

March 2024

# QCAM MONTHLY

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# QCAM Insight

## Spring awakening

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**The USD continued to rally in the first half of February but has been gradually sliding lower since then. The competing themes are global recovery versus US exceptionalism and a hawkish Fed. There are many other uncertainties that could shape the direction for FX markets but we expect that data releases over the first half of the year will determine which of the two main dynamics will come to dominate.**

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The USD DXY rallied nearly 2% over the first two weeks in February as the market continued to dial back Fed rate cut expectations. The USD rally peaked on February 13th with the release of higher-than-expected US CPI data for January. Since then, the USD DXY has been gradually sliding lower. In terms of major currencies, the EUR, the GBP and the SEK have been the best performers since the start of February, while the CHF and the JPY underperformed the most. EM currencies also showed a pattern of weakness over the first two weeks of February and a subsequent recovery.

The dynamics in FX markets since February point at two competing themes. On the one hand, there are signs of an emerging global recovery which combined with positive corporate news is improving risk sentiment. On the other hand, US exceptionalism remains so far unbroken which combined with disappointing inflation news has made the Fed more hawkish.

### **Still fragile recovery buds**

To be sure, the signs of a global recovery are not yet very powerful. The JPMorgan global manufacturing PMI has increased only a bit and is still in stagnation

territory (see Chart). The JPMorgan global services PMI has moved from stagnation into growth territory, but the rebound is not strong either. Much of that is country specific. In Europe, for example, Germany's structural problems and policy deadlock are key factors slowing the recovery. China is showing more resolve to revive the economy, but the problems in the property sector and among state-owned-enterprises remain large. The CAIXIN manufacturing PMI (which focusses more on smaller private enterprises) has recovered nicely, but the NBS manufacturing PMI (which is more centered around large state-owned-enterprises) struggles to move higher.

For most economies, high interest rates are also still a restraining factor. In addition, shipping problems at the Red Sea have heightened supply-chain pressures. Still, we are confident that the global recovery will spread absent any negative shocks. In our view, the main driver will be consumption as real incomes recover amid lower inflation. The uncertainty is whether the recovery will gather more momentum or remains gradual.

### **Tenacious US exceptionalism**

The US is clearly a central part of the global recovery dynamic. The question is whether it will continue to outperform. The data throws up some question marks (weaker manufacturing ISM and retail sales) but on balance the economy seems more dynamic and facing less problems compared to its main global competitors. In particular, much of the euphoria about corporate developments, especially in the IT space, continues to come from the US.

### Diverging inflation developments

From a monetary policy perspective, inflation remains the main concern. We believe that the disappointing January inflation reports in the US are not an outlier and that inflation will not sustainably fall to 2%. In contrast, disinflation progress is unbroken in most other places, notably the Euro area. Japan is the other exception, where headline inflation has declined but core inflation remains above 3%. So far, the market has expected the Fed to initiate the easing cycle. If the current inflation dynamics prevail, the ECB may become the first central bank to cut rates and the BoJ is still expected to tighten, although timing and degree remain uncertain.

### Two main scenarios for FX

In our view, two main scenarios follow from the discussion above. First, US exceptionalism prevails and the Fed stays hawkish, which would be undoubtedly USD bullish, especially if other central banks, notably the ECB, ease earlier. There is the possibility that US

exceptionalism prevails but inflation falls back and the Fed can ease sooner. The FX implications of that outcome are less clear and could result in a side-way movement for the USD, but we think this scenario has a low probability.

Second, the global recovery gathers much more momentum and boosts investor optimism. In that scenario, the US is likely to stay strong but does no longer outperform. In our view, that scenario is generally USD negative as the quest for risk assets will dominate financial markets and central bank policy will play a less differentiating role. Only a very hawkish Fed may be able to keep the USD supported, but that is probably also a low probability outcome. Which scenario will prevail is difficult to say at this point and will depend much on the data flow over the course of the first half of the year. In our view, the first (USD bullish) scenario has currently still the upper hand but we also note that our FX BIAS strategy, which is based on business surveys among G10 currencies, has very recently turned from long USD to neutral.

### Global manufacturing and services PMIs (50 = stagnation)



Source: JPMorgan, SPglobal and QCAM

# Economy & Interest Rates

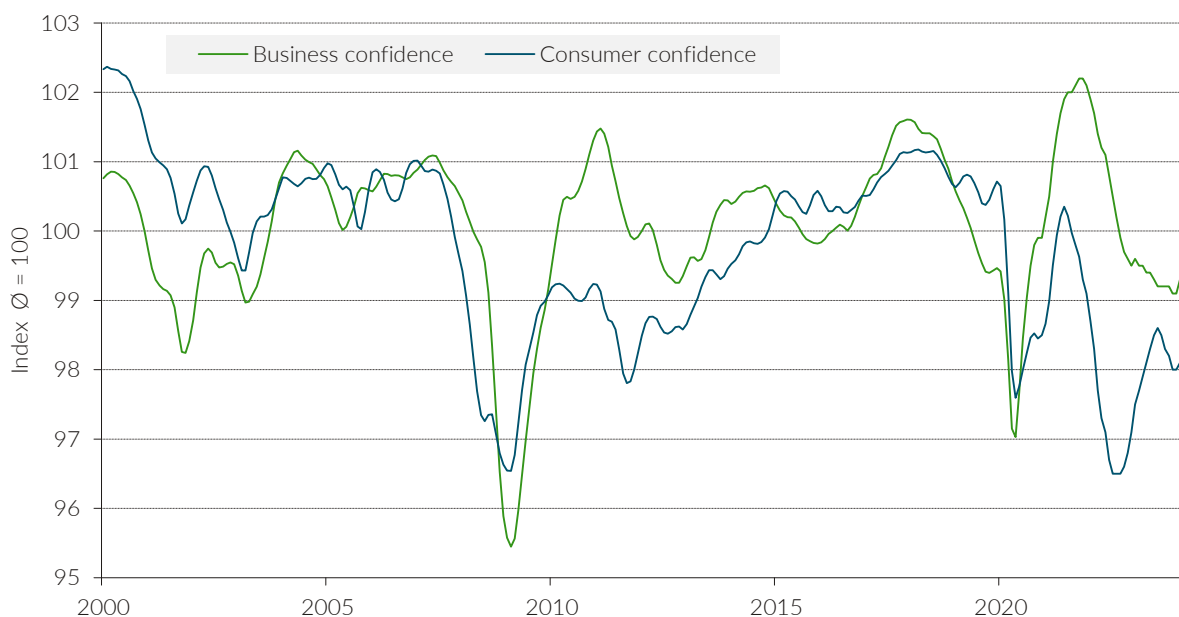
Global growth conditions have improved a bit further with continued US outperformance versus the rest of the world, most notably Europe. The process of disinflation is becoming less even, with more progress in Europe and setbacks in the US. Soft-landing (lower growth and inflation) remains the favored scenario of the market for the US as well as

