

June 2021

# QCAM MONTHLY

QCAM Insight ++ Economy and Interest Rates ++ FX Markets ++ FX Analytics  
QCAM Products and Services ++ QCAM Profile

**Page 1** QCAM Insight

## The new theme on the block

**Page 3** Economy and Interest Rates

**Page 5** FX Markets

**Page 9** FX Analytics

**Page 17** QCAM Products and Services

**Page 18** QCAM Profile

# QCAM Insight

## The new theme on the block

**Bernhard Eschweiler, PhD, Senior Economist**  
QCAM Currency Asset Management AG

---

**The USD declined further in May as vaccination and recovery momentum increased in other economies. In the second half of the year, Corona-related differences between major economies should fade. That could mean a new level playing field for currency markets. However, markets are nervous that the Fed may have to tighten earlier. That could be good for the USD, but not necessarily, especially as the twin deficits are set to remain a big handicap.**

---

The USD continued its decline in May. After dropping 1.4% in April, the USD effective exchange rate fell another 1.2% in May. The USDDXY fell 1.4% in May, after -2.1% in April. The biggest gainers in May were the CAD (+1.9%) followed by the SEK (+1.6%). The sole outlier among major currencies was the JPY, which slipped 0.6% versus the USD in May. EM currencies gained on balance 1.3% versus the USD in May following +1.8% in April but individual currency performances were mixed. The ZAR (+4.8%) and BRL (+3.9%) were the biggest winners and the TKY (-3.2%) and the CLP (-1.8%) were the largest losers.

### Catching up with the US

In our view, five factors have driven the USD weakness in April and May.

1. Other countries, especially in Europe, are catching up with the US vaccination progress (see Chart). Indeed, while the daily vaccination rates are rising in most places, daily vaccinations in the US have dropped from 1% of the population in early April to currently just 0.3%.
2. Business sentiment surveys are catching up as well. The QCAM FX BIAS now has long signals for EUR, GBP, CHF and SEK based on business surveys for April and May.
3. Commodity prices rose on balance 11% over the last two months, with oil prices up 13%. This helped both classic commodity currencies like the CAD as well as EM currencies like the BRL and the ZAR.
4. Although not new, the US twin deficits remain a key handicap for the USD. The trade deficit widened by a third so far this year from the same period a year ago. The Federal budget deficit for the first four months of this year stands 20% above the already much elevated deficit from the same period last year. To be sure, deficits have increased everywhere, but the US stands out especially with the new round of fiscal pump priming this year.
5. Against that background, US interest rates failed to rise further to attract more capital inflows. After jumping 83bps over the first quarter, the yield of 10-year US Treasuries actually dropped 15bps over the last two months, while the yield of 10-year Bunds rose 12bps. There are also signs that US equity markets are losing momentum relative to other markets. The S&P500, for example, rose just 0.6% in May versus +2.7% for the EURSTOXX 600.

### It's not all going to last

In a few months, the speed and level of vaccination progress will probably look similar between the major economies. Consequently, mobility and the pace of

economic activity should largely normalize in the course of the second half of the year in most major economies. As a result, Corona will probably play less of a role for business conditions in a few months and that should gradually get reflected in the surveys.

Normalization probably also means that the current supply bottlenecks will gradually ease and that the runup in commodity prices will gradually fade. Oil prices may have a bit more upside in the near term, but pumping more oil is attractive at current prices, especially for Non-OPEC producers, like the shale-gas industry in the US.

### A new theme is emerging

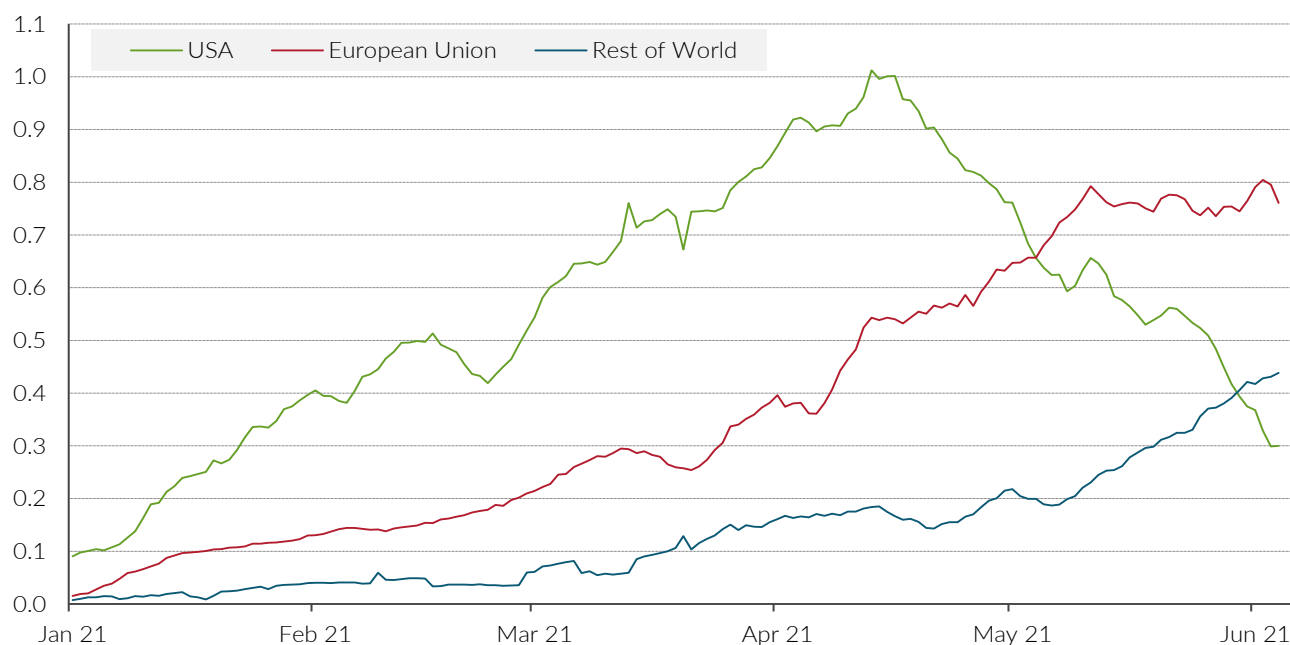
The rise of the USD in the runup to last Friday's US labor market report reveals a new theme for FX markets. While other economies are catching up on vaccination progress and recovery momentum, the US remains ahead in terms of the absolute degree of the economic recovery. The May US labor market report in the end disappointed market expectations

and the USD gave up most of its gains. Still, financial markets will probably remain nervous that the Fed will have to tighten sooner than projected.

