

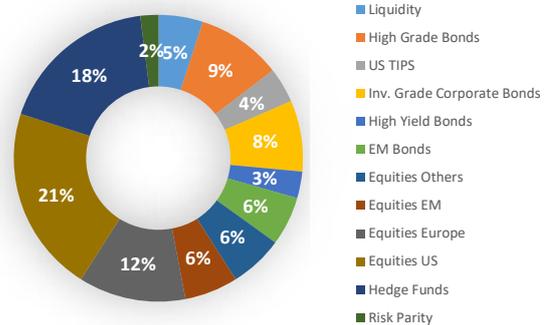
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global Equities (↗) Eurozone Equities Emerging Market Equities (↗) Eurozone Value Opportunities US Smart Beta Sustainable Value Creation in EM (↗)	Equities	UK Equities Australian Equities (↘)
Corporate Hybrids US Leveraged Loans EM Local Currency Bonds	Bonds	Developed Market High Grade Bonds (↘) 'Well-worn' Bonds Euro High Yield
SEK (↗) CAD (↗) EM FX (BRL, INR, RUB, TRY) (↗)	Foreign Exchange	NOK (↘) USD (↘) DM FX (AUD, HUF, NOK, TWD) (↘)
Navigating rising US rates with Hedge Funds	Hedge Funds	
	Precious Metals & Commodities	

ASSET ALLOCATION

Global risk assets had a good start to the year amid signs of continuing global business cycle momentum. Leading economic indicators, including manufacturing PMIs, showed continued improvement and suggest robust manufacturing activity ahead. We expect a global economic growth of 3.9% this year. Solid earnings growth should continue to support equity markets. We expect the Fed to continue its gradual hiking cycle and a medium-term trend for further USD Treasury curve flattening. We remain underweight on euro high yield (HY) bonds, but are modestly adding to our global equities overweight by shifting to an outright global equities exposure vs. euro HY (instead of a mix of global equities and USD HG bonds). However, after a strong run, many investors may not need to actively buy stocks. Investors that participated in the recent rally may have automatically increased the size of their overweight position in equities. We also hold an overweight on global equities against high grade (HG) bonds.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Global equities are supported by solid earnings growth. At a price-to-earnings ratio of about 18.5x, global equities are priced broadly in line with their long-term average. We maintain our overweight on Eurozone against UK equities. Eurozone companies are well positioned to benefit from robust global demand given their cyclical sector composition and high operational leverage. Meanwhile, consensus is looking for earnings growth of about 6% for the MSCI UK in 2018, a weaker earnings outlook than for some other regions. We are adding an overweight on emerging market (EM) against Australian stocks. Due to their operational leverage EM companies are a main beneficiary of strong global growth, while expected USD weakening in 2018 should benefit EM equities measured in USD. Australian earnings growth is solid but lagging other markets. Regulatory measures to cool the housing market are likely to cap earnings growth of banks.

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BONDS

Euro high yield bonds remain expensive, and we are keeping an underweight on the asset class. As for the overweight, we are shifting to an outright global equities exposure, thus moving away from the previous overweight of a mix of global equities and USD HG bonds. We hold a tactical overweight on EM local-currency bonds against HG bonds, which offer an attractive interest rate carry of around 3.5%. Given our expectation for a continued benign global environment, including limited upward pressure on US Treasury yields, a softer US dollar, and improved domestic conditions, EM currencies have further room to appreciate. Further policy rate cuts amid subdued inflation should contain upward pressure on EM local currency yields amid gradually rising yields in advanced economies.

Source: UBS Research

FOREIGN EXCHANGE

We see the current benign environment as one in which investors can afford to take more active intra-market trades. It could thus be interesting to increase to existing FX positions, including an overweight on a basket of four high-yielding emerging market currencies (BRL, INR, TRY, RUB) against a set of four pro-cyclical lower-yielding counterparts (AUD, HUF, NOK, TWD), our overweight on the Canadian dollar against the US dollar and our overweight on the Swedish krona against the Norwegian krone, with the aim of harvesting an attractive interest carry of around 7.4% p.a. of the long position, while offsetting to a certain degree some of the common risk exposures (US dollar, commodities) with the short positions.

TOP PICKS 2018

COMMENTARY

The world economy remains solid and we expect it to continue to be so throughout 2018. This economic growth should provide stability in the financial markets and support the positive investment sentiment towards risky assets.

