

October 2020

# QCAM MONTHLY

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## Correction yet no trend change

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# QCAM Insight

## Correction yet no trend change

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**The USD rebounded in September as risk aversion increased and Corona cases in Europe surged. Uncertainty is likely to dominate at least until the US election. Yet, the fundamental case for more USD weakness remains in place.**

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The USD rebounded across the board in September. From the end of August until September 25th, the USD index (DXY) gained 2.8% before the rebound stalled. USD strength was broad-based across developed and emerging markets. Among major currencies, the JPY held up best, while the GBP suffered most losses. In emerging markets, the CNY actually gained a bit versus the USD, while the RUB and TKY lost the most.

Three factors best explain the USD rebound: 1) a general rise in risk aversion (the VIX rose at the end of August after more than 2 months of declines); 2) the surge in Covid-19 cases in Europe; 3) the excess of speculative short USD positions in the futures market especially versus the EUR. A curiosity is that gold has failed to rally as risk aversion increased, which highlights its mutation from a safe haven to a speculative asset.

### **No financial stress**

Importantly, while risk aversion has increased, there are no signs that this has resulted in more financial stress. Financial stress indicators like those from the Chicago and St. Louis Feds are not sounding alarm.

Bank stocks have been hit by money-laundering news, yet short-term interbank rates have remained stable versus treasury bills (see chart). While central banks struggle to stimulate economic growth, they are clearly in control of maintaining financial stability.

### **No shift in fundamentals**

In our view, the USD rebound in September was mostly a correction driven by short-term and technical factors and is not a sign of changing fundamentals. First, the US twin deficit continues to rise. The US goods and services trade deficit rose from \$37 billion in February to \$67 billion in August and the fiscal deficit tripled to more than 15% of GDP. To be sure, fiscal balances slipped everywhere and external balances in some places as well, but the extent of the deterioration of the US twin deficits is unparalleled.

Second, there is not much to make up for the twin deficits. US interest rates are no longer meaningfully higher than in other major economies and the Fed has clearly signaled that this is unlikely to change for several years. Furthermore, the US economy is no longer the global outperformer that it was over the last two years. The rebound after the lockdown has been impressive, but momentum starts fading while the damage in form of unemployment and solvency problems remains large. This is not just a problem in the US, but there are no signs that the US will do better in the second phase of the recovery. So far, only China seems to be truly ahead.

### USD risk is less expensive to hedge

From a purchasing-power-parity perspective, the USD also remains overvalued (see pages 6 & 7) and has more downside potential. On the other hand, resistance comes from the “oversold” USD futures positions by speculative investors, especially versus the EUR. This can facilitate corrections but is unlikely to be a trend-setter. Importantly, corporates and real money investors are still catching up with hedging their USD positions as lower US interest rates have made forward hedging a much cheaper option. In our view, real-money hedging is a stronger long-term force than speculative positions.

### Election and other uncertainties

Fundamentals and other trend factors are unlikely to matter much over the next few weeks until the US election. What the election will bring and how markets will react remains mostly speculation. We think that an unclear election outcome and a protracted resolution process would hurt the USD. A clear Biden win could also hurt the USD on the expectation of more

deficit spending, while a Trump win could lead to more business-friendly policy expectations and support the USD.

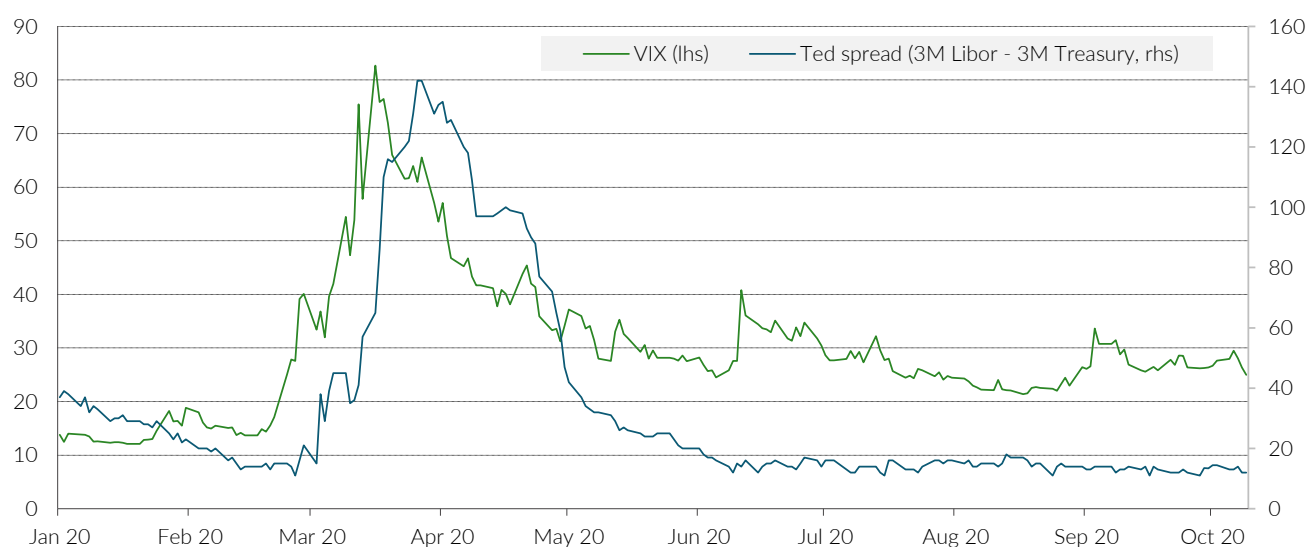
Corona is the other major uncertainty. The much lower death rates now compared to last Spring suggest that the rebound in Covid-19 cases is less threatening. However, the dynamic is clearly negative and many countries still struggle finding the right policy response. At the moment, the situation is deteriorating most rapidly in Europe but the past has shown that this dynamic can change quickly and also contribute to short-term swings in FX sentiment.

### GBP more downside risk than USD

Looking through the short-term uncertainty, not only the USD has more downside. Generally, currencies with weak balance of payments positions and inconsistent policies remain at risk. This applies especially to the GBP, which has a large current account deficit, is at risk of breaking vital trade links with the EU and in response plans to ease policy even more, especially venture into negative interest rates.

## VIX and Ted spread

Index (lhs) and basis points (rhs)



Source: Chicago Board of Exchange, Bloomberg and QCAM

# Economy & Interest Rates

Global economic activity recovered strongly in the third quarter. Most growth forecast were again revised to the upside but momentum is now fading as the recovery is moving from the re-opening rebound to a second more cyclical phase, which is still marked by significant corporate balance sheet and labor market distortions, while the course of

the Corona pandemic remains an uncertainty. Only China is visibly ahead, while most other economies are unlikely to reach the pre-Corona level before the end of next year. Although growth forecasts have improved, fiscal deficit and debt projections remain high.

