NEWSLETTER DECEMBER 2021

T&T International Group
Your 360° Wealth Partner

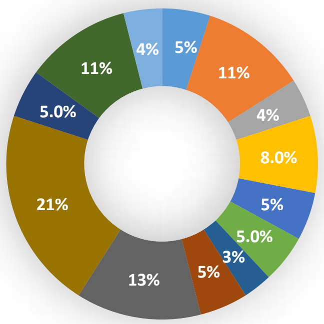
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Eurozone equities Japanise equities Global Financials US mid-caps Commodities and Energy stocks Disruptive technologies (ABCs of tech, 5G, Digital assets and fintech) Greentech, clean air and carbon reduction Global healthtech, medical devices, genetic therapies	**Equities**	Global industrials Global real estate Global consumer staples
Alternative yield (US senior loans, private credit, synthetic credit, active strategies) Asia high yield Sustainable bonds	**Bonds**	Expensive and sell-rated bonds High grade bonds
USD, GBP, NOK, NZD, SGD Hawks vs. Doves	**Currencies**	CHF, EUR, JPY, SEK
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Inflation, growth, and concerns over COVID-19 are likely to remain in the spotlight as the post-pandemic recovery continues. We expect inflation to stay elevated in the coming months until the pandemic-related supply issues are worked through. We also think growth should remain strong, since we don't think the delta variant, or any other variants will derail economic reopening, especially as rising vaccination rates enable governments to look beyond recurring outbreaks. Emergency stimulus measures are likely to be reduced, but policymakers will remain cautious of "overtightening." Overall, this backdrop should support more cyclical equities. As we approach the second half of the year, inflation and growth should both fall to more "normal" levels, favoring healthcare, a more defensive sector with structural growth attributes.

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 we think is positive. 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.

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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. The combination of strong growth, reduced Fed asset purchases, and low market-implied terminal policy rates lead us to believe 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 toward 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. US inflation has risen enough for the Fed to taper and prepare rate hikes. 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.

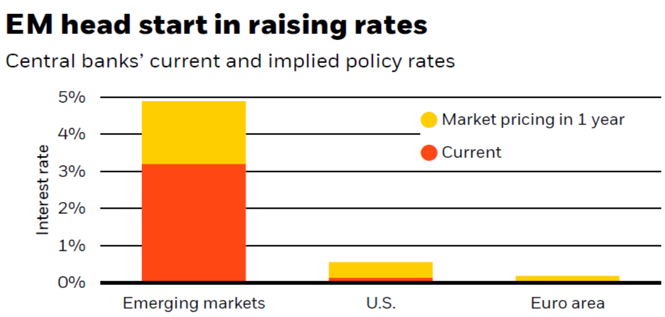
Source: UBS House View December 2021

TOPIC OF THE MONTH

LIFTOFF? EM HAS ALREADY TAKEN OFF

As US inflation is hitting three-decade highs, market talk has been all about “liftoff:” When will the Federal Reserve and others start raising their policy rates? This is old news in emerging markets (EMs), where many countries have already raised rates to try to tamp down inflation. Their approach has pressured growth already hurting from a delayed vaccine rollout. This makes cautious on EM equities, but has made selected EM debt

Central banks across the emerging world have been raising interest rates to try to contain inflation and prevent their currencies from depreciating sharply. The rate increases have accelerated as inflation has picked up and the US dollar strengthened. A wide variety of countries is now tightening policy, ranging from Brazil to Russia and South Korea. The result? The emerging world has a head start in normalizing policy. A weighted average of EM policy rates now stands at 3.2%, as the red part of the left bar in the chart shows, versus near zero or negative rates in the US and euro area. Market pricing (the yellow parts of the bars) shows much of the work is done in EM, whereas developed markets (DMs) have yet to lift off. This ties in with the much more muted response to rising inflation seen in the developed world, thanks to unprecedented fiscal–monetary coordination in helping the economy bridge the virus shock and new central bank policies of letting inflation run a bit hot. EM central banks historically have had less credibility, while inflation and currency pressures have been much greater. But many are acting earlier and faster this time to prevent things from spinning



Sources: BlackRock Investment Institute and Bloomberg, November 2021. Notes: The chart shows the current and 1-year forward central bank policy rates. 1-year forward rates based on futures market pricing. Emerging markets policy rates are weighted based on the JP Morgan GBI-EM global Diversified Index.

