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FX MONTHLY

QCAM Insight ++ The macro perspective ++ FX market talk
Economic activity ++ Inflation ++ FX markets ++ Financial markets
Number of the month

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QCAM on the move – a half-year full of new developments

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QCAM Currency Asset Management AG
Guthirtstrasse 4
6300 Zug
Switzerland

Wellershoff & Partners Ltd.
Zürichbergstrasse 38
8044 Zürich
Switzerland

Wellershoff & Partners Ltd. is a strategic research partner of QCAM Currency Asset Management AG. This includes the regular exchange on fundamental developments in the global economy and on financial markets as well as their influence on currency markets. What is more, Wellershoff & Partners Ltd. is available to QCAM Currency Asset Management AG for selected events as well as client meetings.

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QCAM Insight

QCAM on the move – a half-year full of new developments

Thomas Suter, CEO
QCAM Currency Asset Management AG

The first half of 2017 is drawing to a close. How has the semester unfolded at QCAM?

Quite a lot has been in motion at QCAM in the first half of 2017, including the company itself! In March, under the motto "the same team, the same spirit, in a new location," we moved to our new offices at Guthirtstrasse 4 in Zug, just a few minutes' walk from the train station. The city of Zug has made a global name for itself as a financial center thanks to its attractive location and international orientation. We are very happy in our new surroundings. Our team is growing and right at the start of the year we won several new mandates, adding substantial new funds. We are gratified to see that more and more companies and institutions recognize the importance of independent and transparent currency management.

The first QCAM FX Day will be held this month. What can we expect at this event?

Following the second installment of our "Economy and Currencies" event, conducted in March in cooperation with our research partner, Wellershoff & Partners, we will next launch a new event, QCAM FX Day, to be held in the late afternoon, on June 19 at the Widder Hotel in Zurich. We think it will be a highlight of the year. Guests will get a closer look at our positioning – "The symbiosis of currency and asset management." We will present some instructive examples of our approach along with insights into other FX themes, such as Dynamic Currency Overlay and FX Best Execution, along with our latest macroeconomic assessments.

Chiente Hsu, our US representative and head of quan-

titative research, will be a featured presenter at QCAM FX DAY. Dr. Hsu is a former financial planner and Global Head Quantitative Research at Credit Suisse. Her expertise in quantitative research led to her much-praised book, *Rule Based Investing*.

We also look forward to our special guest, the artist Hannes Schmid. For the past two years, QCAM has been supporting his Smiling Gecko charity in Cambodia as part of our philanthropic engagement. An aperitif riche rounds out the culinary end of QCAM FX DAY. A few places are still available and interested FX Monthly readers are invited to contact us.

And you launched another innovation this year, FX NOW! What's that all about?

Participants in today's highly dynamic markets need up-to-date news, information and insights from savvy experts to make successful investment decisions. Recognizing the need for the latest information, QCAM launched a free WhatsApp service, FX NOW!

The goal is to help investors stay informed. Our own QCAM FX experts personally post their observations, insights and ideas on FX NOW! directly to subscribers. FX NOW! has quickly won a considerable number of users and the feedback confirms that it has become a valued source of market information and an ideal complement to *FX Monthly*.

Let's look at the second half of 2017. Which QCAM offerings will prove especially relevant for investors?

Geopolitical and macroeconomic events are likely to move currency markets in the coming months. In this environment, several of our specialties are particularly well suited to many investors' needs, for example, Dynamic Currency Overlay. In contrast to passive management, which serves to hedge the portfolio against currency swings, active management can actually enhance yields for investors. Our process-oriented active management aims to exploit the full potential of a currency investment without neglecting the risks at any given stage.

Our FX Best Execution, which is run in cooperation with Zürcher Kantonalbank, is another of our solutions with growing importance for investors. With our transparent FX transactions, our independence and our commitment to our client's best interests, FX Best Execution offers an attractive, single-source solution to mid-sized institutions and SMEs. If we may suspend our usual modesty for a moment, since we introduced this solution we have saved millions of dollars for our clients.

Our other offerings, such as Cash-Yield Enhancement and Origination & Structuring, will also grow more relevant to investors in the coming months. Here, as usual, our focus is on clients' best interests.

FX Monthly has established itself as your flagship communication channel. Any changes planned for it?

We do, in fact, receive a lot of very positive feedback from clients, investors and industry professionals for *FX Monthly*. Thus far, *FX Monthly* has appeared in two languages, digitally and in print, and we're very glad to see that it's so well accepted. But we're always looking to improve! To take *FX Monthly* to the next level, we will be running a reader survey over the next few weeks. We thank readers in advance for their valuable input.

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The macro perspective

Measures to curb debt weigh on the Chinese economy

The simultaneous global economic upswing that began in mid-2016 is showing its first signs of abating. For at least one of the world's three largest economies, the oxygen is plainly getting thin. We think the Chinese authorities' latest measures to curb debt are more burdensome on the economy than the official data suggests.

The steady improvement in the global economy over recent months took a breather in May. After almost linear improvement in the economic climate since the middle of 2016, last month's leading indicators slipped a bit in almost all countries and regions. Alarm bells nonetheless are far from necessary. Our economic climate indicator signals global economic growth of almost 4 percent year-over-year, a marked acceleration from the previous quarters.

The US economy returns to earth

The downturn in economic sentiment in the US seems mainly due to the harsh hand of reality. Political turmoil has effectively overwhelmed the Trump administration, leaving it little time and focus to advance its promised tax reforms, infrastructure spending programs or deregulation effort – let alone to get them approved. And in the process, the euphoric bubble of the past few months has slowly deflated.

That is certainly not to say that the US economy is ailing, however. Despite slackening recently, our latest overall economic climate indicator still signals US growth of almost 3 percent. But to realize this projection, the US must be spared any major political shocks.

Broad Eurozone recovery

After rising in a nearly linear manner over the past several months, Eurozone leading indicators also took a time-out in May. In general, however, sentiment indicators still remain well above levels of previous years, promising the further positive development of the Eurozone economy. Europe's labor market has also benefited from this dynamic. It is clear that this remains a broadly based recovery.

China's economy goes on a diet

In China, on the other hand, we observe more than a slight decline in corporate sentiment. The mood in the manufacturing sector has been slipping for three months now. What is new, however, is that effective production data is also showing signs of weakening. Wellershoff & Partners' GDP Growth Stat for China, which is based on industrial production data, indicates China's annual economic growth rate declining to 6 percent.

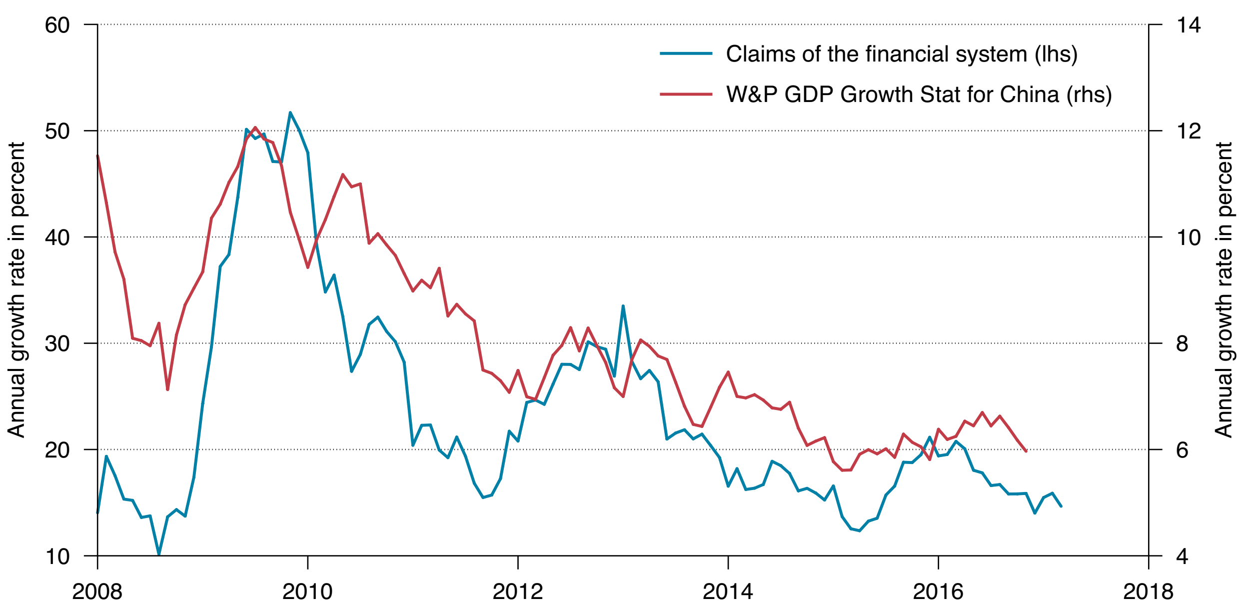
After the brisk recovery in 2016, a trend reversal was already evident in the first quarter of 2017, although it was not reflected in the official GDP figures. The authorities reported that the annual growth rate even increased, from 6.8 per cent in the fourth quarter of 2016 to 6.9 percent in the first quarter of this year. But with the renewed decline in economic dynamics in recent months, the gap between the officially reported data and independent calculations has again widened visibly.

Sharp decline in overall credit growth

The release of official GDP data for the second quarter will soon show how all of this plays out. After all, the emerging slowdown in economic growth is mainly due to a government-imposed shortage of loans. Since the beginning of the year, the countless financial institutions that sprouted up in recent years, spreading loans like fairy dust, are being pushed to the regulatory limit. This has already led to a sharp decline in overall credit growth in China. The aim of this stricter policy is to put the brakes on rapidly rising debt levels, especially in China's corporate sector.

The slippage in China's economic momentum is still moderate and has thus far had little effect on the global economy. If the gap between the official statistics and independent calculations were to increase, however, we would expect that the credit locks would soon be reopened in China. After all, President Xi, who has been in office since 2012, has proclaimed his intention to double China's economic output. And a growth rate of 6 percent or less simply does not comply with that vision.

Development of claims of the financial system in China



Source: Thomson Reuters Datastream, Wellershoff & Partners

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FX market talk

EURCHF: An exchange rate unchained

The Swiss franc weakened noticeably against the euro after the French presidential election. The SNB has since refrained from intervening on the FX market. The arguments for a continuation of the franc's devaluation are compelling. But there are also good reasons for the SNB, when faced with a future crisis, to allow the franc to rise even higher than it had in the past.

