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MAY 2018

FX MONTHLY

QCAM Insight ++ The macro perspective ++ FX market talk
Economic activity ++ Inflation ++ FX markets ++ Financial markets
Number of the month

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Wellershoff & Partners Ltd. is a strategic research partner of QCAM Currency Asset Management AG. This includes the regular exchange on fundamental developments in the global economy and on financial markets as well as their influence on currency markets. What is more, Wellershoff & Partners Ltd. is available to QCAM Currency Asset Management AG for selected events as well as client meetings.

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QCAM Insight

Volatility returns to the markets

Thomas Suter, CEO
QCAM Currency Asset Management AG

1.) How would you assess the investment year so far?

Most market observers anticipated this year to be a seamless continuation of the successes of 2017, but a number of factors have contributed to investors' uncertainty in the first quarter of this year. These include the possibility of rising interest rates as well as rising inflation, escalating trade conflicts between the US and other big economies, and disappointing economic growth in the US, still the world's largest economy. Against this backdrop, the revival of market volatility comes as no surprise. The VIX, the Chicago Board Options Exchange Volatility Index, remained close to its historical low of 10 points throughout 2017. But since February of this year it has averaged more than 20 points. Volatility has definitely returned to financial markets. Interestingly, this rise in volatility has had little impact in the currency area, at least not yet (see chart). Ultimately, higher volatility's influence on currency markets will depend on the dynamics of each currency. Take EURUSD exchange rate as an example. After plunging at the beginning of the year, the euro remained trapped for quite a while in a narrow band between 1.22 and 1.25 against the US dollar, only recently managing to break out in a downward direction. Meanwhile, the Japanese yen, which has long been a beneficiary of this uncertainty, has also been hit by the US-initiated trade disruptions.

In this increasingly challenging environment, we can leverage our position as an independent currency specialist to the benefit of our clients. For example, one attractive area where we have been operating successfully for several years is our Optimized Liquidity Management strategy. We are now making this approach accessible to institutional clients via Luxembourg funds.

2.) What exactly do you offer with Optimized Liquidity Management?

Due to the apparent lack of alternatives, many institutional investors often have large cash holdings, which compel them to accept less attractive terms from banks. With our Optimized Liquidity Management offering, we help our clients exploit untapped potential returns without increasing credit risks. In a multi-bank environment, our strategy is aimed at preserving capital and increasing short-term returns. Using our tools, portfolio managers can capitalize on the inherent inefficiencies found in FX. We have been successfully implementing this strategy for years, and most of the time we have substantially outperformed the benchmark indices and the funds of competitors.

3.) What are your goals with the newly launched QCAM MACRO UPDATE?

The economic environment and the markets are in a state of flux, and long-term forecasts are virtually impossible to make. We think a periodic assessment of the factors driving markets is important to making good investment decisions. With exclusive information and the savvy insights of our specialists, we provide our clients and investors with added value in a number of ways. In addition to the closely read FX Monthly and our WhatsApp-based market commentary on Flash FX NOW!, we have added QCAM MACRO UPDATE. This newsletter offers investors highly relevant insights into the big macroeconomic picture. Bernhard Eschweiler, our senior economist, writes these short notes and we recommend investors read them. In volatile times, understanding the market-moving forces is essential.

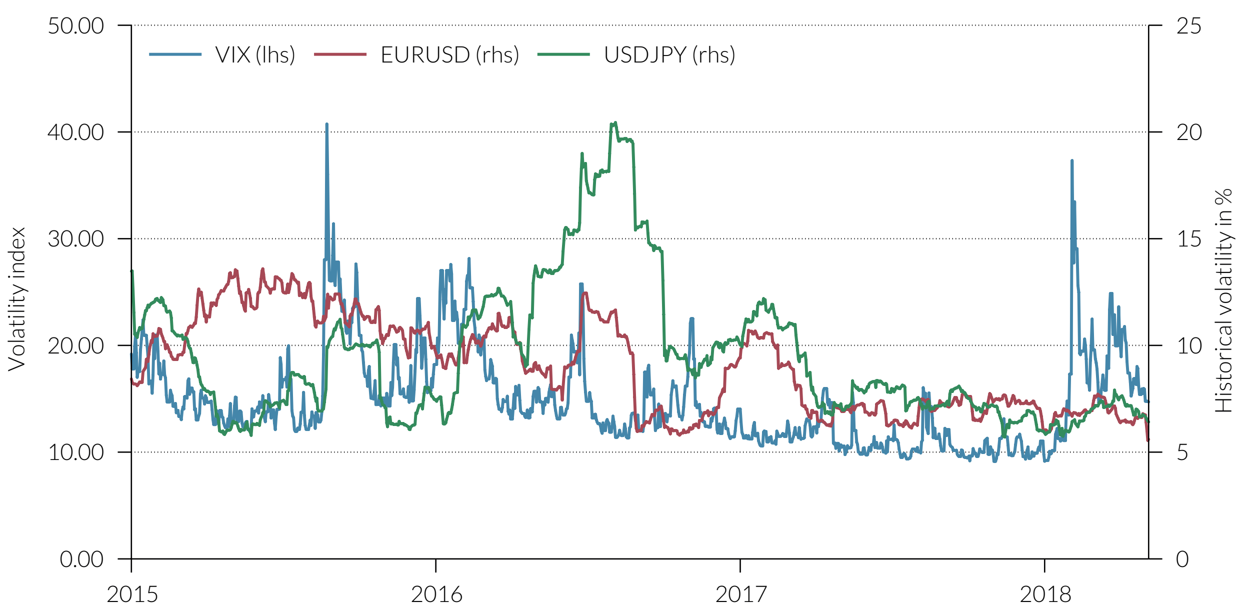
4.) QCAM is on the shortlist for the European Pension Awards 2018. What does that mean for you?

We are delighted that our services as independent currency managers are recognized at the European level. The European Pension Awards honor service providers who demonstrate the highest professional standards with European pension funds in these increasingly challenging times. Our inclusion on the short list for this award is very gratifying, and it inspires us to serve our customers even better in the future.

5.) In 2017 QCAM participated in various events. How do things look this year?

This year we will again be present at selected events, such as the Vorsorge-Symposium on the second pension pillar at the Messe Zurich event hall on June 6 and 7 and we are excited to be co-partner at the Swiss Asset Management Day in Pfäffikon, in Canton Schwyz, on July 4. As an internationally active asset manager proud of our Swiss roots, we are delighted to sponsor the 112th Traditional Folk Wrestling and Alpine Festival in Ruswil in the canton of Lucerne. An absolute novelty for us! Over all, we can assure you, 2018 will also be an eventful year at QCAM.

No signs of increased volatility in currencies yet



Source: QCAM Currency Asset Management

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The macro perspective

Continually positive sentiment

With strong economic indicators, this economic cycle continues spreading good cheer. Consumers around the world still enjoy the best of moods. And businesses continue to be demonstrably confident about the economic outlook.

The global economy continued to grow above trend in the first quarter. That much is clear from the data releases for the US, the Eurozone and China. With annual growth rates of 2.9, 2.5 and 6.8 percent respectively, the upbeat leading indicators from last autumn have thus been confirmed. However, it is striking that, in practically all the industrialized countries, sentiment is outpacing the most recent economic developments.

Sentiment trumps reality

This mismatch is also reflected in the so-called "surprise indices." These economic indicators, compiled by several banks, compare market expectations for various economic indicators prior to and after their release—projections versus the reality. We note that surprise indices have been falling sharply for some time. Parallel to the falling surprise indices, stock markets have also been slipping, which is probably explained by investor disappointment, given the prevailing overly optimistic expectations.

The surprise index for the Eurozone has nose-dived in recent months. But despite rose-tinted market expectations, economic growth managed to reach 2.5 percent year-over-year in the first quarter. At present, various leading indicators indicate annualized growth rates up to 4 percent in the US and 3 percent in the Eurozone.

Above-trend growth persists

While these growth figures may not seem spectacular to some observers, it must be remembered that in the major economies the growth levels needed for sustainable economic expansion have declined significantly over the past twenty years. America is currently growing 0.9 percentage points faster than trend levels, the Eurozone 0.8 percentage points faster. As a result, capacity utilization in the broad economy, including the labour market, is improving very quickly in both regions.

One consequence of this growth surge should be a gradual increase in inflationary pressures. In fact, core inflation rates have risen again lately. But inflation's ascent remains in slow motion. We think this will change only slowly, since despite the lengthy upswing we are still far from reaching over-utilization in the economy.

That said, we note the first somewhat significant increases in recent wage settlements. German metalworkers, for example, have been enjoying a 4.3 percent wage increase since April. The continuing strong economy is also leaving its mark on the price of oil, which has continued trending upward lately. In sum, we expect inflation rates to continue their slow rise in the coming months.

Central banks further challenged

The positive economic picture and slowly rising inflation will increasingly challenge central banks over the coming months. In the US, inflation-adjusted money market rates continued their descent to the depths, in fact, despite the Fed's hefty increases in reference rates in recent months. Real interest rates are now negative in the Eurozone, -1.4

percent, and in Switzerland, -1.5 percent. We would point out that these interest-rate depths were not even reached in the immediate aftermath of the financial crisis.

But plummeting real interest rates make little sense in a period of above-trend growth and negative side effects are beginning to show. For example, in a number of countries, we are not only seeing that construction activity is picking up briskly again, but property prices are also continuing their ascent to, in our view, financially unsustainable levels. Thus, pressures are growing on central banks to act faster than they have, till now, wanted market participants to believe.

Economic sentiment remains positive

Source: Thomson Reuters Datastream, Wellershoff & Partners

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FX market talk

Trade wars and FX

The exchange rate is a powerful mechanism to adjust the prices of a country's exports and imports. With the US increasingly sensitive about its trade deficit, in this article we look at the FX valuations of the main US trading partners.

Based on President Trump's tweets complaining about how America is being treated unfairly in trade deals, one would think that something new and dramatic had happened to US trade in recent years. But the reality is that the US has been running an almost uninterrupted current account deficit since 1983 – long before NAFTA was created and long before China was a major exporter. America's trade deficit is not a new story.

