

September 2022

# QCAM MONTHLY

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

**Page 1** QCAM Insight

## The party is over

**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 party is over

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

**Risk aversion has returned over the last two weeks as central banks reinforced their assurance to bring down inflation. The USD rallied in response. The outlook for FX markets depends much on how growth and inflation dynamics will play out in the second half of the year. The USD is likely to strengthen further if the US outperforms in terms of better growth and inflation news. The main risk for the USD is probably other economies, most notably the Euro-area, doing better than expected. A wild card is the outcome of the US mid-term election.**

The rally in financial markets that started in the middle of June ended two weeks ago. The S&P500 fell 8% since the middle of August and the VIX rose from below 20 to almost 30. The main trigger was hawkish commentaries by central bank officials, led by Jerome Powell's Jackson Hole speech. The rise in risk aversion was a powerful boost for the USD. The USD DXY rose 3.5% since the middle of August. Hardest hit were the JPY (-4.8%) and the GBP (-5.1%). The BoJ's refusal to normalize policy stands in sharp contrast to the policy shifts elsewhere, while stagflation and political uncertainties hurt the GBP. Interestingly, emerging markets currencies suffered less, on balance down just 1.9% since the middle of August. A notable exception was the CNY (-2.8%) due to ongoing concerns over the economic outlook.

Going forward, the outlook for FX markets depends largely on the growth and inflation dynamics in the second half of the year and the actual paths of monetary tightening. A differentiating factor in the background will be diverging current account dynamics.

### **Growth rotation and inflation divergence**

A striking feature of the first half of the year was the negative real GDP growth performance in the US and the positive growth performance in all other major economies, most notably the Euro-area. The interest-rate-sensitive sectors in the US economy already retrenched in the first half of the year, while the Euro-area benefitted more strongly from the momentum of the Corona recovery. This dynamic is expected to change in the second half of the year. The US economy is unlikely to boom but it will probably outperform as other economies weaken further. Most at risk is the Euro-area thanks to the energy shortage going into the winter and the negative impact of high inflation and rising interest rates.

The rotation in growth performance is likely to be compounded by diverging inflation dynamics. Energy shortages as well as underlying cost pressures are expected to drive inflation in the Euro-area into double digit territory, following the path in the UK. On the other hand, it looks like inflation in the US has probably peaked and is likely to decline, albeit slowly, in the second half of the year.

### **Tough talking central banks**

Except for the BoJ, major central banks have used every opportunity in recent weeks to stress their commitment to bring down inflation. Still, monetary policy does not operate in a vacuum. It is easy to talk tough at full employment. For the Fed, the challenge will be to "get the job done" should monetary tightening bring "pain to households and businesses", especially when inflationary pressures are abating but still elevated.

We expect the Fed to hike 75bps at the September meeting and forecast the funds rate to reach 4% by year end, but are less sure the Fed will tighten much further in 2023.

In our view, the ECB will also start forcefully and hike 75bps at the meeting next week. However, the resolve to hold the line will probably be tested quickly if economic data comes in weaker and rising interest rates put more strain on the bond markets in the periphery.

### Changing current account trends

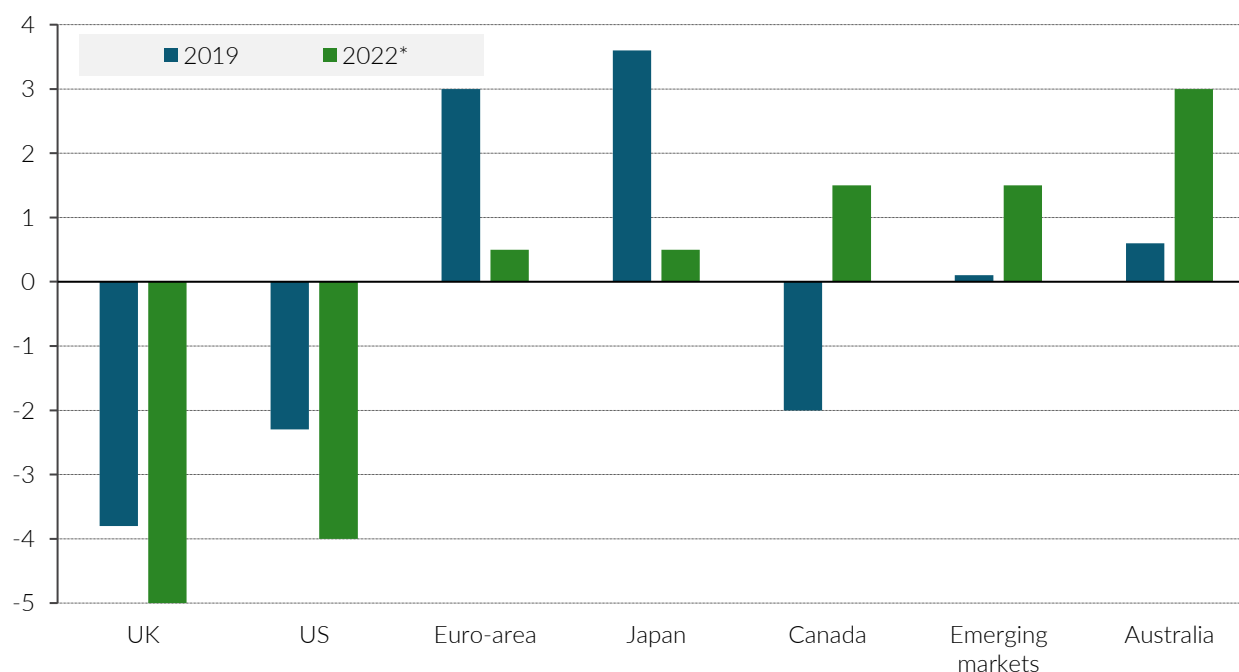
Less relevant for the short-term dynamics but important for the background trends in FX are the current account changes since the start of the Corona pandemic (see chart). The deficits in the US and the UK have become larger and the surpluses in the Euro-area and Japan have been melting thanks to the surge in energy prices. On the other hand, commodity producers like Australia and Canada and many emerging markets economies have experienced significant im-

provements in their current account balances. We believe that these changes will have limited impact on G4 exchange rates (USD, EUR, JPY, GBP). However, commodity currencies like the AUD and the CAD have already benefitted from the current account changes and we believe this support is unlikely to fade soon.

### The expected versus the unexpected

The expected changes in relative growth and inflation dynamics as well as the likely central bank responses are supportive of the USD until year end. However, uncertainty and the possibility of unexpected outcomes remain large. The USD is grossly overvalued versus all other major currencies (see pages 5 & 6) and a better-than-expected performance of the Euro-area or a policy shift by the BoJ have the potential to turn the trend. Finally, there is the wild card of the US mid-term election. The outcome could lead to more partisan conflicts and paralyze both the Administration as well as Congress.

