

September 2023

# QCAM MONTHLY

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# QCAM Insight

## China's long debt-landing

**Bernhard Eschweiler, Economic Advisor**  
**QCAM Currency Asset Management AG**

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**The USD DXY rallied 5% since the middle of July. Given the health of the US economy versus its major counterparts, we expect further USD upside but with more bumps. The combination of lax fiscal and tight monetary policy is likely to be an undercurrent for the USD for some time. Problems in China are supporting the USD as well. We think China can avoid a hard-landing but faces a prolonged period of debt deflation.**

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The USD continued to rally in August. Since the middle of July, the USD DXY is up more than 5% and the USD is also nearly 4% stronger versus the universe of EM currencies. As we had discussed in prior issues of the QCAM MONTHLY, the key driver of USD strength is the health of the US economy versus its major counterparts (China and Europe). Indeed, signs of a cooling labor market are improving the chances of a US soft-landing. This means that the Fed tightening cycle is close to the finish line. But soft-landing also implies that the Fed will face less pressure to lower rates next year. In contrast, the risk of recession elsewhere is rising, notably in Europe. The ECB is still verbally fighting inflation but may soon have to care more about the economy.

On balance, we believe that US exceptionalism will push the USD higher until year end, although the path will probably not be as straight and steep as it was over the last seven weeks. First, more signs of US soft-landing could ironically lead to bouts of rising investor risk appetite, which typically undermines USD strength. In our view, this is likely to lead to volatility but unlikely to derail the USD rise. Second, if the BoJ

finally starts to make meaningful policy adjustments, the JPY is likely to outperform the USD but will probably not change the broad USD trend. Third, there is a significant risk of a US government shutdown in October if Congress fails to pass the appropriation bills for the new budget before the end of this months. In our view, this could interrupt the USD rise but not derail it if a resolution emerges before year end.

### **Early 1980s déjà-vu for the US ...**

An interesting phenomenon is that the rise in US long-term interest rates has become a dominant driver of USD strength since early July (see Chart). This reminds of the early 1980s when the combination of expansive fiscal policy and tight monetary policy pushed up long-term US Treasury yields and attracted capital inflows, appreciating the USD. To be sure, the US government's failure to contain the deficit is not the same as Reagonomics and the Fed does not face the same inflation problems as Paul Volker did in the early 1980s. Moreover, the effect is unlikely to be as drastic as in the early 1980s when the USD nearly doubled in value and its rise was only stopped with the Plaza Accord. Still, we believe the combination of lax fiscal policy and more restrictive monetary policy will be an undercurrent for the USD not just until the end of this year but probably for several years to come.

### **... and Chinese debt deflation**

The Plaza Accord marked the beginning of the Japanese asset bubble from 1986 to 1991, which was followed by a long period of debt and price deflation that Japan seems finally to have overcome. The situation

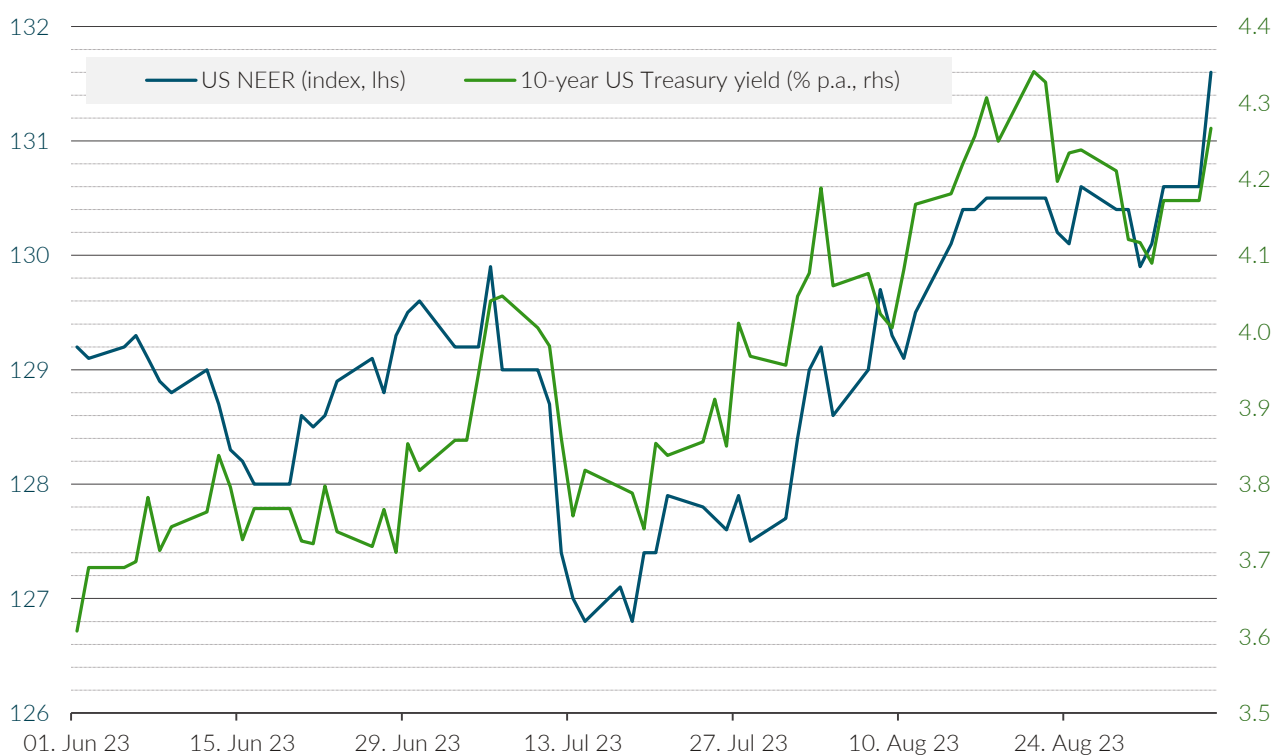
of Japan 30 years ago is not identical with the situation of China today, but there are important parallels. The re-opening after the Corona lockdown has given China a boost at the start of the year but (as we had predicted in the February issue of the FX Monthly) the rebound did not last long. Instead, China's structural problems have regained the upper hand.

First, 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 and debt service payments of the Chinese private sector have reached a strangling 20% of income. Second, China's phase of export and investment led growth is running out of steam. The population peaked last year and is aging while the capacity to mobilize more rural workers is diminishing. Meanwhile, China faces new competition from other emerging economies and trade and political conflicts are constraining foreign market access, especially in

the US. 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).

We think China has the policy resources and controls to avoid a hard-landing. Instead, we expect a prolonged period of debt deflation similar to the experience of Japan. This means Chinese monetary policy is likely to remain easy for a long time and the CNY is set to depreciate. However, we expect that China will use its capital account and exchange-market controls as well as large foreign reserves to avoid any erratic currency moves. Indeed, despite an avalanche of bad news, the CNY fell only 1.9% versus the USD since the middle of July.

