QCAM Currency Asset Management

February 2023

QCAM MONTHLY

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QCAM Insight

Don't expect too much from China

Bernhard Eschweiler, Economic Advisor
QCAM Currency Asset Management AG

The USD continued to decline in January, but less strongly and evenly as in December. Fading global growth uncertainties, falling risk aversion and the Fed likely to pause the tightening first still point to more USD downside. However, the path is likely to become bumpier as risk sentiment has already rallied a lot. China's recovery from Corona is positive for the global growth outlook, but structural problems remain and are likely to limit China's upside.

The USD DXY fell 1.3% in January, roughly half as much as in December. Moreover, USD weakness was less evenly spread. The SEK, for example, is down versus the USD thanks to its property slump. The NOK also fell on weaker oil prices. The CHF underperformed as its safe haven appeal faded. On the other hand, the AUD and to a lesser extend the NZD outperformed benefitting from better news from China. Emerging market currencies also outperformed the major currencies on improved growth prospects, although not equally. The BRL soared more than 4% while the TRY continued to edge lower.

USD weakness has more to go

We believe that the forces that have pulled down the USD since the fourth quarter of last year still have some momentum. Economic data reports as well as business and consumer surveys on balance continue to come in better. Market participants and official institutions have started to upgrade their growth outlook for 2023. A global recession is no longer expected. The positive surprises and forecast revisions are more visible outside the US, especially in the Euro area.

Inflation has peaked everywhere and is on the decline. Especially goods-price inflation is now easing as global supply and demand distortions are fading. This is already having an impact on the pace of interest rate hikes and we expect that the Fed will be the first major central bank to pause the tightening cycle after its March meeting. Improving growth prospects, easing inflation and monetary tightening approaching the end phase are all good news for risk taking and unfavorable for the USD.

But bumpier road ahead

However, given the strong rally in risk-assets so far this year, the going may get bumpier and markets are likely to react more defensive to disappointing news. Furthermore, as we had discussed in the previous two issues of the QCAM Monthly, the current soft-landing (risk-on) environment may not last long and could be followed by a hard-landing scenario later in the year. Monetary policy works with lags and the tightening impact may spread further, while businesses struggle to adjust to harsher operating conditions. Financial markets are vulnerable if and when signs emerge that the soft-landing scenario is not sustainable.

China recovers faster...

China has been a key support for the improving global growth outlook. Corona is spreading in the country and causing health problems and disruptions but the overall economic impact of the re-opening is positive. Indeed, recent business surveys as well as real economic data reports have been significantly better than expected. Government measures to support the ailing property sector have also been positively received. Chinese equity markets have rallied on average by 20% over the last three months and the CNY is 9% stronger versus the USD since the lows last fall.

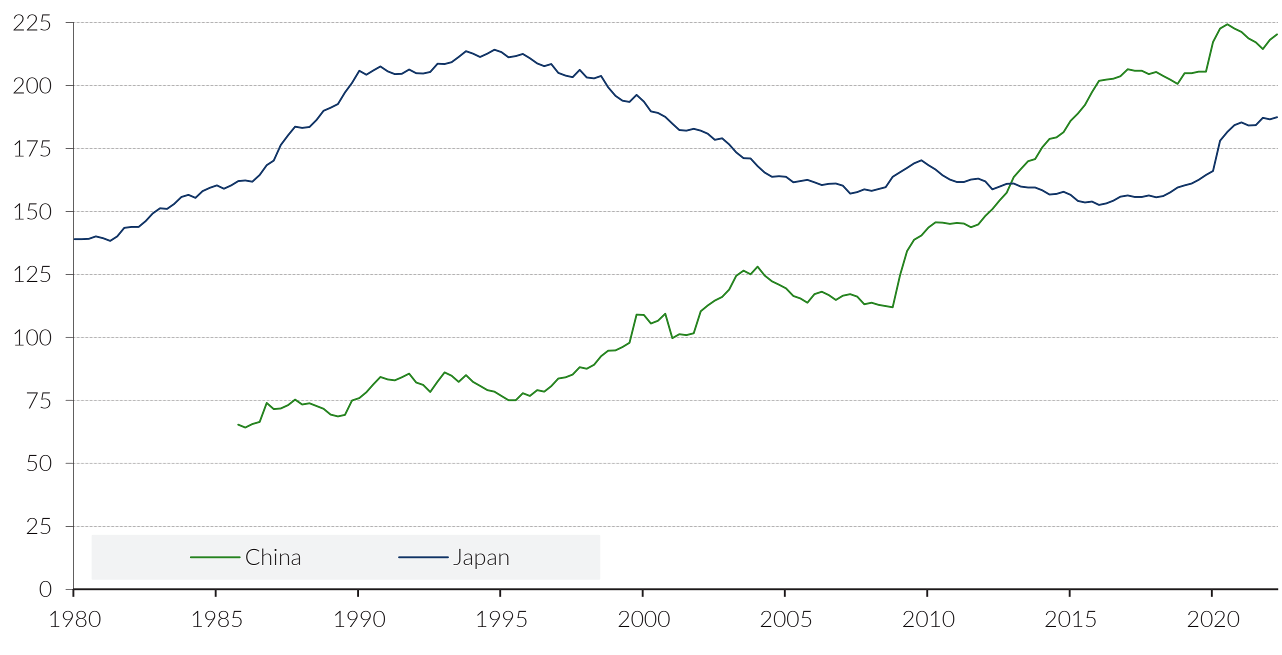
… but faces structural headwinds

We believe that China's recovery from the Corona lockdown will carry through the first quarter and possibly spill into the second quarter of this year. However, China's structural growth prospects are less favorable in our view. First, China's phase of export and investment led growth is running out of steam. The population peaked last year and is aging and the capacity to mobilize more rural workers is diminishing. Meanwhile, China faces new competition from other emerging economies, while trade and political conflicts are constraining foreign market access, especially in the US.

Second, the investment boom has created excess capacities and massive corporate and household debt (e.g. property sector). China's non-financial private debt stand at 220% of GDP versus 84% for all other EM economies ex China and 160% for advanced economies and debt service payments of the Chinese private sector have reached a strangling 20% of income. Third, President Xi's policies aim to push the government back into the center of the economy, which risks to undermine private initiative and innovation and result in more inefficiencies (e.g. crack down on private IT companies).

The combination of declining trend growth and excessive debt are likely to lead to a vicious deleveraging circle similar to the experience of Japan since the mid 1990s (see Chart). One difference, however, is likely to be the exchange rate. Japan's deleveraging led to consistently large current account surpluses as well as bouts of massive capital outflows. This resulted in large swings of USDJPY between 80 and 160. In our view, China is more likely to use its capital account and exchange-market controls to keep USDCNY more stable between 6 and 8.