In our judgement, the Fed will probably start tapering bond purchases soon but try to delay interest rate hikes as much as possible. How soon the Fed will be forced to hike interest rates is unclear, but it will probably be before many other central banks, especially the ECB and the BoJ. And since markets often anticipate policy changes well in advance, this could turn the tides in favor of the USD.

That said, Fed tightening ahead of other central banks does not automatically lead to a stronger USD. For example, the USD fell between late 2016 and early 2018 even though the Fed hiked interest rates unilaterally. In that period, the US economy was underperforming relative to the rest of the world. Furthermore, the US twin deficit is unlikely to disappear and will probably remain a handicap for the USD. Whether Fed tightening will be sufficient to offset this handicap is also unclear.

### Daily Corona vaccinations in % of population



Source: Our world in Data and QCAM

# Economy & Interest Rates

The global recovery is accelerating in the second quarter in line with the vaccination progress. There are still significant differences by country and region, largely driven by the progress in fighting the Corona virus. The US was so far ahead but other major economies are now catching up, notably the Euro-area. The healing of corporate balance sheet

and labor market distortions is also advancing but not completed and many economies will only reach pre-Corona levels by the end of this year. As a result, fiscal deficit and debt projections remain high. Some central banks are starting to reduce bond purchases but a shift to outright tightening is not imminent.

	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	-3.5	6.5	n.a.	n.a.	1.6	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-5.0	6.0	n.a.	n.a.	1.6	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	6.5	8.1	5.5	1.3	3.0	-3.1	-4.0	-15.8	-16.0	127	133
Canada	-5.4	6.5	9.6	7.0	0.7	2.0	-1.9	-1.0	-10.7	-8.0	119	116
Euro-area	-6.7	5.0	8.0	8.5	0.3	2.0	2.3	3.0	-8.0	-6.0	97	98
Sweden	-2.8	4.5	8.3	8.0	0.7	2.0	5.2	5.0	-4.0	-4.0	38	40
Switzerland	-2.9	4.0	3.2	3.0	-0.7	0.5	6.4	9.0	-4.4	-3.5	43	45
UK	-9.8	8.0	4.5	5.5	0.9	2.0	-3.9	-4.0	-13.5	-12.0	104	107
Japan	-4.9	3.0	2.8	2.8	0.0	0.0	3.3	3.5	-12.6	-10.0	256	257
Australia	-2.4	4.5	6.5	6.0	0.8	2.5	2.5	2.0	-9.9	-10.0	63	72
Emerging	-1.0	8.0	n.a.	n.a.	2.9	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.3	9.0	4.1	4.0	2.4	1.5	2.0	1.5	-11.4	-10.0	67	70
India	-7.6	10.0	n.a.	n.a.	6.2	4.5	1.0	-1.0	-12.3	-11.0	90	90
Russia	-3.1	4.0	5.8	5.0	3.4	5.5	2.2	4.0	-4.1	-1.0	19	19
Brazil	-4.1	4.0	13.1	12.5	3.2	6.5	-0.7	-0.5	-13.4	-9.0	99	100

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

## OECD business and consumer confidence\*



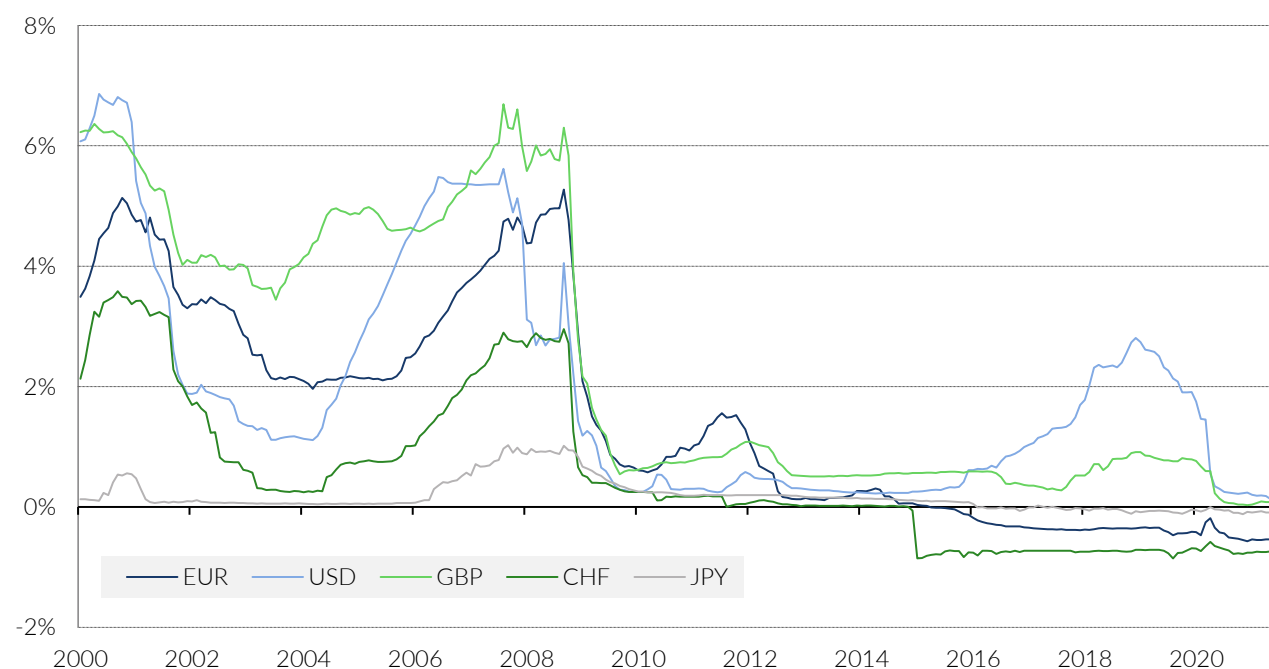
Source: OECD and QCAM, \*the last observations are QCAM estimates based on other surveys

