

March 2020

QCAM MONTHLY

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QCAM Insight

Are we all infected now?

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Position squaring dominates as the corona virus (Covid-19) spreads globally. The USD loses versus carry-funding currencies but gains versus commodity and riskier currencies. Avoiding a funding crisis is key as uncertainty is set to last longer. True safe havens like the CHF provide best cover.

Financial markets have reacted with panic to signs that Covid-19 is spreading from China to the rest of the world. Taking a step back, two scenarios emerge from here:

1. China continues to contain the virus and gradually recovers while the rest of the world manages to get by with significant but less draconian isolation measures. In this scenario, the negative economic fallout is largely limited to China and some selected countries in Asia and Europe and unlikely to last much beyond April.

2. China's success in keeping the virus under control is made complicated by the spreading of the virus in the rest of the world, which forces most other countries to follow China's drastic isolation strategy. In this scenario, the negative economic impact will cover the first and second quarter and affect most economies, leading to a global recession.

Not a funding crisis yet

In our judgment, the balance is gradually tipping towards the second scenario. The situation is aggravated by Saudi Arabia's announced supply increase and the resulting collapse in oil prices. As bad as the mar-

ket selloff has been, however, a systemic funding and liquidity crisis has not yet occurred. Credit spreads have increased but actual borrowing rates have hardly moved higher because of the drop in underlying government bond yields. Moreover and importantly, there are no signs of significant stress in the banking system, thanks also to the liquidity support by central banks.

Targeted help from policy is critical. The US Fed already cut interest rates by 50 bps and is expected to cut at least another 25 bps. Most other central banks are in the process or expected to ease policy in the form of additional liquidity support, interest rate cuts and special facilities to support firms struggling with temporary funding bottlenecks. Similar measures are coming from fiscal policy. The EU Commission allowed Italy to overstep the deficit target in order to combat the spreading of Covid-19 and other countries have announced labor market and financial support measures.

A classic risk-off market response

The response of FX markets to the spreading of Covid-19 has been a classic risk-off reaction: long-positions in higher-yielding currencies and short-positions in funding currencies have been squared. The main beneficiaries have been the CHF as safe-haven currency and the EUR and the JPY as carry-funding currencies. However, the USD gained versus commodity and most other riskier currencies (especially in Latin America). Interestingly, the GBP fell versus the EUR

in a sign that the market still views the final outcome of BREXIT as uncertain and potentially negative.

