NEWSLETTER October 2019

T&T International Group
Your 360° Wealth Partner

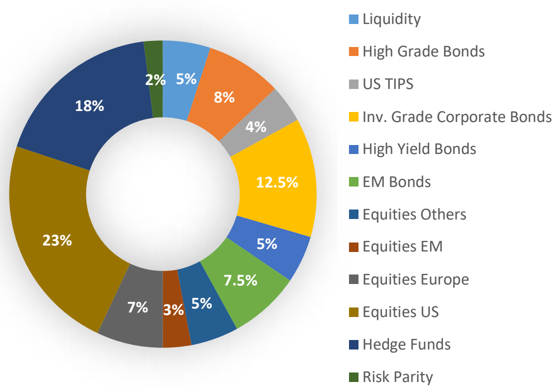
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
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) Emerging Market Equities Eurozone Equities
Emerging Markets Soverein Bonds in USD Euro Investment Grade Corporate Bonds Global Green Bonds Time to be more selective in EM Credit	**Bonds**	Developed market high grade bonds
Norvegian Krone versus... Norvegian Krone versus... British Pound versus... US Dollar (↗) EM FX (INR,IDR) versus... Japanese yen (1-4 year horizon)	**Foreign Exchange**	...Euro ...Canadian Dollar ...USD Dollar ...Australian Dollar (↘) ...DM FX (AUD,TWD)
	Hedge Funds	

ASSET ALLOCATION

While we don't expect the US economy to fall into recession, we think near-term risks, in particular to equity markets, are elevated. Despite recent tentative signs of an improvement in Sino-US trade talks, global economic and earnings growth are decelerating and political uncertainty remains high. We thus hold on to our underweight in equities, especially emerging market (EM) stocks, against high grade bonds. This is a moderate tactical underweight in equity risk. We caution against large equity underweights, given the longer-term value of stocks in an environment of ultra-low rates, and also keeping in mind that risk is currently not primarily driven by a looming recession, but by (geo-)politics. We are keeping our carry positions unchanged. Global central bank easing still leaves investors reaching for yield.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Risks of an economic slowdown have risen since the summer leading the Fed and ECB to respond. Recent data points to a slowing in global growth, driven by a downturn in the manufacturing sector. While equity valuations look attractive relative to bonds in the long run, nearterm risks around China-US trade remain high. We are underweight in EM equities against high grade bonds. EM firms are more exposed to heightened market volatility, a slowing global economy, and heightened trade tensions. We keep an overweight in Japanese and US equities vs Eurozone equities. While both the Eurozone and Japan are geared to the global cycle, the former has priced in a macro recovery while the latter has not. Eurozone stocks look expensive compared to Japanese stocks. We prefer US versus Eurozone stocks as the former should deliver superior profit growth in 2019 and 2020. We also believe that the Fed has more ammunition than the ECB to combat slowing growth should trade tensions escalate.

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BONDS

We keep our overweight in EUR IG against higher-rated bonds. We expect the former to be particularly supported by open-ended ECB bond purchases. We think the carry is attractive against healthy corporate fundamentals and our base case of no recession over the next 12 months. We keep our overweight in EM sovereign bonds in USD against HG bonds, as the search for yield should provide continued support.

FOREIGN EXCHANGE

We are opening an overweight in the US dollar (USD) against the Australian dollar (AUD) as deteriorating economic conditions in Australia are likely to keep the Reserve Bank of Australia on an easing path, while the currency remains exposed to US-China trade tensions. Our EM currency basket (overweight INR, IDR vs. AUD, TWD) aims to earn the interest rate advantage without being too strongly exposed to US-China trade tensions. We retain our NOK overweight position against the CAD and the EUR to benefit from central bank divergences – Norway's central bank is unique in keeping a hawkish stance. We keep our long GBP versus short USD position. Sterling is still very cheap against purchasing power parity and we think a no-deal Brexit in October remains unlikely.

Source: UBS House View October 2019

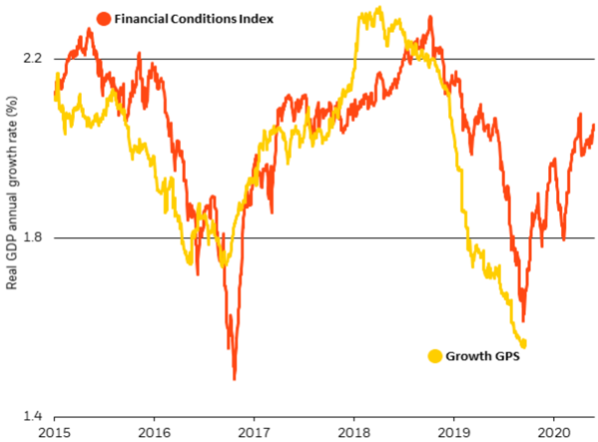
TOPIC OF THE MONTH

A GROWTH RECOVERY IN WAITING

Major central banks have eased monetary policy in recent months, delivering on the anticipated policy pivot that informs one of our key investment themes. We expect policy easing to help sustain the economic expansion, and already see easier financial conditions. Yet the road to recovery could be bumpy due to the persistent uncertainty from protectionist policies. We see growth troughing over 6-12 months, supporting our moderately pro-risk stance over this period.

