

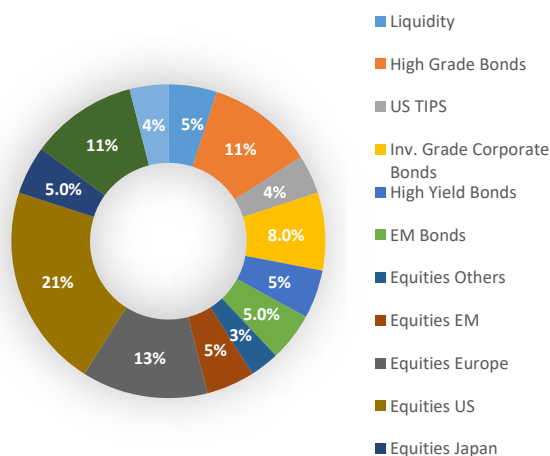
FINANCIAL MARKET OUTLOOK (SHORT TERM)

| APPEALING | | LESS FAVOURED | |
|--|-----------------|--|---|
| Sectors: energy, healthcare, consumer staples Global Value Quality income UK, Australia Energy security (active commodity, exposure, clean air and carbon reduction, energy efficiency, greentech) Food security (agricultural yield) Cybersecurity ESG equity strategies incl. Engagement and improvers. | Equities | Limited upside list CIO list preferred stocks Excess growth stocks Concentrated stocks Excess consumer discretionary stocks Excess IT Excess US stocks Excess e-commerce Excess cash | |
| Investment grade bonds Select short-duration bonds, resilient credit, sustainable bonds High quality bonds Yield-generating structured investments Thematic sustainable fixed income | | Bonds | Sell-expensive rated bones Excess senior loans Excess high yield Excess cash |
| CHF | | Currencies | EUR, GBP |
| Active commodity exposure Oil | | Precious Metals & Commodities | |

ASSET ALLOCATION

As we approach year-end, inflation is high, interest rates are still rising, and growth expectations are falling, with geopolitical tensions, financial stresses, and the legacy of COVID19 adding to uncertainty. Against this backdrop, we favor defensive sectors, income opportunities, "safe havens," and alternatives.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Slowing economic growth and high inflation, coupled with rising interest rates and falling excess liquidity, present a challenging backdrop for equities. In an environment of high inflation and less accommodative central banks, equity returns rely more on earnings, which we now expect to contract next year. In our global tactical asset allocation, we keep US equities as least preferred and the UK and Australia as most preferred. Across sectors, we like global energy, healthcare, and consumer staples, and are least preferred on information technology, industrials, and consumer discretionary. Across styles, we prefer value and quality income to growth.

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BONDS

The risk-return on the more defensive, higher-quality segments of fixed income remains appealing, given the all-in yields on offer and as inflation risks transition to growth risks. Within this context, we have a preference for high grade and investment grade bonds. Tighter lending standards and slower growth suggest higher default risk, while liquidity risk premiums are likely to rise over time as central banks restrict money supply, in our view. As a result, we see high yield spreads as being vulnerable relative to investment grade and high grade. Therefore, we have least preferred stance on the asset class. For investors with a medium- to longer-term investment horizon, the focus should remain on diversification and selectivity.

CURRENCIES

We are downgrading the US dollar to neutral. The Fed’s tightening cycle is moving closer to completion, which is reducing US dollar upside. Meanwhile, China’s reopening trajectory shows signs of greater progress. This leaves room for economic growth outside the US to stay more robust, thereby undermining a richly valued US dollar. With greater two-way forces now at play in markets, a more balanced US dollar view is warranted. We maintain a most preferred view on the Swiss franc. We believe the Swiss National Bank (SNB) is committed to preserving CHF strength as a tool to fight inflation. In this context, we expect USDCHF and EURCHF to follow the drop seen in the respective equilibrium values during 2022. With the CHF being well bid during unexpected bouts of market uncertainty, the currency continues to offer investors an attractive risk-reward. In contrast, we keep the euro at least preferred. The European Central Bank has been slower to raise rates than the Fed, while Eurozone inflation remains too high in our view. The Bank of England faces a similar dilemma. Growth concerns challenge rate-hike prospects, while higher yields are needed to rein in rising inflation expectations.

Source: UBS House View January 2023

TOPIC OF THE MONTH

DON'T BE TEMPTED BY THE OLD PLAYBOOK

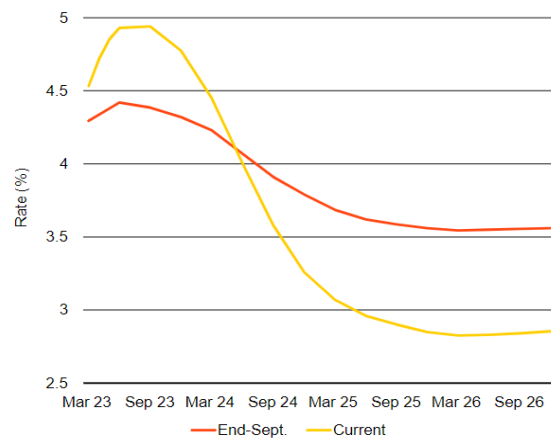
Major central banks will hike rates again: Getting inflation down means they need to crush demand, making recession foretold. We expect central banks to keep rates high as recession unfolds – not save the day as in the past. Yet Treasury yields have slid as the market expects Federal Reserve rate cuts, with the yield curve inverting more.