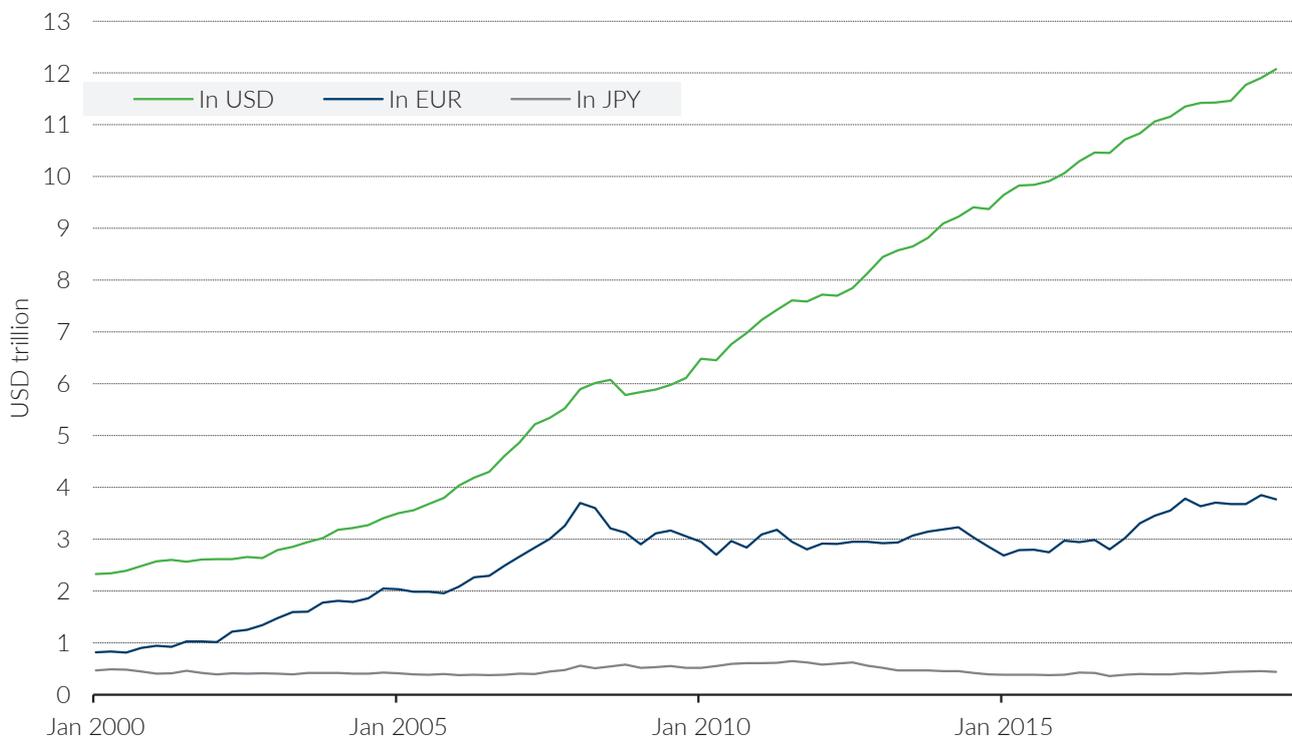
Stick to true safe havens for now

How events will unfold from here and how markets will react is uncertain. In our view, the best strategy is to stick to safety until signs emerge that the epidemic is getting truly contained. That means sticking to true safe haven currencies like the CHF. Otherwise, we prefer mostly neutral positions, given the high uncertainty and market volatility.

The decline in US interest rates is negative for the USD. Short-covering of carry-funding positions in the EUR and the JPY may last a bit longer but is probably finite. Indeed, EUR and JPY are vulnerable should the

Covid-19 crisis last longer. Both economies are structurally more fragile than the US and already underperformed prior the Covid-19 crisis. Second, both economies are more exposed to China and global trade than the US. Third, while the USD has clearly taken a hit from actual and expected Fed rate cuts, this is now priced in and the risk is that the Fed may deliver less than the market anticipates. Fourth, while EUR and JPY are popular funding currencies for carry trades, the USD is still by far the largest overall funding currency for cross-border borrowings (see Chart). Fifth and as a result, the USD is anticyclical, meaning it tends to outperform in periods of global weakness and relative US outperformance.

Outstanding cross-border borrowings by non-banks



Source: BIS and QCAM

Economy & Interest Rates

Global economic conditions stabilized around the turn of the year (see chart) but have since then slipped due to the spreading of Covid-19. The outcome will be at least a slowdown, given the contraction in China (see latest OECD and IMF forecasts in table below), and the risk of a global

recession is significant. Besides the current crisis, the business cycle shows signs of aging. Corporate debt has increased, while profit margins are falling. Consumers on the other hand are in better shape and consumption is likely to recover quickly from any Covid-19 related downturn.

	Real GDP growth ¹		Unemployment rate ¹		Inflation rate ¹		Current account ²		Fiscal balance ²		Public debt ²	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Global	2.9	2.4	n.a.	n.a.	3.4	3.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	1.7	1.3	4.9	4.8	1.4	1.7	0.6	0.5	-2.9	-2.8	103.2	103.8
USA	2.3	1.9	3.7	3.5	1.8	2.3	-2.5	-2.6	-5.6	-5.5	106.2	108.0
Canada	1.6	1.3	5.8	6.0	2.0	2.0	-1.9	-1.7	-0.7	-0.7	87.5	85.0
Euro-area	1.2	0.8	7.7	7.5	1.2	1.4	2.8	2.7	-0.9	-0.9	83.9	82.3
Sweden	1.4	1.2	6.5	6.7	1.7	1.5	2.9	2.8	0.4	0.3	36.9	35.4
Switzerland	0.8	1.3	2.8	2.8	0.6	0.6	9.6	9.9	1.0	0.4	38.6	37.3
UK	1.4	0.8	3.8	3.8	1.8	1.9	-3.5	-3.7	-1.4	-1.5	85.6	84.8
Japan	0.7	0.2	2.4	2.4	1.0	1.3	3.3	3.3	-3.0	-2.2	237.7	237.6
Australia	1.7	1.8	5.1	5.1	1.6	1.8	-0.3	-1.7	-0.7	-0.7	41.8	42.3
Emerging	4.2	3.8	n.a.	n.a.	5.1	4.6	-0.1	-0.4	-4.8	-4.9	53.3	55.7
China	6.1	4.9	3.8	3.8	2.3	2.4	1.0	0.9	-6.1	-6.3	55.6	60.9
India	4.9	5.1	n.a.	n.a.	3.4	4.1	-2.0	-2.3	-7.5	-7.2	69.0	68.5
Russia	1.0	1.2	4.6	4.8	4.7	3.5	5.7	3.9	1.0	0.1	16.5	17.7
Brazil	1.1	1.7	11.8	10.8	3.8	3.5	-1.2	-1.0	-7.5	-6.9	91.6	93.9

Source: OECD as of March 2020 and IMF World Economic Outlook as of January 2020 1) In percent 2) In percent of GDP

