Currency Asset Management

June 2024

QCAM MONTHLY

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

QCAM®
Currency
Asset
Management

QCAM Insight

Still within range

Bernhard Eschweiler, Economic Advisor
QCAM Currency Asset Management AG

The USD weakened in May as hopes for more Fed rate cuts before year end reemerged. In our view, this is not a fundamental change but a move within the range. The outcome of the next US labor market and inflation reports as well as the FOMC meeting may lead to more USD downside in the near-term, but we believe the range will hold, thanks to the USD's yield and safe-haven appeal.

The USD DXY slipped 1.5% in May and started June on the weak side as well. The USD decline was broad based versus other major currencies but with significant variations. EUR and JPY gains roughly matched USD's losses, but SEK and NOK outperformed significantly while the CAD only rose slightly versus the USD. The USD held up better versus emerging market currencies with the RUB gaining the most while the BRL actually weakened. Risk-on sentiment dominated markets in the first half of May with the VIX and implied FX volatility falling after the rise in April, but were more mixed lately.

In our view, the recent USD weakness was triggered by two developments. First, a repricing of the relative central bank easing paths expected by the market. Notably, softer April inflation figures for the US increased hopes that the Fed will cut 25 to 50 bps before the end of the year, while firmer Euro-area inflation data for May poured some cold water on forecasts that the ECB may make several back-to-back rate cuts after the widely anticipated first rate cut this week. Second, more signs that US exceptionalism is fading in a global recovery environment. In our view, these developments could drag the USD further down in the near-term supported by investors overextended USD long positions, but are not strong enough to power a persistent USD bear trend that breaks through the current range, which we see between 101 and 106 for the USD DXY and 1.05 and 1.10 for EURUSD.

We have been here before

Ups and downs within the range have been the standard pattern for the USD DXY since the start of last year (see Chart). Changes in market expectations of relative monetary policy trajectories have been powerful short-term FX drivers, but not trend-setters. Late last year, softer US inflation data and dovish Fed commentary caused the USD DXY to fall from the top of the range to the bottom. Subsequent inflation disappointments earlier this year caused a reversal. Interestingly, while the Fed fueled the market sentiment at the end of last year with dovish comments and its own anticipation of more rate cuts, there has been no similar reaction so far this time.

This Friday's US labor market report and next week's US CPI report and FOMC meeting, both scheduled for June 12th, will probably determine the near-term direction for the USD. Signs of labor market and inflation cooling or resilience are likely to either increase or reduce Fed rate cut expectations. The result could be a USD selloff similar to those at the ends of 2022 and 2023 or a USD rebound to the top end of the range. Whether the Fed will amplify or temper the market reaction later in the day on June 12th is unclear, but we expect that FOMC members will moderate the path of expected rate cuts in their Summary of Economic Projections, which would be USD friendly. Given the near-term uncertainties, our discretionary macro positions are currently mostly neutral.

USD yield advantage to persist

Irrespective of the outcome of the labor market and inflation reports as well as the FOMC meeting, we believe the USD will retain its yield and carry advantage. The USD is at the top end of the interest rate and yield spectrum among major currencies. At the moment, interest-rate forwards imply more rate cuts in the US versus most other developed economies until the end of next year. For example, the Fed is expected to cut at least 25bps more than the ECB until the end of 2025 although the ECB is forecasted to start cutting interest rates several months before the Fed. Even if realized, that would still leave the USD with a comfortable interest rate and yield advantage relative to the EUR.

In our view, however, chances are higher that the ECB will end up easing more than the Fed. We think that inflation resilience especially in services and housing is stronger in the US, while the pressure to stimulate the economy is greater in the Euro area. Yes, the Euro-area is recovering but unevenly and from a level of subpar activity, while the US is slowing but from a state of overheating. As a result, we expect the ECB to pause only briefly after the initial rate cut in June and resume the easing process in September, while we think that the Fed will at best start the easing cycle in September and probably be more cautious, especially around the US elections.

Super safe haven

One development of the last few years has been the return of the USD as the world's predominant safe-haven currency, pushing EUR and JPY into irrelevance and tolerating only the CHF as a smaller brother. Given the fault-lines and conflicting interests behind the current geopolitical tensions, we believe the USD will retain its super safe-haven status for some time longer. The risk is that the outcome of the US election will increase the tensions, but not through a weak USD policy but through more trade sanctions.

USD DXY index

Source: investing.com and QCAM

Currency Asset Management

Economy & Interest Rates

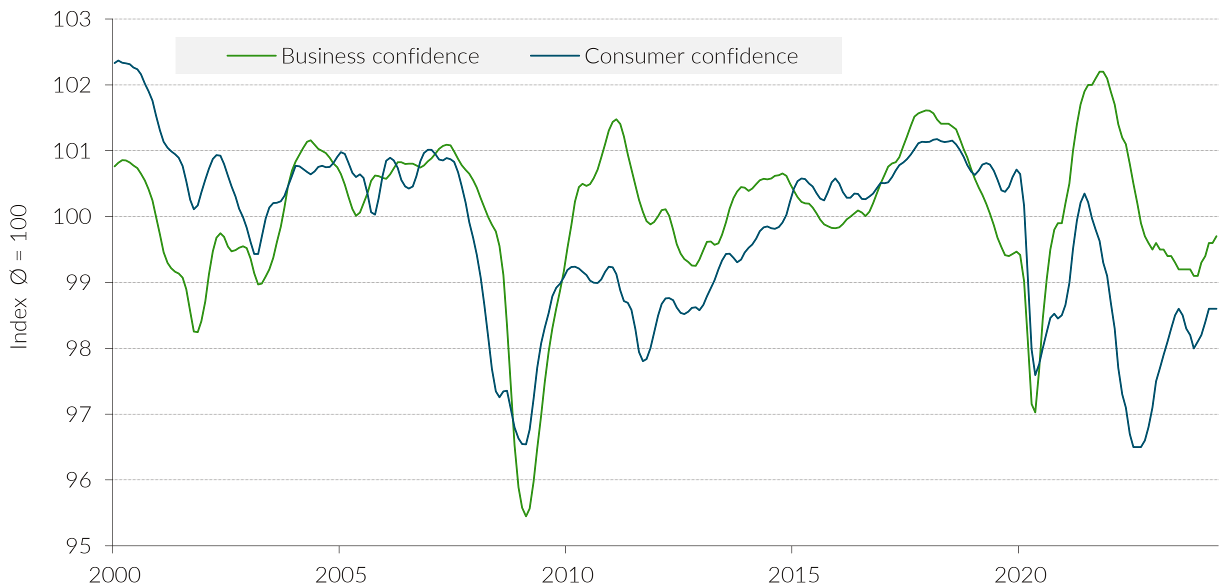
Global growth conditions continue to improve slowly with US outperformance narrowing. Notably, growth forecasts in Europe have been raised. The process of disinflation remains bumpy. Latest figures have been a bit softer in the US and a bit firmer in Europe. Overall, soft-landing (moderate growth and lower inflation) remains the favored scenario of the market for the US and the global economy.

