# NEWSLETTER May 2022

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

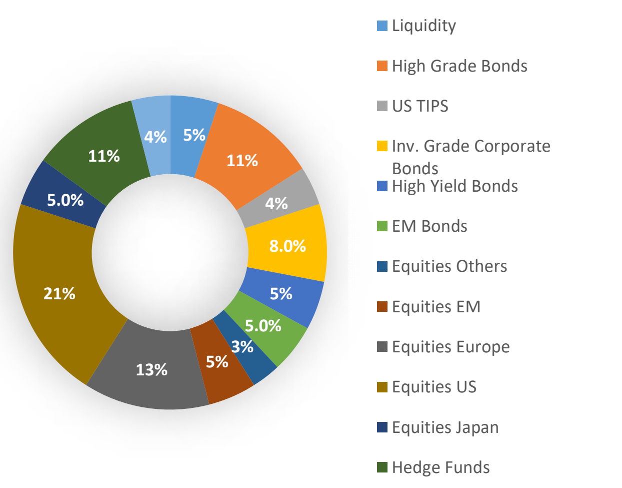
## FINANCIAL MARKET OUTLOOK (SHORT TERM)

| APPEALING | | LESS FAVOURED |
|---|---|---|
| Energy security (greentech, clean air and carbon reduction, energy efficiency)<br>Food security (food revolution, agricultural yield)<br>Cybersecurity<br>Sectors: energy, healthcare<br>Global healthcare<br>Select quality stocks<br>Global Value<br>UK and Chinese equities<br>5G and digital economy<br>Automation & robotics, smart mobility, consumer experience | **Equities** | Cash |
| Active credit inc. ESG<br>Private credit | **Bonds** | Expensive and sell-rated bonds<br>Excess high grade bonds<br>Excess investment grade bonds |
| USD, NOK, AUD, CAD | **Currencies** | CHF, EUR, SEK |
| Commodities<br>Oil | **Precious Metals & Commodities** | |

### ASSET ALLOCATION

Investors have to pay attention to the details this year, as inflation is likely to settle at above-average levels and as economic growth slows on the back of higher interest rates. In this more challenging macroeconomic environment, there are still clear winners, in our opinion. On asset class level, we prefer commodities and commodity-related investments. Within equities, we believe value-oriented companies will outperform, and the US dollar remains a preferred currency. Investors should ensure portfolios are well diversified, with exposure to alternatives such as hedge funds and private markets.

### BALANCED USD MODEL PORTFOLIO




### EQUITIES

We believe the time is ripe for value-oriented investments following a decade of unusual underperformance, which we believe is likely to reverse with higher interest rates as one of several catalysts. Within the more value-oriented sectors, we particularly like the attractively valued energy sector, which is supported by high and rising energy prices. We also like equity markets that have a more value- and commodity-oriented tilt, such as the UK and Australia. For broad equity indexes, we still see upside toward year-end given high nominal GDP and earnings growth rates, providing good opportunities for investors.

### 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

Major central banks are expected to increase interest rates at an accelerated pace on the back of higher inflation. This has translated into higher interest rates across the yield curve, reflecting significant expectations of a meaningful and front-loaded rate hiking cycle, as well as wider spreads across credit markets. This in turn translates to better prospects ahead, as we think a lot is priced in for interest rate hikes and credit risks. We no longer have a negative view on high grade or investment grade bonds, and for high yield bonds, we believe that fundamentals are good and default risks are low, despite tighter financial conditions and slower growth.

### CURRENCIES

Among G10 currencies, we favor the US dollar mainly against European currencies, including our least preferred euro and Swiss franc. The Federal Reserve's fast tightening, high commodity prices, and slowing global growth should support the greenback in the coming quarter. Commodity currencies like the Australian dollar, Norwegian krone, and Canadian dollar should also remain on the front foot, while commodity-importing, export-oriented, and low-yielding currencies like the euro and the Swiss franc should suffer. We no longer favor the British pound, as softer activity readings make the Bank of England's rate trajectory more uncertain. We remain cautious on the Chinese yuan.

