NEWSLETTER JULY 2019

T&T International Group
Your 360° Wealth Partner

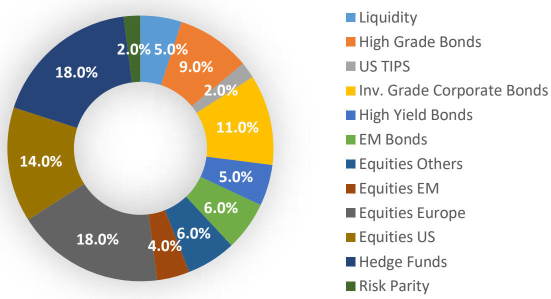
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global Equities Japanese Equities US equities Global Quality Stocks US Smart Beta "Buy Write" Strategy on US Equities Some protection via US equity put options	**Equities**	UK Equities (1-4 year horizon) Eurozone Equities
EM Sovereign Bonds in USD (1-4 year horizon) Euro Investment Grade Corporate Bonds Global Green Bonds	**Bonds**	Developed market high grade bonds 1-year US Treasuries vs. USD cash
Euro Norwegian Krone US Dollar Britisch Pound (↗) Japanese yen (1-4 year horizon) EM FX (ZAR,INR,IDR)	**Foreign Exchange**	Swiss Franc Canadian Dollar Australian dollar (↘) Base Currency DM FX (AUD,NZD,TWD)
	Hedge Funds	

ASSET ALLOCATION

In our base case, global growth should stabilize in the second half of the year. Equity valuations look fair rather than expensive and with an attractive equity risk premium, stocks remain attractively valued relative to bonds. However, the rhetoric around US-China trade has deteriorated since early May and the near-term prospects for a trade deal look increasingly uncertain. In a scenario of prolonged uncertainty with lower consumer confidence and slowing investments, we see risk of the global economy growing below trend. However, we don't foresee an end to the business cycle. Negotiations should continue, leading eventually to an agreement on trade, but is likely to take more time than previously anticipated. We keep our overweight in global equities, while partially protecting the downside risk with a put option.

BALANCED USD MODEL PORTFOLIO



EQUITIES

While we still expect global economic growth to stabilize in the second half of the year, and the oil price to make gains over the next six months, risks around China-US trade negotiations remain elevated. Assuming the risk scenarios we are monitoring do not materialize, we believe equities can advance moderately. We have an overweight in Japanese and US equities vs Eurozone equities. While both the Eurozone and Japan are heavily geared to the global cycle, the former has priced in a macro recovery while the latter has not. Eurozone stocks look expensive compared to the Japanese market. In addition we prefer US versus Eurozone stocks as the former should deliver superior profits growth in 2019 and 2020. We are closing our overweight in Canadian equities against Swiss ones, as Canadian economic growth is softening, while dovish central banks and the decline in European rates has increased the appeal of defensive Swiss stocks as bond proxies.

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- Mexico
- Panama
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For details please consult: www.tt-international.ch/locations/

BONDS

We overweight EUR IG against higher-rated bonds, as we expect the former to be supported by stabilizing Eurozone growth and accommodative ECB policy. We consider the carry attractive against healthy corporate fundamentals and our base case of no recession over the coming 12 months We hold a tactical short on the 2-year US Treasury note. While the Fed seems increasingly likely to cut rates as economic data globally disappoints, we think that market pricing of around four rate cuts is too pessimistic. We close our underweight in 10-year Japanese government bonds versus JPY cash. A catalyst for an adjustment higher in the yield curve control target for the 10-year yield is lacking over the near-term, given modest inflation pressures.

