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QCAM MONTHLY

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QCAM Insight

Positioning amid mixed directions

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The impact of the corona crisis on FX remains mixed. Emerging markets and commodity currencies are clear losers. The USD has seen sharp swings versus major currencies but on balance remains unchanged. Volatility is declining but the pattern in foreign exchange markets is unlikely to change much near-term. Focus on long JPY vs. USD and short EUR vs. CHF.

The fallout in foreign exchange markets to the dramatic events over the last 10 weeks has been rather muted. Volatility jumped initially, but far less than during the financial crisis and compared with other volatility measures like the VIX, and since then has retraced about half of the initial increase. The usual victims of risk aversion have been hurt, notably Emerging Markets. Within the major currencies, the USD has initially experienced wide swings but essentially still stands where it was on February 20th before the corona virus hit financial markets (see chart): roughly flat versus the EUR, stronger versus the GBP and the CAD, slightly weaker versus the CHF down versus the JPY.

Muted volatility nothing new

The muted response of FX volatility is not a new feature. FX volatility has been slow to respond to shocks for years as seen during the US-China trade conflict last year. We always argued that this was the result of central banks' efforts to maintain financial stability and markets expecting central banks to succeed (see also "The Volatility Void" FX Monthly December 2019). This has not changed despite the severity of the corona crisis. Central banks have reacted with overwhelming force to the crisis and markets have quickly taken comfort that this will be enough to stabilize the situation.

The second reason why FX volatility has not been higher is the failure of the corona crisis to result in a major change in exchange rate trends. Especially the USD has so far not changed direction. Unlike asset markets, currency markets are by nature relative-value markets. The corona virus is affecting every country and among the major economies it is so far unclear who will emerge faster and stronger from the crisis.

Some fundamental changes

However, some currency fundamentals have clearly changed. As we pointed out in the previous issue of the QCAM Monthly, the USD is no longer supported by a stronger economy and higher interest rates, while the twin-deficits are likely to become even bigger handicaps. What is holding up the USD is uncertainty. The big USD funding squeeze is over, but the negative fallout in Emerging Markets, the low oil price, the risk of a renewed US-China trade conflict as well as debt-sustainability problems in parts of the Euro-area are all USD supportive.

Against that background Emerging Markets currencies are likely to remain under pressure for some time, compounded by local issues like the political woes in Brazil. The worst of the oil price decline is probably over, but oil prices are too low for many producers and unlikely to rise quickly.

Given the offsetting forces, we have held a neutral position in EURUSD since the start of the crisis and that remains our strategy for the near-term. Instead, our preferred strategy is to separate the issues through two different macro positions.

Long JPY vs. USD

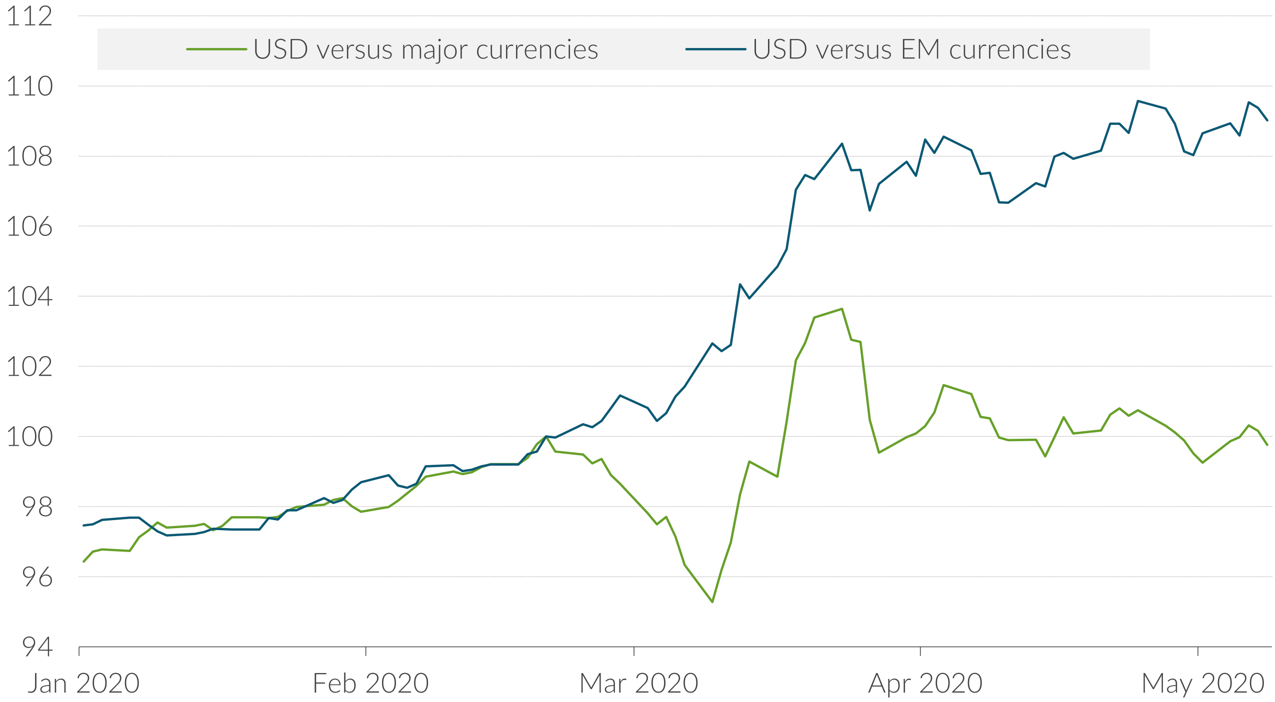
In our view, the best way to position against the deterioration in USD fundamentals is through USDJPY. The JPY is undervalued and has a solid current account surplus. The JPY has no intrinsic risk issues like the EUR and is a natural beneficiary of risk aversion. Indeed, the Yen carry trade is probably dead for some time. Importantly, the BoJ has been much less aggressive in its policy response to the corona-crisis. Over the last 10 weeks, the BoJ increased its JGB holdings by just 0.7%, while the Fed boosted its Treasury holdings by roughly than two-thirds. The BoJ and the MoF are intervening in the fx market, but that has been to smooth rather than prevent JPY strength.

Long CHF vs. EUR

Debt sustainability problems, most notably in Italy, and the struggle to come-up with a unified policy response (made complicated by the German Supreme Court ruling) will probably remain a problem for the EUR for many years and lead to repeated market stress. The best strategy to hedge against that risk remains in our view the CHF. The CHF is supported by a large current account surplus and is a natural safe-haven currency. Switzerland is not isolated from the corona-crisis, but surveys suggest that its economy is suffering less than some of the neighbors. The SNB has been visible in the market to prevent a sharp appreciation of the CHF in recent weeks. In our view, the SNB will continue to smooth CHF appreciation but not stop a move below 1.05 at any price.