However, uncertainty and the risk of a hard-landing or no-landing with an inflation rebound remain significant, leaving a range of possible monetary policy implications. In our view, most easing is likely to occur in Europe led by the ECB, while the Fed will probably ease later and less. The BoJ is expected to tighten policy but not forcefully.

	Real GDP growth[1]		Unemployment rate[1]		Inflation rate[1]		Current account[2]		Fiscal balance[2]		Public debt[2]	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Global	3.2	3.2	n.a.	n.a.	4.5	3.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	1.6	1.6	n.a.	n.a.	4.6	2.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	2.5	2.0	3.6	4.0	4.1	3.0	-3.0	-3.0	-8.8	-7.0	122	123
Canada	1.1	1.0	5.4	5.5	3.9	2.5	-0.6	0.0	-0.6	-1.0	107	105
Euro-area	0.4	1.0	6.5	6.5	5.4	2.0	1.9	2.0	-3.5	-3.5	89	89
Sweden	-0.2	1,0	7.7	8.0	5.9	2.5	6.2	6.0	-0.5	-0.5	32	32
Switzerland	0.8	1.5	2.0	2.0	2.1	1.5	7.6	8.0	0.5	0.5	38	37
UK	0.1	1.0	4.0	4.0	7.3	2.5	-2.2	-2.5	-6.0	-5.0	101	104
Japan	1.9	0.5	2.6	2.5	3.3	3.0	3.4	3.5	-5.8	-6.0	252	255
Australia	2.1	2.0	3.7	4.0	5.6	3.5	1.5	1.0	-0.5	-0.5	52	55
Emerging	4.3	4.3	n.a.	n.a.	4.1	3.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	5.2	5.5	5.2	5.0	0.2	0.5	1.5	1.0	-7.0	-7.0	83	87
India	7.8	7.0	n.a.	n.a.	5.4	5.0	-1.2	-1.5	-9.0	-9.0	82	82
Russia	3.6	3.0	3.2	3.0	5.9	7.0	2.5	2.5	-3.5	-3.0	22	22
Brazil	2.9	2.5	8.0	8.0	4.6	4.0	-1.3	-1.5	-7.0	-6.5	88	90

Source: OECD, IMF World Economic Outlook and QCAM estimates [1] In percent annual average [2] In percent of GDP

OECD business and consumer confidence*



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

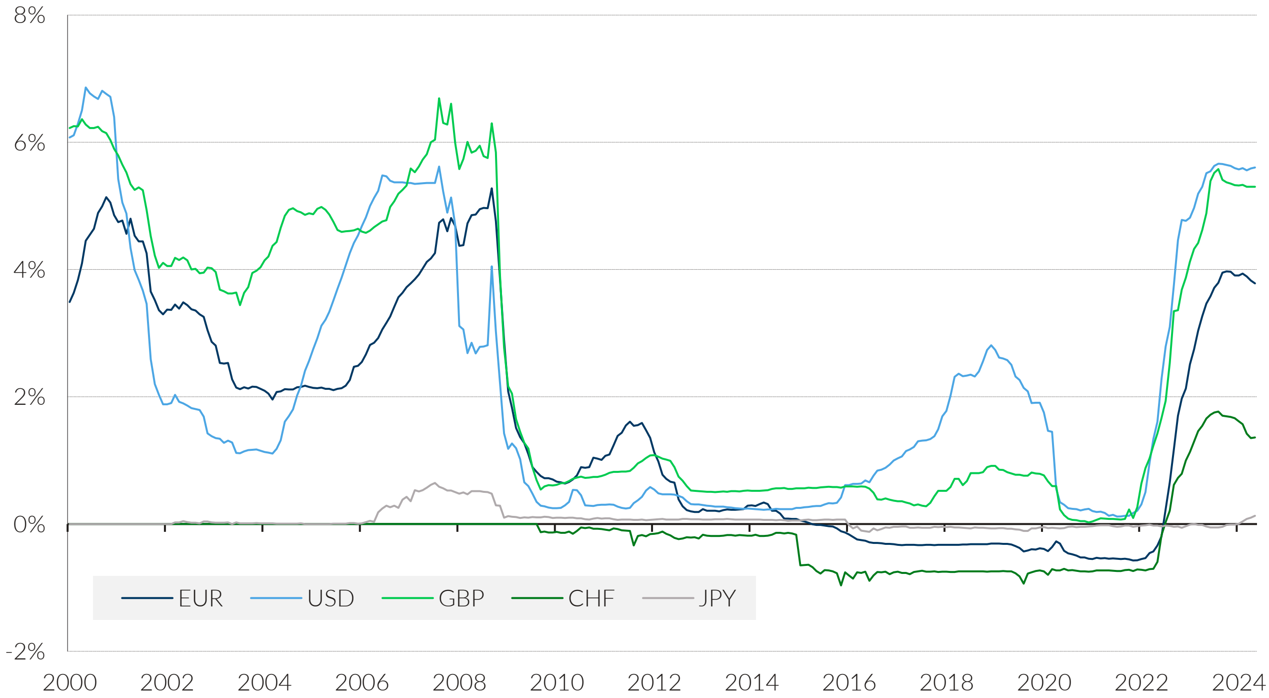
Interest Rates

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	5.35%	5.34%	5.34%	5.24%	3.23%	4.33%	4.44%	4.13%	3.70%	2.67%
EUR	3.77%	3.83%	3.93%	3.49%	1.69%	2.77%	2.78%	2.70%	2.95%	2.05%
JPY	0.12%	0.10%	0.04%	-0.04%	-0.02%	1.03%	0.97%	0.86%	0.58%	0.53%
GBP	5.19%	5.16%	5.21%	4.78%	2.97%	3.89%	3.94%	3.85%	4.08%	2.83%
CHF	1.35%	1.35%	1.58%	1.68%	0.57%	1.29%	1.21%	1.20%	1.82%	1.19%
AUD	4.35%	4.36%	4.32%	4.07%	2.48%	4.41%	4.61%	4.38%	4.21%	3.62%
CAD	4.78%	4.91%	4.98%	4.70%	3.11%	3.75%	3.97%	3.78%	3.72%	3.25%
SEK	3.69%	3.79%	3.95%	3.63%	2.09%	2.70%	2.81%	2.71%	2.92%	2.32%
RUB	16.00%	15.70%	15.70%	7.60%	10.50%	9.62%	9.62%	9.62%	8.21%	8.95%
BRL	9.03%	9.14%	9.26%	12.52%	10.53%	11.79%	11.30%	10.51%	11.21%	11.48%
CNY	1.85%	1.99%	2.00%	2.01%	2.09%	2.11%	2.23%	2.21%	2.65%	2.60%
TRY	52.90%	55.45%	48.65%	21.60%	0.00%	38.04%	38.04%	38.04%	38.04%	23.74%
INR	6.75%	6.73%	6.77%	6.56%	5.59%	6.50%	6.54%	6.40%	6.13%	6.41%