Emmanuel Macron's victory over Marine Le Pen in the French presidential election in early May boosted the euro's exchange rates. At about 1.12 US dollars per euro for the world's most important currency pair, Europe's common currency has since reached a level last seen in September 2016, that is, *before* Donald Trump's election spurred US growth fantasies and with it the dollar's strength. As a result of the benign outcome of the French election, there was also movement in the EURCHF exchange rate, which again recorded a level of more than 1.08 Swiss francs per euro.

The SNB withdraws from FX markets

The depreciation of the franc against the euro also had an effect on the Swiss National Bank's intervention policy on the FX market. Judging from the changes in commercial banks' sight deposits with the SNB, which we find a reliable indicator of the bank's intervention volumes, the SNB ceased activity on the FX market at the end of May.

The latest weekly increase in sight deposits rounded up to just 0.1 billion francs. A level this low has not been seen since mid-December 2016. Thereafter, peaking in mid-February of this year, the SNB embarked on its most intensive phase of currency market intervention since it abolished the franc's euro peg back in January 2015. These interventions are expected to total some 45 billion francs. This interventionist phase, at least for now, appears to have come to an end.

Good reasons for further franc depreciation

Besides the diminished political risk in Europe, there are other reasons why the EURCHF currency pair could move closer to its fair, trade-neutral exchange rate, which is still at around 1.20. We have already cited the first reason. According to purchasing power parity models, the franc has been and remains overvalued. Second, not only has the economic outlook in the Eurozone as a whole improved yet again lately. Some country-specific risk factors, in particular for both Greece and Italy, have also declined. In Greece, a new loan to the government is imminent. In Italy, not only was it necessary to revise first-quarter GDP growth significantly upwards, but a solution was also found with the EU for Bank Monte dei Paschi's urgently necessary capital injection. Third, we think we are on the verge of a normalization of European monetary policy. Through adjustments made to the official statement, this process was ushered in at the June 8 meeting of the European Central Bank and we expect it to proceed further in the autumn.

No more 1.06 EURCHF lower limit

The reasons we have cited might make a bet on the franc's depreciation against the euro look almost risk-free, as to

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date the Swiss National Bank has shown it knows how to fight a franc appreciation through interventions, at the latest at a price of 1.06 francs per euro. Although, for the reasons cited, we expect the franc to continue to weaken further, we would also warn that the bank's defense of this lower limit cannot be presumed in future.

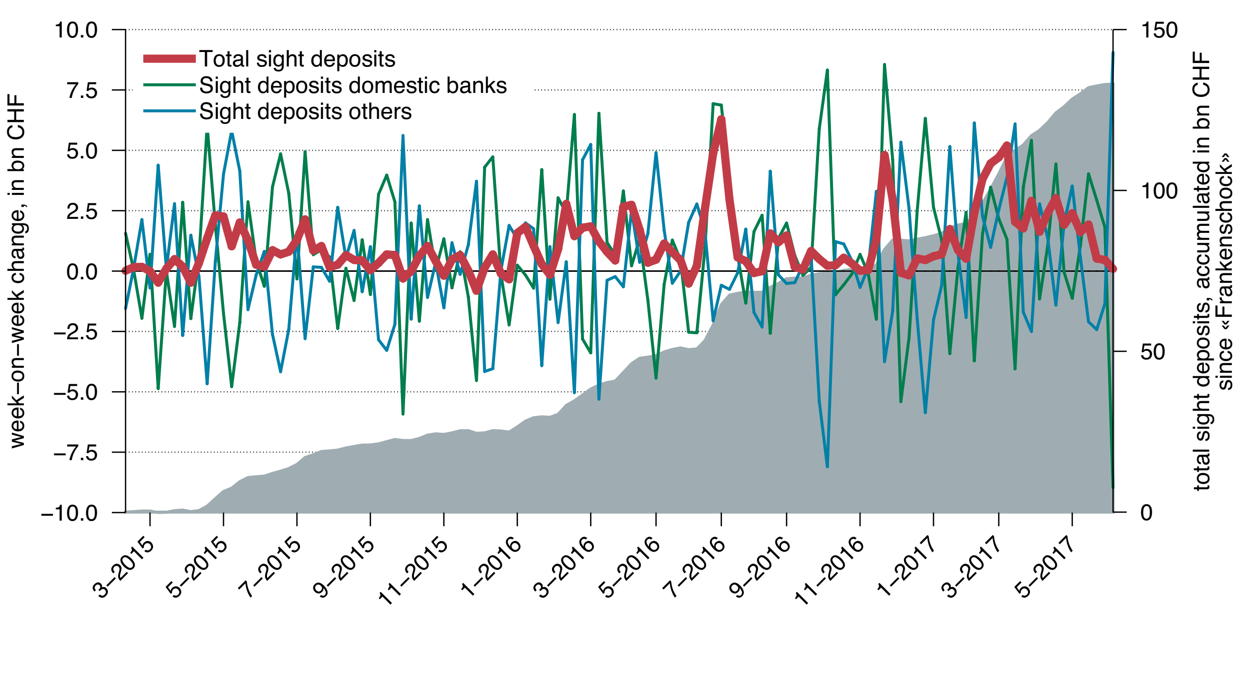
Besides the SNB's stretched balance sheet totals, we think the positive developments in Switzerland's export sectors and inflation rate are further reasons for allowing a stronger franc in the future. And revisions to the method of calculating the franc's fair exchange rate, which trim the franc's overvaluation against the euro, provide yet another argument for the SNB – come the next phase of franc appreciation – to let the franc strengthen more than it previously tolerated.

Additionally, the bank now appears more focused on the franc's trade-weighted exchange rate rather than solely on the EURCHF currency pair, which can grant it additional scope. And at the moment, the trade-weighted Swiss franc is no more as overvalued as it has been since the lifting of the minimum euro price peg.

Bottom line

Arguments in favor of the continuing devaluation of the Swiss franc versus the euro are numerous and worthy. If, however, political uncertainties in Europe were to come to a head, or if a crisis situation were to materialize elsewhere, we think it is conceivable that the SNB will only intervene against a strengthening franc at a significantly higher level than previously observed. The EURCHF currency pair has truly been unchained, and that means it can now move both upwards and downwards.

Changes in the SNB's sight deposits after the Frankenshock of January 2015



Source: SNB, Wellershoff & Partners

Economic activity

The economic environment in the US continues showing signs of strength. However, the normalization of recent months was also evident in May. That said, many economic indicators still posted high values despite this decline. For example, the ISM Manufacturing Index may no longer be at the 57.7 level recorded in February, but at 54.9 points the index is significantly higher than the average during the second half of last year.

The Eurozone, in addition to its positive economic outlook, also saw some troubling country-specific risks abate in May, in Greece and particularly in Italy. The Italian economy grew 0.4 percent quarter-over-quarter, clearly above its potential. Moreover, the recent agreement reached on revision of the electoral system considerably diminishes the likelihood of the euroskeptical Five Star Movement taking control of Italian politics. What's more, concerns about Europe's banking system have receded markedly after the capital injection to Italian bank Monte dei Paschi as well as the swift resolution of the situation with Spain's Banco Popular.

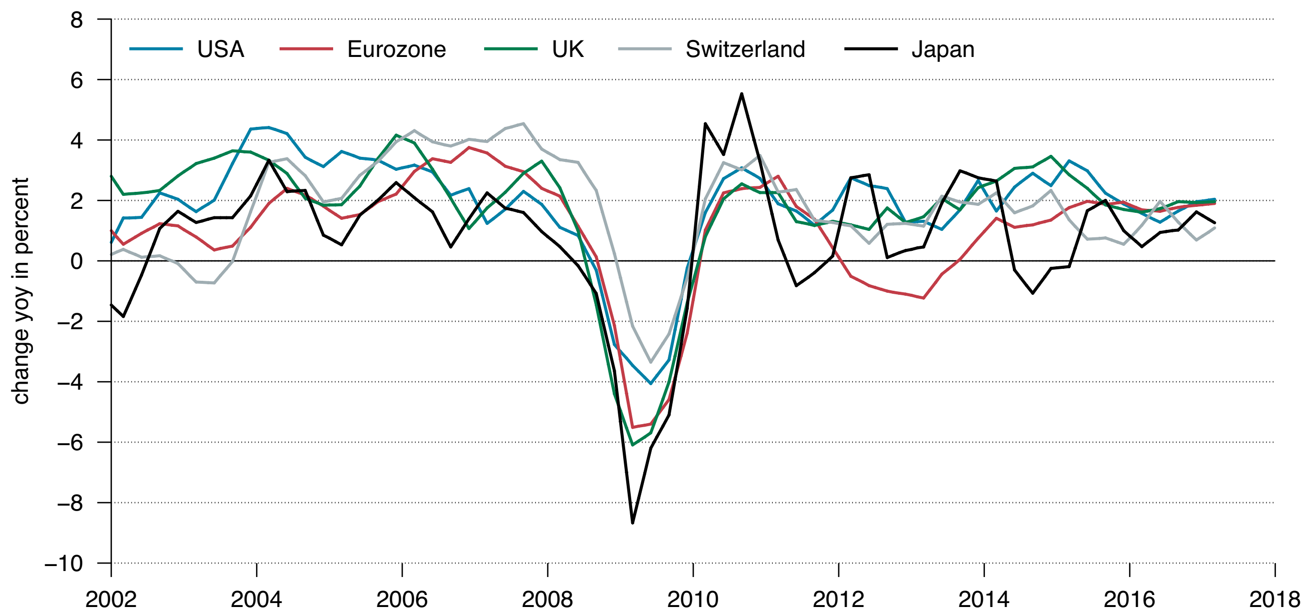
Growth overview

	Trend growth[1]	Real GDP growth[2]				W&P economic sentiment indicators[3]			
		Q2/2016	Q3/2016	Q4/2016	Q1/2017	2/2017	3/2017	4/2017	5/2017
United States	1.7	1.3	1.6	2.0	2.0	3.1	2.9	2.8	2.7
Eurozone	1.0	1.6	1.8	1.8	1.7	2.1	2.1	2.4	2.3
Germany	1.4	1.8	1.7	1.8	1.7	2.7	2.8	3.1	2.9
France	0.7	1.1	0.9	1.2	1.0	1.3	1.3	1.4	1.5
Italy	0.2	0.8	1.0	1.1	1.2	0.8	0.7	1.0	0.8
Spain	1.6	3.4	3.2	3.0	3.0	2.4	2.0	2.2	2.3
United Kingdom	1.8	1.7	2.0	1.9	2.0	2.5	2.6	2.6	2.3
Switzerland	1.5	2.0	1.3	0.7	1.1	1.5	1.3	1.6	1.3
Japan	0.4	1.0	1.1	1.7	1.6	2.1	2.3	2.2	2.2
Canada	1.6	1.0	1.5	2.0	2.3	1.3	1.4	1.7	1.8
Australia	2.4	3.1	1.9	2.4	–	2.6	2.6	2.6	2.6
Brazil	1.4	-3.6	-2.8	-2.4	-0.4	-0.4	1.2	1.5	2.6
Russia	0.1	-0.5	-0.3	0.3	–	2.6	2.6	1.1	2.6
India	7.7	7.9	7.5	7.0	6.1	7.2	7.4	7.4	7.3
China	7.4	6.7	6.7	6.8	6.9	7.2	7.1	6.7	6.5
Advanced economies[4]	1.4	1.7	1.6	1.8	–	2.9	2.8	2.9	2.8
Emerging economies[4]	6.0	5.0	4.7	5.0	–	5.2	5.4	5.0	4.8
World economy[4]	3.5	3.4	3.2	3.4	–	4.1	4.1	3.9	3.7

