QCAM®
Currency
Asset
Management

April 2021

QCAM MONTHLY

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

Page 1 QCAM Insight

Ides of March or April weather?

Page 3 Economy and Interest Rates

Page 5 FX Markets

Page 9 FX Analytics

Page 17 QCAM Products and Services

Page 18 QCAM Profile

www.q-cam.com

QCAM®
Currency
Asset
Management

QCAM Insight

Ides of March or April weather?

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

The USD strengthened in March on the back of improved economic sentiment and rising bond yields. The QCAM FX BIAS product captured the USD rally well. However, is this the start of a new USD uptrend? Business sentiment surveys already signal new changes. Different cross currents are likely to result in a more mixed FX performance in April before a new trend emerges.

The USD rallied against most major currencies in March. The USD DXY gained 2.6% in the course of the month. Only the CAD strengthened versus the USD on the back of higher oil prices. USD strength was not the result of increased risk aversion. The VIX fell from 28 to 19 in March, which helps explain the poor performance of the CHF and the JPY, but not the broad USD rally. The view that the US will pull out of the Corona crisis well ahead of most other major economies was the main force behind the USD strength. US growth optimism also pushed long-term Treasury yields higher, which gave the USD additional support.

The QCAM FX BIAS product captured the USD rally well, gaining 2.8% in March (see chart) . Based on the respective business sentiment surveys, the QCAM FX BIAS position was long USD against all other basket currencies (EUR, JPY, GBP, AUD, CAD, CHF) except for the SEK. In terms of individual currencies, the long USD position performed well versus the JPY (+3.9%), the EUR position (+2.9%), the AUD (+1.6%) and the GBP (+1.1%). The long SEK position lost outright (-3.4%) followed by the short CAD position (-1.2%) and the CHF position (-0.7%), which was temporarily long CHF during the month.

The start of a USD uptrend?

After the strong USD performance in March it is not unreasonable to expect more USD strength in April leading possibly to a USD uptrend. The US clearly remains ahead in the battle against Corona thanks to its successful vaccination rollout. The result is much increased mobility, which is already translating into stronger economic activity reports. In contrast, other countries, most notably in Europe, are imposing new lockdown measures in response to a third wave of Corona infections and amid slow vaccination progress.

In addition, the US economy has received a giant shot in the arm thanks to the $1.9 trillion stimulus package. The result is not only more growth optimism but also rising long-term bond yields, which gives the USD a growing yield advantage. We believe that 10-year US Treasury yields will continue to rise, possibly crossing the 2% level by the middle of the year.

Not all is USD positive

On the other hand, the strong performance of the US will also revive the global economy. Global business cycle rebounds and rising risk sentiment typically hurt the USD. Second, it is only a matter of time until oth-

For more detail on QCAM FX BIAS and its currency composition see QCAM FX-Monthly December 2020 and the March Fact Sheet. QCAM FX Bias is available as a Tracker-Certificate from UBS.

er major economies will catch up with the US vaccination progress. Third and importantly, the US is running a large and rising current account deficit (see page 3). Most other major currencies have rising current account surpluses. The CAD has a current account deficit, but that is shrinking. The only other major currency with a stubborn deficit is the GBP.

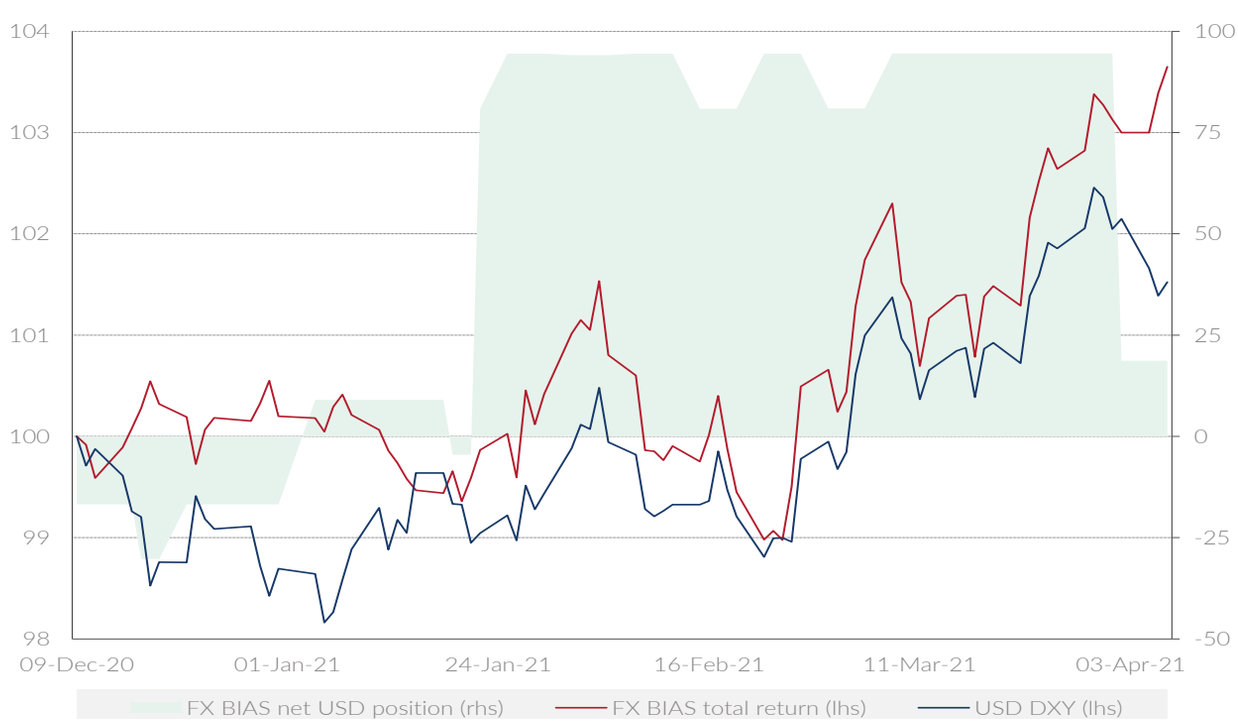
Business surveys are shifting again

Early indicators that the USD rally may be stalling are the business sentiment surveys. The business sentiment surveys which generate the signals for QCAM FX BIAS turned positive for the EUR at the start of April. The signals for the CHF also went from negative to neutral, while the SEK signals stayed positive. As a result, the QCAM FX BIAS net USD position declined from 95% long versus the other basket currencies to just 19% long (see chart). In our view, there is a good chance that other business sentiment surveys will shift as well over the next two months, turning the overall QCAM FX BIAS position to net short USD. It is too early to read much into these signal changes from business sentiment surveys, but it is noteworthy that the EUR gained some ground versus the USD since these signal changes occurred and the USD DXY also fell slightly.

Mixed FX performance in April

In our view, the USD has the potential to make another move up in April, especially if the Corona situation elsewhere deteriorates, most notably in Europe. Similarly, the USD could fall if stronger US activity leads to more global growth and market optimism. Given the many opposing forces at play, we believe FX markets will be mixed in April and on balance move in a sideway range. We would expect the balance of business sentiment surveys to move decisively in one or the other direction if and when a new trend emerges.