Source: QCAM Currency Asset Management, as of June 4th, 2024

3-month Rates



Source: QCAM Currency Asset Management, as of end of May 2024

QCAM®
Currency
Asset
Management

FX Markets

FX Performance vs. PPP

The USD DXY fell 1.5% in May, but with uneven losses versus other major currencies. The SEK performed by far the best, while the CAD trailed most behind. EM currencies underperformed on balance their major peers. Overall speculative positions remained overweight USD with the JPY and the CHF looking most oversold. Short-term interest rates moved a bit lower and forwards price more rate cuts from most central banks over the next 12 months. The cost of forward hedging versus the USD has declined but remains expensive especially for JPY and CHF. Actual FX volatilities were mixed yet implied FX volatilities mostly declined and on balance remain below historical levels with the notable exception of USDJPY. PPP changes continue to converge as inflation moderates but differences to actual exchange rate levels remain large and the USD continues to be overvalued versus all major currencies.

Overview

	Current Exchange Rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.088	-1.66%	1.08%	1.59%	-3.25%	1.23	1.10 - 1.37	-12%
USDJPY	154.780	9.90%	1.24%	10.64%	43.01%	100.30	88.95 - 111.65	54%
GBPUSD	1.279	0.19%	1.95%	2.71%	0.78%	1.55	1.38 - 1.72	-18%
EURCHF	0.968	4.20%	-0.75%	-0.57%	-13.42%	0.93	0.88 - 0.98	4%
USDCHF	0.889	5.97%	-1.81%	-2.12%	-10.52%	0.80	0.71 - 0.89	11%
GBPCHF	1.137	6.16%	0.11%	0.51%	-9.82%	1.06	0.96 - 1.15	7%
CHFJPY	174.057	3.70%	3.11%	13.06%	59.83%	96.70	85.63 - 107.77	80%
AUDUSD	0.664	-2.79%	0.50%	0.48%	-4.96%	0.76	0.67 - 0.85	-13%
USDCAD	1.368	3.61%	-0.01%	1.80%	2.06%	1.21	1.13 - 1.30	13%
USDSEK	10.447	4.08%	-3.41%	-3.26%	10.68%	8.22	7.29 - 9.15	27%
EURSEK	11.367	2.35%	-2.35%	-1.74%	7.08%	8.94	8.39 - 9.49	27%
USDRUB	88.849	-0.71%	-2.87%	9.63%	36.21%	66.33	48.55 - 84.12	34%
USDBRL	5.284	8.90%	4.21%	6.55%	36.77%	3.87	2.33 - 5.40	37%
USDCNH	7.248	1.77%	0.74%	1.99%	4.68%	7.15	6.56 - 7.75	1%
USDTRY	32.627	10.42%	0.81%	56.09%	464.06%	19.25	15.09 - 23.41	69%
USDINR	83.597	0.45%	0.23%	1.46%	20.46%	81.41	74.82 - 88.01	3%
US_Dollar_Ind	104.110	2.74%	-0.88%	0.09%	7.25%	87.03	81.26 - 92.80	20%

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

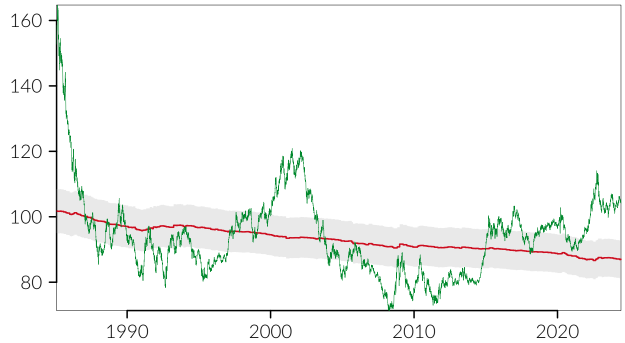
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

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

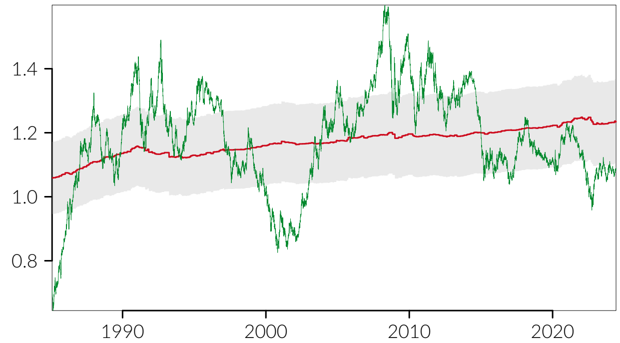
Source: QCAM Currency Asset Management, as of June 4th, 2024

