QCAM Currency Asset Management

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QCAM MONTHLY

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QCAM Insight

A "tantrum" for Emerging Markets?

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News over the last month were on balance growth friendly and lifted risky assets but inflation concerns also raised bond yields. The response in currency markets was mixed. Emerging markets currencies fell on balance more than 2% since the middle of February. We think a "tantrum" experience as in May 2013 is unlikely in the near-term. However, some emerging market economies are vulnerable due to external and fiscal imbalances and low interest rates.

The news over the last month was on balance growth friendly. Hard economic data as well as surveys were better than expected and confirmed that the global recovery remains on track. Corona infection rates have declined, new Corona vaccines have been approved and vaccination progress improved, although unevenly. The US has come close to passing a new stimulus package worth $1.9 trillion and the election of Mario Draghi as Italian PM has defused a potentially major political crisis in Europe.

However, all the good news has also raised inflation concerns. This has not killed the recovery optimism but tempered it with higher bond yields. Overall, the market environment has remained positive for equities and commodities, although some gains have been lost since the second half of February amid rising US bond yields.

In currency markets, the USD has been broadly unchanged versus the basket of major currencies but with some notable divergences: the EUR stayed in a range; GBP, AUD and CAD rallied with commodity prices and improved equity sentiment; safe-haven currencies like the CHF and JPY were the main losers. The tempering of the growth optimism with higher US bond yields had a more disruptive impact on emerging market currencies. EM currencies rallied in the first half of February and lost all the gains and more since then when the rise in US bond yields picked up pace (see chart).

A "tantrum" déjà-vu?

The rise in inflation concerns and US bond yields has spooked emerging markets and brought back memories of the "taper tantrum" in 2013 as well as the run-up to the Fed rate hike in 2015 and fears of more Fed rate hikes in 2018. In our judgment such concerns are probably overdone.

- First, inflation is likely to rise broadly this year, but it is unclear whether this will become a shift towards permanently higher inflation or turn out to be just a temporary adjustment in the recovery. The Fed, on the other hand, has made clear that the recovery needs more monetary support and that it is willing to tolerate some temporary inflation overshoot.
- Second, while US bond yields have risen visibly in recent months, the absolute level is still low by historical standards and not an imminent threat for emerging markets. Ten-year US Treasury yields currently stand around 1.4% compared to peaks of nearly 3% in 2013, 2.5% in 2015 and more than 3% in late 2018.
- Third, the global recovery is only getting started and has some time to run until it matures and becomes naturally vulnerable. This is generally positive for commodities and emerging markets. In

contrast, the global business cycle was already more advanced in 2013, 2015 and 2018.

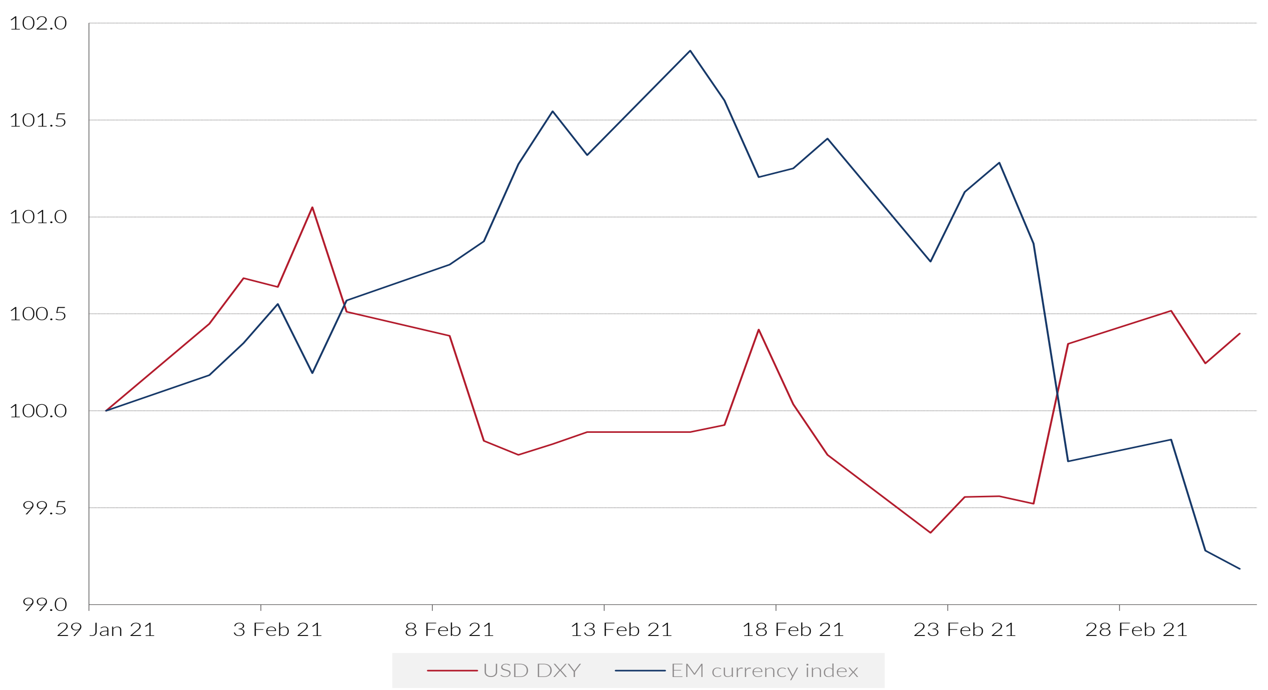
- Fourth, previous periods of emerging markets uncertainty amid rising US interest rate concerns were also periods when the outlook for China was less optimistic. Currently, China is one of the main sources of global growth.

No reason to be complacent

However, while we think US interest rates are not the most likely risk for emerging markets as group, we are concerned that many EM economies are vulnerable and that even less dramatic deteriorations in financial conditions could already cause significant damage. To assess vulnerability, we look at a broad range of fundamental, socio-economic and market indicators ranging from growth and inflation to external and fiscal accounts, monetary policy variables, political stability, competitiveness and market contagion indicators.

- On that basis, we find that Latin America as group is most vulnerable, led by the deficit countries Argentina and Brazil. Both also suffer from poor competitiveness and in the case of Argentina still persistent high inflation. Not surprisingly, the ARS and the BRL have been among the worst performers so far this year.
- On the other side of the spectrum are economies in emerging Asia, which feature strong external balances and more solid fiscal accounts and have been least affected by the Corona pandemic. The main exception is India, which has weak external and fiscal balances, a lingering inflation problem, too easy monetary policy and poor socio-economic standards.
- Of concern are finally Turkey and South Africa. The TRY had a good run since the heads of the central bank and the ministry of finance were changed last November. However, inflation in Turkey is still high, the current account remains in deep red and the external debt position is vulnerable. The ZAR has also done better so far in 2021 but the economy lags behind in the recovery and external accounts as well as fiscal balances are weak.

