NEWSLETTER FEBRUARY 2018

T&T International Group
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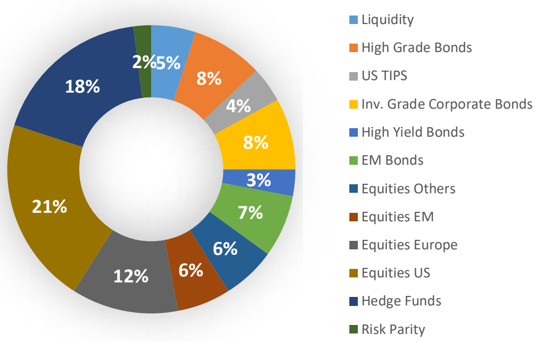
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global Equities Eurozone Equities Emerging Market Equities Eurozone Value Opportunities US Smart Beta Sustainable Value Creation in EM Some Protection via Equity Put Options	**Equities**	UK Equities Australian Equities
Corporate Hybrids US Leveraged Loans EM Sovereign Bonds in USD (↗)	**Bonds**	Developed Market High Grade Bonds (↘) 'Well-worn' Bonds Euro High Yield 10-Year Japanese Gvt Bonds (vs. JPY Cash)
EUR (↗) CAD EM FX (BRL, INR, RUB, TRY) GBP (↗) JPY (↗)	**Foreign Exchange**	NOK (↘) USD (↘) DM FX (AUD, HUF, NOK, TWD) (↘)
Navigating rising US rates with Hedge Funds	**Hedge Funds**	

ASSET ALLOCATION

The recent market correction, triggered by concerns about rising US inflation and interest rates, and worsened by technical factors, erased some of January's strong equity gains. We keep a constructive view on global equities as the economic backdrop remains strong. Leading indicators, including manufacturing PMIs, suggest robust manufacturing activity ahead. We revised our annual forecast for global economic growth up to 4.1% recently. Global inflation is only picking up gradually and we expect a slow normalization of monetary policy. Solid corporate earnings growth continues to support equities. We remain overweight in global equities against euro high yield and high grade bonds. Equity market valuations are slightly below their long-term average and stocks should outperform credit and bonds. We are entering a phase of the business cycle, where volatility is increasing. We therefore add some protection to our general risk-on stance through equity put options.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Global equities are supported by solid earnings growth as can be seen from the ongoing 4Q earnings announcements. US companies, which make up about half of the global equity market, are benefiting from tax relief as well as the announced fiscal spending package. Global equities' price-earnings ratio is currently slightly below its 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, while UK earnings growth is likely to lag other regions in 2018. We also hold an overweight in emerging market (EM) stocks against Australian stocks. Due to their operational leverage, EM companies are a main beneficiary of strong global growth, while expected USD weakness in 2018 should benefit EM equities measured in USD. Investors who don't own Australia stocks should underweight UK.

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BONDS

We close our overweight in EM local currency bonds against high grade (HG) bonds, taking profits. The return outlook has weakened after strong gains. The yield pickup against USD HG bonds is now 3%, the lowest since 2008, and does not warrant to keep exposure to volatile EM FX. Instead, we open an overweight in EM sovereign bonds in USD against HG. We expect tighter EM sovereign spreads amid improving fundamentals, stable commodity prices and a benign external backdrop. Also, the current yield pickup of 2.6% in USD is attractive. Euro high yield bonds remain expensive and we keep our underweight against global equities, which have more upside potential. We furthermore open an overweight in 10-year US Treasury bonds vs. cash as well as an underweight in 10-year Japanese gvt. bonds vs. cash.

FOREIGN EXCHANGE

We are closing our long SEK vs. short NOK position as the domestic indicators in Norway are improving surprisingly fast. We keep our long CAD vs. USD position and an overweight in a diversified EM currency basket. We are adding a long EUR vs. short USD position, a long GBP vs. short CHF position and a long JPY vs short NZD position. Our positions should benefit from a solid global economy that convinces investors to let go of safe-haven currencies. Also, the Eurozone runs a large trade surplus (4% of GDP) compared to sizeable trade and budget deficits in the US. Plus, the EUR should gain against the USD as the ECB will end its QE program in September. Our long GBP vs. short CHF position should benefit from lower uncertainty on Brexit, where we expect a 2-year transition deal in March.

Source: UBS Research

HIT BY THE TRUMP TRADE

WHICH EMERGING MARKETS COULD SUfFER THE MOST FROM TRUMP'S PROTECTIONISM MEASURES?

