NEWSLETTER AUGUST 2021

T&T International Group
Your 360° Wealth Partner

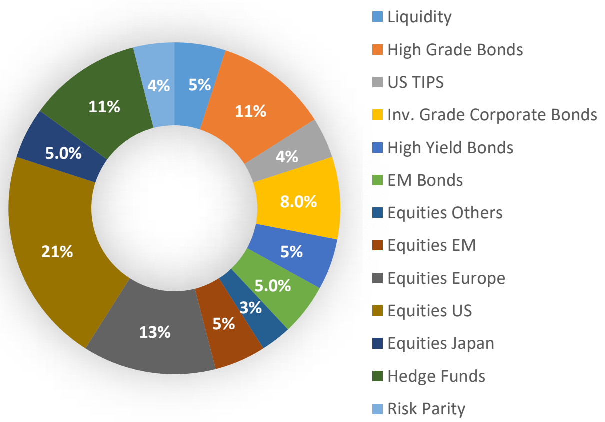
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Asia ex-Japan Japanese equities US mid-caps 5G+, fintech, healthtech, greentech Europe's digital leader Future of the earth Sustainable investing Investing in European stocks with Q-GARP Investing in digital subscriptions Smart mobility Financials, materials, energy	**Equities**	Global consumer brands Eurozone comunications services Consumer discretionary Consumer staples Eurozone small and mid caps
Asia high yield Chinese goverment bonds 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
CNY, GBP	**Currencies**	JPY
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Higher inflation and lingering concerns around COVID-19 are likely to remain in the spotlight as the post-pandemic recovery continues. We think it is highly likely that the uptick in inflation 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.

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

As economies reopen, inflation has spiked higher. However, central banks such as the Federal Reserve have stated that they are willing to tolerate a modest inflation overshoot relative to their targets and withdraw stimulus much later than they did in previous cycles. After the recent pause in their move higher, we think US rates will gradually climb in the coming quarters as restrictions are eased, 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 improving macroeconomic backdrop as well as higher commodity prices and the benign 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 turned neutral on the US dollar and the EUR. The US economic recovery has progressed well, and the Fed has turned less dovish. EURUSD is more in balance as the European currency remains supported by the global recovery. The JPY should continue to underperform, with the Bank of Japan likely to remain as one of the most dovish central banks globally. Next year the trends are likely turn more in favor of the greenback when markets start to price in Fed rate hikes. The CNY is expected to weaken moderately versus the USD amid decelerating Chinese growth momentum, but its attractive yield carry of 2.5% p.a. (relative to USD) remains appealing for global investors.

Source: UBS House View August 2021

TOPIC OF THE MONTH

ECB REVIEW: PERSISTENTLY ACCOMMODATIVE

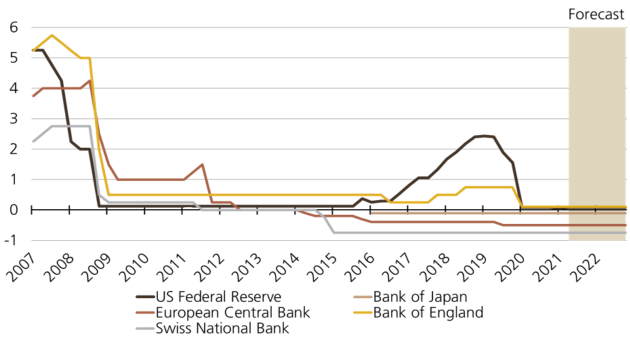
• The European Central Bank (ECB) left its monetary policy stance unchanged at its July meeting, in line with our and market expectations. Following the conclusion of the strategic review, forward guidance for interest rates was strengthened, but it is clear that the ECB needs more to time to consider its next move in terms of policy instruments. Investors will have to wait until September for greater insight.
• The rise of the COVID-19 Delta variant across the continent has raised concerns, but this is expected to be focused on services. The ECB still expects the Eurozone economy to return to its pre-pandemic level by the first quarter of next year.

As expected, there were no changes to the key policy instruments today, but the ECB used its first meeting after the conclusion of it strategic review to strengthen its forward guidance on the path of interest rates. According to President Christine Lagarde, the decision on this wasn't unanimous.

