

February 2021

QCAM MONTHLY

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

Is this a replay of 2018?

- Page 1** QCAM Insight
- 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

Is this a replay of 2018?

Bernhard Eschweiler, PhD, Senior Economist
QCAM Currency Asset Management AG

After the selloff in 2020, the USD started firmer in 2021 amid increased financial market volatility. Several factors support the USD at the moment but it is unclear whether this is a temporary correction or the start of a prolonged period of USD strength as in 2018. In our view, sustained USD strength requires prolonged US economic outperformance, rising expectations of an earlier tightening in US monetary policy and improvements in the fiscal and external deficit dynamics.

The USD gained ground versus all major currencies since early January except for the GBP. The USD DXY is up 1.7% so far in 2021. This is hardly a trend change after the fall in 2020. In fact, it may just be a seasonal spike, which is typical for the USD in January. Nevertheless, several factors support the USD at the moment and could well push it higher in coming weeks and months.

Near term USD support

- First, while the current Corona situation is tense everywhere, the impact on mobility is less severe in the US compared to other places, especially Europe, where lockdowns undermine activity more.
- Second, the Corona vaccine roll-out in the US is now clearly ahead of all other major developed economies except for the UK. The Euro-area is far behind due to delivery problems and slow implementation. About 10% of the US population has been vaccinated by now versus an average of around 3% in the Euro-area.
- Third, the change to the Biden administration has

reduced political uncertainty in the US and the proposed new stimulus programs have improved the recovery expectations. In contrast, political uncertainty is rising in the Euro-area leading to more protests due to the handling of the Corona-crisis and the slow vaccination progress. Additional uncertainty comes from the government crisis in Italy.

- Fourth, business sentiment surveys in January showed improvements in the US, while most other places showed declines. The QCAM Business Sentiment strategy has switched to long USD versus all major currencies in January except for the SEK.
- Fifth, future markets still show large net short positions in USD by speculative investors, especially versus the EUR. This creates a fertile ground for more USD upside as increased market volatility clouds the near-term prospects for the reflation trade.

Similarities with early 2018

In some aspects, the current situation is similar to early 2018, which was a turning point that led to a two-year period of USD strength. First, the USD was oversold in early 2018 similar to the situation now. Second, business sentiment indicators improved in the US thanks in part to Trump's tax cuts but started slipping in most other places. Third, political uncertainty was on the rise, caused by the rising trade conflict between the US and China as well as country-specific events like the brewing government crisis in Italy.

Differences with early 2018

However, there are also significant differences between now and early 2018. First, the US Fed was optimistic about the outlook for the economy. It was gradually unwinding its QE program and in late 2017 hiked the Fed funds rate followed by four more hikes in 2018. No other major central bank followed the Fed's tightening moves.

Second, while the US ran fiscal and current account deficits in 2018 as well, the balances were smaller and relatively stable compared to now. Fiscal balances are slipping everywhere but the pace of total debt accumulation in the US tops most other places, especially compared to the Euro-area. This is also reflected in a widening of the US current account deficit from 2.5% at the end of 2019 to 3.7% at the end of last year.

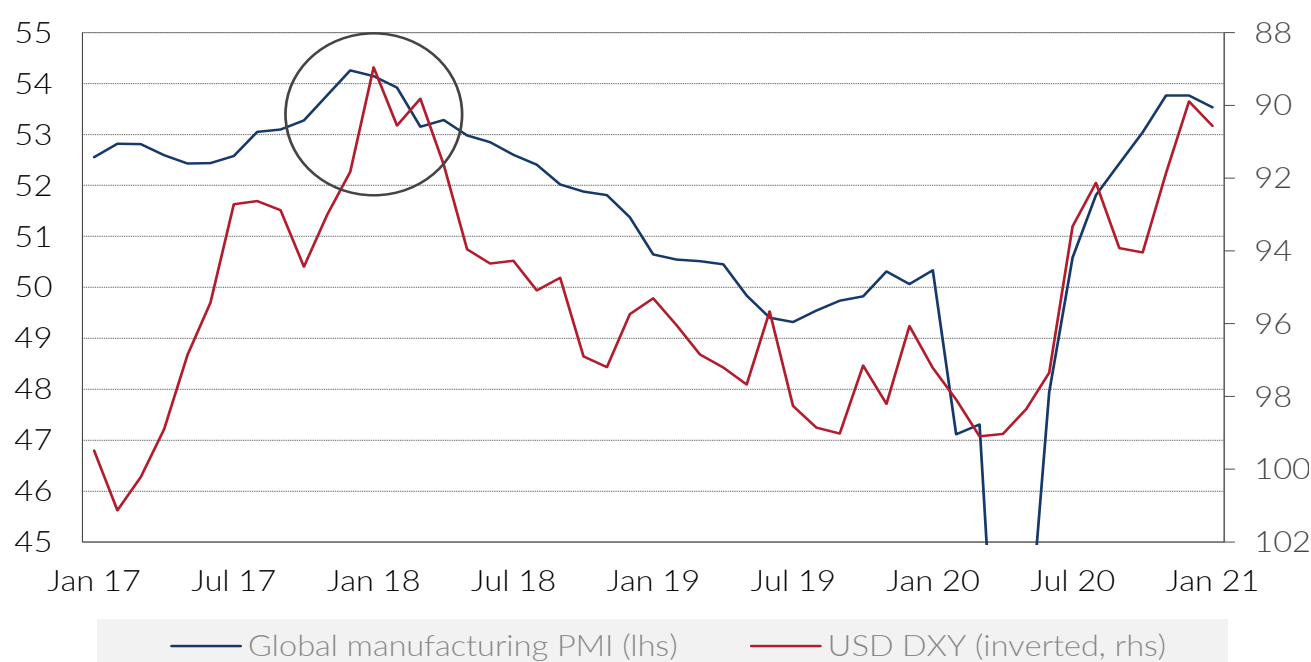
Too early to spot a clear trend

In our view, the performance ranking of major currencies so far this year is primarily a reflection of the Co-

rona vaccination progress. The UK is ahead of the US and the US is well ahead of all others, notably the Euro-area and Japan. This may drive currency markets a bit longer, but we expect vaccination progress in all major economies to catch up with the UK and the US in the course of this year. That would mean global reflation remains the dominant theme, albeit somewhat delayed. In that scenario, which we think is still the most likely, the USD has more downside, especially if the Fed signals no policy change in 2021 and the twin deficits show no significant improvement.

