NEWSLETTER APRIL 2023

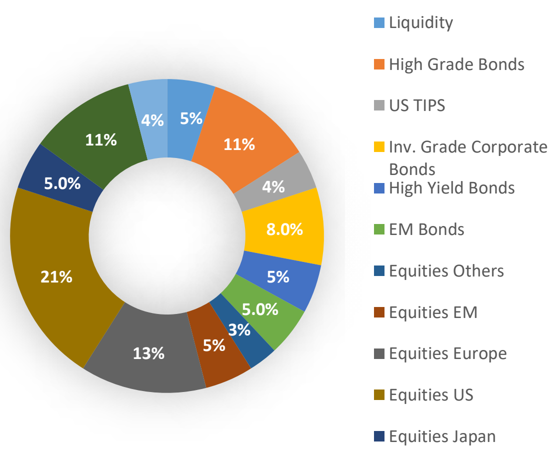
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Sectors: utilities, consumer staples, industrials Global Value Stocks Quality income Australia Emerging market equities (China, Asia semis) Select European opportunities (Germany, consumer) Sustainable thematic equities: energy efficiency and water Infrastructure (incl. Indirect exposure through industrials and utilities	**Equities**	Growth Stocks US Stocks Healthcare Stocks Cash Energy Stocks US Financials Stocks
High grade Investment grade Sustainable bonds Select financials senior loans EM credit	**Bonds**	Redemption on SP/bonds expensive-rated bonds Senior loans High Yield US Bonds
AUD	**Currencies**	USD
Active commodity exposure Oil Gold	**Precious Metals & Commodities**	Cash

ASSET ALLOCATION

In our global asset allocation, we downgrade global equity to least preferred and upgrade bonds to most preferred. At this stage of the cycle, we think bonds offer better value and lower volatility than equities. Within equities, we still prefer value and quality income versus growth. We also like emerging markets, China, and Australia. We prefer high grade, investment grade, and emerging market bonds over high yield. We like broad commodities, including gold and oil. On currencies, we are least preferred on the US dollar and hold a preference for the Australian dollar. We remain neutral on the remainder of the G10 currencies.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Following a strong start to the new year, global equities lost traction in February amid a slower-than-expected moderation in inflation and most recently, the increasing uncertainty around US regional banks and the potential impact of tightening credit and liquidity conditions on economic growth. As policy rates are expected to stay higher for longer, we see limited room for a rerating of global equities. Across regions, we cut the UK from most preferred to neutral. Across global sectors, we upgrade utilities from neutral to most preferred and downgrade energy from most preferred to neutral. Across styles, we prefer value and quality income to growth.

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BONDS

We continue to recommend an up-in-quality bias. Despite recent strong returns, the more defensive, higherquality segments of fixed income remain appealing, given the all-in yields on offer and as inflation risks transition to growth risks. The tightening of lending standards due to financial instability and higher official policy rates are likely to weigh on growth and inflation and apply downward pressure on nominal interest rates. We maintain a preference for high grade and investment grade bonds. We also keep our preference for EM bonds. High yield remains our least preferred segment.

CURRENCIES

This month we move the US dollar to least preferred from neutral. The Federal Reserve is getting closer to the end of its rate-hike cycle, and markets are discussing the timing for rate cuts later this year. The inflection point we are looking for in 2023 is nearing. The exact timing of the last rate hike is still uncertain, and therefore investors need to prepare for volatility, just as we have seen in recent weeks. Still, US inflation has started to fall, and the US economy is likely to slow in response to the rate-hike cycle. We keep a neutral position on the euro, British pound, Swiss franc, and Japanese yen. The Australian dollar

Source: UBS House View April 2023

TOPIC OF THE MONTH

Commodity Markets: play the long game

Following a strong start to the year in January, the markets are in consolidation mode and looking for orientation. We are now in the middle of the reporting season for the past fiscal year.

Macroeconomic uncertainty has weighed on the commodity sector in recent weeks. Notably, the banking stress has tightened global financial conditions and raised expectations for an earlier, deeper slowdown in the US economy. Yet the UBS benchmark index, the UBS Constant Maturity Commodity Index (CMCI Total Return), has declined by a relatively modest c1.2% so far in March, paring some losses of more than 4% as of mid-March—the energy sector is down 5% in March, while precious metals is up around 8%. However, it is more likely that many investors missed the January rally and are still underinvested. This is tactically positive for the immediate further stock market development and can also be seen from the fact that the previously "sold out" cyclical sectors top the performancer rankings.

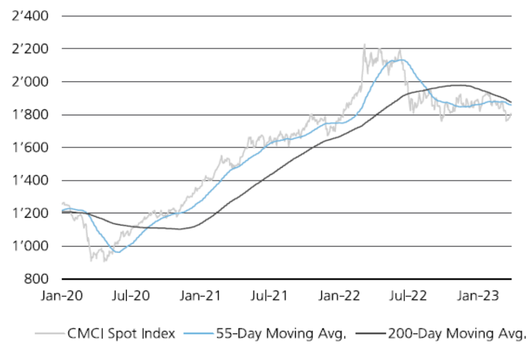
Within energy, crude oil and US natural gas prices have been most affected by recent events, although sector-specific factors have also contributed to weakness in the past few months. The US Freeport liquefied natural gas (LNG) export terminal has faced new challenges in restarting, and mild weather this winter has caused US natural gas inventories to fall less than the seasonal norm. Meanwhile, the oil price drop has likely been amplified by short futures positions added by financial institutions who sought protection on the options they had sold to oil producers.