**Current account (% of GDP)**



\*Estimate

Source: IMF and QCAM

# Economy & Interest Rates

Growth forecasts continue to move lower. The recovery momentum from the Corona pandemic is still strong but the pressure from inflation and rising interest rates is building. Inflation has probably peaked in the US but is unlikely to disappear quickly, while inflation in Europe will probably climb high-

er until year end. Consumers respond more negatively to high inflation and rising interest rates than businesses. The near-term risk of recession is highest in Europe (energy shortage) and the risk of recession in the US in 2023 remains significant given the projected path of Fed tightening.

	Real GDP growth <sup>1</sup>		Unemployment rate <sup>1</sup>		Inflation rate <sup>1</sup>		Current account <sup>2</sup>		Fiscal balance <sup>2</sup>		Public debt <sup>2</sup>	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Global	6.1	3.0	n.a.	n.a.	4.7	7.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	5.2	2.5	n.a.	n.a.	3.1	7.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	5.7	2.0	5.4	3.5	4.7	7.5	-3.5	-4.0	-10.2	-3.5	133	128
Canada	4.5	3.5	7.4	6.0	3.4	6.5	0.1	1.5	-4.7	-1.5	112	102
Euro-area	5.3	2.5	7.7	6.5	2.6	8.5	2.4	0.5	-5.5	-3.5	79	79
Sweden	4.8	2.5	8.8	8.0	2.7	6.5	5.5	3.0	-1.0	-0.5	37	35
Switzerland	3.7	2.5	3.0	2.5	0.6	3.0	9.3	7.0	-1.9	-1.0	42	42
UK	7.4	3.0	4.5	4.0	2.6	9.5	-2.6	-5.0	-8.0	-4.5	95	90
Japan	1.7	1.5	2.8	2.5	-0.3	2.5	2.9	0.5	-7.6	-6.0	263	263
Australia	4.7	4.0	5.1	3.5	2.9	6.0	3.5	3.0	-7.7	-4.0	60	60
Emerging	6.8	3.5	n.a.	n.a.	5.9	7.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	8.1	3.5	4.1	4.0	0.9	2.5	1.8	2.0	-6.0	-6.0	73	78
India	8.7	7.0	n.a.	n.a.	5.5	7.0	-1.6	-3.5	-10.4	-10.0	87	87
Russia	4.7	-4.0	4.8	5.0	6.7	15.0	6.9	8.0	0.7	-1.0	17	17
Brazil	4.6	1.5	14.2	10.0	8.3	10.0	-1.7	0.0	-4.4	-7.0	93	92

