

May 2021

# QCAM MONTHLY

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# QCAM Insight

## Mixed picture with emerging pattern

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**The USD fell back in April as the rise in US interest rates faded. No strong trend has yet emerged and the balance of strategies leaves a mixed picture. Still, we see opportunities in countries that are likely to make the most progress in containing the Corona Pandemic in coming months. In our view, that favors the EUR, the SEK and the CHF.**

After the strong performance in March, the USD fell back in April. The USD DXY declined 2.1% during April. The best performers versus the USD were the CHF (+3.2), the SEK (+3.1) and the EUR (+2.4). The GBP was up just 0.4% despite the UK's vaccination progress. EM currencies were also stronger, rising on balance 1.8% versus the USD in April. Main outliers were the INR (corona surge) and the TRY (no progress against double-digit inflation).

The main factor for the USD decline in April was probably the failure of US bond yields to rise further. After a jump of 30bps in March to 1.75%, 10-year US Treasury yields fell back to 1.6% in the course of April. Despite stronger economic activity reports, additional fiscal stimulus and higher inflation figures, the US Fed managed to convince markets that it sees no urgency to tighten monetary policy any time soon.

### **No clear trend emerging yet**

Moving into May, there is no clear trend emerging yet. The USD DXY is roughly unchanged with CAD and GBP slightly stronger and all other index currencies somewhat softer versus the USD. Our business sur-

vey indicators also continue to send mixed signals. The QCAM FX BIAS is short the USD versus the EUR and the SEK, neutral on the CHF and long the USD versus the JPY, GBP, AUD and CAD. Technical signals are also mixed with only clear trends in JPY (short vs. the USD), CHF (long vs. the USD) and CAD (long vs. the USD).

### **Current account and equity flows**

Turning to the fundamentals, the main handicap for the USD remains its rising current account deficit. The Euro-area, Japan, Switzerland and Sweden have current account surpluses. Canada has a deficit, but that is shrinking. Only the UK has a stubbornly high current account deficit as well. On the other hand, the US has experienced strong equity inflows since the start of the Corona Pandemic. From March 2020 through last February, the US recorded net portfolio equity inflows of \$528 billion, while the Euro-area experienced net outflows of €264 billion over the same time period.

Portfolio equity flows are more volatile and have a less consistent impact on exchange rates. Nevertheless, the strong equity inflows into the US over the last 12 months help explain why the USD has not suffered more given the slippage of its current account balance (see chart). The US still attracted net equity inflows so far this year, but the pace is moderating and we expect net equity inflows to decline further. As a result, the rising US current account deficit should weigh more on the USD going forward.

For more detail on QCAM FX BIAS see the [April Fact Sheet](#) and the [Tracker-Certificate from UBS](#).

## Recovery and monetary policy

The other notable support for the USD so far this year was the fast vaccination progress. This helped the recovery of mobility and economic activity relative to most other major economies. Indeed, while the US reported strong first-quarter growth, most other major economies still struggled with the Euro-area actually reporting a decline in first-quarter real GDP. This advantage is now eroding as other countries are catching up with the US in terms of vaccination and economic recovery progress.

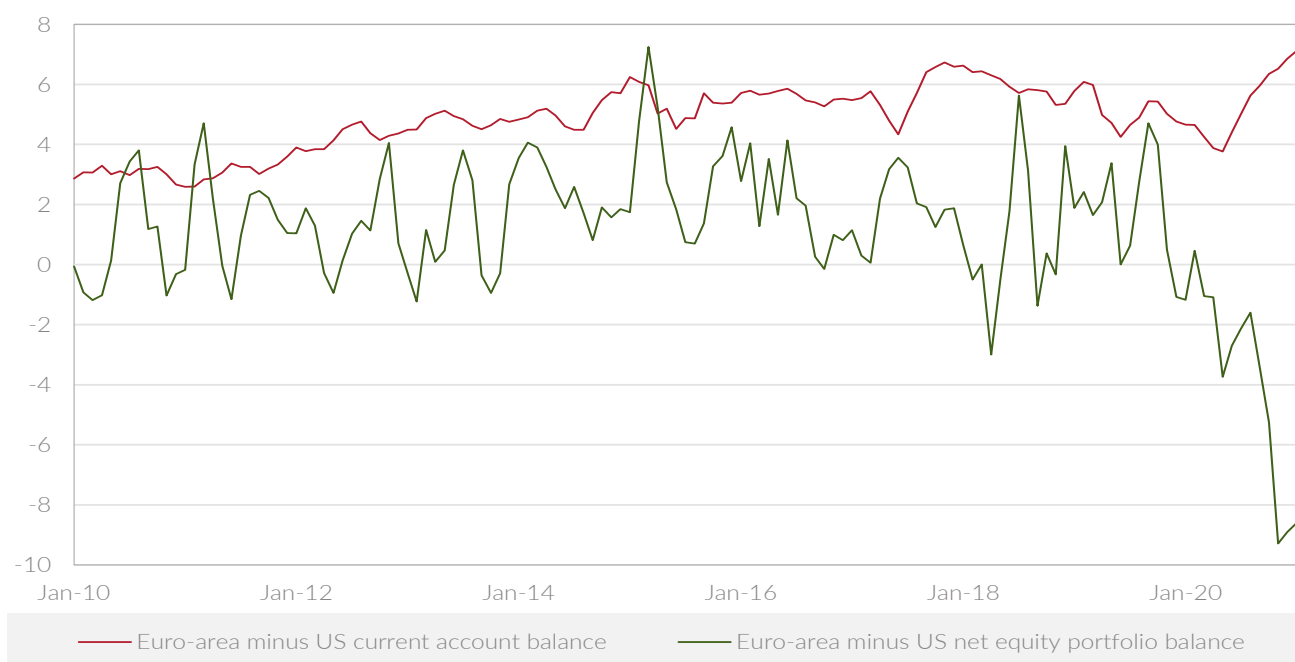
In our view, the US Fed will probably start normalizing policy ahead of most other major central banks. We also believe that markets will anticipate this in advance and that should provide a powerful support for the USD. However, we are convinced that the Fed will want to see more recovery progress before it allows the market to anticipate a change in policy. This pe-

riod, which we think will last until the end of the year, creates an opportunity to position for global reflation without the imminent risk of monetary tightening.