USD DXY vs. QCAM FX BIAS net USD positions and total return performance



Source: Bloomberg, UBS and QCAM

QCAM®
Currency
Asset
Management

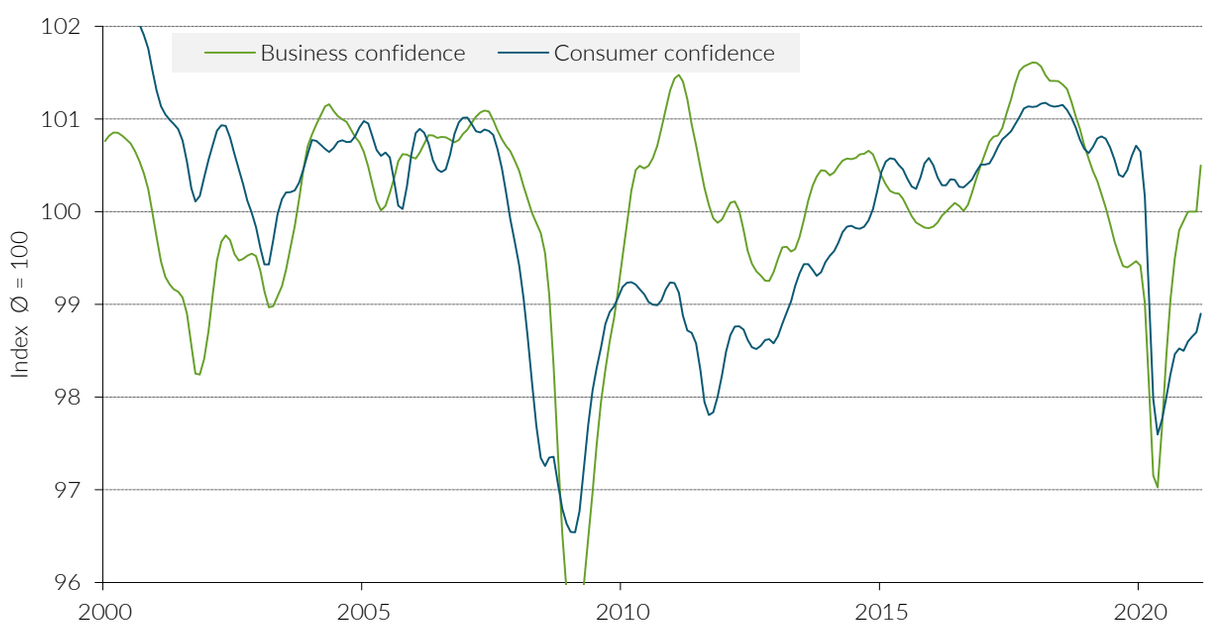
Economy & Interest Rates

First-quarter growth held up well despite the spike in Corona infections and growth forecasts for 2021 have been raised. However, there are significant differences by country and region, largely driven by the progress in fighting the Corona virus. The US is currently clearly in the lead, the Euro-area lags behind and some EM countries like Brazil are struggling. The healing of corporate balance sheet and labor market distortions will take time and most economies are unlikely to reach pre-Corona levels before the end of the year or later. As a result, fiscal deficit and debt projections remain high and monetary policy is expected to stay easy.

	Real GDP growth[1]		Unemployment rate[1]		Inflation rate[1]		Current account[2]		Fiscal balance[2]		Public debt[2]	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Global	-3.5	6.5	n.a.	n.a.	1.6	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-5.0	6.0	n.a.	n.a.	0.7	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	6.5	8.1	5.5	1.3	2.5	-3.1	-4.0	-15.8	-16.0	127	133
Canada	-5.4	6.0	9.6	7.5	0.7	2.0	-1.9	-1.0	-10.7	-8.0	119	116
Euro-area	-6.6	5.0	8.0	8.5	0.3	1.5	2.3	3.0	-8.0	-6.0	97	98
Sweden	-2.8	4.0	8.3	8.5	0.7	1.5	5.2	5.0	-4.0	-4.0	38	40
Switzerland	-2.9	3.5	3.1	3.5	-0.7	0.0	4.0	5.0	-2.6	-3.5	43	45
UK	-9.9	6.5	4.5	6.0	0.9	1.5	-3.9	-4.0	-13.5	-12.0	104	107
Japan	-4.8	4.0	2.8	3.0	0.0	0.0	3.3	3.5	-12.6	-10.0	256	257
Australia	-2.4	4.5	6.5	6.0	0.9	2.0	2.5	2.0	-9.9	-10.0	63	72
Emerging	-1.0	8.0	n.a.	n.a.	3.0	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.3	9.0	4.0	4.0	2.4	1.5	2.0	1.5	-11.4	-10.0	67	70
India	-7.5	12.5	n.a.	n.a.	6.2	4.5	1.0	-1.0	-12.3	-11.0	90	90
Russia	-3.1	3.5	5.8	5.5	3.4	5.0	2.2	4.0	-4.1	-1.0	19	19
Brazil	-4.1	3.0	13.1	13.5	3.2	6.0	-0.7	-0.5	-13.4	-9.0	99	100

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

OECD business and consumer confidence*



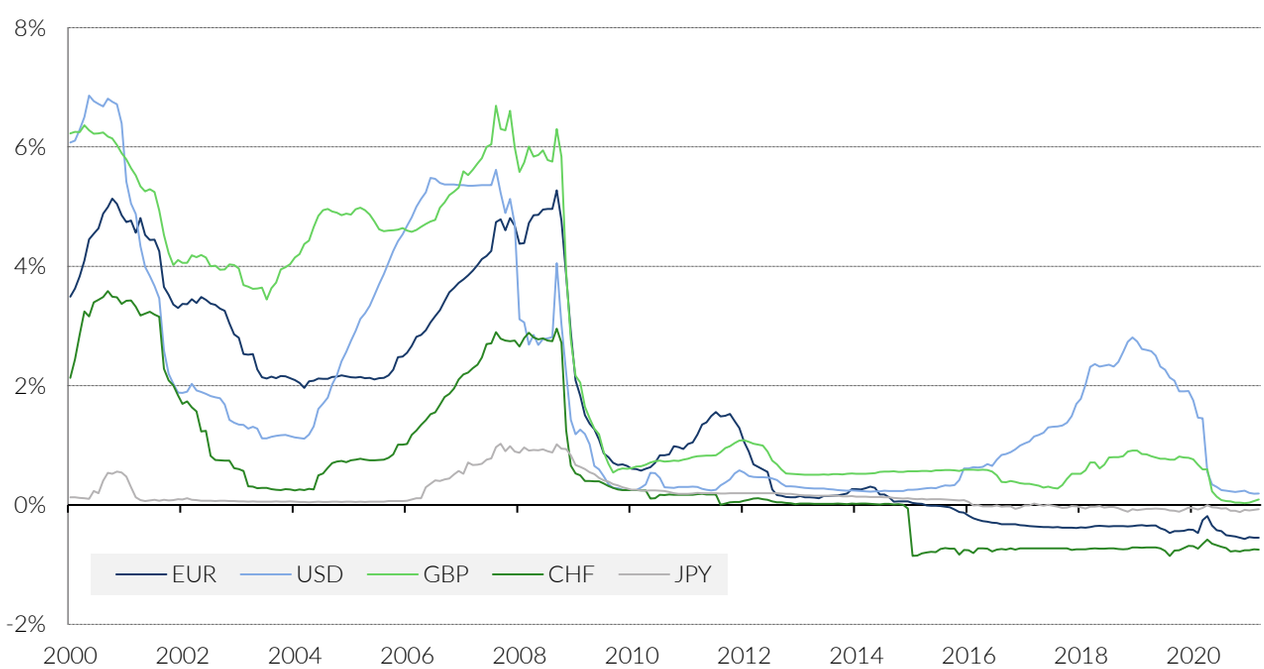
Source: OECD and QCAM, *the last observations are QCAM estimates based on other surveys