### USD NEER and US long-term yield



Source: JPMorgan and QCAM

# Economy & Interest Rates

Global growth conditions continue to weaken although not rapidly. Business surveys have slipped further and the recovery in consumer confidence has stalled. The US and Japan are outperforming, while China and the Euro-area struggle the most to avoid recession. The process of disinflation continues with the latest data showing most progress in

the US, while the Euro-area lags behind and inflation in Japan is still rising. Overall, chances of a soft-landing have improved, most notably for the US, but the risk of recession next year remains significant, not least because monetary conditions are likely to remain tight for some time in most major economies.

	Real GDP growth <sup>1</sup>		Unemployment rate <sup>1</sup>		Inflation rate <sup>1</sup>		Current account <sup>2</sup>		Fiscal balance <sup>2</sup>		Public debt <sup>2</sup>	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Global	3.5	2.6	n.a.	n.a.	7.0	4.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	2.7	1.3	n.a.	n.a.	7.3	4.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	2.1	2.0	3.6	3.7	8.0	4.0	-3.8	-3.0	-5.5	-6.0	122	122
Canada	3.4	1.5	5.3	5.5	6.8	3.5	-0.3	-0.5	-0.7	-0.5	107	105
Euro-area	3.5	0.5	6.8	6.5	8.4	5.0	-0.4	1.0	-3.8	-3.5	91	90
Sweden	2.6	0.0	8.1	7.5	7.5	6.5	4.3	4.0	0.7	-0.5	32	32
Switzerland	2.1	0.5	2.2	2.5	2.8	2.0	9.8	8.0	0.2	0.5	39	38
UK	4.1	0.5	3.7	4.0	9.1	7.5	-5.6	-5.0	-6.3	-6.0	103	106
Japan	1.0	1.5	2.6	2.5	2.5	3.5	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	2.5	-3.3	-3.0	56	59
Emerging	4.0	4.0	n.a.	n.a.	6.5	3.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	3.0	5.0	5.5	5.5	1.9	0.0	2.3	1.5	-7.5	-6.5	77	82
India	7.2	5.5	n.a.	n.a.	6.9	5.5	-2.6	-2.5	-9.6	-9.0	83	83
Russia	-2.1	2.0	3.9	4.0	13.8	5.0	10.3	3.5	-2.2	-3.0	20	25
Brazil	2.9	2.5	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 <sup>1</sup> In percent annual average <sup>2</sup> In percent of GDP

## OECD business and consumer confidence\*



Source: OECD and QCAM \*The last observations are QCAM estimates based on other surveys

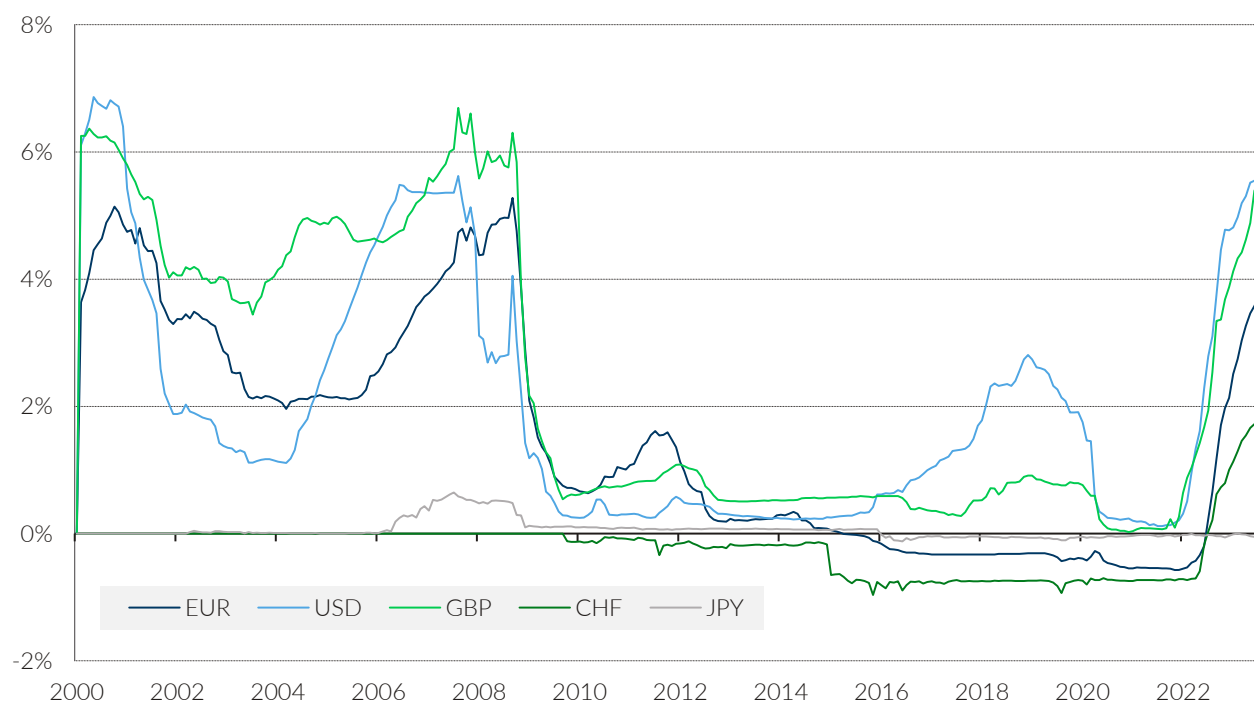
## Interest Rates

### 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	5.42%	5.38%	5.23%	3.05%	1.92%	4.18%	4.11%	3.73%	3.31%	2.29%
EUR	3.80%	3.74%	3.49%	0.78%	0.60%	3.17%	3.15%	3.01%	2.51%	1.31%
JPY	-0.05%	-0.05%	-0.04%	-0.03%	-0.03%	0.83%	0.79%	0.61%	0.41%	0.30%
GBP	5.46%	5.32%	4.80%	2.58%	1.69%	4.45%	4.32%	4.15%	3.11%	1.96%
CHF	1.78%	1.75%	1.68%	0.35%	-0.01%	1.74%	1.82%	1.86%	1.79%	0.80%
AUD	4.12%	4.12%	4.06%	2.67%	1.43%	4.51%	4.43%	4.27%	4.15%	2.80%
CAD	5.08%	5.08%	4.72%	3.38%	1.91%	4.19%	4.07%	3.75%	3.60%	2.65%
SEK	3.94%	3.85%	3.64%	1.50%	1.09%	3.25%	3.21%	2.97%	2.89%	1.73%
RUB	8.30%	8.30%	7.60%	7.79%	7.97%	8.62%	8.20%	7.98%	6.10%	8.19%
BRL	11.41%	11.96%	12.32%	13.07%	8.56%	11.14%	10.69%	11.01%	11.63%	10.82%
CNY	1.97%	1.86%	1.99%	1.68%	2.18%	2.54%	2.59%	2.64%	2.43%	2.76%
TRY	30.30%	21.25%	22.97%	13.50%	0.00%	38.04%	38.04%	38.04%	38.04%	19.96%
INR	6.79%	6.65%	6.56%	5.75%	4.79%	6.75%	6.66%	6.20%	6.65%	6.14%

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

### 3-month Rates



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

# FX Markets

## FX Performance vs. PPP

The USD rose more than 5% against all other major currencies and nearly 4% versus EM currencies since the middle of July. The CHF and the CAD held up best while SEK, NZD, NOK and AUD underperformed the most. Among EM currencies, the ZAR and the RUB were the main losers, while the TRY held up better for a change. Overall speculative positions are still short USD with the GBP long most overextended. Short-term interest rates rose a bit

further yet forwards suggest that the rate hikes are mostly over. The cost of forward hedging versus the USD has declined but remains expensive especially for JPY and CHF. Actual and implied FX volatilities have been mixed but on balance slightly lower and are coming closer to historical levels. PPP changes continue to converge as inflation moderates but absolute differences remain large.