## Stick to the laggards with surpluses

In our view, this window of opportunity is most attractive for the EUR, the SEK and the CHF. The GBP, in contrast, already had its vaccination boost, while it runs a current account deficit and still faces idiosyncratic risks linked to BREXIT, most lately the possibility of a Scottish referendum. The CAD has so far benefitted from the proximity to the US and rising oil prices, yet we think this positive momentum will diminish albeit increasingly overbought CAD positions. Japan is a laggard, but recovery will come there as well, while the current account surplus and an increasingly oversold position provide additional support for the JPY.

## Euro-area versus US current account and equity portfolio balances (% of GDP)



Source: ECB, US Debt. Of the Treasury and QCAM. The chart shows the relative current account and equity portfolio balances (% of GDP, 3-months moving average). Positive figures imply net flows in favor of the Euro, negative figures imply net flows in favor of the USD.

# Economy & Interest Rates

Global growth held up well in the first quarter despite the spike in Corona infections and growth forecasts for 2021 have been raised further. However, there are significant differences by country and region, largely driven by the progress in fighting the Corona virus. The US was so far ahead but other major economies are now catching, notably

the Euro-area, while other economies are struggling, notably India. The healing of corporate balance sheet and labor market distortions is not completed and many economies are unlikely to reach pre-Corona levels before the end of the year. As a result, fiscal deficit and debt projections remain high and monetary policy is expected to stay easy.

	Real GDP growth <sup>1</sup>		Unemployment rate <sup>1</sup>		Inflation rate <sup>1</sup>		Current account <sup>2</sup>		Fiscal balance <sup>2</sup>		Public debt <sup>2</sup>	
	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.	0.7	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	6.5	8.1	5.0	1.3	2.5	-3.1	-4.0	-15.8	-16.0	127	133
Canada	-5.4	6.5	9.6	7.0	0.7	2.0	-1.9	-1.0	-10.7	-8.0	119	116
Euro-area	-6.7	5.0	8.0	8.5	0.3	2.0	2.3	3.0	-8.0	-6.0	97	98
Sweden	-2.8	4.0	8.3	8.5	0.7	2.0	5.2	5.0	-4.0	-4.0	38	40
Switzerland	-2.9	3.5	3.1	3.5	-0.7	0.0	4.0	5.0	-2.6	-3.5	43	45
UK	-9.8	7.0	4.5	5.5	0.9	2.0	-3.9	-4.0	-13.5	-12.0	104	107
Japan	-4.9	4.0	2.8	2.5	0.0	0.0	3.3	3.5	-12.6	-10.0	256	257
Australia	-2.4	4.5	6.5	6.0	0.8	2.5	2.5	2.0	-9.9	-10.0	63	72
Emerging	-1.0	8.0	n.a.	n.a.	3.0	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	-7.6	11.0	n.a.	n.a.	6.2	4.5	1.0	-1.0	-12.3	-11.0	90	90
Russia	-3.1	3.5	5.8	5.5	3.4	5.5	2.2	4.0	-4.1	-1.0	19	19
Brazil	-4.1	3.0	13.1	13.0	3.2	6.5	-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\*



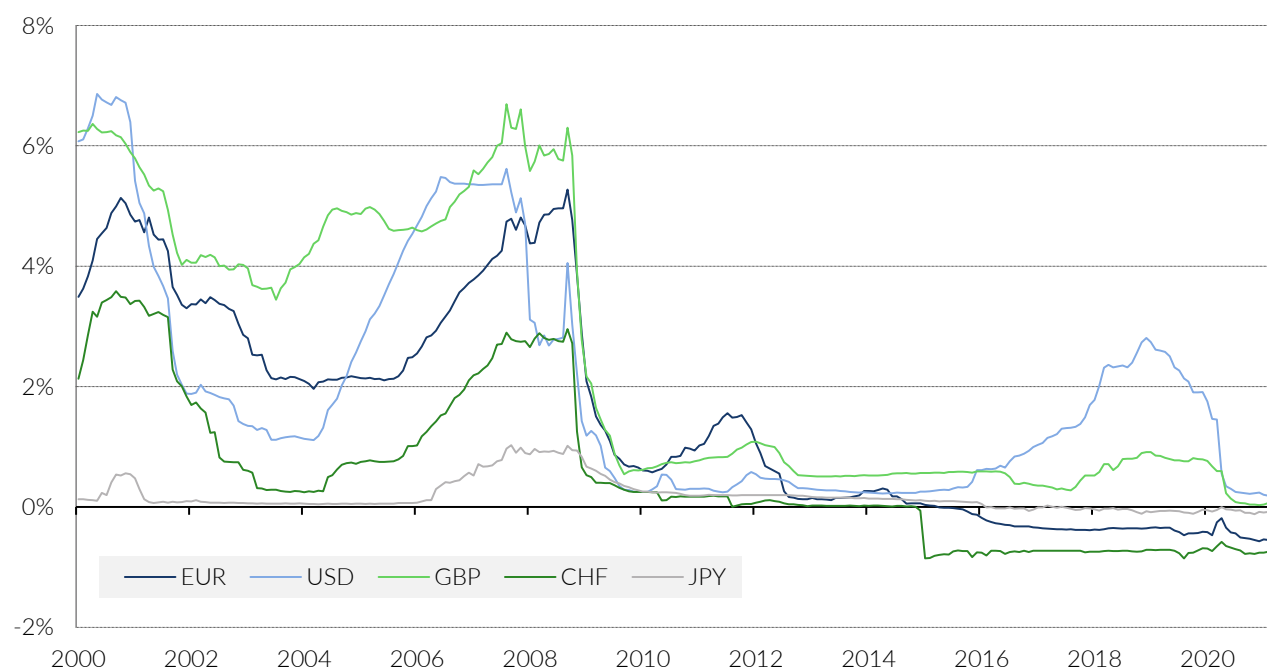
Source: OECD and QCAM, \*the last observations are QCAM estimates based on other surveys