Interest Rates

Interest Rate Level Overview

	Short Term Interest Rate (3month OIS)					Long Term Interest Rate (10year Swap)				
	Current	1M ago	3M ago	12M ago	Ø 3 years	Current	1M ago	3M ago	12M ago	Ø 3 years
USD	0.07%	0.08%	0.08%	0.08%	1.32%	1.71%	1.62%	1.08%	0.77%	1.85%
EUR	-0.49%	-0.48%	-0.48%	-0.46%	-0.43%	0.03%	0.02%	-0.23%	0.06%	0.26%
JPY	-0.02%	-0.02%	-0.04%	-0.06%	-0.06%	0.13%	0.13%	0.06%	0.06%	0.11%
GBP	0.05%	0.05%	0.03%	0.07%	0.45%	1.01%	0.97%	0.48%	0.67%	0.98%
CHF	-0.73%	-0.73%	-0.74%	-0.71%	-0.75%	-0.06%	-0.06%	-0.34%	-0.24%	-0.13%
AUD	0.03%	0.04%	0.03%	0.15%	0.79%	1.74%	1.85%	1.07%	1.03%	1.71%
CAD	0.19%	0.21%	0.18%	0.21%	1.14%	2.00%	1.96%	1.31%	1.29%	1.89%
SEK	-0.03%	-0.03%	-0.04%	-0.06%	-0.21%	0.75%	0.82%	0.40%	0.45%	0.69%
RUB	4.89%	4.24%	4.19%	5.89%	6.18%	7.58%	6.95%	6.43%	6.99%	7.60%
BRL	3.14%	1.99%	1.40%	3.77%	3.96%	9.43%	8.10%	7.62%	8.28%	8.77%
CNY	2.40%	2.44%	2.35%	1.38%	2.51%	3.07%	3.10%	2.82%	2.18%	3.07%
TRY	19.95%	17.95%	17.95%	9.45%	17.63%	18.27%	14.50%	13.04%	13.47%	14.74%
INR	3.54%	3.61%	3.53%	4.37%	5.17%	5.87%	6.08%	5.14%	5.00%	5.79%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of April 7th, 2021

QCAM®
Currency
Asset
Management

FX Markets

FX Performance vs. PPP

The USD strengthened versus all major currencies in March except for the CAD (the USD DXY was up 2.6%). Safe-haven currencies like the JPY and the CHF underperformed the most. EM currencies lost on average 2% versus the USD, led by the TRY. Short-USD speculative future positions declined significantly and even turned into long positions in some cases, as versus the JPY. Forward hedging remains a cheap option given low interest rate spreads. Volatility in USD crosses increased slightly, although from low levels, while volatility in EUR crosses declined further. PPP estimates continue to crawl very gradually against the USD and the USD's overvaluation against major currencies remained broadly unchanged.

Overview

	Current Exchange Rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.188	-2.81%	-0.25%	9.05%	4.45%	1.29	1.15 - 1.43	-8%
USDJPY	109.710	6.21%	1.32%	0.80%	1.44%	94.92	84.2 - 105.6	16%
GBPUSD	1.374	0.67%	-0.60%	11.38%	-2.32%	1.59	1.41 - 1.76	-14%
EURCHF	1.103	1.95%	-0.54%	4.31%	1.49%	1.09	1.03 - 1.15	1%
USDCHF	0.928	4.88%	-0.29%	-4.36%	-2.84%	0.86	0.76 - 0.96	8%
GBPCHF	1.276	5.59%	-0.89%	6.54%	-5.09%	1.25	1.14 - 1.36	2%
CHFJPY	118.170	1.26%	1.61%	5.39%	4.41%	92.79	81.9 - 103.7	27%
AUDUSD	0.762	-0.99%	-0.70%	22.87%	1.51%	0.79	0.69 - 0.88	-4%
USDCAD	1.261	-1.22%	-0.42%	-9.64%	-4.24%	1.20	1.12 - 1.29	5%
USDSEK	8.619	4.88%	0.97%	-13.97%	5.61%	7.94	7.02 - 8.86	9%
EURSEK	10.242	1.94%	0.71%	-6.17%	10.31%	8.70	8.16 - 9.25	18%
USDRUB	77.149	3.99%	3.81%	2.50%	13.08%	52.77	44.5 - 61.0	46%
USDBRL	5.611	8.03%	-1.41%	7.30%	51.51%	3.37	2.78 - 3.96	67%
USDCNY	6.548	0.71%	0.45%	-7.21%	0.97%	6.54	6.34 - 6.74	0%
USDTRY	8.160	9.82%	8.05%	20.60%	185.04%	4.89	3.88 - 5.91	67%
USDINR	74.357	1.78%	1.57%	-1.73%	11.43%	69.45	64.4 - 74.5	7%

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

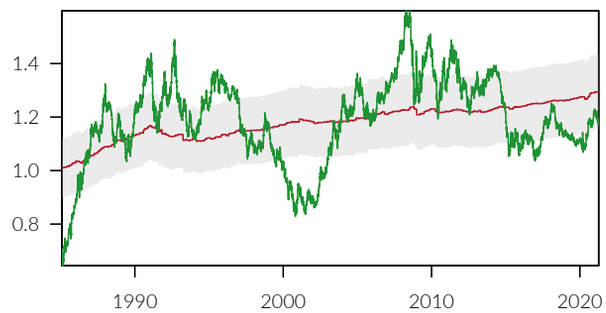
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

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

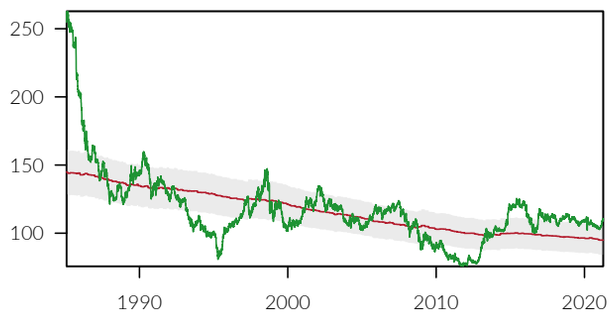
Source: Bloomberg, QCAM Currency Asset Management, as of April 7th, 2021.