	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>	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Global	-4.0	4.5	n.a.	n.a.	2.0	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-5.5	4.0	n.a.	n.a.	0.7	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-4.5	2.5	8.5	7.5	1.0	1.5	-2.5	-2.8	-17.0	-10.0	140.0	145.0
Canada	-6.5	4.5	9.5	7.0	1.0	2.0	-2.7	-2.8	-16.0	-13.0	110.0	115.0
Euro-area	-7.0	5.0	8.5	9.0	0.4	0.8	2.5	3.0	-9.0	-5.0	105.0	105.0
Sweden	-6.0	5.0	9.0	8.0	0.5	1.5	2.5	3.5	-7.0	-5.0	45.0	47.0
Switzerland	-4.0	4.0	3.0	3.0	-0.5	0.5	8.0	9.0	-6.0	-3.0	47.0	48.0
UK	-9.0	7.0	5.5	7.0	1.0	1.5	-4.0	-4.0	-17.0	-10.0	100.0	105.0
Japan	-6.0	3.0	3.0	3.0	-0.3	-0.3	3.0	3.0	-15.0	-12.0	270.0	275.0
Australia	-3.0	3.5	7.5	7.0	1.0	2.0	2.0	1.0	-6.0	-6.0	57.0	60.0
Emerging	-2.0	6.0	n.a.	n.a.	3.0	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.0	8.0	4.0	4.0	2.5	1.5	2.0	1.5	-12.0	-9.0	65.0	70.0
India	-9.0	12.0	n.a.	n.a.	5.5	5.0	0.0	0.0	-14.0	-12.0	85.0	88.0
Russia	-4.0	3.0	6.0	5.5	3.5	3.5	1.0	1.0	-5.0	-2.0	19.0	19.0
Brazil	-5.5	2.5	13.5	12.5	2.5	3.0	-0.5	-1.5	-17.5	-8.0	105.0	105.0

Source: OECD, IMF World Economic Outlook and QCAM estimates 1) In percent 2) In percent of GDP

## OECD business and consumer confidence\*



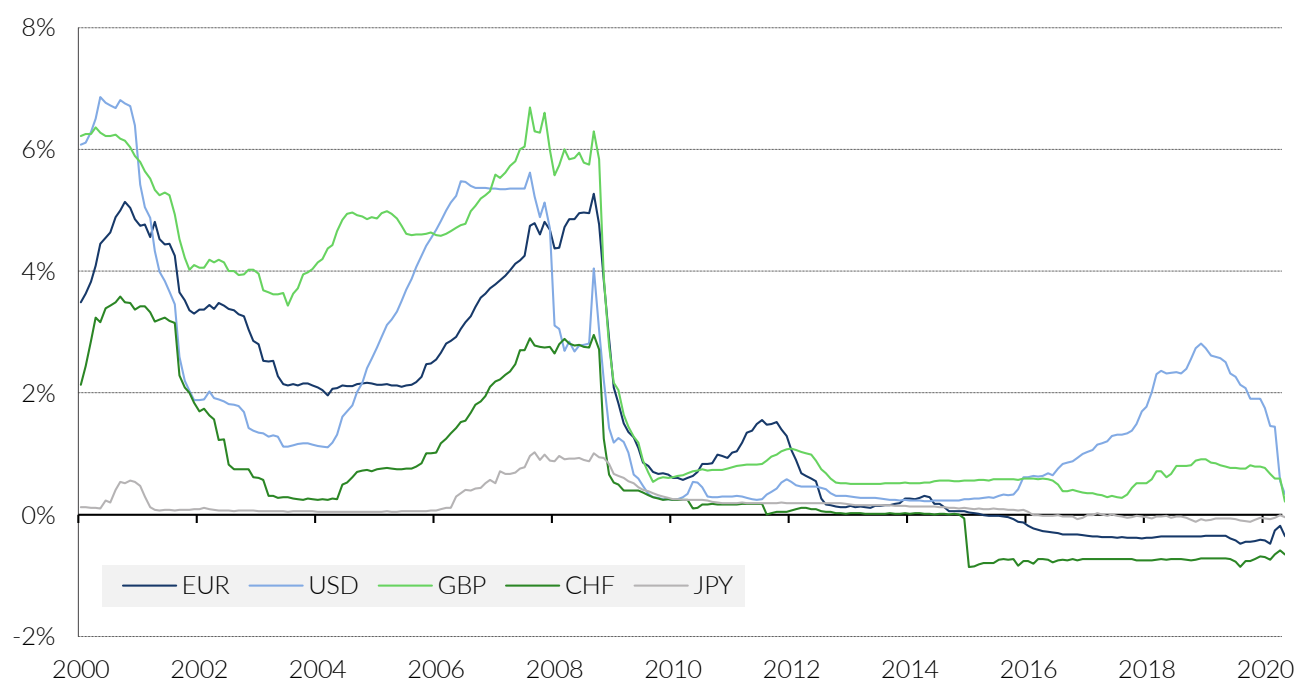
Source: OECD and QCAM, \*the last observations are QCAM estimates based on other surveys

## Interest Rates

### Interest Rate Level Overview

	Short Term Interest Rate (3month OIS)					Long Term Interest Rate (10year Swap)				
	Current	1M ago	3M ago	12M ago	Ø 3 years	Current	1M ago	3M ago	12M ago	Ø 3 years
USD	0.08%	0.08%	0.07%	1.67%	1.55%	0.81%	0.71%	0.61%	1.48%	2.09%
EUR	-0.48%	-0.48%	-0.48%	-0.47%	-0.40%	-0.21%	-0.19%	-0.16%	-0.15%	0.44%
JPY	-0.05%	-0.04%	-0.06%	-0.13%	-0.06%	0.05%	0.05%	0.06%	-0.05%	0.15%
GBP	0.05%	0.05%	0.05%	0.67%	0.52%	0.45%	0.41%	0.37%	0.62%	1.11%
CHF	-0.74%	-0.73%	-0.71%	-0.81%	-0.75%	-0.39%	-0.37%	-0.34%	-0.49%	-0.05%
AUD	0.09%	0.12%	0.13%	0.64%	1.04%	0.78%	0.86%	0.83%	1.03%	1.99%
CAD	0.23%	0.24%	0.24%	1.70%	1.31%	1.11%	1.07%	1.00%	1.69%	2.06%
SEK	-0.07%	-0.02%	-0.02%	-0.28%	-0.29%	0.35%	0.33%	0.33%	0.19%	0.82%
RUB	4.16%	4.12%	4.27%	6.77%	6.68%	6.34%	6.24%	6.01%	7.40%	7.76%
BRL	1.46%	1.43%	1.84%	4.30%	4.71%	8.25%	7.36%	7.17%	7.27%	9.16%
CNY	2.38%	2.51%	2.25%	2.67%	2.66%	2.87%	3.06%	2.81%	3.15%	3.25%
TRY	13.14%	12.24%	7.87%	15.33%	17.08%	12.88%	12.32%	13.14%	13.93%	14.50%
INR	3.72%	3.79%	3.72%	5.16%	5.60%	5.07%	5.10%	4.65%	5.05%	6.02%