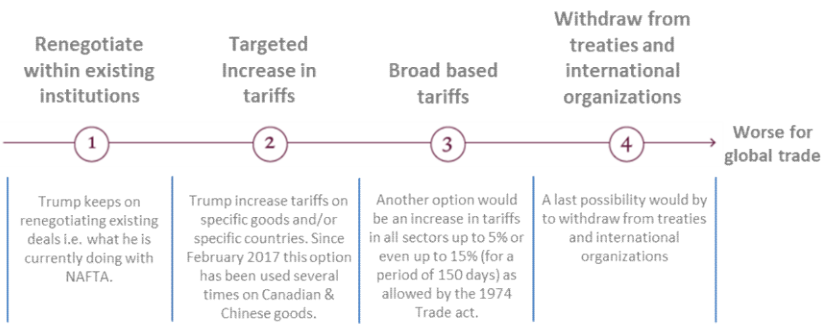
On 22 January, Donald Trump imposed steep tariffs on imported solar panels (30 per cent) and washing machines (20 per cent), clearly targeting China.

By far the largest US trade deficit in nominal terms is with mainland China (-USD375bn). However, the overall scale of China's economy means US exports account for only 3.6 per cent of GDP. As US exports account for 29.3% of the GDP, Mexico for example is far more exposed to an escalation in US import tariffs.

However, we think we can get better insight by looking at those economies most enmeshed in the global value chain. By looking at all goods going back and forth between nations during their manufacturing process, Taiwan is top with 67 per cent of its exports part of a value chain. Other Asian countries feature prominently, closely followed by Emerging European markets. China is in the middle, while Latin America would be the least impacted.

What scenarios can we expect?

Trump has four options to modify trade policies.



Given Trump's preference for bilateral agreements, we believe the most likely scenario is a continuation of the first two options. In this context, emerging markets most at risk would be those whose exports to the US account for the highest proportion of their GDP, Mexico, Vietnam and Hong Kong in particular.

In the unlikely event that scenarios three and four materialize, this would be more disruptive on a global scale and would hit emerging countries with the highest participation rate in the global value chain. In this case, Taiwan would be most at risk, closely followed by Hungary and the Czech Republic.

Source: Pictet

KEY FIGURES (CURRENT & YEAR TO DATE)

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2017	27.02.2018	% Chg YTD
Dow Jones Ind.	24'719.22	25'410.03	2.79%
S&P 500	2'673.61	2'744.28	2.64%
RUSSELL 2000	1'551.45	1'559.38	0.51%
NASDAQ COMP	6'903.39	7'330.35	6.18%
CANADA - TSX	16'209.13	15'671.15	-3.32%
MEXICO - IPC	49'354.42	48'463.44	-1.81%
BRAZIL IBOVESPA	76'402.08	86'935.44	13.79%
COLOMBIA COLCAP	1'513.65	1'516.53	0.19%
ASIA	**31.12.2017**	**27.02.2018**	**% Chg YTD**
JAPAN- NIKKEI	22'764.94	22'389.86	-1.65%
H.K. HANG SENG	29'919.15	31'268.66	4.51%
CHINA CSI 300	4'030.85	4'058.98	0.70%
EUROPE	**31.12.2017**	**27.02.2018**	**% Chg YTD**
EURO STOXX 50	3'503.96	3'458.03	-1.31%
UK - FTSE 100	7'687.77	7'282.45	-5.27%
GERMANY - DAX	12'917.64	12'490.73	-3.30%
SWITZERLAND - SMI	9'381.87	8'992.52	-4.15%
SPAIN - IBEX 35	10'043.90	9'900.20	-1.43%
NETHERLANDS - AEX	544.58	537.83	-1.24%
RUSSIA - RTSI	115'840.00	132'230.00	14.15%

VOLATILITY

	31.12.2017	27.02.2018	% Chg YTD
SPX (VIX)	11.04	18.34	66.12%

GOVERNMENT BOND YIELDS %

	3 Months	2 Years	10 Years
USA	1.670	2.274	2.890
GERMANY	-0.696	-0.515	0.65
SWITZERLAND	-0.870	-0.864	0.099
UK	0.361	0.800	1.522
JAPAN	-0.175	-0.158	0.050

CURRENCIES

	31.12.2017	27.02.2018	% Chg YTD
EUR/USD	1.2005	1.2224	1.82%
USD/JPY	112.7010	106.98	-5.08%
USD/CHF	0.9746	0.9422	-3.32%
GBP/USD	1.3510	1.3826	2.34%
USD/CAD	1.2574	1.2781	1.65%
EUR/CHF	1.1700	1.1517	-1.56%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2017	27.02.2018	% Chg YTD
GOLD USD/OZ	1'302.80	1'319.05	1.25%
SILVER USD/OZ	16.92	16.43	-2.90%
PLATINUM USD/OZ	931.00	981.50	5.42%
ENERGY	**31.12.2017**	**27.02.2018**	**% Chg YTD**
WTI Crude Oil	60.42	63.01	4.29%
Brent Crude Oil	66.87	66.63	-0.36%
Natural Gas	2.95	2.68	-9.24%

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 has investment teams in Zürich and Curaçao and 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.

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

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