On the other hand, the pandemic has taught us to be humble. So different outcomes are possible. One risk is clearly that the global vaccination roll-out is too slow or ineffective and the virus continues to depress global economic activity for the rest of the year. Similar to 2018 and 2019 that could lead to USD outperformance (see chart), especially if the US economy manages to stay ahead of others and generate stronger growth (US exceptionalism).

USD DXY and global manufacturing PMI



Source: Bloomberg, JPMorgan and QCAM

Economy & Interest Rates

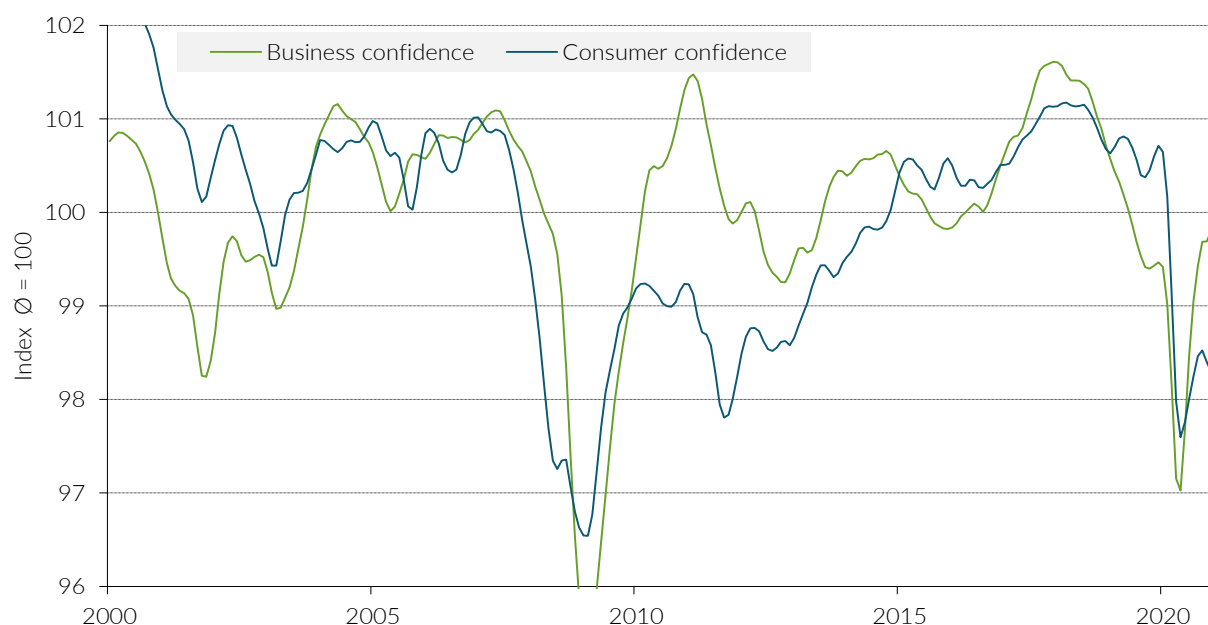
First-quarter growth is depressed by the rise in Corona infections. However, manufacturing activity is holding up well and the outlook improves with the expected wide-spread deployment of Corona vaccines although progress does vary from country to country. The return to “normalcy” is set to unleash pent-up demand. However, significant corporate

balance sheet and labor market distortions remain and most economies – with the notable exception of China – are unlikely to reach the pre-Corona level before the end of the year and some even later. As a result, fiscal deficit and debt projections remain high and monetary policy is expected to stay easy.

	Real GDP growth ¹		Unemployment rate ¹		Inflation rate ¹		Current account ²		Fiscal balance ²		Public debt ²	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Global	-4.0	6.0	n.a.	n.a.	1.5	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-5.0	5.0	n.a.	n.a.	0.7	1.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	5.0	8.0	7.0	1.5	2.0	-2.5	-2.5	-16.0	-9.0	131	134
Canada	-5.5	4.5	9.5	8.0	1.0	2.0	-2.5	-2.5	-16.0	-11.0	115	115
Euro-area	-6.8	5.0	8.0	9.0	0.0	1.0	2.5	3.0	-9.0	-5.0	101	100
Sweden	-3.5	3.5	8.5	9.0	0.5	1.0	2.5	3.5	-6.0	-3.5	42	42
Switzerland	-4.5	3.5	3.0	3.5	-0.5	0.0	8.0	9.0	-4.5	-2.0	49	49
UK	-10.0	6.0	5.0	7.5	1.0	2.0	-3.0	-4.0	-17.0	-8.0	108	112
Japan	-5.0	3.0	3.0	3.0	0.0	0.0	3.0	3.5	-12.5	-9.0	266	264
Australia	-3.0	3.5	6.5	7.0	1.0	2.0	2.0	0.5	-6.0	-10.0	60	70
Emerging	-1.5	7.0	n.a.	n.a.	3.0	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.3	9.0	4.0	4.0	2.5	1.5	2.0	1.0	-12.0	-10.0	62	67
India	-7.0	11.0	n.a.	n.a.	6.0	4.5	0.5	0.0	-14.0	-11.0	89	90
Russia	-3.5	3.0	6.0	5.5	3.5	4.0	1.5	2.0	-5.0	-2.5	19	19
Brazil	-4.5	3.0	13.5	12.5	3.5	3.0	0.0	-0.5	-17.0	-7.0	101	103