Purchasing Power Parity

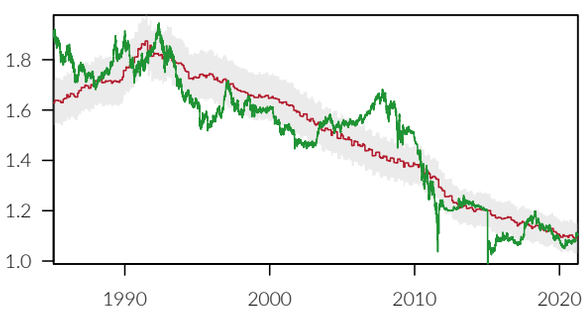
EURUSD



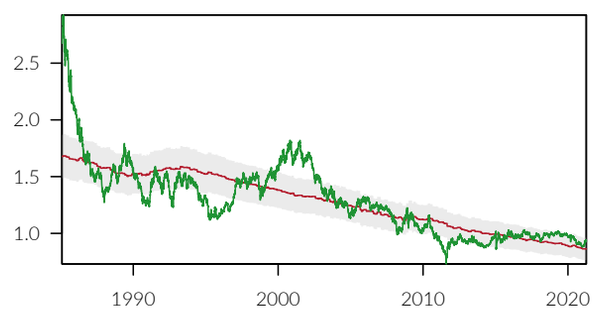
USDJPY



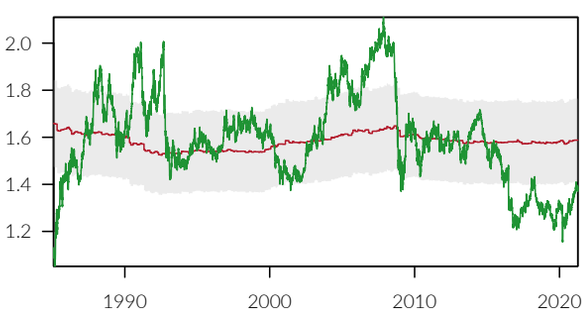
EURCHF



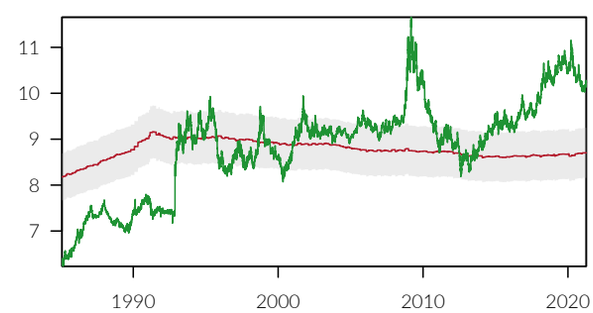
USDCHF



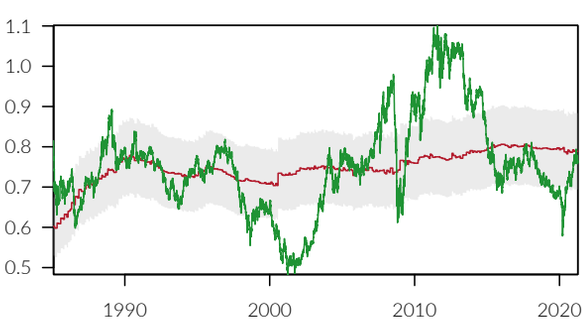
GBPUSD



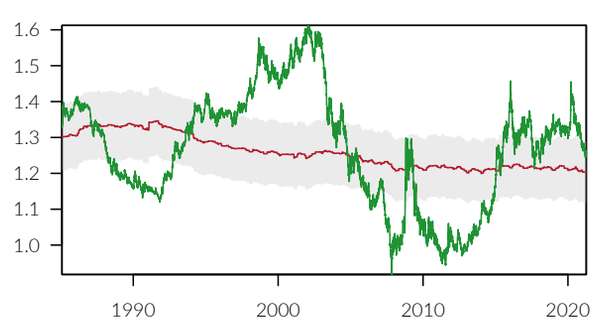
EURSEK



AUDUSD



USDCAD



PPP — Spot — Neutral Range

Source: Bloomberg, QCAM Currency Asset Management, as of April 7th, 2021.

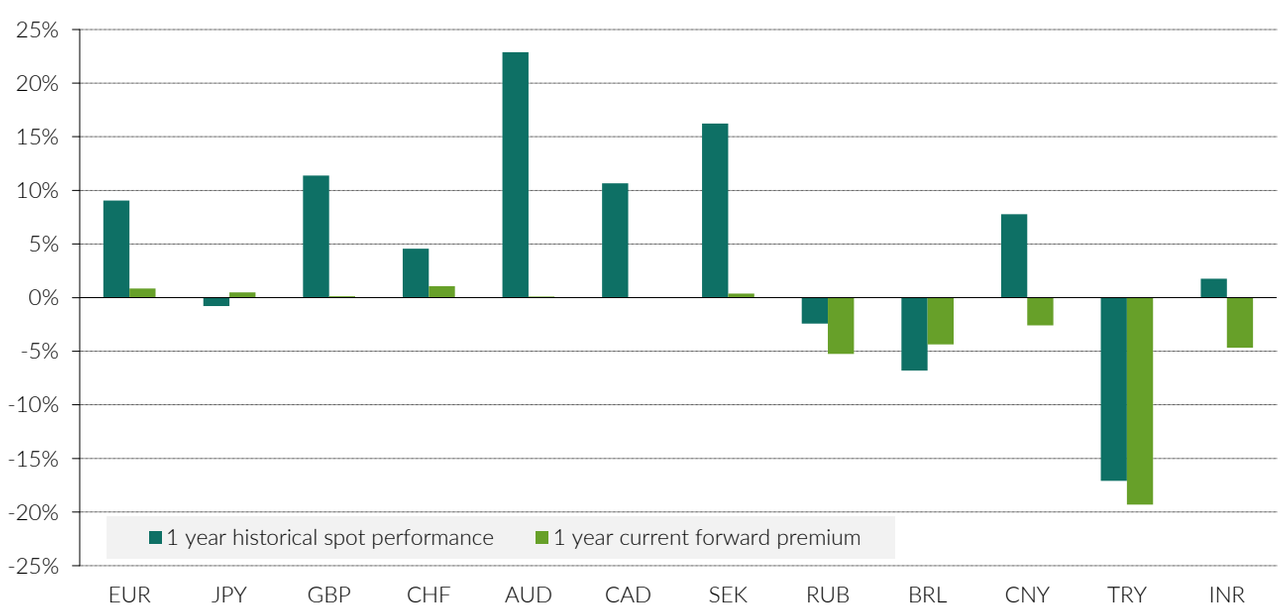
QCAM®
Currency
Asset
Management

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.188	1.1889	1.1905	1.1984	0.72%	0.75%	0.84%
USDJPY	109.710	109.6782	109.6135	109.1693	-0.34%	-0.35%	-0.48%
GBPUSD	1.374	1.3743	1.3746	1.3760	0.10%	0.11%	0.13%
EURCHF	1.103	1.1030	1.1026	1.1009	-0.23%	-0.22%	-0.20%
USDCHF	0.928	0.9276	0.9261	0.9186	-0.95%	-0.97%	-1.03%
GBPCHF	1.276	1.2750	1.2731	1.2641	-0.85%	-0.86%	-0.91%
CHFJPY	118.170	118.2324	118.3558	118.8408	0.61%	0.62%	0.56%
AUDUSD	0.762	0.7619	0.7621	0.7625	0.18%	0.15%	0.09%
USDCAD	1.261	1.2611	1.2610	1.2607	-0.07%	-0.06%	-0.04%
USDSEK	8.619	8.6168	8.6120	8.5860	-0.31%	-0.33%	-0.38%
EURSEK	10.242	10.2452	10.2525	10.2896	0.41%	0.42%	0.46%
USDRUB	77.149	77.4713	78.0993	81.4125	4.56%	4.88%	5.45%
USDBRL	5.611	5.6215	5.6516	5.8676	2.12%	2.84%	4.48%
USDCNY	6.548	6.5625	6.5922	6.7221	2.63%	2.69%	2.61%
USDTRY	8.160	8.3211	8.6140	10.1114	22.22%	22.01%	23.59%
USDINR	74.357	74.7081	75.3106	77.9976	5.49%	5.08%	4.80%

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



Source: Bloomberg, QCAM Currency Asset Management, as of April 7th, 2021.