Moreover, based on the fuss, one would have thought that trade is a huge part of the US economy – but it isn't. America's GDP last year was USD 19.5 trillion. Imports were USD 2.9 trillion, or just 14.8 percent of GDP. Compare this to the Eurozone, where imports are around 41 percent of GDP!

Yet, with the purchasing power parity of the euro against the US dollar at 1.28, the euro is still undervalued relative to the dollar, giving the Europeans an "unfair" advantage in the eyes of the Trump administration, especially considering how Germany aggressively uses the cheap euro.

China's renminbi a non-issue

The country with the largest trade surplus with the US – China (USD 375 billion in 2017) – has an exchange rate against the US dollar that is broadly within its "fair value" range. The chart shows how closely the renminbi has been tracking its purchasing power parity rate against the US dollar. From this chart we don't see any strong evidence of a Chinese advantage in terms of the value of its currency.

Peso and yen are too cheap

The picture looks different for the countries ranked second and third, respectively, in terms of their trade surpluses with the US.

In the case of Mexico (which had the second largest trade surplus with the US – USD 71 billion in 2017), we estimate that the Mexican peso is around ten percent cheaper than its purchasing power parity value. Ironically, Trump is helping to keep the peso under depreciation pressure by threatening to tear up the NAFTA agreement, thereby causing investors to avoid Mexico as a destination for NAFTA production.

Japan had the third largest trade surplus with the US in 2017 (USD 69 billion) and the Japanese yen is the most undervalued currency of America's top thirteen trading partners. The yen's undervaluation misses its fair value by around 18 percent, using the monthly average for March 2018. If the exchange rate matters, then Japanese exporters should be lobbying their government to somehow make this gap appear less spectacular, or risk a barbed Trump tweet on the yen.

Canada in the bull's eye

Canada's trade surplus with the US was the eighth largest last year (USD 18 billion). The Canadian dollar is currently also undervalued by around 7 percent against the USD, according to our calculations. From a Trump perspective this means that Canadian exporters are getting an “export subsidy”. So Canada is a ready, nearby target. Recent tariff announcements against various Canadian exports, including aircraft, paper and timber, show that even neighbours and NATO partners will not be spared Trump’s protectionist ire.

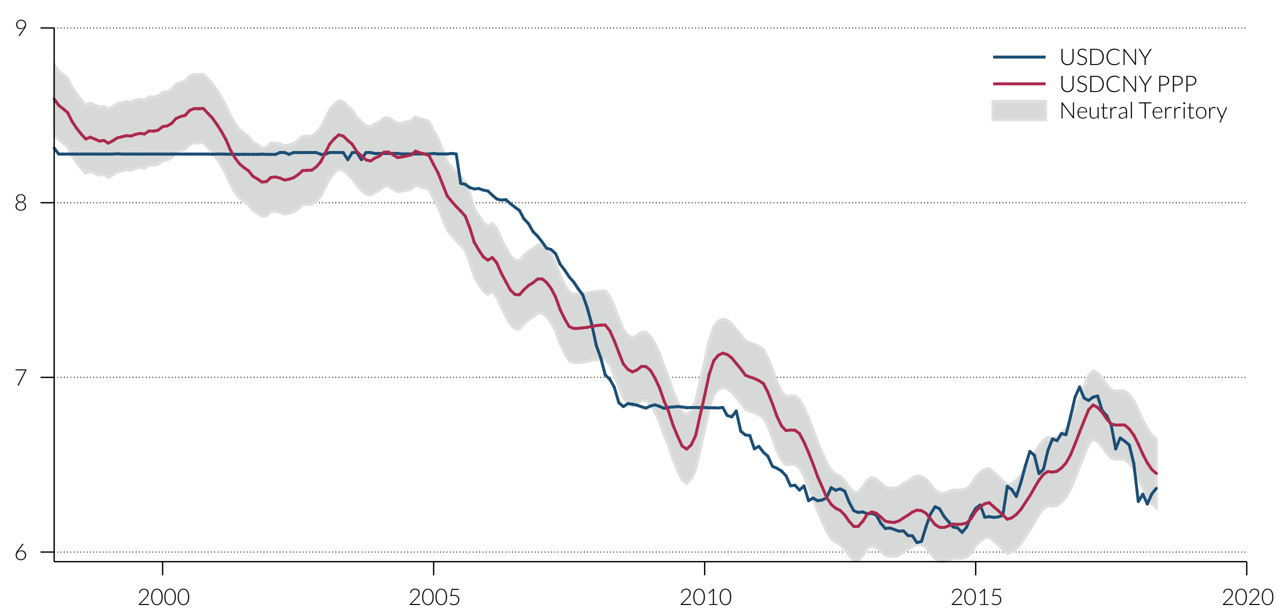
The SNB waving a red flag

Switzerland had the eleventh largest trade surplus with the US in 2017 (USD 14 billion). The Swiss franc traded close to our PPP estimate of 0.95 CHF to the USD in April, so the exchange rate should not be a source of pressure. But the US Treasury has stated that it’s keeping an eye on the SNB’s currency interventions. It calculates that Switzerland intervened to the tune of USD 48 billion in 2017 to keep its currency cheaper than the market would have traded it. The US Treasury Department has also noted that, as a percentage of GDP, Swiss FX reserves are the highest on its list of top trading partners: 112 percent of GDP, way above the 26 percent for China.

The UK and Brazil show the way

While the United Kingdom and Brazil both have significantly undervalued currencies relative to the US dollar, both countries are helped by the fact that they actually have trade deficits with the US, and thus are ranked last and second-to-last on the US Treasury’s list of major trading partners. The UK and Brazil, therefore, are examples to the world (in Trump’s view): One should buy more from America than the other way round.

The Chinese renminbi has closely tracked its purchasing power parity value



Source: Thomson Reuters Datastream, Wellershoff & Partners

Economic activity

In the US, the GDP grew at an annualized 2.3 percent in the first quarter of 2018. As a result, the US economy could not quite match its performance in the final quarter of 2017, when growth reached 2.9 percent. The main growth drivers at the beginning of the year were private investment and exports. The tax reform measures recently initiated by the Trump administration are likely to boost corporate investment throughout the remainder of the year.

In the UK, GDP growth was surprisingly weak at the beginning of the year. Between January and March, the UK economy grew by only 0.1 percent quarter-over-quarter, its lowest rate of growth in more than five years. In addition to weak growth in industrial production, the sharp decline in the construction industry, in particular, made itself felt in UK GDP figures. In view of the surprisingly anaemic economic data and the recent slowdown in inflation, an interest rate adjustment by the Bank of England at its upcoming May meeting seems unlikely.

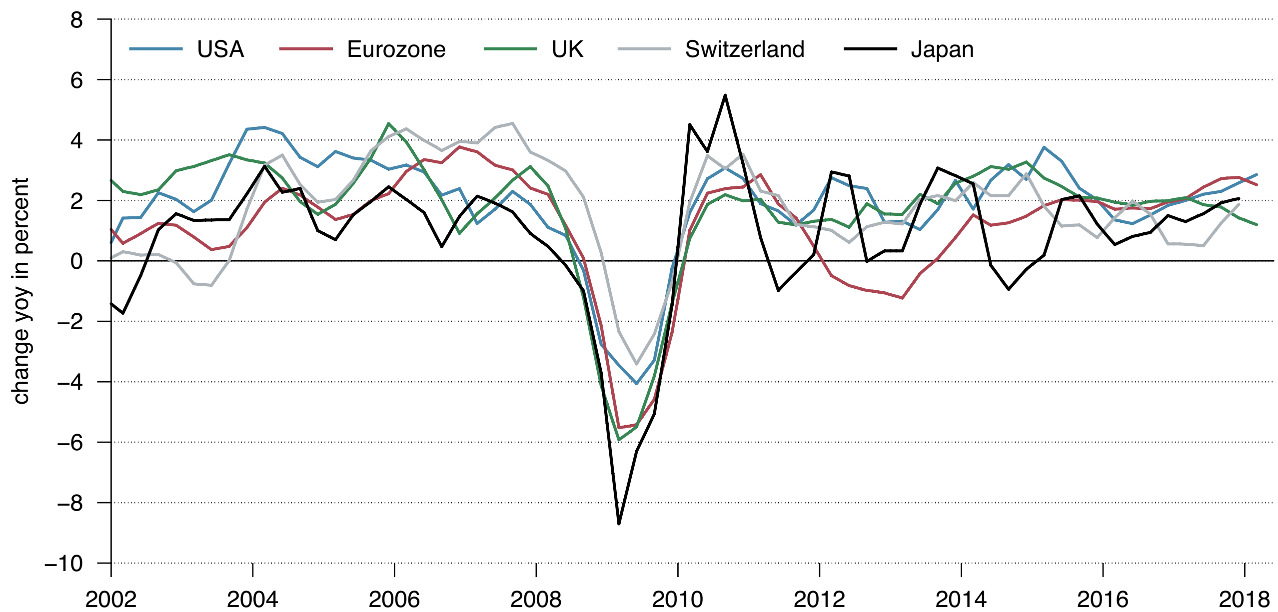
Growth overview

	Trend growth[1]	Real GDP growth[2]				W&P economic sentiment indicators[3]			
		Q2/2017	Q3/2017	Q4/2017	Q1/2018	1/2018	2/2018	3/2018	4/2018
United States	1.7	2.2	2.3	2.6	2.9	4.0	4.2	4.0	3.5
Eurozone	1.0	2.4	2.7	2.8	2.5	3.6	3.5	3.2	3.2
Germany	1.4	2.3	2.7	2.9	–	4.2	4.0	3.6	3.6
France	0.7	2.0	2.3	2.6	2.1	2.6	2.3	2.2	2.4
Italy	0.2	1.6	1.8	1.6	1.4	1.8	2.0	1.7	1.7
Spain	1.6	3.1	3.1	3.1	–	3.1	3.0	2.9	3.1
United Kingdom	1.8	1.9	1.8	1.4	1.2	3.0	2.8	2.3	2.2
Switzerland	1.5	0.5	1.3	1.9	–	2.4	2.7	2.7	2.3
Japan	0.4	1.6	1.9	2.1	–	2.9	2.8	2.9	2.8
Canada	1.6	3.7	3.0	2.9	–	2.0	1.9	1.8	1.6
Australia	2.4	2.0	2.9	2.4	–	3.1	3.1	3.3	3.3
Brazil	1.4	0.8	1.5	2.2	–	0.9	2.0	2.1	1.5
Russia	0.1	2.5	2.2	0.9	–	1.9	0.1	0.5	1.2
India	7.7	5.7	6.5	7.2	–	6.7	6.7	6.5	6.6
China	7.4	6.9	6.8	6.8	6.8	7.3	7.4	7.1	7.1
Advanced economies[4]	1.4	2.1	2.4	2.4	2.5	3.9	4.0	3.7	3.5
Emerging economies[4]	6.0	5.3	5.7	5.5	5.6	5.6	5.6	5.2	5.2
World economy[4]	3.5	3.7	4.1	4.0	4.1	4.9	4.9	4.6	4.4

