NEWSLETTER FEBRUARY 2020

T&T International Group
Your 360° Wealth Partner

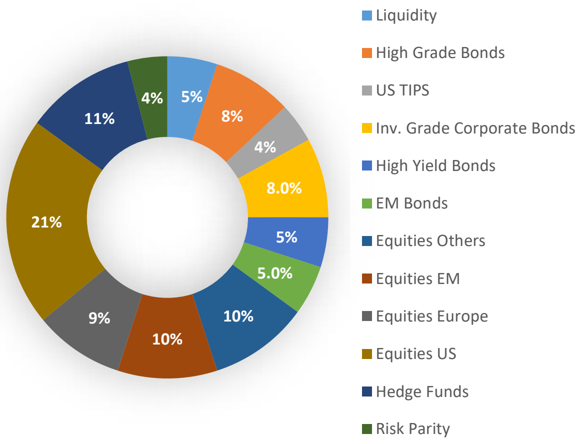
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Japanese equities Emerging market equities (↗) Sustainable value creation in emerging markets (↗) Brazil: Blue skies ahead (↗) Global quality stocks	**Equities**	Eurozone Equities
Global greend bonds	**Bonds**	
EM FX (INR, IDR, BRL) versus... (↗) British pound versus... (↗)	**Foreign Exchange**	...DM FX (AUD, TWD, SEK) (↘) ...USD dollar (↘)
	Hedge Funds	

ASSET ALLOCATION

After the signing of the Phase 1 trade deal between the US and China earlier this month, we expect a period of relative calm on the trade front. US President Donald Trump has no incentive to escalate trade conflicts with China or Europe ahead of the US elections in November. This should benefit business confidence. Recent data point to global economic growth stabilizing around its long-term trend. Green shoots are emerging, particularly in Asia. The absence of significant inflationary pressures will allow monetary policy to stay accommodative in 2020. Against this backdrop, we keep a "risk on" stance in our tactical asset allocation. We expect emerging market (EM) assets to perform particularly well, and are holding overweight positions in EM equities over high grade bonds, as well as a basket of select EM currencies that offer an attractive yield.

BALANCED USD MODEL PORTFOLIO



EQUITIES

We are closing our tactical overweight on US equities and replacing it with an overweight on EM stocks (vs. Eurozone equities). US equities outperformed most other markets in 2019, driven especially by outstanding returns in the technology sector. Should earnings growth disappoint in 2020, US equities are particularly vulnerable to a setback from current valuation levels. Earnings revisions for emerging market companies have turned markedly positive recently, boding well for the outlook. The earnings outlook for the Eurozone on the other hand remains subdued as economic growth in the region remains low. We continue to underweight the Eurozone market also against Japanese stocks, where valuations look more attractive.

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BONDS

Global government bond yields came off their recent peaks, and we don't expect them to move significantly higher as long as central banks keep interest rates low. Credit spreads have tightened toward the tightest levels post-crisis, in particular for higher-rated credit segments. Consequently, the outlook for credit returns in 2020 is rather muted after a stellar 2019. While valuations are not particularly appealing, investors will likely continue to look for yield in credit. Following the rally, we are closing our tactical overweight position in EM sovereign bonds, taking profits. While the current yield around 5% is still decent, we see limited further price upside.

FOREIGN EXCHANGE

We are extending our EM currency basket (which so far has been overweight Indian rupee and Indonesian rupiah versus the Australian and Taiwan dollars) to now include the Brazilian real on the long side and the Swedish krona on the short side. The basket aims to capture the attractive carry of certain EM currencies, while trying to avoid too much directional exposure. Moreover, we think the recent setback on the British pound, due to the aggressive year-end deadline for a trade deal with the EU as well as recent dovish comments by the central bank, was overdone. We are adding a tactical overweight position in the GBP against the USD.

Source: UBS House View February 2020

TOPIC OF THE MONTH

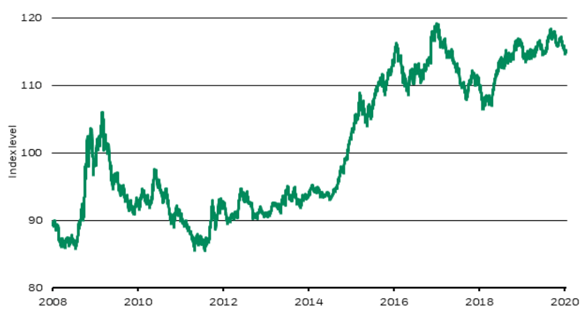
USD DOLLAR UNDERPINS EMERGING MARKET ASSETS

The outbreak has sparked a classic risk-off response, albeit one of relatively modest magnitude to date. Emerging market equities, airlines and oil prices have declined since Jan. 20, when the Chinese government confirmed the virus can spread from person to person. Perceived safe-haven assets such as US Treasuries, as well as their inflation-protected peers, have gained. See the chart above. Market volatility, as proxied by the VIX index that measures US stock market volatility, shot up to the highest level since October. Yet the risk-off sentiment has so far been relatively limited, with modest pullbacks in high yield credit and US stocks, even after Friday's sell-off. The impact from worries about the outbreak may have been partially offset by positive results in the current quarterly earnings season that so far are in line with our expectation for global growth to edge higher this year.

