T&T International Group
Your 360° Wealth Partner

NEWSLETTER MAY 2023

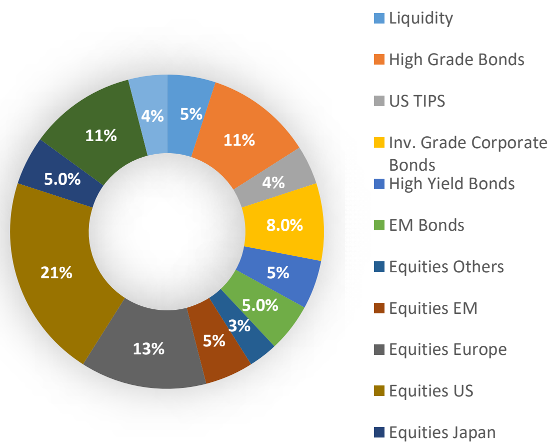
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Sectors: utilities, consumer staples, industrials Global Value Quality income Australia Emerging market equities (China, Asia semis, EM SI) Select European opportunities (Germany, consumer) Sustainable thematic equities: renewables and water Infrastructure (incl. Greentech, Indirect exposure through industrials and utilities)	**Equities**	CIO least preferred stocks Excess growth Stocks Concentrated Stocks Excess US Stocks Excess healthcare Excess energy Excess US financials Excess cash
High grade Investment grade Sustainable bonds Select financials senior loans EM credit	**Bonds**	Redemption on SP/bonds Sell-expensive-rated bonds Excess US equities
AUD, JPY	**Currencies**	USD
Active commodity exposure Oil Gold	**Precious Metals & Commodities**	Excess cash

ASSET ALLOCATION

In our global portfolio, we continue to prefer bonds over equities. 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. Within credit, we prefer high grade, investment grade, and emerging market bonds. 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 and the Japanese yen.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Following a strong start to the year, global equities lost traction in February and March amid a slower-thanexpected moderation in inflation, 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 global equity valuations to improve. Across regions, we keep the US as least preferred and maintain Australia and emerging markets as most preferred. By sector, we keep consumer staples, utilities, and industrials as most preferred and information technology, communication services, and healthcare as least preferred. Across styles, we prefer value and quality income to growth.

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 26.04.2023

BONDS

We continue to recommend an up-in-quality bias. Despite recent strong returns, we think the more defensive, higher-quality segments of fixed income remain appealing given the all-in yields on offer and as inflation risks transition to growth risks. Within this context, we maintain a preference for high grade and investment grade bonds. We also like emerging market bonds. This month we upgrade high yield to neutral from a least preferred stance, as although we believe spreads will trend wider by year-end and relative returns may be lower than higher-quality segments, total returns should be protected by virtue of higher outright yields.

CURRENCIES

Together with the Australian dollar, we now also have the Japanese yen as a most preferred currency. With Japan's negative output gap expected to fully close by mid-year, coupled with inflation staying above target, we expect the Bank of Japan to allow a further rise in JGB yields in 2H23. Moreover, the BoJ's holdings of JGBs has ballooned to around 52% of the market (as of end-2022), which underpins an added urgency to modify its current yield-curve control regime. The US dollar remains least preferred in our global strategy. We keep a neutral position on the Euro, British pound, and Swiss franc.

Source: UBS House View May 2023

TOPIC OF THE MONTH

WHAT IS PRIZED IN?

Last month, fears of high inflation and rising rates were met head-on with the threat of a financial crisis and slowing economic growth. Yet equity investors have taken the turmoil in stride: The S&P 500 is near its 12-month high, and the VIX index is at a 17-month low. But with the S&P 500 now trading at a valuation multiple historically associated with mid-teens earnings growth, it could be that the market is pricing in a high probability of a near-perfect landing for the US economy.

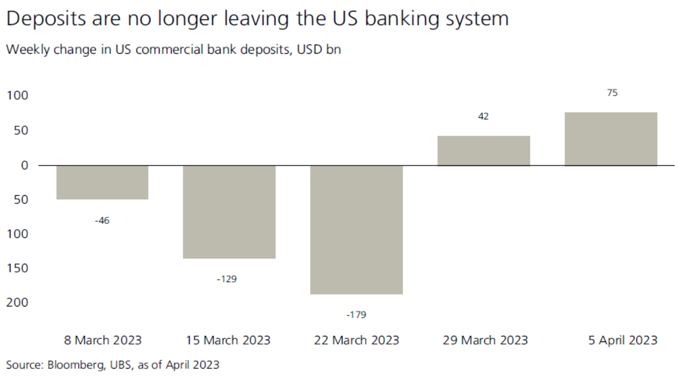
The potential worst-case scenario stemming from the collapse of Silicon Valley Bank (SVB) appears to have been averted. US and European regulators acted quickly to provide the necessary liquidity to prevent a systemic crisis. Their prompt action has stabilized deposit outflows, reduced reliance on Fed liquidity, and eased funding market stresses. Last week's Fed report showed deposits increased by USD 75bn, building on a USD 40bn gain the prior week. Total banking deposits are still about USD 200bn lower than when SVB failed, but these data points show that deposits are no longer leaving the banking system.

