NEWSLETTER JULY 2021

T&T International Group
Your 360° Wealth Partner

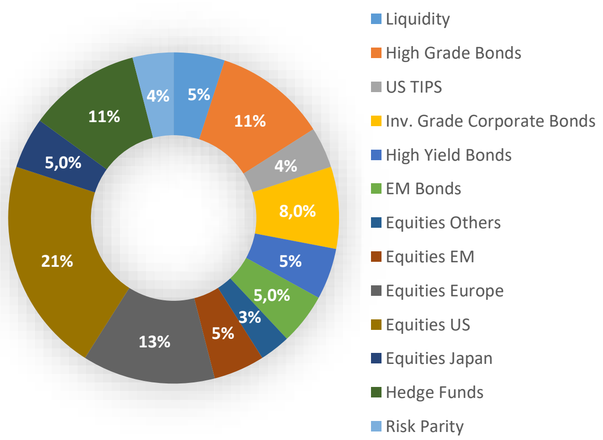
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Asia ex-Japan, China equities, Japanise equities US small-caps and mid-caps Europe's digital leaders 5G+, fintech, healthtech, greentech Future of the earth Sustainable investing Investing in European stoks with Q-GARP Investing in digital subscriptions Smart mobility Financials, materials, energy	**Equities**	Global consumer brands Eurozone consumer discretionary Consumer staples Communications services Eurozone small and mid caps Limited upside list
Asia high yield Chinese government bonds Leverage US high yield Green bonds: defensive and sustainable Yield pick-up with corporate hybrids Flexing Synthetic	**Bonds**	Asia investment grade Select investment grade bonds Select emerging market bonds
EUR, GBP, CNY	**Currencies**	USD, JPY
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Views 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 is 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 a reopening of economies, 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 commodity segments that are geared to the economic recovery.

BALANCED USD MODEL PORTFOLIO



EQUITIES

The The effect of fiscal stimulus and the post-COVID-19 bounce back in consumer and business demand is leading to strong earnings growth. Earnings momentum has accelerated further, and consensus estimates have been raised. 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 as most preferred. Emerging market stocks are particularly sensitive to firming global growth and commodity prices and trade at a discount to developed market peers. We also keep Japanese equities as most preferred as their cheap valuations, improving earnings revisions, and positive correlation to US real rates should support their performance in the months ahead.

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BONDS

As economies reopen, inflation has spiked higher. However, central banks have stated that they will withdraw stimulus much later than they did in previous cycles, and the Federal Reserve has said it will look past a temporary spike in inflation. After the recent pause in their move higher, we think US rates will gradually climb in the second half of the year as restrictions are softened, the labor market recovers, and the Fed gets closer to reducing its asset purchases. Within credit, we maintain high yield as most preferred; in particular, we believe the lower credit segments in the US will be sustained by the strong fiscal stimulus and vaccine rollout as well as an improved commodity backdrop and outlook for defaults. At the same time, US investment grade remains least preferred due to tight valuations and its vulnerability to rising yields. We like Asia high yield for its attractive yield and valuation.

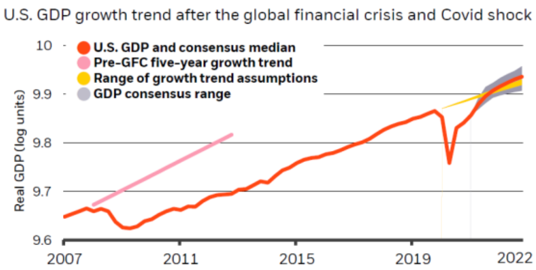
CURRENCIES

Among G10 currencies, we remain bearish on the US dollar and the Japanese yen into the second half of the year. We expect procyclical currencies like the euro, commodity-producer currencies, and the pound to benefit from a global growth rebound, progress in vaccinations, and lower inflation than the US. 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 in favor of the greenback if markets start to price in Fed rate hikes. Firm demand for the Chinese yuan should keep it in a stable range of 6.30–6.45 against the USD.

Source: UBS House View July 2021

TOPIC OF THE MONTH

WHAT LIES BEYOND THE RESTART



The global economy and markets are at the most consequential moment since a decade ago. The bounce back from the Covid shock has been remarkably swift, reflecting that this is a restart, not a usual business cycle recovery. This is in stark contrast to the global financial crisis (GFC) and the "lost decade" that followed. Median forecasts now point to a period of above-trend growth of the US economy, according to the latest Reuters poll. See the chart above. This is unusual, as typically growth takes time to pick up to trend again after a downturn. The bigger question: What lies beyond? Views among forum participants differed on whether the restart is the start of a broader pickup in animal spirits, the acceleration of trends that boost potential growth, or a return to something more like a typical mid- or late-cycle. Many saw US inflation exceeding the Fed's target in the medium term – a big turnaround from the tepid inflation expectations of a year earlier. The BlackRock Investment Institute (BII) sees US CPI inflation averaging just under 3% between 2025-2030, and believes this is still underpriced by markets.

