NEWSLETTER MARCH 2019

T&T International Group
Your 360° Wealth Partner

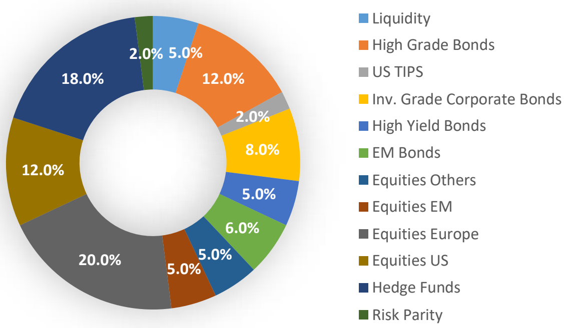
FINANCIAL MARKET OUTLOOK (SHORT TERM)

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**	UK Equities (1-4 year horizon) Swiss Equities
EM Sovereign Bonds in USD (1-4 year horizon)	**Bonds**	Developed market high grade bonds (↗) 10-Year Japanese Gvt Bonds vs. JPY Cash
Norvegian Krone Japanese yen (1-4 year horizon)	**Foreign Exchange**	Swiss Franc Base Currency
Navigating rising US rates with Hedge Funds	**Hedge Funds**	

ASSET ALLOCATION

The dovish shift in the Fed's and ECB's policy outlook since the beginning of the year has fueled a considerable rally in global equity markets. Meanwhile, economic data has remained mixed recently and we are still waiting for confirmation that global economic growth is stabilizing. While this remains our base case, we note that a lot of the positive factors have been fully priced into the market, and near-term risks to company earnings as well as geopolitical threats persist. So we are reducing our overweight in global equities. While our overall tactical equity position is now net neutral (including a longer-term underweight in UK stocks), ourtactical allocation remains mildly "risk-on" thanks to a longer-term overweight in emerging market sovereign bonds as well as a pro cyclical equity market positioning. We are still holding put options to hedge the remaining overweight in global equities.

BALANCED USD MODEL PORTFOLIO



EQUITIES

We are underweight Swiss equities, which are among the world's most expensive, and prefer emerging market (EM) as well as Canadian stocks. In our base case, we are looking for global economic growth to stabilize around its long-term trend, monetary policy to tighten only marginally from current levels and the China-US trade conflict not to escalate further. Against such a backdrop, EM and Canadian stocks should outperform Swiss ones, given their more cyclical exposure as well as currently cheaper valuations. We are closing our overweight in Canadian over Australian equities. Canadian economic growth came almost to a standstill in 4Q18 and the relative case versus Australia has faded, in our view.

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 stay 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. Within credit, the substantial rally year-to-date has compressed spreads to fair or even slightly expensive levels. While in particular high yield bonds can continue to perform well, as long as investors continue to favor carry trades, we don't find the current risk-return balance attractive enough - especially considering asymmetric downside risks - and thus keep a neutral stance on credit.

FOREIGN EXCHANGE

We are closing the overweight in the Canadian dollar against the Australian dollar, taking profits, as the case for economic divergence between the countries has diminished. In particular, recent downside surprises in Canadian growth data forced the central bank to adopt a more cautious stance. We are still overweight the Norwegian krone against the Swiss franc on the back of diverging economic momentum and central bank policies. We expect Norway to buck the recent global trend of monetary policy and continue to hike rates. Meanwhile, the Swiss National Bank should wait for the ECB to hike first, which is very unlikely to happen before 1Q20.

Source: UBS Research

T&T SPECIFIC

In mid March, we realized profits on various Equity positions, and converted them into 100% Capital Protected products, with (limited) upside participation in Equity markets, guaranteed by first-class banks.

