NEWSLETTER JANUARY 2020

T&T International Group
Your 360° Wealth Partner

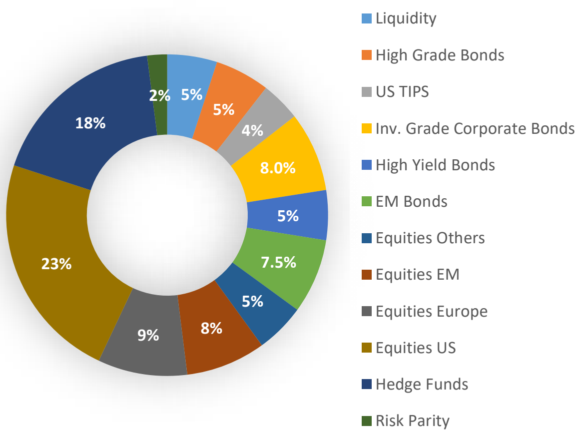
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Japanese Equities US equities EM equities (↗) Global Quality Stocks US Smart Beta	**Equities**	Eurozone Equities
Emerging Markets Soverein Bonds in USD Global Green Bonds Time to be more selective in EM Credit	**Bonds**	Developed market high grade bonds (↘)
EM FX (INR,IDR) versus... Japanese Yen (1-4 year horizon) versus... British Pound (1-4 year horizon) versus...	**Foreign Exchange**	... DM FX (AUD, TWD) ... Base Currency ... Base Currency
	Hedge Funds	

ASSET ALLOCATION

With a meaningful trade deal reached between US and China that includes the removal of tariffs on Chinese goods in stages and expectations that improved trade visibility may support economic growth in the coming months, we upgrade emerging market equities to overweight versus high grade bonds. As such our tactical equity allocation moves to overweight versus neutral previously. We keep our overweight positions in EM sovereign bonds and a basket of EM currencies, as the environment remains supportive of carry trades, with global central banks providing strong monetary stimulus.

BALANCED USD MODEL PORTFOLIO



EQUITIES

We overweight US over Eurozone stocks. Should economic data weaken, we think the Federal Reserve has more leeway to act than the European Central Bank (ECB). Consensus expectations for earnings growth look more realistic in the US than in the Eurozone. We also overweight Japanese over Eurozone equities. While both regions are geared toward global growth and exports, Eurozone stocks have outperformed and are already pricing in a significantly better outcome compared to the Japanese market.

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BONDS

After very strong returns in 2019, the outlook for 2020 is more muted, as bond yields have fallen. Still, against a backdrop of very easy monetary policy globally and mediocre economic growth, selecting the right carry assets remains a promising strategy. We hold an overweight position in EM sovereign bonds in USD over high grade bonds. The current yield of 5% remains attractive, as central banks keep interest rates low and the growth differential between emerging and developed markets is likely to widen in the quarters ahead. Recent idiosyncratic risks (e.g. from Ecuador) have not spilled over into the broader asset class, highlighting its current resilience and well-diversified nature.

FOREIGN EXCHANGE

Following the deal reached between US and China, we close our overweight in the US dollar against the Australian dollar (AUD). Indeed, on the back of the announced tariff roll-back, the AUD could be supported by an improvement of the Chinese economic outlook.
We keep our EM currency basket (overweight Indian rupee and Indonesian rupiah versus the AUD and Taiwan dollar) which aims to earn the
interest rate advantage.

Source: UBS House View January 2020

TOPIC OF THE MONTH

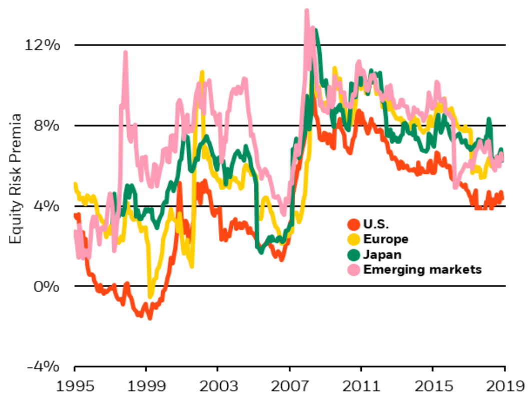
INVESTMENT CALLS FOR 2020

This year's major market drivers appear to be behind us. We see less room in 2020 for dovish monetary policy surprises, and the US and China have strong incentives to hit pause on their trade conflict across 2020, though there may be turbulence along the way. We see growth now taking the reins as the driver of risk asset returns. Our base case is for a mild growth pickup as easier financial conditions start filtering through and sideways protectionist pressures give global trade activity some breathing room. We see this backdrop — coupled with what appear to be reasonable valuations across equities and credit — paving the way for modest returns in global risk assets. Our estimate of the equity risk premium (ERP) — or the expected return of equities over the risk-free rate — shows that the ERP still looks relatively attractive in a long-term context, as evident in the chart above. This supports our modest tilt into risk for 2020.