USD Index versus Major and Emerging Market Currencies

Feb. 20. = 100, GDP weighted



Source: JPMorgan and QCAM Currency Asset Management

QCAM® Currency Asset Management

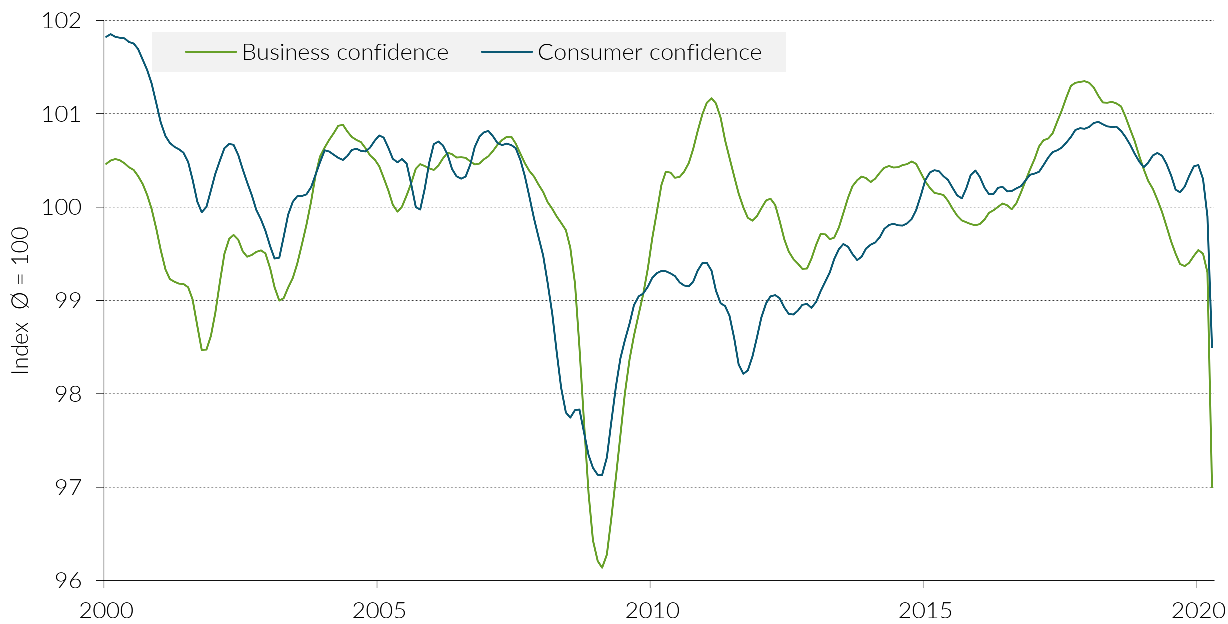
Economy & Interest Rates

North Asia is already recovering from the Corona crisis and Europe and the US probably hit bottom now but the rest of Emerging Markets still faces more downside. 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 and despite massive fiscal and monetary measures. As a result, damage is likely to remain visible by the end of the year, notably higher unemployment and bankruptcies. In addition, fiscal deficits and public debt are soaring and unlikely to reverse direction quickly.

	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	-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	9.5	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	-15.5	109.0	124.0
Canada	1.6	-7.0	5.7	8.5	1.9	1.0	-2.0	-4.0	-0.4	-12.0	88.6	110.0
Euro-area	1.2	-7.5	7.6	10.5	1.2	0.5	2.7	2.5	-0.7	-9.0	84.1	98.0
Sweden	1.2	-6.5	6.8	10.5	1.7	0.5	3.9	2.5	0.4	-7.0	34.8	42.0
Switzerland	0.9	-6.0	2.3	3.5	0.4	-0.5	12.2	9.0	0.9	-6.0	39.3	45.0
UK	1.4	-7.5	3.8	6.0	1.8	0.5	-3.8	-4.5	-2.1	-9.0	85.4	95.0
Japan	0.7	-8.0	2.4	3.5	0.5	0.0	3.6	2.0	-2.8	-8.0	237.4	252.0
Australia	1.8	-7.0	5.2	8.5	1.6	1.0	0.5	-1.0	-3.7	-10.0	45.0	58.0
Emerging	3.7	-1.5	n.a.	n.a.	5.0	4.0	0.1	-1.0	-4.7	-9.5	n.a.	n.a.
China	6.1	1.0	3.6	4.5	2.9	2.5	1.0	0.5	-6.4	-12.0	54.4	64.0
India	4.2	0.5	n.a.	n.a.	4.5	3.0	-1.1	-1.0	-7.4	-9.0	71.9	75.0
Russia	1.3	-5.5	4.6	6.5	4.5	3.0	3.8	0.0	1.9	-6.0	14.0	21.0
Brazil	1.1	-5.0	11.9	15.0	3.7	4.0	-2.7	-2.0	-6.0	-12.0	89.5	101.0

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

OECD business and consumer confidence



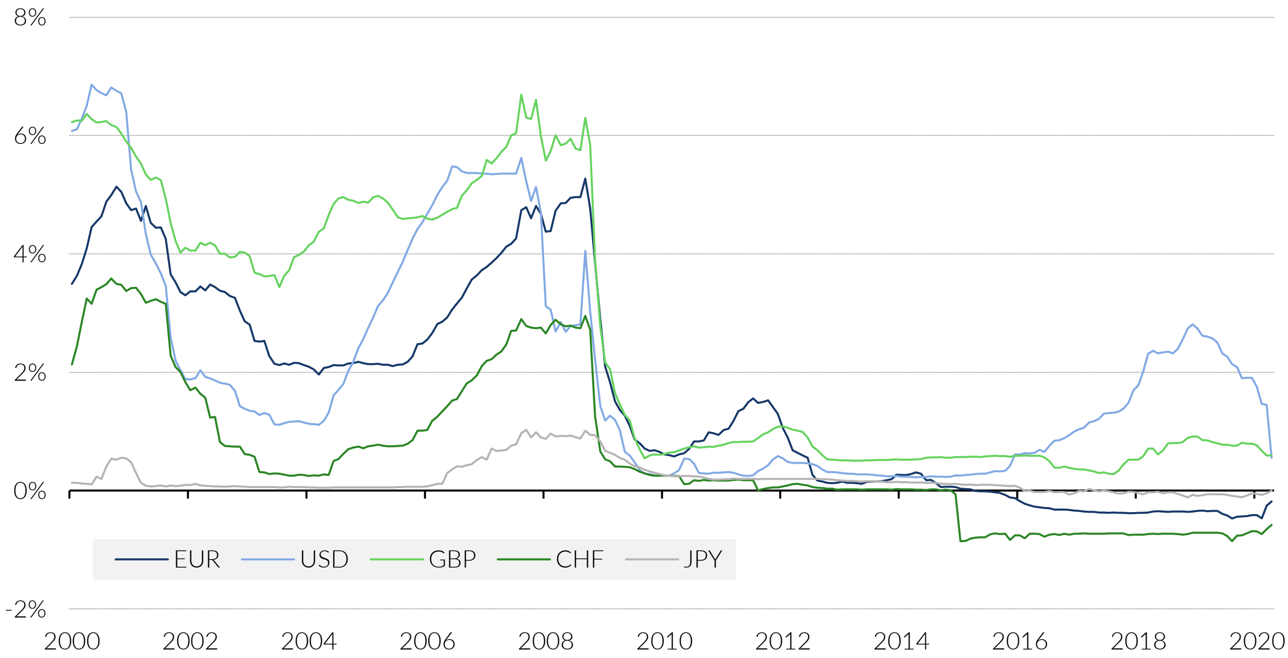
Source: OECD, the last observations are QCAM estimates based on other surveys