USD DXY and EM currency index (Jan-29-2021=100)



Source: Bloomberg, JPMorgan and QCAM

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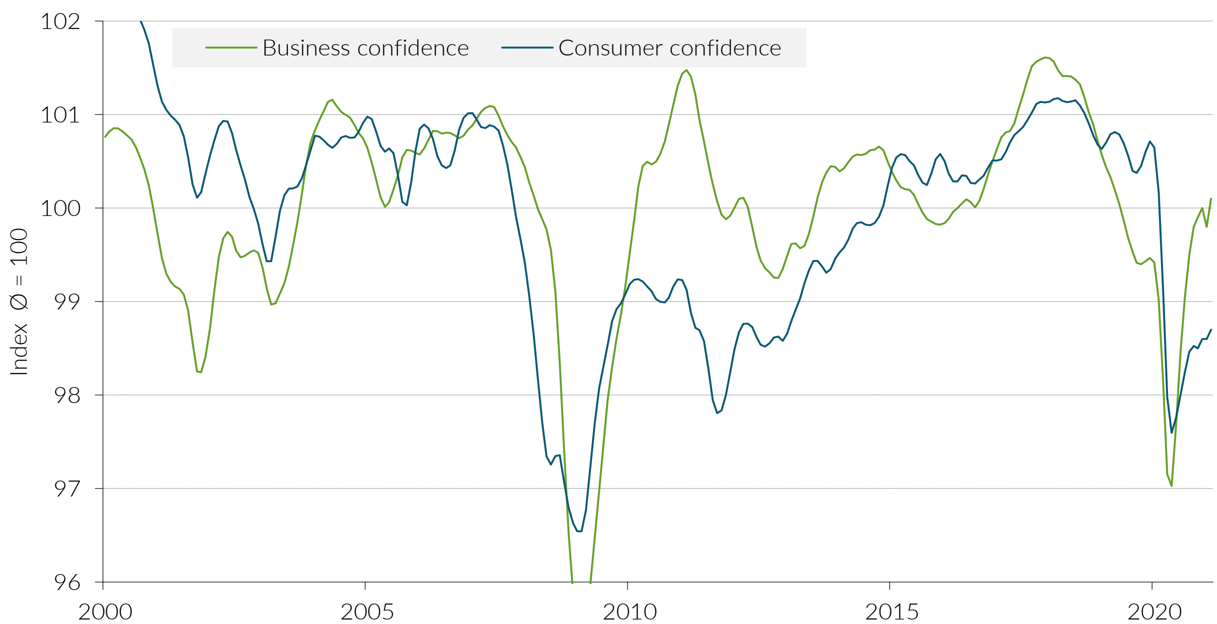
Economy & Interest Rates

So far, first-quarter growth is holding up well despite the spike in Corona infections around the turn of the year. The deployment of Corona vaccines varies from country to country but is in general gathering speed, which together with more fiscal stimulus improves the economic outlook. The return to "normalcy" is set to unleash pent-up demand. However, significant corporate balance sheet and labor market distortions remain and most economies 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	6.0	n.a.	n.a.	1.6	2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-5.0	5.5	n.a.	n.a.	0.8	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	6.0	8.1	5.5	1.3	2.5	-2.5	-2.5	-16.0	-9.0	131	134
Canada	-5.4	5.0	9.5	7.0	0.7	2.0	-2.5	-2.5	-16.0	-11.0	115	115
Euro-area	-6.8	5.5	8.0	8.5	0.3	2.0	2.5	3.0	-9.0	-5.0	101	100
Sweden	-2.8	4.0	8.3	8.5	0.5	2.0	2.5	3.5	-6.0	-3.5	42	42
Switzerland	-2.9	3.5	3.2	3.5	-0.8	0.0	8.0	9.0	-4.5	-2.0	49	49
UK	-9.9	6.0	4.5	6.0	0.9	2.0	-3.0	-4.0	-17.0	-8.0	108	112
Japan	-4.8	4.0	2.8	3.0	0.0	0.0	3.0	3.5	-12.5	-9.0	266	264
Australia	-2.9	3.5	6.5	6.5	0.7	2.0	2.0	0.5	-6.0	-10.0	60	70
Emerging	-1.5	7.5	n.a.	n.a.	2.9	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.3	9.5	4.1	4.0	2.5	1.0	2.0	1.0	-12.0	-10.0	62	67
India	-7.5	11.5	n.a.	n.a.	6.2	4.5	0.5	0.0	-14.0	-11.0	89	90
Russia	-3.1	3.0	5.8	5.5	3.4	4.5	1.5	2.0	-5.0	-2.5	19	19
Brazil	-4.5	3.0	13.1	13.0	3.2	6.0	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

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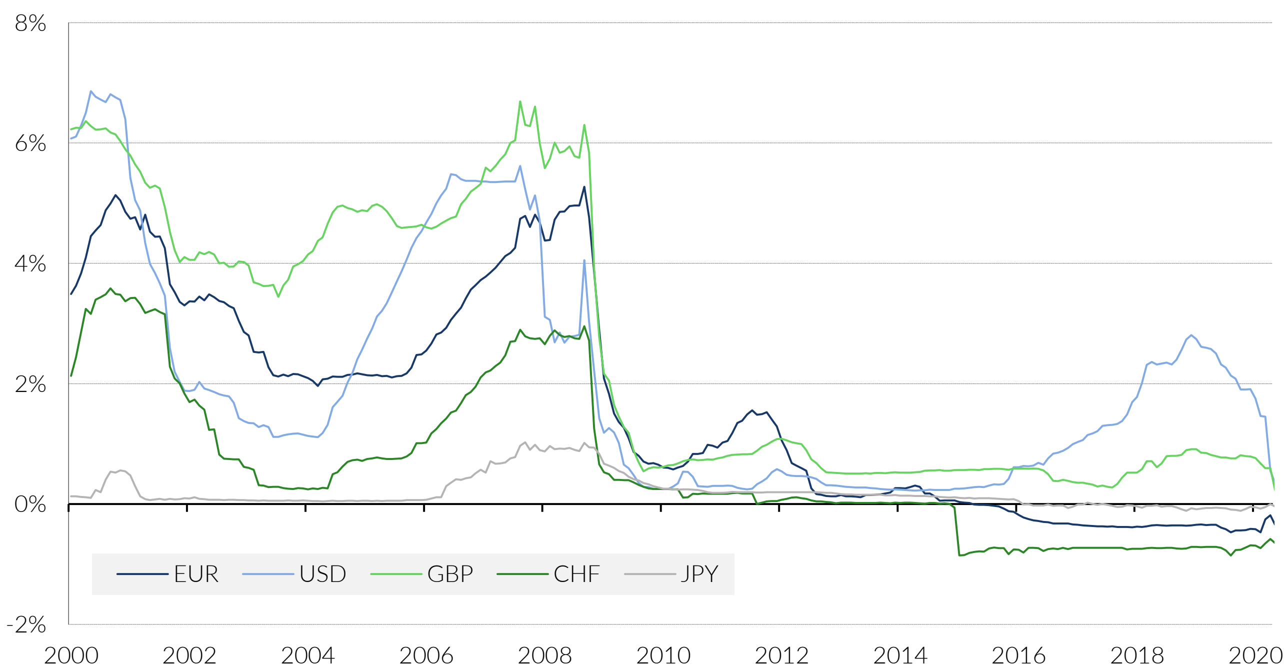
Interest Rates