### 3-month Libor



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

# FX Markets

## FX Performance vs. PPP

The USD rebound in September was broad-based. Risk-sensitive currencies like the GBP fell the most, but the JPY held up well. Higher risk aversion was negative for Emerging Markets with vulnerable currencies like the TRY falling the most. Speculative positions suggest that the USD remains oversold,

but low interest rate spreads are raising hedging activity versus the USD. FX volatilities have remained muted. PPP estimates have not changed much but the overvaluation of the USD against most currencies has widened a touch given USD strength.

### 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	4.84%	-0.37%	7.18%	4.71%	1.29	1.15 - 1.43	-9%
USDJPY	105.960	-2.41%	-0.32%	-1.09%	-11.66%	95.62	84.8 - 106.5	11%
GBPUSD	1.292	-2.59%	-1.94%	4.90%	-15.66%	1.58	1.41 - 1.76	-18%
EURCHF	1.079	-0.61%	-0.38%	-1.23%	-1.40%	1.10	1.04 - 1.16	-2%
USDCHF	0.917	-5.16%	0.00%	-7.85%	-5.83%	0.88	0.78 - 0.98	4%
GBPCHF	1.184	-7.64%	-1.95%	-3.35%	-20.58%	1.26	1.15 - 1.37	-6%
CHFJPY	115.620	2.89%	-0.32%	7.34%	-6.19%	92.49	81.6 - 103.4	25%
AUDUSD	0.714	1.69%	-1.91%	6.01%	-0.92%	0.77	0.68 - 0.87	-7%
USDCAD	1.328	2.29%	1.39%	-0.28%	1.74%	1.21	1.12 - 1.29	10%
USDSEK	8.884	-4.99%	1.32%	-10.27%	7.64%	7.92	7.00 - 8.84	12%
EURSEK	10.458	-0.39%	0.94%	-3.82%	12.70%	8.69	8.14 - 9.23	20%
USDRUB	78.186	26.02%	3.27%	20.46%	24.86%	51.84	43.7 - 59.9	51%
USDBRL	5.594	39.17%	5.55%	36.59%	46.33%	3.23	2.67 - 3.80	73%
USDCNY	6.739	-3.20%	-1.38%	-5.51%	6.28%	6.5	6.30 - 6.69	4%
USDTRY	7.884	32.50%	5.66%	35.52%	168.57%	4.52	3.58 - 5.46	74%
USDINR	73.338	2.97%	-0.15%	3.22%	13.02%	68.9	63.8 - 73.9	6%

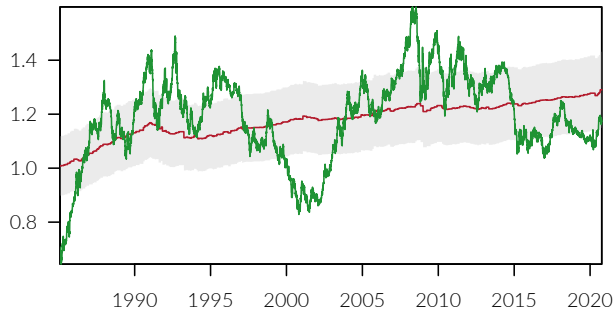
<sup>1</sup> Performance over the respective period of time, in percent

<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.

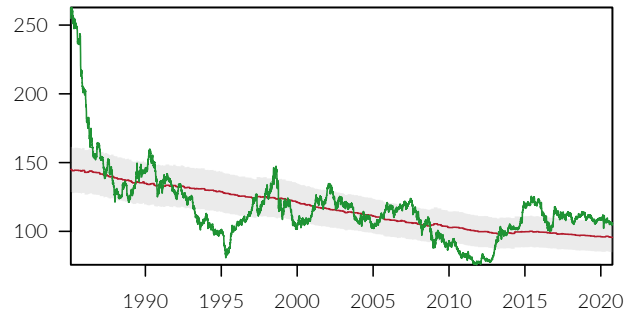
<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity

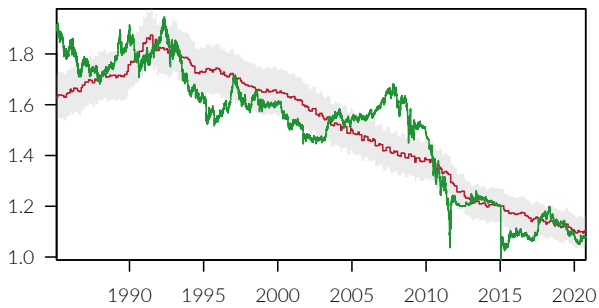
**EURUSD**



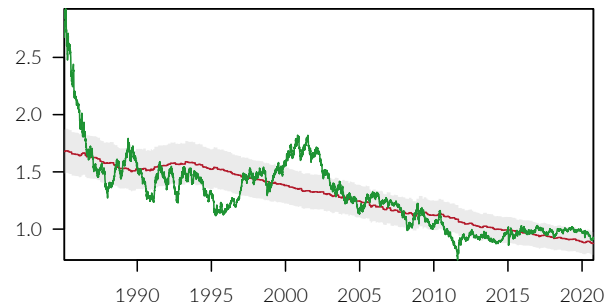
**USDJPY**



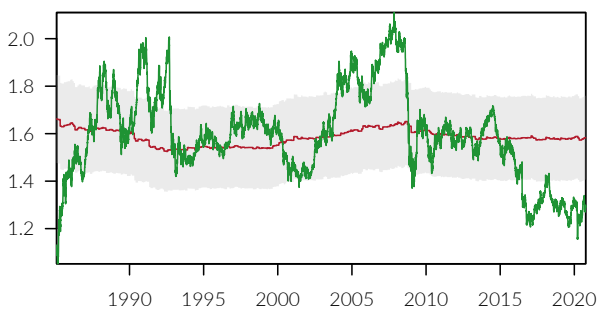
**EURCHF**



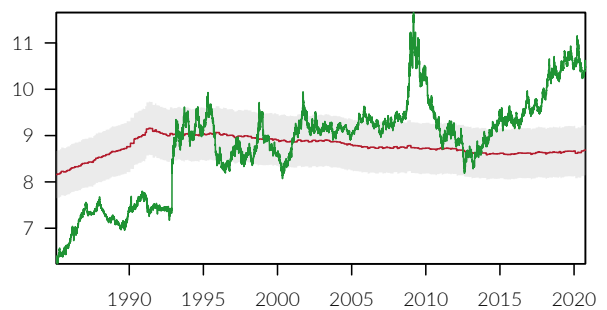
**USDCHF**



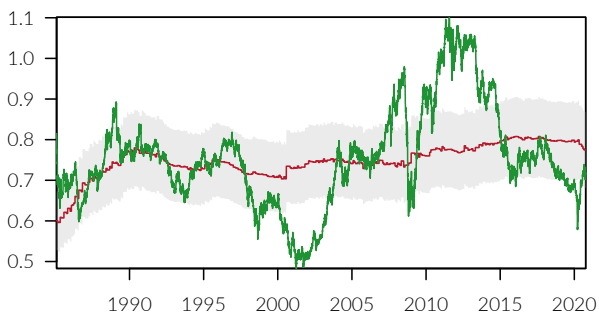
**GBPUSD**



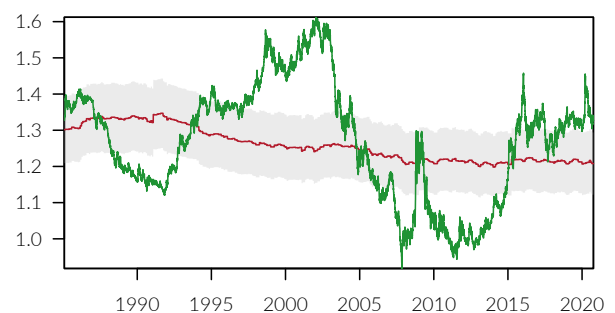
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

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

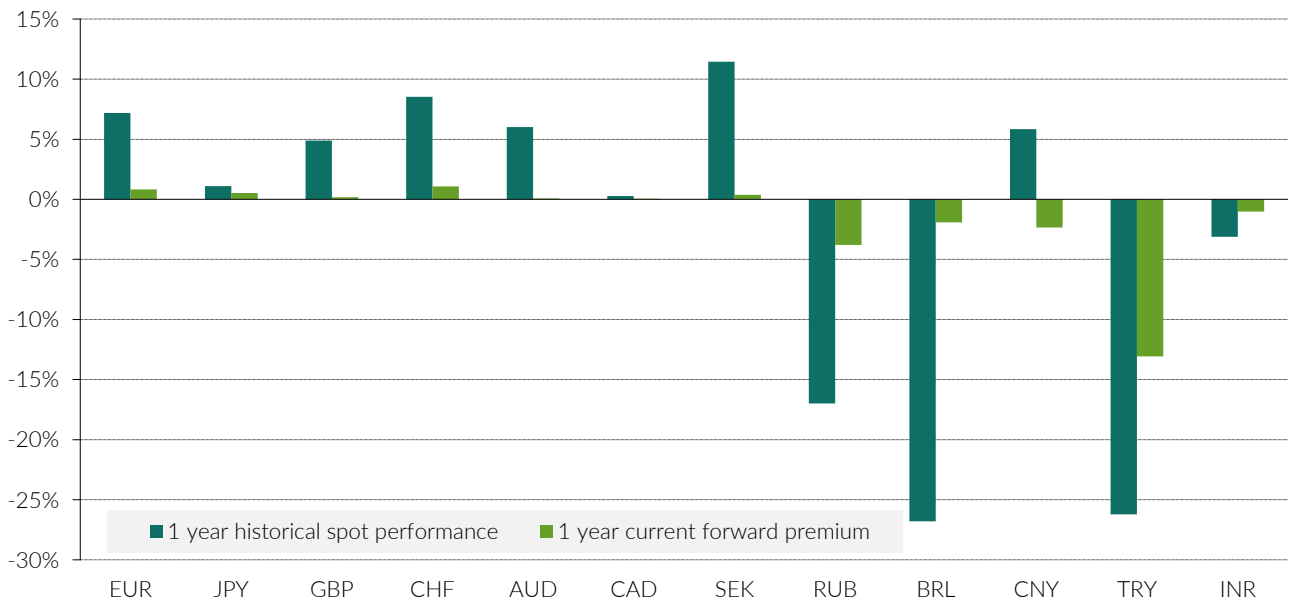


## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.177	1.1779	1.1797	1.1869	0.73%	0.82%	0.80%
USDJPY	105.960	105.9254	105.8193	105.4160	-0.38%	-0.50%	-0.50%
GBPUSD	1.292	1.2921	1.2926	1.2943	0.15%	0.22%	0.18%
EURCHF	1.079	1.0786	1.0781	1.0761	-0.25%	-0.26%	-0.25%
USDCHF	0.917	0.9157	0.9139	0.9067	-0.99%	-1.08%	-1.05%
GBPCHF	1.184	1.1830	1.1812	1.1734	-0.84%	-0.86%	-0.87%
CHFJPY	115.620	115.6804	115.7933	116.2698	0.61%	0.57%	0.55%
AUDUSD	0.714	0.7143	0.7145	0.7148	0.06%	0.11%	0.07%
USDCAD	1.328	1.3274	1.3270	1.3268	-0.07%	-0.15%	-0.05%
USDSEK	8.884	8.8809	8.8731	8.8501	-0.35%	-0.45%	-0.37%
EURSEK	10.458	10.4610	10.4677	10.5027	0.38%	0.37%	0.42%
USD RUB	78.186	78.4370	78.9343	81.2640	3.61%	3.63%	3.88%
USDBRL	5.594	5.5995	5.6104	5.7034	1.21%	1.14%	1.91%
USDCNY	6.739	6.7535	6.7814	6.9002	2.56%	2.48%	2.36%
USDTRY	7.884	7.9638	8.1247	9.0684	11.45%	11.97%	14.82%
USDINR	73.338	74.0735	74.0786	74.1027	11.65%	3.87%	1.02%

