

October 2021

# QCAM MONTHLY

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# QCAM Insight

## Stagflation Angst

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**The USD rallied across the board in September on persistent growth concerns and perceptions of a less patient Fed. Stagflation angst is spreading and supporting the bullish USD narrative. In our view, the USD has more upside potential but stagflation is not the most likely outcome and not per se good for the USD. To us, relative business cycle performance, as captured by the QCAM FX BIAS, still matters more.**

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The USD rallied across the board in September, up 1.7% versus major currencies and up 2.9% versus Emerging Market currencies. The main factors behind the USD strength are persisting global growth concerns and the perception of a less patient Fed. The QCAM FX BIAS captured the USD rally well, moving from a small USD long position to 94% long USD in the course of September and gaining 1.4% over the month. While business surveys softened globally, US business surveys held up better, which is typical for periods of global growth uncertainties (USD counter-cyclical).

Meanwhile, the market narrative is moving from growth and Fed concerns to stagflation angst. This is widely seen as USD bullish. In our view, the USD has more upside potential in the near-term given prevailing uncertainties. However, we are not convinced this is real stagflation and necessarily USD positive.

### **What is stagflation?**

Superficially, stagflation is low/falling growth and high/rising inflation. Judging by that, many econo-

mies experience stagflation at the moment, although growth is declining from high levels after the initial recovery from the Corona crisis and inflation is rising from low levels.

Analytically, stagflation is a state in which structural impediments (e.g. closed markets, high unionization and other inefficiencies) impair supply, while demand is strong, often compounded by stimulative policy. Stagflation is not a short-term phenomenon but lasts over a longer time period, due to its structural nature. Negative supply shocks, like the oil shocks in the 1970s, aggravate the stagflation experience.

### **This is not stagflation yet**

Corona has produced supply-demand imbalances. People have consumed more goods in substitution for services like travel and restaurants. At the same time, bottlenecks have emerged on the supply side like shipping, semiconductors and gas. However, these shifts are transitory and not structural. Goods consumption is bound to ease as the Pandemic fades and people start to consume more services again. The supply side also reacts elastically. China, for example, has more than doubled its container production from the pre-pandemic level and investment in the semiconductor sector is booming.

To be sure, the supply bottlenecks are unlikely to disappear quickly and in some areas such as gas (which is partly political) the shortage could get worse before it gets better. A real stagflation problem, however, will only emerge in our view if current labor shortages become structural and fail to resolve as the pandemic fades, while fiscal and monetary policy try too hard to

stimulate demand instead of fixing the supply problems. This is a risk, but not the most likely scenario. Unlike the 1970s, goods and labor markets are much more integrated and open and supply and demand react more elastically to price and output changes.

### Is stagflation good for the USD?

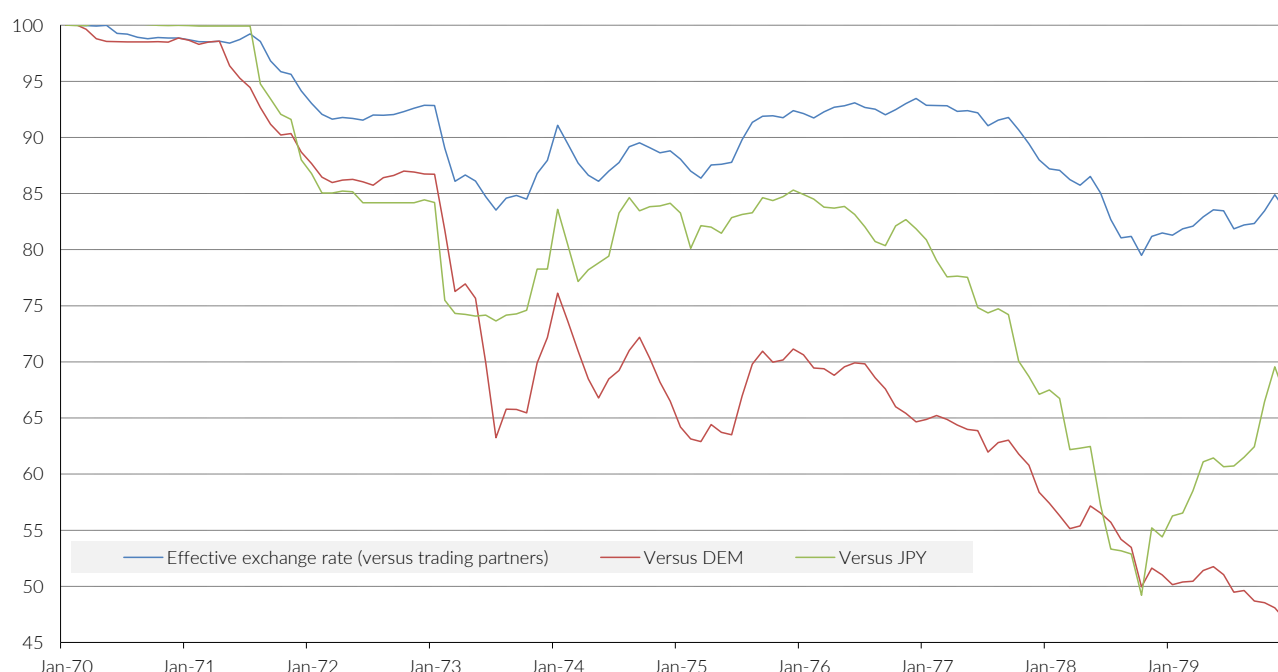
Judging by the experience of the 1970s, stagflation is not per se good for the USD. The USD effective exchange rate fell around 16% in the course of the 1970s (see chart), with heavy losses versus the DEM (-53%) and the JPY (-33%). Higher inflation in the US versus many of its trading partners (most notably Germany) was a key factor behind the USD's weakness in the 1970s. Furthermore, while the US started to slip into a persistent current account deficit in the course of the 1970s, others like Germany and Japan became current account surplus economies.

In our view, current inflation pressures are largely transitory due to the distortions caused by the

Pandemic. Yet, a return to the very low inflation experience of the last decade seems unlikely as well. We are not looking for a repeat of the high inflation years of the 1970s and early 80s. More likely to us is a shift in trend inflation from below 2% to above 2%. The main force behind this shift is in our view a more expansionary policy mix and tighter labor market conditions. Among major economies, we think that the shift to somewhat higher trend inflation will be more pronounced in the US, while we still see structural disinflationary headwinds in Europe and Japan.

Higher inflation in the US plus a current account deficit is per se not a recipe for a stronger USD. Whether the USD can overcome these handicaps depends on the US business cycle performance and the implication for monetary policy. At the moment, the USD benefits from global growth uncertainties and a less patient Fed, but it is less clear whether this will lead to more US exceptionalism as was the case over the last 10 years and, thus, USD trend appreciation.