Private non-financial debt (% of GDP)



Source: BIS and QCAM Currency Asset Management

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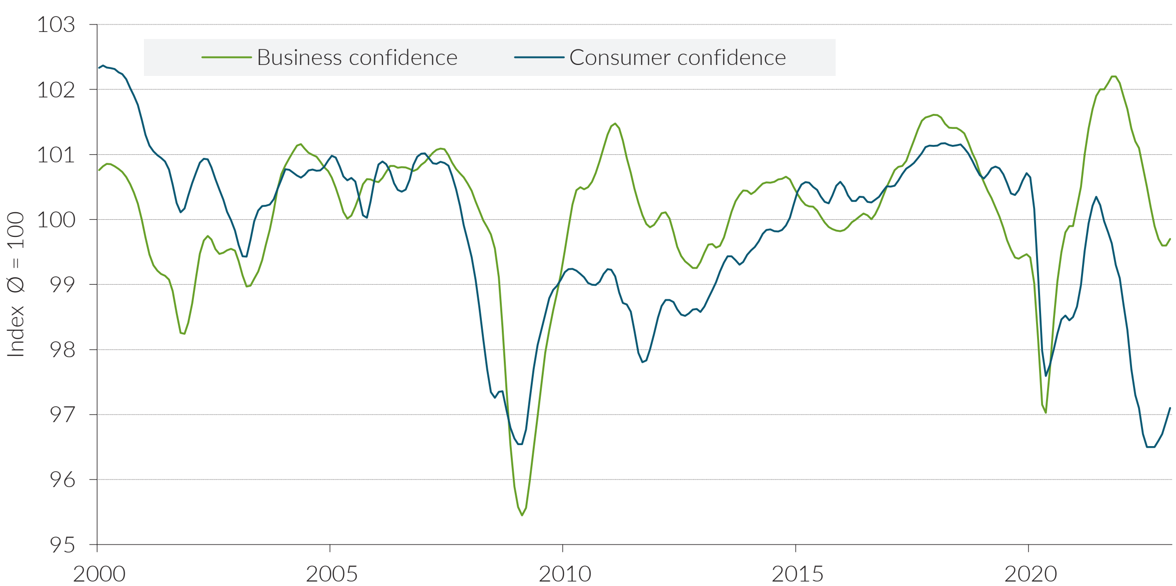
Economy & Interest Rates

Growth forecasts for 2023 are being revised up on the back of better economic reports. Business sentiment is stabilizing and consumer confidence is recovering, albeit from a low level. The Euro-area continues to surprise on the upside, while the US remains a bit softer than expected. Nevertheless, forecasts for 2023 still point at lower growth and recession remains a risk for later in the year. Signs that inflation has peaked continue to broaden, but underlying inflation pressures remain thanks to tight labor markets. Central banks led by the Fed have slowed the pace of monetary tightening. The Fed is expected to pause after the March meeting, while the ECB will probably tighten until the summer and the BoJ is just getting started.

	Real GDP growth[1]		Unemployment rate[1]		Inflation rate[1]		Current account[2]		Fiscal balance[2]		Public debt[2]	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Global	3.4	2.5	n.a.	n.a.	7.0	4.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	2.7	1.2	n.a.	n.a.	7.5	4.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	2.1	1.0	3.6	4.0	8.0	3.5	-3.6	-3.5	-4.0	-5.0	122	123
Canada	3.6	1.0	5.5	6.0	6.8	3.0	0.0	-0.5	-1.0	-1.0	102	99
Euro-area	3.4	1.0	6.7	6.5	8.4	5.0	0.0	0.5	-4.0	-3.5	93	91
Sweden	2.5	0.0	7.5	8.5	7.5	6.0	2.0	2.5	0.0	-0.5	33	33
Switzerland	2.5	1.5	2.2	2.0	3.0	2.5	6.0	6.5	0.0	0.0	40	40
UK	4.1	-0.5	3.7	4.0	9.1	6.5	-5.0	-4.5	-7.0	-5.0	90	90
Japan	1.4	1.5	2.6	2.5	2.5	2.5	1.0	1.5	-6.0	-4.5	264	262
Australia	3.6	2.5	3.7	4.0	6.5	4.5	3.5	2.5	-4.0	-3.0	57	59
Emerging	3.9	3.5	n.a.	n.a.	6.5	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	3.0	5.0	5.5	5.0	2.0	2.0	2.1	1.5	-4.0	-3.5	77	84
India	6.8	5.5	n.a.	n.a.	6.9	5.0	-3.5	-3.0	-10.5	-10.0	83	84
Russia	-2.2	-0.5	4.1	4.5	13.7	6.0	10.0	4.0	-1.0	-2.0	16	17
Brazil	3.1	1.0	9.5	10.0	9.3	5.0	-1.5	-2.0	-6.0	-10.0	90	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