most of the rest of the world. However, uncertainty and the risk of a hard-landing or no-landing with an inflation rebound remain significant, leaving a range of possible monetary policy implications, especially who will cut interest rates first and by how much and when will the BoJ finally give in and start raising interest rates.

	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>	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Global	2.7	2.5	n.a.	n.a.	4.5	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Developed	1.7	1.3	n.a.	n.a.	4.7	2.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
USA	2.5	2.0	3.6	4.0	4.1	3.0	-3.0	-3.0	-6.0	-6.0	123	127
Canada	1.1	1.0	5.5	5.5	3.9	2.5	-0.5	0.0	-0.5	-0.5	106	103
Euro-area	0.5	0.5	6.5	6.5	5.4	2.0	1.0	1.0	-4.0	-3.5	90	90
Sweden	-0.5	0.5	7.5	7.5	7.0	3.5	5.0	5.0	-0.5	-0.5	32	32
Switzerland	1.0	1.5	2.0	2.0	1.9	1.5	8.0	8.0	0.0	0.5	38	37
UK	0.1	0.5	4.0	4.0	7.3	2.5	-4.0	-4.0	-4.5	-4.0	104	106
Japan	1.9	1.0	2.6	2.5	3.3	3.0	3.0	3.0	-7.0	-7.0	255	255
Australia	2.0	2.0	3.7	4.0	5.6	3.5	1.5	2.0	-0.5	-0.5	52	55
Emerging	4.1	4.0	n.a.	n.a.	4.1	3.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	5.2	5.0	5.2	5.5	0.2	1.0	1.5	1.0	-7.0	-7.0	83	87
India	7.5	6.5	n.a.	n.a.	5.6	5.0	-2.0	-2.0	-9.0	-9.0	82	82
Russia	3.6	2.5	3.2	3.5	5.9	7.0	3.5	3.5	-3.5	-3.0	22	22
Brazil	2.9	2.0	8.0	8.5	4.5	4.0	-1.5	-1.5	-7.0	-6.5	88	90

