QCAM Currency Asset Management

August 2021

QCAM MONTHLY

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QCAM Insight

Inflation implications

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While currency markets struggle to find direction in the near-term, longer-term FX factors are starting to take shape. One is the development of relative inflation performance and the impact on purchasing power parity. We think that current inflation pressures are largely temporary. Still, a different inflation environment seems to be evolving. In our view, inflation in the US will be ahead of most other developed economies. This could put additional downward pressure on the USD given its already overvalued position.

Currency markets have struggled for clear direction so far this year. The USD rebounded in Q1 on the vaccination advantage in the US and fell back in April and May as other major economies accelerated their vaccination programs. The USD rose again in June on more hawkish Fed projections but the rally stalled in late July on softer US economic news and less hawkish Fed commentary. The near-term outlook is full of mixed signals and a clear trend may not emerge for a while.

We believe USD strength so far this year was not consistent with fundamentals. The economy fell short of expectations (Q2 GDP disappointment), while the twin deficits remain a dead-weight around the USD's neck. Still, other factors are supporting the USD: the spread of the Delta variant, concerns over China's growth and IT quarrels, spreading Fed tapering talk as well as tightening USD liquidity as the debt ceiling becomes binding. How these factors and risks play out is uncertain and the result may be more volatility within a sideway range.

As a result, we have moved all our discretionary macro positions to neutral and hope that our systematic strategies will be able to navigate the cross currents. Still, while the near-term direction in FX is uncertain, some longer-term trends are starting to take shape. One of them is the relative performance of inflation and the impact on purchasing power parity (PPP).

Changing inflation trends

Exchange rates deviate from PPP significantly and often for several years. Over time, however, exchange rates gravitate back to their PPP levels, which determine the long-term trend (see charts on page 6). The last decade before the outbreak of the Corona Pandemic was marked by low inflation trends. Inflation in the US was in the upper half of the range among major economies but no outlier (see chart).

Inflation dynamics have changed since 2020. Inflation in most major economies fell in the early stages of the Pandemic and rebounded this year. Moreover, the inflation performance diverged more among the major economies (see chart). Especially inflation in the US is now clearly at the top of the range.

In our view, current inflation pressures are largely transitory due to distortions caused by the Pandemic and technical factors. Still, a repeat of the last decade seems unlikely. We are not looking for a return to the high inflation years of the 1970s and 80s. More likely to us is a shift in trend inflation from below 2% to above 2%. The main force behind this shift is in our view the expansionary mix of fiscal and monetary policies.

Among major economies, we think that the policy shift is most pronounced in the US, while we still see structural disinflationary headwinds in Europe and Japan. As a result, while we expect inflation dynamics to cool down over the next 12 months, we think inflation in the US will remain consistently at the top end among major economies.

USD is overvalued

Given similar inflation trends, USD PPP was relatively stable versus most major currencies over the last decade. The main exceptions were the CHF and the JPY, which had much lower inflation rates. After the financial crisis, the USD was mostly undervalued in PPP terms versus other major currencies. This changed with the USD appreciation over the last decade. Today, the USD is overvalued versus all major currencies in PPP terms (see page 5). The overvaluation is the largest versus the JPY followed by the GBP and the smallest versus AUD, SEK and CAD.

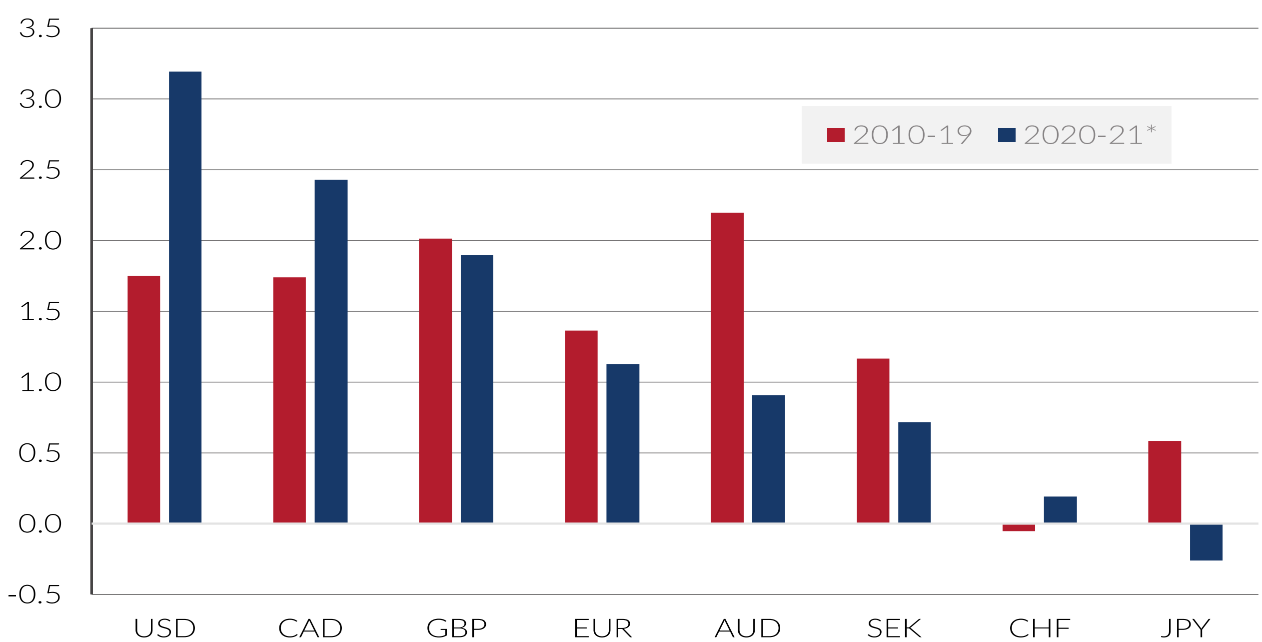
PPP has gravity

Going forward, we expect that the USD PPP will depreciate versus all major economies. That dynamic should be most visible versus the EUR, CHF and JPY, but we expect a gap versus AUD, CAD and GBP as well. The expected USD PPP depreciation plus the already overvalued status of the USD should be a powerful negative factor for the USD.

