

November 2021

QCAM MONTHLY

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QCAM Insight

A chance for volatility

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Currency performances diverged in October. The USD was broadly stable, but the JPY fell while most other major currencies rallied. The different currency moves reflect the market's repricing of changing monetary policy positions. The divergence may also lead to more FX volatility as central banks focus more on inflation and less on financial stability. But now is still a good time to hedge positions and buy option volatility as protection.

The USD DXY moved in a range in October with mixed bilateral outcomes. The USD was up versus the JPY, flat versus the EUR and down versus AUD, CAD, CHF, SEK and GBP. The outcome of this week's Fed meeting was as expected as far as the start of tapering is concerned but the statement was vague about the direction of policy going forward. The Fed wants to see more improvement in labor market conditions and hopes that inflation will ease next year.

We shifted our discretionary macro positions to neutral before the Fed meeting and the outcome of the meeting leaves us comfortable maintaining those positions for now. In contrast, our FX BIAS remains long the USD versus all other basket currencies as business surveys elsewhere showed lower momentum than the US surveys.

Central banks start to move

The Fed is not alone in adjusting policy. The BoC stopped QE, the RBA suspended its yield target, the SNB loosened its tight management of EURCHF, the ECB said that PEPP will end in March and the BoE is expected to raise interest rates later today. Among

major central banks, only the BoJ has not yet signaled a near-term change in its policy stance.

The change since September in 1-month OIS rates 12-months forward shows how much the market has revised its interest rate expectations (see chart). The USD sits in the middle with 40bps expected additional interest rate increases. The market expects more interest rate increases for the NZD, the AUD, the CAD and the GBP. All four currencies have also appreciated versus the USD since the end of September.

On the other side of the spectrum is the JPY with no expected interest rate hikes and the EUR with only modest expected interest rate increases. The JPY fell versus the USD since the end of September and the EUR was roughly stable. Surprising at first sight is the strong performance of NOK, SEK and CHF versus the USD. There are some idiosyncratic reasons, but all three currencies have in common that the market seems to think that their central banks will allow some decoupling from the EUR, which is also reflected in the expectation of somewhat larger interest rate increases.

A chance for more volatility

Low growth, inflation and interest rates helped keeping currency volatility in check over the last decade. With inflation not an acute concern, central banks could focus on maintaining financial stability to safeguard growth. FX market participants had little appetite to bet against central banks. To the opposite, there was money to be made by selling option volatility. This was particularly attractive in a low yield environment when actual volatility fell in line with implied volatility.

Volatility-adjusted carry trades, for example, were still attractive even as interest rate differentials declined. Thus, market behavior reinforced central bank actions.

This is changing now as inflation is on the rise. We think frictions caused by the Pandemic will fade next year and reduce inflation rates. Still, a return to the low inflation conditions of the previous decade seems unlikely to us. Thus, central banks will have to pay more attention to inflation. The result is likely to be more divergence in central bank policy depending on the cycle state of each economy and inflation pressures. For market participants, this creates also more opportunities to position on policy outcomes and reduces the appeal of selling option volatility.

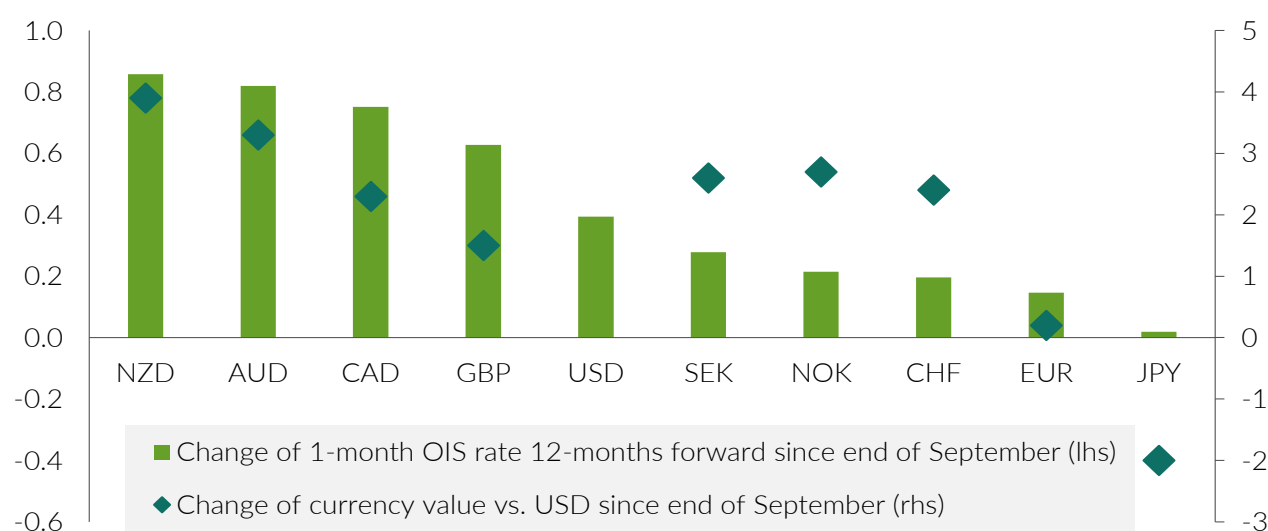
To be sure, volatility does not rise on its own simply because the forces that held it down are fading. Volatility needs surprises as triggers. Unfortunately, there is no shortage of potential shocks. The

threat from Corona is declining but not gone. The energy shortage could intensify and inflation pressures could get worse. Emerging markets are vulnerable and could face a crisis (e.g. Turkey). Geopolitical tensions are on the rise, especially between China and the US. BREXIT could intensify separatist movements in Scotland and Northern Ireland. Debt sustainability may become a problem in parts of the Euro-area. Moreover, central banks could become fickle while trying to balance conflicting policy objectives.

Still a good time to hedge

At the moment, actual and implied currency volatilities are still low by historical standards (see page 8). Moreover, interest rate differentials, while rising, are still low as well (see page 4). Thus, this is still a good time for FX market participants who aim to safeguard their receipts in their home currency to lock in attractive hedges through forward markets (see page 7) or buy option volatility as protection.