Markets are pricing in rate cuts starting in mid-2023 (the dark orange line in the chart) because they think the Federal Reserve will ride to the rescue when recession hits – the old playbook. That view has made U.S. yield curves the most inverted since the Fed’s last rapid hiking cycle in the 1980s, with five-year Treasury yields falling more than two- and 10-year yields over the past month. That’s boosted stocks. Score inflation maybe will falling further next year from current levels but think central banks won’t be getting it back to 2% targets. Doing so would require an even deeper recession, in our view, and we see them stopping short of such an outcome as the damage from policy overtightening becomes clearer. So we see central banks living with persistently above-target inflation – and they won’t be able to cut rates as quickly as markets expect.

There is starting recessions developing. Fed hikes have caused U.S. housing sales to slump on surging mortgage rates while businesses cut investment plans. U.S. households have dipped into excess savings built up during the pandemic to fund spending: The U.S. savings rate hit a 17-year low in October, according to the U.S. Bureau of Economic Analysis. U.S. consumers could deplete their accumulated savings next year. Spending might be slowing, worsening an already contracting economy. In Europe, higher rates adding might be possible to economic pain from the energy shock.

Old playbook expectations

Fed policy rate expectations, March 2023 – Sept. 2026



Source: BlackRock Investment Institute, with data from Refinitiv, December 2022. Notes: The chart shows the market pricing of future U.S. policy rates based on SOFR futures. The dark orange line shows the path as of Dec. 6, 2022, versus the path as of Sept. 30, 2022, represented by the yellow line.

Source: Blackrock 12.12..2022

KEY FIGURES 2022

EQUITY INDICES (LOCAL CURRENCIES)

| AMERICA | 31.12.2021 | 19.12.2022 | % Chg YTD |
|-------------------|------------|------------|-----------|
| Dow Jones Ind. | 36'338.30 | 32'757.54 | -9.85% |
| S&P 500 | 4'766.18 | 3'817.66 | -19.90% |
| RUSSELL 2000 | 2'245.31 | 1'738.58 | -22.57% |
| NASDAQ COMP | 15'644.97 | 10'546.03 | -32.59% |
| CANADA - TSX | 21'294.64 | 19'443.28 | -8.69% |
| MEXICO - IPC | 53'272.44 | 49'946.10 | -6.24% |
| BRAZIL IBOVESPA | 104'822.44 | 104'739.75 | -0.08% |
| COLOMBIA COLCAP | 1'415.79 | 1'211.59 | -14.42% |
| ASIA | 31.12.2021 | 19.12.2022 | % Chg YTD |
| JAPAN- NIKKEI | 28'791.71 | 27'234.64 | -5.41% |
| H.K. HANG SENG | 27'231.13 | 19'352.81 | -28.93% |
| CHINA CSI 300 | 5'211.29 | 3'954.23 | -24.12% |
| EUROPE | 31.12.2021 | 19.12.2022 | % Chg YTD |
| EURO STOXX 50 | 4'298.41 | 3'811.24 | -11.33% |
| UK - FTSE 100 | 7'384.54 | 7'361.31 | -0.31% |
| GERMANY - DAX | 15'884.86 | 13'942.87 | -12.23% |
| SWITZERLAND - SMI | 12'875.66 | 10'773.23 | -16.33% |
| SPAIN - IBEX 35 | 8'713.80 | 8'136.80 | -6.62% |
| NETHERLANDS - AEX | 797.93 | 700.71 | -12.18% |
| RUSSIA - RTSI | 159'390.00 | 100'530.00 | -36.93% |

VOLATILITY

| | 31.12.2021 | 19.12.2022 | % Chg YTD |
|-----------|------------|------------|-----------|
| SPX (VIX) | 22.75 | 21.29 | -6.42% |

CURRENCIES

| | 31.12.2021 | 19.12.2022 | % Chg YTD |
|---------|------------|------------|-----------|
| EUR/USD | 1.1374 | 1.0608 | -6.73% |
| USD/JPY | 115.15 | 136.87 | 18.86% |
| USD/CHF | 0.911 | 0.929 | 1.98% |
| GBP/USD | 1.3543 | 1.2147 | -10.31% |
| USD/CAD | 1.2633 | 1.3656 | 8.10% |
| EUR/CHF | 1.0361 | 0.9854 | -4.89% |

COMMODITIES (USD)

| PRECIOUS METALS | 31.12.2021 | 19.12.2022 | % Chg YTD |
|-----------------|------------|------------|-----------|
| GOLD USD/OZ | 1'821.50 | 1'787.62 | -1.86% |
| SILVER USD/OZ | 23.18 | 23.05 | -0.56% |
| PLATINUM USD/OZ | 960.5 | 983 | 2.34% |
| ENERGY | 31.12.2021 | 19.12.2022 | % Chg YTD |
| WTI Crude Oil | 75.21 | 75.19 | -0.03% |
| Brent Crude Oil | 79.32 | 79.80 | 0.61% |
| Natural Gas | 3.73 | 5.74 | 53.89% |

INTEREST RATES GOVERNMENT BONDS

| | 3 Months | 2 Years | 10 Years |
|-------------|----------|---------|----------|
| USA | 4.382 | 4.262 | 3.583 |
| GERMANY | 1.720 | 2.444 | 2.1970 |
| SWITZERLAND | 0.810 | 1.043 | 1.2860 |
| UK | 3.261 | 3.662 | 3.499 |
| JAPAN | -0.141 | -0.008 | 0.256 |

T&T INTERNATIONAL GROUP

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