

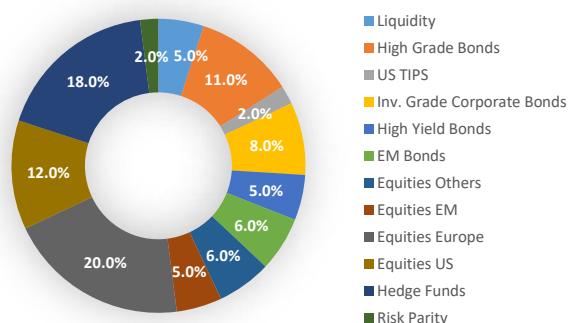
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Canadian Equities Emerging Market (EM) Equities Global Equities Global Quality Stocks EM Value Stocks US Smart Beta "Buy Write" Strategy on US Equities Some protection via US equity put options	Equities	Australian Equities Swiss Equities
EM Sovereign Bonds in USD (↓) European leveraged loans	Bonds	Developed market high grade bonds 10-Year Japanese Gvt Bonds vs. JPY Cash
Canadian Dollar Norwegian krone (↗)	Foreign Exchange	Australian Dollar Swiss franc
Navigating rising US rates with Hedge Funds	Hedge Funds	

ASSET ALLOCATION

Global equities have rallied by around 10% since the beginning of the year, fully recovering last December's sell-off, as fears of an imminent recession have faded – rightly so in our view. Still, stock valuations, as measured by the price-earnings-ratio, are just around the long-term average and US company earnings growth was above 10% in Q4 2018. Supportive factors, such as a more dovish stance by the US central bank and positive market momentum, remain in place, and we maintain our overweight in global equities versus bonds. Meanwhile, the global growth outlook has weakened in recent months and global trade risks persist, despite tentative signs of improvement lately. We continue to manage tactical downside risks with stock options and are currently holding a put on the S&P 500.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Swiss equities are among the most expensive globally as investors sought defensive markets at the end of 2018. We are underweight Swiss stocks against emerging markets (EM) and Canada. Chinese stimulus measures have started to feed through to the economy. The more dovish US Fed stance as well as rising commodity prices provide further support for EM stocks, which trade at a too large discount, in our view. Furthermore, we stick to our Canada overweight versus Australian equities. Valuations look attractive, in particular given favorable earnings dynamics in North America and the recent rise in the oil price.

CONTACT DETAILS T&T INTERNATIONAL GROUP

T&T International Wealth Management Ltd
Feldeggstrasse 80
CH-8008 Zürich - Switzerland
Tel: +41 (0) 44 844 0 844
Fax: +41 (0) 44 844 0 845
www.tt-international.ch

T&T International Advisors Ltd
Pareraweg 45
Willemstad - Curaçao
Tel: +599 (9) 434 3670
Fax: +599 (9) 434 3533
www.tt-international.com

BONDS

We remain underweight 10-year Japanese government bonds versus JPY cash. As inflation rises the Bank of Japan will likely allow bond yields to drift higher too. In credit, following the rally year-to-date spreads in most regions have tightened to fair or even slightly expensive levels. Corporate leverage is elevated in the US (a bit less so in Europe), but we don't think we'll see a sharp increase in defaults in 2019. For US high yield we are expecting spreads to widen over the next six months, but total returns should remain positive. We stick to our neutral view on credit for now. Given disappointing economic data in the Eurozone as well as limited upside and a more challenging technical outlook, we are closing our recommendation for European senior loans.

Source: UBS Research

TOPIC OF THE MONTH

TWO SIDES TO THE U.S. DOLLAR STORY

Where is the U.S. dollar headed after its sizable appreciation in 2018? It depends on your vantage point. The dollar has gained against most developed market (DM) currencies, but depreciated against emerging market (EM) counterparts so far this year. We see this trend as likely to run on in the short term in the absence of policy surprises.

The dollar's resilience this year has come as a surprise to some. A combination of rising risk appetite, slowing U.S. growth and a Fed taking a pause in its monetary tightening would typically weigh on the greenback. Yet the same factors keeping the Fed on hold – slowing global growth and tightening financial conditions – are pushing other central banks toward a more dovish stance. This has helped the dollar retain its status as the highest-yielding DM currency and supported its modest gains this year. Most high-yielding EM currencies have also outperformed as the chart shows. Yet interest rate differentials are not the only driver of currencies. The British pound's fate is linked more to Brexit developments. And rising oil prices and risk appetite have helped the Canadian dollar's

What does a stable dollar mean?

The dollar's yield advantage – the highest since early 2018 against a trade-weighted basket of G10 currencies – has led to a revival of the "carry trade." Investors are borrowing in lower-yielding currencies such as the euro or Japanese yen, investing in higher yielders like the dollar and EM currencies, and pocketing the difference in yield (some of that "carry" is lost for investors hedging their dollar exposure). We see this trend as a key driver of currency movements in the short run – as the Fed appears likely to hold off on rate increases at least through the first half of the year, and other DM central banks are also expected to stay dovish.