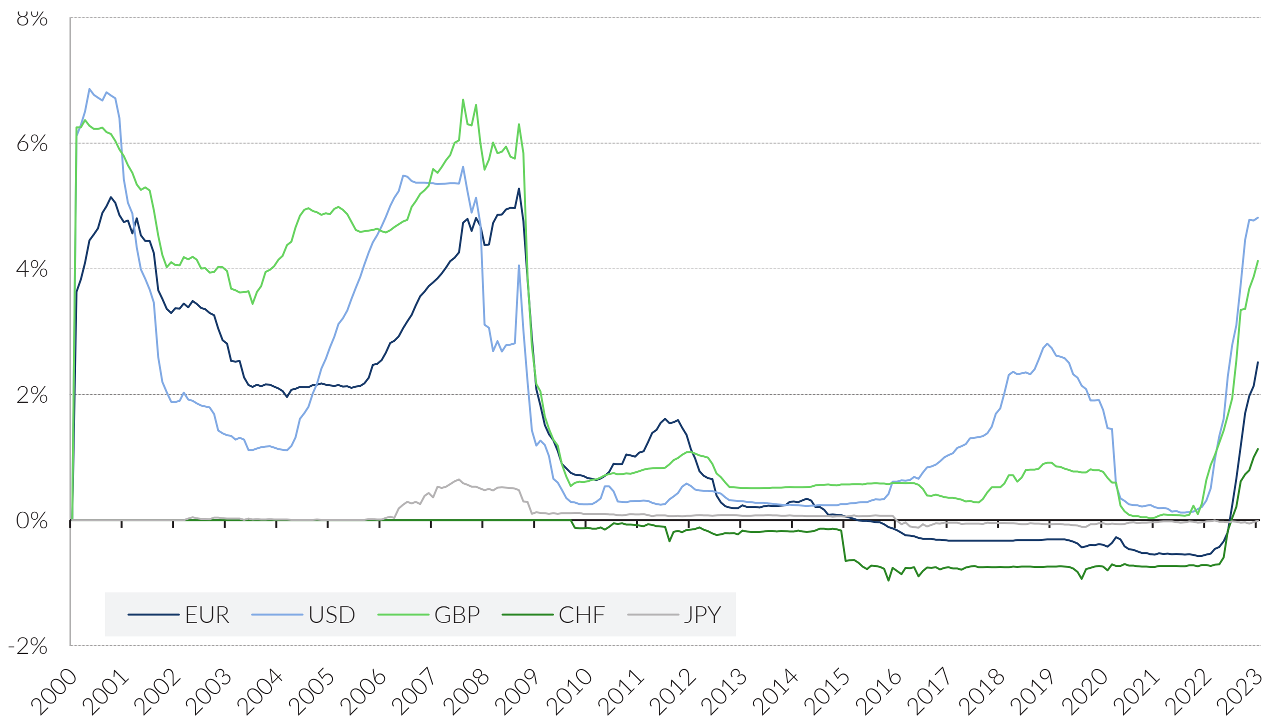
Interest Rates

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	4.71%	4.61%	4.17%	0.24%	0.95%	3.49%	3.84%	4.09%	1.84%	1.81%
EUR	2.51%	2.13%	1.70%	-0.55%	-0.13%	2.88%	3.20%	3.03%	0.46%	0.69%
JPY	-0.01%	-0.03%	-0.04%	-0.02%	-0.04%	0.85%	0.88%	0.51%	0.17%	0.16%
GBP	4.00%	3.75%	3.24%	0.52%	0.80%	3.38%	3.75%	3.81%	1.23%	1.23%
CHF	1.13%	1.00%	0.72%	-0.72%	-0.47%	1.70%	2.08%	1.97%	0.29%	0.35%
AUD	3.43%	3.21%	3.06%	0.09%	0.69%	4.10%	4.55%	4.56%	2.17%	2.14%
CAD	4.55%	4.43%	3.98%	0.40%	1.08%	3.33%	3.74%	3.77%	2.29%	2.14%
SEK	2.93%	2.78%	2.26%	-0.05%	0.30%	2.71%	3.12%	3.09%	1.15%	1.21%
RUB	7.44%	7.54%	7.71%	10.00%	7.41%	10.42%	10.72%	10.94%	9.47%	8.42%
BRL	12.60%	11.99%	12.49%	10.66%	6.60%	13.00%	12.64%	11.65%	11.34%	9.98%
CNY	2.09%	2.05%	1.83%	2.12%	2.16%	3.01%	2.93%	2.51%	2.40%	2.72%
TRY	9.80%	10.50%	10.74%	14.45%	0.00%	38.04%	38.04%	38.04%	25.75%	18.01%
INR	6.67%	6.58%	6.55%	3.92%	4.29%	6.40%	6.55%	6.97%	5.98%	5.81%

Source: QCAM Currency Asset Management, as of February 1st, 2023

3-month Rates



Source: QCAM Currency Asset Management, as of end of January 2023

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FX Markets

FX Performance vs. PPP

The USD continued to slide lower in January but with less momentum and less broadly. The best performer was the AUD, which benefitted from the recovery in China. The worst performer was the SEK thanks to the property slump. EM currencies gained versus the USD more than the major currencies but performance was also mixed. Speculative net long USD positions declined modestly. Short-term interest rates rose further and differentials remained largely unchanged leaving forward hedging versus the USD still costly from the perspective of EUR, JPY and CHF. Actual and implied FX volatilities were stable to somewhat lower except for some EUR crosses and remain mostly above their 5-year averages. PPP estimates continued to diverge in line with diverging inflation trends, yet the USD continued to lose some of its overvaluation.

Overview

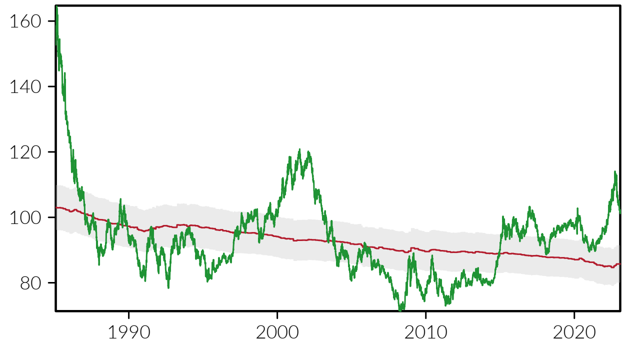
	Current Exchange Rate	Performance[1]				Purchasing Power Parity[2]		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation[3]
EURUSD	1.091	1.84%	1.84%	-3.00%	-12.59%	1.25	1.11 - 1.38	-13%
USDJPY	129.240	-1.35%	-1.35%	12.69%	17.95%	95.34	84.5 - 106.1	36%
GBPUSD	1.230	1.69%	1.69%	-8.91%	-13.55%	1.57	1.40 - 1.74	-22%
EURCHF	0.999	1.17%	1.17%	-3.64%	-13.84%	0.94	0.89 - 0.99	6%
USDCHF	0.916	-0.63%	-0.63%	-0.64%	-1.41%	0.81	0.71 - 090	13%
GBPCHF	1.127	1.05%	1.05%	-9.53%	-14.79%	1.09	0.99 - 1.19	3%
CHFJPY	141.102	-0.72%	-0.72%	13.44%	19.67%	94.87	83.9 - 105.8	49%
AUDUSD	0.707	3.64%	3.64%	-0.63%	-11.95%	0.75	0.66 - 0.84	-6%
USDCAD	1.335	-1.37%	-1.37%	5.14%	8.59%	1.20	1.12 - 1.29	11%
USDSEK	10.432	0.16%	0.16%	12.40%	32.72%	8.12	7.19 - 9.06	28%
EURSEK	11.378	2.00%	2.00%	9.02%	16.01%	8.79	8.25 - 9.33	29%
USDRUB	70.039	-4.34%	-4.34%	-9.08%	24.92%	58.11	45.5 - 70.7	21%
USDBRL	5.100	-3.54%	-3.54%	-3.49%	60.75%	3.82	3.16 - 4.47	34%
USDCNY	6.748	-2.37%	-2.37%	5.89%	7.16%	7.71	7.44 - 7.98	-12%
USDTRY	18.806	0.49%	0.49%	40.54%	403.50%	12.86	10.1 - 15.6	46%
USDINR	82.011	-0.84%	-0.84%	9.69%	28.20%	70.30	65.3 - 75.3	17%
USD-DXY	101.160	-2.28%	-2.28%	4.95%	14.08%	85.75	80.0 - 91.5	18%

[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.

