T&T International Group
Your 360° Wealth Partner

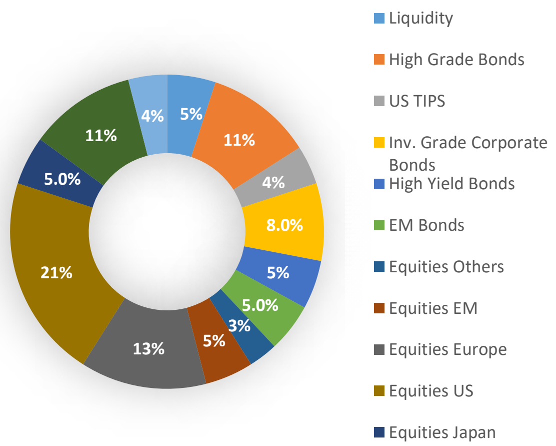
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Sectors: utilities, consumer staples, industrials Global Value Quality income Australia Emerging market equities Select European opportunities (Germany, consumer) Sustainable equities: ESG leaders, renewables and water scarcity Infrastructure including greentech.	**Equities**	Excess US equities Excess IT equities Excess growth equities Excess healthcare equities Concentrated stocks Excess cash
High grade, investment grade, sustainable bonds Emerging market credit Select senior financial bonds Actively managed fixed income solutions	**Bonds**	Excess cash Sell-expensive-rated bonds Excess equities
JPY, EUR	**Currencies**	USD
Active commodity exposure Oil Gold	**Precious Metals & Commodities**	Excess cash

ASSET ALLOCATION

In our global strategy, we keep global equities as least preferred and bonds most preferred. At this stage of the economic cycle, we think bonds offer better value and lower volatility than equities. Within equities, we 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. Within commodities, we like gold and oil. Regarding currencies, we have the US dollar as least preferred and the Japanese yen and euro as most preferred currencies.

BALANCED USD MODEL PORTFOLIO



EQUITIES

As policy rates are expected to stay higher for longer, we see limited room for global equity valuations to improve. We also see earnings at risk as economic growth decelerates and profit margins trend lower. We therefore believe that a cautious view on developed market equities is warranted. Across regions, we keep US equities as least preferred, and maintain Australian and emerging market equities as most preferred. In our global sector strategy, 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. Value stocks remain abnormally cheap against growth stocks, in our view.

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

We continue to advocate allocations to the more defensive, higher quality segments of fixed income, given the all-in yields on offer and as inflation cools and downside risks to growth remain. The tightening of lending standards due to pockets of financial instability and higher official policy rates continue to weigh on growth and inflation, and apply downward pressure on nominal interest rates. This is a positive driver for the performance of highquality bonds. Specifically, we maintain a preference for high grade and investment grade bonds. We are also most preferred on EM credit and neutral on high yield.

CURRENCIES

We upgrade the euro to most preferred. Investors moving away from the US dollar are looking for a liquid alternative asset market, and we think the euro is an obvious option. The European Central Bank (ECB) has maintained a clear commitment to prioritizing the fight against inflation, which is still well-above target. The euro is also strongly undervalued relative to the US dollar, and longterm investors have considerable USD long positions that will need to be cleared eventually. The end of the US tightening cycle would be a good time to do so, in our view. We keep the US dollar as least preferred and the Japanese yen most preferred. We maintain a neutral positioning on the Australian dollar, British pound, and Swiss franc.

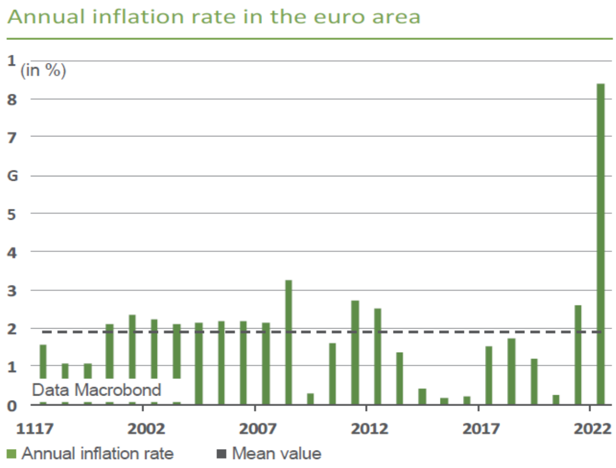
Source: UBS House View Aug 2023

TOPIC OF THE MONTH

25 YEARS EUROPEAN CENTRAL BANK

25 years ago, on June 1, 1998, the European Central Bank (ECB) was established to prepare for the introduction of the euro on January 1, 1999.

These last 25 years have been eventful. With the financial crisis, the debt crisis and the pandemic, there have been three major crises to deal with, and the imbalances within the monetary union continue to occupy the central bank to this day. While the key interest rate used to be the means of controlling the economy, the ECB has since significantly expanded its range of instruments with several programs of securities purchases. This has left its mark on the balance sheet. In January 1999, the balance sheet total was 11% of eurozone GDP; today it is 54%. The ECB used these programs, among other things, during the pandemic to provide the markets with sufficient liquidity, but also in an attempt to raise inflation after the school crisis. This brings us to the ECB's main task, price stability.