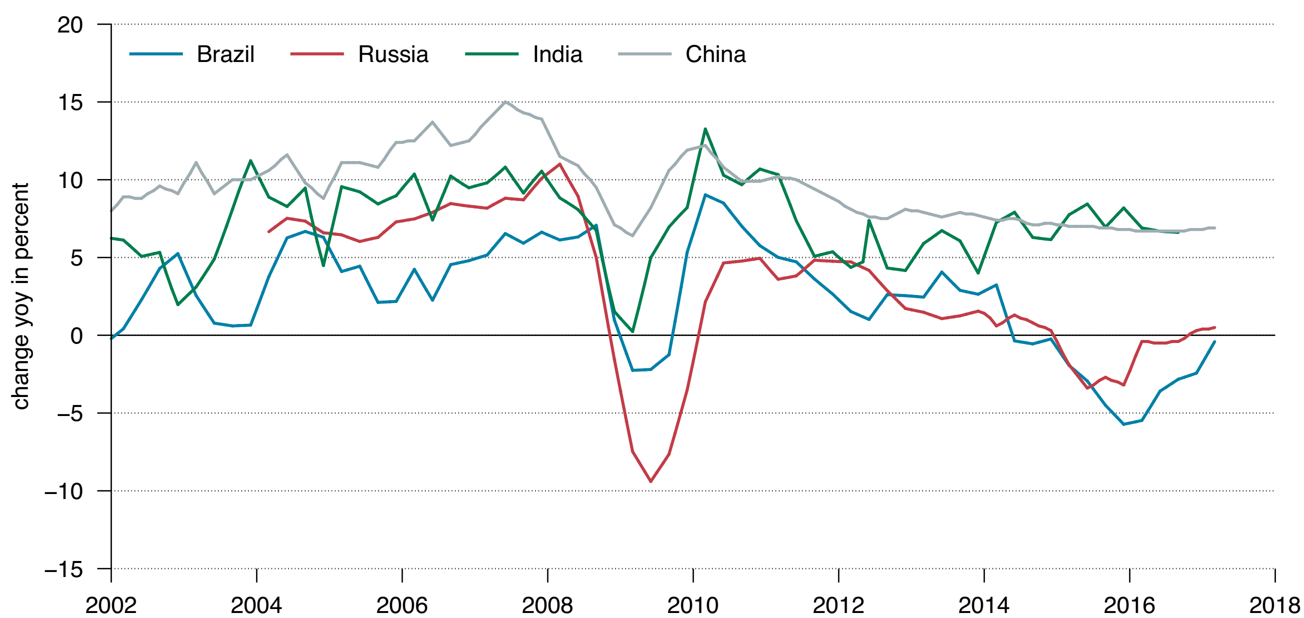
1 Current year-on-year trend growth rate of real GDP, in percent, according to the proprietary trend growth model of Wellershoff & Partners.
2 Year-on-year growth rate, in percent.
3 Wellershoff & Partners economic sentiment indicators are based on consumer and business surveys and have up to 6 months lead on the year-on-year growth rate of real GDP.
4 Calculations are based on nominal GDP weights derived from purchasing power parity exchange rates.

Source: European Commission, Penn World Table, Thomson Reuters Datastream, Wellershoff & Partners

Economic growth in advanced economies



Economic growth in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

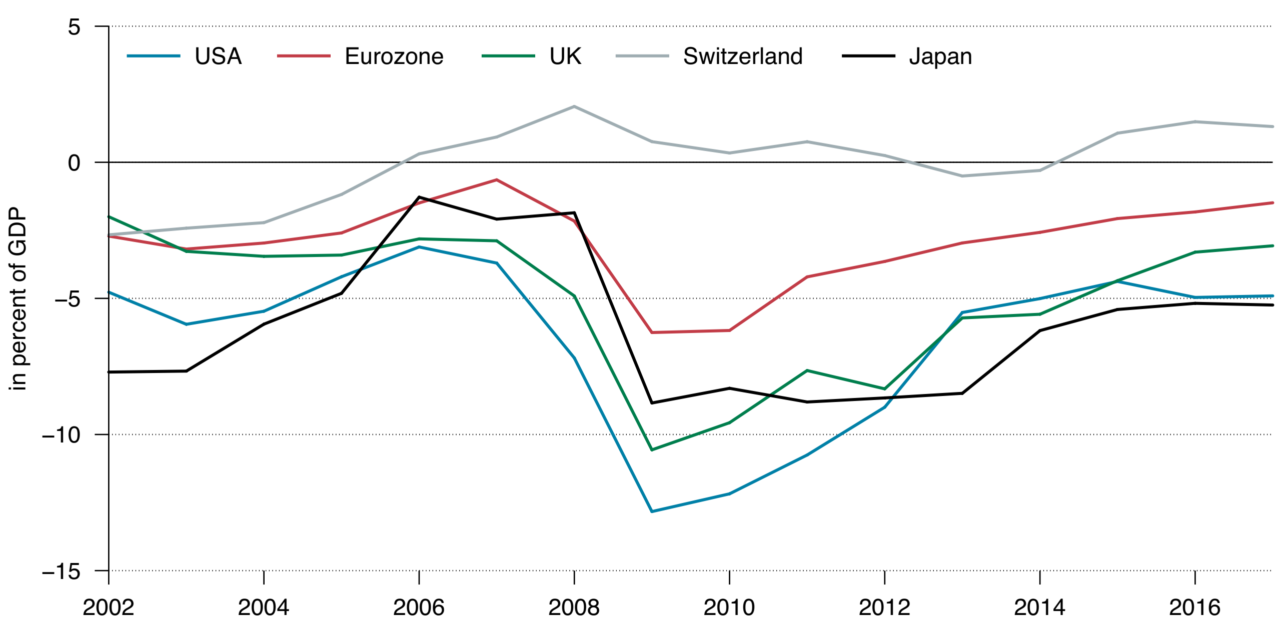
Economic indicators

Overview

	Global GDP share[1]		Current account[2]		Public debt[2]		Budget deficit[2]		Unemployment rate[3]	
	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current
United States	22.9	24.9	-2.5	-2.6	113.3	116.9	-5.8	-4.9	6.4	4.4
Eurozone	16.6	15.0	3.2	4.0	108.1	108.3	-2.6	-1.5	11.2	9.5
Germany	4.8	4.4	7.8	8.8	80.5	71.7	0.2	0.5	6.6	5.8
France	3.5	3.1	-0.9	-0.8	117.1	124.1	-3.9	-3.0	9.8	9.3
Italy	2.6	2.3	1.5	3.0	152.2	159.5	-2.7	-2.4	11.8	11.7
Spain	1.7	1.6	1.2	1.7	110.4	119.1	-6.6	-3.6	23.4	18.2
United Kingdom	3.7	3.2	-4.7	-4.8	109.6	113.1	-5.5	-3.1	6.1	4.6
Switzerland	0.9	0.8	10.3	9.2	45.0	41.7	0.4	1.3	3.1	3.3
Japan	6.7	6.2	2.0	3.8	225.6	237.5	-6.8	-5.2	3.7	2.8
Canada	2.3	2.1	-3.2	-2.9	88.0	91.2	-1.4	-2.4	7.0	6.5
Australia	1.8	1.7	-3.5	-2.8	34.3	42.9	-2.9	-2.2	5.7	5.7
China	13.5	15.1	2.2	1.3	40.0	49.3	-1.7	-3.7	4.1	–
Brazil	2.9	2.7	-3.0	-1.3	67.1	81.2	-6.1	-9.1	8.4	13.7
India	2.7	3.1	-2.0	-1.5	69.1	67.8	-7.1	-6.4	–	–
Russia	2.4	2.0	2.9	3.3	14.7	17.1	-1.8	-2.6	5.4	5.4

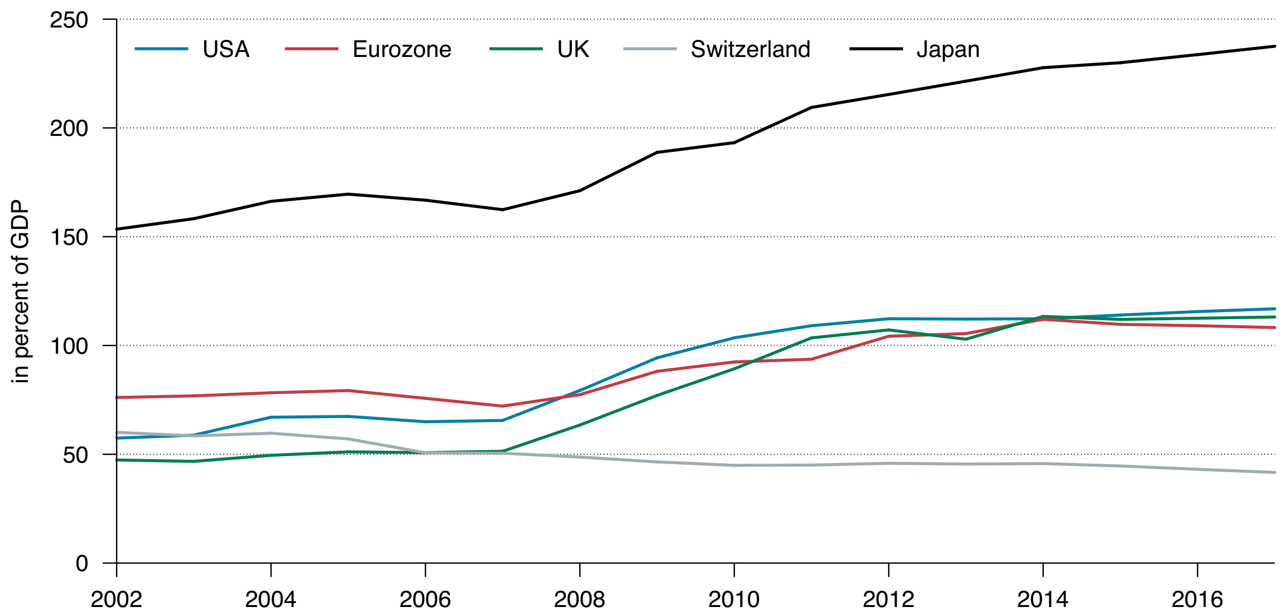
[1] In percent; calculations based on market exchange rates. [2] In percent of nominal GDP. [3] In percent.

