Currency Management

Interview with Thomas Suter, CEO of QCAM Currency Asset Management

Moneycab | Original Inverview in German: https://www.moneycab.com/interviews/thomas-suter-ceo-qcam-currency-asset-management-im-interview/

Thomas Suter, CEO QCAM Currency Asset Management. (Foto: zvg)

From patrick.gunti
14. Januar 2026, 09:45 Uhr

Moneycab.com: Mr Suter, why is currency management particularly important for Swiss investors today?

Thomas Suter: Large portions of assets are held in foreign currencies, above all the US dollar and the euro. This automatically makes portfolios vulnerable to exchange rate fluctuations. Many investors are not even aware of how strongly currency movements influence their returns. For example, last year the US dollar lost more than 10% against the Swiss franc — something very few had expected.

How do you assess the current global currency environment, particularly in the context of low interest rates and the strong Swiss franc — or the weak US dollar?

The dollar is not weak. Last year's depreciation merely corrected part of its trade-weighted overvaluation. Against the Swiss franc, we are currently more or less at purchasing power parity. The same applies to the euro versus the Swiss franc. The Japanese yen, by contrast, is still around 50% undervalued against the dollar.

> "The dollar is not weak. Last year's depreciation merely corrected part of its trade-weighted overvaluation."
> *Thomas Suter, CEO, QCAM Currency Asset Management*

Is there anything to suggest that this situation might change in the near future?

No. That said, forecasts remain difficult in an environment shaped by uncertainty. The Swiss franc is likely to remain strong. The US dollar will probably stay volatile as long as US fiscal policy lacks credibility and the independence of the Federal Reserve continues to be questioned by the US government.

From your day-to-day experience, which currency risks are currently most underestimated by investors?

It is not specific currency risks, but rather the general risk of misjudging currency developments. As mentioned, forecasting exchange rates is inherently difficult. However, investors who do not sufficiently take currency movements into account when investing in foreign assets fail to extract the full potential from their portfolios — or risk seeing gains from rising US equity markets reduced by a weakening dollar, or even ending up with a negative overall return.

How does the low-interest-rate environment affect the attractiveness of a passive currency overlay?

In periods when Swiss interest rates are significantly lower than those of the foreign currencies being hedged, hedging inevitably becomes more expensive and therefore less attractive.

If, in addition, the probability of an appreciation of the Swiss franc is low and the underlying assets generate only modest returns compared to hedging costs, a fundamental question arises as to whether hedging transactions make sense at all.

How does this passive base hedging work in simple terms?

A passive base hedge systematically reduces foreign currency risk to a predefined hedge ratio. Hedging is typically implemented using foreign exchange forwards or futures; alternatively, option-based hedges may also be employed.

What are the advantages of combining a passive currency overlay with active management of hedged positions?

From a long-term perspective, this combination offers the opportunity to reduce hedging costs through tactical deviations from the target hedge ratio (the benchmark). However, this can only succeed if active management follows trading models that have proven robust across a wide range of market scenarios. Patience and a steady hand — even during periods when the active component temporarily contributes negatively — are essential.

> "Over the long term, combining a passive currency overlay with active management of hedged positions offers the opportunity to reduce hedging costs through tactical deviations from the target hedge ratio (benchmark)."

How do you determine which parts of a portfolio should be hedged passively and where active management can generate added value?

This is a central question that every responsible asset manager must answer individually. The third option should also not be dismissed — namely, leaving certain foreign currency exposures unhedged.

There are no golden rules. A textbook approach would start by quantifying currency risks, analysing hedging costs and describing risks based on historical data, mainly through correlation analyses. In times like these, however, this approach is suboptimal. The past year in particular has clearly shown that historically established relationships can be sustainably disrupted, calling such risk analyses into question.

In our view, the most important questions to address are:

- What specific objective was pursued when deciding to invest in foreign currency assets?
- Was a time horizon defined in advance?
- What proportion of foreign currencies does the total portfolio contain?
- Is the portfolio's return objective conservative or geared towards strong growth?

The range of possible answers already illustrates how multifaceted and complex the resulting hedging strategy can be. Just one example: investors pursuing a strong growth objective and therefore investing in foreign currency assets — such as the recently very successful US technology companies — are often better off foregoing a hedge against dollar risk, as the cost of hedging would be too high.

When does it make sense to actively manage currency positions beyond pure hedging?

Active currency overlay offers good long-term opportunities to generate additional returns while simultaneously reducing overall portfolio volatility — all without tying up significant capital. By contrast, the benefits are less obvious in periods when equity markets deliver above-average returns with low volatility.

> "When managing a foreign currency portfolio, a strict distinction should be made between currencies that are to be managed passively and those that are to be managed actively."

What types of risk arise from combining passive and active approaches?

When managing a foreign currency portfolio, it is essential to clearly distinguish between currencies to be managed passively and those to be managed actively. The greatest risk likely lies in the choice of benchmark for both the passive and active components. The second most significant risk is timing risk, particularly with regard to active deviations from the benchmark, which can range anywhere between 100% hedged and 0% hedged.

These timing decisions are usually driven by a range of trading models that determine not only when the hedge ratio should be adjusted, but also the magnitude of the deviation.

Operational risks should also not be overlooked, as the higher demands placed on systems, processes and reporting can increase complexity.

How volatile are the costs of currency hedging?

Hedging costs arise primarily from interest rate differentials relative to currencies with higher interest rate levels. These differentials vary significantly from one currency to another. From a Swiss investor's perspective, they currently amount to almost 4% per year for the US dollar and around 2% per year for the euro.

(Translated by QCAM Currency Asset Management AG)

About QCAM Currency Asset Management AG

QCAM Currency Asset Management AG is an asset manager focused on institutional clients, specializing in Fixed Income and Foreign Exchange. For over 20 years, QCAM's team of internationally experienced FX and asset management specialists has successfully served a demanding institutional client base. QCAM currently manages approximately USD 6 billion in assets. The company has been regulated by FINMA since 2007 and has been registered with the SEC since 2014.

QCAM Currency Asset Management AG
Guthirtstrasse 4 | CH-6300 Zug
+41 55 417 00 50 | info@q-cam.com
www.q-cam.com