

September 2021

# QCAM MONTHLY

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# QCAM Insight

## Current account imbalances

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**FX markets were relatively stable over the last month despite increased uncertainties. In our view, the struggle for direction in FX is likely to continue near-term. However, longer-term FX fundamentals are taking shape. Last month we discussed inflation dynamics. This time we take a closer look at current account balances. It is too early to predict a repeat of the global imbalances in the runup to the financial crisis but the widening of the US current account deficit is a clear warning sign and potentially negative for the USD.**

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Currency markets continued to struggle for direction over the last month. The spread of the Delta variant plus disappointing economic data releases around the world lead to increased uncertainty but also delayed Fed tapering expectations, leaving the USD broadly range bound. Most notable was the intervention by the Swiss National Bank when EURCHF approached 1.07.

In our judgment, mixed signals will continue to dominate the near-term outlook with the elections in Germany, Japan and Canada adding potentially new uncertainties. As a result, we expect a continuation of range-trading in FX markets and maintain most of our neutral discretionary macro positions. Our FX BIAS is long EUR and CHF and short JPY, GBP, AUD, CAD and SEK with the balance slightly long USD (7.6%).

Still, while the near-term direction in FX is uncertain, some longer-term fundamentals are taking shape. In the last QCAM Monthly, we pointed to the divergence in inflation performance between the US

and most other major currency areas. If sustained, this would increase the USD's overvaluation. This time we look at the relative development of current account balances. While it is too early for final conclusions, current account imbalances could be another source for future USD weakness.

### Changing balances

Exchange rates are influenced by many factors with changing importance over time. Current account balances, however, are among the major fundamentals that drive long-term currency trends. The two periods of prolonged USD depreciation in the second half of the 1980 to the mid 1990s as well as in the 2000s before the financial crisis were both preceded/ accompanied by large-scale US current account deteriorations.

Interesting are the changing patterns of current account balances (see chart). In the late 1970s and early 1980s, Europe had the largest current account deficit, which was mostly funded by surpluses in the Middle East. Subsequently, the US became the largest deficit economy and Japan the largest surplus economy, which led to the sharp appreciation of the JPY of more than 100% versus the USD. In the 2000s, when the US current account deficit swelled to 6% of GDP, China and the oil exporters in the Middle East became the largest surplus economies followed by Japan. At that time, the term "global imbalances" was coined.

The financial crisis and its fallouts led to significant current account adjustments. The US deficit declined by more than half. Instead, Emerging Markets ex

China emerged as the largest deficit economies (e.g. Latin America, South Africa and Turkey). On the other side, the EU became the largest surplus economy following its debt crisis. The surpluses of the Middle East oil exporters vanished on the back of falling oil prices and rising import demand. The surpluses of China and Japan also declined but remained significant factors of the global balance.

### A new imbalance?

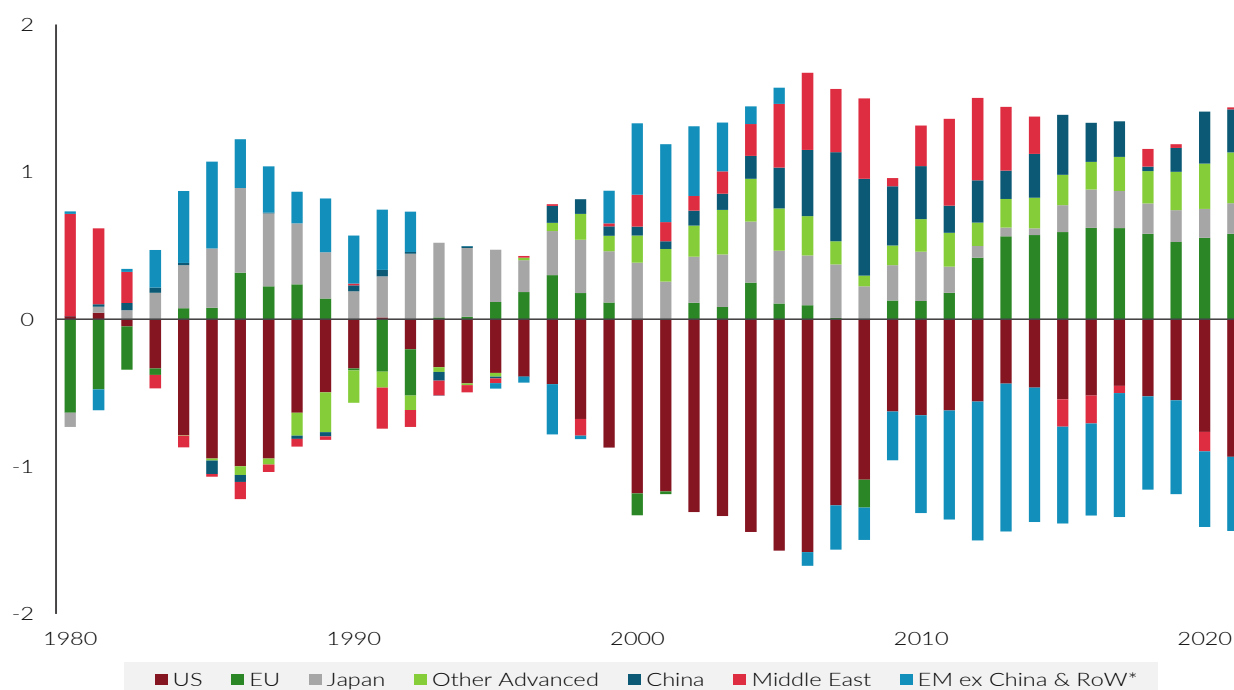
Corona and its economic fallout have changed the global current account balances again. The US current account deficit has nearly doubled on strong domestic goods demand, while exports recovered more slowly. The deficits of Emerging Markets ex China have declined on tighter payment conditions. China's surplus has increased sharply on increased global goods demand and softer domestic investment and consumption demand. Japan's surplus has remained unchanged, while the surpluses of the EU

and all other advanced economies increased moderately.

It would be a mistake to extrapolate these changes as new trends as they are largely driven by the Corona Pandemic and policy responses. The substitution of services with goods consumption has especially hurt the US current account and benefited the large goods exporters. Domestic demand has been weaker in countries with more restrictive social-distancing rules and stronger where governments have provided more fiscal stimulus. As the Pandemic fades, these factors are likely to ease as well.