"We keep inflation under control." That's how the ECB describes its mandate on its website. How well is it doing that? Since 1998, the price level in the euro zone has risen by an average of 2% per year, as required by the inflation target. Thus, the ECB seems to be highly successful in terms of price stability. However, a closer look reveals that not everything has gone according to plan over the past 10 years. From 2013 to 2019, the inflation rate averaged just 1%. This prompted the ECB to let the deposit rate become negative and to buy bonds on the market. Despite these measures, the inflation rate did not rise to the ECB's target value. The years of negative interest rates were also problematic because they created distortions in the financial markets and penalized savers. Since the pandemic, on the other hand, the inflation rate has been far too high. After some initial hesitation, the ECB has now decided to lower it. The fact that the long-term average inflation rate is exactly on target is thus a favorable coincidence rather than a sign of a successful monetary policy. To be fair, it must be added that other industrialized countries went through a similar inflation development - inflation was first too low, then too high - and that their central banks did not achieve more than the ECB.

The ECB's most successful moment came in 2012 during the debt crisis. When then-President Mario Draghi declared at the height of the crisis that the ECB would do everything it could to save the euro, it played a key role in calming the financial markets. Since then, the ECB has launched two programs that allow it to buy government bonds of euro countries that are coming under pressure in the financial markets. The programs are part of the protective umbrella that the EU has put up in order to to prevent a renewed debt crisis. Fundamentally, the monetary union remains fragile because it is incomplete. For example, the financial markets are not integrated and a common fiscal policy is lacking. The member countries are also very heterogeneous: While differences in competitiveness have narrowed, there are still large differences in wealth, economic growth, and inflation. Finding a monetary policy that suits all countries is therefore an extraordinary challenge.

The ECB's most important task at present is to bring down high inflation. Inflation could also be an issue in the future, as it is unlikely to return to the low levels seen before the pan- demy. Fighting inflation, taking into account the fragile countries of the monetary union and the high level of sovereign debt, could become an area of tension in which the ECB will not be bored in the coming years.

Source LLB July 2023

KEY FIGURES 2023

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2022	20.07.2023	% Chg YTD
Dow Jones Ind.	33’147.25	35’225.18	6.27%
S&P 500	3’839.50	4’534.87	18.11%
RUSSELL 2000	1’760.83	1’967.16	11.72%
NASDAQ COMP	10’466.48	14’063.30	34.37%
CANADA - TSX	19’384.92	20’436.87	5.43%
MEXICO - IPC	48’515.63	53’561.37	10.40%
BRAZIL IBOVESPA	109’734.60	118’082.90	7.61%
COLOMBIA COLCAP	1’286.07	1’173.75	-8.73%
ASIA	**31.12.2022**	**20.07.2023**	**% Chg YTD**
JAPAN- NIKKEI	26’094.50	32’490.52	24.51%
H.K. HANG SENG	19’781.41	18’928.02	-4.31%
CHINA CSI 300	3’887.90	3’823.69	-1.65%
EUROPE	**31.12.2022**	**20.07.2023**	**% Chg YTD**
EURO STOXX 50	3’793.62	4’373.73	15.29%
UK - FTSE 100	7’451.74	7’646.05	2.61%
GERMANY - DAX	13’923.59	16’204.22	16.38%
SWITZERLAND - SMI	10’729.40	11’201.55	4.40%
SPAIN - IBEX 35	8’229.10	9’519.60	15.68%
PORTUGAL - PSI 20	5’726.11	6’163.69	7.64%
RUSSIA - RTSI	98’860.00	103’360.00	4.55%

VOLATILITY

	31.12.2022	20.07.2023	% Chg YTD
SPX (VIX)	22.75	13.76	-39.52%

CURRENCIES

	31.12.2022	20.07.2023	% Chg YTD
EUR/USD	1.14	1.1137	-2.08%
USD/JPY	115.15	140.07	21.64%
USD/CHF	0.9110	0.8666	-4.87%
GBP/USD	1.35	1.2868	-4.98%
USD/CAD	1.26	1.3175	4.29%
EUR/CHF	1.04	0.9651	-6.85%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2022	20.07.2023	% Chg YTD
GOLD USD/OZ	1’824.56	1’969.99	7.97%
SILVER USD/OZ	23.97	27.77	15.85%
PLATINUM USD/OZ	1’073.50	958	-10.76%
ENERGY	**31.12.2022**	**20.07.2023**	**% Chg YTD**
WTI Crude Oil	80.26	75.65	-5.74%
Brent Crude Oil	85.91	79.64	-7.30%
Natural Gas	4.47	2.76	-38.32%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	5.416	4.839	3.853
GERMANY	3.487	3.263	2.4500
SWITZERLAND	1.650	1.169	0.9580
UK	5.506	4.975	4.274
JAPAN	-0.14	-0.032	0.48

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