FOREIGN EXCHANGE

We add a long position in GBP versus AUD. Sterling has become very cheap against purchasing power parity, and no-deal Brexit risks for the next three to six months have been overpriced. In contrast, Australia's RBA has started to cut interest rates in light of an economy struggling to keep up momentum. We maintain our short AUD vs long USD, in addition to our overweights in the Norwegian krone against the Canadian dollar and the Swiss franc, and our overweight in the euro vs the Swiss franc. We also hold a basket of select EM currencies (South African rand, Indian rupee, Indonesian rupiah) vs pro-cyclical developed market currencies (Australian dollar, New Zealand dollar, Taiwanese dollar) to harvest the interest rate advantage without being too strongly exposed to US-China trade tensions.

Source: UBS Research

TOPIC OF THE MONTH

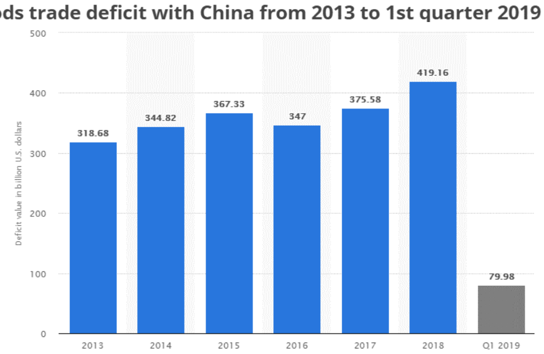
BACK ON TRACK: G20 MEETING POINTS TO PROLONGED US-CHINA TRUCE

The US and China agreed to continue talks during this weekend's meeting of G20 leaders in Japan, although they failed to make significant progress toward a deal to reduce tariffs and no joint statement was released. President Donald Trump said that talks with China were “back on track” and China’s foreign ministry quoted President Xi Jinping as saying that China was sincere about continuing negotiations, but that they should be “equal and show mutual respect.”

As of Sunday night, it appears that President Donald Trump will not press ahead with fresh tariffs on USD 325bn of Chinese imports, which he had threatened to impose in the event of a breakdown in negotiations, but existing tariffs would not be lifted. The US president said that additional tariffs would not be imposed "at least for the time being” and did not impose a deadline on the duration of the truce. He also said that China would buy a “tremendous” amount of food and agricultural products.China had aimed to negotiate an end to curbs on various Chinese technology firms, notably Huawei, and the meeting offered some progress on this issue.

President Trump said that Huawei would be allowed to buy equipment from US companies where there is not a national security problem and that its removal from the US “entity list” would be looked at “very carefully.” There was recognition from China that resolving the dispute is in both sides interest. President Xi said, “one basic fact remains unchanged: China and the US both benefit from cooperation and lose in confrontation.” But investors should remain braced for a bumpy ride toward a more conclusive deal. The Trump administration has also been pressing China to step up intellectual property protection, eliminate forced technology transfers, and secure greater access to China's markets. China aims to negotiate a reversal of recent tariffs hikes by the US. Presidents Trump and Xi both have significant discretion over tariff policy, and sudden shifts in negotiating positions have been hard to predict. Also, if criticism gathers steam that President Trump has given too much ground in the terms of the truce, the risk remains of a further pivot in his position that could have a negative impact on risk assets.

United States goods trade deficit with China from 2013 to 1st quarter 2019 (in billion U.S. dollars)



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CONTINUATION: BACK ON TRACK: G20 MEETING POINTS TO PROLONGED US-CHIA TRUCE

As well as progress on the US-China trade dispute the G20 meeting brought further positive news on global trade. The European Union and Mercosur, the South American trading bloc, agreed to a trade deal after 20 years of negotiations. The deal, which will cut or remove tariffs, is the largest free trade agreement negotiated by the EU.

We expect talks to continue over the coming months, with the most likely outcome – as we previously expected – a prolonged truce on trade. Both sides have strong incentives to avoid further rounds of retaliation. An escalating trade conflict could slow US growth ahead of the 2020 presidential election, and thus potentially reduce President Trump's chances for re-election. China will also be keen to avoid further curbs by the US that could slow the development of its technology industry, which Chinese leaders see as critical to the nation's long-term success.