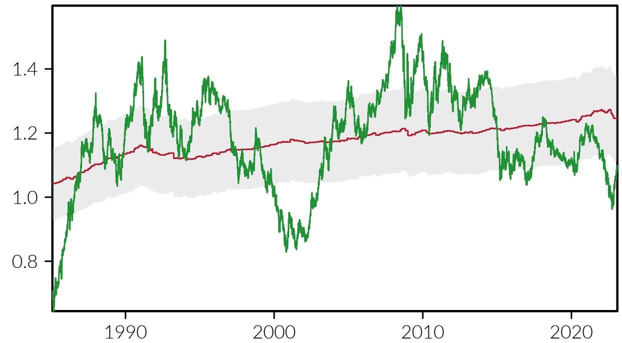
Source: QCAM Currency Asset Management, as of February 1st, 2023

Purchasing Power Parity

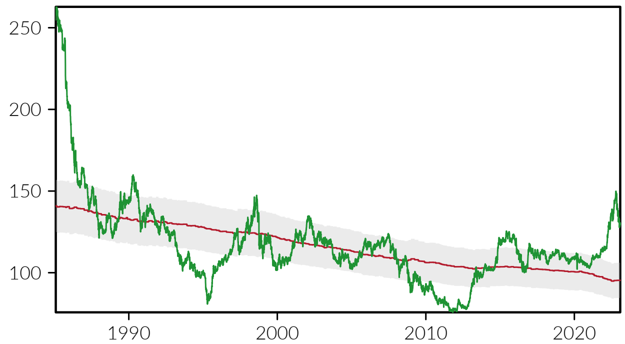
DXY



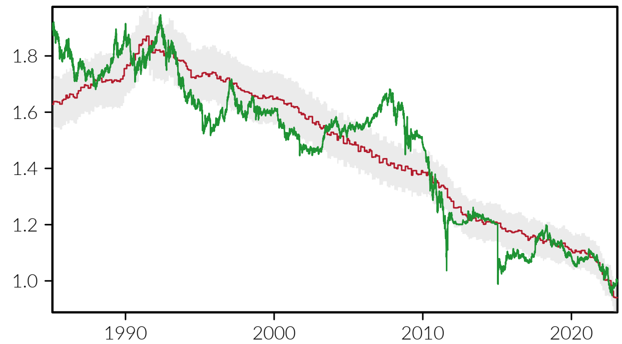
EURUSD



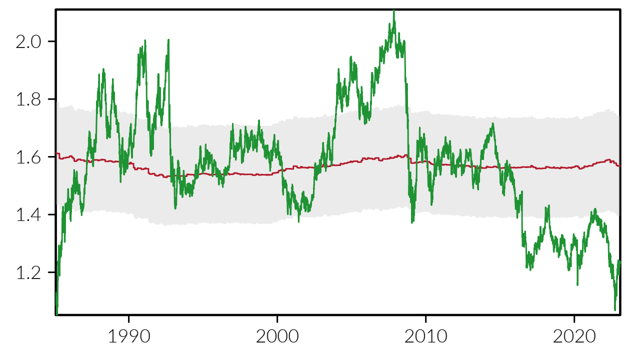
USDJPY



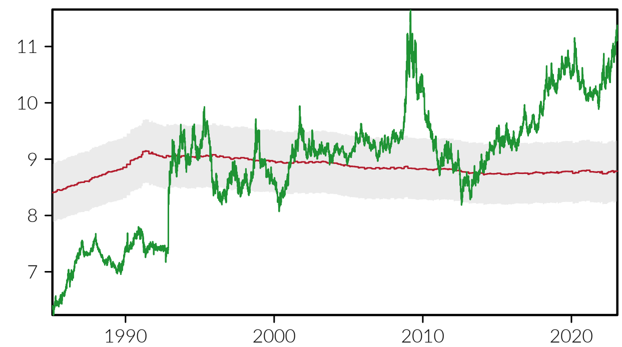
EURCHF



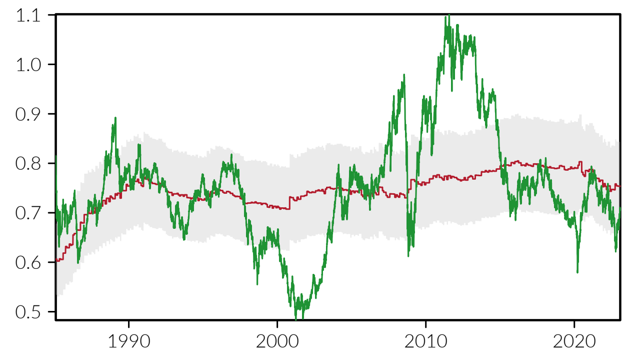
GBPUSD



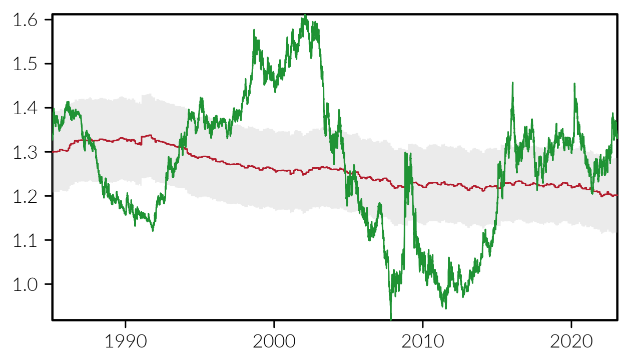
EURSEK



AUDUSD



USDCAD



Source: QCAM Currency Asset Management, as of February 1st, 2023.