As pointed out before, exchange rates can deviate significantly and for longer periods from PPP, but PPP has a constant drawing power. Our estimates suggest that exchange rate deviations from PPP correct themselves within six (JPY and GBP) and fifteen months (EUR and SEK) assuming no other factors influence the exchange rate.

On that basis, the JPY has the most upside potential. This is further supported by its strong current account position. The main handicap for the JPY at the moment is Japan's slow vaccination progress and lagging economic performance.

Average consumer price inflation (% annualized)



Source: St. Louis Fed and QCAM
* through June 2021

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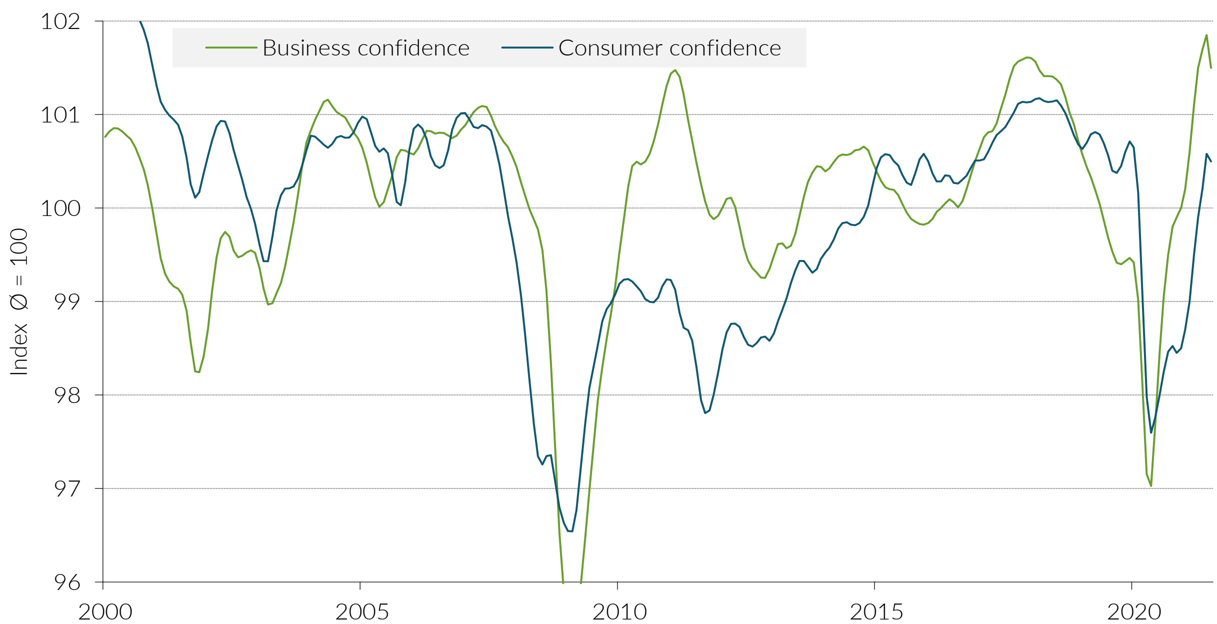
Economy & Interest Rates

The global recovery advanced in the second quarter, but not evenly. Developed countries accelerated thanks to the vaccination progress, while emerging markets slowed, plagued by new Corona infections. Overall the pace of the recovery seems to have peaked while Corona mutations remain a present risk. The healing of corporate balance sheets and labor market distortions is 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. Inflation pressures are expected to ease next year and a shift to restrictive monetary conditions still seems some distance away.

	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	-3.2	6.5	n.a.	n.a.	1.6	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	-4.6	5.5	n.a.	n.a.	1.6	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	-3.5	6.0	8.1	5.5	1.3	4.5	-2.9	-3.5	-14.7	-13.5	134	135
Canada	-5.3	6.5	9.6	7.5	0.7	3.0	-1.8	-1.0	-10.9	-7.5	118	115
Euro-area	-6.5	5.5	8.0	8.0	0.3	2.0	2.2	3.0	-7.2	-8.0	98	100
Sweden	-2.8	5.0	8.3	7.5	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	7.0	4.5	5.0	0.9	2.0	-3.9	-4.0	-13.5	-12.0	104	107
Japan	-4.7	2.5	2.8	2.5	0.0	0.0	3.3	3.5	-10.7	-9.0	255	257
Australia	-2.4	5.0	6.5	5.5	0.8	2.5	2.5	2.5	-9.6	-8.5	58	63
Emerging	-2.1	7.0	n.a.	n.a.	2.9	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	2.3	8.5	4.1	4.0	2.4	1.0	2.0	1.5	-11.2	-8.5	66	70
India	-7.3	9.5	n.a.	n.a.	6.2	5.0	1.0	-1.0	-12.8	-11.5	89	90
Russia	-3.0	4.5	5.8	5.0	3.4	6.0	2.3	4.0	-4.0	-1.0	19	18
Brazil	-4.1	5.0	13.1	13.0	3.2	7.5	-0.7	0.5	-13.4	-8.0	99	99

