# NEWSLETTER SEPTEMBER 2021

T&T International Group
*Your 360° Wealth Partner*

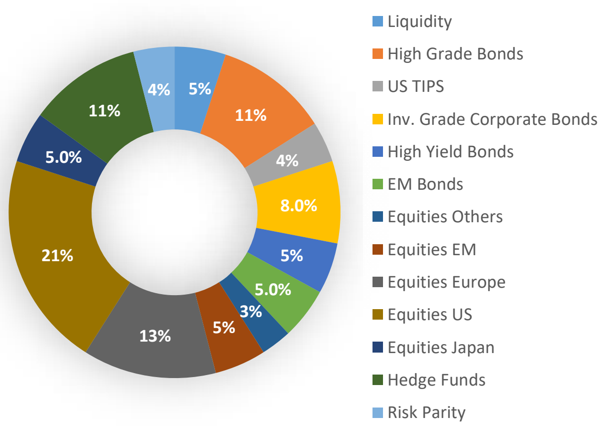
## FINANCIAL MARKET OUTLOOK (SHORT TERM)

| APPEALING | | LESS FAVOURED |
|---|---|---|
| Japanese equities<br>US mid-caps<br>5G+, fintech, healthtech, greentech<br>Europe's digital leader<br>Future of the earth<br>Sustainable investing<br>Investing in European stocks with Q-GARP<br>Investing in digital subscriptions<br>Smart mobility<br>Financials, materials, energy | **Equities** | Global consumer brands<br>Eurozone comunications services<br>Consumer discretionary<br>Consumer staples<br>Eurozone small and mid caps |
| Asia high yield<br>Green bonds: defensive and sustainable<br>Yield pick-up with corporate hybrids<br>Flexing Synthetic<br>US senior loans | **Bonds** | Select investment grade bonds<br>Select high yield bonds |
| SGD, GBP | **Currencies** | JPY |
| Commodities<br>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 likely that the uptick in inflation will ultimately prove short-lived as supply-side bottlenecks are resolved. Major central banks have also indicated that they will not tighten policy in response to a temporary increase in prices. The spread of the delta variant has led to an increase in global COVID-19 cases and prompted the reimposition of social and economic restrictions in some countries. But we do not expect the delta variant, or other variants currently in circulation, to derail the economic recovery. Vaccines appear to be effective at reducing healthcare burdens, and we expect governments to increasingly look through rising case numbers as vaccination rates increase. We continue to think that the environment of strong global growth, supported by the reopening of economies, fiscal stimulus, and accommodative global monetary policy is a positive mix for global equity markets. We remain risk-on overall, expressed through a preference for select equities and commodity segments geared toward 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. Stronger-than-expected earnings seasons in major markets have pushed global equities to new all-time highs, despite worries about the impact of the delta variant. Absolute valuations are still elevated in historical terms, but in a low real-rate environment and an outlook of continued earnings growth, we think equites can extend their gains. We downgrade emerging market equities to neutral from most preferred. The prospect of a tapering announcement from the Fed as well as the uncertain policy environment in China makes us more cautious on the region. We keep Japanese equities as most preferred. Valuations have fallen and a catch-up in the vaccination rate compared to other developed markets should help Japan to make up the under-performance to global equities seen since the beginning of the year.

## 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. However, central banks including 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 rising vaccination rates and vaccine effectiveness against severe disease allows for a gradual reopening, the labor market recovers, and the Fed inches closer to reducing its asset purchases. Within credit, we downgrade high yield to neutral as spreads have compressed and upside appears limited from current levels. US investment grade remains least preferred due to tight valuations and its vulnerability to rising yields. Asia high yield remains most preferred for its attractive yield and valuation.

## CURRENCIES

Among G10 currencies, we turned neutral on the USD 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. We broadly favor the currencies backed by central banks that are about to unwind stimulus measures. The JPY should continue to underperform, with the Bank of Japan likely to remain 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 around 2.5% p.a. (relative to USD) provides some offset to the expected spot depreciation.