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	0.04%	0.07%	1.58%	2.40%	1.70%	0.66%	0.65%	1.61%	2.51%	2.31%
EUR	-0.48%	-0.46%	-0.46%	-0.36%	-0.39%	-0.15%	-0.04%	0.02%	0.52%	0.59%
JPY	-0.06%	-0.06%	-0.05%	-0.08%	-0.06%	0.02%	0.02%	0.06%	0.13%	0.17%
GBP	0.06%	0.07%	0.70%	0.72%	0.55%	0.47%	0.56%	0.82%	1.40%	1.23%
CHF	-0.73%	-0.71%	-0.74%	-0.74%	-0.76%	-0.42%	-0.32%	-0.40%	0.00%	0.02%
AUD	0.13%	0.13%	0.71%	1.33%	1.23%	0.90%	0.86%	1.23%	2.04%	2.27%
CAD	0.20%	0.20%	1.71%	1.75%	1.38%	1.02%	1.16%	1.83%	2.20%	2.20%
SEK	-0.01%	-0.06%	-0.03%	-0.24%	-0.36%	0.34%	0.36%	0.53%	0.87%	0.93%
RUB	5.37%	5.90%	6.00%	7.65%	7.32%	6.39%	7.50%	6.87%	8.95%	8.01%
BRL	3.65%	3.60%	4.15%	-	-	8.17%	8.56%	6.73%	9.19%	9.62%
CNY	1.39%	1.54%	2.39%	2.78%	2.86%	2.01%	2.25%	2.88%	3.39%	3.45%
TRY	8.40%	9.45%	10.23%	26.31%	17.52%	11.67%	13.04%	11.01%	21.09%	14.38%
INR	3.97%	4.26%	5.25%	6.05%	5.94%	4.52%	5.04%	5.33%	6.08%	6.24%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of May 6th 2020

FX Markets

FX Performance vs. PPP

FX volatility has declined over the last month but less so in Emerging Markets where the BRL and the TRY have come under intense pressure. The USD has been broadly unchanged versus major currencies, but not uniformly. The JPY is making the most consistent advances among major currencies (now up 5.5% versus the USD since the corona-virus impacted financial markets 10 weeks 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[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.081	-3.76%	0.05%	-3.53%	-4.56%	1.28	1.14 - 1.42	-16%
USDJPY	106.010	-2.37%	-2.76%	-4.33%	-11.36%	95.64	84.73 - 106.55	11%
GBPUSD	1.236	-6.82%	0.42%	-5.65%	-18.87%	1.59	1.41 - 1.76	-22%
EURCHF	1.053	-3.00%	-0.28%	-7.58%	1.33%	1.11	1.04 - 1.17	-5%
USDCHF	0.974	0.81%	-0.33%	-4.20%	6.17%	0.89	0.78 - 0.99	10%
GBPCHF	1.204	-6.08%	0.10%	-9.62%	-13.87%	1.29	1.17 - 1.4	-6%
CHFJPY	108.811	-3.17%	-2.45%	-0.14%	-16.52%	92.26	81.34 - 103.18	18%
AUDUSD	0.642	-8.63%	5.28%	-8.24%	-19.50%	0.80	0.7 - 0.89	-20%
USDCAD	1.413	8.90%	0.16%	5.05%	17.46%	1.21	1.13 - 1.3	17%
USDSEK	9.844	5.29%	-2.81%	2.97%	19.68%	7.88	6.97 - 8.79	25%
EURSEK	10.639	1.34%	-2.76%	-0.66%	14.24%	8.62	8.08 - 9.16	23%
USDRUB	74.463	20.02%	-2.16%	14.07%	46.57%	50.25	42.41 - 58.1	48%
USDBRL	5.690	41.58%	8.42%	43.80%	86.11%	3.13	2.57 - 3.68	82%
USDCNY	7.124	2.33%	0.29%	5.11%	14.85%	6.12	5.94 - 6.3	16%
USDTRY	7.193	20.89%	6.30%	17.70%	166.88%	4.16	3.29 - 5.03	73%
USDINR	76.056	6.78%	0.08%	9.66%	19.49%	67.76	62.75 - 72.76	12%

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

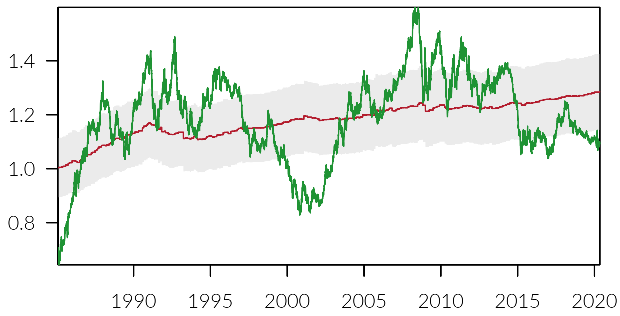
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

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

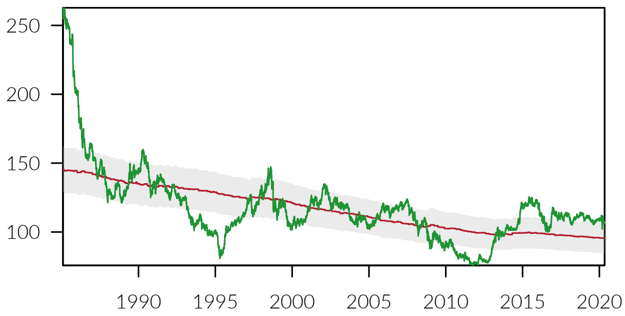
Source: Bloomberg, QCAM Currency Asset Management, as of May 6th 2020