TOPIC OF THE MONTH

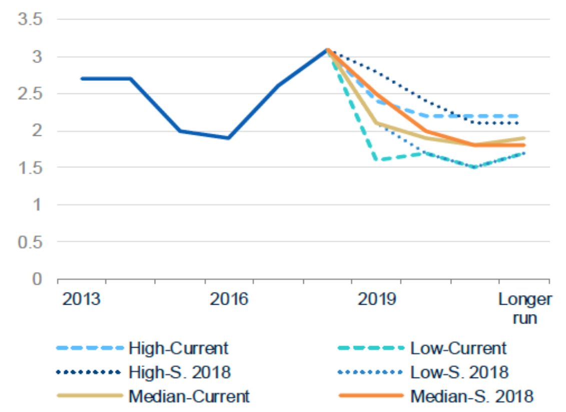
FOMC WITH STOIC RESPONSE TO MARKET UNCERTAINTY

As expected, at their March 19th-20th meeting, the Fed left rates unchanged and maintained their patient bias. Thisis not surprising considering the weak incoming data, the downward bias to the committee’s outlook and increasing downside risks abroad. In fact, the median projection for 2019’s GDP growth declined to 2.1%, which is 40bp below the committee’s September projections and 20bp below December’s forecasts. For inflation, the committee once again lowered its expectation for headline PCE to 1.8%. However, the incremental changes to growth and inflation since September are modest when compared to the significant revision to the committee’s Fed Funds projections, which are 70bp lower in 2019, and 80bp lower in 2021.

At the press conference, the Chairman confirmed that the committee still views domestic conditions positively, but stressed that the growth outlook in 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 performance so far this year. In light of this, the FOMC median projection of the Fed Funds rate shifted downward, and now better reflects the Fed’s commitment to a “patient” strategy, whereby rates would be on hold at least throughout 2019. Before, the committee was signaling the most likely path would be one that rates reached a level above neutral and thereafter descended towards neutral levels. Now, given the concerns about financial vulnerabilities and the risks from abroad, the committee is signaling ascension towards the neutral levels. In fact, eleven out of seventeen members project that rates will remain unchanged in 2019. Last December, the same number of members expected at least two rate increases.

The committee also supplemented its plans for balance sheet normalization. First, in May, the committee will lower the caps on monthly redemptions for Treasuries from $30 billion to $15 billion. Second, the Fed will conclude its reduction in its SOMA portfolio in September, after which they will reinvest maturing mortgaged backed securities into Treasury securities. Third, for a time, they plan to hold the size of their portfolio constant, allowing for a more gradual decline in reserves to a level they feel will allow them to efficiently and effectively execute their new operating framework also known as a floor system. Fourth, while the Balance Sheet Normalization Principles and Plans contained no specific target level for the balance sheet, at the press conference, chair Powell said that by the end of the year the portfolio would be around 17% of GDP, or slightly more than $3.5 trillion. Last, in the short term, the committee will reinvest proceeds from its MBS portfolio into Treasury securities that will roughly match the maturity distribution of outstanding Treasury debt; in the long run, the committee has not committed to a specific portfolio composition.

Chart 1. FOMC Median Projections for GDP, Q4/Q4 %

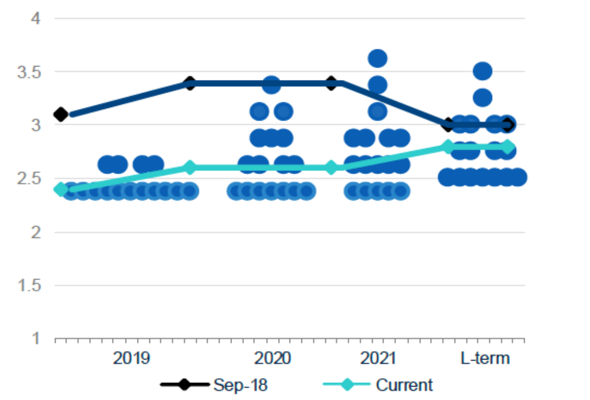


Continued on page 3

CONTINUATION: FOMC WITH STOIC RESPONSE TO MARKET UNCERTAINTY

The weaker domestic outlook and rising concerns about growth abroad suggests there is increasing probability of no more rate increases in 2019. In fact, statements such as "[t]he data that we are seeing is not currently sending a signal which suggest moving in either direction from here" suggests that without higher inflationary pressures or a more benign risk outlook the committee would be comfortable with keeping rates unchanged. Moreover, if economic conditions were to deteriorate significantly, the Fed could begin to consider potential rate cuts. This abrupt and dramatic shift in the Fed's policy course over the past three months highlights the increased importance the Chairman has given to risk monitoring and uncertainty, a signature of his tenure.