Strong consensus emerged among forum participants on some long-term investment themes. These include the transition to a net-zero economy, an enduring policy revolution, opportunities in Chinese assets despite structural US-China tensions, and the key role of technological innovation. Tech will be critical for solving structural problems such as ageing societies and the resulting decline of labor participation; it is also key to the sectoral views on incorporating the effect of climate change and that of the "green" transition. The net-zero transition requires huge investments, changes in business models and innovation. There is no roadmap for such a tectonic shift – one that we believe markets are underappreciating. The transition could create sustained demand for commodities such as copper and lithium that are critical for electrification, but may also exacerbate a near-term supply/demand imbalance in oil, spurring price volatility.

China is key to the net-zero transition. China, the world's largest greenhouse gas emitter, has pledged to achieve carbon neutrality before 2060 and peak carbon emission by 2030. More broadly, we view China-related assets as core strategic holdings as we believe investors need exposures to China in an increasingly bi-polar US-China world order.

We see our new nominal investment theme – that calls for a more muted response in interest rates to higher inflation than in the past – not only playing out but just getting started. We see central banks, notably the Fed, as likely leaning against sharp long-term yield rises. The upshot: We see a lower path of short-term interest rates compared with our previous expectation and current market pricing – and this has significant implications for our strategic views.

CONTINUATION: WHAT LIES BEYOND THE RESTART

Our strong conviction on these long-term investment themes has helped inform our strategic views. These include a preference for assets that are likely to benefit from the climate transition, Chinese assets as core holdings, and a preference for inflation-linked bonds over nominal bonds. The direction of travel is clear, yet it is crucial to identify nearer-term opportunities along the path between now and then. Over the tactical horizon, we are pro-risk amid the broadening restart. The easy monetary policy and massive fiscal spending have triggered some concerns about asset price bubbles, but we see little evidence to date of systemic financial imbalances arising.

Source: www.blackrock.com / 14.06.2021

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31/12/2020	17/06/2021	% Chg YTD
Dow Jones Ind.	30.606,48	33.812,00	10,47%
S&P 500	3.756,07	4.226,00	12,51%
RUSSELL 2000	1.974,86	2.289,16	15,92%
NASDAQ COMP	12.888,28	12.888,22	0,00%
CANADA - TSX	17.433,40	20.170,94	15,70%
MEXICO - IPC	44.066,88	50.210,16	13,94%
BRAZIL IBOVESPA	119.017,24	127.946,10	7,50%
COLOMBIA COLCAP	1.437,89	1.248,79	-13,15%
ASIA	**31/12/2020**	**17/06/2021**	**% Chg YTD**
JAPAN- NIKKEI	27.444,17	29.137,50	6,17%
H.K. HANG SENG	27.231,13	28.558,59	4,87%
CHINA CSI 300	5.211,29	5.101,89	-2,10%
EUROPE	**31/12/2020**	**17/06/2021**	**% Chg YTD**
EURO STOXX 50	3.352,64	4.157,22	24,00%
UK - FTSE 100	6.460,52	7.153,43	10,73%
GERMANY - DAX	13.718,78	15.727,67	14,64%
SWITZERLAND - SMI	10.703,51	12.011,11	12,22%
SPAIN - IBEX 35	8.073,70	9.195,90	13,90%
NETHERLANDS - AEX	624,61	734,89	17,66%
RUSSIA - RTSI	138.530,00	164.380,00	18,66%

VOLATILITY

	31/12/2020	17/06/2021	% Chg YTD
SPX (VIX)	22,75	17,74	-22,02%

CURRENCIES

	31/12/2020	17/06/2021	% Chg YTD
EUR/USD	1,2237	1,1904	-2,72%
USD/JPY	103,2360	110,2800	6,82%
USD/CHF	0,8840	0,9179	3,83%
GBP/USD	1,3673	1,3921	1,81%
USD/CAD	1,2739	1,2356	-3,00%
EUR/CHF	1,0817	1,0924	0,99%

COMMODITIES (USD)

PRECIOUS METALS	31/12/2020	17/06/2021	% Chg YTD
GOLD USD/OZ	1.897,70	1.773,78	-6,53%
SILVER USD/OZ	26,45	25,88	-2,16%
PLATINUM USD/OZ	1.075,50	1.071,50	-0,37%
ENERGY	**31/12/2020**	**17/06/2021**	**% Chg YTD**
WTI Crude Oil	48,52	70,65	45,61%
Brent Crude Oil	51,80	73,04	41,00%
Natural Gas	2,53	3,35	32,49%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0,038	0,2133	1,509
GERMANY	-0,658	-0,676	-0,2005
SWITZERLAND	-0,800	-0,781	-0,227
UK	0,021	0,097	0,767
JAPAN	-0,099	-0,123	-0,059

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.

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