Purchasing Power Parity

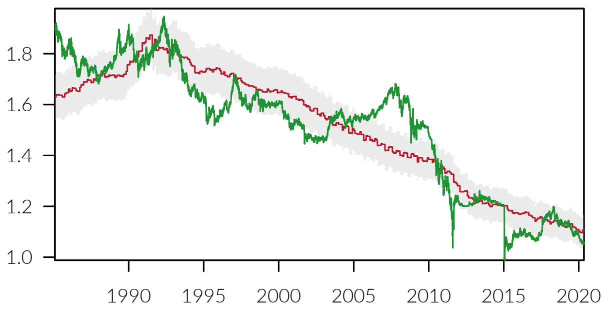
EURUSD



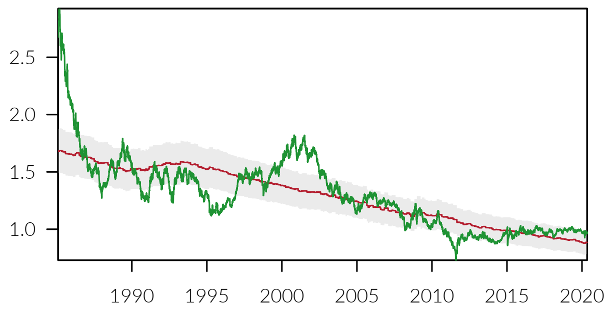
USDJPY



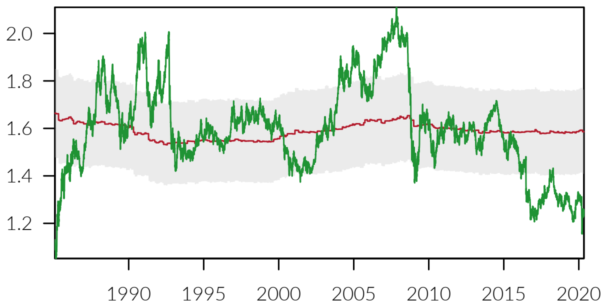
EURCHF



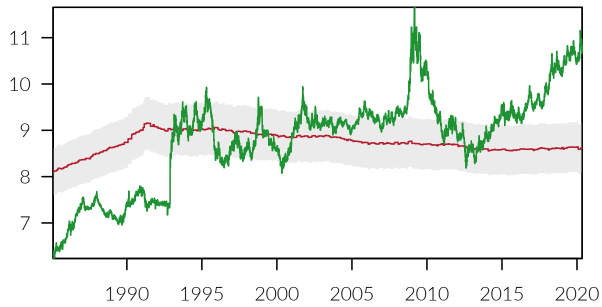
USDCHF



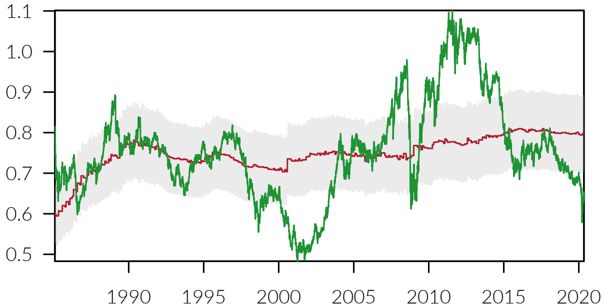
GBPUSD



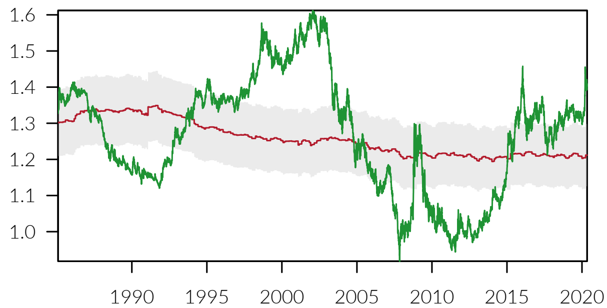
EURSEK



AUDUSD



USDCAD



PPP — Spot — Neutral Range

Source: Bloomberg, QCAM Currency Asset Management, as of May 6th 2020

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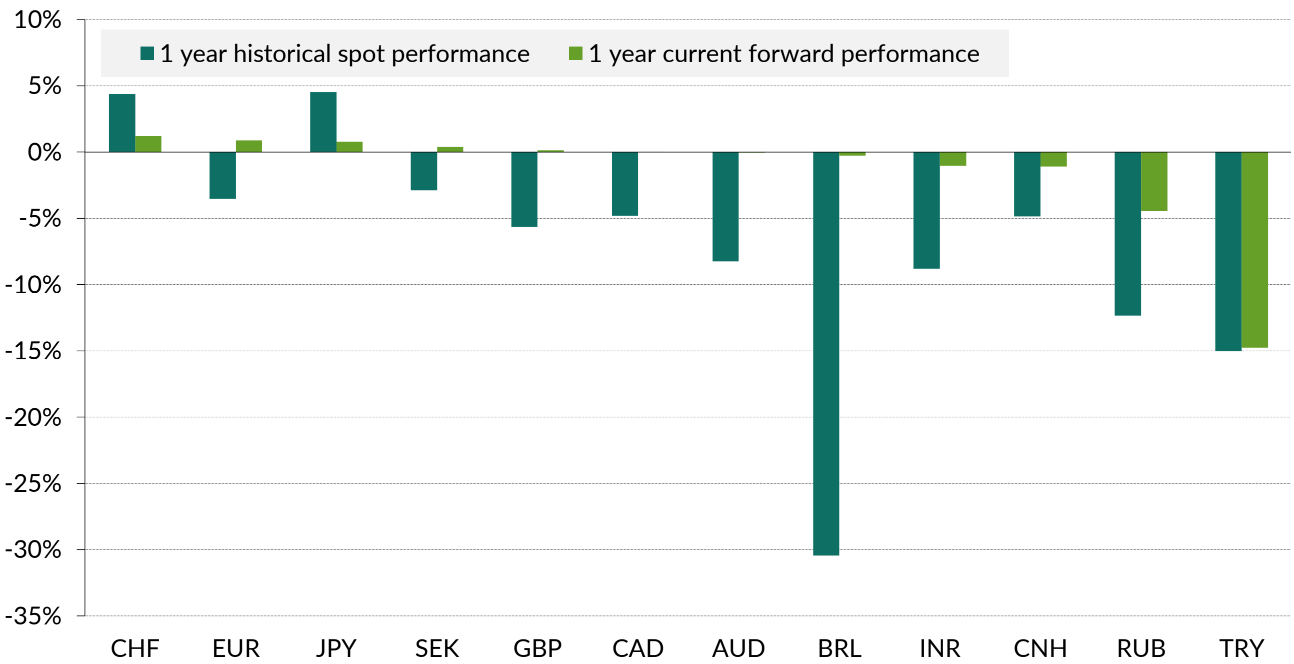
FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.081	1.0814	1.0829	1.0902	0.71%	0.76%	0.86%
USDJPY	106.010	105.9618	105.8331	105.1838	-0.53%	-0.63%	-0.76%
GBPUSD	1.236	1.2360	1.2363	1.2376	0.15%	0.16%	0.14%
EURCHF	1.053	1.0526	1.0522	1.0494	-0.26%	-0.26%	-0.32%
USDCHF	0.974	0.9734	0.9716	0.9626	-0.96%	-1.02%	-1.16%
GBPCHF	1.204	1.2031	1.2012	1.1913	-0.82%	-0.89%	-1.04%
CHFJPY	108.811	108.8520	108.9188	109.2823	0.44%	0.38%	0.42%
AUDUSD	0.642	0.6419	0.6419	0.6416	0.11%	0.06%	-0.04%
USDCAD	1.413	1.4133	1.4131	1.4129	0.00%	-0.05%	-0.03%
USDSEK	9.844	9.8416	9.8356	9.8073	-0.33%	-0.34%	-0.37%
EURSEK	10.639	10.6428	10.6511	10.6920	0.38%	0.42%	0.49%
USDRUB	74.463	74.8218	75.4545	77.9408	5.42%	5.21%	4.61%
USDBRL	5.690	5.7034	5.7251	5.7056	2.66%	2.34%	0.26%
USDCNY	7.124	7.1302	7.1415	7.2014	1.09%	0.97%	1.07%
USDTRY	7.193	7.3491	7.5713	8.4395	24.39%	20.57%	17.09%
USDINR	76.056	76.8202	76.8278	76.8523	11.68%	3.97%	1.03%