Chart 2. FOMC Median Projections for Fed Funds Rate, %



Bottom line: In terms of the balance sheet, ending the balance normalization process at year-end and holding the size of the balance sheet constant for some period of time is consistent with our view and a more cautious Fed. The technical adjustment to the size of the Treasury caps will have a minor impact on markets, considering that the change will only affect the normalization strategy for five months and that the total change on redemptions will be $42 billion; a small amount when considering the size of the terminal level of the portfolio will be around $3.5 trillion. Notwithstanding possible transitional frictions, the changes should have a positive impact on market expectations, ease pressures on bank's balance sheets, and have a minor impact on liquidity.

Source:www.bbvaresearch.com

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2018	22.03.2019	% Chg YTD
Dow Jones Ind.	23'327.46	25'502.32	9.32%
S&P 500	2'506.85	2'800.71	11.72%
RUSSELL 2000	1'344.83	1'505.92	11.98%
NASDAQ COMP	6'635.28	12'539.41	88.98%
CANADA - TSX	14'322.86	16'089.33	12.33%
MEXICO - IPC	41'685.05	42'292.16	1.46%
BRAZIL IBOVESPA	87'887.26	93'735.15	6.65%
COLOMBIA COLCAP	1'325.96	1'631.30	23.03%
ASIA	**31.12.2018**	**22.03.2019**	**% Chg YTD**
JAPAN- NIKKEI	20'014.77	21'627.40	8.06%
H.K. HANG SENG	25'845.70	29'113.36	12.64%
CHINA CSI 300	3'010.65	3'833.80	27.34%

EQUITY INDICES (LOCAL CURRENCIES)

EUROPE	31.12.2018	22.03.2019	% Chg YTD
EURO STOXX 50	3'001.42	3'305.73	10.14%
UK - FTSE 100	6'728.13	7'207.59	7.13%
GERMANY - DAX	10'558.96	11'364.17	7.63%
SWITZERLAND - SMI	8'429.30	9'319.42	10.56%
SPAIN - IBEX 35	8'539.90	9'199.40	7.72%
NETHERLANDS - AEX	487.88	543.90	11.48%
RUSSIA - RTSI	107'700.00	119'160.00	10.64%

CURRENCIES

	31.12.2018	22.03.2019	% Chg YTD
EUR/USD	1.1482	1.1321	-1.40%
USD/JPY	109.6600	109.9200	0.24%
USD/CHF	0.9827	0.9932	1.07%
GBP/USD	1.2745	1.3211	3.66%
USD/CAD	1.3647	1.3422	-1.65%
EUR/CHF	1.1283	1.1243	-0.35%

VOLATILITY

	31.12.2018	22.03.2019	% Chg YTD
SPX (VIX)	25.42	16.48	-35.17%

Continued on page 4

CONTINUATION KEY FIGURES (CURRENT & YEAR TO DATE)

COMMODITIES (USD)

PRECIOUS METALS	31.12.2018	22.03.2019	% Chg YTD
GOLD USD/OZ	1279.45	1313.22	2.64%
SILVER USD/OZ	15.49	15.45	-0.26%
PLATINUM USD/OZ	796.50	846.50	6.28%
ENERGY	**31.12.2018**	**22.03.2019**	**% Chg YTD**
WTI Crude Oil	45.41	59.04	30.02%
Brent Crude Oil	53.80	67.03	24.59%
Natural Gas	2.94	2.75	-6.46%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	1.462	2.329	2.455
GERMANY	-0.509	-0.567	-0.025
SWITZERLAND	-0.750	-0.776	-0.426
UK	0.580	0.652	1.012
JAPAN	-0.140	-0.129	0.128

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.

UNSUBSCRIBE

If you do not wish to receive our Newsletter, you may unsubscribe at any time.
Simply reply by email with “Unsubscribe” to bbaettig@tt-international.ch

DISCLAIMER