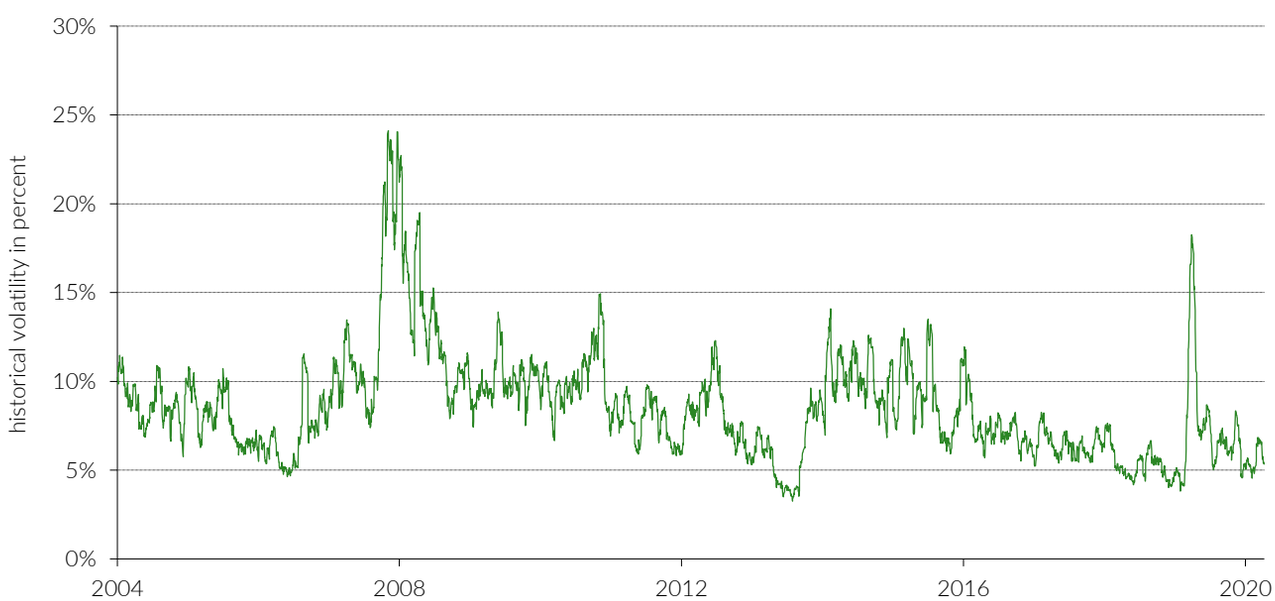
FX Volatility

Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility [1]				Implied Volatility [2]			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.188	5.86%	5.62%	10.10%	6.58%	6.13%	6.30%	8.25%	7.21%
USDJPY	109.710	4.62%	4.57%	13.63%	7.81%	6.45%	6.53%	9.05%	8.24%
GBPUSD	1.374	6.30%	7.56%	15.05%	9.28%	7.75%	8.45%	11.70%	9.53%
EURCHF	1.103	4.07%	3.59%	2.93%	4.18%	4.65%	5.20%	5.30%	5.33%
USDCHF	0.928	6.55%	5.81%	9.57%	6.57%	6.73%	6.73%	7.45%	6.99%
GBPCHF	1.276	6.36%	8.25%	11.49%	8.75%	7.83%	8.03%	9.93%	8.98%
CHFJPY	118.170	5.25%	4.64%	8.69%	6.85%	6.38%	6.50%	7.43%	7.60%
AUDUSD	0.762	9.80%	9.74%	15.70%	8.79%	9.90%	10.73%	13.28%	9.19%
USDCAD	1.261	6.10%	6.44%	9.69%	6.88%	6.60%	7.00%	8.55%	7.08%
USDSEK	8.619	8.27%	9.04%	13.70%	8.55%	8.73%	9.05%	11.10%	8.97%
EURSEK	10.242	3.98%	5.36%	8.94%	5.63%	5.63%	5.53%	8.43%	6.22%
USDRUB	77.149	10.55%	10.85%	31.56%	12.89%	15.06%	14.38%	19.59%	13.19%
USDBRL	5.611	19.17%	17.83%	19.14%	14.75%	18.68%	19.00%	18.88%	15.48%
USDCNY	6.548	3.95%	3.82%	5.57%	4.41%	5.05%	5.28%	5.75%	5.35%
USDTRY	8.160	23.95%	12.73%	11.52%	15.10%	25.19%	18.38%	23.83%	16.31%
USDINR	74.357	5.90%	4.66%	7.87%	5.44%	6.78%	6.35%	10.13%	6.37%

[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 April 7th, 2021.

QCAM®
Currency
Asset
Management

FX Analytics

QCAM has developed an analytical framework to take scalable exchange rate positions. The QCAM exchange rate strategy for each currency pair has three principle components:

- **Macro**
- **Business Sentiment**
- **Technical**

The positioning signals from each component are aggregated into an overall positioning score for each currency pair. This score is used for the dynamic exposure management.

The Macro component consists typically of economic growth, balance of payments, fiscal and monetary policy and in some cases commodity fundamentals.

The Sentiment component is a rule-based framework built on economic sentiment surveys and complemented with risk sentiment estimates.

The Technical component consists primarily of the technical analysis of daily exchange rates (trend following and mean reversion). We also consider speculative futures positions and the deviation of exchange rates from purchasing power parity.

The summary table below and the following pages show the QCAM strategy framework and the positioning for the major currency pairs actively covered by QCAM. The tables divide each of the three strategies into subcomponents with an indication of the current impact. The charts show the respective exchange rate with past QCAM positions and their scale.

Current positioning

There have been some position changes in March. Most Macro positions remain neutral with split positions in JPY, SEK and CAD. Most Business Sentiment positions remain long USD but are getting closer to potential turning points with the first change in EURUSD. Technical positions partly reflect the USD rally in March, most notably in USDJPY.

Overview[1]

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	+	–	Macro is unchanged at neutral, while Business Sentiment changed from short to long EUR and Technical moved from neutral to short EUR
USDJPY	–/+	++	++	Macro position is split between long JPY discretionary and short JPY interest rate model. Business Sentiment and Technical both stayed short JPY
EURCHF	0	+	+	The balance of CHF strategy positions is not very conclusive. The CHF is overall neutral versus the USD and modestly short versus the EUR
USDCHF	0	+	–	
GBPUSD	0	––	+	GBP strategy positions have not changed and remain slightly short the GBP
EURSEK	0/+	––	––	The overall long SEK position decreased slightly as the interest-rate macro-model shifted from long to short
USDCAD	–/+	++	––	Macro discretionary has turned long CAD, while all other positions were unchanged, leaving the overall position roughly neutral