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

## OECD business and consumer confidence\*



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



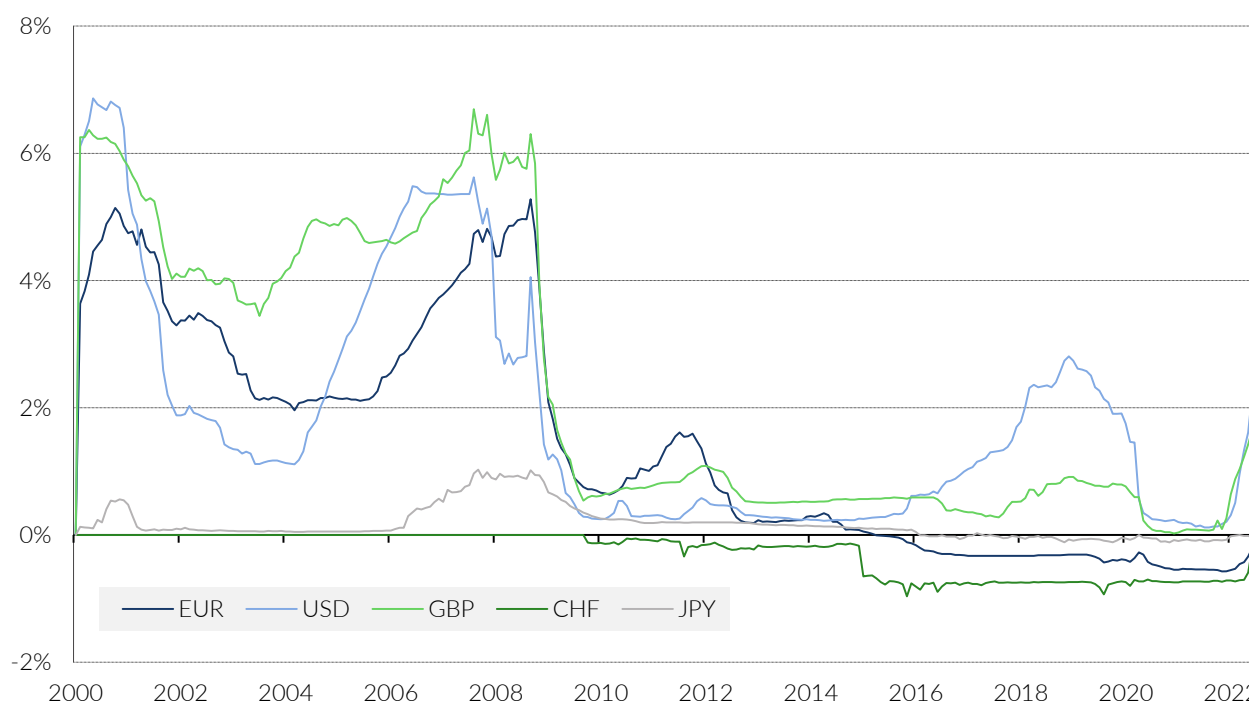
## Interest Rates

### Interest Rate Level Overview

	Short Term Interest Rate (3month OIS)					Long Term Interest Rate (10year Swap)				
	Current	1M ago	3M ago	12M ago	Ø 3 years	Current	1M ago	3M ago	12M ago	Ø 3 years
USD	3.03%	2.60%	1.46%	0.08%	0.61%	3.28%	2.73%	2.93%	1.33%	1.54%
EUR	0.65%	0.23%	-0.34%	-0.55%	-0.43%	2.42%	1.65%	1.85%	-0.03%	0.30%
JPY	-0.03%	-0.02%	-0.03%	-0.04%	-0.04%	0.44%	0.36%	0.40%	0.06%	0.13%
GBP	2.42%	1.82%	1.30%	0.05%	0.43%	2.98%	2.04%	2.15%	0.63%	0.81%
CHF	0.21%	0.03%	-0.59%	-0.74%	-0.68%	1.71%	1.19%	1.41%	-0.17%	0.04%
AUD	2.62%	2.11%	0.99%	0.03%	0.36%	4.12%	3.51%	3.69%	1.36%	1.72%
CAD	3.33%	2.87%	1.73%	0.20%	0.76%	3.62%	3.12%	3.34%	1.69%	1.91%
SEK	1.38%	1.19%	0.46%	-0.04%	0.05%	2.80%	2.30%	2.54%	0.63%	0.88%
RUB	7.80%	7.60%	9.25%	6.73%	7.24%	8.25%	8.09%	7.89%	7.33%	8.07%
BRL	13.18%	13.25%	12.38%	6.08%	5.43%	11.93%	12.72%	12.25%	10.35%	9.25%
CNY	1.72%	1.79%	1.90%	2.24%	2.25%	2.46%	2.56%	2.55%	2.57%	2.78%
TRY	14.00%	20.60%	20.23%	18.90%	0.00%	38.04%	38.04%	33.75%	17.29%	17.21%
INR	5.74%	5.51%	4.96%	3.49%	4.13%	6.66%	6.49%	7.19%	5.71%	5.62%

Source: QCAM Currency Asset Management, as of August 31st, 2022

### 3-month Rates



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

# FX Markets

## FX Performance vs. PPP

The USD rebounded strongly in the second half of August on hawkish central bank comments and rising risk aversion. The JPY, the GBP and the SEK lost most ground, while the EUR struggled around parity. EM currencies held up better but the CNY weakened on renewed economic concerns. Speculative net long USD positions were range bound. Interest rate differentials are rising again and forward hedg-

ing versus the USD remains costly from the perspective of EUR, JPY and CHF. Actual and implied FX volatilities both rose and are well above their long-term averages. PPP estimates partly stabilized and partly continued to roll against the USD. The JPY lost more ground and is now 49% undervalued versus the USD.

### Overview

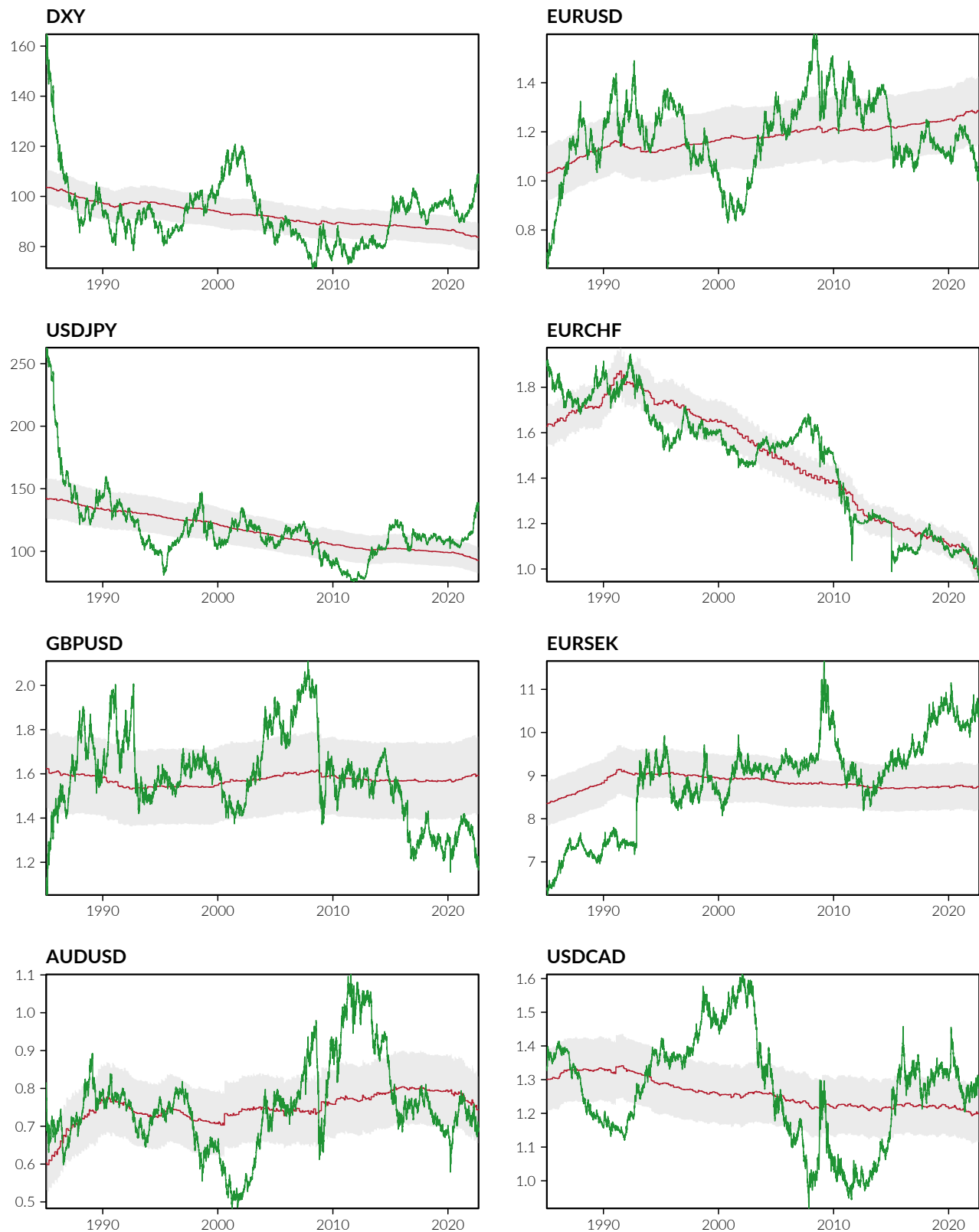
	Current Exchange Rate	Performance <sup>1</sup>				Purchasing Power Parity <sup>2</sup>		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation <sup>3</sup>
EURUSD	1.005	-11.70%	-1.40%	-14.85%	-15.38%	1.29	1.15 - 1.43	-22%
USDJPY	138.710	20.59%	4.05%	26.13%	25.93%	92.83	82.3 - 103.3	49%
GBPUSD	1.163	-14.11%	-4.47%	-15.47%	-9.84%	1.59	1.42 - 1.77	-27%
EURCHF	0.980	-5.52%	0.95%	-9.35%	-14.20%	1.00	0.94 - 1.05	-2%
USDCHF	0.975	7.00%	2.42%	6.47%	1.39%	0.80	0.71 - 0.89	22%
GBPCHF	1.134	-8.11%	-2.17%	-10.00%	-8.59%	1.15	1.05 - 1.26	-1%
CHFJPY	142.255	12.69%	1.61%	18.48%	24.21%	95.10	84.1 - 106.1	50%
AUDUSD	0.686	-5.79%	-1.75%	-6.22%	-13.52%	0.74	0.66 - 0.83	-7%
USDCAD	1.310	3.53%	2.21%	3.71%	4.54%	1.20	1.11 - 1.28	9%
USDSEK	10.653	17.88%	4.61%	23.47%	33.71%	8.20	7.26 - 9.14	30%
EURSEK	10.711	4.11%	3.12%	5.13%	13.16%	8.75	8.21 - 9.29	22%
USDRUB	60.989	-18.76%	-2.03%	-16.71%	5.06%	57.98	45.3 - 70.7	5%
USDBRL	5.190	-6.85%	0.01%	0.62%	65.07%	3.79	3.13 - 4.45	37%
USDCNY	6.899	8.53%	2.12%	6.90%	4.57%	7.68	7.43 - 7.94	-10%
USDTRY	18.206	37.60%	1.59%	119.20%	426.19%	10.51	8.24 - 12.8	73%
USDINR	79.610	6.86%	0.26%	9.09%	24.43%	69.09	64.2 - 74.0	15%

