NEWSLETTER MARCH 2021

T&T International Group
Your 360° Wealth Partner

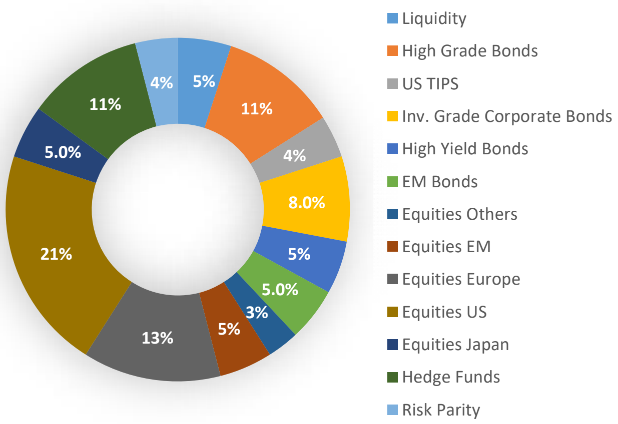
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
EM equities, Asia ex-Japan, China equities DM small-caps and mid-caps Global consumer brands Swiss high-quality dividends Sustainble investing Investing in SDGs 5G+, fintech Healthtech, Greentech	**Equities**	Eurozone Equities US and EMU large caps Global consumer stables DM equities Global equities EMU comunications services Cash
Asia high yield Leverage USD hig yield Green bonds: defensive and sustainable When EM bonds meet smart leverage	**Bonds**	Investment grade bonds USD EM bonds Bonds with expensive rating USD EM Bonds
EUR, GBP Commodity-linked currencies (AUD, NOK, RUB, CAD) CNY	**Currencies**	USD, JPY
Gold: A hedge with benefits Oil	**Precious Metals & Commodities**	Investment grade bonds

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, short-term risks linked to the pandemic remain and restrictions on activity have been extended, particularly in Europe. Given the 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

Equities have rallied from their lows in March, driven mainly by the expansion in valuations. The liquidity stimulus provided by central banks has pushed up excess money supply and sustained the expansion in multiples over the past year. With bond yields at current levels, valuations should continue to trade well above historical averages. That said, we now expect earnings growth to take the reins and drive equity performance over the next six to 12 months. In this context, we keep emerging market equities as most preferred, as their valuations are attractive compared to developed markets, in our view. In addition, we expect a weaker US dollar and higher commodity prices to support their performance.

CONTACT DETAILS T&T INTERNATIONAL GROUP

T&T International Wealth Management Ltd.
Birkenstrasse 47
CH-6434 Rotkreuz-Zug
Tel.: +41 (0) 43 844 0 844
www.tt-international.ch
info@tt-international.ch

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

BONDS

Policy is the most important driver of long-term rates. While economic normalization and additional large fiscal stimulus will put some upward pressure on long-term rates particularly in the US, central banks have stated that they will withdraw stimulus much later than in previous cycles as the recovery kicks in. As such, we anticipate the glide path to be moderate, with potential spikes offset by central banks' active management through balance sheet expansion. On credit, after the strong spread compression, we are moving emerging market bonds to neutral. In the US, we believe the lower credit segments will be sustained by the prospect of further fiscal stimulus, fast vaccine rollout, and an improved outlook for defaults. We are moving US investment grade to least preferred due to its tight valuations and potential vulnerability to rising yields. Finally, we still like Asian high yield bonds where yields and valuations are attractive.

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. The Swiss franc is also likely to rise against the USD, but not as much as the EUR or the GBP. Demand for the safe-haven Japanese yen should fall, and the currency may even underperform the greenback as global investors prepare for a world after COVID-19. A rising demand for the Chinese yuan is likely to fuel its rally against the USD further.

Source: UBS House View March 2021

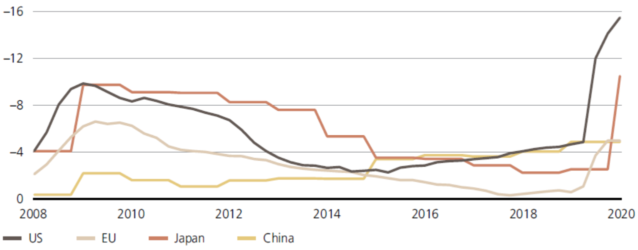
TOPIC OF THE MONTH

WORRIES OF INFLATION?

The positive growth outlook is likely to be magnified by the continued spike in fiscal and monetary stimulus. Over the last year the US, Europe, China, the UK, and Japan collectively increased government debt by around 15% of global GDP. Now, it looks likely that the US could add up to another 9% of its GDP. President Biden has proposed a USD 1.9tr package and the Democrats in Congress have started the "budget reconciliation" process to pass it without Republican votes. Some cost reductions will likely be necessary to keep moderates in the Senate on board, resulting in a final package of USD 1.5tr in our view, though strong popular support could yet end up giving President Biden the USD 1.9tr he asked for. The fiscal package would come on top of central bank liquidity injections of around USD 300 billion in January 2021, by the Federal Reserve, European Central Bank, the Bank of Japan, and the Bank of England. This is likely to remain in place even if inflation rises in the months ahead. Furthermore, the household sector appears poised to start spending excess savings. The US savings rate averaged 16% in 2020, about twice the long-term average since 1960. That's total savings of USD 2.9tr, with JP Morgan reporting a 37% year-over-year rise in household deposits in a recent investor update.