*Source: UBS House View May 2022*

## TOPIC OF THE MONTH

### INFLATION TO BE ELEVATED FOR LONGER ON WAR, DEMAND, JOB MARKETS

The war in Ukraine will quicken inflation, which is expected to remain elevated for longer than previously forecast on higher commodity costs and broader price pressures. As the Chart below, the World Economic Outlook by the IMF now projects faster consumer-price increases this year for advanced economies as well as in emerging market and developing economies. These forecasts also have a high degree of uncertainty.

Russia's invasion of its neighbor will likely have a protracted impact on commodities, affecting oil and gas prices more severely this year and food prices well into next year.

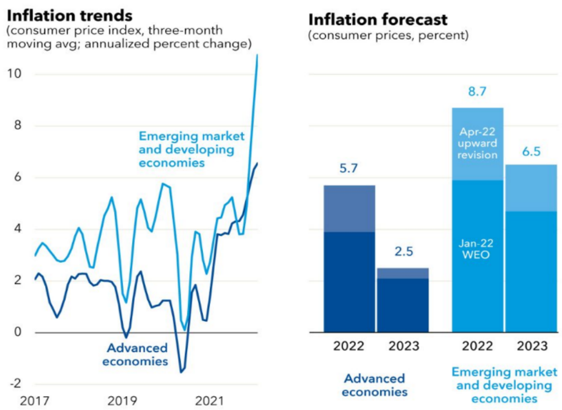
Four main factors might shape the outlook:

- The war aggravated already surging commodity prices. Energy and food helped boost inflation last year, with oil and gas supplies tight after years of subdued investment and geopolitical uncertainty. This was a main inflation driver in Europe and, to a lesser extent, the United States. Rising food prices also played a major role in most emerging market and developing economies, as extreme weather reduced harvests and mounting oil and gas prices drove up fertilizer costs.

- Demand surged last year amid policy support, while supply bottlenecks grew on factory closures, port restrictions, shipping congestion, container shortages and worker absences. Inflation rose as a result, especially where recoveries were strongest. Demand should soften this year as policy support is withdrawn and supply bottlenecks ease, but China's recurrent lockdowns, war in Ukraine, and sanctions on Russia will likely prolong disruptions in some sectors into next year.

- Demand is also rebalancing from goods to services. Spending shifted toward goods as pandemic restrictions disrupted in-person activities, with supply bottlenecks helping to boost goods prices. Though service inflation started picking up last year, pre-crisis spending patterns haven't fully returned and goods inflation remains prominent in most countries. Services demand will increase further as the pandemic eases, and overall inflation should return to where it was before the coronavirus.

- Labor supply remains limited after significant tightening in some advanced economies like the United States and Unite Kingdom. Worker shortages, mainly in contact-intensive industries, are lifting wages, though inflation has eroded pay gains. Meanwhile, the pandemic reduced labor-force participation in advanced economies. These shifts appear related to earlier retirements and workers being unwilling or unable to return as infections continue. Probably labor supply will gradually improve this year as the health crisis abates, but the effects will be moderate and unlikely to significantly ease upward wage pressure.




Sources: IMF, *World Economic Outlook*; and IMF staff calculations.
Note: Left panel average inflation rates by economy group are purchasing-power-parity GDP-weighted averages.
IMF

Under these conditions, the IMF expects already-elevated inflation to persist for longer. The projections call for the pace in advanced economies to reach a 38-year high of 5.7 percent, while price increases in emerging market and developing economies will accelerate to 8.7 percent, the fastest clip since the global financial crisis in 2008. Those rates would then cool next year to 2.5 percent and 6.5 percent, respectively.

