

May 2023

QCAM MONTHLY

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QCAM Insight

Debt-ceiling and beyond

Bernhard Eschweiler, Economic Advisor
QCAM Currency Asset Management AG

Currency markets have been relatively stable despite the emergence of several uncertainties and market jitters. Most likely, stress is not yet sufficiently high to move markets, which remain focused on central bank actions. This could change with the unfolding of the US debt-ceiling process. Beyond that, recession is becoming a growing concern that could benefit the USD. In the short-term, however, we still see upside to our core short USD positions versus the EUR, the JPY and the CHF.

The USD was range trading in April with diverging cross-currency performances. The CHF outperformed the most, followed by the EUR and the GBP, while the JPY and commodity currencies were the main losers. In Emerging Markets, the BRL performed best followed by the CNY, while the RBL and the TKY fell further. Through the first week of May, the JPY and commodity currencies managed to recover some of their earlier losses, while CHF, EUR and GBP traded sideways.

The relative stability of FX markets is remarkable as other financial indicators point to increased uncertainty and risk aversion. US bank stocks fell 15% over the last three weeks as news of further problems with regional banks emerged. Fear of a global recession was evident in the sharp decline of oil prices and the further inversion of yield curves. And last but not least, financial markets started to worry about the US debt-ceiling as seen in the jump of short-dated Treasury-bill rates above equivalent OIS rates.

There are probably several reasons why FX markets have so far remained relatively calm. First, the above-

mentioned concerns have not yet triggered broad-based financial stress. The VIX remained at the low end of the year-to-date range. Second, economic and earnings data showed on balance ongoing resilience. Third, FX markets still seem fixated on central bank policy and the recent meetings delivered no major surprises.

US debt-ceiling is near-term focus

From a risk perspective, the US debt-ceiling is the key near-term focus. After weaker than expected tax collections in April, the US Treasury now looks likely to run out of cash in June. As a result, negotiations between Republicans, Democrats and the President will dominate the coming weeks. We do not expect a default, but the process is likely to be messy and a compromise may only be reached once financial markets (equity sell off) and/or the rating agencies (downgrade) exert pressure. Among the range of possible compromises, we believe a short-term suspension that links the debt-ceiling to the budget process in September is most likely.

For FX markets, the US debt-ceiling is a two-edged sword and the last few incidences provide no clear playbook. In our view, growing jitters are negative for the USD and benefit especially the safe-haven currencies (CHF, JPY and EUR in that order). Given the high probability of stress culminating in early June, targeted hedging activity is likely to put the USD under pressure in coming weeks. However, the USD could also rebound in the event that a sudden equity sell-off and/or rating downgrade triggers recession fears

as was the case in 2011. Furthermore, ultimate resolution of the conflict, even if messy, is likely to benefit the USD as well.

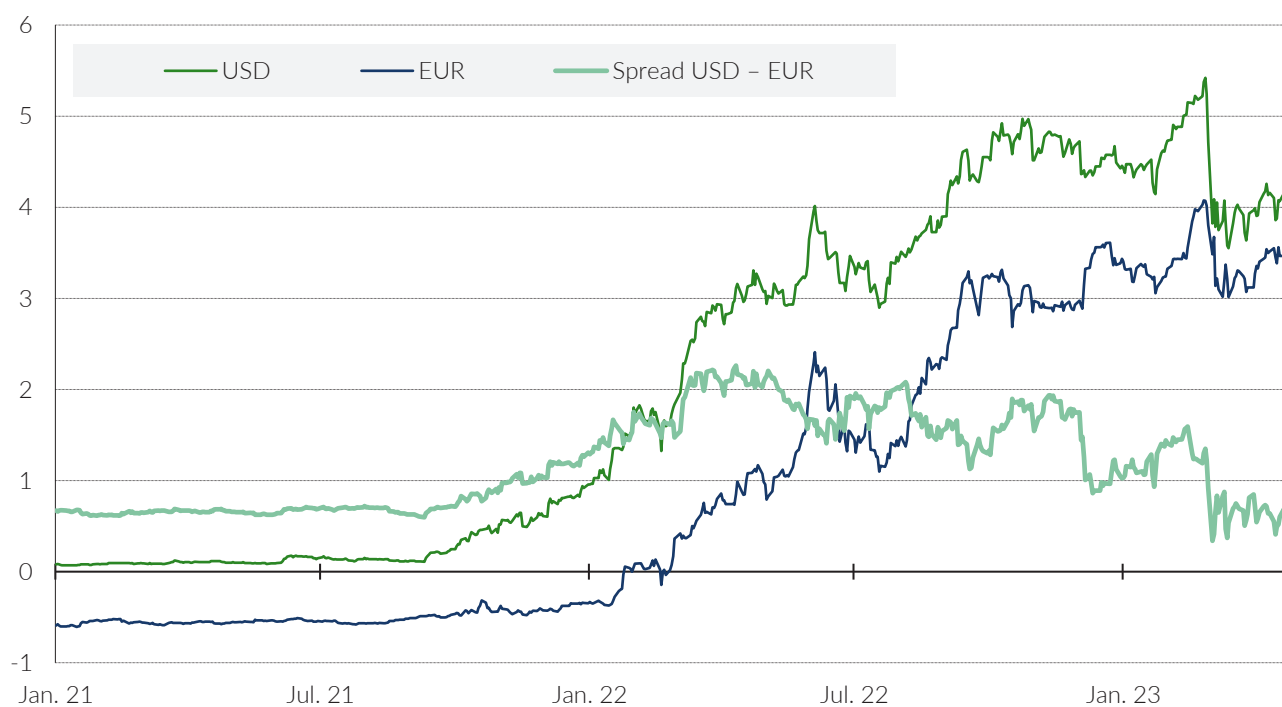
Beyond the debt-ceiling jitters

Risk of recession is the main concern beyond the US debt-ceiling jitters. Importantly though, the process and the outcome of the debt ceiling negotiations could impact the probability of recession later in the year. In our view, the risk of recession in the second half of the year remains elevated as the impact of higher interest rates and tighter lending conditions bites harder yet central banks have little room to ease given persistent inflation pressures. The USD is likely to outperform broadly if and when recession will become a dominant market theme. In that context it is noteworthy that our FX BIAS strategy, which is based on business surveys, moved last week from short USD to neutral.