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

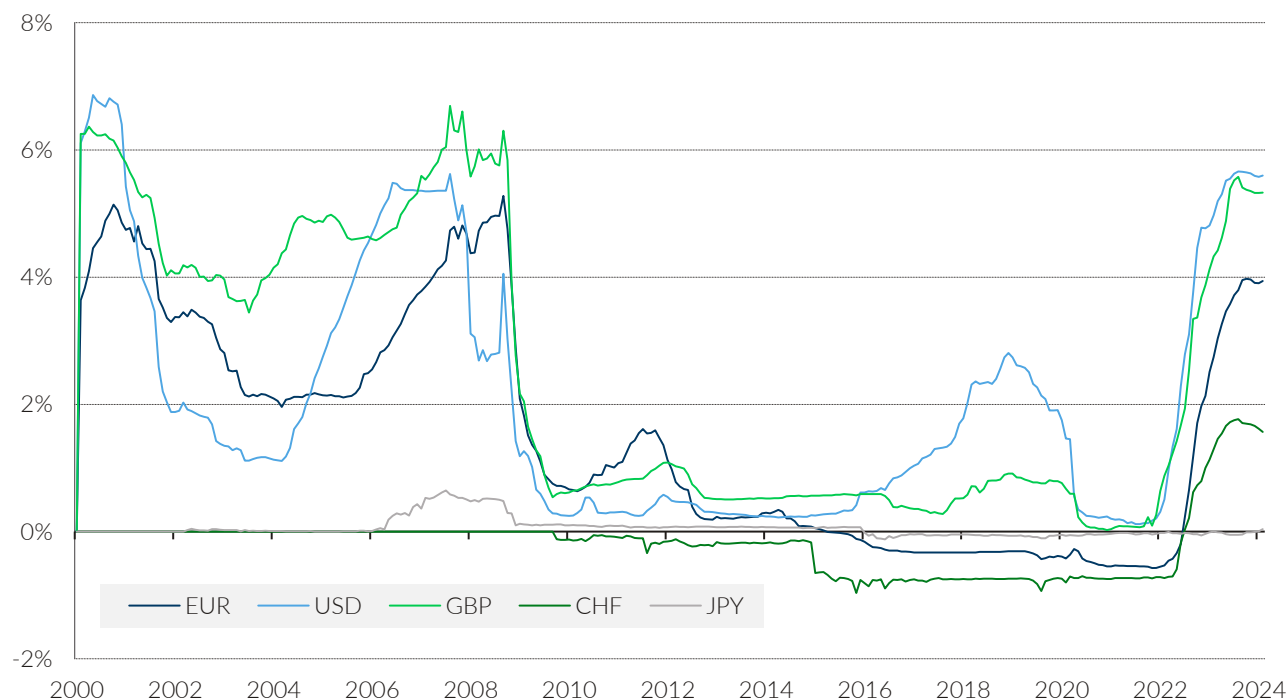
## Interest Rates

### 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	5.34%	5.31%	5.37%	4.92%	2.76%	4.13%	4.03%	4.18%	3.97%	0.00%
EUR	3.94%	3.91%	3.98%	2.74%	1.31%	2.73%	2.62%	2.93%	3.23%	1.82%
JPY	0.04%	0.00%	-0.01%	0.00%	-0.03%	0.87%	0.91%	0.88%	0.82%	0.45%
GBP	5.21%	5.20%	5.23%	4.20%	2.53%	3.85%	3.66%	3.90%	3.75%	2.56%
CHF	1.58%	1.63%	1.69%	1.29%	0.38%	1.21%	1.25%	1.31%	1.95%	1.08%
AUD	4.32%	4.34%	4.37%	3.75%	2.11%	4.39%	4.40%	4.67%	4.48%	3.38%
CAD	4.99%	5.01%	5.01%	4.57%	2.69%	3.82%	3.79%	3.86%	3.74%	3.08%
SEK	3.97%	3.95%	3.99%	3.14%	1.75%	2.79%	2.62%	2.86%	3.28%	2.15%
RUB	15.70%	15.70%	7.75%	7.60%	9.58%	9.62%	9.62%	8.62%	9.08%	8.70%
BRL	9.36%	10.07%	10.17%	12.79%	9.97%	10.57%	10.45%	10.63%	13.33%	11.28%
CNY	1.99%	2.08%	2.38%	2.40%	2.13%	2.20%	2.27%	2.51%	3.07%	2.67%
TRY	48.10%	46.80%	43.45%	9.10%	0.00%	38.04%	38.04%	38.04%	38.04%	22.50%
INR	6.78%	6.72%	6.85%	6.80%	5.31%	6.42%	6.27%	6.54%	6.80%	6.35%

Source: QCAM Currency Asset Management, as of March 5th, 2024

### 3-month Rates



Source: QCAM Currency Asset Management, as of end of February 2024

# FX Markets

## FX Performance vs. PPP

The USD DXY rallied in early February but subsequently moved gradually lower. The EUR, the GBP and the SEK performed best versus the USD and the CHF and the JPY underperformed the most. EM currencies saw a similar pattern but the TRY continued to fall rapidly. Overall speculative positions moved from modestly short USD to neutral with the long GBP position looking most overbought. Short-term interest rates were stable yet forwards

paired back more rate-cut expectations. The cost of forward hedging versus the USD has declined but remains expensive especially for JPY and CHF. Actual and implied FX volatilities moved lower and on balance have fallen below historical levels. PPP changes continue to converge as inflation moderates but differences to actual exchange rate levels remain large and the USD continues to be overvalued versus all major currencies.

### 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	1.086	-1.84%	1.13%	2.21%	-3.87%	1.23	1.10 - 1.36	-12%
USDJPY	150.090	6.57%	0.99%	10.27%	34.10%	99.49	88.21 - 110.77	51%
GBPUSD	1.271	-0.41%	1.40%	5.84%	-3.35%	1.55	1.38 - 1.72	-18%
EURCHF	0.960	3.35%	2.70%	-3.68%	-15.49%	0.92	0.87 - 0.97	4%
USDCHF	0.884	5.30%	1.55%	-5.76%	-12.09%	0.80	0.71 - 0.89	10%
GBPCHF	1.123	4.87%	2.98%	-0.27%	-15.04%	1.06	0.96 - 1.15	6%
CHFJPY	169.850	1.19%	-0.56%	17.02%	52.55%	96.11	85.08 - 107.14	77%
AUDUSD	0.651	-4.75%	0.37%	-3.70%	-8.05%	0.77	0.68 - 0.86	-15%
USDCAD	1.358	2.80%	0.36%	-0.15%	1.68%	1.21	1.13 - 1.30	12%
USDSEK	10.378	3.39%	-2.13%	-0.96%	11.32%	8.18	7.25 - 9.11	27%
EURSEK	11.270	1.48%	-1.03%	1.24%	7.01%	8.91	8.37 - 9.46	26%
USDRUB	90.878	1.55%	0.28%	20.34%	38.17%	66.06	48.28 - 83.83	38%
USDBRL	4.955	2.11%	-0.69%	-4.74%	31.23%	3.81	2.29 - 5.32	30%
USDCNH	7.213	1.28%	-0.11%	4.51%	7.49%	7.16	6.56 - 7.76	1%
USDTRY	31.596	6.93%	3.38%	67.21%	485.39%	15.86	12.43 - 19.30	99%
USDINR	82.889	-0.40%	-0.19%	1.47%	17.41%	82.40	75.71 - 89.09	1%
US_Dollar_Inc	103.798	2.43%	-0.63%	-0.69%	7.16%	86.96	81.18 - 92.73	19%

