

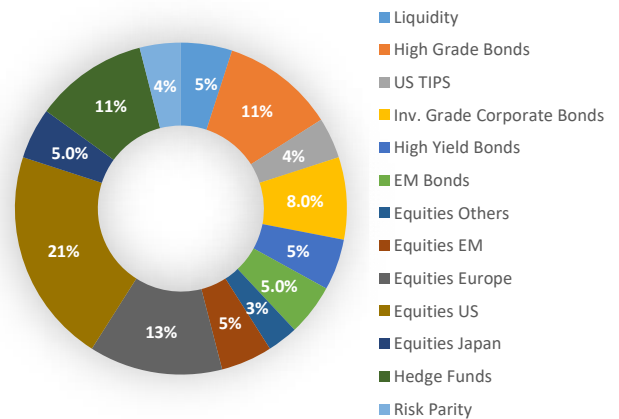
**FINANCIAL MARKET OUTLOOK (SHORT TERM)**

APPEALING			LESS FAVOURED	
Asia ex-Japan, China equities, Japanese equities US small-caps and mid-caps 5G+, fintech, healthtech, greentech Future of the earth Sustainable investing Investing in digital subscriptions Financials, materials, energy	<b>Equities</b>	<b>Bonds</b>	Global consumer brands Eurozone-Communications Consumer discretionary Consumer staples Eurozone small and mid caps	
Asia high yield Chinese government bonds Leverage US high yield Green bonds: defensive and sustainable Yield pick-up with corporate hybrids Flexing Synthetic			Asia investment grade Select investment grade bonds Select emerging market bonds	
EUR, GBP, CNY, SGD			<b>Currencies</b>  USD, JPY	
Commodities Oil			<b>Precious Metals &amp; Commodities</b>	

**ASSET ALLOCATION**

Higher inflation is likely to remain in the spotlight as the post-pandemic recovery accelerates, and inflation fears could generate bouts of market volatility. We think it highly likely that the uptick in inflation driving the recent volatility will ultimately prove short-lived, and major central banks have also indicated that they will not tighten policy in response to a temporary increase in prices. We continue to think that the environment of accelerating global growth, supported by re-opening of economies and fiscal stimulus, and an accommodative global monetary policy stance, is a continued positive mix for global equity markets. We remain risk-on overall, expressed through a preference for select equities as well as select credit and commodities segments that are geared to the economic recovery.

**BALANCED USD MODEL PORTFOLIO**



**EQUITIES**

The effect of fiscal stimulus and the post-COVID-19 bounce back in consumer and business demand is leading to strong earnings growth. Our '21 EPS forecast for the MSCI AC World index stands at +38% vs. 35% for consensus, which implies further upgrades to come. Absolute valuations are still stretched, but in a world of low rates, equities look more attractive than bonds. We see further upside potential in global equities, driven largely by the cheaper areas such as value stocks. We keep Emerging Markets (EM) at Most Preferred. EM equities are particularly sensitive to firming global growth and commodity prices and exhibit strong earnings momentum, while their valuations are attractive compared with those of developed markets. We also add Japan to Most Preferred: cheap valuations, strong earnings revisions and positive correlation to US real rates should support Japanese stocks performance in the months to come.

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**BONDS**

With a short-term spike in inflation looming and economic normalization on the horizon, volatility in the long-end of the yield curve has increased. Central banks have stated that they will withdraw stimulus much later than they did in previous cycles as the recovery kicks in, and that they would like to see a moderate glide path for rates. After the strong rally, we believe that US rates will move more gradually higher from here as the economic activity continues to normalize and the market slowly brings forward tapering and eventual rate hikes. Within credit, we believe that the lower credit segments in the US will be sustained by the strong fiscal stimulus, fast vaccine rollout as well as an improved outlook for defaults. We maintain US high yield as Most Preferred, while US investment grade remains as Least Preferred due to tight valuations and its vulnerability to rising yields. We like Asian high yield for its attractive yield and valuation.

Source: UBS House View June 2021

**CURRENCIES**

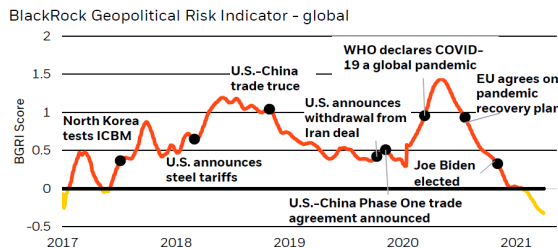
Among G10 currencies, we remain bearish on the US dollar and the yen for the remainder of this year. We expect pro-cyclical currencies like the euro, commodity-producer currencies, and the pound to benefit from a global growth rebound and vaccinations. The Swiss franc is also likely to rise, but not as much as the EUR or the GBP. Demand for the safe-haven JPY should fall, and the currency may even underperform the greenback as global investors prepare for a post-COVID world. Next year the trends might turn, if markets start to price in rate hikes. Firm demand for the Chinese yuan should keep it in a stable range of 6.30 – 6.45 against the USD.

**TOPIC OF THE MONTH**

**GAUGIN GEOPOLITICAL RISKS**

- The market focus is on the restart and inflation -and less on geopolitical risks –yet it’s worth watching specific risks as flareups could catch investors off guard.
- Inflation expectations eased on lower oil and commodity prices. We expect volatile near-term data amid pent-up consumer demand and supply shortages.
- Data are expected to show the U.S. personal consumption expenditure (PCE) price index rose 2.8% in April, above the Federal Reserve’s inflation target.

Market attention to geopolitical risks has fallen to four-year lows, the refreshed Geopolitical risk dashboard shows. We believe this is justified, as investors appear more focused on the economic restart and inflation outlook and less concerned about geopolitics since the change in U.S. administration.