PPP — Spot — Neutral Range

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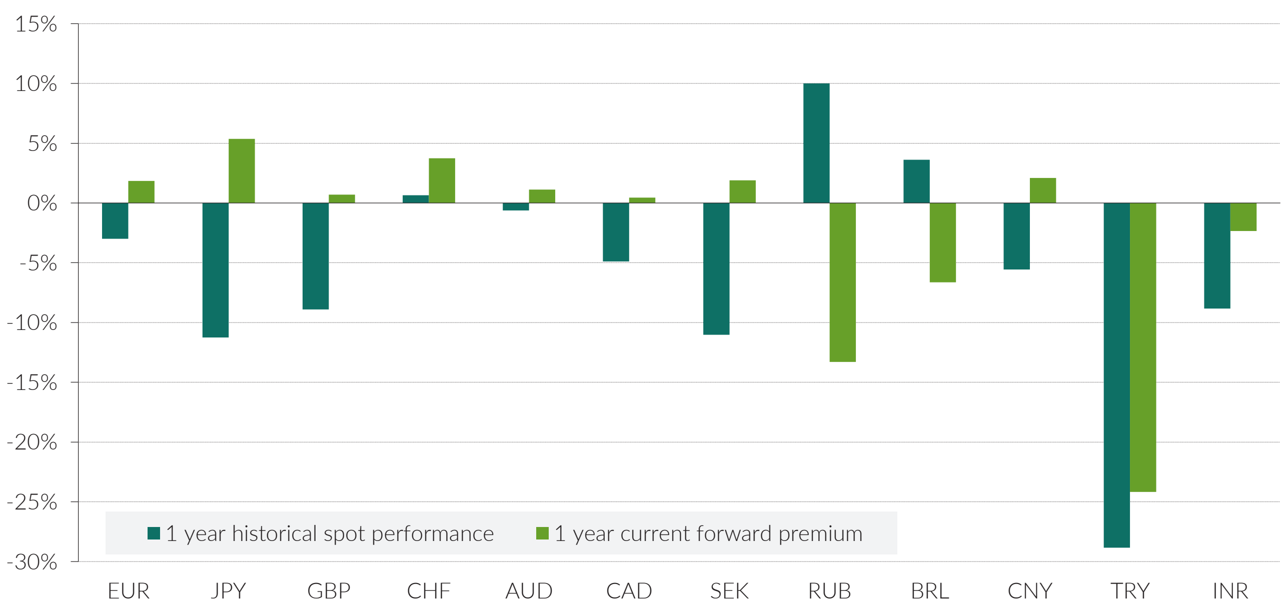
FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level 1M	Forward Level 3M	Forward Level 12M	Premium p.a. 1M	Premium p.a. 3M	Premium p.a. 12M
EURUSD	1.091	1.0928	1.0967	1.1109	2.31%	2.19%	1.81%
USDJPY	129.240	128.7543	127.5590	122.6638	-4.83%	-4.98%	-4.99%
GBPUSD	1.230	1.2310	1.2325	1.2387	0.79%	0.77%	0.67%
EURCHF	0.999	0.9978	0.9951	0.9808	-1.53%	-1.60%	-1.79%
USDCHF	0.916	0.9134	0.9076	0.8831	-3.83%	-3.78%	-3.54%
GBPCHF	1.127	1.1240	1.1183	1.0935	-3.05%	-3.02%	-2.89%
CHFJPY	141.102	140.9921	140.6517	138.9316	-1.00%	-1.22%	-1.51%
AUDUSD	0.707	0.7075	0.7091	0.7146	1.43%	1.37%	1.09%
USDCAD	1.335	1.3343	1.3336	1.3285	-0.21%	-0.28%	-0.44%
USDSEK	10.432	10.4155	10.3815	10.2376	-1.98%	-1.94%	-1.82%
EURSEK	11.378	11.3813	11.3852	11.3731	0.33%	0.24%	-0.05%
USDRUB	70.039	70.8006	72.6119	80.7906	13.99%	14.86%	15.14%
USDBRL	5.100	5.1256	5.1822	5.4624	6.43%	6.51%	6.97%
USDCNY	6.748	6.7352	6.7082	6.6098	-2.37%	-2.34%	-2.00%
USDTRY	18.806	19.0511	19.7845	24.8020	16.78%	21.05%	31.45%
USDINR	82.011	82.1458	82.5735	83.9825	2.12%	2.78%	2.36%

