March 2022

QCAM MONTHLY

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

www.q-cam.com

QCAM®
Currency
Asset
Management

QCAM Insight

Not a systemic crisis

Bernhard Eschweiler, Economic Advisor
QCAM Currency Asset Management AG

Russia's attack on the Ukraine and the firm response by Western allies are both sea changes with far reaching consequences. The near-term outlook is very uncertain but the crisis is not systemic in our view. We think the war will slow but not derail the global recovery. Central banks will take that into account but are unlikely to revert their efforts to normalize policy. On balance, this is positive for the USD but probably not a lot.

In the last QCAM Monthly, we highlighted the risk of a Russian attack on the Ukraine not expecting that the risk could become reality so soon. We also did not imagine that the Western allies would unite within a few days and strike back so strongly. How the conflict will evolve in the near term and what the end-game will look like is unclear. However, Putin has miscalculated and Russia will pay a high price for it. Putin now fights on two frontiers, a military war with Ukraine, which is going less smoothly than planned, and an economic and financial war with the West, which he has no chance of winning. Moreover, while western democracies are uniting, Putin is increasingly isolated and faces growing discontent at home.

Russia has limited importance...

Financial markets have been surprised by the events but have so far not panicked as during the Lehman crisis or the early days of the Corona pandemic (see chart). Equity markets are about flat, the VIX has gone up a few points and the 10-year US Treasury yield is less than 10bps lower, all minor changes compared to prior crisis. Russia's attack on the Ukraine and the firm response by Western allies are both sea changes with far reaching consequences for defense, energy and trade policies, but they are not systemic shocks in the eyes of the market. Russia's military threat is limited as the attack on the Ukraine has tied down Russian forces and sanctions are crippling the Russian economy. Furthermore, Russia's economy is small, accounting for less than 2% of global GDP. The EU economy by comparison is more than 10 times bigger.

...except for energy

The main channel of potential economic damage is through a disruption of energy supply (energy prices fell sharply during the Lehman and Corona crises but are rising in the current crisis). Russia accounts for more than 10% of the global oil and gas supply, with Europe particularly dependent on Russian gas. A shut-off in Russian oil and gas exports is a real threat. We believe a large part of the resulting oil supply gap could be offset by strategic reserves and increased production in the Middle East and North America. Making up for a short-fall in gas supply will be logistically more difficult, but the worst of the winter is also over. So far, there has been no significant energy supply disruption yet the risk of further oil and gas price increases remains and we expect some rationing, especially for industrial users of gas in Europe, in case of an acute shortfall.

Growth and central banks

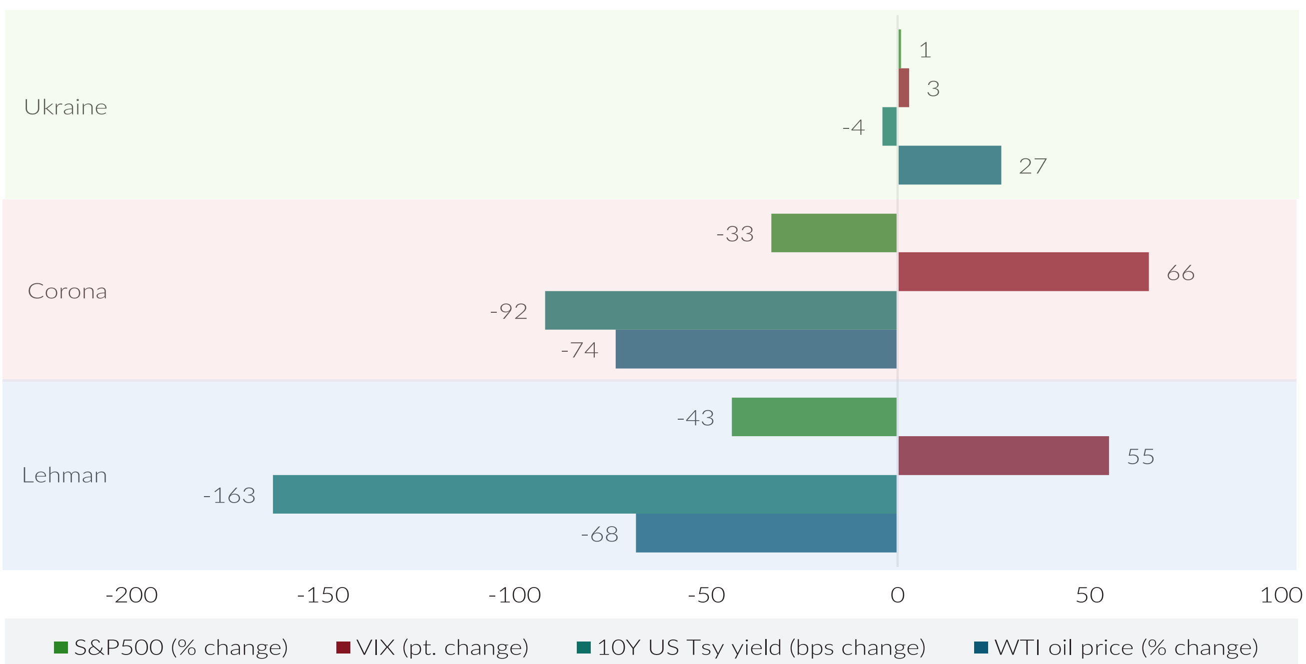
Disruptions of the oil and gas supply, even if moderate as we expect it, and rising energy prices will have a restraining impact on growth and add to inflation. This is happening at a time when forward looking indicators, such as business surveys, were pointing to a pick-up in global growth as Corona transforms from a pandemic to an endemic. This shift in sentiment was captured by our FX BIAS, which went long all basket currencies versus the USD except for the CAD. For FX markets the question is how much the disruptions will mute the global growth optimism and how central banks will react to softer growth prospects and higher inflation.

There is little question that the disruptions should hurt Europe more than other major economies, notably the US. On the other hand, the recent economic recovery momentum has been stronger in Europe in our view. The next round of March business surveys will show where the damage is bigger and which economy had more underlying momentum.

The other focus in March are the central bank meetings, notably by the Fed and the ECB. In our view, central banks will moderate their rhetoric but stay focused on containing inflation as long as systemic risks remain contained. We believe the Fed will hike the funds rate by 25bps later this month and project 100bps of total rate hikes until December as well as the start of the balance sheet adjustment later this year. The ECB was dragging its feet longer than the Fed, but gave up its resistance in early February. We think the ECB is unlikely to make another U-turn in the absence of large systemic stress, especially given stubbornly high inflation figures. In our view, the ECB will taper its asset purchases with the goal of ending them this year and prepare the ground for a removal of the negative interest rate policy before year end.

On balance, we believe that growth dynamics and central bank actions will be positive for the USD in the near term. However, USD upside is limited in our view and could turn into downside if the global economy stays on the recovery path and other central banks continue to normalize policy as well.

