NEWSLETTER November 2019

T&T International Group
Your 360° Wealth Partner

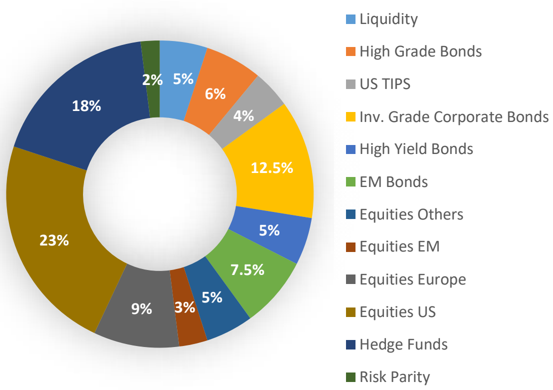
FINANCIAL MARKET OUTLOOK (SHORT TERM)

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**	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 (↘)
US Dollar (↗) EM FX (INR,IDR) versus... Japanese Yen (1-4 year horizon) versus... British Pound (1-4 year horizon) versus...	**Foreign Exchange**	...Australian Dollar ... DM FX (AUD, TWD) ... Base Currency ... Base Currency (↘)
	Hedge Funds	

ASSET ALLOCATION

Improved prospects of a partial agreement in the US-China trade conflict, as well as significant progress in the Brexit process, have lifted investor sentiment and reduced risk to some degree. On the other hand, existing trade tariffs have already damaged global growth prospects for the quarters ahead, and corporate earnings growth is likely to decelerate further in the near term. We think the longer-term outlook for UK assets, in particular equities and the currency, has improved. We are closing our underweight in UK equities and adding exposure to the British pound. Meanwhile, we hold onto our moderate emerging market (EM) equity underweight, preferring carry assets such as EM sovereign bonds and select EM currencies. Clearer signs of a bottoming in global economic growth or more clarity on a significant trade deal are important signposts to become more constructive, while the lack of such improvements would further weigh on the outlook.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Recent political events have been constructive but we are not convinced global growth has bottomed. Risks of manufacturing weakness weighing on consumer sentiment and dragging down the service sector persist. While equity valuations look attractive relative to bonds in the long run, their near-term outlook remains cloudy. EM companies are exposed to market volatility, a slowing global economy, and geopolitical risks. In this light, we hold onto our underweight in EM equities but shift our overweight from high grade to EM sovereign bonds, which benefit from attractive carry and can offset part of the EM equity performance, in case things turn out better. We keep an overweight in Japanese and US equities versus Eurozone stocks. Both the Eurozone and Japan are geared toward the global cycle, but the former has priced in a macro recovery while the latter has not. Eurozone stocks are expensive compared to Japanese ones. We prefer US stocks as they should deliver superior profit growth.

CONTACT DETAILS T&T INTERNATIONAL GROUP

T&T International Wealth Mangement Ltd.
Feldeggstrasse 80
CH-8008 Zürich - Switzerland
Tel.: +41 (0) 43 844 0 844
Fax: +41 (0) 43 844 0 845
www.tt-international.ch
info@tt-international.ch

Local Contact Points see:
www.tt-international.ch/locations/

BONDS

We keep our overweight in euro investment grade (IG) against higher-rated bonds. The European Central Bank (ECB) starting to buy a substantial portion of net corporate bond supply as of November is a powerful tailwind for these bonds, while carry remains attractive given negative yields on many EUR sovereign bonds. We also keep an overweight in EM sovereign bonds in USD, now against both high grade bonds and EM equities. Well-diversified carry remains king in a world of accommodative global central banks, and EM bonds offer an attractive yield around 5% while being less sensitive to sub-trend global growth.

FOREIGN EXCHANGE

Following persistent underperformance, we are closing our overweight positions on the Norwegian krone, both against the euro and the Canadian dollar. Despite Norway's strong economy and central bank tightening against the global trend, the NOK succumbed to global volatility and investors' preference for more liquid alternatives. We maintain our overweight in the USD against the Australian dollar as deteriorating economic conditions in Australia are likely to keep the country's central bank on an easing path, while the AUD remains exposed to US-China trade tensions. Our EM currency basket (overweight Indian rupee and Indonesian rupiah versus the AUD and Taiwan dollar) aims to earn the interest rate advantage without being too strongly exposed to US-China trade tensions.

Source: UBS House View November 2019

TOPIC OF THE MONTH

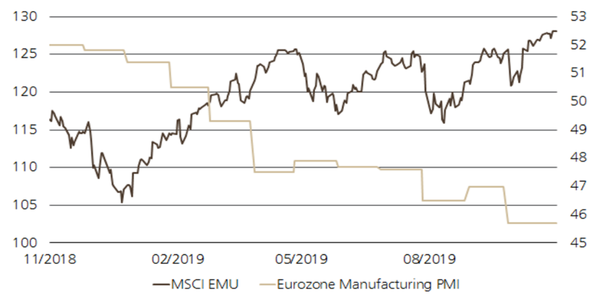
THE LIMIT OF MONETARY POLICY

The S&P 500 hit a record high on 1 November, driven by an improvement in market sentiment and positive news on trade. US President Donald Trump expects to sign a “very big portion” of the Phase One US-China deal ahead of schedule. While we think an interim agreement would remove an important risk overhang for markets, we remain cautious about how much higher equity markets can go from here, especially in the Eurozone. The durability of a trade deal may be questioned – we think President Trump’s announcement of a Chinese commitment to buying USD 40–50bn of US agricultural products appears unrealistic, and Bloomberg reports that China is skeptical that a long-term comprehensive deal can be reached. Growth is still slowing, especially in manufacturing, where the latest US ISM print stands at 48.3, with the Eurozone PMI print even lower at 45.9. Corporate earnings are also contracting, with 3Q earnings per share expected to drop by an average of 2% in the US, and 5% in the Eurozone.