### Overview

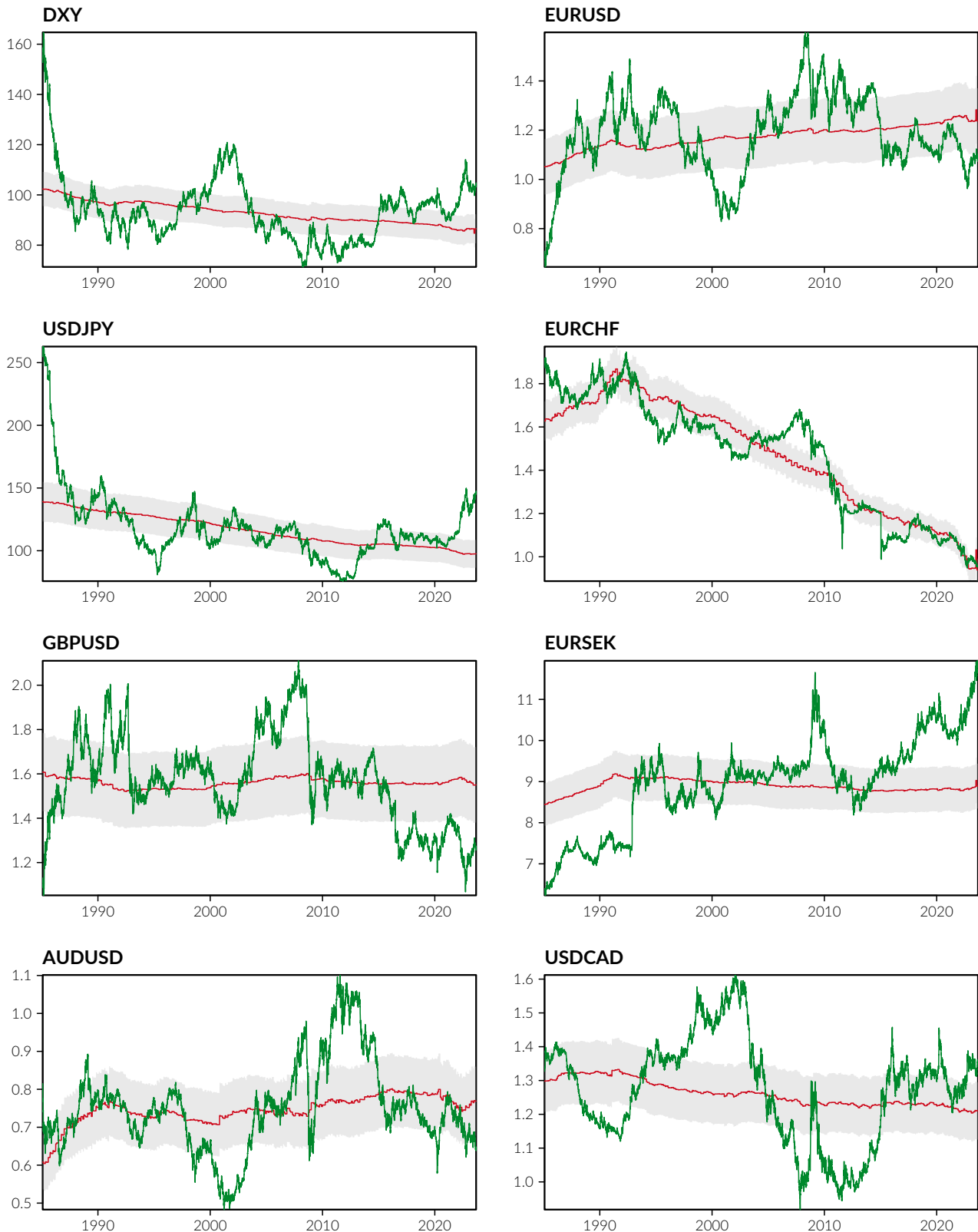
	Current Exchange Rate	Performance <sup>1</sup>				Purchasing Power Parity <sup>2</sup>		
		YTD	1M	12M	5 years	PPP	Neutral Range	Deviation <sup>3</sup>
EURUSD	1.073	0.18%	-2.76%	8.07%	-7.67%	1.24	1.10 - 1.37	-13%
USDJPY	147.640	12.69%	4.09%	5.06%	32.42%	97.54	86.45 - 108.63	51%
GBPUSD	1.258	3.96%	-1.60%	9.21%	-2.53%	1.55	1.38 - 1.72	-19%
EURCHF	0.954	-3.42%	-0.77%	-2.02%	-15.54%	0.94	0.89 - 0.99	1%
USDCHF	0.889	-3.59%	2.03%	-9.33%	-8.52%	0.81	0.72 - 0.90	10%
GBPCHF	1.118	0.27%	0.42%	-0.97%	-10.82%	1.06	0.97 - 1.15	5%
CHFJPY	166.097	16.87%	2.00%	15.87%	44.75%	95.74	84.68 - 106.80	73%
AUDUSD	0.638	-6.38%	-3.36%	-6.10%	-11.19%	0.77	0.68 - 0.86	-17%
USDCAD	1.361	0.61%	2.18%	3.62%	3.17%	1.21	1.12 - 1.29	13%
USDSEK	11.093	6.51%	5.20%	2.67%	22.32%	8.08	7.16 - 9.00	37%
EURSEK	11.903	6.70%	2.30%	10.96%	12.93%	8.89	8.34 - 9.44	34%
USD RUB	97.855	33.66%	2.37%	57.02%	43.33%	60.35	47.19 - 73.51	62%
USDBRL	4.961	-6.17%	2.21%	-3.88%	20.15%	3.96	3.29 - 4.64	25%
USDCNY	7.302	5.64%	1.74%	5.18%	6.60%	7.95	7.65 - 8.24	-8%
USDTRY	26.783	43.12%	-0.75%	47.00%	307.14%	16.85	13.22 - 20.48	59%
USDINR	83.053	0.42%	0.48%	4.10%	16.08%	71.56	66.56 - 76.57	16%
USD-DXY	104.776	1.21%	2.70%	-4.34%	10.08%	86.52	80.76 - 92.28	21%

<sup>1</sup> Performance over the respective period of time, in percent

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

<sup>3</sup> Deviation of the current spot rate from PPP, in percent.