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

OECD business and consumer confidence*



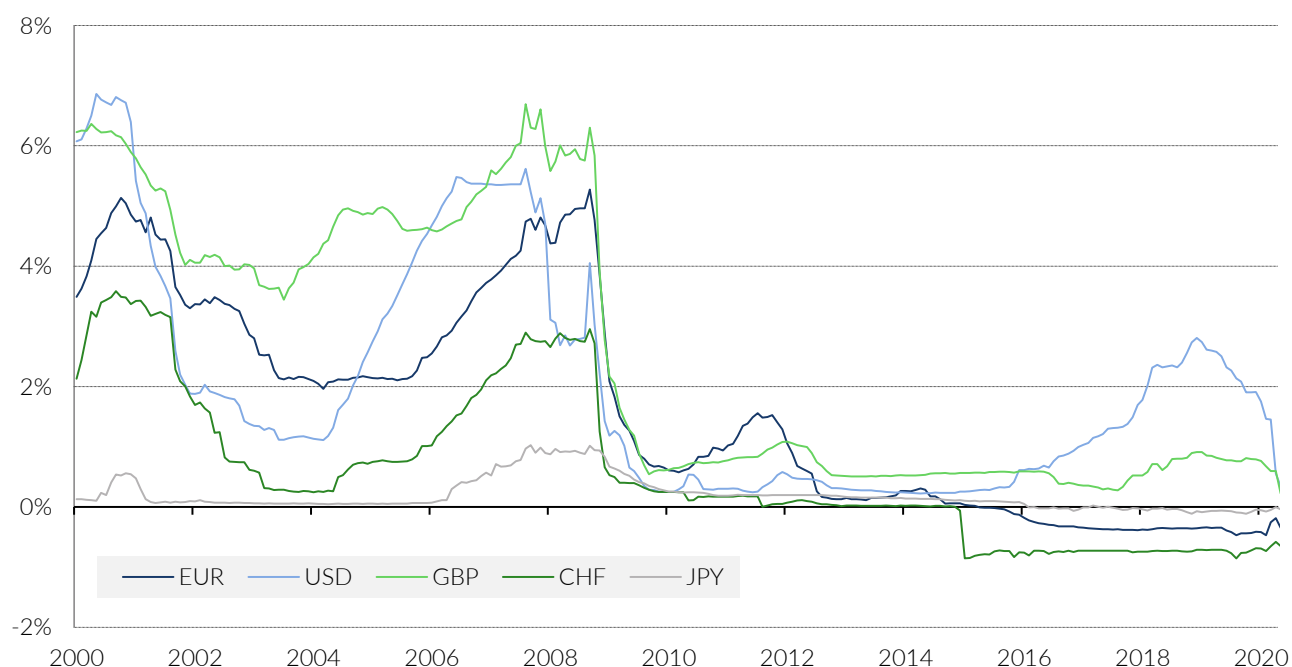
Source: OECD and QCAM, *the last observations are QCAM estimates based on other surveys

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	0.07%	0.08%	0.08%	1.57%	1.41%	1.20%	0.93%	0.90%	1.48%	1.93%
EUR	-0.49%	-0.48%	-0.49%	-0.46%	-0.42%	-0.14%	-0.26%	-0.25%	-0.06%	0.32%
JPY	-0.04%	-0.04%	-0.04%	-0.05%	-0.06%	0.08%	0.05%	0.06%	0.02%	0.12%
GBP	0.04%	0.04%	0.05%	0.69%	0.47%	0.58%	0.40%	0.46%	0.73%	1.02%
CHF	-0.75%	-0.75%	-0.74%	-0.74%	-0.75%	-0.26%	-0.35%	-0.39%	-0.46%	-0.10%
AUD	0.03%	0.04%	0.03%	0.62%	0.88%	1.21%	0.98%	0.79%	1.05%	1.78%
CAD	0.20%	0.19%	0.23%	1.69%	1.20%	1.43%	1.21%	1.17%	1.69%	1.93%
SEK	-0.04%	-0.04%	-0.08%	0.02%	-0.24%	0.48%	0.39%	0.32%	0.42%	0.72%
RUB	4.22%	4.18%	4.20%	6.00%	6.32%	6.42%	6.47%	6.39%	6.95%	7.62%
BRL	1.39%	1.21%	1.43%	3.80%	4.18%	7.51%	7.05%	8.26%	6.89%	8.87%
CNY	2.55%	2.37%	2.38%	2.35%	2.55%	3.02%	2.85%	2.86%	2.81%	3.12%
TRY	17.95%	17.95%	16.17%	10.23%	17.35%	13.47%	12.69%	13.25%	10.84%	14.59%
INR	3.57%	3.57%	3.52%	5.29%	5.32%	5.52%	5.26%	4.96%	5.32%	5.85%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of February 3rd, 2021

FX Markets

FX Performance vs. PPP

The USD rebounded since the start of the year. Among major currencies only the GBP managed to do better. The performance ranking of the major currencies reflects the respective Corona vaccination progress. EM currencies mostly fell versus the USD as well with the notable exception of the TRY. The USD's rebound was aided by still large net USD

short positions in future markets. Forward hedging remains a cheap option given low interest rate spreads. FX volatilities continued to inch lower despite the market changes. PPP estimates have not changed significantly and the USD's overvaluation against major currencies increased slightly.

Overview

	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.203	-1.62%	-1.54%	8.75%	8.68%	1.29	1.15 - 1.43	-5%
USDJPY	105.010	1.66%	1.75%	-3.37%	-10.82%	95.02	84.3 - 105.8	9%
GBPUSD	1.366	0.05%	-0.10%	5.02%	-6.32%	1.59	1.41 - 1.77	-14%
EURCHF	1.082	-0.05%	0.03%	1.24%	-2.79%	1.09	1.03 - 1.15	-1%
USDCHF	0.899	1.59%	1.49%	-6.91%	-10.55%	0.86	0.76 - 0.96	2%
GBPCHF	1.228	1.65%	1.44%	-2.24%	-16.21%	1.25	1.14 - 1.37	-4%
CHFJPY	116.769	0.06%	0.25%	3.81%	-0.30%	92.73	81.8 - 103.6	26%
AUDUSD	0.762	-0.91%	-0.91%	14.00%	6.60%	0.78	0.69 - 0.87	0%
USDCAD	1.277	0.03%	0.35%	-3.86%	-7.66%	1.21	1.12 - 1.29	5%
USDSEK	8.407	2.30%	2.32%	-12.92%	-0.74%	7.97	7.04 - 8.89	3%
EURSEK	10.111	0.65%	0.76%	-5.29%	7.89%	8.68	8.14 - 9.22	16%
USDRUB	75.873	2.27%	2.50%	18.95%	-2.82%	52.24	44.1 - 60.4	41%
USDBRL	5.365	3.30%	3.30%	26.48%	36.84%	3.34	2.75 - 3.92	58%
USDCNY	6.459	-0.65%	-0.67%	-7.92%	-2.15%	6.62	6.42 - 6.83	-3%
USDTRY	7.150	-3.78%	-3.89%	19.47%	144.91%	4.89	3.88 - 5.91	49%
USDINR	72.830	-0.31%	-0.36%	2.16%	7.27%	69.81	64.7 - 74.9	5%

