

January 2021

QCAM MONTHLY

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Reflation and its risks

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QCAM Insight

Reflation and its risks

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The deployment of Corona vaccines is widely expected to reflate the global economy in 2021. The big risk is that the vaccination campaign disappoints. The other concern is that reflation will boost inflation and central banks will be reluctant to tighten policy. Global reflation is widely seen as USD negative. Thus, vaccination failing to deliver the expected results could be USD positive. The effects of inflation depend on each country's policy response. Central banks like the Fed may be slow to react given the high debt burden. This plus a stubborn current account deficit could put further downside pressure on the USD.

Financial markets are betting that the deployment of Corona vaccines will bring a return to economic "normalcy" in 2021 even though the virus is spreading rapidly at the moment undermining mobility and triggering more lockdowns world-wide. We share the optimism, but it would be foolish not to consider the risks.

One risk is that the vaccines fail in medical terms. This is not impossible but not a serious risk in our view. Bigger is the risk that the deployment is slower than expected and that not enough people are vaccinated by the third quarter before the fall and winter season starts again. The consequences would be catastrophic for health systems and cause economic and financial stress.

In our view, the probability of the vaccination being too slow is 10%-to-15%. That is not huge, but should be enough to temper current market euphoria. A related concern is that huge government handouts

have hidden the true damage caused by the pandemic. The risk is that rising bankruptcies and stubbornly high unemployment will slow the recovery.

Inflation likely to bounce

On the other hand, should 2021 be the year of reflation as markets expect, the risk could be more than desired inflation. Indeed, reflation is likely to lead to a noticeable bounce in headline inflation starting in the second quarter. First, prices in areas that have been hit the most by the pandemic are likely to recover with activity. Second, current prices will be compared with weaker prices at the start of the pandemic, resulting in a positive base-effect and higher headline inflation.

In our view, inflation rates could jump up to one percentage point within a few months and overshoot many central banks' target levels. Most likely, markets and central banks will view this as a temporary adjustment. However, there is a growing concern that this could lead to a more permanent change toward higher inflation.

The new inflation debate

The debate on the outlook for inflation can be divided into two camps. Those who fear that inflation will permanently trend higher point to pent-up demand, large-scale fiscal spending and the monetization of government debt. Some also believe that the days of global labor mobilization are over and that demographics in Europe, the US and parts of Asia will lead to labor shortages and wage and inflation pressures.

Others argue that structural changes have led to a state of permanent stagnation and that the link between monetary growth and inflation is broken. In addition, some see evidence that the pandemic has accelerated the adoption of new technologies such as digitalization and automation, boosting productivity but also reducing labor demand and, thus, keeping inflation in check.

Better be agnostic

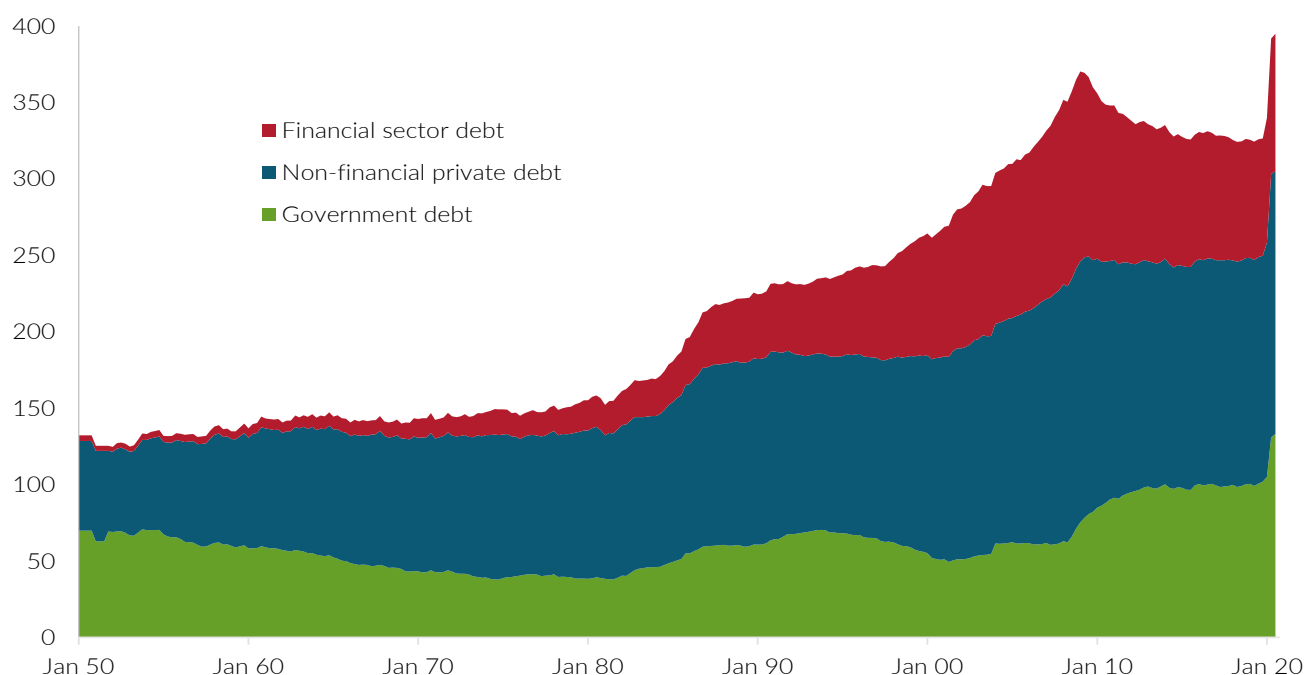
It is not clear to us at this point whether inflation will trend higher or not. We prefer to be agnostic and look for tangible signs of inflation pressure. First, a rapid decline in unemployment and a strong acceleration in wages and unit labor cost would be signs of overheating and lead to rising cost-push as well as demand-pull inflation pressures. Second, we would expect this to lead to rising survey and market-based inflation expectations and an acceleration of sticky prices such as rents. So far, all these inflation indicators are not sounding the alarm bells.

We fear, however, that central banks will not be forceful should inflation indeed rise permanently. Central banks are more focused on financial stability, which is at risk if interest rates rise, given the high levels of public and importantly private debt. When Paul Volker hiked interest rates in the late 1970s to fight inflation, total US debt was just 150% of GDP, today it has reached 400% of GDP (see chart).