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



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



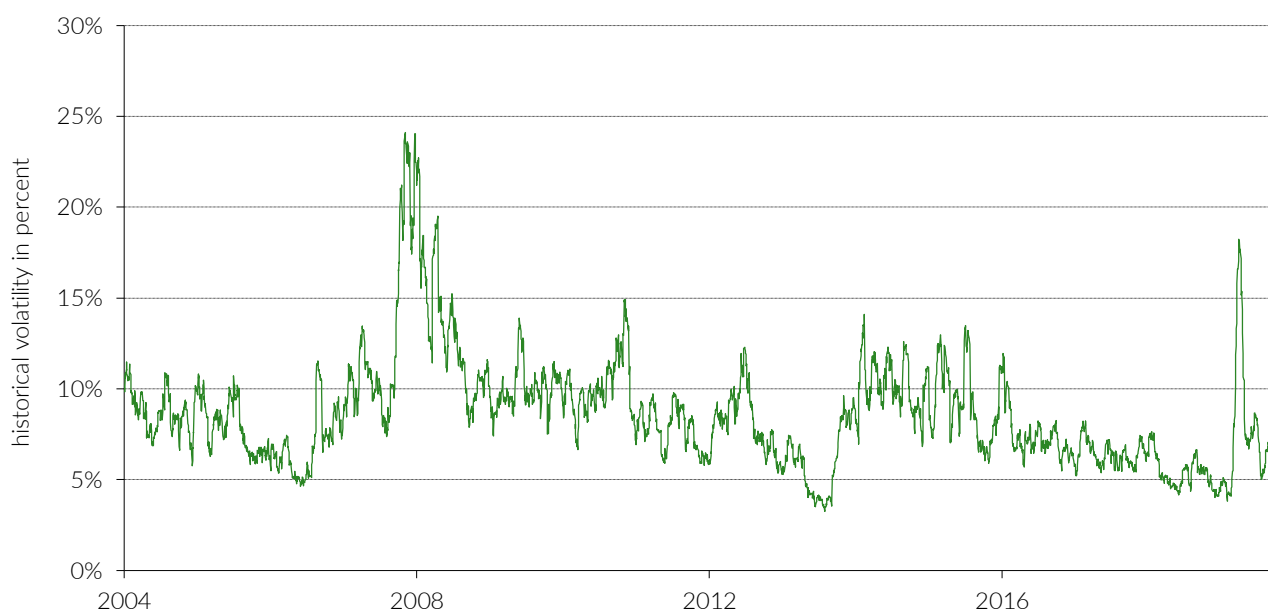
## FX Volatility

### 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	1.177	6.24%	6.43%	4.84%	7.02%	7.28%	7.85%	5.35%	7.62%
USDJPY	105.960	5.98%	6.18%	6.77%	8.14%	7.53%	8.18%	6.70%	8.56%
GBPUSD	1.292	8.43%	8.12%	7.27%	9.26%	11.13%	10.25%	11.59%	9.58%
EURCHF	1.079	4.22%	4.74%	4.65%	4.40%	4.78%	5.43%	4.90%	5.60%
USDCHE	0.917	6.35%	6.84%	6.26%	6.91%	6.93%	7.68%	5.75%	7.39%
GBPCHE	1.184	8.26%	7.73%	8.65%	8.92%	9.82%	8.83%	11.45%	9.21%
CHFJPY	115.620	6.82%	6.33%	4.89%	7.14%	6.80%	7.33%	5.65%	8.01%
AUDUSD	0.714	8.90%	8.94%	6.35%	9.11%	10.60%	10.95%	7.18%	9.40%
USDCAD	1.328	5.81%	6.00%	4.49%	7.16%	6.70%	7.25%	5.15%	7.36%
USDSEK	8.884	8.62%	8.13%	6.50%	8.69%	10.10%	10.07%	7.93%	9.15%
EURSEK	10.458	5.16%	4.69%	5.62%	5.72%	6.73%	6.10%	5.68%	6.36%
USDRUB	78.186	12.68%	12.72%	9.54%	13.84%	17.02%	16.35%	9.35%	14.00%
USDBRL	5.594	16.98%	19.61%	11.73%	15.06%	21.00%	20.88%	12.55%	15.73%
USDCNY	6.739	4.05%	3.47%	6.25%	4.51%	6.60%	6.30%	6.03%	5.50%
USDTRY	7.884	10.69%	9.00%	10.67%	14.65%	18.36%	19.01%	15.18%	15.75%
USDINR	73.338	4.63%	5.11%	7.19%	5.59%	7.05%	7.18%	6.45%	6.47%

<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 October 7th, 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 divide 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

The “discretionary” Macro positions are currently all in neutral except for the JPY as we run into the final weeks before the US election. The balance over all strategies is modestly short USD, which is consistent with our fundamental view.

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

	Macro	Sentiment	Technical	Comment
EURUSD	0	+	+	A stop-loss at 1.17 neutralized the Macro position but Sentiment and Technical remain long EUR
USDJPY	-	0	-	Macro and Technical remain long JPY and Sentiment is expected to follow
EURCHF	0	-	+	The overall CHF position has turned neutral as we temporarily switched to neutral on Macro while Sentiment and Technical offset each other
USDCHF	0	-	+	
GBPUSD	0	+	0	Technical switched to neutral and only Sentiment remains long GBP
EURSEK	-	-	-	All models including macro interest rates have turned long SEK but we prefer a neutral discretionary position
USDCAD	-	+	0	The Macro oil price model is long CAD but overall we prefer a neutral position