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

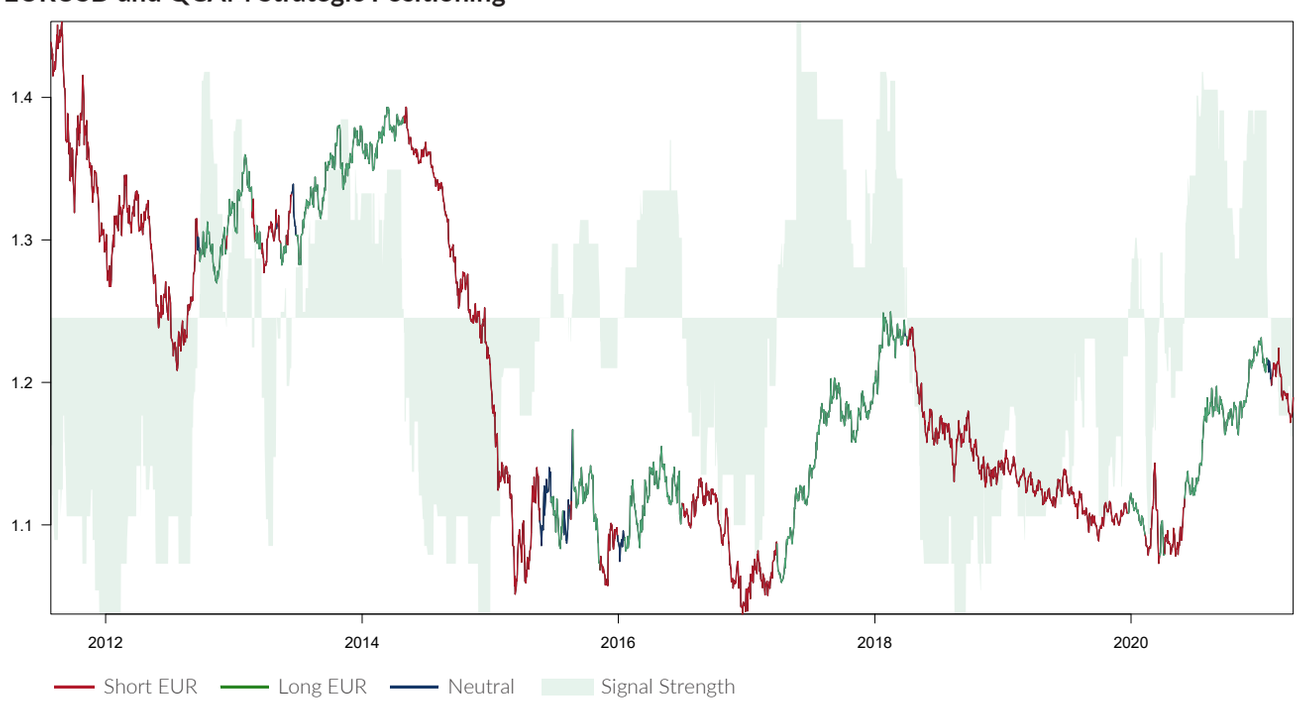
Source: QCAM Currency Asset Management

EURUSD

We remain negative on the USD on fundamental grounds (twin deficits and insufficient interest rate differential), but kept the Macro position at neutral awaiting more clearity on the relative growth outlook. Weather USD resilience will be temporary or prolonged is not clear at this point. In our view, Euro-area Corona vaccination will catch up with the US and that will revive the reflation trade and EUR upside potential. Business Sentiment positions are shifting to long EUR, while Technicals are short EUR due to the strong USD rally in March.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The US deficit surged in recent months while the Euro-area surplus increased
	Fiscal Balances	+	The US deficit is rising again versus the Euro-area deficit on the back of new stimulus measures
	Interest Rate Differentials	0/–	Interest rate differentials are a positive for the USD but that is partly offset by curve steepening
	Oil prices	0/+	Weather oil prices will rise further is unclear but the bias is positive
Sentiment	Business Sentiment	+	Euro-area surveys have improved further versus US surveys in March, tipping the balance in favor of the Euro
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
Technical	Price Action	–	Price technicals are still negative due to the USD rally in March
	Spec Positions	–	The large EUR overbought and USD oversold positions have declined significantly, reducing any correction risk
	PPP Valuation	+	EUR undervaluation is around 7%

EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

USDJPY

We favor the JPY from a Macro perspective on strong BoP fundamentals and the decline in carry flows. Business Sentiment surveys in Japan, however, are trailing US surveys and Technical positions are also short JPY. This leaves the overall position short JPY.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Surplus has recovered well after initial Corona shock
	FDI Flows	+	Net outflows were lower in 2020 and are unlikely to rebound quickly to offset 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	–	Rising risk appetite has reduced the JPY's safe-haven appeal
Technical	Price Action	+	Price action has switched short JPY
	Spec Positions	0/–	Net long JPY positions has turned into net short
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

USDJPY and QCAM Strategic Positioning

Source: Bloomberg, QCAM Currency Asset Management

EURCHF

The CHF fell slightly versus the EUR on stronger risk appetite. The SNB was not active in the market and is not expected to intervene before EURCHF goes through 1.07. Overall, we see the CHF trading in a new range of 1.09 to 1.11 versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/–	Inflows have eased on reduced Euro concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	0	The SNB was not active in March and should stay on the sidelines unless EURCHF approaches 1.07
Sentiment	Business Sentiment	–	Swiss economy has lost momentum versus the Euro-area in the surveys
	Risk Sentiment	–	Risk conditions look more balanced going forward but the positive risk appetite is negative for the CHF's safe-haven appeal
Technical	Price Action	–	Technicals remain short CHF
	Spec Positions	0	Close to neutral
	PPP Valuation	–	CHF unlikely to significantly correct overvalued position soon

EURCHF and QCAM Strategic Positioning

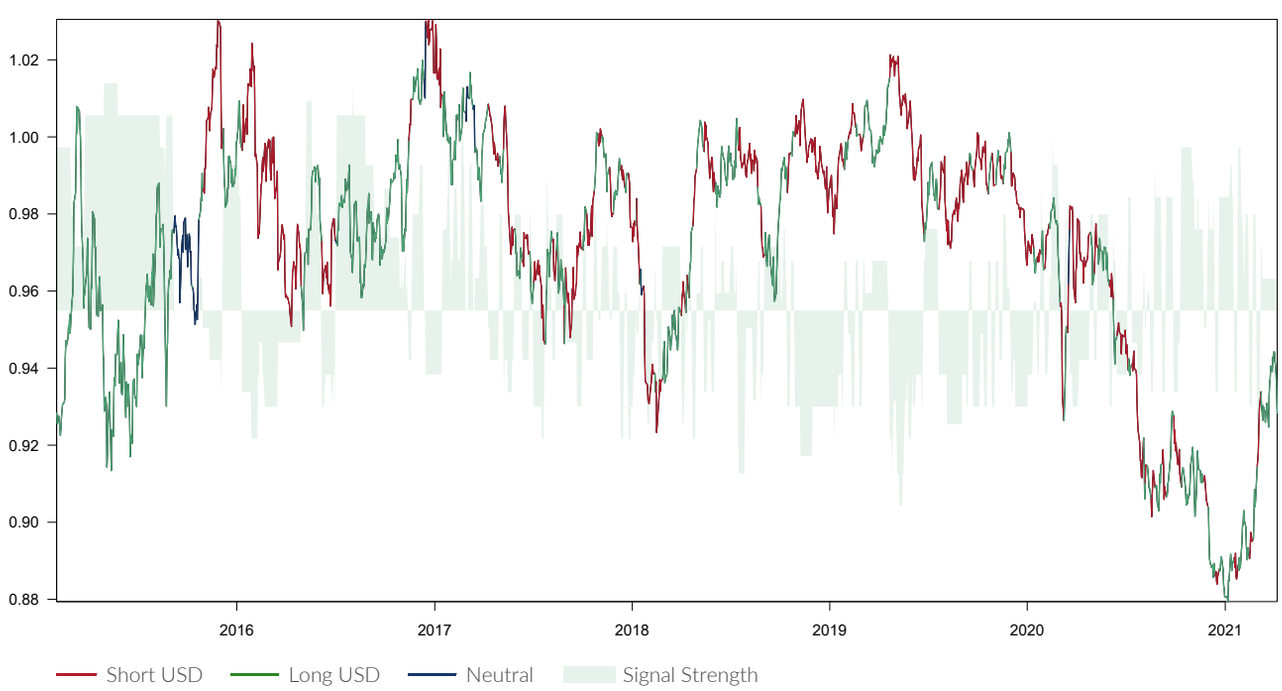
Source: Bloomberg, QCAM Currency Asset Management

