undervalued. We maintain the neutral discretionary Macro position, however, given concerns over negative event risks. The interest rate Macro mod-

el shifted to short SEK. Business Sentiment stayed short SEK and Technical moved to long SEK. The balance of all strategy positions is modestly short SEK versus the EUR.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Sweden's surplus is less likely to suffer terms of trade losses
	Interest Rate Differentials	-	The Macro interest rate model shifted to short SEK
Sentiment	Business Sentiment	-	Surveys remained short SEK
	Risk Sentiment	-	Energy supply uncertainty
Technical	Price Action	+	Technicals shifted to long SEK
	PPP Valuation	+	The SEK is roughly 23% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

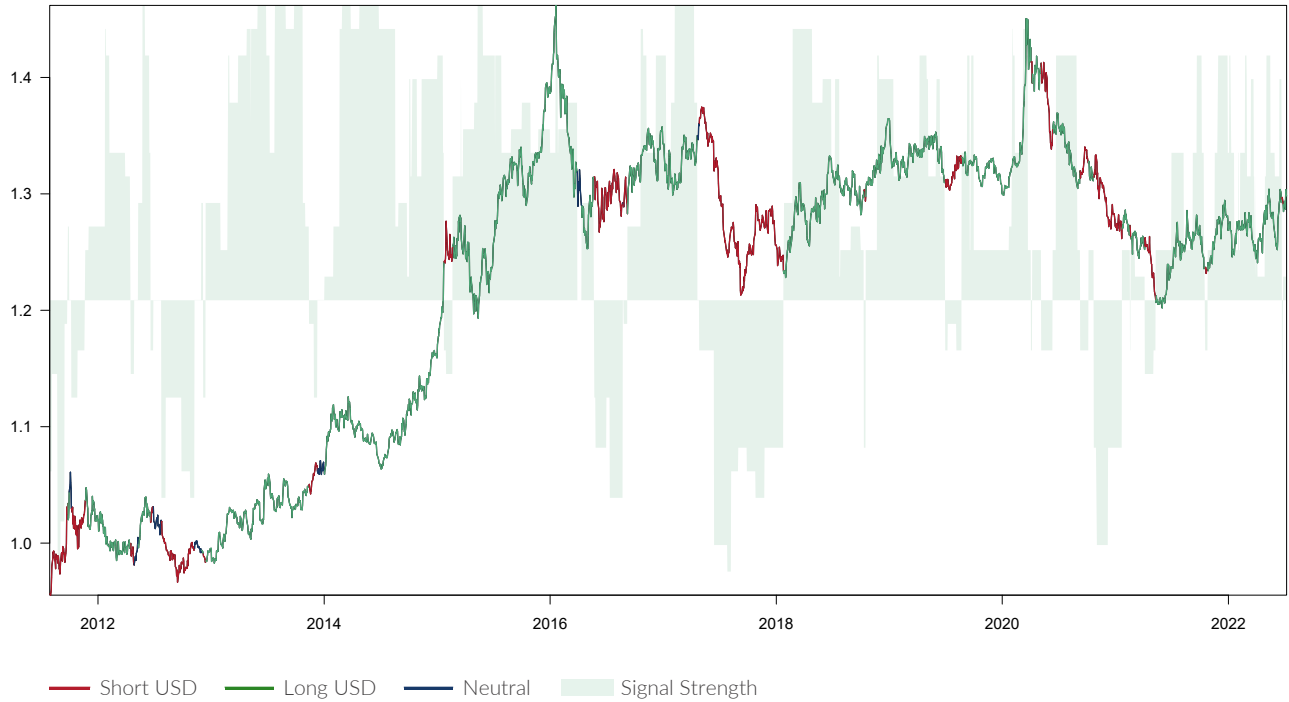
USDCAD

Our half-long CAD discretionary macro position was stopped out by the rise in USDCAD. Canada’s fundamental position remains solid. The current account moved into surplus on rising oil prices, inflation is a bit lower than in the US and the BoC is moving in line

with the Fed. The Macro price model has switched to short CAD as forecasts moved below current levels. Business Sentiment moved to long CAD, while Technical stayed short CAD. As a result, the overall position is slightly short CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account moved further into surplus while the US deficit remains wide
	Oil Prices	0	Range
	Interest Rate Differentials	0	CAD short-term and long-term rates are moving closely in line with US rates
	USD DXY Trend	0	Negative correlation with USD is small
Sentiment	Business Sentiment	+	Canada has gained momentum versus the US in the surveys
	Risk Sentiment	0	No particular risk drivers at the moment
Technical	Price Action	-	Technicals are short CAD
	Spec Positions	0	Net long CAD positions declined approaching neutral
	PPP Valuation	0	CAD is about 9% 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

QCAM MONTHLY Editorial Team



Bernhard Eschweiler, PhD

Senior Economic Advisor

bernhard.eschweiler@q-cam.com



Marcel Weidinger

Currency Overlay

marcel.weidinger@q-cam.com



Felix Dietrich, PhD

Quantitative Research

felix.dietrich@q-cam.com



Jürgen Büscher

Currency Overlay

juergen.buescher@q-cam.com



Sabrina von Dach

Business Management

sabrina.vondach@q-cam.com



Sanela Baltensperger

Business Management

sanela.baltensperger@q-cam.com

Legal Disclaimer

This report has been prepared and published by QCAM Currency Asset Management AG. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Although all information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to its accuracy or completeness. All information and opinions indicated are subject to change without notice. This document may not be reproduced or circulated without the prior authorization of QCAM Currency Asset Management AG. QCAM Currency Asset Management AG will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This report is for distribution only under such circumstances as may be permitted by applicable law.

Imprint

Content, concept, and layout:
QCAM Currency Asset Management AG, Zug
Editorial deadline: July 11th, 2022
Market data: July 8th, 2022