## 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%	0.06%	1.22%	1.53%	1.59%	1.63%	0.82%	1.78%
EUR	-0.48%	-0.49%	-0.48%	-0.47%	-0.43%	0.11%	0.10%	0.02%	-0.03%	0.22%
JPY	-0.03%	-0.02%	-0.03%	-0.07%	-0.06%	0.13%	0.13%	0.16%	0.07%	0.11%
GBP	0.05%	0.05%	0.05%	0.06%	0.42%	1.03%	1.03%	0.94%	0.50%	0.95%
CHF	-0.73%	-0.73%	-0.73%	-0.73%	-0.75%	-0.03%	-0.05%	-0.08%	-0.32%	-0.15%
AUD	0.03%	0.03%	0.04%	0.15%	0.72%	1.66%	1.74%	1.91%	1.05%	1.64%
CAD	0.20%	0.19%	0.20%	0.24%	1.08%	1.90%	1.95%	1.96%	1.15%	1.85%
SEK	-0.04%	-0.03%	-0.03%	-0.03%	-0.18%	0.82%	0.80%	0.79%	0.46%	0.67%
RUB	5.51%	5.15%	4.24%	4.83%	6.08%	7.35%	7.35%	6.93%	5.94%	7.58%
BRL	3.73%	3.43%	2.00%	1.81%	3.84%	8.72%	9.11%	8.40%	7.49%	8.69%
CNY	2.34%	2.35%	2.47%	1.98%	2.47%	3.01%	2.96%	3.13%	2.53%	3.03%
TRY	19.95%	19.95%	17.95%	7.87%	17.84%	18.11%	17.99%	14.51%	11.79%	14.97%
INR	3.45%	3.46%	3.61%	3.82%	5.03%	5.88%	5.81%	6.05%	4.61%	5.73%

### 3-month Libor



Source: Bloomberg, QCAM Currency Asset Management, as of June 4th, 2021

# FX Markets

## FX Performance vs. PPP

The USD weakened further versus all major currencies in May (the USD DXY was down 1.4%). CAD and SEK performed best, while only the JPY slipped. EM currencies gained on average 1.3% versus the USD, led by the BRL and the ZAR, but TRY and CLP weakened. Short-USD speculative future positions increased in May after falling in April, but are not

yet at critical reversal levels. Forward hedging remains a cheap option given low short-term interest rate spreads. Actual and implied FX volatilities both declined somewhat. PPP estimates continue to crawl gradually against the USD but that was more than offset by the USD's weakness. AUD and CAD have closed their undervaluation gaps.

### 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	1.216	-0.52%	1.19%	7.34%	7.37%	1.29	1.15 - 1.43	-6%
USDJPY	109.500	6.00%	0.20%	0.49%	2.59%	94.68	84.0 - 105.4	16%
GBPUSD	1.416	3.76%	1.99%	12.40%	-2.44%	1.60	1.42 - 1.78	-11%
EURCHF	1.094	1.10%	-0.36%	1.03%	-1.27%	1.08	1.02 - 1.14	1%
USDCHF	0.900	1.63%	-1.53%	-5.88%	-8.04%	0.85	0.76 - 0.95	6%
GBPCHF	1.274	5.45%	0.42%	5.78%	-10.29%	1.26	1.14 - 1.37	1%
CHFJPY	121.722	4.30%	1.76%	6.77%	11.56%	93.09	82.2 - 104.0	31%
AUDUSD	0.774	0.60%	0.57%	11.69%	5.52%	0.78	0.68 - 0.87	-1%
USDCAD	1.208	-5.37%	-1.92%	-10.60%	-6.74%	1.20	1.12 - 1.29	1%
USDSEK	8.272	0.66%	-2.50%	-10.02%	1.18%	8.03	7.10 - 8.95	3%
EURSEK	10.061	0.14%	-1.33%	-3.40%	8.64%	8.67	8.13 - 9.21	16%
USDRUB	72.808	-1.86%	-2.87%	5.17%	10.73%	53.63	45.3 - 61.9	36%
USDBRL	5.069	-2.41%	-6.56%	-0.72%	43.48%	3.47	2.86 - 4.08	46%
USDCNY	6.392	-1.69%	-1.44%	-10.18%	-2.40%	6.64	6.43 - 6.84	-4%
USDTRY	8.654	16.46%	3.94%	27.94%	197.53%	5.23	4.15 - 6.30	65%
USDINR	72.881	-0.24%	-1.22%	-3.41%	8.97%	69.19	64.1 - 74.2	5%

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

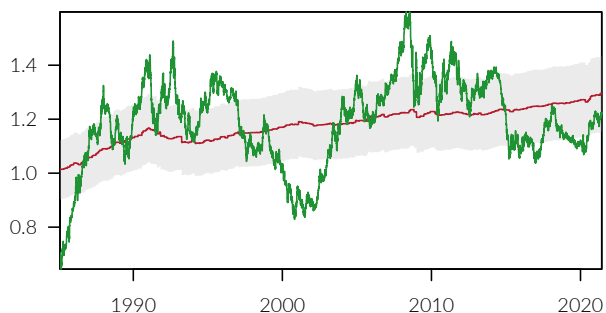
<sup>2</sup> Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by  $\pm 1$  standard deviation of the historical variation around the PPP value.