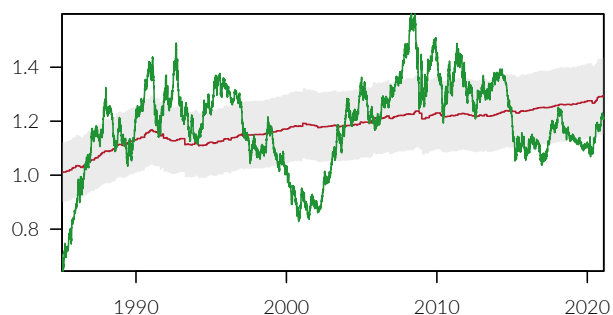
¹ Performance over the respective period of time, in percent

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

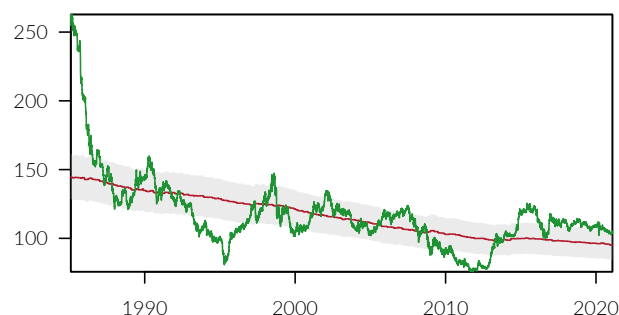
³ Deviation of the current spot rate from PPP, in percent.

