

July 2025

# QCAM MONTHLY

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# QCAM Insight

## Mid-Year Review and Outlook

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

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**We started the year with a positive view on the USD but also highlighted the risks linked to the policy agenda of incoming president Trump. As a result, our macro positions were mostly neutral, which we maintained given the high uncertainty even as the USD fell. The uncertainty is not gone, but we have become convinced that the structural reduction in long US asset position is not over and will weigh on the USD at least until the end of this year.**

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In our 2025 sneak preview (FX Monthly December 2024), we argued that the USD starts 2025 in the pole position. Three factors supported the USD in our view: 1) Solid US economic performance versus structural problems in most other leading economies (US exceptionalism); 2) Favorable interest rate differentials and the Fed set to ease less than other major central banks; 3) Unilateral tariff hikes expected to benefit the currency of the initiating country. However, we also warned that Trump's policy agenda could backfire and undermine the USD. A particular concern to us was government debt sustainability and Fed independence. Our Macro positions were mostly long USD at the start of the year with the notable exception of a long JPY position. Increased uncertainty over the direction of US policy prompted us to square our long USD Macro positions in early February but keep the long JPY position. We maintained these Macro positions through the end of June due the overall high uncertainty in FX markets.

Looking back over the first half of the year, the performance of our Macro positions was mostly flat ex-

cept for the long JPY position, which earned 2.2%. Our Business Sentiment positions, which turned on balance short USD, performed better, earning on average 1.9% with large gains in the long CHF and EUR positions (+15.6% and +9.4% respectively) but also a sizeable loss in the short GBP position (-12.1%). Our Technical models mostly managed to switch over time to short USD, earning on balance 1% with the largest gain in the long SEK position (+1.9 %) and the biggest loss in the short CAD position (-2.7%). Across all three strategy types, our EUR and CHF positions performed best, followed by the JPY and SEK positions, flat for the CAD position and losses in the GBP position.

### **Dissecting the USD plunge**

On balance, the USD fell more than 10% YTD, but with a wide spread (see table). Changes in short-term interest rates are certainly not to blame as the Fed held rates steady while all other major central banks except for the BoJ cut rates. The changes in long-term interest rates and the corresponding flattening of the US yield curve and the steepening of most other yield curves also defies orthodox FX wisdom. Relative equity market performance helps explain some of the USD weakness but not all. In the case of the EUR, the surge of the DAX was probably the main driver and less so the overall Euro-area equity performance.

The main reason for USD weakness is undoubtedly falling market confidence in the US as a guardian of global security as well as economic and financial sta-

bility. Especially the magnitude of the tariff hikes have stagflationary implications that undermine the safe-haven status of the USD and US Treasuries. As a result, the US experienced the most negative growth revision relative to all other major economies. US exceptionalism is not completely gone but has faded a lot thanks to Trump's policy agenda. On the other hand, growth supportive monetary and fiscal policies outside of the US, as reflected in the steepening of yield curves, further undermine the USD's position

### Structural shift and risks

We do not think that the pre-dominant position of the USD can be replaced by any other currency (for details see FX Monthly May 2025) but we believe that the USD negative factors will prevail at least through the second half of the year. We see especially a prolonged period in which foreign investors will reduce the weight of US assets in their portfolios and like corporates try to increase their hedge ratios. This adjustment will be a drag for the USD given the large overweight positions of foreign investors in US assets and

the US twin deficits. In our view, current account surplus currencies with large positive net international investment positions are likely to benefit the most from this adjustment, notably the EUR via Germany, the JPY, the CHF, the SEK and the NOK. As a result, we have adjusted our Macro positions accordingly.

The process of USD position adjustment, however, is unlikely to be smooth and could also end quickly. Speculative positions are already short USD, especially versus the JPY, and could reverse at least temporarily. The geopolitical situation remains very fragile and especially a renewed military conflict in the Middle East could re-strengthen the USD's safe-haven status. Finally, the US remains the most innovative economy despite the damage done by Trump's policy agenda. Success in AI developments and applications, for example, could revive the US economy while fiscal and monetary stimulus fail to break the structural deadlocks in other leading economies, most notably in Europe.

### FX rate changes and drivers

	FX vs. USD*	3-month rate*	10-year rate*	Equity mkt. perform.*	Growth revision**	Curr. acc. / GDP	Net int. inv. pos. /GDP
USD		+10bp	-39bp	+5.5%	-1.0%pt	-3.9%	-90%
EUR	13.4%	-73bp	+23bp	+7.7%	0.0%pt	+2.8%	+11%
Germany	13.4%	-73bp	+23bp	+19.2%	-0.1%pt	+5.7%	+78%
JPY	8.8%	+16bp	+16bp	+3.5%	-0.3%pt	+4.8%	+87%
GBP	9.4%	-52bp	-8bp	+6.2%	0.0%pt	-3.4%	-10%
AUD	5.8%	-80bp	-28bp	+4.2%	-0.5%pt	-1.9%	-24%
CAD	5.4%	-47bp	+4bp	+8.6%	+0.1%pt	-0.5%	+75%
CHF	13.9%	-43bp	+15bp	+2.7%	-0.3%pt	+5%	+123%
SEK	16.0%	-37bp	-14bp	-0.7%	-0.5%pt	+7.4%	+63%
NZD	8.3%	-88bp	+15bp	-3.5%	-0.5%pt	-6.0%	-46%
NOK	12.2%	-24bp	-27bp	+10.9%	+0.2%pt	+17.1%	+359%

\* Change over first half 2025; \*\* Revision of the QCAM 2025 real GDP growth forecast over first half of 2025

Source: St. Louis Fed; JPMorgan, IMF and QCAM

# Economy & Interest Rates

There have been no major forecast changes. Global growth is expected to average around 3% with the largest slowdown expected in the US. Business sentiment and consumer confidence remained range-bound in June amid continued uncertainty over US policy but the risk of a recession in the US with negative global implications has declined as tariff conflicts moderate and fiscal policy become more expansionary in most major economies. Infla-

tion expectations remain elevated in the US, the UK and Japan, but have declined elsewhere, notably in the Euro area. Correspondingly, we expect the Fed to stay on hold before contemplating rate cuts toward the end of the year, while we look for more near-term easing from other central banks. The BoJ is likely to pause rate hikes for a while longer but should resume tightening towards year end.