Financial market responses during crisis periods



Source: S&P, CBOE, FRED, EIA and QCAM

QCAM® Currency Asset Management

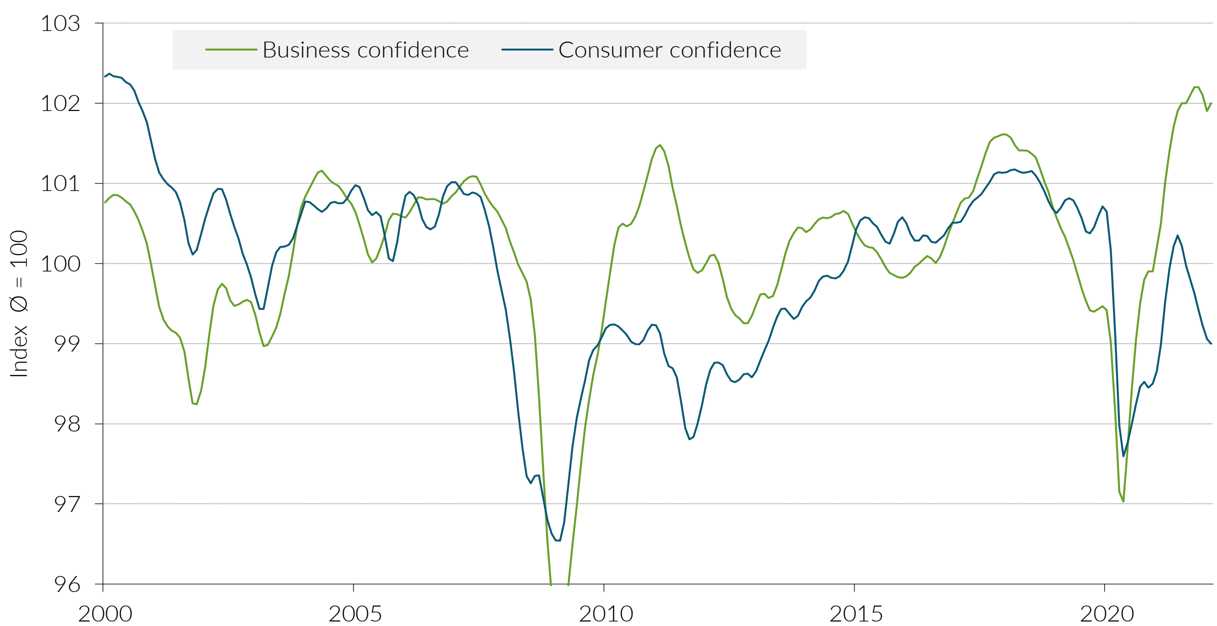
Economy & Interest Rates

While Omicron and inflation were weighing on consumer sentiment, business sentiment was holding up well through February and even improving in some parts despite ongoing supply difficulties. While rising social and economic mobility is positive, the Russian attack on the Ukraine has created new outlook uncertainties and further inflation pressure. We believe the recovery will moderate, especially in Europe, but not be derailed. As a result, we also expect central banks to stay on the policy normalization path. Fiscal policy continues to consolidate as the pandemic fades but debt levels remain high.

	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	5.8	3.8	n.a.	n.a.	3.2	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	5.0	3.7	n.a.	n.a.	3.3	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	5.7	4.0	5.4	3.5	4.7	5.5	-3.5	-2.5	-11.0	-6.0	133	131
Canada	4.6	4.0	7.5	6.0	3.4	4.5	0.2	0.0	-6.5	-7.5	110	105
Euro-area	5.2	4.0	7.7	6.5	2.6	4.5	2.7	2.7	-7.7	-4.0	99	97
Sweden	4.0	3.0	9.0	7.5	2.0	3.0	4.0	5.0	-3.0	-1.0	40	40
Switzerland	3.5	3.0	3.0	3.0	0.5	1.5	4.3	3.0	-2.5	-0.5	43	42
UK	7.3	3.5	4.5	4.0	2.6	7.0	-3.4	-3.0	-12.0	-6.0	109	107
Japan	1.7	2.5	2.8	2.5	-0.2	1.5	3.3	3.2	-9.0	-4.0	257	254
Australia	4.6	3.5	5.1	4.0	2.8	3.5	1.3	0.5	-8.5	-6.0	62	66
Emerging	7.0	4.0	n.a.	n.a.	3.3	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	8.1	4.5	4.1	4.0	0.9	2.0	1.5	0.5	-7.5	-7.0	69	72
India	8.5	7.5	n.a.	n.a.	5.4	6.0	-1.5	-2.5	-11.5	-10.0	91	90
Russia	4.6	-5.0	4.8	5.0	6.7	12.0	4.5	3.0	-1.0	0.0	18	18
Brazil	4.5	-0.5	13.5	13.5	8.3	9.0	-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*



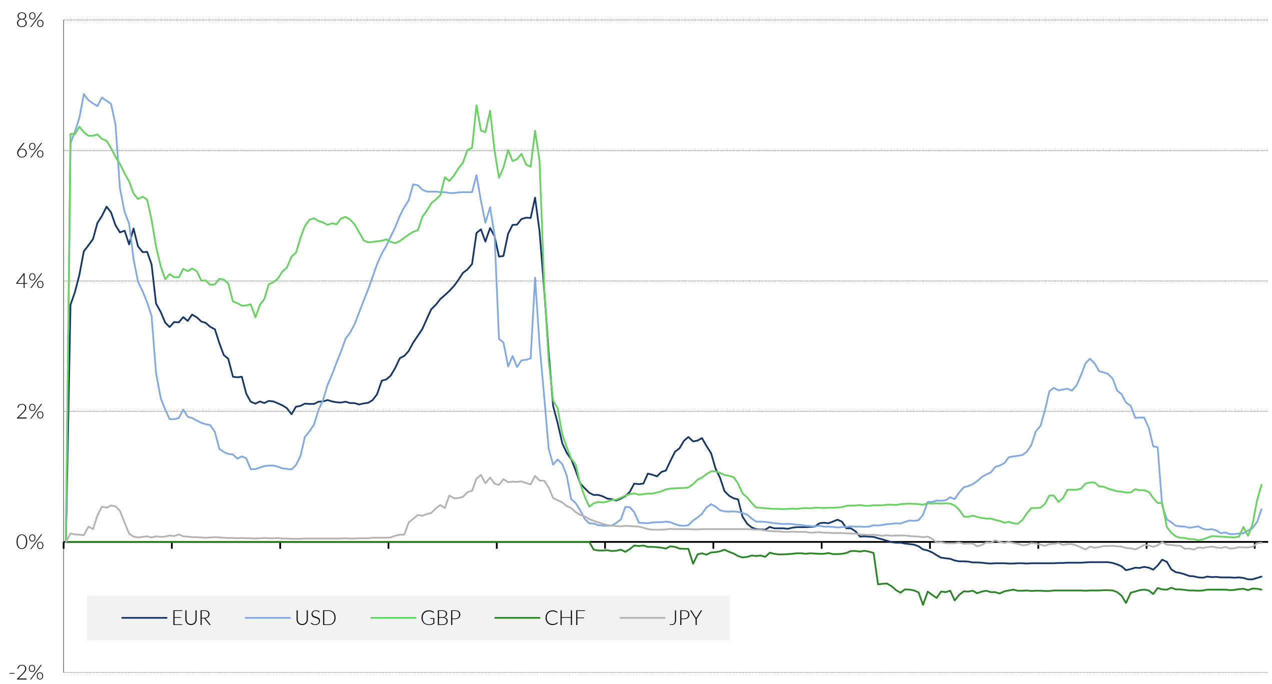
Source: OECD and QCAM, *the last observations are QCAM estimates based on other surveys

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	0.41%	0.23%	0.08%	0.08%	0.71%	1.96%	1.84%	1.52%	1.46%	1.43%
EUR	-0.59%	-0.59%	-0.59%	-0.57%	-0.55%	0.71%	0.50%	0.12%	-0.04%	0.05%
JPY	-0.02%	-0.02%	-0.04%	-0.02%	-0.05%	0.24%	0.23%	0.10%	0.14%	0.07%
GBP	0.81%	0.53%	0.17%	0.05%	0.31%	1.30%	1.19%	0.81%	0.65%	0.60%
CHF	-0.72%	-0.72%	-0.74%	-0.73%	-0.75%	0.41%	0.32%	-0.07%	-0.07%	-0.21%
AUD	0.07%	0.06%	0.05%	0.04%	0.36%	2.45%	2.16%	2.03%	1.72%	1.41%
CAD	0.60%	0.40%	0.21%	0.21%	0.73%	2.34%	2.26%	1.99%	1.81%	1.69%
SEK	-0.04%	-0.05%	-0.05%	-0.03%	-0.09%	1.28%	1.18%	0.81%	0.72%	0.60%
RUB	10.85%	9.95%	8.36%	4.24%	6.14%	17.55%	9.39%	8.82%	7.06%	7.43%
BRL	11.09%	10.97%	8.35%	1.93%	4.26%	11.62%	11.16%	11.36%	8.64%	8.60%
CNY	2.17%	2.12%	2.30%	2.48%	2.36%	2.64%	2.40%	2.69%	3.10%	2.87%
TRY	16.01%	16.01%	15.75%	17.95%	16.38%	27.03%	25.04%	22.37%	14.41%	15.67%
INR	3.86%	3.96%	3.73%	3.60%	4.30%	6.12%	6.17%	5.65%	6.01%	5.43%