OIS rate changes vs. exchange rate changes since the end of September (% both scales)



Source: QCAM

Economy & Interest Rates

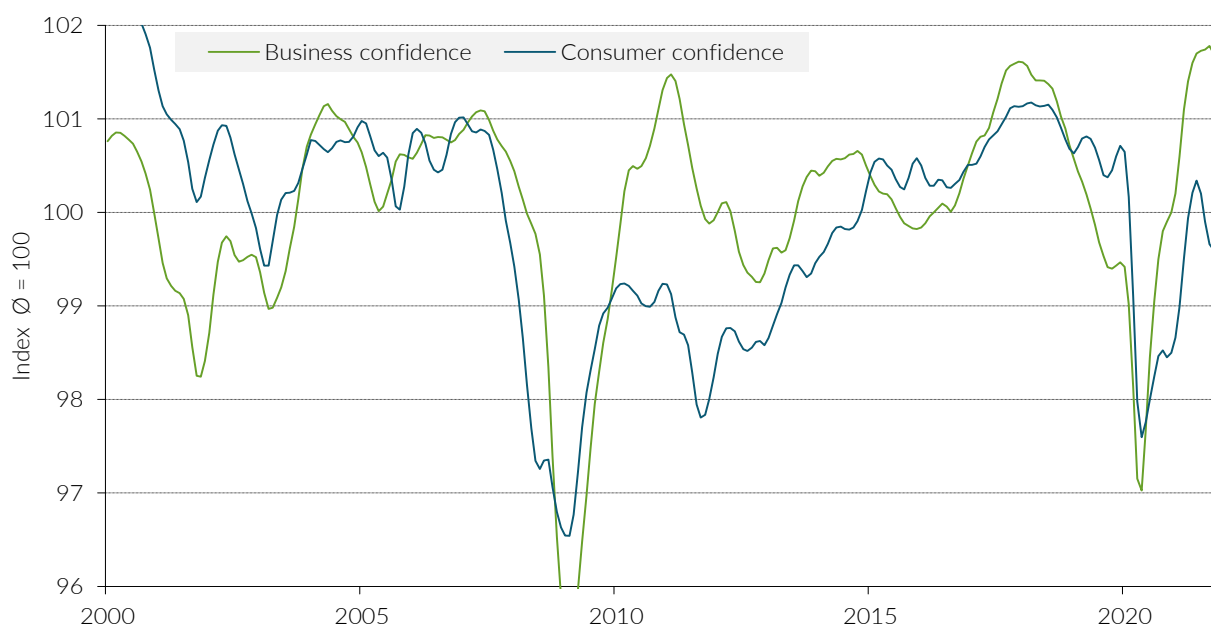
Global growth concerns (Delta-variant, supply-side bottlenecks, China) are showing up in softer data releases as well as downward growth revisions. In our view, these factors are temporary and unlikely to derail the global recovery. Mobility is increasingly decoupling from Corona cases. The healing of corporate balance sheets and labor market distur-

tions is advancing and business investment is strong. Fiscal policy is adjusting as the pandemic fades but debt levels remain high. Inflation pressures are expected to moderate next year. Central banks are starting to normalize policy, but at different speeds, while a shift to outright restrictive monetary conditions still seems distant.

	Real GDP growth ¹		Unemployment rate ¹		Inflation rate ¹		Current account ²		Fiscal balance ²		Public debt ²	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Global	5.9	4.8	n.a.	n.a.	3.2	3.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	5.2	4.5	n.a.	n.a.	3.1	2.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	5.5	3.5	5.5	4.0	4.5	3.5	-3.5	-2.5	-11.0	-6.0	133	131
Canada	5.5	3.5	7.5	5.5	3.1	2.0	0.2	-1.5	-6.5	-7.5	110	105
Euro-area	5.0	5.0	7.5	7.0	2.5	2.5	2.7	2.7	-7.7	-4.0	99	97
Sweden	4.0	3.5	9.0	8.0	2.0	2.0	4.0	5.0	-3.0	-1.0	40	40
Switzerland	3.5	3.0	3.0	3.0	0.5	0.5	4.3	3.0	-2.5	-0.5	43	42
UK	7.0	5.0	4.5	4.0	2.5	4.0	-3.4	-3.0	-12.0	-6.0	109	107
Japan	2.5	3.5	2.8	2.5	0.0	0.5	3.3	3.2	-9.0	-4.0	257	254
Australia	4.0	3.5	5.5	5.0	2.5	2.0	1.3	-0.5	-8.5	-6.0	62	66
Emerging	6.8	4.5	n.a.	n.a.	3.3	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	8.0	5.0	4.1	4.0	1.0	2.0	1.5	0.5	-7.5	-7.0	69	72
India	8.5	7.5	n.a.	n.a.	5.0	5.0	-1.5	-2.5	-11.5	-10.0	91	90
Russia	4.5	2.5	5.0	4.5	6.5	5.5	4.5	3.0	-1.0	0.0	18	18
Brazil	5.0	1.0	14.0	13.5	8.0	6.5	-1.7	-3.0	-7.0	-7.5	91	92

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

OECD business and consumer confidence*



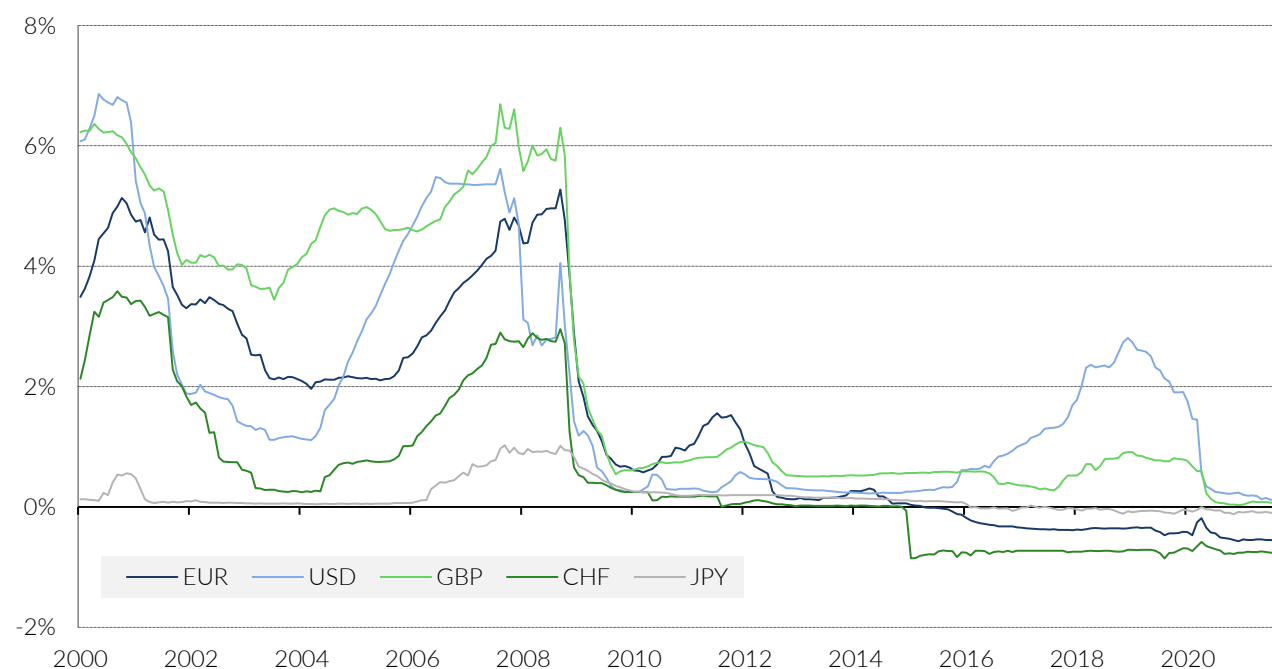
Source: OECD and QCAM, *the last observations are QCAM estimates based on other surveys