OECD business and consumer confidence



Source: OECD

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	0.42%	1.56%	1.55%	2.41%	1.74%	0.83%	1.52%	1.77%	2.65%	2.39%
EUR	-0.56%	-0.46%	-0.45%	-0.36%	-0.38%	-0.25%	-0.05%	0.11%	0.56%	0.63%
JPY	-0.13%	-0.05%	-0.06%	-0.06%	-0.06%	-0.11%	-0.11%	0.10%	0.14%	0.19%
GBP	0.35%	0.69%	0.68%	0.71%	0.55%	0.54%	0.54%	1.00%	1.38%	1.26%
CHF	-0.91%	-0.74%	-0.74%	-0.74%	-0.76%	-0.65%	-0.65%	-0.28%	0.05%	0.03%
AUD	0.32%	0.71%	0.68%	1.46%	1.30%	1.00%	1.00%	1.30%	2.26%	2.37%
CAD	0.81%	1.71%	1.74%	1.75%	1.40%	1.09%	1.09%	2.03%	2.27%	2.24%
SEK	-0.05%	0.00%	-0.17%	-0.23%	-0.38%	0.20%	0.20%	0.56%	0.90%	0.97%
RUB	5.81%	5.89%	6.25%	7.65%	7.51%	7.35%	7.35%	7.06%	8.62%	8.05%
BRL	3.97%	4.14%	4.37%	-	-	7.47%	7.47%	7.05%	9.32%	9.73%
CNY	2.21%	2.29%	2.67%	2.47%	2.95%	2.64%	2.64%	3.21%	3.12%	3.55%
TRY	10.26%	10.27%	12.95%	23.97%	17.67%	11.72%	11.72%	11.40%	15.78%	14.33%
INR	4.90%	5.21%	5.23%	6.29%	6.03%	4.68%	4.68%	5.45%	5.96%	6.34%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of March 9th 2020

FX Markets

FX Performance vs. PPP

Currency markets have been on a roller-coaster for the last few weeks. The spreading of Covid-19 beyond China suddenly stopped the USD rally. The USD lost versus safe-haven (CHF) and funding currencies (JPY and EUR) but gained versus commodity and riskier currencies (mostly in EM). The effect of Covid-19 has so far not caused any significant changes in underlying exchange rate trends versus

PPP fair-value estimates. Historical and implied volatilities have increased significantly for most currency pairs but interest rate differentials have broadly tightened. While forwards and options are two very different instruments, recent moves, depending on the currency pair, made option-based hedging more expensive and forward-based hedging cheaper.

Overview

	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.1463	2.08%	4.75%	1.98%	5.55%	1.29	1.15-1.43	-11%
USDJPY	102.17	-5.90%	-6.96%	-7.99%	-15.78%	95.38	84.47-106.3	7%
GBPUSD	1.3121	-1.07%	1.71%	0.85%	-13.22%	1.59	1.42-1.77	-17%
EURCHF	1.0607	-2.28%	-0.86%	-6.31%	-0.83%	1.1	1.04-1.16	-4%
USDCHF	0.9253	-4.25%	-5.36%	-8.12%	-6.04%	0.88	0.78-0.98	5%
GBPCHF	1.2140	-5.30%	-3.75%	-7.35%	-18.47%	1.29	1.18-1.41	-6%
CHFJPY	110.42	-1.73%	-1.69%	0.15%	-10.36%	92.04	81.11-102.97	20%
AUDUSD	0.6605	-5.97%	-1.08%	-6.27%	-14.38%	0.8	0.7-0.89	-17%
USDCAD	1.3603	4.82%	2.25%	1.32%	7.98%	1.2	1.12-1.28	13%
USDSEK	9.3914	0.44%	-2.77%	-0.49%	10.84%	7.82	6.92-8.73	20%
EURSEK	10.766	2.55%	1.86%	1.49%	17.02%	8.62	8.08-9.16	25%
USD RUB	74.798	20.56%	16.65%	12.71%	24.06%	49.3	41.93-56.67	52%
USDBRL	4.7633	18.51%	10.47%	23.12%	52.88%	3.05	2.52-3.57	56%
USDCNY	6.9528	-0.12%	-0.76%	3.31%	10.83%	6.36	6.17-6.55	9%
USDTRY	6.1489	3.34%	2.15%	12.79%	136.20%	4.03	3.18-4.87	53%
USDINR	74.498	4.60%	4.19%	6.44%	18.76%	67.55	62.6-72.5	10%

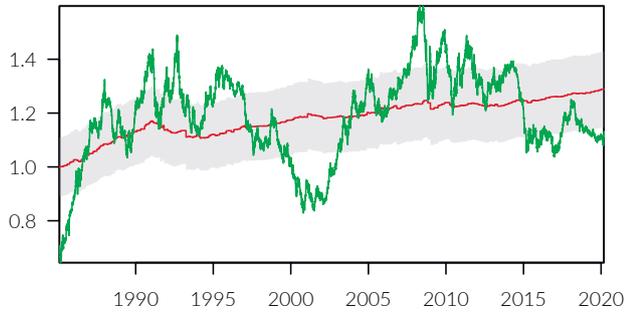
¹ Performance over the respective period of time, in percent