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

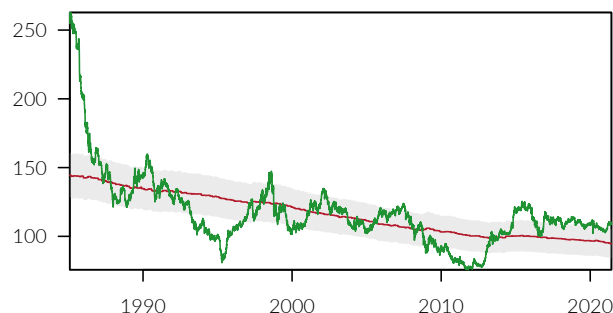


## Purchasing Power Parity

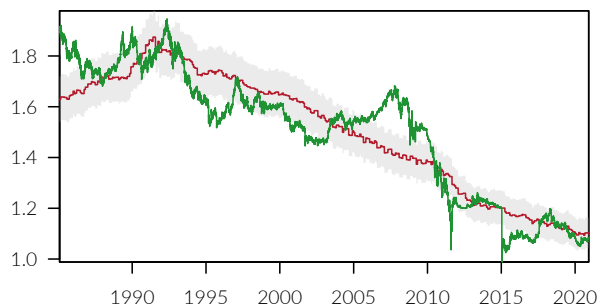
**EURUSD**



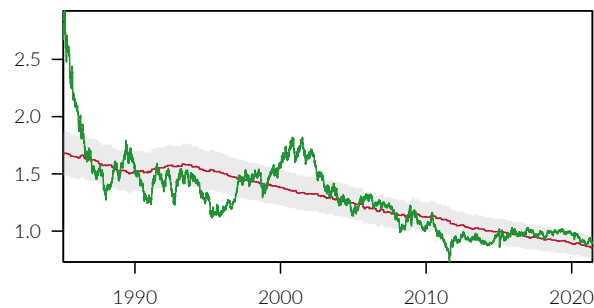
**USDJPY**



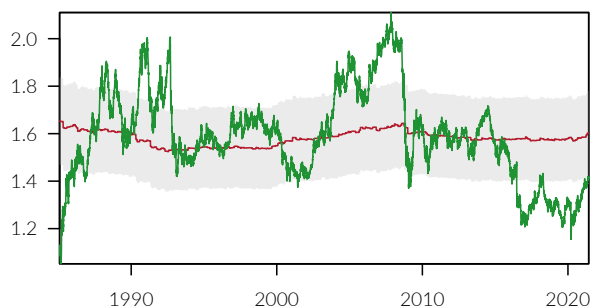
**EURCHF**



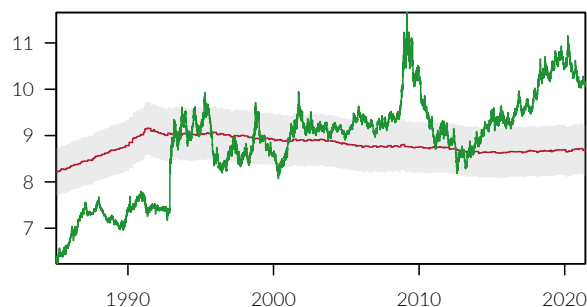
**USDCHF**



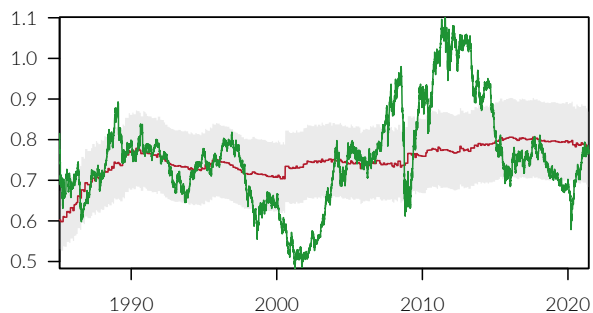
**GBPUSD**



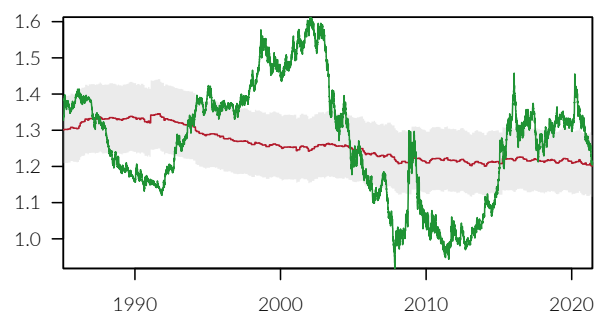
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

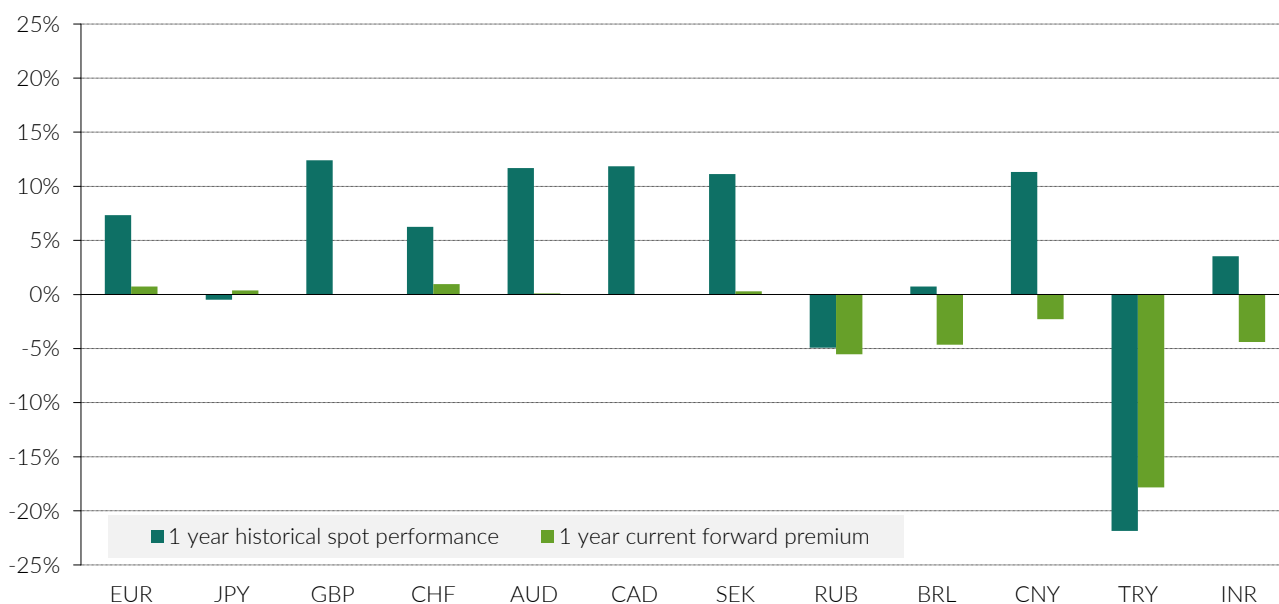
Source: Bloomberg, QCAM Currency Asset Management, as of June 4th, 2021.

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.216	1.2168	1.2183	1.2252	0.71%	0.70%	0.74%
USDJPY	109.500	109.4740	109.4234	109.0957	-0.28%	-0.27%	-0.36%
GBPUSD	1.416	1.4165	1.4165	1.4167	0.06%	0.03%	0.02%
EURCHF	1.094	1.0938	1.0934	1.0916	-0.23%	-0.22%	-0.21%
USDCHF	0.900	0.8989	0.8975	0.8910	-0.93%	-0.91%	-0.95%
GBPCHF	1.274	1.2732	1.2712	1.2620	-0.88%	-0.88%	-0.94%
CHFJPY	121.722	121.7879	121.9217	122.4461	0.65%	0.64%	0.59%
AUDUSD	0.774	0.7741	0.7743	0.7747	0.18%	0.15%	0.09%
USDCAD	1.208	1.2082	1.2083	1.2087	0.03%	0.02%	0.04%
USDSEK	8.272	8.2703	8.2663	8.2491	-0.31%	-0.29%	-0.28%
EURSEK	10.061	10.0642	10.0712	10.1075	0.40%	0.40%	0.46%
USD RUB	72.808	73.1103	73.7730	77.0576	4.68%	5.02%	5.73%
USDBRL	5.069	5.0821	5.1160	5.3161	3.11%	3.59%	4.81%
USDCNY	6.392	6.4027	6.4272	6.5416	2.08%	2.18%	2.31%
USDTRY	8.654	8.7903	9.0830	10.5328	17.79%	18.81%	21.30%
USDINR	72.881	73.1133	73.6608	76.2208	3.83%	4.19%	4.52%

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



Source: Bloomberg, QCAM Currency Asset Management, as of June 4th, 2021.