What can we learn from past global disease outbreaks? Economic growth and markets have historically responded with a V-shaped pattern. The temporary hit to economic activity results in pent-up demand, which eventually helps fuel the rebound in economic activity. This recovery is typically led by retail and manufacturing sectors, since lost revenues are harder to recoup in the services sector (think of tourism).

It is too soon to gauge the impact of the current outbreak, given the many unknowns related to the coronavirus. These include the duration and severity of the outbreak in China – and whether it remains largely contained geographically. The reduced flow of people and goods due to travel restrictions and quarantine measures are likely to hit demand in the short term, pressuring economic activity in the most affected areas. The extent of the policy response by Chinese authorities to any growth slowdown is another key uncertainty. We are likely to see a meaningful policy response from Chinese authorities to shore up growth, as we have after prior epidemics, though an ongoing desire to rein in financial excesses leaves open the question of how sizable China's stimulus will be. Another potential difference from past episodes is China's increased role in the global economy: the country makes up 15% of global GDP today in purchasing parity terms. This is three times its size in 2003, when the world was hit by the SARS virus.

Trade-weighted USD overall index, 2008-2020



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, January 2020. Notes: On Jan. 20 the Chinese government confirmed the coronavirus could spread from person to person. TIPS refers to Treasury inflation-protected securities. The indexes used include the MSCI EM, MSCI World, Bank of America Merrill Lynch Global High Yield, S&P US TIPS 10-year Index and Refinitiv Datastream 10-year US Government Benchmark indexes. Airlines are represented by the airlines industry in the MSCI World Index, and oil by Brent crude futures. The change in VIX Index refers to the change in percentage points in the CBOE Volatility Index.

continuation on page 3

CONTINUATION: USD DOLLAR UNDERPINS EMERGING MARKET ASSETS

We also see potential supply side disruptions. China is now a key component of global supply chains. Any sustained outbreak could disrupt the supply chains of certain industries, with potential for bottlenecks.

We still see global growth edging higher this year, given easier financial conditions, a lull in global trade tensions, and generally positive economic data. An encouraging start to the latest quarterly earnings season also underpins our moderate pro-risk stance. Yet the recent coronavirus outbreak creates downside risks to the growth outlook, and underscores our preference for US Treasuries as a source of portfolio ballast against any growth scares.

Source: BlackRock 29.01.2020

KEY FIGURES 2020

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2019	03.02.2020	% Chg YTD
Dow Jones Ind.	28538.44	28399.81	-0.0049
S&P 500	3230.78	3248.92	0.0056
RUSSELL 2000	1668.47	1632.21	-0.0217
NASDAQ COMP	8972.60	9273.40	0.0335
CANADA - TSX	17063.43	17379.76	0.0185
MEXICO - IPC	43541.02	44108.31	0.0130
BRAZIL IBOVESPA	115645.34	114629.21	-0.0088
COLOMBIA COLCAP	1662.42	1625.18	-0.0224
ASIA	**31.12.2019**	**03.02.2020**	**% Chg YTD**
JAPAN- NIKKEI	23'656.62	22'971.94	-2.89%
H.K. HANG SENG	28'189.78	26'356.98	-6.50%
CHINA CSI 300	4'096.58	3'688.36	-9.96%
EUROPE	**31.12.2019**	**03.02.2020**	**% Chg YTD**
EURO STOXX 50	3'745.15	3'661.27	-2.24%
UK - FTSE 100	7'542.44	7'326.31	-2.87%
GERMANY - DAX	13'249.01	13'045.19	-1.54%
SWITZERLAND - SMI	10'616.94	10'664.95	0.45%
SPAIN - IBEX 35	9'549.20	9'404.70	-1.51%
NETHERLANDS - AEX	604.85	592.36	-2.06%
RUSSIA - RTSI	155'360.00	152'340.00	-1.94%

VOLATILITY

	31.12.2018	03.02.2020	% Chg YTD
SPX (VIX)	13.78	17.97	30.41%

CURRENCIES

	31.12.2019	03.02.2020	% Chg YTD
EUR/USD	1.1220	1.1059	-0.0143
USD/JPY	108.6750	108.6600	-0.0001
USD/CHF	0.9674	0.9661	-0.0013
GBP/USD	1.3262	1.2998	-0.0199
USD/CAD	1.3002	1.3292	0.0223
EUR/CHF	1.0855	1.0684	-0.0158

COMMODITIES (USD)

PRECIOUS METALS	31.12.2019	03.02.2020	% Chg YTD
GOLD USD/OZ	1'517.48	1'556.90	2.60%
SILVER USD/OZ	17.86	17.62	-1.37%
PLATINUM USD/OZ	965.50	968.50	0.31%
ENERGY	**31.12.2019**	**03.02.2020**	**% Chg YTD**
WTI Crude Oil	61.06	50.11	-17.93%
Brent Crude Oil	66.00	54.45	-17.50%
Natural Gas	2.19	1.82	-16.94%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	1.579	1.353	1.608
GERMANY	-0.582	-0.674	-0.436
SWITZERLAND	-0.740	-0.739	-0.769
UK	0.731	0.474	0.514
JAPAN	-0.144	-0.157	-0.060

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.

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