NEWSLETTER FEBRUARY 2021

T&T International Group
Your 360° Wealth Partner

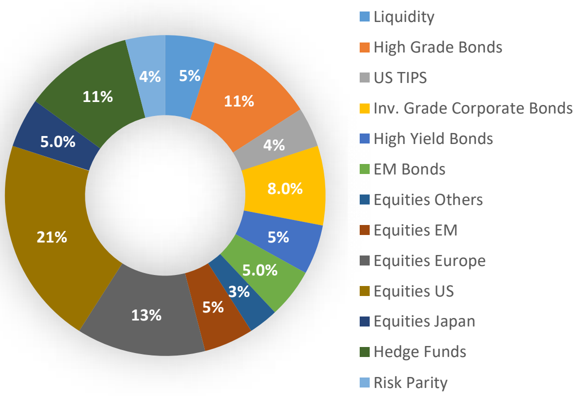
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
EM Equities Asia ex-Japan, China Equities Global small caps Find value in EM Swiss high-quality dividends Sustainable investing Investing in SDGs 5+, fintech, healthtech, greentech	**Equities**	US large-caps Global consumer staples
EM USD-sovereign bonds Asia high yield Time to be more selective in EM credit Green bonds: defensive and sustainable	**Bonds**	High grade bonds
EUR, GBP Oil-linked currencies (AUD, NOK, RUB	**Currencies**	US dollar
Gold: A hedge with benefits Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Prospects for further fiscal stimulus under a Democrat-controlled Senate, following the unexpected double Democratic victory in the Georgia Senate runoffs, have supported risk assets, in particular segments geared to the economic recovery. At the same time, new COVID-19 cases have increased globally in the last weeks, and restrictions on activity have been tightened or extended, particularly in Europe. Given our expectations for broad vaccine availability by 2Q21 and continued monetary and fiscal policy support, we maintain an overall "risk on" asset allocation expressed through a preference for equities and select credit segments.

BALANCED USD MODEL PORTFOLIO



EQUITIES

2020 ended on a very positive note, with the vaccine breakthrough, Brexit agreement and a new US fiscal package all supporting cyclical equity segments. Favorable base effects, along with improving top lines and accommodative financing conditions, should lead to a strong earnings rebound this year. Absolute valuations are stretched, in our view, but in a world of zero rates, equities look more attractive than bonds. In this context, we see further upside potential in equities in the coming six to twelve months and specifically, we shift our preference for global equities to EM equities which are more sensitive to global growth.

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BONDS

Policy is the most important driver of long-term rates. While economic normalization will put some upward pressure on long-term rates, we continue to expect only modest increases. We think rates will remain moderate even as the economy continues to recover, and expect that any spikes will be short-lived in light of the Federal Reserve's active management of interest rates and its balance sheet. We remain constructive on emerging market credit, including hard-currency sovereign bonds and Asian high yield bonds. We think yields in these credit segments remain attractive and that valuations offer catch-up potential relative to US credit.

CURRENCIES

Among G10 currencies, we remain bearish on the US dollar. We expect pro-cyclical currencies like the euro, commodity-producer currencies, and the pound to profit. Demand for the safe-haven Japanese yen should fall and the currency might even underperform the USD as the global investor community prepares for a world after COVID-19. The Swiss franc is more likely to move sideways to the USD, given the strong appreciation it has experienced lately and our positive growth outlook, which reduces the demand for safe havens.

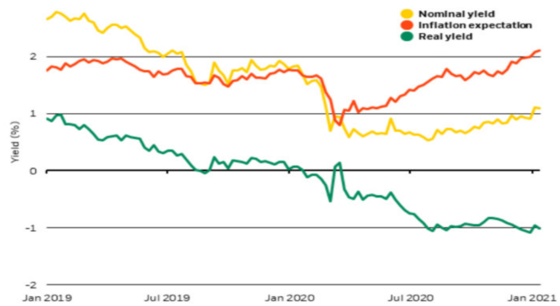
Source: UBS House View February 2021

TOPIC OF THE MONTH

THE NEW NOMINAL TAKES SHAPE

The policy revolution that started in early 2020 to cushion the blow of the Covid shock is a major driver behind the new nominal, one of our three investment themes for 2021. A key consequence is the potential for a more muted response of nominal yields to higher inflation, in our view. Pricing of inflation expectations has risen to its highest level since October 2018 – helping drive nominal 10-year Treasury yields to the highest levels since last March. Yet "real" yields, or inflation-adjusted yields, have largely held steady. See the green line in the chart aside. We had expected a united Democratic government to potentially accelerate the new nominal, as significant fiscal support could bolster the economic restart. Recent market moves are consistent with that view. We see room for nominal yields to rise as inflation grinds higher, yet expect the Federal Reserve to lean against any sharp rises. As a result, we could see range-bound nominal yields in the near term, and real yields remaining deeply negative.

