

June 2020

# QCAM MONTHLY

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## More than risk-on

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# QCAM Insight

## More than risk-on

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**The risk-on sentiment in financial markets over recent weeks has also impacted currency markets. The USD is generally weaker, but not versus safe-haven currencies like the JPY. This may be a short-term trade but we see first signs of a potential trend change towards a weaker USD.**

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Financial markets have switched into risk-on mode over the last few weeks. Risk assets and oil have rallied, government bond yields moved higher and the gold rally stalled. The USD generally weakened with the USD DXY falling below levels last seen in late March (see chart). Emerging Markets and commodity currencies did noticeably well. The risk-on character of the recent move was also seen in JPY weakness and CHF retracement versus the EUR.

The main reason for the sentiment change is the expectation that economic activity will recover quickly as Corona restrictions are being eased. Speculation that a vaccine may become available by the end of the year added to the optimism. The second positive was the announcement of a €750 EU fund to revive activity in the member countries hardest hit by the Corona crisis and an increase in the ECB bond buying program. The renewed tensions between the US and China were not sufficient to derail the positive sentiment.

### **A trend-shift is in the making**

To be sure, sentiment is fickle and can switch back into risk aversion quickly, especially given prevailing un-

certainties over the longer-term fallout of the Corona crisis. Still, no matter which way risk sentiment shifts in the short-term, we are gaining confidence that this is not another head fake as in March but the beginning of a trend-shift for the USD. As we pointed out before, the USD has no longer a comfortable interest rate spread over other major currencies. Not only are US interest rates less attractive but hedging USD exposure is also far less expensive.

The USD funding squeeze at the beginning of the crisis temporarily offset the loss of interest rate support. However, this factor is fading and unlikely to snap back with the same force as the element of surprise is gone, cash positions have adjusted and the Fed continues to provide ample liquidity.

### **A chance for the EUR**

The period of consistent US economic outperformance has come to an end. Economic activity in the Euro-area was initially hit harder due to tighter restrictions, but now the easing of the lockdown is also more powerful. While daily new infections in the US still average above 20,000, they have fallen to less than 4,000 in the Euro-area.

The proposed EU recovery fund is not a done deal and we are likely to see prolonged negotiations that will probably result in a trimmed version of the current proposal. Yet, the combination of fiscal measures and stepped-up ECB asset purchases has kept the Euro-system stable, with spreads between the periphery and Germany falling.

The difference is also showing up on the fiscal side. While the generous unemployment and business hand-outs in the US had an immediate and huge effect on the US fiscal deficit, budget figures from Euro-area members show so far a less dramatic deterioration. This means the Euro-area will probably have more ammunition left to support the recovery, while the twin deficits become an even bigger handicap for the USD.

### Not all is turning yet

On the basis of these views and against the background that the EUR is undervalued versus the USD (see page 5), we have shifted our macro position to long EUR versus the USD on June 2nd. This is the first time we are taking a positive EUR position since early 2018. We are mindful of the prevailing risks around this position, but think this is primarily a problem of timing and not one of principle.

However, we do not have the same conviction for all other currency pairs versus the USD. We remain cautious on Emerging Markets ex North Asia and com-

modity currencies for now. In parts of Emerging Markets the Corona crisis has yet to peak. Especially Brazil's handling of the crisis could cause more economic and political damage. The recovery of oil prices was driven by larger-than-expected supply cuts, which may not be sustainable for long.

The GBP was swept higher with the positive market sentiment but in our view has not sufficient fundamental support. The UK lags behind the rest of Europe in overcoming the Corona crisis, the free-trade deal with the EU is in danger, the budget deficit is climbing fast, policy rates are rock-bottom and may go negative and the UK has a stubborn current account deficit.

Finally, the risk-on move has stopped us out of our long JPY position. We believe the JPY has as much fundamental upside potential versus the USD as the EUR. Yet the JPY is also a safe-haven currency. That is a disadvantage at the moment but not in principle. Thus, we stay neutral on the JPY only for the time being.

### USD DXY Index: Head fake or trend change?

Index



Source: Bloomberg and QCAM Currency Asset Management

# Economy & Interest Rates

Global economic activity hit an inflection point in May as Corona-restrictions were gradually eased. North Asia leads the recovery followed by Europe and the USA, while other Emerging Markets, notably in South America, are lagging behind. Economic growth forecasts for 2020 are on balance stabi-

lizing. The profile of the recovery will vary from country to country but is likely to be slower due to prevailing restrictions, general caution and distortions. Moreover, lasting damage has been done. Unemployment is expected to remain high for longer, while fiscal deficits and public debt keep on rising.

	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>	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Global	2.9	-5.0	n.a.	n.a.	3.6	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	1.7	-7.0	4.8	9.0	1.4	0.5	0.7	0.0	-3.0	-11.0	n.a.	n.a.
USA	2.3	-6.5	3.7	11.5	1.8	0.5	-2.3	-2.5	-5.8	-20.0	109.0	130.0
Canada	1.6	-9.0	5.7	9.0	1.9	1.0	-2.0	-3.0	-0.4	-12.0	88.6	110.0
Euro-area	1.2	-7.0	7.6	10.0	1.2	0.5	2.7	2.5	-0.7	-8.0	84.1	97.0
Sweden	1.2	-6.0	6.8	10.5	1.7	0.5	3.9	3.0	0.4	-7.0	34.8	42.0
Switzerland	0.9	-6.0	2.3	3.5	0.4	-0.5	12.2	10.0	0.9	-6.0	39.3	45.0
UK	1.4	-9.0	3.8	6.5	1.8	0.5	-3.8	-4.5	-2.1	-16.0	85.4	104.0
Japan	0.7	-6.0	2.4	3.0	0.5	-0.2	3.6	4.0	-2.8	-10.0	237.4	252.0
Australia	1.8	-5.0	5.2	8.5	1.6	1.0	0.5	-1.5	-3.7	-10.0	45.0	58.0
Emerging	3.7	-1.5	n.a.	n.a.	5.0	4.0	0.1	0.0	-4.7	-9.5	n.a.	n.a.
China	6.1	1.5	3.6	4.5	2.9	2.5	1.0	1.5	-6.4	-12.0	54.4	64.0
India	4.2	-1.0	n.a.	n.a.	4.5	3.0	-1.1	-0.5	-7.4	-10.0	71.9	76.0
Russia	1.3	-5.0	4.6	6.5	4.5	3.5	3.8	0.0	1.9	-6.0	14.0	21.0
Brazil	1.1	-7.0	11.9	15.0	3.7	3.5	-2.7	-2.0	-6.0	-16.0	89.5	105.0