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

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

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

## Purchasing Power Parity



Source: QCAM Currency Asset Management, as of August 31st, 2022.

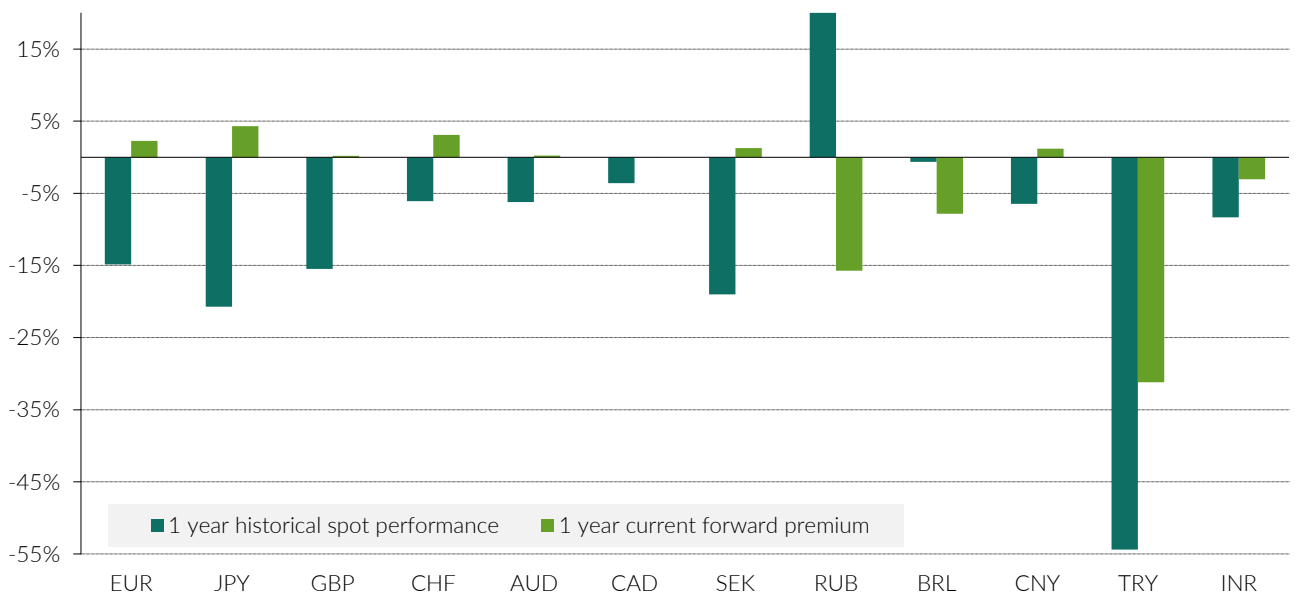
— PPP — Spot — Neutral Range

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.005	1.0074	1.0116	1.0284	2.36%	2.43%	2.23%
USDJPY	138.710	138.3709	137.5586	132.9672	-2.84%	-3.28%	-4.05%
GBPUSD	1.163	1.1632	1.1644	1.1647	0.68%	0.66%	0.18%
EURCHF	0.980	0.9799	0.9789	0.9724	-0.51%	-0.58%	-0.79%
USDCHF	0.975	0.9728	0.9678	0.9457	-2.87%	-2.99%	-2.96%
GBPCHF	1.134	1.1315	1.1269	1.1014	-2.19%	-2.33%	-2.78%
CHFJPY	142.255	142.2585	142.1477	140.6123	0.03%	-0.30%	-1.13%
AUDUSD	0.686	0.6859	0.6865	0.6872	0.57%	0.51%	0.23%
USDCAD	1.310	1.3098	1.3100	1.3089	0.28%	0.16%	-0.04%
USDSEK	10.653	10.6372	10.6061	10.5170	-1.75%	-1.75%	-1.25%
EURSEK	10.711	10.7163	10.7286	10.8153	0.61%	0.66%	0.96%
USDRUB	60.989	63.9492	67.4459	72.3792	54.60%	41.88%	18.42%
USDBRL	5.190	5.2290	5.3056	5.6302	8.83%	8.84%	8.31%
USDCNY	6.899	6.8974	6.8873	6.8179	-0.24%	-0.68%	-1.15%
USDTRY	18.206	18.6460	19.7758	26.4634	27.20%	34.12%	44.74%
USDINR	79.610	79.8380	80.2655	82.1227	3.33%	3.26%	3.09%