Budget deficits in advanced economies

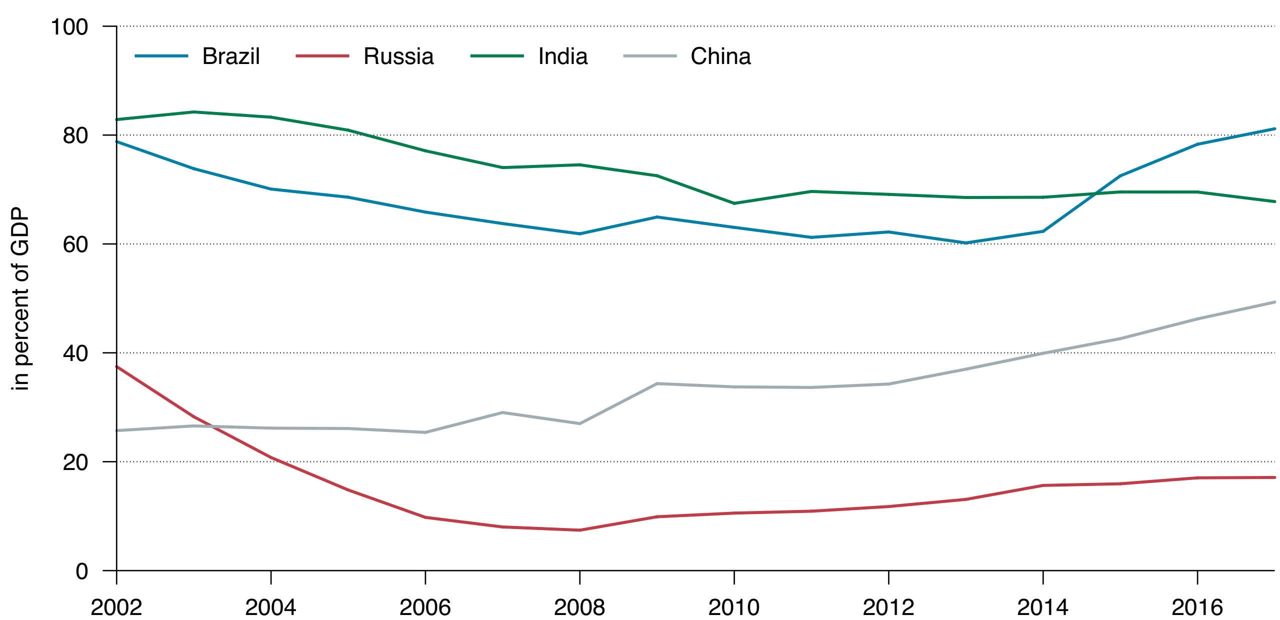


Source: Thomson Reuters Datastream, Wellershoff & Partners

Public debt in advanced economies



Public debt in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

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Inflation

Counter to the excellent economic outlook in the Eurozone and the impending normalization of the ECB's monetary policy stands only the subdued rate of inflation. The decline in overall inflation from 1.9 percent to 1.4 percent year-over-year was due more to seasonal effects and energy-price base effects than to the economy. However, this will not increase the pressure on the ECB to take its foot off the monetary policy accelerator anytime soon.

In Japan, inflation edged close to zero. Inflation rates have risen a bit at least compared to the beginning of the year, and most are in positive territory. But the Bank of Japan's target rate of inflation of 2 percent is still far away. Accordingly, we do not expect any changes to the BoJ's expansive monetary policy. Even though the volume of its securities purchases has recently ebbed a bit, the expansion of the bank's balance sheet totals is likely to continue. At the end of May, that sum amounted to 93 percent of Japan's GDP.

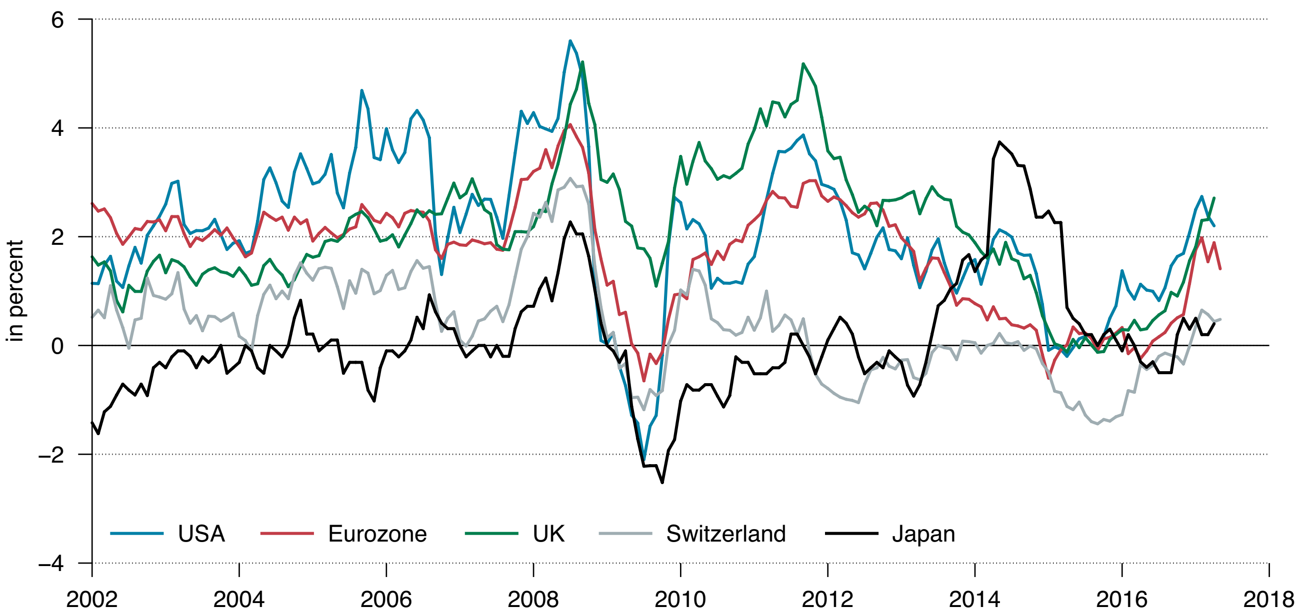
Inflation overview

	Ø 10 years[1]	Inflation[2]				Core inflation[3]			
		2/2017	3/2017	4/2017	5/2017	2/2017	3/2017	4/2017	5/2017
United States	1.8	2.7	2.4	2.2	–	2.2	2.0	1.9	–
Eurozone	1.5	2.0	1.5	1.9	1.4	0.9	0.7	1.3	0.9
Germany	1.4	2.2	1.6	2.0	1.5	1.7	1.4	1.3	1.6
France	1.2	1.2	1.1	1.2	0.8	–	–	–	–
Italy	1.5	1.6	1.4	1.9	1.4	0.6	0.7	1.1	0.8
Spain	1.5	3.0	2.3	2.5	1.9	1.0	0.9	1.2	–
United Kingdom	2.3	2.3	2.3	2.7	–	2.0	1.8	2.4	–
Switzerland	0.1	0.6	0.6	0.4	0.5	-0.1	0.1	0.1	0.2
Japan	0.3	0.2	0.2	0.4	–	-0.1	-0.3	-0.3	–
Canada	1.6	2.0	1.6	1.6	–	1.6	1.3	1.1	–
Australia	2.4	1.9	2.1	–	–	1.4	1.5	–	–
Brazil	6.2	4.8	4.6	4.1	–	5.3	5.5	5.0	–
Russia	9.1	4.6	4.3	4.1	4.1	5.0	4.5	4.1	3.8
India	7.9	3.7	3.9	3.0	–	–	–	–	–
China	2.9	0.8	0.9	1.2	–	1.8	2.0	2.1	–
Advanced economies[4]	1.5	2.1	1.8	1.9	1.7	1.5	1.3	1.4	1.3
Emerging economies[4]	5.1	2.2	2.2	2.1	2.1	2.6	2.7	2.7	2.7
World economy[4]	3.1	2.2	2.0	2.0	2.0	1.7	1.7	1.7	1.7