### USD exchange rates in the 1970s (Jan-1970=100, lower means weaker USD)



Source: Bloomberg and QCAM

# Economy & Interest Rates

Global growth concerns (Delta-variant, supply-side bottlenecks, China) are showing up in softer data releases as well as downward growth revisions. In our view, these factors are temporary and unlikely to derail the global recovery. Mobility is increasingly decoupling from Corona cases. The healing of corporate balance sheets and labor market distortions is advancing, although not completed, and business investment is strong. Fiscal policy is adjusting as the pandemic fades but debt levels remain high. Inflation pressures are expected to ease next year and, while central banks are looking to exit emergency measures, a shift to restrictive monetary conditions still seems far away.

tions is advancing, although not completed, and business investment is strong. Fiscal policy is adjusting as the pandemic fades but debt levels remain high. Inflation pressures are expected to ease next year and, while central banks are looking to exit emergency measures, a shift to restrictive monetary conditions still seems far away.

	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>	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Global	-3.2	5.5	n.a.	n.a.	1.6	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-4.6	5.0	n.a.	n.a.	1.6	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	5.5	8.1	5.5	1.3	4.5	-2.9	-3.5	-14.7	-13.5	134	135
Canada	-5.3	5.0	9.6	7.5	0.7	3.0	-1.8	-0.5	-10.9	-7.5	118	115
Euro-area	-6.5	5.0	8.0	8.0	0.3	2.5	2.2	3.0	-7.2	-8.0	98	100
Sweden	-2.8	5.0	8.3	8.0	0.7	2.0	5.2	5.0	-4.0	-4.0	38	40
Switzerland	-2.9	4.0	3.2	3.0	-0.7	0.5	3.8	6.5	-4.4	-3.5	43	45
UK	-9.8	7.0	5.0	5.0	0.9	2.5	-3.9	-4.0	-13.5	-12.0	104	107
Japan	-4.7	2.5	2.8	3.0	0.0	0.0	3.3	3.5	-10.7	-9.0	255	257
Australia	-2.4	4.0	6.5	5.5	0.8	2.5	2.5	3.5	-9.6	-8.5	58	63
Emerging	-2.1	6.5	n.a.	n.a.	2.9	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.3	8.0	4.1	4.0	2.4	1.0	2.0	2.0	-11.2	-8.5	66	70
India	-7.3	8.0	n.a.	n.a.	6.2	5.0	1.0	-1.0	-12.8	-11.5	89	90
Russia	-3.0	4.5	5.8	5.0	3.4	6.5	2.3	5.5	-4.0	-1.0	19	18
Brazil	-4.1	5.0	13.1	14.0	3.2	8.0	-0.7	-0.5	-13.4	-8.0	99	99

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

## OECD business and consumer confidence\*



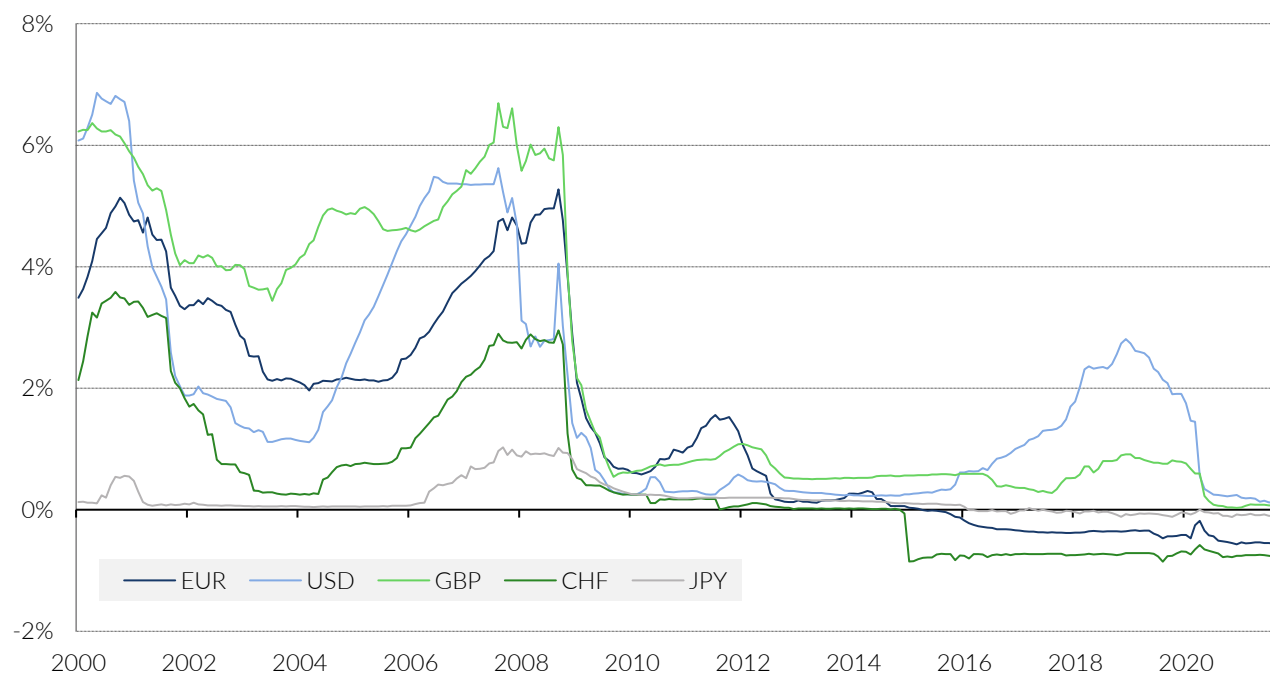
Source: OECD and QCAM, \*the last observations are QCAM estimates based on other surveys

## 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	0.08%	0.08%	0.09%	0.08%	1.00%	1.53%	1.34%	1.33%	0.76%	1.59%
EUR	-0.48%	-0.49%	-0.48%	-0.48%	-0.45%	0.19%	0.00%	0.05%	-0.22%	0.11%
JPY	-0.02%	-0.03%	-0.03%	-0.05%	-0.06%	0.13%	0.09%	0.07%	0.05%	0.08%
GBP	0.11%	0.05%	0.05%	0.05%	0.35%	1.24%	0.87%	0.88%	0.44%	0.88%
CHF	-0.73%	-0.74%	-0.73%	-0.74%	-0.75%	0.06%	-0.16%	-0.10%	-0.40%	-0.20%
AUD	0.03%	0.03%	0.04%	0.12%	0.55%	1.67%	1.41%	1.46%	0.76%	1.48%
CAD	0.19%	0.20%	0.20%	0.23%	0.92%	1.94%	1.67%	1.79%	1.06%	1.75%
SEK	-0.06%	-0.04%	-0.03%	-0.07%	-0.13%	0.90%	0.65%	0.70%	0.33%	0.61%
RUB	7.16%	6.77%	6.20%	4.16%	5.99%	7.99%	7.28%	7.23%	6.35%	7.41%
BRL	7.02%	6.32%	4.78%	1.49%	3.77%	10.89%	10.68%	9.17%	8.22%	8.40%
CNY	2.31%	2.28%	2.32%	2.36%	2.41%	2.66%	2.62%	2.97%	2.90%	2.95%
TRY	18.80%	19.95%	19.95%	13.14%	17.61%	18.48%	16.53%	18.10%	12.30%	14.88%
INR	3.59%	3.47%	3.53%	3.74%	4.67%	6.03%	5.68%	6.18%	5.09%	5.55%