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



Source: QCAM Currency Asset Management, as of August 31st, 2022

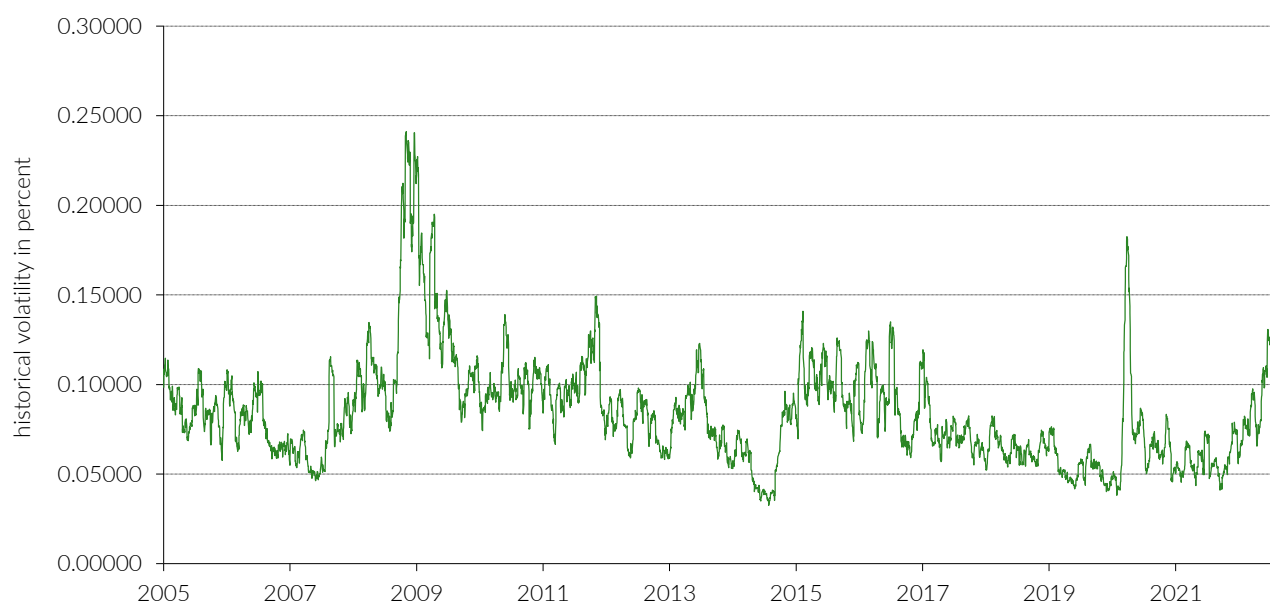
## FX Volatility

### Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility <sup>1</sup>				Implied Volatility <sup>2</sup>			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.005	10.18%	11.06%	5.82%	6.50%	10.35%	10.30%	5.28%	6.69%
USDJPY	138.710	13.31%	11.77%	5.29%	6.69%	11.18%	10.88%	5.48%	7.32%
GBPUSD	1.163	11.95%	12.49%	6.74%	8.29%	11.68%	10.15%	6.40%	8.83%
EURCHF	0.980	8.04%	8.26%	3.92%	4.51%	8.05%	8.85%	4.38%	5.20%
USDCHE	0.975	11.30%	11.56%	7.49%	6.60%	9.07%	8.61%	6.20%	6.63%
GBPCHE	1.134	8.02%	8.78%	6.06%	7.76%	9.65%	9.28%	6.60%	8.27%
CHFJPY	142.255	10.16%	11.39%	5.92%	6.16%	10.29%	10.43%	5.63%	6.80%
AUDUSD	0.686	13.58%	13.57%	9.62%	8.98%	12.35%	12.08%	8.57%	9.18%
USDCAD	1.310	8.46%	8.37%	8.82%	6.66%	7.68%	7.68%	6.88%	6.72%
USDSEK	10.653	12.78%	13.70%	8.94%	9.06%	12.65%	13.20%	7.83%	9.15%
EURSEK	10.711	5.27%	6.35%	4.41%	5.88%	6.68%	7.33%	4.75%	6.16%
USDRUB	60.989	43.64%	53.91%	7.06%	17.95%	35.67%	45.30%	10.12%	16.97%
USDBRL	5.190	17.11%	17.22%	15.99%	14.58%	22.20%	21.60%	16.05%	16.10%
USDCNY	6.899	5.01%	6.47%	3.92%	4.51%	5.70%	5.55%	4.18%	5.23%
USDTRY	18.206	12.79%	14.52%	11.45%	18.55%	22.90%	31.75%	14.83%	20.07%
USDINR	79.610	4.28%	3.71%	4.68%	5.44%	5.45%	5.55%	4.97%	6.27%

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

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



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

Source: QCAM Currency Asset Management, as of August 31st, 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

There have been relatively few position changes. Our discretionary Macro positions remain neutral, given the uncertain macro environment. The balance of the Business Sentiment positions is modestly long USD. The overall long USD position in Technicals has declined except versus EUR, JPY and GBP. The overall strategy portfolio is only long USD versus the EUR and the GBP with most other currency positions close to neutral.

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

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	--	-	All positions remained unchanged with the balance half short EUR
USDJPY	0/-	0	+	The Macro interest model went long JPYand Business Sentiment shifted to neutral, net close to neutral
EURCHF	0	--	--	Business Sentiment went neutral CHF vs the USD while all other positions remained unchanged. The balance of all positions is long CHF with a firm long versus the EUR and a neutral versus the USD.
USDCHF	0	0	0	
GBPUSD	0	-	-	Positions have not changed and remain half short GBP
EURSEK	0/+	++	0	The Macro interest rate model moved to short EUR and Technical shifted to neutral, net half short SEK
USDCAD	0/+	--	0	Technical went neutral and all other positions remained unchanged, net slightly long CAD

