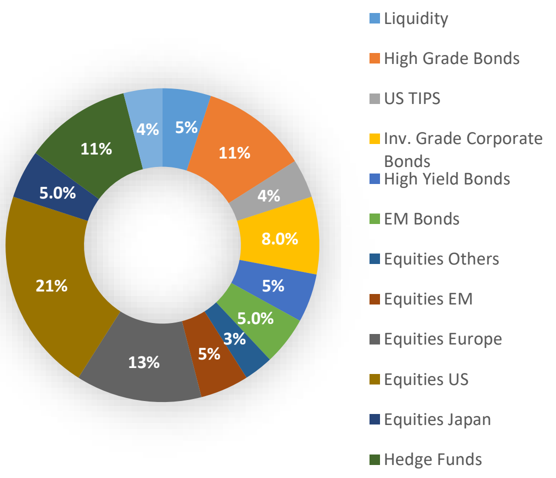
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Energy security (commodities, energy equities, greentech, clean air and carbon reduction) Food security (food revolution, agricultural yield) Cybersecurity Sectors: energy, healthcare Global Value Quality income UK, Australia, China equities Automation and robotics, smart mobility	**Equities**	Limited upside list CIO list preferred stocks Eurozone stocks Concentrated stocks Growth stocks Cash
European credit Private credit Select credit opportunities Yield pickup with corporate hybrids Sustainable bonds to excel	**Bonds**	Expensive and sell-rated bonds Cash
AUD,CAD,NOK	**Currencies**	EUR, TWD
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Market volatility remains elevated as high inflation and rising interest rates are bringing down global growth expectations. China's zero-COVID policy has also driven a more significant reduction in growth forecasts for the world's second-largest economy. For equities, we believe market levels will be higher at the end of the year and prefer value-oriented companies, sectors, and markets. We also maintain our preference for commodities. With higher yields, bonds are starting to add some diversification to portfolios again.

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 now reversing. Within the more value-oriented sectors, we 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 positive earnings growth.

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BONDS

Major central banks are poised to raise 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.

CURRENCIES

Commodity currencies like the Australian dollar, Norwegian krone, and Canadian dollar are our preferred currencies, while commodityimporting, export-oriented, and low-yielding currencies like the euro should suffer. After a strong run for the US dollar on the back of rising expectations for Federal Reserve rate hike hikes, we think its appreciation potential in near its end. We remain cautious on the Chinese yuan.

Source: UBS House View June 2022

TOPIC OF THE MONTH

A HAWKISH PIVOT

The Federal Reserve signaled its focus is on taming inflation without flagging the big economic costs this will entail. As long as this is the case and markets believe it, this might not be the basis for a sustained rebound in risk assets. If the Fed will consider the costs to growth at some point, especially if inflation cools, there might be a dovish pivot later this year. China's slowdown is a large shock that will be felt over time.

The Fed stepped up its rhetoric last week by vowing to bring inflation down at any cost. but reality will be more complex. First, supply-driven inflation implies the sharpest policy trade-off in decades: between choking off growth via sharply higher rates or living with supply-driven inflation. Second, this trade-off is even more stark amid a weaker global macro outlook. The hit to Chinese growth is starting to rival its 2020 shock and already surpasses the one from the global financial crisis. See the chart. This will probably reduce growth in major economies and nudge up DM inflation at a very inopportune time when higher inflation is already proving more persistent.

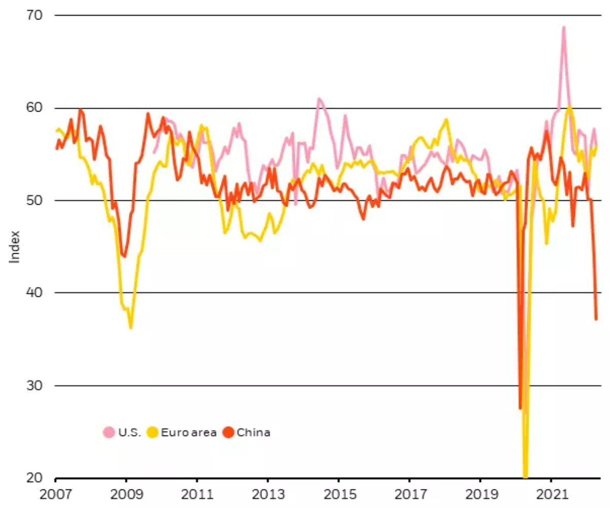
The Fed's hawkish pivot this year has been stunning, and pronouncements on reining in inflation have become regular fare. Chair Jerome Powell just last week said the Fed would keep hiking rates until inflation is "tamed" – a comment that dismisses any trade-off or the lagged effect of monetary policy on the economy. The Fed now appears to be constraining itself to the hawkish side of policy options with such language, just as talking about the jump in inflation being "transitory" last year boxed it in when inflation proved more persistent and forced a sharp pivot. It might be that the Fed could be forced into another sharp pivot later this year, which we expect rather than a recession. These Fed pivots are driving market volatility.