Still long EUR, JPY and CHF for now

Still, we continue to hold to our core short USD positions versus the EUR, the JPY and the CHF for now (at least through the end of May). The first reason, as outlined above, is the US debt ceiling process. Second, we believe that the divergence in monetary policy actions has not yet fully played out. The Fed has not gone soft, but the bar for further rate hikes in June/July is very high. In contrast, the ECB has made clear that more rate hikes are coming. OIS forward rates now imply that USD and EUR short-term interest rates will be at the same level in a year's time (see Chart). The SNB is unlikely to be more hawkish than the ECB, but will probably try to keep the CHF strong to restrain inflation. And by removing the stable forward guidance, the BoJ has come closer to the next tightening move. Finally, the decline in oil and gas prices continues to support the current account surpluses of all three currencies.

One-month OIS rates twelve-months forward (% p.a.)



Source: JPMorgan and QCAM Currency Asset Management

Economy & Interest Rates

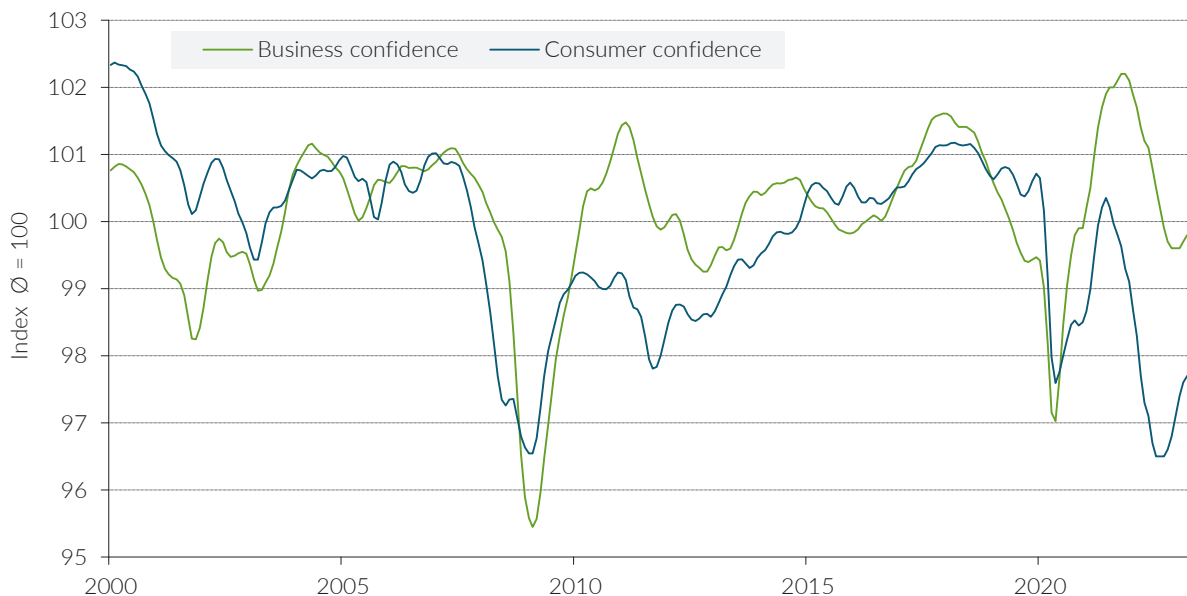
The period of positive growth forecast revisions is fading despite broadly stronger data for the first quarter. The recoveries of business sentiment and consumer confidence are also stalling. The banking problems are being contained but the fallout is likely to be tighter lending conditions, which casts a shadow over the growth outlook later in the year. The disinflation trend remains intact, but latest fi-

gures and tight labor markets suggest that progress from here will be slower. Further rate hikes are likely to be limited yet monetary conditions will probably stay tight for longer. As a result, while current economic conditions have clearly improved, the risk of recession later in the year or in early 2024 remains in place.

	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	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	2.7	1.3	n.a.	n.a.	7.3	4.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	2.1	1.5	3.6	3.8	8.0	4.0	-3.6	-3.5	-5.5	-6.0	122	122
Canada	3.4	1.5	5.3	5.5	6.8	3.5	-0.4	-0.5	-0.7	-0.5	107	105
Euro-area	3.5	1.0	6.8	6.8	8.4	5.5	-0.7	1.0	-3.8	-3.5	91	90
Sweden	2.6	0.0	8.1	7.0	7.5	8.0	4.3	4.0	0.7	-0.5	32	32
Switzerland	2.1	1.5	2.2	2.2	2.8	2.5	9.8	8.0	0.2	0.5	39	38
UK	4.0	0.5	3.7	4.0	9.1	7.0	-5.6	-5.5	-6.3	-6.0	103	106
Japan	1.1	1.5	2.6	2.3	2.5	3.0	1.1	1.5	-7.8	-7.0	262	260
Australia	3.7	2.0	3.7	4.0	6.6	5.5	1.2	2.0	-3.3	-3.0	56	59
Emerging	4.0	4.0	n.a.	n.a.	6.5	5.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	3.0	6.0	5.5	5.0	1.9	2.0	2.3	1.5	-7.5	-6.5	77	82
India	6.8	5.5	n.a.	n.a.	6.9	5.0	-2.6	-2.5	-9.6	-9.0	83	83
Russia	-2.1	1.0	3.9	4.0	13.8	5.5	10.3	4.0	-2.2	-3	20	25
Brazil	2.9	1.0	9.5	9.5	9.3	5.0	-2.9	-2.5	-4.6	-8.0	86	89

