

April 2020

# QCAM MONTHLY

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## Volatility and mixed directions

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## QCAM Insight

# Volatility and mixed directions

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**Looking through the volatility, there are some trends coming out of the corona crisis for FX. Emerging Markets, commodity and currencies with idiosyncratic risks are the main victims. The USD has so far done well but its support is less robust.**

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1. Actual and implied FX volatilities shot up. Initially, volatility nearly tripled and reached levels last seen during the Euro-debt crisis, but still below the highs during the financial crisis. FX volatility declined somewhat over the last two weeks, but only in G10 currencies.

2. The main victims of the crisis were currencies with an Emerging Markets or commodity character or specific idiosyncratic risks, such as the GBP.

3. The USD went through a roller coaster. The USD Index first plunged 5% on expected and actual Fed rate cuts, then rebounded more than 9% due to the USD funding shortage, followed by another down and up move and is now at the level from 7 weeks ago (see chart).

4. The classic safe-haven currencies have struggled to live up to their reputation. The CHF gained 1.3% versus the USD since February 21st and the JPY about 3% but both went through painful volatility.

### **Some relief and remaining risks**

The sheer size of the latest monetary and fiscal measures has brought some relief to financial markets. Hope is also rising that the spread of the virus is about to peak in Europe and the USA. These developments

support the view that the corona crisis is transitory. However, the risk of shocks and setbacks remains high. Actual economic news is likely to get worse in coming weeks. It is not assured that the easing of lockdowns will be smooth and immediately have the desired economic effects. Emerging Markets are only now entering the corona crisis. They have no powerful fiscal and monetary backstops and no help from China and commodity markets as during the financial crisis.

Furthermore, oil prices might slump again if expected supply cuts are insufficient to offset the collapse in demand. Finally, while transitory by nature, the corona crisis may produce more lasting damage to the global economy. Against this background, Emerging Markets and commodity currencies remain most vulnerable, especially those with current account deficits and large USD funding links.

### **The USD has lost its key support**

Less clear is how the dynamic will play out among major currencies. The USD has clearly lost its main support factors, namely significant higher interest rates and a stronger economy. This was enough in recent years to offset the Dollar's twin deficit handicap. All major governments have taken bold fiscal measures to combat the economic fallout of the corona crisis, but the fiscal and monetary response in the US seems to be more aggressive and likely to result in larger deficits, faster debt accumulation and more debt monetization than elsewhere.

Against that background the fortunes of the USD

have changed. However, going short the USD now may be premature, especially versus the EUR. First, there is the risk of a second-round USD funding squeeze triggered by trouble in Emerging Markets or a renewed drop in oil prices. This would primarily hurt Emerging Markets and commodity currencies, but also indirectly support the USD.

Second, the EUR is vulnerable as well. Especially Italy and Spain have been hit very hard by the corona crisis and Italy was already in bad shape before. The direct fiscal impact of the crisis is severe and likely to get much worse unless a robust recovery is assured. Italy and Spain but also Greece and some other countries are unlikely to manage the fiscal situation and the recovery on their own. In fact, fiscal funding already depends on ECB debt purchases. We are confident that a solution will ultimately be found. But in good Euro-area tradition, this will probably only come when the crisis reaches a climax.

**Stay patient and save for a bit longer**

In short, the USD is fundamentally weakened but may hold up for a while because the damage and risks elsewhere are not less. Moreover, even when the uncertainties decline and the problems in the US become more exposed, the USD is unlikely to depreciate as it did in the years before the financial crisis. Back then, China, Emerging markets and commodities were booming.

For the time being, we prefer sticking to currencies that have solid fundamental support, especially a current account surplus, and no major idiosyncratic risks. This favors the CHF and the JPY, although they are no perfect protection against volatility either. On that same criteria, the GBP remains vulnerable despite its recent recovery.

**USD DXY Index**



Source: QCAM Currency Asset Management

# Economy & Interest Rates

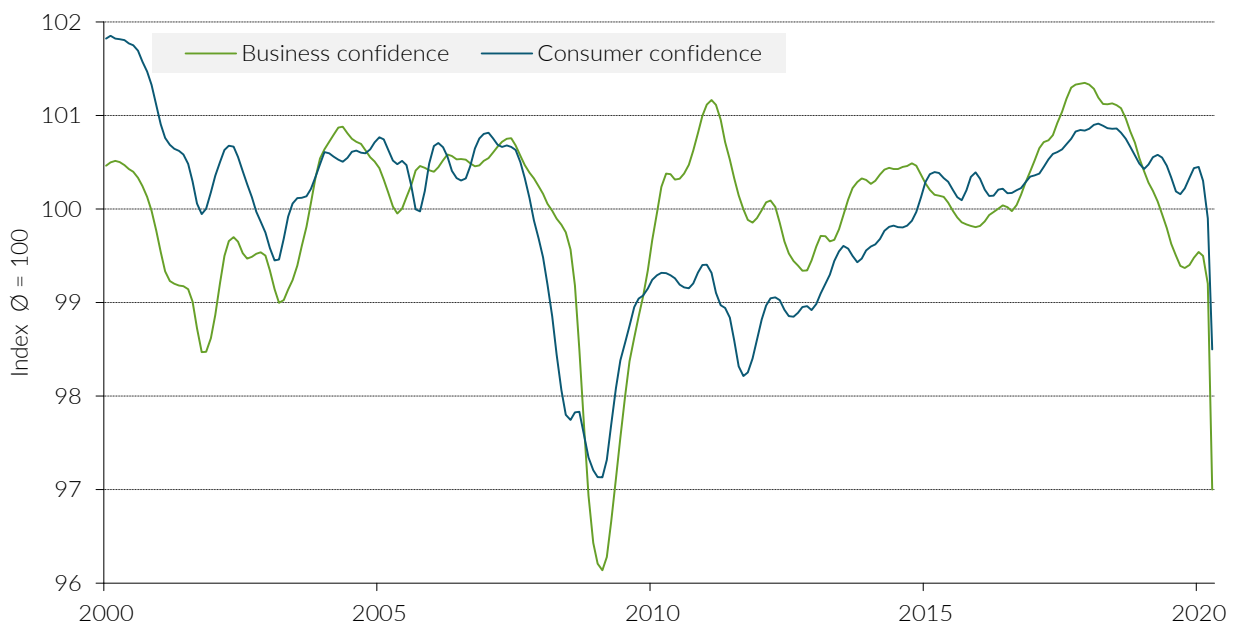
The global economy plunged within weeks into its steepest contraction post WW2 due to the Corona crisis. The recession is set to be worse than during the financial crisis. There are positive signs of stabilization and even recovery in Asia that may soon be followed by Europe and North America,