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%	0.07%	0.08%	0.79%	1.37%	1.55%	1.20%	0.90%	0.98%	1.89%
EUR	-0.48%	-0.49%	-0.49%	-0.54%	-0.42%	0.02%	-0.14%	-0.24%	-0.21%	0.29%
JPY	-0.02%	-0.04%	-0.04%	-0.10%	-0.06%	0.15%	0.08%	0.05%	-0.04%	0.12%
GBP	0.05%	0.04%	0.05%	0.42%	0.46%	0.98%	0.58%	0.50%	0.59%	1.00%
CHF	-0.73%	-0.75%	-0.74%	-0.86%	-0.75%	-0.05%	-0.26%	-0.35%	-0.61%	-0.11%
AUD	0.04%	0.03%	0.04%	0.33%	0.84%	1.80%	1.21%	0.97%	0.89%	1.74%
CAD	0.21%	0.20%	0.21%	1.23%	1.17%	1.88%	1.43%	1.25%	1.36%	1.91%
SEK	-0.03%	-0.04%	-0.07%	0.02%	-0.22%	0.79%	0.48%	0.38%	0.29%	0.71%
RUB	4.25%	4.22%	4.10%	5.87%	6.26%	7.02%	6.42%	6.20%	6.94%	7.61%
BRL	2.12%	1.39%	0.93%	3.50%	4.06%	8.93%	7.51%	7.57%	6.87%	8.81%
CNY	2.45%	2.55%	2.63%	2.21%	2.53%	3.11%	3.02%	3.07%	2.66%	3.09%
TRY	17.95%	17.95%	16.27%	10.26%	17.46%	14.50%	13.47%	12.28%	14.03%	14.62%
INR	3.60%	3.57%	3.50%	5.11%	5.25%	6.08%	5.52%	5.13%	4.92%	5.82%

3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of March 3rd, 2021

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FX Markets

FX Performance vs. PPP

Currency movements have been mixed over the last month. The USD was on balance unchanged versus major currencies but with significant dispersions. GBP, AUD and CAD were stronger, CHF and JPY were weaker and the EUR roughly flat. EM currencies rallied in the first half of February, but lost all gains and more subsequently. Only the RUB gained on the back of higher oil prices. Speculative future positions are still heavily short USD. Forward hedging remains a cheap option given low interest rate spreads. Actual and implied volatilities rose somewhat due to the increased dispersion. PPP estimates have not changed significantly and the USD's overvaluation against major currencies remained broadly unchanged.

Overview

	Current Exchange Rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.207	-1.27%	0.36%	8.16%	10.27%	1.29	1.15 - 1.43	-6%
USDJPY	106.960	3.54%	1.86%	-0.35%	-5.77%	94.92	84.2 - 105.6	13%
GBPUSD	1.397	2.34%	2.29%	9.05%	-1.22%	1.59	1.41 - 1.76	-12%
EURCHF	1.109	2.45%	2.50%	3.70%	2.16%	1.09	1.03 - 1.15	2%
USDCHF	0.919	3.76%	2.13%	-4.12%	-7.35%	0.86	0.76 - 0.96	7%
GBPCHF	1.283	6.20%	4.48%	4.56%	-8.49%	1.25	1.14 - 1.36	3%
CHFJPY	116.449	-0.21%	-0.27%	3.93%	1.71%	92.79	81.9 - 103.7	25%
AUDUSD	0.780	1.38%	2.31%	18.02%	5.95%	0.79	0.69 - 0.88	-1%
USDCAD	1.262	-1.13%	-1.16%	-5.58%	-5.81%	1.20	1.12 - 1.29	5%
USDSEK	8.412	2.36%	0.05%	-10.93%	-1.51%	7.94	7.02 - 8.86	6%
EURSEK	10.153	1.06%	0.42%	-3.66%	8.63%	8.70	8.16 - 9.25	17%
USDRUB	74.003	-0.25%	-2.47%	12.46%	0.99%	52.77	44.5 - 61.0	40%
USDBRL	5.763	10.95%	7.41%	28.52%	51.40%	3.37	2.78 - 3.96	71%
USDCNY	6.474	-0.42%	0.24%	-6.79%	-0.78%	6.54	6.34 - 6.74	-1%
USDTRY	7.442	0.15%	4.08%	22.34%	155.61%	4.89	3.88 - 5.91	52%
USDINR	72.965	-0.12%	0.18%	-0.08%	8.60%	69.45	64.4 - 74.5	5%

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

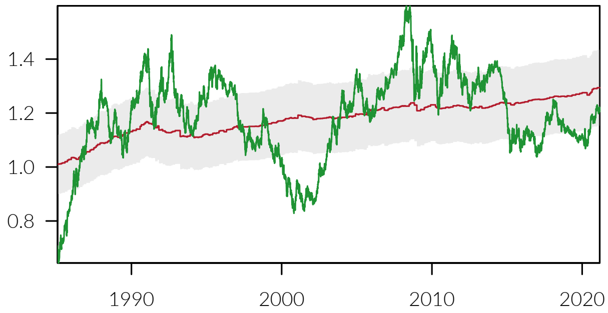
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

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

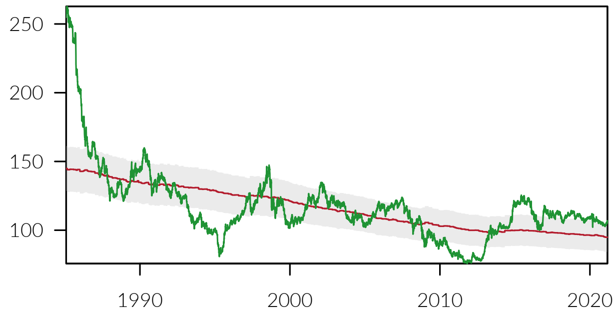
Source: Bloomberg, QCAM Currency Asset Management, as of March 3rd, 2021