Purchasing Power Parity

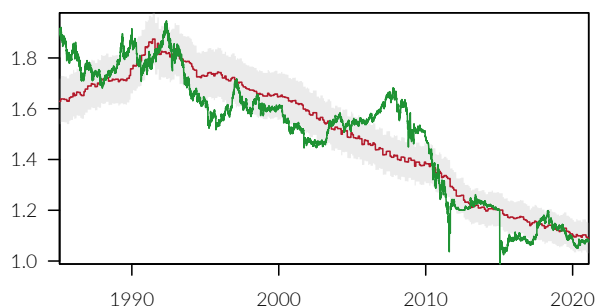
EURUSD



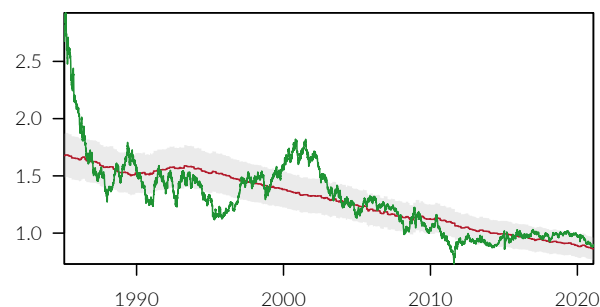
USDJPY



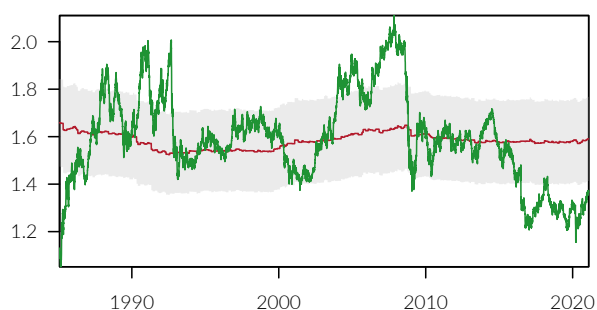
EURCHF



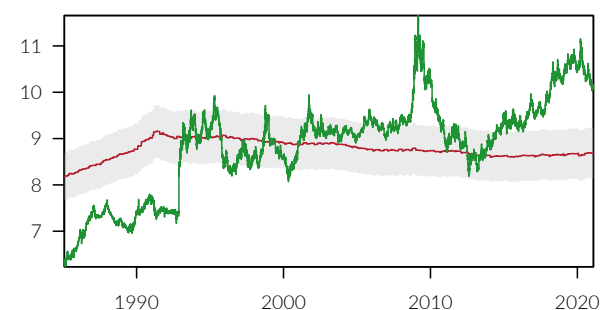
USDCHF



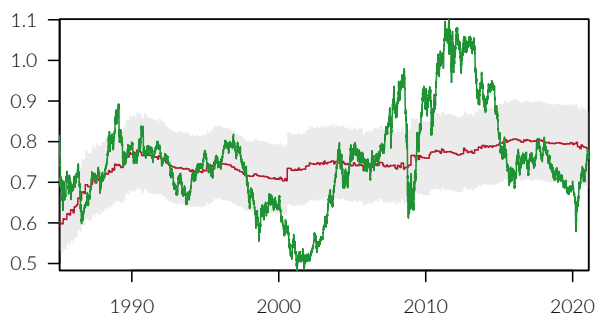
GBPUSD



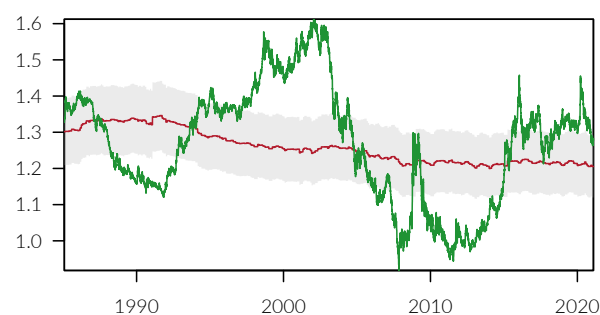
EURSEK



AUDUSD



USDCAD



— PPP — Spot — Neutral Range

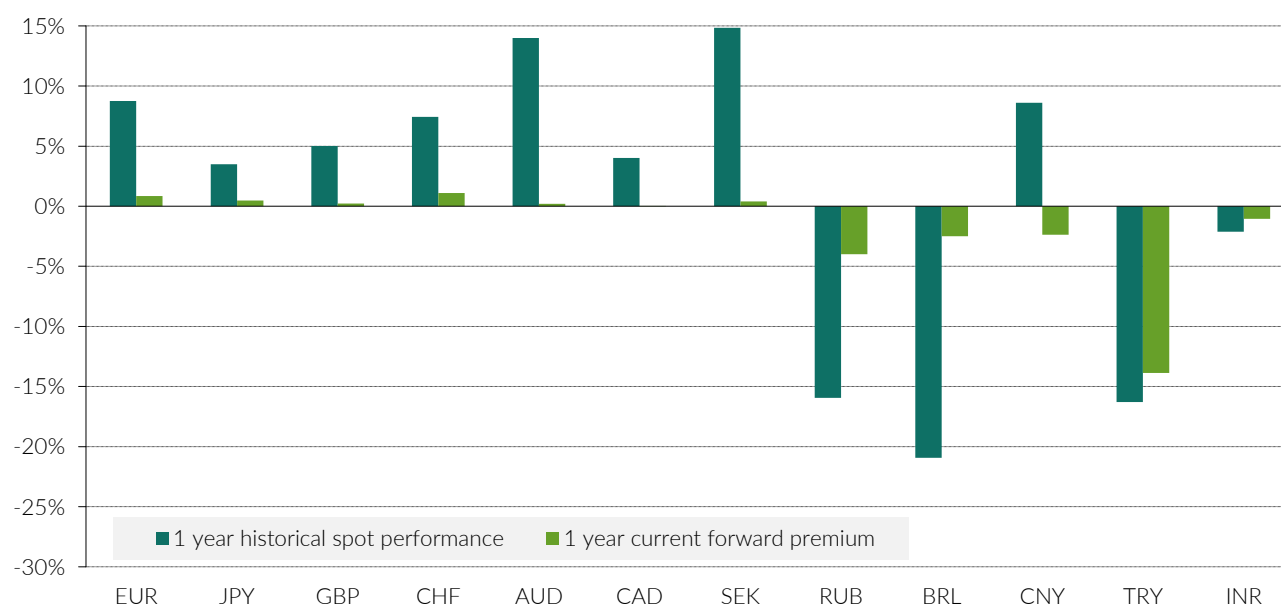
Source: Bloomberg, QCAM Currency Asset Management, as of February 3rd, 2021

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.203	1.2034	1.2050	1.2129	0.76%	0.78%	0.83%
USDJPY	105.010	104.9850	104.9135	104.5093	-0.31%	-0.37%	-0.47%
GBPUSD	1.366	1.3660	1.3664	1.3688	0.15%	0.17%	0.21%
EURCHF	1.082	1.0814	1.0809	1.0789	-0.22%	-0.23%	-0.24%
USDCHF	0.899	0.8986	0.8970	0.8895	-0.98%	-1.01%	-1.06%
GBPCHF	1.228	1.2274	1.2256	1.2175	-0.83%	-0.84%	-0.85%
CHFJPY	116.769	116.8304	116.9546	117.4865	0.68%	0.64%	0.60%
AUDUSD	0.762	0.7625	0.7628	0.7639	0.20%	0.22%	0.19%
USDCAD	1.277	1.2771	1.2770	1.2768	-0.08%	-0.06%	-0.03%
USDSEK	8.407	8.4048	8.3996	8.3744	-0.35%	-0.36%	-0.38%
EURSEK	10.111	10.1143	10.1217	10.1572	0.41%	0.42%	0.45%
USD RUB	75.873	76.1068	76.6084	79.0368	3.96%	3.92%	4.11%
USDBRL	5.365	5.3687	5.3796	5.5027	0.85%	1.08%	2.51%
USDCNY	6.459	6.4724	6.5001	6.6158	2.62%	2.53%	2.38%
USDTRY	7.150	7.2330	7.4199	8.3010	14.95%	15.28%	15.88%
USDINR	72.830	73.5608	73.5685	73.5935	12.90%	4.10%	1.03%