but Emerging Markets are only entering the crisis now. Fiscal and monetary stabilization measures are starting to bite and hopefully will help pave the way for a strong recovery. Still, some damage is likely to remain, especially higher unemployment and increased government debt.

	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>	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Global	2.9	-3.0	n.a.	n.a.	3.4	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	1.7	-4.5	n.a.	n.a.	1.4	0.7	0.6	0.5	n.a.	n.a.	n.a.	n.a.
USA	2.3	-5.5	3.7	7.0	1.8	1.3	-2.5	-2.7	-5.6	-12.5	106.2	118.0
Canada	1.6	-4.0	5.8	7.5	2.0	1.5	-1.9	-2.5	-0.7	-5.0	87.5	92.0
Euro-area	1.2	-3.5	7.7	9.0	1.2	0.5	2.8	2.5	-0.9	-6.0	83.9	90.0
Sweden	1.4	-4.0	6.5	7.5	1.7	1.0	2.9	2.5	0.4	-3.0	36.9	40.0
Switzerland	0.8	-2.5	2.8	3.5	0.6	0.2	9.6	9.5	1.0	-2.5	38.6	40.0
UK	1.4	-4.0	3.8	6.0	1.8	0.8	-3.5	-3.7	-1.4	-6.0	85.6	92.0
Japan	0.7	-3.5	2.4	2.7	1.0	0.2	3.3	3.3	-3.0	-7.0	237.7	242.0
Australia	1.7	-4.0	5.1	8.5	1.6	1.5	-0.3	-2.0	-0.7	-4.0	41.8	45.0
Emerging	4.2	-1.5	n.a.	n.a.	5.1	3.0	-0.1	0.0	n.a.	n.a.	n.a.	n.a.
China	6.1	1.0	3.8	4.0	2.3	2.0	1.0	1.5	-6.1	-7.5	55.6	62.0
India	4.9	1.0	n.a.	n.a.	4.5	3.0	-2.0	-1.0	-7.5	-8.5	69.0	70.0
Russia	1.0	-4.0	4.6	6.0	4.7	3.0	5.7	0.0	1.0	-6.0	16.5	22.0
Brazil	1.1	-4.0	11.8	14.0	3.8	3.0	-1.2	-2.0	-7.5	-14.0	91.6	102.0

Source: OECD, IMF and QCAM 1) In percent 2) In percent of GDP

## OECD business and consumer confidence



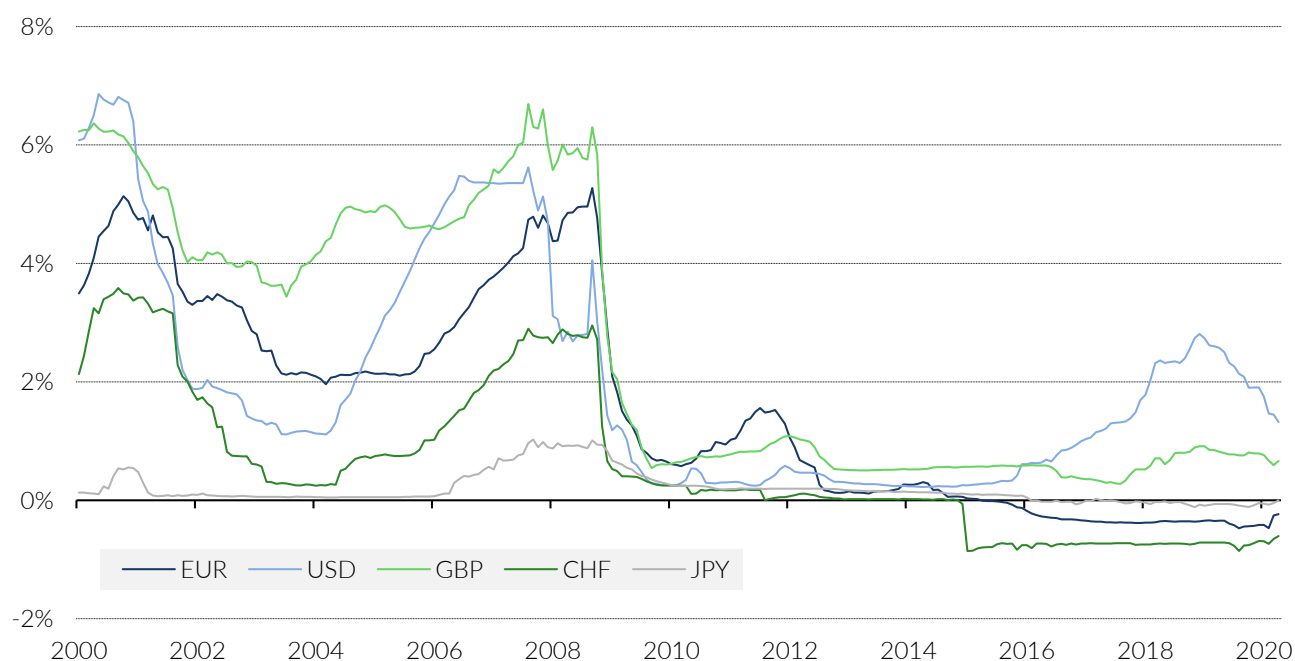
Source: OECD, the last observations are QCAM estimates based on other surveys