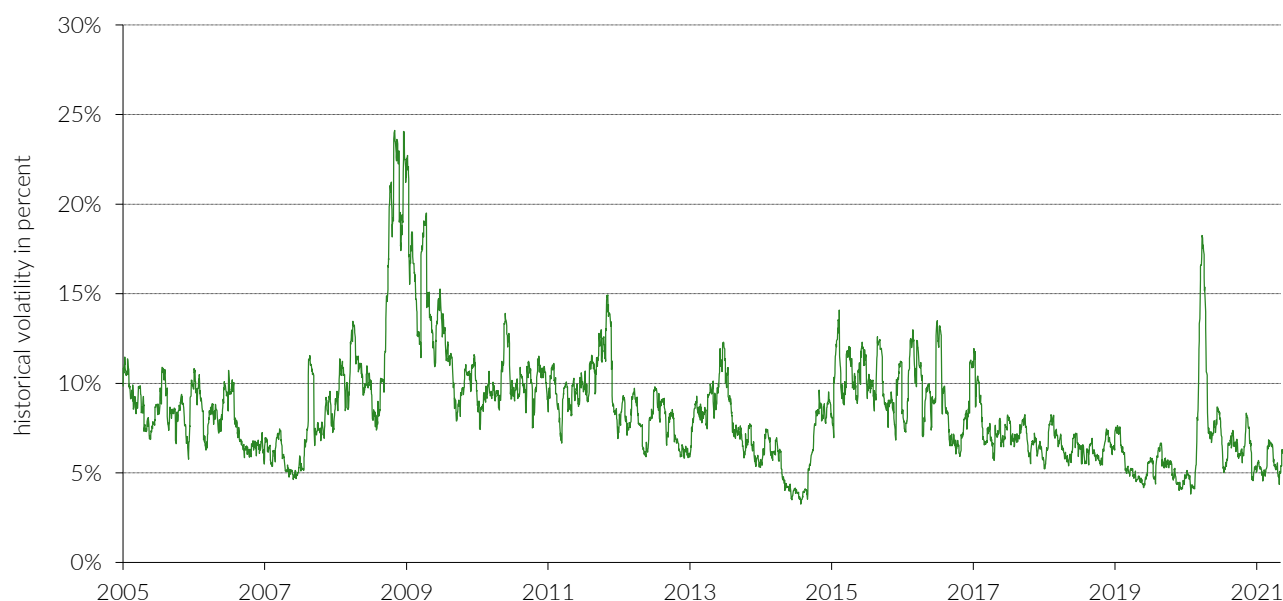
## FX Volatility

### 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	1.216	5.46%	6.00%	10.13%	6.48%	5.65%	5.63%	6.33%	7.08%
USDJPY	109.500	4.95%	4.83%	10.81%	7.55%	5.72%	6.05%	5.93%	8.08%
GBPUSD	1.416	6.65%	6.64%	15.72%	9.15%	6.60%	7.18%	8.85%	9.31%
EURCHF	1.094	3.47%	4.13%	3.65%	4.17%	4.33%	4.30%	5.13%	5.26%
USDCHE	0.900	5.80%	6.62%	9.14%	6.50%	6.05%	6.20%	5.83%	6.89%
GBPCHF	1.274	6.11%	6.72%	12.01%	8.62%	6.35%	7.23%	7.85%	8.78%
CHFJPY	121.722	4.85%	5.15%	8.07%	6.69%	5.55%	5.95%	6.53%	7.44%
AUDUSD	0.774	8.78%	9.92%	19.04%	8.66%	8.78%	9.13%	10.95%	9.08%
USDCAD	1.208	5.42%	6.02%	12.23%	6.70%	6.70%	6.55%	6.80%	6.95%
USDSEK	8.272	8.02%	8.36%	15.54%	8.57%	8.00%	8.10%	8.90%	8.91%
EURSEK	10.061	4.12%	4.20%	9.75%	5.60%	5.08%	5.28%	6.58%	6.16%
USDRUB	72.808	10.22%	10.75%	28.14%	12.52%	11.36%	14.07%	13.57%	12.95%
USDBRL	5.069	15.07%	17.20%	27.39%	14.60%	15.65%	17.33%	18.53%	15.41%
USDCNY	6.392	3.50%	3.56%	5.39%	4.41%	4.58%	4.45%	5.45%	5.31%
USDTRY	8.654	22.59%	23.36%	13.96%	15.50%	18.64%	20.86%	16.85%	16.57%
USDINR	72.881	5.36%	6.30%	8.72%	5.44%	5.68%	6.60%	6.10%	6.35%

<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 June 4th, 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 further position changes in May and early June. Our discretionary Macro positions have been unchanged. Business Sentiment switched long GBP. The balance of Business Sentiment positions is now slightly short USD. Technical positions are more mixed, with strong signals only in the EUR and the CAD. The balance of all strategy positions is also slightly short USD.