U.S. 10-year Treasury yield breakdown, 2019-2021



Source: BlackRock Investment Institute with data from Refinitiv, January 2021. Notes: Nominal yield is represented by the Refinitiv U.S. Benchmark 10-year Government Bond Index. Real yield is represented by the yield of the Refinitiv U.S. 10-year TIPS Inflation-linked Government Bond Index. Inflation expectation is calculated by subtracting real yield from nominal yield.

A key part of the policy revolution is the evolving policy framework of major central banks. The Federal Reserve has led the way by signaling a willingness to allow inflation overshoots to make up for past misses – while vowing to keep interest rates low for the foreseeable future. The Fed's policy meeting this week will likely echo this view, while noting the weakening of economic conditions since the last meeting in December. Already, recent moves in yields suggest markets will likely test the Fed's resolve to curb any excessive climb in nominal yields. This is part of the reason why we don't see the rise in nominal yields as a straight line. One potential side effect of the huge surge in debt levels caused by the policy revolution: over time, raising interest rates could become more politically fraught for central banks, and the risk of "taper tantrum" type events could complicate any attempts to normalize policy.

We see U.S. consumer price inflation in a range of 2.5%-3% over the next five years – still much higher than current market pricing. We see inflation triggered by two forces: higher production costs amid the remapping of global supply chains and new central bank frameworks that allow for inflation overshoots. Higher inflation and a limited rise in nominal yields should keep real yields negative, supporting risk assets. In this environment, the U.S. dollar could come under pressure as investors will likely seek higher-yielding assets outside of the U.S. We believe a stable or weaker dollar over the next 12 months supports emerging market assets.

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CONTINUATION: THE NEW NOMINAL TAKES SHAPE

We still expect the cumulative impact on economic activity from the Covid shock – what ultimately matters for asset prices – to be just fraction of that seen after the global financial crisis. This is despite a delay in the restart caused by a slow start of the vaccine rollout and the spread of more transmissible virus strains. We see stronger growth, higher inflation and low real yields ahead, as the vaccine-led restart eventually accelerates and central banks limit the rise of nominal yields. On the tactical horizon we are pro-risk overall, favoring equities and credit. Yet it is likely to be a bumpy road ahead for risk assets, in our view, as markets have made significant moves

Source: Blackrock Weekly Comment, 25.01.2021

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	29.01.2021	% Chg YTD
Dow Jones Ind.	30'606.48	29'982.62	-2.04%
S&P 500	3'756.07	3'714.24	-1.11%
RUSSELL 2000	1'974.86	2'073.00	4.97%
NASDAQ COMP	12'888.28	13'070.69	1.42%
CANADA - TSX	17'433.40	17'337.02	-0.55%
MEXICO - IPC	44'066.88	42'985.73	-2.45%
BRAZIL IBOVESPA	119'017.24	115'067.55	-3.32%
COLOMBIA COLCAP	1'437.89	1'367.20	-4.92%
ASIA	**31.12.2020**	**29.01.2021**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	27'663.39	0.80%
H.K. HANG SENG	27'231.13	28'283.71	3.87%
CHINA CSI 300	5'211.29	5'351.96	2.70%
EUROPE	**31.12.2020**	**29.01.2021**	**% Chg YTD**
EURO STOXX 50	3'352.64	3'481.44	3.84%
UK - FTSE 100	6'460.52	6'407.46	-0.82%
GERMANY - DAX	13'718.78	13'432.87	-2.08%
SWITZERLAND - SMI	10'703.51	10'591.06	-1.05%
SPAIN - IBEX 35	8'073.70	7'757.50	-3.92%
NETHERLANDS - AEX	624.61	637.11	2.00%
RUSSIA - RTSI	138'530.00	137'050.00	-1.07%

VOLATILITY

	31.12.2020	29.01.2021	% Chg YTD
SPX (VIX)	22.75	33.09	45.45%

CURRENCIES

	31.12.2020	29.01.2021	% Chg YTD
EUR/USD	1.2237	1.2138	-0.80%
USD/JPY	103.2360	104.6900	1.41%
USD/CHF	0.8840	0.8906	0.75%
GBP/USD	1.3673	1.3710	0.27%
USD/CAD	1.2739	1.2776	0.29%
EUR/CHF	1.0817	1.0810	-0.06%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	29.01.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'863.85	-1.78%
SILVER USD/OZ	26.45	29.18	10.32%
PLATINUM USD/OZ	1'075.50	1'121.00	4.23%
ENERGY	**31.12.2020**	**29.01.2021**	**% Chg YTD**
WTI Crude Oil	48.52	52.20	7.58%
Brent Crude Oil	51.80	55.59	7.32%
Natural Gas	2.53	2.73	7.91%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.079	0.147	0.790
GERMANY	-0.600	-0.729	-0.516
SWITZERLAND	-0.750	-0.782	-0.440
UK	-0.004	-0.107	0.327
JAPAN	-0.085	-0.125	0.051

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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