## Interest Rates

### Interest Rate Level Overview

	Short Term Interest Rate (3month OIS)					Long Term Interest Rate (10year Swap)				
	Current	1M ago	3M ago	12M ago	Ø 3 years	Current	1M ago	3M ago	12M ago	Ø 3 years
USD	0.08%	0.51%	1.57%	2.40%	1.72%	0.77%	0.84%	1.77%	2.48%	2.35%
EUR	-0.46%	-0.55%	-0.45%	-0.37%	-0.39%	0.06%	-0.26%	0.11%	0.53%	0.61%
JPY	-0.06%	-0.11%	-0.06%	-0.07%	-0.06%	0.06%	-0.14%	0.11%	0.13%	0.18%
GBP	0.07%	0.38%	0.70%	0.70%	0.55%	0.67%	0.49%	0.96%	1.33%	1.25%
CHF	-0.71%	-0.89%	-0.73%	-0.74%	-0.76%	-0.24%	-0.65%	-0.28%	-0.02%	0.02%
AUD	0.15%	0.32%	0.63%	1.44%	1.27%	1.03%	0.88%	1.33%	2.14%	2.32%
CAD	0.21%	0.96%	1.73%	1.75%	1.39%	1.29%	1.17%	2.03%	2.15%	2.22%
SEK	-0.06%	0.01%	0.02%	-0.16%	-0.37%	0.45%	0.21%	0.62%	0.91%	0.95%
RUB	5.89%	5.81%	6.09%	7.70%	7.42%	6.99%	6.71%	7.06%	8.71%	8.04%
BRL	3.63%	3.92%	4.31%	-	-	8.28%	7.04%	7.10%	9.22%	9.68%
CNY	1.38%	2.11%	2.57%	2.61%	2.91%	2.13%	2.56%	3.15%	3.35%	3.50%
TRY	9.45%	10.26%	11.15%	26.25%	17.60%	13.47%	11.58%	12.10%	18.33%	14.36%
INR	4.37%	4.88%	5.33%	6.00%	5.99%	5.00%	4.76%	5.63%	6.13%	6.30%

### 3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of April 7th 2020

# FX Markets

## FX Performance vs. PPP

Currency markets have been on a roller-coaster since mid February, especially versus the USD. The main losers have been Emerging Markets, commodity and currencies with idiosyncratic risks, such as the GBP. The USD index is roughly at the same level as at the start of the crisis and only the JPY and the CHF made some gains, although blurred by the volatility as well. Volatility has somewhat declined

in major currencies, but is still elevated.

PPP estimates have not changed so far and the deviations have not moved significantly. Essentially, the USD remains overvalued against most other currencies. The decline in interest rates is making forward hedging a more attractive strategy, especially versus the USD.

### 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	1.086	-3.25%	-3.90%	-3.58%	0.42%	1.29	1.15 - 1.43	-16%
USDJPY	108.640	0.06%	3.00%	-2.53%	-9.42%	95.63	84.71 - 106.56	14%
GBPUSD	1.241	-6.46%	-4.59%	-5.00%	-16.83%	1.59	1.41 - 1.77	-22%
EURCHF	1.055	-2.79%	-0.48%	-6.25%	1.20%	1.11	1.04 - 1.17	-5%
USDCHF	0.971	0.51%	3.57%	-2.76%	0.79%	0.88	0.78 - 0.99	10%
GBPCHF	1.205	-6.01%	-1.20%	-7.64%	-16.19%	1.29	1.17 - 1.41	-7%
CHFJPY	111.846	-0.46%	-0.55%	0.24%	-10.13%	92.12	81.2 - 103.03	21%
AUDUSD	0.623	-11.36%	-6.12%	-12.64%	-19.23%	0.8	0.7 - 0.9	-22%
USDCAD	1.402	8.06%	4.55%	5.36%	12.12%	1.21	1.12 - 1.29	16%
USDSEK	10.078	7.79%	7.58%	8.91%	16.58%	7.88	6.97 - 8.79	28%
EURSEK	10.949	4.30%	3.38%	5.01%	17.08%	8.59	8.06 - 9.13	27%
USD RUB	75.549	21.77%	10.45%	16.41%	41.01%	49.84	42.03 - 57.64	52%
USDBRL	5.176	28.78%	11.76%	34.45%	68.03%	3.09	2.54 - 3.63	68%
USDCNY	7.069	1.55%	1.94%	5.23%	13.87%	6.18	5.99 - 6.36	14%
USDTRY	6.779	13.93%	11.12%	19.09%	162.19%	4.09	3.24 - 4.95	66%
USDINR	75.960	6.65%	2.39%	9.15%	22.03%	67.82	62.8 - 72.83	12%