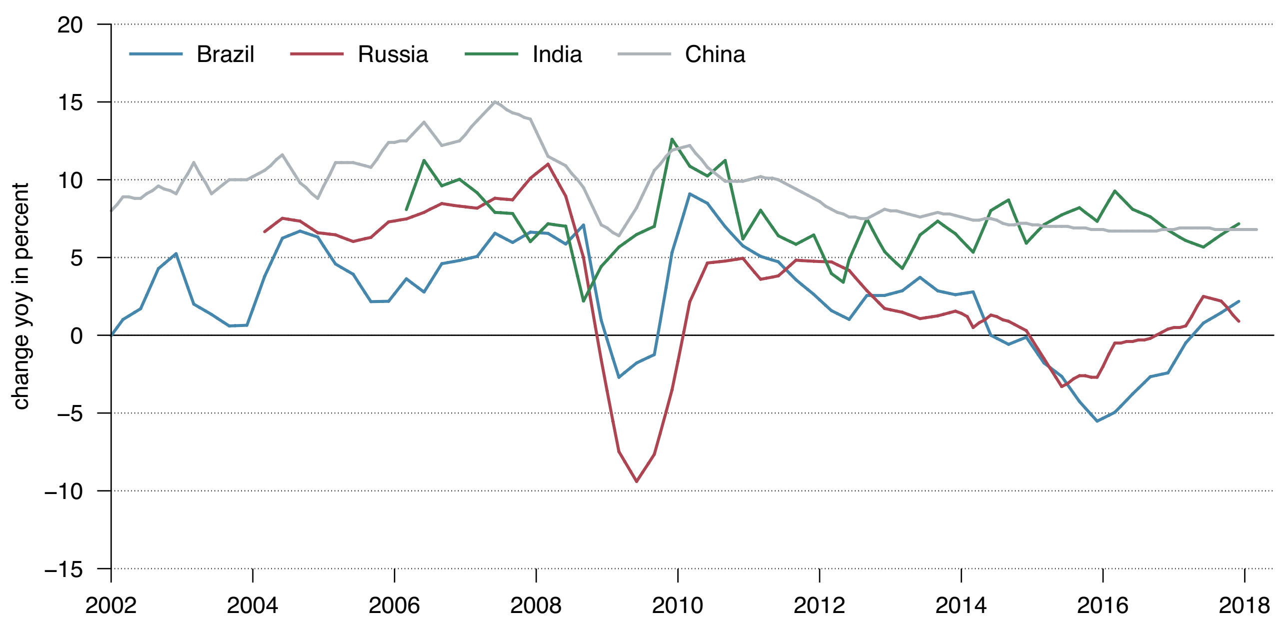
1 Current year-on-year trend growth rate of real GDP, in percent, according to the proprietary trend growth model of Wellershoff & Partners.
2 Year-on-year growth rate, in percent.
3 Wellershoff & Partners economic sentiment indicators are based on consumer and business surveys and have up to 6 months lead on the year-on-year growth rate of real GDP.
4 Calculations are based on nominal GDP weights derived from purchasing power parity exchange rates.

Source: European Commission, Penn World Table, Thomson Reuters Datastream, Wellershoff & Partners

Economic growth in advanced economies



Economic growth in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

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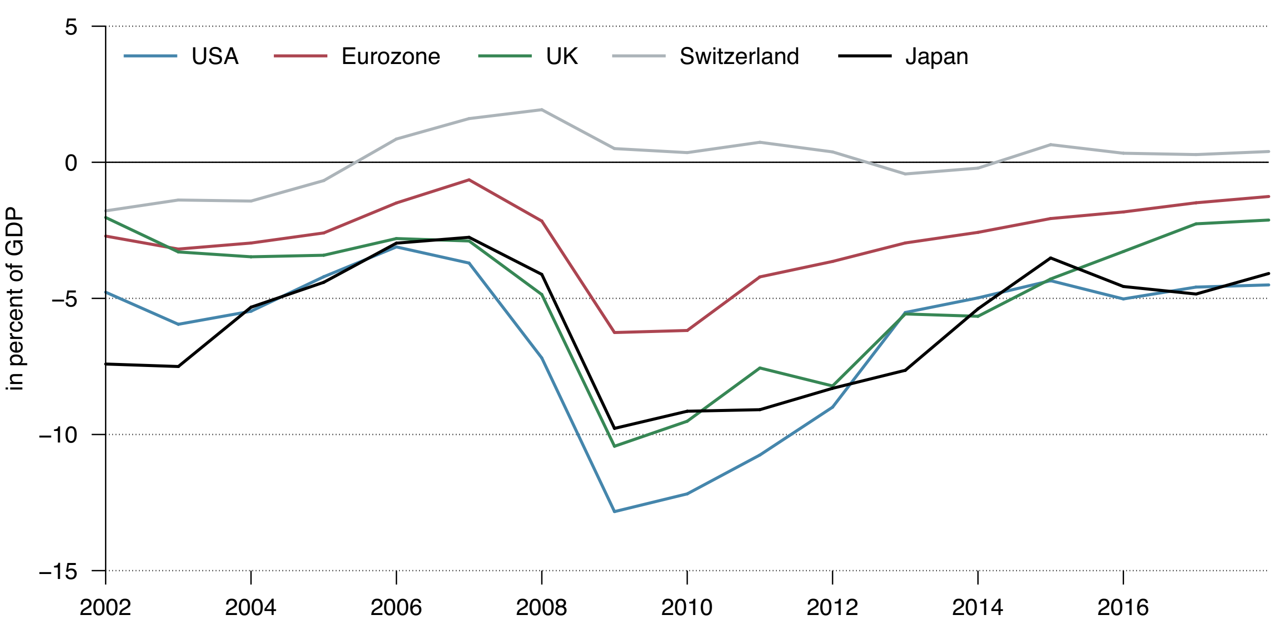
Economic indicators

Overview

	Global GDP share[1]		Current account[2]		Public debt[2]		Budget deficit[2]		Unemployment rate[3]	
	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current	Ø 5 years	Current
United States	23.4	23.3	-2.3	-2.6	105.4	106.1	-4.9	-4.5	5.6	3.9
Eurozone	16.3	16.4	3.6	4.0	108.9	107.1	-2.2	-1.3	10.7	8.5
Germany	4.7	4.8	7.8	8.0	78.8	69.1	0.5	1.5	6.4	5.3
France	3.4	3.3	-1.0	-1.7	119.7	124.6	-3.6	-2.8	9.8	8.6
Italy	2.6	2.5	2.0	2.9	155.4	155.2	-2.6	-1.6	11.9	11.1
Spain	1.7	1.7	1.4	1.6	114.8	116.0	-5.2	-2.4	21.9	16.1
United Kingdom	3.6	3.4	-5.3	-4.4	113.8	120.3	-4.2	-2.1	5.4	2.4
Switzerland	0.9	0.8	10.2	10.7	44.8	43.6	0.1	0.4	3.2	2.7
Japan	6.3	5.9	2.5	3.9	215.6	223.3	-5.2	-4.1	3.4	2.5
Canada	2.2	2.1	-3.1	-3.2	88.4	86.6	-0.7	-0.8	6.8	5.8
Australia	1.8	1.7	-3.3	-1.9	36.9	41.7	-2.7	-1.7	5.8	5.5
China	14.2	16.1	1.9	1.2	42.0	51.2	-2.4	-4.1	4.0	–
Brazil	2.7	2.4	-2.5	-1.6	71.5	87.3	-7.1	-8.3	9.3	13.1
India	2.8	3.3	-1.3	-2.3	69.0	68.9	-7.0	-6.5	–	–
Russia	2.2	2.0	2.8	4.5	15.5	18.7	-2.1	0.0	5.4	5.0

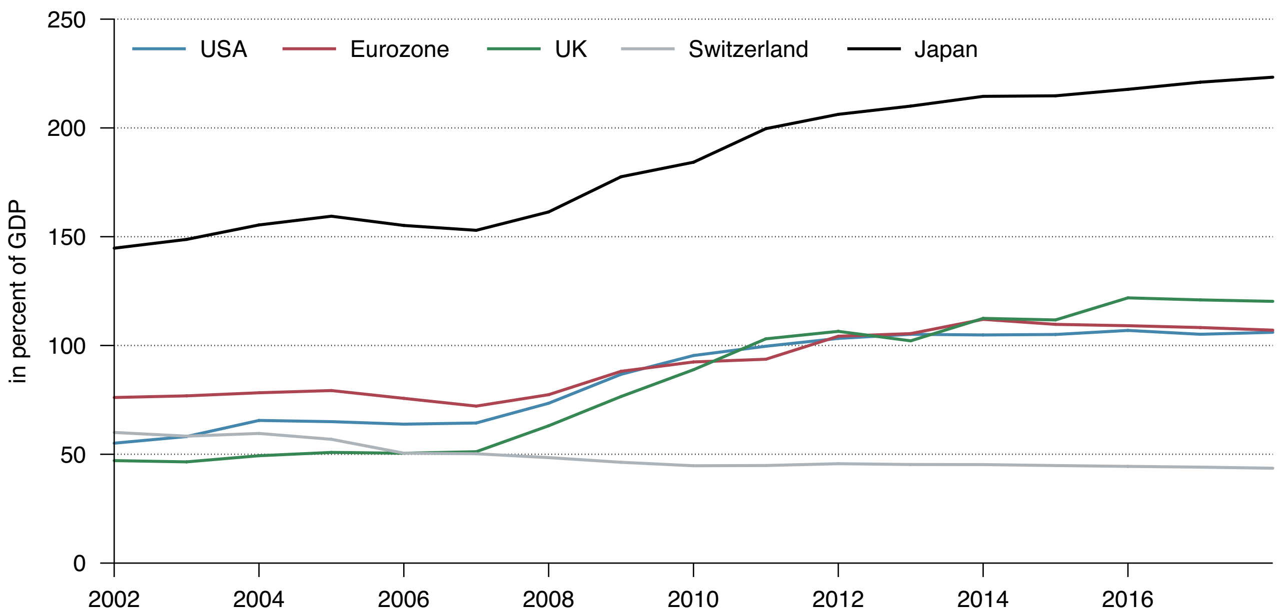
[1] In percent; calculations based on market exchange rates. [2] In percent of nominal GDP. [3] In percent.