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



Source: Bloomberg, QCAM Currency Asset Management, as of February 3rd, 2021

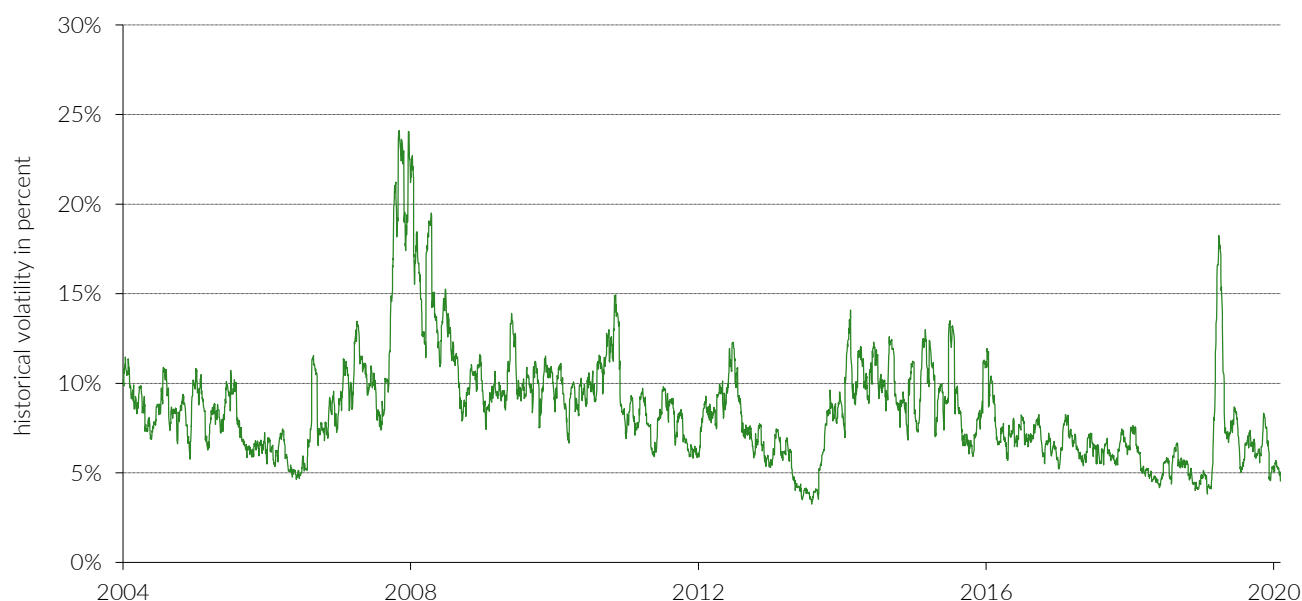
FX Volatility

Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility ¹				Implied Volatility ²			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.203	4.94%	5.71%	3.85%	6.73%	6.03%	6.55%	4.43%	7.36%
USDJPY	105.010	6.11%	6.45%	4.23%	8.03%	5.68%	6.58%	5.60%	8.42%
GBPUSD	1.366	7.81%	9.09%	7.71%	9.35%	7.90%	8.75%	6.35%	9.67%
EURCHF	1.082	3.18%	3.12%	3.09%	4.23%	3.75%	4.63%	4.22%	5.43%
USDCHE	0.899	5.50%	6.16%	4.89%	6.70%	5.98%	6.58%	5.30%	7.13%
GBPCHE	1.228	8.77%	9.02%	7.24%	8.85%	7.23%	8.03%	6.40%	9.15%
CHFJPY	116.769	4.65%	5.08%	4.72%	6.99%	5.65%	6.18%	5.20%	7.78%
AUDUSD	0.762	7.59%	8.62%	6.00%	8.92%	9.70%	9.95%	7.13%	9.28%
USDCAD	1.277	5.81%	6.14%	4.16%	7.01%	6.68%	6.83%	4.38%	7.22%
USDSEK	8.407	7.73%	8.72%	4.97%	8.57%	8.78%	10.00%	6.83%	9.04%
EURSEK	10.111	5.64%	6.01%	4.44%	5.66%	5.55%	6.78%	5.20%	6.29%
USDRUB	75.873	11.39%	13.09%	7.37%	13.36%	15.18%	15.15%	9.63%	13.60%
USDBRL	5.365	18.35%	15.45%	9.01%	14.78%	19.10%	20.12%	10.73%	15.59%
USDCNY	6.459	3.96%	4.61%	4.42%	4.46%	5.30%	6.20%	5.05%	5.44%
USDTRY	7.150	19.08%	19.61%	5.50%	14.90%	16.08%	18.28%	9.55%	16.08%
USDINR	72.830	3.45%	4.19%	4.38%	5.49%	5.40%	6.28%	5.38%	6.42%

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

QCAM Volatility Indicator³



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

Source: Bloomberg, QCAM Currency Asset Management, as of February 3rd, 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 significant position changes in January. Most Macro positions are now neutral with split positions in JPY, SEK and CAD. Business Sentiment positions have also shifted, most notably in the EUR from long to short. Overall the balance of Business Sentiment positions is now long USD. Technical positions have changed the least and are on balance still short USD, but that is likely to change if the USD remains firm.

Overview¹

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	--	++	The overall position switched from long EUR in all three strategies to on balance neutral
USDJPY	-/+	++	-	Macro position is split between long JPY discretionary and short JPY interest rate model. The overall position is modestly short JPY
EURCHF	0	+	+	The Balance of CHF strategy positions is modestly short, driven primarily by the Technical component, while the Macro position is neutral
USDCHF	0	0	++	
GBPUSD	0	--	+	The Macro position shifted from short GBP to neutral, which moves the overall position to a small short GBP
EURSEK	0/+	--	-	Macro shifted from long SEK to slightly short SEK, while Technical moved from short SEK to long SEK
USDCAD	0/-	++	--	The Macro oil price model has turned long CAD, while Business Sentiment switched to short CAD, leaving the overall position slightly long CAD

¹ The signs relate to the first currency of the exchange rate pair
Source: QCAM Currency Asset Management

EURUSD

We have closed the long EUR Macro position as poor vaccination progress and uncertainty in Italy dominate in the short-term, but we remain negative on the USD on fundamental grounds (twin deficits and insufficient interest rate differential). Business Sentiment positions have also switched to short EUR, while only Technicals are still resisting

the change. Whether USD strength will be temporary or prolonged is not clear at this point (see QCAM Insight page 2). In our view, Euro-area Corona vaccination will catch up with the US and that will revive the reflation trade and EUR upside potential.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The US deficit surged in recent months while the Euro-area surplus consolidated
	Fiscal Balances	+	The US deficit temporarily narrowed versus Euro-area deficit in late 2020 but is set to rise again in 2021
	Interest Rate Differentials	0/-	Interest rate differentials remain a small positive for the USD
	Oil prices	0/+	Oil prices seen in range to slightly higher
Sentiment	Business Sentiment	-	Euro-area surveys have slipped in January, while US surveys have strengthened
	Risk Sentiment	-	Increased equity volatility, lagging vaccination progress and political uncertainty have hurt the EUR
Technical	Price Action	+	Price developments are still EUR friendly but may switch if the USD remains firm
	Spec Positions	-	Large EUR overbought and USD oversold positions remain favorable for USD positive correction
	PPP Valuation	+	EUR undervaluation increased somewhat above $1/2 \sigma$

EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

USDJPY

We favour the JPY from a Macro perspective on strong BoP fundamentals and the decline in carry flows. This view is still supported by the Technical side. Business Sentiment surveys in Jaoan, however, have slipped, while US surveys have improved. Puzzling is that the

JPY’s safe haven character failed to support the JPY despite increased equity volatility. A key driver seems to be relative Corona vaccination progress, where Ja-pan currently lags behind.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Surplus lower on declining trade but already recovering
	FDI Flows	+	Net outflows were lower in 2020 and are unlikely to rebound quickly to offset the current account surplus
	Interest Rate Differentials	0	Interest rate differentials remain too low for a sizeable return of the carry trade
Sentiment	Business Sentiment	-	Japanese surveys slipped in January, while US surveys improved
	Risk Sentiment	0	The JPY fell despite higher equity volatility
Technical	Price Action	+	Price action remains long JPY but may change with USD strength
	Spec Positions	0/-	Modest net long JPY positions
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

USDJPY and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

EURCHF

The CHF was stable versus the EUR despite larger FX movements elsewhere and increased volatility and uncertainty. The SNB was marginally active in the mar-

ket and is not expected to intervene before EURCHF breaks through 1.07. Overall, we continue to see the CHF trading in a range of 1.07 to 1.09 versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Heaven)	0	Inflows have eased but could rise on Italy concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	0	The SNB was marginally active in January and should stay on the sidelines unless EURCHF approaches 1.07
Sentiment	Business Sentiment	-	Swiss economy trails Euro-area somewhat in the surveys
	Risk Sentiment	0	Higher equity volatility, uncertainty in Italy and slower vaccination progress had on balance little impact on EURCHF
Technical	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