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%	0.09%	0.08%	0.94%	1.64%	1.48%	1.19%	0.90%	1.55%
EUR	-0.49%	-0.49%	-0.48%	-0.49%	-0.45%	0.21%	0.15%	-0.10%	-0.25%	0.09%
JPY	-0.03%	-0.02%	-0.05%	-0.04%	-0.06%	0.12%	0.11%	0.04%	0.06%	0.08%
GBP	0.28%	0.09%	0.05%	0.05%	0.34%	1.28%	1.17%	0.80%	0.46%	0.87%
CHF	-0.72%	-0.74%	-0.74%	-0.74%	-0.75%	0.13%	0.02%	-0.23%	-0.39%	-0.20%
AUD	0.04%	0.03%	0.03%	0.03%	0.51%	2.03%	1.65%	1.26%	0.79%	1.46%
CAD	0.24%	0.20%	0.19%	0.23%	0.88%	2.18%	1.92%	1.58%	1.17%	1.73%
SEK	-0.06%	-0.06%	-0.04%	-0.08%	-0.12%	0.96%	0.88%	0.53%	0.32%	0.60%
RUB	7.81%	7.05%	6.60%	4.20%	5.99%	8.76%	7.77%	7.14%	6.39%	7.38%
BRL	8.52%	6.95%	5.43%	1.43%	3.82%	12.08%	10.88%	9.44%	8.26%	8.42%
CNY	2.31%	2.31%	2.25%	2.38%	2.40%	2.76%	2.66%	2.64%	2.86%	2.94%
TRY	16.69%	18.80%	19.95%	16.17%	17.35%	19.55%	18.16%	17.31%	13.25%	14.89%
INR	3.71%	3.58%	3.49%	3.52%	4.60%	6.00%	5.92%	5.79%	4.96%	5.52%

3-month Libor



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

FX Markets

FX Performance vs. PPP

The USD was range bound in October, up versus the JPY, flat versus the EUR and down versus most other major currencies. In EM, the TRY fell sharply followed by BRL, while the RUB gained further ground (oil). Speculative long USD positions increased further but are not yet overextended. Forward hedging remains cheap with premia up to

12-months mostly still below 1%. Actual and implied FX volatilities increased slightly, but remain low by past standards. PPP estimates continue to crawl against the USD. Among major currencies, the JPY is most undervalued followed by the GBP and the EUR.

Overview

	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.158	-5.24%	-0.11%	-1.08%	4.24%	1.30	1.16 - 1.44	-11%
USDJPY	113.970	10.33%	2.68%	9.06%	10.64%	93.84	83.3 - 104.4	21%
GBPUSD	1.366	0.06%	0.72%	4.74%	9.74%	1.60	1.42 - 1.78	-15%
EURCHF	1.057	-2.31%	-1.97%	-1.10%	-2.31%	1.06	1.00 - 1.12	0%
USDCHF	0.913	3.12%	-1.83%	0.00%	-6.25%	0.84	0.74 - 0.93	9%
GBPCHF	1.247	3.17%	-1.14%	4.72%	2.85%	1.23	1.12 - 1.34	1%
CHFJPY	124.884	7.01%	4.62%	9.09%	18.05%	93.67	82.8 - 104.6	33%
AUDUSD	0.742	-3.54%	2.09%	3.66%	-3.32%	0.76	0.67 - 0.85	-2%
USDCAD	1.241	-2.78%	-1.83%	-5.66%	-7.33%	1.20	1.12 - 1.29	3%
USDSEK	8.582	4.43%	-1.94%	-3.05%	-4.28%	8.09	7.15 - 9.02	6%
EURSEK	9.922	-1.24%	-2.24%	-4.27%	-0.41%	8.69	8.15 - 9.22	14%
USD RUB	72.142	-2.76%	-0.85%	-8.96%	13.20%	54.39	46.0 - 62.8	33%
USDBRL	5.626	8.32%	4.65%	-2.21%	73.94%	3.58	2.95 - 4.20	57%
USDCNY	6.403	-1.52%	-0.45%	-4.18%	-5.45%	6.96	6.75 - 7.17	-8%
USDTRY	9.684	30.33%	9.24%	15.06%	211.12%	5.66	4.50 - 6.81	71%
USDINR	74.561	2.06%	0.52%	-0.15%	11.81%	69.61	64.6 - 74.7	7%

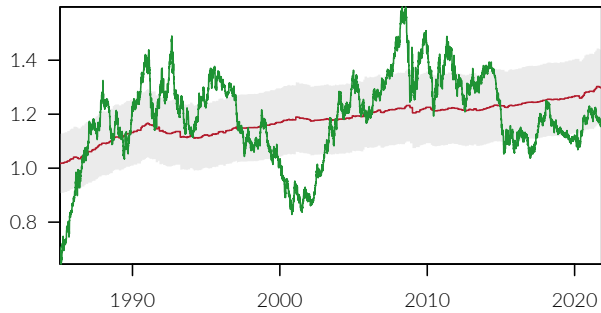
¹ Performance over the respective period of time, in percent

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

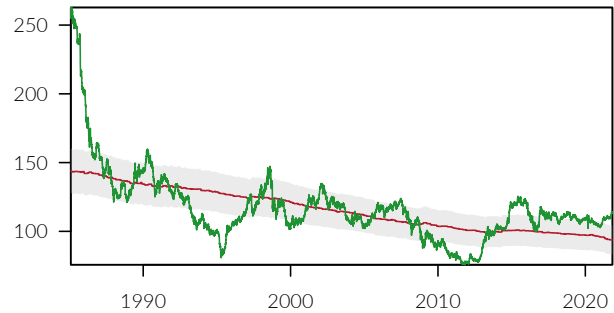
³ Deviation of the current spot rate from PPP, in percent.