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



Source: Bloomberg, QCAM Currency Asset Management, as of May 6th 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	1.0807	10.81%	10.10%	4.45%	7.43%	7.19%	8.55%	5.52%	8.00%
USDJPY	106.0100	13.62%	13.62%	4.70%	8.17%	8.18%	9.65%	5.95%	8.77%
GBPUSD	1.2358	15.50%	14.98%	8.58%	9.12%	10.20%	11.65%	7.42%	9.46%
EURCHF	1.0529	2.96%	2.94%	3.44%	4.68%	5.15%	5.45%	4.25%	5.90%
USDCHF	0.9742	10.12%	9.57%	4.13%	7.22%	6.85%	7.58%	5.20%	7.80%
GBPCHF	1.2039	11.90%	11.44%	9.08%	9.03%	8.60%	10.05%	6.70%	9.34%
CHFJPY	108.8110	9.56%	8.66%	5.01%	7.36%	7.43%	7.98%	5.90%	8.37%
AUDUSD	0.6418	17.69%	15.26%	7.04%	9.18%	12.40%	14.18%	8.33%	9.52%
USDCAD	1.4133	11.29%	9.69%	5.23%	7.21%	8.10%	9.18%	5.52%	7.60%
USDSEK	9.8444	14.99%	13.64%	7.19%	8.87%	9.43%	11.50%	8.00%	9.39%
EURSEK	10.6393	10.05%	8.88%	5.00%	5.82%	6.80%	8.73%	5.63%	6.50%
USDRUB	74.4628	33.99%	31.37%	8.83%	14.29%	16.77%	20.66%	10.40%	14.66%
USDBRL	5.6904	23.61%	18.85%	11.70%	14.60%	22.13%	19.00%	13.59%	15.64%
USDCNY	7.1235	5.41%	5.56%	3.24%	4.47%	5.95%	5.95%	4.87%	5.34%
USDTRY	7.1932	13.15%	11.62%	19.31%	14.84%	23.60%	24.78%	21.50%	15.50%
USDINR	76.0555	8.85%	7.84%	5.66%	5.57%	8.93%	10.43%	7.74%	6.55%

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

QCAM Volatility Indicator[3]

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

Source: Bloomberg, QCAM Currency Asset Management, as of May 6th 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 are neutral Macro on all currency pairs except long JPY vs. USD and long CHF vs. EUR (see Insight and currency pages). Sentiment surveys have plunged across the board. Thus, Sentiment signals may be somewhat blurred and adjust again as the situation normalizes. The Technical signals show clear directional trends as volatility declines except for the CHF.

Overview[1]

	Macro	Sentiment	Technical	Comment
EURUSD	0	+	–	Weaker USD fundamentals versus higher EUR event risk
USDJPY	–	–	–	Macro and Technical already favored the JPY while Sentiment just switched
EURCHF	–	–	0	The CHF remains the most suitable safe-haven currency for Euro-area related event risk. The SNB is likely to slow CHF appreciation but unlikely to prevent it
USDCHF	0	0	0	
GBPUSD	0	–	–	Sentiment and Technical are short GBP, while a Macro short requires a clear shift into risk aversion
EURSEK	0	–	+	Sentiment in SEK is stronger but not the Technical position, while we retain a neutral Macro position
USDCAD	0	0	+	Only Technical gives a clear signal, while Macro is looking for trigger to go short CAD