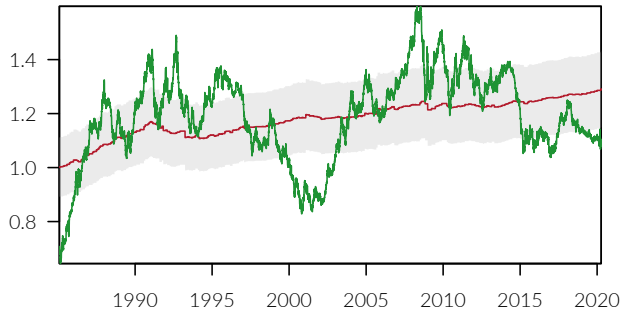
<sup>1</sup> Performance over the respective period of time, in percent

<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.

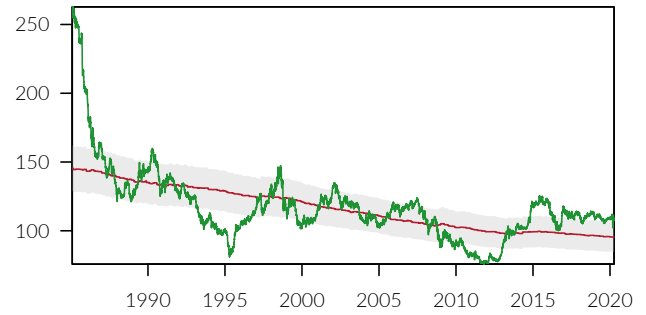
<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity

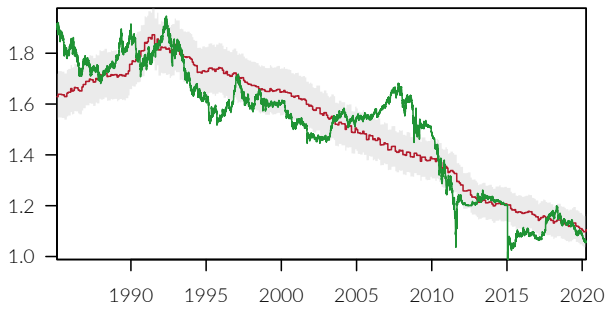
**EURUSD**



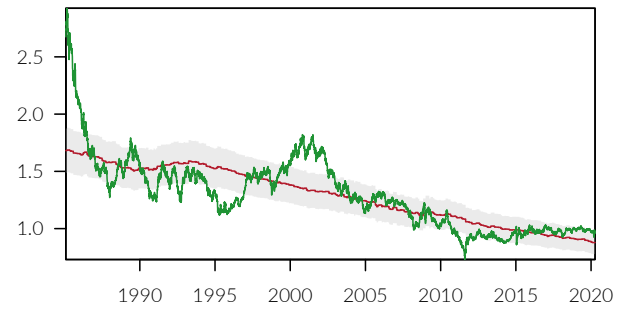
**USDJPY**



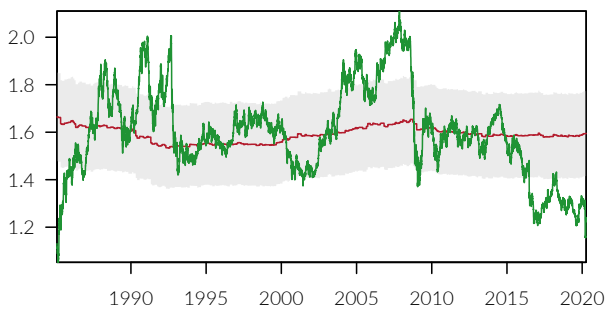
**EURCHF**



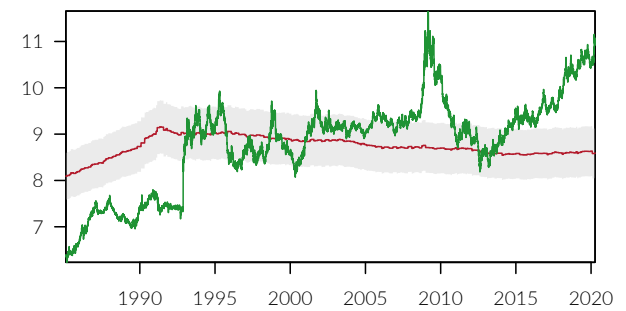
**USDCHF**



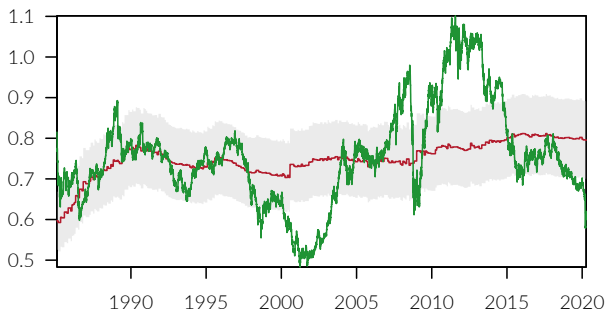
**GBPUSD**



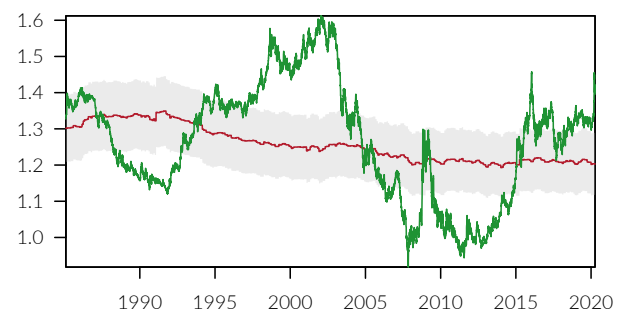
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