Purchasing Power Parity

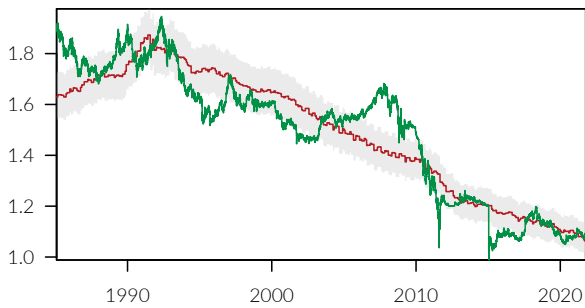
EURUSD



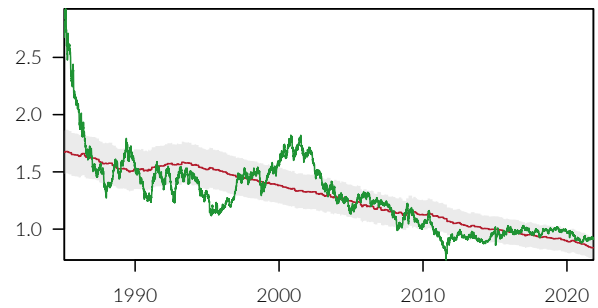
USDJPY



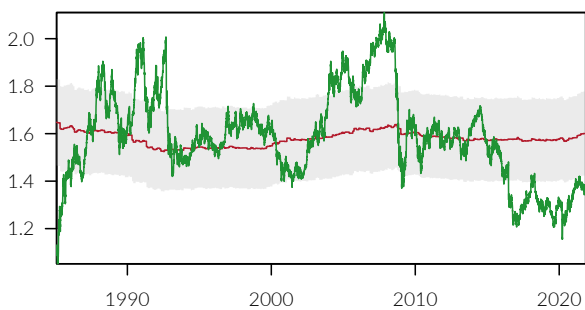
EURCHF



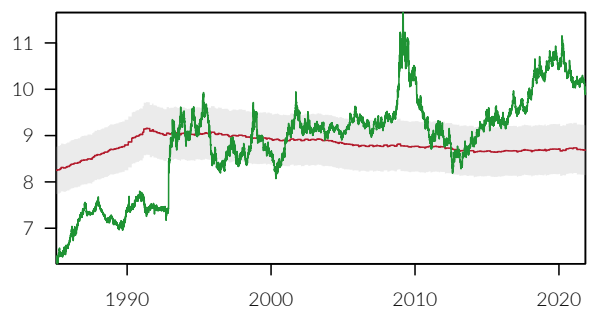
USDCHF



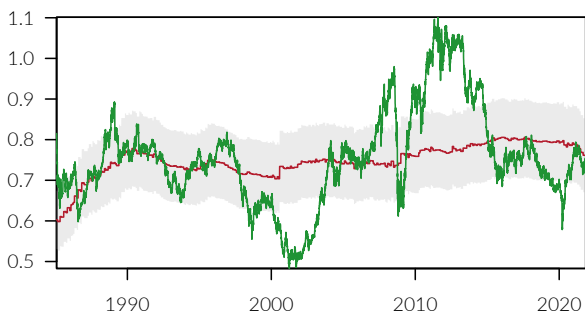
GBPUSD



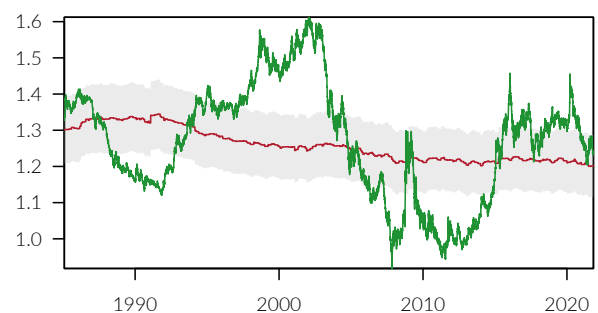
EURSEK



AUDUSD



USDCAD



— PPP — Spot — Neutral Range

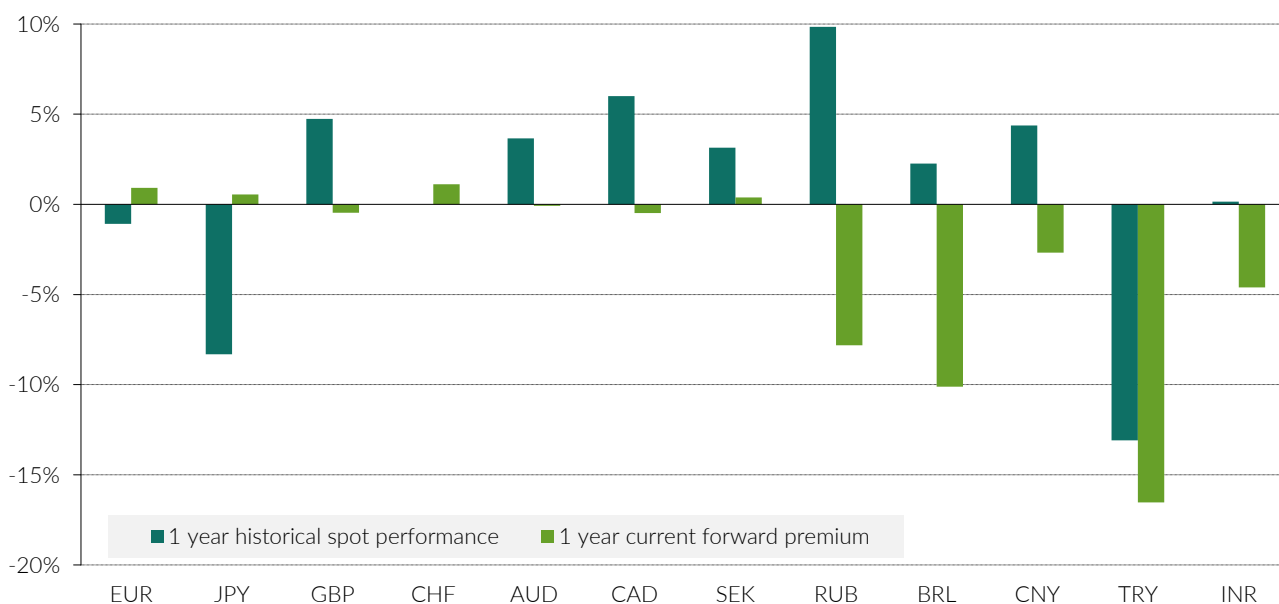
Source: QCAM Currency Asset Management, as of November 3rd, 2021.

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.158	1.1591	1.1611	1.1689	0.68%	0.90%	0.89%
USDJPY	113.970	113.9484	113.8349	113.3434	-0.22%	-0.45%	-0.54%
GBPUSD	1.366	1.3659	1.3660	1.3596	-0.03%	0.02%	-0.45%
EURCHF	1.057	1.0569	1.0566	1.0549	-0.25%	-0.19%	-0.20%
USDCHF	0.913	0.9121	0.9102	0.9027	-0.93%	-1.09%	-1.08%
GBPCHF	1.247	1.2456	1.2431	1.2271	-0.96%	-1.07%	-1.53%
CHFJPY	124.884	124.9603	125.0917	125.5829	0.71%	0.64%	0.55%
AUDUSD	0.742	0.7423	0.7426	0.7415	0.17%	0.20%	-0.09%
USDCAD	1.241	1.2413	1.2412	1.2474	0.04%	-0.04%	0.48%
USDSEK	8.582	8.5800	8.5706	8.5496	-0.27%	-0.51%	-0.37%
EURSEK	9.922	9.9256	9.9322	9.9741	0.40%	0.39%	0.51%
USD RUB	72.142	72.5659	73.5059	78.2601	7.04%	7.40%	8.36%
USDBRL	5.626	5.6593	5.7457	6.2591	6.83%	8.13%	11.03%
USDCNY	6.403	6.4169	6.4505	6.5789	2.54%	2.84%	2.70%
USDTRY	9.684	9.8209	10.0835	11.6016	15.93%	16.15%	19.53%
USDINR	74.561	74.8370	75.4208	78.1583	4.45%	4.51%	4.76%

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



Source: QCAM Currency Asset Management, as of November 3rd, 2021.