Purchasing Power Parity

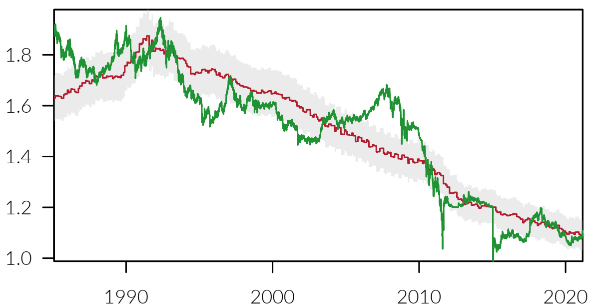
EURUSD



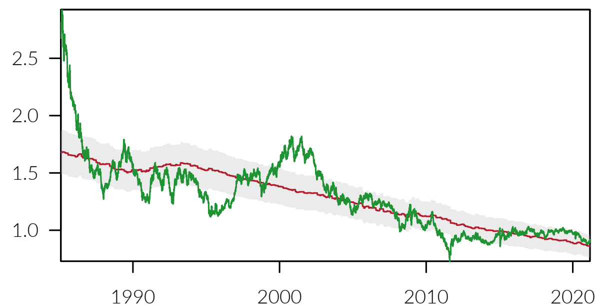
USDJPY



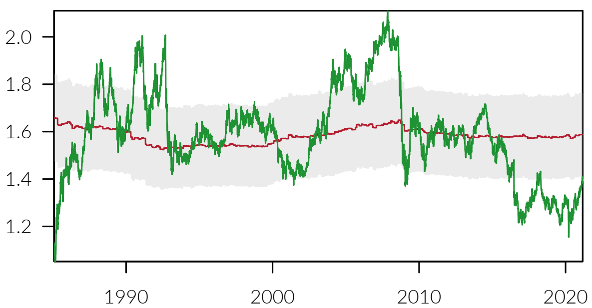
EURCHF



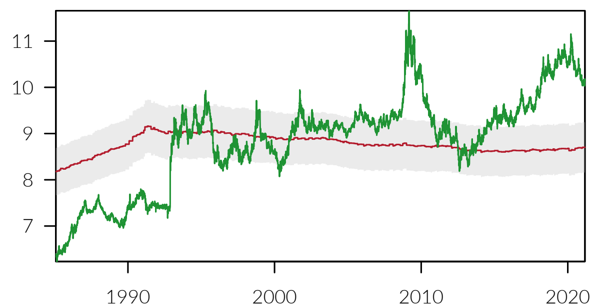
USDCHF



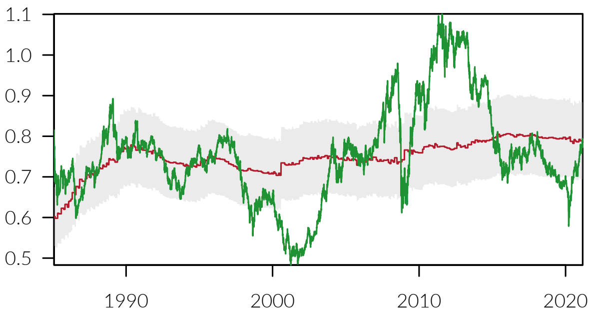
GBPUSD



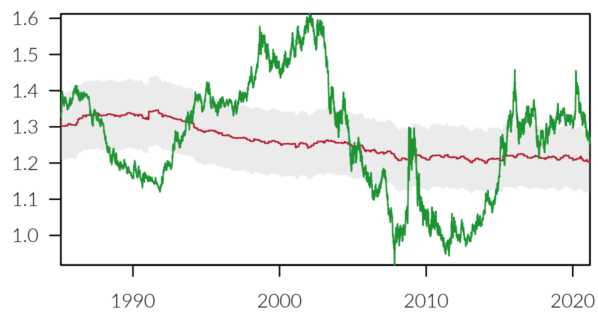
EURSEK



AUDUSD



USDCAD



PPP Spot Neutral Range

Source: Bloomberg, QCAM Currency Asset Management, as of March 3rd, 2021

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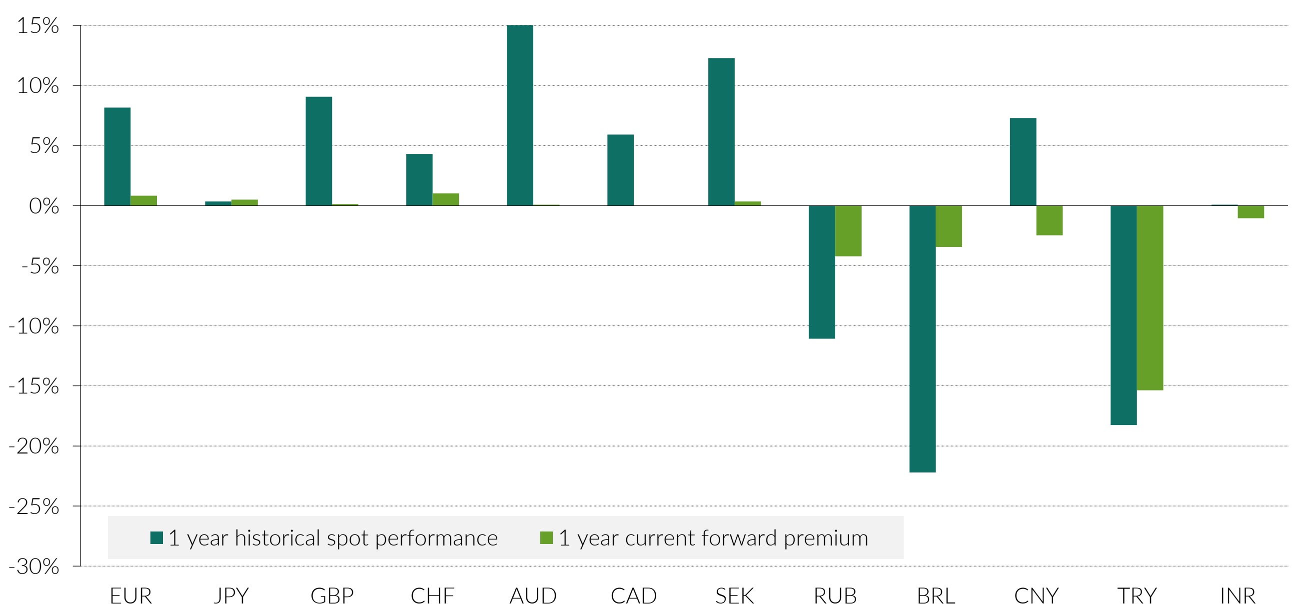
FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.207	1.2079	1.2095	1.2170	0.81%	0.78%	0.81%
USDJPY	106.960	106.9237	106.8559	106.4353	-0.39%	-0.37%	-0.48%
GBPUSD	1.397	1.3973	1.3975	1.3989	0.17%	0.12%	0.12%
EURCHF	1.109	1.1084	1.1080	1.1064	-0.20%	-0.20%	-0.19%
USDCHF	0.919	0.9177	0.9162	0.9091	-1.01%	-0.97%	-1.00%
GBPCHF	1.283	1.2822	1.2803	1.2717	-0.84%	-0.86%	-0.88%
CHFJPY	116.449	116.5130	116.6313	117.0714	0.62%	0.60%	0.52%
AUDUSD	0.780	0.7801	0.7803	0.7805	0.18%	0.14%	0.07%
USDCAD	1.262	1.2623	1.2623	1.2628	-0.06%	-0.02%	0.03%
USDSEK	8.412	8.4088	8.4040	8.3820	-0.39%	-0.35%	-0.35%
EURSEK	10.153	10.1570	10.1646	10.2013	0.42%	0.43%	0.46%
USDRUB	74.003	74.2639	74.7533	77.2579	3.97%	3.97%	4.34%
USDBRL	5.763	5.7710	5.7906	5.9680	1.67%	1.86%	3.49%
USDCNY	6.474	6.4880	6.5156	6.6378	2.29%	2.44%	2.48%
USDTRY	7.442	7.5515	7.7635	8.7918	16.63%	16.93%	17.90%
USDINR	72.965	73.6985	73.7042	73.7293	11.68%	3.88%	1.03%