## Purchasing Power Parity



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

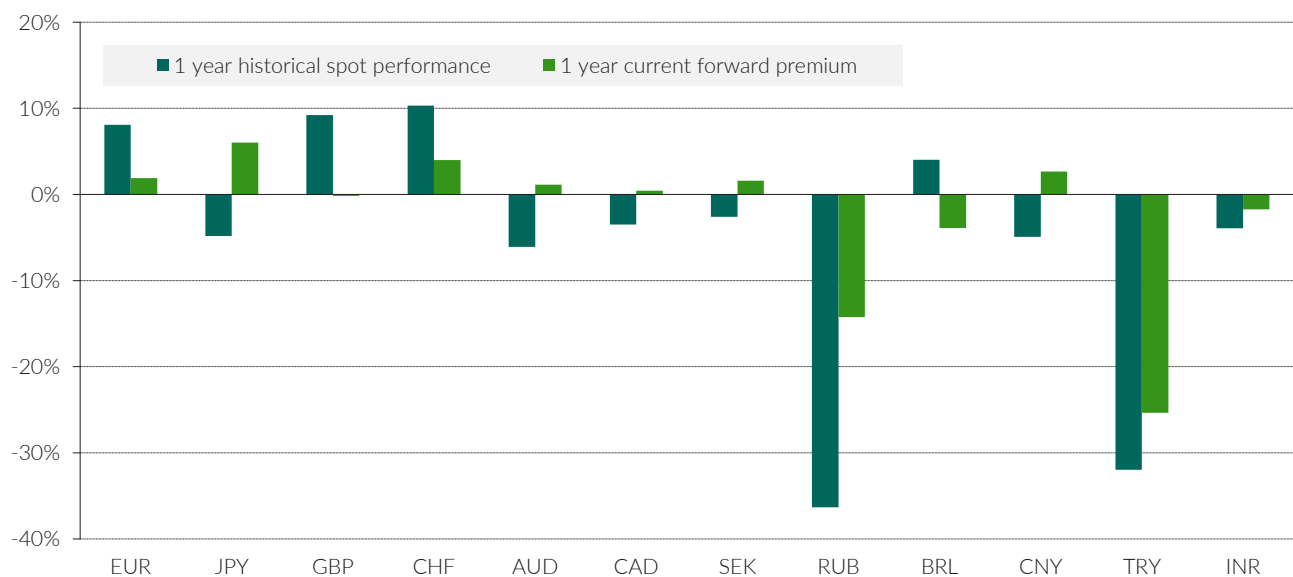
— PPP — Spot — Neutral Range

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.073	1.0747	1.0777	1.0932	1.73%	1.75%	1.84%
USDJPY	147.640	146.8630	145.5113	139.2595	-5.74%	-5.70%	-5.55%
GBPUSD	1.258	1.2578	1.2578	1.2554	0.12%	0.04%	-0.18%
EURCHF	0.954	0.9519	0.9487	0.9344	-2.10%	-2.07%	-1.98%
USDCHF	0.889	0.8857	0.8803	0.8547	-3.82%	-3.80%	-3.75%
GBPCHF	1.118	1.1142	1.1074	1.0732	-3.70%	-3.76%	-3.92%
CHFJPY	166.097	165.8031	165.2906	162.9120	-1.93%	-1.92%	-1.88%
AUDUSD	0.638	0.6392	0.6405	0.6456	1.32%	1.29%	1.10%
USDCAD	1.361	1.3607	1.3595	1.3552	-0.51%	-0.51%	-0.44%
USDSEK	11.093	11.0758	11.0476	10.9199	-1.73%	-1.63%	-1.53%
EURSEK	11.903	11.9027	11.9059	11.9374	0.00%	0.11%	0.29%
USD RUB	97.855	98.9733	101.8909	114.0998	13.71%	16.14%	16.33%
USDBRL	4.961	4.9865	5.0237	5.1616	5.88%	5.03%	3.97%
USDCNY	7.302	7.2884	7.2608	7.1134	-1.96%	-2.21%	-2.52%
USDTRY	26.783	27.3615	28.6852	35.8692	25.94%	28.10%	33.37%
USDINR	83.053	83.1670	83.3725	84.5225	1.50%	1.52%	1.73%