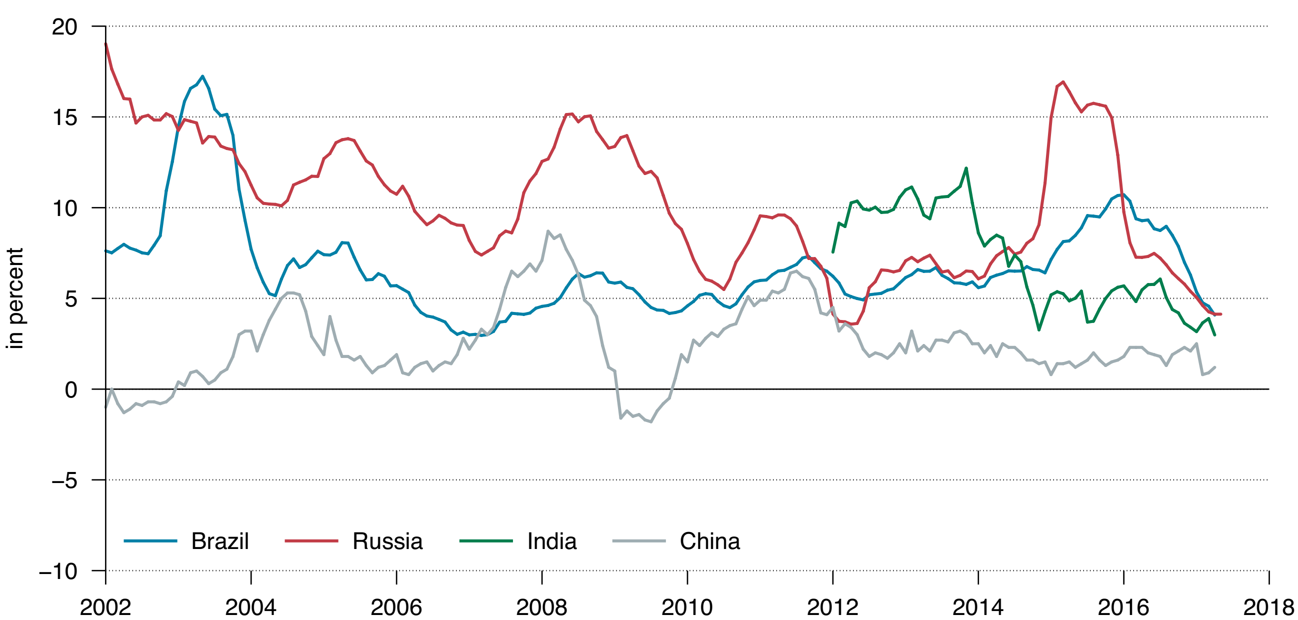
[1] Average annual consumer price inflation, in percent.
[2] Year-on-year change of the consumer price index (CPI), in percent.
[3] Core inflation is a measure of inflation that excludes certain items that can experience volatile price movements, such as energy and certain food items; year-on-year change of the core consumer price index, in percent.
[4] Calculations are based on nominal GDP weights derived from purchasing power parity exchange rates.

Source: Thomson Reuters Datastream, Wellershoff & Partners

Consumer price inflation in advanced economies



Consumer price inflation in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

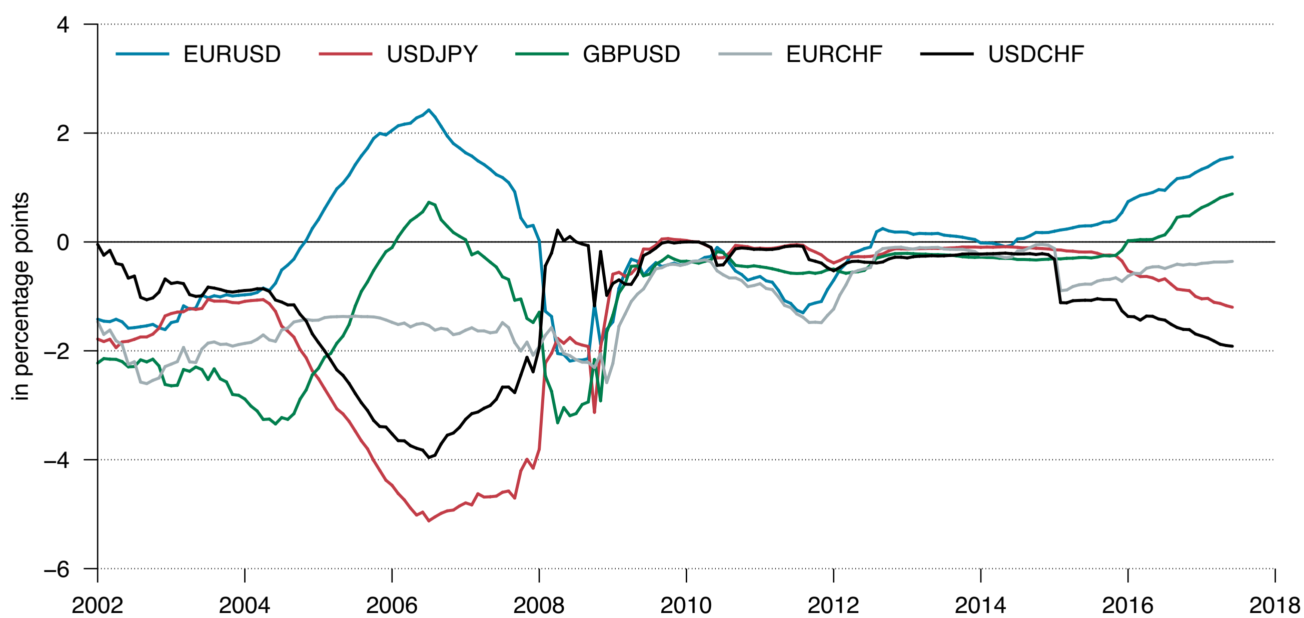
Interest rates

Interest rate differentials overview

	Current exchange rate	Interest rate differentials 3 months[1]				Interest rate differentials 12 months[1]			
		Current	1 year ago	Ø 5 years	Ø 10 years	Current	1 year ago	Ø 5 years	Ø 10 years
EURUSD	1.120	1.51	0.92	0.44	-0.11	1.85	1.34	0.66	0.00
USDJPY	111.5	-1.20	-0.69	-0.35	-0.70	-1.59	-1.21	-0.64	-0.90
GBPUSD	1.302	0.88	0.07	-0.09	-0.53	1.07	0.30	-0.04	-0.53
EURCHF	1.091	-0.41	-0.47	-0.35	-0.77	-0.37	-0.48	-0.41	-0.85
USDCHF	0.975	-1.92	-1.39	-0.79	-0.67	-2.21	-1.83	-1.07	-0.86
GBPCHF	1.269	-1.03	-1.32	-0.88	-1.20	-1.15	-1.53	-1.12	-1.38
CHFJPY	114.5	0.72	0.71	0.44	-0.03	0.62	0.62	0.43	-0.04
AUDUSD	0.744	-0.31	-1.02	-1.83	-2.57	0.23	-0.23	-1.23	-2.08
USDCAD	1.354	-0.30	0.24	0.66	0.50	-0.54	-0.17	0.38	0.29
USDSEK	8.744	-1.66	-1.18	-0.09	0.37	-1.99	-1.44	-0.26	0.26
USDRUB	57.0	8.16	10.24	9.30	7.98	7.13	9.25	8.78	8.09
USDBRL	3.290	8.87	13.39	10.74	10.06	7.98	11.94	10.35	9.88
USDCNY	6.893	3.28	2.27	3.54	2.74	2.57	1.75	3.20	2.45
USDTRY	3.587	11.37	9.76	8.91	9.44	11.10	9.19	8.78	9.61
USDINR	64.66	7.47	7.47	8.67	7.37	5.42	5.70	6.59	4.66

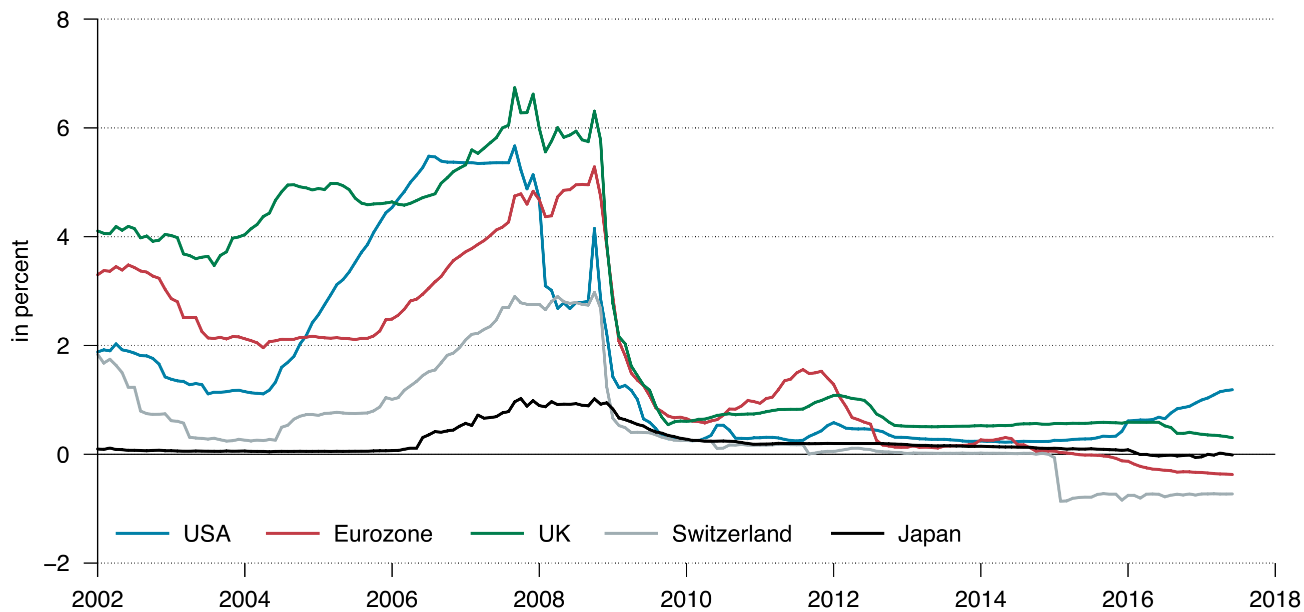
[1] The gap in interest rates between the second currency and the first one, in percentage points; e.g. US dollar minus euro for EURUSD.