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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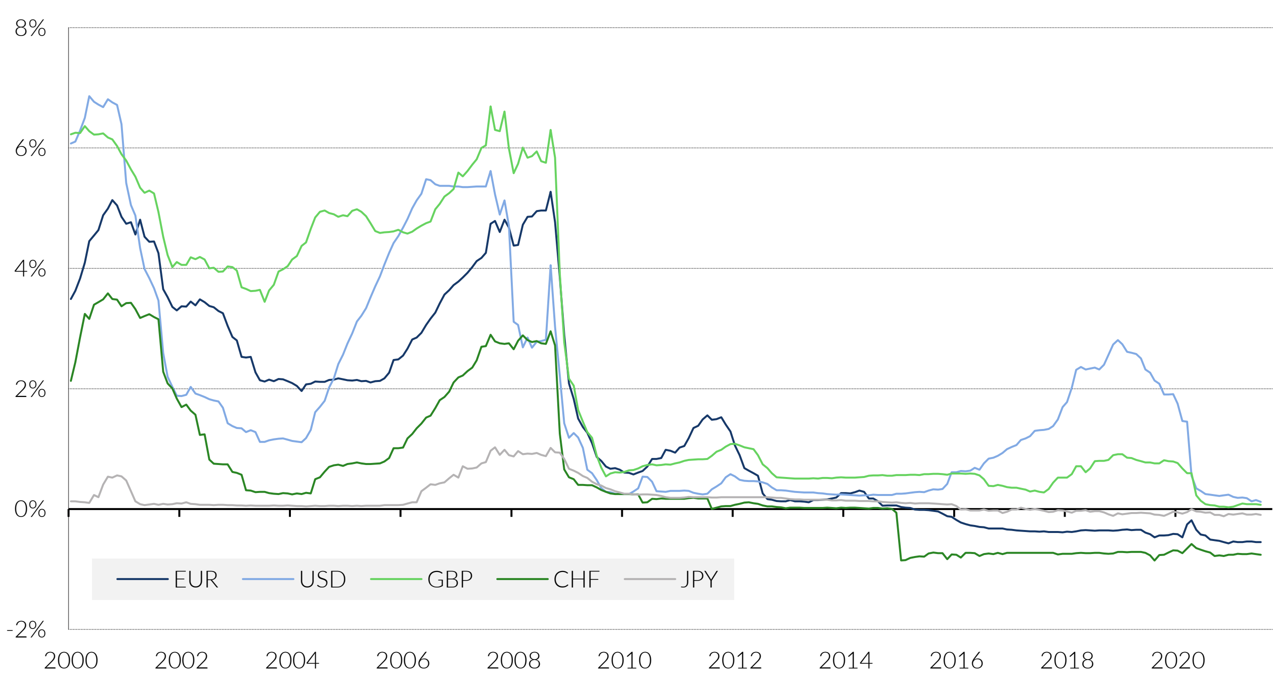
Interest Rates

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	0.09%	0.09%	0.08%	0.07%	1.12%	1.23%	1.40%	1.59%	0.51%	1.69%
EUR	-0.48%	-0.48%	-0.49%	-0.47%	-0.44%	-0.09%	0.07%	0.10%	-0.26%	0.16%
JPY	-0.04%	-0.03%	-0.02%	-0.04%	-0.06%	0.03%	0.07%	0.13%	0.02%	0.10%
GBP	0.05%	0.05%	0.05%	0.05%	0.39%	0.80%	0.96%	1.03%	0.27%	0.91%
CHF	-0.74%	-0.73%	-0.73%	-0.73%	-0.75%	-0.23%	-0.08%	-0.05%	-0.41%	-0.17%
AUD	0.03%	0.03%	0.03%	0.12%	0.64%	1.27%	1.52%	1.74%	0.72%	1.56%
CAD	0.19%	0.20%	0.19%	0.24%	1.01%	1.61%	1.82%	1.95%	0.91%	1.80%
SEK	-0.04%	-0.03%	-0.03%	-0.04%	-0.16%	0.54%	0.73%	0.80%	0.27%	0.64%
RUB	6.63%	6.12%	5.15%	4.13%	6.03%	7.18%	7.28%	7.35%	5.91%	7.52%
BRL	5.42%	4.75%	3.43%	1.52%	3.75%	9.39%	9.01%	9.11%	6.88%	8.51%
CNY	2.24%	2.33%	2.35%	2.33%	2.44%	2.64%	2.96%	2.96%	2.85%	2.99%
TRY	19.95%	19.95%	19.95%	8.92%	17.86%	17.33%	18.04%	17.99%	13.72%	15.07%
INR	3.51%	3.50%	3.46%	3.75%	4.86%	5.77%	6.08%	5.81%	4.62%	5.65%

3-month Libor



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

QCAM® Currency Asset Management

FX Markets

FX Performance vs. PPP

The USD rally stalled in the second half of July. The best performing currencies over the last month were the CHF and the JPY, which both benefitted from rising risk aversion. EM currencies were mixed, with the BRL falling the most, while the TRY regained some lost ground. Speculative short USD positions have mostly disappeared. Forward hedging remains a cheap option despite some small interest rate increases. Actual and implied FX volatilities were mixed but on balance stable. PPP estimates continue to crawl gradually against the USD and the USD rise increased its overvaluation versus all major currencies, with the JPY most undervalued followed by GBP and EUR.

Overview

	Current Exchange Rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.184	-3.17%	-0.05%	0.51%	6.28%	1.31	1.16 - 1.45	-10%
USDJPY	109.520	6.02%	-1.53%	3.57%	8.30%	93.97	83.4 - 104.6	17%
GBPUSD	1.390	1.81%	0.68%	6.38%	5.95%	1.61	1.43 - 1.78	-14%
EURCHF	1.073	-0.85%	-1.81%	-0.46%	-1.08%	1.08	1.02 - 1.14	-1%
USDCHF	0.906	2.38%	-1.77%	-0.96%	-6.93%	0.84	0.75 - 0.94	8%
GBPCHF	1.260	4.25%	-1.12%	5.35%	-1.39%	1.24	1.13 - 1.36	2%
CHFJPY	120.850	3.56%	0.25%	4.57%	16.37%	93.34	82.4 - 104.2	29%
AUDUSD	0.738	-4.09%	-1.63%	3.16%	-3.38%	0.76	0.67 - 0.85	-3%
USDCAD	1.255	-1.72%	1.66%	-6.13%	-3.51%	1.20	1.11 - 1.28	5%
USDSEK	8.609	4.76%	0.61%	-1.47%	1.09%	8.07	7.14 - 9.01	7%
EURSEK	10.192	1.45%	0.57%	-0.96%	7.45%	8.68	8.14 - 9.22	17%
USDRUB	73.187	-1.35%	-0.18%	-0.53%	11.50%	53.78	45.5 - 62.1	36%
USDBRL	5.230	0.70%	3.40%	-1.73%	62.95%	3.48	2.87 - 4.09	50%
USDCNY	6.463	-0.59%	-0.22%	-7.39%	-2.75%	6.87	6.66 - 7.08	-6%
USDTRY	8.475	14.06%	-2.55%	22.57%	181.76%	5.25	4.17 - 6.32	61%
USDINR	74.194	1.56%	-0.44%	-1.15%	11.09%	68.98	64.0 - 74.0	8%