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



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



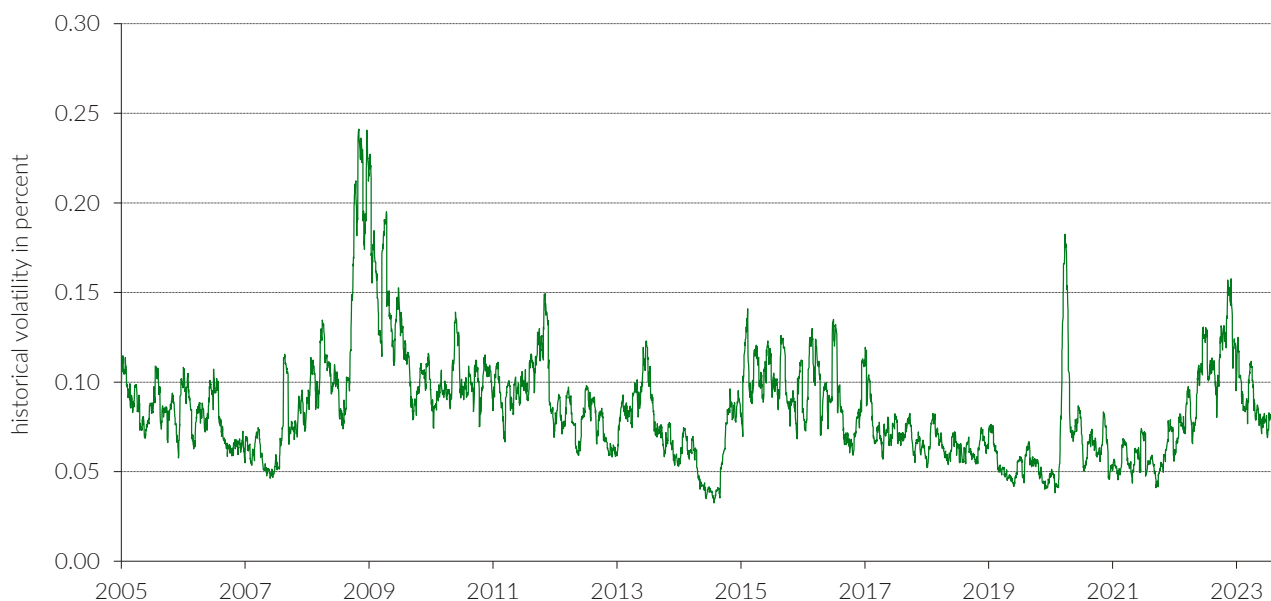
## FX Volatility

### Historical vs. Implied Volatility

	Current Exchange Rate	Historical Volatility <sup>1</sup>				Implied Volatility <sup>2</sup>			
		Current	1M	12M	Ø 5 years	Current	1M	12M	Ø 5 years
EURUSD	1.073	6.77%	7.05%	10.44%	6.98%	6.93%	6.80%	10.73%	6.95%
USDJPY	147.640	8.42%	8.62%	13.32%	7.84%	9.03%	10.00%	11.50%	8.02%
GBPUSD	1.258	6.97%	7.91%	11.96%	9.15%	7.95%	7.83%	12.20%	9.25%
EURCHF	0.954	4.39%	4.29%	7.94%	4.71%	5.15%	5.38%	8.68%	5.32%
USDCHF	0.889	7.11%	7.87%	11.29%	7.19%	7.25%	7.73%	9.33%	6.89%
GBPCHF	1.118	4.84%	5.28%	7.50%	8.06%	6.73%	6.95%	10.07%	8.45%
CHFJPY	166.097	7.50%	7.21%	10.15%	7.16%	8.78%	9.43%	10.50%	7.52%
AUDUSD	0.638	10.35%	11.53%	13.78%	10.09%	10.58%	10.58%	12.15%	9.94%
USDCAD	1.361	5.41%	6.34%	8.52%	6.78%	5.88%	6.08%	7.95%	6.74%
USDSEK	11.093	12.19%	11.78%	13.10%	9.97%	11.55%	11.32%	13.13%	9.89%
EURSEK	11.903	7.74%	7.54%	5.30%	6.08%	7.70%	7.65%	6.73%	6.39%
USDRUB	97.855	15.90%	12.34%	42.68%	19.74%	32.23%	33.68%	32.08%	21.77%
USDBRL	4.961	12.02%	11.77%	17.03%	15.35%	13.75%	13.90%	22.00%	16.85%
USDCNY	7.302	4.76%	5.12%	5.00%	4.93%	5.55%	5.65%	5.75%	5.50%
USDTRY	26.783	18.63%	20.17%	12.60%	16.82%	17.35%	22.77%	22.55%	21.71%
USDINR	83.053	2.99%	2.95%	4.26%	5.36%	3.98%	4.28%	5.53%	6.18%

<sup>1</sup> Realised 3-month volatility (annualised)    <sup>2</sup> Market implied 3-month volatility (annualised)

### QCAM Volatility Indicator<sup>3</sup>



<sup>3</sup> 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 September 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 few signal since changes since the last QCAM Monthly and the balance of all positions remained modestly long USD. We kept all discretionary Macro positions unchanged. Long USD Business Sentiment positions vs the EUR and the GBP increased, while the long USD Business Sentiment position vs the CHF went to neutral. Technical went from short USD vs the EUR to neutral and to long vs the CAD but shifted from long USD vs the CHF to neutral. Overall, the main USD long positions are vs EUR, GBP and JPY. The USD is neutral versus the CHF and slightly short versus the CAD.

## Overview<sup>1</sup>

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	--	0	The short EUR Business Sentiment position increased while Technical went from long EUR to neutral.
USDJPY	-/++	0	+	All strategy positions remained unchanged leaving the overall JPY position modestly short.
EURCHF	0	--	--	Business Sentiment and Technical went from short CHF vs USD to neutral. All other positions remained unchanged, leaving the overall CHF positions long vs the EUR and neutral vs the USD.
USDCHF	0	0	0	
GBPUSD	0	--	+	The short GBP Business Sentiment position increased while the long GBP Technical position declined.
EURSEK	0/0	--	+	The interst-rate Macro model moved from short SEK to neutral, tipping the overall position to slightly long SEK.
USDCAD	0/--	--	++	The Macro oil price model went long CAD and Technical shifted to short CAD, leaving a small overall long CAD.

<sup>1</sup> The signs relate to the first currency of the exchange rate pair ; ++ or -- means 100% long or short; \*/\* means split position.  
 Source: QCAM Currency Asset Management

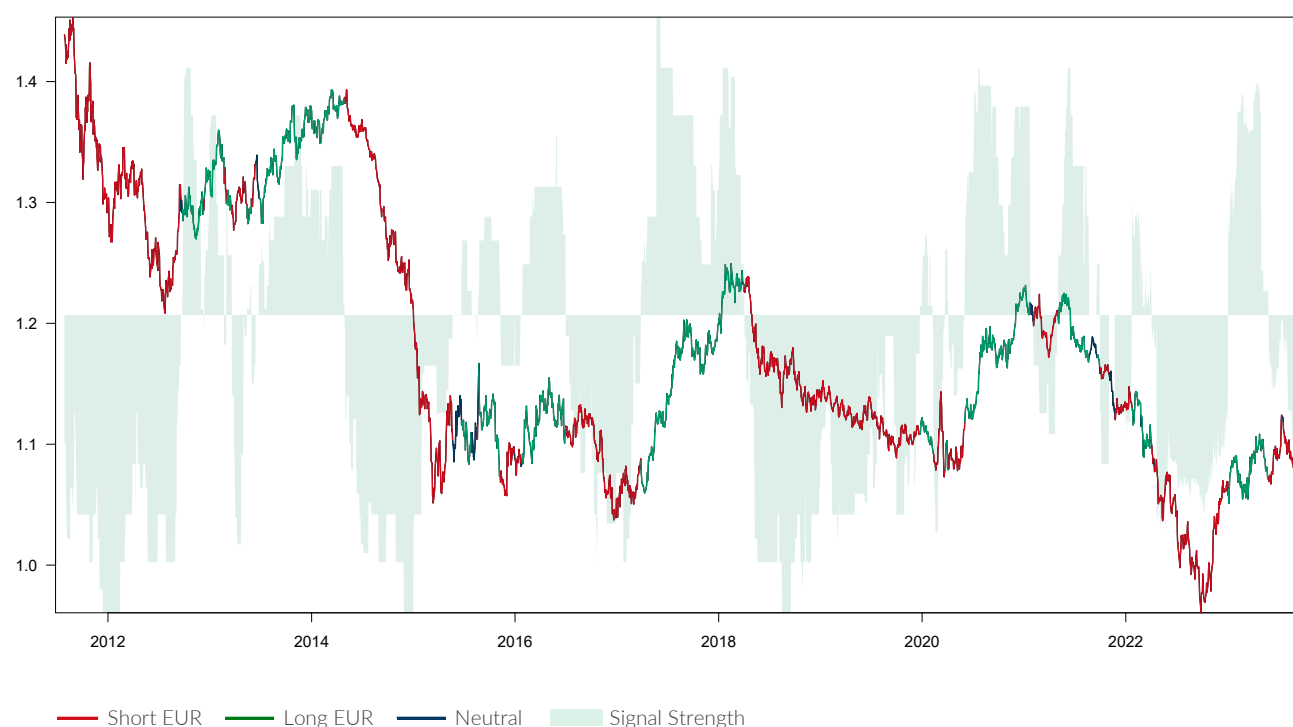
## EURUSD

We kept the Macro position at neutral. Growth fundamentals remain EUR negative, but risk sentiment is strong for now and the current account remains a support. Given the overbought EUR position in

the market, the EUR is vulnerable to technical downmoves. Technical moved to neutral shifting the balance of all three strategy positions to modestly short EUR.