What the risks mean for currencies

We share the view that global reflation is USD negative. However, as we pointed out in the last FX Monthly, many other currencies have problems of their own (e.g. the GBP). The USD downside is likely to rise if inflation becomes indeed a permanent problem, fiscal and current account deficits remain large and the Fed fails to respond. On the flip side, the USD should fare better if the reflation trade fails. We think that is less likely, but nevertheless prefer currencies with proven safe-haven features and current account surpluses like the JPY and the CHF as hedges.

US domestic debt % of GDP



Source: St. Louis Fed and QCAM

Economy & Interest Rates

First-quarter growth is depressed by the rise in Corona infections in Europe and the US. However, manufacturing activity is holding up well and the outlook improves in the second quarter with the expected wide-spread deployment of Corona vaccines. The return to “normalcy” is set to unleash pent-up demand. However, significant corporate

balance sheet and labor market distortions remain and most economies – with the notable exception of China – are unlikely to reach the pre-Corona level before the end of the year and some even later. As a result, fiscal deficit and debt projections remain high and monetary policy is expected to stay easy.

	Real GDP growth ¹		Unemployment rate ¹		Inflation rate ¹		Current account ²		Fiscal balance ²		Public debt ²	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Global	-4.0	5.5	n.a.	n.a.	1.5	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-5.5	4.5	n.a.	n.a.	0.7	1.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	4.0	8.0	7.0	1.5	2.0	-2.5	-2.5	-16.0	-9.0	131	134
Canada	-5.5	4.0	9.5	8.0	1.0	2.0	-2.5	-2.5	-16.0	-11.0	115	115
Euro-area	-7.0	4.5	8.0	9.0	0.0	1.0	2.5	3.0	-9.0	-5.0	101	100
Sweden	-3.5	3.5	8.5	9.0	0.5	1.0	2.5	3.5	-6.0	-3.5	42	42
Switzerland	-4.5	3.5	3.0	3.5	-0.5	0.0	8.0	9.0	-4.5	-2.0	49	49
UK	-11.0	6.5	5.0	7.5	1.0	2.0	-3.0	-4.0	-17.0	-8.0	108	112
Japan	-5.0	3.0	3.0	3.0	0.0	0.0	3.0	3.5	-12.5	-9.0	266	264
Australia	-3.0	3.5	6.5	7.0	1.0	2.0	2.0	0.5	-6.0	-10.0	60	70
Emerging	-2.0	7.0	n.a.	n.a.	3.0	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.0	9.0	4.0	4.0	2.5	1.5	2.0	1.0	-12.0	-10.0	62	67
India	-9.0	11.0	n.a.	n.a.	6.0	4.5	0.5	0.0	-14.0	-11.0	89	90
Russia	-3.5	3.0	6.0	5.5	3.5	4.0	1.5	2.0	-5.0	-2.5	19	19
Brazil	-4.5	2.5	13.5	12.5	3.5	3.0	0.0	-0.5	-17.0	-7.0	101	103

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

OECD business and consumer confidence*



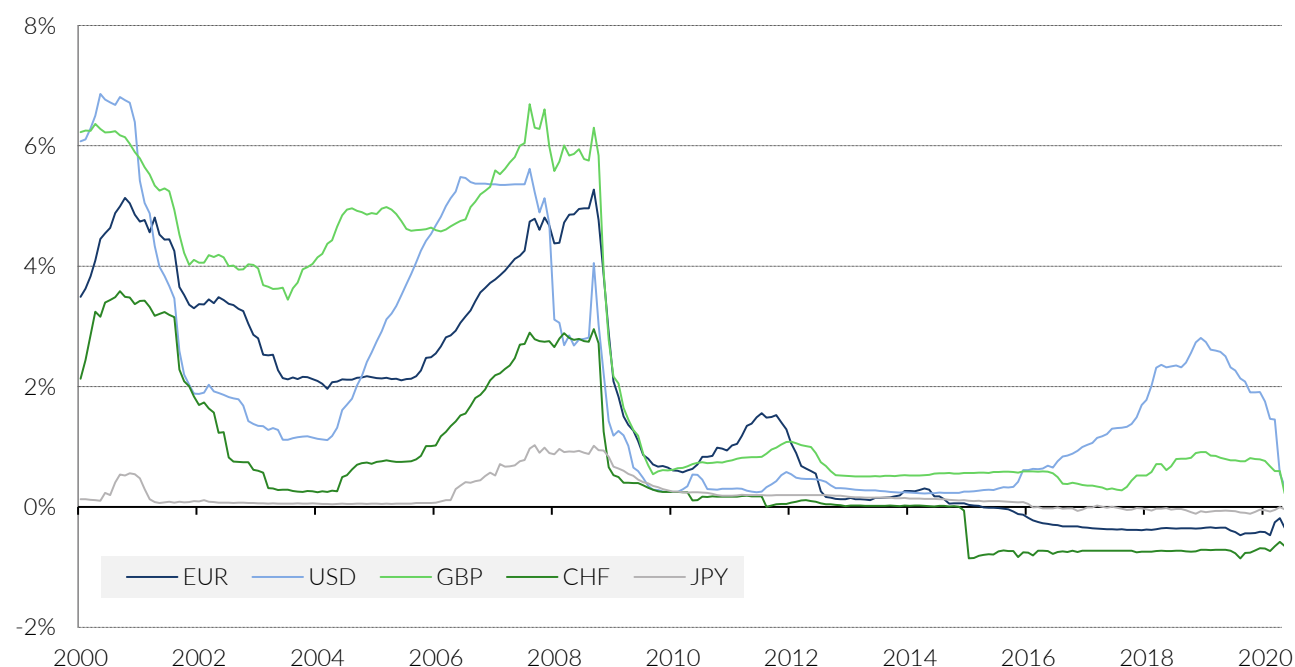
Source: OECD and QCAM, *the last observations are QCAM estimates based on other surveys