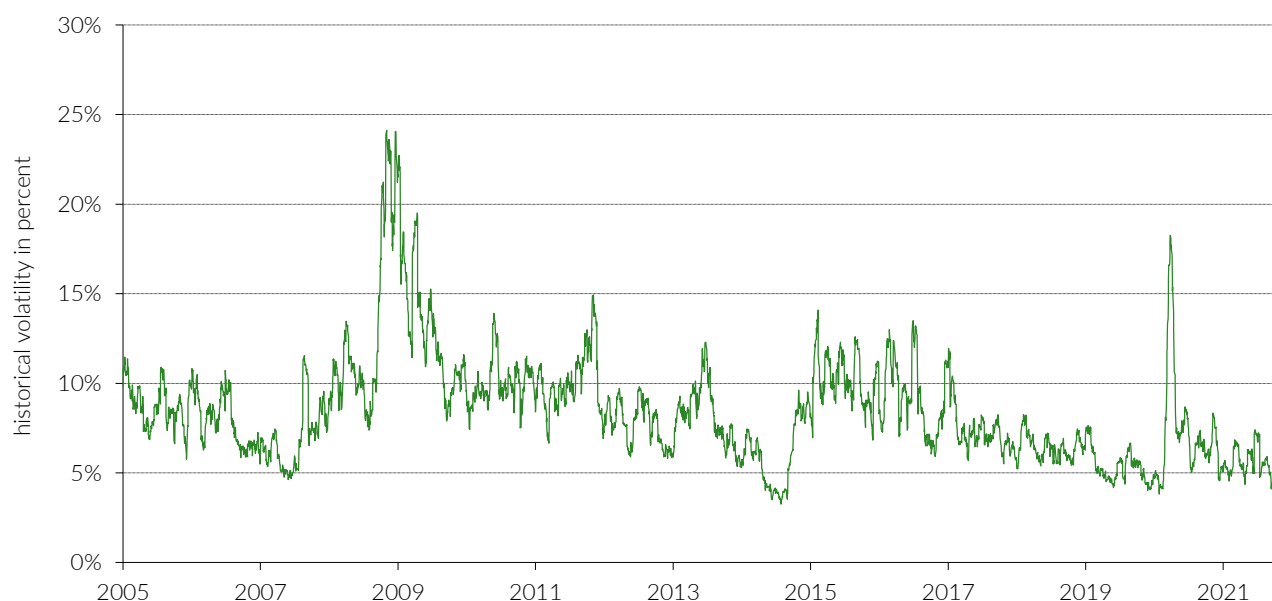
FX Volatility

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	1.158	4.75%	4.32%	6.28%	6.34%	5.28%	5.08%	7.33%	6.80%
USDJPY	113.970	5.20%	5.34%	5.63%	6.89%	6.55%	5.88%	7.28%	7.55%
GBPUSD	1.366	6.73%	6.71%	9.16%	8.37%	7.28%	7.23%	10.43%	8.89%
EURCHF	1.057	4.40%	4.30%	3.53%	4.10%	4.45%	4.03%	4.53%	5.11%
USDCHE	0.913	6.01%	6.35%	6.15%	6.42%	6.23%	6.18%	6.80%	6.68%
GBPCHE	1.247	6.58%	6.85%	8.02%	7.88%	7.05%	7.30%	9.45%	8.38%
CHFJPY	124.884	5.11%	4.83%	6.32%	6.08%	6.30%	5.72%	6.85%	6.93%
AUDUSD	0.742	8.71%	8.42%	9.11%	8.50%	9.10%	9.00%	10.70%	8.91%
USDCAD	1.241	7.04%	8.44%	6.11%	6.58%	6.40%	6.83%	7.68%	6.75%
USDSEK	8.582	7.83%	7.18%	9.09%	8.47%	8.13%	7.70%	10.28%	8.78%
EURSEK	9.922	4.80%	4.13%	5.54%	5.53%	4.97%	4.70%	6.95%	6.03%
USDRUB	72.142	8.15%	7.21%	12.88%	11.95%	11.08%	9.87%	17.36%	12.52%
USDBRL	5.626	14.25%	16.19%	14.71%	14.51%	17.65%	16.55%	18.75%	15.38%
USDCNY	6.403	3.31%	3.39%	4.76%	4.45%	4.20%	4.13%	7.08%	5.22%
USDTRY	9.684	11.22%	9.52%	10.16%	15.55%	19.77%	16.93%	22.52%	16.97%
USDINR	74.561	4.16%	4.00%	4.89%	5.43%	5.28%	5.09%	7.03%	6.27%

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

QCAM Volatility Indicator³



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

Source: QCAM Currency Asset Management, as of November 3rd, 2021.

FX Analytics

QCAM has developed an analytical framework to take scalable exchange rate positions. The QCAM exchange rate strategy for each currency pair has three principle components:

- **Macro**
- **Business Sentiment**
- **Technical**

The positioning signals from each component are aggregated into an overall positioning score for each currency pair. This score is used for the dynamic exposure management.

The Macro component consists typically of economic growth, balance of payments, fiscal and monetary policy and in some cases commodity fundamentals. The 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

We switched all discretionary macro positions to neutral before the Fed meeting and maintained those positions afterwards. Business Sentiment positions are all long USD. Technical positions are mostly long USD with the notable exception of the CAD. Striking is also the long Technical position of the CHF versus the EUR.

Overview¹

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	-	--	Macro switched from short EUR to neutral, while Business Sentiment and Technical stayed short EUR.
USDJPY	0/+	++	+	Discretionary Macro remained neutral, Macro interest rates switched to short JPY, while Business Sentiment and Technical stayed short JPY.
EURCHF	0	-	--	The balance of CHF strategy positions remains long versus the EUR but shifted from neutral to modestly short versus the EUR. The main CHF support comes from Technical versus the EUR.
USDCHF	0	++	0	
GBPUSD	0	--	-	Macro switched back to neutral, while Business Sentiment and Technical remained short GBP.
EURSEK	0/-	--	+	Business Sentiment switched from short to long SEK, while all other strategies remained unchanged.
USDCAD	0/+	++	--	Technical has turned from short to long CAD, while all other strategy positions remained unchanged.