Purchasing Power Parity

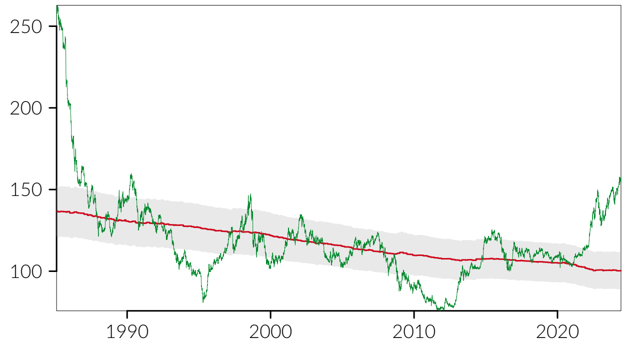
DXY



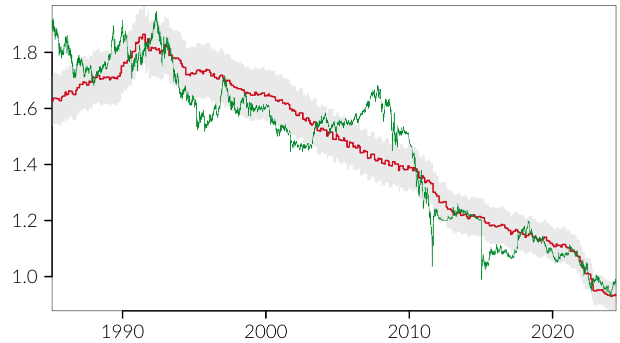
EURUSD



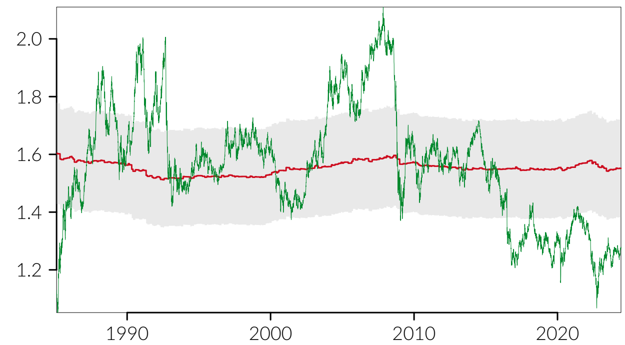
USDJPY



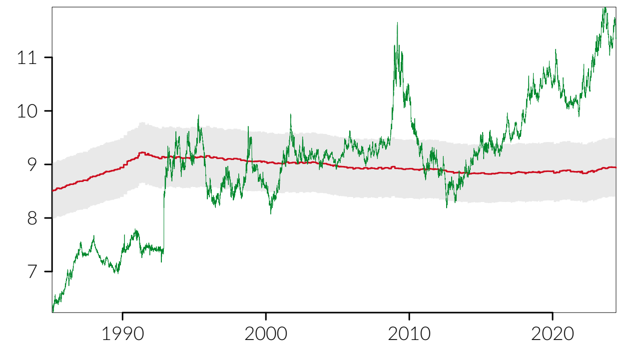
EURCHF



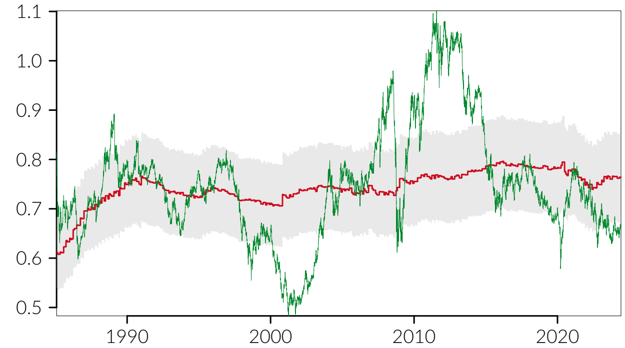
GBPUSD



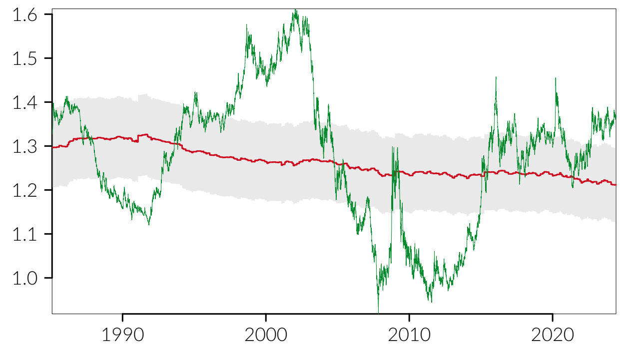
EURSEK



AUDUSD



USDCAD



Source: QCAM Currency Asset Management, as of June 4th, 2024

PPP Spot Neutral Range

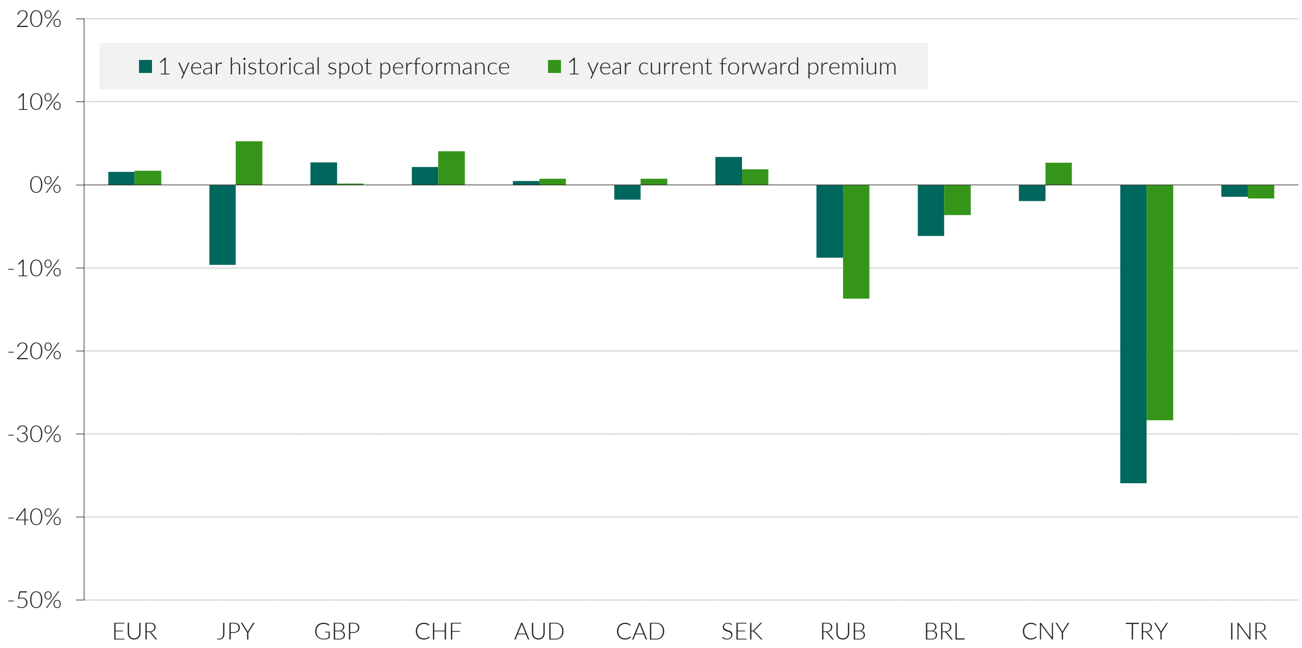
QCAM®
Currency
Asset
Management

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.088	1.0896	1.0926	1.1067	1.62%	1.66%	1.69%
USDJPY	154.780	154.0254	152.6497	147.0560	-5.48%	-5.39%	-4.92%
GBPUSD	1.279	1.2789	1.2794	1.2805	0.19%	0.20%	0.14%
EURCHF	0.968	0.9654	0.9615	0.9459	-2.50%	-2.45%	-2.20%
USDCHF	0.889	0.8861	0.8800	0.8548	-4.11%	-4.09%	-3.83%
GBPCHF	1.137	1.1331	1.1258	1.0945	-3.92%	-3.89%	-3.69%
CHFJPY	174.057	173.8437	173.4745	172.0532	-1.38%	-1.31%	-1.14%
AUDUSD	0.664	0.6650	0.6661	0.6693	1.06%	1.01%	0.73%
USDCAD	1.368	1.3676	1.3659	1.3581	-0.70%	-0.72%	-0.74%
USDSEK	10.447	10.4316	10.3984	10.2538	-1.75%	-1.79%	-1.82%
EURSEK	11.367	11.3662	11.3632	11.3491	-0.12%	-0.14%	-0.16%
USDRUB	88.849	89.7978	92.2356	102.9453	12.81%	14.91%	15.65%
USDBRL	5.284	5.2995	5.3325	5.4828	3.21%	3.57%	3.70%
USDCNH	7.248	7.2284	7.1978	7.0587	-2.96%	-2.68%	-2.57%
USDTRY	32.627	33.6387	35.7561	45.5362	37.19%	37.52%	39.02%
USDINR	83.597	83.6768	83.8581	84.9848	1.08%	1.22%	1.64%

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



Source: QCAM Currency Asset Management, as of June 4th, 2024

QCAM Currency Asset Management

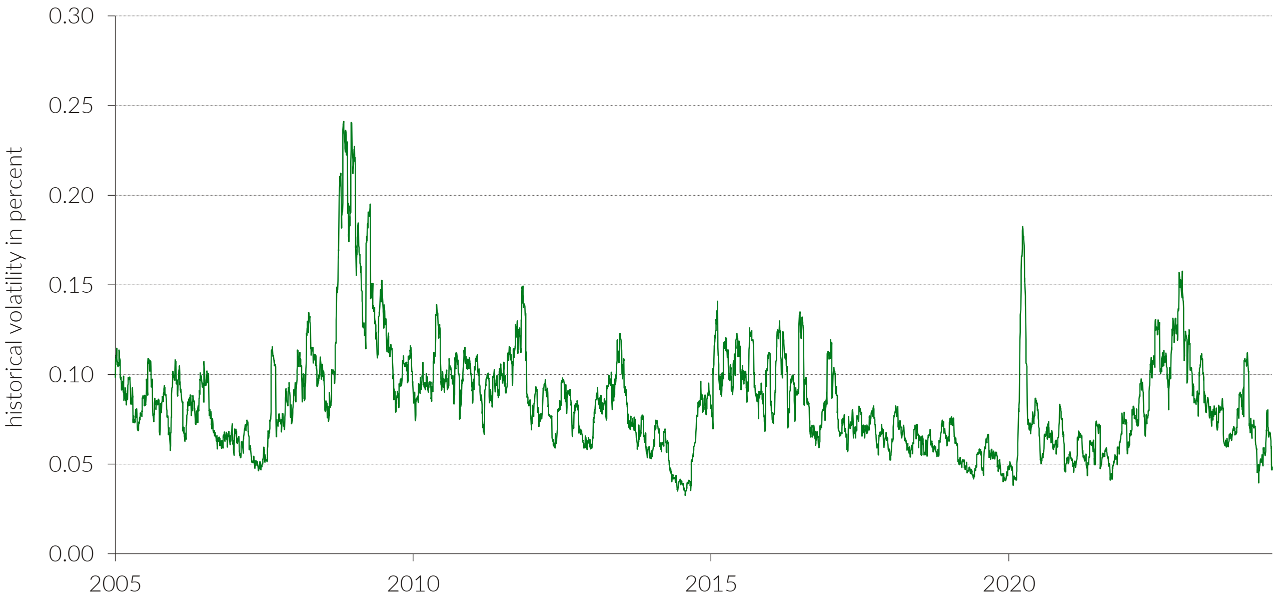
FX Volatility

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	1.088	4.86%	5.01%	8.57%	7.13%	5.48%	5.90%	6.50%	6.92%
USDJPY	154.780	9.15%	9.06%	10.30%	8.39%	8.95%	9.65%	9.88%	8.35%
GBPUSD	1.279	5.47%	5.83%	8.98%	8.96%	6.30%	6.75%	7.65%	8.76%
EURCHF	0.968	5.34%	4.93%	4.87%	4.78%	4.85%	5.33%	4.90%	5.34%
USDCHF	0.889	6.56%	6.31%	9.45%	7.45%	6.08%	6.55%	6.75%	6.98%
GBPCHF	1.137	5.76%	5.28%	6.76%	7.65%	5.78%	6.05%	6.43%	7.94%
CHFJPY	174.057	7.05%	7.36%	10.58%	7.50%	7.85%	8.76%	8.88%	7.81%
AUDUSD	0.664	8.33%	8.45%	11.49%	10.32%	8.55%	8.88%	10.10%	10.05%