	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>	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Global	3.3	2.2	n.a.	n.a.	3.2	3.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	1.8	1.2	n.a.	n.a.	2.7	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	2.8	1.5	4.0	4.4	3.0	3.0	-3.9	-3.7	-7.3	-7.0	121	123
Canada	1.5	1.0	6.4	6.5	2.4	2.0	-0.5	-0.3	-2.1	-2.0	111	113
Euro-area	0.9	1.0	6.4	6.3	2.4	2.0	2.8	2.5	-3.1	-3.2	88	89
Sweden	1.0	1.5	8.4	8.2	2.0	2.0	7.4	7.0	-1.1	-0.5	36	35
Switzerland	1.3	1.0	2.4	2.5	1.1	0.5	5.0	5.0	0.6	0.5	32	31
UK	1.1	1.0	4.3	4.5	2.5	3.0	-3.4	-3.7	-5.7	-5.0	104	106
Japan	0.1	1.0	2.6	2.6	2.7	3.0	4.8	4.0	-6.1	-6.0	237	235
Australia	1.0	1.5	4.0	4.2	3.2	2.5	-1.9	-2.5	-2.2	-2.5	50	51
Emerging	4.3	3.3	n.a.	n.a.	3.8	3.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	5.0	4.5	5.1	5.2	0.2	0.0	2.3	2.0	-7.3	-8.5	88	96
India	6.5	6.0	4.9	4.9	5.0	4.5	-0.8	-1.0	-7.4	-7.0	81	81
Russia	4.1	1.5	2.5	2.8	8.4	9.0	2.9	2.0	-2.2	-2.0	20	21
Brazil	3.4	2.0	6.9	7.2	4.4	5.5	-2.8	-2.5	-6.6	-8.0	87	91

Source: OECD, IMF World Economic Outlook and QCAM estimates <sup>1</sup> In percent annual average <sup>2</sup> In percent of GDP

## OECD business and consumer confidence\*



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

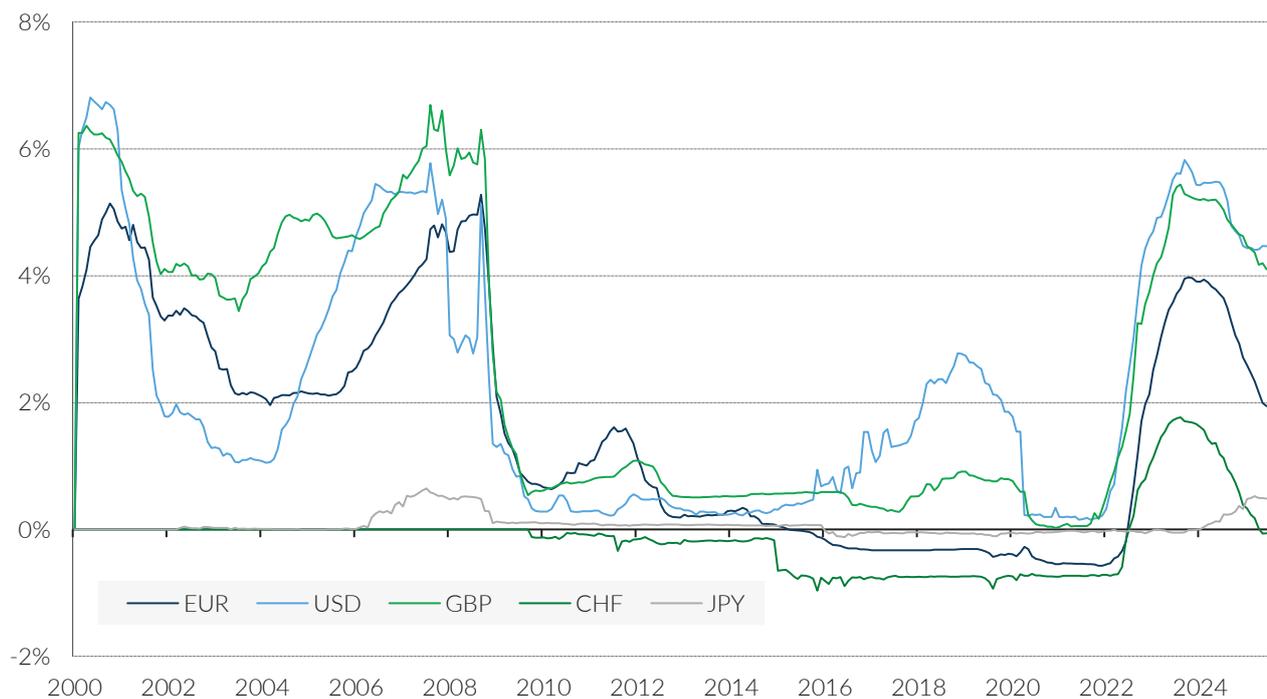
## Interest Rates

### 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	4.28%	4.32%	4.30%	5.33%	4.72%	4.02%	4.17%	4.01%	4.35%	3.05%
EUR	1.94%	2.00%	2.32%	3.71%	2.91%	2.54%	2.47%	2.57%	2.88%	2.70%
JPY	0.49%	0.49%	0.52%	0.13%	0.12%	1.21%	1.23%	1.31%	1.08%	0.86%
GBP	4.10%	4.20%	4.36%	5.13%	4.47%	3.93%	4.13%	4.15%	3.97%	3.80%
CHF	-0.07%	-0.07%	0.18%	1.19%	1.01%	0.51%	0.36%	0.59%	1.06%	1.26%
AUD	3.52%	3.69%	4.02%	4.41%	3.88%	3.90%	3.99%	4.11%	4.51%	4.20%
CAD	2.68%	2.67%	2.64%	4.67%	4.14%	3.30%	3.26%	3.00%	3.76%	3.60%
SEK	1.96%	2.15%	2.26%	3.66%	3.02%	2.49%	2.63%	2.88%	2.69%	2.76%
RUB	19.70%	20.15%	21.60%	16.15%	13.16%	11.12%	12.38%	11.12%	10.30%	9.19%
BRL	13.79%	13.67%	13.30%	9.50%	11.36%	13.11%	13.67%	14.67%	12.44%	12.29%
CNY	1.62%	1.61%	1.89%	1.89%	1.95%	1.54%	1.55%	1.66%	2.10%	2.25%
TRY	45.45%	47.80%	47.70%	53.15%	35.04%	27.28%	28.69%	29.45%	26.73%	25.76%
INR	5.45%	5.70%	6.11%	6.73%	6.48%	5.85%	5.83%	6.00%	6.48%	6.38%