	FX Factors	EUR Impact	Comment
<b>Macro</b>	Current Account Balances	+	The Euro-area's current account surplus has fully recovered on lower energy prices
	Fiscal Balances	0	Euro-area and US fiscal deficits are both on the rise
	Interest Rate Differentials	0	Interest rate expectations are stabilizing on both sides
	Oil prices	0	Oil price likely to stay in range
<b>Sentiment</b>	Business Sentiment	-	The momentum in Euro-area surveys remains weaker than US surveys
	Risk Sentiment	0	Risk aversion is low despite increased recession risks
<b>Technical</b>	Price Action	0	Price Technical went neutral
	Spec Positions	-	Net long EUR position remains high
	PPP Valuation	+	EUR undervaluation is around 13%

### EURUSD and QCAM Strategic Positioning



## USDJPY

We keep the long JPY Macro position despite the prevailing volatility of 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. The lag of BoJ

action is frustrating but with USDJPY above 140 we think the risk of further JPY weakness is smaller than the potential of a policy move. The balance of all strategy positions is modestly short JPY.

	FX Factors	JPY Impact	Comment
<b>Macro</b>	Current Account Balances	+	The Japanese current account has returned to a solid surplus
	FDI Flows	-	Net outflows have returned to the pre-Corona level
	Interest Rate Differentials	0/-	JPY rates remain low (carry outflow) as BoJ continues to resist a decisive policy change
<b>Sentiment</b>	Business Sentiment	0	Momentum of Japanese Business Sentiment is on par versus US surveys
	Risk Sentiment	0	JPY has not yet benefitted from rising risk aversion
<b>Technical</b>	Price Action	-	Technical remains short JPY
	Spec Positions	0/+	Net short JPY position at potential reversal point
	PPP Valuation	+	The JPY is currently about 51% undervalued

### USDJPY and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

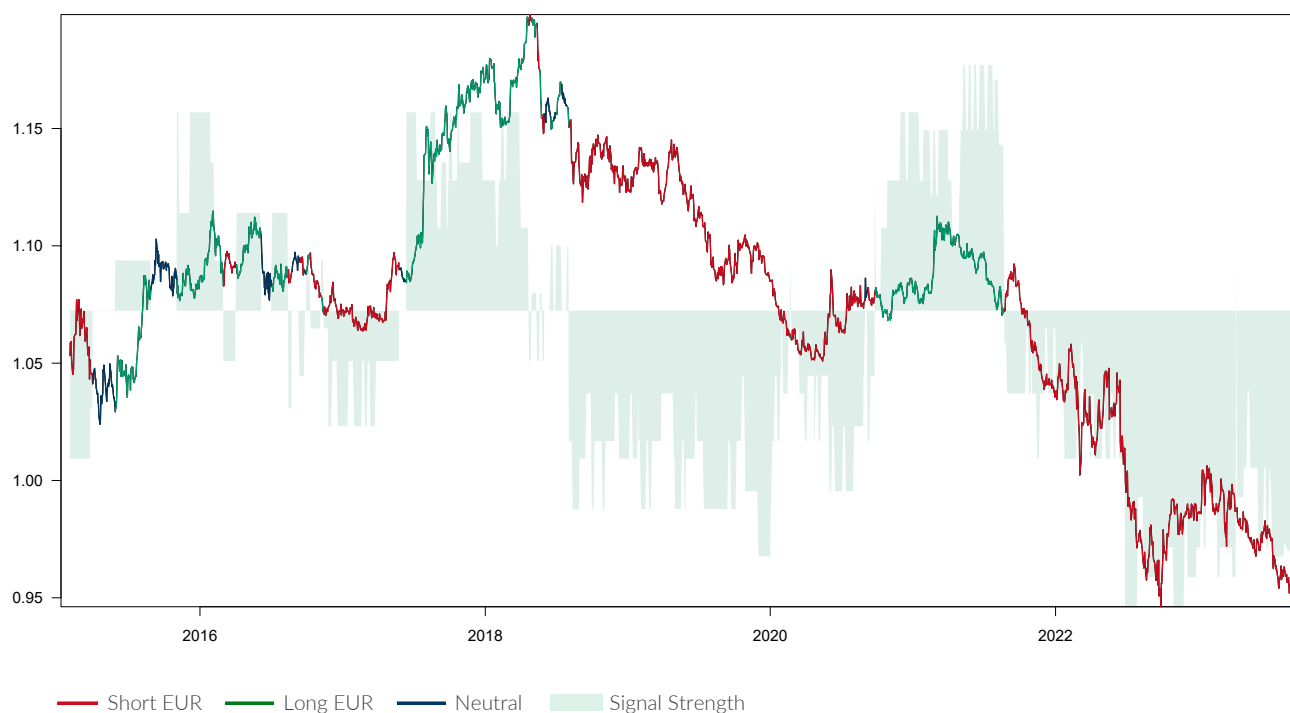
## EURCHF

We keep our discretionary Macro position at neutral. The Swiss economy has slowed but remains fundamentally sound. Inflation has dropped below 2% and the SNB has stopped tightening policy. The balance of

all strategy positions is long CHF versus the EUR.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	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 has allowed reserves to taper off a bit
<b>Sentiment</b>	Business Sentiment	+	The Swiss economy is ahead of the Euro-area economy in the surveys
	Risk Sentiment	0	The CHF benefits slightly from global recession concerns
<b>Technical</b>	Price Action	+	Technical is 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