USDCAD	1.368	4.77%	5.03%	6.86%	6.69%	5.18%	5.18%	6.08%	6.59%
USDSEK	10.447	9.47%	9.12%	12.00%	10.41%	9.25%	10.18%	10.60%	10.15%
EURSEK	11.367	5.73%	5.42%	7.00%	6.17%	5.80%	6.40%	7.15%	6.46%
USDRUB	88.849	11.70%	10.63%	14.13%	20.28%	25.45%	25.38%	33.55%	24.22%
USDBRL	5.284	10.14%	10.22%	11.53%	14.94%	11.25%	10.70%	14.23%	16.34%
USDCNH	7.248	2.90%	2.74%	5.24%	4.79%	3.75%	4.18%	5.70%	5.34%
USDTRY	32.627	5.36%	4.86%	4.37%	13.90%	16.45%	15.23%	40.55%	20.68%
USDINR	83.597	2.41%	1.77%	3.64%	4.62%	3.08%	2.88%	4.22%	5.48%

[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: QCAM Currency Asset Management, as of June 4th, 2024

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 principal 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.

June 2024 / Current positioning

There have been a few signal changes since last month pushing the balance of all positions from modestly long to modestly short USD. On the discretionary Macro side, we shifted the EUR position to neutral. Business Sentiment went long EUR and CHF versus the USD and short JPY. On balance, Business Sentiment is now modestly short USD. Technical went long GBP, short SEK and neutral CAD. Overall, the modest USD long position versus all other currencies shifted to a small short, led by shorts versus the CHF, the EUR and the GBP. The main offset is the long USD position versus the JPY. The EUR is long versus the CHF and neutral versus the SEK.

Overview[1]

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	++	–	Macro went from short EUR to neutral and Business Sentiment from short to long EUR, shifting the balance to long EUR.
USDJPY	0/+	+	++	The Macro carry model and Business Sentiment shifted to short JPY and the balance stayed short JPY as well.
EURCHF	–	+	++	Discretionary Macro and Business Sentiment went long CHF versus the USD, while all other positions were unchanged, leaving the balance of all CHF positions long versus the USD and modestly short versus the EUR.
USDCHF	–	––	––	
GBPUSD	0	+	+	Technical shifted to long GBP, increasing the overall long GBP position.
EURSEK	0/0	––	++	Technical shifted to short SEK, leaving the overall position at neutral.
USDCAD	0/–	++	0	Technical shifted to neutral, leaving the overall position slightly short CAD.