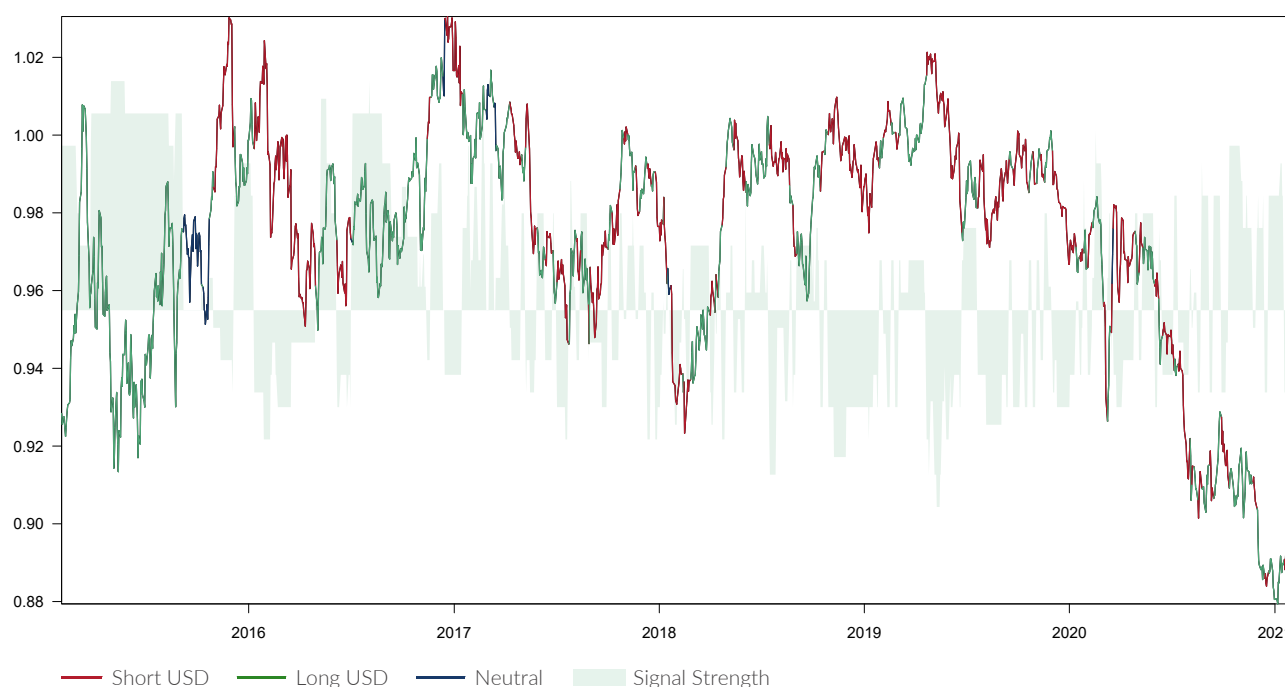
USDCHF

Macro fundamentals, especially the current account surplus, are CHF favourable. However, with EURCHF stable, USDCHF is mostly driven by EURUSD. Uncertainties, especially the impact of the current Co-

rona situation and vaccination progress, are likely to dominate USDCHF in parallel to EURUSD in the short-term. This is reflected in the Technical position, which is short CHF.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Heaven)	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 economy trails somewhat in the surveys
	Risk Sentiment	-	Higher equity volatility uncertainty in Italy and slower vaccination progress had on balance little impact on EURCHF
Technical	Price Action	-	Technicals have shifted back to short CHF
	Spec Positions	0	Modestly long CHF positions likely to stay in range
	PPP Valuation	0	CHF close to fair value

USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

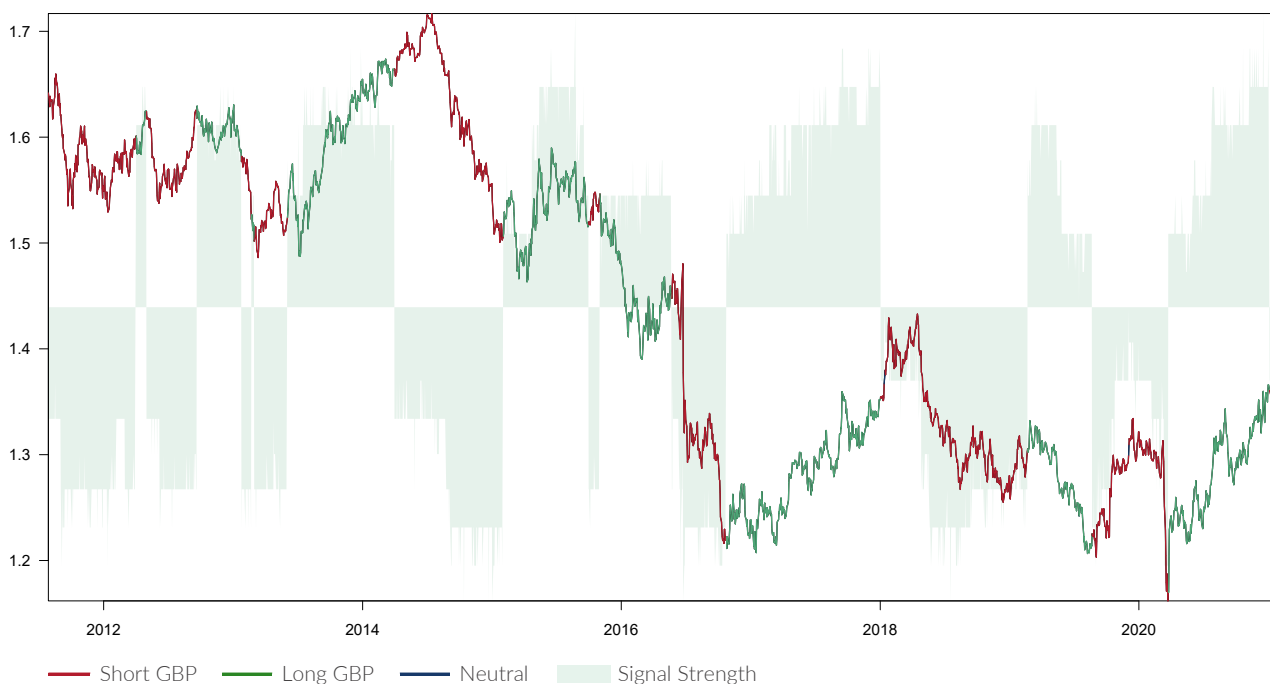
GBPUSD

A persistent current account deficit, the possibility that policy rates move negative, a surging fiscal deficit and the risk that the economic impact of BREXIT is more negative leave the GBP vulnerable. On the other hand, the UK currently leads the ma-

jor economies in the vaccination process. As a result, we have shifted our Macro position to neutral for the time being. Business Sentiment has shifted outright short GBP but Technicals remain in favour of the GBP.