Budget deficits in advanced economies

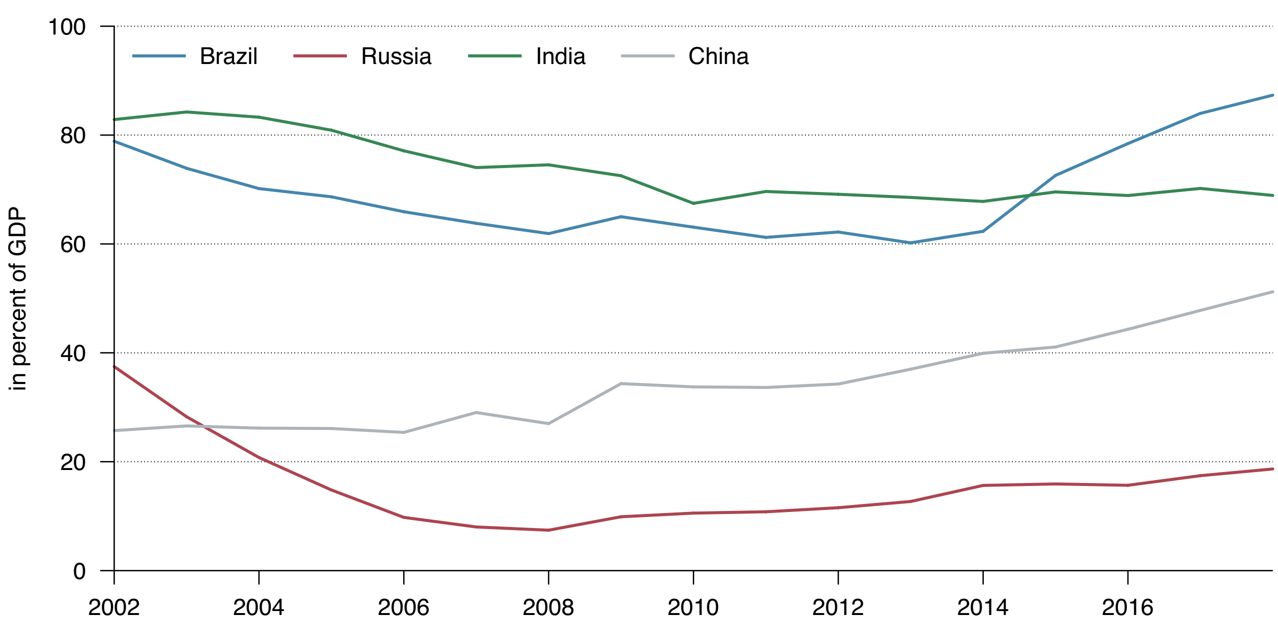


Source: Thomson Reuters Datastream, Wellershoff & Partners

Public debt in advanced economies



Public debt in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

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Inflation

As expected, inflation rose in the US in March. Consumer prices upped their rate of increase from 2.2 to 2.4 percent year-over-year. The core rate also rose noticeably, from 1.8 to 2.1 percent year-over-year. The acceleration in inflation in March was mainly due to base effects. The "Verizon effect," a statistical adjustment that had kept consumer price growth artificially low for months, expired at the end of the first quarter. On financial markets, the slightly higher inflation figures have not generated any strong reactions. For the year, market participants still expect two to three more interest rate hikes from the US Federal Reserve.

In the Eurozone, the inflation rate in March was 1.3 percent, year-over-year. In February, it was still at 1.1 percent, which was its lowest level since the end of 2016. With the uptick in March, inflation is moving in the direction of the target set by the European Central Bank of just under 2 percent. Meanwhile inflation in France is already close to the ECB's target. Despite the recent slackening in economic activity, European consumer prices (HICP) rose by 1.8 percent in April compared to the same month last year.

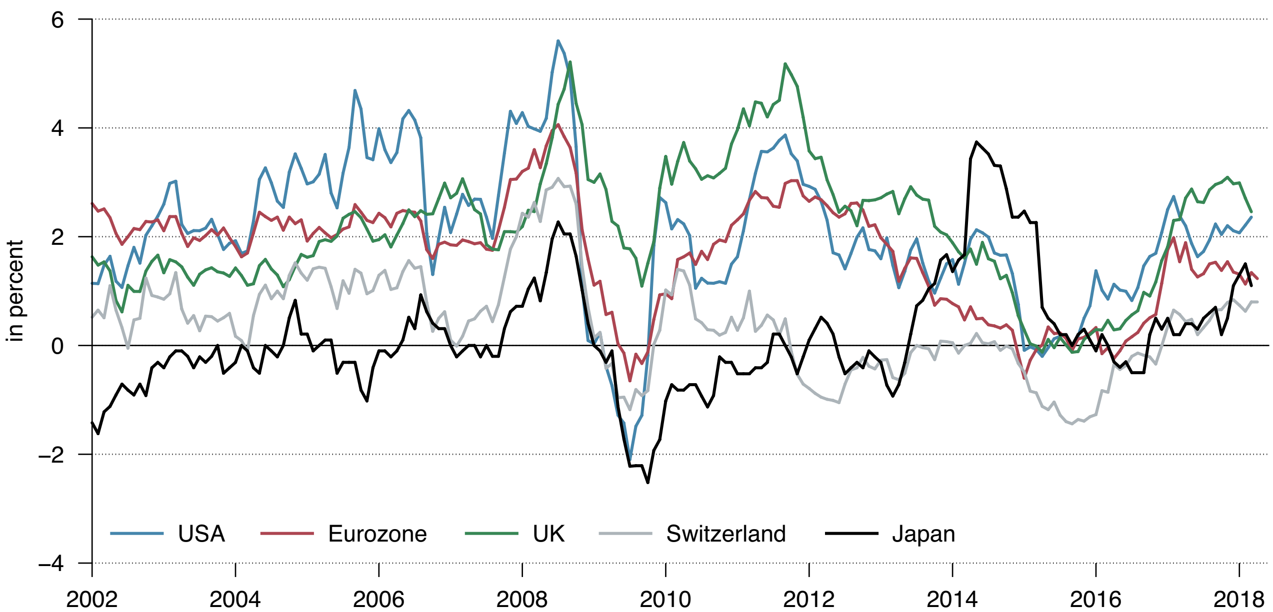
Inflation overview

	Ø 10 years[1]	Inflation[2]				Core inflation[3]			
		1/2018	2/2018	3/2018	4/2018	1/2018	2/2018	3/2018	4/2018
United States	1.6	2.1	2.2	2.4	–	1.8	1.8	2.1	–
Eurozone	1.3	1.3	1.1	1.3	1.2	1.0	1.0	1.0	0.7
Germany	1.3	1.6	1.4	1.6	1.6	1.6	1.5	1.7	1.5
France	1.1	1.3	1.2	1.6	1.6	–	–	–	–
Italy	1.3	0.9	0.5	0.8	0.5	0.6	0.6	0.7	0.5
Spain	1.3	0.6	1.1	1.2	1.1	0.8	1.1	1.2	–
United Kingdom	2.4	3.0	2.7	2.5	–	2.7	2.4	2.3	–
Switzerland	0.0	0.7	0.6	0.8	0.8	0.5	0.5	0.6	0.5
Japan	0.3	1.3	1.5	1.1	–	0.4	0.5	0.4	–
Canada	1.6	1.7	2.2	2.3	–	1.2	1.5	1.4	–
Australia	2.3	1.9	1.9	1.9	–	1.9	2.0	2.0	–
Brazil	6.1	2.9	2.8	2.7	–	3.4	3.2	2.9	–
Russia	8.3	2.2	2.2	2.3	2.4	1.9	1.9	1.8	1.9
India	7.7	5.1	4.4	4.3	–	–	–	–	–
China	2.4	1.5	2.9	2.1	1.5	1.9	2.5	2.0	–
Advanced economies[4]	1.4	1.8	1.8	1.9	1.9	1.4	1.5	1.6	1.5
Emerging economies[4]	4.7	2.5	3.2	2.7	2.7	2.1	2.5	2.1	2.1
World economy[4]	2.9	2.2	2.5	2.3	2.3	1.5	1.7	1.6	1.5