However, we also believe neither side is in a rush for a deal. Both Presidents Trump and Xi appear to be calculating that they have strong cards to play. President Trump's approval ratings have been stable, suggesting that he is not suffering politically due to his strong stance in talks with China. Recent statements from the Federal Reserve give the US president reason to expect that the central bank will help offset any economic drag from uncertainty over trade. Nor have US markets been suffering. The S&P 500 hit a record high last week, having returned close to 19% so far this year. China's economic data has shown more signs of strain, with industrial output growth slowing to the weakest pace since 2002. Despite this, President Xi can use fiscal and monetary levers to support growth. We expect a further 100-200 basis points of cuts to China's reserve requirement ratio. China can also seek to exert pressure on the US in a range of ways. These include threatening a ban on the export of rare earths, or restricting access of certain US firms to China, although we don't expect these measures to be employed in our base case.

Source: Chief Investment Office GWM Investment Research - 30.06.2019

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2018	02.07.2019	% Chg YTD
Dow Jones Ind.	23'327.46	26'786.68	14.83%
S&P 500	2'506.85	2'973.01	18.60%
RUSSELL 2000	1'344.83	1'560.54	16.04%
NASDAQ COMP	6'635.28	8'109.09	22.21%
CANADA - TSX	14'322.86	16'471.29	15.00%
MEXICO - IPC	41'685.05	43'441.80	4.21%
BRAZIL IBOVESPA	87'887.26	100'605.17	14.47%
COLOMBIA COLCAP	1'325.96	1'543.76	16.43%
ASIA	**31.12.2018**	**02.07.2019**	**% Chg YTD**
JAPAN- NIKKEI	20'014.77	21'754.27	8.69%
H.K. HANG SENG	25'845.70	28'875.56	11.72%
CHINA CSI 300	3'010.65	3'937.17	30.77%

VOLATILITY

	31.12.2018	02.07.2019	% Chg YTD
SPX (VIX)	25.42	13.03	-48.74%

EQUITY INDICES (LOCAL CURRENCIES)

EUROPE	31.12.2018	02.07.2019	% Chg YTD
EURO STOXX 50	3'001.42	3'507.98	16.88%
UK - FTSE 100	6'728.13	7'559.09	12.35%
GERMANY - DAX	10'558.96	12'526.72	18.64%
SWITZERLAND - SMI	8'429.30	10'020.93	18.88%
SPAIN - IBEX 35	8'539.90	9'281.50	8.68%
NETHERLANDS - AEX	487.88	570.06	16.84%
RUSSIA - RTSI	107'700.00	136'930.00	27.14%

CURRENCIES

	31.12.2018	02.07.2019	% Chg YTD
EUR/USD	1.1482	1.1289	-1.68%
USD/JPY	109.6600	107.8840	-1.62%
USD/CHF	0.9827	0.9862	0.36%
GBP/USD	1.2745	1.2594	-1.18%
USD/CAD	1.3647	1.3107	-3.96%
EUR/CHF	1.1283	1.1134	-1.32%

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CONTINUATION KEY FIGURES (CURRENT & YEAR TO DATE)

COMMODITIES (USD)

PRECIOUS METALS	31.12.2018	02.07.2019	% Chg YTD
GOLD USD/OZ	1'279.45	1'423.35	11.25%
SILVER USD/OZ	15.49	15.32	-1.13%
PLATINUM USD/OZ	796.50	830.00	4.21%
ENERGY	**31.12.2018**	**02.07.2019**	**% Chg YTD**
WTI Crude Oil	45.41	56.25	23.87%
Brent Crude Oil	53.80	62.40	15.99%
Natural Gas	2.94	2.24	-23.81%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	2.205	1.765	1.977
GERMANY	-0.557	-0.747	-0.365
SWITZERLAND	-0.930	-0.912	-0.606
UK	0.756	0.524	0.724
JAPAN	-0.105	-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 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.

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