[1] The signs relate to the first currency of the exchange rate pair ; ++ or –– means 100% long or short; */* means split position.

Source: QCAM Currency Asset Management

EURUSD

We shifted our discretionary Macro position from short to neutral (see pages 1&2). We expect the ECB to cut interest rates earlier and more than the Fed but the relative timing and extent has moderated. The EUR benefits from the emerging global recovery and improving risk sentiment as well as a stable current account surplus. Business Sentiment moved from short to long EUR but Technical stayed slightly short EUR, resulting in an overall long EUR position.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The Euro-area's current account surplus has fully recovered on lower energy prices
	Fiscal Balances	0	Euro-area and US fiscal deficits are both elevated
	Interest Rate Differentials	0/–	ECB likely to cut interest rates this week but will probably wait afterwards to see more disinflation progress
	Oil prices	0	Oil price expected to stay in volatile range
Sentiment	Business Sentiment	+	The momentum in Euro-area surveys has improved versus US surveys
	Risk Sentiment	0	Risk aversion is low but outlook remains uncertain
Technical	Price Action	–	Technical is EUR negative
	Spec Positions	0	Net EUR position is slightly long
	PPP Valuation	+	EUR undervaluation is around 12%

EURUSD and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

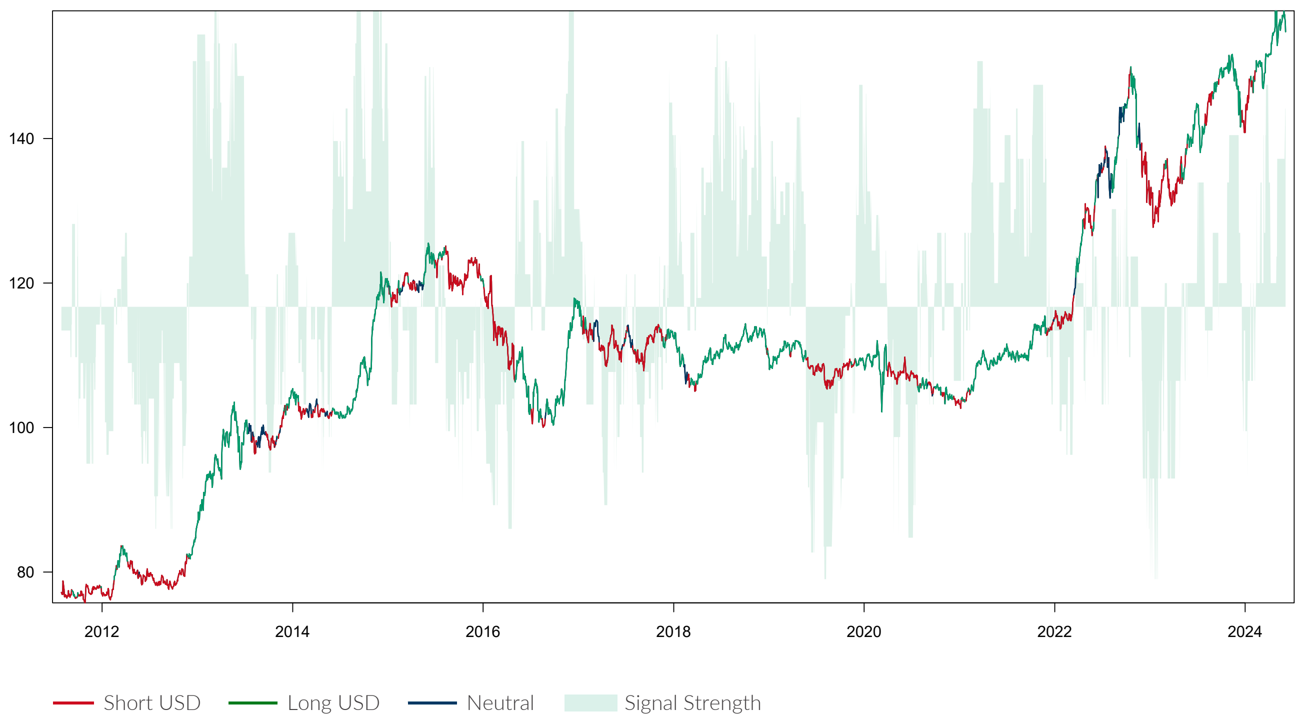
QCAM®
Currency
Asset
Management

USDJPY

We keep the discretionary Macro position at neutral. The potential for JPY appreciation remains significant in our view, but the BoJ's failure to outline a normalization path and willingness to tolerate JPY weakness has increased the downside risk as well. As a result, we see no attractive risk-reward trade off at the moment. Business Sentiment moved from neutral to short JPY and Technical stayed short JPY, leaving the overall strategy position short JPY.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	The Japanese current account has returned to a solid surplus
	FDI Flows	–	Net outflows have returned to the pre-Corona level
	Interest Rate Differentials	–	The carry-trade remains attractive for longer as the BoJ hesitates to hike and the Fed delays rate cuts
Sentiment	Business Sentiment	–	The momentum of Japanese Business Sentiment has fallen behind that of US surveys
	Risk Sentiment	0	Safe-haven character has been reduced
Technical	Price Action	–	Technical stayed short JPY
	Spec Positions	+	JPY remains massively oversold
	PPP Valuation	+	The JPY is currently about 54% undervalued