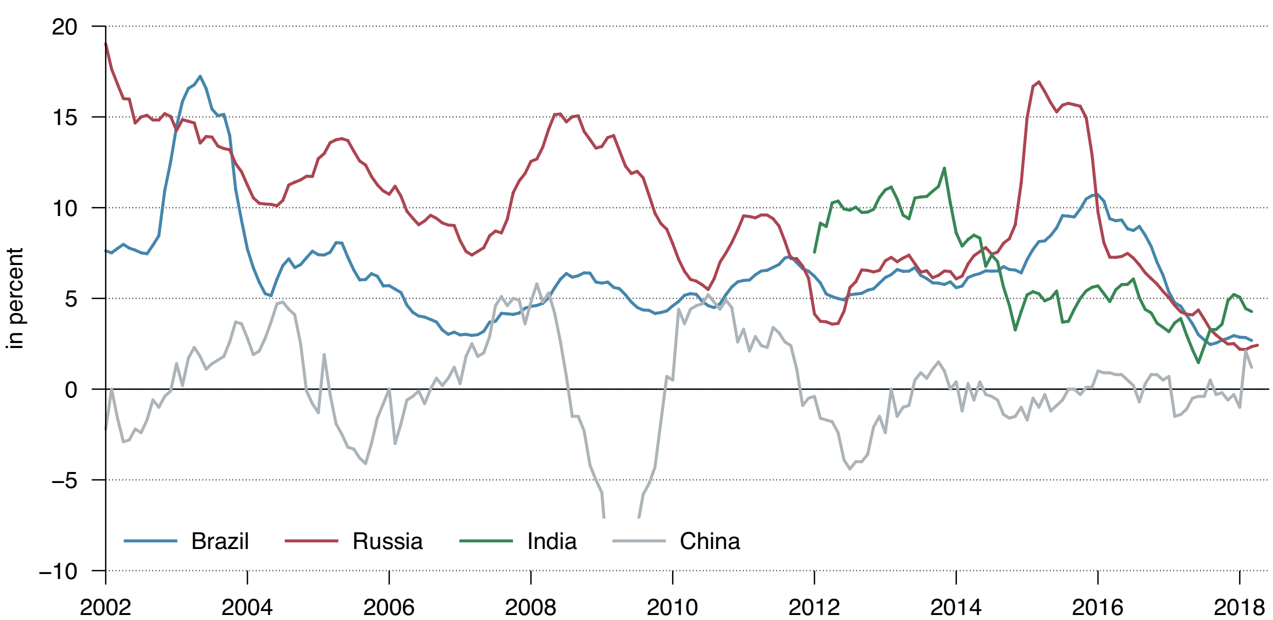
[1] Average annual consumer price inflation, in percent.
[2] Year-on-year change of the consumer price index (CPI), in percent.
[3] Core inflation is a measure of inflation that excludes certain items that can experience volatile price movements, such as energy and certain food items; year-on-year change of the core consumer price index, in percent.
[4] Calculations are based on nominal GDP weights derived from purchasing power parity exchange rates.

Source: Thomson Reuters Datastream, Wellershoff & Partners

Consumer price inflation in advanced economies



Consumer price inflation in emerging economies



Source: Thomson Reuters Datastream, Wellershoff & Partners

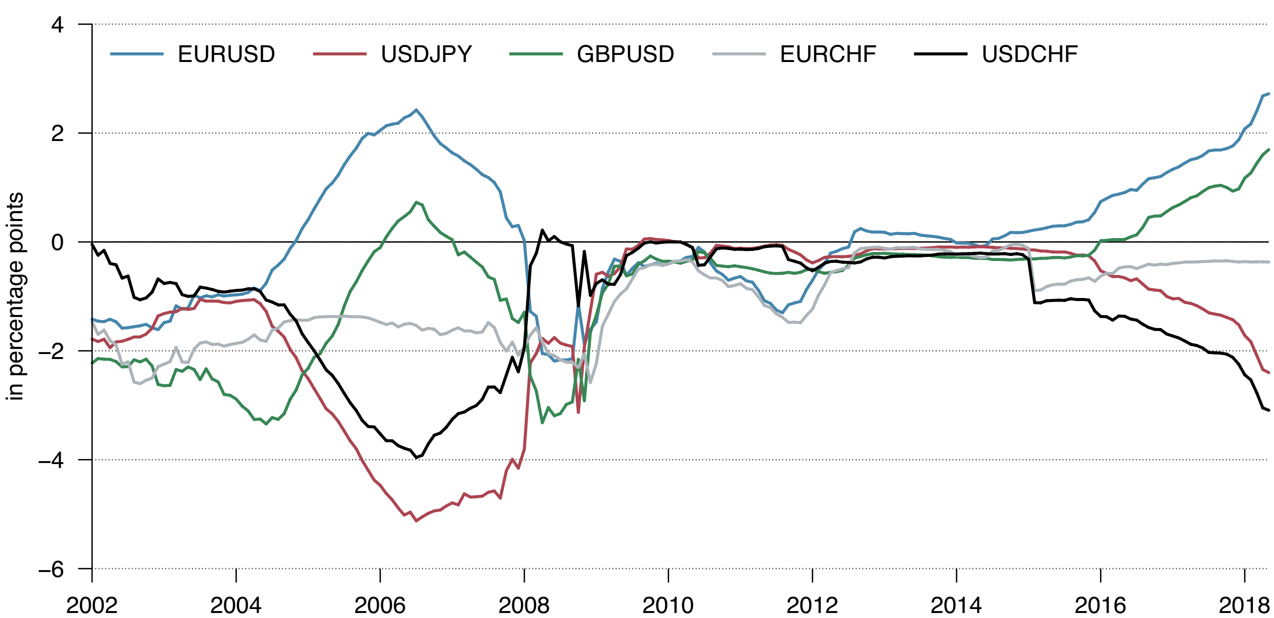
Interest rates

Interest rate differentials overview

	Current exchange rate	Interest rate differentials 3 months[1]				Interest rate differentials 12 months[1]			
		Current	1 year ago	Ø 5 years	Ø 10 years	Current	1 year ago	Ø 5 years	Ø 10 years
EURUSD	1.191	2.74	1.49	0.79	0.09	3.02	1.87	1.05	0.26
USDJPY	109.3	-2.40	-1.19	-0.63	-0.51	-2.66	-1.65	-0.94	-0.78
GBPUSD	1.357	1.70	0.86	0.18	-0.26	1.83	1.11	0.26	-0.23
EURCHF	1.195	-0.35	-0.42	-0.39	-0.64	-0.28	-0.41	-0.40	-0.73
USDCHF	1.003	-3.09	-1.92	-1.18	-0.73	-3.29	-2.28	-1.46	-0.98
GBPCHF	1.361	-1.40	-1.05	-1.00	-0.99	-1.47	-1.17	-1.19	-1.22
CHFJPY	108.9	0.69	0.73	0.55	0.21	0.64	0.62	0.52	0.20
AUDUSD	0.752	0.87	-0.31	-1.29	-2.33	1.22	0.27	-0.77	-1.76
USDCAD	1.286	-0.63	-0.28	0.44	0.49	-0.63	-0.60	0.20	0.26
USDSEK	8.830	-2.77	-1.63	-0.73	0.19	-3.01	-2.01	-0.91	0.01
USDRUB	62.7	4.53	8.37	9.20	8.28	4.30	7.26	8.61	8.24
USDBRL	3.547	4.88	8.89	11.41	10.33	3.57	7.44	10.08	9.72
USDCNY	6.365	1.62	3.19	3.43	3.08	1.58	2.47	2.99	2.70
USDTRY	4.270	12.63	11.48	10.19	9.69	13.58	11.29	10.06	9.82
USDINR	67.17	7.47	7.47	8.66	7.81	4.47	4.71	6.48	5.92

[1] The gap in interest rates between the second currency and the first one, in percentage points; e.g. US dollar minus euro for EURUSD.

Interest rate differentials



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

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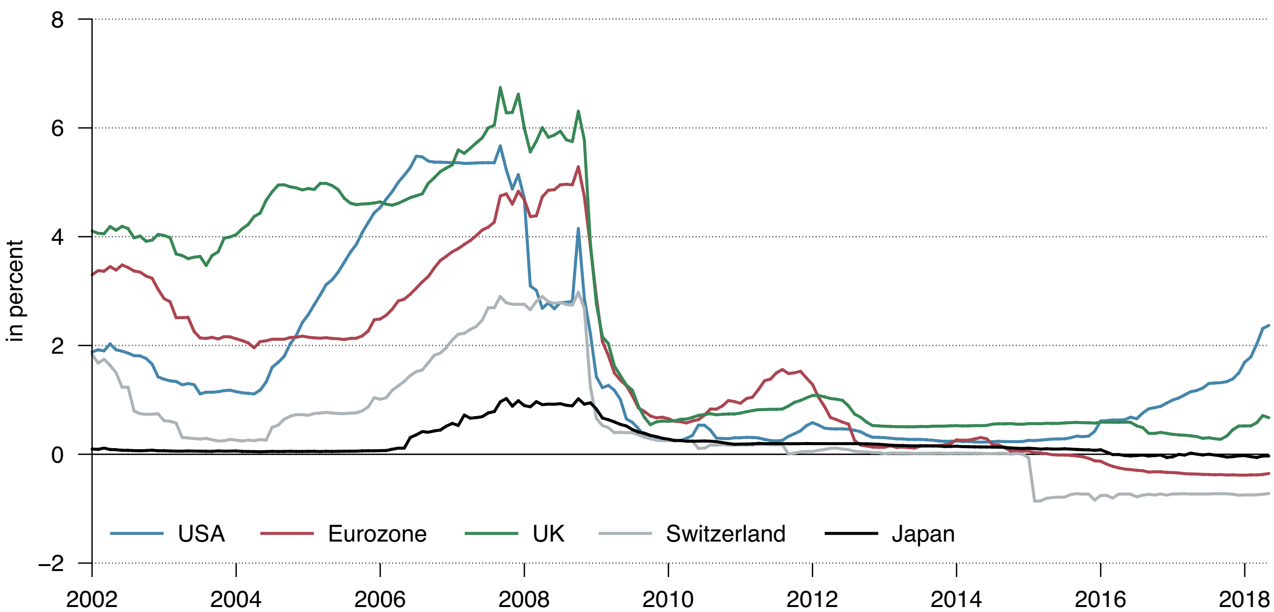
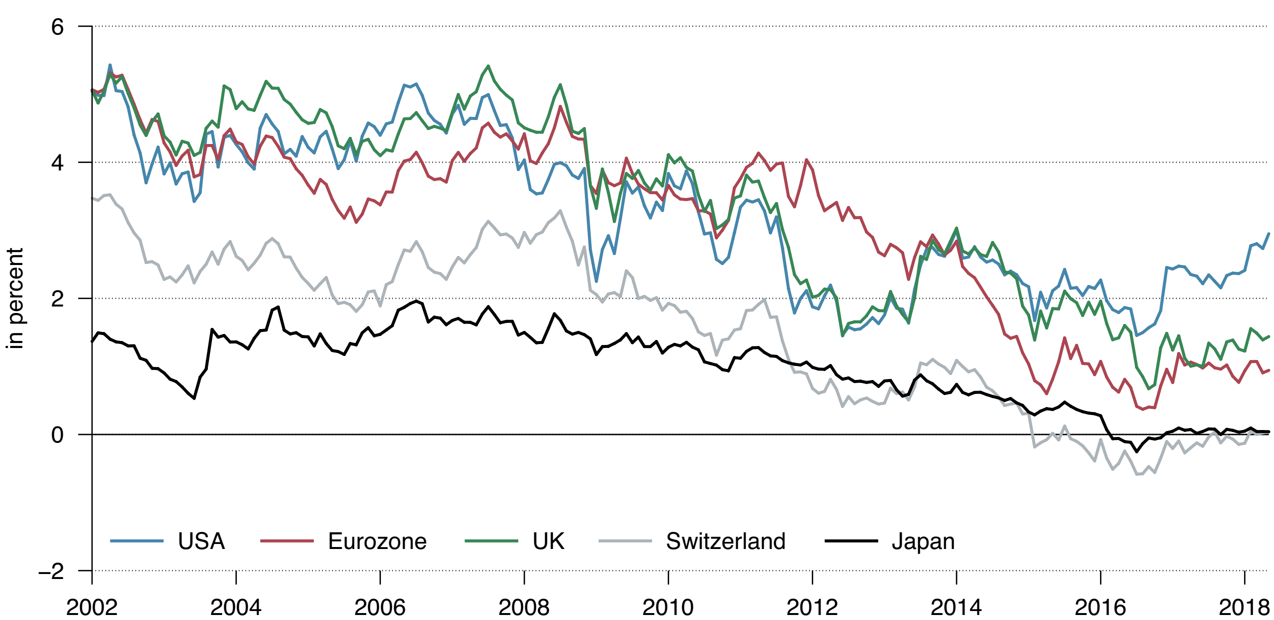
3-month Libor