Source: QCAM Currency Asset Management, as of July 2nd, 2025

### 3-month Rates



Source: QCAM Currency Asset Management, as of end of June 2025

# FX Markets

## FX Performance vs. PPP

The USD DXY fell 2.7% over the last month and is down nearly 11% YTD with the largest losses versus the EUR, the CHF and the SEK. EM currencies were on balance also stronger but the RUB and the TRY fell again. Speculative positions remained largely unchanged, with the USD significantly oversold, especially versus the JPY. Short-term interest rates moved either lower (USD, EUR, GBP, AUD, SEK) or stabilized (JPY, CHF, CAD). The cost of forward hedging versus the USD is no longer declining with

USDCHF hedging now most expensive. Actual and implied FX volatilities have been mixed but on balance remained in a range mostly above their historical averages. PPP estimates continue to move against the USD as US inflation remains more resilient. USD overvaluation, however, declined due to the USD's broad depreciation.

### Overview

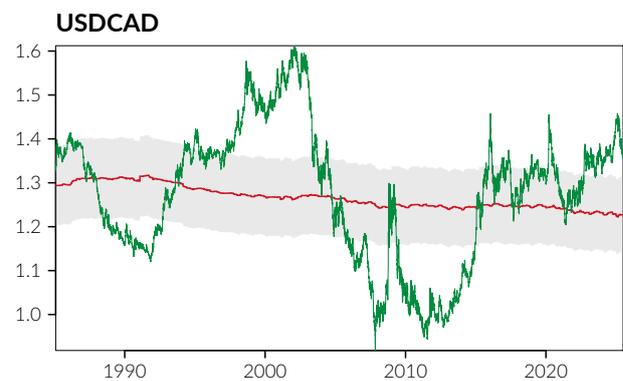
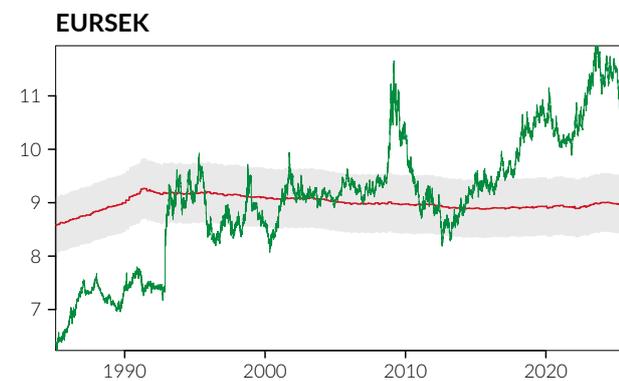
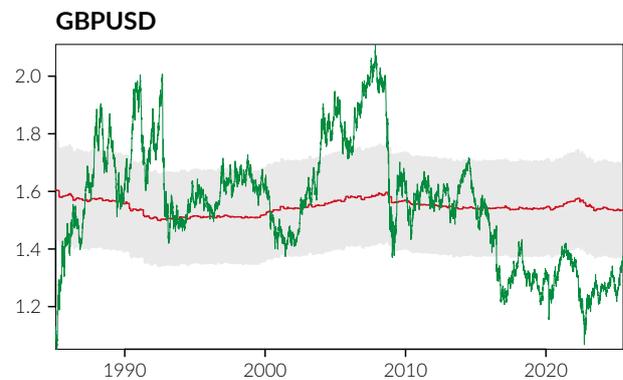
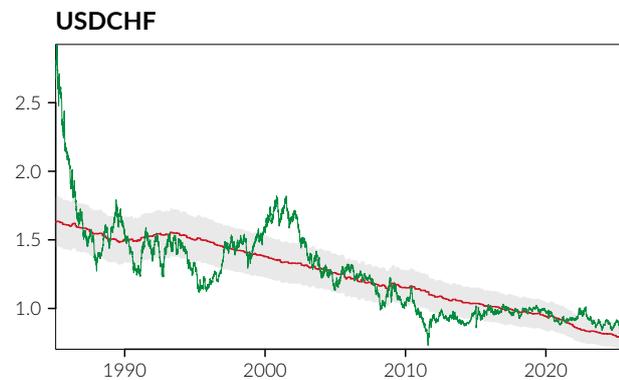
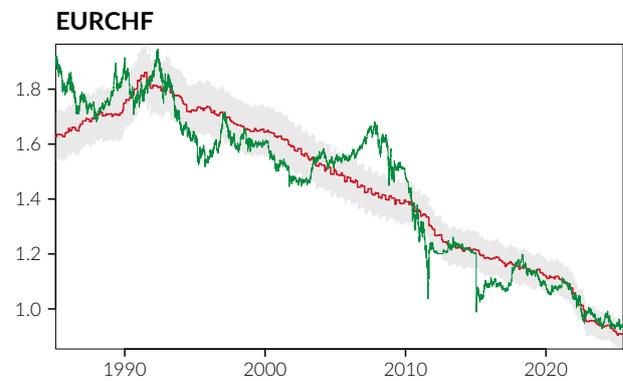
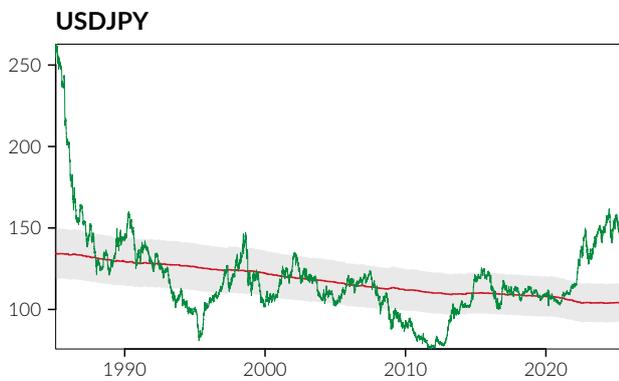
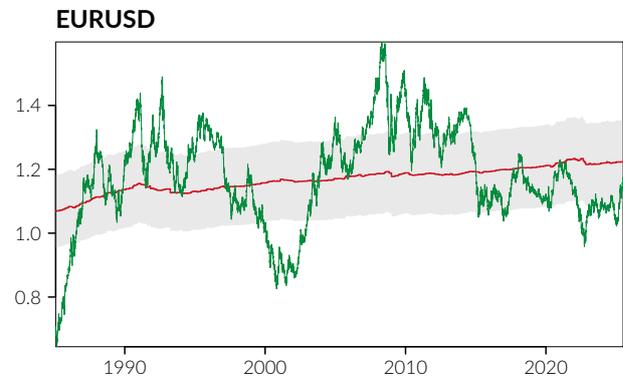