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%	0.08%	1.57%	1.44%	1.03%	0.97%	0.76%	1.75%	1.97%
EUR	-0.48%	-0.49%	-0.48%	-0.45%	-0.42%	-0.25%	-0.24%	-0.22%	0.11%	0.35%
JPY	-0.04%	-0.04%	-0.05%	-0.06%	-0.06%	0.05%	0.05%	0.05%	0.10%	0.13%
GBP	0.03%	0.05%	0.05%	0.70%	0.48%	0.43%	0.52%	0.44%	0.96%	1.04%
CHF	-0.74%	-0.74%	-0.74%	-0.73%	-0.75%	-0.35%	-0.33%	-0.40%	-0.28%	-0.09%
AUD	0.04%	0.04%	0.12%	0.64%	0.92%	1.04%	1.02%	0.76%	1.37%	1.83%
CAD	0.19%	0.21%	0.23%	1.73%	1.23%	1.27%	1.31%	1.06%	2.06%	1.97%
SEK	-0.04%	-0.07%	-0.07%	-0.01%	-0.25%	0.38%	0.39%	0.33%	0.63%	0.75%
RUB	4.19%	4.10%	4.16%	6.09%	6.39%	6.43%	6.20%	6.35%	7.06%	7.65%
BRL	1.46%	0.91%	1.49%	3.86%	4.31%	7.32%	7.58%	8.22%	7.08%	8.94%
CNY	2.36%	2.59%	2.36%	2.52%	2.58%	2.85%	3.10%	2.85%	3.17%	3.15%
TRY	17.95%	16.27%	13.14%	11.02%	17.26%	12.73%	12.60%	12.30%	12.04%	14.56%
INR	3.55%	3.43%	3.74%	5.31%	5.39%	5.16%	5.09%	5.09%	5.61%	5.89%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of January 6th, 2021

FX Markets

FX Performance vs. PPP

The USD depreciated further versus all major currencies over the last months on continued positive risk sentiment. Safe-haven currencies like the CHF and the JPY performed well, but the GBP lagged a bit behind since the closure of the EU-UK trade deal. EM currencies also appreciated more and the TRY rallied further after the central bank raised in-

terest rates. The USD remains oversold but short speculative USD position decreased despite the selloff. Forward hedging remains a cheap option given low interest rate spreads. FX volatilities have broadly inched lower. PPP estimates have not changed significantly but the USD's overvaluation against major currencies declined a bit further.

Overview

	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.230	0.61%	1.28%	9.86%	14.36%	1.29	1.15 - 1.43	-5%
USDJPY	103.210	-0.09%	-0.87%	-4.74%	-12.98%	95.41	84.6 - 106.2	8%
GBPUSD	1.361	-0.34%	0.98%	3.38%	-6.95%	1.59	1.41 - 1.76	-14%
EURCHF	1.083	0.12%	0.20%	-0.05%	-0.27%	1.09	1.03 - 1.16	-1%
USDCHF	0.881	-0.49%	-1.07%	-9.02%	-12.79%	0.87	0.77 - 0.97	1%
GBPCHF	1.198	-0.82%	-0.10%	-5.95%	-18.85%	1.25	1.14 - 1.37	-4%
CHFJPY	117.163	0.40%	0.19%	4.70%	-0.23%	92.52	81.7 - 103.4	27%
AUDUSD	0.780	1.33%	4.84%	12.42%	10.49%	0.78	0.69 - 0.88	0%
USDCAD	1.268	-0.72%	-0.93%	-2.23%	-10.05%	1.21	1.12 - 1.29	5%
USDSEK	8.182	-0.43%	-3.05%	-13.03%	-4.94%	7.95	7.03 - 8.87	3%
EURSEK	10.063	0.17%	-1.81%	-4.45%	8.71%	8.68	8.13 - 9.22	16%
USD RUB	73.705	-0.66%	-0.23%	19.27%	-1.11%	52.10	44.0 - 60.2	41%
USDBRL	5.288	1.80%	2.27%	30.33%	31.59%	3.30	2.72 - 3.87	60%
USDCNY	6.445	-0.87%	-1.01%	-7.55%	-3.80%	6.51	6.31 - 6.71	-1%
USDTRY	7.308	-1.65%	-6.46%	22.46%	143.27%	4.80	3.81 - 5.80	52%
USDINR	73.149	0.13%	-0.82%	1.79%	9.41%	69.75	64.7 - 74.9	5%

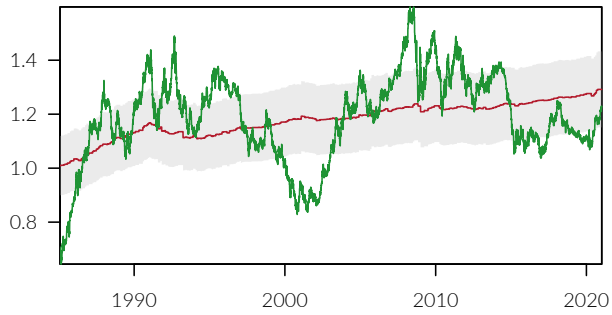
¹ Performance over the respective period of time, in percent

² Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

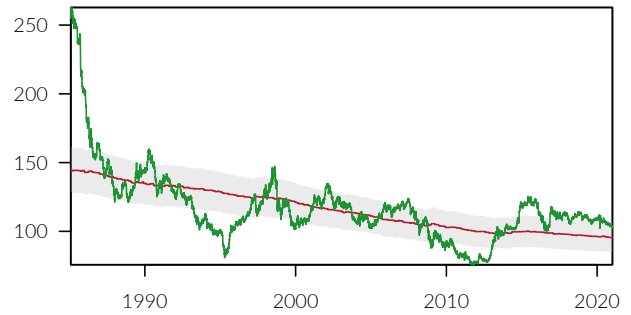
³ Deviation of the current spot rate from PPP, in percent.