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

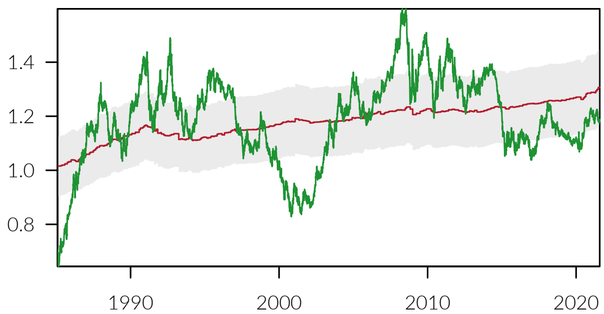
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

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

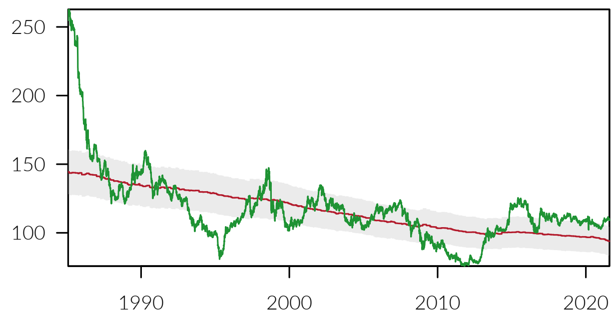
Source: QCAM Currency Asset Management, as of August 4th, 2021.