Interest rate differentials

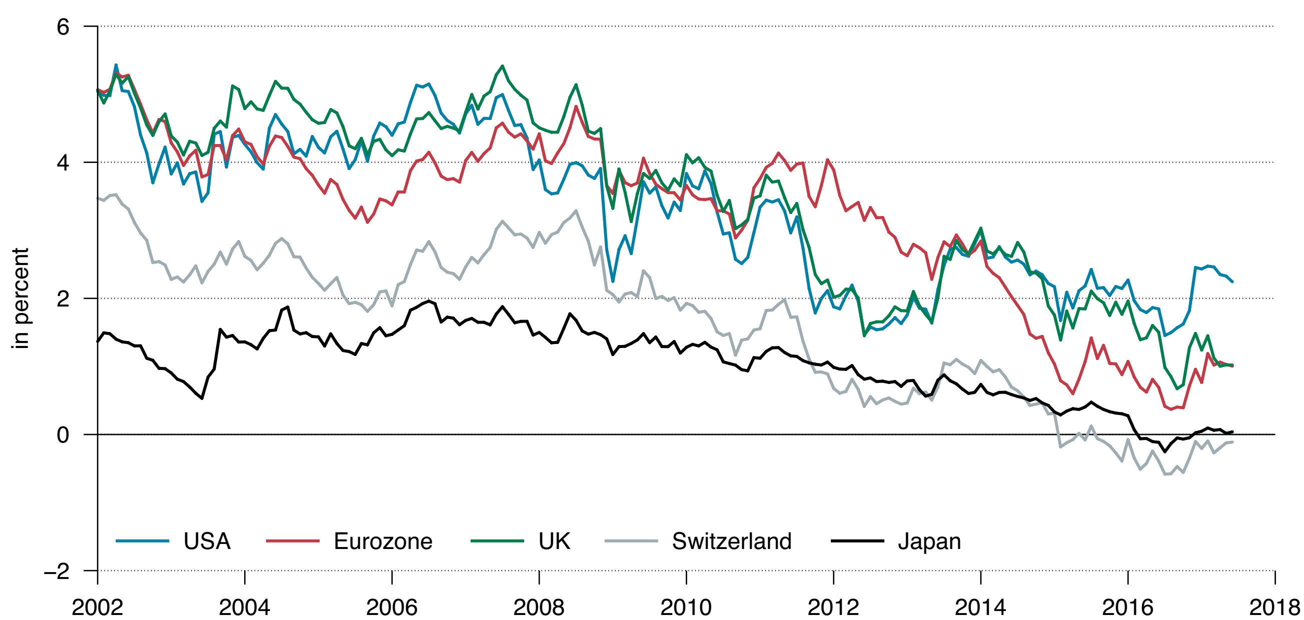


Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

3-month Libor



10-year government bond yields



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

FX markets

In parliamentary elections on June 8 British voters issued a firm rebuff to the plans of the incumbent Prime Minister Theresa May to consolidate her negotiating mandate in Britain's Brexit discussions with the EU. Thus, not only are new elections suddenly on the table; so are the policy guidelines for the Brexit process itself. As complicated as these dynamics may be, it is easy enough to conclude that, right now, the probable path of the British pound over the coming weeks and months is imponderable. However, against various currencies, the pound remains distinctly undervalued, as shown in the table below in more detail.

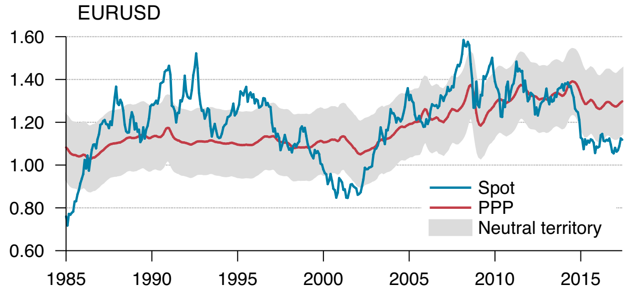
Given the current state of affairs in the US – where Donald Trump is currently facing the gravest crisis of his administration to date – it would be unsurprising if there were negative effects on the greenback. There are plenty of reasons why the current turmoil weighs on the US economy, taking the bounce out of financial markets and potentially lowering the chances of another interest rate hike anytime soon. And yet the dollar has navigated all these disruptive currents rather well, coming through without any serious damage – although losing about 2.5 percent in value in a month, on a trade-weighted basis.

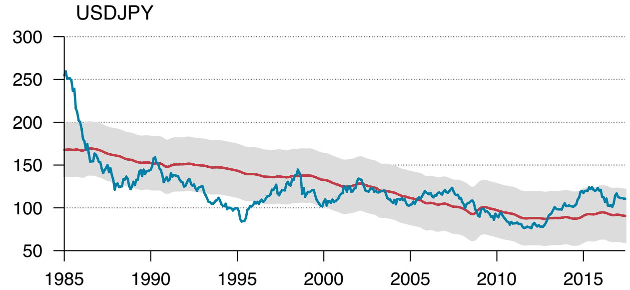
FX overview

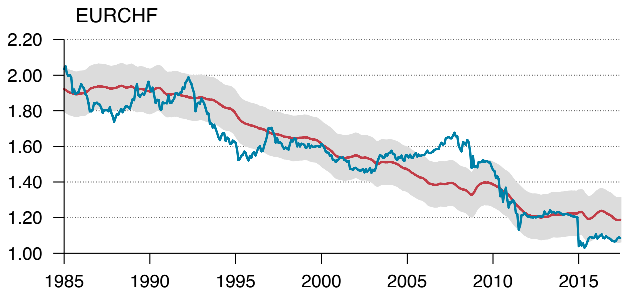
	Current exchange rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	3 months	1 year	5 years	PPP	Neutral territory	Deviation[3]
EURUSD	1.120	6.1	5.3	-0.1	-12.0	1.30	1.15 - 1.45	-13.8
USDJPY	111.5	-4.4	-1.1	1.5	40.7	90.6	60.2 - 121.0	23.1
GBPUSD	1.302	5.4	4.8	-10.7	-17.6	1.62	1.42 - 1.82	-19.6
EURCHF	1.091	1.8	2.5	-1.6	-9.2	1.19	1.07 - 1.31	-8.2
USDCHF	0.975	-4.1	-2.7	-1.6	3.2	0.94	0.71 - 1.17	3.7
GBPCHF	1.269	1.1	2.0	-12.1	-14.9	1.50	1.22 - 1.78	-15.3
CHFJPY	114.5	-0.3	1.6	3.1	36.3	89.7	74.5 - 105.0	27.5
AUDUSD	0.744	2.8	-2.9	3.4	-24.6	0.71	0.60 - 0.83	4.2
USDCAD	1.354	1.0	3.3	3.1	33.1	1.21	1.13 - 1.28	12.2
USDSEK	8.744	-3.8	-1.7	4.7	21.6	7.33	6.40 - 8.27	19.2
USDRUB	57.0	-6.5	-2.1	-15.0	82.5	42.3	34.0 - 50.5	34.9
USDBRL	3.290	1.1	6.0	-8.7	63.9	2.85	2.34 - 3.36	15.6
USDCNY	6.893	-0.8	0.3	5.3	8.9	6.83	6.60 - 7.06	0.9
USDTRY	3.587	2.0	-1.4	19.8	95.8	2.84	2.61 - 3.07	26.3
USDINR	64.66	-4.7	-3.5	-4.0	18.7	71.6	68.0 - 75.2	-9.7

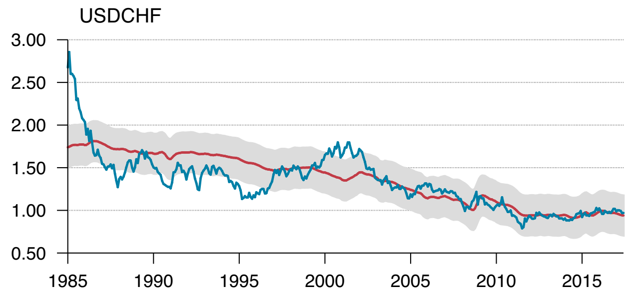
[1] Performance over the respective period of time, in percent.
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral territory is determined by +/- 1 standard deviation of the historical variation around the PPP value.
[3] Deviation of the current spot rate from PPP, in percent.

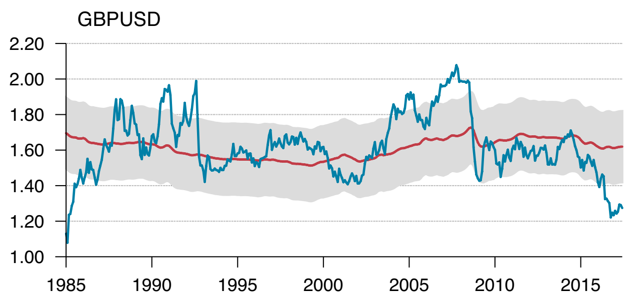
Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