Purchasing Power Parity

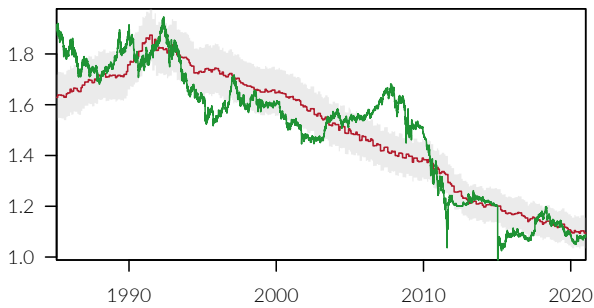
EURUSD



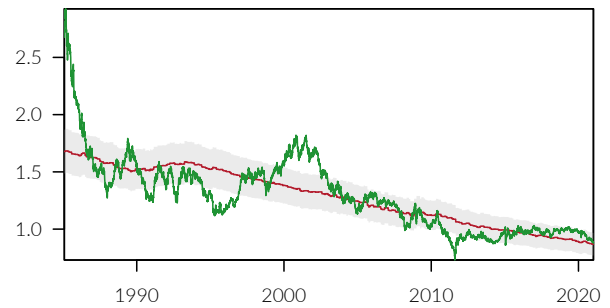
USDJPY



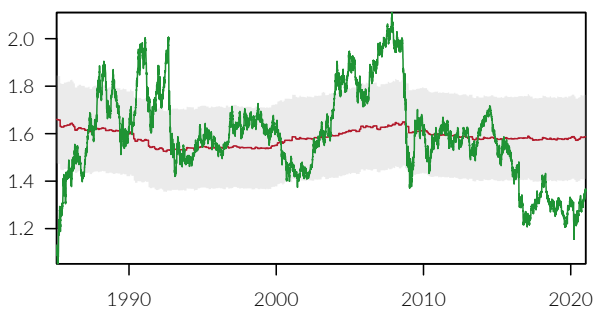
EURCHF



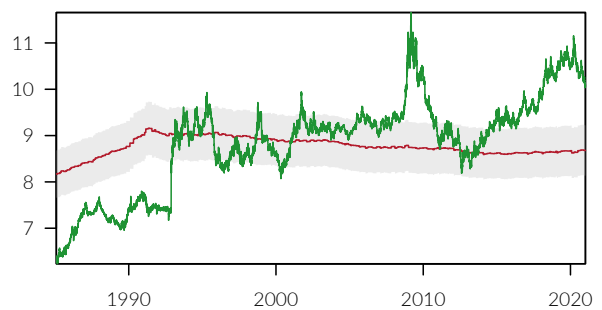
USDCHF



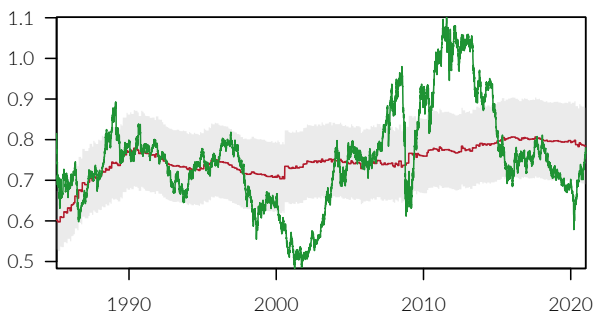
GBPUSD



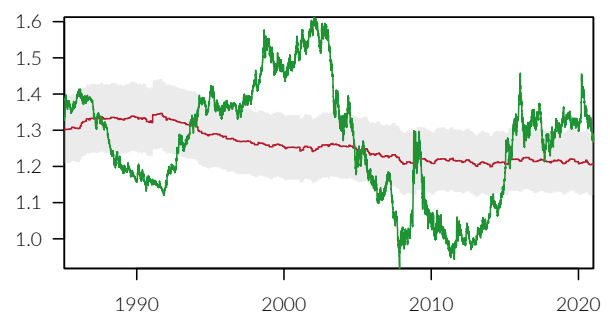
EURSEK



AUDUSD



USDCAD



— PPP — Spot — Neutral Range

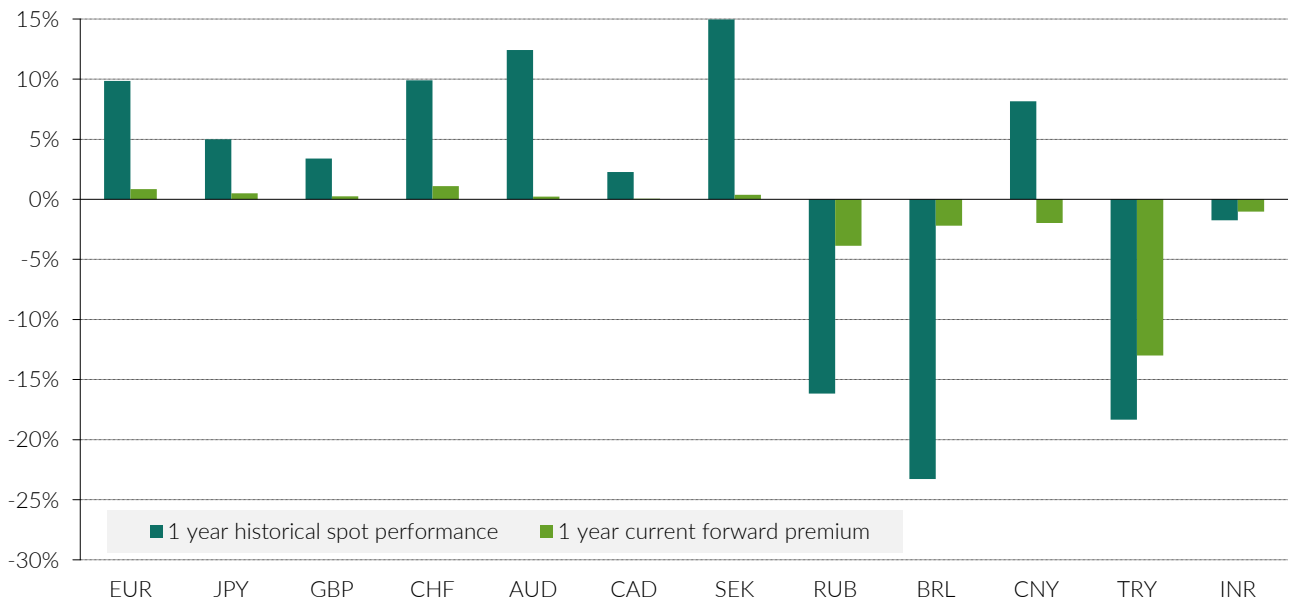
Source: Bloomberg, QCAM Currency Asset Management, as of January 6th, 2021