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

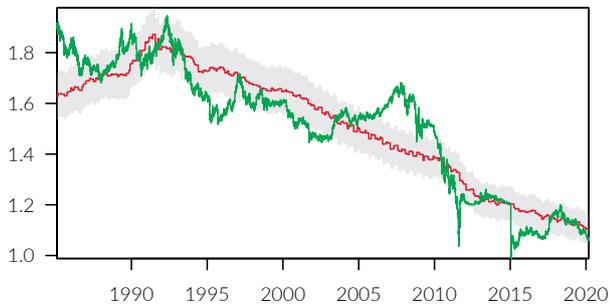
EURUSD



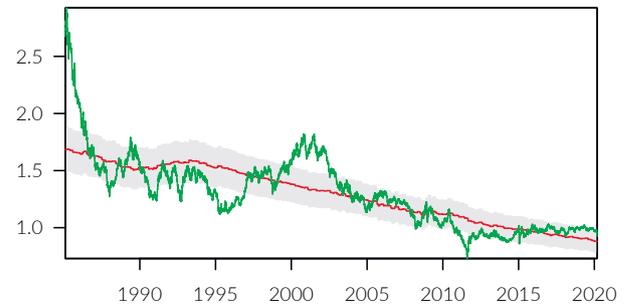
USDJPY



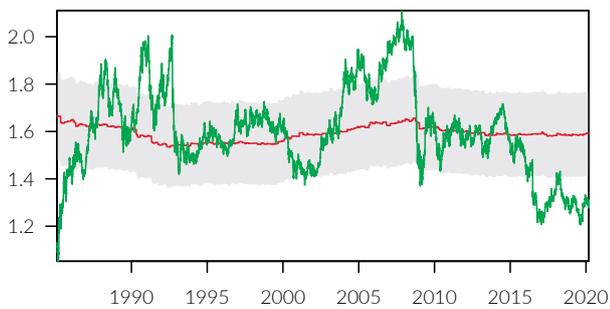
EURCHF



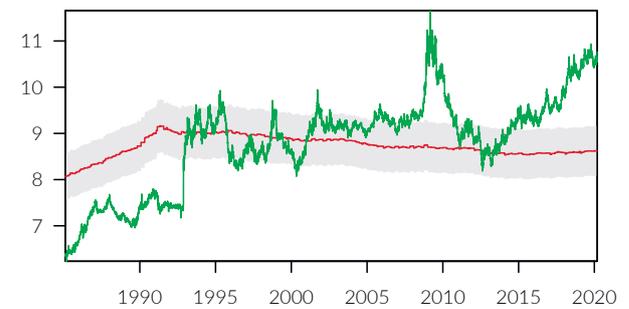
USDCHF



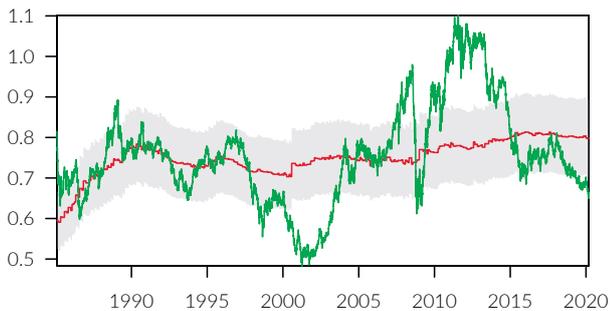
GBPUSD



EURSEK



AUDUSD



USDCAD



— PPP — Spot — Neutral Range

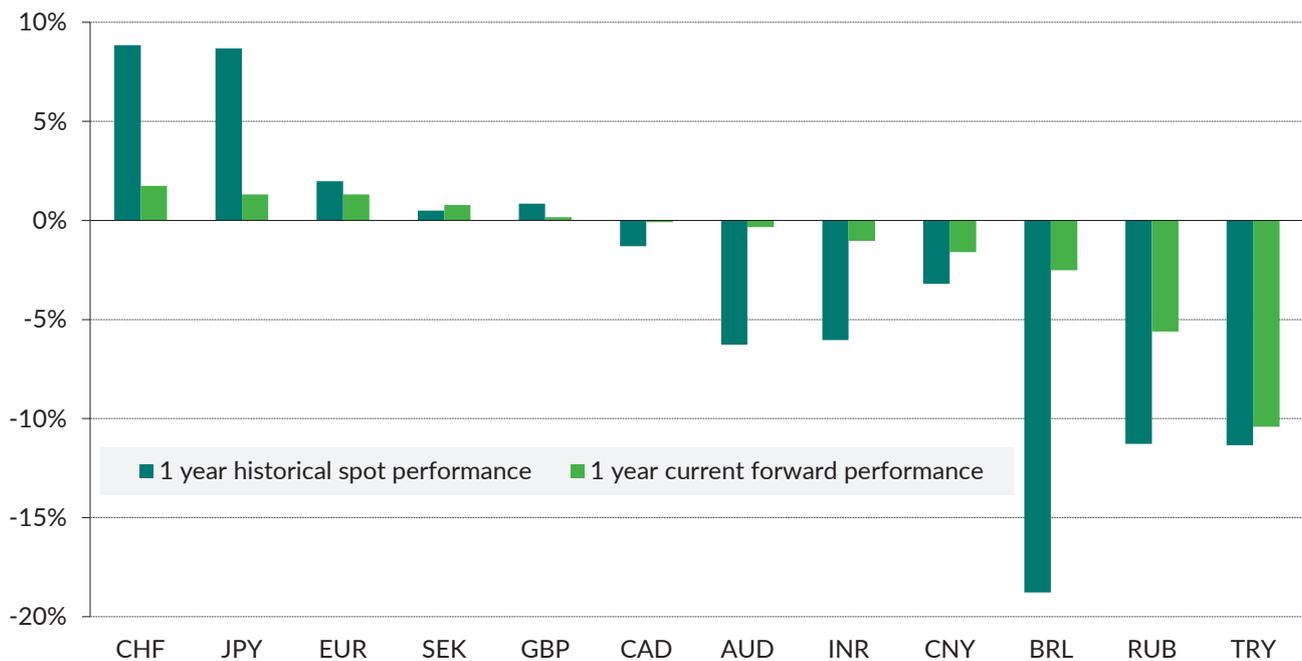
Source: Bloomberg, QCAM Currency Asset Management, as of March 9th 2020