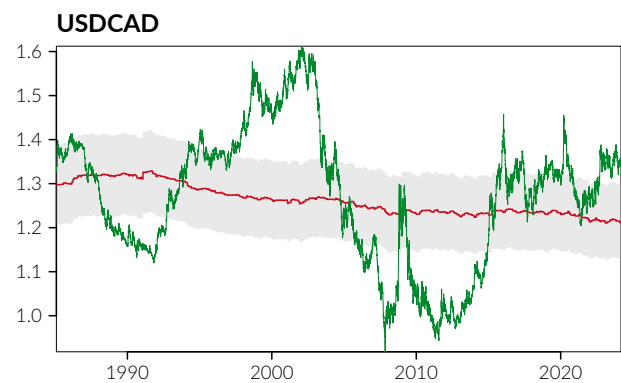
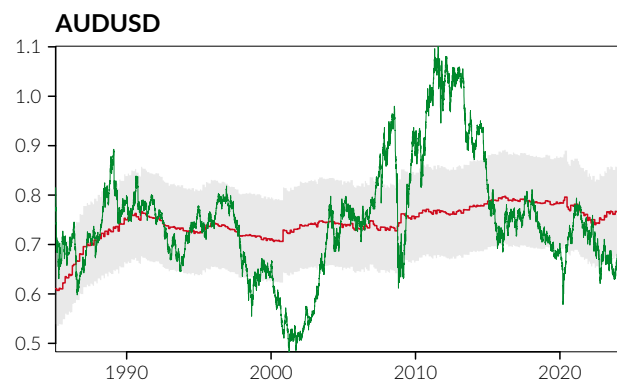
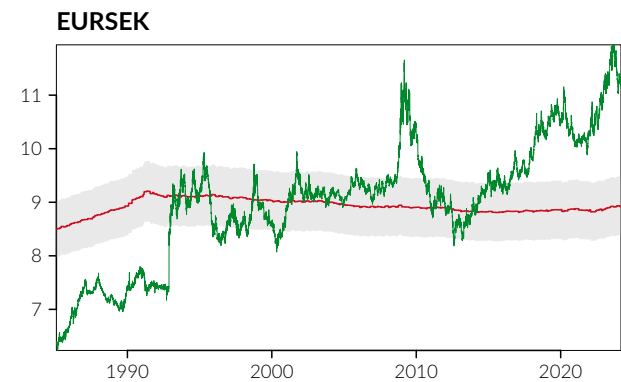
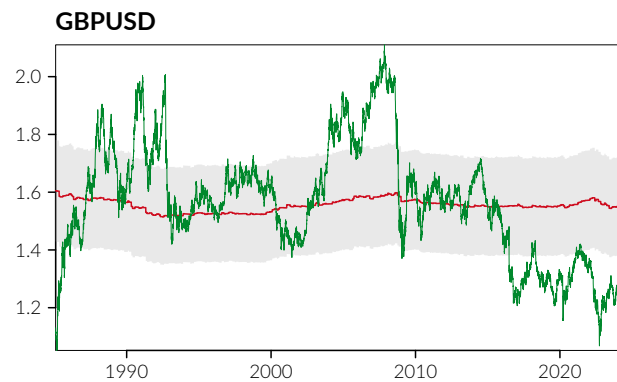
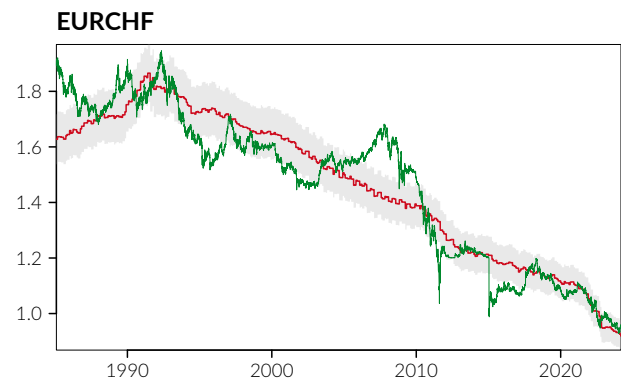
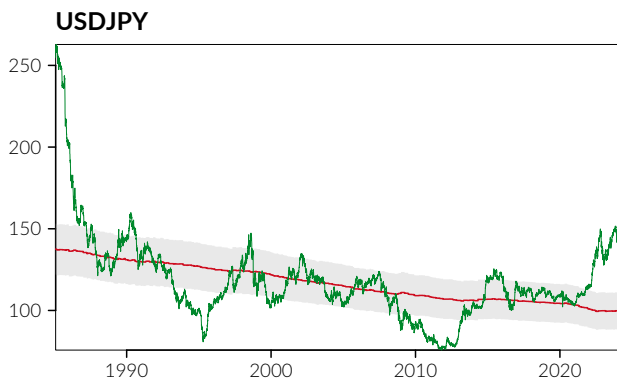
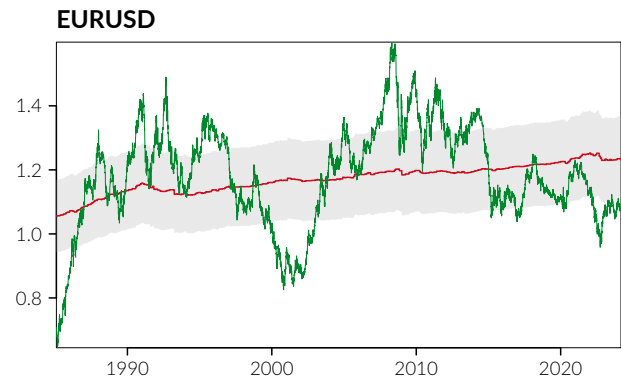
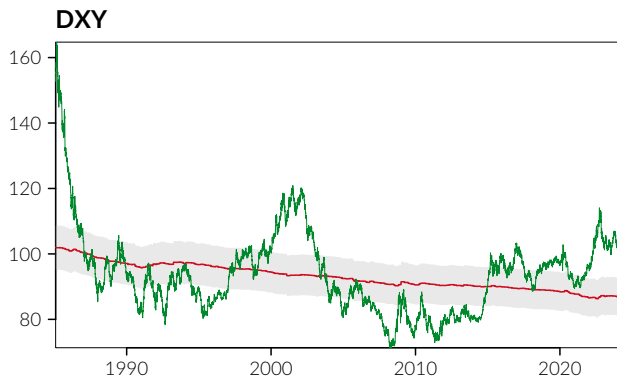
<sup>1</sup> Performance over the respective period of time, in percent