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



Source: Bloomberg, QCAM Currency Asset Management, as of March 3rd, 2021

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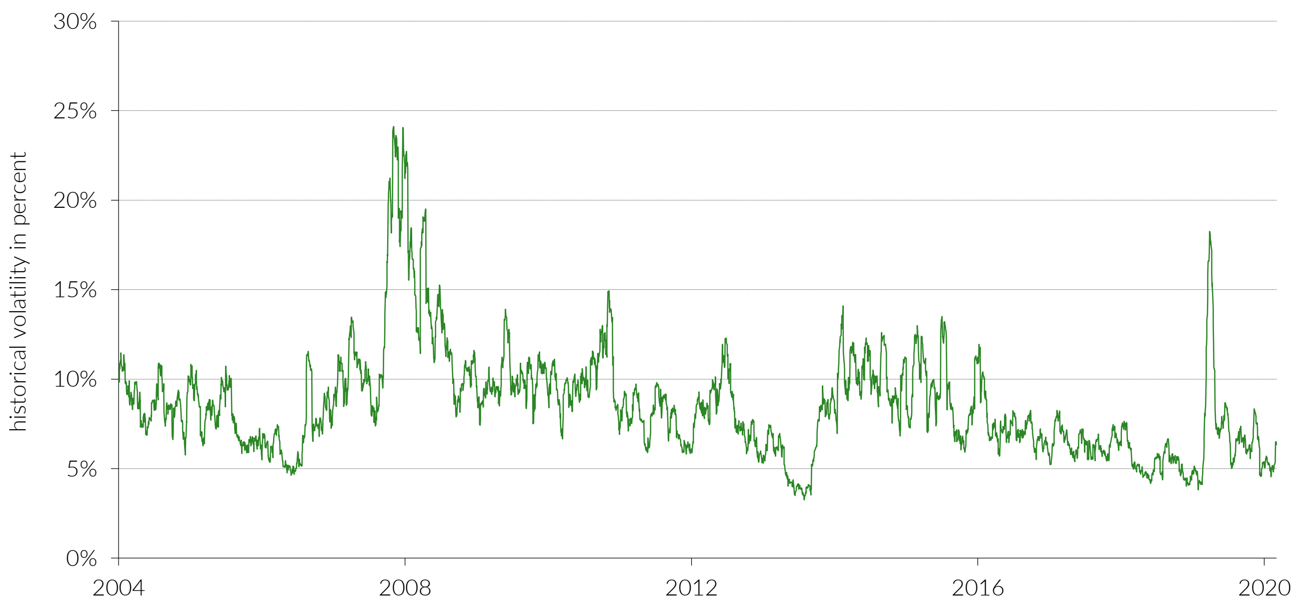
FX Volatility

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	1.207	5.49%	5.15%	5.49%	6.65%	6.03%	6.03%	5.87%	7.28%
USDJPY	106.960	4.34%	6.33%	6.73%	7.94%	6.15%	5.68%	7.80%	8.32%
GBPUSD	1.397	7.53%	7.94%	8.60%	9.34%	8.13%	7.90%	6.75%	9.62%
EURCHF	1.109	3.50%	3.17%	2.71%	4.20%	5.00%	3.75%	4.55%	5.37%
USDCHF	0.919	5.42%	5.67%	5.24%	6.62%	6.35%	5.98%	5.98%	7.05%
GBPCHF	1.283	8.16%	8.77%	8.23%	8.81%	7.63%	7.23%	7.35%	9.08%
CHFJPY	116.449	4.65%	4.65%	6.77%	6.92%	6.18%	5.65%	6.75%	7.68%
AUDUSD	0.780	9.62%	7.88%	6.99%	8.86%	10.07%	9.70%	8.40%	9.23%
USDCAD	1.262	6.53%	5.86%	4.27%	6.96%	6.88%	6.68%	5.20%	7.15%
USDSEK	8.412	8.90%	7.96%	6.70%	8.56%	9.00%	8.78%	8.13%	9.00%
EURSEK	10.153	5.36%	5.66%	4.80%	5.65%	5.65%	5.55%	5.72%	6.26%
USDRUB	74.003	10.96%	11.60%	10.53%	13.17%	14.26%	15.18%	12.24%	13.39%
USDBRL	5.763	17.00%	18.62%	8.51%	14.77%	19.30%	19.10%	11.85%	15.54%
USDCNY	6.474	3.86%	3.97%	4.29%	4.44%	5.13%	5.30%	4.83%	5.38%
USDTRY	7.442	12.71%	19.09%	5.52%	14.96%	18.25%	16.08%	15.18%	16.13%
USDINR	72.965	4.65%	3.49%	5.01%	5.47%	6.25%	5.40%	7.20%	6.39%

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

QCAM Volatility Indicator[3]



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

Source: Bloomberg, QCAM Currency Asset Management, as of March 3rd, 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

There have been some position changes in February. Most Macro positions remain neutral with split positions in JPY, SEK and CAD. Business Sentiment positions remain mostly long USD but are getting closer to potential turning points. Technical positions are more mixed with few strong trends due to more range trading. Overall, the balance of postions remains slightly long USD.