10-year government bond yields



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

QCAM®
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FX markets

The Swiss franc depreciated against all major currencies in April except the Swedish krona. The franc came under pressure especially against the Canadian and US dollars. But the franc also lost ground against the euro during the course of April, even briefly touching 1.20, the level defended by the SNB as its minimum exchange rate until January 2015.

The recent recovery of Europe's common currency against the US dollar seems to have run out of gas for the time being. Having risen nearly 20 percent against the dollar in 2017, the exchange rate has been moving sideways since the beginning of the year and in fact declined in the second half of April. According to our purchasing power parity estimate, the euro remains undervalued against the US dollar.

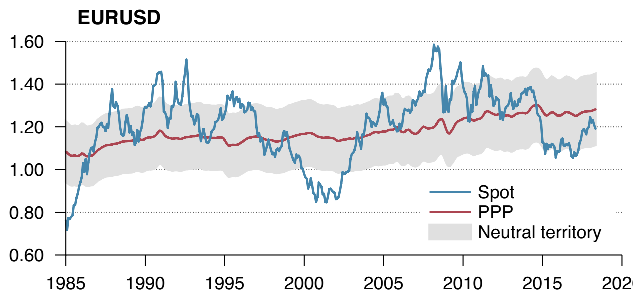
The broad-based appreciation trend of the Japanese yen in recent months eased slightly in April. The Japanese currency only managed to appreciate against two major currencies, the Swiss franc and the Swedish krona. This is likely to benefit Japanese exports, which experienced surprisingly weak growth in March due to the stronger yen.

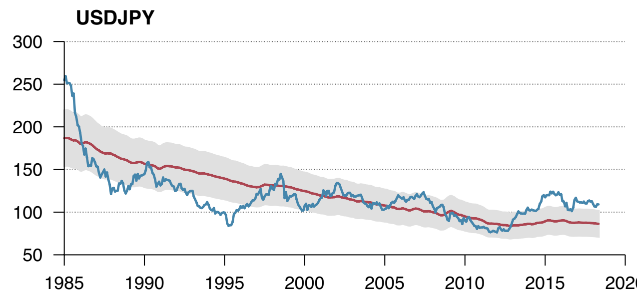
FX overview

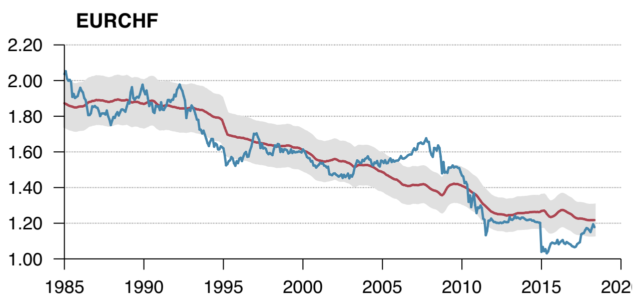
	Current exchange rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	3 months	1 year	5 years	PPP	Neutral territory	Deviation[3]
EURUSD	1.191	-0.8	-3.5	8.4	-8.9	1.28	1.11 - 1.45	-7.0
USDJPY	109.3	-3.0	0.0	-3.0	10.3	86.3	71.4 - 101.2	26.6
GBPUSD	1.357	0.3	-2.4	4.7	-12.3	1.61	1.44 - 1.82	-15.7
EURCHF	1.195	2.2	3.1	10.1	-2.9	1.22	1.13 - 1.3	-1.8
USDCHF	1.003	3.0	6.9	1.5	6.6	0.95	0.83 - 1.07	5.6
GBPCHF	1.361	3.3	4.3	6.3	-6.5	1.53	1.32 - 1.74	-11.0
CHFJPY	108.9	-5.8	-6.5	-4.5	3.5	90.8	76.8 - 104.8	19.9
AUDUSD	0.752	-3.8	-4.5	1.5	-26.0	0.73	0.63 - 0.88	2.6
USDCAD	1.286	2.6	2.6	-6.1	28.0	1.20	1.1 - 1.3	7.6
USDSEK	8.830	7.8	10.7	0.4	35.4	7.26	6.28 - 8.24	21.6
USDRUB	62.7	8.9	9.8	7.8	102.1	42.7	33.8 - 51.6	46.8
USDBRL	3.547	6.9	8.7	11.7	76.4	2.78	2.24 - 3.31	27.8
USDCNY	6.365	-2.3	1.4	-7.8	3.4	6.45	6.25 - 6.65	-1.3
USDTRY	4.270	12.6	13.0	20.3	137.5	3.13	2.84 - 3.42	36.5
USDINR	67.17	5.2	4.6	4.4	24.2	–	–	–

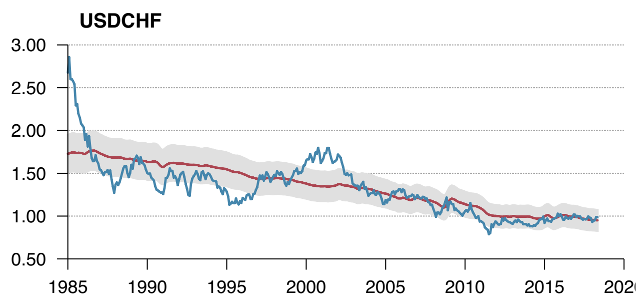
1 Performance over the respective period of time, in percent.
2 Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral territory is determined by +/- 1 standard deviation of the historical variation around the PPP value.
3 Deviation of the current spot rate from PPP, in percent.

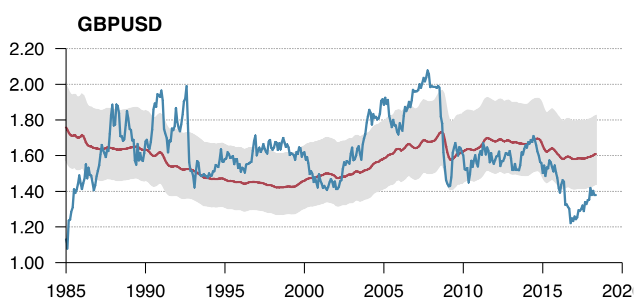
Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