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.1463	1.1482	1.1507	1.1613	1.78%	1.51%	1.29%
USDJPY	102.17	101.9826	101.7799	100.8400	-2.00%	-1.49%	-1.28%
GBPUSD	1.3121	1.3128	1.3133	1.3142	0.57%	0.35%	0.16%
EURCHF	1.0607	1.0603	1.0594	1.0558	-0.35%	-0.47%	-0.45%
USDCHF	0.9253	0.9234	0.9206	0.9095	-2.12%	-1.98%	-1.69%
GBPCHF	1.2140	1.2122	1.2089	1.1947	-1.55%	-1.63%	-1.57%
CHFJPY	110.42	110.4398	110.5497	110.9209	0.17%	0.45%	0.45%
AUDUSD	0.6605	0.6605	0.6601	0.6583	-0.06%	-0.24%	-0.33%
USDCAD	1.3603	1.3603	1.3607	1.3616	0.02%	0.12%	0.09%
USDSEK	9.3914	9.3813	9.3694	9.3188	-1.13%	-0.92%	-0.76%
EURSEK	10.766	10.7728	10.7830	10.8251	0.66%	0.61%	0.54%
USD RUB	74.798	75.1913	75.9083	79.2363	6.10%	5.81%	5.85%
USDBRL	4.7633	4.7739	4.7933	4.8863	2.42%	2.44%	2.55%
USDCNY	6.9528	6.9593	6.9756	7.0657	0.99%	1.28%	1.60%
USDTRY	6.1489	6.2001	6.3158	6.8635	9.67%	10.62%	11.46%
USDINR	74.498	75.2500	75.2568	75.2791	11.36%	3.99%	1.03%

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



Source: Bloomberg, QCAM Currency Asset Management, as of March 9th 2020

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	1.1463	6.50%	3.89%	6.22%	7.49%	9.73%	4.30%	5.88%	8.09%
USDJPY	102.17	9.45%	4.38%	6.26%	7.99%	15.75%	5.20%	6.10%	8.73%
GBPUSD	1.3121	8.94%	8.20%	8.64%	8.94%	8.83%	6.10%	10.51%	9.45%
EURCHF	1.0607	2.78%	3.00%	4.06%	5.40%	6.45%	4.13%	4.30%	6.03%
USDCHF	0.9253	6.30%	4.90%	5.60%	7.70%	10.05%	5.08%	5.58%	7.91%
GBPCHF	1.2140	8.30%	7.72%	7.10%	9.48%	10.15%	6.10%	10.13%	9.37%
CHFJPY	110.42	7.69%	4.71%	6.30%	7.90%	11.00%	4.95%	5.95%	8.45%
AUDUSD	0.6605	7.30%	5.97%	8.31%	9.09%	12.03%	6.93%	8.29%	9.44%
USDCAD	1.3603	4.92%	4.16%	6.13%	7.25%	9.48%	4.15%	5.99%	7.62%
USDSEK	9.3914	6.97%	4.97%	7.80%	8.82%	11.65%	6.58%	8.10%	9.45%
EURSEK	10.766	5.84%	4.66%	5.60%	5.80%	7.55%	4.97%	6.00%	6.50%
USDRUB	74.798	21.74%	7.59%	8.94%	14.39%	20.56%	9.81%	10.95%	14.87%
USDBRL	4.7633	10.95%	8.66%	12.21%	14.60%	16.25%	10.95%	13.42%	15.62%
USDCNY	6.9528	4.15%	4.02%	4.14%	4.39%	5.43%	4.93%	4.96%	5.27%
USDTRY	6.1489	7.13%	5.40%	12.81%	14.95%	15.80%	11.28%	15.49%	15.32%
USDINR	74.498	5.31%	4.24%	6.50%	5.52%	7.83%	5.18%	7.88%	6.49%

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 March 9th 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 (overlay or pure alpha) incorporating clients' risk parameters.