Purchasing Power Parity

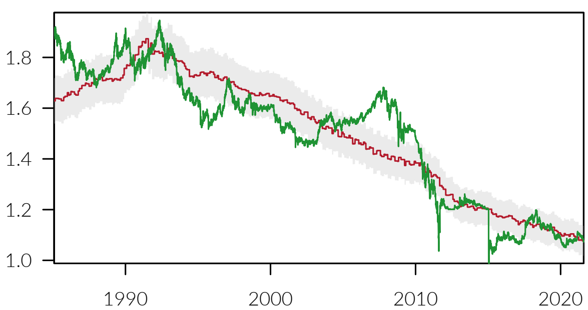
EURUSD



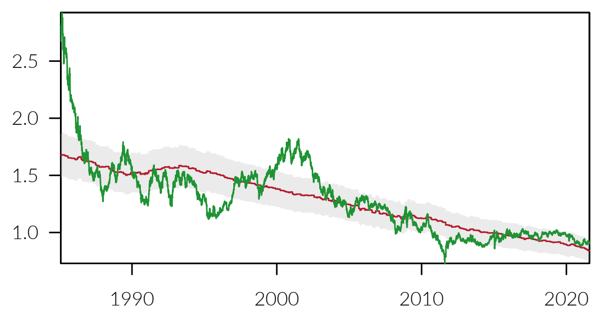
USDJPY



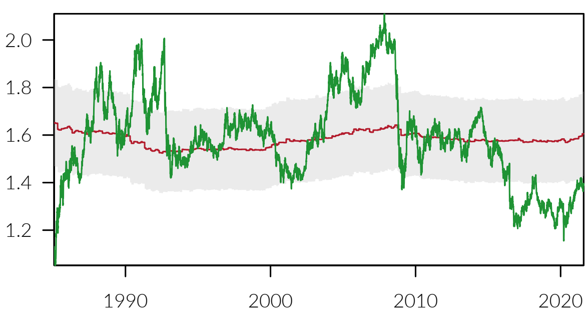
EURCHF



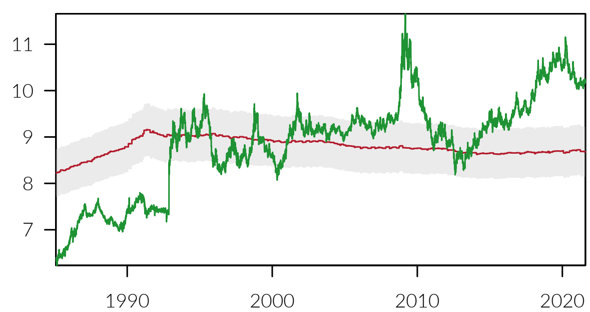
USDCHF



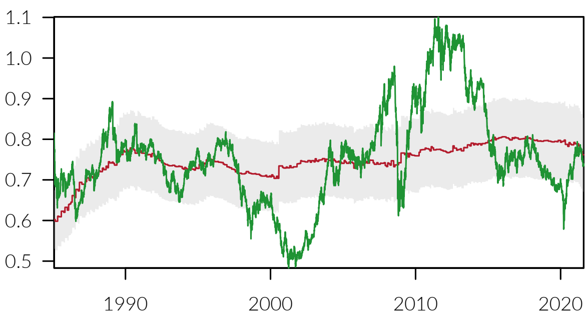
GBPUSD



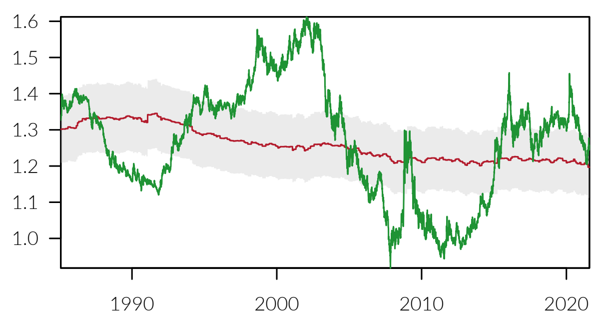
EURSEK



AUDUSD



USDCAD



PPP Spot Neutral Range

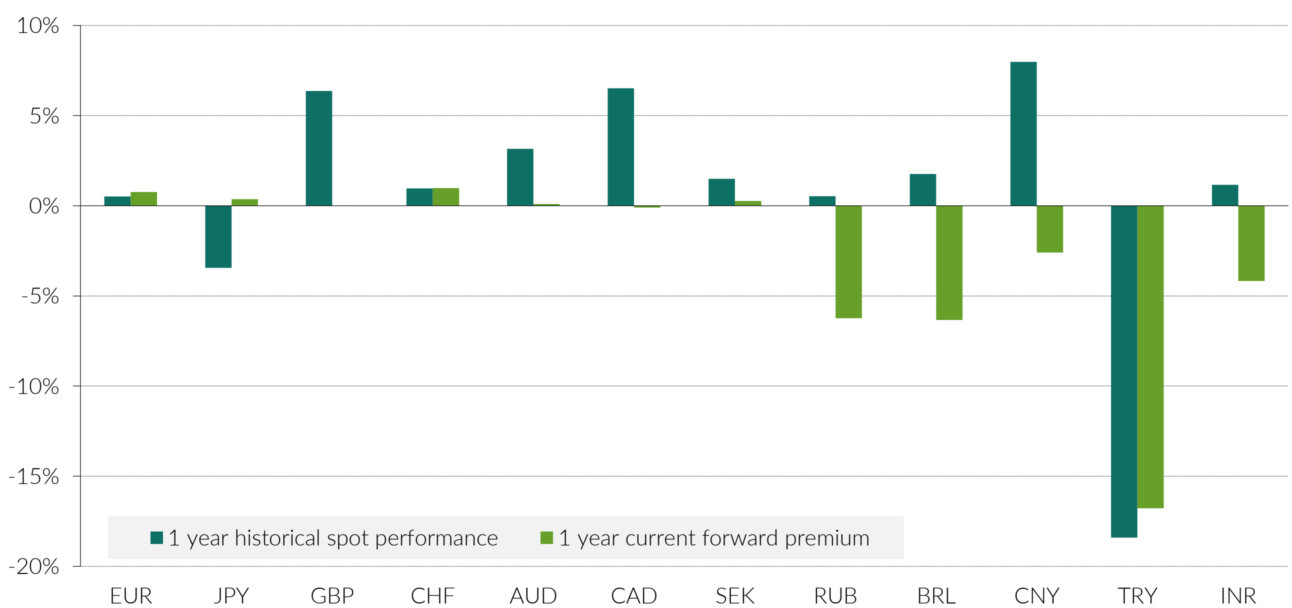
Source: QCAM Currency Asset Management, as of August 4th, 2021.

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.184	1.1845	1.1859	1.1929	0.67%	0.69%	0.75%
USDJPY	109.520	109.4961	109.4422	109.1127	-0.25%	-0.27%	-0.36%
GBPUSD	1.390	1.3899	1.3900	1.3898	0.07%	0.06%	0.00%
EURCHF	1.073	1.0727	1.0723	1.0707	-0.22%	-0.21%	-0.20%
USDCHF	0.906	0.9056	0.9042	0.8976	-0.89%	-0.90%	-0.95%
GBPCHF	1.260	1.2587	1.2569	1.2475	-0.82%	-0.83%	-0.94%
CHFJPY	120.850	120.9192	121.0484	121.5724	0.64%	0.63%	0.59%
AUDUSD	0.738	0.7380	0.7382	0.7387	0.17%	0.16%	0.10%
USDCAD	1.255	1.2549	1.2550	1.2561	0.05%	0.05%	0.10%
USDSEK	8.609	8.6074	8.6039	8.5870	-0.26%	-0.25%	-0.26%
EURSEK	10.192	10.1960	10.2041	10.2437	0.42%	0.45%	0.50%
USDRUB	73.187	73.5831	74.3782	78.0493	5.90%	6.17%	6.55%
USDBRL	5.230	5.2515	5.2990	5.5840	4.40%	5.02%	6.63%
USDCNY	6.463	6.4788	6.5099	6.6357	2.72%	2.77%	2.62%
USDTRY	8.475	8.6171	8.8779	10.1831	18.32%	18.61%	19.88%
USDINR	74.194	74.4285	74.9224	77.4271	3.56%	3.76%	4.28%

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



Source: QCAM Currency Asset Management, as of August 4th, 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	1.184	5.84%	6.27%	6.44%	6.42%	5.43%	5.43%	7.98%	6.96%
USDJPY	109.520	5.56%	4.86%	6.63%	7.25%	5.72%	5.48%	7.72%	7.85%
GBPUSD	1.390	6.24%	6.84%	8.49%	8.82%	6.73%	6.48%	9.28%	9.07%
EURCHF	1.073	3.11%	2.78%	4.85%	4.11%	3.93%	3.98%	4.99%	5.17%
USDCHF	0.906	6.80%	6.58%	6.52%	6.46%	5.80%	6.05%	7.47%	6.80%
GBPCHF	1.260	5.29%	5.33%	8.66%	8.27%	6.40%	6.13%	8.23%	8.55%
CHFJPY	120.850	5.96%	5.50%	6.31%	6.41%	5.68%	5.58%	7.13%	7.20%
AUDUSD	0.738	8.57%	9.09%	10.94%	8.55%	8.93%	8.53%	10.23%	8.99%
USDCAD	1.255	7.63%	6.54%	7.50%	6.59%	6.93%	6.33%	6.83%	6.86%
USDSEK	8.609	8.48%	9.17%	9.37%	8.53%	7.93%	7.70%	10.20%	8.85%
EURSEK	10.192	3.95%	4.38%	5.56%	5.57%	4.80%	4.78%	5.83%	6.10%
USDRUB	73.187	6.77%	8.47%	12.57%	12.25%	10.51%	11.22%	14.59%	12.73%
USDBRL	5.230	15.35%	12.54%	22.36%	14.42%	17.28%	16.23%	20.30%	15.37%
USDCNY	6.463	4.14%	3.87%	3.75%	4.43%	4.50%	4.33%	5.93%	5.27%
USDTRY	8.475	12.39%	12.82%	6.85%	15.61%	14.64%	17.60%	16.14%	16.72%
USDINR	74.194	4.57%	5.39%	5.15%	5.42%	5.18%	5.88%	6.65%	6.32%

[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: QCAM Currency Asset Management, as of August 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 positions are either discretionary or model driven.

The Business Sentiment component is a rule-based framework built on business surveys.

The Technical component consists primarily of the technical analysis of daily exchange rates (trend following and mean reversion). We also consider speculative futures positions and the deviation of exchange rates from purchasing power parity.

The summary table below and the following pages show the QCAM strategy framework and the positioning for the major currency pairs actively covered by QCAM. The tables break each of the three strategies into subcomponents with an indication of the current impact. The charts show the respective exchange rate with past QCAM positions and their scale.

Current positioning

All discretionary macro positions are now neutral given near-term uncertainties. Business Sentiment positions are a good mix of longs and shorts with the balance modestly short USD. Technical positions have become less pronounced given recent market volatility with the strongest signal from EURCHF.