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

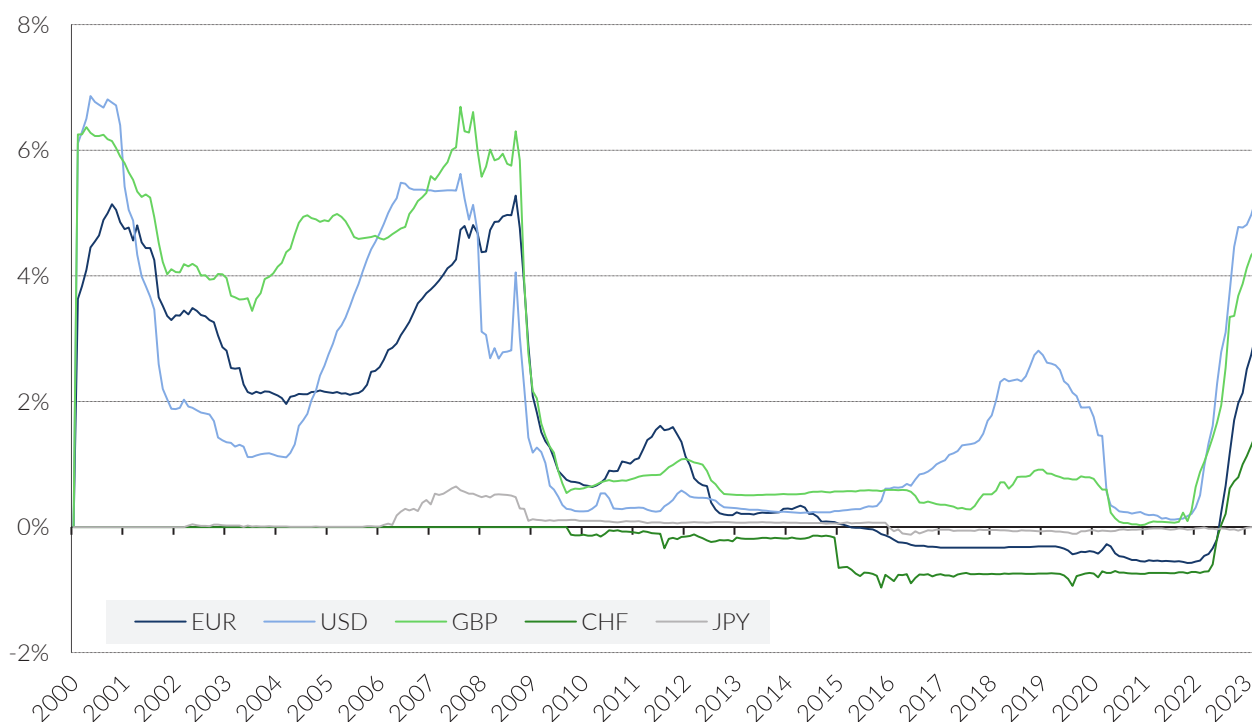
Interest Rates

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	5.08%	4.92%	4.74%	1.22%	1.33%	3.47%	3.31%	3.52%	3.11%	2.04%
EUR	3.28%	3.06%	2.55%	-0.42%	0.14%	2.95%	2.83%	2.76%	1.82%	0.95%
JPY	-0.02%	-0.01%	-0.01%	-0.03%	-0.03%	0.59%	0.67%	0.82%	0.37%	0.22%
GBP	4.52%	4.31%	4.04%	1.10%	1.13%	3.72%	3.36%	3.14%	1.97%	1.50%
CHF	1.54%	1.46%	1.16%	-0.70%	-0.29%	1.94%	1.87%	1.65%	1.33%	0.55%
AUD	3.85%	3.62%	3.45%	0.76%	0.98%	3.96%	3.71%	4.03%	3.82%	2.40%
CAD	4.54%	4.48%	4.55%	1.44%	1.40%	3.38%	3.21%	3.34%	3.49%	2.32%
SEK	3.53%	3.31%	2.92%	0.39%	0.67%	2.83%	2.72%	2.60%	2.51%	1.43%
RUB	7.75%	7.60%	7.60%	13.50%	7.49%	10.22%	10.41%	10.28%	12.90%	8.69%
BRL	12.54%	12.48%	12.55%	12.63%	7.39%	11.99%	12.44%	13.33%	12.32%	10.41%
CNY	2.16%	2.26%	2.08%	2.03%	2.19%	2.78%	2.97%	2.96%	2.64%	2.76%
TRY	24.75%	15.50%	8.80%	16.85%	0.00%	38.04%	38.04%	38.04%	29.52%	18.70%
INR	6.61%	6.71%	6.60%	4.92%	4.47%	6.11%	6.41%	6.27%	7.27%	5.94%

Source: QCAM Currency Asset Management, as of May 5th, 2023

3-month Rates



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

FX Markets

FX Performance vs. PPP

The USD range traded in April but not uniformly. EUR, CHF, GBP and SEK appreciated while JPY and commodity currencies depreciated. Among EM currencies, the BRL performed best and the BRL was the biggest loser. Overall speculative positions are modestly short USD ranging from long EUR to short CAD. Short-term interest rates rose a bit further yet forwards suggest that the rate hikes are most-

ly over. The cost of forward hedging versus the USD has declined but remains expensive especially for JPY and CHF. Actual and implied FX volatilities declined in April but remain with a few exceptions above their 5-year averages. PPP estimates continued to diverge in line with diverging inflation trends and the USD remains overvalued versus all major currencies.