Overview[1]

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	– –	0	Macro and Business Sentiment were unchanged and Technical moved from long EUR to neutral
USDJPY	–/+	++	+	Macro position is split between long JPY discretionary and short JPY interest rate model. Technical shifted from long JPY to short JPY
EURCHF	0	–	++	The balance of CHF strategy positions is short the USD (thanks to Business Sentiment) and a bit long the EUR (due to Technical)
USDCHF	0	– –	–	
GBPUSD	0	– –	+	GBP strategy positions have not changed and remain slightly short the GBP
EURSEK	0/–	– –	– –	The overall long SEK position increased on the back of more bullish SEK Technicals and Macro signals
USDCAD	0/+	++	– –	The Macro oil price model has turned short CAD, while all other positions were unchanged, leaving the overall position slightly short CAD

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

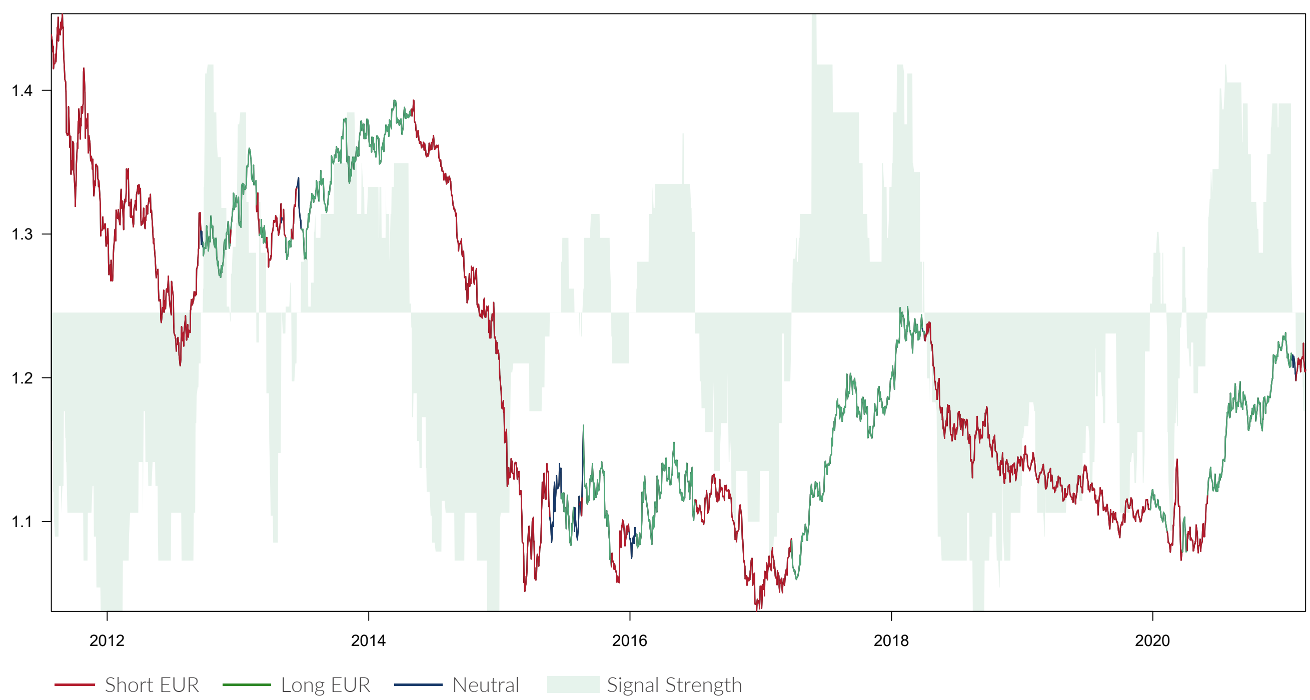
Source: QCAM Currency Asset Management

EURUSD

We remain negative on the USD on fundamental grounds (twin deficits and insufficient interest rate differential), but kept the Macro position at neutral given current uncertainties around the relative growth outlook. Business Sentiment positions have remain short EUR, while Technicals have switched to neutral in range trading. Whether USD resilience will be temporary or prolonged is not clear at this point. In our view, Euro-area Corona vaccination will catch up with the US and that will revive the reflation trade and EUR upside potential.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The US deficit surged in recent months while the Euro-area surplus consolidated
	Fiscal Balances	+	The US deficit is rising again versus the Euro-area deficit on the back of new stimulus measures
	Interest Rate Differentials	0/–	Interest rate differentials are a positive for the USD but that is partly offset by curve steepening
	Oil prices	0/+	Whether oil prices will rise further is unclear but the bias is positive
Sentiment	Business Sentiment	–	Euro-area surveys have improved in February versus US surveys, but not enough to offset the slippage in January
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
Technical	Price Action	+	Price developments have become neutral in recent range trading
	Spec Positions	–	Large EUR overbought and USD oversold positions remain favorable for USD positive correction
	PPP Valuation	+	EUR undervaluation remains somewhat above 1/2 σ

EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

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USDJPY

We favor the JPY from a Macro perspective on strong BoP fundamentals and the decline in carry flows. Business Sentiment surveys in Japan, however, our trailing US surveys and Technical positions have also slipped to short JPY. This leaves the overall JPY position modestly short.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	Surplus has recovered well after initial Corona shock
	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	–	Japanese surveys still trailing US surveys
	Risk Sentiment	–	Rising risk appetite has reduced the JPY's safe-haven appeal
Technical	Price Action	+	Price action has switched short JPY
	Spec Positions	0/–	Net long JPY positions are falling from modest levels
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

USDJPY and QCAM Strategic Positioning

Source: Bloomberg, QCAM Currency Asset Management

EURCHF

The CHF fell versus the EUR on stronger risk appetitie and the election of Mario Draghi as Italian PM. The SNB was marginally active in the market and is not expected to intervene before EURCHF goes through 1.07. Overall, we see the CHF trading in a new range of 1.10 to 1.12 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 marginally active in February and should stay on the sidelines unless EURCHF approaches 1.07
Sentiment	Business Sentiment	+	Swiss economy has gained momentum versus the Euro-area in the surveys
	Risk Sentiment	0	Risk conditions look more balanced going forward but the positive risk appetite is negative for the CHF's safe-haven appeal
Technical	Price Action	–	Technicals remain 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