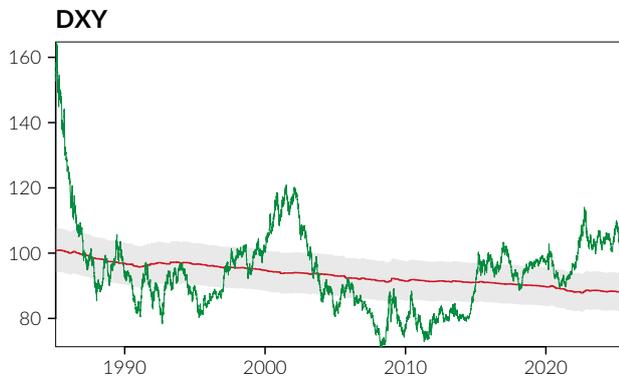
	Current Exchange Rate	Performance <sup>1</sup>				Purchasing Power Parity <sup>2</sup>		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation <sup>3</sup>
EURUSD	1.177	13.68%	3.66%	9.64%	4.45%	1.22	1.09 - 1.35	-4%
USDJPY	143.700	-8.69%	-0.14%	-11.03%	33.77%	104.28	92.39 - 116.16	38%
GBPUSD	1.373	9.63%	1.96%	8.52%	9.97%	1.54	1.37 - 1.70	-11%
EURCHF	0.934	-0.62%	0.04%	-3.71%	-12.34%	0.91	0.86 - 0.96	3%
USDCHF	0.794	-12.58%	-3.48%	-12.16%	-16.07%	0.79	0.70 - 0.88	0%
GBPCHF	1.089	-4.16%	-1.60%	-4.70%	-7.72%	1.02	0.93 - 1.11	7%
CHFJPY	181.075	4.44%	3.46%	1.29%	59.39%	96.19	85.23 - 107.14	88%
AUDUSD	0.657	6.18%	2.21%	-1.29%	-5.09%	0.76	0.67 - 0.85	-14%
USDCAD	1.366	-5.07%	-0.70%	-0.55%	0.60%	1.23	1.14 - 1.31	11%
USDSEK	9.511	-14.10%	-0.89%	-10.48%	2.33%	8.45	7.49 - 9.41	13%
EURSEK	11.190	-2.35%	2.73%	-1.85%	6.88%	8.96	8.41 - 9.51	25%
USD RUB	78.474	-31.00%	1.91%	-9.65%	10.98%	72.21	52.93 - 91.49	9%
USDBRL	5.453	-11.64%	-4.53%	-2.70%	2.37%	4.05	2.47 - 5.64	35%
USDCNH	7.163	-2.35%	-0.57%	-1.94%	1.32%	7.13	6.54 - 7.72	0%
USDTRY	39.830	12.62%	1.59%	21.90%	481.62%	26.63	20.94 - 32.31	50%
USDINR	85.606	0.03%	0.06%	2.64%	13.37%	82.06	75.49 - 88.63	4%
US_Dollar_Index	96.658	-10.90%	-2.69%	-8.73%	-0.55%	88.21	82.36 - 94.07	10%