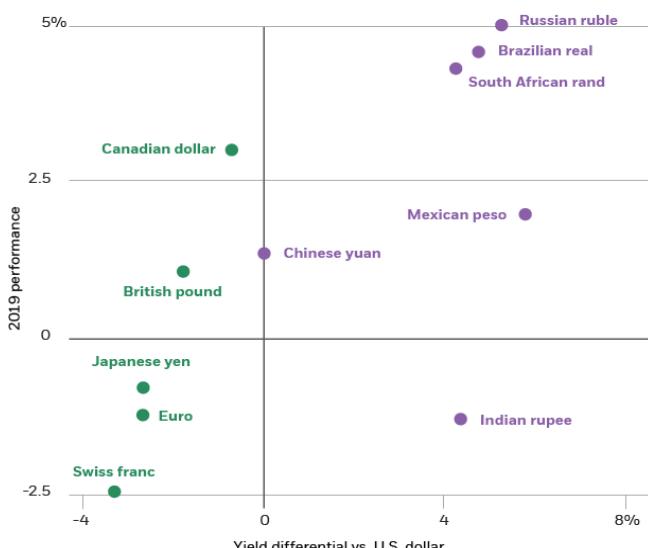
A more stable dollar, coupled with a slowing but still growing global economy, underpins our positive view on EM assets. For one, it removes a key risk for emerging market economies with large external debt burdens. As many EM debtors borrow in dollars, a stronger greenback raises their borrowing costs – and tightens EM financial conditions. A more stable dollar also reduces the danger of taking on EM currency exposure, historically a large source of volatility for investors in local-currency EM debt. This underlies our recent call for a balanced approach to EMD, taking risk in both local- and hard-currency debt. We see both as attractive sources of income and are overweight EM equities. EM assets in general tend to perform well

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FOREIGN EXCHANGE

We are overweight the Norwegian krone against the Swiss franc on the back of diverging economic momentum and central bank policies. We expect Norway to continue to hike rates, while the Swiss National Bank should wait for the ECB to eye a first hike. We are also overweight the Canadian dollar against the Australian dollar. We expect higher oil prices and recovering Canadian growth to allow the Bank of Canada to hike rates. Australia faces many challenges including falling house prices and curtailed bank lending. We now see a higher likelihood that the Reserve Bank of Australia may cut its policy rate by 25bps in 4Q19, which would open the door to an additional cut in 1H20.

Yield differentials and year-to-date currency performance vs. U.S. dollar



Sources: BlackRock Investment Institute, with data from Bloomberg and Thomson Reuters, as of February 2019.

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CONTINUATION: TWO SIDES OF THE US DOLLAR STORY

when EM currencies are rising. Risks to our positive EM views: an earlier-than-expected resumption of Fed tightening and the renewed dollar strength that would follow suit.

Bottom line: We see the dollar holding its gains against most DM peers and underperforming EM currencies in the short term. Uncertainties in global growth and geopolitics cloud the longer-term picture. The dollar's perceived "safe haven" role is likely to boost the greenback in the event of any return of recession fears or a resurgence in geopolitical risk. The dollar's relatively high valuation may limit its upside in the long term. The real effective exchange rate – a key trade-weighted gauge of the dollar's value – is sitting roughly one standard deviation above the 20-year average.

Source: www.blackrock.com

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2018	21.02.2019	% Chg YTD
Dow Jones Ind.	23'327.46	25'850.63	10.82%
S&P 500	2'506.85	2'774.88	10.69%
RUSSELL 2000	1'344.83	1'575.55	17.16%
NASDAQ COMP	6'635.28	7'459.70	12.42%
CANADA - TSX	14'322.86	16'031.24	11.93%
MEXICO - IPC	41'685.05	43'577.64	4.54%
BRAZIL IBOVESPA	87'887.26	96'932.27	10.29%
COLOMBIA COLCAP	1'325.96	1'478.64	11.51%
ASIA	31.12.2018	21.02.2019	% Chg YTD
JAPAN- NIKKEI	20'014.77	21'464.23	7.24%
H.K. HANG SENG	25'845.70	28'629.92	10.77%
CHINA CSI 300	3'010.65	3'442.71	14.35%
EUROPE	31.12.2018	21.02.2019	% Chg YTD
EURO STOXX 50	3'001.42	3'263.70	8.74%
UK - FTSE 100	6'728.13	7'167.39	6.53%
GERMANY - DAX	10'558.96	11'423.28	8.19%
SWITZERLAND - SMI	8'429.30	9'333.57	10.73%
SPAIN - IBEX 35	8'539.90	9'191.20	7.63%
NETHERLANDS - AEX	487.88	540.57	10.80%
RUSSIA - RTSI	107'700.00	118'630.00	10.15%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2018	21.02.2019	% Chg YTD
GOLD USD/OZ	1'279.45	1'323.28	3.43%
SILVER USD/OZ	15.49	15.82	2.10%
PLATINUM USD/OZ	796.50	823.50	3.39%

GOVERNMENT BOND YIELDS %

	3 Months	2 Years	10 Years
USA	2.448	2.529	2.688
GERMANY	-0.549	-0.556	0.128
SWITZERLAND	-0.900	-0.77	-0.282
UK	0.631	0.758	1.201
JAPAN	-0.200	-0.129	0.128

CURRENCIES

	31.12.2018	21.02.2019	% Chg YTD
EUR/USD	1.1482	1.1339	-1.25%
USD/JPY	109.6600	110.6600	0.91%
USD/CHF	0.9827	1.0011	1.87%
GBP/USD	1.2745	1.3037	2.29%
USD/CAD	1.3647	1.323	-3.06%
EUR/CHF	1.1283	1.1351	0.60%

VOLATILITY

	31.12.2018	21.02.2019	% Chg YTD
SPX (VIX)	25.4200	14.46	-43.12%

COMMODITIES (USD)

ENERGY	31.12.2018	21.02.2019	% Chg YTD
WTI Crude Oil	45.41	56.96	25.43%
Brent Crude Oil	53.80	67.07	24.67%
Natural Gas	2.94	2.69	-8.50%

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