3-month Libor



Source: QCAM Currency Asset Management, as of March 2nd, 2022

QCAM®
Currency
Asset
Management

FX Markets

FX Performance vs. PPP

The USD gained versus most major currencies over the last month thanks to the Ukraine war. The main exception was the AUD. The CHF benefitted from safe haven flows versus the EUR. EM currencies were mixed with the RUB down sharply and the BRL up. Speculative positions declined approaching neutral. Interest rate differentials are rising and forward hedging versus the USD starts to become costly in some cases. Actual and implied FX volatilities increased notably and moved above long-term averages in some cases. PPP estimates were mixed but on average 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	1.110	-2.49%	-1.84%	-8.09%	5.68%	1.25	1.12 - 1.39	-11%
USDJPY	115.600	0.50%	1.11%	8.30%	0.96%	94.84	84.2 - 105.5	22%
GBPUSD	1.336	-1.30%	-1.61%	-4.36%	8.92%	1.57	1.40 - 1.75	-15%
EURCHF	1.024	-1.32%	-1.40%	-7.28%	-3.85%	1.01	0.95 - 1.06	1%
USDCHF	0.922	1.18%	0.45%	0.88%	-9.01%	0.84	0.75 - 0.94	10%
GBPCHF	1.232	-0.13%	-1.16%	-3.51%	-0.88%	1.19	1.08 - 1.30	4%
CHFJPY	125.340	-0.71%	0.66%	7.34%	10.95%	94.07	83.2 - 105.0	33%
AUDUSD	0.728	0.10%	2.06%	-6.88%	-3.69%	0.78	0.69 - 0.87	-7%
USDCAD	1.267	0.13%	-0.13%	0.36%	-5.44%	1.21	1.13 - 1.30	5%
USDSEK	9.693	7.26%	5.45%	15.59%	6.80%	8.03	7.11 - 8.95	21%
EURSEK	10.762	4.61%	3.51%	6.24%	12.85%	8.68	8.14 - 9.22	24%
USDRUB	104.000	38.52%	36.39%	40.96%	76.98%	56.67	48.0 - 65.3	84%
USDBRL	5.144	-7.67%	-2.85%	-9.72%	63.75%	3.82	3.15 - 4.48	35%
USDCNY	6.322	-0.56%	-0.60%	-2.34%	-8.18%	6.85	6.64 - 7.05	-8%
USDTRY	14.109	6.63%	4.65%	91.68%	279.22%	8.26	6.48 - 10.04	71%
USDINR	75.574	1.45%	1.06%	3.12%	13.10%	70.69	65.6 - 75.8	7%

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

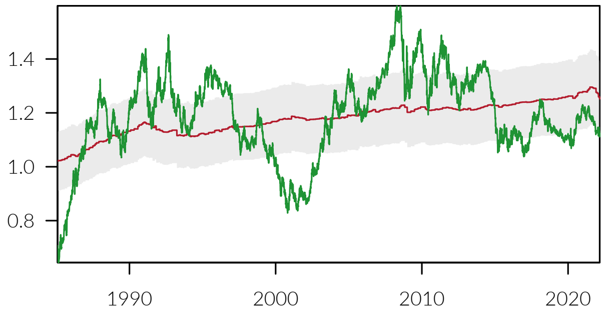
[2] Purchasing power parity (PPP) is estimated based on the relative development of inflation rates in two currency markets; the neutral range is determined by ± 1 standard deviation of the historical variation around the PPP value.

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

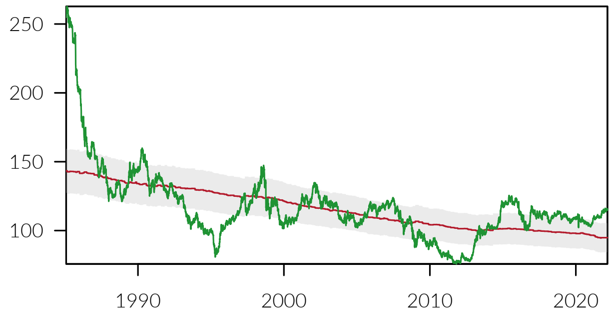
Source: QCAM Currency Asset Management, as of March 2nd, 2022