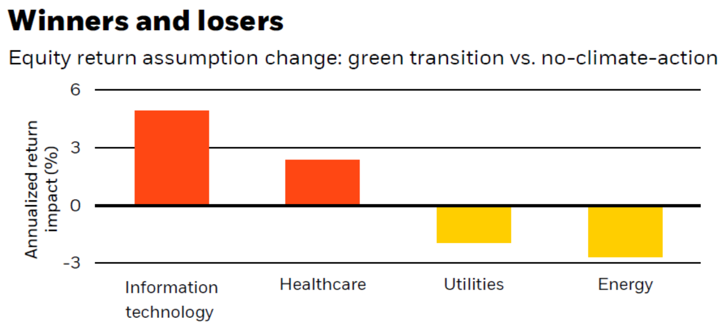
*Source: UBS House View September 2021*

## TOPIC OF THE MONTH

### DON'T IGNORE CLIMATE RISK IN PORTFOLIOS

Severe climate events around the world this year have intensified debate around the effects of climate change and the risks they pose to portfolios. Investors should no longer view the transition to a low-carbon economy as a distant event only, in our view, as it is happening here and now. Climate risk is investment risk, and the narrowing window for governments to reach net-zero goals means that investors need to start adapting their portfolios today.

The latest reportfrom the United Nations' Intergovernmental Panel on Climate Change (IPCC) confirmed the accelerating global warming. It assesses that greenhouse gas emissions from human activities are responsible for about 1.1 degree Celsius (or about 2 degrees Fahrenheit) of warming in average global temperatures since the 19thcentury, and the warming will continue for decades even if immediate actions are taken to sharply reduce emissions. The IPCC still sees a narrow window for limiting warming to 1.5 degree Celsius if there is a coordinated effort to achieve net-zero emission by 2050. Our climate-aware return assumptions assume a successful transition to a low-carbon economy consistent with Paris agreement goals, and that will deliver an improved outlook for growth and risk assets relative to doing nothing. We see climate-resilient sectors such as technology and healthcare likely benefitting the most from a "green" transition, and and opportunities such as energy and utilities likely lagging. See the chart for return assumptions in our base case vs. a no-climate-action scenario.




**For illustrative purposes only. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance.** Sources: BlackRock Investment Institute, with data from Refinitiv Datastream and Bloomberg, August 2021. Notes: The chart shows the difference in U.S. dollar expected returns over the next five years from August 2021 for four sectors of the MSCI USA Index in our base case of a "green" transition (policies and actions taken to mitigate climate change and damages, and to limit temperature rises to no more than 2 degrees Celsius by 2100) vs. a no-climate-action scenario. The estimated sectoral impact is based on expected differences in economic growth, corporates earnings and asset valuations across the two scenarios. Professional investors can access full details in our Portfolio perspectives and CMAs website.

Attention on climate change is running high – as extreme weather events have occurred frequently in recent years. The increasing frequency of these events will continue even if global warming is limited to 1.5 degree Celsius, according to the scientific consensus reflected by the IPCC. Severe heat waves that happened once every 50 years in the pre-industrial world are now happening roughly once a decade, and will likely occur once every six years in a 1.5 degree scenario, according to the report. This IPCC report, focused on the physical science of climate change, is one of the four the UN panel plans to release between now and September 2022. The other three will focus on the impact of climate change on society and on natural systems, as well as on the pathways to achieve net-zero emissions. Global governments are due to meet in late October at a key UN climate conference to discuss how to accelerate efforts to achieve their net-zero goals.

Extreme weather events have helped elevate climate risk to a key concern among investors. Consider the two baskets of climate risks: physical risks (think of hurricanes and wildfires and their potential damages to real assets) and transition risks (financial risks arising from the transition to net-zero, stemming from changes in taxes, regulation, technology and business models). The window for a successful transition to net-zero by 2050 – a goal set by many governments –is shrinking, as pointed out by the IPCC. We could see the window for positioning portfolios shrinking too. Accelerated actions to reach net-zero would drive transition risks to be more rapidly priced in by financial markets. Absent that, we would likely see continually accelerating physical risks as a result. Altogether, the pathway to net-zero remains a highly uncertain one, but regardless of the path taken, we see the implications on portfolios accelerating.