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



Source: QCAM Currency Asset Management, as of February 1st, 2023

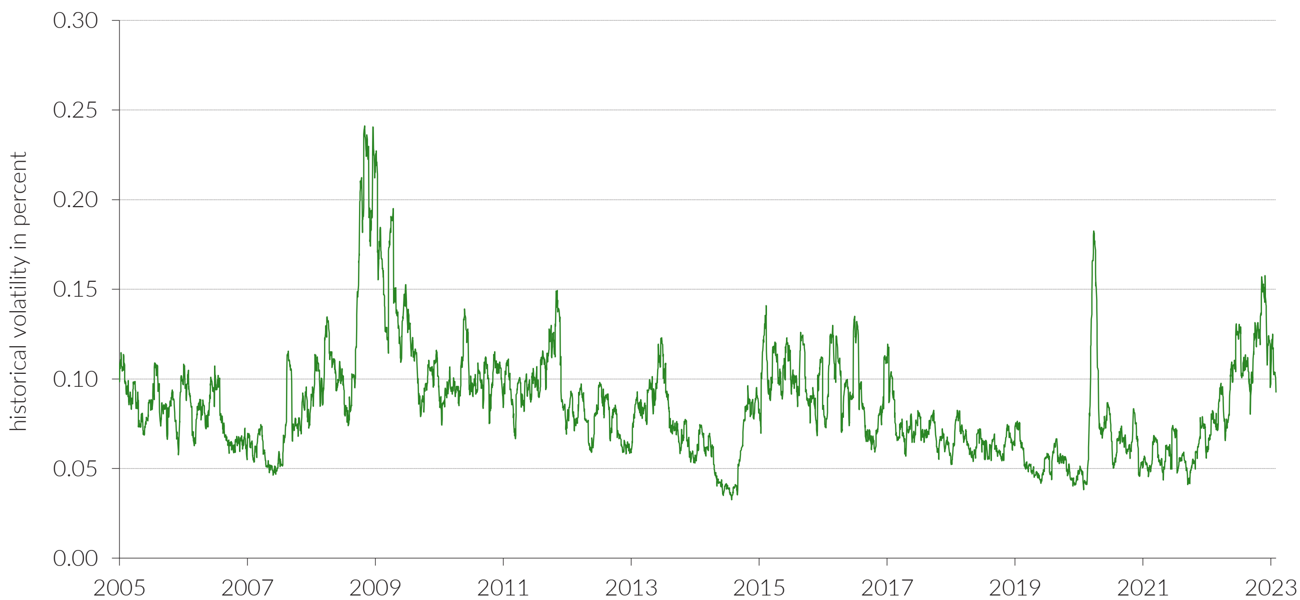
FX Volatility

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	1.091	8.74%	11.11%	6.94%	6.89%	7.95%	8.78%	6.28%	6.94%
USDJPY	129.240	17.50%	17.20%	7.08%	7.32%	13.25%	12.73%	6.33%	7.67%
GBPUSD	1.230	12.52%	16.63%	6.80%	8.94%	9.68%	10.63%	6.68%	9.21%
EURCHF	0.999	5.84%	5.33%	4.12%	4.66%	6.30%	5.98%	4.63%	5.31%
USDCHF	0.916	9.95%	10.92%	7.41%	6.92%	8.32%	8.32%	6.73%	6.80%
GBPCHF	1.127	8.80%	11.15%	7.26%	8.00%	7.88%	8.38%	6.43%	8.46%
CHFJPY	141.102	14.68%	13.11%	6.31%	6.69%	12.43%	11.28%	6.63%	7.15%
AUDUSD	0.707	14.44%	15.78%	10.36%	9.61%	12.10%	12.78%	9.80%	9.65%
USDCAD	1.335	8.27%	8.91%	8.10%	6.83%	7.18%	7.80%	7.05%	6.83%
USDSEK	10.432	14.35%	15.87%	10.20%	9.70%	12.70%	12.70%	9.60%	9.62%
EURSEK	11.378	7.73%	7.13%	7.13%	5.95%	7.78%	7.05%	6.55%	6.28%
USDRUB	70.039	25.18%	24.63%	13.05%	19.43%	40.54%	34.35%	18.05%	19.05%
USDBRL	5.100	16.79%	18.27%	14.13%	15.48%	17.78%	19.25%	16.15%	16.81%
USDCNY	6.748	7.79%	9.91%	2.92%	4.87%	6.33%	7.00%	3.80%	5.46%
USDTRY	18.806	1.62%	1.69%	71.70%	17.86%	14.88%	13.53%	25.98%	20.46%
USDINR	82.011	4.76%	5.60%	4.50%	5.54%	5.72%	5.65%	5.05%	6.33%

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 February 1st, 2023

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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

There have been few signal changes since the last Monthly but the direction continued to be against the USD. Discretionary Macro positions remained unchanged. Business Sentiment and Technical positions increased their short USD bias. The balance of all strategies is short USD versus the EUR, the JPY and the CAD, the GBP is close to neutral, the CHF is modestly short versus the EUR and neutral versus the USD and the short SEK position versus the EUR has increased further.

Overview[1]

	Macro	Business Sentiment	Technical	Comment
EURUSD	+	+	+	All signals remained unchanged adding up to a half net long EUR position.
USDJPY	–/–	– –	–	All signals remained unchanged adding up to a half net long JPY position.
EURCHF	+	0	+	All positions remained unchanged except Business Sentiment went long CHF vs. USD. The balance of all positions is modestly short vs EUR and neutral vs USD.
USDCHF	0	–	+	
GBPUSD	0	–	+	The short GBP Business Sentiment position moderated, leaving the overall GBP position at a small net short.
EURSEK	+/+	++	+	All positions went short SEK with the balance now 70% short SEK.
USDCAD	0/–	– –	0	Technical moved to neutral leaving the overall position at half long CAD.

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

Source: QCAM Currency Asset Management

EURUSD

The Euro-rally has run into more choppy waters as the risk-on sentiment moderated but our Macro position remains long EUR. The Euro-area economy continues to hold up better than feared, while the US economy shows more strain from higher interest rates. Declining global growth uncertainty, improving terms of trade and the Fed probably ahead of the ECB in pausing the tightening are also expected to support the EUR. The Business Sentiment and Technical positions also remain long EUR.

	FX Factors	EUR Impact	Comment
Macro	Current Account Balances	0/+	The surge in energy prices pushed the Euro-area's current account into deficit, but is now starting to recover.
	Fiscal Balances	0/–	Energy relief packages are lifting the Euro-area fiscal deficit although the US deficit is rising as well.
	Interest Rate Differentials	0/+	USD rates remain higher than EUR rates but the Fed is expected to pause the tightening earlier than the ECB.
	Oil prices	0	Oil price likely to stabilize in wider range.
Sentiment	Business Sentiment	+	The momentum in Euro-area surveys has improved versus US surveys.
	Risk Sentiment	0/+	Uncertainties related to an energy crisis and risk aversion are both declining.
Technical	Price Action	+	Price technicals moved from neutral to long EUR.
	Spec Positions	0/–	Net long EUR positions increased further.
	PPP Valuation	+	EUR undervaluation is around 13%.

