

May 2022

QCAM MONTHLY

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QCAM Insight

Don't fight risk aversion

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The USD outperformed across the board in April on rising global growth concerns and risk aversion. The Fed's lead in the hiking cycle further supported the USD. We think global growth will hold and other central banks will tighten as well. However, near-term uncertainties are too high for taking positions against the USD now.

The USD rallied across the board in April. The USD DXY surged nearly 5% in April with all other major currencies down significantly versus the USD. Worst hit was the JPY (-6.3%) thanks to the BoJ's reconfirmation of its low interest rate policy. The CHF (-5.2%) also failed to benefit from the rise in risk aversion. The AUD, which was the star performer a month earlier, fell -5.4% in April on concerns over China's lockdown. Best performer was the CAD (-2.3%), which benefitted from its proximity to the US.

Surprisingly, emerging market currencies suffered less than the major currencies. On balance, EM currencies were down 2.3% versus the USD in April. This reflects partly the stellar performance of the RUB, which was up 16% versus the USD. However, other notoriously soft currencies like the TRY (-1.2%) also held better. Hardest hit was the ZAR (-7.6%) which suffered losses due to the devastating flood. China-related growth concerns obviously impacted Asian currencies the most, with the CNY itself down 4.4% in April.

Global growth concerns

In the previous issue of the QCAM Monthly we expected that uncertainties related to the Ukraine war

would decline. That was wrong and the main risk is that the conflict escalates further. Russia is desperate to score a military success, while NATO members are putting aside their qualms to support the Ukraine with heavy military equipment. The economic warfare is also intensifying, with Russia turning off the gas tap selectively and the EU planning an oil embargo. We hope that an outright military conflict between Russia and NATO can be avoided, but a de-escalation with meaningful peace negotiations seems unlikely in the near-term.

The other uncertainty that emerged over the last month is China's lockdown. Business surveys for April show that the lockdown has hit China severely, with the economy likely to contract in the second quarter. That is bad news for China's closest economic neighbours as well as global supply chains and the global economy in general.

The combination of uncertainties related to the war in the Ukraine and China's lockdown has raised global growth concerns and risk aversion. The VIX, for example, rose from below 20 in early April to above 30 at the end of April. As the leading countercyclical currency, global growth concerns and risk aversion are supportive of the USD (see Chart). Our FX BIAS also moved from neutral to long USD in the course of April.

Monetary policy divergence

Our second misjudgement in the previous issue of the QCAM Monthly relates to monetary policy. We thought that chances were high that the ECB would surprise with an unconditional tightening plan. That has not happened. In fact, the lack of further guidance follow-

ing the last ECB meeting hurt the EUR. We did not expect that the BoJ would change policy, but the firm commitment to keep interest rates low and the willingness to tolerate JPY weakness came as a surprise. This week's Fed meeting had no further surprises, but actual and projected Fed rate hikes stand in contrast to the lack thereof by the ECB and the BoJ and are likely to remain a support for the USD in the near term.

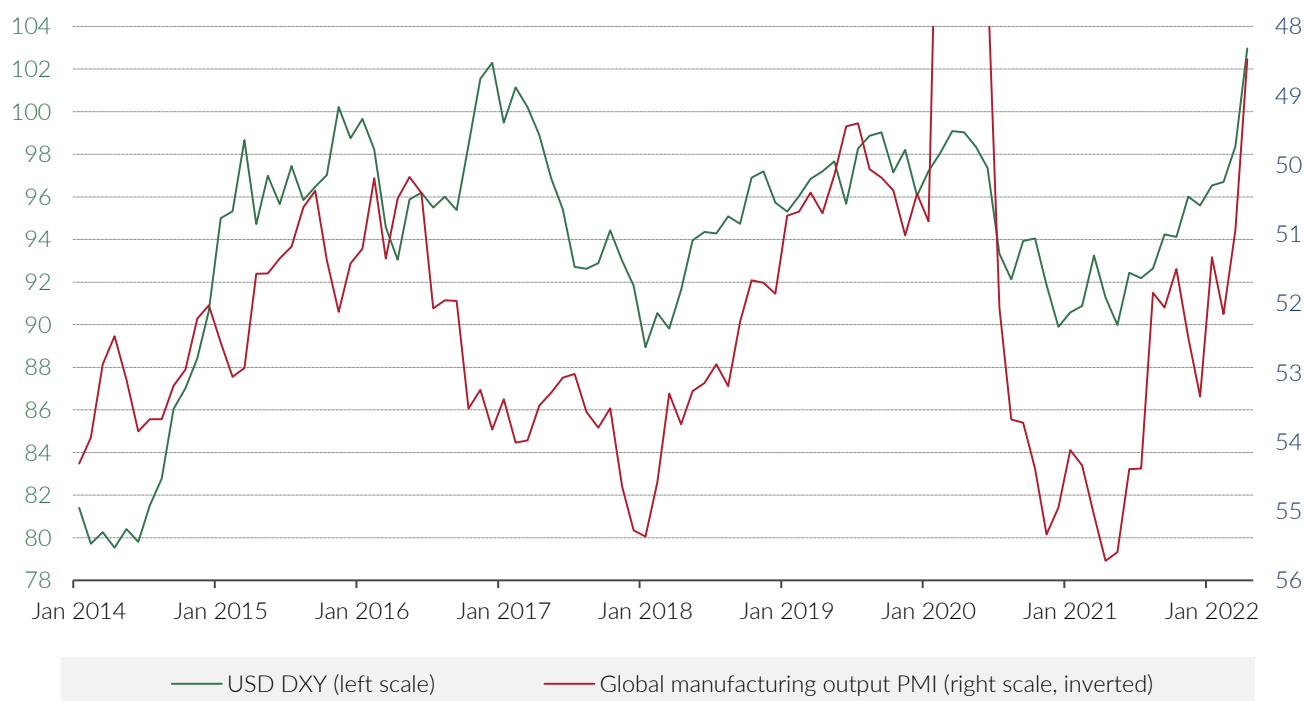
No time to bet against the USD

In our view, there are two scenarios going forward. In the positive scenario, global growth recovers in the second half of the year. This view is based on the assumptions that: first, momentum and resilience coming out of the Corona pandemic are sufficiently strong to overcome the headwinds; second, China eases its lockdown policy and uses its fiscal and monetary resources to revive growth; third, reason prevails to avoid a dramatic escalation of the war in the

Ukraine and the conflict between Russia and the western allies. In this scenario, central banks should feel more comfortable focusing on their main task, namely containing inflation. As a result, we would expect the USD to weaken starting from the second half of the year.