## 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	0.08%	0.07%	0.06%	0.04%	1.27%	1.56%	1.74%	1.24%	0.66%	1.82%
EUR	-0.49%	-0.49%	-0.49%	-0.48%	-0.43%	0.11%	0.04%	-0.12%	-0.15%	0.24%
JPY	-0.02%	-0.02%	-0.04%	-0.06%	-0.06%	0.13%	0.15%	0.08%	0.02%	0.11%
GBP	0.05%	0.05%	0.05%	0.06%	0.43%	1.05%	1.02%	0.71%	0.47%	0.96%
CHF	-0.73%	-0.73%	-0.73%	-0.73%	-0.75%	-0.04%	-0.09%	-0.22%	-0.42%	-0.14%
AUD	0.03%	0.03%	0.03%	0.13%	0.76%	1.71%	1.80%	1.26%	0.90%	1.67%
CAD	0.18%	0.19%	0.20%	0.20%	1.11%	1.94%	2.08%	1.49%	1.02%	1.87%
SEK	-0.03%	-0.03%	-0.04%	-0.01%	-0.20%	0.80%	0.78%	0.51%	0.34%	0.68%
RUB	5.30%	4.82%	4.22%	5.37%	6.13%	7.33%	7.45%	6.37%	6.39%	7.60%
BRL	3.41%	2.94%	1.39%	2.99%	3.89%	9.02%	9.18%	7.60%	8.17%	8.74%
CNY	2.35%	2.41%	2.59%	1.39%	2.49%	2.96%	3.00%	3.09%	2.01%	3.05%
TRY	19.95%	19.95%	17.95%	8.40%	17.76%	17.85%	18.26%	13.32%	11.67%	14.87%
INR	3.45%	3.47%	3.60%	3.97%	5.10%	5.74%	5.83%	5.63%	4.52%	5.76%

### 3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of May 6th, 2021

# FX Markets

## FX Performance vs. PPP

The USD weakened versus all major currencies in April (the USD DXY was down 2.1%). CHF, SEK and EUR performed best, while the GBP lagged behind. EM currencies gained on average 1.8% versus the USD, led by the BRL, but TRY and INR weakened. Short-USD speculative future positions overall declined, notably versus the EUR, but not versus GBP

and CAD, which reached new highs. Forward hedging remains a cheap option given low interest rate spreads. Actual volatility increased slightly, while implied volatility continued to inch lower. PPP estimates continue to crawl gradually against the USD but AUD and CAD have largely closed their under-valuation gaps.

### Overview

	Current Exchange Rate	Performance <sup>1</sup>				Purchasing Power Parity <sup>2</sup>		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation <sup>3</sup>
EURUSD	1.199	-1.89%	1.51%	10.65%	5.10%	1.29	1.15 - 1.43	-7%
USDJPY	109.300	5.81%	-0.73%	2.62%	1.88%	94.84	84.1 - 105.6	15%
GBPUSD	1.390	1.84%	0.00%	11.73%	-4.04%	1.60	1.42 - 1.78	-13%
EURCHF	1.096	1.26%	-0.93%	3.87%	-0.82%	1.08	1.02 - 1.14	1%
USDCHF	0.914	3.21%	-2.39%	-6.11%	-5.63%	0.86	0.76 - 0.96	6%
GBPCHF	1.270	5.11%	-2.40%	4.91%	-9.45%	1.26	1.15 - 1.38	1%
CHFJPY	119.654	2.53%	1.73%	9.32%	7.97%	92.99	82.1 - 103.9	29%
AUDUSD	0.774	0.61%	1.12%	20.02%	3.61%	0.78	0.68 - 0.87	-1%
USDCAD	1.228	-3.85%	-2.06%	-12.50%	-4.41%	1.20	1.12 - 1.29	2%
USDSEK	8.499	3.42%	-2.30%	-13.57%	4.86%	8.00	7.07 - 8.92	6%
EURSEK	10.194	1.47%	-0.83%	-4.37%	10.21%	8.67	8.13 - 9.21	18%
USDRUB	74.875	0.92%	-1.95%	1.46%	13.97%	53.42	45.1 - 61.7	40%
USDBRL	5.380	3.59%	-5.04%	-3.52%	52.39%	3.43	2.83 - 4.04	57%
USDCNY	6.487	-0.23%	-1.04%	-8.88%	-0.43%	6.49	6.29 - 6.69	0%
USDTRY	8.324	12.02%	2.59%	17.42%	185.28%	5.12	4.07 - 6.18	63%
USDINR	73.770	0.98%	0.73%	-2.52%	10.79%	69.23	64.2 - 74.3	7%

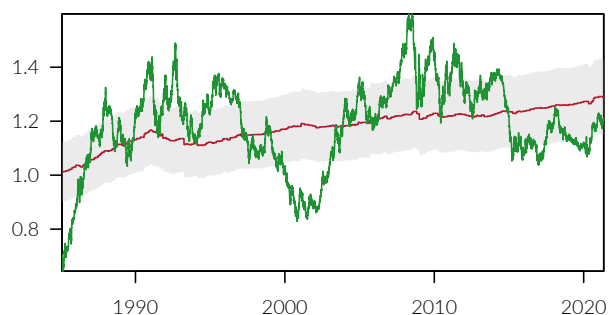
<sup>1</sup> Performance over the respective period of time, in percent