<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



Source: QCAM Currency Asset Management, as of July 2nd, 2025

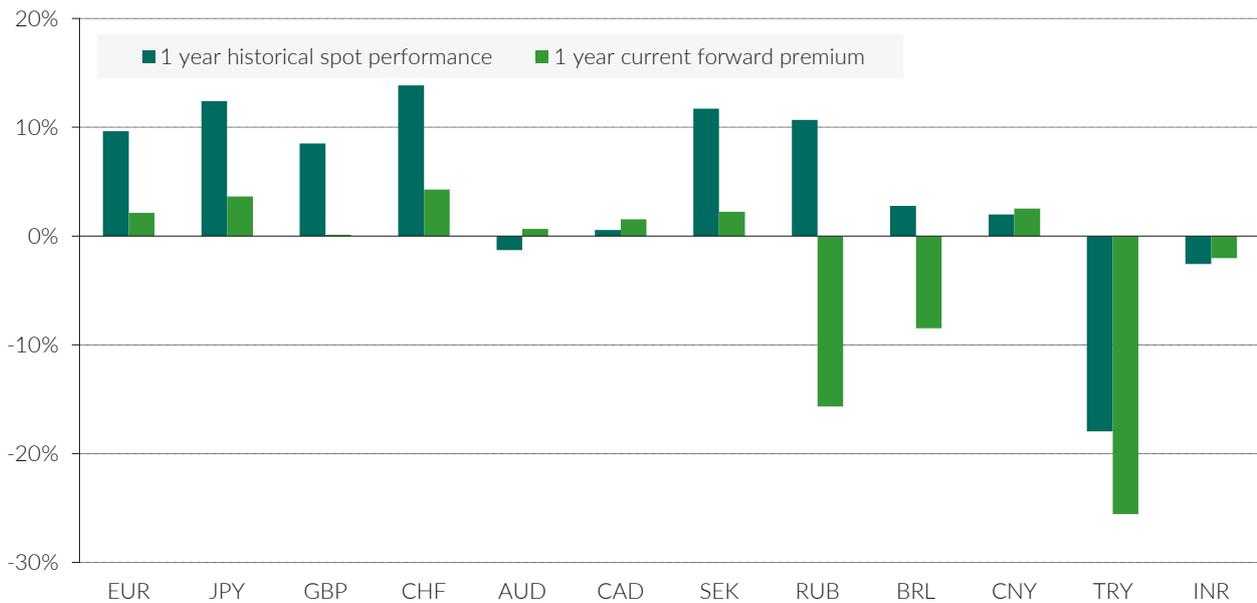
— PPP — Spot — Neutral Range

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.177	1.1790	1.1836	1.2017	2.39%	2.38%	2.11%
USDJPY	143.700	143.1869	142.2340	138.6682	-4.02%	-3.99%	-3.45%
GBPUSD	1.373	1.3727	1.3733	1.3740	0.16%	0.24%	0.11%
EURCHF	0.934	0.9319	0.9287	0.9146	-2.14%	-2.10%	-2.02%
USDCHF	0.794	0.7904	0.7846	0.7611	-4.52%	-4.45%	-4.04%
GBPCHF	1.089	1.0849	1.0774	1.0456	-4.36%	-4.22%	-3.94%
CHFJPY	181.075	181.1556	181.2900	182.2039	0.50%	0.46%	0.61%
AUDUSD	0.657	0.6571	0.6580	0.6609	0.68%	0.77%	0.64%
USDCAD	1.366	1.3638	1.3598	1.3453	-1.80%	-1.79%	-1.50%
USDSEK	9.511	9.4910	9.4535	9.3043	-2.34%	-2.36%	-2.14%
EURSEK	11.190	11.1901	11.1896	11.1810	0.04%	0.00%	-0.08%
USD RUB	78.474	79.9356	82.5443	93.0583	20.31%	20.29%	18.23%
USDBRL	5.453	5.4925	5.5791	5.9570	8.20%	9.07%	9.12%
USDCNH	7.163	7.1448	7.1094	6.9867	-2.82%	-2.73%	-2.42%
USDTRY	39.830	41.0341	43.2535	53.5025	32.99%	33.64%	33.67%
USDINR	85.606	85.7253	85.9693	87.3798	1.57%	1.66%	2.04%

