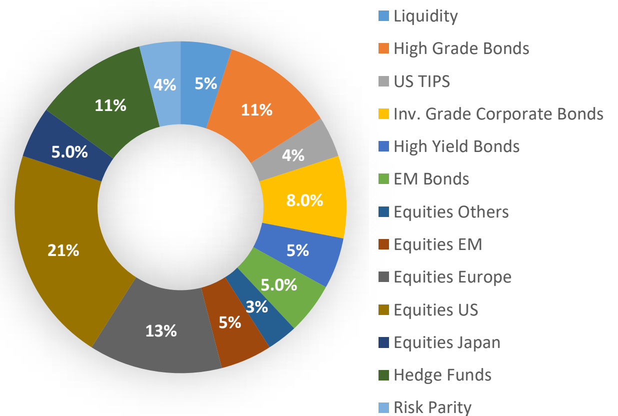
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Energy, financials Healthcare, healthtech, genetic therapies, medical devices US mid-caps, US value Reopening winners (Japan, select EMU, US APAC stocks) Smart mobility, security and safety, automation and robotics Greentech, clean air Digital assets	**Equities**	Global industrials Global real estate Global consumer staples
US senior loans Asia high yield Sustainable bonds	**Bonds**	Select investment grade bonds Select high yield and emerging market bonds
NOK, GBP, SGD, CAD, NZD	**Currencies**	EUR, CHF, JPY
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Inflation and lingering concerns around COVID-19 are likely to remain in the spotlight as the post-pandemic recovery continues. We think that the uptick in inflation will likely ultimately prove shortlived 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. 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 beyond rising case numbers as vaccination rates increase. In our central scenario, we expect a gradual unwinding of monetary policy stimulus measures in the coming months. While the Federal Reserve is likely to announce a tapering of its bond purchases around year-end, the hurdle to raise rates is higher and we do not expect the Fed to hike rates before the end of 2022. We continue to think that the environment of strong global economic 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, which we express through a preference for select equities and commodity segments geared toward the economic recovery.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Global equity performance has further to run, in our view, driven by a rise in forward earnings growth forecasts, an expected fall in COVID cases and still strong growth activity. Valuations are still elevated in absolute terms, but growing earnings outlooks should pave the way for further gains in global equities. The upcoming tapering by major central banks could bring some volatility to the market, but should not derail the overall trend, in our view. Japan remains most preferred in our global asset class preference.

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BONDS

As economies reopen, inflation has spiked. However, central banks including the Fed have stated that they are willing to tolerate an inflation overshoot relative to their targets and withdraw stimulus much later than they did in previous cycles. 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 are neutral high yield as spreads have compressed and the 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 is still most preferred. Valuations are discounting significant default risks within the China property sector; however, in our base case, we expect limited contagion amongst property developers, and continued physical property market stability.

CURRENCIES

Among G10 currencies, we remain neutral on the USD and the EUR. The US economic recovery has made progress, but is not yet strong enough for the Fed to rush ahead with tapering. EURUSD is trending sideways and is more in balance as the European currency remains supported by the global recovery. We favor currencies backed by central banks that are about to unwind stimulus measures. Delta variant-related risks are fading, which should lead to a decline of the safe-haven demand for the CHF and the JPY. Both have given up the gains earned earlier in the summer. 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.

Source: UBS House View October 2021

TOPIC OF THE MONTH

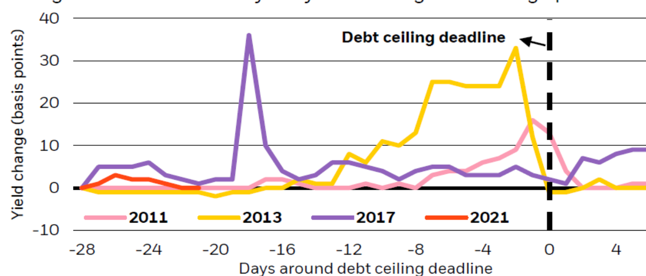
DEBT CEILING SHOWDOWN REDUX

The U.S. needs to soon raise a self-imposed federal debt limit, or the "debt ceiling", to avoid a debt default. We don'tseefundamentalrisksfromthedebtceilingshowdown –with a low risk of technical default and limited chance of a temporary government shutdown. Yet the twists and turns could trigger jitters in markets that have had an extended run higher. Still, we favor looking through any volatility and stay pro-risk over the next six to 12 months.