### 3-month Libor



Source: QCAM Currency Asset Management, as of October 6th, 2021

# FX Markets

## FX Performance vs. PPP

The USD gained across the board over the last month on global growth concerns and more hawkish Fed statements. Among major currencies, the EUR was the biggest loser followed by the SEK and the AUD, while the CAD held up well (oil). In EM, TRY fell the most followed by BRL, while the RUB gained (also oil). Speculative positions have become

on balance longer USD. Forward hedging remains cheap with premia below 1% across all major currency pairs. Actual FX volatilities remained on balance stable and implied volatilities nudged up a bit. PPP estimates continue to crawl gradually against the USD with the JPY most undervalued followed by the GBP and the EUR.

### 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	1.161	-5.07%	-2.24%	-1.49%	3.98%	1.29	1.15 - 1.43	-10%
USDJPY	111.460	7.90%	1.46%	5.53%	7.22%	94.40	83.8 - 105.0	18%
GBPUSD	1.364	-0.07%	-1.37%	5.30%	7.88%	1.60	1.42 - 1.78	-15%
EURCHF	1.077	-0.51%	-0.91%	-0.13%	-1.54%	1.06	1.00 - 1.12	2%
USDCHF	0.928	4.80%	1.37%	1.39%	-5.31%	0.85	0.75 - 0.94	9%
GBPCHF	1.266	4.73%	-0.04%	6.76%	2.16%	1.24	1.13 - 1.35	2%
CHFJPY	120.148	2.96%	0.09%	4.09%	13.23%	93.53	82.6 - 104.4	28%
AUDUSD	0.729	-5.20%	-1.91%	1.97%	-3.77%	0.77	0.68 - 0.86	-5%
USDCAD	1.258	-1.50%	0.38%	-5.27%	-4.78%	1.21	1.12 - 1.29	4%
USDSEK	8.732	6.26%	1.99%	-2.01%	1.30%	8.09	7.15 - 9.02	8%
EURSEK	10.134	0.87%	-0.29%	-3.47%	5.33%	8.66	8.13 - 9.20	17%
USDRUB	72.282	-2.57%	-1.01%	-7.36%	16.32%	54.48	46.1 - 62.9	33%
USDBRL	5.469	5.30%	5.84%	-1.33%	69.38%	3.57	2.95 - 4.20	53%
USDCNY	6.447	-0.84%	-0.06%	-4.27%	-3.89%	6.88	6.67 - 7.09	-6%
USDTRY	8.879	19.50%	7.21%	13.88%	191.77%	5.56	4.43 - 6.70	60%
USDINR	74.528	2.02%	1.96%	1.46%	11.74%	69.84	64.8 - 74.9	7%

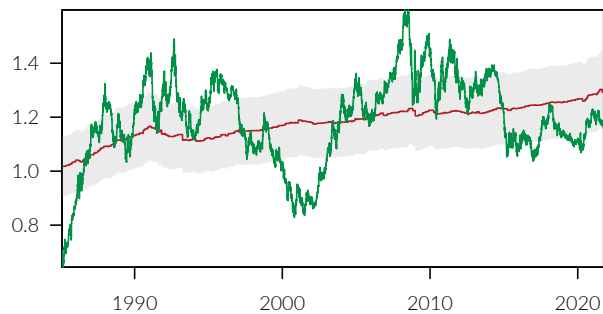
<sup>1</sup> Performance over the respective period of time, in percent

<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.

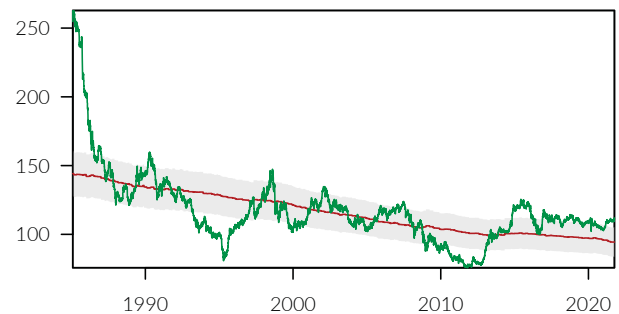
<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity