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

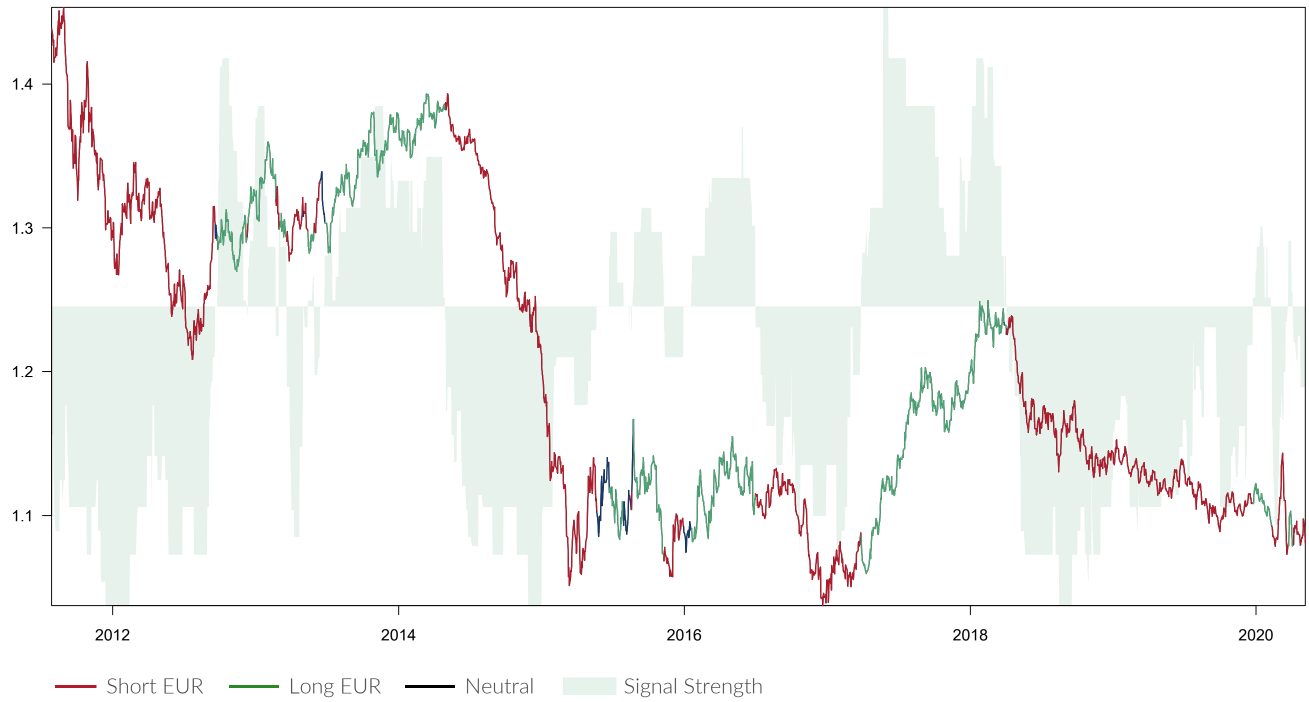
Source: QCAM Currency Asset Management

EURUSD

The USD has lost ist two key supports, namely higher interest rates and stronger growth. Meanwhile, the US fiscal position is likely to deteriorate faster than elewhere. The USD's main support is risk issues facing other currencies. In the case of the EUR that is the unresolved debt funding situation within the Euro-area, especially for Italy. Our best guess remains that these oposing forces balance each other over the near term.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	Likely to remain stable or even improve a bit
	Fiscal Balances	+	Likely to remain stable or even improve a bit
	Interest Rate Differentials	0	US rates have dropped close to EUR rate levels
	Oil prices	–	Falling/low oil prices cause USD funding shortge
Sentiment	Economic Sentiment	+	Euro-area surveys are weaker but relative change is USD negative
	Risk Sentiment	–	Uncertainty over the resolution of the Euro-area debt problem is still a handicap for the EUR
Technical	Price Action	–	The EUR is resuming its negative trend as volatility declines
	Spec Positions	–	EUR is increasingly becoming overbought
	PPP Valuation	+	EUR undervaluation not a strong short-term driver

EURUSD and QCAM Strategic Positioning



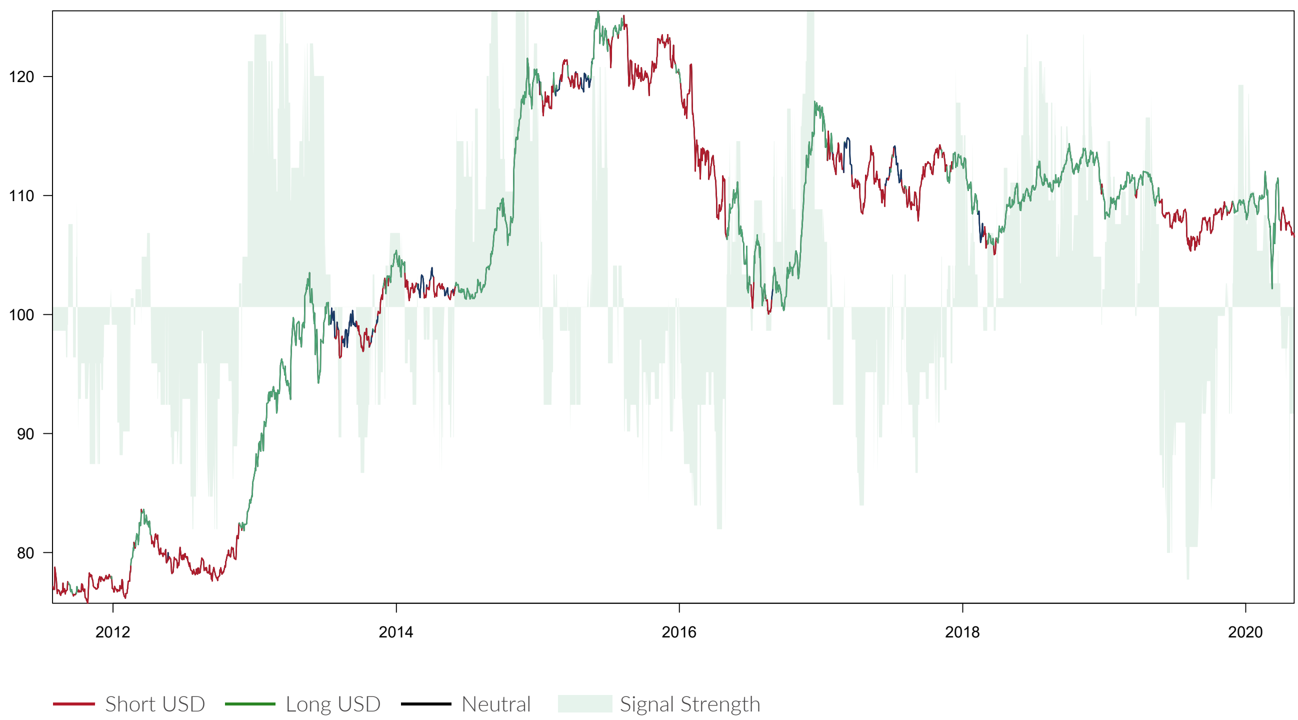
Source: Bloomberg, QCAM Currency Asset Management

USDJPY

The USD's loss of support from higher interest rates and stronger growth as well as risk aversion and the fact that Japan has a current account surplus are the main factors favoring the JPY in the current environment, which we expect to continue over the medium term. In addtion the JPY is undervalued and not overbought. Starting to see this manifest itself in a clearer trend we have decided to initiate a JPY long position acknowledging that the pace of appreciation for the JPY may be very gradual with occasional setbacks. While this may be a `slow burner` we nevertheless consider the risk-reward favorable.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Likely to remain stable
	FDI Flows	0	Net outflows likely to continue but probably slower
	Interest Rate Differentials	+	The drop in interest rate differentials has almost eliminated carry opportunities
Sentiment	Economic Sentiment	+	Latest surveys show "less severe" downturn in Japan
	Risk Sentiment	+	Uncertainty continues to undermine carry appetite
Technical	Price Action	+	Though volatile momentum is changing in JPYs direction
	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