However, the new infrastructure investment push, signs of much higher business investment as well as large amounts of unspent income could boost US domestic demand more permanently. Unless exports keep up with rising imports, the result could be a further deterioration of the US current account deficit. It is too early to be certain, but the risk that this leads to a new round of global imbalances is real.

**Current account balances (% of global GDP)**



Source: IMF and QCAM

\* Emerging Markets ex China and rest of world including statistical discrepancy that balances the global current account.

# Economy & Interest Rates

The spread of the Delta-variant and supply-side bottlenecks have resulted in economic data disappointments and higher inflation reports. In our view, these factors are temporary and unlikely to derail the global recovery. Mobility is increasingly decoupling from Corona cases where vaccination rates are high. 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 far away.

	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	-3.2	6.0	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	6.0	9.6	7.5	0.7	3.0	-1.8	-1.0	-10.9	-7.5	118	115
Euro-area	-6.5	5.0	8.0	8.0	0.3	2.5	2.2	3.0	-7.2	-8.0	98	100
Sweden	-2.8	5.0	8.3	7.5	0.7	2.5	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	2.5	-3.9	-4.0	-13.5	-12.0	104	107
Japan	-4.7	2.5	2.8	3.0	0.0	0.0	3.3	3.5	-10.7	-9.0	255	257
Australia	-2.4	4.5	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	8.5	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	13.5	3.2	8.0	-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\*



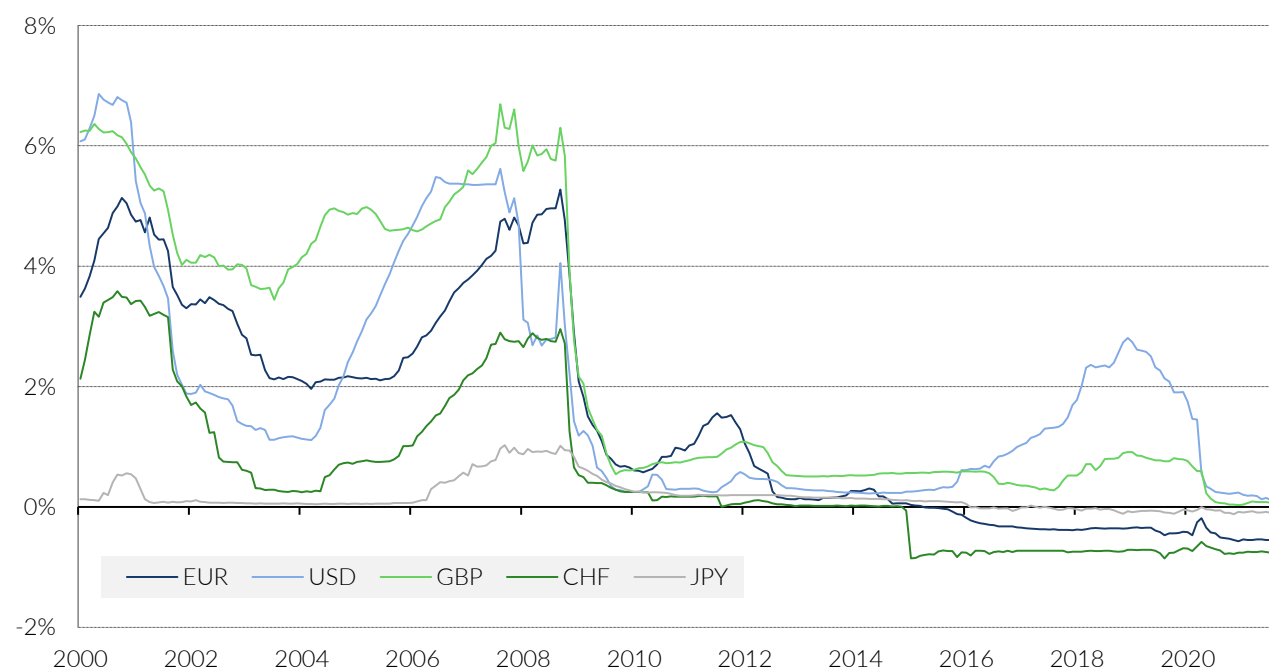
Source: OECD and QCAM, \*the last observations are QCAM estimates based on other surveys

## 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	0.07%	0.09%	0.08%	0.08%	1.05%	1.37%	1.32%	1.51%	0.68%	1.64%
EUR	-0.49%	-0.49%	-0.48%	-0.48%	-0.44%	0.04%	-0.07%	0.10%	-0.22%	0.13%
JPY	-0.03%	-0.04%	-0.03%	-0.05%	-0.06%	0.08%	0.04%	0.12%	0.05%	0.09%
GBP	0.06%	0.05%	0.05%	0.05%	0.37%	0.93%	0.87%	1.02%	0.37%	0.89%
CHF	-0.72%	-0.74%	-0.73%	-0.73%	-0.75%	-0.12%	-0.20%	-0.05%	-0.38%	-0.19%
AUD	0.03%	0.02%	0.03%	0.12%	0.59%	1.40%	1.34%	1.62%	0.82%	1.52%
CAD	0.20%	0.20%	0.20%	0.24%	0.96%	1.69%	1.72%	1.89%	1.05%	1.77%
SEK	-0.04%	-0.04%	-0.04%	-0.02%	-0.14%	0.69%	0.56%	0.80%	0.30%	0.62%
RUB	6.84%	6.65%	5.49%	4.15%	6.01%	7.31%	7.17%	7.40%	6.27%	7.46%
BRL	6.55%	5.53%	4.00%	1.42%	3.75%	10.94%	9.75%	8.77%	7.51%	8.44%
CNY	2.29%	2.21%	2.37%	2.47%	2.42%	2.69%	2.61%	3.05%	3.03%	2.97%
TRY	19.95%	19.95%	19.95%	12.29%	17.81%	16.81%	18.05%	18.37%	11.79%	14.96%
INR	3.47%	3.55%	3.44%	3.81%	4.76%	5.72%	5.86%	5.81%	5.15%	5.60%

### 3-month Libor



Source: QCAM Currency Asset Management, as of September 9th, 2021

# FX Markets

## FX Performance vs. PPP

FX markets traded in a range over the last month between global growth concerns and relief over the likely delay of Fed tapering. Notable was the intervention by the Swiss National Bank, which pushed EURCHF back to 1.09. EM currencies were mixed, but on balance slightly firmer versus the USD with the TRY making the most gains. Speculative posi-

tions have become on balance modestly long USD. Forward hedging remains cheap with premia below 1% across all major currency pairs. Actual and implied FX volatilities have on average declined slightly. PPP estimates continue to crawl gradually against the USD with the JPY most undervalued followed by the GBP and the EUR.