EURUSD and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

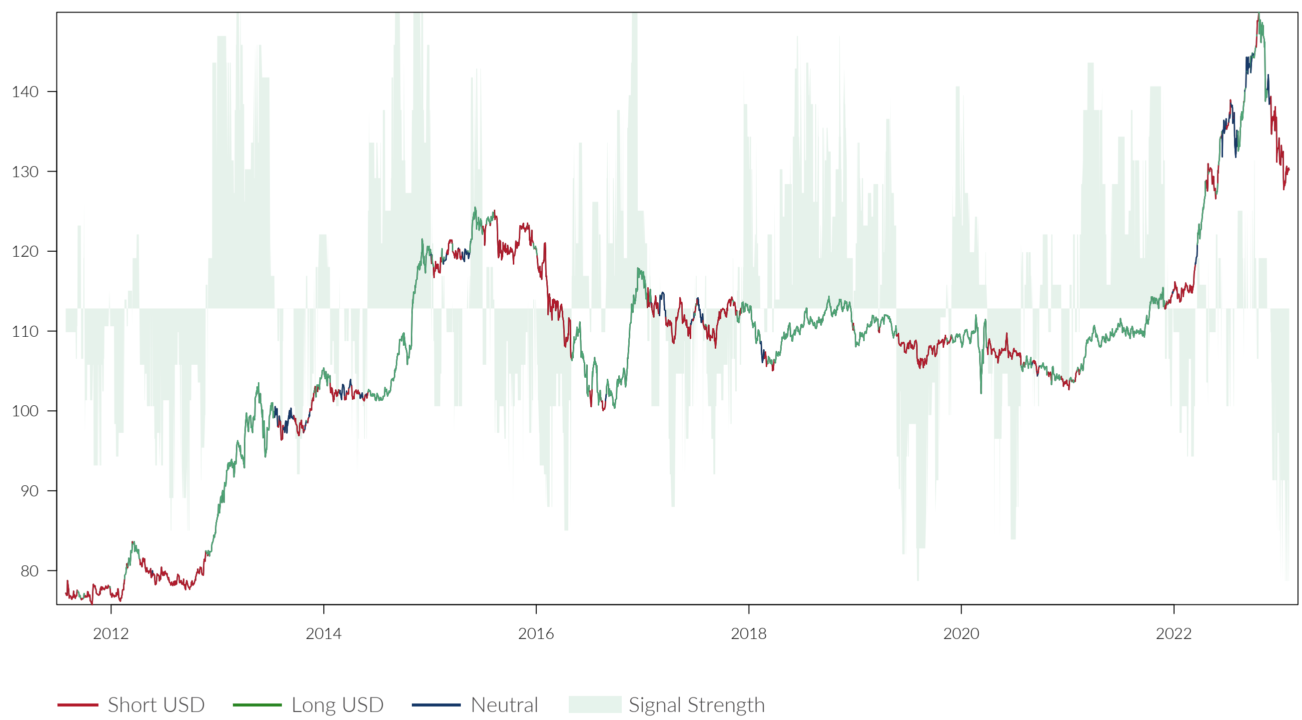
QCAM® Currency Asset Management

USDJPY

The economy remains on the delayed Corona recovery path, while inflation is rising. Against that background the BoJ has more catch-up to do to normalize monetary policy. The current account cushion has declined but we believe will recover this year as energy prices have dropped to levels from before the Ukraine war. All of our FX strategies are long JPY.

	FX Factors	JPY Impact	Comment
Macro	Current Account Balances	0/+	The Japanese surplus has declined on rising energy prices but likely to recover in 2023.
	FDI Flows	–	Net outflows have increased to the pre-Corona level.
	Interest Rate Differentials	0/+	JPY rates remain low, but pressure on the BoJ to adjust policy more than the first step late last year is mounting.
Sentiment	Business Sentiment	++	Momentum of Japanese Business Sentiment remains stronger than in the US.
	Risk Sentiment	0	Changes in risk sentiment had limited impact since last year.
Technical	Price Action	+	Price action is JPY positive.
	Spec Positions	0	Net short JPY position declined and is approaching neutral.
	PPP Valuation	+	The JPY is currently about 36% undervalued.

USDJPY and QCAM Strategic Positioning



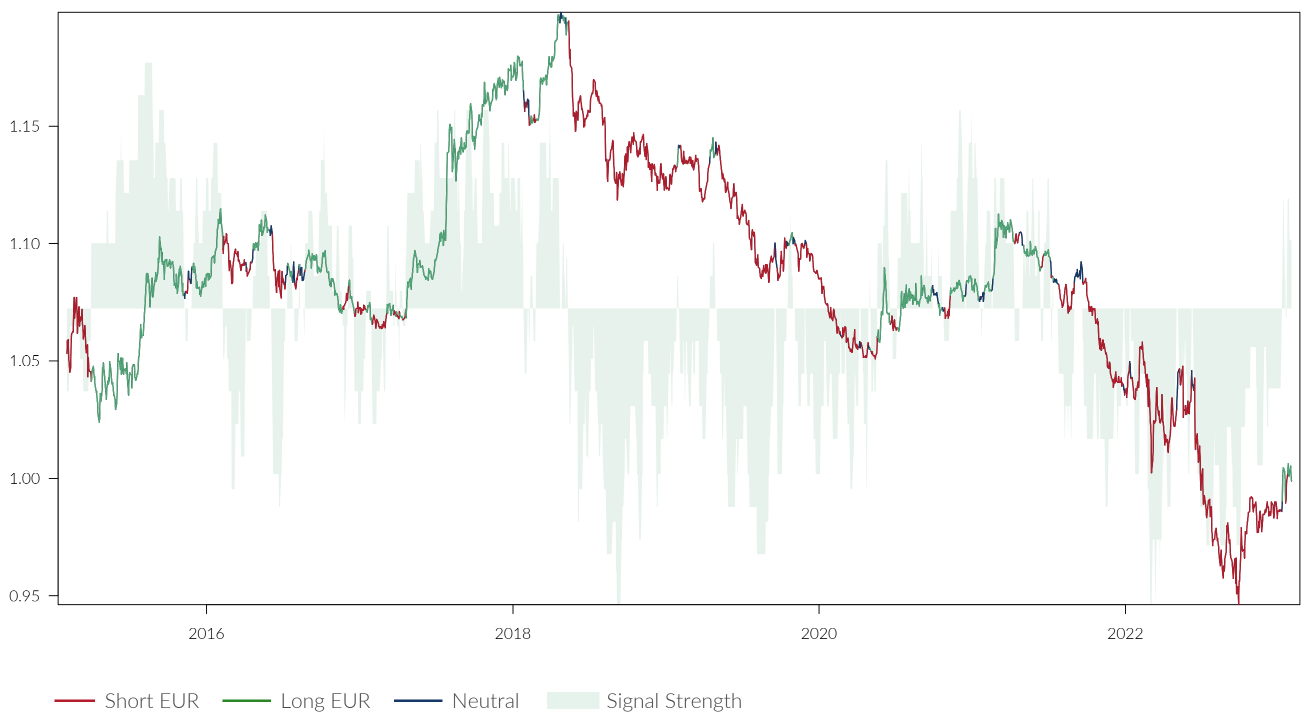
Source: QCAM Currency Asset Management

EURCHF

We keep the short CHF Macro position versus the EUR. The Swiss economy remains fundamentally sound. However, just like the CHF outperformed last year when global uncertainty was high, we believe the CHF will underperform as global risk aversion declines. The SNB also appears less aggressive in its pursuit of inflation control and is no longer ahead of the ECB. In addition to Macro, Technical also remains short CHF, while Business Sentiment stayed neutral.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF.
	Interest Rate Differentials	0	SNB rate policy no longer ahead of ECB.
	SNB Policy Intervention	0	The SNB has slowed the reduction of FX reserves.
Sentiment	Business Sentiment	0	Swiss economy in lock-step with Euro-area economy.
	Risk Sentiment	0/–	Better risk sentiment is negative for CHF.
Technical	Price Action	–	Technical remains short CHF.
	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

QCAM® Currency Asset Management

USDCHF

Our Macro positions in EURCHF (long) and EURUSD (long) imply neutral for USDCHF. However, the CHF is expected to perform better versus the USD as EURCHF is likely to be more sticky than EURUSD. Business Sentiment moved to long CHF, while Technical stayed short CHF. The balance of all three strategies is close to neutral.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF.
	Interest Rate Differentials	0/–	Swiss rates have become positive but the gap to US rates remains large.
	SNB Policy Intervention	0	The SNB has slowed the reduction of FX reserves.
Sentiment	Business Sentiment	+	Swiss surveys have strengthened versus US surveys.
	Risk Sentiment	0/–	Better risk sentiment is negative for CHF.
Technical	Price Action	–	Technical remains short CHF.
	Spec Positions	0	Net CHF position close to neutral.
	PPP Valuation	+	CHF is about 13% undervalued versus USD.