Warren Buffett has said that he still expects some other banks may fail, and it stands to reason that smaller regional US banks, which have not been held to the same capital requirements as the large systemically important banks, carry higher risk in a period of rising rates and a slowing economy. But in recent weeks, markets overall have been willing to look past the potential risks, with the S&P 500 gaining 8% since the March low in the wake of SVB's collapse.

March economic data provided evidence that US inflation is cooling. Headline CPI rose just 0.1% month-over-month, and core inflation slowed to 0.4% from 0.5% in February. In year-over-year terms, the headline inflation rate fell to 5%, the lowest since May 2021, and inflation in the cost of shelter, one of the main recent drivers of core CPI, also moderated.

Meanwhile, the labor market appears to be cooling, too. The March US labor report showed a 236,000 increase in nonfarm payrolls, the smallest since Decem ber 2020; the average growth in hourly earnings fell to 4.2% year-over-year; and the vacancies-to-unemployment ratio fell to 1.7, down from two at the peak.

Amid hopes that inflation would continue to fall, futures markets are pricing the Fed to deliver just one more 25-basis-point rate hike in May, and to then start cutting rates before the end of the year.



Is this pricing fair? While it is possible that inflation moves smoothly back toward target, allowing the Fed to cut interest rates this year, other data points to a potentially bumpier ride. US wage growth, as shown by the Atlanta Fed's wage growth tracker, increased to 6.4% year-over-year in March, up from 6.1% in February. The annual rate for job switchers, a measure of the strength in the labor market, increased to 7.3% in March from 6.7% the previous month.

Source UBS: 20.04.2023

KEY FIGURES 2023

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2022	24.04.2023	% Chg YTD
Dow Jones Ind.	33’147.25	33’875.40	2.20%
S&P 500	3’839.50	4’137.04	7.75%
RUSSELL 2000	1’760.83	1’788.87	1.59%
NASDAQ COMP	10’466.48	12’037.20	15.01%
CANADA - TSX	19’384.92	20’676.74	6.66%
MEXICO - IPC	48’515.63	54’713.70	12.78%
BRAZIL IBOVESPA	109’734.60	103’946.58	-5.27%
COLOMBIA COLCAP	1’286.07	1’225.26	-4.73%
ASIA	**31.12.2022**	**24.04.2023**	**% Chg YTD**
JAPAN- NIKKEI	26’094.50	28’593.52	9.58%
H.K. HANG SENG	19’781.41	19’959.94	0.90%
CHINA CSI 300	3’887.90	3’982.64	2.44%
EUROPE	**31.12.2022**	**24.04.2023**	**% Chg YTD**
EURO STOXX 50	3’793.62	4’401.80	16.03%
UK - FTSE 100	7’451.74	7’912.20	6.18%
GERMANY - DAX	13’923.59	15’863.95	13.94%
SWITZERLAND - SMI	10’729.40	11’467.20	6.88%
SPAIN - IBEX 35	8’229.10	9’406.40	14.31%
PORTUGAL - PSI 20	5’726.11	6’198.61	8.25%
RUSSIA - RTSI	98’860.00	101’000.00	2.16%

VOLATILITY

	31.12.2022	24.04.2023	% Chg YTD
SPX (VIX)	22.75	16.8	-26.15%

CURRENCIES

	31.12.2022	24.04.2023	% Chg YTD
EUR/USD	1.14	1.1004	-3.26%
USD/JPY	115.15	134.21	16.55%
USD/CHF	0.9110	0.8879	-2.54%
GBP/USD	1.35	1.2485	-7.81%
USD/CAD	1.26	1.3541	7.19%
EUR/CHF	1.04	0.9808	-5.34%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2022	24.04.2023	% Chg YTD
GOLD USD/OZ	1’824.56	1’989.25	9.03%
SILVER USD/OZ	23.97	25.2	5.13%
PLATINUM USD/OZ	1’073.50	1087	1.26%
ENERGY	**31.12.2022**	**24.04.2023**	**% Chg YTD**
WTI Crude Oil	80.26	78.76	-1.87%
Brent Crude Oil	85.91	82.73	-3.70%
Natural Gas	4.47	2.27	-49.15%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	5.061	4.144	3.834
GERMANY	3.080	2.956	2.4900
SWITZERLAND	1.350	1.114	1.1210
UK	4.34	3.807	3.783
JAPAN	-0.175	-0.037	0.484

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.

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