## Overview<sup>1</sup>

	Macro	Business Sentiment	Technical	Comment
EURUSD	+	++	++	Technical also switched long EUR with all three strategy blocks now favoring the EUR
USDJPY	-/+	++	+	We remain long JPY discretionary Macro, but the Macro interest rate model switched short JPY. Business Sentiment and Technical both stayed short JPY
EURCHF	0	+	0	The balance of CHF strategy positions is slightly short CHF versus EUR and outright long CHF versus USD
USDCHF	-	--	+	
GBPUSD	0	++	+	Business Sentiment has shifted the overall position to long GBP
EURSEK	-/-	--	0	The overall long SEK position increased slightly as we switched discretionary Macro to long SEK
USDCAD	0/+	++	--	The Macro oil price model switched back to short CAD while discretionary Macro remains neutral and Business Sentiment and Technical offset each other

<sup>1</sup> The signs relate to the first currency of the exchange rate pair; ++ or -- mean 100% long or short; \*/\* means split position.  
 Source: QCAM Currency Asset Management

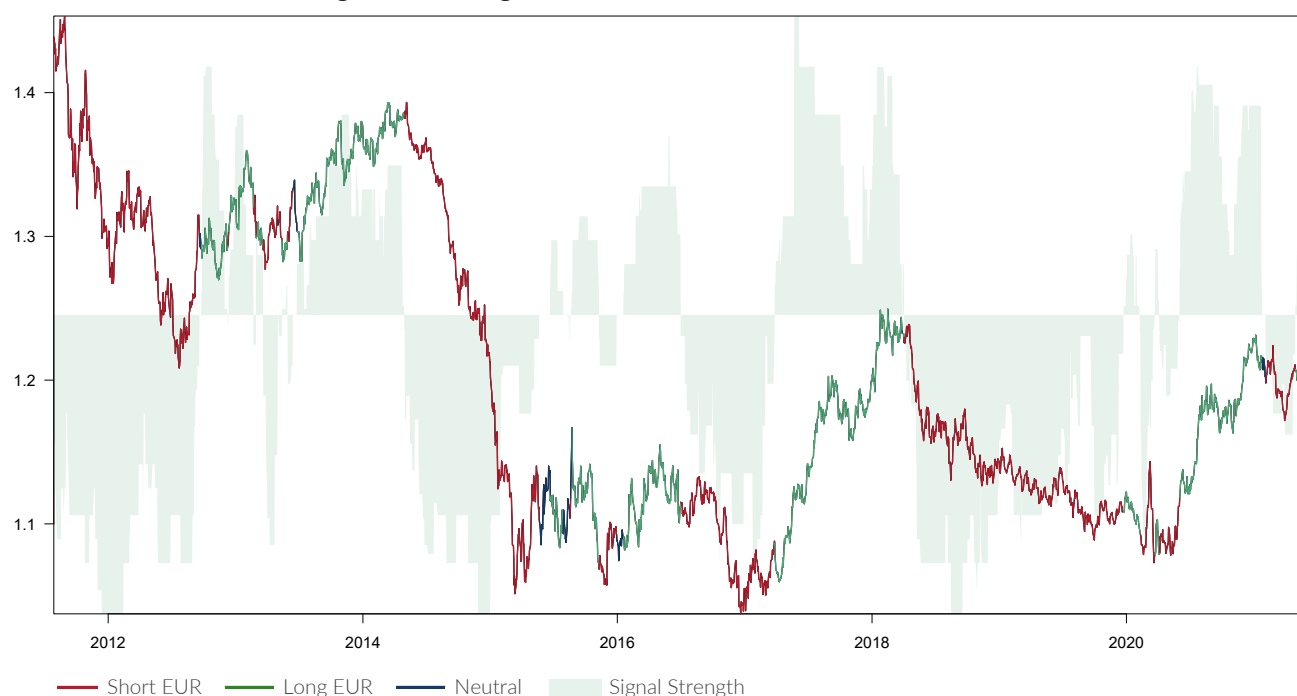
## EURUSD

We remain negative on the USD on fundamental grounds (twin deficits and insufficient interest rate differential). The Euro-area is catching up on vaccination progress and economic recovery and we maintain the long EUR Macro position. This position is

supported by Business Sentiment, which is also long EUR and most recently Technicals as well. The overall favorable EUR position will probably fade in coming months and the main issue is how soon the Fed will have to signal a policy change.

	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	+	The US deficit is likely to decline in the second half, but will remain high versus the EUR deficit
	Interest Rate Differentials	0/-	Interest rate differentials are a positive for the USD but we expect the Fed to resist earlier hikes
	Oil prices	+	Further oil price upside seen limited
<b>Sentiment</b>	Business Sentiment	+	The momentum in Euro-area surveys remains stronger relative to US surveys
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
<b>Technical</b>	Price Action	+	Price technicals have shifted EUR positive
	Spec Positions	-	The large EUR overbought and USD oversold positions have disappeared
	PPP Valuation	+	EUR undervaluation is around 6%

### EURUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## USDJPY

We still favor the JPY from a Macro perspective on strong BoP fundamentals and weaker carry outflows than before the Pandemic. We also believe Japan will catch up in the vaccination and economic recovery

progress, although less rapidly than the Euro-area. For the time being, however, Business Sentiment and Technical positions are short JPY, leaving the overall position short JPY as well.

	FX Factors	JPY Impact	Comment
<b>Macro</b>	Current Account Balances	++	The Japanese surplus has returned to the levels before Corona, while the US deficit has widened
	FDI Flows	-	Net outflows have increased again, but not to the pre-Corona level offsetting the current account surplus
	Interest Rate Differentials	0/-	Short-term interest rate differentials remain too low for a sizeable return of the carry trade
<b>Sentiment</b>	Business Sentiment	-	Japanese surveys still trailing US surveys
	Risk Sentiment	-	Rising risk appetite has reduced the JPY's safe-haven appeal
<b>Technical</b>	Price Action	-	Price action remains short JPY
	Spec Positions	0/+	Net long JPY positions has turned into net short
	PPP Valuation	+	JPY undervaluation unlikely to reverse quickly

### USDJPY and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

## EURCHF

The CHF weakened a bit versus the EUR and remains well above the SNB intervention levels. The Swiss economy is recovering, but trails the Euro-area a bit in the surveys. There are also no specific Euro-concerns

that could push funds back into the Switzerland. Overall, we see the CHF trading in a range of 1.08 to 1.11 versus the EUR.