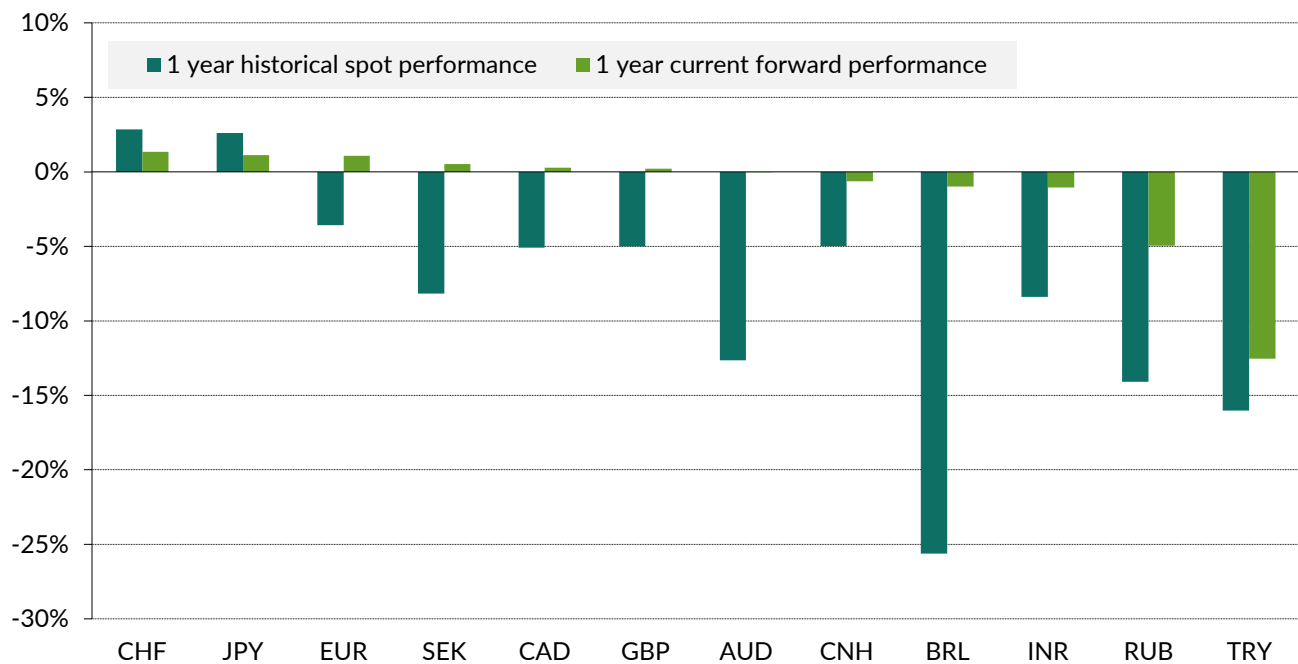
Source: Bloomberg, QCAM Currency Asset Management, as of April 8th 2020

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.086	1.0874	1.0895	1.0981	1.06%	1.12%	1.06%
USDJPY	108.640	108.5265	108.3204	107.4279	-1.21%	-1.16%	-1.09%
GBPUSD	1.241	1.2410	1.2417	1.2432	0.35%	0.35%	0.21%
EURCHF	1.055	1.0549	1.0545	1.0525	-0.32%	-0.25%	-0.25%
USDCHF	0.971	0.9702	0.9679	0.9584	-1.38%	-1.38%	-1.31%
GBPCHF	1.205	1.2039	1.2017	1.1916	-1.03%	-1.04%	-1.09%
CHFJPY	111.846	111.8576	111.9065	112.0822	0.12%	0.21%	0.21%
AUDUSD	0.623	0.6227	0.6227	0.6225	0.12%	0.07%	-0.02%
USDCAD	1.402	1.4017	1.4006	1.3984	-0.53%	-0.50%	-0.28%
USDSEK	10.078	10.0732	10.0632	10.0257	-0.58%	-0.58%	-0.51%
EURSEK	10.949	10.9538	10.9638	11.0066	0.50%	0.53%	0.52%
USD RUB	75.549	75.9211	76.5686	79.4926	5.38%	5.34%	5.15%
USDBRL	5.176	5.1850	5.2010	5.2270	2.12%	1.92%	0.98%
USDCNY	7.069	7.0717	7.0749	7.1139	0.38%	0.31%	0.62%
USDTRY	6.779	6.9008	7.0551	7.7508	20.27%	16.13%	14.14%
USDINR	75.960	76.7284	76.7395	76.7629	12.15%	4.06%	1.04%