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

## OECD business and consumer confidence



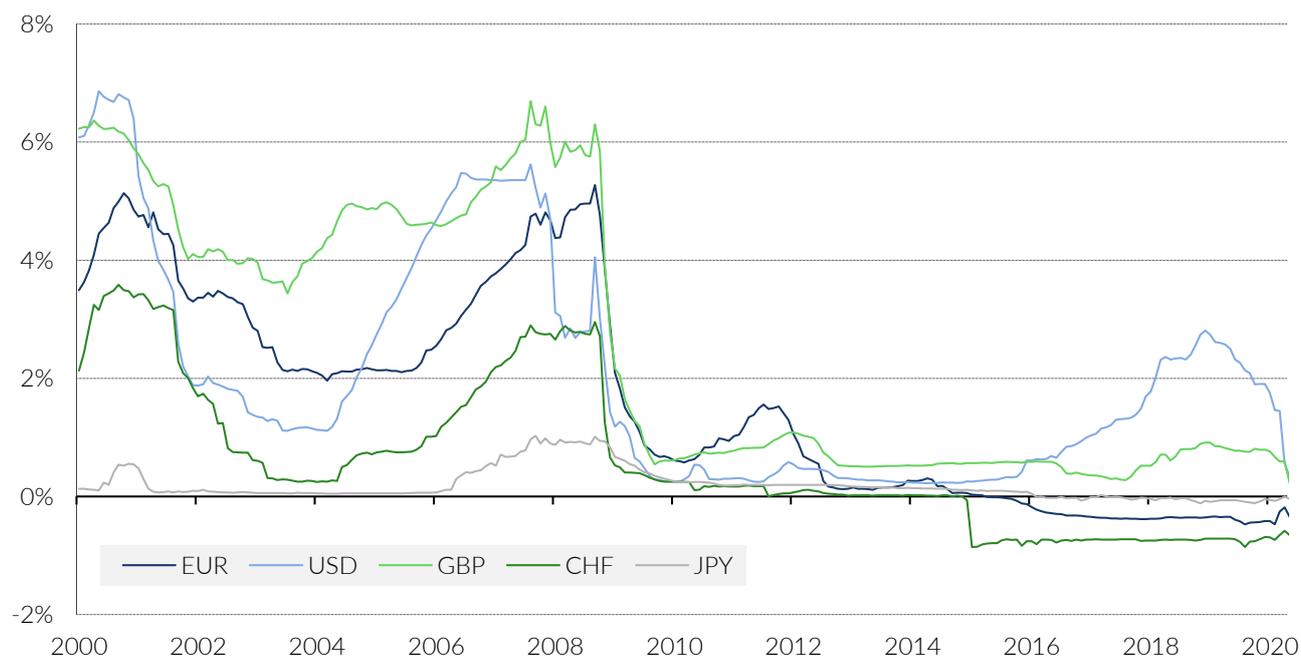
Source: OECD and QCAM, the last observations are QCAM estimates based on other surveys

## 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	0.06%	0.05%	0.79%	2.27%	1.67%	0.74%	0.62%	0.98%	2.03%	2.27%
EUR	-0.47%	-0.48%	-0.54%	-0.37%	-0.39%	-0.06%	-0.16%	-0.21%	0.33%	0.56%
JPY	-0.07%	-0.06%	-0.10%	-0.07%	-0.06%	0.05%	0.02%	-0.04%	0.09%	0.17%
GBP	0.06%	0.07%	0.42%	0.71%	0.54%	0.46%	0.50%	0.59%	1.07%	1.21%
CHF	-0.73%	-0.73%	-0.86%	-0.75%	-0.75%	-0.34%	-0.43%	-0.61%	-0.21%	0.00%
AUD	0.15%	0.12%	0.33%	1.15%	1.19%	0.98%	0.90%	0.89%	1.73%	2.22%
CAD	0.24%	0.20%	1.23%	1.74%	1.38%	1.09%	0.98%	1.36%	1.86%	2.18%
SEK	-0.03%	-0.02%	0.02%	-0.16%	-0.34%	0.43%	0.32%	0.29%	0.65%	0.91%
RUB	4.83%	5.37%	5.87%	7.60%	7.21%	5.99%	6.37%	6.94%	8.83%	7.97%
BRL	3.65%	3.65%	4.01%	-	-	7.41%	8.09%	6.87%	8.61%	9.54%
CNY	1.87%	1.44%	2.21%	2.69%	2.80%	2.42%	2.06%	2.66%	3.19%	3.39%
TRY	7.87%	8.40%	10.26%	26.77%	17.42%	10.48%	10.95%	14.03%	18.02%	14.37%
INR	3.81%	3.94%	5.11%	5.79%	5.87%	4.54%	4.37%	4.92%	5.67%	6.18%

### 3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of June 3rd 2020

# FX Markets

## FX Performance vs. PPP

The USD fell across the board over the last month as risk assets rallied. The notable exception was the JPY, which underscores the risk-on sentiment of the market move. The CHF also fell versus the EUR but gained versus the USD. Implied FX volatilities also fell across all currency pairs and for major currencies have come close to the levels from a year ago.