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.230	1.2307	1.2323	1.2404	0.78%	0.79%	0.84%
USDJPY	103.210	103.1771	103.1060	102.7001	-0.37%	-0.40%	-0.48%
GBPUSD	1.361	1.3608	1.3612	1.3640	0.21%	0.21%	0.25%
EURCHF	1.083	1.0832	1.0827	1.0807	-0.25%	-0.25%	-0.24%
USDCHF	0.881	0.8801	0.8786	0.8713	-1.03%	-1.04%	-1.07%
GBPCHF	1.198	1.1976	1.1959	1.1883	-0.82%	-0.83%	-0.82%
CHFJPY	117.163	117.2297	117.3500	117.8720	0.66%	0.64%	0.59%
AUDUSD	0.780	0.7798	0.7802	0.7814	0.34%	0.30%	0.23%
USDCAD	1.268	1.2675	1.2673	1.2669	-0.12%	-0.10%	-0.05%
USDSEK	8.182	8.1798	8.1751	8.1518	-0.36%	-0.35%	-0.37%
EURSEK	10.063	10.0669	10.0742	10.1114	0.42%	0.43%	0.47%
USD RUB	73.705	73.9417	74.4067	76.6697	3.73%	3.77%	3.97%
USDBRL	5.288	5.2926	5.3034	5.4059	1.09%	1.19%	2.19%
USDCNY	6.445	6.4540	6.4758	6.5753	1.60%	1.91%	1.98%
USDTRY	7.308	7.3959	7.5688	8.3987	13.57%	14.29%	14.72%
USDINR	73.149	73.8826	73.8881	73.9115	11.65%	4.04%	1.02%

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



Source: Bloomberg, QCAM Currency Asset Management, as of January 6th, 2021

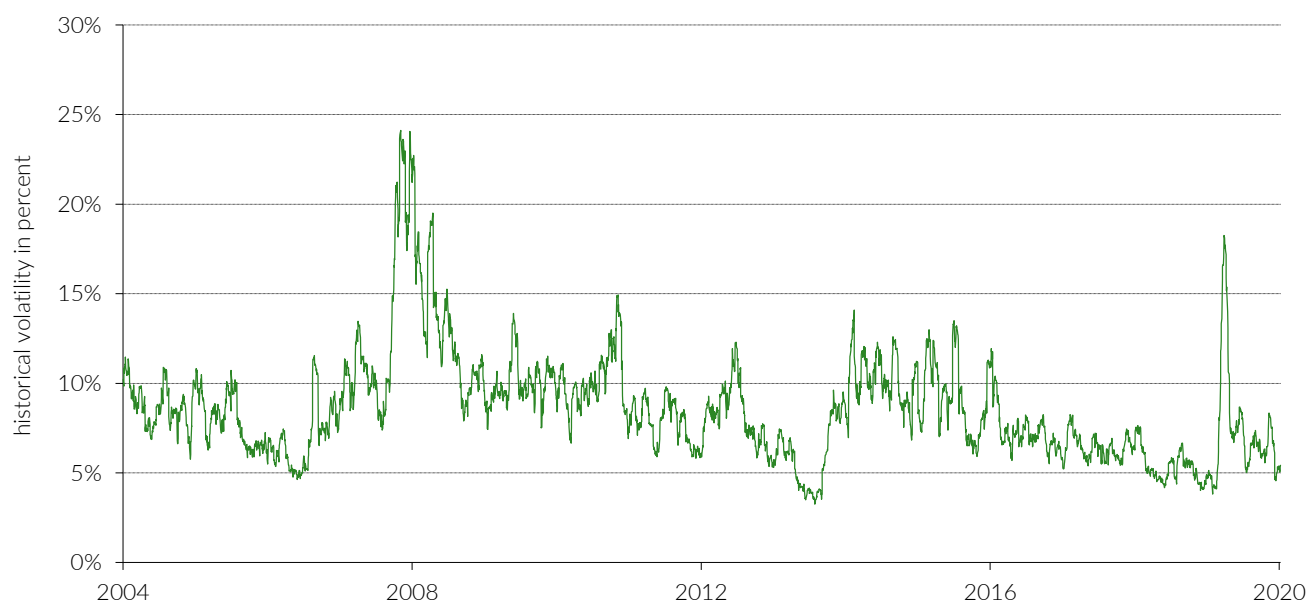
FX Volatility

Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility ¹				Implied Volatility ²			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.230	5.65%	6.15%	4.10%	6.80%	6.39%	6.88%	5.08%	7.42%
USDJPY	103.210	6.57%	6.57%	4.39%	8.04%	6.38%	6.43%	5.55%	8.47%
GBPUSD	1.361	9.20%	9.16%	9.70%	9.33%	8.18%	9.75%	7.33%	9.68%
EURCHF	1.083	3.14%	2.92%	3.20%	4.26%	4.40%	4.45%	4.22%	5.47%
USDCHE	0.881	6.09%	6.60%	5.07%	6.75%	6.38%	6.80%	5.38%	7.19%
GBPCHF	1.198	9.34%	8.47%	9.66%	8.86%	7.53%	9.20%	7.23%	9.19%
CHFJPY	117.163	5.08%	5.87%	4.49%	7.04%	6.08%	6.45%	4.93%	7.85%
AUDUSD	0.780	8.79%	9.31%	5.67%	8.98%	9.65%	9.43%	6.78%	9.32%
USDCAD	1.268	6.25%	6.25%	4.35%	7.04%	6.75%	7.03%	4.63%	7.27%
USDSEK	8.182	8.72%	9.12%	6.05%	8.59%	9.55%	9.25%	7.68%	9.06%
EURSEK	10.063	6.14%	6.03%	4.67%	5.65%	6.38%	5.88%	5.45%	6.32%
USDRUB	73.705	12.90%	12.97%	5.66%	13.48%	15.09%	14.33%	8.19%	13.73%
USDBRL	5.288	15.43%	14.87%	9.95%	14.79%	19.50%	18.55%	10.90%	15.59%
USDCNY	6.445	4.61%	5.16%	3.97%	4.48%	6.10%	6.08%	4.55%	5.49%
USDTRY	7.308	19.40%	19.52%	8.15%	14.80%	17.16%	18.38%	12.73%	16.03%
USDINR	73.149	3.95%	4.28%	4.48%	5.51%	5.95%	6.58%	5.50%	6.44%

¹ Realised 3-month volatility (annualised) ² Market implied 3-month volatility (annualised)

QCAM Volatility Indicator³



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, QCAM Currency Asset Management, as of January 6th, 2021

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**
- **Business 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

All strategies are either long or short except for two. The balance of our strategies remains negative versus the USD led by the EUR. However, the balance of GBPUSD strategies has turned neutral GBP. On the other hand, the SEK stands out to gain more versus the EUR. Technical signals have become more pronounced as exchange rates moved out of the range trading pattern of the prior two months.