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

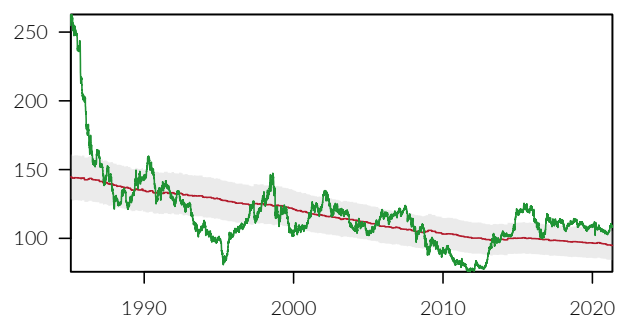
<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity

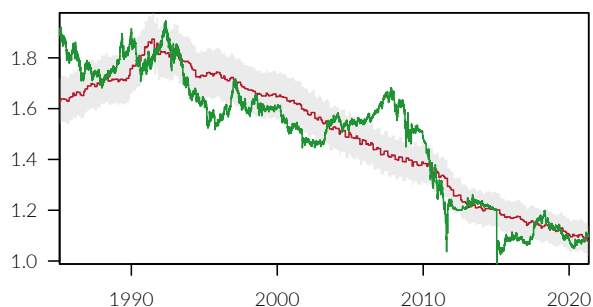
**EURUSD**



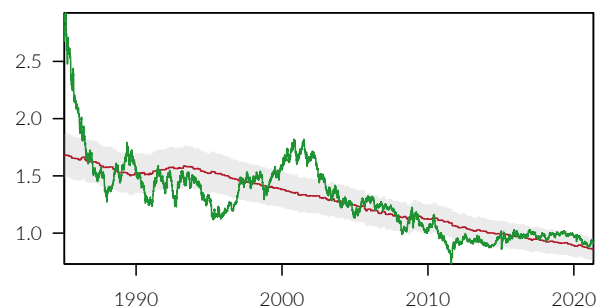
**USDJPY**



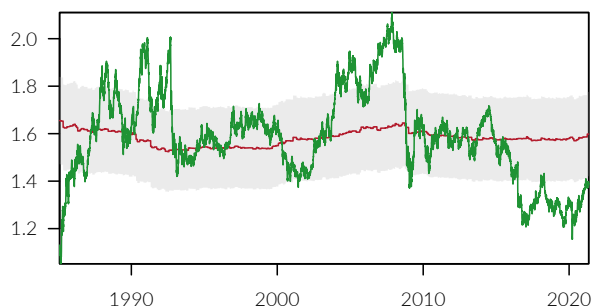
**EURCHF**



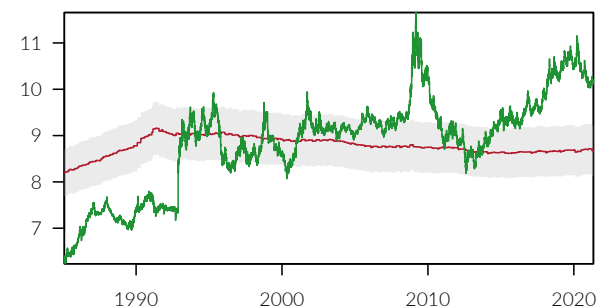
**USDCHF**



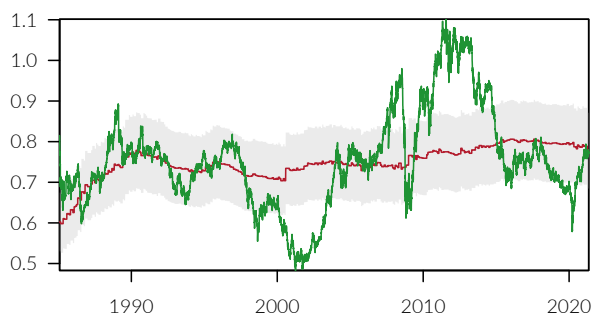
**GBPUSD**



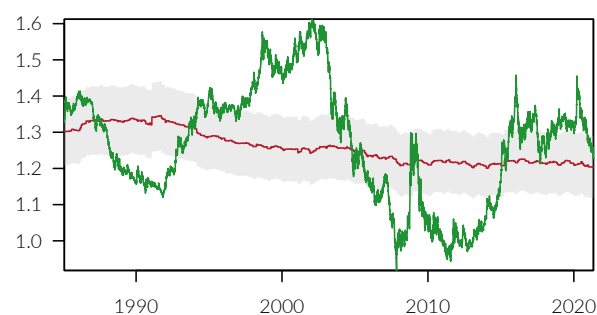
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

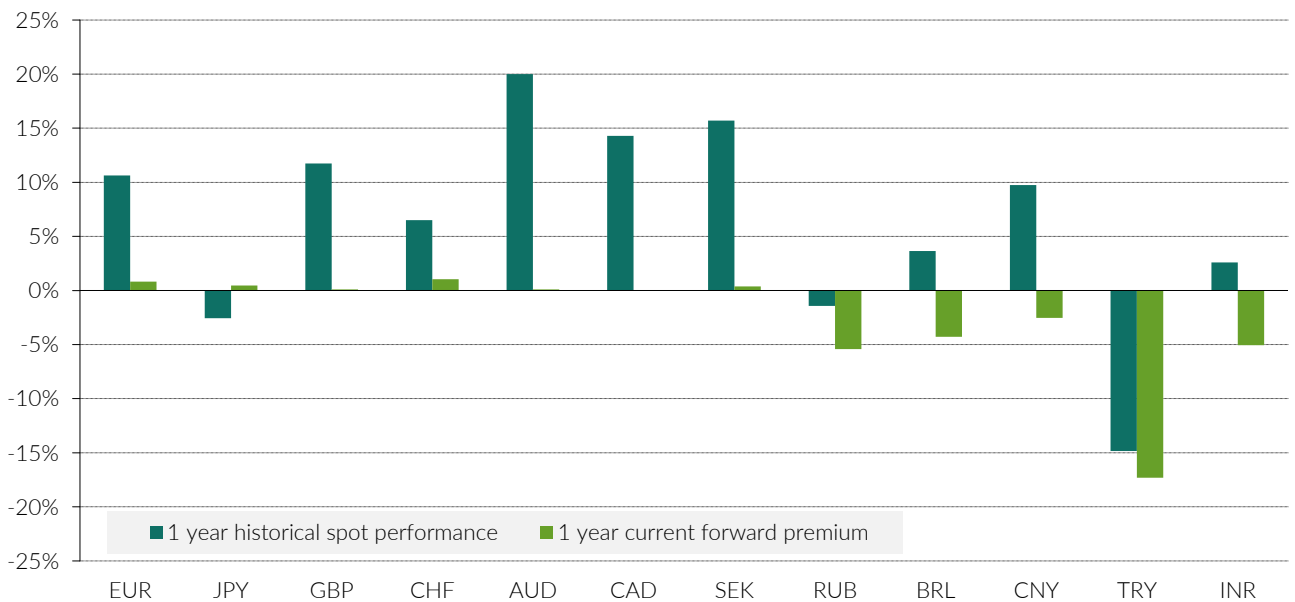
Source: Bloomberg, QCAM Currency Asset Management, as of May 6th, 2021.