USDCHF

Macro fundamentals, especially the current account surplus, are CHF favorable. With the CHF softer versus the EUR and the EUR down versus the USD, the CHF fell significantly versus the USD. Improved risk sentiment is the main handicap for the CHF. However, Technicals are supportive of the CHF versus the USD.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/–	Inflows have eased on reduced Euro concerns
	Interest Rate Differentials	0	Substantially reduced differential detracts bond market outflows and increases USD hedging
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
Sentiment	Business Sentiment	–	Swiss surveys have lost some momentum versus the US
	Risk Sentiment	–	Risk conditions look more balanced going forward but the positive risk appetite is negative for the CHF's safe-haven appeal
Technical	Price Action	+	Technicals remain long CHF
	Spec Positions	0	CHF positions are close to neutral
	PPP Valuation	0	CHF close to fair value

USDCHF and QCAM Strategic Positioning



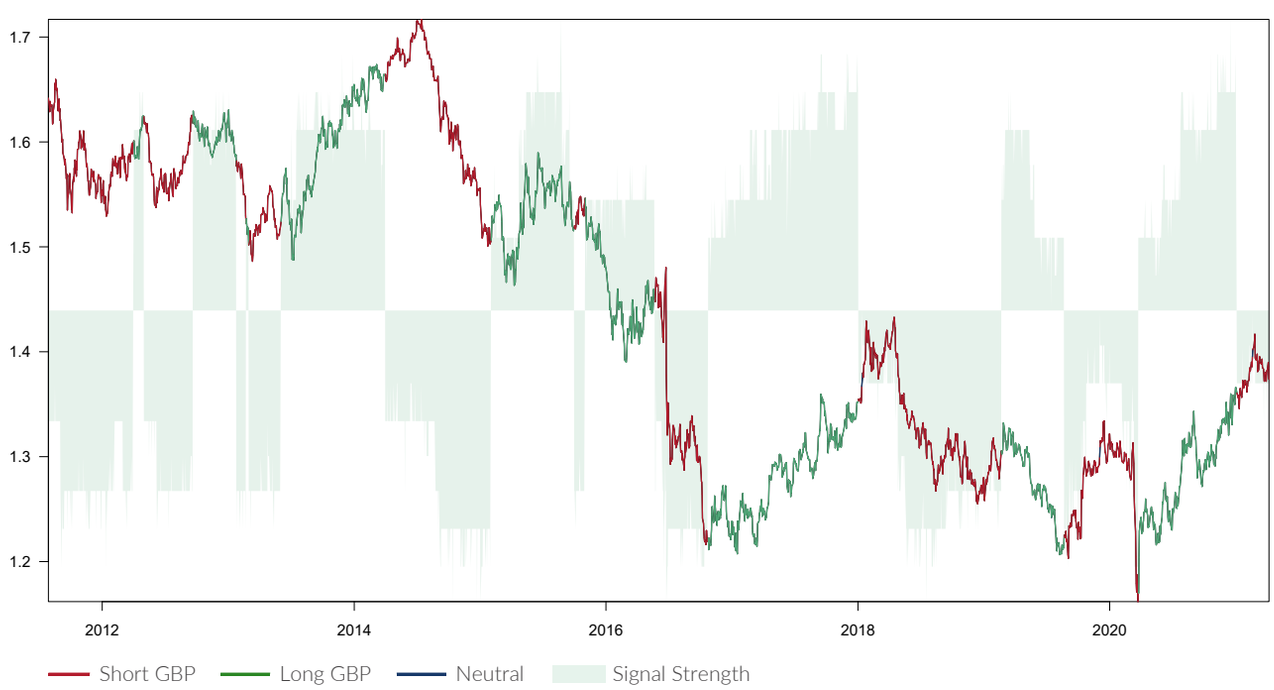
Source: Bloomberg, QCAM Currency Asset Management

GBPUSD

A persistent current account deficit, the possibility that policy rates move negative, a surging fiscal deficit and the risk that the long-term economic impact of BREXIT is negative leave the GBP vulnerable. Business Sentiment surveys are also lagging behind. On the other hand, the UK's vaccination progress (the UK is currently number one among major economies) and the rise in risk appetite are powerful positives for the GBP at the moment, which is supported by favorable Technicals.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	US and UK twin deficits both seen deteriorating
	Interest Rate Differentials	0/–	US and UK interest rates are about equal, but UK rates may turn negative
	Oil Price	0/+	Neutral range with some upside potential
Sentiment	Business Sentiment	–	UK surveys currently trail US surveys, but gap likely to close
	Risk Sentiment	0/+	GBP benefitted from rise in risk appetite and vaccination progress
Technical	Price Action	+	Technicals remain long GBP despite recent USD strength
	Spec Positions	–	Net long GBP positions rising sharply increasing risk of reversa
	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 depreciated versus both the EUR and the USD last month. The balance of scores and strategy models, however, still favors the SEK. Important remains the refusal of the Riksbank to return to negative interest rates. This should be a clear positive for the SEK once reflation becomes again a stronger theme in Europe.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0/–	The Macro interest model has shifted to short SEK but a return to negative interest rates seems unlikely
Sentiment	Business Sentiment	+	Surveys remain supportive of the SEK
	Risk Sentiment	0	Risk perceptions concerning Sweden's different Corona strategy have faded, but vaccination progress is slow as elsewhere in Europe
Technical	Price Action	+	Technicals remain long SEK
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning

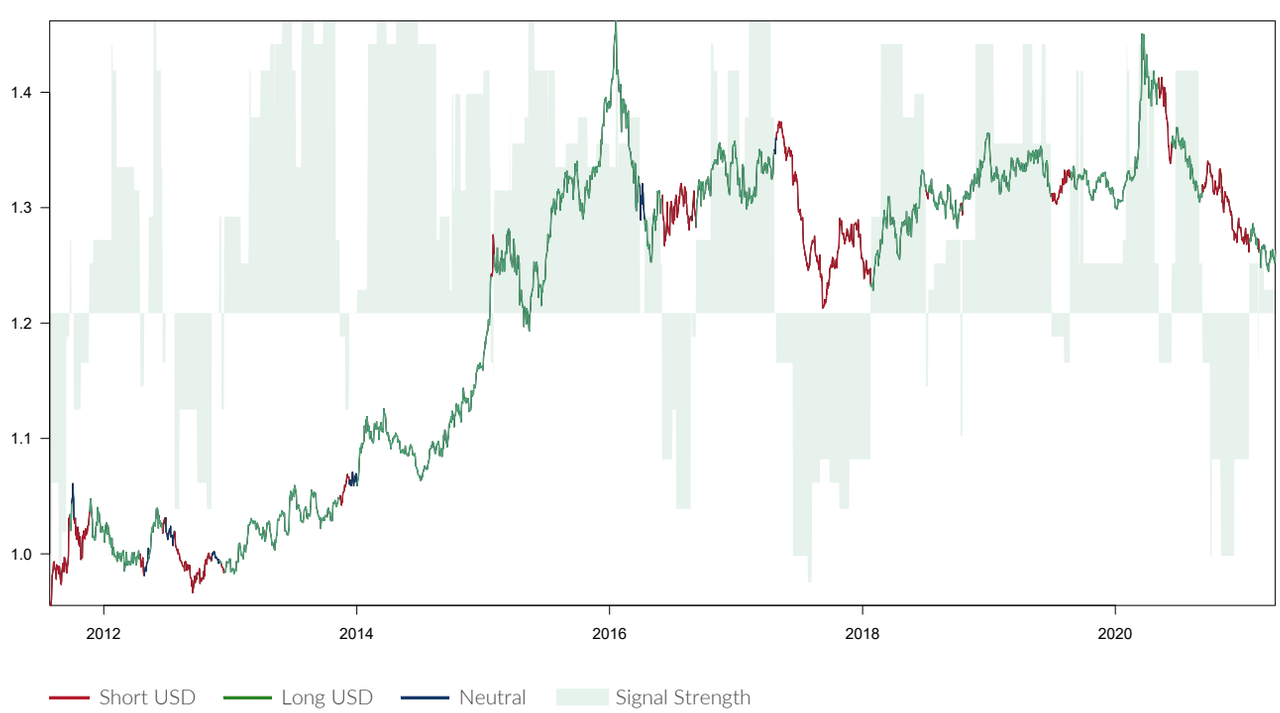
Source: Bloomberg, QCAM Currency Asset Management

USDCAD

Oil was clearly a support for the CAD in recent weeks but the Macro oil-price model remains short CAD as actual prices surged above prices predicted by market experts. Macro fundamentals are otherwise slightly in favor of the CAD, especially the improving current account balance versus the US. Business Sentiment remains short CAD, while short and long-term Technicals are both still long CAD. Overall, the balance of factors is roughly neutral.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit is declining, while the US deficit is rising
	Oil Prices	0/+	Oil price seen in a range with a potential to move higher
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	0	Neutral range with the potential of USD weakness
Sentiment	Business Sentiment	–	Canada still trails the US in the surveys, but gap is closing
	Risk Sentiment	0/+	Risk issues are more balanced and the CAD benefits from the rise in risk appetite
Technical	Price Action	+	Short and long term technicals are both still long CAD
	Spec Positions	0/–	Net long CAD positions increased creating some correction risk
	PPP Valuation	+	CAD undervaluation unlikely to correct quickly

USDCAD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

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 mulitbank-setup and conducts clients FX transactions transparently, independently and in the client's best interests.

Optimized Liquidity Management

QCAM's Optimized Liquidity Management Strategy «OLM» enhances yield via the use of the FX interbank swap-market. Also, we take advantage from excellent conditions which we receive from our large pool of partner banks and highly rated debtors for money market and currency transactions QCAM's OLM strategy has outperformed its peers for many years on a constant basis.

FX Alpha

Currencies as an attractive portfolio diversification via QCAM FX BIAS. The focus on QCAM's Business Intelligence Alpha Strategy is on business indicators which we have successfully used for many years. The strategy is market-neutral, no specific market environment necessary. Diversification via a pool of eight different currencies and their respective trading signals.

QCAM®
Currency
Asset
Management

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 HNWIs.

Headquarters

Zug, Switzerland

Founded

2005

Regulation

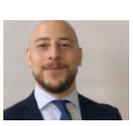
FINMA since 2007
SEC since 2014

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

QCAM MONTHLY Editorial Team

Bernhard Eschweiler, PhD
Senior Economist
bernhard.eschweiler@q-cam.com



Niko Haziiosifidis
Currency Overlay
niko.haziiosifidis@q-cam.com

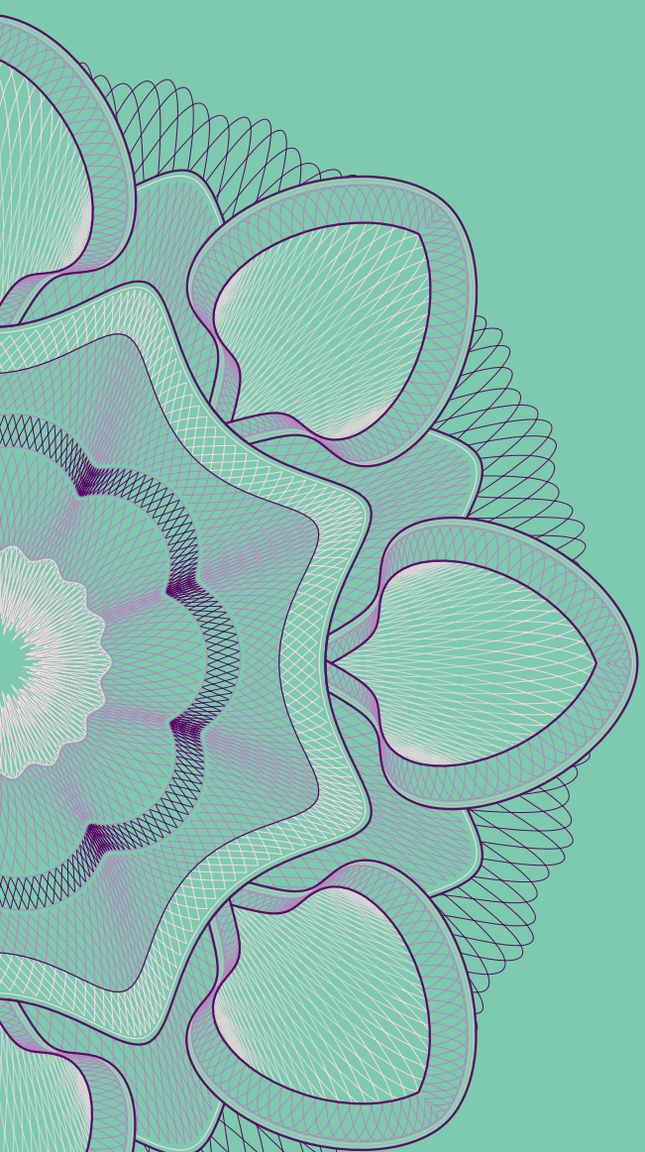
Felix Dietrich, PhD
Quantitative Research
felix.dietrich@q-cam.com

Jürgen Büscher
Currency Overlay
juergen.buescher@q-cam.com

Antoinette Weiss
Business Management
antoinette.weiss@q-cam.com

Sanela Baltensperger
Business Management
sanela.baltensperger@q-cam.com

QCAM®
Currency
Asset
Management



Legal Disclaimer
This report has been prepared and published by QCAM Currency Asset Management AG. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Although all information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to its accuracy or completeness. All information and opinions indicated are subject to change without notice. This document may not be reproduced or circulated without the prior authorization of QCAM Currency Asset Management AG. QCAM Currency Asset Management AG will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This report is for distribution only under such circumstances as may be permitted by applicable law.

Imprint
Content, concept, and layout:
QCAM Currency Asset Management AG, Zug
Editorial deadline: April 8th, 2021
Market data: April 7th, 2021

QCAM®
Currency
Asset
Management

QCAM Currency Asset Management AG
Guthirtstrasse 4
6300 Zug
Switzerland

T +41 55 417 00 50
info@q-cam.com
www.q-cam.com