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

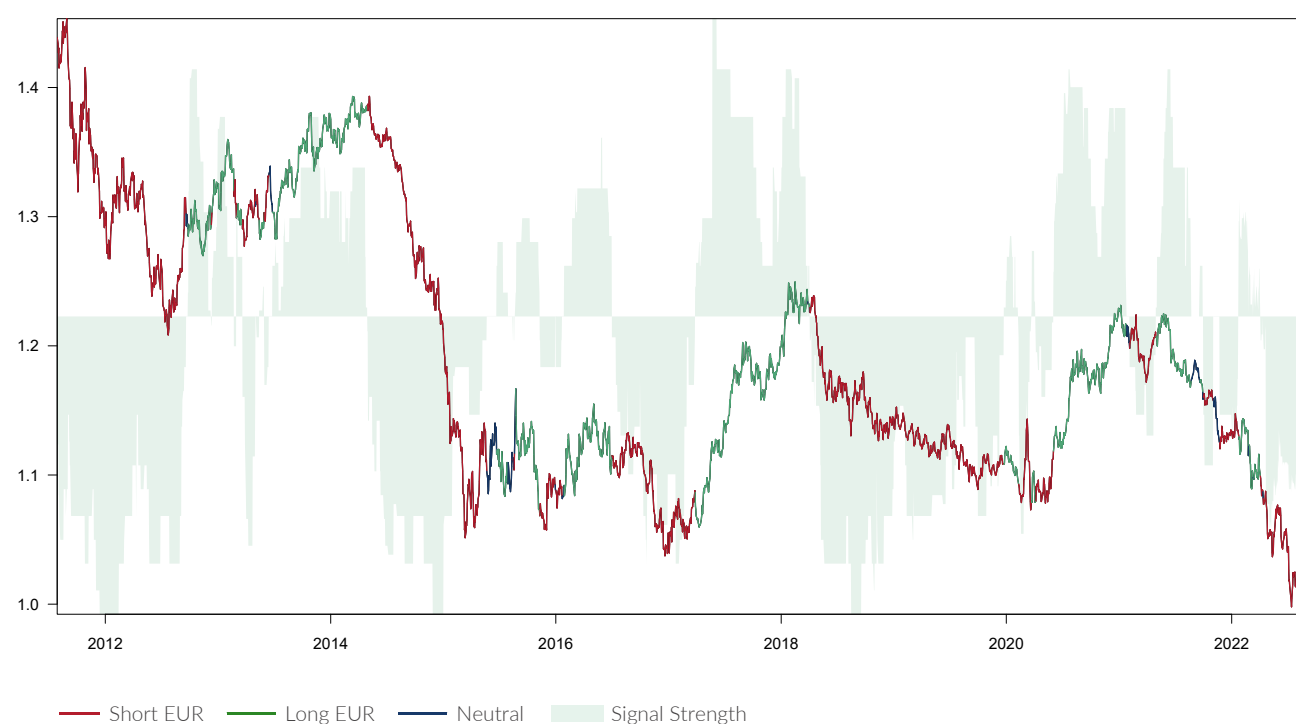
## EURUSD

Recession risks and uncertainties related to a stop of Russian gas supplies as well as a debt crisis in Italy continue to weigh on the EUR. Hawkish statements by Fed and ECB officials create volatility in EURUSD around parity. The EUR can benefit from

its undervaluation if the economy fares better than expected going into the winter. Our positions have not changed (neutral Macro, short EUR in Business Sentiment and half short EUR in Technical) and the overall position is half short EUR versus the USD.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	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	-	Rate hike expectations have increased on both sides, but the spread remains unfavorable for the EUR
	Oil prices	0	Oil prices are moving in a volatile range
<b>Sentiment</b>	Business Sentiment	--	The momentum in Euro-area surveys remains below US surveys
	Risk Sentiment	-	Ongoing uncertainty related to a possible energy crisis in Europe and debt problems in Italy
<b>Technical</b>	Price Action	-	Price technicals remain short EUR
	Spec Positions	0/+	Short EUR positions remain large but not at extreme levels
	PPP Valuation	+	EUR undervaluation is around 22%

### EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

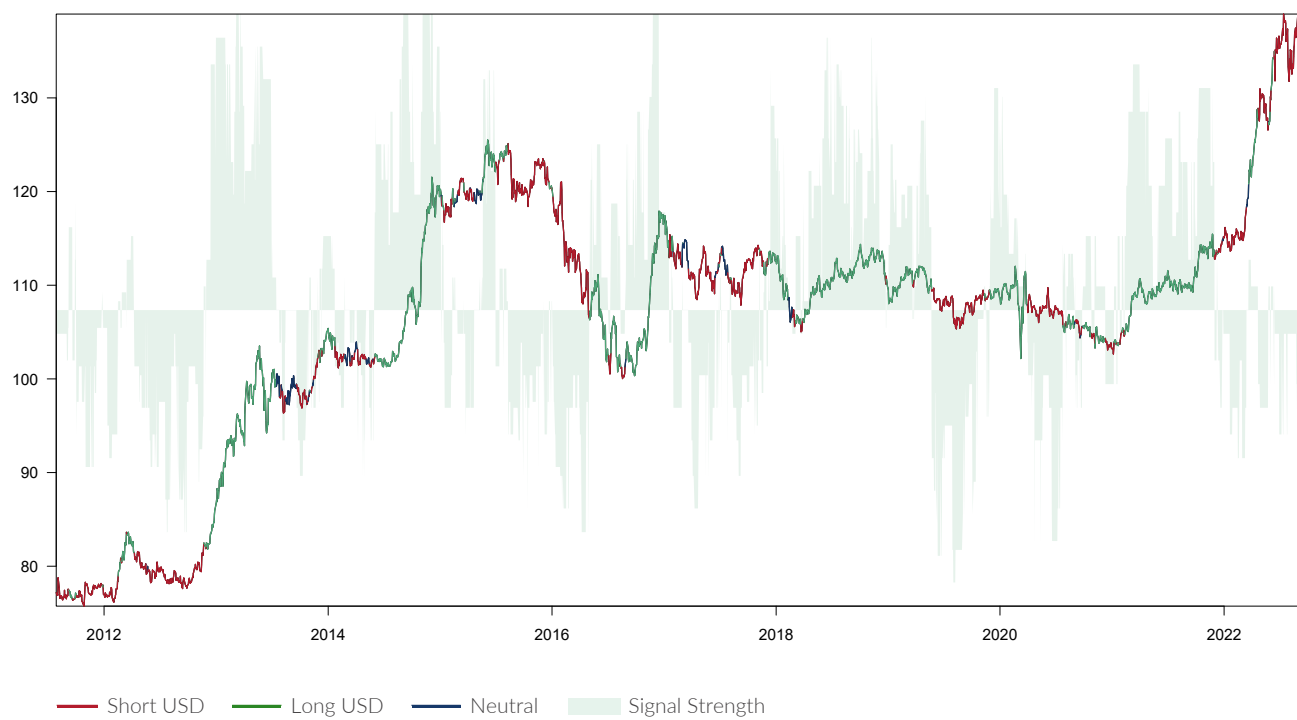
USDJPY

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 rising equity market volatility. Business Sentiment shifted to neutral, while Technical stayed short JPY. The balance of all strategy positions is close to neutral.