The dashboard gauges market attention to overall geopolitics and to each of our top-10 risks by tracking the relative frequency of brokerage reports and financial news stories associated with the risks through BlackRock Geopolitical Risk Indicators (BGRIs). The global BGRI score has been trending down in the past year because of fading attention to risks such as U.S.-China strategic competition, Covid-19 resurgence and Gulf tensions. It has hovered in negative territory this year, as the chart shows, meaning market attention to geopolitical risks is below the average of recent years. Overall, this indicates a significant reduction in concern about geopolitical risk since the change in U.S. administration. The dashboard also provides BlackRock’s fundamental assessment of the likelihood of each risk materializing in the near term. There is also a new quantitative measure that seeks to gauge how similar the current market environment is to our estimate of market movement in the event the risk materialized.

There are four new risks in the dashboard: Covid-19 resurgence, emerging market political crisis, global technology decoupling and climate policy gridlock. Market attention to Covid-19 resurgence appears low, but we assign medium likelihood to this risk; attention to emerging market political crisis is relatively elevated, yet we see a low likelihood. We see a high likelihood that decoupling of the U.S. and Chinese tech sectors accelerates in scale and scope, despite the relatively low attention to the global technology decoupling risk. The pace of global reshoring of technological supply chains has sped up, potentially increasing production costs. This supports our view that markets are underpricing medium-term inflation risks. The Biden administration is continuing its predecessor’s posture of intense rivalry with China, with a focus on critical technologies, and China has made tech self-reliance a top priority. We believe it’s key to invest in both these poles of global growth, as detailed in the role of Chinese assets. U.S.-China tensions over Taiwan have been rising. We do not see near-term risks of military showdown but believe there is a significant medium- and long-term threat.

Climate policy gridlock refers to the risk that developed economies fail to increase public investment and regulatory action to achieve their goals to reduce carbon emissions. Attention to this risk appears low, as reflected in our BGRI, in line with our assessment of a low likelihood. We believe avoiding climate-related damages will help drive growth and improve risk asset returns, and have included the effects of climate change – and a climate transition – in our long-term return assumptions.

## CONTINUATION: GAUGIN GEOPOLITICAL RISKS

In some cases the dashboard reveals a disconnect between market attention and our fundamental analysis. Two examples: First, attention to Major cyberattack(s) risk has receded from a 2020 peak yet we see a high likelihood of this risk occurring. The recent hacking of a U.S. oil pipeline –and its impact on energy markets –highlights the risk. Second, market attention to a potential North Korea conflict is well below the historical average, but we rate the likelihood of the risk as “medium” –and see tensions as likely to increase heading into 2022. North Korean provocations, including long-range missile tests and potential for a nuclear test, could trigger a possible escalation.

The bottom line: There might be a relative decrease in market attention to geopolitical risks as justified, particularly in light of powerful key near-term market drivers such as the economic restart and inflation outlook, but note that geopolitical risk flareups could have an outsize impact when markets least expect it.

Source: [www.blackrock.com](http://www.blackrock.com) / 27.05.2021

## KEY FIGURES 2021

## EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	25.05.2021	% Chg YTD
Dow Jones Ind.	30'606.48	34'393.98	12.37%
S&P 500	3'756.07	4'197.05	11.74%
RUSSELL 2000	1'974.86	2'227.34	12.78%
NASDAQ COMP	12'888.28	13'661.17	6.00%
CANADA - TSX	17'433.40	19'527.30	12.01%
MEXICO - IPC	44'066.88	49'457.93	12.23%
BRAZIL IBOVESPA	119'017.24	124'031.62	4.21%
COLOMBIA COLCAP	1'437.89	1'244.08	-13.48%
ASIA	31.12.2020	25.05.2021	% Chg YTD
JAPAN- NIKKEI	27'444.17	28'364.61	3.35%
H.K. HANG SENG	27'231.13	28'412.26	4.34%
CHINA CSI 300	5'211.29	5'155.59	-1.07%
EUROPE	31.12.2020	25.05.2021	% Chg YTD
EURO STOXX 50	3'352.64	4'035.58	20.37%
UK - FTSE 100	6'460.52	7'051.59	9.15%
GERMANY - DAX	13'718.78	15'437.51	12.53%
SWITZERLAND - SMI	10'703.51	11'225.88	4.88%
SPAIN - IBEX 35	8'073.70	9'205.50	14.02%
NETHERLANDS - AEX	624.61	710.46	13.74%
RUSSIA - RTSI	138'530.00	155'930.00	12.56%

## VOLATILITY

	31.12.2020	25.05.2021	% Chg YTD
SPX (VIX)	22.75	18.40	-19.12%

## CURRENCIES

	31.12.2020	25.05.2021	% Chg YTD
EUR/USD	1.2237	1.2217	-0.16%
USD/JPY	103.2360	108.7700	5.36%
USD/CHF	0.8840	0.8967	1.44%
GBP/USD	1.3673	1.4156	3.53%
USD/CAD	1.2739	1.2046	-5.44%
EUR/CHF	1.0817	1.0959	1.31%

## COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	25.05.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'880.24	-0.92%
SILVER USD/OZ	26.45	27.77	4.99%
PLATINUM USD/OZ	1'075.50	1'178.00	9.53%
ENERGY	31.12.2020	25.05.2021	% Chg YTD
WTI Crude Oil	48.52	66.05	36.13%
Brent Crude Oil	51.80	66.44	28.26%
Natural Gas	2.53	2.89	14.07%

## INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.005	0.153	1.608
GERMANY	-0.643	-0.655	-0.14
SWITZERLAND	-0.800	-0.777	-0.130
UK	0.039	0.036	0.812
JAPAN	-0.130	-0.128	0.079

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**T&T INTERNATIONAL GROUP**

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