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

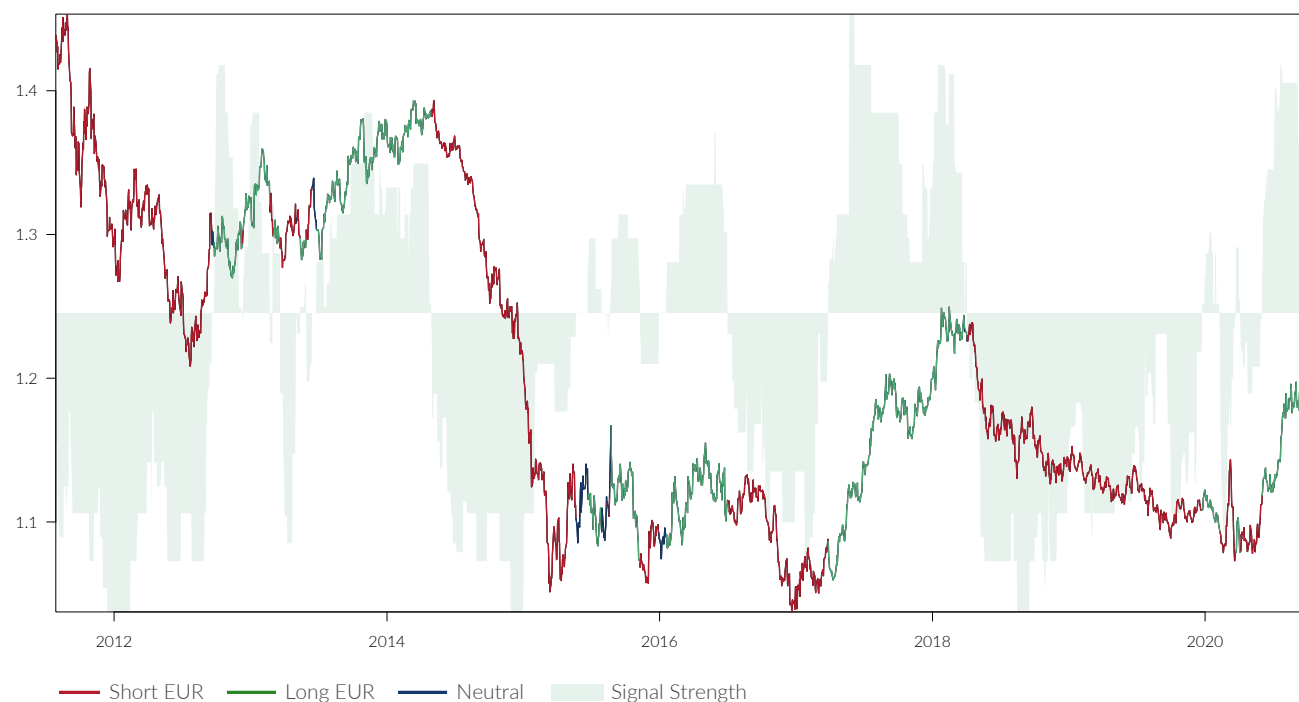
## EURUSD

The USD rebound triggered our 1.17 stop-loss for the Macro position. We remain neutral Macro for the near term, given US election uncertainties. However, we remain fundamentally bullish EUR and

look to re-enter a long EUR Macro position after the US election. Business Sentiment and Technicals remain EUR bullish.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	The US deficit surged in recent months while the Euro-area surplus consolidated
	Fiscal Balances	+	US deficit has widened faster than Euro-area deficit
	Interest Rate Differentials	0	USD-EUR rate differential to remain small
	Oil prices	0	Oil prices seen in range after previous recovery
<b>Sentiment</b>	Economic Sentiment	+	Euro-area surveys have rebounded more strongly from initially weaker levels, but momentum is fading
	Risk Sentiment	+/-	The US election is the main uncertainty and has the potential to push EURUSD either way in the short run
<b>Technical</b>	Price Action	+	Price developments remain EUR positive
	Spec Positions	-	Large USD oversold positions create correction risks
	PPP Valuation	+	EUR still undervalued by 2/3 $\sigma$

### EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## USDJPY

We favor the JPY from a Macro perspective on strong BoP fundamentals and the decline in carry flows. This view is supported by the Technical side and we expect that the Sentiment side will follow as well on the back

of improving economic surveys. The rise in Corona cases creates some uncertainty, but the levels are low in comparison to other major economies and we expect that the outbreak will be contained.

	FX Factors	JPY Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus lower on declining trade but already recovering
	FDI Flows	+	Net outflows have plunged and are unlikely to rebound quickly to offset the current account surplus
	Interest Rate Differentials	0	The drop in interest rate differentials and higher uncertainty have decimated the carry trade
<b>Sentiment</b>	Economic Sentiment	0	Latest surveys show less pessimism in Japan
	Risk Sentiment	+/-	US election is main risk and could swing either way
<b>Technical</b>	Price Action	+	Price action remains long JPY
	Spec Positions	0	Only small net long JPY positions
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

### USDJPY and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## EURCHF

The CHF gained a bit versus the EUR on higher risk aversion but essentially moves in a range between 1.07 and 1.09. The SNB was selling CHF in early August

but since then stayed on the sideline. Macro, Sentiment and Technicals broadly balance each other out and we expect EURCHF to remain in the current range.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	Inflows have eased on reduced Euro concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	-	SNB was mostly inactive since August and is only expected to intervene if EURCHF moves toward 1.05
<b>Sentiment</b>	Economic Momentum	0	Swiss recovery moves in line with Euro-area
	Risk Factors	+/-	The US election is the main uncertainty in the short run
<b>Technical</b>	Price Action	-	The move above 1.07 has supported the EUR
	Spec Positions	0	Close to neutral
	PPP Valuation	-	CHF unlikely to correct overvalued position significantly soon

### EURCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

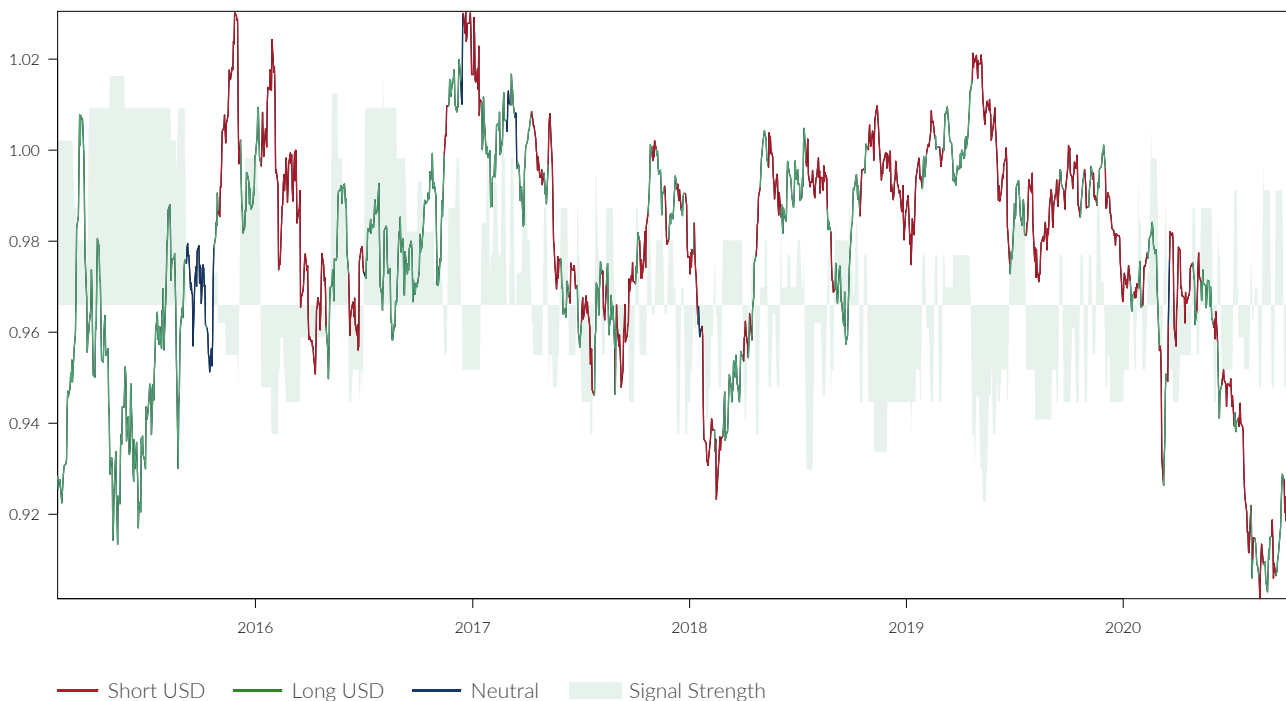
## USDCHF

We have taken profit on the long CHF Macro position given the stop-loss trigger in EURUSD and the near-term uncertainty around the US election. We see USDCHF still linked to EURUSD and look

to go long CHF again with the EUR after the US election. The CHF is near its PPP fair-value level and not significantly overbought, which gives it still some upside potential versus the USD.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	Inflows have eased on reduced Euro concerns
	Interest Rate Differentials	+	Substantially reduced differential detracts bond market flows and increases USD hedging
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
<b>Sentiment</b>	Economic Momentum	0	Swiss economy moving in line with global recovery
	Risk Factors	+/-	The US election is the main uncertainty in the short run
<b>Technical</b>	Price Action	-	Technicals have shifted to long USD
	Spec Positions	+	Modestly long CHF positions likely to stay in range
	PPP Valuation	0	CHF close to fair value

### USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

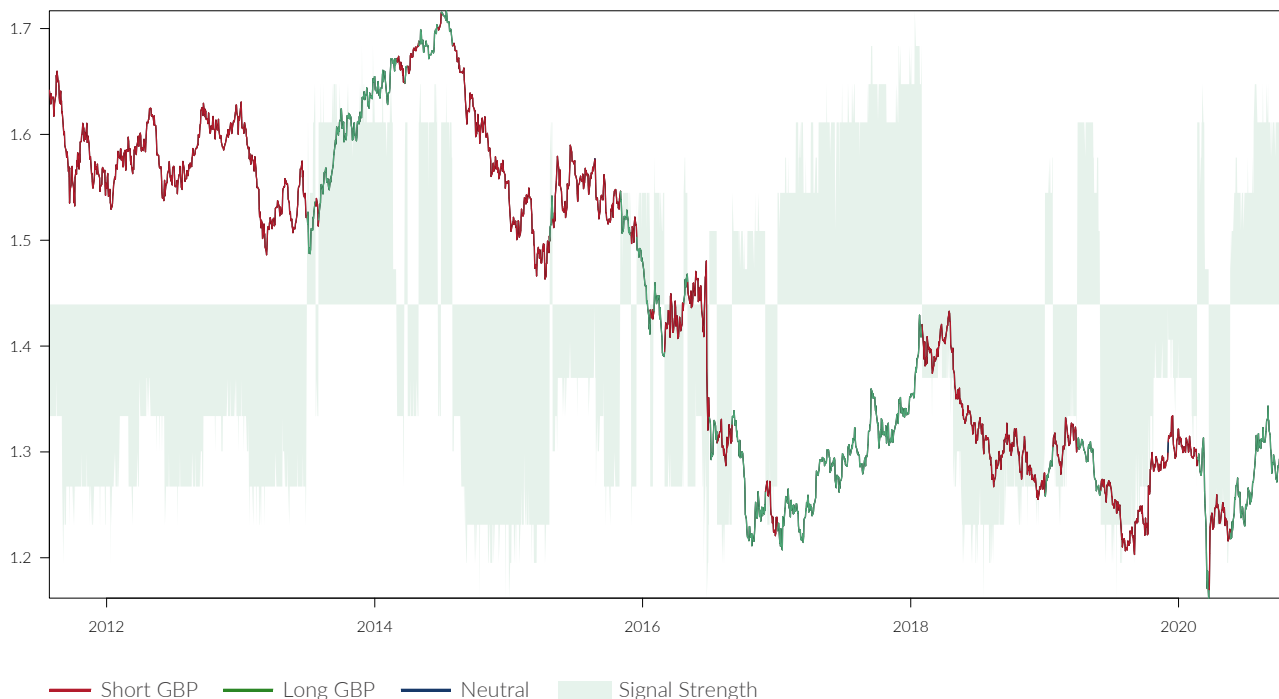
## GBPUSD

The GBP was one of the main losers of the USD rebound. A persistent current account deficit, the possibility that policy rates move negative, a surging fiscal deficit and the risk that a free-trade deal with the EU may fail leave the GBP vulnerable. The GBP should underperform in periods of rising risk

aversion. The handling of the Corona pandemic is another risk factor for the GBP. So far, only better business sentiment surveys support the GBP. Near-term uncertainty with the US election is high and swings in risk sentiment could push the GBP either way.

	FX Factors	GBP Impact	Comment
<b>Macro</b>	Current Account Balances	0	US and UK twin deficits both seen deteriorating
	Interest Rate Differentials	0	US and UK interest rates are about equal, but UK may go negative
	Oil Price	0	The lift from the recent oil price recovery has stalled
<b>Sentiment</b>	Economic Sentiment	+	Although surveys have improved further, the UK economy is at risk to underperform also due to final BREXIT outcome
	Risk Sentiment	-	Remaining risk that a free-trade deal with the EU could fail and near-term uncertainty around the US election
<b>Technical</b>	Price Action	0	Technicals have shifted back to neutral as GBP rally stalled
	Spec Positions	0	Net positions are close to flat
	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

The balance of scores and strategy models favors the SEK versus the EUR. Near-term, however, we believe risk sentiment around the US election will dominate and prefer a neutral position. Whether

Sweden's Corona strategy is better is not clear, but the refusal of the Riksbank to return to negative interest rates is a clear plus for the SEK.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0	Positive, but similar to Euro-Zone
	Interest Rate Differentials	+	The Macro interest model has shifted long SEK as a return to negative interest rates seems unlikely
<b>Sentiment</b>	Economic Momentum	+	Surveys have switched in support of the SEK
	Risk Factors	0	Risk perceptions concerning Sweden's different Corona strategy have faded. Main near-term uncertainty is US election
<b>Technical</b>	Price Action	+	Technicals have switched back to long SEK
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

### EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

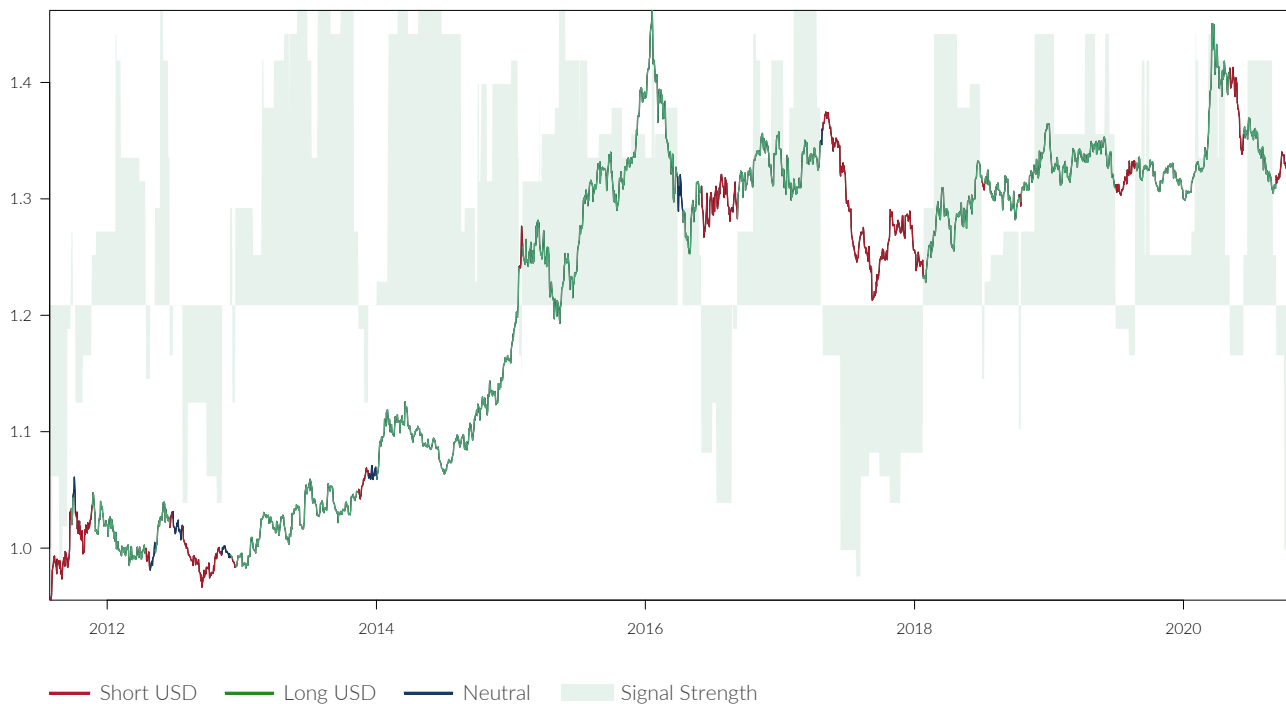
## USDCAD

The Macro oil-price model has shifted to long CAD as actual prices have dropped below expected prices. Macro fundamentals are otherwise around neutral with uncertainty the main near-term factor. Short and long-

term Technicals cancel each other. The Canadian economy still trails the US a bit, but that is expected to fade. Overall, the balance of factors points to a neutral position.

	FX Factors	CAD Impact	Comment
<b>Macro</b>	Current Account Balances	0	Canada's current account deficit moves similar to the US current account deficit
	Oil Prices	0	Oil price recovery has stalled
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	+/-	USD DXY direction uncertain in the short-run, but probably positive for the CAD in the medium term
<b>Sentiment</b>	Economic Sentiment	-	Canada trails the US somewhat but expected to catch up
	Risk Sentiment	+/-	Uncertainty before US election
<b>Technical</b>	Price Action	0	CAD positive long-term and CAD negative short-term
	Spec Positions	0	Short CAD position has shifted to neutral
	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.



## 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.

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# 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 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

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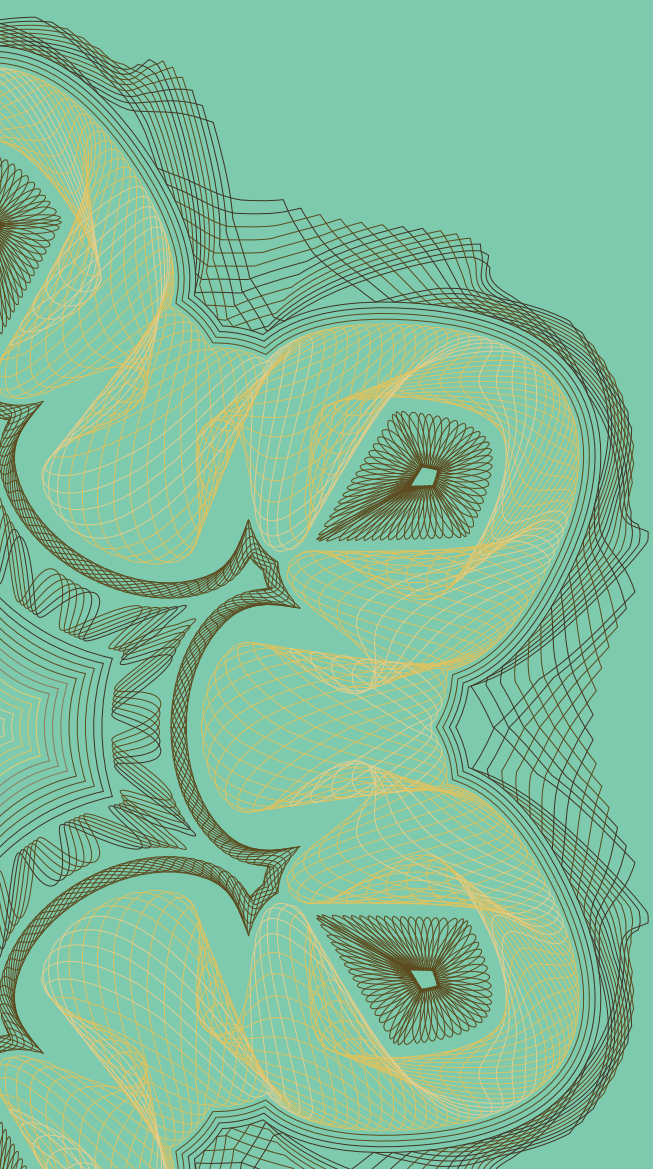
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