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



Source: Bloomberg, QCAM Currency Asset Management, as of April 8th 2020



## 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	1.086	10.27%	5.67%	4.84%	7.46%	8.15%	7.55%	5.31%	8.05%
USDJPY	108.640	13.61%	7.11%	5.09%	8.07%	8.80%	10.07%	5.55%	8.77%
GBPUSD	1.241	15.09%	8.74%	9.70%	9.02%	11.30%	7.53%	9.55%	9.46%
EURCHF	1.055	2.95%	2.84%	3.75%	4.94%	5.33%	5.25%	4.28%	5.96%
USDCHF	0.971	9.66%	5.47%	4.70%	7.38%	7.40%	7.93%	5.00%	7.87%
GBPCHF	1.205	11.51%	8.25%	9.84%	9.16%	9.50%	8.45%	9.13%	9.36%
CHFJPY	111.846	8.67%	6.79%	5.10%	7.53%	7.45%	7.90%	5.35%	8.42%
AUDUSD	0.623	16.07%	7.41%	7.78%	9.12%	13.08%	8.90%	7.46%	9.51%
USDCAD	1.402	9.98%	4.13%	5.36%	7.22%	8.28%	5.83%	5.44%	7.62%
USDSEK	10.078	13.92%	6.88%	6.94%	8.83%	11.13%	9.53%	7.78%	9.44%
EURSEK	10.949	8.95%	4.99%	4.87%	5.80%	8.47%	6.15%	5.72%	6.52%
USDRUB	75.549	31.65%	11.52%	7.91%	14.21%	18.52%	13.87%	10.74%	14.78%
USDBRL	5.176	19.28%	9.66%	11.69%	14.57%	18.75%	13.63%	13.63%	15.62%
USDCNY	7.069	5.65%	4.40%	3.94%	4.43%	5.72%	4.90%	4.25%	5.30%
USDTRY	6.779	11.50%	7.02%	19.96%	14.87%	22.90%	14.38%	23.25%	15.41%
USDINR	75.960	7.87%	5.31%	5.65%	5.53%	10.38%	7.60%	8.06%	6.53%

<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: Bloomberg, QCAM Currency Asset Management, as of April 8th 2020

# FX Analytics

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

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

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

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

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

The **Technical** component consists primarily of the technical analysis of daily exchange rates (trend

following and mean reversion). We also consider speculative futures positions and the deviation of exchange rates from purchasing power parity.

The summary table below and the following pages show the QCAM strategy framework and the positioning for the major currency pairs actively covered by QCAM. The tables 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.

## Current positioning

Since switching the Sentiment and Technical strategies to neutral on March 6th due to the high market volatility, we have gradually resumed each strategy on a currency by currency basis. Sentiment and Technical strategies have been performing better in currency pairs with a directional bias, such as USDCAD or GBPUSD.

## Overview<sup>1</sup>

	Macro	Sentiment	Technical	Comment
EURUSD	0	+	0	Resolution of the debt funding problem should shift the balance further in favor of the EUR
USDJPY	-	0	-	Macro and Technical already favor the JPY but direction of Sentiment is unclear
EURCHF	0	0	-	Given prevailing uncertainty and volatility, the CHF remains the most suitable safe-haven currency.
USDCHF	0	0	0	The SNB is likely to slow CHF appreciation but unlikely to prevent it
GBPUSD	0	0	-	External deficits and idiosyncratic risks keep the GBP on our short list
EURSEK	-	0	+	The SEK has weakened but expected to stay in the recent range
USDCAD	0	+	+	The collapse of oil prices is expected to keep the CAD under pressure for some time

<sup>1</sup> The signs relate to the first currency of the exchange rate pair

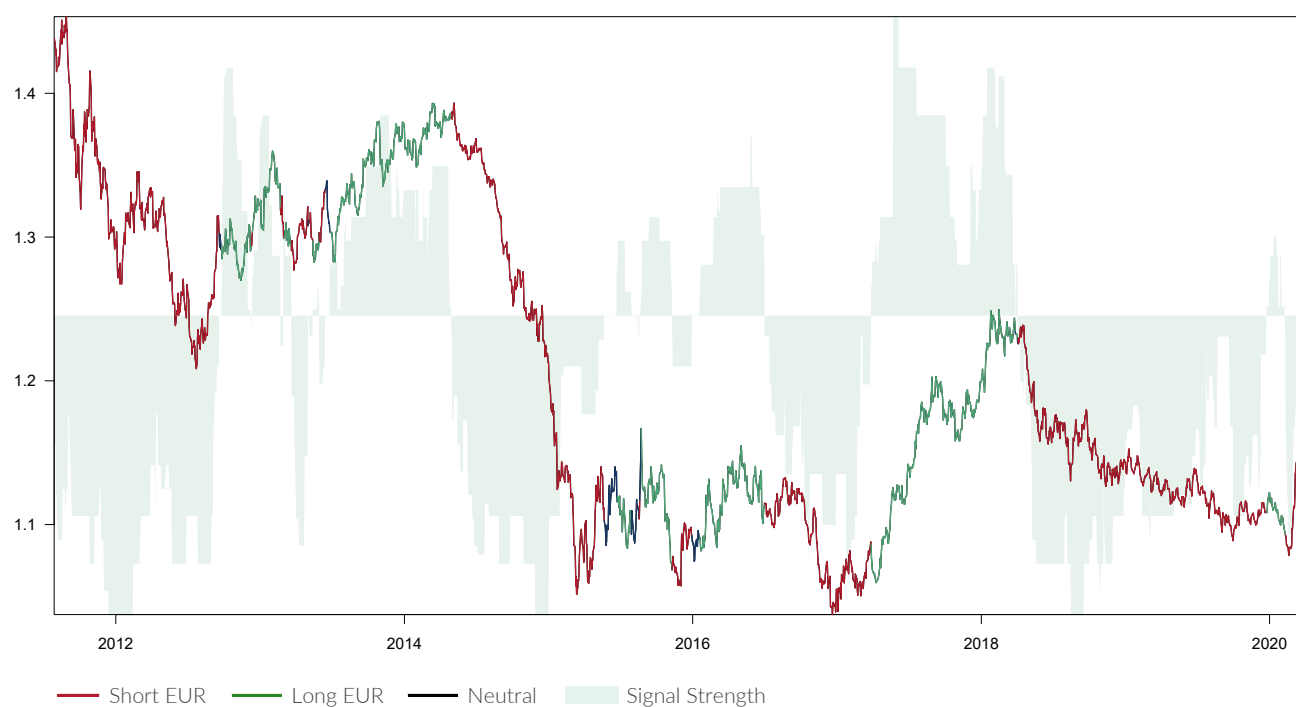
## EURUSD

The USD has lost its two key supports, namely higher interest rates and stronger growth. Meanwhile, the US fiscal position is likely to deteriorate faster than elsewhere. The USD's main support is risks facing other currencies. In the case of the EUR that