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.199	1.2001	1.2017	1.2092	0.68%	0.73%	0.80%
USDJPY	109.300	109.2770	109.2149	108.8090	-0.24%	-0.30%	-0.44%
GBPUSD	1.390	1.3903	1.3905	1.3917	0.06%	0.08%	0.10%
EURCHF	1.096	1.0955	1.0951	1.0932	-0.21%	-0.21%	-0.22%
USDCHF	0.914	0.9129	0.9114	0.9042	-0.90%	-0.93%	-1.01%
GBPCHF	1.270	1.2692	1.2673	1.2584	-0.84%	-0.85%	-0.90%
CHFJPY	119.654	119.7106	119.8566	120.3545	0.55%	0.64%	0.57%
AUDUSD	0.774	0.7742	0.7744	0.7749	0.14%	0.15%	0.11%
USDCAD	1.228	1.2276	1.2274	1.2275	-0.04%	-0.05%	-0.01%
USDSEK	8.499	8.4971	8.4920	8.4675	-0.29%	-0.32%	-0.37%
EURSEK	10.194	10.1973	10.2045	10.2384	0.40%	0.40%	0.43%
USDRUB	74.875	75.1792	75.8182	79.1547	4.57%	4.93%	5.64%
USDBRL	5.380	5.3943	5.4255	5.6208	3.01%	3.21%	4.38%
USDCNY	6.487	6.5009	6.5306	6.6552	2.54%	2.59%	2.54%
USDTRY	8.324	8.4533	8.7135	10.0656	17.55%	18.34%	20.64%
USDINR	73.770	74.2458	74.9398	77.6998	7.49%	6.07%	5.23%

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



Source: Bloomberg, QCAM Currency Asset Management, as of May 6th, 2021.