<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 March 5th, 2024

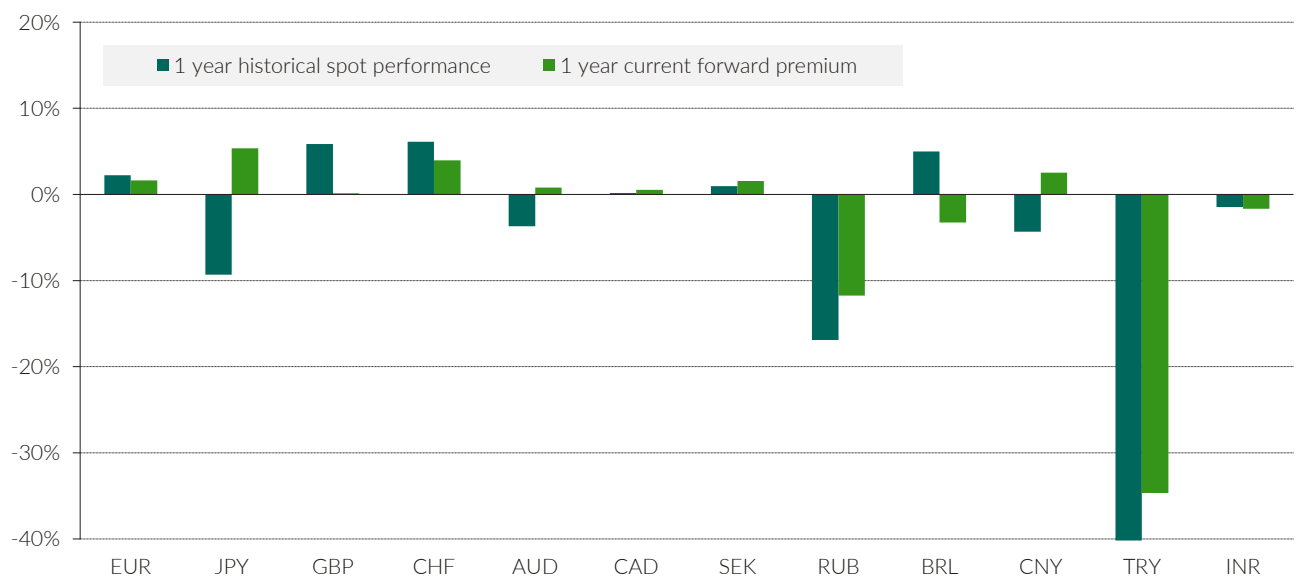
— PPP — Spot — Neutral Range

## FX Spot vs Forwards

### FX Forwards Level and Premium

	Current Exchange Rate	Forward Level			Premium p.a.		
		1M	3M	12M	1M	3M	12M
EURUSD	1.086	1.0874	1.0901	1.1036	1.46%	1.47%	1.60%
USDJPY	150.090	149.3410	147.9800	142.4518	-5.61%	-5.50%	-5.02%
GBPUSD	1.271	1.2714	1.2718	1.2727	0.23%	0.20%	0.13%
EURCHF	0.960	0.9576	0.9538	0.9383	-2.43%	-2.39%	-2.20%
USDCHF	0.884	0.8807	0.8750	0.8502	-3.88%	-3.85%	-3.74%
GBPCHF	1.123	1.1197	1.1128	1.0821	-3.65%	-3.65%	-3.62%
CHFJPY	169.850	169.5870	169.1256	167.5614	-1.74%	-1.67%	-1.33%
AUDUSD	0.651	0.6517	0.6528	0.6562	1.14%	1.09%	0.79%
USDCAD	1.358	1.3571	1.3559	1.3506	-0.51%	-0.52%	-0.52%
USDSEK	10.378	10.3643	10.3392	10.2197	-1.47%	-1.46%	-1.50%
EURSEK	11.270	11.2703	11.2706	11.2791	-0.01%	0.01%	0.08%
USD RUB	90.878	91.8350	93.7149	102.9782	11.49%	12.21%	13.13%
USDBRL	4.955	4.9687	4.9979	5.1213	3.16%	3.40%	3.31%
USDCNH	7.213	7.1975	7.1692	7.0344	-2.36%	-2.35%	-2.44%
USDTRY	31.596	33.2300	35.9313	48.3503	56.41%	53.69%	52.30%
USDINR	82.889	82.9743	83.1355	84.2815	1.16%	1.17%	1.66%