*Source: IMF 27.04.2022*

## KEY FIGURES 2022

### EQUITY INDICES (LOCAL CURRENCIES)

| AMERICA | 31.12.2021 | 29.04.2022 | % Chg YTD |
|---|---|---|---|
| Dow Jones Ind. | 36'338.30 | 32'977.21 | -9.25% |
| S&P 500 | 4'766.18 | 4'131.93 | -13.31% |
| RUSSELL 2000 | 2'245.31 | 1'864.10 | -16.98% |
| NASDAQ COMP | 15'644.97 | 12'334.64 | -21.16% |
| CANADA - TSX | 21'294.64 | 20'762.00 | -2.50% |
| MEXICO - IPC | 53'272.44 | 51'417.97 | -3.48% |
| BRAZIL IBOVESPA | 104'822.44 | 107'876.16 | 2.91% |
| COLOMBIA COLCAP | 1'415.79 | 1'562.46 | 10.36% |
| **ASIA** | **31.12.2021** | **29.04.2022** | **% Chg YTD** |
| JAPAN- NIKKEI | 27'444.17 | 26'847.90 | -2.17% |
| H.K. HANG SENG | 27'231.13 | 21'089.39 | -22.55% |
| CHINA CSI 300 | 5'211.29 | 4'016.24 | -22.93% |
| **EUROPE** | **31.12.2021** | **29.04.2022** | **% Chg YTD** |
| EURO STOXX 50 | 4'298.41 | 3'802.86 | -11.53% |
| UK - FTSE 100 | 7'384.54 | 7'544.55 | 2.17% |
| GERMANY - DAX | 15'884.86 | 14'097.88 | -11.25% |
| SWITZERLAND - SMI | 12'875.66 | 12'128.76 | -5.80% |
| SPAIN - IBEX 35 | 8'713.80 | 8'584.20 | -1.49% |
| NETHERLANDS - AEX | 797.93 | 710.98 | -10.90% |
| RUSSIA - RTSI | 159'390.00 | 106'850.00 | -32.96% |

### VOLATILITY

| | 31.12.2021 | 29.04.2022 | % Chg YTD |
|---|---|---|---|
| SPX (VIX) | 22.75 | 33.1 | 45.49% |

### CURRENCIES

| | 31.12.2021 | 29.04.2022 | % Chg YTD |
|---|---|---|---|
| EUR/USD | 1.1374 | 1.0545 | -7.29% |
| USD/JPY | 115.15 | 129.78 | 12.71% |
| USD/CHF | 0.911 | 0.9737 | 6.88% |
| GBP/USD | 1.3543 | 1.2575 | -7.15% |
| USD/CAD | 1.2633 | 1.2844 | 1.67% |
| EUR/CHF | 1.0361 | 1.0267 | -0.91% |

### COMMODITIES (USD)

| PRECIOUS METALS | 31.12.2021 | 29.04.2022 | % Chg YTD |
|---|---|---|---|
| GOLD USD/OZ | 1'821.50 | 1'897.35 | 4.16% |
| SILVER USD/OZ | 23.18 | 22.77 | -1.77% |
| PLATINUM USD/OZ | 960.5 | 936 | -2.55% |
| **ENERGY** | **31.12.2021** | **29.04.2022** | **% Chg YTD** |
| WTI Crude Oil | 75.21 | 104.69 | 39.20% |
| Brent Crude Oil | 79.32 | 109.34 | 37.85% |
| Natural Gas | 3.73 | 7.24 | 94.10% |

### INTEREST RATES GOVERNMENT BONDS

| | 3 Months | 2 Years | 10 Years |
|---|---|---|---|
| USA | 0.841 | 2.7 | 2.85 |
| GERMANY | -0.664 | 0.2570 | 0.9380 |
| SWITZERLAND | -0.66 | 0.0620 | 0.8350 |
| UK | 0.98 | 1.606 | 1.907 |
| JAPAN | -0.145 | -0.032 | 0.225 |

**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

**DISCLAIMER**

This document is based on information we received from our analysts. This document should not be construed as a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. The services described in this document are supplied exclusively under the agreement signed with the service recipient. The facts presented and views expressed herein are for information purposes only and do not take account of any individual investment targets, financial circumstances or specific requirements. Moreover, the nature, scope and prices of services and products may vary from one investor to another and/or due to legal restrictions and are subject to change without notice. Before making an investment decision, investors are advised to consult a professional advisor regarding their individual situation. Prospective investors should be aware that past performance is not necessarily indicative of future results. In no event any member of the T&T International Group will be liable for any loss or damage of any kind arising out of the use of the information contained herein.