Overview

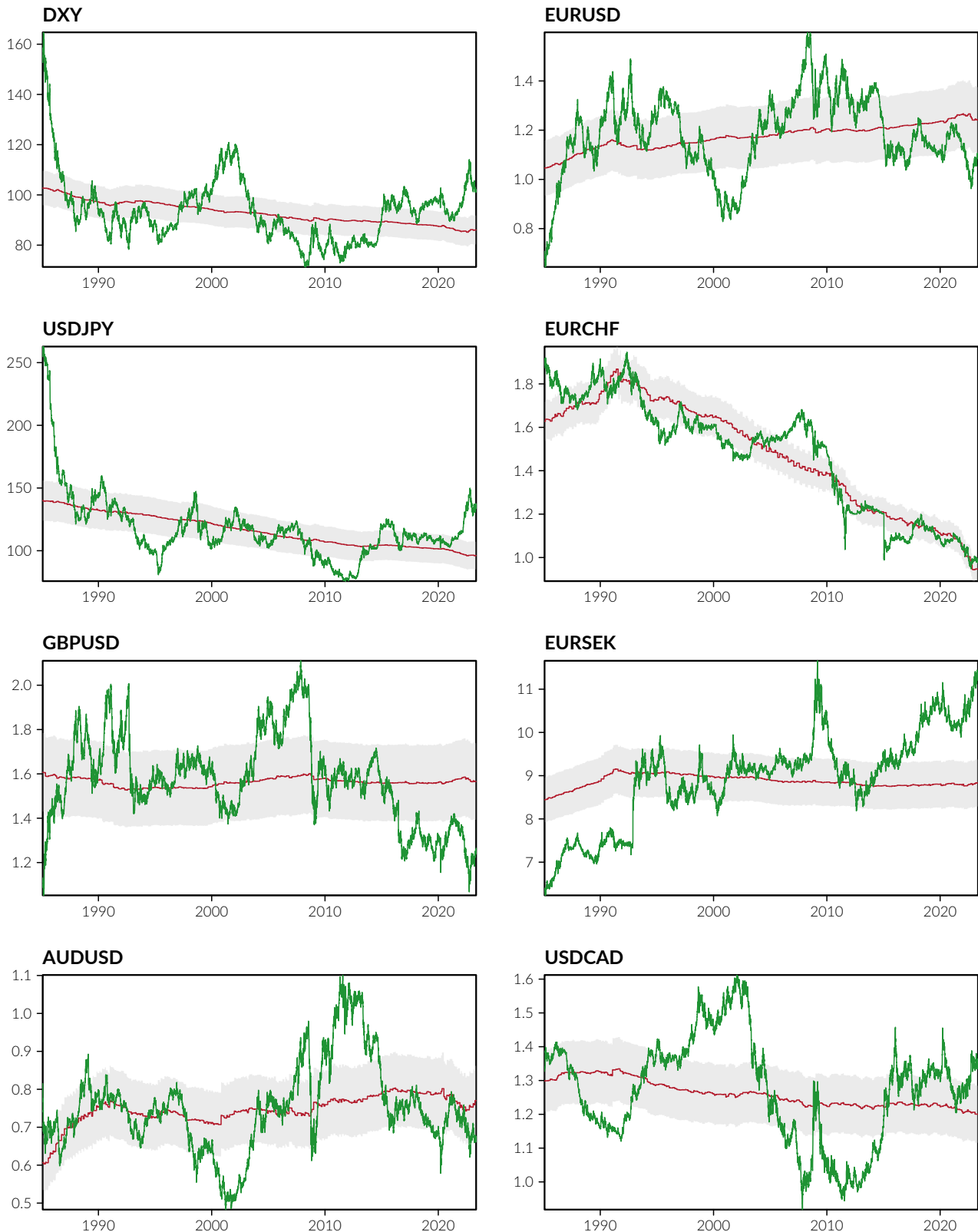
	Current Exchange Rate	Performance ¹				Purchasing Power Parity ²		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation ³
EURUSD	1.103	1.48%	2.48%	-1.92%	-11.57%	1.24	1.11 - 1.37	-11%
USDJPY	134.670	1.34%	-2.24%	9.22%	24.76%	96.14	85.19 - 107.09	40%
GBPUSD	1.265	2.07%	2.05%	-6.02%	-11.91%	1.57	1.39 - 1.74	-19%
EURCHF	0.983	0.59%	-0.07%	-2.81%	-15.56%	0.95	0.89 - 1.00	3%
USDCHF	0.891	-0.88%	-2.51%	-0.91%	-4.52%	0.81	0.72 - 0.90	10%
GBPCHF	1.126	1.23%	-0.48%	-6.85%	-15.86%	1.10	1.00 - 1.20	2%
CHFJPY	151.210	2.21%	0.26%	10.22%	30.66%	95.69	84.65 - 106.72	58%
AUDUSD	0.675	-1.76%	-0.78%	-10.63%	-12.72%	0.77	0.68 - 0.86	-12%
USDCAD	1.341	-0.05%	-0.69%	8.34%	4.81%	1.20	1.12 - 1.28	12%
USDSEK	10.155	-0.63%	-0.73%	10.57%	23.84%	8.13	7.20 - 9.05	25%
EURSEK	11.203	0.83%	1.73%	8.44%	9.51%	8.83	8.29 - 9.37	27%
USDRUB	76.877	6.03%	3.39%	-4.25%	35.43%	59.17	46.24 - 72.10	30%
USDBRL	4.940	-4.18%	-2.97%	7.07%	53.35%	3.90	3.23 - 4.57	27%
USDCNY	6.917	-0.64%	-1.14%	8.14%	9.57%	7.79	7.50 - 8.08	-11%
USDTRY	19.505	2.53%	1.62%	30.71%	386.69%	14.82	11.68 - 17.97	32%
USDINR	81.680	-0.70%	-0.62%	8.18%	26.07%	70.31	65.36 - 75.27	16%
USD-DXY	101.210	-2.23%	-1.26%	-2.45%	9.33%	86.06	80.33 - 91.80	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.

Purchasing Power Parity



Source: QCAM Currency Asset Management, as of May 5th, 2023.