is the unresolved debt funding situation within the Euro-area, especially for Italy. We are prepared to go long the EUR in our Macro strategy as soon as a politically viable debt funding agreement has been forged.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	Likely to remain stable
	Fiscal Balances	+	Likely to remain stable
	Interest Rate Differentials	0	US rates have dropped close to EUR rate levels
	Oil prices	-	Falling oil prices cause USD funding shortage
<b>Sentiment</b>	Economic Sentiment	+	Surveys suggest that Euro area may suffer less damage from corona
	Risk Sentiment	-	Uncertainty over the resolution of the Euro-area debt problem is still a handicap for the EUR
<b>Technical</b>	Price Action	0	No consistent directional signal due to high volatility
	Spec Positions	0	EUR oversold positions have vanished
	PPP Valuation	+	EUR undervaluation unlikely to correct quickly

### EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## USDJPY

The USD's loss of support from higher interest rates and stronger growth as well as risk aversion and the fact that Japan has a current account surplus are the main factors favoring the JPY in the current environ-

ment. In addition the JPY is undervalued and not over-bought. However, we are cautious building a strong long JPY position as uncertainty over USD funding still has the potential to snap back.

	FX Factors	JPY Impact	Comment
<b>Macro</b>	Current Account Balances	+	Likely to remain stable
	FDI Flows	-	Net outflows likely to continue but probably slower
	Interest Rate Differentials	0	The drop in interest rate differentials has almost eliminated carry opportunities
<b>Sentiment</b>	Economic Sentiment	0	The drop in economic sentiment has blurred differences
	Risk Sentiment	+	Risk-off continues to undermine carry appetite
<b>Technical</b>	Price Action	+	Though volatile momentum is changing in JPYs direction
	Spec Positions	0	Fairly neutral after market sell off
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

### USDJPY and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## EURCHF

Increased SNB intervention has prevented the Swiss franc from appreciating through the 1.05 level. Safe haven demand to stay strong, as long as EUR states fail to find a solution to the debt funding problems of southern members, especially Italy. A new Swiss franc

support factor comes from higher government bond yields versus German Bunds in the absence of Swiss QE. We expect the SNB slowly to lower the EURCHF support level, if upward pressure on the franc increases further.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	++	EUR uncertainty related flows to remain high
	Interest Rate Differentials	0	CHF short rates are lower but long rates are moving higher
	SNB Policy Intervention	-	SNB continues to slow-down potential CHF appreciation
<b>Sentiment</b>	Economic Momentum	0	The sharp drops in surveys are not indicative of relative strength
	Risk Factors	++	Divergence between Euro members on Corona bonds weighing strongly
<b>Technical</b>	Price Action	+	Increased SNB intervention is only restraining the CHF up-trend
	Spec Positions	0	Positioning not at extreme levels, but expected to grow
	PPP Valuation	-	CHF unlikely to correct overvalued position soon

### EURCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

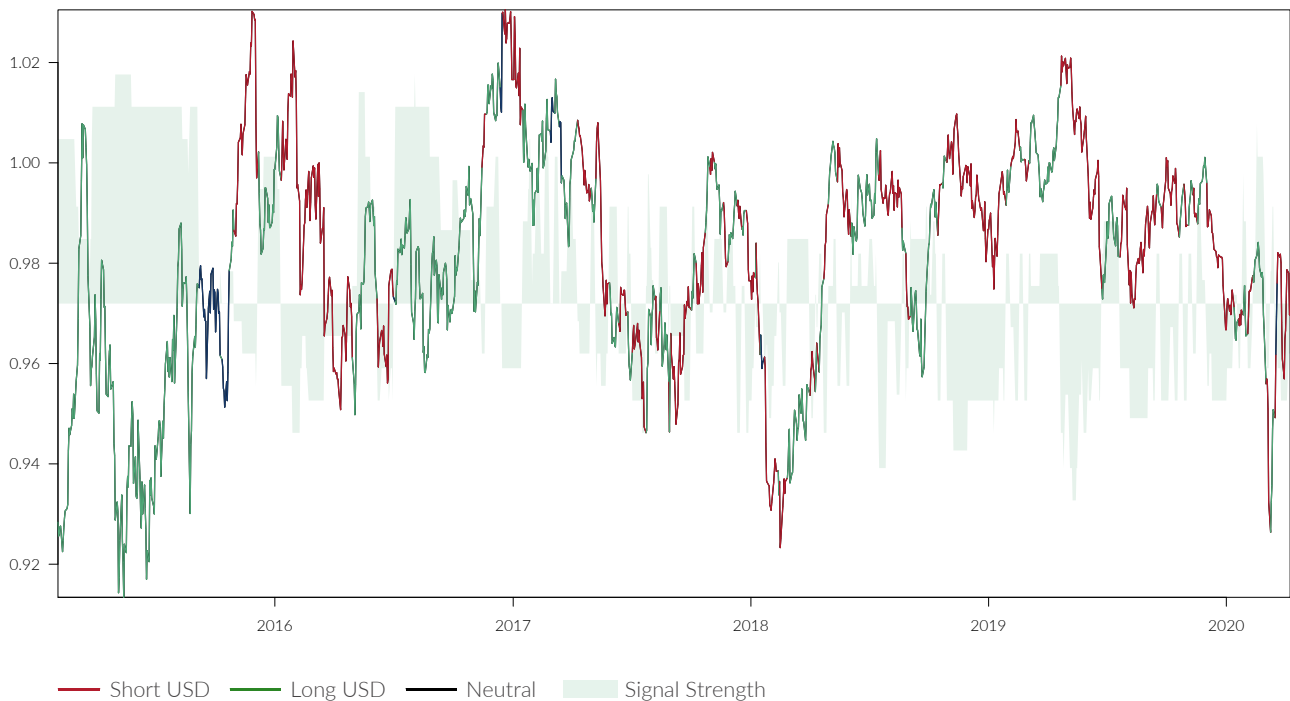
## USDCHF

USDCHF is highly correlated to EURUSD due to heavy SNB intervention activity in EURCHF. Although the dollar has lost its main support from interest rates and growth, its ultimate safe-haven sta-

tus and remaining funding stress keep supporting the greenback for the time being. Once these factors abate, the Swiss franc should trend towards PPP.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	++	Covid-19 and EUR uncertainty related flows to remain high
	Interest Rate Differentials	+	Substantially reduced differential will weigh on bond market flows and increase USD hedging
	SNB Policy Intervention	-	SNB continues to slow-down potential CHF appreciation in particular vs. EUR
<b>Sentiment</b>	Economic Momentum	0	The sharp drops in surveys are not indicative of relative strength
	Risk Factors	+	Riskoff likely to continue in the short-term
<b>Technical</b>	Price Action	0	Substantially reduced volatility after recent wide swings, short term direction unclear
	Spec Positions	+	Modestly long CHF positions likely to increase when USD funding concerns ebb
	PPP Valuation	+	CHF to correct undervalued position medium term

### USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## GBPUSD

There is little to like about the GBP (current account deficit and idiosyncratic risks). We were short until 1.16 and then closed the Macro position. Technically, the bias still points to a weaker GBP and we

are looking to re-enter a short Macro position. A trigger could be renewed oil price declines as this causes USD funding shortage, which hurts the GBP in particular.

	FX Factors	GBP Impact	Comment
<b>Macro</b>	Current Account Balances	-	Persistent deficit unlikely to change
	Interest Rate Differentials	0	USD rates advantage versus GBP has vanished
	Oil Price	-	Although a net oil importer GBP reacts negatively to oil price declines
<b>Sentiment</b>	Economic Sentiment	-	The UK economy is hurt disproportionately by the corona crisis in combination with ongoing BREXIT uncertainties
	Risk Sentiment	-	Uncertainty over the final outcome of BREXIT remains high
<b>Technical</b>	Price Action	-	Volatile with downside bias
	Spec Positions	0	Only small long GBP positions
	PPP Valuation	+	Unlikely to mean revert soon, PPP trend may deteriorate as well

### GBPUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## EURSEK

Our Macro view is currently neutral as the SEK has already weakened a bit versus the EUR. Sweden has risks given its different handling of the corona crisis so far and the high leverage of the household

sector. Momentum remains SEK negative and we look to re-enter a short position if the Euro debt funding uncertainties abate.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0	Slightly SEK favorable but not materially
<b>Sentiment</b>	Economic Momentum	+	SEK surveys slightly better than EUR surveys but that may be lagging
	Risk Factors	0	Sweden's different approach to the corona virus may backfire yet Sweden may benefit if Euro debt financing tensions escalate
<b>Technical</b>	Price Action	-	Momentum is SEK negative
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

### EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management



## USDCAD

We opened a short CAD position right after the Saudi oil supply announcement and closed it around 1.45. The technical momentum still points to more CAD downside. Sentiment surveys are not indicative in the

current contraction phase. Our macro view is currently neutral. We are not optimistic that oil prices will recover soon but await the outcome of the OPEC+ meeting for position changes.

	FX Factors	CAD Impact	Comment
<b>Macro</b>	Current Account Balances	-	Likely to slip with oil-price decline
	Oil Prices	--	Bias towards lower oil prices remains
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	0	No clear direction yet
<b>Sentiment</b>	Economic Sentiment	-	CAD surveys slightly lower but not very indicative in free fall
	Risk Sentiment	0	No specific Canadian risks, global risk factors dominating
<b>Technical</b>	Price Action	-	Momentum for weaker CAD
	Spec Positions	0	Build-up of short CAD position likely to stay
	PPP Valuation	+	CAD undervaluation unlikely to correct quickly

### USDCAD and QCAM Strategic Positioning



Source: Bloomberg, 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.



## Systematic Strategies

The Systematic Strategies unit of QCAM includes several Live Strategies with Performance Track Records reaching back to 2011, as well as the ongoing development of new strategies. Frequently, currency instruments are also used in the portfolio allocation. The speed of response and the recognition of trade opportunities in more than 200 different markets worldwide allows QCAM to generate performance in a way that would not be possible in a discretionary strategy.

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## Optimized Liquidity Management

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



# 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, Currency/CTA investments as well as 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

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