Purchasing Power Parity

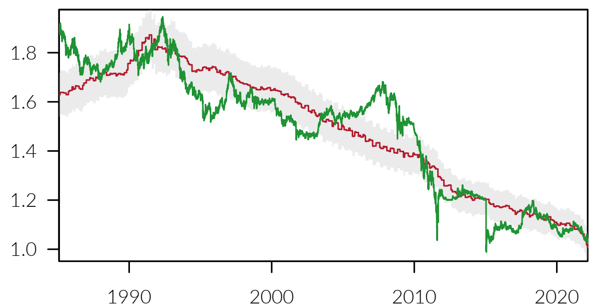
EURUSD



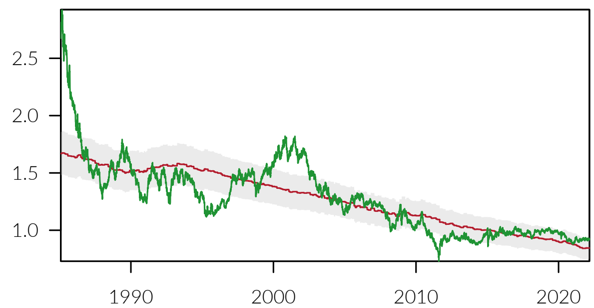
USDJPY



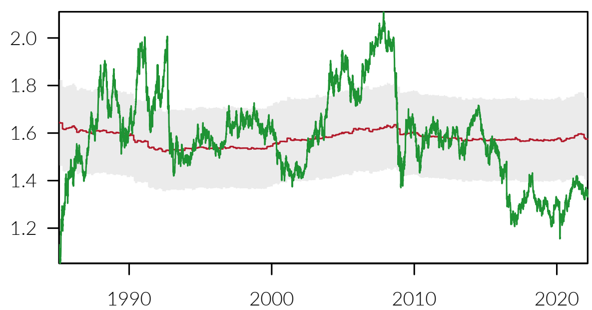
EURCHF



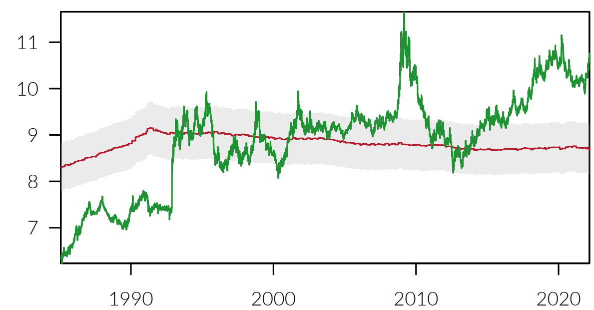
USDCHF



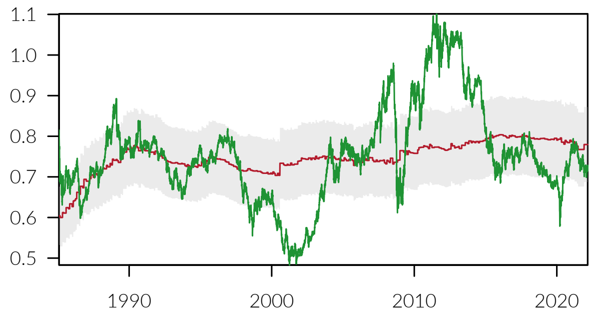
GBPUSD



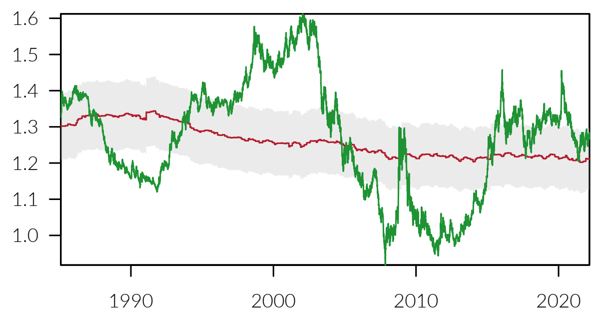
EURSEK



AUDUSD



USDCAD



PPP Spot Neutral Range

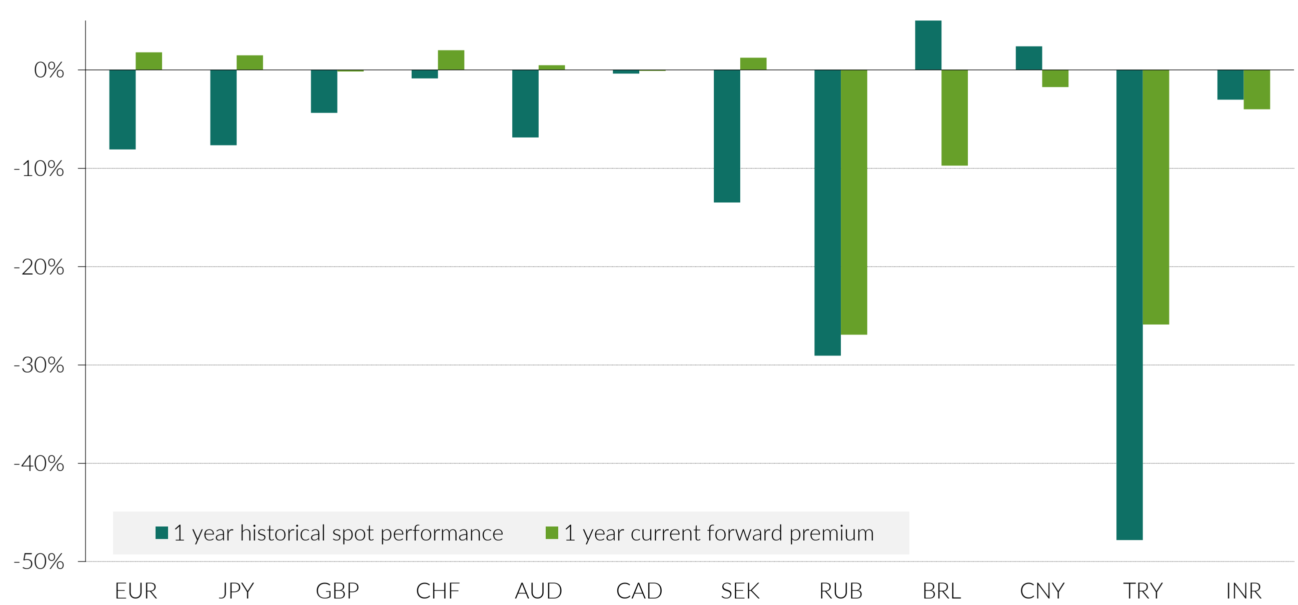
Source: QCAM Currency Asset Management, as of March 2nd, 2022.

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.110	1.1114	1.1139	1.1302	1.17%	1.24%	1.76%
USDJPY	115.600	115.5334	115.3640	113.9127	-0.67%	-0.78%	-1.43%
GBPUSD	1.336	1.3359	1.3353	1.3337	-0.03%	-0.17%	-0.16%
EURCHF	1.024	1.0237	1.0234	1.0219	-0.20%	-0.18%	-0.19%
USDCHF	0.922	0.9211	0.9187	0.9042	-1.37%	-1.42%	-1.91%
GBPCHF	1.232	1.2306	1.2269	1.2061	-1.41%	-1.59%	-2.07%
CHFJPY	125.340	125.4158	125.5499	125.9639	0.70%	0.63%	0.49%
AUDUSD	0.728	0.7287	0.7294	0.7318	0.48%	0.53%	0.46%
USDCAD	1.267	1.2665	1.2665	1.2678	0.00%	0.01%	0.10%
USDSEK	9.693	9.6870	9.6722	9.5746	-0.77%	-0.83%	-1.20%
EURSEK	10.762	10.7658	10.7739	10.8206	0.41%	0.42%	0.53%
USDRUB	104.000	107.6940	114.6240	142.3433	39.96%	39.97%	36.36%
USDBRL	5.144	5.1877	5.2807	5.6992	9.84%	10.17%	10.59%
USDCNY	6.322	6.3357	6.3594	6.4337	2.39%	2.28%	1.74%
USDTRY	14.109	14.7755	15.4641	19.0388	53.16%	37.59%	34.46%
USDINR	75.574	75.9290	76.4800	78.7388	5.46%	4.59%	4.11%

