

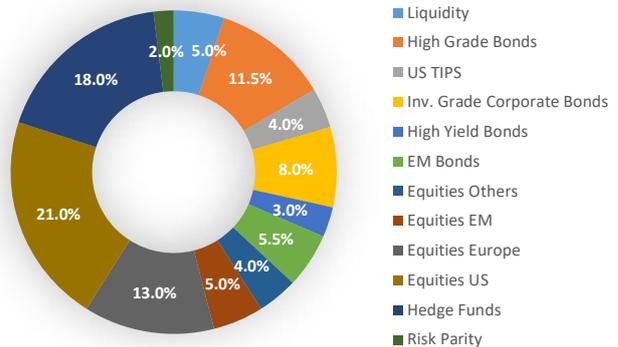
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global Equities (↘) US Smart Beta "Buy Write" Strategy on US Equities Some Protection via Equity Put Options	Equities	
EM Sovereign Bonds in USD 10-year US Treasuries vs. USD Cash Selected EM Bonds Long-dated USD High Grade Bonds	Bonds	Developed Market High Grade Bonds (↗) Euro High Yield 10-Year Japanese Gvt Bonds vs. JPY Cash
JPY vs ...	Foreign Exchange	TWD (↘)
Navigating rising US rates with Hedge Funds	Hedge Funds	

ASSET ALLOCATION

While the global economic growth backdrop remains solid and we are starting to see signs of ex-US growth picking up again, trade tensions have not shown any sign of abating. The US Administration has released a list of USD 200bn of Chinese imports that would be subject to a 10% tariff, raising the prospect of further retaliation if implemented. While the direct economic impact of announced measures is expected to be relatively contained, the indirect effect of further trade escalations - lower business and investor confidence - could lead to more substantial negative effects on growth and asset prices. In light of the increased downside risks, we are reducing our allocation to global equities.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Despite the imposition of tariffs on imported goods by the US and China and the threat of further tariffs, global equities held up well. Robust economic data in the US and first signs that Europe is leaving the soft patch behind supported markets. First earnings results were also reassuring. Corporate earnings growth of about 15% year-on-year should support global equities this year. However, with the debate on trade tariffs most likely intensifying over the summer, volatility is likely to stay high. We are therefore closing our global equities overweight against HG bonds.

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BONDS

We remain underweight euro high yield bonds, but we are shifting the overweight from a pure equities exposure to a mix of equities and high grade (HG) bonds, thus further de-risking our positioning. We maintain our overweight in EM sovereign bonds in USD. While they remain exposed to an escalation in trade tensions, growth expectations have adjusted downwards, issuance is expected to ease for the rest of the year and higher oil prices are supportive. We are overweight 10-year US Treasury bonds versus USD cash, a position that should benefit from the attractive carry. We are underweight 10-year Japanese government bonds against JPY cash. The Bank of Japan (BoJ) is likely to raise the target of its yield-curve control later this year, while an interest-rate cut looks unlikely.

Source: UBS Research

FOREIGN EXCHANGE

We close our long Indian rupee (INR) versus short Taiwanese dollar (TWD) position and replace our long JPY versus short USD with a long JPY versus short TWD position. Inflation risks in India have increased on the back of rising oil prices and increasing farm prices. Tighter monetary policy could weigh on India's growth outlook, while higher oil prices would put pressure on the current account deficit. We still expect the TWD to weaken as Taiwan is very exposed to risks arising from US trade policy disputes. The long JPY position should benefit either from rising Japanese inflation convincing the BoJ to raise its 10-year yield target, or a downturn in global financial markets creating demand for the JPY's safe-haven function.

TOPIC OF THE MONTH

SWITZERLAND CHEAPEST MAJOR EUROPEAN COUNTRY VALUATION SCORECARD DEUTSCHE BANK

Switzerland became a topic with the stock strategists of Deutsche Bank. "Swiss stocks have taken up unusually much space in recent discussions with investors," write Sebastian Rädler, stock strategist at Deutsche Bank. The riddle is: underperformance.