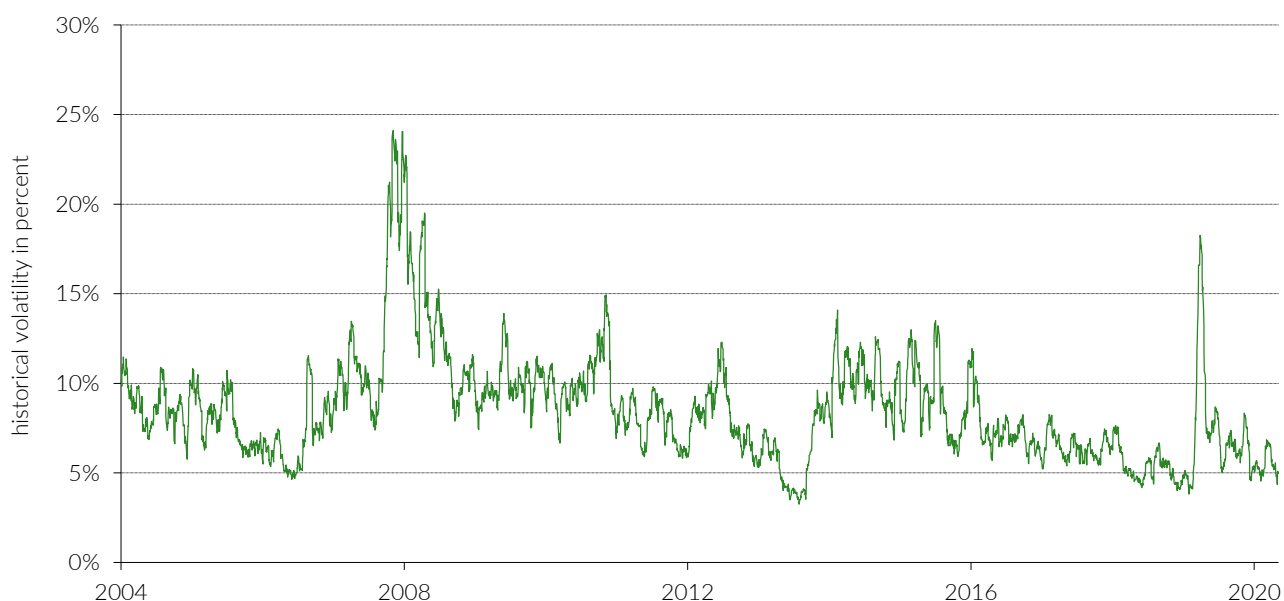
## FX Volatility

### Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility <sup>1</sup>				Implied Volatility <sup>2</sup>			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.199	5.98%	5.83%	10.77%	6.53%	5.65%	5.95%	7.18%	7.14%
USDJPY	109.300	4.83%	4.61%	13.58%	7.68%	5.98%	6.23%	8.10%	8.16%
GBPUSD	1.390	6.63%	6.24%	15.46%	9.21%	7.25%	7.50%	9.80%	9.42%
EURCHF	1.096	4.15%	4.03%	2.96%	4.17%	4.28%	4.65%	5.20%	5.29%
USDCHE	0.914	6.61%	6.46%	10.01%	6.53%	6.20%	6.48%	6.84%	6.94%
GBPCHE	1.270	6.72%	6.19%	11.72%	8.68%	7.28%	7.30%	8.40%	8.88%
CHFJPY	119.654	5.12%	5.33%	9.29%	6.78%	5.95%	6.13%	7.30%	7.52%
AUDUSD	0.774	10.00%	10.08%	17.70%	8.73%	9.05%	9.78%	12.45%	9.13%
USDCAD	1.228	6.08%	6.29%	11.15%	6.79%	6.60%	6.48%	7.95%	7.01%
USDSEK	8.499	8.46%	8.27%	14.96%	8.55%	8.10%	8.63%	9.33%	8.93%
EURSEK	10.194	4.16%	4.16%	9.84%	5.61%	5.23%	5.68%	6.78%	6.19%
USDRUB	74.875	10.74%	10.41%	33.74%	12.68%	13.95%	14.83%	16.64%	13.08%
USDBRL	5.380	16.89%	19.13%	23.44%	14.69%	17.20%	18.67%	21.33%	15.44%
USDCNY	6.487	3.55%	4.21%	5.49%	4.41%	4.45%	5.05%	6.15%	5.33%
USDTRY	8.324	23.34%	23.98%	12.92%	15.29%	20.75%	27.84%	21.93%	16.47%
USDINR	73.770	6.25%	5.37%	8.87%	5.44%	6.58%	6.23%	9.03%	6.37%

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

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



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

Source: Bloomberg, QCAM Currency Asset Management, as of May 6th, 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 Sentiment component is a rule-based framework built on economic sentiment surveys and complemented with risk sentiment estimates.

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 divide 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

There have been some position changes at the start of May. We have switched to short USD in a number of our discretionary Macro positions, most notably versus the EUR. The balance of Business Sentiment positions still favors the USD but with important longs in EUR and SEK and we expect more currencies to switch to long versus the USD as well. Technical positions are more mixed, which reflects the swings in currency movements over the last two months.

### Overview<sup>1</sup>

	Macro	Business Sentiment	Technical	Comment
EURUSD	+	++	-	We switched Macro to long EUR, while Business Sentiment remained long EUR and Technical stayed short EUR
USDJPY	-/-	++	++	Both Macro positions (discretionary and interest rate model) are long JPY. Business Sentiment and Technical both stayed short JPY
EURCHF	0	+	+	The balance of CHF strategy position has moved to short CHF versus EUR and long CHF versus USD, with the signals of the latter slightly stronger
USDCHF	-	0	--	
GBPUSD	0	--	+	GBP strategy positions have not changed and remain on balance slightly short the GBP
EURSEK	-/+	--	-	The overall long SEK position increased slightly as we switched discretionary Macro to long SEK
USDCAD	0/-	++	--	We took profit on the long CAD macro discretionary position, while the Macro oil price model switched to long CAD and all other positions were unchanged, leaving the overall position close to neutral

<sup>1</sup> 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 and insufficient interest rate differential). Markets have discounted US strength and Euro-area weakness in Q1. Now, the Euro-area is catching up on vaccination progress and economic recovery. As a result, we have moved the

Macro position to long EUR. This position is supported by Business Sentiment, which is also long EUR. Only Technicals are still short EUR. The EUR is no longer overbought and has room to appreciate until US interest rate increases become a more serious headwind.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	The US deficit surged in recent months while the Euro-area surplus consolidated
	Fiscal Balances	+	The US deficit is rising again versus the Euro-area deficit on the back of new stimulus measures
	Interest Rate Differentials	0/-	Interest rate differentials are a positive for the USD but we expect the Fed will keep rate hike expectations anchored this year
	Oil prices	0	Oil prices have stabilized and are seen in a range
<b>Sentiment</b>	Business Sentiment	+	Euro-area surveys have improved further versus US surveys in April, tipping the balance in favor of the Euro
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
<b>Technical</b>	Price Action	-	Price technicals are still negative for the EUR
	Spec Positions	-	The large EUR overbought and USD oversold positions have largely disappeared
	PPP Valuation	+	EUR undervaluation is around 7%

### EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

USDJPY

We favor the JPY from a Macro perspective on strong BoP fundamentals and weaker carry outflows than before the Pandemic. We also believe Japan will catch up in the vaccination and economic recovery progress, al-

though less rapidly than the Euro-area. For the time being, however, Business Sentiment and Technical positions are short JPY, leaving the overall position short JPY as well.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Surplus has recovered well after initial Corona shock
	FDI Flows	+	Net outflows were lower in 2020 and are unlikely to rebound quickly to offset 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	-	Rising risk appetite has reduced the JPY's safe-haven appeal
Technical	Price Action	-	Price action has switched short JPY
	Spec Positions	0/+	Net long JPY positions has turned into net short
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

USDJPY and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## EURCHF

The CHF gained 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 1.09 to 1.11 versus the EUR.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	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 April and should stay on the sidelines unless EURCHF approaches 1.07
<b>Sentiment</b>	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 positive risk appetite is negative for the CHF's safe-haven appeal
<b>Technical</b>	Price Action	-	Technicals remain short CHF
	Spec Positions	0	Close to neutral
	PPP Valuation	-	CHF unlikely to correct overvalued position significantly soon

### EURCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

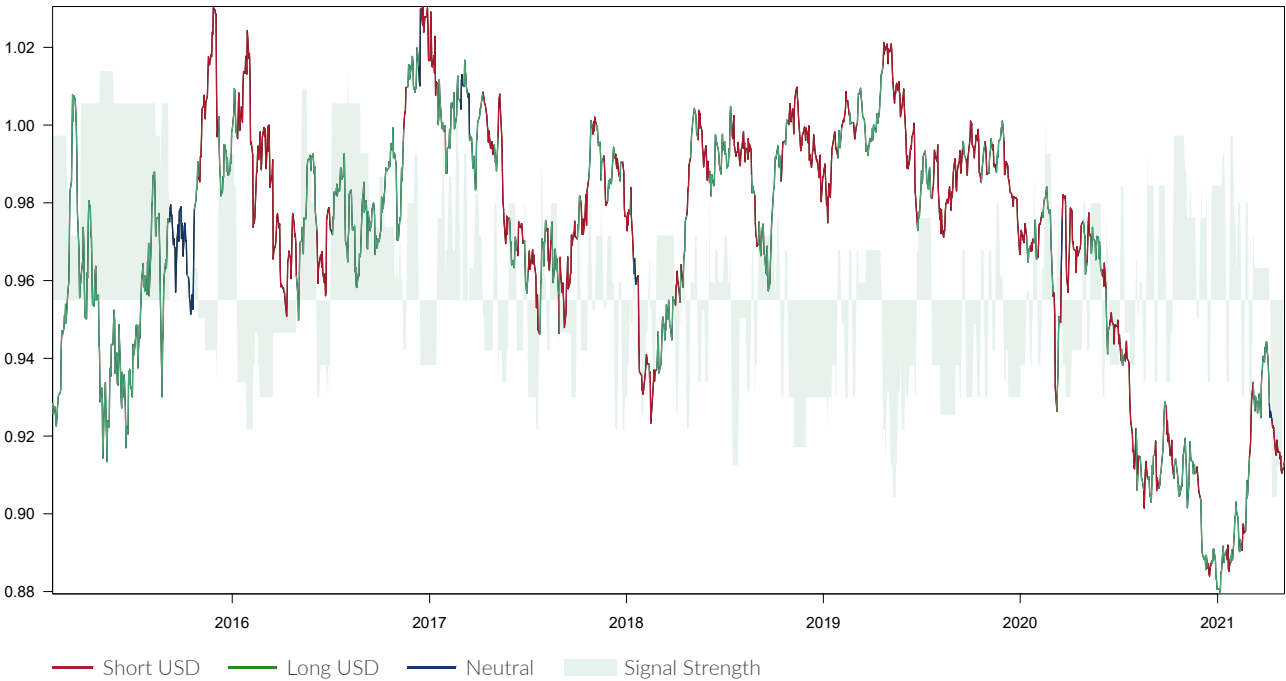
USDCHF

Given the neutral EURCHF Macro position and the long EUR position versus USD, we have shifted the USDCHF Macro position to long CHF. Fundamentals, especially the current account surplus, are CHF

favorable. Improved risk sentiment is the main handicap for the CHF. However, Business Sentiment and Technicals are supportive of the CHF versus the USD.

	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	Substantially reduced differential detracts bond market outflows and increases USD hedging
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
Sentiment	Business Sentiment	+	Swiss surveys roughly in line with US surveys
	Risk Sentiment	0/-	Risk conditions look more balanced going forward but the positive risk appetite is negative for the CHF's safe-haven appeal
Technical	Price Action	+	Technicals remain long CHF
	Spec Positions	0	CHF positions are close to neutral
	PPP Valuation	0	CHF close to fair value

USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

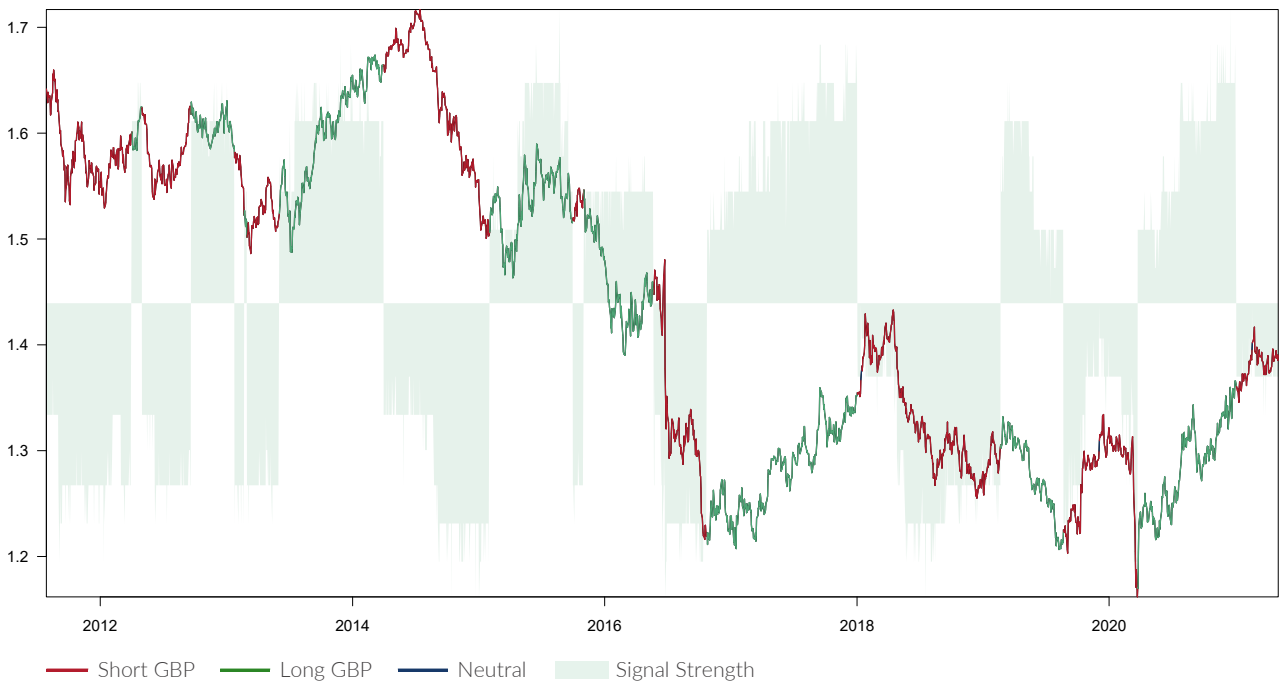
GBPUSD

Our macro position remains neutral on the GBP, while Technicals are positive and Business Sentiment is still negative. 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. A new risk is a potential Scottish referendum.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	US and UK twin deficits both seen deteriorating
	Interest Rate Differentials	0/-	US and UK interest rates are about equal
	Oil Price	0	Oil prices have stabilized and seen in a range
Sentiment	Business Sentiment	-	UK surveys currently trail US surveys, but gap is closing
	Risk Sentiment	0	Support from rising risk appetite and vaccination progress is fading, while Scotland could become a risk factor
Technical	Price Action	+	Technicals remain long GBP
	Spec Positions	0/-	Net long GBP positions rose sharply increasing risk of reversal
	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: Bloomberg, QCAM Currency Asset Management

## EURSEK

The SEK appreciated versus both the EUR and the USD last month. The balance of scores and strategy models continues to favor the SEK. Important

remains the refusal of the Riksbank to return to negative interest rates. We expect the SEK to outperform the EUR in a general reflation environment.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0/-	The Macro interest model is short SEK but a return to negative interest rates seems unlikely
<b>Sentiment</b>	Business Sentiment	+	Surveys remain supportive of the SEK
	Risk Sentiment	0	Risk perceptions concerning Sweden's different Corona strategy have faded, but vaccination progress is catching up as well
<b>Technical</b>	Price Action	+	Technicals remain long SEK
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

### EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

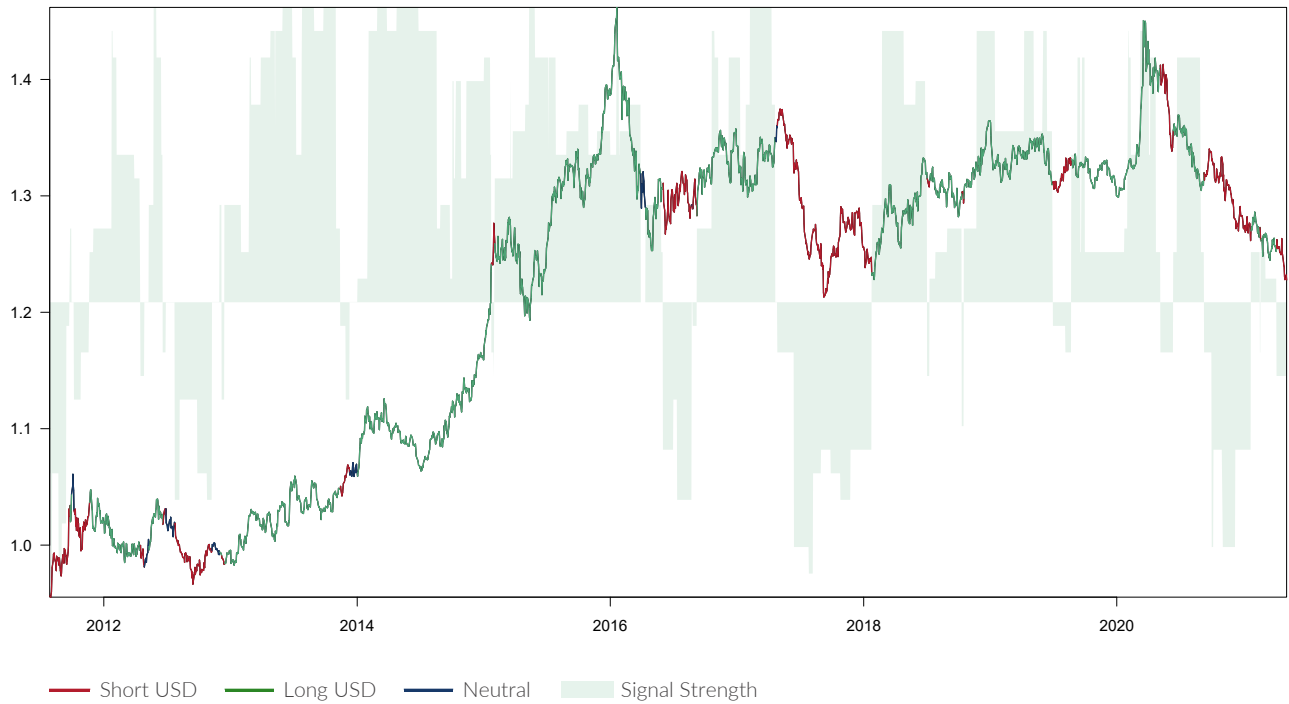
USDCAD

The CAD had a good run so far this year and is now stronger than before the Pandemic. We have taken profit on our discretionary Macro position, partly because the CAD is becoming overbought. The Macro oil-price model, however, has shifted long CAD as actual

prices stabilized below prices predicted by market experts. Business Sentiment remains short CAD, while short and long-term Technicals are both still long CAD. Overall, the balance of factors is roughly neutral.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit is declining while the US deficit is rising
	Oil Prices	0	Oil prices have stabilized and are seen in a range
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	0	Neutral range
Sentiment	Business Sentiment	-	Canada still trails the US in the surveys, but gap is closing
	Risk Sentiment	0	Risk issues are more balanced from the rise in risk appetite
Technical	Price Action	+	Short and long term technicals are both still long CAD
	Spec Positions	-	Net long CAD positions increased further creating correction risks
	PPP Valuation	0	CAD undervaluation has largely disappeared

USDCAD and QCAM Strategic Positioning



Source: Bloomberg, 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.



## 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 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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