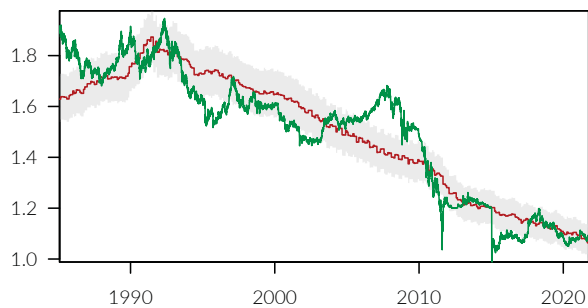
**EURUSD**



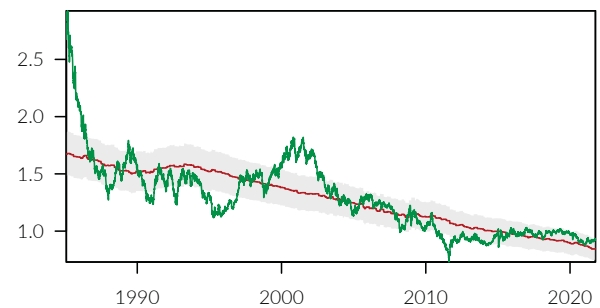
**USDJPY**



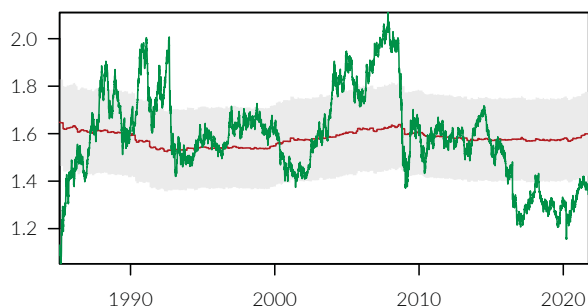
**EURCHF**



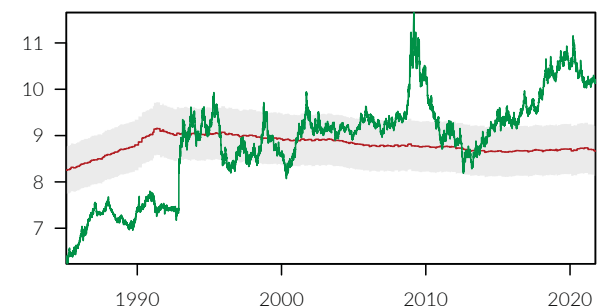
**USDCHF**



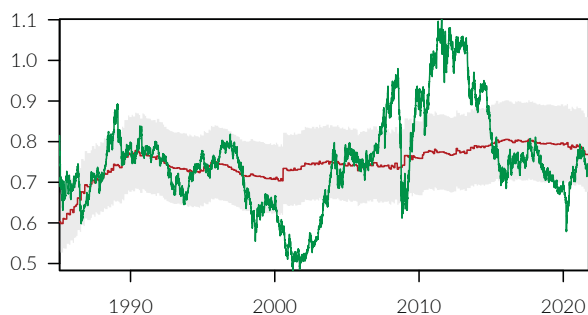
**GBPUSD**



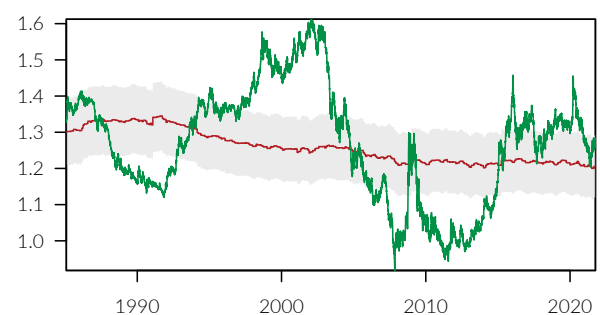
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

Source: QCAM Currency Asset Management, as of October 6th, 2021.

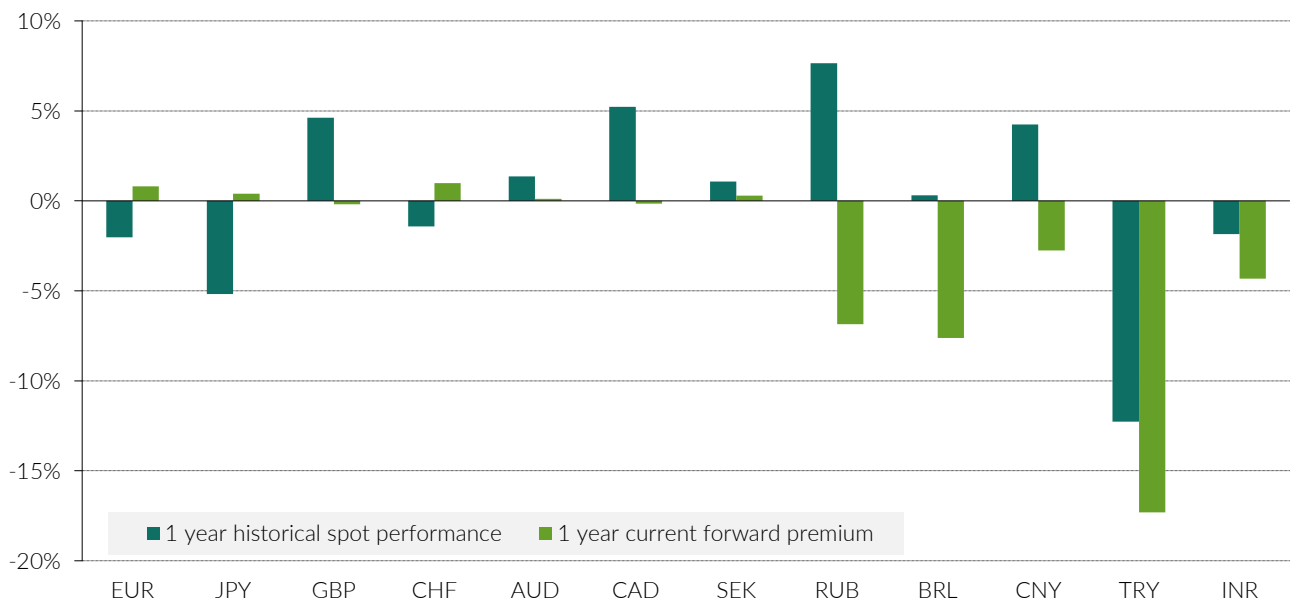


FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.161	1.1612	1.1630	1.1697	0.69%	0.84%	0.79%
USDJPY	111.460	111.4342	111.3457	111.0320	-0.26%	-0.40%	-0.38%
GBPUSD	1.364	1.3643	1.3646	1.3616	0.05%	0.11%	-0.19%
EURCHF	1.077	1.0764	1.0761	1.0748	-0.20%	-0.16%	-0.16%
USDCHF	0.928	0.9270	0.9253	0.9188	-0.89%	-1.00%	-0.94%
GBPCHF	1.266	1.2646	1.2626	1.2510	-0.84%	-0.89%	-1.13%
CHFJPY	120.148	120.2148	120.3310	120.8416	0.63%	0.60%	0.57%
AUDUSD	0.729	0.7295	0.7298	0.7302	0.15%	0.21%	0.10%
USDCAD	1.258	1.2576	1.2575	1.2595	0.03%	-0.04%	0.15%
USDSEK	8.732	8.7302	8.7229	8.7072	-0.26%	-0.42%	-0.28%
EURSEK	10.134	10.1380	10.1451	10.1857	0.42%	0.42%	0.50%
USDRUB	72.282	72.7120	73.5881	77.5571	6.49%	6.71%	7.20%
USDBRL	5.469	5.4948	5.5607	5.9244	5.24%	6.54%	8.21%
USDCNY	6.447	6.4632	6.4954	6.6308	2.91%	2.93%	2.81%
USDTRY	8.879	9.0279	9.3025	10.7207	18.29%	18.67%	20.46%
USDINR	74.528	74.7790	75.3032	77.9360	3.79%	4.07%	4.51%

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



Source: QCAM Currency Asset Management, as of October 6th, 2021.