Japanese and EM equities are among those set to benefit most from a global manufacturing recovery and a lull in US-China trade tensions, in our view. And EM central banks outside of China are likely to stay on their easing paths, supporting growth and equity markets. From a factor perspective, we have upgraded quality because companies in that basket tend to be more resilient to late-cycle risks and should benefit from a pause in trade tensions. We see US stocks performing more in line with global equities in 2020 after their long stretch of outperformance, as rising political uncertainty in a presidential election year may weigh on sentiment.

Changes to our fixed income views come amid less scope for monetary easing surprises or fiscal stimulus. Major central banks appear intent on maintaining easy policies – and interest rates and bond yields look likely to linger near lows. With income crucial in a slow-growth, low-rate world, we favour EM and high yield debt. We have downgraded global investment grade credit, as low coupon rates make the sector's income relatively unattractive on a risk-adjusted basis. At the same time, yields testing lower limits in developed markets and underappreciated inflation risks call for a rethink of the role of bonds as portfolio ballast. We favour shorter maturity US Treasuries to lower-yielding developed market peers and also like inflation-protected securities.

Equity risk premia, 1995-2019



Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index. **Sources:** BlackRock Investment Institute, with data from Refinitiv Datastream, December 2019. Notes: Data is as of Sept. 31, 2019. We calculate the equity risk premium based on our expectations for nominal interest rates and the earnings yields for respective equity markets. We use MSCI indexes as the proxy for the markets shown. We use BlackRock expectations for interest rates so the estimate is not influenced by the term premium in long term bond yields.

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CONTINUATION: INVESTMENT CALLS FOR 2020

Both can also potentially provide cushion against risks to growth, such as a breakdown in US-China trade talks. Finally, we believe a focus on sustainability can help add resilience to portfolios as markets wake up to environmental, social and governance (ESG) risks.

Source: BlackRock 16.12.2019

KEY FIGURES 2019

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2018	30.12.2019	% Chg YTD
Dow Jones Ind.	23'327.46	28'462.14	22.01%
S&P 500	2'506.85	3'221.29	28.50%
RUSSELL 2000	1'344.83	1'664.15	23.74%
NASDAQ COMP	6'635.28	8'945.99	34.82%
CANADA - TSX	14'322.86	17'098.56	19.38%
MEXICO - IPC	41'685.05	43'657.48	4.73%
BRAZIL IBOVESPA	87'887.26	115'645.34	31.58%
COLOMBIA COLCAP	1'325.96	1'661.21	25.28%
ASIA	**31.12.2018**	**30.12.2019**	**% Chg YTD**
JAPAN- NIKKEI	20'014.77	23'656.62	18.20%
H.K. HANG SENG	25'845.70	28'319.39	9.57%
CHINA CSI 300	3'010.65	4'081.63	35.57%
EUROPE	**31.12.2018**	**30.12.2019**	**% Chg YTD**
EURO STOXX 50	3'001.42	3'748.47	24.89%
UK - FTSE 100	6'728.13	7'587.05	12.77%
GERMANY - DAX	10'558.96	13'249.01	25.48%
SWITZERLAND - SMI	8'429.30	10'618.94	25.98%
SPAIN - IBEX 35	8'539.90	9'612.60	12.56%
NETHERLANDS - AEX	487.88	605.83	24.18%
RUSSIA - RTSI	107'700.00	155'360.00	44.25%

VOLATILITY

	31.12.2018	30.12.2019	% Chg YTD
SPX (VIX)	25.42	15.53	-38.91%

CURRENCIES

	31.12.2018	30.12.2019	% Chg YTD
EUR/USD	1.1482	1.1203	-2.43%
USD/JPY	109.6600	108.8750	-0.72%
USD/CHF	0.9827	0.9688	-1.41%
GBP/USD	1.2745	1.3121	2.95%
USD/CAD	1.3647	1.3064	-4.27%
EUR/CHF	1.1283	1.0854	-3.80%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2018	30.12.2019	% Chg YTD
GOLD USD/OZ	1'279.45	1'514.85	18.40%
SILVER USD/OZ	15.49	17.93	15.72%
PLATINUM USD/OZ	796.50	958.00	20.28%
ENERGY	**31.12.2018**	**30.12.2019**	**% Chg YTD**
WTI Crude Oil	45.41	61.68	35.83%
Brent Crude Oil	53.80	68.44	27.21%
Natural Gas	2.94	2.18	-25.85%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	1.509	1.573	1.895
GERMANY	-0.720	-0.607	-0.187
SWITZERLAND	-0.750	-0.729	-0.472
UK	0.784	0.606	0.866
JAPAN	-0.100	-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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