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

Due to the high uncertainty and volatility, we set the Sentiment and Technical components to neutral as of March 6th. The Macro components are largely neutral as well with the notable exceptions of long CHF and shorts in CAD and GBP.

Overview¹

	Macro	Sentiment	Technical	Comment
EURUSD	0	0	0	The EUR has rallied in the market selloff, but the size of the move plus the high uncertainty and volatility favour caution and a neutral stance
USDJPY	0	0	0	The JPY has rallied in the market selloff, but the size of the move plus the high uncertainty and volatility favour caution and a neutral stance
EURCHF	-	0	0	Given prevailing uncertainty and volatility, the CHF is the most suitable safe-haven currency. The Swiss National Bank is likely to slow CHF appreciation but unlikely to prevent it
USDCHF	-	0	0	
GBPUSD	-	0	0	Unresolved BREXIT uncertainties keep the GBP on our short list
EURSEK	0	0	0	The SEK has weakened but expected to stay in the recent range
USDCAD	+	0	0	The collapse of oil prices is expected to keep the CAD under pressure for some time

¹ The signs relate to the first currency of the exchange rate pair

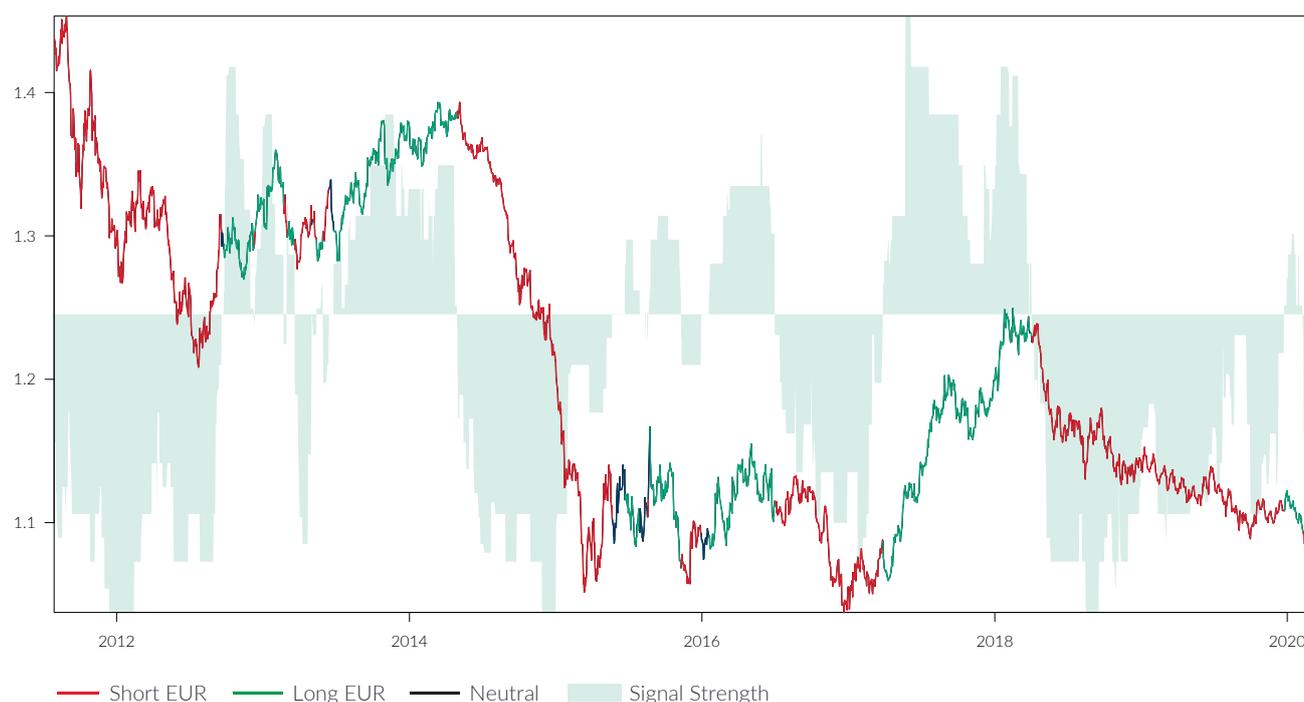
EURUSD

The main supports for the EUR are its cheap valuation and oversold position as well as favourable current account and fiscal positions. The recent fall in US interest rates was also a plus. Yet, the USD features a stronger economy and still higher interest rates. Overriding the fundamentals is at this point the impact of Covid-19. Our Macro view is

neutral following the recent position adjustment. The EUR may benefit some more from the unwinding of short positions, but we believe the USD's anti-cyclical nature and global safe-haven status will offset this effect. Besides Covid-19, the US election process and the fragility of some Euro-members, notably Italy, create risks on either side.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	Likely to remain stable
	Fiscal Balances	+	Likely to remain stable
	Interest Rate Differentials	-	US rates have dropped but likely to remain above EUR rates
	Oil prices	-	Bias toward lower oil prices
Sentiment	Economic Sentiment	0	Actual economic sentiment signals are close to neutral
	Risk Sentiment	0	Dominated by Covid-19 but there are other risks on either side (e.g. US election and stability of Italy)
Technical	Price Action	+	EUR rally broke negative trend but signal currently set to neutral
	Spec Positions	+	EUR oversold positions likely to decline
	PPP Valuation	+	EUR undervaluation unlikely to correct quickly

EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

USDJPY

Overall neutral positioning for USDJPY. The structural imbalances that favor the JPY versus the USD remain in place. The JPY has strengthened substantially after the sharp sell-off in global stock markets, the re-

sulting «wash out» of levered positions and the emergency easing by the Fed. The outlook is dominated by the Covid-19 uncertainties, which could move USD-JPY in either direction.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Likely to remain stable
	FDI Flows	-	Net outflows likely to continue despite Covid-19 uncertainty
	Interest Rate Differentials	-	USD rates have dropped but likely to remain above JPY rates
Sentiment	Economic Sentiment	-	Set to neutral but Japanese economic sentiment clearly weaker
	Risk Sentiment	+	Risk-off benefits JPY as carry trades unwind
Technical	Price Action	-	JPY bounce broke negative trend but signal currently set to neutral
	Spec Positions	0	Fairly neutral after market sell off
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

USDJPY and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

EURCHF

Safe haven flows led to recent CHF strength towards levels below 1.06, last seen in 2015. The SNB is expected to smooth further CHF strength through FX intervention. Interest rate policy changes will potentially also be more pronounced than by the ECB. In

case of a deteriorating Covid-19 pandemic, increased asset repatriation would potentially force the SNB to either take drastic policy action or allow the CHF to appreciate strongly.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Likely to remain stable
	Capital Flows (Safe Haven)	+	Strong inflows/repatriation on back of market turmoil
	Interest Rate Differentials	-	SNB has more room to lower interest rates, than the ECB
	SNB Policy Intervention	-	SNB expected only to slow-down potential CHF appreciation
Sentiment	Economic Momentum	0	No strong diversion, next surveys likely to be distorted
	Risk Factors	++	Risk off (Corona/Equities) to support CHF
Technical	Price Action	+	Upside momentum despite SNB resistance
	Spec Positions	0	Positioning not at extreme levels
	PPP Valuation	-	CHF to correct overvalued position only slowly

EURCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

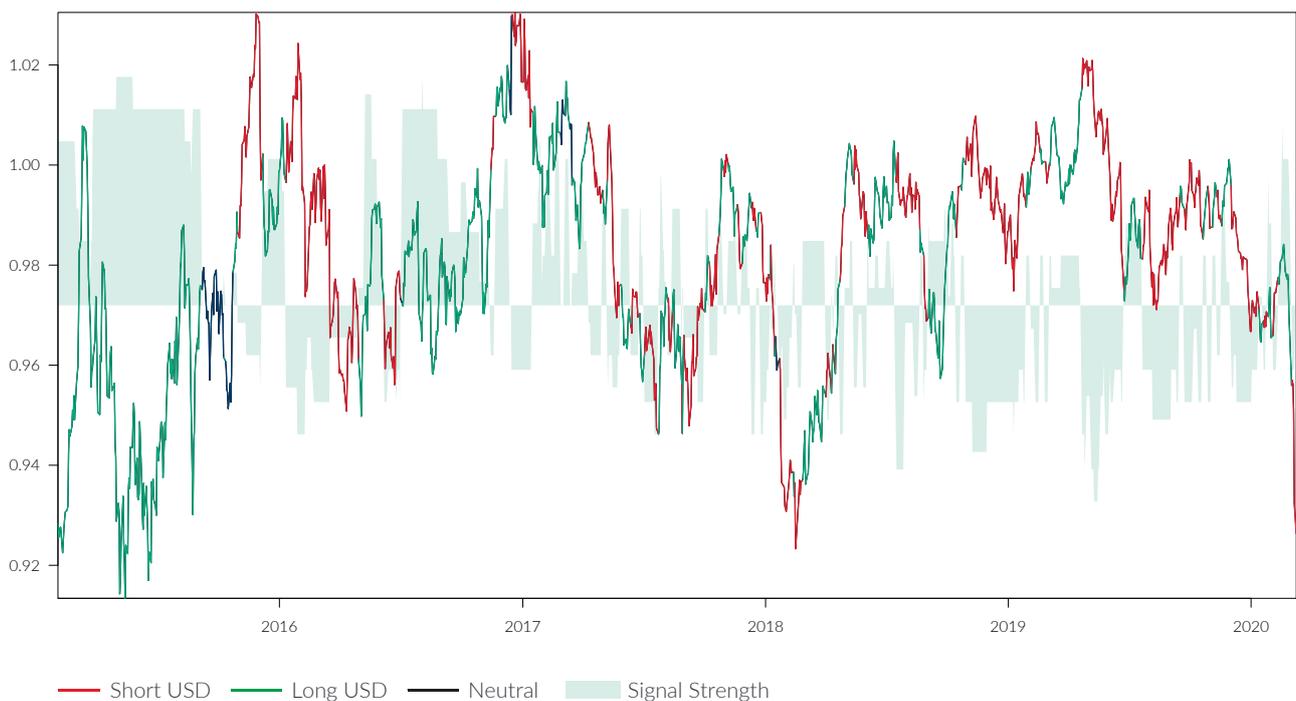
USDCHF

The CHF is expected to outperform on the back of the shrinking interest rate differential, safe haven and repatriation flows induced by recent market events. The SNB will smooth further appreciation by opportunistic FX intervention and lower inter-

est rates. Unless Covid-19 induced market turmoil worsenes, the appreciation path will be shallow. The US election campain will attract more attention and potentially weigh on the greenback.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	++	Strong inflows/repatriation on back of market turmoil
	Interest Rate Differentials	-	The USD interest advantage has declined but is expected to remain positive vs the CHF
	SNB Policy Intervention	-	SNB expected only to slow-down potential CHF appreciation
Sentiment	Economic Momentum	+	Swiss surveys have improved but next surveys likely to be distorted
	Risk Factors	++	Risk off (Covid-19/Equities) to support CHF, US election campain could weigh on USD
Technical	Price Action	+	Momentum building for downside extension
	Spec Positions	0	Positioning not at extreme levels
	PPP Valuation	+	CHF to correct undervalued position only slowly

USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

GBPUSD

Besides the uncertain impact of Covid-19, the GBP has some significant intrinsic risks: a) a potential loosening in fiscal policy under the new government, b) potential further shifts in the monetary policy stance towards more proactive stimulus and

c) uncertainties regarding trade policy and the final BREXIT outcome. Our Macro position is moderately short GBP with neutral positions in Sentiment and Technicals.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	-	Persistent deficit unlikely to change
	Interest Rate Differentials	-	USD rates advantage versus GBP has declined but not vanished
	Oil Price	-	Although a net oil importer GBP reacts negatively to oil price declines
Sentiment	Economic Sentiment	0	GBP surveys have improved, but next surveys likely to be distorted by Covid-19 impact
	Risk Sentiment	-	Uncertainty over the final outcome of BREXIT remains high
Technical	Price Action	0	Volatile range with potential downside
	Spec Positions	-	Slightly long spec positions are at risk of unwind
	PPP Valuation	+	Positive but slow mean reversion

GBPUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

EURSEK

The SEK is undervalued based on our long-term PPP measures and could do well (especially vs. EUR) if and when the Covid-19 uncertainty recedes. At the

moment, however, as a relatively open economy Sweden is exposed to global growth uncertainties. Thus, our Macro position is neutral for now.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0	Positive, but similar to Euro-Zone
	Interest Rate Differentials	+	Have become slightly SEK favorable with recent policy adjustments
Sentiment	Economic Momentum	+	SEK surveys have improved, but next surveys likely to be distorted by Covid-19 impact
	Risk Factors	0	Impact of Covid-19 and potential reversal in Riksbank policy
Technical	Price Action	0	After its multi-year uptrend EURSEK moves sideways
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

USDCAD

As a commodity currency with a large current account deficit, the CAD currently faces strong headwinds as oil prices drop in response to the Covid-19 epidemic and the Saudi oil supply announcement. The Bank of Canada cut rates in response to the Fed, but a small positive interest rate cushion was preserved. Our Mac-

ro view is negative and the CAD should come under further pressure if spreading of Covid-19 is not stopped soon and the global economy moves closer to recession. We have set the Technical component of the strategy at neutral, but current momentum probably adds to the the downside risk.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	-	Likly to extend with lower oil prices
	Oil Prices	-	Bias towards lower oil prices
	Interest Rate Differentials	+	Positive interest rate differential likely to stay
	USD DXY Trend	0	Range
Sentiment	Economic Sentiment	-	CAD underperformance is receding but next surveys likely to be distorted
	Risk Sentiment	0	No specific Canadian risks but possible negative impact from global risk factors
Technical	Price Action	-	Momentum for weaker CAD
	Spec Positions	0	Positioning not at extreme levels
	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.



Systematic Strategies

The Systematic Strategies unit of QCAM includes several Live Strategies with Performance Track Records reaching back to 2011, as well as the ongoing development of new strategies. Frequently, currency instruments are also used in the portfolio allocation. The speed of response and the recognition of trade opportunities in more than 200 different markets worldwide allows QCAM to generate performance in a way that would not be possible in a discretionary strategy.

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.



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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