Overview[1]

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	+	0	Macro and Technical remained neutral and the long EUR Business Sentiment moderated.
USDJPY	0/–	++	+	Discretionary Macro remained neutral and the Macro interest rate model switched to long JPY. Business Sentiment and Technical both stayed short JPY.
EURCHF	0	+	– –	The balance of CHF strategy positions is slightly long CHF versus both EUR and USD. The main CHF support comes from Technical versus the EUR and Business Sentiment versus the USD.
USDCHF	0	– –	+	
GBPUSD	0	++	–	Strategy positions were unchanged with the balance slightly long GBP thanks to Business Sentiment.
EURSEK	0/+	– –	0	The Macro interest rate model shifted to short SEK and the Technical position to neutral but the overall position remains modestly long SEK.
USDCAD	0/+	++	0	All strategy positions are unchanged and the balance of all strategies remains short CAD.

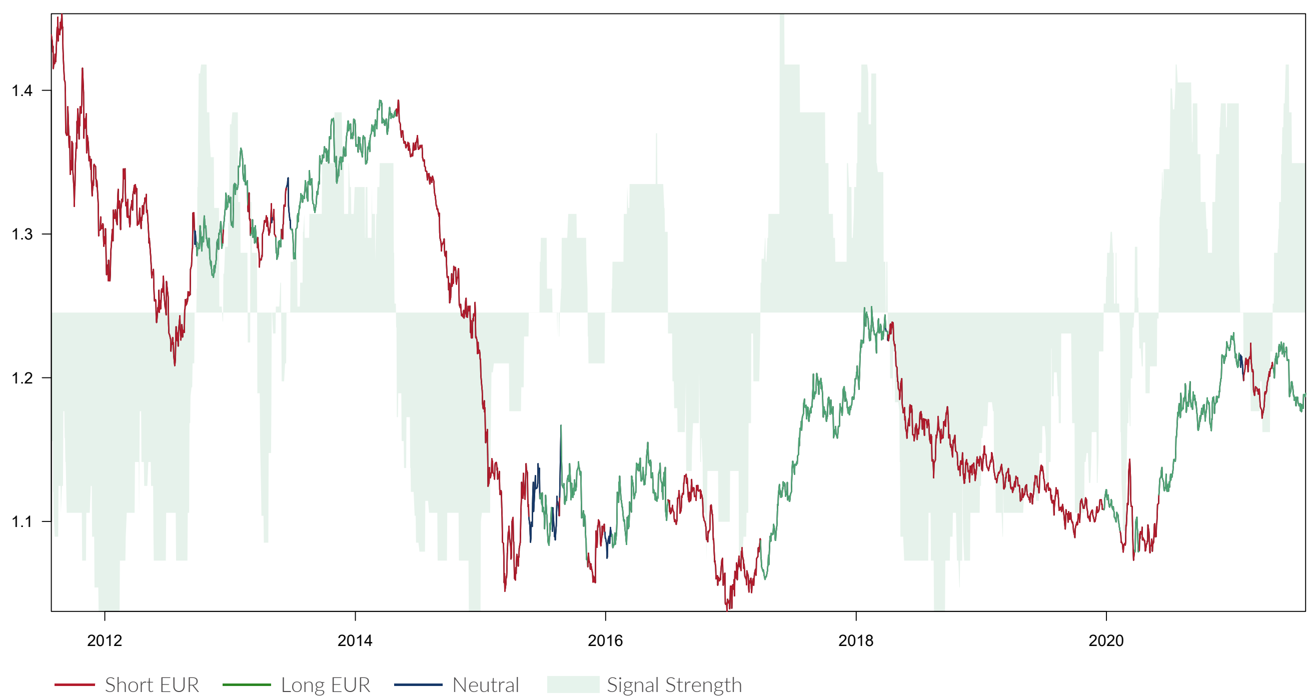
[1] The signs relate to the first currency of the exchange rate pair ; ++ or –– mean 100% long or short; */* means split position.
Source: QCAM Currency Asset Management

EURUSD

We remain negative on the USD on fundamental grounds (Q2 GDP disappointment and twin deficits). The Euro-area has caught up on vaccination progress and economic recovery momentum. However, we maintain a neutral Macro position given risk factors around monetary/fiscal policy, China and Corona. Technical also stayed neutral and only Business Sentiment is still moderately long EUR. On balance, we expect range trading over the next couple months.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The US deficit rose so far this year, while the Euro-area surplus consolidated
	Fiscal Balances	+	The US deficit is declining after the surge at the start of the year but remains high versus the EUR deficit
	Interest Rate Differentials	–	Interest rate differentials are a positive for the USD and Fed "tapering" talk is likely to get louder
	Oil prices	0	Further oil price upside seen limited
Sentiment	Business Sentiment	+	The momentum in Euro-area surveys has moderated but remains stronger relative to US surveys
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
Technical	Price Action	0	Price technicals have shifted to neutral
	Spec Positions	0	The large EUR overbought position has disappeared
	PPP Valuation	+	EUR undervaluation is around 10%

EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

USDJPY

We maintain the neutral discretionary position. We like the JPY in terms of valuation and external surplus, but the recovery momentum is too slow. Business Sentiment and Technical positions remain short JPY. The Macro interest rate model has shifted to long JPY, which is partly a reflection of rising risk aversion. As a result, the overall short JPY position declined slightly.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	+	The Japanese surplus has returned to the levels before Corona, while the US deficit has widened
	FDI Flows	0/–	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
Sentiment	Business Sentiment	– –	Japanese surveys still trailing US surveys
	Risk Sentiment	0/+	Rising risk aversion is a support for the JPY
Technical	Price Action	–	Price action remains short JPY
	Spec Positions	0/+	Net short JPY position increassed further
	PPP Valuation	+	The JPY is currently about 17% undervalued

USDJPY and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

EURCHF

The CHF gained versus the EUR most recently on rising risk aversion. Fundamentally, CHF and EUR are in balance. The SNB has not been active but could intervene if EURCHF crosses 1.07. As a result, we prefer a neutral macro position. Business Sentiment is modestly short CHF and Technicals is outright long CHF. The balance is slightly long CHF.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/+	Some inflows on global growth concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	0	The SNB was not active in July but intervention risk is rising as EURCHF approaches 1.07
Sentiment	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 CHF seems to benefit from risk aversion
Technical	Price Action	0	Technicals have shifted to outright long CHF
	Spec Positions	0	Net long CHF position has increased but unlikely to trigger reversal
	PPP Valuation	–	CHF at around fair-value versus the EUR