The favorable scenario is more likely in our view, but not by a comfortable margin. The unfavorable scenario is essentially the opposite of the assumptions behind the favorable scenario. The worst case could be a broad geopolitical conflict, a deep global recession and a financial crisis. We expect to get more clarity by the middle of the year. As a result, our discretionary macro positions are mostly neutral, with the exception of short JPY (see also page 9). This combined with on balance long USD positions in our business sentiment and technical positions leaves our overall position modestly long USD versus all other major currencies.

USD DXY and global manufacturing sentiment



Source: investing.com, JPMorgan and QCAM

Economy & Interest Rates

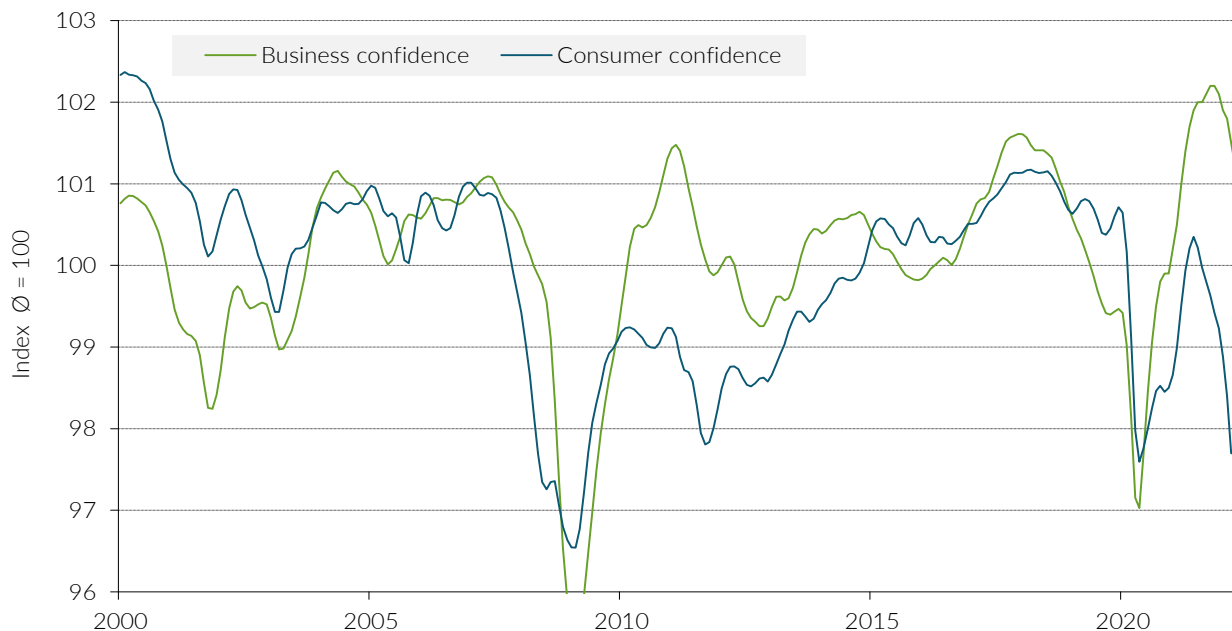
The Ukraine war, China's lockdown, high inflation and rising interest rates weigh on sentiment and slow the global economy. Developed markets, especially Europe, are hit harder than emerging markets. Recession still seems to be the less likely outcome, thanks to the recovery momentum coming out of the Corona pandemic, but the risks are ris-

ing. The Ukraine war is turning into a conflict between Russia and Nato, while China struggles to find an exit from its No-Covid strategy. Inflation should peak soon unless energy prices surge again, but underlying inflation pressures will force more central bank tightening.

	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	6.1	3.5	n.a.	n.a.	4.7	7.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	5.2	3.0	n.a.	n.a.	3.1	6.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	5.7	3.5	5.4	3.5	4.7	7.0	-3.5	-3.5	-10.2	-5.0	133	128
Canada	4.6	4.0	7.4	6.0	3.4	5.5	0.1	1.0	-4.7	-2.5	112	102
Euro-area	5.3	2.5	7.7	7.0	2.6	7.0	2.4	1.5	-5.5	-4.5	79	79
Sweden	4.8	2.5	8.8	8.0	2.7	5.0	5.5	4.5	-1.0	-1.0	37	35
Switzerland	3.7	2.5	3.0	2.5	0.6	2.5	9.3	6.0	-1.9	-1.0	42	42
UK	7.4	3.0	4.5	4.0	2.6	7.0	-2.6	-5.0	-8.0	-4.5	95	90
Japan	1.6	2.0	2.8	2.5	-0.3	1.0	2.9	2.0	-7.6	-8.0	263	263
Australia	4.7	4.0	5.1	4.0	2.8	4.0	3.5	3.0	-7.7	-5.5	60	60
Emerging	6.8	4.0	n.a.	n.a.	5.9	8.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	8.1	4.0	4.0	4.0	0.9	2.0	1.8	1.0	-6.0	-7.5	73	78
India	8.9	8.0	n.a.	n.a.	5.5	6.0	-1.6	-3.0	-10.4	-10.0	87	87
Russia	4.7	-7.0	4.8	9.0	6.7	20.0	6.9	10.0	0.7	-4.0	17	17
Brazil	4.6	1.0	14.2	14.0	8.3	8.5	-1.7	-1.5	-4.4	-7.5	93	92