	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	0	The SNB was not active in May and should stay on the sidelines unless EURCHF approaches 1.07
<b>Sentiment</b>	Business Sentiment	0/-	Swiss economy trails the Euro-area slightly 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
<b>Technical</b>	Price Action	0	Technicals have shifted to neutral
	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

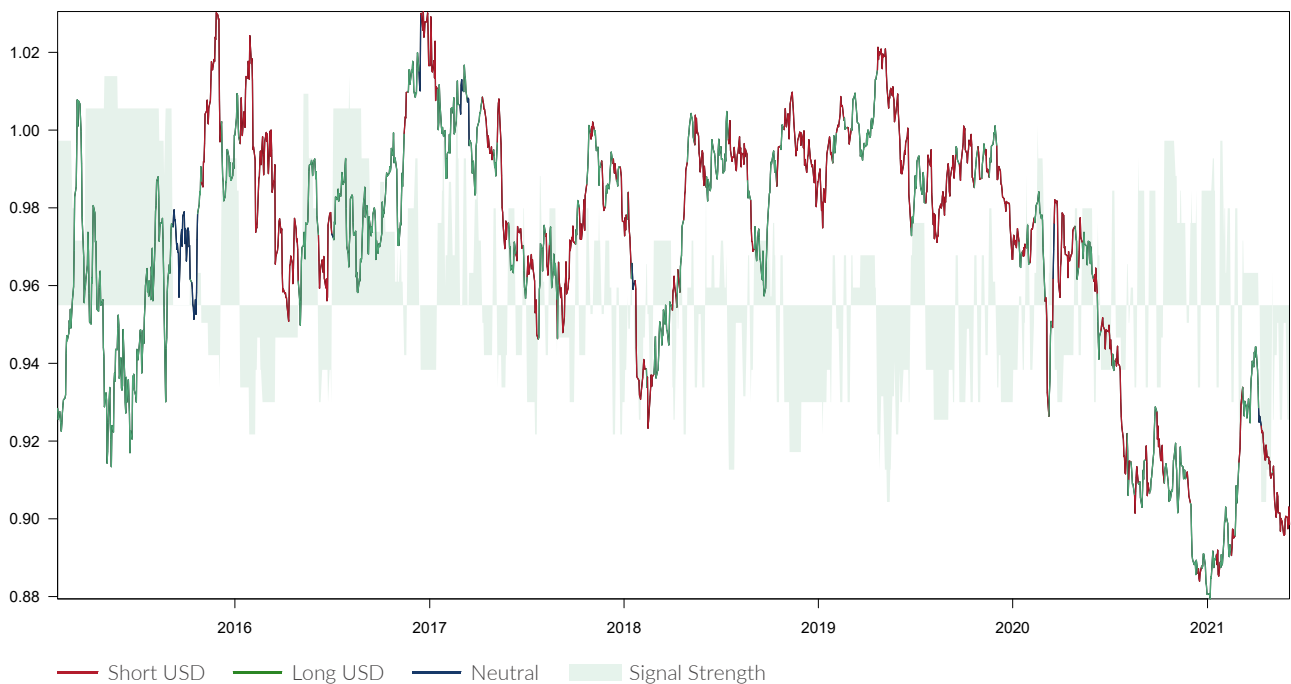
## USDCHF

With the neutral EURCHF Macro view and the long EUR position versus the USD, we also remain long CHF versus the USD. Fundamentals, especially the current account surplus, are CHF favorable. Improved risk sen-

timent is the main handicap for the CHF. Business Sentiment remains supportive of the CHF versus the USD, but Technicals have turned short CHF.

	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	Substantially reduced differential detracts bond market outflows and increases USD hedging
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
<b>Sentiment</b>	Business Sentiment	+	Swiss surveys roughly in line with US surveys
	Risk Sentiment	-	Risk conditions look more balanced going forward but the positive risk appetite is negative for the CHF's safe-haven appeal
<b>Technical</b>	Price Action	+	Technicals have shifted short CHF
	Spec Positions	0	CHF positions are close to neutral
	PPP Valuation	0	CHF close to fair value

### USDCHF and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

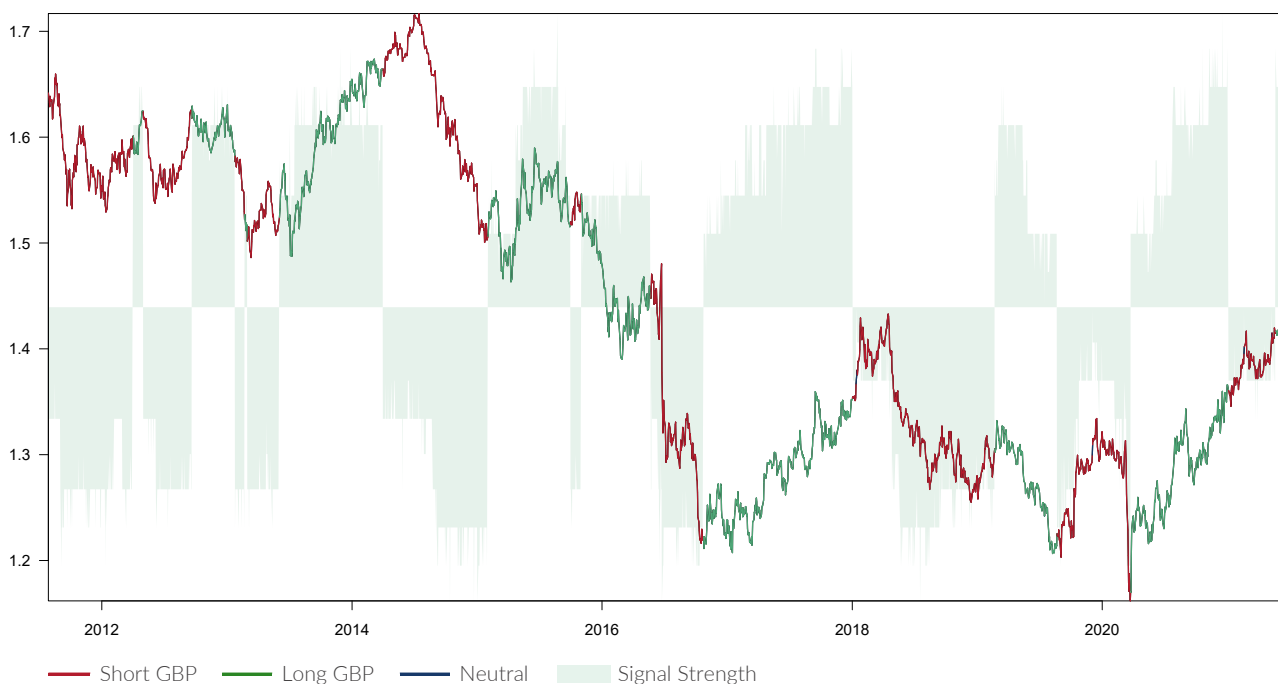
## GBPUSD

Our macro position remains neutral on the GBP, while Technicals are positive and Business Sentiment also turned long GBP. The persistent current account deficit and the risk that the long-term economic

impact of BREXIT is negative leave the GBP vulnerable. The GBP has also come a long way since the BREXIT vote and long GBP positions are increasingly crowded.