But the conclusion, which suggests persistent accommodation, was undoubtedly dovish. The key statement from the revamped monetary policy statement reads "*...the Governing Council expects the key ECB interest rates to remain at their present or lower levels until it sees inflation reaching two per cent well ahead of the end of its projection horizon and durably for the rest of the projection horizon, and it judges that realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at two per cent over the medium term. This may also imply a transitory period in which inflation is*

Central banks remain in easing mode

Policy rates (US, Japan, Eurozone, UK, Switzerland), in %



Taking each part in turn, we take note of the expectation to keep interest rates on hold until inflation reaches the ECB's 2% inflation target well ahead (Largarde clarified this as somewhere around the midpoint of the three-year forecast horizon), and durably for the rest of the projection. Presently, the inflation forecast does not meet these criteria through to the end of 2023. Thus, unless there were to be a sharp upward revision to the projections, this suggests that interest rates will remain on hold, or lower, well beyond 2023.

The statement regarding the potential for inflation overshoots was expected, given that the strategic review delivered a symmetrical 2% inflation target. However, today's statement strengthens this commitment by making a tolerance for inflation modestly above 2% for a period more explicit. The ECB's June meeting confirmed that it is in no mood yet to adjust policy, which leaves it at odds with its peers, many of whom are turning more hawkish. This raises the question: What are the ECB's next moves?

Next steps

Missing from that statement was any information about what the ECB intends to with its existing purchase programs. The ECB was always likely to wait until its September meeting before announcing the next steps, as it will be armed then with a new set of growth and inflation projections.

CONTINUATION: ECB REVIEW: PERSISTENTLY ACCOMMODATIVE

Assuming that growth in the Eurozone unfolds broadly in line with expectations, we may see a modest slowdown in the pace of purchases in the PEPP (Pandemic Emergency Purchase Program) from its current "significantly higher" pace, but markets will be looking for what comes after the expiry of the PEPP in March 2022. After all, if the ECB policy stance does not enable it to meet its inflation objective, as is currently the case, will more action will be needed? In our view, it seems likely that the ECB will have to replace the PEPP either by enhancing its long-running Asset Purchase Program (APP), although existing purchase limits will make this a challenge. The alternative is that the ECB achieves this via some other innovative means.

Source: www.UBS CIO GWM / 22.07.2021

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	22.07.2021	% Chg YTD
Dow Jones Ind.	30'606.48	34'823.35	13.78%
S&P 500	3'756.07	4'367.48	16.28%
RUSSELL 2000	1'974.86	2'199.48	11.37%
NASDAQ COMP	12'888.28	14'684.60	13.94%
CANADA - TSX	17'433.40	20'110.05	15.35%
MEXICO - IPC	44'066.88	50'240.51	14.01%
BRAZIL IBOVESPA	119'017.24	126'146.66	5.99%
COLOMBIA COLCAP	1'437.89	1'250.71	-13.02%
ASIA	**31.12.2020**	**22.07.2021**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	27'548.00	0.38%
H.K. HANG SENG	27'231.13	27'723.84	1.81%
CHINA CSI 300	5'211.29	5'151.75	-1.14%
EUROPE	**31.12.2020**	**22.07.2021**	**% Chg YTD**
EURO STOXX 50	3'352.64	4'059.05	21.07%
UK - FTSE 100	6'460.52	6'968.30	7.86%
GERMANY - DAX	13'718.78	15'514.54	13.09%
SWITZERLAND - SMI	10'703.51	11'977.00	11.90%
SPAIN - IBEX 35	8'073.70	8'621.80	6.79%
NETHERLANDS - AEX	624.61	739.03	18.32%
RUSSIA - RTSI	138'530.00	160'130.00	15.59%

VOLATILITY

	31.12.2020	22.07.2021	% Chg YTD
SPX (VIX)	22.75	17.69	-22.24%

CURRENCIES

	31.12.2020	22.07.2021	% Chg YTD
EUR/USD	1.2237	1.1770	-3.81%
USD/JPY	103.2360	110.1400	6.69%
USD/CHF	0.8840	0.9204	4.12%
GBP/USD	1.3673	1.3762	0.65%
USD/CAD	1.2739	1.2565	-1.36%
EUR/CHF	1.0817	1.0823	0.06%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	22.07.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'806.09	-4.83%
SILVER USD/OZ	26.45	25.36	-4.12%
PLATINUM USD/OZ	1'075.50	1'097.00	2.00%
ENERGY	**31.12.2020**	**22.07.2021**	**% Chg YTD**
WTI Crude Oil	48.52	71.91	48.21%
Brent Crude Oil	51.80	74.36	43.55%
Natural Gas	2.53	4.00	58.10%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.048	0.2028	1.267
GERMANY	-0.656	-0.716	-0.419
SWITZERLAND	-0.790	-0.77	-0.370
UK	0.062	0.073	0.568
JAPAN	-0.120	-0.129	-0.100

T&T INTERNATIONAL GROUP

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