However, some equity markets seem fairly valued at current levels and corrections cannot be ruled out. So for investors who prefer to focus on the higher visibility that some companies provide in terms of their ability for outperformance and continued growth, we propose a selection of single stocks in CHF, EUR and USD in the sectors where we observe stability and growth.

The selection is based on the proven business model of each company as well as their fundamental value, strategy for the future, market share and their brand leadership. We believe these companies are well positioned to benefit from the support that the global economy is providing but also from themselves as their organic growth should also play in favor of investors.

EQUITIES

Name	Sector	Current Price	Consensus PT (Bloomberg)	Upside (%)	Dividend Yield	Est. P/E next Year
Facebook Inc-A	IT	186.55	209.40	12.25%		21.55
Apple Inc	IT	174.22	192.69	10.60%	1.47	14.08
Starbucks Corp	Discretionary	60.52	62.63	3.49%	2.08	21.86
Biogen Inc	Health Care	354.63	359.53	1.38%		13.36
Alibaba GRP-ADR	IT	195.53	219.35	12.18%		25.35
Applied Material	IT	56.88	67.47	18.62%	0.77	11.81
Bayer AG-REG	Health Care	107.82	121.62	12.80%	2.59	14.83
Shire Plc	Health Care	3424	5107.75	49.17%	0.63	9.78
Volkswagen-Pref	Discretionary	181.4	185.82	2.44%	1.23	6.45
Unicredit SPA	Financials	17.69	22.85	29.17%		10.25
Orange	Telecom	14.68	16.85	14.78%	4.48	13.48
Siemens	Industials	123.36	130.70	5.95%	3.17	13.99

Source: Vontobel Research

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2017	26.01.2018	% Chg YTD
Dow Jones Ind.	24'719.22	26'392.79	6.77%
S&P 500	2'673.61	2'839.25	6.20%
RUSSELL 2000	1'551.45	1'601.67	3.24%
NASDAQ COMP	6'903.39	7'411.16	7.36%
CANADA - TSX	16'209.13	16'204.01	-0.03%
MEXICO - IPC	49'354.42	50'746.93	2.82%
BRAZIL IBOVESPA	76'402.08	84'441.37	10.52%
COLOMBIA COLCAP	1'513.65	1'588.97	4.98%
ASIA	31.12.2017	26.01.2018	% Chg YTD
JAPAN- NIKKEI	22'764.94	23'631.88	3.81%
H.K. HANG SENG	29'919.15	33'154.12	10.81%
CHINA CSI 300	4'030.85	4'381.30	8.69%
EUROPE	31.12.2017	26.01.2018	% Chg YTD
EURO STOXX 50	3'503.96	3'630.15	3.60%
UK - FTSE 100	7'687.77	7'615.84	-0.94%
GERMANY - DAX	12'917.64	13'298.36	2.95%
SWITZERLAND - SMI	9'381.87	9'482.96	1.08%
SPAIN - IBEX 35	10'043.90	10'614.00	5.68%
NETHERLANDS - EOE	544.58	567.07	4.13%
RUSSIA - RTSI	115'840.00	131'240.00	13.29%
VOLATILITY	31.12.2017	26.01.2018	% Chg YTD
SPX (VIX)	11.04	11.58	4.89%

GOVERNMENT BOND YIELDS %

	3 Months	2 Years	10 Years
USA	1.422	2.116	2.643
GERMANY	-0.699	-0.552	0.622
SWITZERLAND	-0.85	-0.824	0.061
UK	0.327	0.619	1.416
JAPAN	-0.130	-0.129	0.075

CURRENCIES

	31.12.2017	26.01.2018	% Chg YTD
EUR/USD	1.2005	1.2460	3.79%
USD/JPY	112.7010	109.10	-3.20%
USD/CHF	0.9746	0.9347	-4.09%
GBP/USD	1.3510	1.424	5.40%
USD/CAD	1.2574	1.2312	-2.08%
EUR/CHF	1.1700	1.1637	-0.54%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2017	26.01.2018	% Chg YTD
Gold USD/OZ	1'302.80	1'355.34	4.03%
SILVER USD/OZ	16.92	17.49	3.37%
PLATINUM USD/OZ	931.00	1'022.10	9.79%
ENERGY	31.12.2017	26.01.2018	% Chg YTD
WTI Crude Oil	60.42	65.45	8.33%
Brent Crude Oil	66.87	69.86	0.04
Natural Gas	2.95	3.15	6.50%

T&T INTERNATIONAL GROUP

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We remain at your disposal for any questions or further information.

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