The US-China trade dispute and renewed monetary policy easing have been the main market drivers this year. The trade conflict still has the power to drive markets, and progress toward a Phase One trade deal helped propel US stocks to a record high last week. But while the Federal Reserve cut rates last week, we think monetary policy is less likely to drive equity market direction in the months ahead:

Record-high US still better placed than the Eurozone

MSCI EMU Index, Eurozone Manufacturing PMI



• **The Fed has sent a message that it is now on hold**. It has lowered rates for the third time since July, cutting the federal funds target range to 1.5%–1.75%, but changes to the FOMC’s statement and Chair Jay Powell’s press conference suggest the Fed would only change policy if there were a "material reassessment" of the economic outlook.

• **The ECB is likely to be less radical under its new president, Christine**

dovish as Draghi – she said in August that ECB policymakers must be ready to act to protect the economy – she is also considered a consensus builder. And, although the ECB has committed to quantitative easing, dissent is growing among more hawkish ECB policymakers. French central bank president Francois Villeroy de Galhau said that he was "not in favor of the resumption of net asset purchases at this time," considering it "unnecessary." The Bundesbank's Jens Weidmann suggested that Draghi had "overstepped the mark" at a time when the "economic situation is not all that bad."

continuation on page 3

CONTINUATION: THE LIMIT OF MONETARY POLICY

• **Meanwhile, the Bank of Japan is also on hold**. Last week, the BoJ left its policy rate at -0.1%, where it has been since January 2016. The BOJ suggested it might consider further easing, but only in response to deterioration in the economic and market outlook. ahead:

• **Central banks are also facing visible limits to the effectiveness of their current policy.** The tiering of rates in Europe is a sign that the ECB has had to innovate to mitigate the adverse consequences of negative rates. The Riksbank's Stefan Ingves has said that the risks of negative rates would increase if the policy became entrenched, and he plans to put an end to negative rates despite continued signs of economic weakness. China has had to introduce a new loan prime rate benchmark to try to improve an inefficient monetary transmission mechanism that has failed to meaningfully lower corporate funding costs despite sufficient bank liquidity. And in Japan, despite the negative rate policy since 2016, banks maintain their cautious attitude toward lending.

With monetary policy unlikely to set the market direction from here, stocks will probably take direction from trade and economic data. Optimism on trade is already high, but the economic picture is sluggish.

Source: UBS House View, November 2019

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2018	06.11.2019	% Chg YTD
Dow Jones Ind.	23'327.46	27'492.56	17.85%
S&P 500	2'506.85	3'076.78	22.73%
RUSSELL 2000	1'344.83	1'589.54	18.20%
NASDAQ COMP	6'635.28	8'410.62	26.76%
CANADA - TSX	14'322.86	16'745.64	16.92%
MEXICO - IPC	41'685.05	43'818.51	5.12%
BRAZIL IBOVESPA	87'887.26	108'360.22	23.29%
COLOMBIA COLCAP	1'325.96	1'657.15	24.98%
ASIA	**31.12.2018**	**06.11.2019**	**% Chg YTD**
JAPAN- NIKKEI	20'014.77	23'303.82	16.43%
H.K. HANG SENG	25'845.70	27'688.64	7.13%
CHINA CSI 300	3'010.65	3'984.88	32.36%
EUROPE	**31.12.2018**	**06.11.2019**	**% Chg YTD**
EURO STOXX 50	3'001.42	3'688.74	22.90%
UK - FTSE 100	6'728.13	7'396.65	9.94%
GERMANY - DAX	10'558.96	13'179.89	24.82%
SWITZERLAND - SMI	8'429.30	10'318.10	22.41%
SPAIN - IBEX 35	8'539.90	9'398.40	10.05%
NETHERLANDS - AEX	487.88	594.93	21.94%
RUSSIA - RTSI	107'700.00	145'910.00	35.48%

VOLATILITY

	31.12.2018	06.11.2019	% Chg YTD
SPX (VIX)	25.42	12.48	-50.90%

CURRENCIES

	31.12.2018	06.11.2019	% Chg YTD
EUR/USD	1.1482	1.1072	-3.57%
USD/JPY	109.6600	108.9700	-0.63%
USD/CHF	0.9827	0.9921	0.96%
GBP/USD	1.2745	1.2857	0.88%
USD/CAD	1.3647	1.3183	-3.40%
EUR/CHF	1.1283	1.0984	-2.65%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2018	06.11.2019	% Chg YTD
GOLD USD/OZ	1'279.45	1'490.30	16.48%
SILVER USD/OZ	15.49	17.64	13.85%
PLATINUM USD/OZ	796.50	929.50	16.70%
ENERGY	**31.12.2018**	**06.11.2019**	**% Chg YTD**
WTI Crude Oil	45.41	56.35	24.09%
Brent Crude Oil	53.80	61.47	14.26%
Natural Gas	2.94	2.83	-3.81%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	1.562	1.607	1.812
GERMANY	-0.586	-0.632	0.323
SWITZERLAND	-0.800	-0.725	-0.430
UK	0.756	0.540	0.717
JAPAN	-0.160	-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.

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