EURCHF and QCAM Strategic Positioning

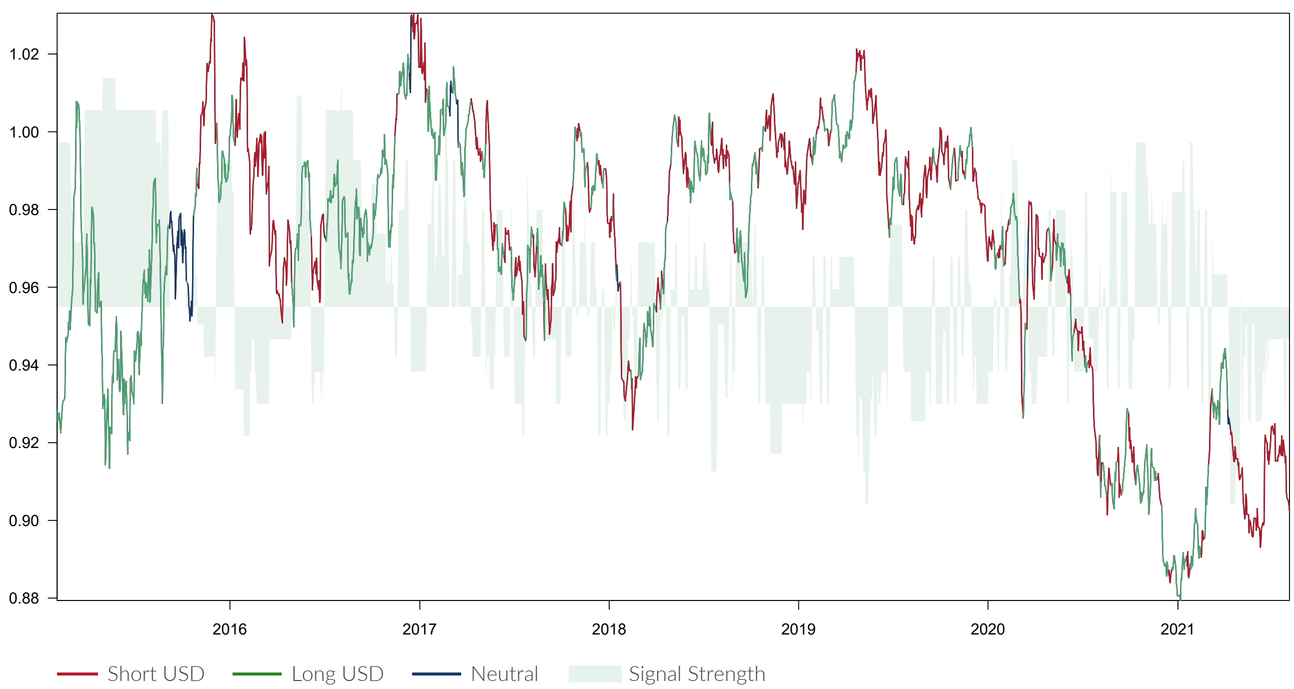
Source: QCAM Currency Asset Management

USDCHF

With the neutral EURCHF Macro view and the neutral EURUSD position, we also maintain neutral CHF versus the USD. Fundamentals, especially the current account surplus, are CHF favorable. Reduced risk sentiment is also positive for the CHF. Business Sentiment has shifted long CHF, while Technicals have turned short CHF. The balance of strategy positions is slightly long CHF.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	0/+	Some inflows on global growth concerns
	Interest Rate Differentials	0/–	Reduced differential detracts bond market outflows and increases USD hedging but US rate hike risk is rising
	SNB Policy Intervention	0	SNB not expected to intervene vs. USD
Sentiment	Business Sentiment	++	Swiss surveys are stronger than US surveys
	Risk Sentiment	0	Higher risk aversion is CHF positive
Technical	Price Action	–	Technicals have shifted short CHF
	Spec Positions	0	Net long CHF position has increased but unlikely to trigger reversal
	PPP Valuation	0	CHF is about 8% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