PPP estimates have not changed much and the deviations have not moved significantly. Essentially, the USD remains overvalued against most other currencies. The decline in interest rates is making forward hedging a more attractive strategy, especially 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	1.124	0.07%	2.27%	0.19%	-0.16%	1.27	1.14 - 1.41	-12%
USDJPY	108.910	0.30%	1.99%	0.59%	-12.44%	96.03	85.08 - 106.99	13%
GBPUSD	1.259	-5.06%	0.63%	-0.34%	-17.86%	1.58	1.4 - 1.75	-20%
EURCHF	1.081	-0.44%	2.40%	-3.35%	2.74%	1.1	1.04 - 1.16	-2%
USDCHF	0.962	-0.48%	0.14%	-3.53%	2.91%	0.89	0.79 - 0.99	8%
GBPCHF	1.211	-5.52%	0.77%	-3.86%	-15.46%	1.28	1.16 - 1.4	-5%
CHFJPY	113.231	0.77%	1.84%	4.26%	-14.92%	92.19	81.28 - 103.1	23%
AUDUSD	0.694	-1.22%	8.02%	-0.27%	-10.87%	0.81	0.71 - 0.91	-14%
USDCAD	1.349	3.95%	-4.23%	0.15%	8.33%	1.21	1.13 - 1.3	11%
USDSEK	9.263	-0.93%	-5.90%	-2.20%	11.37%	7.86	6.95 - 8.77	18%
EURSEK	10.409	-0.85%	-3.77%	-2.01%	11.20%	8.62	8.08 - 9.15	21%
USD RUB	68.545	10.48%	-9.18%	4.89%	26.36%	50.67	42.76 - 58.59	35%
USDBRL	5.071	26.17%	-7.64%	30.01%	62.32%	3.14	2.59 - 3.7	61%
USDCNY	7.118	2.24%	-0.23%	2.79%	14.82%	6.16	5.97 - 6.34	16%
USDTRY	6.745	13.36%	-3.98%	15.44%	151.39%	4.23	3.34 - 5.11	59%
USDINR	75.332	5.77%	-0.70%	8.90%	17.50%	67.83	62.82 - 72.84	11%

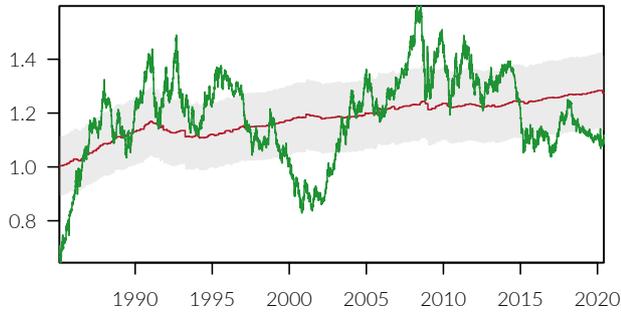
<sup>1</sup> Performance over the respective period of time, in percent

<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.

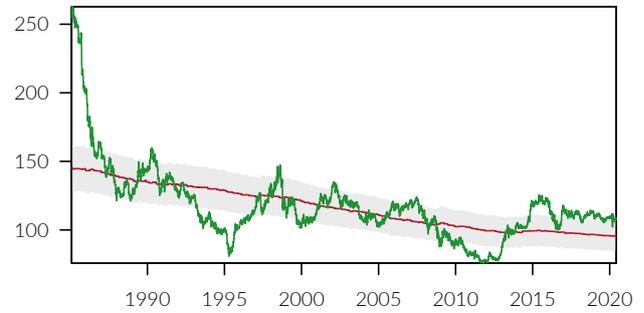
<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity

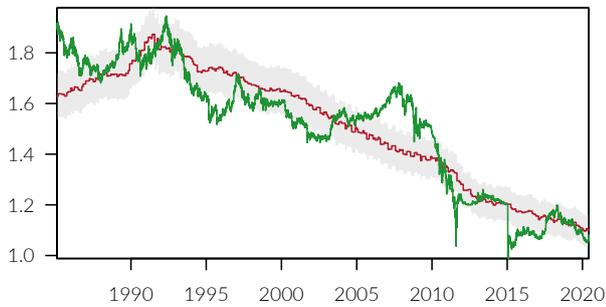
**EURUSD**



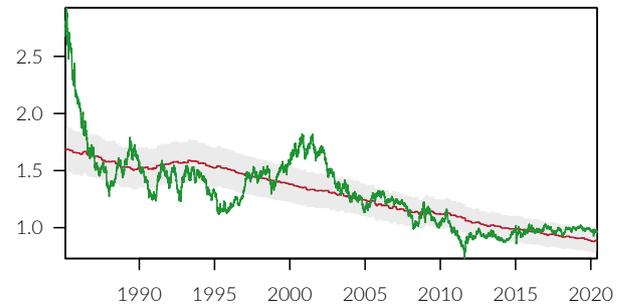
**USDJPY**



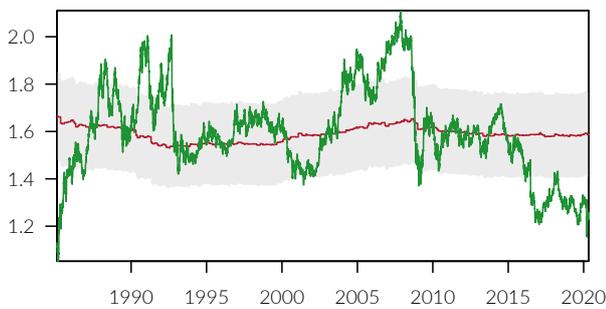
**EURCHF**



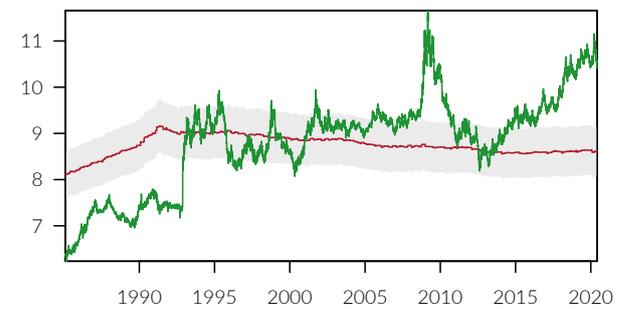
**USDCHF**



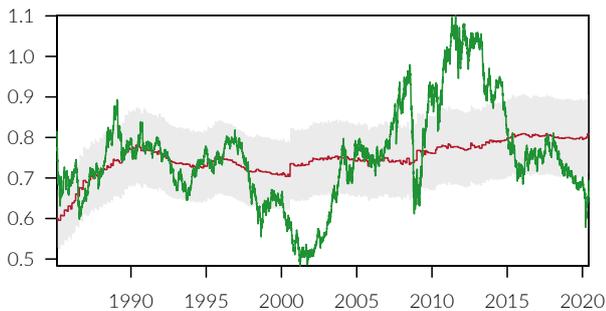
**GBPUSD**



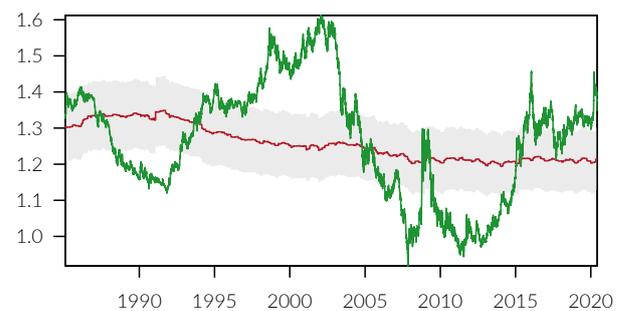
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

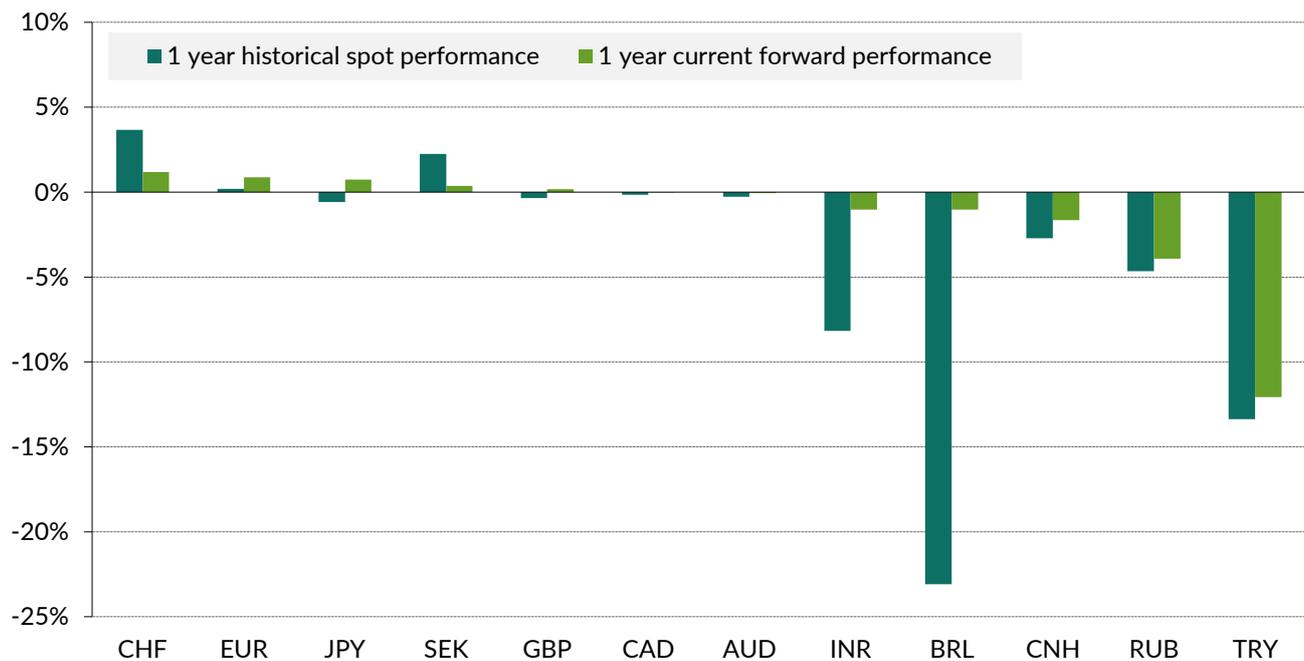
Source: Bloomberg, QCAM Currency Asset Management, as of June 3rd 2020

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.124	1.1245	1.1261	1.1335	0.81%	0.80%	0.85%
USDJPY	108.910	108.8488	108.7410	108.1180	-0.65%	-0.59%	-0.71%
GBPUSD	1.259	1.2594	1.2598	1.2614	0.22%	0.18%	0.17%
EURCHF	1.081	1.0804	1.0799	1.0774	-0.29%	-0.28%	-0.30%
USDCHF	0.962	0.9609	0.9591	0.9506	-1.10%	-1.08%	-1.14%
GBPCHF	1.211	1.2102	1.2082	1.1991	-0.88%	-0.90%	-0.97%
CHFJPY	113.231	113.2752	113.3771	113.7310	0.45%	0.49%	0.43%
AUDUSD	0.694	0.6938	0.6938	0.6933	0.04%	-0.01%	-0.07%
USDCAD	1.349	1.3490	1.3490	1.3493	-0.03%	-0.01%	0.02%
USDSEK	9.263	9.2599	9.2536	9.2286	-0.41%	-0.39%	-0.36%
EURSEK	10.409	10.4124	10.4200	10.4615	0.40%	0.41%	0.50%
USDRUB	68.545	68.8440	69.3315	71.3350	4.91%	4.49%	4.01%
USDBRL	5.071	5.0786	5.0905	5.1240	1.76%	1.47%	1.03%
USDCNY	7.118	7.1292	7.1525	7.2373	1.90%	1.86%	1.65%
USDTRY	6.745	6.7801	6.9138	7.6698	5.90%	9.80%	13.53%
USDINR	75.332	76.0878	76.0923	76.1144	11.65%	3.82%	1.02%