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



Source: QCAM Currency Asset Management, as of July 2nd, 2025

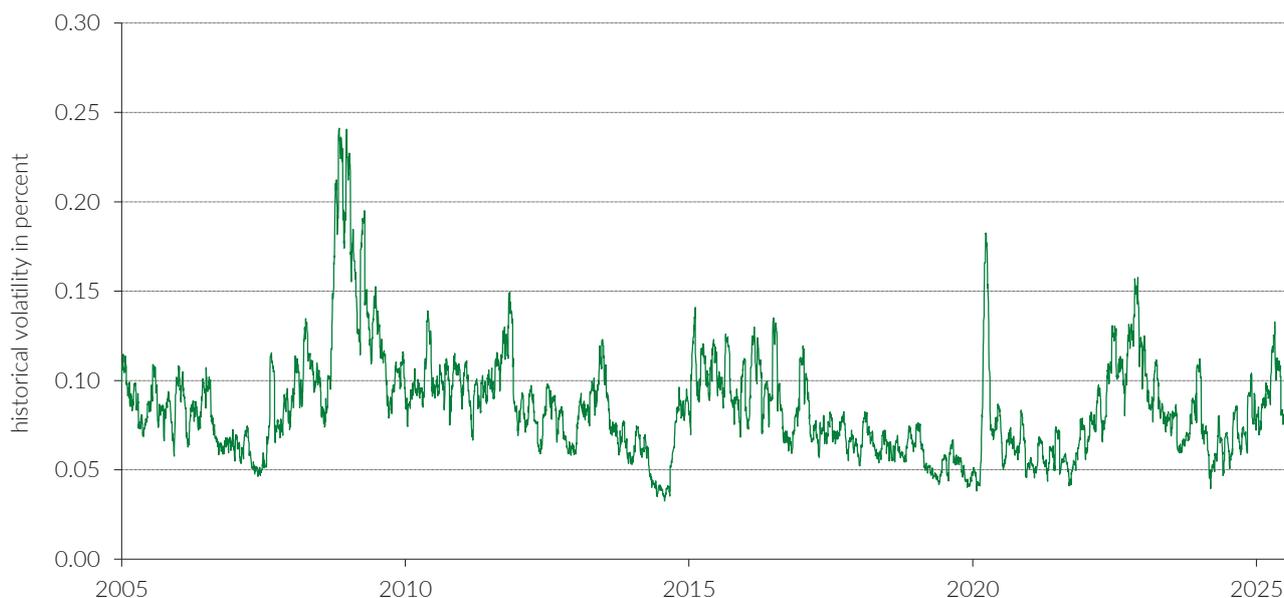
## FX Volatility

### 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	1.177	9.10%	10.65%	5.74%	7.42%	8.32%	7.98%	6.23%	7.19%
USDJPY	143.700	11.82%	12.58%	8.97%	9.19%	10.65%	11.08%	9.58%	9.17%
GBPUSD	1.373	8.02%	8.77%	5.85%	8.44%	7.80%	7.58%	6.38%	8.33%
EURCHF	0.934	5.16%	7.64%	5.22%	5.24%	5.98%	5.93%	5.83%	5.57%
USDCHF	0.794	10.94%	11.70%	6.76%	7.73%	9.20%	9.05%	6.15%	7.32%
GBPCHF	1.089	7.82%	9.41%	5.88%	7.28%	7.35%	7.48%	6.15%	7.52%
CHFJPY	181.075	7.28%	8.07%	6.26%	7.98%	8.07%	8.70%	8.25%	8.43%
AUDUSD	0.657	11.28%	15.95%	8.79%	10.54%	9.98%	10.18%	8.60%	10.27%
USDCAD	1.366	6.30%	8.00%	4.71%	6.52%	5.93%	6.00%	5.03%	6.56%
USDSEK	9.511	12.58%	15.42%	10.53%	10.86%	10.93%	10.61%	10.15%	10.63%
EURSEK	11.190	7.62%	8.96%	6.26%	6.19%	6.53%	6.75%	6.25%	6.51%
USD RUB	78.474	17.47%	19.21%	20.01%	22.01%	23.80%	23.50%	25.30%	26.63%
USDBRL	5.453	10.67%	14.01%	11.18%	14.53%	12.60%	14.23%	14.43%	16.30%
USDCNH	7.163	4.27%	4.42%	2.45%	4.69%	4.20%	4.60%	3.85%	5.37%
USDTRY	39.830	2.87%	6.83%	5.99%	12.42%	15.88%	16.35%	17.68%	20.57%
USDINR	85.606	5.54%	5.14%	2.40%	3.88%	5.10%	5.23%	2.63%	4.84%

<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 July 2nd, 2025

# FX Analytics

QCAM has 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.

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).

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.

## July 2025 – Current positioning

Most changes since the last Monthly were in Macro positions. In addition to long JPY, the Macro positions also shifted to long EUR, CHF and SEK versus the USD. In Business Sentiment, the long JPY position shifted to neutral and the long CHF position versus the USD declined. The balance of all Business Sentiment positions is now neutral versus the USD. In Technical the short CHF position vs. the USD moved to neutral and the long SEK position vs. the EUR increased. The balance of all Technical positions is roughly one third short USD. The balance of all strategy positions is slightly short USD with the biggest long in EUR and the only short in CAD. The overall EUR position is slightly short versus the CHF and two thirds short versus the SEK.

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

	Macro	Business Sentiment	Technical	Comment
EURUSD	+	++	+	We switched the Macro position to long EUR, raising the overall long EUR position.
USDJPY	-/+	0	0	Business Sentiment shifted from long JPY to neutral, moving the overall JPY position to neutral as well.
EURCHF	0	+	--	Macro moved to long CHF vs. the USD, the long CHF Business Sentiment position vs. the USD declined and Technical moved to neutral in USDCHF. The balance of all CHF positions remained moderately long CHF versus both EUR and USD.
USDCHF	-	-	0	
GBPUSD	0	-	+	All positions remained unchanged with the overall GBP position at neutral.
EURSEK	0/+	--	--	The Technical long SEK position increased, raising the overall long SEK position.
USDCAD	0/+	++	--	All position remained unchanged, leaving the overall position slightly short CAD.

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

## EURUSD

We moved the Macro position to long EUR (see also main article). The EUR has upside potential given the uncertainty around US policy and investor position rebalancing. Stepped-up German/European defence and infrastructure spending could also be EUR positive. But much more has to happen to overcome structural impediments while the

US economy remains more innovative despite the damage from Trump's policy turmoil. The ECB may cut rates one more time but the Fed is not expected to cut rates much either. Business Sentiment and Technical both stayed long EUR and the balance of all strategy positions is two thirds long EUR.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	The Euro-area's current account surplus remains stable versus the US current account deficit
	Fiscal Balances	0	Euro-area deficit likely to rise but remain below the US deficit
	Interest Rate Differentials	0/-	ECB easing approaching an end but Fed unlikely to cut much
<b>Sentiment</b>	Business Sentiment	+	The momentum of Euro-area surveys improved versus that of US surveys
	Risk Sentiment	0	Elevated political and policy uncertainty on both sides
<b>Technical</b>	Price Action	+	Technical stayed long EUR
	Spec Positions	0	Net position remained modestly long EUR
	PPP Valuation	0	EUR undervaluation declined to 4%

### EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

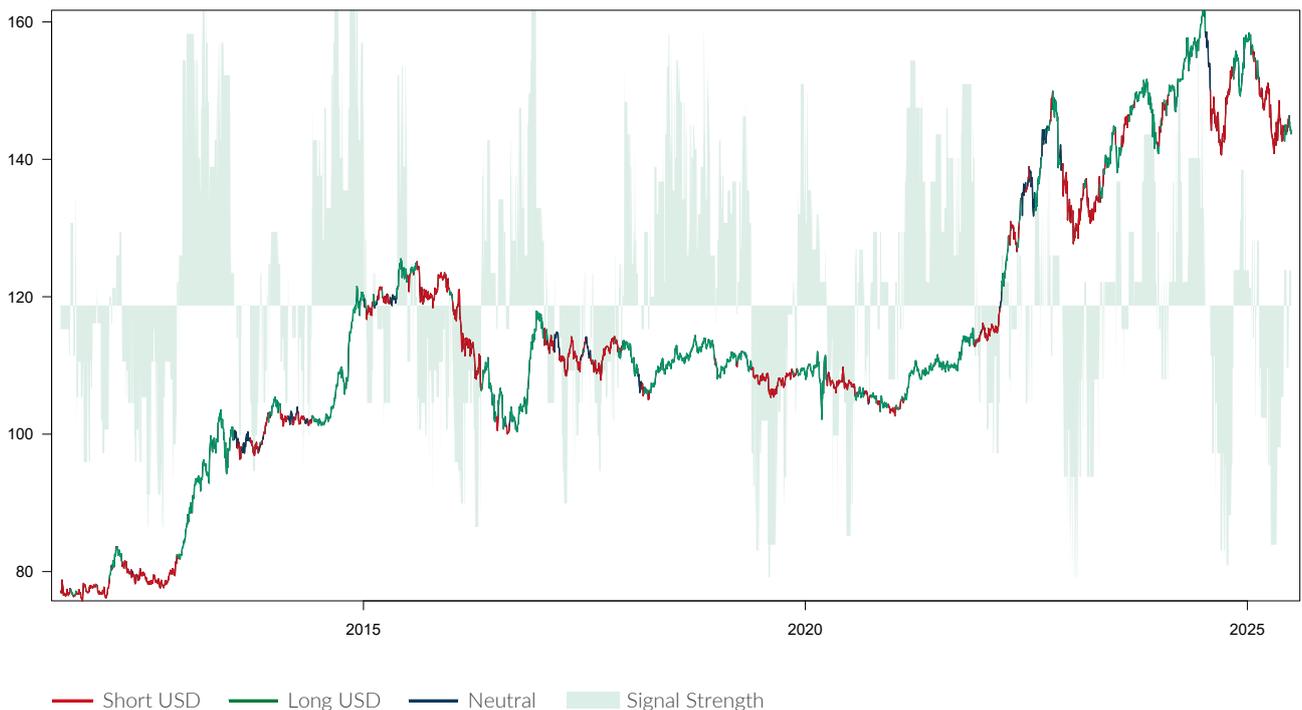
## USDJPY

We kept the discretionary Macro position at long JPY. We see the BoJ taking a pause but expect a return to policy normalization towards year end. The data continues to show economic growth and inflation resilience. Japanese Investors are also likely to moderate their long US asset positions. We expect the JPY to gradually regain its safe-haven status, which helps in times of increased policy uncertainty. A risk is the on-

going trade conflict with the US, but Japan is less vulnerable due to offshoring and we think Trump needs Japan more as a partner versus China. As a result, we see the overall risk/reward trade-off as favourable for the JPY. The Macro carry model stayed short JPY, Business Sentiment moved to neutral and Technical remained at neutral, moving the overall JPY position to near neutral as well.

	FX Factors	JPY Impact	Comment
<b>Macro</b>	Current Account Balances	+	The Japanese current account surplus remains solid
	FDI Flows	-	Net outflows largely offset current account surplus
	Interest Rate Differentials	-	The Macro carry model stayed short JPY as rate hike expectations moderated and volatility declined
<b>Sentiment</b>	Business Sentiment	0	The momentum of Japanese Business Sentiment fell in line with that of US surveys
	Risk Sentiment	0	Safe-haven character not yet restored
<b>Technical</b>	Price Action	0	Technical stayed neutral JPY
	Spec Positions	-	Net position stayed long JPY and at reversal levels
	PPP Valuation	+	The JPY is currently about 38% undervalued

### USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

## EURCHF

We kept the discretionary Macro position at neutral versus the EUR. The CHF outperformed during the tariff turmoil and Swiss fundamentals remain robust, also given political uncertainties in the Euro-area and the ongoing safe-haven appeal of the CHF. The SNB intervened in the FX market in April but seems reluctant to use interventions more aggressively given potential tensions with the US (currency manipulator).

Instead and given very low inflation figures, the SNB has cut the policy rate to zero to arrest the currency appreciation and support the economy. We believe that the SNB will stay on hold for a while before contemplating a potential move to negative interest rates. Business Sentiment stayed short CHF and Technical stayed long CHF, leaving the balance of all strategy positions modestly long CHF versus the EUR.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus remains steady support for CHF
	Interest Rate Differentials	0/-	SNB moved policy rate to zero but not expected to go negative
	SNB Policy Intervention	0	Limited risk of SNB FX interventions
<b>Sentiment</b>	Business Sentiment	-	The Swiss economy stayed behind the Euro-area economy in the surveys
	Risk Sentiment	0	The decline in risk aversion had limited impact on the CHF lately
<b>Technical</b>	Price Action	+	Technical stayed long CHF
	PPP Valuation	0	CHF is close to fair-value versus the EUR

### EURCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

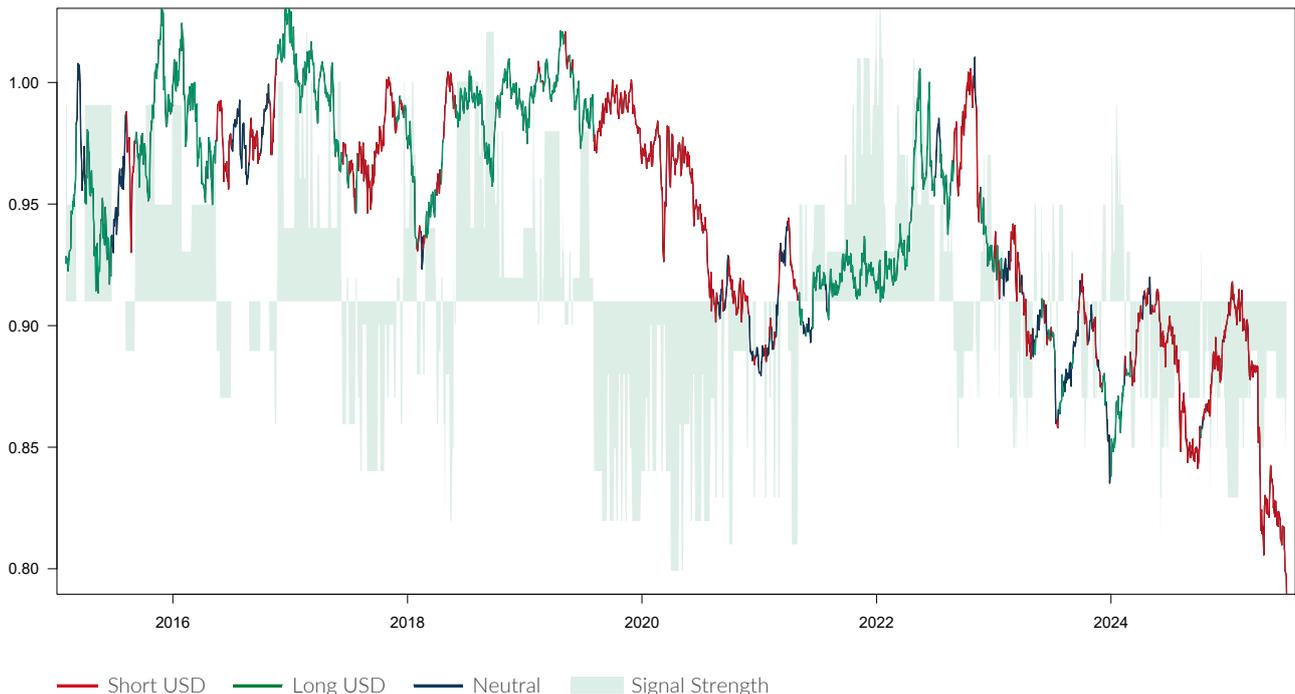
## USDCHF

Our Macro positions in EURCHF and EURUSD (neutral and long) imply long CHF versus the USD. The Swiss economy remains fundamentally sound and the CHF's safe-haven properties uncontested. The SNB intervened in the FX market in April but seems reluctant to use interventions more aggressively given potential tensions with the US (currency manipulator). Instead and given very low inflation figures, the SNB has