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

OECD business and consumer confidence*



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

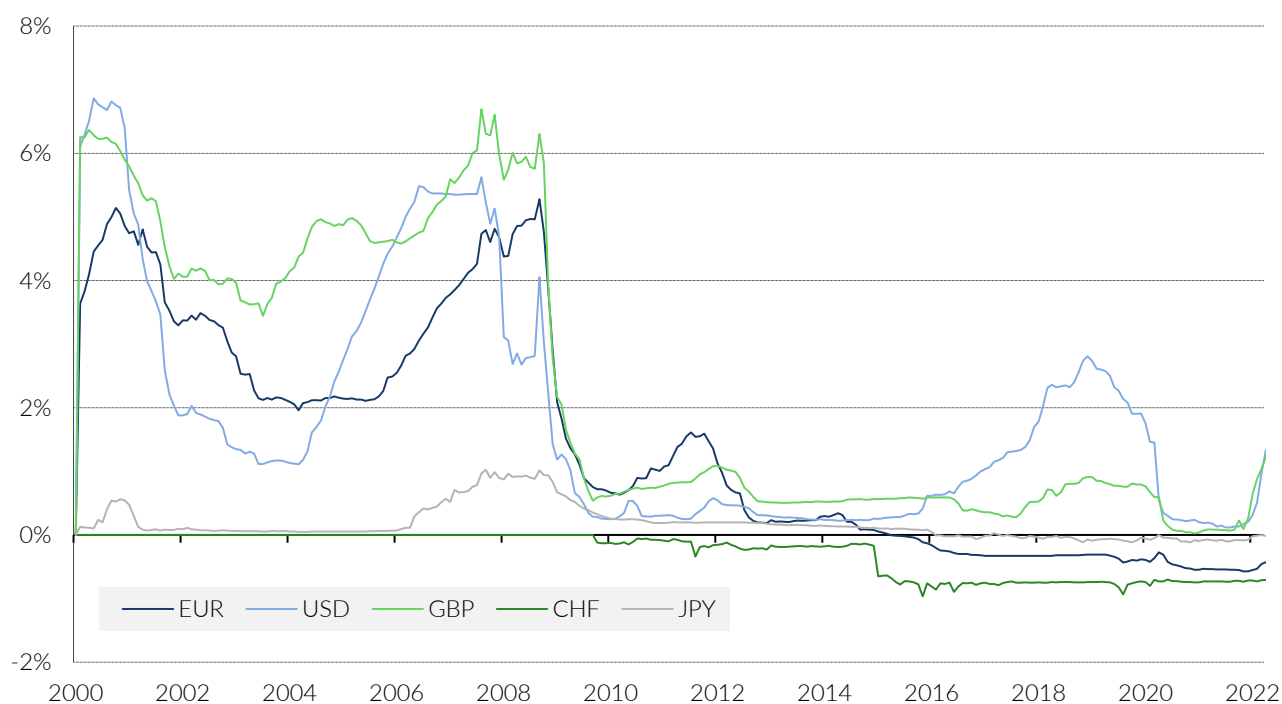
Interest Rates

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	1.25%	0.75%	0.31%	0.08%	0.61%	3.05%	2.44%	1.98%	1.59%	1.43%
EUR	-0.59%	-0.59%	-0.58%	-0.58%	-0.56%	1.76%	1.17%	0.64%	0.10%	0.09%
JPY	-0.03%	-0.01%	-0.02%	-0.02%	-0.05%	0.42%	0.35%	0.27%	0.13%	0.09%
GBP	1.16%	0.93%	0.65%	0.05%	0.32%	1.98%	1.59%	1.33%	0.78%	0.64%
CHF	-0.71%	-0.72%	-0.70%	-0.73%	-0.74%	1.29%	0.83%	0.47%	-0.05%	-0.16%
AUD	0.73%	0.17%	0.07%	0.03%	0.29%	3.80%	3.05%	2.30%	1.74%	1.47%
CAD	1.47%	0.98%	0.45%	0.19%	0.69%	3.43%	2.93%	2.37%	1.95%	1.73%
SEK	0.37%	0.01%	-0.05%	-0.03%	-0.07%	2.53%	1.86%	1.33%	0.80%	0.66%
RUB	13.50%	21.35%	9.86%	5.15%	7.00%	12.90%	14.17%	9.34%	7.35%	8.02%
BRL	12.64%	11.98%	10.83%	3.27%	4.63%	12.21%	11.05%	11.51%	9.11%	8.75%
CNY	2.06%	2.15%	2.12%	2.35%	2.34%	2.66%	2.57%	2.40%	2.96%	2.83%
TRY	16.70%	16.38%	14.72%	19.00%	0.00%	28.28%	28.16%	25.03%	17.99%	16.23%
INR	4.87%	3.80%	3.98%	3.46%	4.17%	7.39%	6.36%	6.20%	5.81%	5.46%

Source: QCAM Currency Asset Management, as of April 6th, 2022

3-month Libor



Source: QCAM Currency Asset Management, as of end of April 2022

FX Markets

FX Performance vs. PPP

The USD rose strongly in April versus all major currencies. Year-to-date, the USD DXY is up a stellar 8%. The JPY is the worst performer so far this year, even outdoing the TKY. The best performer is ironically the RUB followed closely by the BRL. Speculative net long USD positions increased somewhat but are not yet at extreme levels. Interest rate differentials rose further and forward hedging versus

the USD is getting costly from the perspective of EUR, JPY and CHF. Actual FX volatilities broadly stabilized yet implied volatilities increased further well above long-term averages. PPP estimates broadly still crawl against the USD, but with some differences given diverging inflation performances. The JPY is now 40% undervalued versus the USD.