	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	-	JPY interest rates remain zero-bound and rising rate hike expectations in the US increase the appeal of the carry trade
Sentiment	Business Sentiment	0	Momentum of Japanese Business Sentiment is at par with US Business Sentiment
	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 49% 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 is turning more hawkish on inflation 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
<b>Macro</b>	Current Account Balances	+	Surplus remains steady support for CHF
	Capital Flows (Safe Haven)	0	No significant inflows on Ukraine concerns
	Interest Rate Differentials	+	SNB rate policy likely to stay ahead of ECB
	SNB Policy Intervention	0/+	The SNB has reduced its foreign currency reserves
<b>Sentiment</b>	Business Sentiment	+	Swiss economy has overtaken the Euro-area in the surveys
	Risk Sentiment	0	Changes in risk sentiment had little impact sofar this year
<b>Technical</b>	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

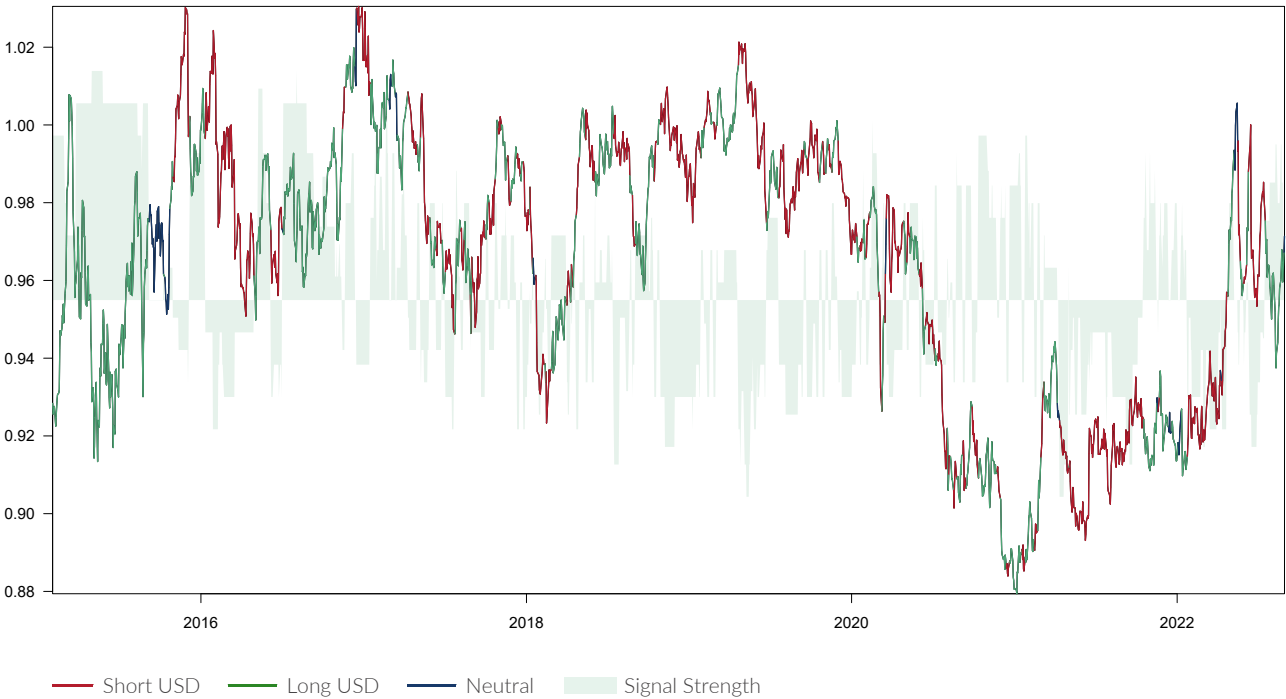
USDCHF

Our Macro positions in EURCHF (neutral) and EURUSD (neutral) imply also neutral for USDCHF. USDCHF remains dominated by moves in EURUSD with some pos-

sible moderation from EURCHF. Business Sentiment moved to neutral and Technical stayed neutral. The balance of all three strategies is neutral.

	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 at par with US surveys
	Risk Sentiment	0	Changes in risk sentiment had little impact sofar this year
Technical	Price Action	0	Price action turned neutral
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	+	CHF is about 22% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management



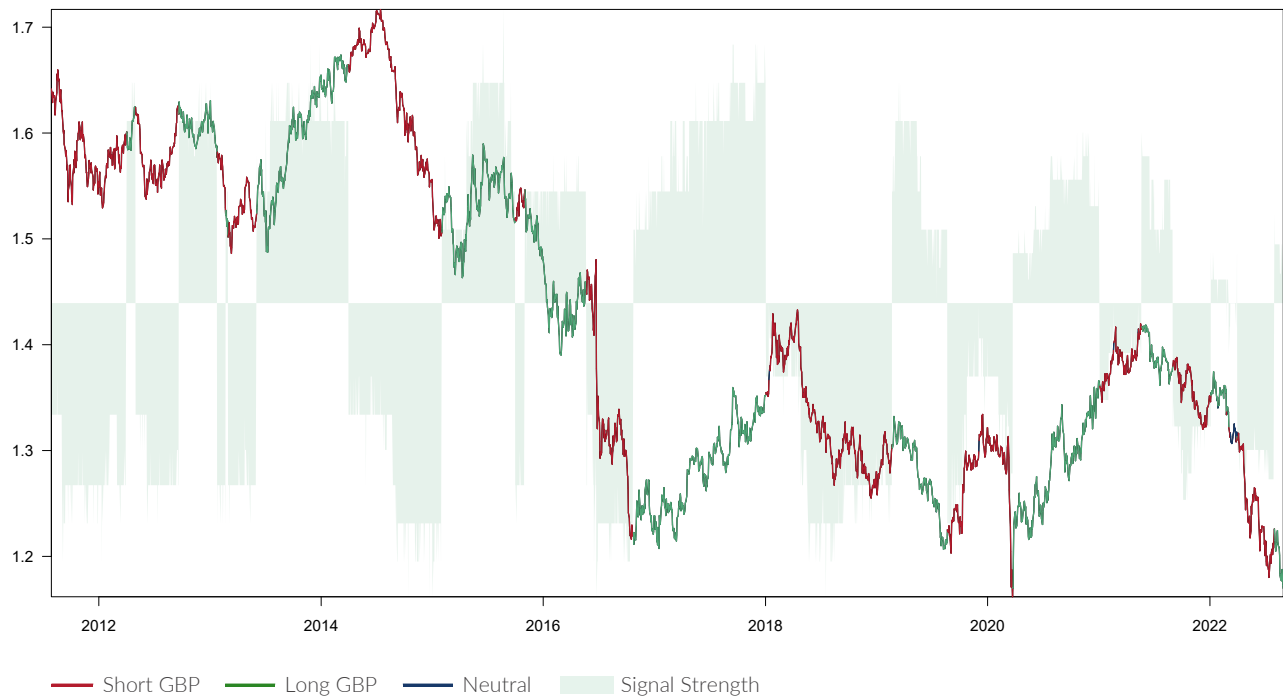
GBPUSD

We are fundamentally bearish on the GBP given the negative Brexit fallout and growing stagflationary pressures. Our strategy positions have not

changed (neutral macro and short GBP in Business Sentiment and Technical) and 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 increased again but not at extreme
	PPP Valuation	+/-0	The GBP is 27% undervalued

GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

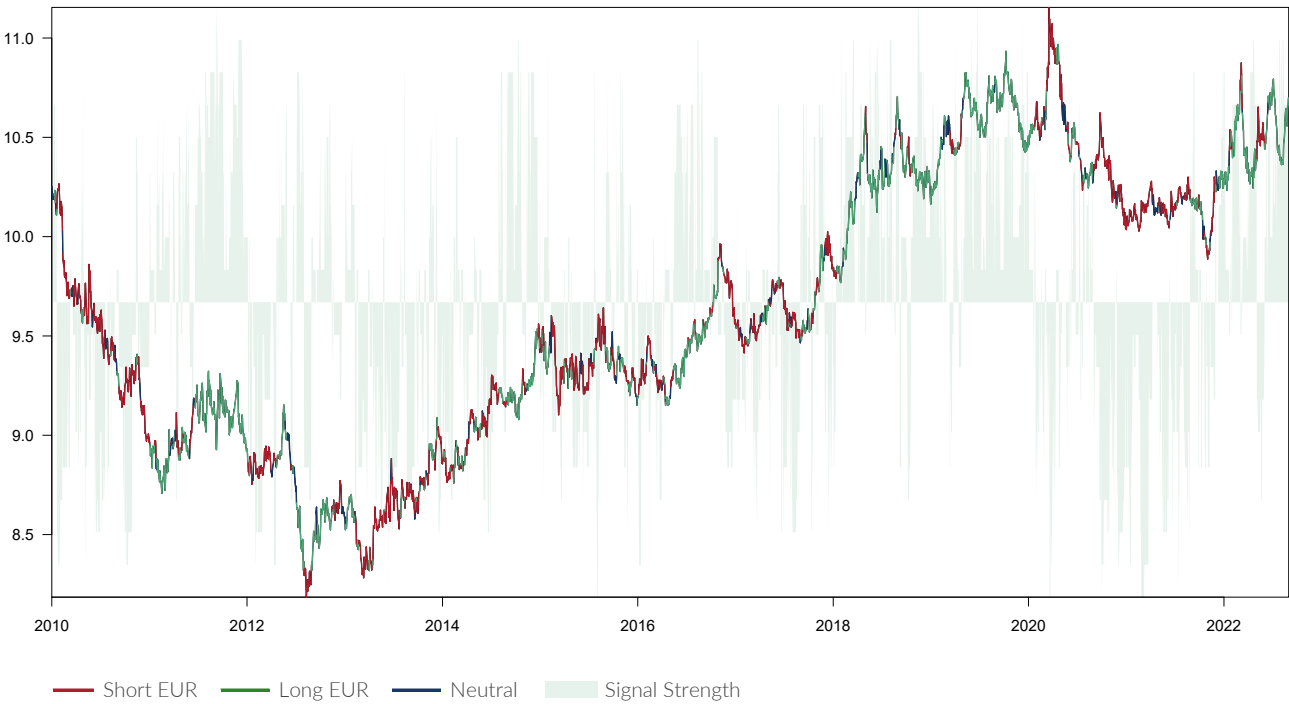
EURSEK

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 model

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

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Sweden's surplus suffers from less terms of trade losses compared to the Euro area
	Interest Rate Differentials	0/-	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 neutral
	PPP Valuation	+	The SEK is roughly 22% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

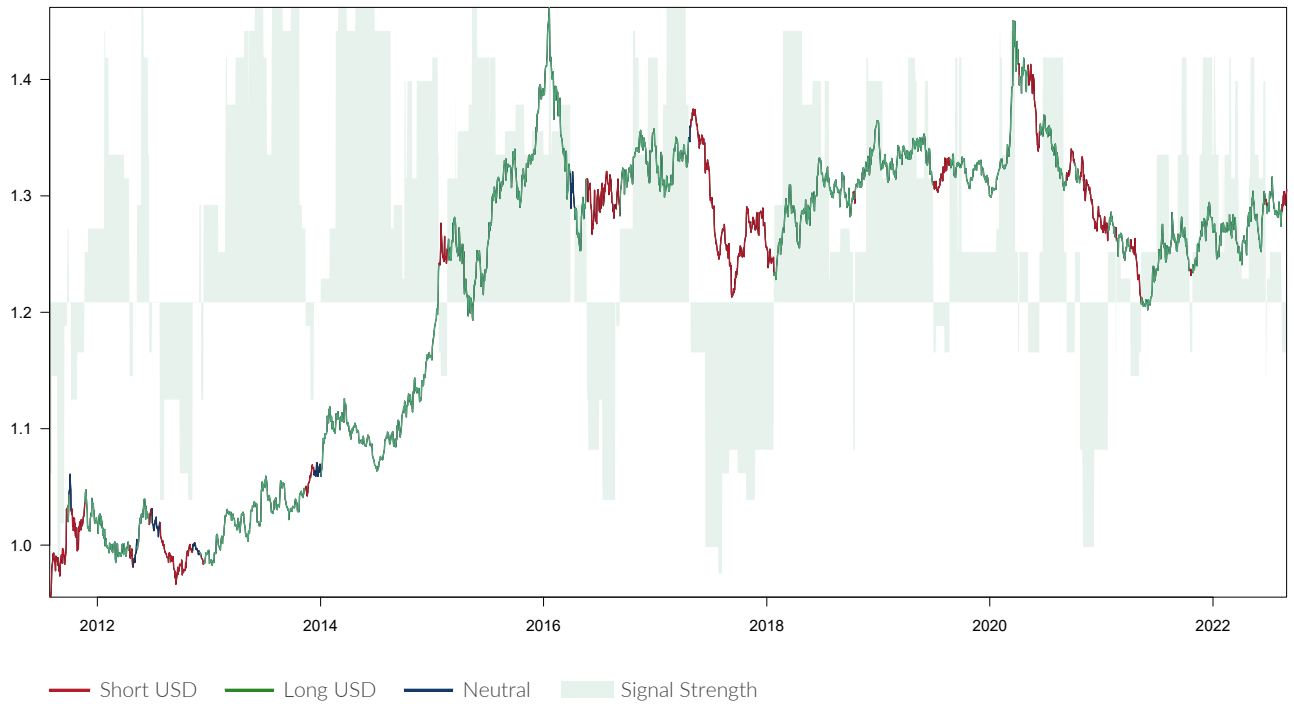
USDCAD

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 CAD interest rates are similar to USD interest rates. The Macro

oil price model remains short CAD as forecasts stayed below current levels. Business Sentiment stayed long CAD, while Technical shifted to neutral CAD. As a result, the overall position is slightly long 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	0	Technicals shifted to neutral CAD
	Spec Positions	0	Net long CAD position fell slightly
	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: September 1st, 2022  
Market data: August 31st, 2022