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



Source: QCAM Currency Asset Management, as of March 2nd, 2022

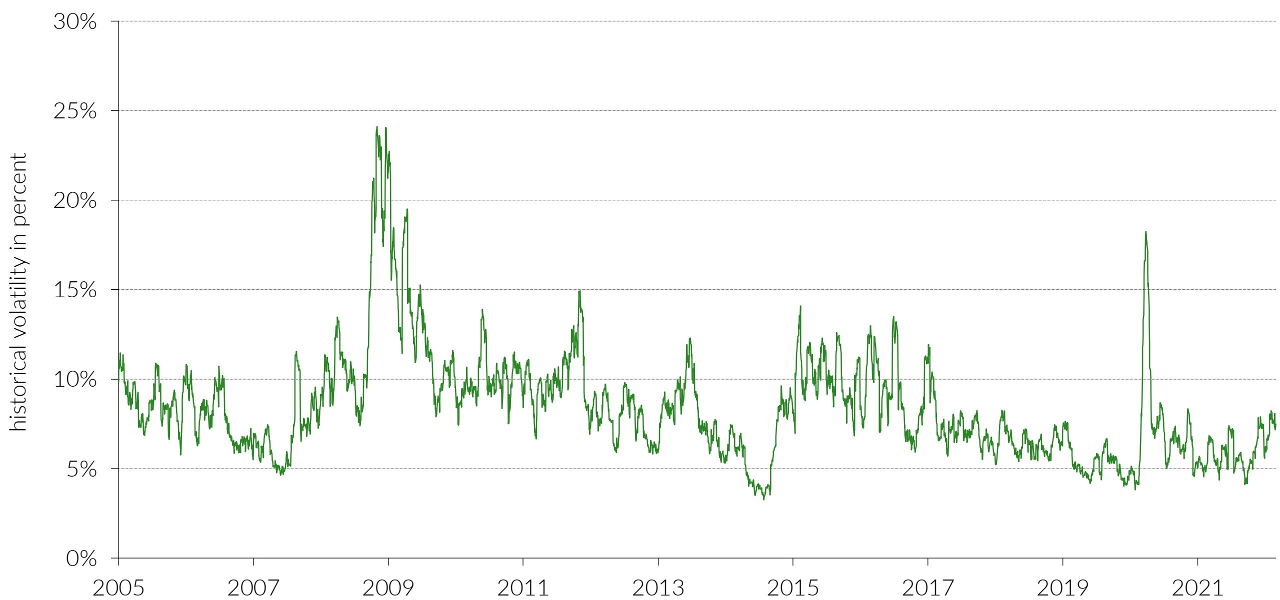
FX Volatility

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	1.110	7.72%	6.94%	5.58%	6.24%	8.73%	6.23%	6.10%	6.56%
USDJPY	115.600	5.16%	7.10%	4.53%	6.61%	7.28%	6.38%	6.25%	7.18%
GBPUSD	1.336	6.76%	6.44%	7.83%	8.14%	8.35%	6.58%	8.15%	8.66%
EURCHF	1.024	6.68%	4.26%	3.41%	4.14%	7.33%	4.58%	5.05%	5.00%
USDCHF	0.922	7.43%	7.63%	5.56%	6.35%	7.13%	6.63%	6.38%	6.51%
GBPCHF	1.232	6.41%	6.85%	8.42%	7.76%	7.48%	6.35%	7.68%	8.17%
CHFJPY	125.340	6.31%	6.37%	4.80%	5.96%	7.40%	6.63%	6.23%	6.67%
AUDUSD	0.728	10.85%	10.47%	9.60%	8.50%	10.73%	9.65%	10.13%	8.83%
USDCAD	1.267	8.13%	8.07%	6.56%	6.57%	7.38%	6.90%	6.90%	6.63%
USDSEK	9.693	12.24%	10.29%	8.82%	8.45%	13.82%	9.60%	9.28%	8.71%
EURSEK	10.762	7.52%	7.18%	5.30%	5.58%	8.90%	6.53%	5.93%	5.99%
USDRUB	104.000	55.89%	12.89%	11.15%	11.94%	65.61%	18.18%	14.42%	12.79%
USDBRL	5.144	14.45%	14.15%	17.05%	14.44%	17.25%	15.95%	18.88%	15.43%
USDCNY	6.322	2.88%	2.92%	3.88%	4.36%	4.05%	3.75%	5.25%	5.06%
USDTRY	14.109	65.28%	71.73%	12.53%	18.03%	30.35%	24.98%	18.33%	18.18%
USDINR	75.574	5.42%	4.52%	4.62%	5.41%	6.55%	5.00%	6.45%	6.21%

[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 March 2nd, 2022

QCAM®
Currency
Asset
Management

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

Business Sentiment positions remained all short USD except for the CAD. So far, the attack on the Ukraine has not been captured by business surveys, but that is likely to change in the course of March and could lead to position changes. Technical positions are more mixed, but on balance moderately long USD. Macro is also mixed with the main long USD positions versus the EUR and the GBP. The balance of all three strategy groups is slightly short USD.

Overview[1]

	Macro	Business Sentiment	Technical	Comment
EURUSD	–	++	–	All positions remained roughly unchanged with the overall position close to neutral
USDJPY	0/–	––	0	The Macro interest model went to long JPY and the discretionary Macro position to neutral, while all other positions remained unchanged
EURCHF	––	––	––	The CHF position went outright long versus the EUR across all strategies and half long versus the USD. Only Technical versus the USD is not long CHF
USDCHF	–	––	0	
GBPUSD	–	++	–	All strategy positions remained unchanged with the balance roughly neutral
EURSEK	+/0	++	–	All strategy positions remained unchanged with a moderate net short SEK position
USDCAD	–/0	++	++	Discretionary Macro shifted to long CAD and Technical to short CAD, while all other positions remained unchanged

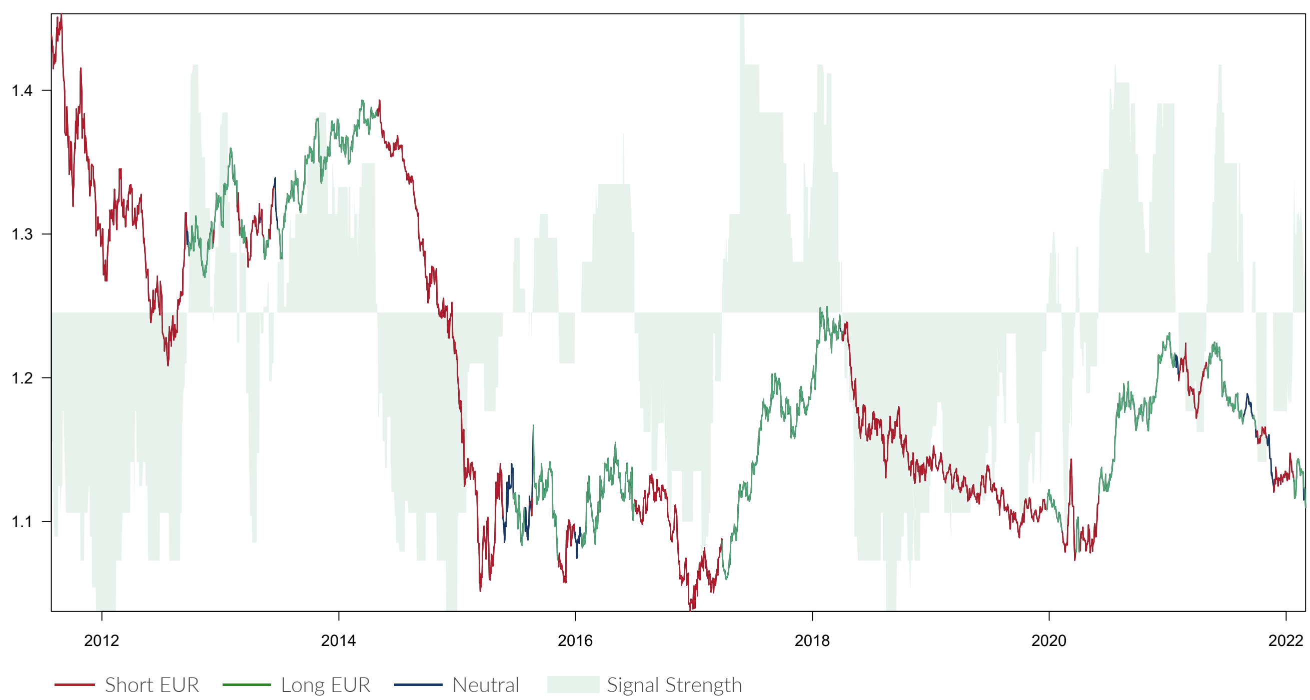
[1] The signs relate to the first currency of the exchange rate pair ; ++ or –– mean 100% long or short; */* means split position.
Source: QCAM Currency Asset Management

EURUSD

Our strategy positions remain unchanged, half short EUR on Macro, long EUR on Business Sentiment and half short EUR on Technical. The main risk for the EUR is via energy supply and the impact on growth and inflation. Still, we think the fallout will be moderate and the ECB will commence the policy adjustment later this month (see also main story). Thus, the EUR has downside near term but not much and may recover in the second quarter.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The gap between the US deficit and the Euro-area surplus is consolidating
	Fiscal Balances	0	The US deficit has declined after the surge at the start of the year and is approaching a similar level to the Euro-area deficit
	Interest Rate Differentials	–	Interest rate differentials are a positive for the USD but unlikely to widen further
	Oil prices	–	The risk is that oil prices move further up with a changed negative impact on the EUR
Sentiment	Business Sentiment	+	The momentum in Euro-area surveys was higher but that may change with forthcoming surveys
	Risk Sentiment	–	The attack on the Ukraine has increased uncertainty for the EUR area
Technical	Price Action	–	Price technicals remain short EUR
	Spec Positions	0	Positions are modestly net long EUR
	PPP Valuation	+	EUR undervaluation is around 11%