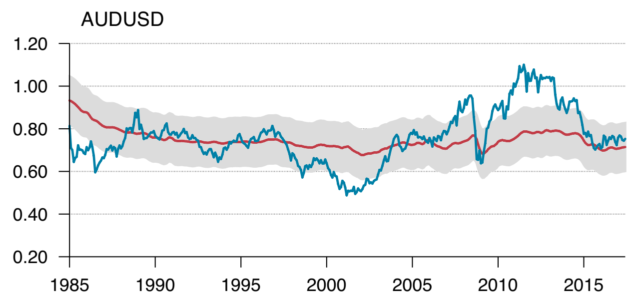


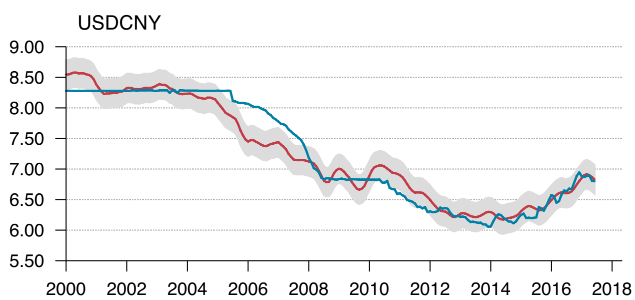


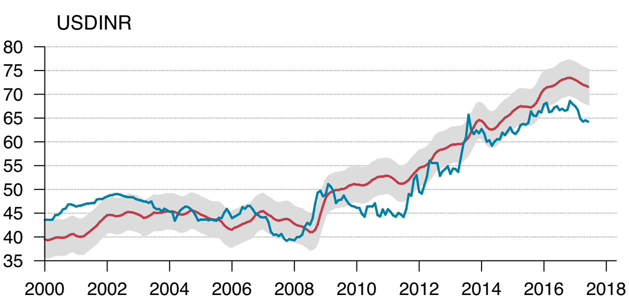


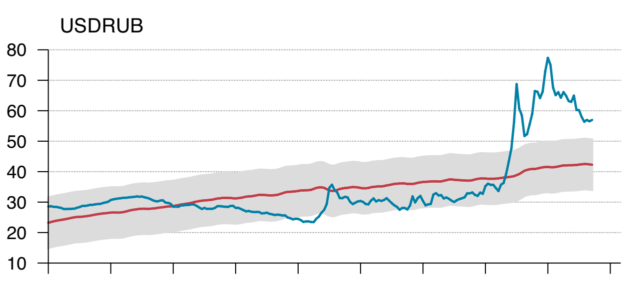


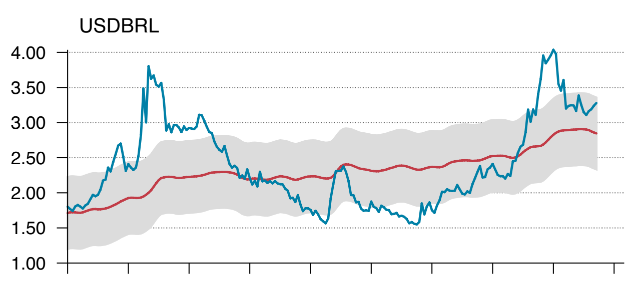












Source: Thomson Reuters Datastream, Wellershoff & Partners

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FX volatility

FX volatility overview

	Current exchange rate	Volatility 3 months[1]				Volatility 12 months[1]			
		Historical	Implied	Ø 5 years[2]	Ø 10 years[2]	Historical	Implied	Ø 5 years[2]	Ø 10 years[2]
EURUSD	1.120	7.0	7.2	8.8	10.6	7.4	7.8	9.3	10.9
USDJPY	111.5	8.1	8.7	9.9	11.0	11.6	9.4	10.3	11.4
GBPUSD	1.302	7.5	7.8	8.4	9.9	13.3	8.5	8.9	10.4
EURCHF	1.091	4.5	4.7	5.5	6.4	4.5	5.1	6.4	6.8
USDCHF	0.975	6.6	7.2	9.1	10.6	7.1	7.8	9.7	10.9
GBPCHF	1.269	6.7	7.1	8.7	10.3	12.0	7.7	9.3	10.7
CHFJPY	114.5	7.1	8.5	10.4	11.7	10.7	9.2	11.1	12.2
AUDUSD	0.744	7.5	8.0	10.2	12.6	9.2	9.3	10.8	12.9
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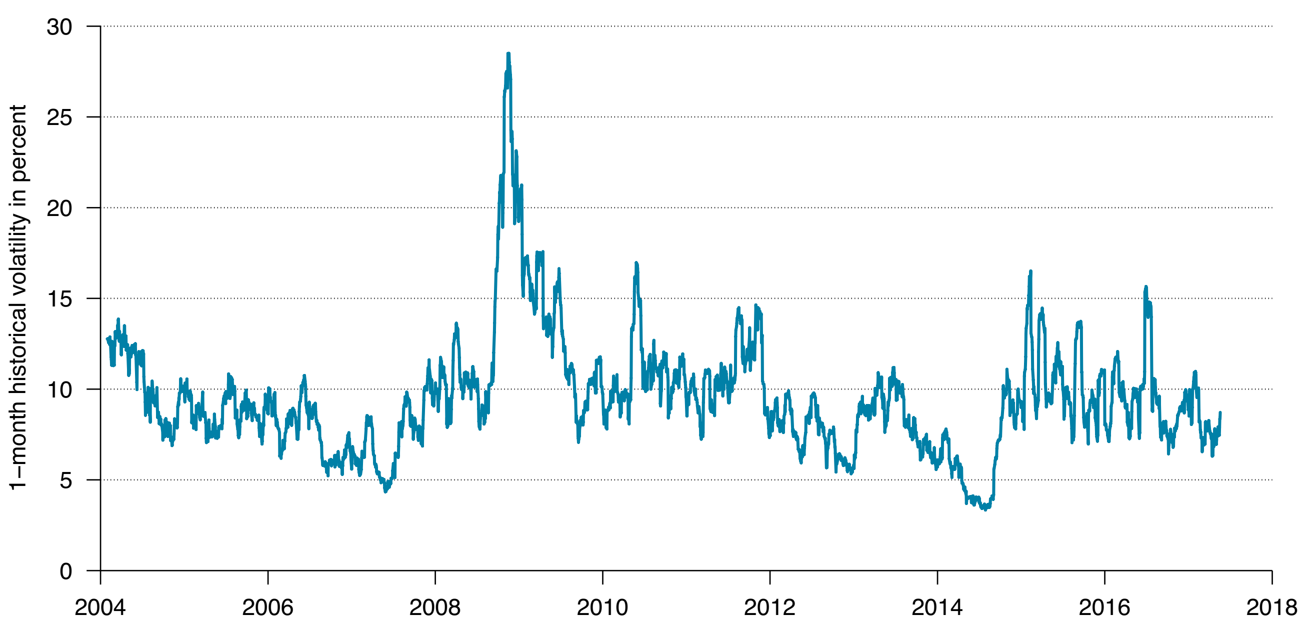
USDBRL	3.290	20.1	17.2	14.7	15.6	16.2	15.6	15.2	16.0
USDCNY	6.893	1.9	2.9	3.2	3.1	2.6	4.6	4.1	4.7
USDTRY	3.587	12.2	12.7	11.7	13.4	13.7	13.8	13.0	14.6
USDINR	64.66	4.2	6.1	8.6	9.6	4.0	6.9	9.7	10.5

[1] Annualized volatility, in percent. [2] Average of implied volatility.

QCAM volatility indicator[3]

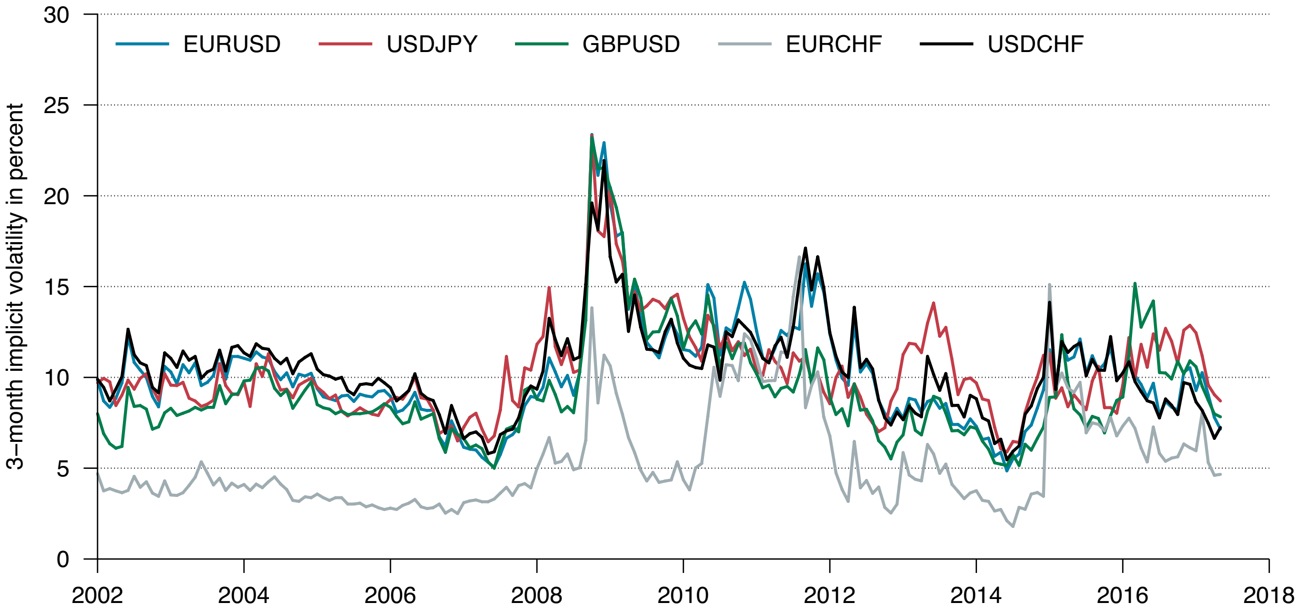


[3] The QCAM volatility indicator measures general volatility in global FX markets; the indicator is based on historical volatility of the main exchange rates, which are weighted by trading volume.

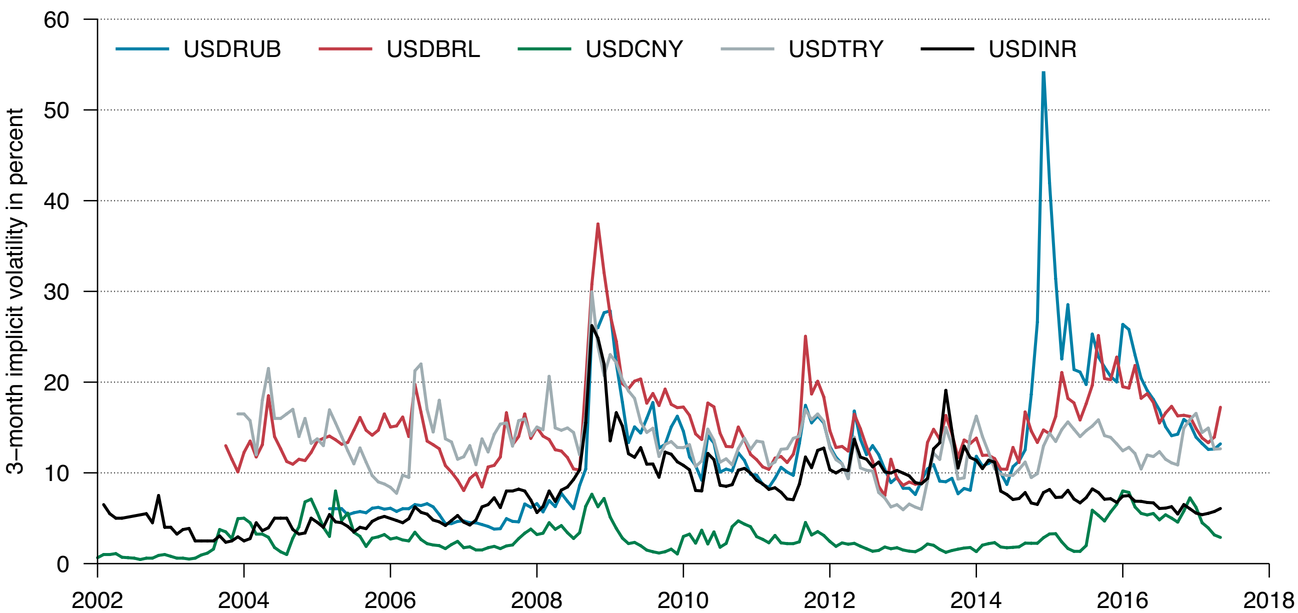
Source: Bloomberg, Thomson Reuters Datastream, QCAM Currency Asset Management, Wellershoff & Partners