*Source: Blackrock / 16.08.2021*

## KEY FIGURES 2021

### EQUITY INDICES (LOCAL CURRENCIES)

| AMERICA | 31.12.2020 | 27.08.2021 | % Chg YTD |
|---|---|---|---|
| Dow Jones Ind. | 30'606.48 | 35'455.80 | 15.84% |
| S&P 500 | 3'756.07 | 4'509.37 | 20.06% |
| RUSSELL 2000 | 1'974.86 | 2'277.15 | 15.31% |
| NASDAQ COMP | 12'888.28 | 15'129.50 | 17.39% |
| CANADA - TSX | 17'433.40 | 20'504.15 | 17.61% |
| MEXICO - IPC | 44'066.88 | 52'425.64 | 18.97% |
| BRAZIL IBOVESPA | 119'017.24 | 120'677.60 | 1.40% |
| COLOMBIA COLCAP | 1'437.89 | 1'313.99 | -8.62% |
| **ASIA** | **31.12.2020** | **27.08.2021** | **% Chg YTD** |
| JAPAN- NIKKEI | 27'444.17 | 27'789.14 | 1.26% |
| H.K. HANG SENG | 27'231.13 | 25'407.89 | -6.70% |
| CHINA CSI 300 | 5'211.29 | 4'827.04 | -7.37% |
| **EUROPE** | **31.12.2020** | **27.08.2021** | **% Chg YTD** |
| EURO STOXX 50 | 3'352.64 | 4'190.98 | 25.01% |
| UK - FTSE 100 | 6'460.52 | 7'148.01 | 10.64% |
| GERMANY - DAX | 13'718.78 | 15'851.75 | 15.55% |
| SWITZERLAND - SMI | 10'703.51 | 12'439.00 | 16.21% |
| SPAIN - IBEX 35 | 8'073.70 | 8'922.20 | 10.51% |
| NETHERLANDS - AEX | 624.61 | 787.44 | 26.07% |
| RUSSIA - RTSI | 138'530.00 | 166'940.00 | 20.51% |

### VOLATILITY

| | 31.12.2020 | 27.08.2021 | % Chg YTD |
|---|---|---|---|
| SPX (VIX) | 22.75 | 16.39 | -27.96% |

### CURRENCIES

| | 31.12.2020 | 27.08.2021 | % Chg YTD |
|---|---|---|---|
| EUR/USD | 1.2237 | 1.1800 | -3.57% |
| USD/JPY | 103.2360 | 109.8300 | 6.39% |
| USD/CHF | 0.8840 | 0.9119 | 3.16% |
| GBP/USD | 1.3673 | 1.3769 | 0.70% |
| USD/CAD | 1.2739 | 1.2625 | -0.89% |
| EUR/CHF | 1.0817 | 1.0754 | -0.58% |

### COMMODITIES (USD)

| PRECIOUS METALS | 31.12.2020 | 27.08.2021 | % Chg YTD |
|---|---|---|---|
| GOLD USD/OZ | 1'897.70 | 1'817.24 | -4.24% |
| SILVER USD/OZ | 26.45 | 24.02 | -9.19% |
| PLATINUM USD/OZ | 1'075.50 | 1'014.50 | -5.67% |
| **ENERGY** | **31.12.2020** | **27.08.2021** | **% Chg YTD** |
| WTI Crude Oil | 48.52 | 68.74 | 41.67% |
| Brent Crude Oil | 51.80 | 71.07 | 37.20% |
| Natural Gas | 2.53 | 4.37 | 72.73% |

### INTEREST RATES GOVERNMENT BONDS

| | 3 Months | 2 Years | 10 Years |
|---|---|---|---|
| USA | 0.053 | 0.217 | 1.312 |
| GERMANY | -0.674 | -0.735 | -0.417 |
| SWITZERLAND | -0.790 | -0.749 | -0.336 |
| UK | 0.018 | 0.122 | 0.580 |
| JAPAN | -0.124 | -0.129 | 0.025 |

**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.

**UNSUBSCRIBE**

If you do not wish to receive our Newsletter, you may unsubscribe at any time.
Simply reply by email with “Unsubscribe” to bbaettig@tt-international.ch