USDJPY and QCAM Strategic Positioning



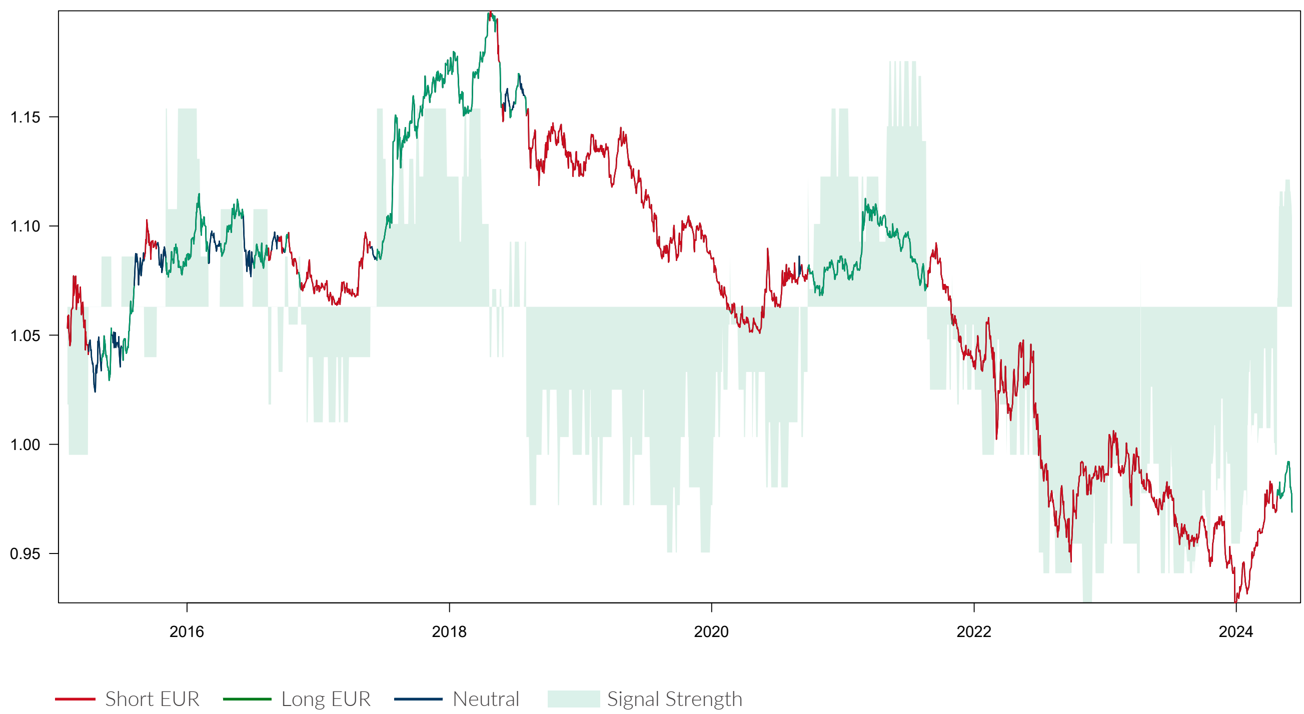
Source: QCAM Currency Asset Management

EURCHF

We keep our discretionary Macro position at long CHF. The Swiss economy has slowed but remains fundamentally sound. We expect not much more easing from the SNB following the rate cut earlier in the year given the decline of the CHF since the start of the year, while we think the ECB will lower interest rates more aggressively. Business Sentiment and Technical remain short CHF, leaving the balance of all strategy positions modestly short CHF versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Interest Rate Differentials	0/+	SNB likely to keep rates steady after the early cut
	SNB Policy Intervention	0	The SNB remains inactive in FX markets
Sentiment	Business Sentiment	–	The Swiss economy has fallen behind the Euro-area economy in the surveys
	Risk Sentiment	0	The CHF has not suffered from recent decline in risk aversion
Technical	Price Action	–	Technical stayed short CHF
	Spec Positions	+	The CHF is significantly oversold
	PPP Valuation	0	CHF is close to fair-value versus the EUR

EURCHF and QCAM Strategic Positioning



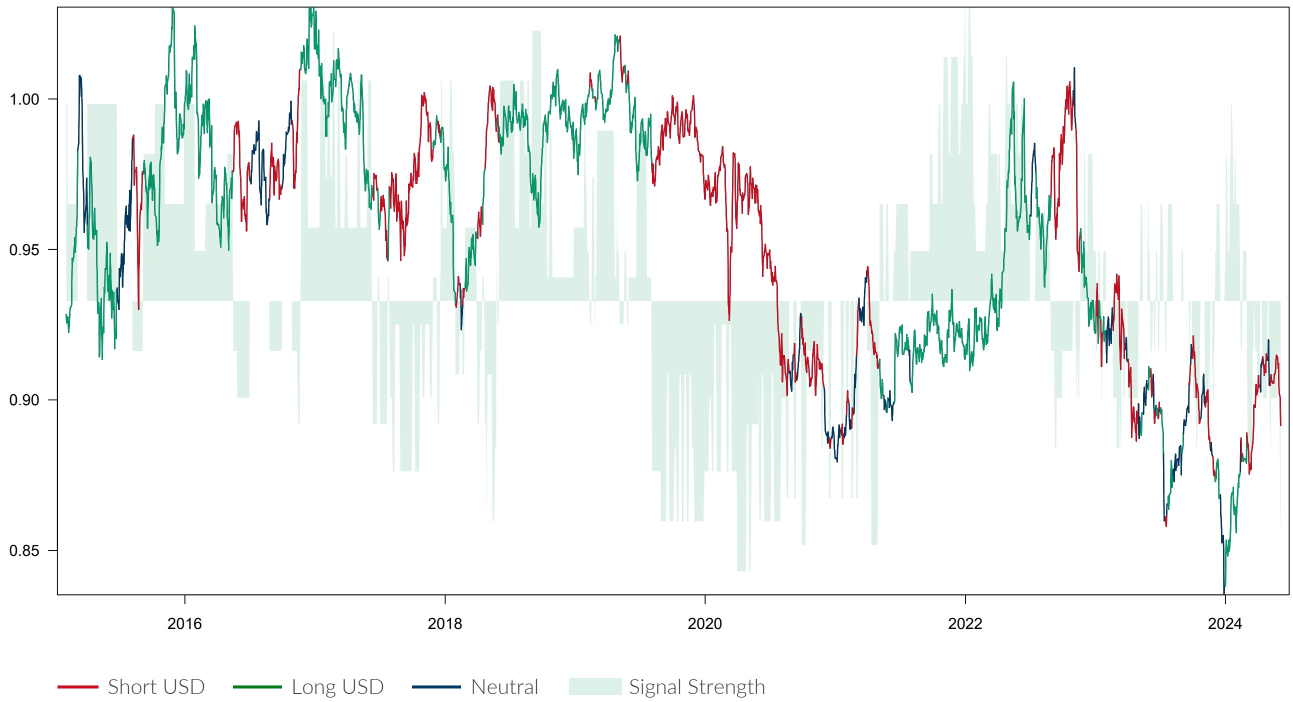
Source: QCAM Currency Asset Management

USDCHF

Our Macro positions in EURCHF (short) and EURUSD (neutral) imply long CHF versus the USD. The Swiss economy has slowed but remains fundamentally sound. The SNB-Fed rate projection is less favorable for the CHF than the SNB-ECB rate projection, but we still think that the differential will narrow, which plus the safe-haven feature should give the CHF some support versus the USD. Business Sentiment has moved long CHF and Technical is long CHF, leaving the balance of all strategy positions long CHF versus the USD.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Interest Rate Differentials	0/–	The USD-CHF interest rate differential has narrowed but is still wide
	SNB Policy Intervention	0	The SNB remains inactive in FX markets
Sentiment	Business Sentiment	++	Momentum of Swiss surveys has moved ahead of US surveys
	Risk Sentiment	0	The CHF has not suffered from recent decline in risk aversion
Technical	Price Action	+	Technical stayed long CHF
	Spec Positions	+	The CHF is significantly oversold
	PPP Valuation	+	CHF is about 11% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