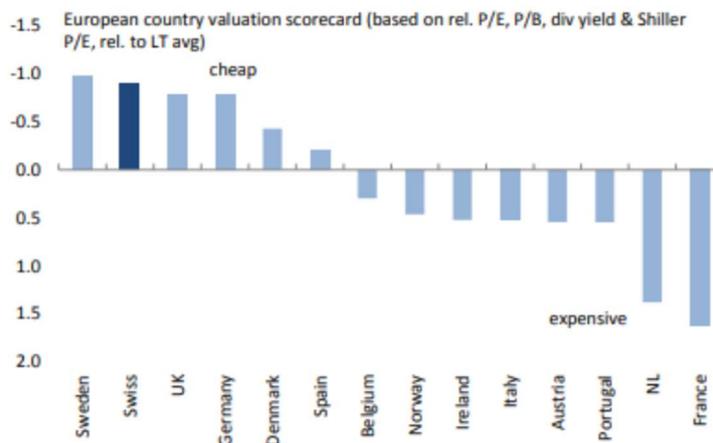
The strategists also find the backlog of the Swiss stock market astonishing. After all, the local listed companies are significantly more diversified internationally than the competition in the other European countries.

This is reflected in the fact that Swiss equities typically perform better when economic stimulus weakens in the eurozone but remains strong throughout the rest of the world. However, this did not happen in 2018.

Even rising interest rates, which typically act as a headwind for the more defensive market, or the stronger Swiss franc are not enough, according to the strategists, as an explanation.

In a country view, including several valuation criteria (including the price-earnings ratio and the dividend yield) compared to the long-term average, the Swiss stock market looks favorable. The strategists therefore see the potential of a 7% increase in the market until mid-August.

The only European equity market that is even cheaper is that of Sweden.



Source: Deutsche Bank

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2017	27.07.2018	% Chg YTD
Dow Jones Ind.	24'719.22	25'484.55	3.10%
S&P 500	2'673.61	2'837.44	6.13%
RUSSELL 2000	1'551.45	1'699.20	9.52%
NASDAQ COMP	6'903.39	7'852.18	13.74%
CANADA - TSX	16'209.13	16'455.73	1.52%
MEXICO - IPC	49'354.42	49'414.78	0.12%
BRAZIL IBOVESPA	76'402.08	79'696.11	4.31%
COLOMBIA COLCAP	1'513.65	1'537.36	1.57%
ASIA	31.12.2017	27.07.2018	% Chg YTD
JAPAN- NIKKEI	22'764.94	22'712.75	-0.23%
H.K. HANG SENG	29'919.15	28'804.28	-3.73%
CHINA CSI 300	4'030.85	3'521.22	-12.64%
EUROPE	31.12.2017	27.07.2018	% Chg YTD
EURO STOXX 50	3'503.96	3'524.99	0.60%
UK - FTSE 100	7'687.77	7'716.21	0.37%
GERMANY - DAX	12'917.64	12'875.60	-0.33%
SWITZERLAND - SMI	9'381.87	9'165.82	-2.30%
SPAIN - IBEX 35	10'043.90	9'840.60	-2.02%
NETHERLANDS - AEX	544.58	576.67	5.89%
RUSSIA - RTSI	115'840.00	115'080.00	-0.66%
VOLATILITY	31.12.2017	27.07.2018	% Chg YTD
SPX (VIX)	11.04	12.09	9.51%

GOVERNMENT BOND YIELDS %

	3 Months	2 Years	10 Years
USA	1.989	2.678	2.958
GERMANY	-0.593	-0.606	0.407
SWITZERLAND	-0.900	-0.728	-0.034
UK	0.660	0.754	1.276
JAPAN	-0.125	-0.114	0.101

CURRENCIES

	31.12.2017	27.07.2018	% Chg YTD
EUR/USD	1.2005	1.1650	-2.96%
USD/JPY	112.7010	110.9470	-1.56%
USD/CHF	0.9746	0.9955	2.15%
GBP/USD	1.3510	1.3113	-2.94%
USD/CAD	1.2574	1.3066	3.92%
EUR/CHF	1.1700	1.1598	-0.87%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2017	27.07.2018	% Chg YTD
GOLD USD/OZ	1'302.80	1'224.21	-6.03%
SILVER USD/OZ	16.92	15.48	-8.51%
PLATINUM USD/OZ	931.00	831.00	-10.74%
ENERGY	31.12.2017	27.07.2018	% Chg YTD
WTI Crude Oil	60.42	69.61	15.21%
Brent Crude Oil	66.87	74.54	11.47%
Natural Gas	2.95	2.78	-5.86%

T&T INTERNATIONAL GROUP

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