NEWSLETTER MARCH 2022

T&T International Group
Your 360° Wealth Partner

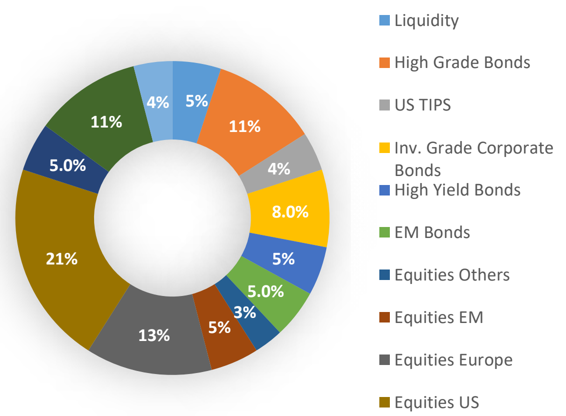
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Eurozone equities Chinese equities Global Financials Value Commodities and Energy Stocks Disruptive technologies (ABCs of tech, 5G, Digital assets and fintech) Greentech, clean air and carbon reduction Global healthtech incl. Pharma	**Equities**	Global Listed real estate Global consumer staples CIO Least preferred stocks Excess mega-cap tech
Alternative yield (US senior loans, private credit, synthetic credit, active strategies inc. ESG) Investing in the crossover zone Sustainable bonds	**Bonds**	Expensive and sell-rated bonds High grade bonds
USD, GBP, NOK, NZD, AUD Hawks vs. Doves	**Currencies**	CHF, EUR, SEK
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Investors have faced multiple negative headlines so far in 2022. Inflation has continued to rise, and price pressures are broadening. The Federal Reserve has shifted its focus away from stimulating economic recovery toward managing prices. A flattening yield curve has heightened fears of recession. Most recently, conflict has broken out between Russia and Ukraine. All of this speaks in favor of reducing exposure to equities, especially when the recent sell-off in bond markets has increased the appeal of fixed income investments. But at the same time, growth remains above trend and various economies are lifting COVID-19 restrictions. Therefore, we believe it is not time to be outright negative on equities. Also, we see opportunities in implementing portfolio hedging strategies as well as being more selective about exposure within the market (favoring oil and energy stocks and Chinese equities, for example)

BALANCED USD MODEL PORTFOLIO



EQUITIES

The MSCI All Country World Index is off to a rough start this year, driven by higher-than-expected inflation readings, a more hawkish Fed, and geopolitical tensions. Year-to-date, the rotation within equity markets has been significant. Rising nominal and real yields have supported countries and sectors with a value tilt, while growth-heavy indexes like the US and technology have underperformed. We maintain our positive outlook on equities, though we expect higher volatility and lower returns ahead—the cycle is maturing, earnings growth is set to moderate, and central banks have turned more hawkish. Geopolitical tensions, inflation, and monetary policy uncertainty will likely shape financial markets and could produce episodes of risk-off behavior. However, the ISM and other leading indicators point to further earnings growth, which should support equity markets in the months ahead. Also, China is showing signs of bottoming out, with manufacturing PMIs ticking up and the credit impulse leveling out.

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BONDS

As economies reopen, inflation has spiked and remains elevated. We expect price pressures to ease as global supply chains overcome pandemic-related interruptions and energy prices stabilize. Fiscal stimulus of the magnitude already enacted has gone beyond replacing incomes lost to the pandemic. The consequent excess savings and pent-up demand as the US economy reopens are resulting in a strong growth impulse. The combination of strong growth, a March end to Fed asset purchases directly followed by policy rate hikes, and low market-implied terminal policy rates lead us to believe that rates should move slowly higher. Within credit, we are neutral on developed market high yield bonds as the upside appears limited from current levels. US investment grade bonds remain least preferred due to tight valuations and their vulnerability to rising yields. We recently moved Asia high yield bonds from most preferred to neutral as a result of continuing liquidity stress in China's USD property bond space, tight valuations for non-China Asia credits, and very negative secondary credit market technicals.

CURRENCIES

Among G10 currencies, we prefer the USD and the GBP and have the least preference for the EUR and the CHF. The greenback should be supported as US inflation has risen to a level where the Fed will likely hurry up with rate hikes and reduce its balance sheet. Sterling should be supported for the same reason. The Swiss franc and the euro are our least preferred currencies. Market enthusiasm about rate hikes by the European Central Bank (ECB) might eventually support the EUR and the CHF, but for 2022, the higher yields in the US as well as the Fed's commitment are likely to be the dominating factors. In our view, the USD is strong enough to cover any potential demand for safe havens, and the CHF and the EUR will be used increasingly to finance carry trades. The GBP should also be supported by a series of rate hikes We keep the Japanese yen at neutral as the Bank of Japan has become more cautious about inflation pressure. We expect the Chinese yuan to weaken moderately against the USD amid diverging US-China monetary policy dynamics.

Source: UBS House View March 2022

TOPIC OF THE MONTH

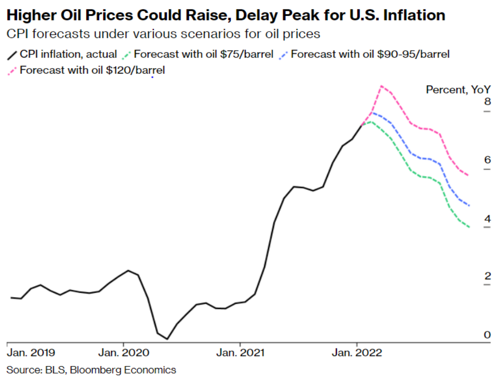
THE UKRAINE WAR ACCELERATES INFLATION AND PLUNGES CENTRAL BANKS INTO A DILEMMA

The outbreak of the war in Ukraine confronts central banks with difficult decisions: Should they use restrictive policy to combat the now even greater threat of inflation? Or is it wiser to use loose policy to cushion the economic fallout from the war?