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



Source: QCAM Currency Asset Management, as of March 5th, 2024



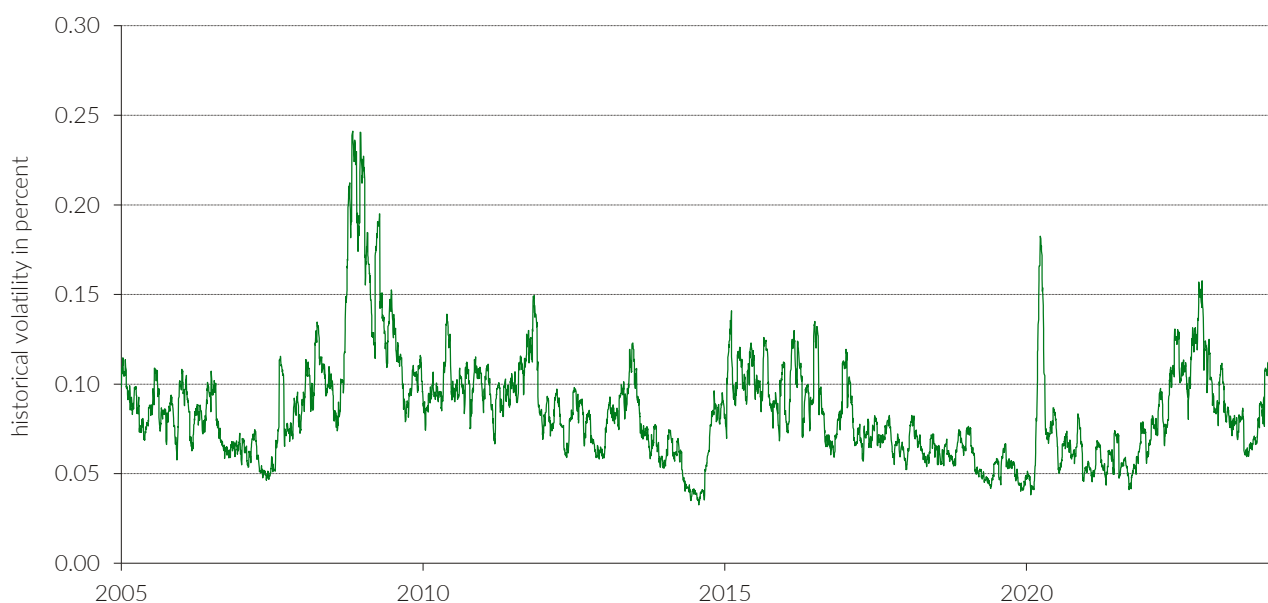
## FX Volatility

### 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	1.086	7.14%	8.55%	7.21%	7.10%	5.70%	6.85%	7.80%	6.91%
USDJPY	150.090	11.51%	12.25%	15.80%	8.22%	7.93%	9.65%	11.50%	8.21%
GBPUSD	1.271	7.51%	9.36%	9.99%	9.10%	6.10%	6.73%	9.48%	8.87%
EURCHF	0.960	4.55%	4.60%	5.59%	4.73%	4.80%	5.08%	5.70%	5.30%
USDCHF	0.884	7.94%	8.18%	7.73%	7.36%	6.43%	6.03%	7.83%	6.93%
GBPCHF	1.123	5.16%	5.55%	6.94%	7.84%	5.48%	6.38%	7.40%	8.05%
CHFJPY	169.850	9.37%	9.71%	14.11%	7.42%	7.35%	9.38%	10.28%	7.70%
AUDUSD	0.651	8.78%	10.46%	13.65%	10.29%	8.20%	9.81%	11.57%	10.02%
USDCAD	1.358	5.19%	5.86%	7.29%	6.72%	5.15%	5.03%	6.93%	6.61%
USDSEK	10.378	10.43%	12.26%	12.31%	10.31%	9.18%	10.93%	12.05%	10.06%
EURSEK	11.270	5.47%	5.92%	8.32%	6.15%	5.88%	4.85%	7.70%	6.44%
USDRUB	90.878	14.10%	13.39%	25.21%	20.09%	25.73%	27.20%	35.47%	23.48%
USDBRL	4.955	9.80%	10.12%	15.42%	15.06%	10.15%	11.83%	16.52%	16.49%
USDCNH	7.213	3.75%	4.53%	6.63%	4.83%	3.45%	4.35%	6.38%	5.38%
USDTRY	31.596	2.86%	2.61%	1.09%	14.59%	13.63%	11.10%	17.90%	21.07%
USDINR	82.889	1.45%	1.56%	4.34%	4.82%	2.35%	2.42%	5.38%	5.72%

<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 March 5th, 2024

# 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 / March 2024

There have been several signal changes since last month shifting the overall USD position from a small long to neutral. All discretionary Macro positions remained unchanged but Business Sentiment went long EUR and CHF and neutral GBP versus the USD. On balance, Business Sentiment is close to neutral USD. Technical went short CAD, long GBP and neutral USDJPY and EURCHF. Overall, the main USD long positions are versus the JPY and the CAD and the main short USD position is versus the CHF and the CAD. EUR is modestly short versus CHF and slightly long versus SEK.

### Overview<sup>1</sup>

	Macro	Business Sentiment	Technical	Comment
EURUSD	0	+	-	Business Sentiment shifted to long EUR moving the balance of all strategy positions to a small long EUR.
USDJPY	-/+	++	0	Technical went neutral pushing the overall position to short JPY.
EURCHF	0	-	-	Business Sentiment went long CHF versus both the EUR and the USD. Technical went neutral USDCHF.
USDCHF	0	--	0	All other positions remained unchanged, leaving the CHF modestly long versus both EUR and USD.
GBPUSD	0	0	+	Business Sentiment went neutral and Technical turned long GBP, leaving a small overall long GBP position.
EURSEK	0/0	++	-	The Macro interest rate model went neutral, all other positions were unchanged leaving SEK slightly short.
USDCAD	0/-	++	++	Technical shifted to short CAD moving the overall position to short CAD as well.

<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

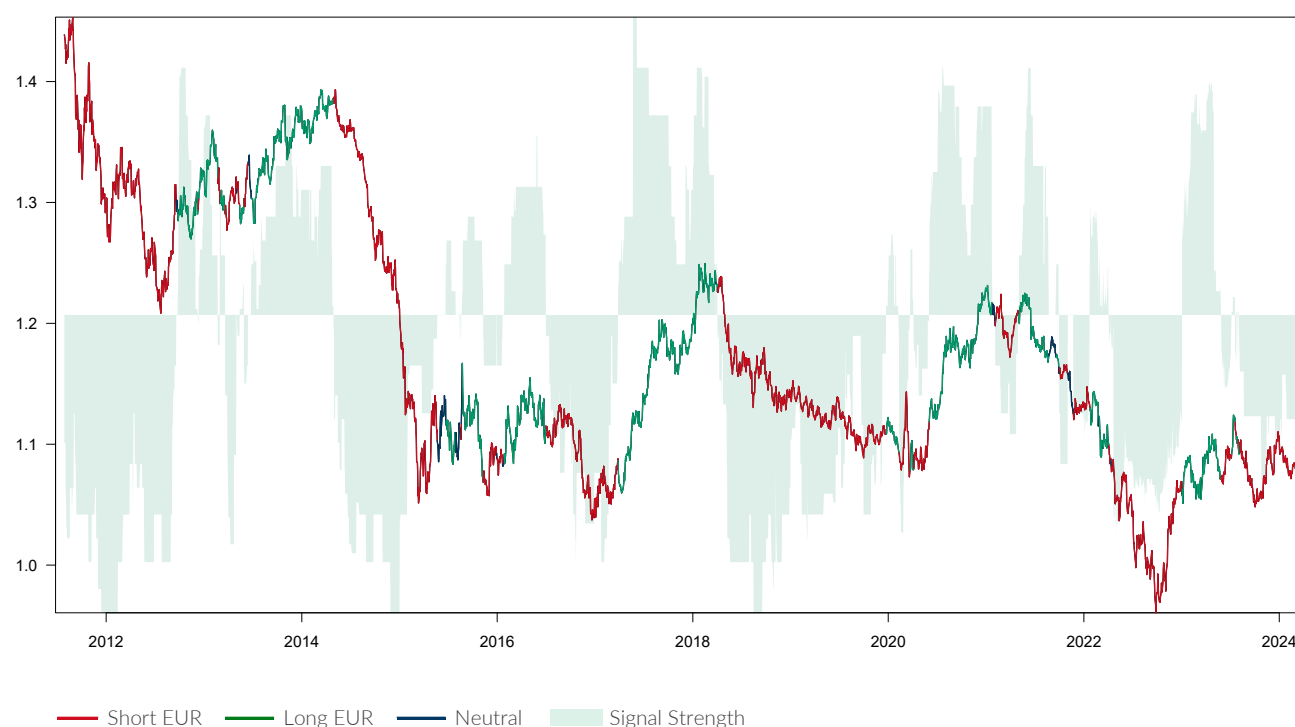
## EURUSD

We kept the Macro position at neutral. The EUR benefits from the emerging global recovery and improving risk sentiment as well as a stable current account surplus. On the other hand, the probability is rising that the Fed may stay hawkish for lon-

ger while disinflation progress will allow the ECB to ease earlier. Business Sentiment went long EUR, while Technical stayed slightly short EUR, pushing the overall EUR position to a small long.