The Congress has acted to adjust the debt ceiling 78 times since 1960, according the Treasury Department. Over recent decades the debt ceiling has become a subject of intense partisan wrangling. A two-year debt ceiling suspension expired in July, and the Treasury Department said its "extraordinary measures", or maneuvers to manage cash and debt in order to avoid breaching the debt limit, could run out next month if Congress doesn't act. So far we have only seen modest movements at the front end of the Treasury yield curve – in line with market reaction ahead of recent debt ceiling deadlines with the exception of 2017. See the chart aside. We see today's unique market dynamics as contributing to the muted signal from the Treasury market. The Federal Reserve's near-zero policy rate has intensified the hunt for yield, just as the central bank has become a large buyer of Treasuries. In addition, banking regulations since 2008 have helped broaden the buyer base for Treasuries.

Calm before the storm?

Changes in 4-week Treasury Bill yields during debt ceiling episodes



Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, September 2021.

Today's macro environment is very different from previous debt ceiling episodes over the past decade. An economic restart is underway in the U.S., and inflation pressure has increased amid pandemic-related supply disruptions. We uphold our tactical pro-risk stance as the restart broadens out–a more muted reaction from central banks to higher inflation than in the past – is also supportive of risk assets. This is in contrast with the debt ceiling showdown in 2011 that triggered a downgrade in the United States' AAA sovereign credit rating by S&P just as the euro area debt crisis and worries about slower growth kept investors on their toes. It also differs from2018, when worries about U.S.-China trade tensions and their impact on the economy were flaring up.

How will the debt ceiling showdown affect the prospects of Congressional spending plans? We believe it will unlikely derail the $1 trillion bipartisan infrastructure bill or the Democrats' proposed $3.5 trillion spending plan on social policy and climate change - key legislative priorities ahead of the 2022 midterm elections. Yet we do expect the $3.5 trillion price tag onthe Democratic-sponsored reconciliation package to be scaled down to help ensure the support of party moderates, who have balked at some of the proposed tax increases for corporates and high-earning individuals to offset spending.

We believe Congress will ultimately reach an agreement to raise or extend the debt limit, but likely not until right before the Treasury exhausts its borrowing capacity. That may come in late October or early November, but the timing is hard to estimate due to lumpy Treasury cash flows for Covidrelief payments. The good news: Neither political party wants to see a technical default, and there are no calls for substantive spending cuts. Hence we do not believe the debt ceiling represents a fundamental risk to the market. The risk: The timeline to resolve the debt ceiling is tight.

Fuente: Blackrock 21.09.2021

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	27.09.2021	% Chg YTD
Dow Jones Ind.	30'606.48	34'869.37	13.93%
S&P 500	3'756.07	4'443.11	18.29%
RUSSELL 2000	1'974.86	2'281.00	15.50%
NASDAQ COMP	12'888.28	14'969.97	16.15%
CANADA - TSX	17'433.40	20'402.66	17.03%
MEXICO - IPC	44'066.88	51'598.53	17.09%
BRAZIL IBOVESPA	119'017.24	113'583.01	-4.57%
COLOMBIA COLCAP	1'437.89	1'309.38	-8.94%
ASIA	**31.12.2020**	**27.09.2021**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	30'240.06	10.19%
H.K. HANG SENG	27'231.13	24'208.78	-11.10%
CHINA CSI 300	5'211.29	4'877.37	-6.41%
EUROPE	**31.12.2020**	**27.09.2021**	**% Chg YTD**
EURO STOXX 50	3'352.64	4'165.48	24.24%
UK - FTSE 100	6'460.52	7'063.40	9.33%
GERMANY - DAX	13'718.78	15'573.88	13.52%
SWITZERLAND - SMI	10'703.51	11'691.18	9.23%
SPAIN - IBEX 35	8'073.70	9'002.90	11.51%
NETHERLANDS - AEX	624.61	788.67	26.27%
RUSSIA - RTSI	138'530.00	176'980.00	27.76%

VOLATILITY

	31.12.2020	27.09.2021	% Chg YTD
SPX (VIX)	22.75	18.76	-17.54%

CURRENCIES

	31.12.2020	27.09.2021	% Chg YTD
EUR/USD	1.2237	1.1699	-4.39%
USD/JPY	103.2360	110.9900	7.51%
USD/CHF	0.8840	0.9257	4.72%
GBP/USD	1.3673	1.3704	0.23%
USD/CAD	1.2739	1.2629	-0.86%
EUR/CHF	1.0817	1.0829	0.11%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	27.09.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'750.87	-7.74%
SILVER USD/OZ	26.45	22.63	-14.44%
PLATINUM USD/OZ	1'075.50	984.00	-8.51%
ENERGY	**31.12.2020**	**27.09.2021**	**% Chg YTD**
WTI Crude Oil	48.52	75.45	55.50%
Brent Crude Oil	51.80	79.53	53.53%
Natural Gas	2.53	5.83	130.43%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.038	0.309	1.484
GERMANY	-0.651	-0.688	-0.224
SWITZERLAND	-0.790	-0.734	-0.153
UK	0.055	0.392	0.957
JAPAN	-0.140	-0.127	0.054

T&T INTERNATIONAL GROUP

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