cut the policy rate to zero to arrest the currency appreciation and support the economy. We believe that the SNB will stay on hold for a while before contemplating a potential move to negative interest rates. The long CHF Business Sentiment position declined and Technical moved to neutral, leaving the balance of all strategy positions moderately long CHF versus the USD.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus remains steady support for CHF
	Interest Rate Differentials	0/-	SNB moved policy rate to zero but not expected to go negative
	SNB Policy Intervention	0	Limited risk of SNB FX interventions
<b>Sentiment</b>	Business Sentiment	+	Momentum of Swiss surveys better than US surveys
	Risk Sentiment	0	The fall in risk aversion had limited impact on the CHF lately
<b>Technical</b>	Price Action	0	Technical moved to neutral
	Spec Positions	0/+	The CHF remained moderately oversold
	PPP Valuation	0	CHF is around fair value

### USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

## GBPUSD

We keep the discretionary Macro position at neutral despite the general USD bearish environment. We believe that UK fundamentals remain challenged thanks to BREXIT while the government struggles to implement change. Twin deficits and a negative net international investment position also limit the GBP opportunity to benefit from broad USD asset

rebalancing. The BoE faces a similar inflation challenge as the Fed but we expect the BoE to ease before the Fed. Business Sentiment stayed short GBP while Technical remained long GBP. The overall strategy position is neutral GBP.

	FX Factors	GBP Impact	Comment
<b>Macro</b>	Current Account Balances	0/-	The UK deficit has returned to pre-Corona levels
	Interest Rate Differentials	0/-	UK rates are at par with US rates but BoE likely to start cutting rates further before the Fed
<b>Sentiment</b>	Business Sentiment	-	Momentum in UK surveys remains behind versus US surveys
	Risk Sentiment	0	Risk sentiment has improved but not bullish
<b>Technical</b>	Price Action	+	Technical stayed long GBP
	Spec Positions	0	Net positions are modestly long GBP
	PPP Valuation	0/+	The GBP is 11% undervalued

### GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

## EURSEK

We keep the discretionary Macro position at neutral. Economic conditions have improved and the drag from the housing sector is gradually easing as the Riksbank lowered interest rates. The Macro interest rate model stayed short SEK while Business Sentiment and Technical remained long SEK leaving the overall strategy position moderately long

SEK versus the EUR. However, we are bullish SEK versus the USD given the switch of the EURUSD Macro position to long. The SEK is well positioned for a repositioning in USD asset positions by foreign investors given its current account surplus and large positive net international investment position.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	+	Sweden's surplus has rebounded to levels above those before the Ukraine war
	Interest Rate Differentials	-	The Macro interest rate model stayed short SEK
<b>Sentiment</b>	Business Sentiment	+	Surveys stayed long SEK
	Risk Sentiment	0	Risk sentiment has improved but not bullish
<b>Technical</b>	Price Action	+	Technical remained long SEK
	PPP Valuation	+	The SEK is roughly 25% undervalued versus the EUR

### EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

## USDCAD

We kept the discretionary Macro position at neutral despite the general USD bearish environment. The trade conflict with the US remains centre stage and low oil prices are also a headwind for the Canadian economy. Canadian inflation is below US inflation and the BoC lowered interest rates more than the Fed, given the interest burden in the housing sector. We ex-

pect the BoC to cut interest rates further, but not more than the Fed. Market sentiment towards the CAD has improved following the clear election outcome and handling of the tensions with the US by the new government. The Macro oil price model and Business Sentiment stayed short CAD and Technical remained long CAD, leaving the overall position slightly short CAD.

	FX Factors	CAD Impact	Comment
<b>Macro</b>	Current Account Balances	0	Canada's current account deficit remains small versus the US deficit and compared to past levels
	Oil Prices	-	The Macro oil price model stayed short CAD
	Interest Rate Differentials	-	CAD interest rates moving lower ahead of USD interest rates
<b>Sentiment</b>	Business Sentiment	-	Canada weaker momentum versus the US in the surveys
	Risk Sentiment	0/-	Election outcome removed political uncertainties but tensions with the US remain
<b>Technical</b>	Price Action	-	Technical stayed long CAD
	Spec Positions	0	The CAD oversold position declined further to near neutral
	PPP Valuation	0	CAD is about 11% 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.

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## 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.

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## 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.



## Short Term Fixed Income USD Strategy

Now available as Fund

QCAM's Short Term Fixed Income USD Strategy (QCAM STFI USD) 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. Over the years, QCAM STFI USD has consistently outperformed its peers. Now, it is available as a Swiss regulated investment fund.

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## 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 focus on currency and money market management. QCAM brings together a team of internationally experienced Currency and Asset Management specialists, who are managing assets of institutional clients of approx. USD 6 billion.

Our core competences are Currency Overlay Services, FX Transaction Execution according to «Best Execution» principles, FX Alpha and Short Term Fixed Income 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

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- Client focused solutions, tailored to each individuals requirements

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- Independent selection of suitable external services providers

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- No principal-agent conflicts

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- Transparent fee model – no hidden costs

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- Transparent reporting

## QCAM MONTHLY Editorial Team



**Bernhard Eschweiler, PhD**  
Senior Economist  
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

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#### QCAM Currency Asset Management AG

Guthirtstrasse 4  
6300 Zug  
Switzerland

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