EURUSD and QCAM Strategic Positioning



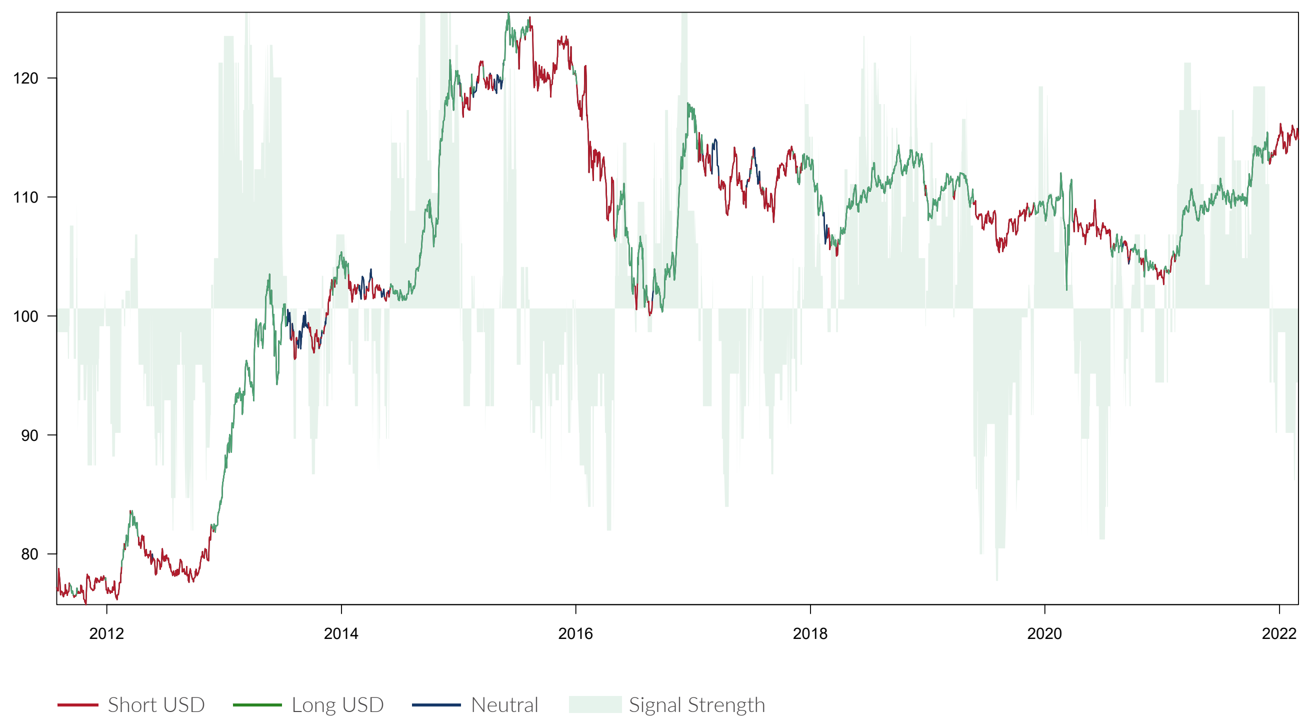
Source: QCAM Currency Asset Management

USDJPY

We have switched the discretionary Macro position from short JPY to neutral. The BoJ will trail the Fed policy adjustment significantly but the current situation also plays to the JPY's safe haven status. The Macro Carry model switched to long JPY due to increased uncertainty. All other positions remained unchanged leaving the overall position at half long JPY.

	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 not offsetting the current account surplus fully
	Interest Rate Differentials	––	Japanese short-term rates remain zero-bound, while short-term rates rise elsewhere, especially in the US
Sentiment	Business Sentiment	+	Momentum of Japanese Business Sentiment has picked up
	Risk Sentiment	+	Higher equity risk supports the JPY
Technical	Price Action	0	Price action remains neutral
	Spec Positions	0	Net short JPY position declined a bit
	PPP Valuation	+	The JPY is currently about 22% undervalued

USDJPY and QCAM Strategic Positioning



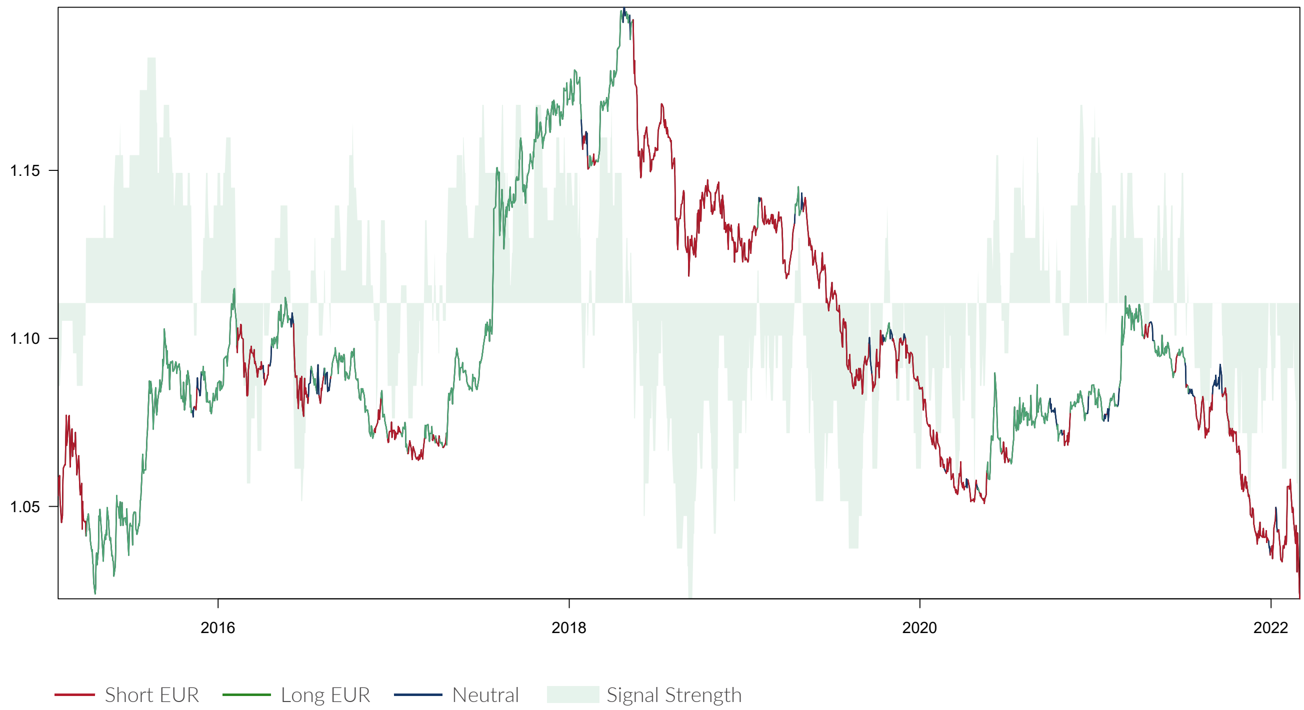
Source: QCAM Currency Asset Management

EURCHF

We have shifted the Macro position to outright long CHF versus the EUR. The CHF remains fundamentally strong and is the best safe haven hedge in the current situation. The SNB intervened a bit but seems comfortable to let the CHF appreciate gradually. Business Sentiment and Technical are also outright long the CHF versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	+	Some inflows on Ukraine concerns
	Interest Rate Differentials	0	No significant change expected
	SNB Policy Intervention	0	The SNB has intervened a bit selling CHF but overall seems comfortable with the CHF strength
Sentiment	Business Sentiment	+	Swiss economy is overtaking the Euro-area in the surveys
	Risk Sentiment	+	The CHF benefits from the Ukraine uncertainty, especially within Europe
Technical	Price Action	+	The positive CHF trend remains dominant
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	0/–	CHF is around fair-value versus the EUR