	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 elevated
	Interest Rate Differentials	0/-	Expectations of an early Fed rate cut have declined while the possibility that the ECB cuts rates before the Fed is rising
	Oil prices	0	Oil price expected to stay in volatile range
<b>Sentiment</b>	Business Sentiment	+	The momentum in Euro-area surveys has increased versus US surveys
	Risk Sentiment	0	Risk aversion is low but outlook remains uncertain
<b>Technical</b>	Price Action	0/-	Technical is slightly short EUR
	Spec Positions	0	Net long EUR position declined to neutral
	PPP Valuation	+	EUR undervaluation is around 12%

### EURUSD and QCAM Strategic Positioning



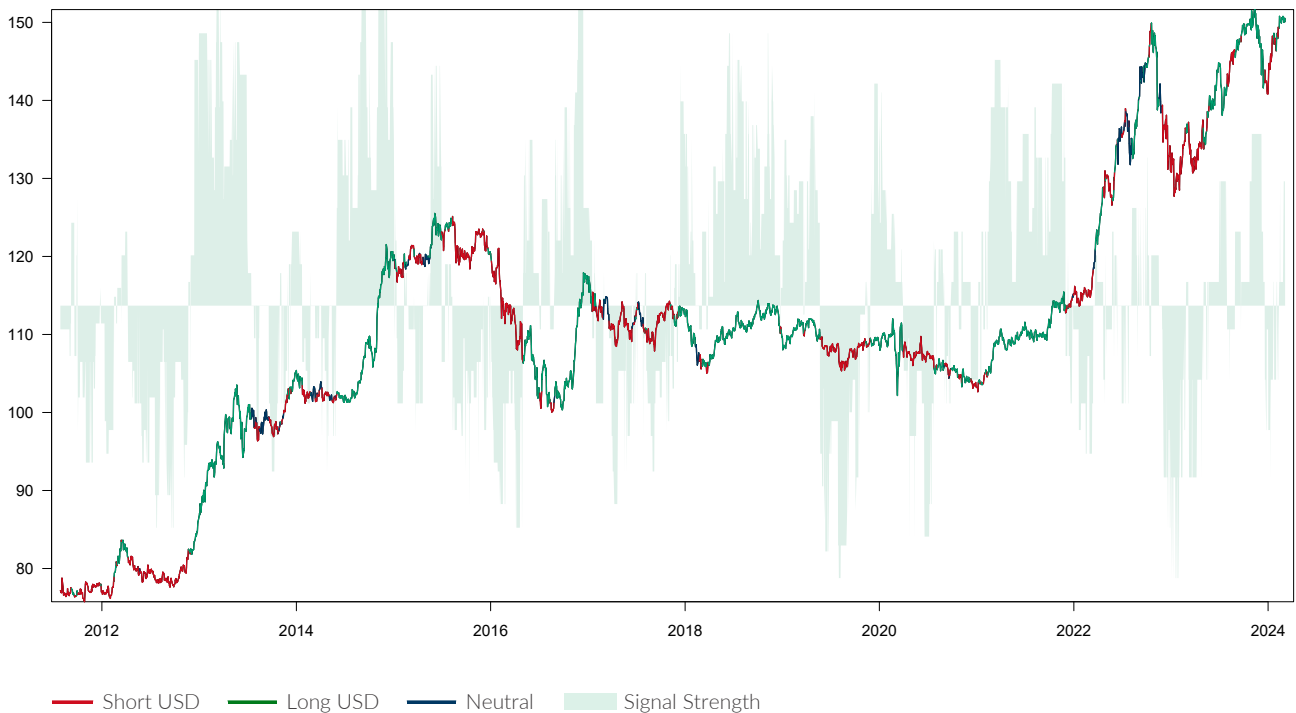
## USDJPY

We keep the long JPY Macro position. Economic momentum has slowed but remains solid, while inflation pressures are not abating. We stick to our view that the BoJ will move against the grain and hike interest rates in 2024, but timing remains uncertain. The risk

is that the BoJ keeps dragging its feet longer but we think the upside potential justifies taking that risk. Business Sentiment stayed short JPY and Technical went neutral, shifting the balance of all strategy positions from neutral to 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 but the outlook points to higher rates, while US rates are expected to fall, although slower and less
<b>Sentiment</b>	Business Sentiment	--	Momentum of Japanese Business Sentiment stayed behind that of US surveys
	Risk Sentiment	0	Safe-haven character has been reduced
<b>Technical</b>	Price Action	0	Technical went neutral JPY
	Spec Positions	0/+	Net short JPY position increased towards reversal area
	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 is not active in FX markets while keeping in-

terest rates stable. Less hawkish SNB policy could hurt the CHF but the safe-haven feature remains strong. The balance of all strategy positions is modestly 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 likely to follow ECB if the latter cuts interest rates
	SNB Policy Intervention	0	The SNB remains inactive in FX markets but may become less tolerant of CHF appreciation
<b>Sentiment</b>	Business Sentiment	+	The Swiss economy has moved slightly ahead of the Euro-area economy in the surveys
	Risk Sentiment	0	The CHF has not suffered from recent decline in risk aversion
<b>Technical</b>	Price Action	+	Technical is long CHF
	Spec Positions	0	Net position is slightly short CHF
	PPP Valuation	0	CHF is around fair-value versus the EUR