Spot gold prices broke through the USD 2,000/oz barrier a few times in recent weeks for the first time since the immediate aftershock of Russia's invasion of Ukraine. While a repeat of the global financial crisis has been largely assuaged by swift government action in the US and Switzerland, recent gyrations in credit default swap spreads illustrate it will take time for confidence to be fully restored. Tighter lending standards may result in an earlier US slowdown, bringing forward a peak in US interest rates.

Gold demand typically rises and falls on shifting expectations of US rates, the dollar, and the outlook for risk assets like stocks. A key feature of its most recent rally is the return of financial investors to the gold market, with exchange-traded funds (ETFs) as well as futures and options markets all recording the strongest demand in over a year. In fact, March is set to be the first month of net inflows into ETFs in almost a year. Central bank demand has also remained solid this year.

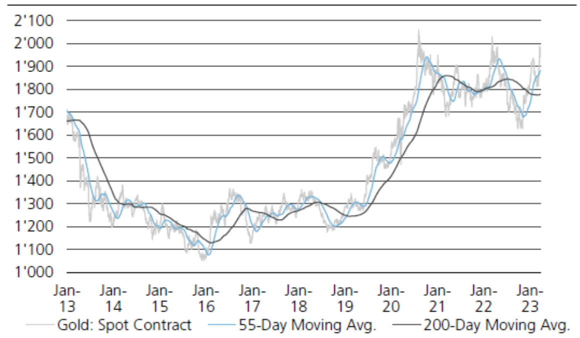
Source: UBS 28.03.2023

Macroeconomic uncertainty has weighed on commodities in recent weeks



Source: Bloomberg, UBS, as 28 March 2023

Spot gold prices
In USD/oz



Source: Bloomberg Finance LP, UBS

KEY FIGURES 2023

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2022	28.03.2023	% Chg YTD
Dow Jones Ind.	33’147.25	32’394.25	-2.27%
S&P 500	3’839.50	3’971.27	3.43%
RUSSELL 2000	1’760.83	1’752.63	-0.47%
NASDAQ COMP	10’466.48	11’716.08	11.94%
CANADA - TSX	19’384.92	19’657.53	1.41%
MEXICO - IPC	48’515.63	53’209.10	9.67%
BRAZIL IBOVESPA	109’734.60	101’185.09	-7.79%
COLOMBIA COLCAP	1’286.07	1’118.20	-13.05%
ASIA	**31.12.2022**	**28.03.2023**	**% Chg YTD**
JAPAN- NIKKEI	26’094.50	27’518.25	5.46%
H.K. HANG SENG	19’781.41	19’784.65	0.02%
CHINA CSI 300	3’887.90	3’999.51	2.87%
EUROPE	**31.12.2022**	**28.03.2023**	**% Chg YTD**
EURO STOXX 50	3’793.62	4’168.21	9.87%
UK - FTSE 100	7’451.74	7’484.25	0.44%
GERMANY - DAX	13’923.59	15’142.02	8.75%
SWITZERLAND - SMI	10’729.40	10’839.11	1.02%
SPAIN - IBEX 35	8’229.10	8’944.30	8.69%
PORTUGAL - PSI 20	5’726.11	5’835.62	1.91%
RUSSIA - RTSI	98’860.00	99’730.00	0.88%

VOLATILITY

	31.12.2022	28.03.2023	% Chg YTD
SPX (VIX)	22.75	19.96	-12.26%

CURRENCIES

	31.12.2022	28.03.2023	% Chg YTD
EUR/USD	1.14	1.0579	-6.99%
USD/JPY	115.15	130.88	13.66%
USD/CHF	0.9110	0.9200	0.99%
GBP/USD	1.35	1.2338	-8.90%
USD/CAD	1.26	1.36	7.65%
EUR/CHF	1.04	0.9963	-3.84%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2022	28.03.2023	% Chg YTD
GOLD USD/OZ	1’824.56	1’974.06	8.19%
SILVER USD/OZ	23.97	23.28	-2.88%
PLATINUM USD/OZ	1’073.50	968	-9.83%
ENERGY	**31.12.2022**	**28.03.2023**	**% Chg YTD**
WTI Crude Oil	80.26	73.20	-8.80%
Brent Crude Oil	85.91	78.65	-8.45%
Natural Gas	4.47	2.03	-54.59%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	4.771	4.062	3.568
GERMANY	2.636	2.582	2.2840
SWITZERLAND	1.360	1.114	1.1600
UK	4.113	3.365	3.454
JAPAN	-0.275	-0.068	0.3

T&T INTERNATIONAL GROUP

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