QCAM Currency Asset Management

EURCHF

Increased SNB intervention has prevented the Swiss franc from appreciating through the 1.05 level. Safe-haven flows to stay strong, as long as EUR states fail to find a solution to the debt funding problems of southern members, especially Italy. The Swiss economy seems to be more resilient towards the global slowdown than the Euro-area. We expect the SNB slowly to lower the EURCHF support level, if upward pressure on the CHF increases further.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	+	EUR uncertainty related flows to remain high
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	–	SNB intervention to slow CHF appreciation but 1.05 probably not
Sentiment	Economic Momentum	+	Recent data suggests Swiss economy less effected than Euro-area
	Risk Factors	++	Possible Euro-area debt funding tensions offer biggest upside potential for CHF
Technical	Price Action	+	CHF momentum muted as long as SNB absorbs flows out of the EUR
	Spec Positions	0	Positioning not at extreme levels, but expected to grow
	PPP Valuation	–	CHF unlikely to correct overvalued position soon

EURCHF and QCAM Strategic Positioning

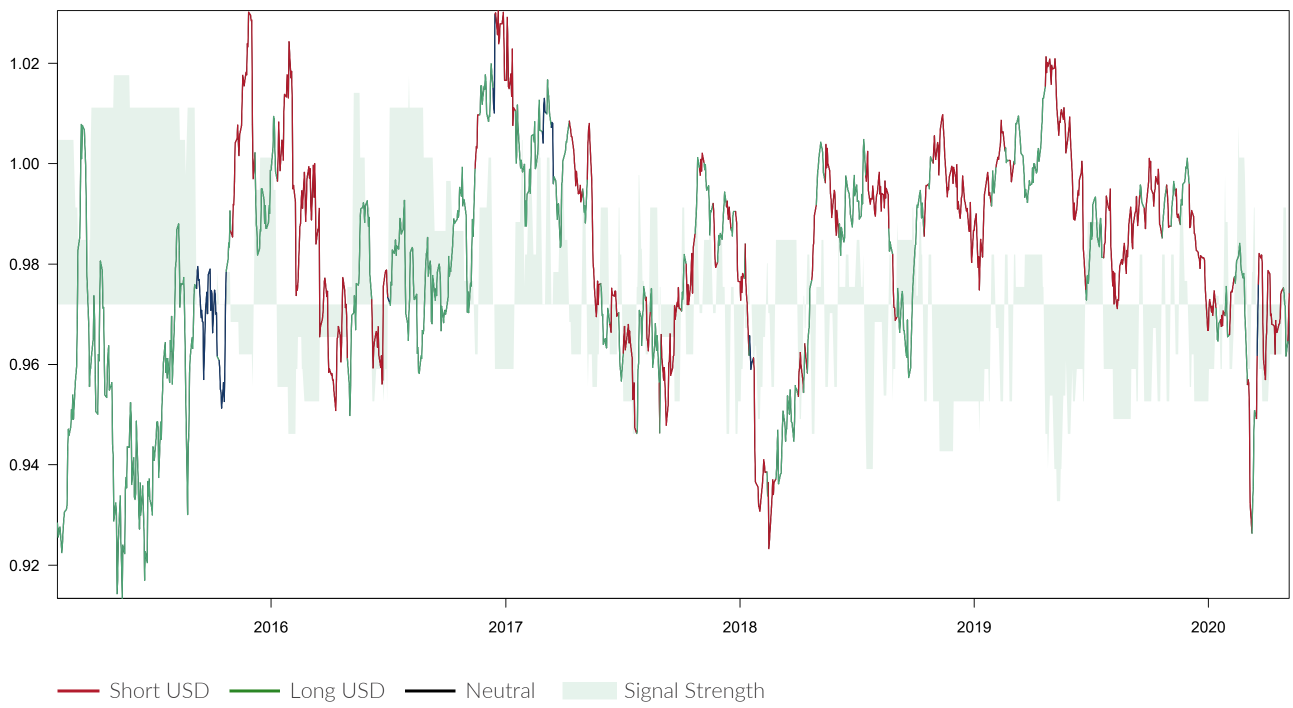
Source: Bloomberg, QCAM Currency Asset Management

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 interest rates. Unless Covid-19 induced market turmoil worsenes, the appreciation path will be shallow. The US election campaign 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)	++	EUR uncertainty related flows to remain high
	Interest Rate Differentials	+	Substantially reduced differential will weigh on bond market flows and increase USD hedging
	SNB Policy Intervention	–	SNB likely to slow, but not stop CHF appreciation
Sentiment	Economic Momentum	+	Recent data suggests Swiss economy less effected by global slowdown
	Risk Factors	+	Risk off likely to continue in the short-term
Technical	Price Action	0	Stuck in range, volatility substantially reduced after wide swings in March
	Spec Positions	+	Modestly long CHF positions likely to increase when USD funding concerns ebb further
	PPP Valuation	+	CHF to correct undervalued position medium term

USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

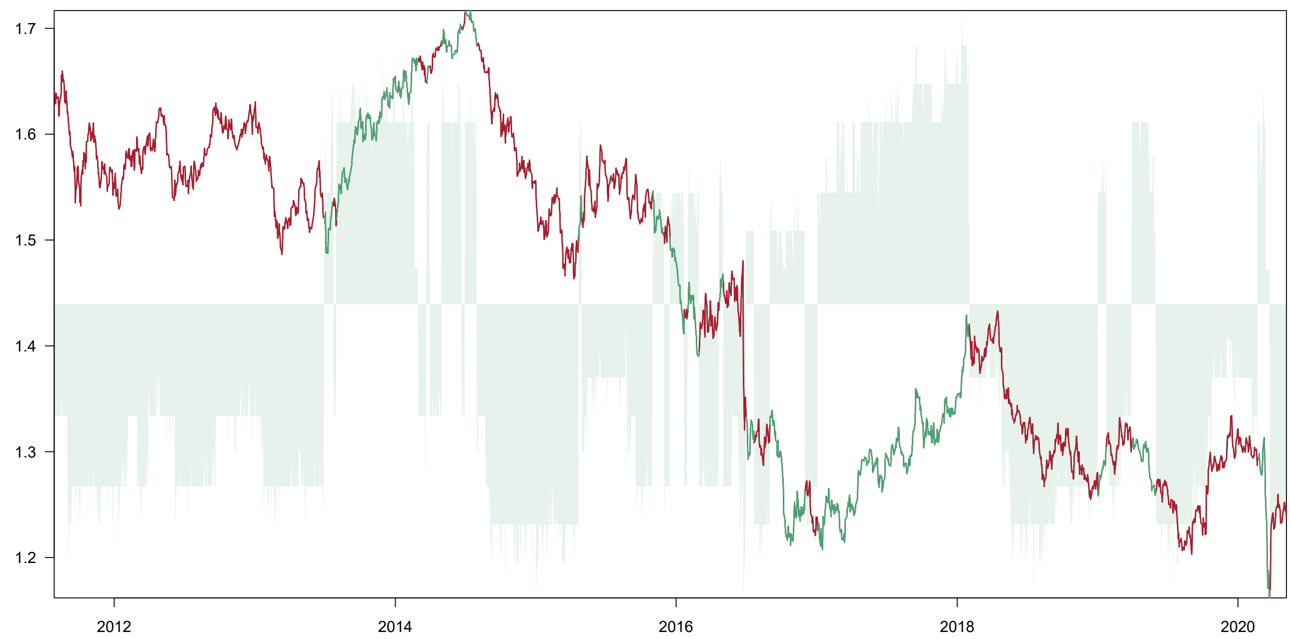
QCAM® Currency Asset Management

GBPUSD

There is little to like about the GBP (current account deficit and idiosyncratic risks). We were short until 1.16 and then closed the Macro position. Technically, the bias still points to a weaker GBP and we are looking to re-enter a short Macro position. A trigger could be renewed BREXIT tensions as the June dead-line emerges or signs that the UK is recovering slower from the corona crisis.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	–	Persistent deficit unlikely to change
	Interest Rate Differentials	0	USD rates advantage versus GBP has vanished
	Oil Price	–	Although a net oil importer GBP reacts negatively to oil price declines
Sentiment	Economic Sentiment	–	The UK economy is hurt disproportianately by the corona crisis in combination with ongoing BREXIT uncertainties
	Risk Sentiment	–	Uncertainty over the final outcome of BREXIT (June deadline)
Technical	Price Action	–	Volatile with downside bias
	Spec Positions	0	Net positions are flat
	PPP Valuation	+	Unlikely to mean revert soon, PPP trend may deteriorate as well

GBPUSD and QCAM Strategic Positioning



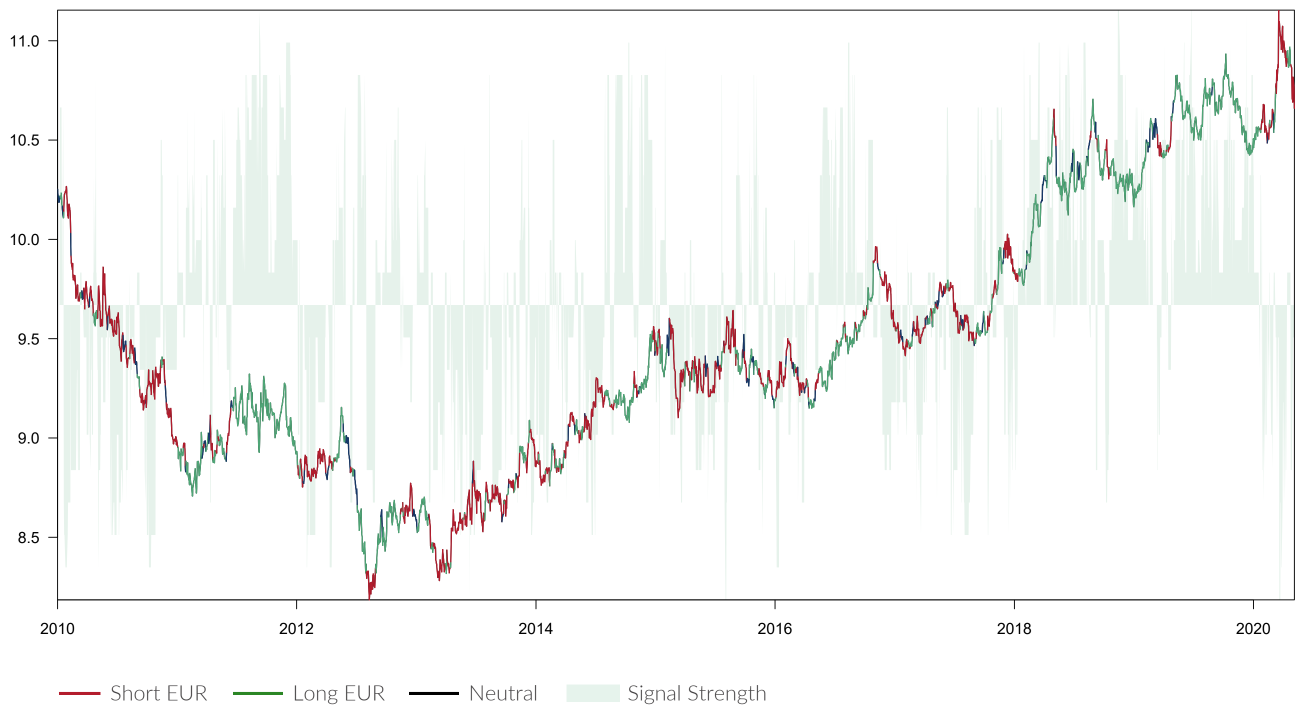
Source: Bloomberg, QCAM Currency Asset Management

EURSEK

The SEK has recovered some of the lost ground versus the EUR. Our Macro view remains neutral. Sweden has risks given its different handling of the corona crisis so far, its global exposure and the high leverage of the household sector. Momentum remains SEK negative. Signs of a faster global recovery would trigger a SEK long position.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0	Slightly SEK favorable but not materially
Sentiment	Economic Momentum	+	SEK surveys slightly better than EUR surveys
	Risk Factors	0	Sweden's different approach to the corona virus may backfire yet Sweden may benefit if Euro debt financing tensions escalate
Technical	Price Action	–	Monetum is SEK negative
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

USDCAD

The low oil price and a deteriorating current account are clear negatives for the CAD. After very low and even negativ oil prices, the oil market is showing sings of stabilisation, but price levels are too low for Canada. Besides oil, the CAD moved recently strongly with the global risk environment. We are looking to go short again in the next bout of risk aversion and or oil price declines.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	–	Oil price decline likely to boost Canadian current account 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	0	Most likely range-bound
Sentiment	Economic Sentiment	0	Bussiness confidence in Canada is lower than in the US, but downside momentum is less strong
	Risk Sentiment	0	No specific Canadian risks, global risk factors dominating
Technical	Price Action	–	Long-term trend still pointing to CAD weakness
	Spec Positions	+	Build-up of 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

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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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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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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
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- No principal-agent conflicts
- Transparent fee model – no hidden costs
- Transparent reporting

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