GBPUSD

We remain unexcited about the UK's economic fundamentals and political developments. Disinflation progress has been encouraging, however, opening a window for the BoE to start cutting interest rates (possibly earlier and more than the Fed). We maintain our neutral Macro position primarily given the GBP's high affinity to rally in risk-on market conditions, which have prevailed despite the market pairing back Fed rate cut expectations. Business Sentiment is long GBP and Technical moved long GBP as well. The overall strategy position is now long GBP.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0/–	The UK deficit has declined but remains firmly in the red zone
	Interest Rate Differentials	0/–	UK rates are slightly below US rates and we expect more rate cuts from the BoE than from the Fed
	Oil Price	0	Oil price expected to stay in volatile range
Sentiment	Business Sentiment	+	Momentum in UK surveys moved ahead versus US surveys
	Risk Sentiment	+	Global risk-on sentiment offsets domestic risks
Technical	Price Action	+	Technical shifted to long GBP
	Spec Positions	0	Net position is modestly long GBP
	PPP Valuation	0/+	The GBP is 18% undervalued

GBPUSD and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

EURSEK

Chances of a soft-landing, falling interest rates and a global recovery are good news for Sweden and the SEK but uncertainty persists and the economy remains vulnerable. We keep the neutral discretionary Macro position. Business Sentiment stayed long SEK but Technical went short SEK, leaving the balance of all strategy positions at neutral.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	+	Sweden's surplus has rebounded to levels above those before the Ukraine war
	Interest Rate Differentials	0	The Macro interest rate model is neutral SEK
Sentiment	Business Sentiment	+	Surveys went long SEK
	Risk Sentiment	–	Concerns over the property slump remain significant
Technical	Price Action	–	Technical shifted to short SEK
	PPP Valuation	+	The SEK is roughly 27% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning

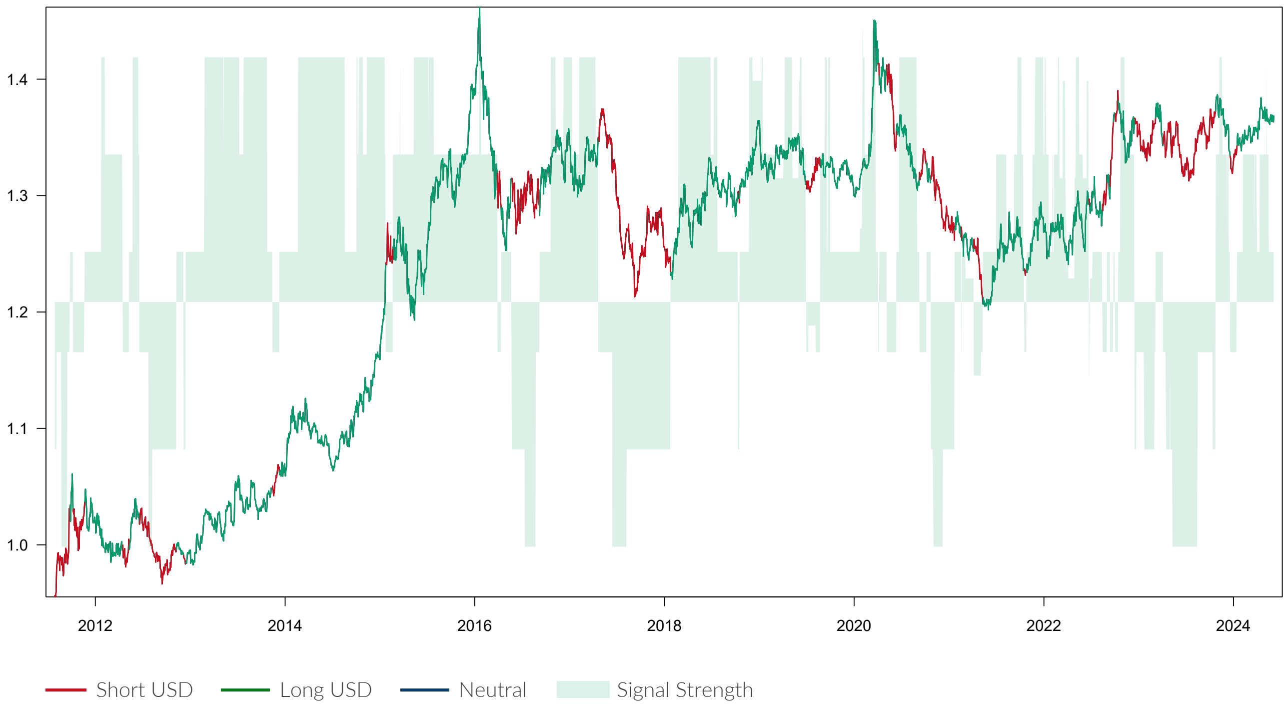
Source: QCAM Currency Asset Management

USDCAD

Canada's fundamental position remains solid although the current account dipped back into deficit and the adjustment in housing to higher interest rates creates some strains. Canadian inflation is slightly below US inflation and the BoC just started easing well before the Fed. Our discretionary Macro position stays neutral but the Macro oil price model is long CAD while Business Sentiment is short and Technical moved to neutral, leaving the overall position modestly short CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	0	Canada's current account fell back into deficit but remains small versus the US deficit and compared to past levels
	Oil Prices	+	The Macro oil price model is long CAD as oil prices stayed below projections
	Interest Rate Differentials	0/–	CAD interest rates close to US but BoC already started easing
	USD DXY Trend	0	Negative correlation with USD is small
Sentiment	Business Sentiment	–	Canada has weaker momentum versus the US in the surveys
	Risk Sentiment	0	No particular risk drivers at the moment
Technical	Price Action	0	Technical went neutral
	Spec Positions	+	The CAD is oversold
	PPP Valuation	0	CAD is about 13% 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 ten 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 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 Economic Advisor
bernhard.eschweiler@q-cam.com

Marcel Weidinger
Currency Overlay
marcel.weidinger@q-cam.com

Marc Eigenheer
Currency Overlay
marc.eigenheer@q-cam.com

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

Sabrina von Dach
Business Management
sabrina.vondach@q-cam.com

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: June 6th, 2024
Market data: June 4th, 2024

QCAM Currency Asset Management AG
Guthirtstrasse 4
6300 Zug
Switzerland

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