T&T International Group
Your 360° Wealth Partner

NEWSLETTER NOVEMBER

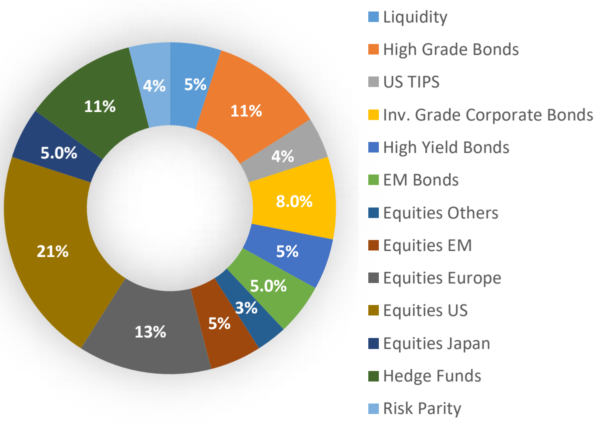
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Eurozone equities 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
USD, GBP, NOK, NZD, SGD	**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. While inflation is likely to remain elevated in the coming months, we expect it to ease in the first half of next year. 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 recurring outbreaks and avoid strict lockdowns as vaccination rates increase. 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 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

We stick to a positive outlook for equities, although we expect higher volatility ahead: the cycle is maturing, EPS growth is set to moderate and central banks are turning more hawkish. However, the ISM and other leading indicators remain well oriented meaning that earnings growth should continue to support equity markets in the months to come. Traditional valuation indicators such as P/E- ratios suggest that equities are expensive. However, when judging the equity risk premium against competing assets (i.e. fixed income), we believe the equity risk premium is attractive and offers a degree of long-term inflation protection, which is viewed as a positive characteristics. Japanese stocks remain at most preferred. We now move EMU stocks to most preferred as well: the growth outlook remains supportive, driven by economies reopening, inventories being restocked, and government infrastructure investment plans in areas such as renewables.

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 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. The combination of strong growth, reduced Fed asset purchases, and the market pricing more rate hikes and a higher peak to the cycle lead us to conclude that rates should move slowly higher across the curve. 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. With Asia HY spreads trading above 800bps, we think default risk is largely priced in. While we may see further downside in the near term due to weak market technicals and sentiment towards the China property sector, we are more sanguine over the next six months, as we expect spreads to tighten thanks to regulatory relief that would help ease refinancing pressures and support the physical property market in China.

CURRENCIES

Among G10 currencies, we have a preference for the USD and the GBP. The US economic recovery has made enough progress for the Fed to go ahead with tapering. The GBP should be supported soon by rate hikes by the Bank of England. The Swiss franc and the JPY are our least preferred currencies, as the USD is strong enough to cover any potential demand for safe havens and CHF and JPY will be used increasingly to finance carry trades. We keep the EUR neutral in a period of continued global recovery supporting the common currency but note the persistence of negative rates weighing on it. The CNY is expected to weaken moderately versus the USD amid decelerating Chinese growth momentum.

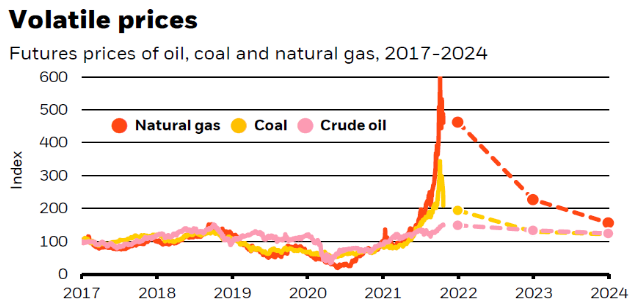
Source: UBS House View November 2021

TOPIC OF THE MONTH

A LOPSIDED ENERGY TRANSITION

The powerful restart has driven up oil prices to multi-year highs. Coal and gas prices have surged far more. See the chart below. Why? On top of the restart, a range of weather and geopolitical factors have restricted supplies of coal and renewable energy. It's been difficult for other sources of power to be brought on stream. This is putting sharp pressure on prices of available sources of power. With governments looking to minimize carbon emissions, gas prices have risen even further than coal. All these events have exposed an underlying issue: The transition to net zero so far has been lopsided, as clean energy investment has not increased enough to make up for the decline in fossil fuel investment. Futures markets are pointing to lower coal and gas prices by the end of next year. Much depends on the temperature in the coming winter. And while the transition remains lopsided, we can expect more volatility of energy prices, inflation and economic activity in future.