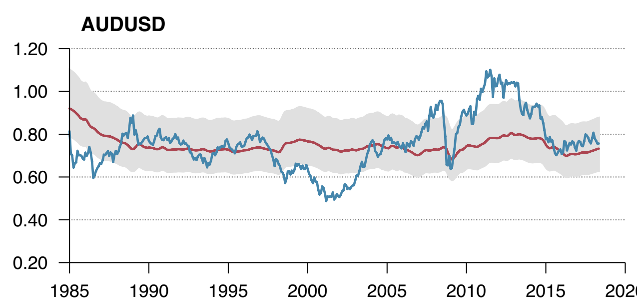


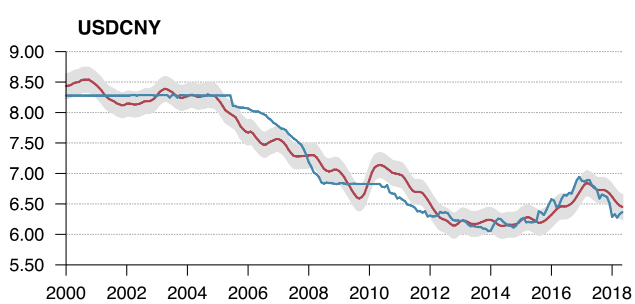


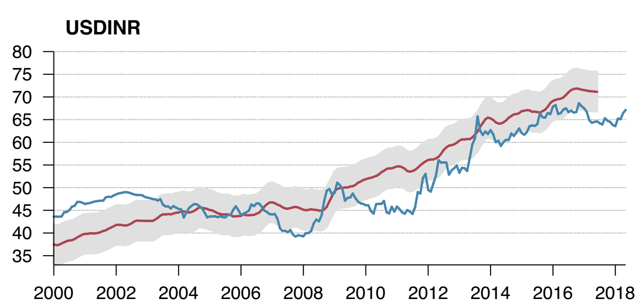


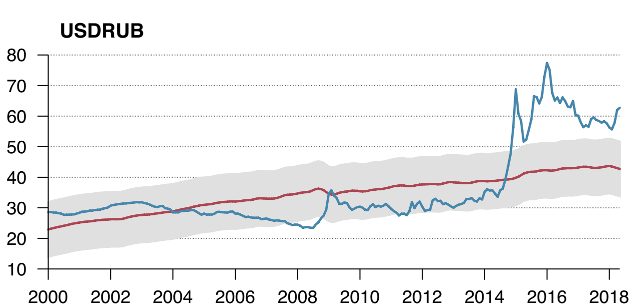


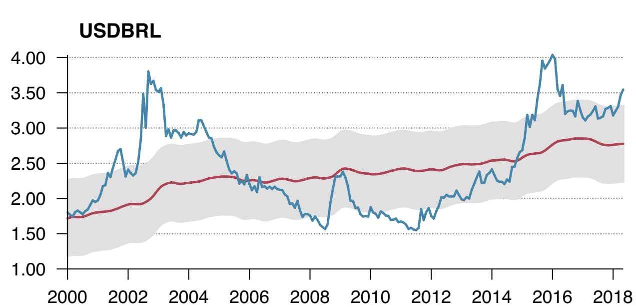












Source: Thomson Reuters Datastream, Wellershoff & Partners

FX volatility

FX volatility overview

	Current exchange rate	Volatility 3 months[1]				Volatility 12 months[1]			
		Historical	Implied	Ø 5 years[2]	Ø 10 years[2]	Historical	Implied	Ø 5 years[2]	Ø 10 years[2]
EURUSD	1.191	6.8	7.3	8.5	10.5	6.9	7.2	8.8	10.9
USDJPY	109.3	7.5	7.4	9.7	10.8	7.7	8.3	10.1	11.4
GBPUSD	1.357	8.0	8.0	8.5	9.9	8.0	8.1	8.9	10.4
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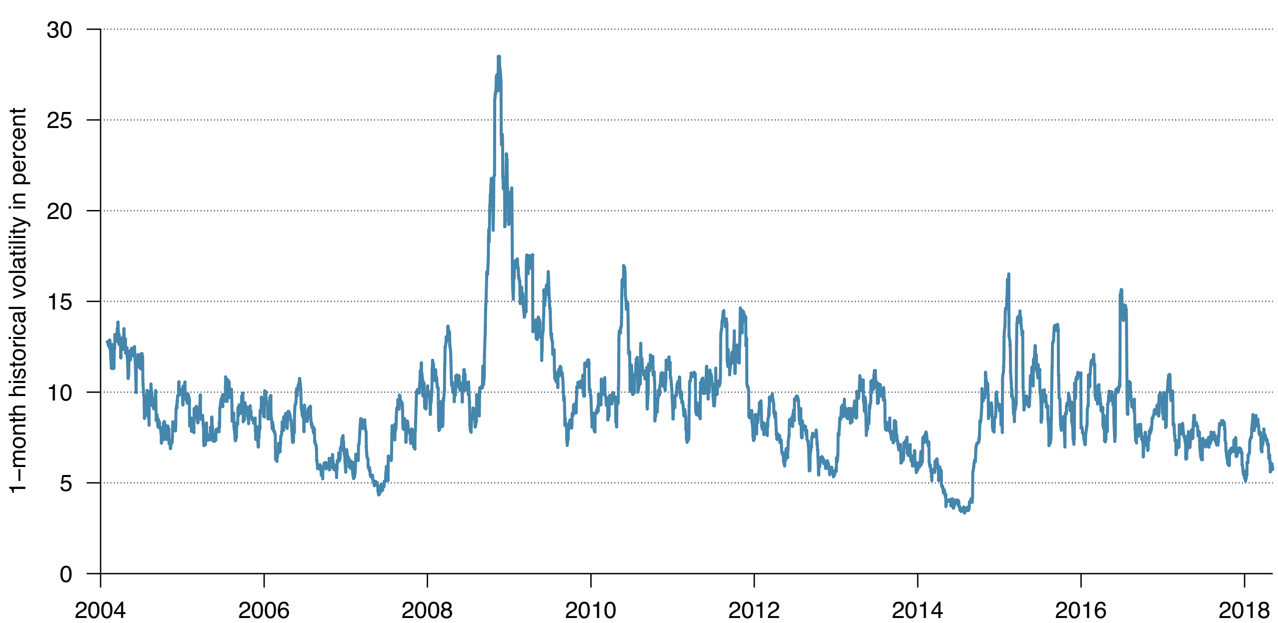
CHFJPY	108.9	6.9	6.7	9.5	11.5	7.0	7.4	10.2	12.1
AUDUSD	0.752	8.3	8.3	10.0	12.3	8.1	8.9	10.5	12.8
USDCAD	1.286	7.3	7.1	7.9	9.6	7.5	7.3	8.2	10.1
USDSEK	8.830	9.0	9.4	9.8	12.4	8.6	9.3	10.2	12.7
USDRUB	62.7	16.3	13.7	16.4	14.7	11.8	13.6	16.6	15.7
USDBRL	3.547	9.9	12.7	15.1	15.5	13.1	13.4	15.6	16.1
USDCNY	6.365	3.7	4.9	3.7	3.3	3.5	5.2	4.6	4.8
USDTRY	4.270	11.4	15.3	12.5	13.1	10.8	14.4	13.7	14.3
USDINR	67.17	4.0	5.7	7.7	9.4	3.9	6.8	8.9	10.5

[1] Annualized volatility, in percent. [2] Average of implied volatility.

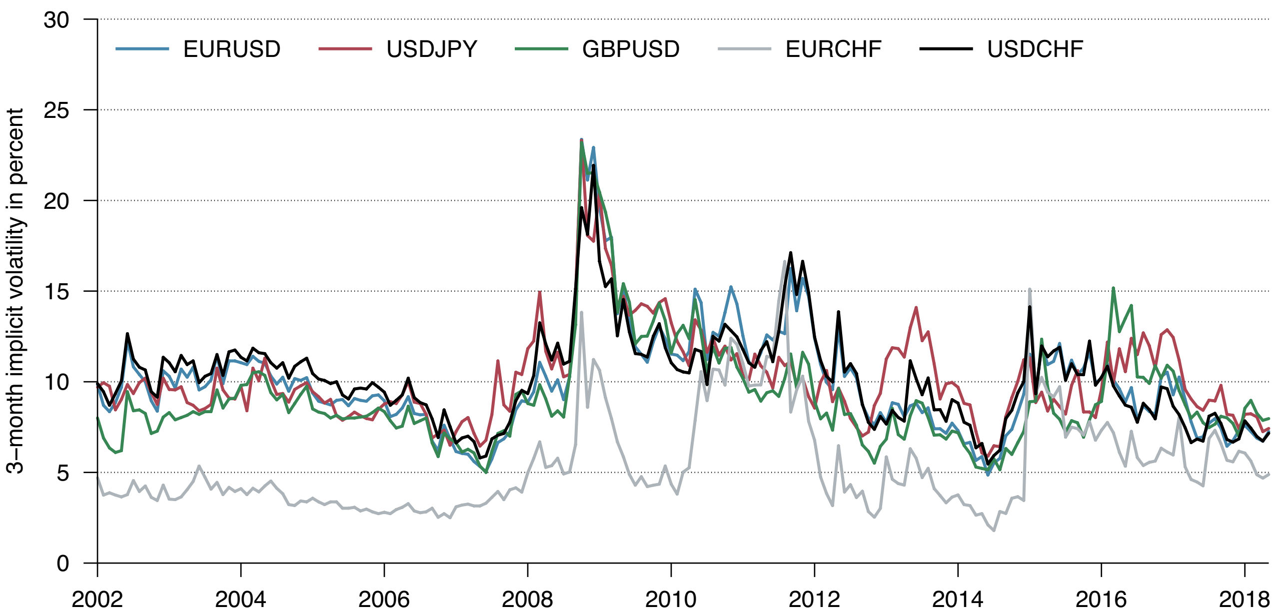
QCAM volatility indicator[3]



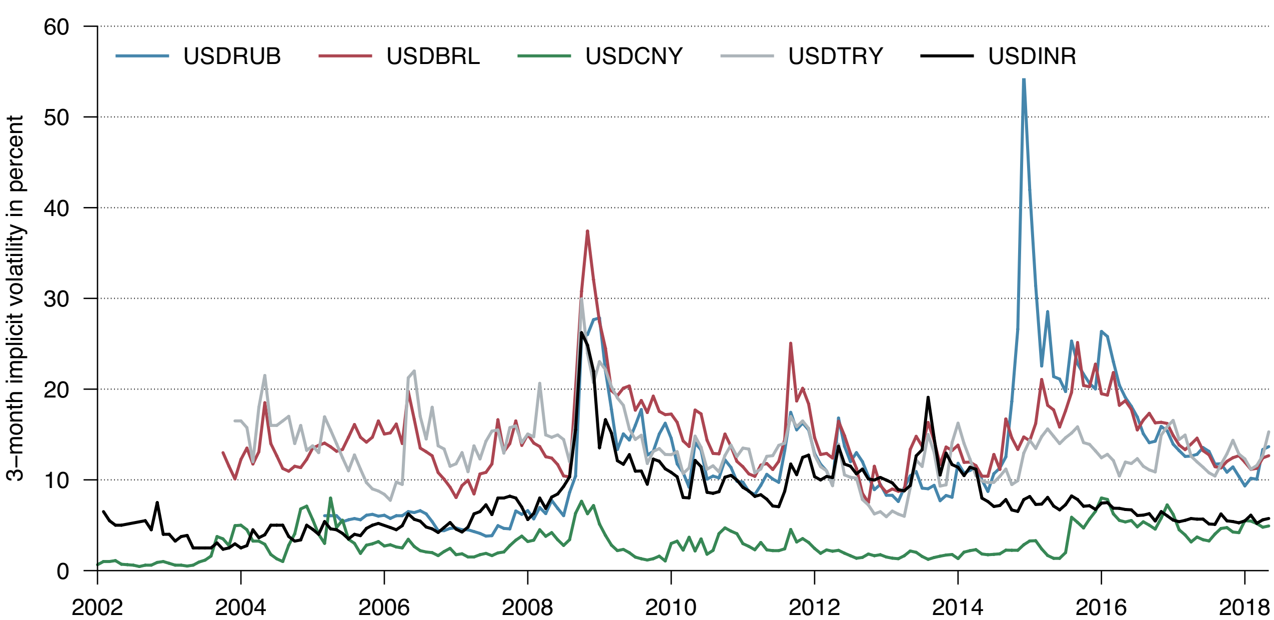
[3] The QCAM volatility indicator measures general volatility in global FX markets; the indicator is based on historical volatility of the main exchange rates, which are weighted by trading volume.