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

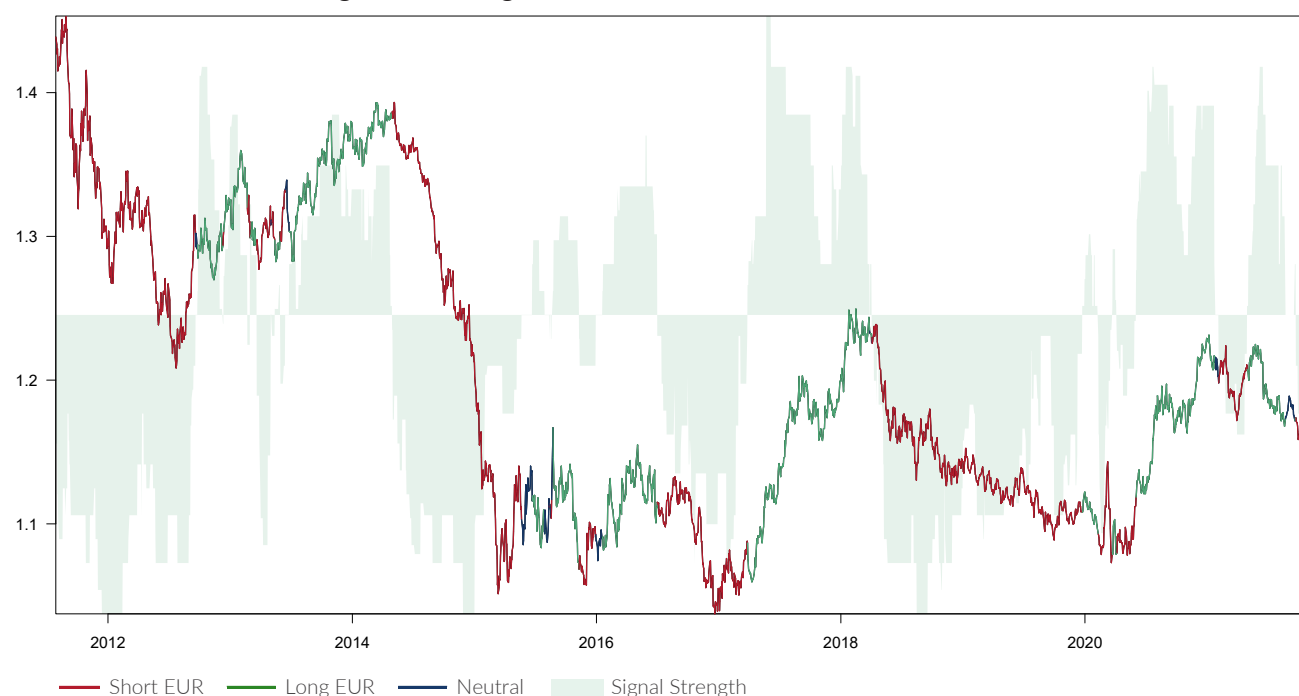
EURUSD

We shifted the discretionary Macro position to neutral before the Fed meeting and maintained that position as the outcome of the Fed meeting was priced in. The EUR remains supported by favorable

balances but the USD has higher interest rate expectations on its side. Business Sentiment and Technical stayed both short EUR. The balance of our strategy positions is about 50% short EUR.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The gap between the US deficit and the Euro-area surplus is consolidating
	Fiscal Balances	+	The US deficit has declined after the surge at the start of the year but remains high versus the EUR deficit
	Interest Rate Differentials	-	Interest rate differentials are positive for the USD given a less patient Fed
	Oil prices	0	Rising oil and gas prices have so far failed to support the EUR
Sentiment	Business Sentiment	-	The momentum in Euro-area surveys continues to lag the US
	Risk Sentiment	0	Global growth concerns support the USD versus the EUR but risks seem otherwise balanced on both sides
Technical	Price Action	-	Price technicals are firmly short EUR
	Spec Positions	0	The large EUR overbought position has disappeared
	PPP Valuation	+	EUR undervaluation is around 11%

EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

USDJPY

We maintain the neutral discretionary Macro position. The JPY has solid current account support and is undervalued and oversold. On the other hand, the recovery lags other major economies and that is also

reflected in relative monetary policy position changes. The Macro interest rate model switched to short JPY. Business Sentiment and Technical remained short JPY. The overall JPY position is firmly short.

	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 and not offsetting the current account surplus fully approaching
	Interest Rate Differentials	-	Japanese short-term rates remain zero-bound, while short-term rates are rising elsewhere
Sentiment	Business Sentiment	--	Japanese surveys still trailing US surveys
	Risk Sentiment	0	Global growth concerns hurt the JPY less (safe haven currency)
Technical	Price Action	0	Price action remains short JPY
	Spec Positions	0/+	Net short JPY position increased further approaching potential reversal point
	PPP Valuation	+	The JPY is currently about 21% undervalued

USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

EURCHF

The CHF gained versus the EUR on safe-haven flows and the absence of the SNB to prevent the appreciation. CHF and EUR are fundamentally in balance but the CHF has gained significantly versus the EUR since

September. As a result, we prefer a neutral Macro position. Business Sentiment and Technical are both long CHF. The balance of all strategies is roughly 50% long CHF versus the EUR.

	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 has not intervened despite EURCHF approaching 1.05, signalling a possible policy shift
Sentiment	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
Technical	Price Action	+	The undeterred move toward 1.05 has been a positive technical signal
	Spec Positions	0	Net short CHF position increased further but not to a reversal point
	PPP Valuation	0/-	CHF is around fair-value versus the EUR

EURCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

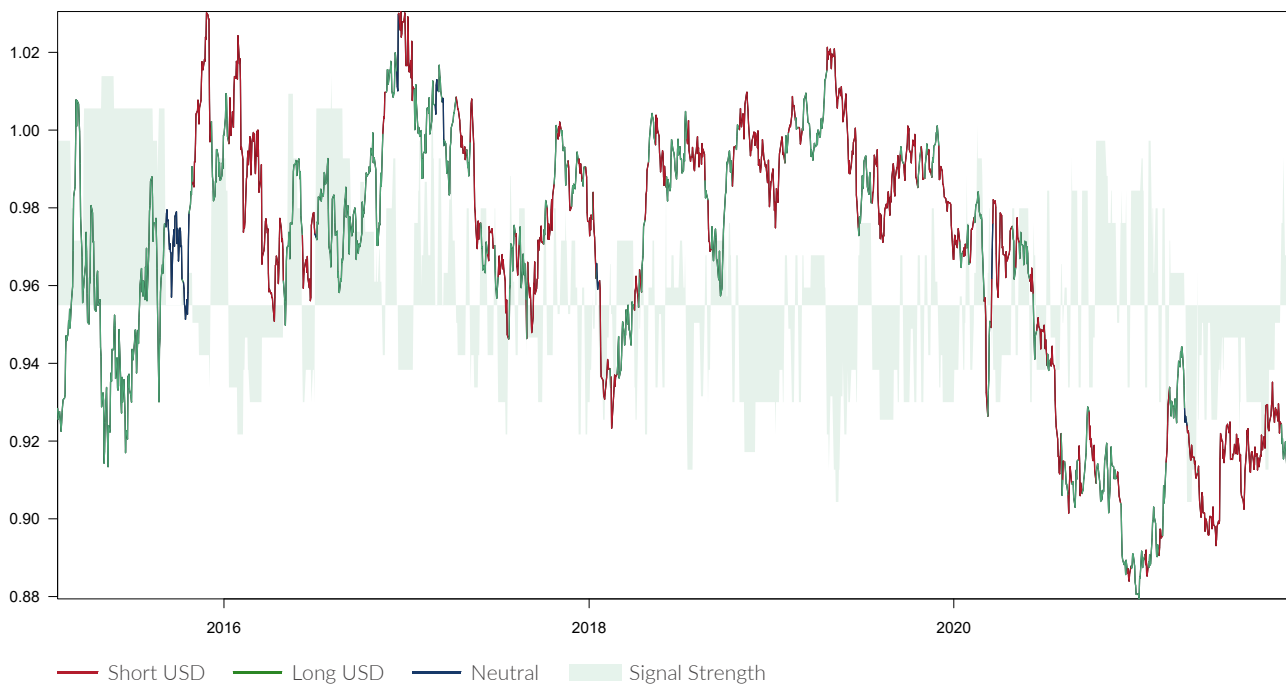
USDCHF

Our Macro position in USDCHF is neutral in parallel to EURCHF and EURUSD. The CHF is fundamentally strong, but rising USD interest rates make the CHF less attractive. Business Sentiment shifted from neutral to

short CHF, while Technical moved from long CHF to neutral. The balance of all three strategies shifted from neutral to modestly short 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	-	Rising USD interest rates have widened the rate differential
	SNB Policy Intervention	0	Tied to EURCHF intervention risk
Technical	Business Sentiment	++	Swiss surveys still lag US surveys
	Risk Sentiment	0	Balanced risk to either side
	Price Action	0	Price action is in a range and shifted to neutral
	Spec Positions	0	Net short CHF position increased further but not to reversal point
	PPP Valuation	0/+	CHF is about 9% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

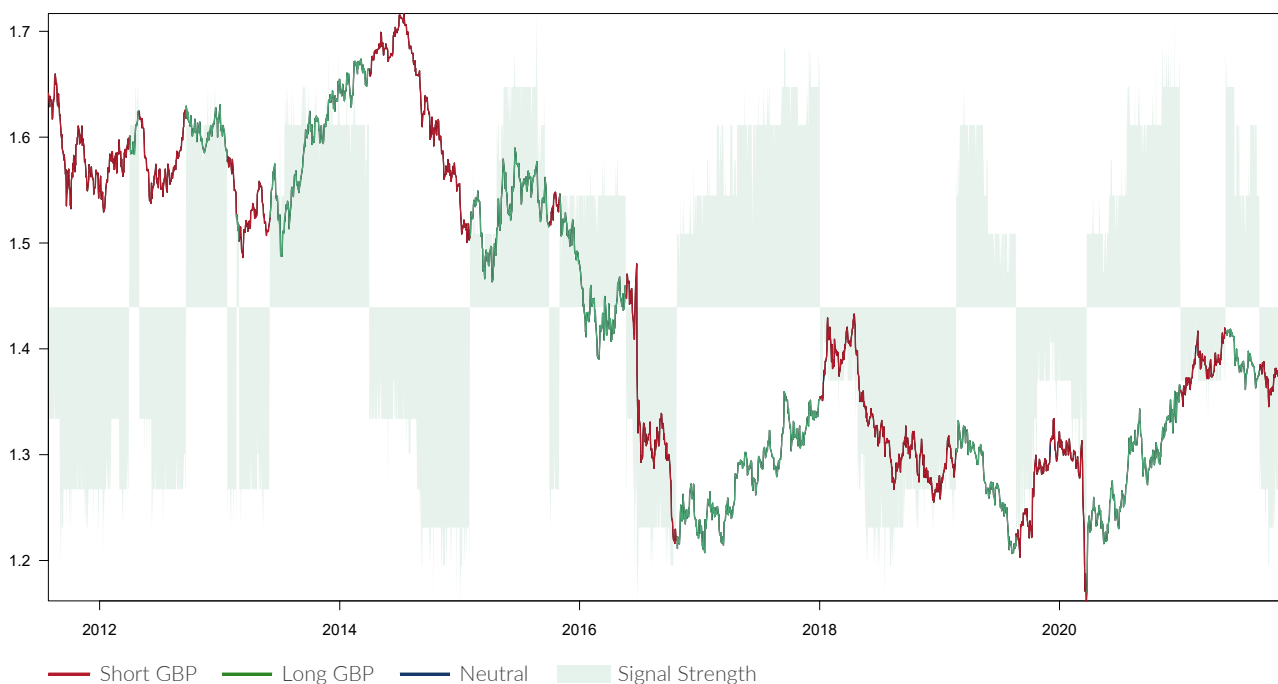
GBPUSD

We set our Macro position back to neutral in front of the Fed and BoE meetings. We remain fundamentally negative on the GBP as we believe the damage caused by BREXIT has not yet fully played out, while the UK remains a deficit economy. The

worst of the Delta variant seems over, but Corona cases remain high and energy and logistics shortages are still present. Business Sentiment and Technicals both remain short GBP. The balance of our strategies is about 50% short GBP.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	The UK has like the US a twin deficit problem
	Interest Rate Differentials	0	UK short-term rates are currently higher, but US rates have more upside potential
	Oil Price	0	Rising oil and gas prices have failed to support the GBP so far
Sentiment	Business Sentiment	--	Momentum in UK surveys remains behind US surveys
	Risk Sentiment	0/-	Risk aversion due to the acute shortages in the UK and the global growth concerns
Technical	Price Action	-	Technicals remain short GBP
	Spec Positions	0	Net short GBP positions moved to a small net long
	PPP Valuation	+/0	The GBP is still 15% undervalued, but has recovered much of the losses since the BREXIT vote

GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

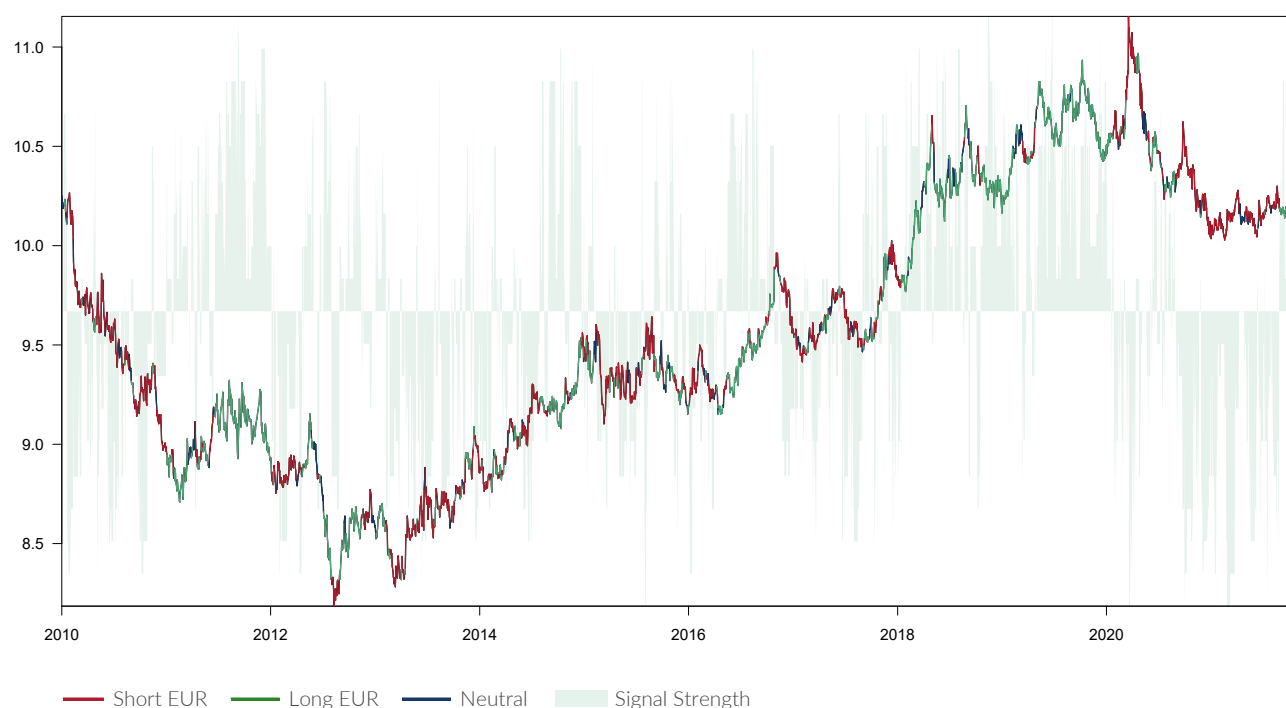
EURSEK

Sweden's fundamentals remain sound and the SEK is undervalued. We stayed neutral, however, given the accelerated appreciation of the SEK over the last month. Business Sentiment switched back to

long SEK, Technical stayed short SEK, and the interest rate Macro model remained long SEK. The balance of all strategy positions is modestly long SEK.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Positive, but similar to Euro-Zone
	Interest Rate Differentials	-	The Macro interest rate model remains long SEK
Sentiment	Business Sentiment	+	Surveys have shifted to long SEK
	Risk Sentiment	0	Balanced risks to both sides
Technical	Price Action	-	Technicals remain short SEK
	PPP Valuation	+	The SEK is roughly 14% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

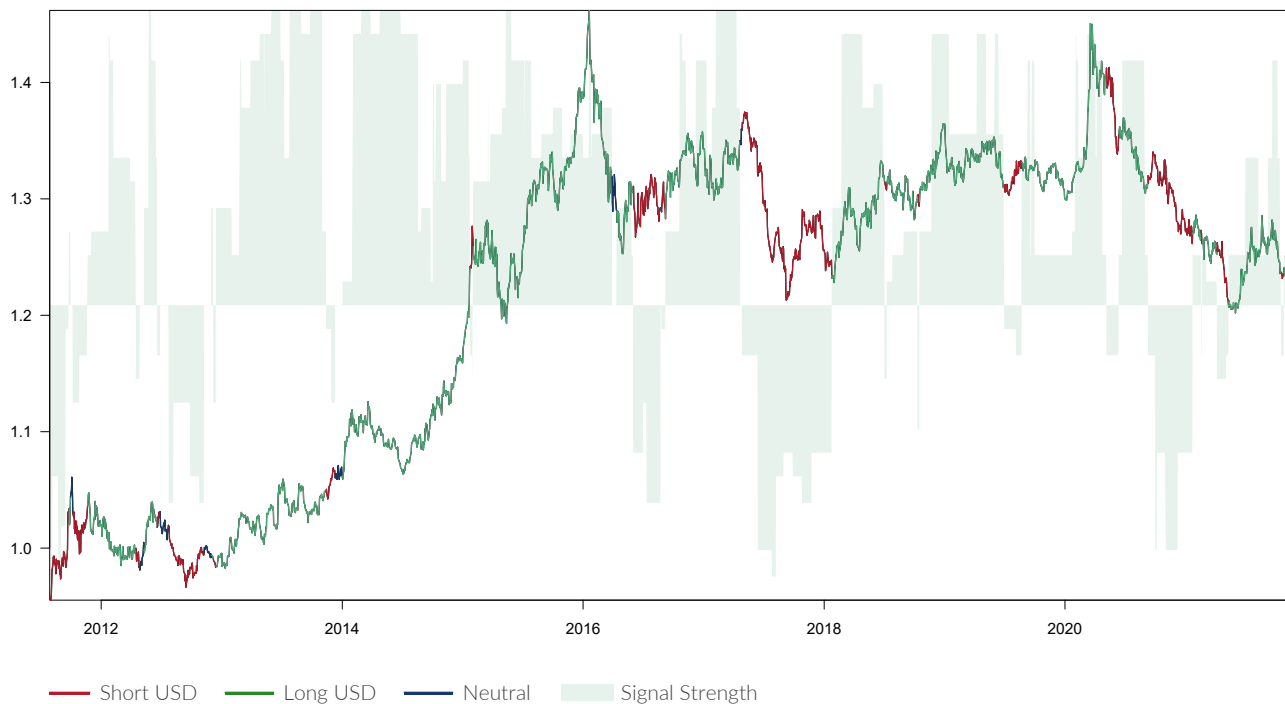
USDCAD

The outright short CAD position has moved closer to neutral. The switch in Technical from short to long CAD is offsetting the short CAD Business Sentiment position. Our Discretionary Macro position remains neu-

tral. The oil-price macro model was temporarily long CAD but shifted again to short as actual oil prices exceeded market forecasts.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account deficit has turned into a small surplus, while the US deficit remains stubbornly large
	Oil Prices	+	Rising oil prices are the main support for the CAD
	Interest Rate Differentials	+	CAD short-term rates have moved above USD rates after more hawkish BoC action
	USD DXY Trend	0	No strong direction at the moment
Sentiment	Business Sentiment	-	Canada still trails the US in the surveys
	Risk Sentiment	0/-	Global growth concerns are negative CAD
Technical	Price Action	+	Technicals have shifted from short to long CAD
	Spec Positions	0	Positions shifted net long CAD but are not at inflection point
	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 multibank-setup and conducts clients FX transactions transparently, independently and in the client's best interests.



Money Market Plus

QCAM's Money Market Plus Strategy «MMP» 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 MMP 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

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