EURCHF and QCAM Strategic Positioning



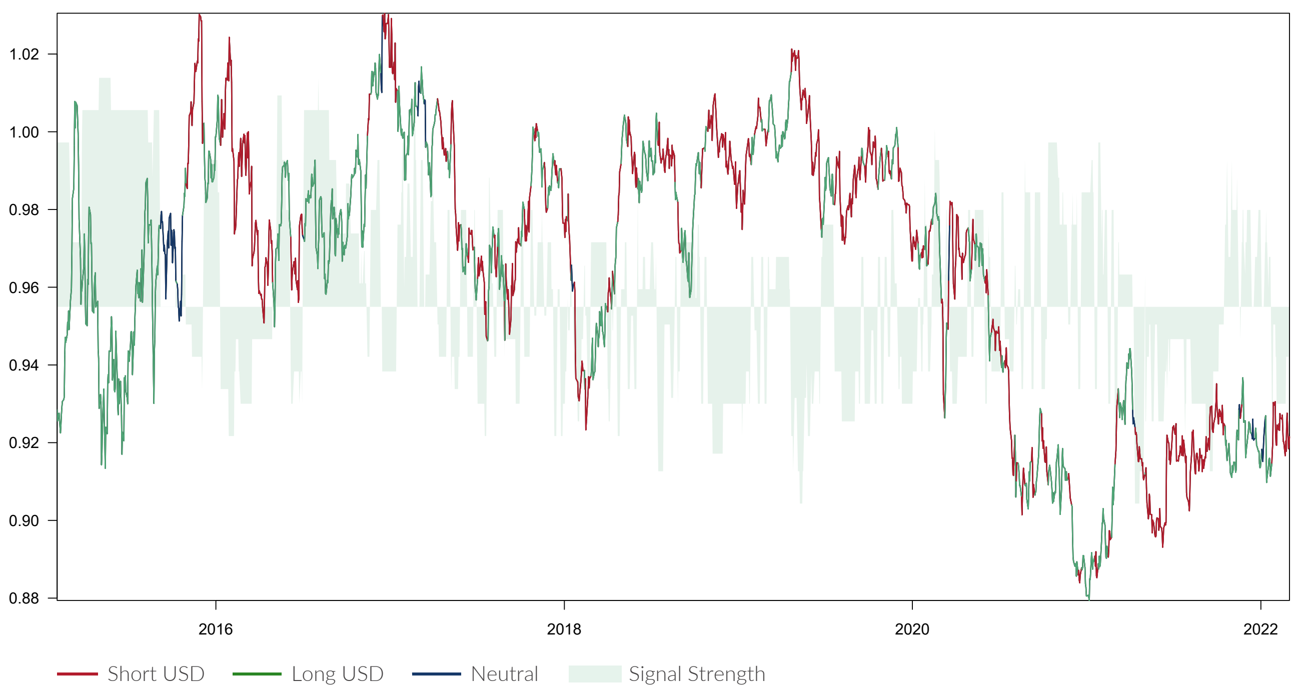
Source: QCAM Currency Asset Management

USDCHF

Given our Macro positions in EURCHF (fully short) and EURUSD (half short), we are long CHF versus the USD. The CHF is fundamentally strong, but rising USD interest rates make the CHF less attractive versus the USD. Business Sentiment is long CHF and Technical remained neutral. The balance of all three strategies is half long CHF.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus likely to remain stable
	Capital Flows (Safe Haven)	+	Some inflows on Ukraine concerns
	Interest Rate Differentials	–	Rising USD interest rates have widened the rate differential
	SNB Policy Intervention	0	Tied to EURCHF intervention risk but currently neutral
Sentiment	Business Sentiment	+	Swiss surveys have outperformed US surveys
	Risk Sentiment	0/+	The CHF benefits from the Ukraine uncertainty but more versus the EUR than the USD
Technical	Price Action	0	Price action is in a range and remained neutral
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	0/+	CHF is about 10% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

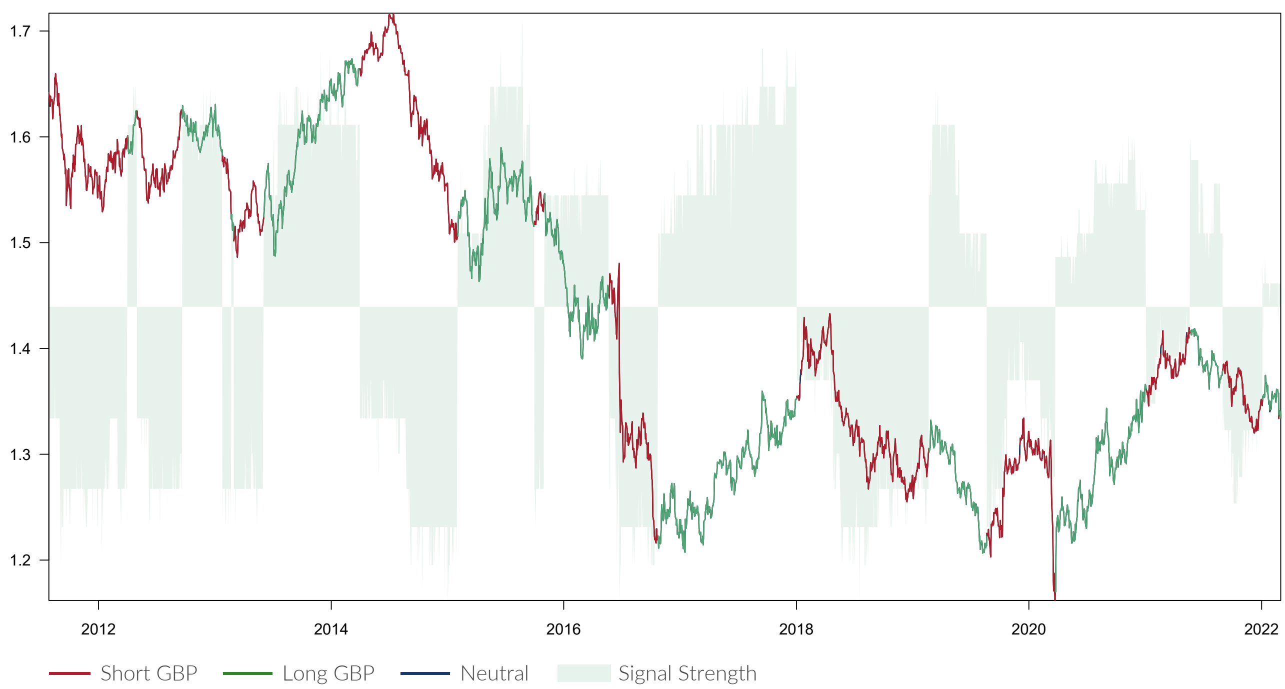
QCAM®
Currency
Asset
Management

GBPUSD

We maintained the short Macro position. Our view is primarily based on the negative Brexit fallout, which should become more visible in 2022, as well as the uncertainties created by the war in Ukraine. The BoE is unlikely to hike interest rates sufficiently to offset these handicaps as well as the current account deficit. The GBP remains supported by stronger Business Sentiment, while Technical remains short GBP. The balance of our strategies is close to neutral.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0	The UK has like the US a twin deficit problem
	Interest Rate Differentials	–	US interest rates are rising above UK rates across all maturities
	Oil Price	+	Positive momentum
Sentiment	Business Sentiment	++	Momentum in UK surveys remains stronger than in US surveys
	Risk Sentiment	–	The GBP is exposed to increased risk aversion as a high beta currency
Technical	Price Action	–	Technicals remain short GBP
	Spec Positions	0	Net short GBP position shifted to neutral
	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