Overview

	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.055	-7.35%	-3.88%	-12.22%	-3.87%	1.28	1.15 - 1.42	-18%
USDJPY	130.010	13.02%	5.91%	18.97%	15.53%	92.89	82.5 - 103.3	40%
GBPUSD	1.249	-7.69%	-4.66%	-10.04%	-3.30%	1.61	1.43 - 1.79	-22%
EURCHF	1.037	-0.04%	2.01%	-5.53%	-4.33%	1.00	0.95 - 1.06	4%
USDCHF	0.983	7.89%	6.13%	7.63%	-0.48%	0.81	0.72 - 0.90	21%
GBPCHF	1.228	-0.44%	1.16%	-3.19%	-3.78%	1.21	1.10 - 1.31	2%
CHFJPY	132.235	4.75%	-0.19%	10.55%	16.09%	94.5	83.5 - 105.4	40%
AUDUSD	0.715	-1.73%	-5.16%	-7.08%	-3.43%	0.73	0.65 - 0.82	-2%
USDCAD	1.281	1.28%	2.51%	3.99%	-6.73%	1.19	1.10 - 1.27	8%
USDSEK	9.850	9.00%	4.55%	16.10%	11.62%	8.26	7.31 - 9.21	19%
EURSEK	10.391	1.00%	0.52%	1.92%	7.31%	8.65	8.12 - 9.19	20%
USD RUB	66.125	-11.92%	-21.28%	-11.79%	13.34%	55.96	46.3 - 65.6	18%
USDBRL	4.994	-10.36%	8.06%	-7.93%	56.64%	3.71	3.06 - 4.36	35%
USDCNY	6.656	4.69%	4.39%	2.63%	-3.45%	7.37	7.15 - 7.60	-10%
USDTRY	14.785	11.74%	0.54%	77.59%	315.82%	8.87	6.95 - 10.8	67%
USDINR	76.257	2.36%	1.08%	3.35%	18.72%	68.58	63.7 - 73.5	11%

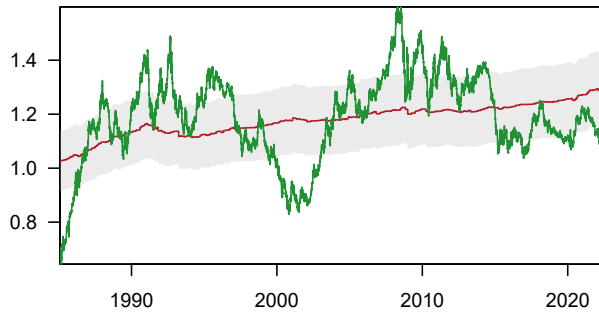
¹ Performance over the respective period of time, in percent

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.

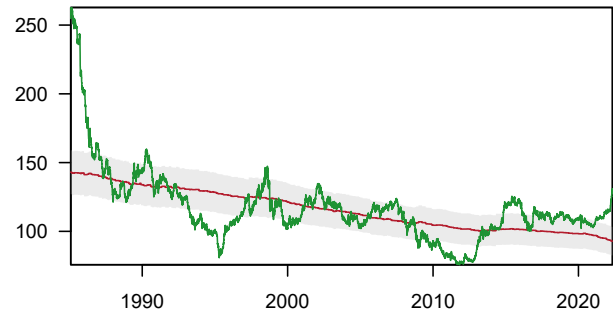
³ Deviation of the current spot rate from PPP, in percent.