QCAM® Currency Asset Management

Implicit volatility



Implicit volatility



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

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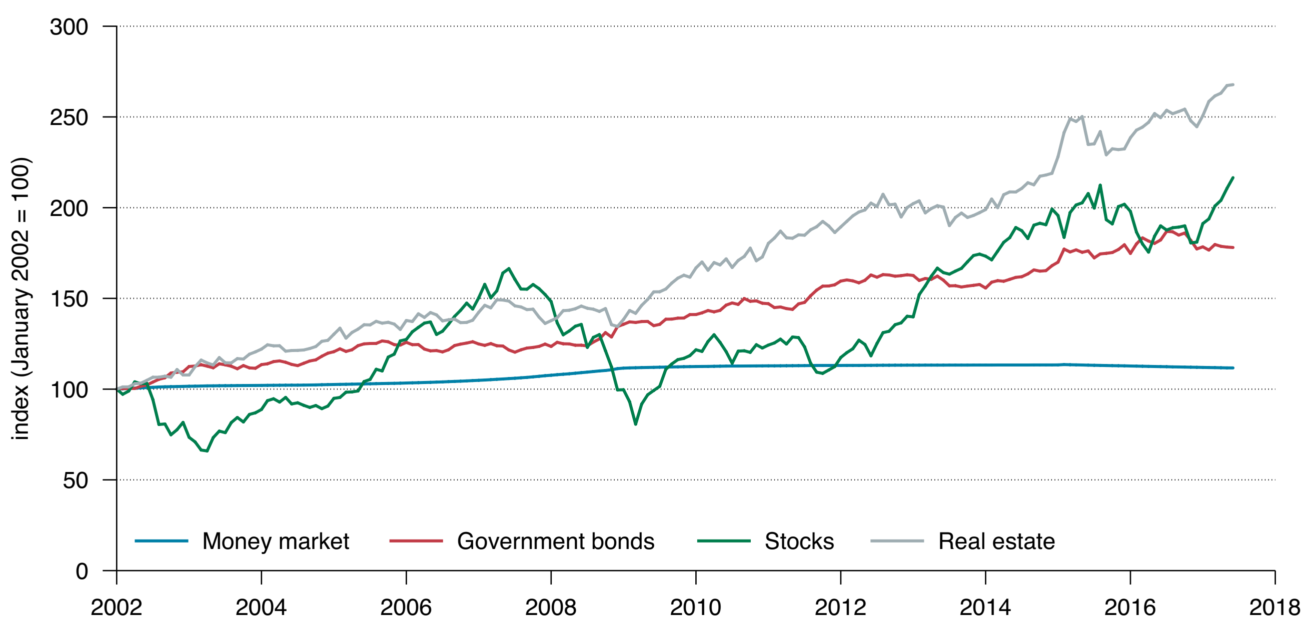
Financial markets

Performance overview

	Performance in either local curreny or USD[1]				Performance in CHF[1]			
	YTD	3 months	1 year	5 years	YTD	3 months	1 year	5 years
Swiss money market	-0.3	-0.2	-0.7	-1.3	-0.3	-0.2	-0.7	-1.3
Swiss government bonds	-0.2	-0.3	-1.7	10.4	-0.2	-0.3	-1.7	10.4
Swiss corporate bonds	0.4	0.0	-0.8	11.0	0.4	0.0	-0.8	11.0
Swiss equities (SMI)	13.2	9.4	18.0	82.3	13.2	9.4	18.0	82.3
European equities (Stoxx600)	10.5	7.7	21.3	94.1	12.2	10.3	19.3	76.1
UK equities (Ftse100)	6.6	3.8	28.3	71.1	8.4	6.3	12.8	45.4
Japanese equities (Topix)	3.7	1.9	19.2	138.3	4.7	0.9	16.6	75.1
US equities (S&P 500)	7.2	1.8	19.2	104.6	3.2	-0.4	18.1	111.3
Emerging markets equities	16.1	6.6	30.8	26.1	11.7	4.3	29.6	30.1
Global equities (MSCI World)	9.5	4.1	19.4	82.9	5.3	1.9	18.3	88.9
Swiss real estate	6.8	2.6	7.1	35.3	6.8	2.6	7.1	35.3
Global real estate	3.3	0.8	4.7	57.4	-0.6	-1.4	3.7	62.5
Commodities	-3.2	-3.9	0.0	-37.7	-6.9	-5.9	-0.9	-35.7
Brent oil	-5.5	-3.4	12.0	-50.6	-9.1	-5.5	10.9	-49.0
Gold	8.3	1.3	0.3	-21.4	4.2	-0.9	-0.6	-18.9

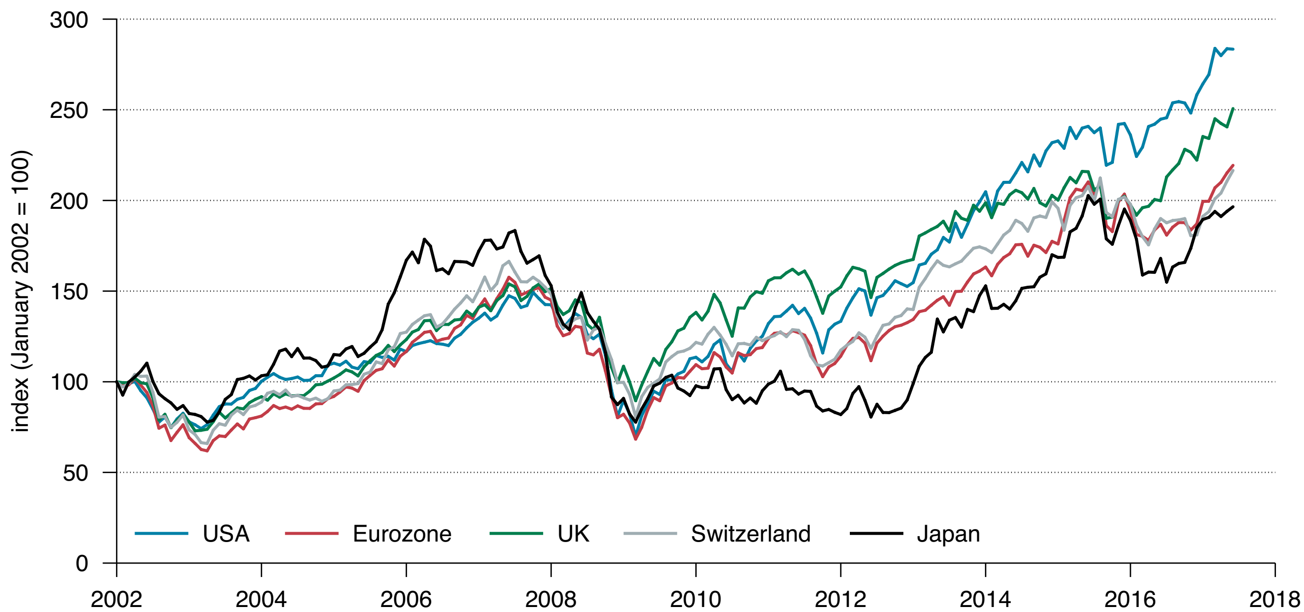
[1] Performance over the respective period of time, in percent.

Performance of selected Swiss asset classes

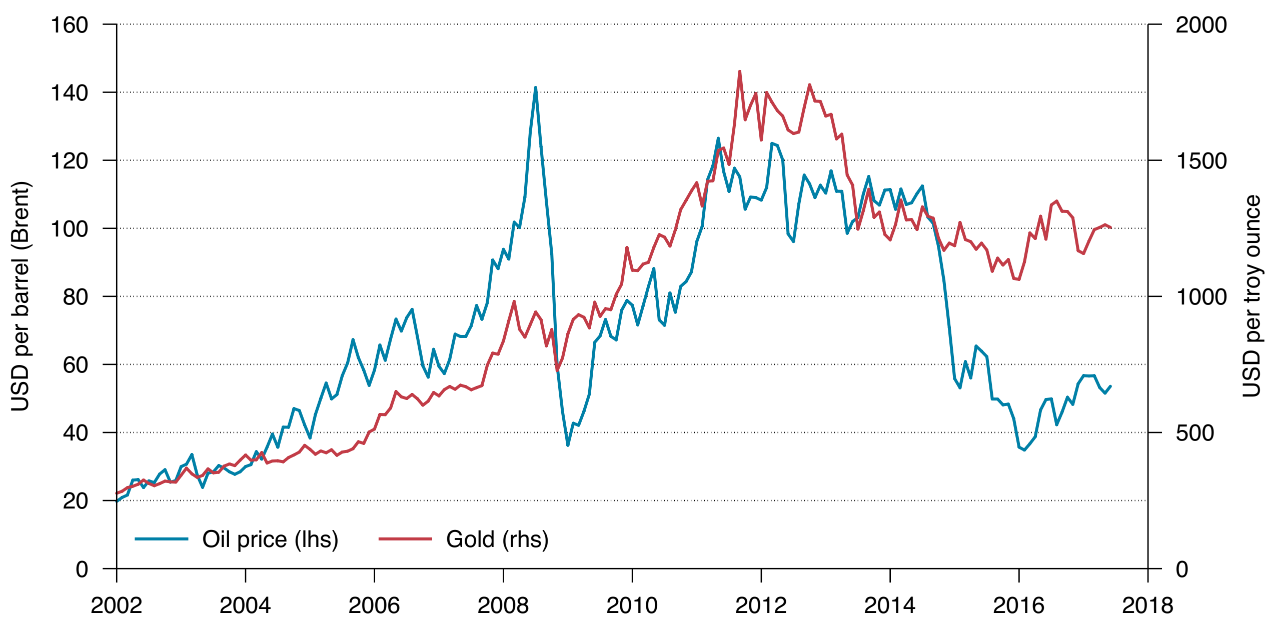


Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

Performance of selected equity markets (in local currency)



Performance of selected commodity prices



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

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Number of the month

70 percent

When he entered the race for the French presidency, hardly anyone expected Emmanuel Macron to succeed. After his victory, his next obstacle, the French parliamentary elections, would surely prove insurmountable. But here he is, potentially winning up to 70 percent of the seats in the National Assembly. Suddenly a different project, the modernization of the French labor market by September 2017, has become thinkable.