Growth expectations for key developed economies have faltered since 2018, as indicated by our BlackRock Growth GPS for G3 economies (the U.S., Japan and euro area). Financial conditions have eased in recent months in these economies thanks to policy easing, according to our Financial Conditions Indicator (FCI). The historical relationship between our FCI and GPS points to potential for a growth pickup in the coming six months. Some pockets of the economy that are more sensitive to interest rates appear to be slowly responding to easier financial conditions: In the U.S., the housing market appears to have turned a corner and auto sales have held up. In the euro area, machinery investment rebounded. But easier financial conditions have yet to support a broader economic recovery.

Central banks' policy stimulus is here. The Federal Reserve has delivered its second rate cut since the financial crisis – and looks set to ease policy further. The European Central Bank (ECB) materially exceeded market expectations in early September, launching a broad package with combined impact that should potentially be greater than the sum of its parts. These actions have provided support to risk assets. Yet we do not expect a repeat, and believe markets are likely pricing in too much additional Fed easing in the year ahead. We see little near-term risk of recession, thanks to easier financial conditions and still-robust U.S. consumer spending. And it's far from certain the Fed will try to respond to the trade war fallout with meaningfully looser monetary policy. Supply chain disruptions could hit productive capacity, fostering mildly higher inflation even as growth slows. This complicates the case for further policy easing.



Source: BlackRock Investment Institute with data from Bloomberg and Consensus Economics, September 2019. Notes: The BlackRock Growth GPS shows where the 12-month forward consensus GDP forecast may stand in three months' time. The orange line shows the rate of GDP growth implied by our financial conditions indicator (FCI), based on its historical relationship with our Growth GPS, shifted forward 180 days. The FCI inputs include policy rates, bond yields, corporate bond spreads, equity market valuations and exchange rates. Forward-looking estimates may not come to pass.

CONTINUATION: A GROWTH RECOVERY IN WAITING

What does this mean for markets? We see the monetary stimulus delivered to date operating with a lag. We are likely to see the German economy – Europe's largest – contracting for another quarter. We still view the protectionist push as a key driver of global markets and economy. The U.S. and China appear likely to engage in trade talks again. We see some possibility of a truce, but a comprehensive trade deal as unlikely. Persistent uncertainty from protectionist policies is likely to remain a drag on corporate confidence and business spending. Robust consumer spending in the U.S. is key to our view that this long economic expansion is likely to remain intact.

Source: Blackrock Sep 30, 2019

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2018	07.10.2019	% Chg YTD
Dow Jones Ind.	23'327.46	26'478.02	13.51%
S&P 500	2'506.85	2'938.79	17.23%
RUSSELL 2000	1'344.83	1'497.79	11.37%
NASDAQ COMP	6'635.28	7'956.29	19.91%
CANADA - TSX	14'322.86	16'421.75	14.65%
MEXICO - IPC	41'685.05	42'952.29	3.04%
BRAZIL IBOVESPA	87'887.26	100'572.77	14.43%
COLOMBIA COLCAP	1'325.96	1'596.94	20.44%
ASIA	**31.12.2018**	**07.10.2019**	**% Chg YTD**
JAPAN- NIKKEI	20'014.77	21'375.25	6.80%
H.K. HANG SENG	25'845.70	25'821.03	-0.10%
CHINA CSI 300	3'010.65	3'814.53	26.70%
EUROPE	**31.12.2018**	**07.10.2019**	**% Chg YTD**
EURO STOXX 50	3'001.42	3'471.24	15.65%
UK - FTSE 100	6'728.13	7'197.88	6.98%
GERMANY - DAX	10'558.96	12'097.43	14.57%
SWITZERLAND - SMI	8'429.30	9'914.06	17.61%
SPAIN - IBEX 35	8'539.90	9'044.10	5.90%
NETHERLANDS - AEX	487.88	569.60	16.75%
RUSSIA - RTSI	107'700.00	131'450.00	22.05%

VOLATILITY

	31.12.2018	07.10.2019	% Chg YTD
SPX (VIX)	25.42	18.88	-25.73%

CURRENCIES

	31.12.2018	07.10.2019	% Chg YTD
EUR/USD	1.1482	1.0972	-4.44%
USD/JPY	109.6600	107.2400	-2.21%
USD/CHF	0.9827	0.9949	1.24%
GBP/USD	1.2745	1.2291	-3.56%
USD/CAD	1.3647	1.3313	-2.45%
EUR/CHF	1.1283	1.0916	-3.25%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2018	07.10.2019	% Chg YTD
GOLD USD/OZ	1'279.45	1'493.63	16.74%
SILVER USD/OZ	15.49	17.43	12.52%
PLATINUM USD/OZ	796.50	878.50	10.30%
ENERGY	**31.12.2018**	**07.10.2019**	**% Chg YTD**
WTI Crude Oil	45.41	52.75	16.16%
Brent Crude Oil	53.80	58.35	8.46%
Natural Gas	2.94	2.30	-21.77%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	1.718	1.464	1.553
GERMANY	-0.604	-0.754	-0.576
SWITZERLAND	-0.930	-0.901	-0.771
UK	0.775	0.352	0.451
JAPAN	-0.350	-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.

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.

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