Source: Bloomberg, Thomson Reuters Datastream, QCAM Currency Asset Management, Wellershoff & Partners

Implicit volatility



Implicit volatility



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

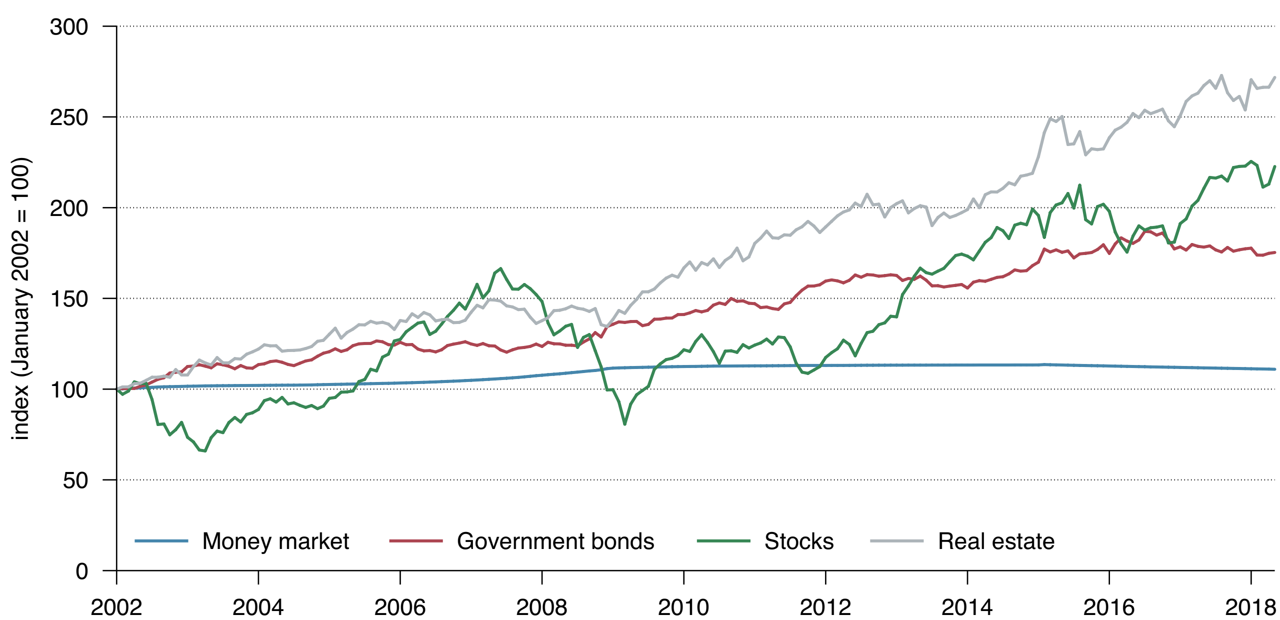
Financial markets

Performance overview

	Performance in either local curreny or USD[1]				Performance in CHF[1]			
	YTD	3 months	1 year	5 years	YTD	3 months	1 year	5 years
Swiss money market	-1.4	-0.2	-0.7	-2.0	-1.4	-0.2	-0.7	-2.0
Swiss government bonds	9.4	1.2	-1.4	7.7	9.4	1.2	-1.4	7.7
Swiss corporate bonds	9.4	0.5	-0.7	8.1	9.4	0.5	-0.7	8.1
Swiss equities (SMI)	41.4	6.8	2.2	29.2	41.4	6.8	2.2	29.2
European equities (Stoxx600)	50.1	8.2	2.3	51.5	47.6	12.0	11.3	45.5
UK equities (Ftse100)	50.1	10.5	8.9	40.7	38.5	15.1	12.7	29.4
Japanese equities (Topix)	67.5	3.6	14.5	62.6	59.7	9.7	18.6	58.3
US equities (S&P 500)	78.3	4.4	15.7	84.9	71.3	-2.2	16.2	76.3
Emerging markets equities	36.9	1.7	19.2	26.0	31.5	-4.7	19.8	20.1
Global equities (MSCI World)	61.2	4.4	14.8	60.8	55.0	-2.2	15.3	53.4
Swiss real estate	30.8	3.9	2.1	32.6	30.8	3.9	2.1	32.6
Global real estate	40.4	6.9	5.5	20.3	34.7	0.1	5.9	14.7
Commodities	-25.9	5.7	9.4	-31.4	-28.5	-1.0	9.9	-34.6
Brent oil	-4.9	21.8	54.2	-24.4	-9.1	14.0	54.9	-27.9
Gold	2.9	0.3	7.9	-7.5	-1.4	-6.1	8.4	-11.8

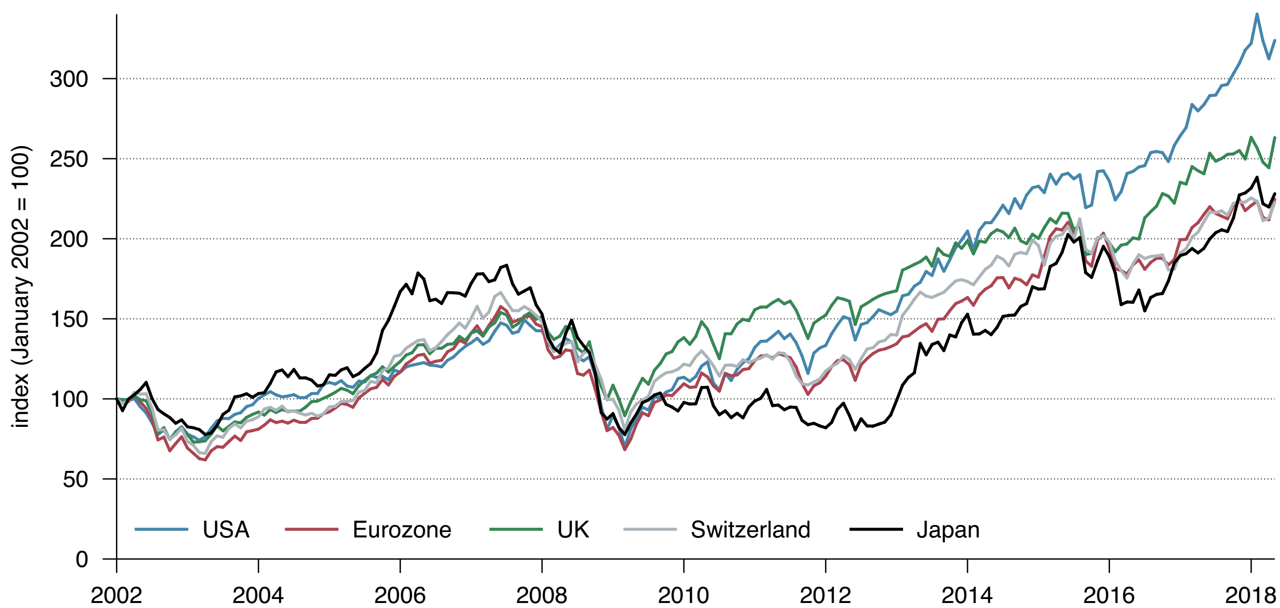
[1] Performance over the respective period of time, in percent.

Performance of selected Swiss asset classes

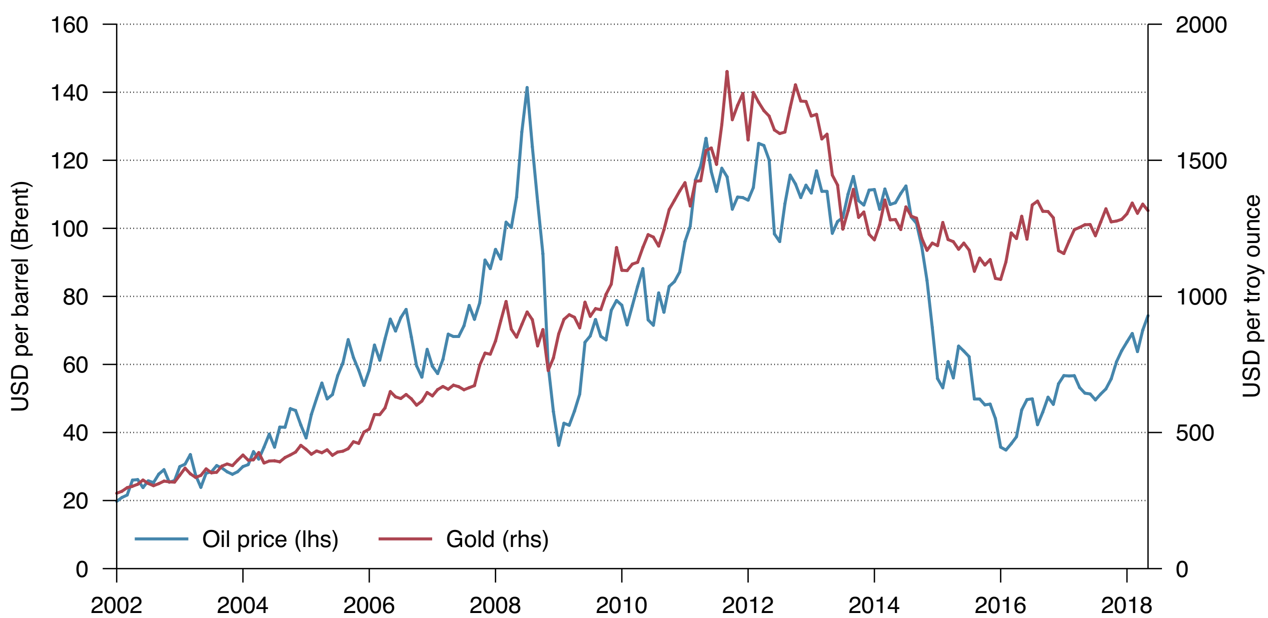


Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

Performance of selected equity markets (in local currency)



Performance of selected commodity prices



Source: Bloomberg, Thomson Reuters Datastream, Wellershoff & Partners

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Number of the month

1.20 EURCHF

At the end of April, for the first time since the Swiss National Bank ended its peg of 1.20 francs to the euro back in January 2015, the euro climbed above that old threshold. The euro is now only slightly below its estimated purchasing power parity to the franc of around 1.22. Nevertheless, according to SNB chair Thomas Jordan, the bank still considers the franc to be "highly valued" against the euro.