Fiscal deficits have spiked

Budget balance in percentage of GDP for US, Eurozone, Japan, and China, inverted scale

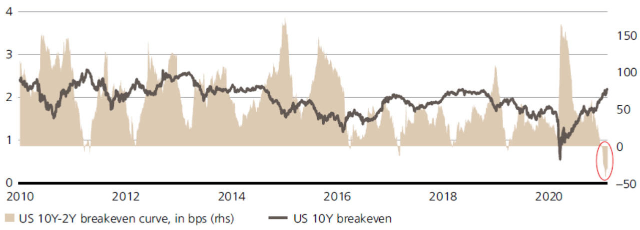


Source: Bloomberg, UBS, as of 8 February 2021

Worries about inflation remained a feature of markets last week, with US two-year inflation break-evens hitting a decade high of 2.6%. Such concerns were stoked by a higher-than-expected US producer price index reading, with the core up 1.2% on the month against a forecast of 0.4%. That included a 0.9% rise in healthcare costs, the second highest jump on record, with the year-on-year rate the highest since 2007. That is significant because healthcare accounts for a fifth of the core personal consumption expenditure index, the Fed's favorite inflation gauge. Inflation concerns continued to push up yields, with the yield on the 10-year US Treasury rising 14.5 basis points to 1.345% over the weeks. But our view remains that the rise in inflation will be temporary. Markets are braced for average inflation of 2.6% over the next two years, but just 2.2% over 10 years, based on break-evens. Meanwhile, Fed minutes have indicated that officials view near-term inflation forces as being driven largely by "temporary factors", such as low past levels dropping out of annual comparisons. That suggests the Fed will avoid tightening too soon. Against this backdrop, we believe investors should look to add

The US breakeven inflation curve is inverted, with near-term expectations higher than longer-term expectations

US 10-year breakeven, in % (lhs); US 10-year-2-year breakeven curve, in bps (rhs)



Source: Bloomberg, UBS, as of 8 February 2021

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continuation WORRIES OF INFLATION?

Nonetheless, a near-term rise in inflation is likely, and at some point in the next few months investors will face a combination of above-target and rising inflation and strong economic and jobs growth, while interest rates stay close to zero and central banks continue to add liquidity. The Federal Reserve has repeatedly said it will look through such an inflation spike— and for the reasons stated above we think it will—but it is likely to lead to nervousness about higher rates.

Inflation worries helped push US 10-year yields 14.5 basis points higher last week to 1.345%, a rise of around 43bps since the start of the year. If yields were to rise sharply over a short period of time, this could prove more problematic for stocks.

Source: UBS House View 02/2021

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	25.02.2021	% Chg YTD
Dow Jones Ind.	30'606.48	31'402.01	2.60%
S&P 500	3'756.07	3'829.34	1.95%
RUSSELL 2000	1'974.86	2'200.17	11.41%
NASDAQ COMP	12'888.28	13'119.43	1.79%
CANADA - TSX	17'433.40	18'484.53	6.03%
MEXICO - IPC	44'066.88	44'310.27	0.55%
BRAZIL IBOVESPA	119'017.24	112'556.36	-5.43%
COLOMBIA COLCAP	1'437.89	1'370.75	-4.67%
ASIA	**31.12.2020**	**25.02.2021**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	30'168.27	9.93%
H.K. HANG SENG	27'231.13	30'074.17	10.44%
CHINA CSI 300	5'211.29	5'469.56	4.96%
EUROPE	**31.12.2020**	**25.02.2021**	**% Chg YTD**
EURO STOXX 50	3'352.64	3'685.28	9.92%
UK - FTSE 100	6'460.52	6'651.96	2.96%
GERMANY - DAX	13'718.78	13'879.33	1.17%
SWITZERLAND - SMI	10'703.51	10'658.87	-0.42%
SPAIN - IBEX 35	8'073.70	8'317.80	3.02%
NETHERLANDS - AEX	624.61	664.48	6.38%
RUSSIA - RTSI	138'530.00	145'730.00	5.20%

VOLATILITY

	31.12.2020	25.02.2021	% Chg YTD
SPX (VIX)	22.75	28.89	26.99%

CURRENCIES

	31.12.2020	25.02.2021	% Chg YTD
EUR/USD	1.2237	1.2183	-0.44%
USD/JPY	103.2360	106.2100	2.88%
USD/CHF	0.8840	0.9048	2.35%
GBP/USD	1.3673	1.4017	2.52%
USD/CAD	1.2739	12602.0000	989184.45%
EUR/CHF	1.0817	1.1023	1.90%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	25.02.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'769.90	-6.73%
SILVER USD/OZ	26.45	27.42	3.67%
PLATINUM USD/OZ	1'075.50	1'220.50	13.48%
ENERGY	**31.12.2020**	**25.02.2021**	**% Chg YTD**
WTI Crude Oil	48.52	63.53	30.94%
Brent Crude Oil	51.80	66.88	29.11%
Natural Gas	2.53	2.73	7.91%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.043	0.166	1.515
GERMANY	-0.591	-0.653	-0.231
SWITZERLAND	-0.800	-0.769	-0.156
UK	0.017	0.114	0.787
JAPAN	-0.100	-0.101	-0.141

T&T INTERNATIONAL GROUP

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