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



Source: Bloomberg, QCAM Currency Asset Management, as of June 3rd 2020

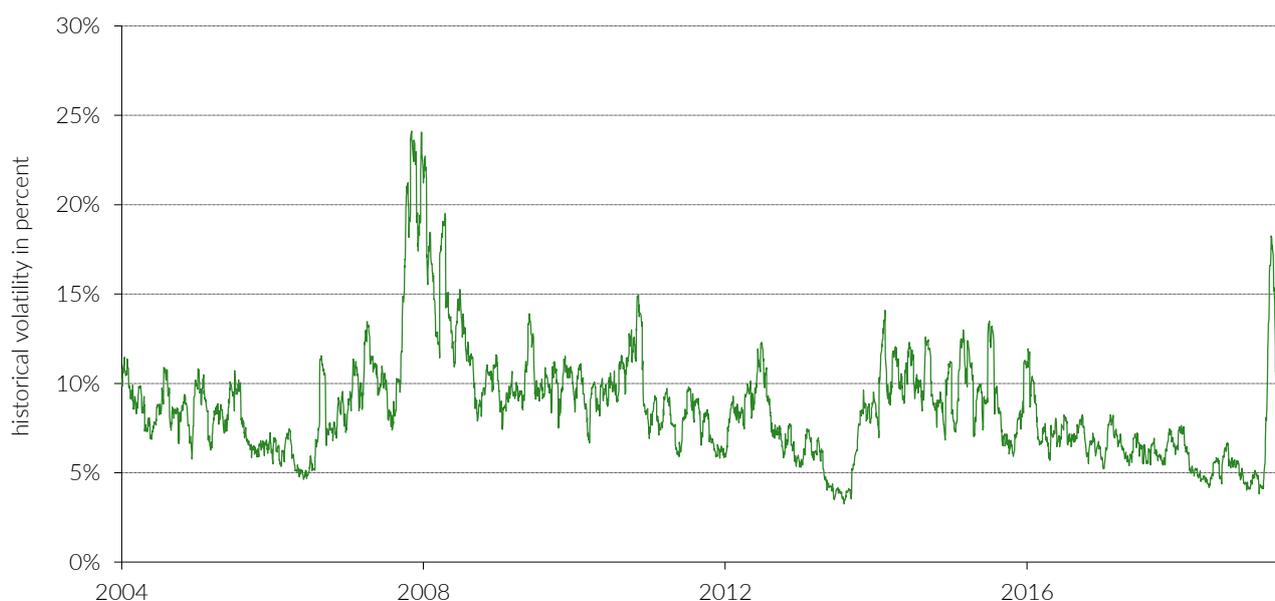
## FX Volatility

### 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	1.124	10.13%	10.63%	4.04%	7.39%	6.33%	6.88%	5.30%	7.86%
USDJPY	108.910	10.81%	13.60%	5.30%	8.28%	5.98%	8.10%	7.00%	8.68%
GBPUSD	1.259	15.72%	15.41%	7.86%	9.21%	8.80%	9.53%	7.60%	9.45%
EURCHF	1.081	3.65%	2.91%	3.56%	4.59%	5.08%	5.28%	4.70%	5.81%
USDCHF	0.962	9.14%	9.91%	4.50%	7.19%	5.98%	6.68%	5.63%	7.66%
GBPCHF	1.211	12.01%	11.54%	9.01%	9.02%	7.78%	8.20%	7.40%	9.29%
CHFJPY	113.231	8.07%	9.19%	5.10%	7.34%	6.38%	7.20%	6.48%	8.24%
AUDUSD	0.694	19.04%	17.44%	6.07%	9.26%	11.00%	12.43%	7.51%	9.47%
USDCAD	1.349	12.23%	10.96%	4.27%	7.24%	6.85%	8.00%	5.25%	7.51%
USDSEK	9.263	15.54%	14.94%	6.82%	8.89%	8.88%	8.95%	7.75%	9.29%
EURSEK	10.409	9.75%	9.59%	4.72%	5.85%	6.58%	6.58%	5.43%	6.46%
USDRUB	68.545	28.14%	33.67%	8.50%	14.40%	n.a.	17.00%	9.93%	n.a.
USDBRL	5.071	27.39%	23.36%	11.71%	14.68%	19.35%	21.00%	13.39%	15.63%
USDCNY	7.118	5.39%	5.31%	3.57%	4.52%	5.43%	6.13%	5.27%	5.38%
USDTRY	6.745	13.96%	12.92%	21.62%	14.84%	17.00%	21.35%	19.63%	15.61%
USDINR	75.332	8.72%	8.70%	5.59%	5.61%	6.20%	9.00%	6.17%	6.54%

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

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



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

Source: Bloomberg, QCAM Currency Asset Management, as of June 3rd 2020

# 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**
- **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 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

We have started switching macro positions effective June 2. taking a more constructive view on the EUR versus the USD (see page 1) on the basis of Macro and Sentiment. We look for more support for this view in a shift of the Technical component in favor of the EUR. Strategy positions in other currency pairs are more mixed and leave positions mostly closer to neutral.