Purchasing Power Parity

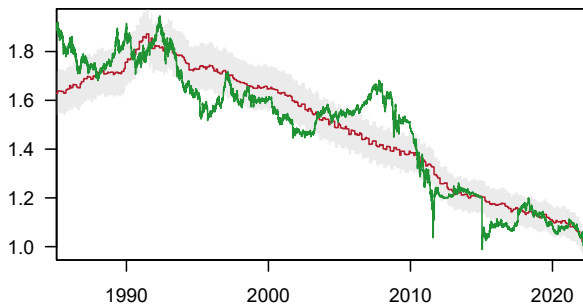
EURUSD



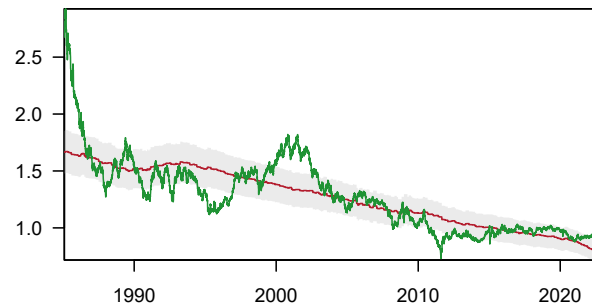
USDJPY



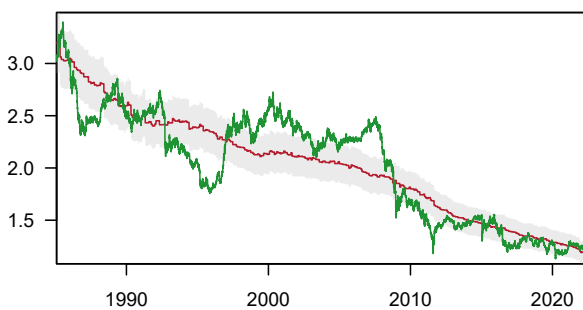
EURCHF



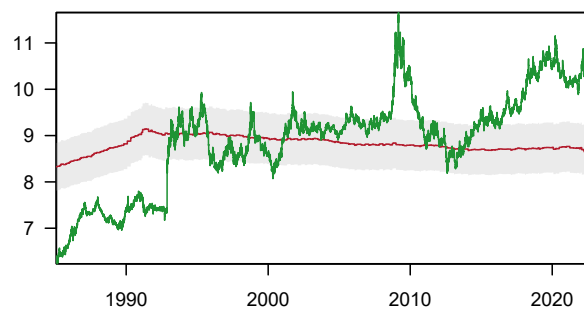
USDCHF



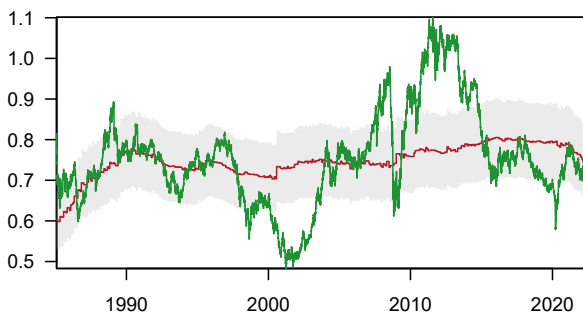
GBPUSD



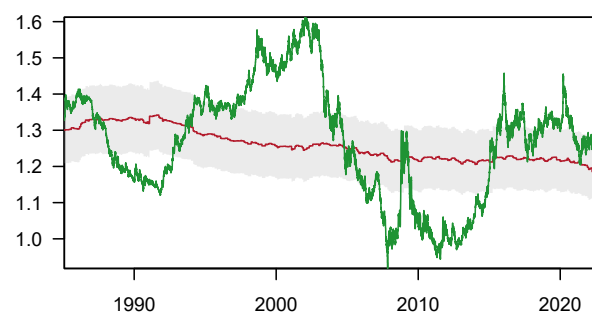
EURSEK



AUDUSD



USDCAD



— PPP — Spot — Neutral Range

Source: QCAM Currency Asset Management, as of May 4th, 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	1.055	1.0563	1.0603	1.0829	1.53%	1.94%	2.60%
USDJPY	130.010	129.8788	129.4670	126.2962	-1.17%	-1.63%	-2.82%
GBPUSD	1.249	1.2494	1.2501	1.2573	-0.01%	0.20%	0.62%
EURCHF	1.037	1.0371	1.0368	1.0342	-0.14%	-0.16%	-0.29%
USDCHF	0.983	0.9818	0.9779	0.9551	-1.68%	-2.09%	-2.82%
GBPCHF	1.228	1.2265	1.2222	1.2005	-1.68%	-1.89%	-2.22%
CHFJPY	132.235	132.2971	132.3974	132.2496	0.55%	0.48%	0.01%
AUDUSD	0.715	0.7155	0.7161	0.7149	0.64%	0.54%	-0.03%
USDCAD	1.281	1.2811	1.2815	1.2817	0.02%	0.11%	0.04%
USDSEK	9.850	9.8430	9.8231	9.7150	-0.84%	-1.06%	-1.35%
EURSEK	10.391	10.3978	10.4150	10.5202	0.70%	0.87%	1.22%
USDRUB	66.125	72.6590	79.7350	89.4600	111.16%	80.54%	34.81%
USDBRL	4.994	5.0402	5.1344	5.4878	10.65%	10.74%	9.69%
USDCNY	6.656	6.6689	6.6892	6.7254	2.34%	1.94%	1.03%
USDTRY	14.785	15.1340	15.8460	19.5157	26.59%	28.10%	31.56%
USDINR	76.257	76.5165	77.0465	79.4050	3.96%	3.97%	4.05%

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



Source: QCAM Currency Asset Management, as of May 4th, 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	1.055	8.42%	9.18%	6.00%	6.29%	9.03%	7.60%	5.63%	6.53%
USDJPY	130.010	8.78%	7.05%	4.83%	6.49%	11.20%	8.68%	6.05%	7.15%
GBPUSD	1.249	7.30%	6.99%	6.64%	8.06%	9.73%	7.90%	7.18%	8.65%
EURCHF	1.037	8.34%	8.45%	4.13%	4.30%	6.75%	6.60%	4.30%	5.04%
USDCHE	0.983	6.39%	7.40%	6.62%	6.36%	8.65%	7.03%	6.20%	6.51%
GBPCHF	1.228	7.24%	6.67%	6.72%	7.72%	8.50%	7.18%	7.23%	8.16%
CHFJPY	132.235	8.53%	6.91%	5.15%	5.94%	10.35%	8.40%	5.95%	6.65%
AUDUSD	0.715	11.19%	11.49%	9.92%	8.61%	12.20%	10.03%	9.13%	8.90%
USDCAD	1.281	6.91%	7.34%	6.02%	6.56%	8.28%	6.88%	6.55%	6.65%
USDSEK	9.850	13.97%	15.07%	8.36%	8.66%	13.23%	11.78%	8.10%	8.83%
EURSEK	10.391	9.11%	9.26%	4.20%	5.72%	7.75%	7.55%	5.28%	6.05%
USDRUB	66.125	97.93%	95.12%	10.75%	14.63%	44.50%	51.70%	14.07%	14.62%
USDBRL	4.994	16.85%	13.88%	17.20%	14.58%	20.25%	17.95%	17.33%	15.60%
USDCNY	6.656	4.62%	3.01%	3.56%	4.30%	6.53%	3.88%	4.45%	5.08%
USDTRY	14.785	9.62%	15.21%	23.36%	18.43%	22.60%	30.43%	20.86%	18.72%
USDINR	76.257	6.03%	6.18%	6.30%	5.46%	6.20%	6.01%	6.60%	6.24%

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 May 4th, 2022

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 principal 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

Given increased uncertainty around the war in the Ukraine and global growth concerns, we moved all remaining Macro positions to neutral except for the JPY, which is short. Business Sentiment positions are long USD except for the JPY. Technical positions are mixed but on balance moderately long USD. The balance of all three strategy groups is moderately long USD as well..

Overview¹

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	--	-	Business Sentiment shifted to fully short EUR, while all other positions remained unchanged.
USDJPY	+/-	--	++	The Macro interest model went long JPY and the discretionary Macro position moved to short JPY. Business Sentiment and Technical are unchanged.
EURCHF	0	-	0	Business Sentiment shifted to short CHF versus USD and Technical moved to neutral CHF versus EUR. On balance, the CHF position is neutral, with a small long versus the EUR and a small short versus the USD.
USDCHF	0	++	-	
GBPUSD	0	--	-	All strategy positions remained unchanged. The balance is half short GBP.
EURSEK	0/+	++	0	Discretionary Macro and Technical moved to neutral, the Macro interest rate model moved to short SEK.
USDCAD	0/+	++	++	Discretionary Macro moved to neutral and Technical shifted from long to short CAD.