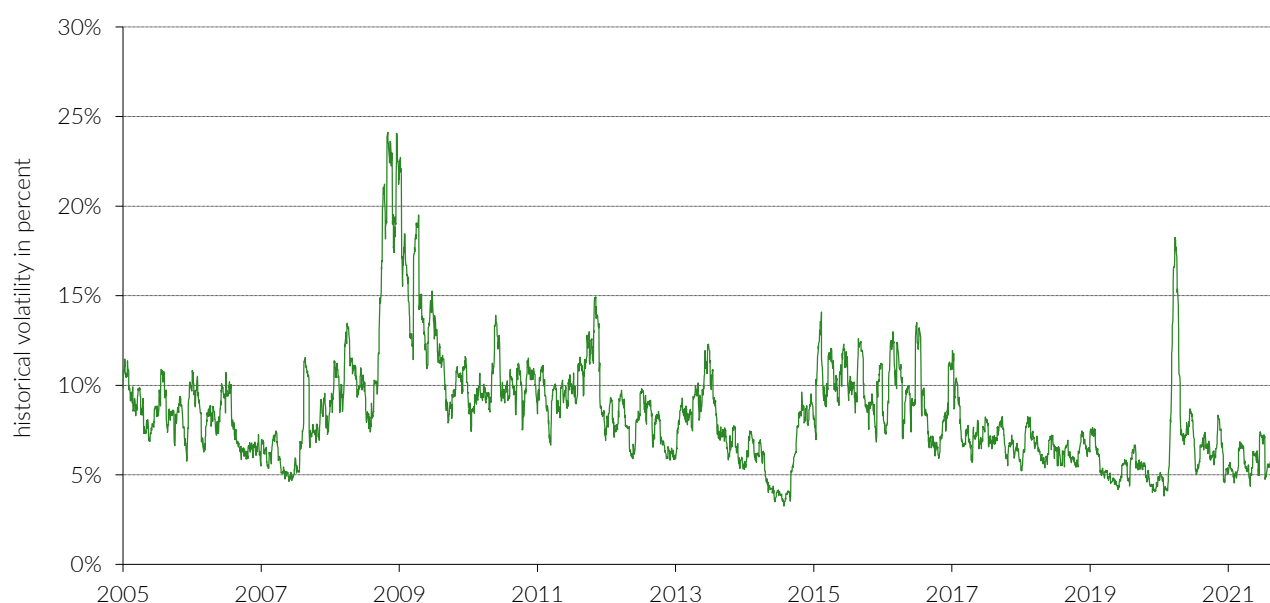
## FX Volatility

### 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	1.161	4.21%	5.63%	6.30%	6.36%	5.35%	5.15%	7.30%	6.85%
USDJPY	111.460	5.24%	4.93%	5.95%	6.96%	5.98%	5.43%	7.63%	7.62%
GBPUSD	1.364	6.86%	6.65%	8.37%	8.42%	7.78%	6.23%	10.98%	8.95%
EURCHF	1.077	4.17%	3.96%	4.36%	4.09%	4.05%	4.35%	4.80%	5.13%
USDCHE	0.928	6.13%	7.24%	6.30%	6.44%	6.24%	6.10%	6.93%	6.72%
GBPCHE	1.266	6.48%	6.12%	8.28%	7.91%	7.55%	6.45%	9.68%	8.45%
CHFJPY	120.148	4.77%	5.94%	6.69%	6.13%	5.88%	5.50%	6.83%	7.00%
AUDUSD	0.729	8.46%	9.22%	8.90%	8.50%	9.25%	8.60%	10.68%	8.93%
USDCAD	1.258	8.15%	8.79%	5.88%	6.59%	6.88%	6.68%	6.80%	6.79%
USDSEK	8.732	6.97%	8.67%	8.71%	8.47%	7.98%	7.73%	10.13%	8.80%
EURSEK	10.134	4.08%	4.31%	5.07%	5.53%	4.75%	4.78%	6.80%	6.05%
USDRUB	72.282	6.61%	7.04%	12.75%	12.03%	9.89%	9.99%	17.69%	12.58%
USDBRL	5.469	15.70%	16.01%	16.57%	14.45%	16.73%	16.15%	21.33%	15.37%
USDCNY	6.447	3.39%	3.88%	3.97%	4.44%	4.35%	4.35%	6.48%	5.23%
USDTRY	8.879	9.54%	11.14%	10.52%	15.54%	16.70%	14.82%	18.41%	16.85%
USDINR	74.528	3.91%	4.71%	4.55%	5.42%	5.35%	4.93%	6.88%	6.28%

<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: QCAM Currency Asset Management, as of October 6th, 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 positions are either discretionary or model driven.

The Business Sentiment component is a rule-based framework built on business surveys.

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

Discretionary macro positions have changed from mostly neutral to largely long USD, notably in EUR and GBP. Business Sentiment positions have switched from a mix of longs and shorts to mostly long USD. Technical positions moved from range-trading (on balance neutral) to mostly long USD as well.

### Overview<sup>1</sup>

	Macro	Business Sentiment	Technical	Comment
EURUSD	-	-	--	Macro and Business Sentiment both switched to short EUR and the Technical short EUR position increased.
USDJPY	0/-	++	+	Discretionary Macro remained neutral, Macro interest rates stayed long JPY, Business Sentiment remained short JPY and Technical moved to short JPY.
EURCHF	0	-	--	The balance of CHF strategy positions has become long versus the EUR (before neutral) and neutral versus the USD (before long). The main CHF support comes from Technical especially versus the EUR.
USDCHF	+	0	-	
GBPUSD	-	--	-	Macro has joined Business Sentiment and Technical to short GBP across all strategies.
EURSEK	0/-	++	+	Discretionary Macro is back to neutral and the Macro interest rate model is long SEK. All other unchanged.
USDCAD	0/+	++	++	Technical has turned short CAD extending the overall short position.

<sup>1</sup> The signs relate to the first currency of the exchange rate pair ; ++ or -- mean 100% long or short; \*/\* means split position.  
Source: QCAM Currency Asset Management