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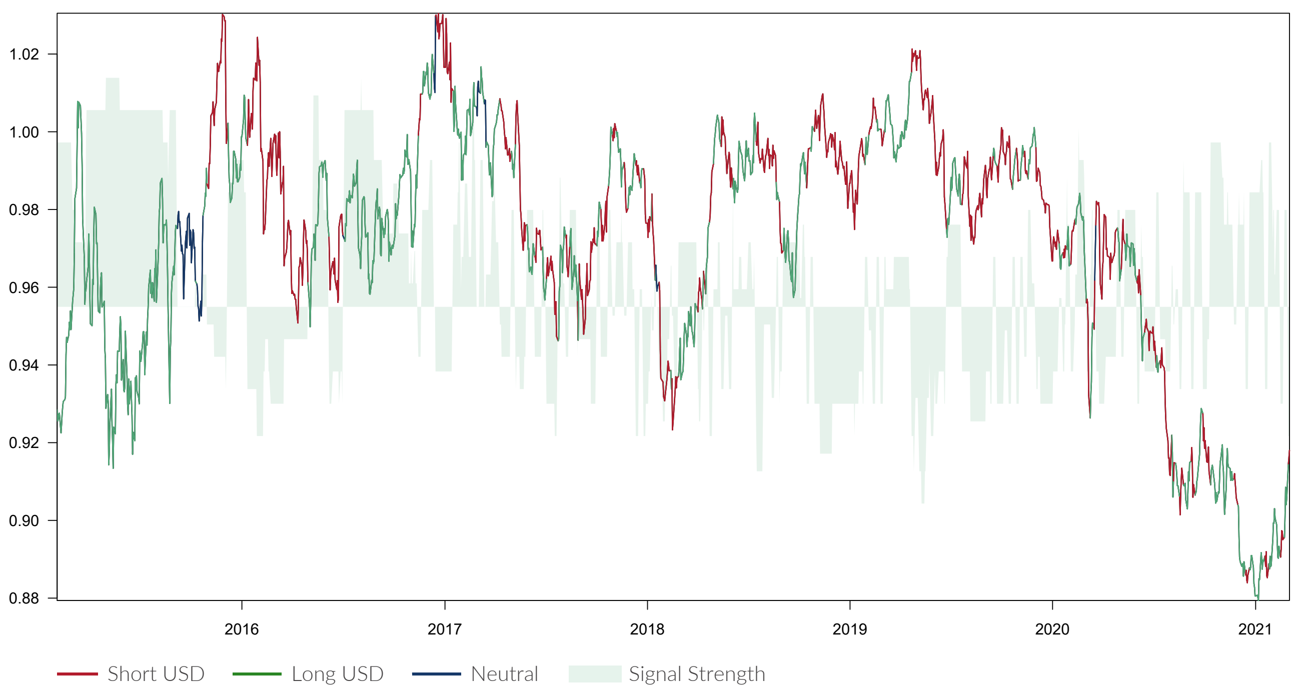
USDCHF

Macro fundamentals, espcially the current account surplus, are CHF favorable. With the CHF weaker versus the EUR, and EURUSD in a range, the CHF is also softer versus the USD. Improved risk sentiment is the main handicap for the CHF. However, Business Sentiment and Technicals are supportive of the CHF versus the USD.

	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 surveys have improved versus the US
	Risk Sentiment	–	Risk conditions look more balanced going forward but the positive risk appetite is negative for the CHF's safe-haven appeal
Technical	Price Action	–	Technicals have shifted back to long 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



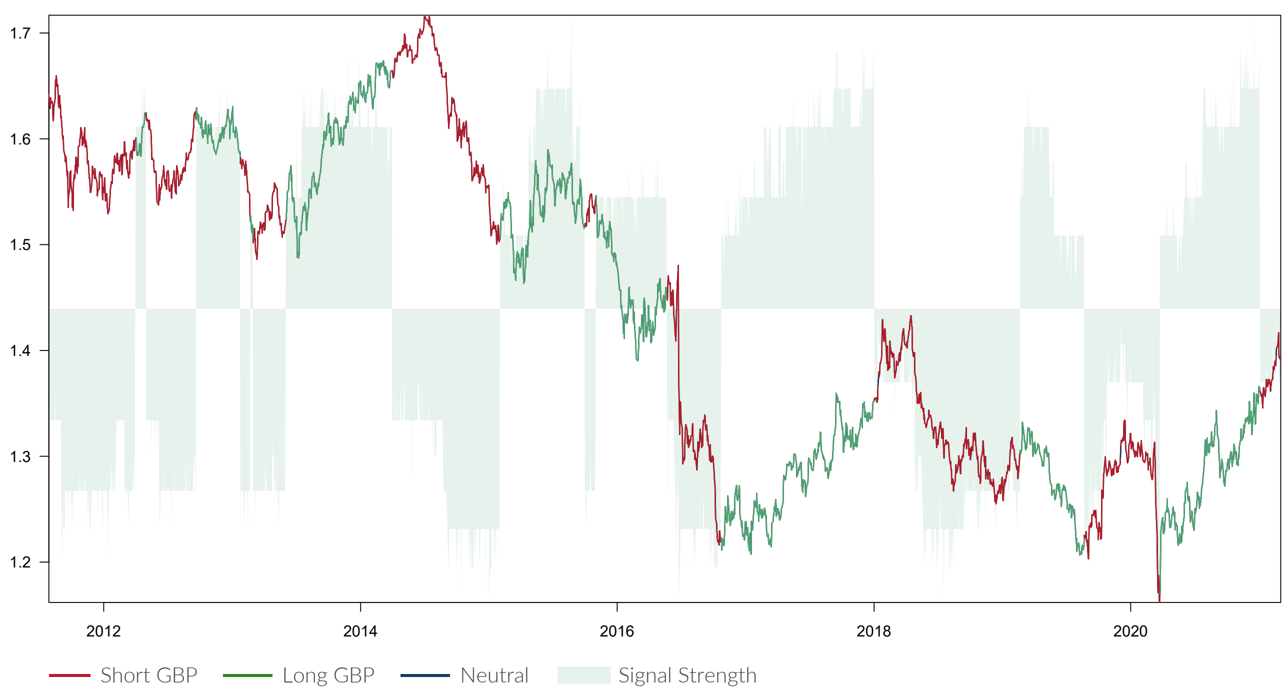
Source: Bloomberg, QCAM Currency Asset Management

GBPUSD

A persistent current account deficit, the possibility that policy rates move negative, a still large fiscal deficit and the risk that the long-term economic impact of BREXIT is negative and leaves the GBP vulnerable. Business Sentiment surveys are also lagging behind. On the other hand, the UK's vaccination progress (the UK is currently number one among major economies) and the rise in risk appetite are powerful positives for the GBP at the moment, which is supported by favorable Technicals.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	US and UK twin deficits remain both large
	Interest Rate Differentials	0/–	US and UK interest rates are about equal, but UK rates may turn negative
	Oil Price	0/+	Neutral range with some upside potential
Sentiment	Business Sentiment	–	UK surveys currently trail US surveys, but gap likely to close
	Risk Sentiment	0/+	GBP benefitted from rise in risk appetite and vaccination progress
Technical	Price Action	+	Technicals remain long GBP on upmove
	Spec Positions	0/–	Net long GBP positions are rising increeasing risk of reversal
	PPP Valuation	+	Unlikely to mean revert quickly