Overview¹

	Macro	Business Sentiment	Technical	Comment
EURUSD	+	+	+	All three strategy components remained long EUR at the start of 2021
USDJPY	-	+	-	The long JPY position is based on Macro and Technical, while business sentiment still favors USD
EURCHF	0	+	+	Business Sentiment and Technical have both turned short the CHF, but we retain the long CHF Macro position versus the USD
USDCHF	-	+	+	
GBPUSD	-	0	+	Business Sentiment has turned short GBP joining Macro with only Technical still long GBP
EURSEK	-	-	+	Technical has shifted to long EUR but Macro and Business Sentiment remain long SEK
USDCAD	+	-	-	The Macro oil price model has turned long USD but Business Sentiment and Technical remain long CAD

¹ The signs relate to the first currency of the exchange rate pair

Source: QCAM Currency Asset Management

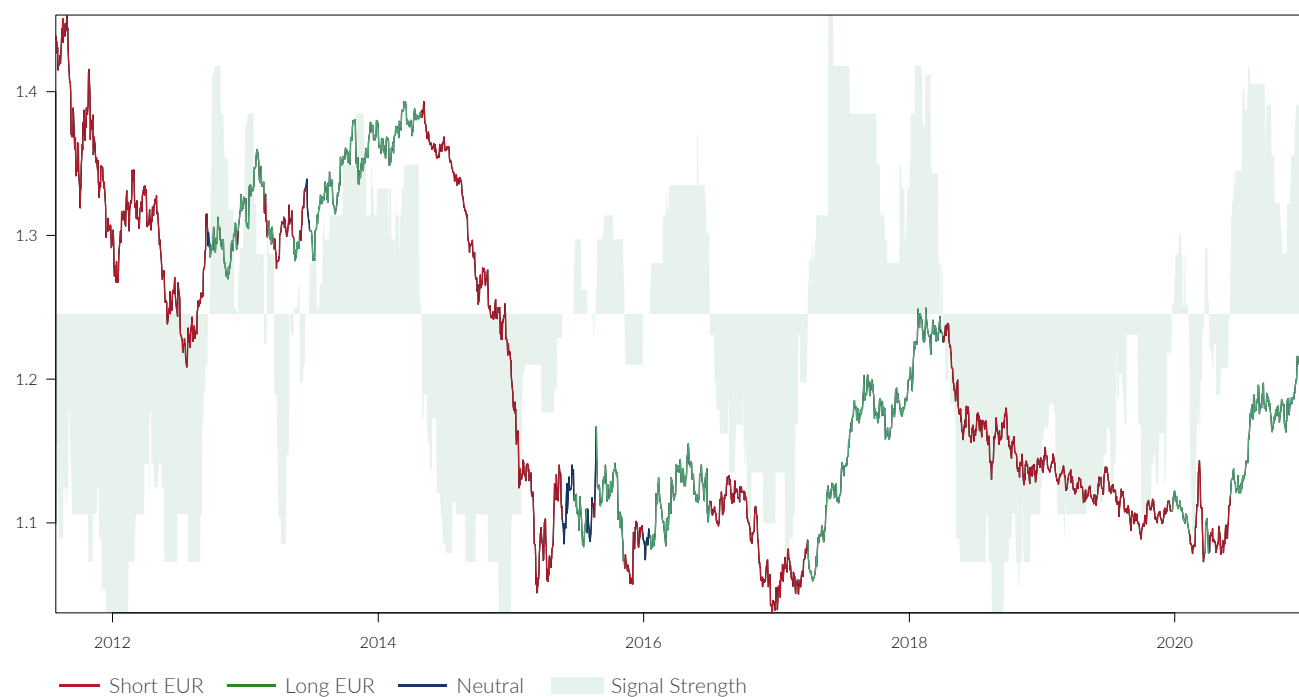
EURUSD

We retain our long EUR Macro position given less favorable USD fundamentals (twin deficits, no growth outperformance and too low interest rates). Business Sentiment and Technicals support the long

EUR position as well. The risk environment is clearly more balanced in 2021, but internal EUR problems are not gone, notably the fiscal and debt imbalances.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The US deficit surged in recent months while the Euro-area surplus consolidated
	Fiscal Balances	+	US deficit is temporarily narrowing versus Euro-area deficit but should overall remain larger
	Interest Rate Differentials	0	USD-EUR rate differential to remain small
	Oil prices	0/+	Oil prices seen in range to slightly higher
Sentiment	Business Sentiment	+	Euro-area surveys have rebounded more strongly from initially weaker levels, but momentum is fading
	Risk Sentiment	+/-	Risks appear more balanced with the US election and UK/EU-trade talks over and the vaccine news
Technical	Price Action	+	Price developments remain EUR friendly
	Spec Positions	-	Large EUR overbought positions have declined somewhat but still pose some correction risks
	PPP Valuation	+	EUR undervaluation declined to $1/2 \sigma$

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 Business Sentiment will follow as well on the back

of improving economic surveys. The JPY has not suffered in recent weeks despite the rise in risk sentiment yet offers a strong safe haven, should risk sentiment deteriorate.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Surplus lower on declining trade but already recovering
	FDI Flows	+	Net outflows were lower in 2020 and are unlikely to rebound quickly to offset the current account surplus
	Interest Rate Differentials	0	Interest rate differentials remain too low for a sizeable return of the carry trade
Sentiment	Business Sentiment	-	Surveys are improving but lagging behind
	Risk Sentiment	-	Strong risk sentiment is a headwind but not derailing the JPY
Technical	Price Action	+	Price action remains long JPY
	Spec Positions	0	Modest 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 made small gains versus the EUR despite still positive risk sentiment. The SNB was not buying EUR in December and is not expected to intervene before