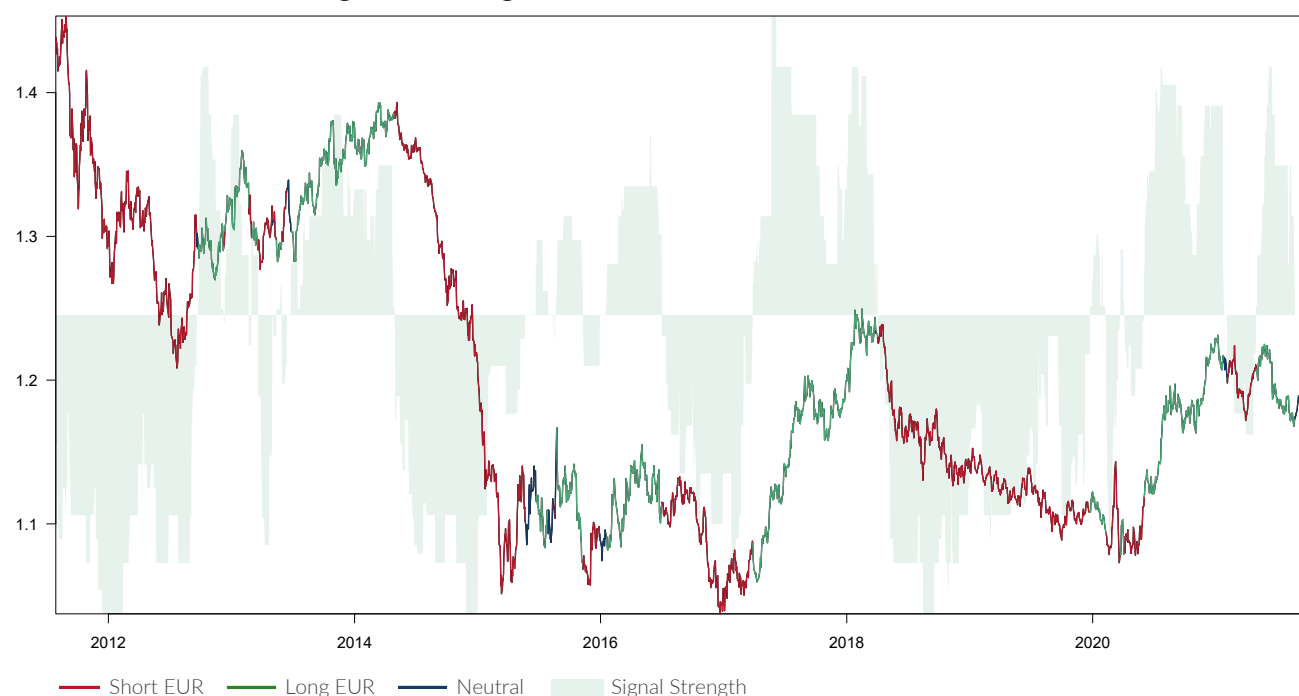
## EURUSD

The EUR position has shifted to short across all strategies. We expect global growth concerns to persist a while longer and shifted the Macro position to short EUR. Business Sentiment also switched

to short EUR as Euro-area surveys slipped more than US surveys. The short EUR Technical position has increased with the momentum in EURUSD.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	The gap between the US deficit the Euro-area surplus is consolidating
	Fiscal Balances	+	The US deficit has declined after the surge at the start of the year but remains high versus the EUR deficit
	Interest Rate Differentials	-	Interest rate differentials are a positive for the USD given a less patient Fed
	Oil prices	0	Rising oil and gas prices have so far failed to support the EUR
<b>Sentiment</b>	Business Sentiment	-	The momentum in Euro-area surveys slipped further and more than in US surveys
	Risk Sentiment	0	Global growth concerns support the USD versus the EUR, but the debt ceiling remains a risk for the USD
<b>Technical</b>	Price Action	-	Price technicals are firmly short EUR
	Spec Positions	0	The large EUR overbought position has disappeared
	PPP Valuation	+	EUR undervaluation is around 10%

### EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

USDJPY

We maintain the neutral discretionary Macro position as we believe that global growth concerns hurt the JPY less. We like the JPY in terms of valuation and external surplus, but the recovery momentum is too slow . Business Sentiment remains short JPY. The

Macro interest rate model stayed long JPY, which is partly a reflection of risk aversion, and Technical moved to short JPY. The overall short JPY position increased a bit as a result.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	The Japanese surplus has returned to the levels before Corona, while the US deficit has widened
	FDI Flows	0/-	Net outflows have increased again, but not to the pre-Corona level offsetting the current account surplus
	Interest Rate Differentials	0/-	Short-term interest rate differentials remain too low for a sizeable return of the carry trade
Sentiment	Business Sentiment	--	Japanese surveys still trailing US surveys
	Risk Sentiment	0	Global growth concerns hurt the JPY less (safe haven currency)
Technical	Price Action	0	Price action shifted to short JPY
	Spec Positions	0/+	Net short JPY position remained unchanged
	PPP Valuation	+	The JPY is currently about 18% undervalued

USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

## EURCHF

The CHF gained versus the EUR on rising risk aversion. Fundamentally, CHF and EUR are in balance, but the SNB is likely to intervene again if EURCHF approaches/crosses 1.07. As a result, we prefer a neutral

Macro position. Business Sentiment is modestly long CHF and Technicals shifted long CHF, moving the balance of all strategies from neutral to long CHF.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/+	Some inflows on global growth concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	-	The SNB is likely to intervene as EURCHF approaches/crosses 1.07
<b>Sentiment</b>	Business Sentiment	0/+	Swiss economy is catching up with the Euro-area in the surveys
	Risk Sentiment	0/+	Risk conditions look more balanced going forward but the CHF seems to benefit a bit from risk aversion in FX
<b>Technical</b>	Price Action	-	Technicals turned long CHF as EURCHF crossed 1.08
	Spec Positions	0	Net long CHF position shifted to modestly net short
	PPP Valuation	0/-	CHF is around fair-value versus the EUR