¹ The signs relate to the first currency of the exchange rate pair ; ++ or -- mean 100% long or short; */* means split position.

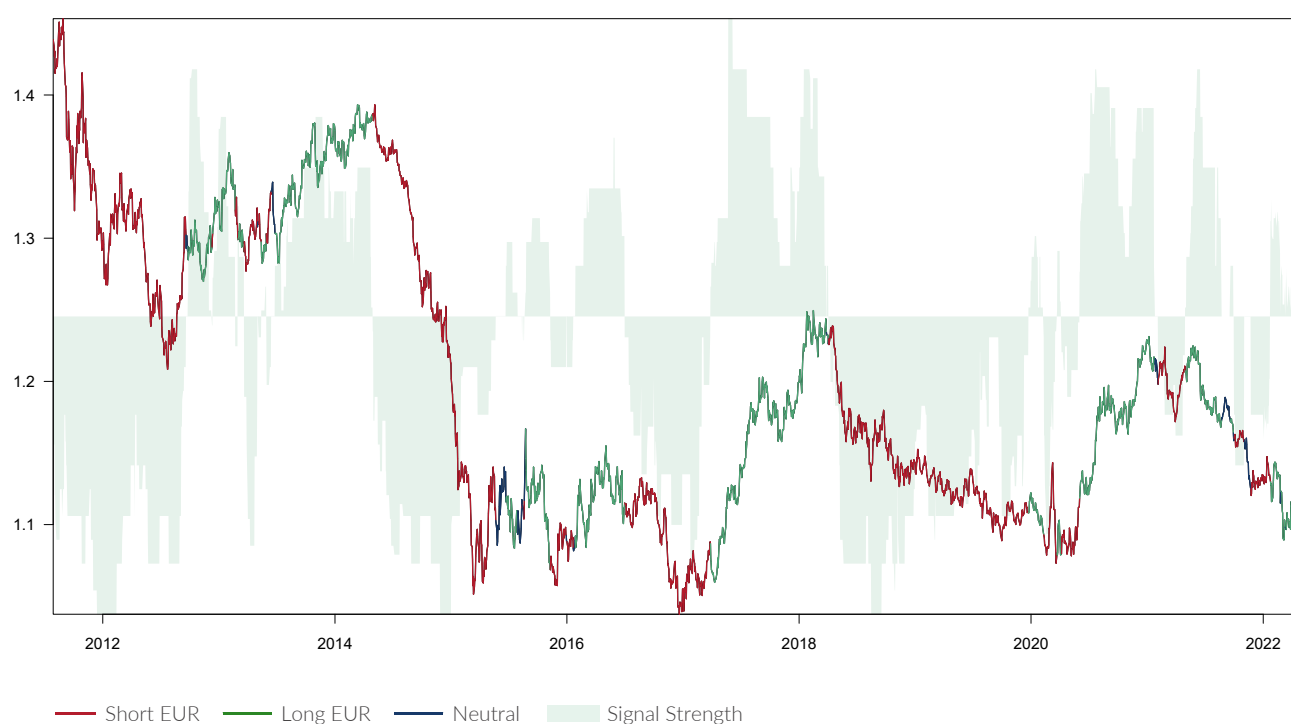
EURUSD

The risks for the EUR related to the Ukraine war and a broader conflict with Russia have increased. On the other hand, the Euro-area economy is holding up well given the circumstances and chances are rising that the ECB will soon turn more hawkish. Against that background we maintain the neu-

tral Macro position as the EUR has declined to a 20-year low versus the USD. Business Sentiment has shifted to fully short EUR and Technical remains short EUR. The balance of the three strategy position is half short EUR.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	+	The gap between the US deficit and the Euro-area surplus is likely to decline somewhat due to terms of trade shifts
	Fiscal Balances	0	The US deficit has declined after the surge last 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	0	Oil prices are moving in a volatile range
Sentiment	Business Sentiment	0	The momentum in Euro-area surveys has fallen below US surveys
	Risk Sentiment	-	Uncertainty related to the Ukraine war remains high
Technical	Price Action	-	Price technicals remain short EUR
	Spec Positions	0	Positions are close to neutral
	PPP Valuation	+	EUR undervaluation is around 18%

EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

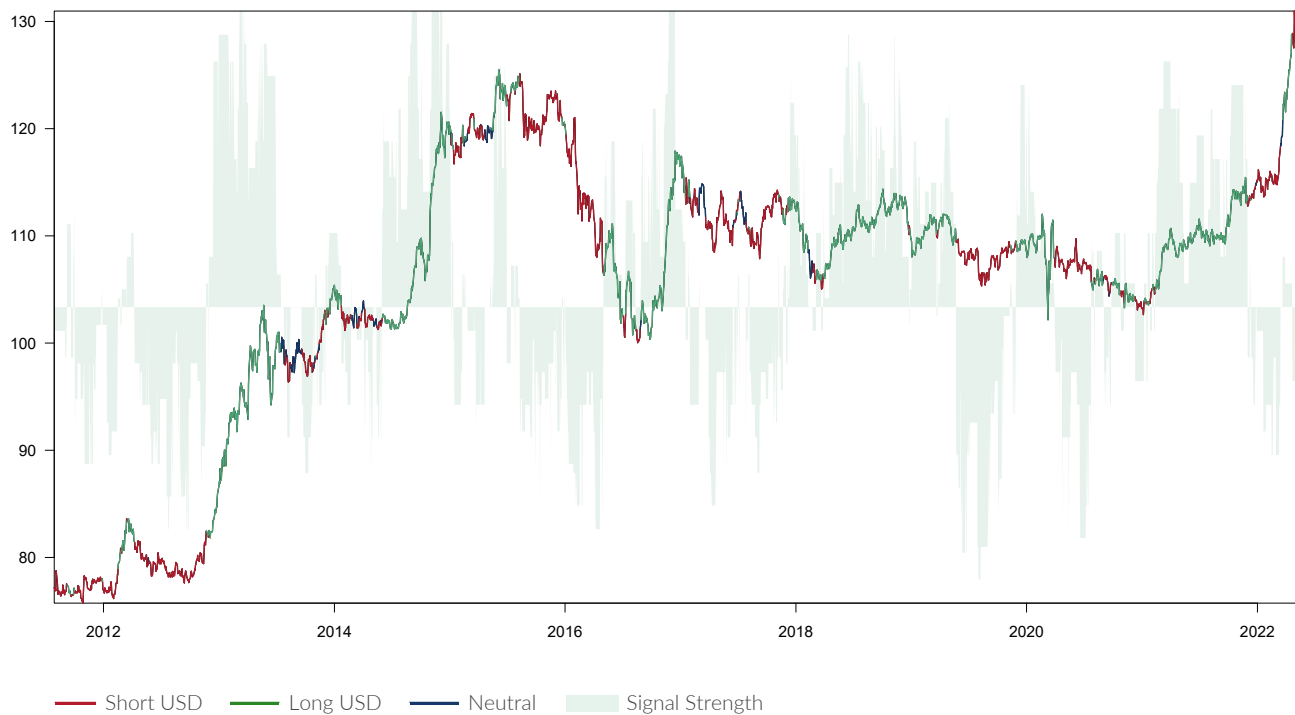
USDJPY

We moved the discretionary Macro position to short JPY after the BoJ reconfirmed its dovish policy stance. The Macro carry model switched to long JPY due to rising equity market risk aversion. Business Sentiment

in Japan held up and maintained the long JPY position, while Technical stayed short JPY. The balance of all strategy positions is neutral.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	0	The Japanese surplus has slipped due to terms of trade effects from higher commodity prices
	FDI Flows	0/-	Net outflows remain below the pre-Corona level
	Interest Rate Differentials	--	Japanese interest rates remain zero-bound, while interest rates rise elsewhere, especially in the US
Sentiment	Business Sentiment	+	Momentum of Japanese Business Sentiment versus the US remains positive
	Risk Sentiment	0	Shift to risk aversion has failed to support the JPY
Technical	Price Action	--	Price action remains JPY negative
	Spec Positions	0	Oversold positions have so far failed to help the JPY
	PPP Valuation	+	The JPY is currently about 40% undervalued

USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

EURCHF

We maintain the neutral Macro position. The CHF remains fundamentally strong but its safe haven function within Europe seems to fade. The SNB is also showing more resistance to limit further CHF strength.

Business Sentiment remains long CHF, but Technical has shifted to neutral. Our three strategy positions are on balance slightly long CHF versus the EUR.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Capital Flows (Safe Haven)	0	No significant inflows on Ukraine concerns
	Interest Rate Differentials	0	CHF interest rates likely to trail EUR interest rate
	SNB Policy Intervention	0	The SNB has intervened to smooth the exchange rate but not to force a significant correction
Sentiment	Business Sentiment	+	Swiss economy is overtaking the Euro-area in the surveys
	Risk Sentiment	0	The CHF has failed to benefit from the rise in risk aversion
Technical	Price Action	0	The positive CHF trend has stalled and Technical moved to neutral
	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 (neutral) and EURUSD (neutral), we are also neutral CHF versus the USD. The CHF is fundamentally strong, but rising USD interest rates make the CHF less attractive versus the

USD, while the CHF's safe haven value is fading. Business Sentiment shifted from neutral to short CHF, while Technical stayed long CHF. The balance of all three strategies is slightly short CHF.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Capital Flows (Safe Haven)	0	No significant 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
Sentiment	Business Sentiment	-	Swiss surveys falling behind US surveys
	Risk Sentiment	-	Increased risk aversion has failed to support the CHF
Technical	Price Action	+	Price action still CHF friendly
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	0/+	CHF is about 21% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

GBPUSD

We are fundamentally bearish on the GBP given the negative Brexit fallout but maintain the neutral Macro position for the GBP in line with all other

major currency Macro positions. Business Sentiment and Technical both remain short GBP. The balance of our strategies is half 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	-	US interest rates are rising above UK rates across all maturities
	Oil Price	0	Volatile range
Sentiment	Business Sentiment	--	Momentum in UK surveys has slipped below US surveys
	Risk Sentiment	-	Rising risk aversion hurts the GBP
Technical	Price Action	-	Technicals remain short GBP
	Spec Positions	+/0	Net short GBP position increased but not yet at inversion level
	PPP Valuation	+/0	The GBP is 22% 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. Yet, we shifted the discretionary Macro position to neutral as the SEK is more vulnerable in times of increased risk aversion. The interest rate Macro model shifted to short SEK, but

there is a chance of a hawkish surprise from the Riksbank. Business Sentiment stayed short SEK and Technical moved to neutral SEK. The balance of all strategy positions is half short SEK versus the EUR.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Sweden's surplus is less likely to suffer terms of trade losses
	Interest Rate Differentials	-	The Macro interest rate model shifted to short SEK
Sentiment	Business Sentiment	-	Surveys remained short SEK
	Risk Sentiment	-	Rising risk aversion hurt the SEK
Technical	Price Action	0	Technicals shifted to neutral
	PPP Valuation	+	The SEK is roughly 20% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