GBPUSD and QCAM Strategic Positioning



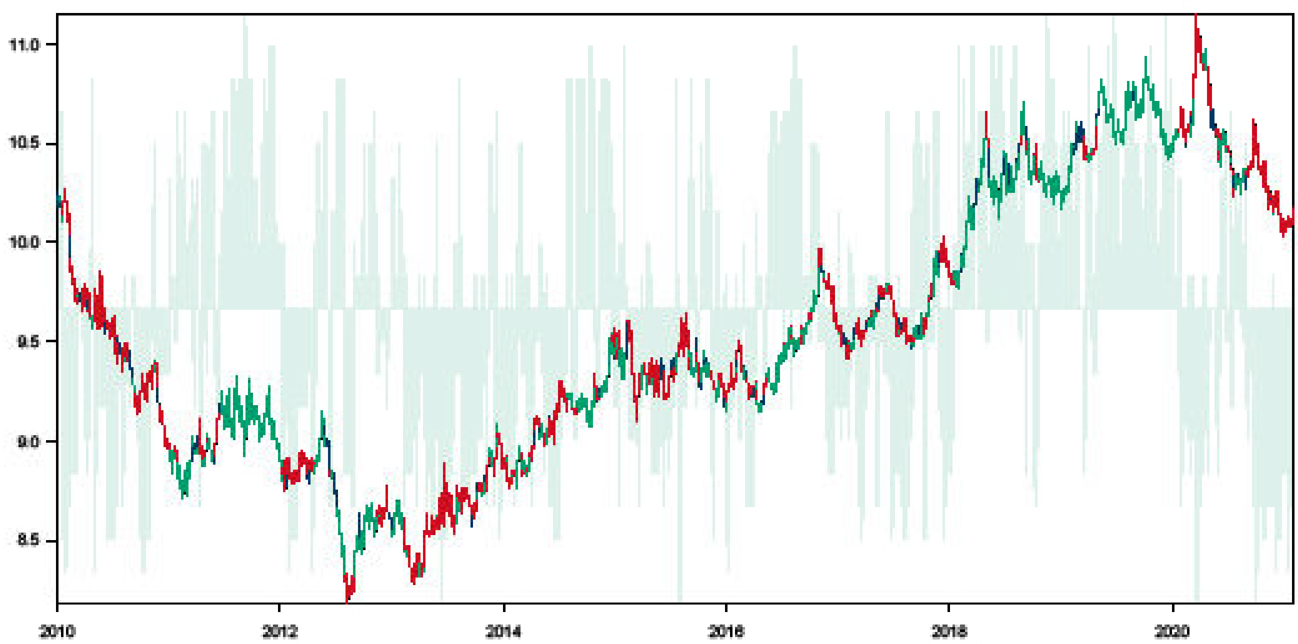
Source: Bloomberg, QCAM Currency Asset Management

EURSEK

The SEK was roughly unchanged versus the EUR over the last month. The balance of scores and strategy models favors the SEK versus the EUR. Important remains the refusal of the Riksbank to return to negative interest rates. This should be a clear positive for the SEK once reflation becomes again a stronger theme in Europe.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0/–	The Macro interest model has shifted to long SEK as a return to negative interest rates seems unlikely
Sentiment	Business Sentiment	+	Surveys remain supportive of the SEK
	Risk Sentiment	0	Risk perceptions concerning Sweden's different Corona strategy have faded, but vaccination progress is slow as elsewhere in Europe
Technical	Price Action	+	Technicals remain long SEK
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

EURSEK and QCAM Strategic Positioning



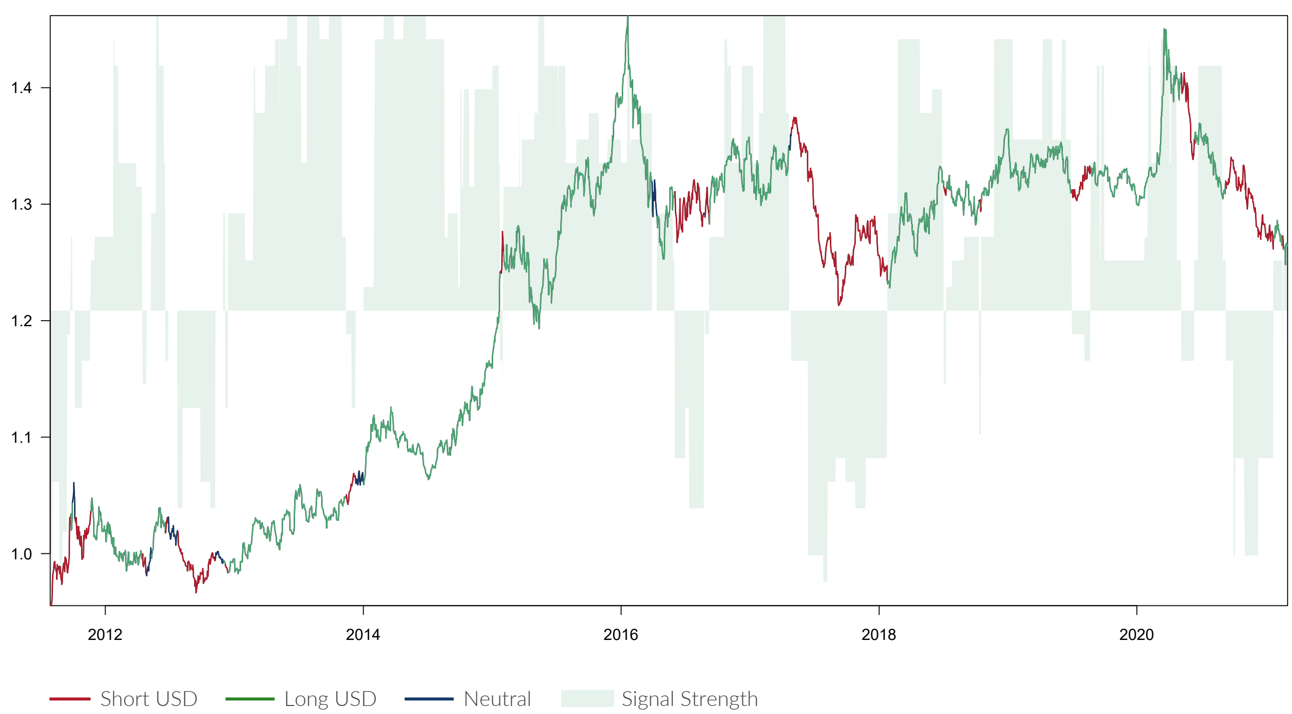
Source: Bloomberg, QCAM Currency Asset Management

USDCAD

Oil was clearly a support for CAD in recent weeks but the Macro oil-price model shifted to short CAD as actual prices surged above prices predicted by market experts. Macro fundamentals are otherwise neutral. Business Sentiment remains short CAD, while short and long-term Technicals are both still long CAD. Overall, the balance of factors is slightly short CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit has narrowed relative 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	0	USD DXY currently moving in a range
Sentiment	Business Sentiment	–	Canada still trails the US in the surveys, but gap is closing
	Risk Sentiment	0/+	Risk issues are more balanced and the CAD benefits from the rise in risk appetite
Technical	Price Action	+	Short and long term technicals are both still long CAD
	Spec Positions	0	Net long CAD positions increased but not yet at critical level
	PPP Valuation	+	CAD undervaluation unlikely to correct quickly

USDCAD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

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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.

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.

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 mulitbank-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.

FX Alpha

Currencies as an attractive portfolio diversification via QCAM FX BIAS. The focus on QCAM's Business Intelligence Alpha Strategy is on business indicators which we have successfully used for many years. The strategy is market-neutral, no specific market environment necessary. Diversification via a pool of eight different currencies and their respective trading signals.

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 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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