Market expectations are now calling for the Fed funds rate to zoom up to a peak of 3.1% over the next year, more than doubling since the start of the year. For the European Central Bank, market pricing reflects four hikes this year and getting to nearly 1.4% next year, well above our estimate of neutral and for an economy at real risk of stagflation this year. The equity selloff this year makes sense from this perspective – if you believe that the market's view of the Fed and ECB rate paths are right.

The growth reality will be more complex – both from the policy trade-off it faces amid a deteriorating macro backdrop, especially China's slowdown and Europe facing stagflation. That's why there might be a dovish pivot later in the year. We stick to our view of the Fed raising rates to around 2.5% by the end of this year – and then stopping to evaluate the effects. We still see the US economy's momentum as strong – we expect growth of around 2.5% this year, slightly below consensus and far from recession. Equities may have short-term, technical rebounds.

China slowdown to ripple across globe

Composite PMIs 2008-2022



Sources: BlackRock Investment Institute, S&P Global and Caixin, with data from Refinitiv Datastream, May 2022. Notes: Chart shows composite (manufacturing and services) Purchasing Managers' indexes (PMI). An index level above 50 indicates an improvement in economic activity, while an index level below 50 indicates a decline. S&P PMIs are used for US and Euro area, Caixin for China.

Source: blackrock.com 25.05.2022

KEY FIGURES 2022

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2021	27.05.2022	% Chg YTD
Dow Jones Ind.	36'338.30	33'212.96	-8.60%
S&P 500	4'766.18	4'158.24	-12.76%
RUSSELL 2000	2'245.31	1'887.90	-15.92%
NASDAQ COMP	15'644.97	12'131.13	-22.46%
CANADA - TSX	21'294.64	20'532.18	-3.58%
MEXICO - IPC	53'272.44	52'463.55	-1.52%
BRAZIL IBOVESPA	104'822.44	111'941.68	6.79%
COLOMBIA COLCAP	1'415.79	1'508.62	6.56%
ASIA	**31.12.2021**	**27.05.2022**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	26'781.68	-2.41%
H.K. HANG SENG	27'231.13	20'697.36	-23.99%
CHINA CSI 300	5'211.29	4'001.30	-23.22%
EUROPE	**31.12.2021**	**27.05.2022**	**% Chg YTD**
EURO STOXX 50	4'298.41	3'808.86	-11.39%
UK - FTSE 100	7'384.54	7'585.46	2.72%
GERMANY - DAX	15'884.86	14'462.19	-8.96%
SWITZERLAND - SMI	12'875.66	11'647.17	-9.54%
SPAIN - IBEX 35	8'713.80	8'933.60	2.52%
NETHERLANDS - AEX	797.93	702.28	-11.99%
RUSSIA - RTSI	159'390.00	111'760.00	-29.88%

VOLATILITY

	31.12.2021	27.05.2022	% Chg YTD
SPX (VIX)	22.75	25.72	13.05%

CURRENCIES

	31.12.2021	27.05.2022	% Chg YTD
EUR/USD	1.1374	1.0735	-5.62%
USD/JPY	115.15	127.13	10.40%
USD/CHF	0.911	0.9573	5.08%
GBP/USD	1.3543	1.2618	-6.83%
USD/CAD	1.2633	1.2727	0.74%
EUR/CHF	1.0361	1.0276	-0.82%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2021	27.05.2022	% Chg YTD
GOLD USD/OZ	1'821.50	1'853.73	1.77%
SILVER USD/OZ	23.18	22.13	-4.53%
PLATINUM USD/OZ	960.5	958.5	-0.21%
ENERGY	**31.12.2021**	**27.05.2022**	**% Chg YTD**
WTI Crude Oil	75.21	115.07	53.00%
Brent Crude Oil	79.32	119.43	50.57%
Natural Gas	3.73	8.73	134.05%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	1.088	2.7	2.749
GERMANY	-0.654	2.4980	0.9610
SWITZERLAND	-0.59	-0.078	0.7520
UK	0.95	1.42900	1.915
JAPAN	-0.12	-0.069	0.229

T&T INTERNATIONAL GROUP

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