USDCHF and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

QCAM Currency Asset Management

GBPUSD

We remain fundamentally bearish on the GBP given the negative Brexit fallout, growing stagflationary pressures and policy uncertainty. We maintain our neutral Macro position, given the current political relief and the decline in global risk aversion. Business Sentiment remains short GBP, while Technical stayed long GBP. The balance of all our strategies is slightly short GBP.

	FX Factors	GBP Impact	Comment
Macro	Current Account Balances	0/–	The UK has like the US a twin deficit problem, but the current account deficit is widening faster.
	Interest Rate Differentials	0/–	UK interest rates remain below US rates.
	Oil Price	0	Oil price likely to stabilize in wider range.
Sentiment	Business Sentiment	–	Momentum in UK surveys remains below US surveys.
	Risk Sentiment	–	Political uncertainty remains despite leadership change.
Technical	Price Action	+	Technicals remain long GBP.
	Spec Positions	0	Net GBP position close to neutral.
	PPP Valuation	0/+	The GBP is 22% undervalued.

GBPUSD and QCAM Strategic Positioning

Source: QCAM Currency Asset Management

EURSEK

The Swedish economy is showing more signs of strain as the property slump is growing and spreading to other parts of the economy. We keep the discretionary Macro position at short SEK versus the EUR. The interest rate Macro model and Technical went short SEK and Business Sentiment stayed short SEK. All strategy positions are now short SEK.

	FX Factors	SEK Impact	Comment
Macro	Current Account Balances	0/+	Sweden's surplus suffers less terms of trade losses compared to the Euro area.
	Interest Rate Differentials	–	The Macro interest rate model went short SEK.
Sentiment	Business Sentiment	–	Surveys remained short SEK.
	Risk Sentiment	–	Concerns over the property slump are rising.
Technical	Price Action	–	Technicals shifted to short SEK.
	PPP Valuation	+	The SEK is roughly 20% undervalued versus the EUR.

EURSEK and QCAM Strategic Positioning

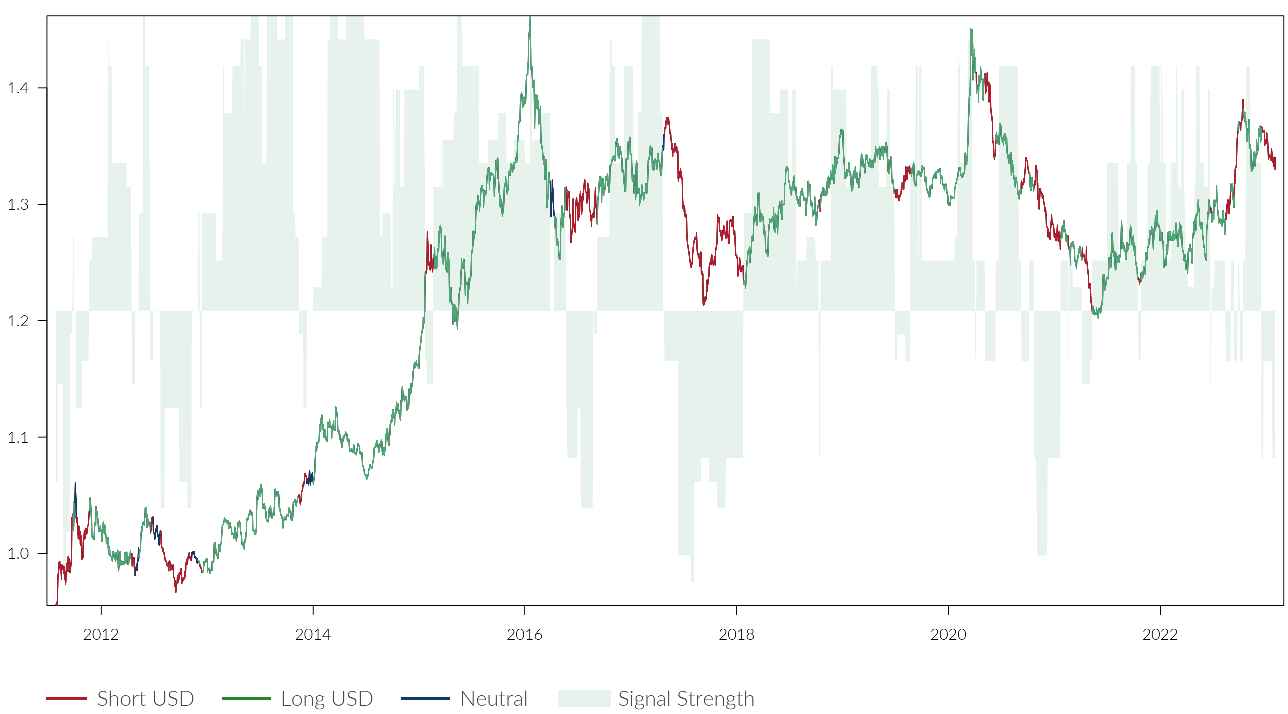
Source: QCAM Currency Asset Management

USDCAD

Canada's fundamental position remains solid although the current account dipped back into deficit and the adjustment in housing to higher interest rates creates some strains. Inflation is a bit lower than in the US and the BoC is moving in line with the Fed. Our discretionary Macro position stays neutral but the Macro oil price model stayed long CAD as forecasts remained above current prices. Business Sentiment also stayed long CAD, while Technical moved to neutral. As a result, the overall position is modestly long CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	0	Canada's current account fell back into deficit but remains small versus US deficit.
	Oil Prices	0/–	Oil price likely to stabilize in wider range.
	Interest Rate Differentials	0	CAD short-term and long-term rates are moving closely in line with US rates.
	USD DXY Trend	0	Negative correlation with USD is small.
Sentiment	Business Sentiment	+	Canada has stronger momentum versus the US in the surveys.
	Risk Sentiment	0	No particular risk drivers at the moment.
Technical	Price Action	0	Technicals went neutral.
	Spec Positions	0	Net short CAD position remained modest.
	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 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 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

Sabrina von Dach
Business Management
sabrina.vondach@q-cam.com

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

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QCAM®
Currency
Asset
Management

QCAM Currency Asset Management AG
Guthirtstrasse 4
6300 Zug
Switzerland

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