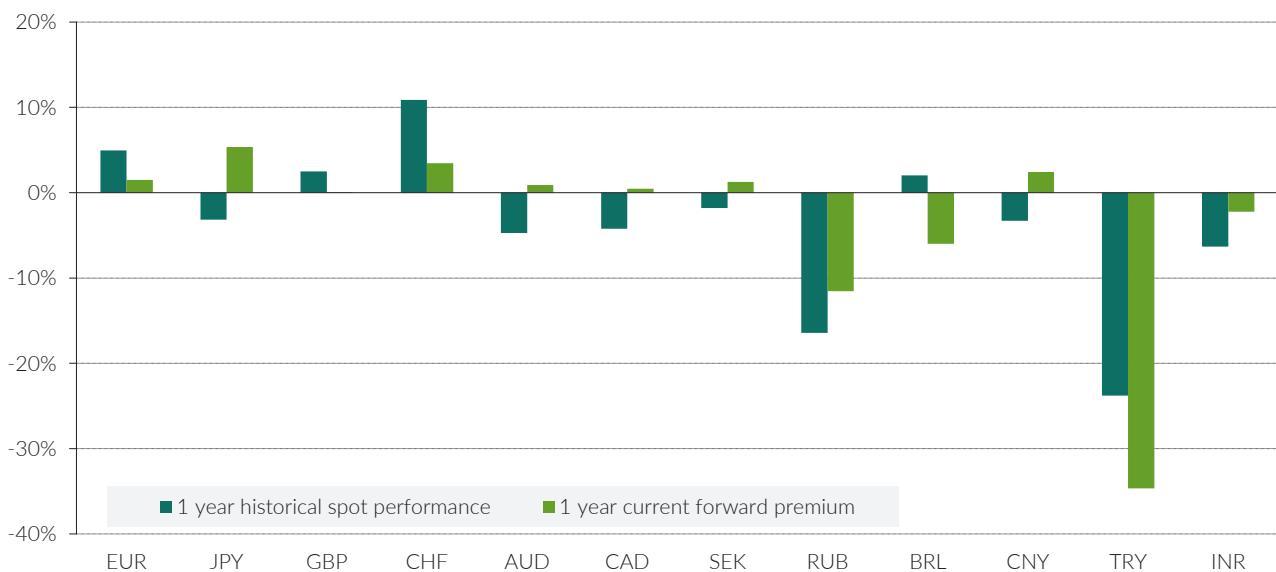
— PPP — Spot — Neutral Range

FX Spot vs Forwards

FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.103	1.1052	1.1089	1.1199	2.08%	2.01%	1.49%
USDJPY	134.670	134.0369	132.7919	127.8316	-5.46%	-5.46%	-4.99%
GBPUSD	1.265	1.2657	1.2669	1.2654	0.82%	0.68%	0.06%
EURCHF	0.983	0.9810	0.9777	0.9642	-1.95%	-1.98%	-1.85%
USDCHF	0.891	0.8876	0.8817	0.8609	-4.03%	-3.97%	-3.28%
GBPCHF	1.126	1.1228	1.1166	1.0892	-3.23%	-3.30%	-3.22%
CHFJPY	151.210	151.0230	150.6306	148.4837	-1.44%	-1.50%	-1.77%
AUDUSD	0.675	0.6761	0.6776	0.6813	1.34%	1.35%	0.87%
USDCAD	1.341	1.3396	1.3380	1.3344	-0.75%	-0.72%	-0.45%
USDSEK	10.155	10.1381	10.1074	10.0290	-1.91%	-1.83%	-1.21%
EURSEK	11.203	11.2047	11.2082	11.2319	0.17%	0.18%	0.25%
USDRUB	76.877	77.7789	79.4112	86.9084	12.42%	12.63%	12.83%
USDBRL	4.940	4.9694	5.0266	5.2555	6.82%	6.82%	6.27%
USDCNY	6.917	6.8998	6.8664	6.7520	-2.89%	-2.87%	-2.35%
USDTRY	19.505	21.4573	23.1005	29.8525	116.22%	70.59%	52.18%
USDINR	81.680	81.7925	82.0577	83.5297	1.60%	1.81%	2.23%

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



Source: QCAM Currency Asset Management, as of May 5th, 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	1.103	8.69%	8.71%	8.42%	6.94%	7.63%	8.07%	9.33%	6.99%
USDJPY	134.670	11.18%	12.51%	8.78%	7.63%	11.00%	11.90%	11.50%	7.86%
GBPUSD	1.265	9.48%	10.39%	7.30%	9.05%	7.88%	9.35%	10.25%	9.25%
EURCHF	0.983	5.32%	6.22%	8.34%	4.71%	5.50%	5.95%	6.78%	5.35%
USDCHF	0.891	9.39%	9.60%	6.39%	7.01%	8.22%	8.18%	9.20%	6.85%
GBPCHF	1.126	7.12%	7.35%	7.24%	8.04%	6.95%	7.40%	8.93%	8.46%
CHFJPY	151.210	10.72%	11.27%	8.53%	6.98%	10.15%	11.20%	10.70%	7.35%
AUDUSD	0.675	11.22%	12.49%	11.19%	9.89%	10.33%	11.43%	12.63%	9.81%
USDCAD	1.341	6.25%	6.40%	6.91%	6.83%	6.15%	6.93%	8.40%	6.81%
USDSEK	10.155	12.86%	13.83%	13.97%	9.92%	10.78%	12.40%	13.55%	9.81%
EURSEK	11.203	8.28%	8.94%	9.11%	6.09%	6.70%	7.95%	7.73%	6.35%
USD RUB	76.877	13.75%	15.54%	97.93%	19.83%	32.85%	32.65%	53.16%	20.29%
USDBRL	4.940	11.69%	13.70%	16.85%	15.65%	15.18%	16.48%	20.48%	17.08%
USDCNY	6.917	5.97%	7.00%	4.62%	4.95%	5.23%	6.03%	6.60%	5.49%
USDTRY	19.505	0.81%	0.94%	9.62%	17.36%	42.48%	38.33%	22.48%	21.31%
USDINR	81.680	4.19%	4.59%	6.03%	5.54%	4.65%	5.25%	6.23%	6.31%

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 5th, 2023

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 several signal changes since the last Monthly which reduced on balance the overall short USD position. Notably, Business Sentiment went from short USD to neutral vs the EUR and the CHF, Technical went from neutral to long USD vs the JPY and the oil price model went from short to long USD vs the CAD. The balance of all strategies is a small short USD position (long CAD, small long EUR and JPY and small short GBP and CHF). The EUR has also a small short vs the CHF and a long vs the SEK.