### EURCHF and QCAM Strategic Positioning



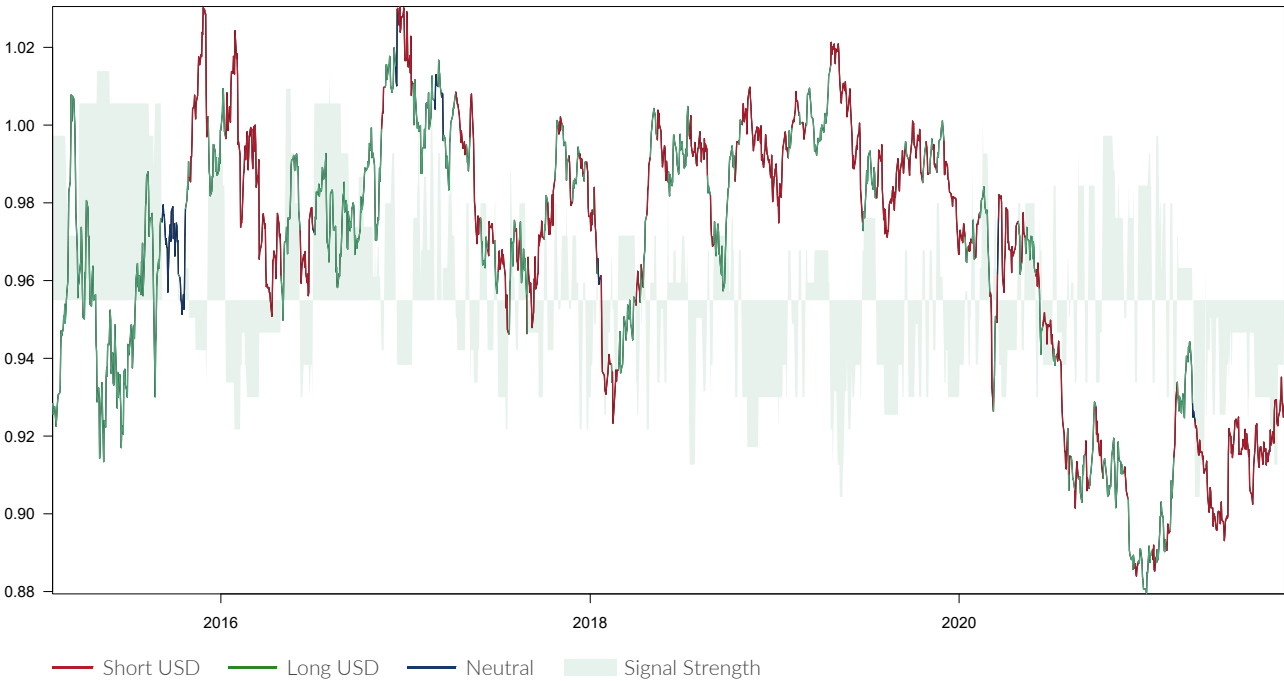
Source: QCAM Currency Asset Management

USDCHF

With the neutral EURCHF Macro view and the short EUR Macro position versus the USD position, we also switch to short CHF versus the USD in Macro. Business Sentiment shifted from long CHF to neutral but Technicals shifted to long CHF. The balance of all three strategies shifted from long CHF to neutral.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/+	Some inflows on global growth concerns
	Interest Rate Differentials	0/-	Reduced differential detracts bond market outflows and increases USD hedging but US rate hike risk remains present
	SNB Policy Intervention	0	SNB tied to EURCHF intervention risk
Sentiment	Business Sentiment	++	Swiss surveys are broadly in line with US surveys
	Risk Sentiment	0	Risk aversion is not helping the CHF much versus the USD
Technical	Price Action	+	Technicals have shifted long CHF
	Spec Positions	0	Net long CHF position shifted to modestly net short
	PPP Valuation	0/+	CHF is about 9% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

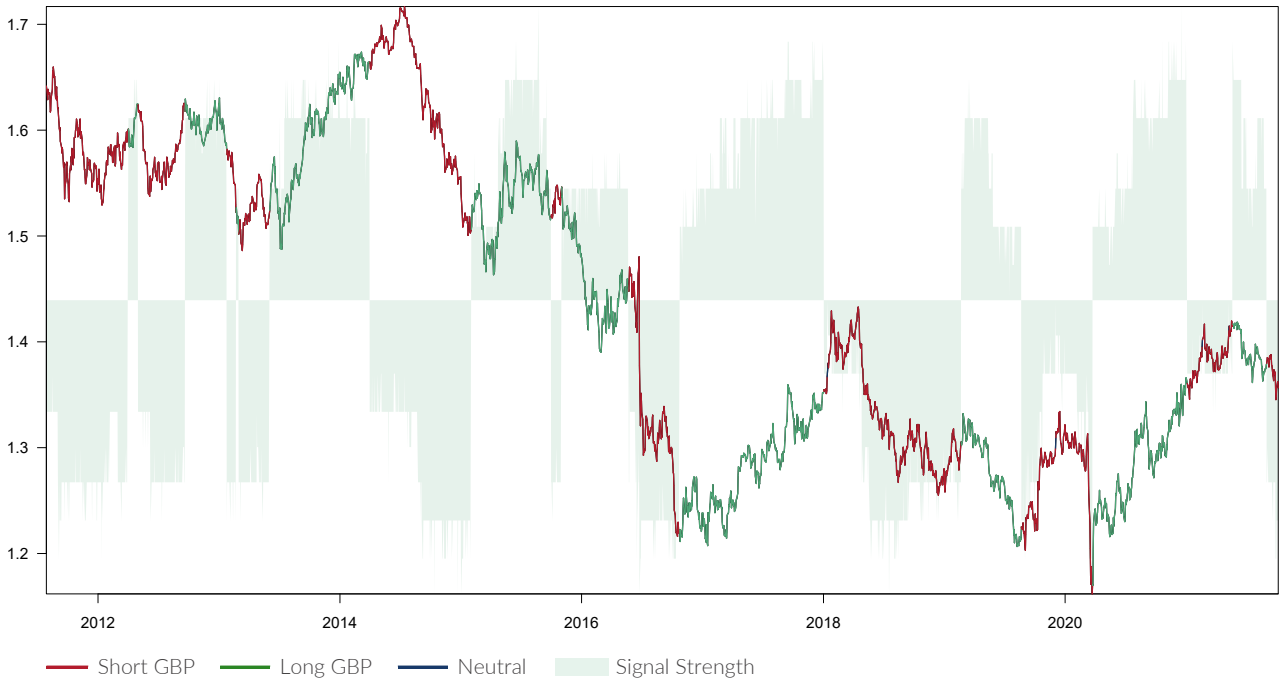
GBPUSD

Our Macro position shifted to short GBP as we expect the acute shortages in the UK and global growth concerns to hurt the GBP further, even though the threat from the Delta variant is easing. Business Sentiment and Technicals both remain short GBP. As a result, the short GBP balance of

our strategies has increased. The crowded long GBP position has disappeared and the GBP is still undervalued in PPP terms. Yet, the GBP has come a long way since the BREXIT vote and the UK remains a deficit economy, limiting the upside potential.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	The UK has like the US a twin deficit problem
	Interest Rate Differentials	0/-	US and UK interest rates are about equal, but US rates have more upside potential
	Oil Price	0	Rising oil and gas prices have failed to support the GBP so far
Sentiment	Business Sentiment	--	Momentum in UK surveys has fallen behind US surveys
	Risk Sentiment	-	Risk aversion is rising due to the acute shortages in the UK and the global growth concerns
Technical	Price Action	-	Technicals remain short GBP
	Spec Positions	0	Net long GBP positions moved to a modest net short
	PPP Valuation	+/-	The GBP is still 15% undervalued, but has recovered much of the losses since the BREXIT vote

GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management



## EURSEK

We took a small profit on the long SEK discretionary Macro position. Sweden's fundamentals remain sound and the SEK is undervalued, but Sweden is not isolated from global growth concerns. Business

Sentiment and Technicals both stayed short SEK, while the interest rate Macro model moved to long SEK. The balance of all strategy positions is short SEK.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	+	The Macro interest rate model switched to long SEK
<b>Sentiment</b>	Business Sentiment	-	Surveys have shifted short SEK
	Risk Sentiment	0	Global growth concerns weigh on the SEK as well, but not more than on the EUR
<b>Technical</b>	Price Action	-	Technicals remain short SEK
	PPP Valuation	+	The SEK is roughly 17% undervalued versus the EUR

### EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

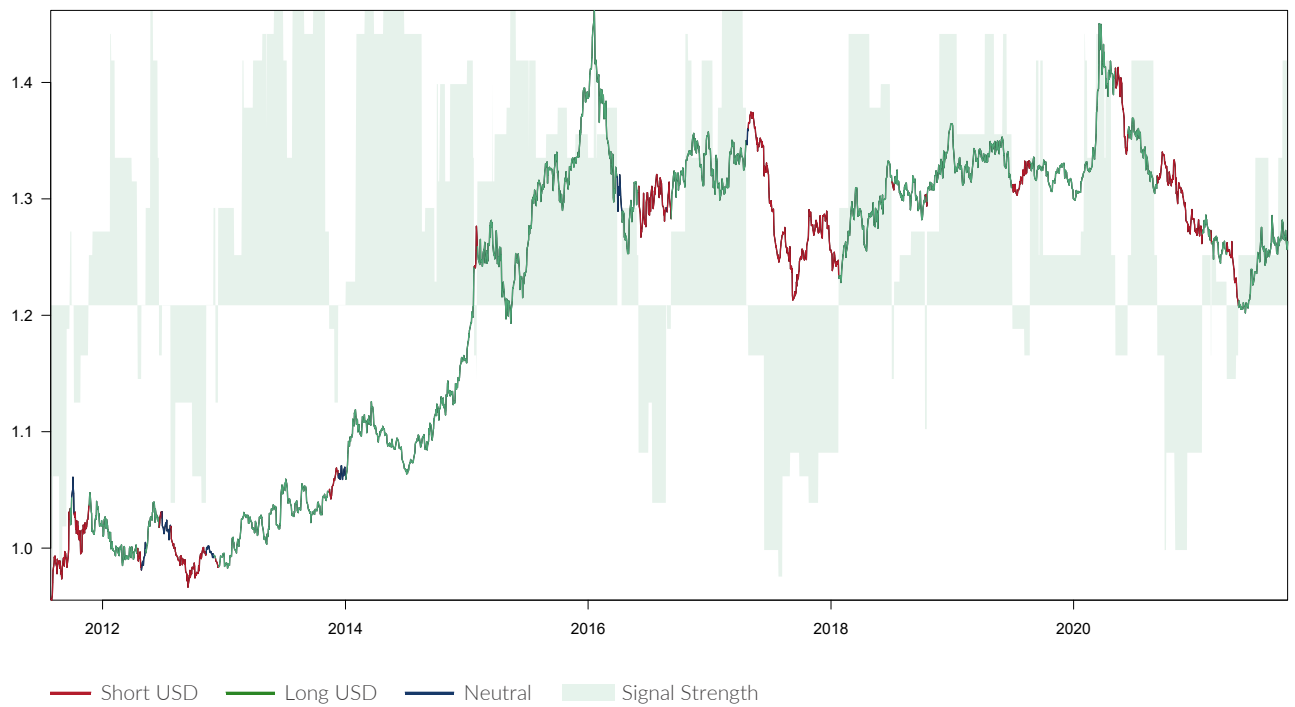
## USDCAD

The CAD position has turned outright short. Only discretionary Macro stays neutral. Global growth uncertainties are negative for the CAD. The main support comes from high and rising oil and gas prices, which

are likely to improve the current account further. The outcome of the election has not changed anything for the CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit has turned into a small surplus, while the US deficit remains so far stubbornly large
	Oil Prices	+	Rising oil prices are the main support for the CAD
	Interest Rate Differentials	0	USD and CAD interest rates are close
	USD DXY Trend	-	The broad USD appreciation is modestly negative CAD
Sentiment	Business Sentiment	-	Canada still trails the US in the surveys
	Risk Sentiment	0/-	Global growth concerns are negative CAD
Technical	Price Action	-	Longer-term momentum has shifted short CAD as well
	Spec Positions	0	Net long CAD position declined toward neutral
	PPP Valuation	0	CAD is about 4% undervalued versus the USD

### USDCAD and QCAM Strategic Positioning



Source: 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.



## Money Market Plus

QCAM's Money Market Plus Strategy «MMP» 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 MMP 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

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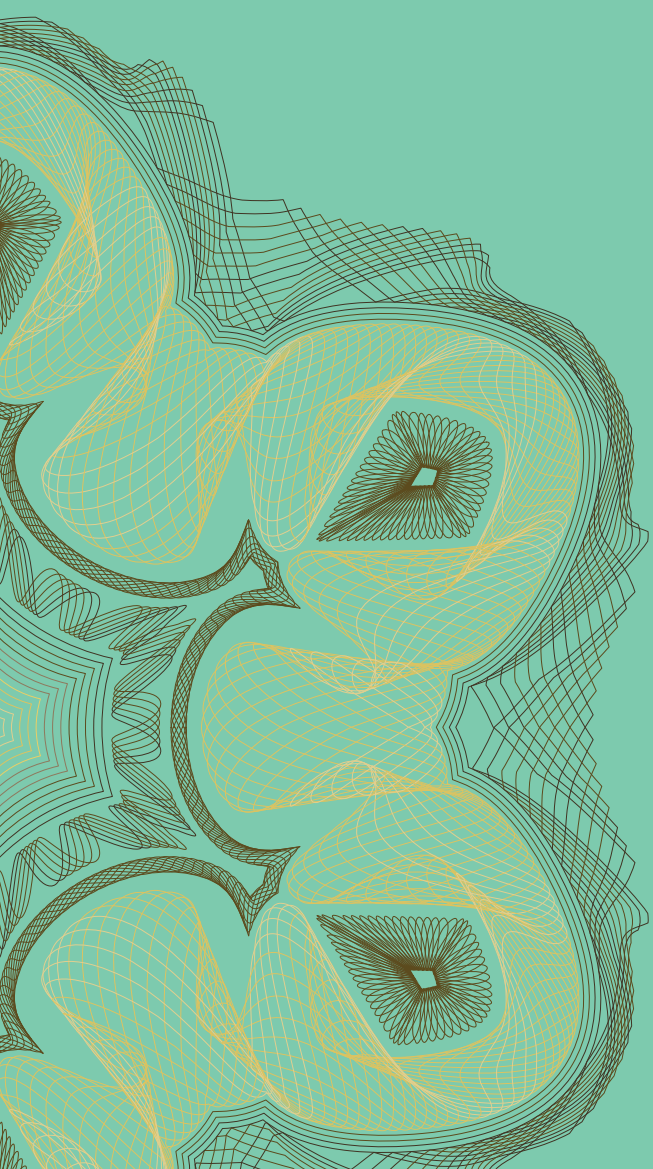
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