### 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	1.182	-3.32%	0.54%	0.19%	5.10%	1.29	1.15 - 1.43	-8%
USDJPY	110.280	6.76%	0.01%	4.11%	7.63%	94.24	83.6 - 104.8	17%
GBPUSD	1.377	0.88%	-0.69%	5.57%	3.58%	1.60	1.42 - 1.78	-14%
EURCHF	1.090	0.71%	1.26%	0.82%	-0.44%	1.06	1.00 - 1.12	3%
USDCHF	0.922	4.17%	0.72%	0.62%	-5.27%	0.84	0.75 - 0.94	10%
GBPCHF	1.270	5.09%	0.02%	6.22%	-1.87%	1.23	1.12 - 1.35	3%
CHFJPY	119.609	2.49%	-0.70%	3.47%	13.63%	93.35	82.5 - 104.2	28%
AUDUSD	0.737	-4.17%	0.29%	1.84%	-3.58%	0.77	0.68 - 0.86	-4%
USDCAD	1.267	-0.78%	0.82%	-3.99%	-1.97%	1.20	1.11 - 1.29	6%
USDSEK	8.625	4.95%	-0.48%	-2.04%	1.95%	8.08	7.15 - 9.01	7%
EURSEK	10.193	1.46%	0.05%	-1.85%	7.15%	8.66	8.12 - 9.20	18%
USDRUB	73.253	-1.26%	-0.28%	-3.92%	14.63%	54.26	45.9 - 62.6	35%
USDBRL	5.295	1.93%	1.29%	-0.63%	65.52%	3.52	2.90 - 4.14	50%
USDCNY	6.457	-0.69%	-0.38%	-5.73%	-3.33%	6.86	6.65 - 7.07	-6%
USDTRY	8.463	13.90%	-1.93%	13.05%	186.56%	5.51	4.38 - 6.64	54%
USDINR	73.803	1.02%	-0.54%	0.22%	10.74%	69.42	64.4 - 74.4	6%

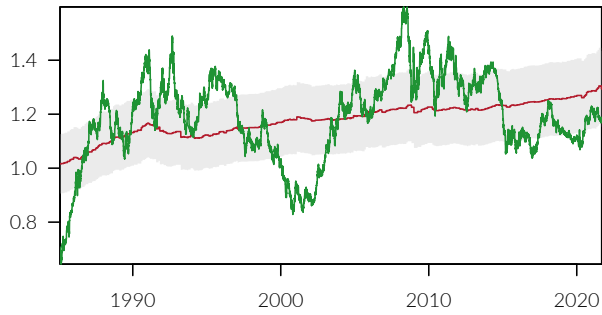
<sup>1</sup> Performance over the respective period of time, in percent

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

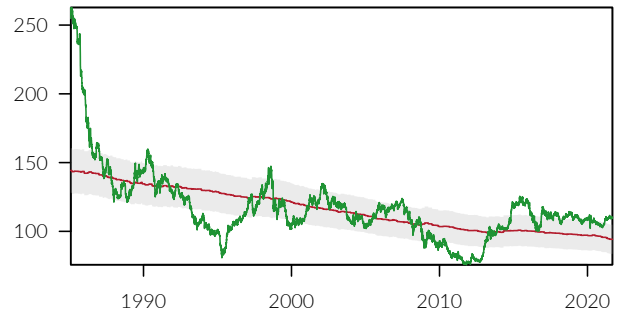
<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity

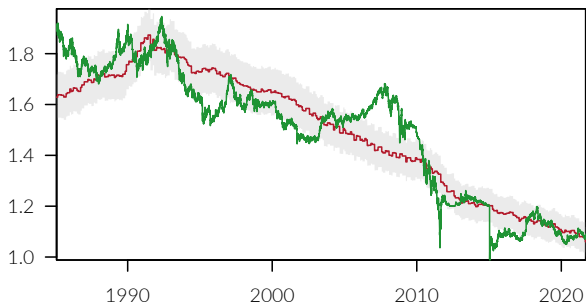
**EURUSD**



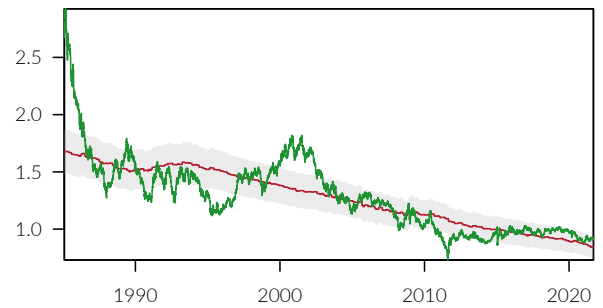
**USDJPY**



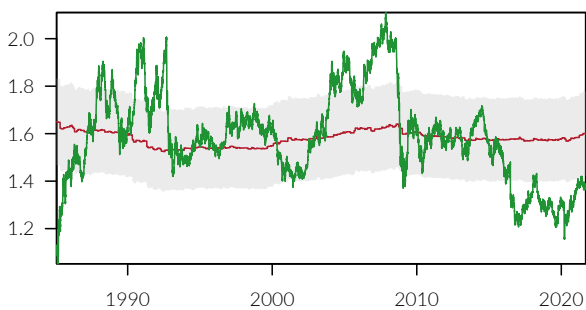
**EURCHF**



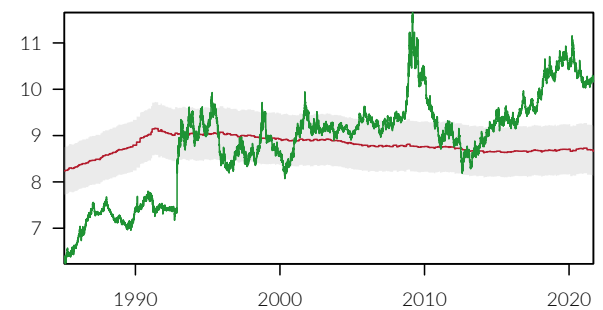
**USDCHF**



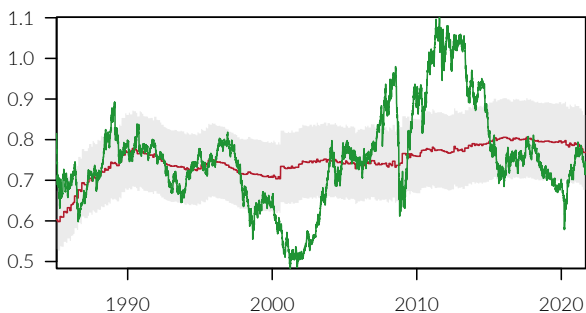
**GBPUSD**



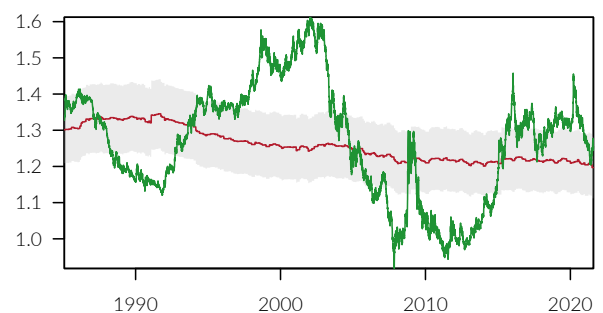
**EURSEK**



**AUDUSD**



**USDCAD**



— PPP — Spot — Neutral Range

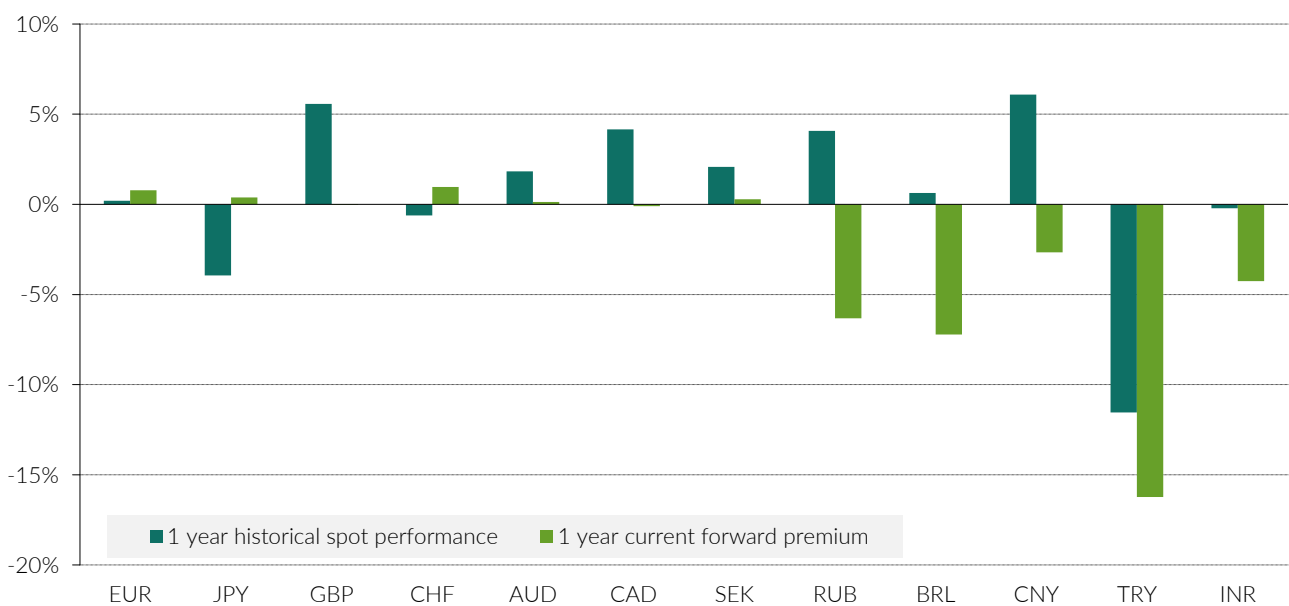
Source: QCAM Currency Asset Management, as of September 9th, 2021.

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.182	1.1827	1.1840	1.1911	0.71%	0.70%	0.76%
USDJPY	110.280	110.2527	110.2056	109.8524	-0.28%	-0.27%	-0.38%
GBPUSD	1.377	1.3772	1.3773	1.3766	0.08%	0.05%	-0.03%
EURCHF	1.090	1.0896	1.0892	1.0877	-0.18%	-0.18%	-0.19%
USDCHF	0.922	0.9214	0.9200	0.9132	-0.89%	-0.89%	-0.94%
GBPCHF	1.270	1.2689	1.2671	1.2572	-0.82%	-0.84%	-0.98%
CHFJPY	119.609	119.6745	119.7966	120.3038	0.62%	0.62%	0.57%
AUDUSD	0.737	0.7374	0.7376	0.7383	0.19%	0.16%	0.13%
USDCAD	1.267	1.2670	1.2671	1.2681	0.05%	0.05%	0.09%
USDSEK	8.625	8.6225	8.6188	8.5999	-0.29%	-0.27%	-0.28%
EURSEK	10.193	10.1973	10.2046	10.2432	0.43%	0.43%	0.48%
USD RUB	73.253	73.6801	74.4454	78.1886	6.37%	6.44%	6.65%
USDBRL	5.295	5.3178	5.3754	5.7061	4.80%	6.04%	7.63%
USDCNY	6.457	6.4738	6.5029	6.6336	3.01%	2.84%	2.68%
USDTRY	8.463	8.6097	8.8616	10.1042	18.85%	18.61%	19.12%
USDINR	73.803	74.0140	74.4910	77.0901	3.43%	3.69%	4.39%

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



Source: QCAM Currency Asset Management, as of September 9th, 2021.