### EURCHF and QCAM Strategic Positioning



Source: QCAM Currency Asset Management

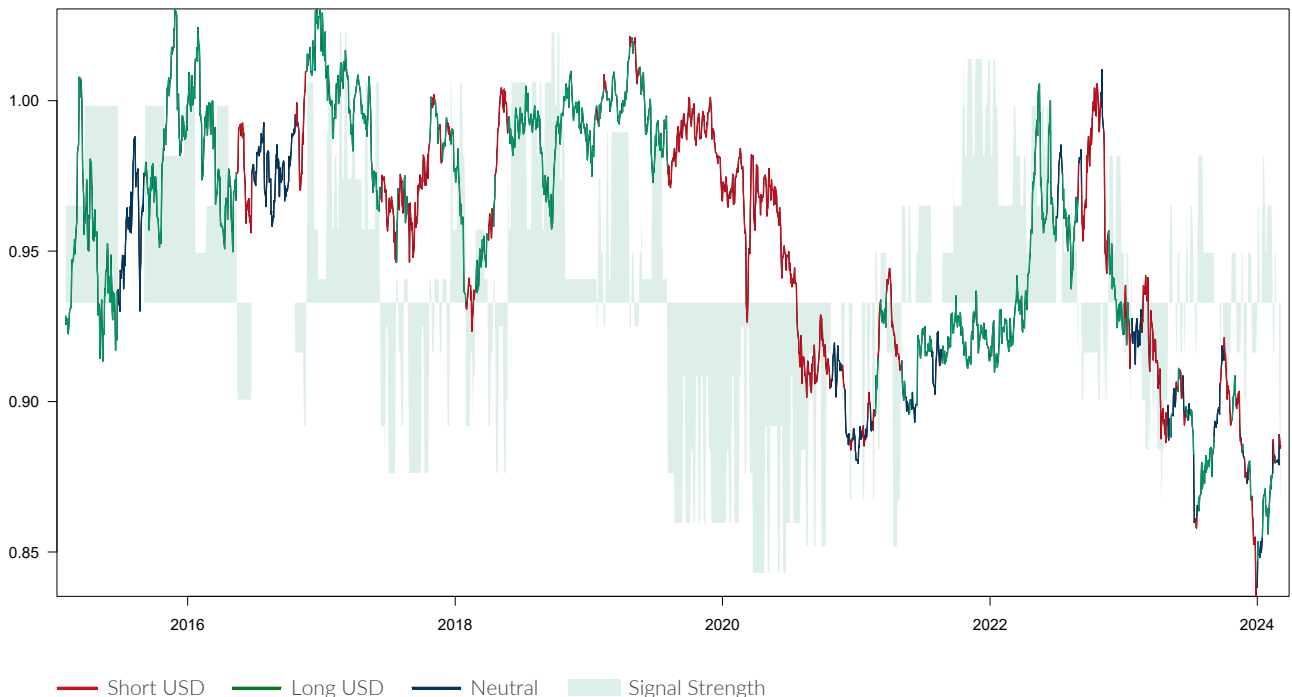
## USDCHF

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 is not active in FX markets while keeping interest rates sta-

ble. Less hawkish SNB policy could hurt the CHF but the safe-haven feature remains strong. We expect USDCHF to shadow EURUSD with a smaller amplitude. The balance of all strategy positions is long CHF versus the USD.

	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 narrowed but is still wide
	SNB Policy Intervention	0	The SNB remains inactive in FX markets but may become less tolerant of CHF appreciation
<b>Sentiment</b>	Business Sentiment	++	Swiss surveys have moved ahead of US surveys
	Risk Sentiment	0	The CHF has not suffered from recent decline in risk aversion
<b>Technical</b>	Price Action	0	Technical has turned neutral USDCHF
	Spec Positions	0	Net position is slightly short CHF
	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, persistent stagflationary pressures and risks in the property market given higher interest rates. We maintain our neutral Macro position primarily given the GBP high

affinity to rally in risk-on market conditions, which have prevailed despite the market pairing back Fed rate cut expectations. Business Sentiment went neutral GBP and Technical shifted to long GBP. The overall strategy position is slightly long 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 remain elevated slightly below US interest rates
	Oil Price	0	Oil price expected to stay in volatile range
<b>Sentiment</b>	Business Sentiment	0	Momentum in UK surveys is on par versus US surveys
	Risk Sentiment	-	BREXIT related economic and political uncertainties prevail
<b>Technical</b>	Price Action	+	Technical shifted to long GBP
	Spec Positions	-	Net position is long GBP approaching possible reversal point
	PPP Valuation	0/+	The GBP is 18% undervalued

### GBPUSD and QCAM Strategic Positioning



Source: QCAM Currency Asset Management



## EURSEK

Chances of a soft-landing and falling interest rates are good news for Sweden and the SEK but uncertainty remains large and the economy remains vulnerable. We keep the neutral discretionary Macro position. The Macro interest rate model went neu-

tral while Business Sentiment stayed short SEK and Technical remained long SEK, leaving the balance of all strategy positions modestly short SEK.

	FX Factors	SEK Impact	Comment
<b>Macro</b>	Current Account Balances	+	Sweden's surplus has rebounded to levels above those before the Ukraine war
	Interest Rate Differentials	0	The Macro interest rate model is neutral SEK
<b>Sentiment</b>	Business Sentiment	-	Surveys stayed short SEK
	Risk Sentiment	-	Concerns over the property slump remain significant
<b>Technical</b>	Price Action	+	Technical stayed long SEK
	PPP Valuation	+	The SEK is roughly 26% 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. Canadian inflation is at par with US inflation, and we think the BoC will move in tandem with

the Fed or possibly a bit earlier. Our discretionary Macro position stays neutral but the Macro oil price model is long CAD while Business Sentiment is short CAD and Technical turned short, increasing the overall short CAD position.

	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 is long CAD as oil prices stayed below projections
	Interest Rate Differentials	0	CAD interest rates close to USD interest rates
	USD DXY Trend	0	Negative correlation with USD is small
<b>Sentiment</b>	Business Sentiment	-	Canada has weaker 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 stayed around neutral
	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.**

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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 ten 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

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