	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, but UK rates may turn negative
	Oil Price	0	Neutral range with some upside potential
Sentiment	Business Sentiment	-	The rebound of UK surveys has faded, while US surveys have strenghtend
	Risk Sentiment	0/+	GBP benefitted from vaccine euphoria and vaccination progress
Technical	Price Action	+	Technicals remain long GBP on upmove
	Spec Positions	0	Net positions are close to flat
	PPP Valuation	+	Unlikely to mean revert soon, PPP trend may deteriorate as well

GBPUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

EURSEK

The balance of scores and strategy models favors the SEK versus the EUR. The SEK, however, fell somewhat versus the EUR, which probably reflects broader market uncertainties. Important remains

the refusal of the Riksbank to return to negative interest rates. This should be a clear positive for the SEK once uncertainties regarding the vaccination roll-out are fading.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0/-	The Macro interest model has shifted to short SEK but we view a move to negative interest rates as unlikely
Sentiment	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 slow as elsewhere in Europe
Technical	Price Action	+	Technicals have shifted to long SEK
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

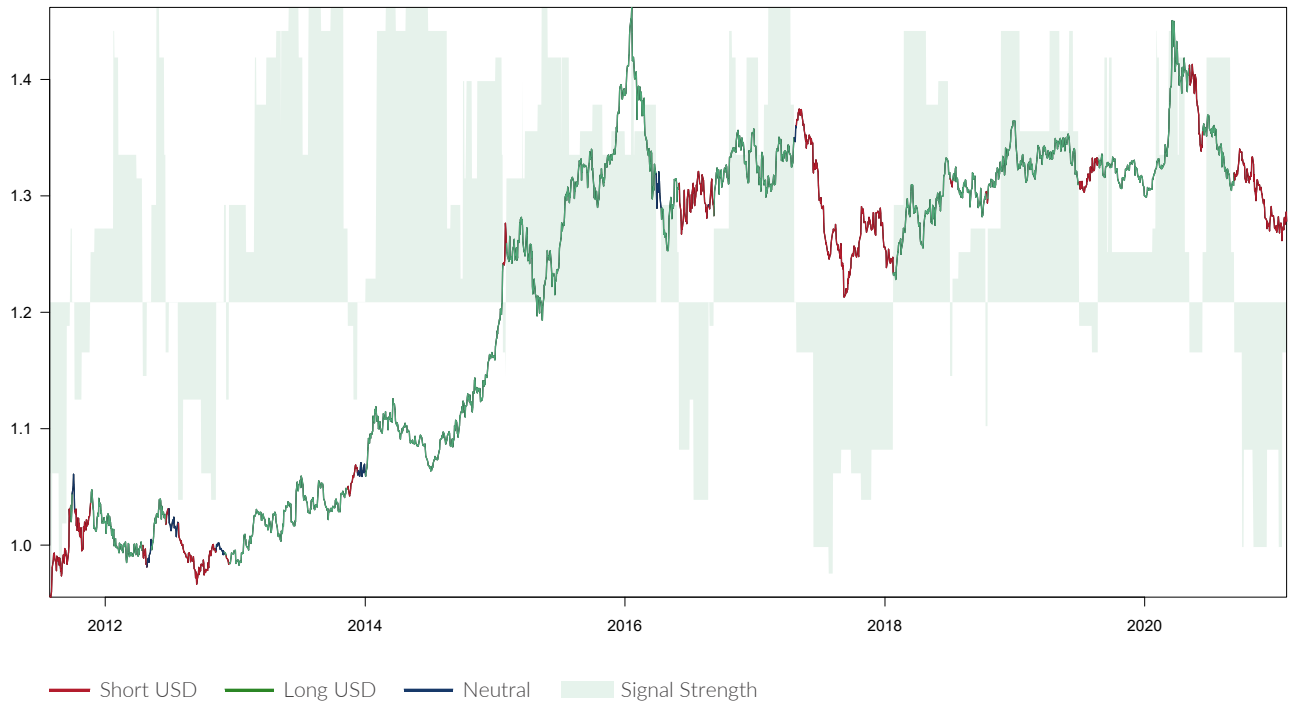
USDCAD

The Macro oil-price model shifted long CAD as prices predicted by market experts moved higher. Oil was clearly a support for CAD in recent weeks while the USD generally strengthened. Macro fundamentals are

otherwise neutral. Business Sentiment switched to short CAD. Short and long-term Technicals remain both long CAD. Overall, the balance of factors remains slightly long CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	0	Canada's current account deficit moves similar to the US current account deficit
	Oil Prices	0/+	Oil price seen in a range with a potential to move higher
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	-	The rise of the USD DXY has been negative for the CAD
Sentiment	Business Sentiment	+	Survey signals switched with Canada underperforming the US
	Risk Sentiment	0/-	Risk issues are more balanced following the US election outcome but Canada trails in the vaccination process
Technical	Price Action	+	Short and long term technicals are both still long CAD
	Spec Positions	0	Neutral range
	PPP Valuation	+	CAD undervaluation unlikely to correct quickly

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

QCAM MONTHLY Editorial Team



Bernhard Eschweiler, PhD

Senior Economist

bernhard.eschweiler@q-cam.com



Niko Haziiosifidis

Currency Overlay

niko.haziiosifidis@q-cam.com



Felix Dietrich, PhD

Quantitative Research

felix.dietrich@q-cam.com



Jürgen Büscher

Currency Overlay

juergen.buescher@q-cam.com



Antoinette Weiss

Business Management

antoinette.weiss@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: February 4th, 2021
Market data: February 3rd, 2021