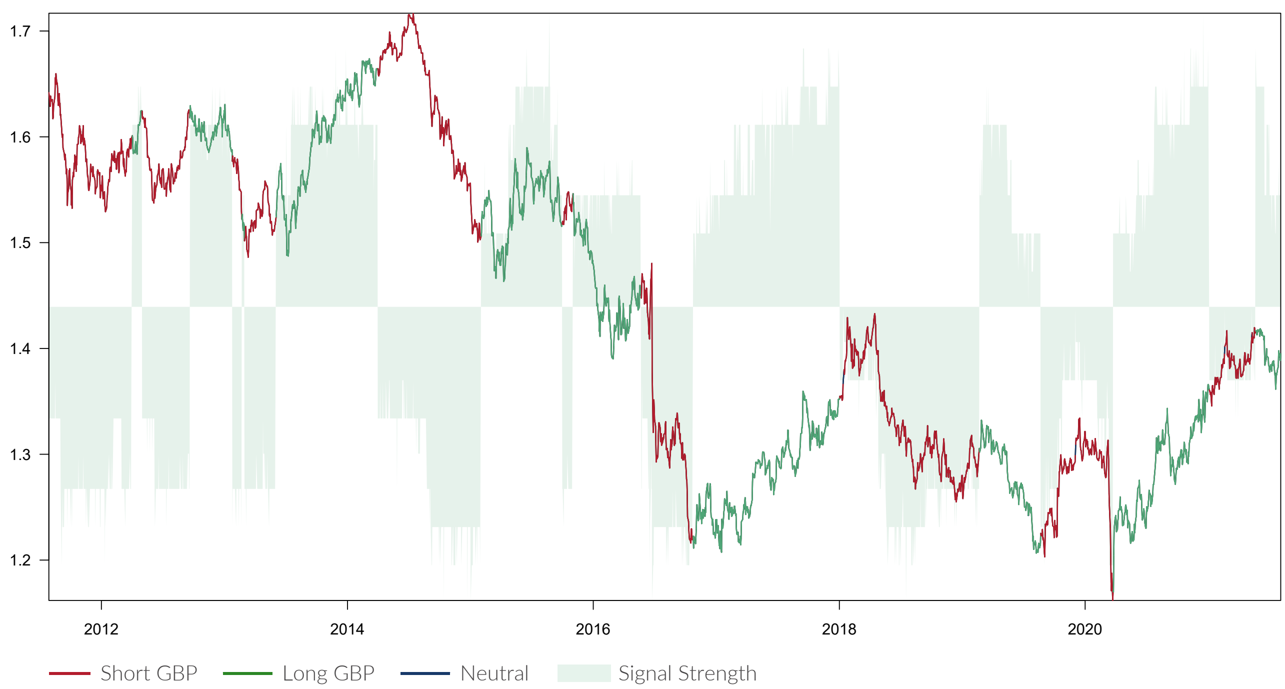
QCAM Currency Asset Management

GBPUSD

Our Macro position remains neutral on the GBP and Business Sentiment is still long GBP, while Technicals has shifted short GBP. The threat from the Delta variant seems to be easing and the crowded long GBP position has disappeared. Still, the GBP has come a long way since the BREXIT vote and the UK remains a deficit economy, limiting the upside potential.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	The UK has like the US a twin deficit problem
	Interest Rate Differentials	0/–	US and UK interest rates are about equal, but US rates have more upside risk
	Oil Price	0	Further oil price upside seen limited
Sentiment	Business Sentiment	++	UK surveys have eased a bit, but still stronger than US surveys
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
Technical	Price Action	–	Technicals remain short GBP
	Spec Positions	0	Net long GBP positions moved to neutral
	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: QCAM Currency Asset Management

EURSEK

SEK was the last discretionary Macro position we shifted to neutral. Technicals also shifted to neutral, while our interest rate Macro model moved to short SEK. Only the Business Sentiment is still outright long SEK. The balance of scores and strategy models is now only slightly long SEK. We look to rebuild long SEK positions once risk sentiment improves again.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	0/–	The Macro interest rate model switched to short SEK but the Riksbank is not expected to ease
Sentiment	Business Sentiment	+	Surveys remain supportive of the SEK
	Risk Sentiment	0/–	Risk issues seem balanced but the rise in risk aversion creates some headwinds for the SEK
Technical	Price Action	0	Technicals have shifted to neutral
	PPP Valuation	+	The SEK is roughly 17% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

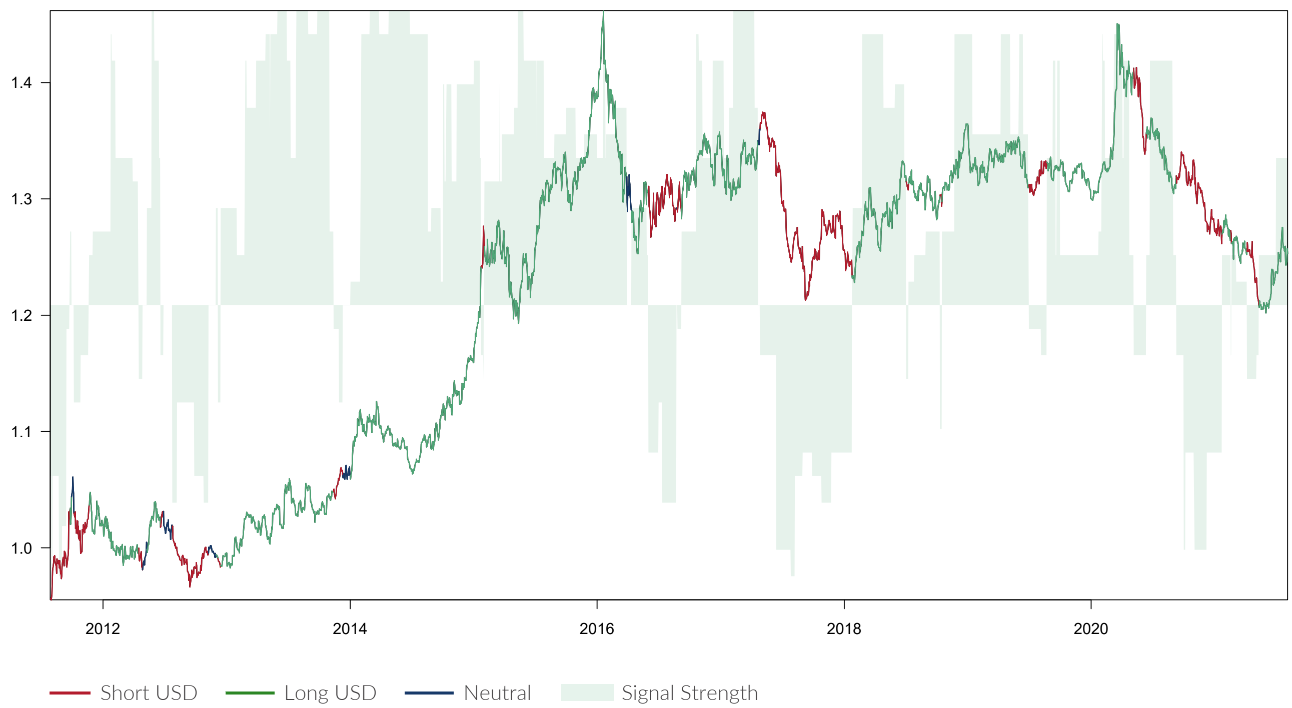
QCAM® Currency Asset Management

USDCAD

The CAD had a good run this year until the June Fed meeting. Oil prices are also stalling and risk aversion is rising. All our strategy positions remain unchanged: discretionary Marco position neutral; Macro oil-price model short CAD; Business Sentiment short CAD; Technicals neutral. Overall, the balance of strategies remains short CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit is declining while the US deficit is rising so far this year
	Oil Prices	0	Further oil price upside seen limited
	Interest Rate Differentials	0	USD and CAD interest rates are close
	USD DXY Trend	0	Neutral range given mix of uncertainties
Sentiment	Business Sentiment	–	Canada still trails the US in the surveys
	Risk Sentiment	0	Risk issues seem balanced but rise in risk aversion hurts CAD
Technical	Price Action	0	The balance of short and long term technicals remains neutral
	Spec Positions	–	Net long CAD position declined reducing correction risks
	PPP Valuation	0	CAD is about 3% undervalued versus the USD

USDCAD and QCAM Strategic Positioning



Source: 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 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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