Overview¹

	Macro	Business Sentiment	Technical	Comment
EURUSD	+	0	+	Business sentiment moved from long EUR to neutral leaving the overall EUR position a quarter long
USDJPY	-/-	--	++	Technical went short JPY leaving the overall JPY position a quarter long vs USD
EURCHF	0	-	-	Business Sentiment shifted to neutral CHF vs. the USD and Technical went long CHF vs. EUR.
USDCHF	-	0	+	The balance of all positions is a small long CHF vs the EUR and a small short CHF vs the USD
GBPUSD	0	-	+	All signals remained unchanged, leaving the overall GBP position at a small net short.
EURSEK	+/0	++	+	Technical went moderately short SEK with the overall short SEK at about half
USDCAD	0/+	--	--	The Macro Oil Price model went short CAD while Technical went long CAD with the balance long CAD

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

EURUSD

We are aware that the support for the EUR is fading but keep the long EUR Macro position for now. While the Fed is seemingly taking a pause, the ECB has probably a couple more rate hikes to do, given more resilient inflation pressures. We also see further support for the EUR from the decline in ener-

gy costs and, thus, a recovery of the current account balance. The risks are recession or an outperformance of the US economy. Business Sentiment went neutral but Technical remains long EUR. The balance of all strategies declined to a small long EUR position.

	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	Euro-area and US fiscal deficits are both on the rise
	Interest Rate Differentials	0/+	The USD-EUR interest rate differential is declining on reduced Fed terminal rate pricing
	Oil prices	0	Oil price likely to stay in range
Sentiment	Business Sentiment	0	The momentum in Euro-area surveys slowed to par versus US surveys
	Risk Sentiment	0	Risk aversion is declining but the risk of recession is rising.
Technical	Price Action	+	Price technicals stayed long EUR.
	Spec Positions	0/-	Net long EUR positions remained unchanged
	PPP Valuation	+	EUR undervaluation is around 11%

EURUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

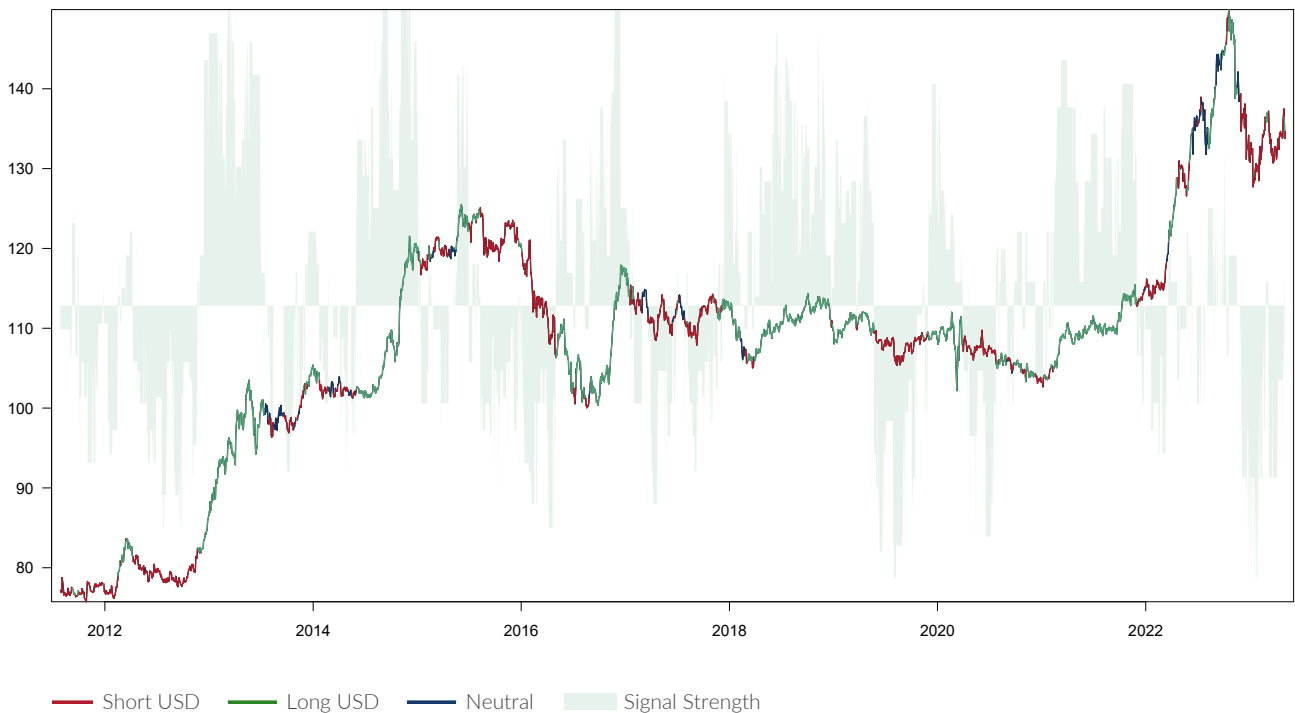
USDJPY

The economy remains on the Corona recovery path, while inflation continues to rise. Against that background the BoJ has more catch-up to do to normalize monetary policy. In our view, the BoJ is closer to a policy shift than the market expects. The current account

cushion declined last year but is now recovering as energy prices have dropped to levels from before the Ukraine war. All strategies are long JPY except for Technical, which shifted to short 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 is mounting.
Sentiment	Business Sentiment	+	Momentum of Japanese Business Sentiment accelerated versus US surveys
	Risk Sentiment	0	Changes in risk sentiment had limited impact since last year
Technical	Price Action	-	Technical went short JPY
	Spec Positions	0	Net short JPY position increased but not at critical level
	PPP Valuation	+	The JPY is currently about 40% undervalued

USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

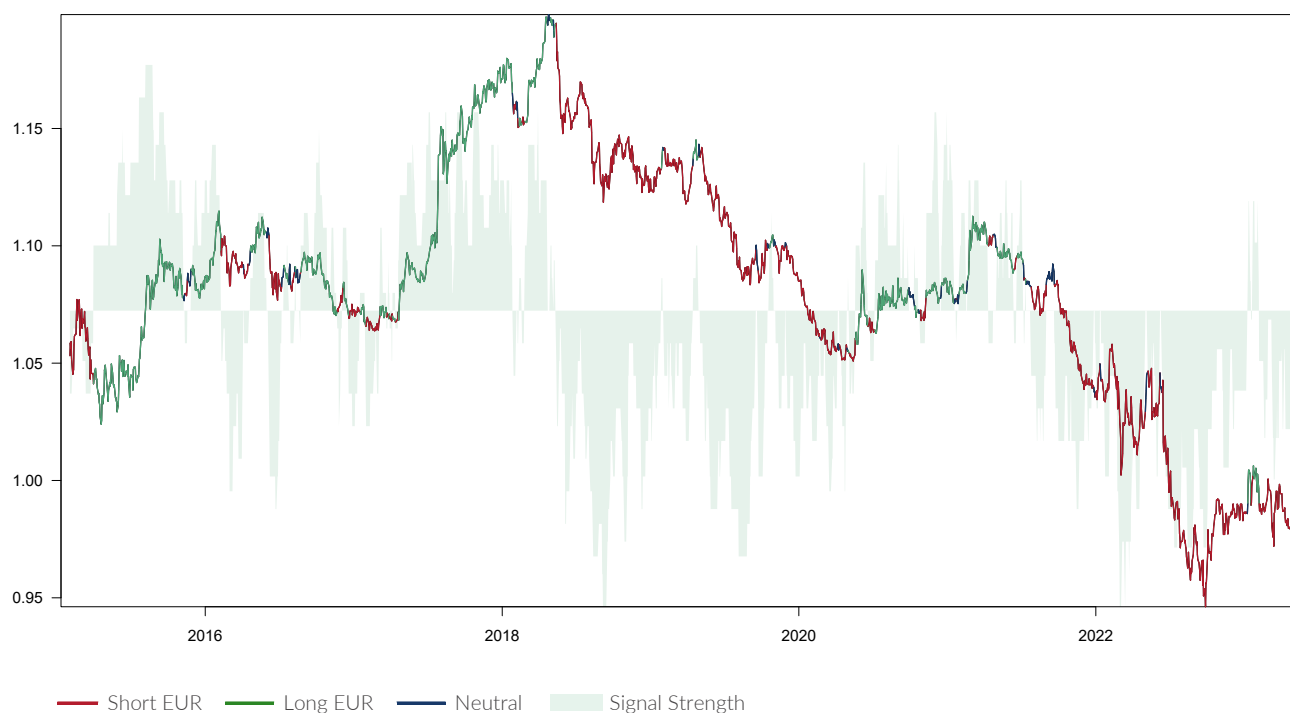
EURCHF

We keep our discretionary Macro position at neutral. The Swiss economy remains fundamentally sound. However, unlike last year the CHF has less support from global uncertainties and risk aversion. The SNB

remains determined to fight inflation but the interest rate policy trails the ECB. Business Sentiment stayed long CHF and Technical shifted to long CHF as well.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Interest Rate Differentials	0	SNB rate policy trails behind the ECB
	SNB Policy Intervention	0	The SNB is not actively in the market
Sentiment	Business Sentiment	+	Swiss economy ahead of the Euro-area economy in the surveys
	Risk Sentiment	0	The Credit Swiss crisis had no material impact on risk sentiment
Technical	Price Action	+	Technical moved to long 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

USDCHF

Our Macro positions in EURCHF (long) and EURUSD (neutral) imply long CHF vs. the USD. The Swiss economy remains fundamentally sound and we expect upside for the CHF if the EUR moves higher as well. Busi-

ness Sentiment moved to neutral and Technical stayed short CHF. The balance of all three strategies is a small short CHF versus the USD.

	FX Factors	CHF Impact	Comment
Macro	Current Account Balances	+	Surplus remains steady support for CHF
	Interest Rate Differentials	0/+	The USD-CHF interest rate differential is declining on reduced Fed terminal rate pricing
	SNB Policy Intervention	0	The SNB is not actively in the market
Sentiment	Business Sentiment	0	Swiss surveys are in line with US surveys
	Risk Sentiment	0	The Credit Swiss crisis had no material impact on risk sentiment
Technical	Price Action	-	Technical remains short CHF
	Spec Positions	0	Net CHF position close to neutral
	PPP Valuation	+	CHF is about 10% undervalued versus USD

USDCHF and QCAM Strategic Positioning



Source: 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 decline in

global risk aversion. Business Sentiment remains short GBP, while Technical stayed long GBP. The balance of all 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, but the current account deficit is widening faster
	Interest Rate Differentials	0	UK interest rates have moved to the level of US interest 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	-	Domestic political uncertainty prevails
Technical	Price Action	+	Technical remain long GBP
	Spec Positions	0	Net GBP position close to neutral.
	PPP Valuation	0/+	The GBP is 19% undervalued

GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

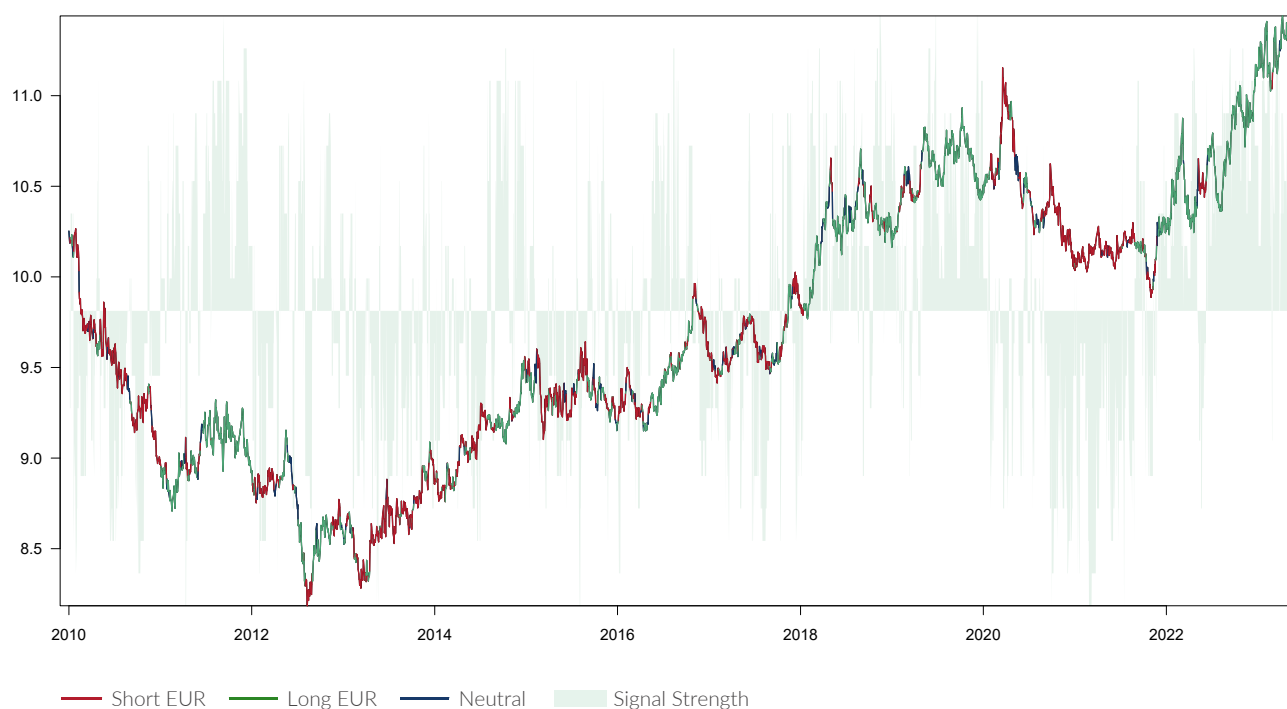
EURSEK

The Swedish economy is showing more signs of strain as the property slump is growing and spreading to other parts of the economy. On the other hand, the Riksbank is determined to slow inflation. On balance we keep the discretionary Macro posi-

tion at short SEK versus the EUR. The interest rate Macro model stayed neutral and Business Sentiment stayed short SEK, while Technical went short SEK as well. The balance of all strategy positions is half 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	0	The Macro interest rate model stayed neutral SEK
Sentiment	Business Sentiment	-	Surveys remained short SEK
	Risk Sentiment	-	Concerns over the property slump remain significant
Technical	Price Action	-	Technical went short SEK
	PPP Valuation	+	The SEK is roughly 27% undervalued versus the EUR

EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

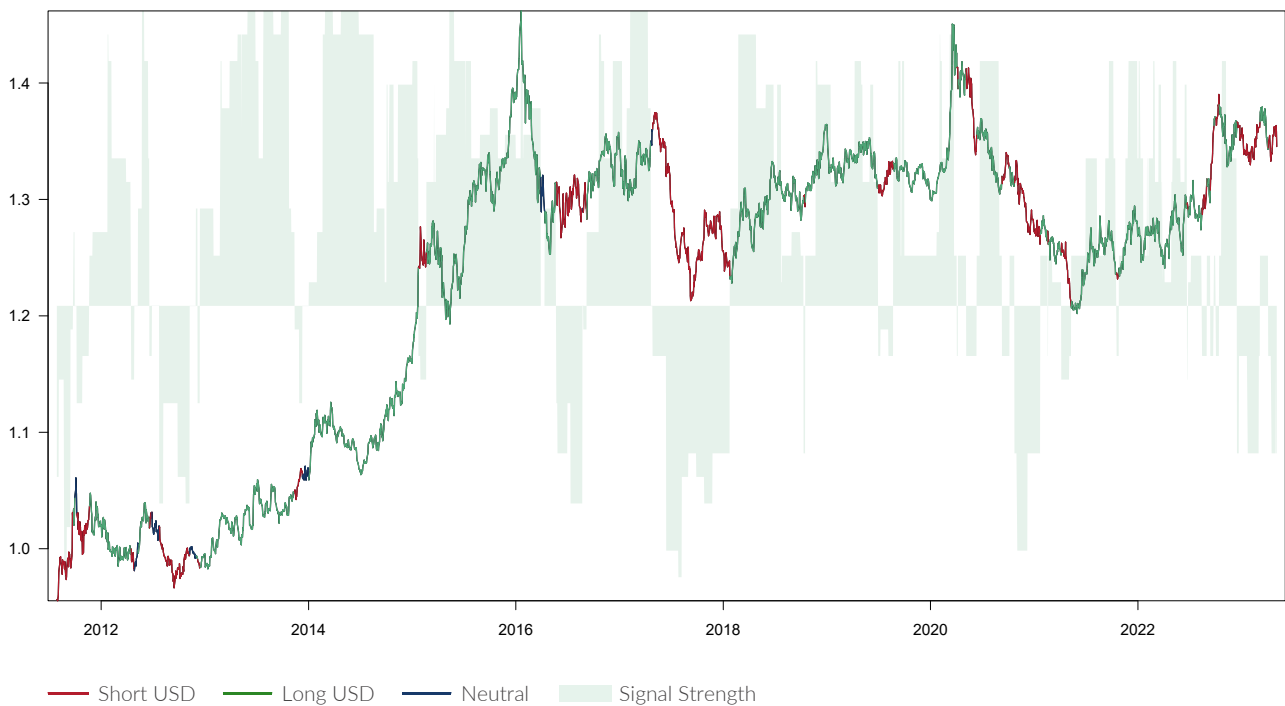
USDCAD

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 has paused the tightening process. Our dis-

cretionary Macro position stays neutral but the Macro oil price model moved to short CAD. Business Sentiment stayed long CAD and Technical went long CAD as well. The overall position stayed around half long CAD.

	FX Factors	CAD Impact	Comment
Macro	Current Account Balances	0	Canada's current account fell back into deficit but remains small versus the US deficit
	Oil Prices	-	The Macro oil price model shifted to short CAD
	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	Technical went long CAD
	Spec Positions	+	Net short CAD position increased to possible inflection point
	PPP Valuation	0	CAD is about 12% 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

QCAM MONTHLY Editorial Team



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



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



Marc Eigenheer
Currency Overlay
marc.eigenheer@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 AG

Guthirtstrasse 4
6300 Zug
Switzerland

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