EURCHF breaks through 1.07. Overall, we continue to see the CHF trading in a range of 1.07 to 1.09 versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	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	0	The SNB was not active in December and should stay on the sidelines unless EURCHF approaches 1.07
Sentiment	Business Sentiment	0	Swiss economy trails somewhat in the surveys
	Risk Sentiment	0	The CHF even gained a bit versus the EUR despite risk-on sentiment, but the outlook is more balanced
Technical	Price Action	-	Technicals have shifted back to short CHF
	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

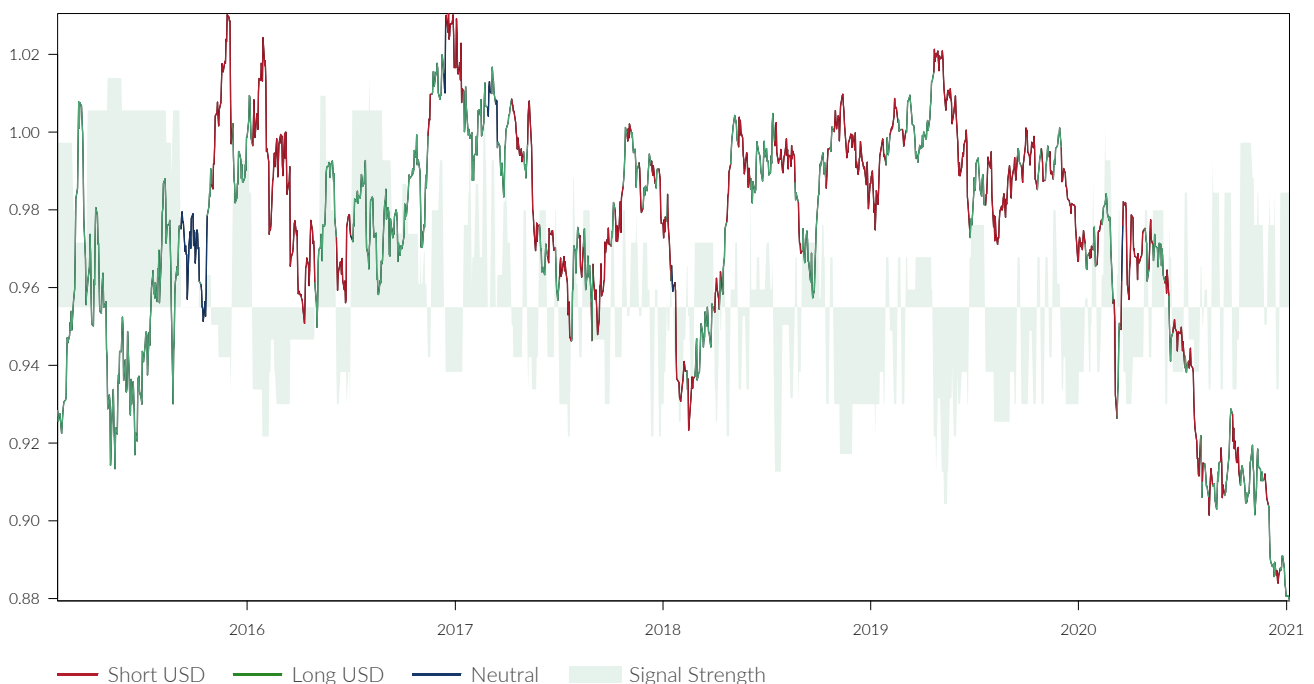
USDCHF

Macro fundamentals, especially the current account surplus are CHF favorable. We see USDCHF still linked to EURUSD and retain the long CHF Macro position in parallel to EURUSD. The CHF is near its

PPP fair-value level and not significantly overbought, which gives it still some upside potential versus the USD. The CHF should benefit once the current vaccine euphoria eases.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0	Inflows have eased on reduced Euro concerns
	Interest Rate Differentials	0	Substantially reduced differential detracts bond market outflows and increases USD hedging
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
Sentiment	Business Sentiment	-	Swiss economy trails somewhat in the surveys
	Risk Sentiment	-	Risk-on rally is negative for the CHF, but impact was small while risk conditions look more balanced going forward
Technical	Price Action	-	Technicals have shifted back to short CHF
	Spec Positions	0	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