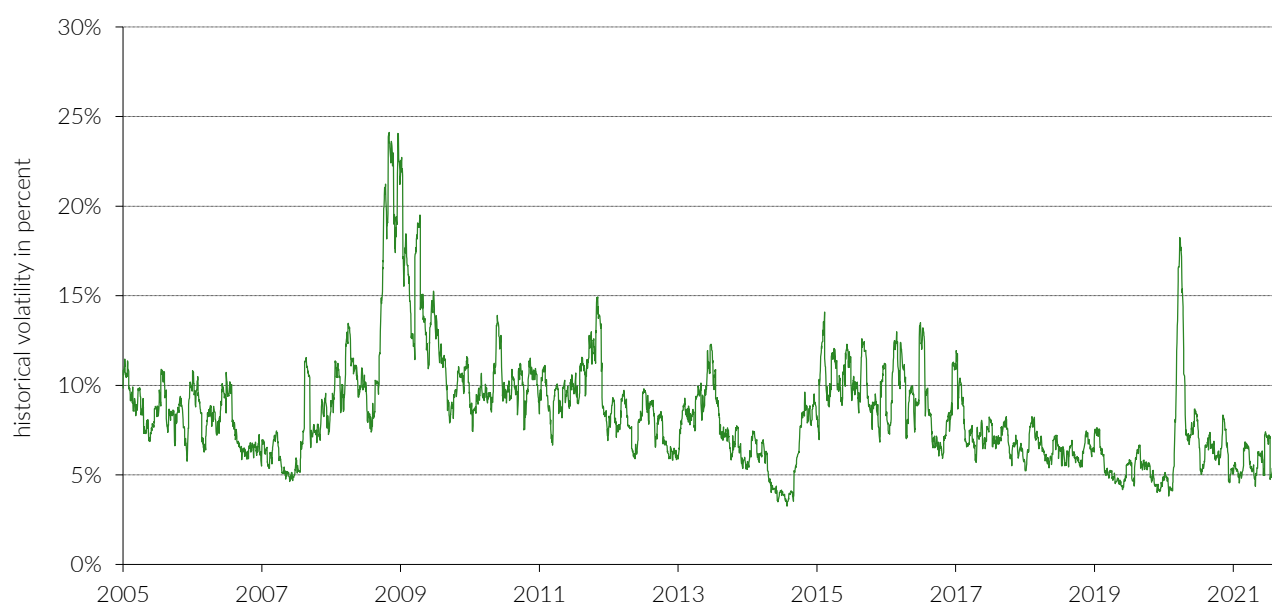
## FX Volatility

### 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	1.182	5.54%	5.84%	6.45%	6.39%	5.18%	5.40%	8.10%	6.90%
USDJPY	110.280	4.97%	5.54%	6.10%	7.08%	5.48%	5.68%	8.60%	7.71%
GBPUSD	1.377	6.61%	6.25%	7.91%	8.56%	6.30%	6.48%	10.75%	9.00%
EURCHF	1.090	3.93%	2.99%	4.58%	4.09%	4.22%	3.85%	5.50%	5.14%
USDCHE	0.922	7.26%	6.76%	6.75%	6.45%	5.90%	5.78%	7.83%	6.75%
GBPCHF	1.270	6.08%	5.21%	6.93%	8.02%	6.33%	6.20%	9.30%	8.48%
CHFJPY	119.609	5.91%	5.83%	6.34%	6.24%	5.43%	5.65%	7.48%	7.09%
AUDUSD	0.737	9.27%	8.62%	8.05%	8.52%	8.95%	8.78%	11.23%	8.95%
USDCAD	1.267	8.85%	7.68%	5.37%	6.59%	7.20%	6.70%	7.45%	6.82%
USDSEK	8.625	8.56%	8.47%	8.00%	8.49%	7.70%	7.85%	10.33%	8.83%
EURSEK	10.193	4.30%	3.95%	4.40%	5.54%	4.65%	4.73%	6.15%	6.07%
USDRUB	73.253	6.91%	6.77%	12.28%	12.11%	10.17%	10.48%	16.36%	12.64%
USDBRL	5.295	16.52%	15.45%	19.42%	14.42%	16.82%	17.55%	21.50%	15.38%
USDCNY	6.457	3.88%	4.11%	3.38%	4.44%	4.30%	4.58%	6.33%	5.25%
USDTRY	8.463	10.87%	12.46%	8.94%	15.58%	15.50%	15.10%	19.00%	16.78%
USDINR	73.803	4.86%	4.58%	4.94%	5.42%	4.93%	5.20%	7.20%	6.30%

<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: QCAM Currency Asset Management, as of September 9th, 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

Discretionary macro positions remain neutral given near-term uncertainties except for EURSEK. Business Sentiment positions are a good mix of longs and shorts with the balance now roughly neutral versus the USD. Technical positions are less pronounced and mixed given recent range-trading.

## Overview<sup>1</sup>

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	+	-	Macro remained neutral, Business Sentiment stayed moderately long and Technical switched to short
USDJPY	0/-	++	0	Discretionary Macro remained neutral, Macro interest rates stayed long JPY, Business Sentiment remained short JPY and Technical moved to neutral
EURCHF	0	-	+	The balance of CHF strategy positions is neutral versus the EUR and long versus the USD. The main CHF support comes from Business Sentiment, while Technical switched to short versus the EUR and long versus the USD
USDCHF	0	--	-	Macro and Technical remain unchanged, while Business Sentiment switched to short GBP
GBPUSD	0	--	-	All strategy positions shifted, most notably in Business Sentiment, with the balance now short SEK
EURSEK	-/0	++	+	All strategy positions are unchanged, leaving the balance short CAD
USDCAD	0/+	++	0	