What economists only recently described as a geopolitical risk is now a geopolitical reality: war is raging in Ukraine. Russia's major attack on the country comes at a time when the global economy is at a crossroads. With inflation rising in most regions of the world - China being the main exception - several central banks have recently hinted at raising their key interest rates. In some countries, the turnaround in interest rates has

Increase in the price of energy sources and agricultural products

The war in Ukraine has now further accentuated the inflation problem. This is particularly relevant regarding the prices of crude oil and natural gas, which have reacted to the escalation with sharp swings. The prices of other commodities have also risen in line, with agricultural goods becoming much more expensive. For example, the price of wheat is higher than it has been since 2012. The sanctions are also throwing further sand into the global economic gears and driving up costs.



The already high inflation rates in the USA and the euro zone, for example, could therefore rise further - or remain at a high level for longer than previously thought. This need not necessarily worry central banks yet if the rise in commodity prices is seen only as a temporary shock. But the longer inflation remains exceptionally high, the more strongly it will influence the expectations of economic players. And this can lead to inflation becoming permanently established, for instance via higher wage demands.

It is true that inflation in the euro area is at a high 5.1 percent, which would call for rapid countermeasures. But unlike in the U.S.A., where strong wage growth can be observed, the signs of a wage-price spiral in the euro area are only faintly discernible. This could make it easier for the ECB to put off a monetary policy turnaround once again - as it has done so often in the past.

In the United States, things are different. Inflation there is 7.5 percent, the highest level since 1982. It is true that rising energy prices are far less of a problem for the USA - a net exporter of oil and natural gas - than for the euro area. But the dried-up labor market has been accompanied by sharp wage increases in America for some time. The danger of a wage-price spiral is thus real, and high inflation is putting the government under increasing pressure. The Federal Reserve is therefore likely to start a new cycle of rising interest rates in March, as planned.

The Swiss franc as a hedge against inflation

In troubled times, investors seek the safety of investments such as gold or the Swiss franc. This has led to a strengthening of the franc. And because a stronger franc tends to drive down import prices, the flight into the franc dampens inflation. For Switzerland, the risk of war-induced inflation is therefore less significant than in the euro area. However, the risk of a slowdown in economic momentum is not spared in this country either.

Source: NZZ 25.02.2022

KEY FIGURES 2022

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2021	24.02.2022	% Chg YTD
Dow Jones Ind.	36’338.30	33’223.83	-8.57%
S&P 500	4’766.18	4’288.70	-10.02%
RUSSELL 2000	2’245.31	1’996.01	-11.10%
NASDAQ COMP	15’644.97	13’473.58	-13.88%
CANADA - TSX	21’294.64	20’761.93	-2.50%
MEXICO - IPC	53’272.44	51’454.05	-3.41%
BRAZIL IBOVESPA	104’822.44	111’591.87	6.46%
COLOMBIA COLCAP	1’415.79	1’509.55	6.62%
ASIA	**31.12.2021**	**24.02.2022**	**% Chg YTD**
JAPAN- NIKKEI	27’444.17	25’970.82	-5.37%
H.K. HANG SENG	27’231.13	22’901.56	-15.90%
CHINA CSI 300	5’211.29	4’529.32	-13.09%
EUROPE	**31.12.2021**	**24.02.2022**	**% Chg YTD**
EURO STOXX 50	4’298.41	3’829.29	-10.91%
UK - FTSE 100	7’384.54	7’207.38	-2.40%
GERMANY - DAX	15’884.86	14’052.10	-11.54%
SWITZERLAND - SMI	12’875.66	11’636.76	-9.62%
SPAIN - IBEX 35	8’713.80	8’198.50	-5.91%
NETHERLANDS - AEX	797.93	708.55	-11.20%
RUSSIA - RTSI	159’390.00	89’020.00	-44.15%

VOLATILITY

	31.12.2021	24.02.2022	% Chg YTD
SPX (VIX)	22.75	31.46	38.29%

CURRENCIES

	31.12.2021	24.02.2022	% Chg YTD
EUR/USD	1.1374	1.12	-1.53%
USD/JPY	115.15	115.5	0.30%
USD/CHF	0.911	0.9254	1.58%
GBP/USD	1.3543	1.3379	-1.21%
USD/CAD	1.2633	1.2811	1.41%
EUR/CHF	1.0361	1.0364	0.03%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2021	24.02.2022	% Chg YTD
GOLD USD/OZ	1’821.50	1’903.88	4.52%
SILVER USD/OZ	23.18	24.23	4.53%
PLATINUM USD/OZ	960.5	1062	10.57%
ENERGY	**31.12.2021**	**24.02.2022**	**% Chg YTD**
WTI Crude Oil	75.21	92.10	22.46%
Brent Crude Oil	79.32	96.84	22.09%
Natural Gas	3.73	4.57	22.52%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.322	1546	1.972
GERMANY	-0.707	-0.424	1.69
SWITZERLAND	-0.78	-0.384	0.257
UK	0.536	1.25	1.447
JAPAN	-0.08	-0.026	0.209

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.

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