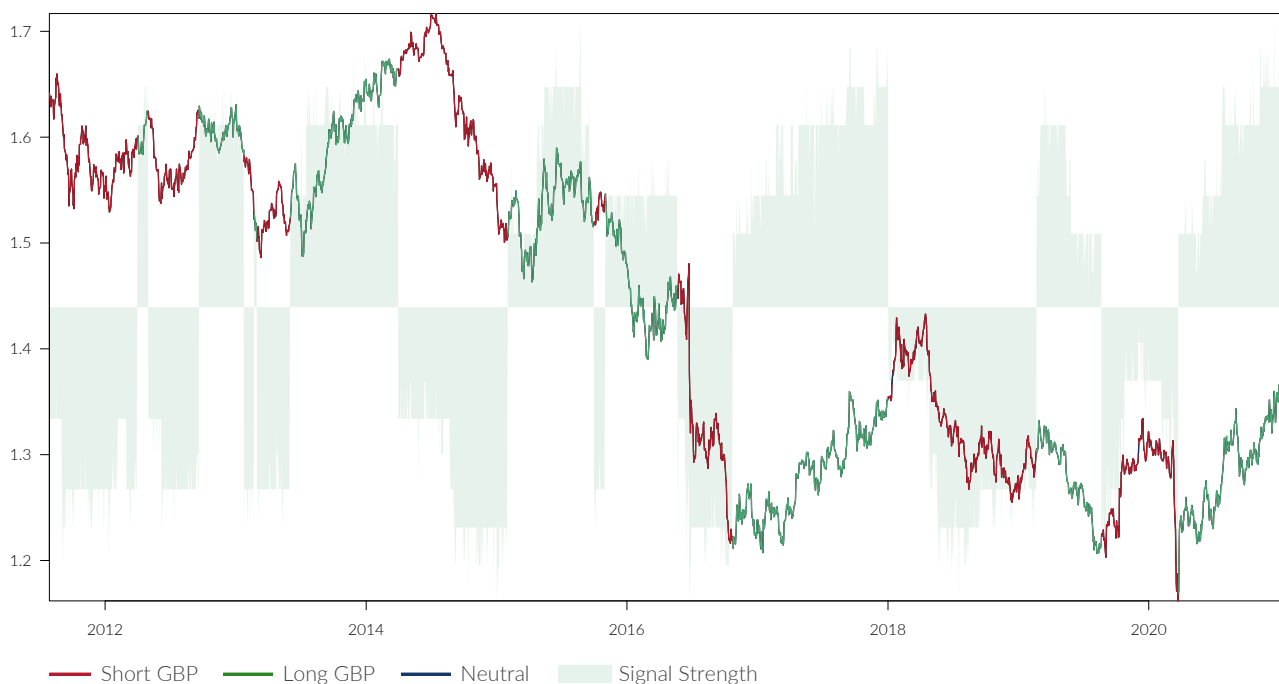
GBPUSD

A persistent current account deficit, the possibility that policy rates move negative, a surging fiscal deficit and the risk that the economic impact of BREXIT is more negative leave the GBP vulnerable. The handling of the Corona pandemic is another risk factor for the GBP. On the other hand, the GBP

has responded extremely well to improvements in general risk sentiment. We retain our short Macro position on the weak fundamentals. In addition, Business Sentiment is no longer positive with only Technicals still in favor of the GBP.

	FX Factors	GBP Impact	Comment
Macro	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 likely to fall lower versus US
	Oil Price	0	Neutral range with some upside potential
Sentiment	Business Sentiment	0	UK surveys have bounced strongly but momentum has faded versus the US and may fall further behind
	Risk Sentiment	0/+	GBP benefitted from vaccine euphoria, but that should fade
Technical	Price Action	+	Technicals remain long GBP on upmove
	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, but less so than a month ago. Sweden is impacted by the new Corona wave as well, but not as badly as other parts of Europe. Whether Sweden's Corona strategy is ultimately

better is not clear, but the refusal of the Riksbank to return to negative interest rates is a clear plus for the SEK. Macro and Business Sentiment remain SEK positive but Technical has turned negative.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	+	The Macro interest model has shifted to long SEK and we view a move to negative interest rates as unlikely
Sentiment	Business Sentiment	+	Surveys have switched in support of the SEK
	Risk Sentiment	0	Risk perceptions concerning Sweden's different Corona strategy have faded
Technical	Price Action	+	Technicals have shifted to short SEK
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

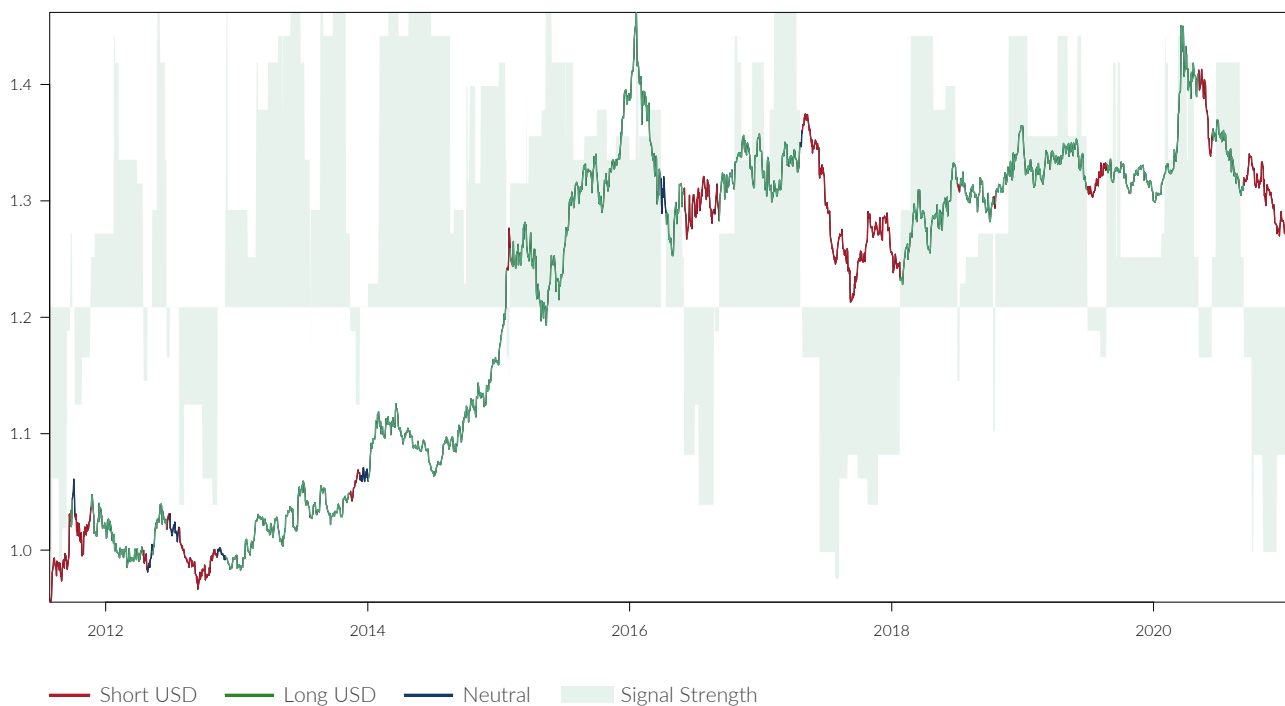
USDCAD

The Macro oil-price model has shifted short CAD as actual prices moved above prices predicted by market experts. Macro fundamentals are otherwise around neutral. Business Sentiment is long CAD on the back

of better Canadian surveys. Short and long-term Technicals remain both long CAD. Overall, the balance of factors remains long CAD, but less so than a month ago.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	0	Canada's current account deficit moves similar to the US current account deficit
	Oil Prices	0	Oil price seen in a range with a potential to move higher
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	+	The decline of the USD DXY has been positive for the CAD
Sentiment	Business Sentiment	+	Canada has started to outperform the US
	Risk Sentiment	+/-	Risk issues are more balanced following the US election outcome and positive vaccine news
Technical	Price Action	+	Short and long term technicals are both long CAD
	Spec Positions	0	Neutral range
	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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FX Alpha

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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, FX Alpha and 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

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- 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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