NEWSLETTER JUNE 2018

T&T International Group
Your 360 degree partner for your wealth

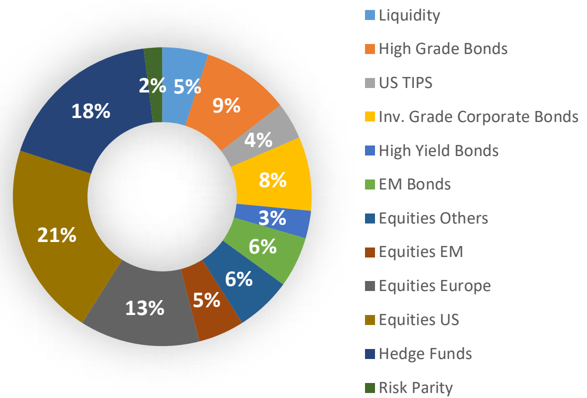
FINANCIAL MARKET OUTLOOK (SHORT TERM)

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 US Leveraged Loans Selected EM Bonds Long-dated USD High Grade Bonds	**Bonds**	Developed Market High Grade Bonds (↗) 'Well-worn' Bonds Euro High Yield 10-Year Japanese Gvt Bonds vs. JPY Cash
JPY vs ... INR vs ...	**Foreign Exchange**	USD TWD
Navigating rising US rates with Hedge Funds	**Hedge Funds**	

ASSET ALLOCATION

As concerns about the US-China trade tensions as well as the political situation in Europe came to the fore, financial markets have been volatile over the past month. But the global growth picture looks robust enough to support rising stock prices. The Federal Reserve and the European Central Bank (ECB) moved further along the path of policy normalization. The ECB announced it intends to end its asset-buying program in December. It also said policy rates will remain on hold at least "through the summer of 2019." The Fed is expected to raise rates by a quarter point for each of the next few quarters. While the ECB is expected to carry out its first rate hike in September 2019. Given the current heightened uncertainty, it is advisable to reduce allocations to emerging market assets as well as the short US dollar exposure. Meanwhile, we maintain our overweight in global equities against bonds given the good economic growth backdrop, which is supporting solid corporate earnings growth.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Corporate earnings growth of about 15% year-on-year supports global equities. US companies, which make up about half of the global stock market, are benefiting from tax relief, a fiscal spending package, and healthy domestic and global demand. By P/E ratio, the global stock valuation is around its long-term average. We remain overweight global equities versus bonds. We are taking profits on our overweight in Canadian against Swiss equities, following the strong recent performance of this position. We close our overweight in emerging market equities versus the Australian market. EM equities have recently been constrained by a rebound in the trade-weighted US dollar and risks have increased.

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 euro high yield and high grade bonds versus global equities. We reduce our overweight in emerging market (EM) sovereign bonds in USD against high grade bonds. While emerging economies are still growing at a decent level and inflation remains relatively low, signs of a slowdown in activity and idiosyncratic issues in some of the larger nations have weakened the near-term risk-return outlook, warranting a reduced position. 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 Japanese yen cash. The Bank of Japan is likely to raise the target of its yield-curve control later this year, while an interest-rate cut looks unlikely.

FOREIGN EXCHANGE

We are closing the overweight in the Canadian against the US dollar. As trade tensions intensify and NAFTA negotiations stall, risks to this position outweigh the positives, in our view. We maintain our long JPY versus short USD, which attempts to profit as the world economy recovers and lifts inflation globally and in Japan. It may also benefit from a risk-aversion environment, which strengthens the safe-haven function of the JPY. We also keep our overweight in the Indian rupee against the Taiwan dollar, a position that offers an attractive carry of about 7.5%. It also provides some hedge against the risk of a trade war, as Taiwan is more exposed than India to global trade.

Source: UBS Research

TOPIC OF THE MONTH

FED RAISES INTEREST RATES AND SIGNALS 2 MORE INCREASES ARE COMING

On Wednesday June 13, 2018 the Federal Reserve raised interest rates and signaled that two additional increases were on the way this year, as officials expressed confidence that the United States economy was strong enough for borrowing costs to rise without choking off economic growth.

This rate increase was the second this year and the seventh since the end of the Great Recession and brings the Fed's benchmark rate to a range of 1.75 to 2 percent. The last time the rate topped 2 percent was in late summer 2008, when the economy was contracting and the Fed was cutting rates toward zero, where they would remain for years after the financial crisis.

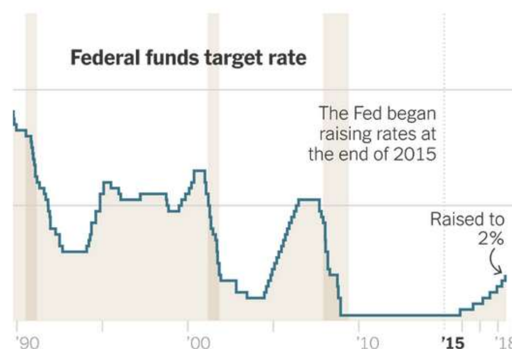
The increases this year are part of a gradual series of steps to return rates to historically normal levels, and they reflect both the Fed's confidence in America's economic strength and its commitment to bring the inflation rate to its target of 2 percent.

But the march toward higher interest rates comes as much of America's work force continues to experience slow wage growth, despite a tight labor market that should, in theory, translate into higher wages as businesses compete for workers.