<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

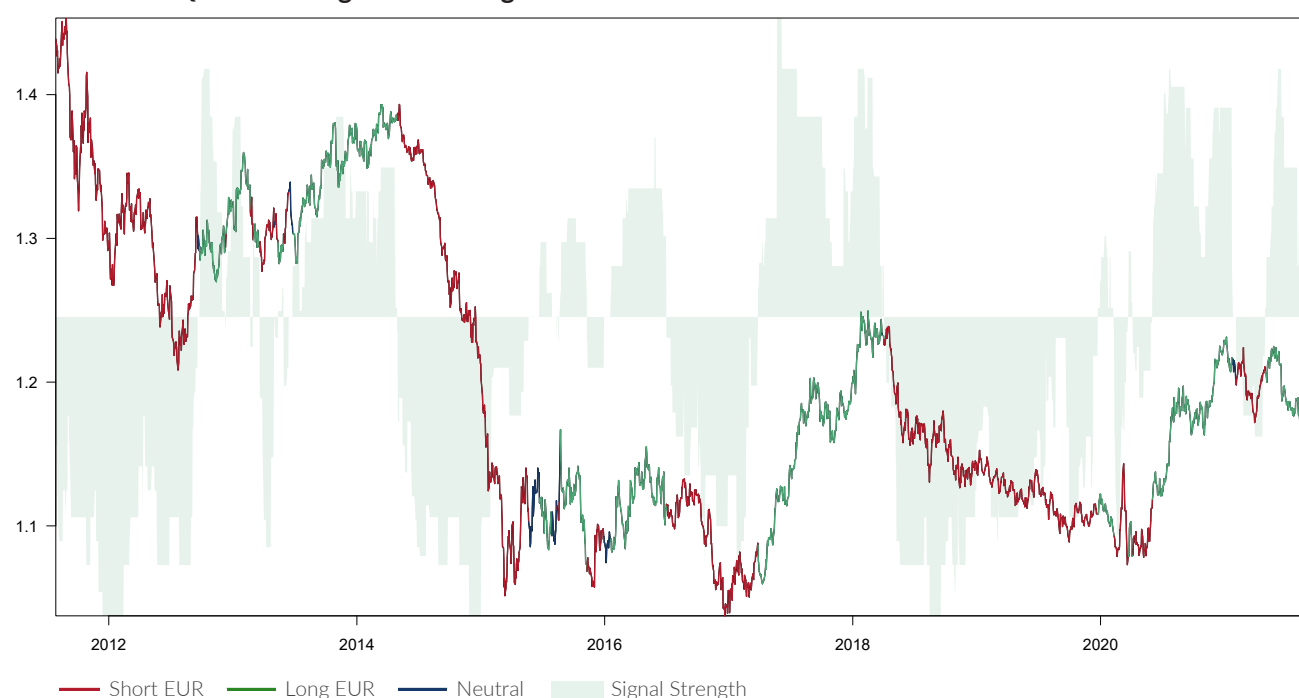
## EURUSD

We remain negative on the USD on fundamental grounds (data 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, Corona and the upcoming German election. Technical turned short EUR and only Business Sentiment is still moderately long EUR. On balance, we expect range trading in the near-term.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	The gap between the US deficit the Euro-area surplus is consolidating
	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 despite delayed Fed "tapering" expectations
	Oil prices	0	Oil price seen range-bound on gradual supply increases
<b>Sentiment</b>	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 (e.g. German election or US budget)
<b>Technical</b>	Price Action	-	Price technicals have shifted to short EUR
	Spec Positions	0	The large EUR overbought position has disappeared
	PPP Valuation	+	EUR undervaluation is around 8%

### EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

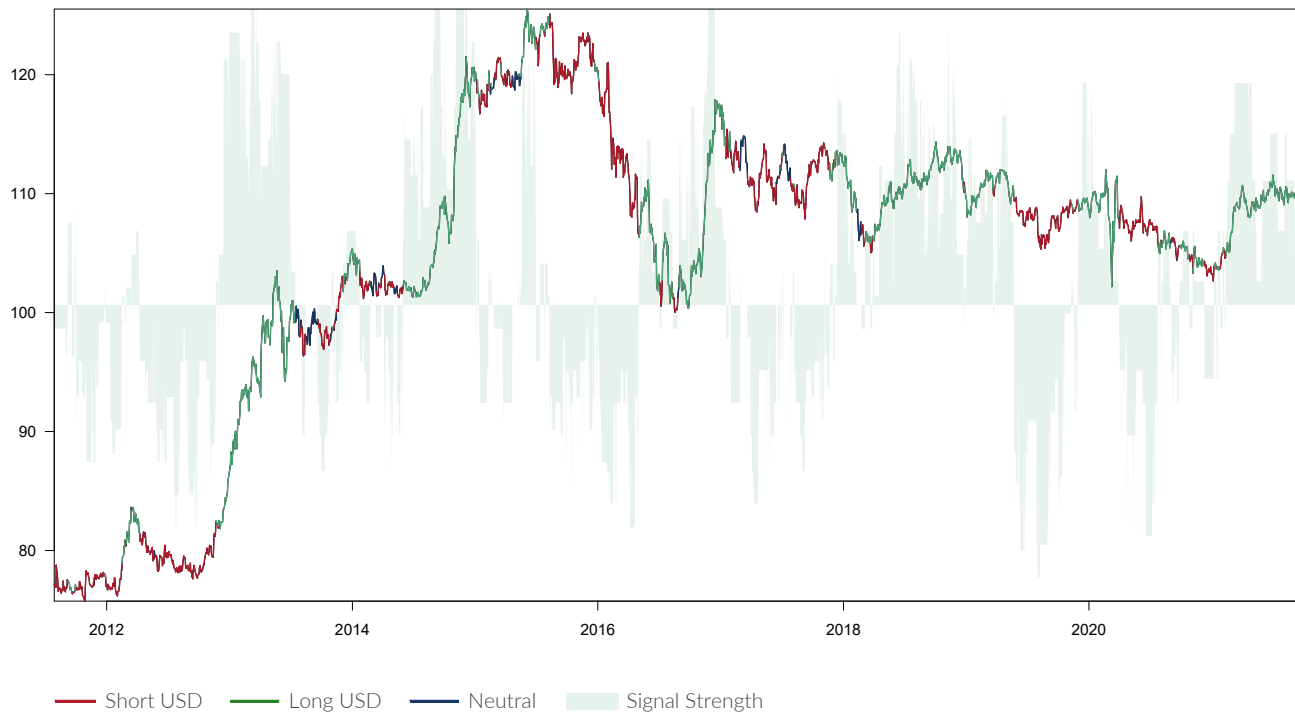
## USDJPY

We maintain the neutral discretionary position. We like the JPY in terms of valuation and external surplus, but the recovery momentum is too slow and the change of Premiership adds some uncertainty. Business Sentiment remains short JPY. The Macro

interest rate model stayed long JPY, which is partly a reflection of risk aversion, and Technical moved to neutral. As a result, the overall short JPY position declined a bit further.

	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	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
<b>Sentiment</b>	Business Sentiment	--	Japanese surveys still trailing US surveys
	Risk Sentiment	0	Risk aversion is easing
<b>Technical</b>	Price Action	0	Price action shifted to neutral JPY
	Spec Positions	0/+	Net short JPY position increased 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 on rising risk aversion until the interventions by the SNB. Fundamentally, CHF and EUR are in balance, but the SNB is likely to intervene again if EURCHF approaches 1.07. As a

result, we prefer a neutral macro position. Business Sentiment is modestly long CHF and Technicals are short CHF, leaving the balance of all strategies at neutral.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	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	-	The SNB intervened towards 1.07 and is likely to remain on alert
<b>Sentiment</b>	Business Sentiment	0/+	Swiss economy is catching up with the Euro-area in the surveys
	Risk Sentiment	0/+	Risk conditions look more balanced going forward but the CHF seems to benefit a bit from risk aversion in FX
<b>Technical</b>	Price Action	-	Technicals picked up quickly on the SNB intervention and turned short
	Spec Positions	0	Net long CHF position declined and is unlikely to trigger a correction
	PPP Valuation	-	CHF at around fair-value versus the EUR

### EURCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

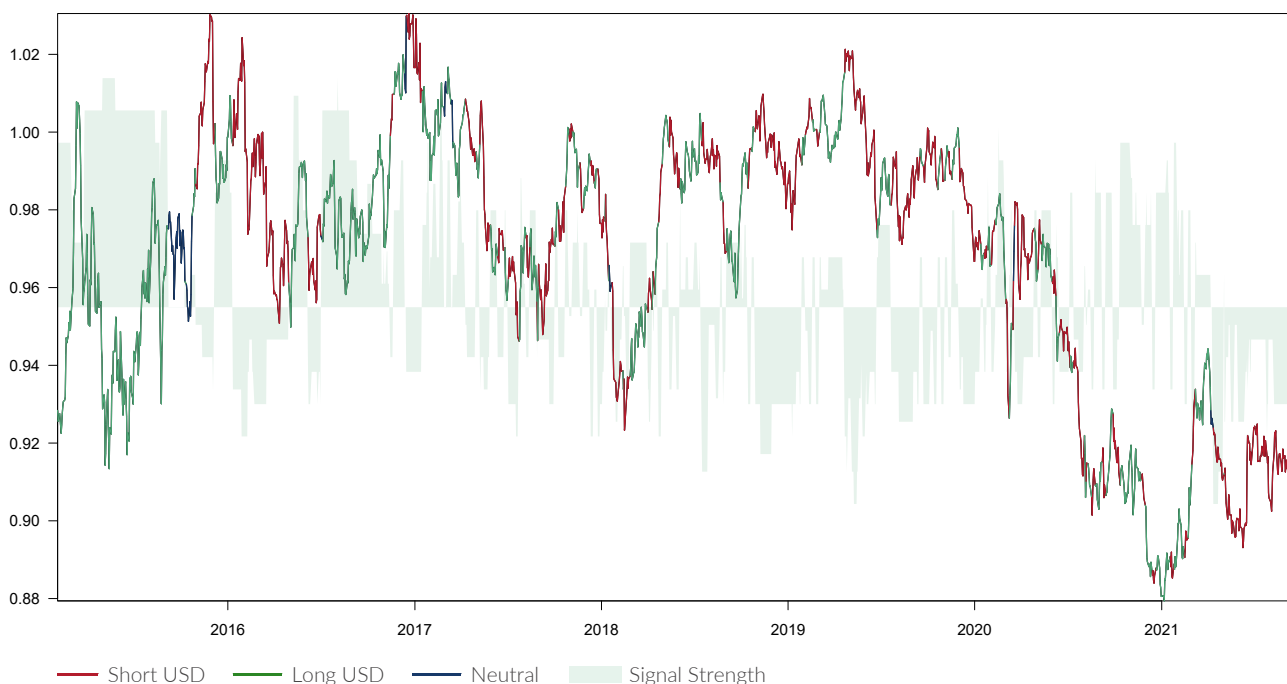
## USDCHF

With the neutral EURCHF Macro view and the neutral EURUSD position, we also remain neutral CHF versus the USD. Fundamentals, especially the current account surplus, are CHF favorable. Easing risk aversion may

work against the CHF but Business Sentiment remains long CHF and Technicals have turned long CHF as well. The long CHF balance of strategy positions is rising.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	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 remains present
	SNB Policy Intervention	0	SNB tied to EURCHF intervention risk
<b>Sentiment</b>	Business Sentiment	++	Swiss surveys are stronger than US surveys
	Risk Sentiment	0	Risk aversion likely to ease
<b>Technical</b>	Price Action	+	Technicals have shifted long CHF
	Spec Positions	0	Net long CHF position has fallen and unlikely to trigger correction
	PPP Valuation	0	CHF is about 10% undervalued versus USD

### USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

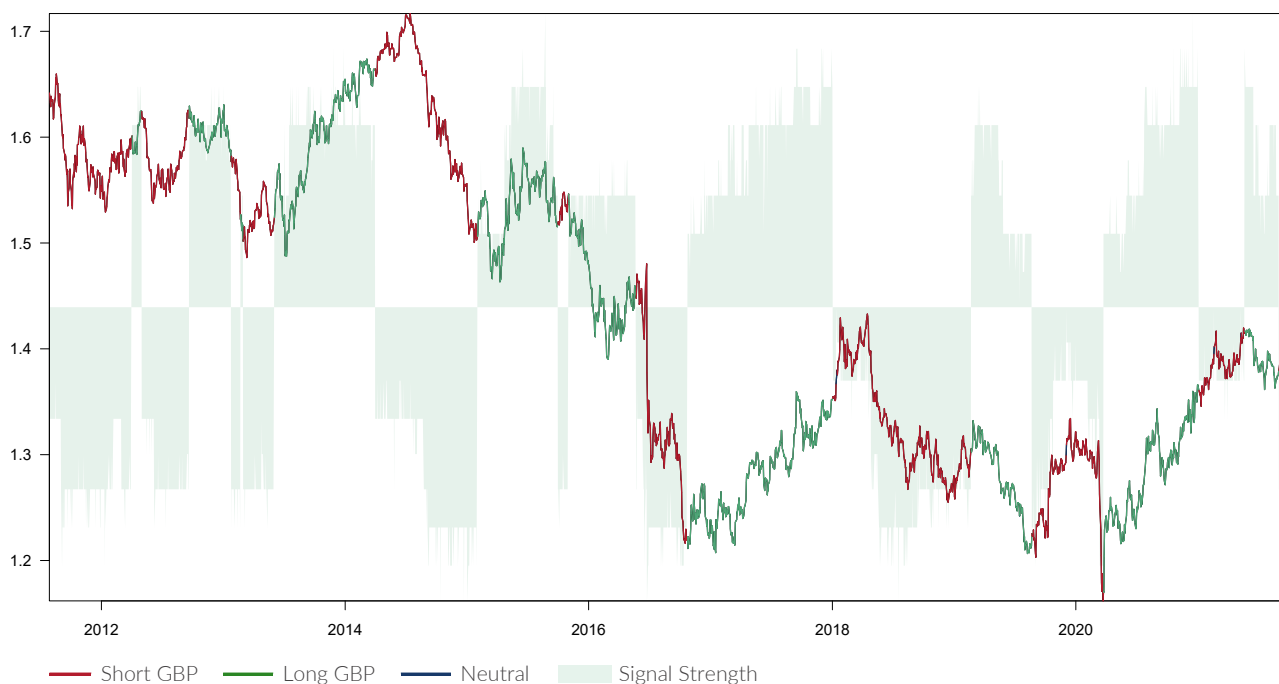
## GBPUSD

Our Macro position remains neutral on the GBP but Business Sentiment has shifted to short GBP, while Technicals remain short GBP. As a result, the balance of strategies is now 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
<b>Macro</b>	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
<b>Sentiment</b>	Business Sentiment	--	Momentum in UK surveys has fallen behind US surveys
	Risk Sentiment	0	Risk factors look more balanced but there is potential for slippage on either side
<b>Technical</b>	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

We re-entered the long SEK discretionary Macro position. Sweden's fundamentals remain sound, the SEK is undervalued and may benefit from uncertainties following the German election. Otherwise,

the balance of strategy positions is short SEK. Business Sentiment and Technicals both shifted to short SEK, while the interest rate Macro model moved to neutral.