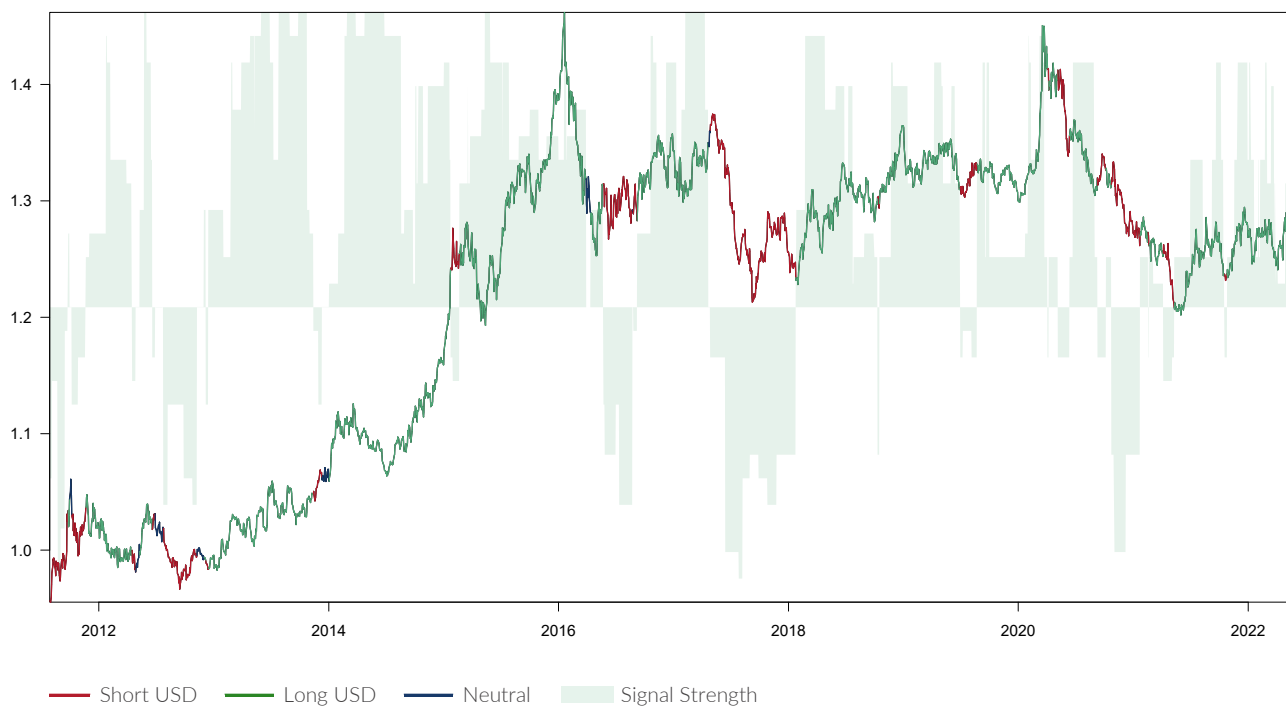
USDCAD

Global growth concerns and risk aversion have weighed on the CAD. Given ongoing uncertainties around global growth and risk sentiment, we have moved the discretionary Macro position to neutral. The Macro oil price model is short CAD as the forecasts are not

showing oil price increases above current levels. The Business Sentiment position remains short CAD, while the Technical position stayed long CAD. On balance, the strategy positions are short CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	+	Canada's current account remains about balanced, while the US deficit is widening
	Oil Prices	0	Oil prices seen in a volatile range
	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	-	Higher risk aversion hurts the CAD
Technical	Price Action	-	Technicals are short CAD
	Spec Positions	0	Net long CAD positions stayed in lower range
	PPP Valuation	0	CAD is about 8% 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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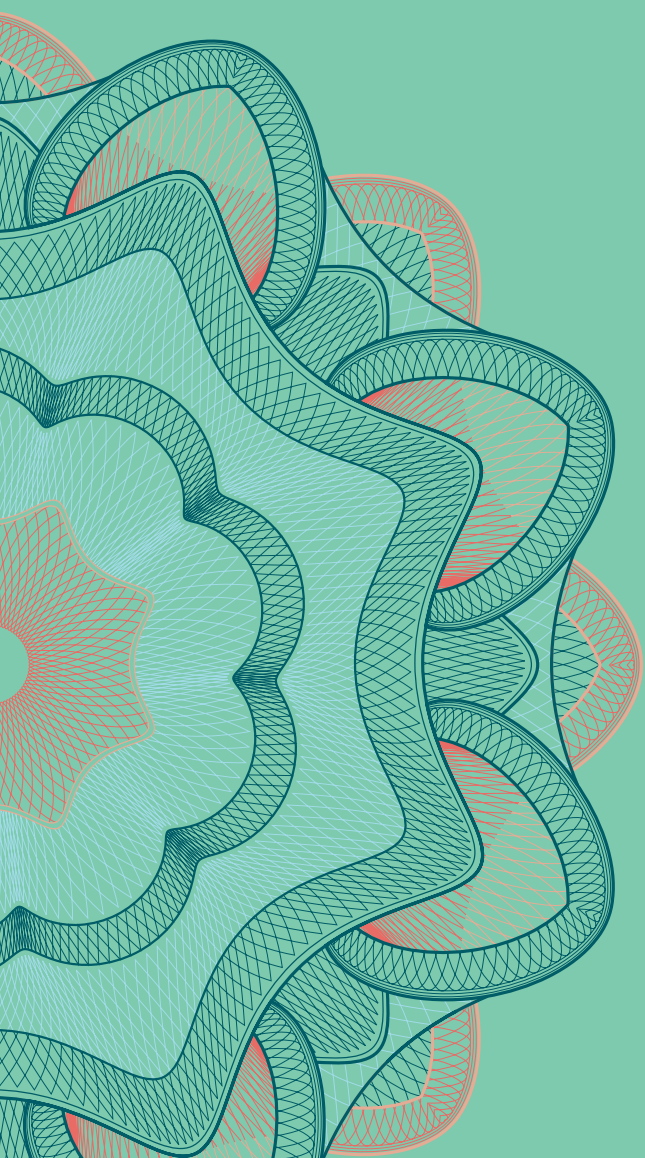
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