For now governments may find themselves compelled to support greater use of fossil fuels –particularly gas –amid energy supply shortages. Natural gas may emit less carbon than oil or coal, but its largest component methane is another potent greenhouse gas. It too will ultimately need to be phased out if the world is to reach net-zero. The phase-out of natural gas and momentum toward net zero therefore rest on accelerating the development of clean energy supply.



Sources: BlackRock Investment Institute, with data from Refinitiv, October 2021. Notes: Prices are based to 100 at the start of 2017. We use the European Energy Derivatives Exchange futures, ICE Rotterdam coal futures and Brent crude oil futures to represent natural gas, coal and Brent crude oil respectively. The dots show futures prices for contracts that expire in December 2022, December 2023 and December 2024.

There has been massive investment in clean energy –an average of $1 trillion a year between 2016 and 2020 according to the International Energy Agency (IEA). More is needed to build a clean, resilient energy infrastructure. A net-zero transition by 2050 will require an average annual investment of nearly $4 trillion between 2026 and 2030, says the IEA. A successful transition will not only need clean energy, but also new to decarbonize manufacturing, agriculture and transport, and to capture carbon emissions.

The pace and precise nature of the net-zero transition will be guided by government policy, which will vary across countries. More clarity on climate policies will help encourage the private sector to invest in clean energy and related technologies. That's why commitments from governments at the upcoming United Nations climate summit (COP26) will be key to watch. The pace of transition around the world will vary by country, and emerging markets are in urgent need of funding for low carbon investment at scale.

Source: Blackrock 25.10.2021

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	27.10.2021	% Chg YTD
Dow Jones Ind.	30'606.48	35'490.69	15.96%
S&P 500	3'756.07	4'551.68	21.18%
RUSSELL 2000	1'974.86	2'252.49	14.06%
NASDAQ COMP	12'888.28	15'235.83	18.21%
CANADA - TSX	17'433.40	21'173.45	21.45%
MEXICO - IPC	44'066.88	51'714.60	17.35%
BRAZIL IBOVESPA	119'017.24	106'363.10	-10.63%
COLOMBIA COLCAP	1'437.89	1'413.32	-1.71%
ASIA	**31.12.2020**	**27.10.2021**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	29'098.24	6.03%
H.K. HANG SENG	27'231.13	25'628.74	-5.88%
CHINA CSI 300	5'211.29	1'898.16	-63.58%
EUROPE	**31.12.2020**	**27.10.2021**	**% Chg YTD**
EURO STOXX 50	3'352.64	4'220.88	25.90%
UK - FTSE 100	6'460.52	7'253.27	12.27%
GERMANY - DAX	13'718.78	15'705.81	14.48%
SWITZERLAND - SMI	10'703.51	12'087.45	12.93%
SPAIN - IBEX 35	8'073.70	8'972.30	11.13%
NETHERLANDS - AEX	624.61	815.29	30.53%
RUSSIA - RTSI	138'530.00	187'750.00	35.53%

VOLATILITY

	31.12.2020	27.10.2021	% Chg YTD
SPX (VIX)	22.75	16.98	-25.36%

CURRENCIES

	31.12.2020	27.10.2021	% Chg YTD
EUR/USD	1.2237	1.1604	-5.17%
USD/JPY	103.2360	113.8200	10.25%
USD/CHF	0.8840	0.9181	3.86%
GBP/USD	1.3673	1.3741	0.50%
USD/CAD	1.2739	1.2362	-2.96%
EUR/CHF	1.0817	1.0654	-1.51%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	27.10.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'797.72	-5.27%
SILVER USD/OZ	26.45	24.05	-9.07%
PLATINUM USD/OZ	1'075.50	1'013.00	-5.81%
ENERGY	**31.12.2020**	**27.10.2021**	**% Chg YTD**
WTI Crude Oil	48.52	84.65	74.46%
Brent Crude Oil	51.80	86.40	66.80%
Natural Gas	2.53	5.88	132.49%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.056	0.491	1.529
GERMANY	-0.847	-0.646	-0.179
SWITZERLAND	-0.800	-0.712	-0.146
UK	0.111	0.560	0.985
JAPAN	-0.100	-0.095	0.099

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