## Overview<sup>1</sup>

	Macro	Sentiment	Technical	Comment
EURUSD	+	+	-	Weaker USD fundamentals start to outweigh EUR event risk
USDJPY	0	-	+	Mixed picture of Macro, Sentiment and Technical leads to overall close to neutral
EURCHF	+	+	+	The CHF has a split position, clearly weaker versus the EUR on all strategies, but supported versus the USD in Macro and Technical
USDCHF	-	-	0	
GBPUSD	0	+	-	Mixed picture of Macro, Sentiment and Technical leads to overall close to neutral
EURSEK	-	-	+	Macro and Sentiment support SEK but still headwind from Technical
USDCAD	0	-	+	Mixed picture of Macro, Sentiment and Technical leads to overall close to neutral

<sup>1</sup> The signs relate to the first currency of the exchange rate pair

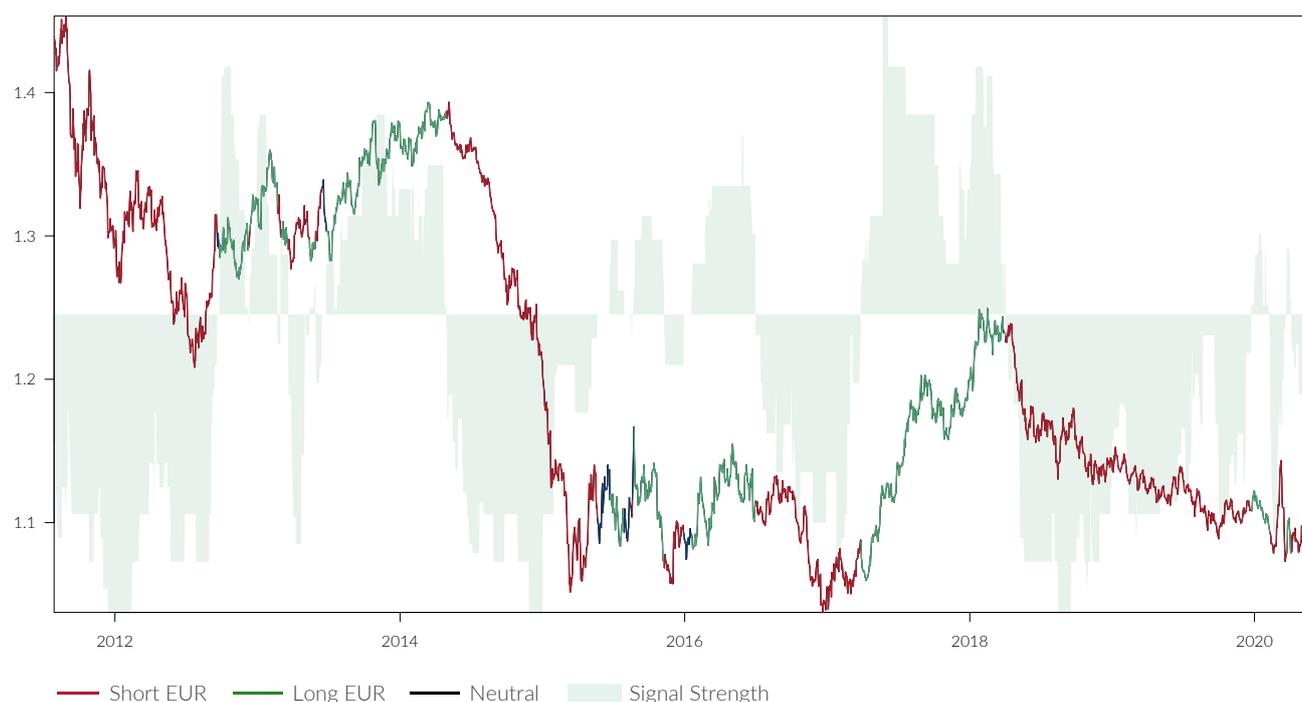
## EURUSD

While the funding squeeze and risk issues pertaining to other currencies are receding, the loss of higher interest rates is increasingly becoming a handicap for the USD. The US fiscal position is also deteriorating faster than elsewhere. The EU recovery fund is not yet a done deal, but the announce-

ment has helped defusing debt sustainability concerns especially in Italy. We entered a long EUR Macro call on June 2, supported by sentiment indicators and expect that technical indicators will switch soon as well.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	Likely to remain stable or even improve a bit
	Fiscal Balances	+	US deficits to widen faster than Euro-area deficits
	Interest Rate Differentials	0	USD-EUR rate differential to remain small
	Oil prices	0	Oil prices seen in range after recent recovery
<b>Sentiment</b>	Economic Sentiment	+	Euro-area surveys are weaker but relative change is USD negative
	Risk Sentiment	0	There are uncertainties on both sides related to the US elections as well as the Euro-area debt situation
<b>Technical</b>	Price Action	-	Price developments could change the trend to EUR positive soon
	Spec Positions	-	Long EUR positions likely to consolidate
	PPP Valuation	+	EUR undervaluation not a strong short-term driver

### EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

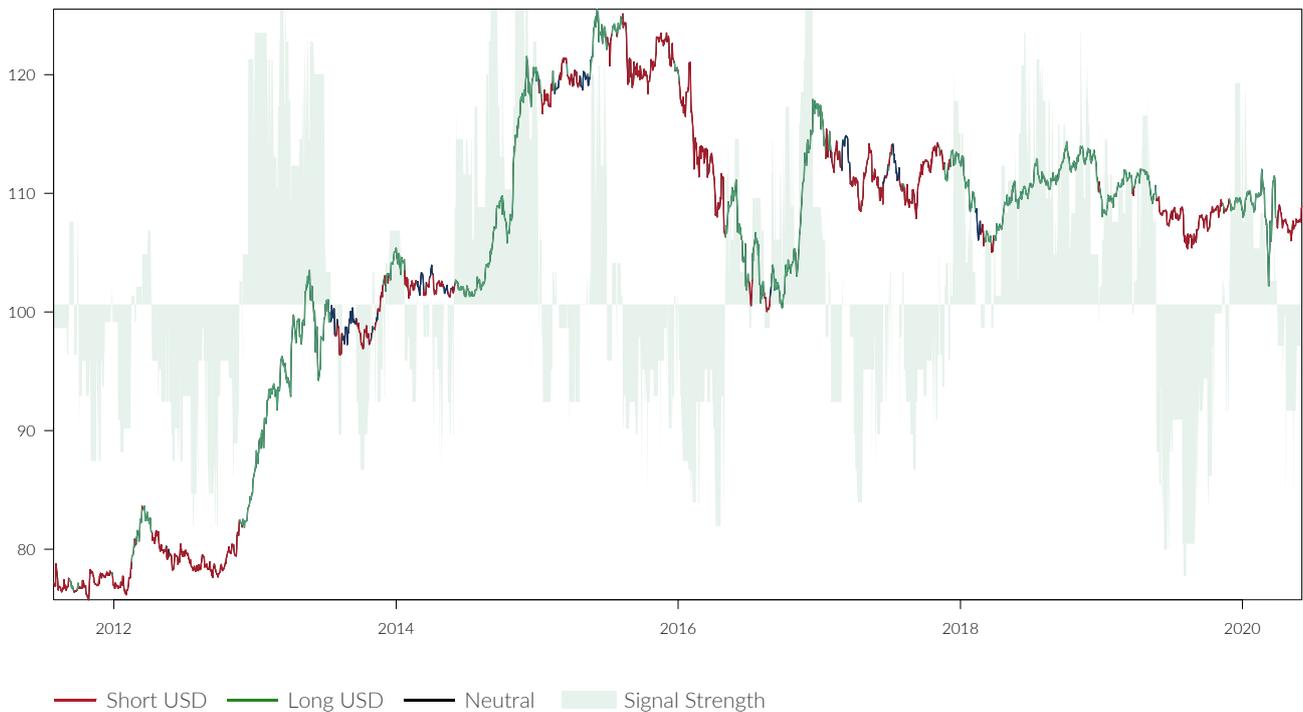
## USDJPY

Most factors favor the JPY versus the USD, notably the current account, the gone carry opportunities and valuation. However, the risk-on sentiment of recent weeks has forced us to drop the long position and re-

verse to neutral. Risk sentiment is fickle and we expect the better fundamentals and safe-haven status of the JPY to be the prevailing forces that strengthen the JPY over time versus the USD.

	FX Factors	JPY Impact	Comment
<b>Macro</b>	Current Account Balances	+	Likely to remain stable
	FDI Flows	0	Net outflows likely to continue but probably slower
	Interest Rate Differentials	0	The drop in interest rate differentials has almost eliminated carry opportunities
<b>Sentiment</b>	Economic Sentiment	+	Latest surveys show "less severe" downturn in Japan
	Risk Sentiment	+	Uncertainty continues to undermine carry appetite
<b>Technical</b>	Price Action	-	Momentum has again switched in favor of the USD
	Spec Positions	0	Only small net long JPY positions
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

### USDJPY and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## EURCHF

SNB intervention has successfully stopped the CHF from appreciating beyond 1.05. Euro sentiment has shifted to the positive side due to high expectations of a joint EU budget deal. Risk-on seems to be the

mode in financial markets for the time being, as Corona lock-downs are softened. Swiss franc strength is expected to correct at least short-term.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	Inflows easing on reduced Euro concern
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	-	SNB intervention to slow CHF appreciation, if we get close to 1.05 again
<b>Sentiment</b>	Economic Momentum	+	Latest surveys show Swiss economy less effected by global recession
	Risk Factors	-	Sentiment shifted in favour of the Euro in expectation of EU recovery fund deal
<b>Technical</b>	Price Action	-	Stop-loss driven upside momentum after the pair failed to break the 1.05 support
	Spec Positions	0	Long CHF positioning reduced
	PPP Valuation	-	CHF unlikely to correct overvalued position significantly soon

### EURCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## USDCHF

The CHF is weaker against the EUR as Euro-concerns recede, but EUR strength versus the USD is expected to support the CHF versus the USD. The relatively better performance of the Swiss econo-

my in the crisis plus a persistent current account surplus are also supporting the CHF versus the USD and the SNB is unlikely to intervene as long as the CHF does not appreciate again versus the EUR.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	No impact as long as markets remain in risk-on mode
	Interest Rate Differentials	+	Substantially reduced differential will weigh on bond market flows and increase USD hedging
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
<b>Sentiment</b>	Economic Momentum	+	Latest surveys show Swiss economy less effected by global recession
	Risk Factors	0	CHF to benefit if risk-off conditions return
<b>Technical</b>	Price Action	0	Still within range, volatility reduced further
	Spec Positions	0	Modestly long CHF positions likely to increase, if USD continues to trend lower
	PPP Valuation	+	CHF to correct undervalued position medium term

### USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

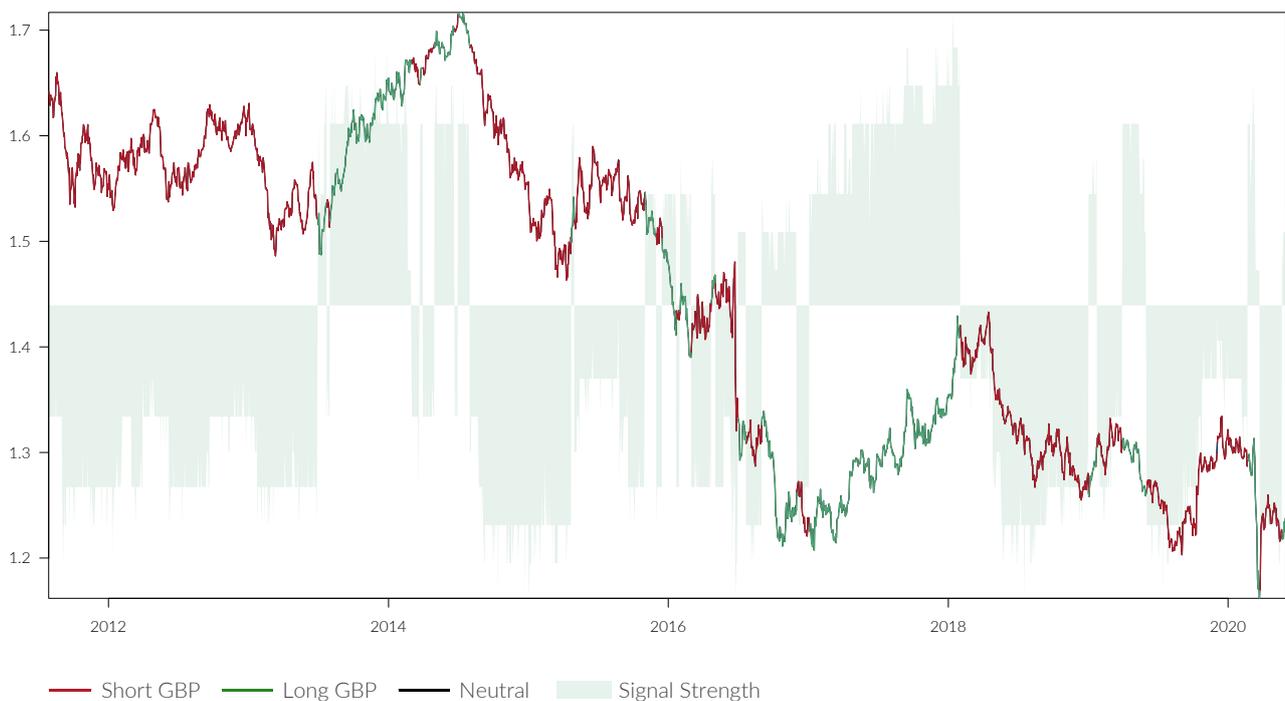
## GBPUSD

The risk-on sentiment has pushed the GBP higher. However, the slower recovery from the corona crisis, a persistent current account deficit, the possibility that policy rates move negative, a surging fis-

cal deficit and the risk that a free-trade deal with the EU may fail leave the GBP vulnerable. We are looking to switch the Macro position back to short GBP once the risk-on sentiment recedes.

	FX Factors	GBP Impact	Comment
<b>Macro</b>	Current Account Balances	-	Persistent twin deficit unlikely to change
	Interest Rate Differentials	0	USD rates advantage versus GBP has vanished
	Oil Price	0	Although a net oil importer GBP reacts negatively to oil price declines and the recent oil price recovery may stall
<b>Sentiment</b>	Economic Sentiment	-	The UK economy is hurt disproportionately by the corona crisis in combination with ongoing BREXIT uncertainties
	Risk Sentiment	-	Growing risk that a free-trade deal with the EU could fail
<b>Technical</b>	Price Action	-	Volatile with downside bias
	Spec Positions	0	Net positions are close to flat
	PPP Valuation	+	Unlikely to mean revert soon, PPP trend may deteriorate as we

### GBPUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## EURSEK

The SEK has recovered all lost ground versus the EUR since the start of the crisis. Sweden's response to the corona crisis has caused more human casualties compared to other North European countries, but it has also left the economy less damaged. While market sentiment is fickle, we believe Sweden is

now positioned to emerge faster from the crisis as the global recovery unfolds. We switched the Macro position to long SEK and expect that this will soon be supported by a similar shift of the Technical position.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0	Slightly SEK favorable but not materially
<b>Sentiment</b>	Economic Momentum	+	SEK surveys are better than EUR surveys
	Risk Factors	0	Sweden's different approach to the corona crisis has allowed the economy to stay more open but at the expense of more casualties
<b>Technical</b>	Price Action	-	Momentum likely to reverse as EURSEK reaches late 2019 lows
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

### EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## USDCAD

The Canadian economy is showing signs of resilience, despite low oil prices. Economic sentiment surveys show better business confidence in Canada compared with the US. Technical factors still point to a negative

trend for the CAD, however, and it is too early to call for a sustained rebound in oil prices that would reverse the trend. On balance the indicators still point to a neutral stance on the CAD versus the USD.

	FX Factors	CAD Impact	Comment
<b>Macro</b>	Current Account Balances	0	The Canadian deficit has so far not deteriorated faster than the US deficit
	Oil Prices	-	Bias towards stable or lower oil prices
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	+	USD weakness could gain momentum
<b>Sentiment</b>	Economic Sentiment	+	Business confidence in Canada is higher than in the US
	Risk Sentiment	0	No specific Canadian risks, global risk factors dominating
<b>Technical</b>	Price Action	-	Long-term trend still pointing to CAD weakness
	Spec Positions	+	Short CAD position unlikely to reverse quickly
	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.**

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## 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.

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## 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.

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# 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, Currency/CTA investments as well as Liquidity Management.

Long-standing customers of QCAM are pension funds, family offices, investment funds, companies, NGOs and HNWIs.

### Headquarters

Zug, Switzerland

### Founded

2005

### Regulation

FINMA since 2007  
SEC since 2014

## Independent and Transparent

- Interests directly aligned with those of our clients
- Client focused solutions, tailored to each individuals requirements
- Independent selection of suitable external services providers
- No principal-agent conflicts
- Transparent fee model – no hidden costs
- Transparent reporting

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