What does the EM head start in raising rates mean for investments? We believe it supports EM debt. The hiking cycle has started well ahead of the Fed’s tightening – which has often spelled trouble for EMs as investors start to demand more compensation for holding riskier assets. The Fed has just started to taper asset purchases, and we don’t see it raising rates until the middle of 2022. The EM approach has created a large interest rate buffer versus DM, lowered valuations and raised coupon income. Thi Improved valuations and coupon income should help cushion any yield rises and prevent disorderly moves in EM bonds when the Fed lifts off, we believe. Indeed, we don’t see a repeat of 2013’s taper tantrum when the Fed’s decision to cut back asset purchases caused havoc for EM assets. Why? First, the trajectory of rates matters more than the timing of liftoff, in our view. We see a very shallow rates path in DM this time, given the historically muted response to inflation. Second, many EM countries are now better positioned to weather Fed tightening and a stronger US dollar. s makes EM debt attractive versus DM credit in a world starved for yield.

to be continued on page 3

CONTINUATION: LIFTOFF? EM HAS ALREADY TAKEN OFF

Currencies have adjusted, foreign ownership has declined, and inflation-adjusted yields have risen. There are exceptions, including EMs with weakening balances sheets or loosening policy, as country-specific risks always loom large in the diverse EM investing universe.

Source: Blackrock 24.11.2021

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	26.11.2021	% Chg YTD
Dow Jones Ind.	30'606.48	34'899.34	14.03%
S&P 500	3'756.07	4'594.62	22.33%
RUSSELL 2000	1'974.86	2'245.94	13.73%
NASDAQ COMP	12'888.28	15'491.65	20.20%
CANADA - TSX	17'433.40	21'125.90	21.18%
MEXICO - IPC	44'066.88	49'492.52	12.31%
BRAZIL IBOVESPA	119'017.24	102'224.26	-14.11%
COLOMBIA COLCAP	1'437.89	1'338.85	-6.89%
ASIA	**31.12.2020**	**26.11.2021**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	28'751.62	4.76%
H.K. HANG SENG	27'231.13	24'080.52	-11.57%
CHINA CSI 300	5'211.29	4'860.13	-6.74%
EUROPE	**31.12.2020**	**26.11.2021**	**% Chg YTD**
EURO STOXX 50	3'352.64	4'089.58	21.98%
UK - FTSE 100	6'460.52	7'044.03	9.03%
GERMANY - DAX	13'718.78	15'257.04	11.21%
SWITZERLAND - SMI	10'703.51	12'199.21	13.97%
SPAIN - IBEX 35	8'073.70	8'402.70	4.07%
NETHERLANDS - AEX	624.61	781.63	25.14%
RUSSIA - RTSI	138'530.00	159'770.00	15.33%

VOLATILITY

	31.12.2020	26.11.2021	% Chg YTD
SPX (VIX)	22.75	28.62	25.80%

CURRENCIES

	31.12.2020	26.11.2021	% Chg YTD
EUR/USD	1.2237	1.1318	-7.51%
USD/JPY	103.2360	113.3700	9.82%
USD/CHF	0.8840	0.9232	4.43%
GBP/USD	1.3673	1.3339	-2.44%
USD/CAD	1.2739	1.2792	0.42%
EUR/CHF	1.0817	1.0448	-3.41%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	26.11.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'792.60	-5.54%
SILVER USD/OZ	26.45	23.15	-12.48%
PLATINUM USD/OZ	1'075.50	955.50	-11.16%
ENERGY	**31.12.2020**	**26.11.2021**	**% Chg YTD**
WTI Crude Oil	48.52	68.15	40.46%
Brent Crude Oil	51.80	72.72	40.39%
Natural Gas	2.53	5.45	115.30%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.053	0.52	1.485
GERMANY	-0.100	-0.767	-0.336
SWITZERLAND	-0.800	-0.765	-0.236
UK	0.071	0.456	0.823
JAPAN	-0.160	-0.129	0.074

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.

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