	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
	Oil Price	+	Further oil price upside seen limited
<b>Sentiment</b>	Business Sentiment	++	UK surveys have strengthened overtaking the recovery momentum in the US
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
<b>Technical</b>	Price Action	+	Technicals remain long GBP
	Spec Positions	0/-	Large net long GBP positions increase correction risk
	PPP Valuation	+/0	The GBP is still undervalued, but has recovered much of the losses since the BREXIT vote

### GBPUSD and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management



## EURSEK

The SEK appreciated further versus both the EUR and the USD last month. The balance of scores and strategy models continues to favor the SEK. Important remains the refusal of the Riksbank to return

to negative interest rates. We also expect the SEK to outperform the EUR in a general reflation environment.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0/-	The Macro interest model is switched to long SEK and a return to negative interest rates seems unlikely
<b>Sentiment</b>	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 catching up
<b>Technical</b>	Price Action	+	Technicals have shifted to neutral
	PPP Valuation	+	SEK undervaluation unlikely to reverse quickly

### EURSEK and QCAM Strategic Positioning



Source: Bloomberg, QCAM Currency Asset Management

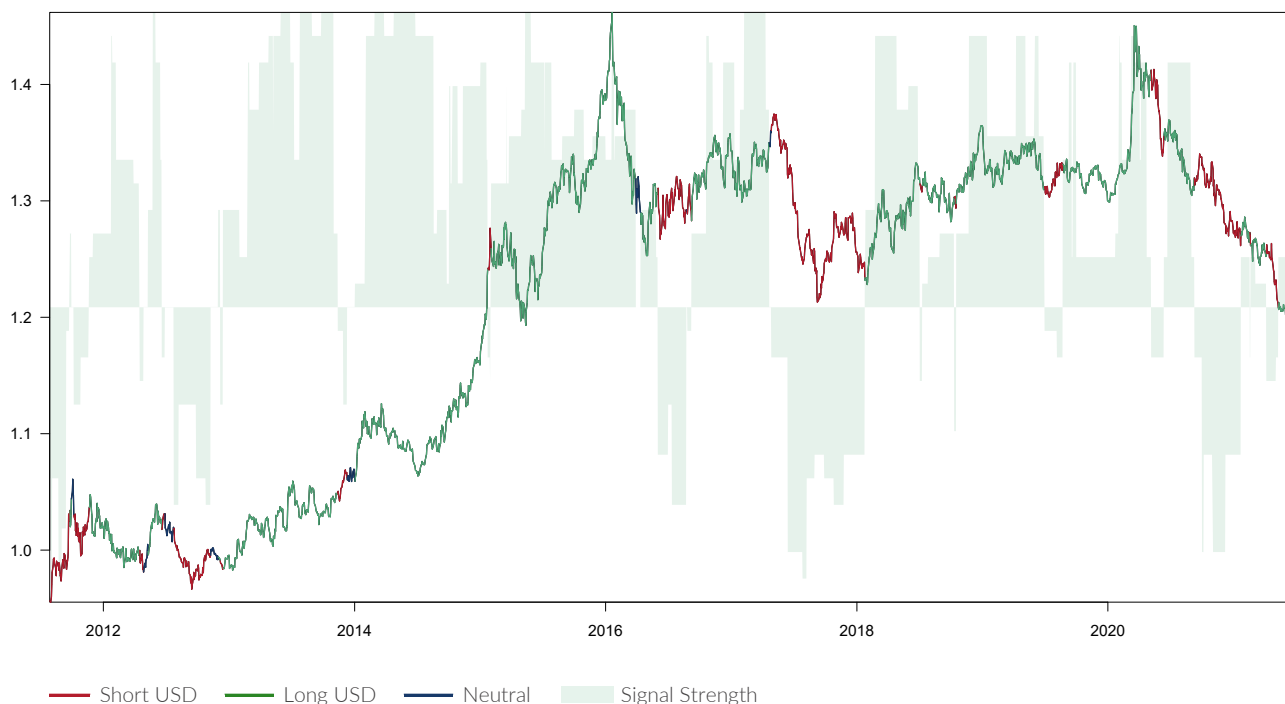
## USDCAD

The CAD had a good run so far this year and is now stronger than before the Pandemic. We stay neutral after we took profit on our discretionary Macro position, partly because the CAD is overbought and no longer undervalued. The Macro oil-price model shift-

ed short CAD as actual oil prices rose above prices predicted by market experts. 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
<b>Macro</b>	Current Account Balances	+	Canada's current account deficit is declining while the US deficit is rising
	Oil Prices	+	Further oil price upside seen limited
	Interest Rate Differentials	0	USD and CAD interest rates likely to stay close together
	USD DXY Trend	0/+	Neutral range with some potential of USD DXY weakness
<b>Sentiment</b>	Business Sentiment	-	Canada still trails the US in the surveys
	Risk Sentiment	0	Risk issues are more balanced but CAD still benefits from equity risk-on sentiment
<b>Technical</b>	Price Action	+	Short and long term technicals are both still long CAD
	Spec Positions	-	Large net long CAD positions creating correction risks
	PPP Valuation	0	CAD undervaluation has disappeared

### 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.**

---



## 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 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.

---

## 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 HNWLs.

### 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

## QCAM MONTHLY Editorial Team



**Bernhard Eschweiler, PhD**  
 Senior Economist  
 bernhard.eschweiler@q-cam.com



**Niko Haziiosifidis**  
 Currency Overlay  
 niko.haziiosifidis@q-cam.com



**Felix Dietrich, PhD**  
 Quantitative Research  
 felix.dietrich@q-cam.com



**Jürgen Büscher**  
 Currency Overlay  
 juergen.buescher@q-cam.com



**Antoinette Weiss**  
 Business Management  
 antoinette.weiss@q-cam.com



**Sanela Baltensperger**  
 Business Management  
 sanela.baltensperger@q-cam.com

#### Legal Disclaimer

This report has been prepared and published by QCAM Currency Asset Management AG. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Although all information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to its accuracy or completeness. All information and opinions indicated are subject to change without notice. This document may not be reproduced or circulated without the prior authorization of QCAM Currency Asset Management AG. QCAM Currency Asset Management AG will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This report is for distribution only under such circumstances as may be permitted by applicable law.

#### Imprint

Content, concept, and layout:  
QCAM Currency Asset Management AG, Zug  
Editorial deadline: June 7th, 2021  
Market data: June 4th, 2021