At a comparable time of low unemployment, in 2000, "wages were growing at near 4 percent year over year and the Fed's preferred measure of inflation was 2.5 percent," both above today's levels, Tara Sinclair, a senior fellow at the Indeed Hiring Lab, said in a research note. "Too many increases too quickly could choke the economy before we really see how good it could get."

Mr. Powell played down concerns about slow wage growth, acknowledging it is "a bit of a puzzle" but suggesting that it would normalize as the economy continued to strengthen. He dismissed, for now, concerns that Mr. Trump's trade policies, including tariffs on steel and aluminum imports, were hurting growth, saying the Fed had yet to see any data indicating an impact.

"So right now, we don't see that in the numbers at all. The economy is very strong, the labor market is strong, growth is strong," he said, adding, "I would put it down as more of a risk."



Source: The New York Times

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2017	29.06.2018	% Chg YTD
Dow Jones Ind.	24'719.22	24'330.50	-1.57%
S&P 500	2'673.61	2'716.31	1.60%
RUSSELL 2000	1'551.45	1'645.02	6.03%
NASDAQ COMP	6'903.39	7'503.68	8.70%
CANADA - TSX	16'209.13	16'179.89	-0.18%
MEXICO - IPC	49'354.42	47'031.27	-4.71%
BRAZIL IBOVESPA	76'402.08	71'766.52	-6.07%
COLOMBIA COLCAP	1'513.65	1'555.61	2.77%
ASIA	**31.12.2017**	**29.06.2018**	**% Chg YTD**
JAPAN- NIKKEI	22'764.94	22'304.51	-2.02%
H.K. HANG SENG	29'919.15	28'955.11	-3.22%
CHINA CSI 300	4'030.85	3'510.98	-12.90%
EUROPE	**31.12.2017**	**29.06.2018**	**% Chg YTD**
EURO STOXX 50	3'503.96	3'399.25	-2.99%
UK - FTSE 100	7'687.77	7'656.74	-0.40%
GERMANY - DAX	12'917.64	12'313.10	-4.68%
SWITZERLAND - SMI	9'381.87	8'592.33	-8.42%
SPAIN - IBEX 35	10'043.90	9'627.50	-4.15%
NETHERLANDS - AEX	544.58	553.04	1.55%
RUSSIA - RTSI	115'840.00	112'400.00	-2.97%

VOLATILITY

	31.12.2017	29.06.2018	% Chg YTD
SPX (VIX)	11.04	16.11	45.92%

GOVERNMENT BOND YIELDS %

	3 Months	2 Years	10 Years
USA	1.920	2.528	2.847
GERMANY	-0.589	-0.693	-0.308
SWITZERLAND	-0.800	-0.754	-0.066
UK	0.525	0.731	1.282
JAPAN	-0.115	-0.122	0.029

CURRENCIES

	31.12.2017	29.06.2018	% Chg YTD
EUR/USD	1.2005	1.1645	-3.00%
USD/JPY	112.7010	110.6880	-1.79%
USD/CHF	0.9746	0.9928	1.87%
GBP/USD	1.3510	1.3154	-2.64%
USD/CAD	1.2574	1.3186	4.87%
EUR/CHF	1.1700	1.1561	-1.19%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2017	29.06.2018	% Chg YTD
GOLD USD/OZ	1'302.80	1'250.66	-4.00%
SILVER USD/OZ	16.92	16.02	-5.32%
PLATINUM USD/OZ	931.00	850.50	-8.65%
ENERGY	**31.12.2017**	**29.06.2018**	**% Chg YTD**
WTI Crude Oil	60.42	73.45	21.57%
Brent Crude Oil	66.87	77.85	16.42%
Natural Gas	2.95	2.94	-0.44%

T&T INTERNATIONAL GROUP

T&T International is a globally active boutique firm with Swiss origins established in 1999. The group offers global wealth management and multi-family office services. T&T International has investment teams in Zürich and Curaçao and advises an international clientele of Wealthy Individuals and Families in Switzerland and internationally.

Over the last 20 years T&T International has built an extensive and highly reputable network to support the requirements of our Partners and Clients. We work together with prestigious financial institutions as well as insurance companies, tax and legal professionals and fund managers.

Independence, commitment and trust constitute the fundamental values of T&T International. We cultivate personal relationships with each Client and offer them availability, flexibility and efficiency. We take on an approach that is instigated by dialogue, and executed with uncompromising commitment and responsibility.

We remain at your disposal for any questions or further information.

DISCLAIMER

This document is based on information we received from our analysts. This document should not be construed as a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. The services described in this document are supplied exclusively under the agreement signed with the service recipient. The facts presented and views expressed herein are for information purposes only and do not take account of any individual investment targets, financial circumstances or specific requirements. Moreover, the nature, scope and prices of services and products may vary from one investor to another and/or due to legal restrictions and are subject to change without notice. Before making an investment decision, investors are advised to consult a professional advisor regarding their individual situation. Prospective investors should be aware that past performance is not necessarily indicative of future results. In no event any member of the T&T International Group will be liable for any loss or damage of any kind arising out of the use of the information contained herein.

UNSUBSCRIBE

If you do not wish to receive our Newsletter, you may unsubscribe at any time.

Simply reply by email with “Unsubscribe” to nico.vandermeer@tt-international.com