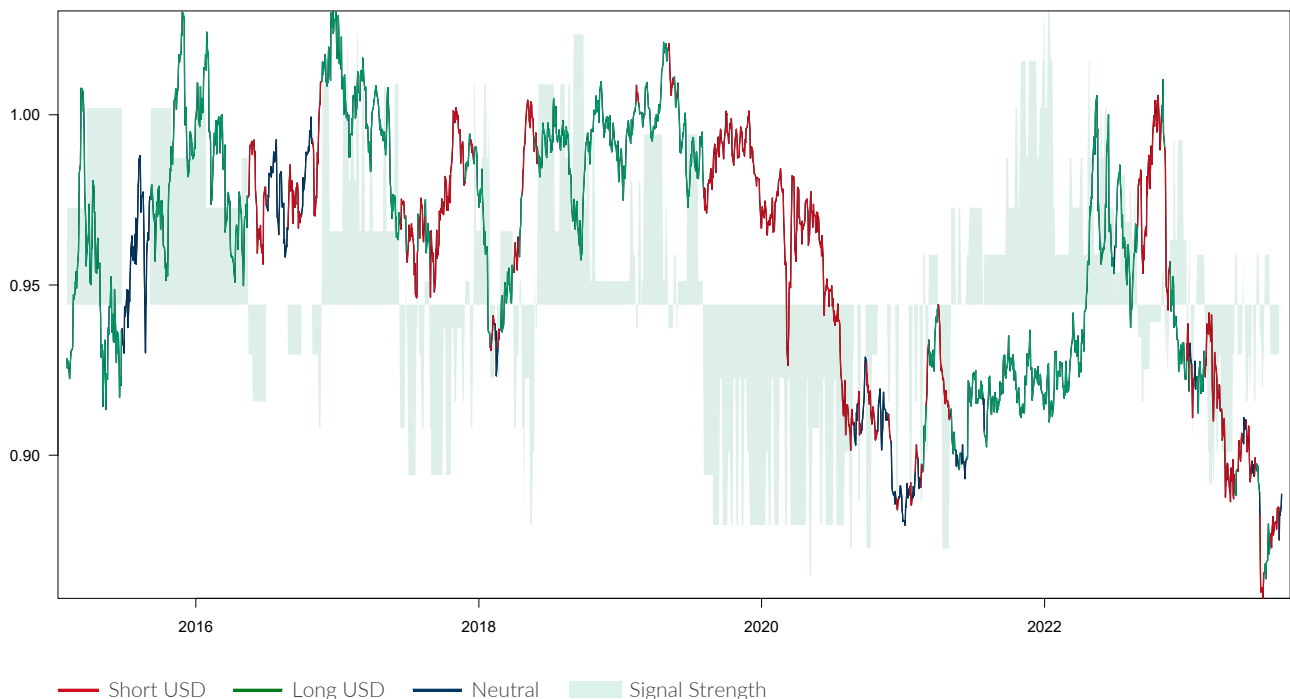
## USDCHF

Our Macro positions in EURCHF (neutral) and EURUSD (neutral) imply neutral CHF vs. the USD. The Swiss economy has slowed but remains fundamentally sound. Inflation has dropped below 2% and the SNB has

stopped tightening policy. We expect USDCHF to shadow EURUSD with a smaller amplitude. Business Sentiment and Technical went neutral, shifting the overall position from short to neutral CHF.

	FX Factors	CHF Impact	Comment
<b>Macro</b>	Current Account Balances	+	Surplus remains steady support for CHF
	Interest Rate Differentials	0	The USD-CHF interest rate differential has stabilized
	SNB Policy Intervention	0	The SNB is not actively in the market
<b>Sentiment</b>	Business Sentiment	-	Swiss surveys have fallen behind US surveys
	Risk Sentiment	0	No negative effect despite low risk aversion
<b>Technical</b>	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

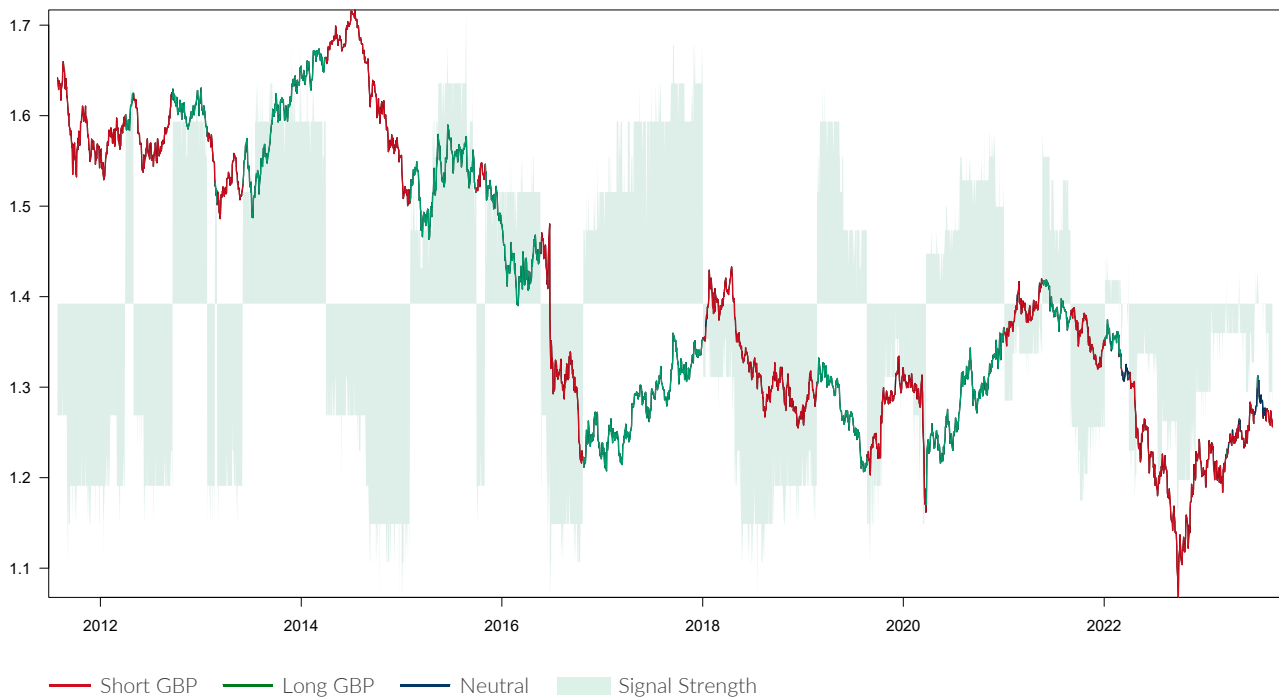
## GBPUSD

We remain fundamentally bearish on the GBP given the negative Brexit fallout, growing stagflationary pressures and risks in the property market given higher interest rates. We maintain our neutral

Macro position, given the GBP's carry appeal. Business Sentiment went more bearish GBP while Technical became less bullish GBP, shifting the overall position to short GBP.

	FX Factors	GBP Impact	Comment
<b>Macro</b>	Current Account Balances	0/-	The UK deficit has declined but remains firmly in the red zone
	Interest Rate Differentials	0	UK interest rates are roughly in line with US interest rates
	Oil Price	0	Oil price likely to stabilize in wider range
<b>Sentiment</b>	Business Sentiment	--	Momentum in UK surveys weakened further versus US surveys
	Risk Sentiment	-	BREXIT related economic and political uncertainties prevail
<b>Technical</b>	Price Action	+	Technical remains long GBP, but less so
	Spec Positions	-	Net long GBP position is at a 5-year high
	PPP Valuation	0/+	The GBP is 19% undervalued

### GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

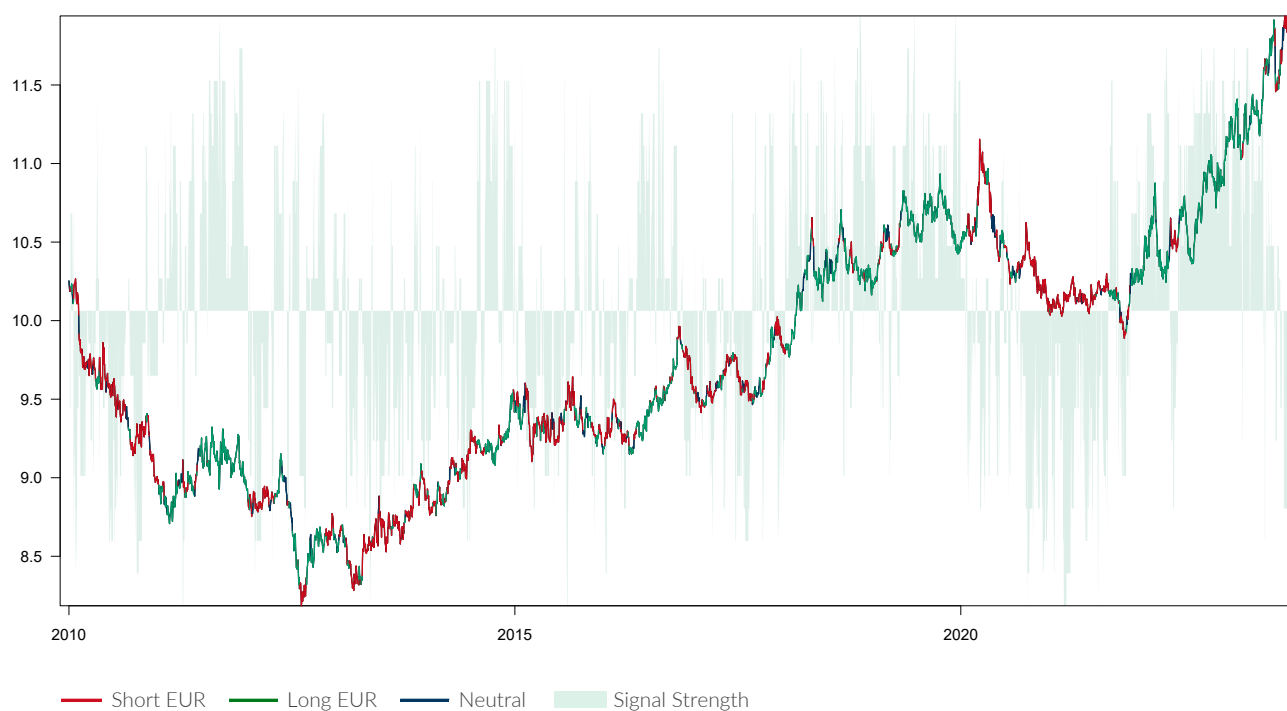
## EURSEK

The Swedish economy continues to show 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. We keep the neutral discretionary Macro position.

The interest rate Macro model went neutral, while Business Sentiment and Technical stayed long and short SEK respectively. The balance of all strategy positions is slightly long SEK.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	0/+	Sweden's surplus has largely recovered to the levels before the Ukraine war
	Interest Rate Differentials	0	The Macro interest rate model went neutral
<b>Sentiment</b>	Business Sentiment	-	Surveys are long SEK
	Risk Sentiment	-	Concerns over the property slump remain significant
<b>Technical</b>	Price Action	-	Technical remains short SEK
	PPP Valuation	+	The SEK is roughly 34% undervalued versus the EUR

### EURSEK and QCAM Strategic Positioning



Source: QCAM Currency Asset Management



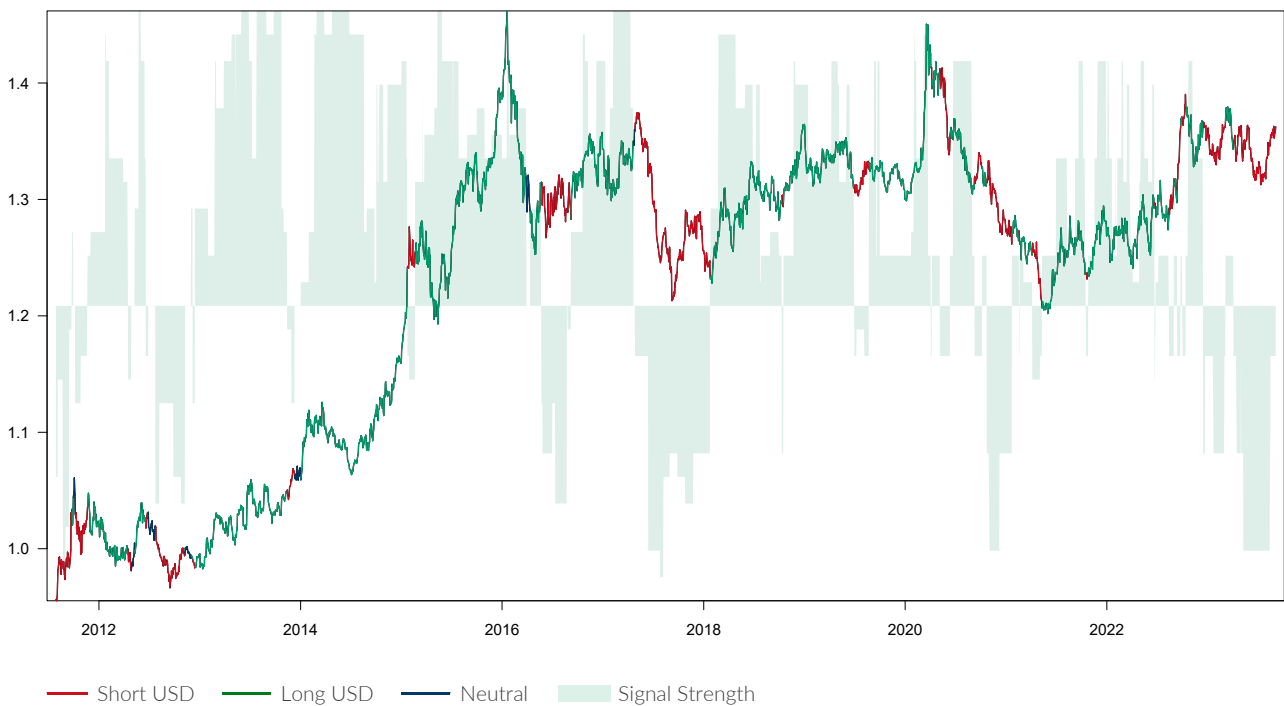
## USDCAD

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 but the BoC is expected to make one final move before

year end. Our discretionary Macro position stays neutral but the Macro oil price model went long CAD. Business Sentiment remained long CAD, while Technical went short CAD. The overall position is slightly long CAD.

	FX Factors	CAD Impact	Comment
<b>Macro</b>	Current Account Balances	0	Canada's current account fell back into deficit but remains small versus the US deficit and compared to past levels
	Oil Prices	+	The Macro oil price model went long CAD
	Interest Rate Differentials	0/-	CAD interest rates remain slightly below USD interest rates
	USD DXY Trend	0	Negative correlation with USD is small
<b>Sentiment</b>	Business Sentiment	+	Canada has stronger momentum versus the US in the surveys
	Risk Sentiment	0	No particular risk drivers at the moment
<b>Technical</b>	Price Action	+	Technical shifted to short CAD
	Spec Positions	0	Net CAD position is slightly short
	PPP Valuation	0	CAD is about 13% 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.**

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## 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.

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## 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.

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## 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

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- Client focused solutions, tailored to each individuals requirements

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- Independent selection of suitable external services providers

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- No principal-agent conflicts

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- Transparent fee model – no hidden costs

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- 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