	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 rate model switched to neutral
<b>Sentiment</b>	Business Sentiment	-	Surveys have shifted short SEK
	Risk Sentiment	0/+	Risk issues seem balanced but the SEK could profit from increased uncertainties after the German election
<b>Technical</b>	Price Action	-	Technicals have shifted to short SEK
	PPP Valuation	+	The SEK is roughly 15% undervalued versus the EUR

### EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management



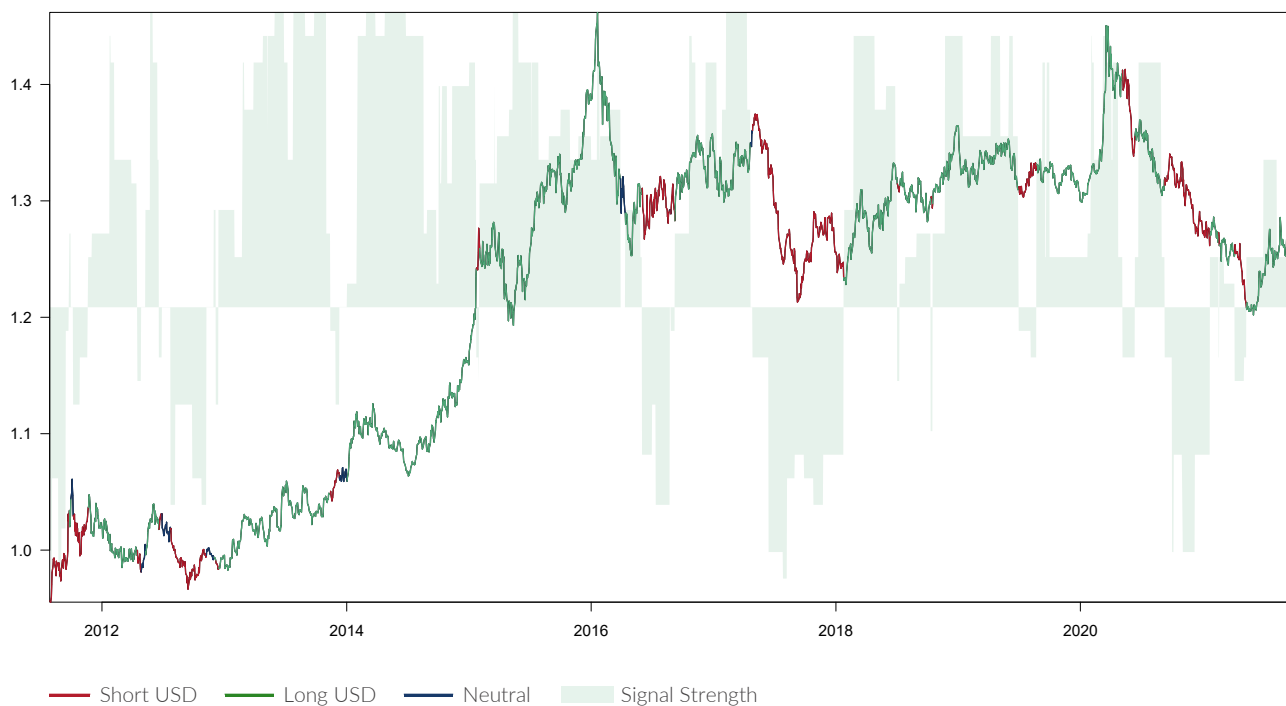
## USDCAD

The CAD had a good run this year until the June Fed meeting. Oil prices are also stalling and the snap election creates additional uncertainty. All our strategy positions remain unchanged (discretionary Macro

neutral, Macro oil-price model short CAD, Business Sentiment short CAD and Technicals neutral). Overall, the balance of strategies is short CAD.

	FX Factors	CAD Impact	Comment
<b>Macro</b>	Current Account Balances	+	Canada's current account deficit has turned into a small surplus, while the US deficit remains so far stubbornly large
	Oil Prices	0/-	Market forecasts are now below current oil prices
	Interest Rate Differentials	0	USD and CAD interest rates are close
	USD DXY Trend	0	Neutral range given mix of uncertainties
<b>Sentiment</b>	Business Sentiment	-	Canada still trails the US in the surveys
	Risk Sentiment	0/-	The Canadian snap election creates some uncertainty
<b>Technical</b>	Price Action	0	The balance of short and long term technicals remains neutral
	Spec Positions	0	Net long CAD position declined towards neutral
	PPP Valuation	0	CAD is about 6% 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.**

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## Currency Overlay

Risks under control – opportunities in sight: QCAM Currency Overlay offers customised solutions for individual needs and investment goals. Our Passive Overlay focuses on risk management, reduction of transaction costs and the customer specific management of resulting cash flows. Our Dynamic Overlay aims to generate returns based on QCAM’s proprietary FX Analytics, embedded in a strict risk budgeting framework.

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## FX Best Execution

With larger foreign currency transactions, even a small difference in pricing leads to a major impact on costs and revenues. While it is unattainable for most players to keep the full overview of the deals available in the market, independence and transparency are essential. We carry out a Transaction Cost Analysis for our clients to evaluate potential cost savings. Also, QCAM assists its clients in the design of an optimal multibank-setup and conducts clients FX transactions transparently, independently and in the client’s best interests.



## Optimized Liquidity Management

QCAM’s Optimized Liquidity Management Strategy «OLM» enhances yield via the use of the FX interbank swap-market. Also, we take advantage from excellent conditions which we receive from our large pool of partner banks and highly rated debtors for money market and currency transactions QCAM’s OLM strategy has outperformed its peers for many years on a constant basis.

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## 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

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- Client focused solutions, tailored to each individuals requirements

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- Independent selection of suitable external services providers

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- No principal-agent conflicts

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- Transparent fee model – no hidden costs

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- Transparent reporting

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