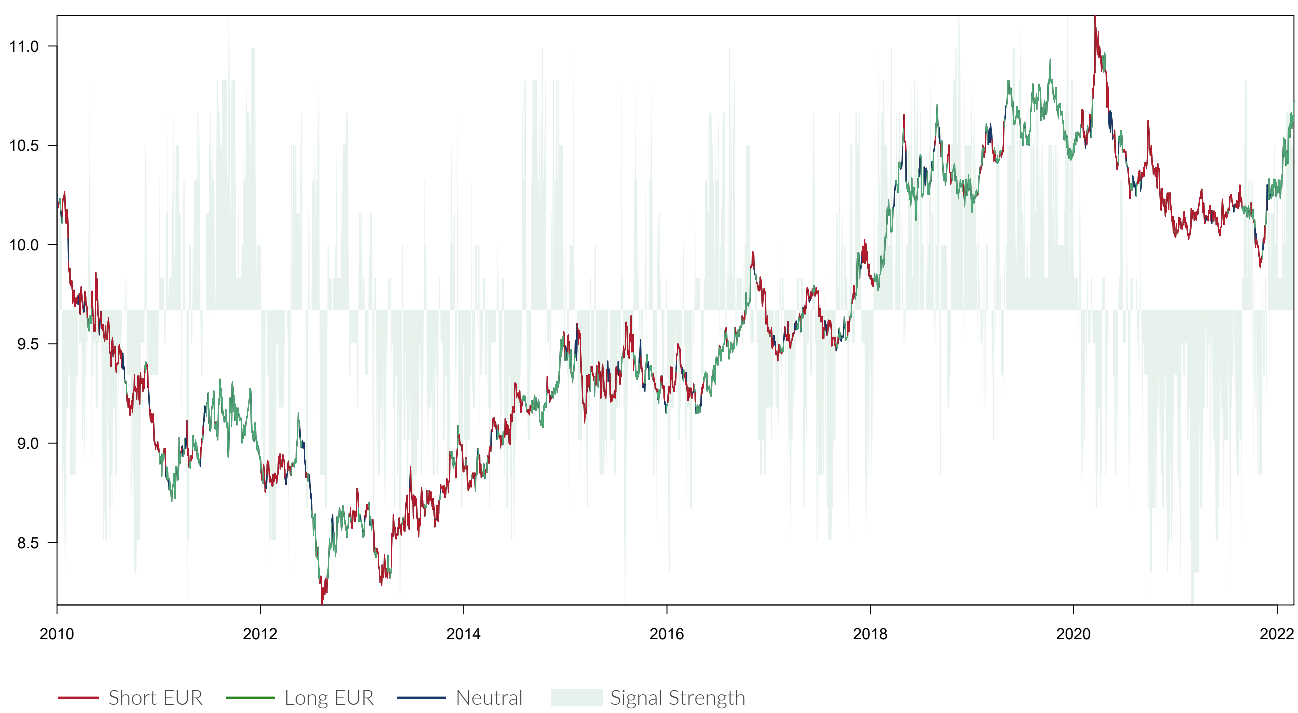
Source: QCAM Currency Asset Management

EURSEK

Sweden's fundamentals remain sound and the SEK is undervalued. Still, we have shifted the discretionary Macro position from neutral to short SEK, given Sweden's higher vulnerability to external uncertainty. The interest rate Macro model stayed neutral and Business Sentiment switched to short SEK, while Technical stayed long SEK. The balance of all strategy positions is moderately short SEK versus the EUR.

	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 remained neutral SEK
Sentiment	Business Sentiment	–	Surveys switched to short SEK
	Risk Sentiment	–	The SEK is a higher beta currency within Europe and suffers more from the Ukrainian uncertainty (not in NATO)
Technical	Price Action	+	Technicals stayed long SEK
	PPP Valuation	+	The SEK is roughly 24% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning



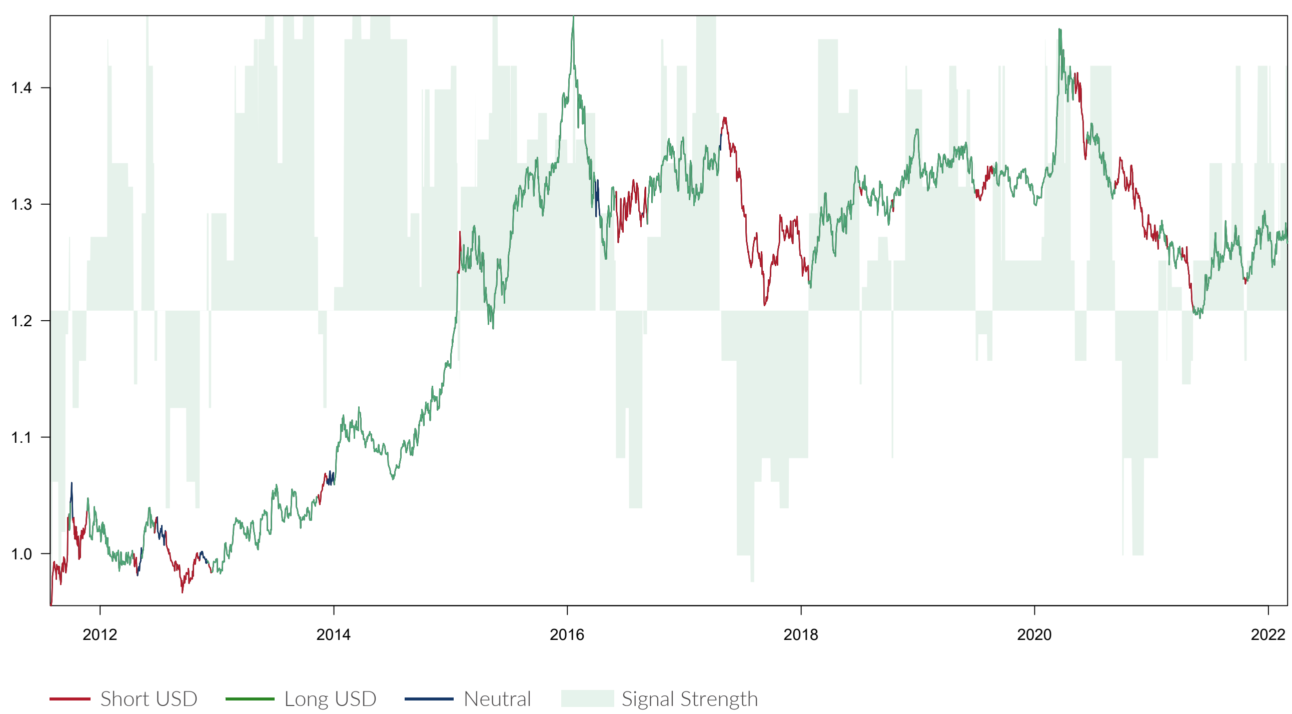
Source: QCAM Currency Asset Management

USDCAD

We have shifted the discretionary Macro position to long CAD on the basis of persistent oil price increases. The Business Sentiment position remains short CAD and the Technical position also shifted from neutral to short CAD. On balance, the strategy positions are short CAD.

	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	+	Oil price increases continue to support the CAD
	Interest Rate Differentials	0	CAD short-term rates remain above USD rates, while long rates are about equal
	USD DXY Trend	0/–	Negative correlation with USD is small
Sentiment	Business Sentiment	–	Canada still trails the US in the surveys
	Risk Sentiment	0	Risk aversion weighs only modestly on the CAD
Technical	Price Action	-	Technicals moved from neutral to short CAD
	Spec Positions	0	Net long CAD positions stayed in lower range
	PPP Valuation	0	CAD is about 5% undervalued versus the USD

USDCAD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

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.

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 Currency Asset Management

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

QCAM MONTHLY Editorial Team

Bernhard Eschweiler, PhD
Senior Economic Advisor
bernhard.eschweiler@q-cam.com

Marcel Weidinger
Currency Overlay
marcel.weidinger@q-cam.com

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

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

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

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

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

Imprint
Content, concept, and layout:
QCAM Currency Asset Management AG, Zug
Editorial deadline: March 3rd, 2022
Market data: March 2nd, 2022

QCAM Currency Asset Management AG
Guthirtstrasse 4
6300 Zug
Switzerland

T +41 55 417 00 50
info@q-cam.com
www.q-cam.com