NEWSLETTER April 2020

T&T International Group
Your 360° Wealth Partner

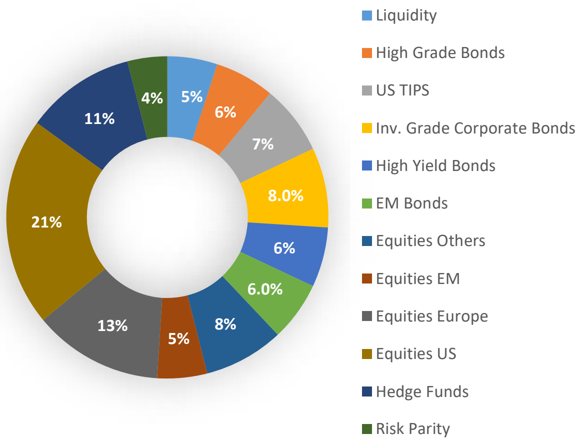
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global quality stocks Sustainable value creation in emerging markets	**Equities**	
Global Green Bonds US TIPS USD high yield bonds EM Sovereign Bonds (USD) (↗)	**Bonds**	Developed market high grade bonds (↗)
EM FX (INR, IDR, BRL) versus... British pound versus...	**Foreign Exchange**	...DM FX (AUD, TWD, SEK) ...USD dollar
	Hedge Funds	

ASSET ALLOCATION

The spread of COVID-19 in Europe and the US has sparked investor fears about its economic consequences and caused the worst sell-off in asset markets since the global financial crisis. The uniqueness of the current situation makes forecasting difficult. Strong monetary and fiscal measures to counter the economic fallout should ultimately help stabilize markets. But near-term uncertainty about COVID-19 and the strict measures to slow down contagion will likely keep investors nervous. Illiquid trading conditions, particularly for credit markets, exacerbate volatility and potential downside risks. Given the highly uncertain backdrop, we are adjusting our tactical asset allocation to a neutral equity position, while taking moderate risk in segments that we find particularly attractively valued, such as US TIPS, USD high yield, and emerging market sovereign bonds.

BALANCED USD MODEL PORTFOLIO



EQUITIES

The projected growth in earnings per share, based on consensus numbers, looks optimistic to us at c. 8.0% for global equities. For emerging markets (EM), taking into account strict containment measures being imposed by policymakers, an unexpected cut in crude oil prices, and the disruptive uncertainty in supply chain distribution, we now expect no earnings growth for 2020. From a valuation perspective, the EM P/E discount versus its developed market peers is no longer attractive. Despite the severe correction in EM equities over recent weeks, in the short-term further downside cannot be excluded. Weak earnings growth should prevent emerging market equities to strongly rebound in the medium-term and we close our EM equities overweight position. Within US and Eurozone equities, our net exposure to equities, including a long risk reversal strategy, is neutral.

CONTACT DETAILS T&T INTERNATIONAL GROUP

T&T International Wealth Mangement Ltd.
Feldeggstrasse 80
CH-8008 Zürich - Switzerland
Tel.: +41 (0) 43 844 0 844
Fax: +41 (0) 43 844 0 845
www.tt-international.ch
info@tt-international.ch

Local Contact Points see:
www.tt-international.ch/locations/

BONDS

We open a moderate tactical overweight in EM sovereign over high grade bonds. The market correction has pushed EM spreads to levels compensating for a dire economic outlook. While a further near-term widening of spreads cannot be excluded, medium-term valuation is attractive at spread levels above 600bps. We hold an overweight in US TIPS against high grade bonds. TIPS will outperform when volatility declines and liquidity improves and if actual inflation comes in above the current five-year breakeven rate of 0.1%. We don't expect COVID-19 to have a lasting impact on inflation rates. We hold a moderate overweight in USD high yield bonds. At current spread levels, the asset class is compensating for a severe economic slump. In the near term, wider spreads are possible, but we see good medium-term value.

FOREIGN EXCHANGE

The rise of volatility and the collapse of interest rate differentials have reshaped currency markets. What we see is a mixture of position-clearing and risk-aversion trades. Our basket consisting of the Indian rupee, Indonesian rupiah, and Brazilian real on the long side, and the Australian dollar, Taiwan dollar, and Swedish krona on the short side underwent a correction as investors were forced to unwind carry trades. The performance was smoothed by the risk-sensitive currencies (AUD, SEK and TWD) to finance the carry. We keep our overweight in the British pound versus the US dollar. Sterling has been hit by the rise in volatility, and the decline in oil prices has also contributed to its weakness. Around USD 1.15, where it is currently, we think the GBP is very attractive.

Source: UBS House View April 2020

TOPIC OF THE MONTH

A REBALANCING ACT

Drastic market moves in recent weeks – triggered by fears of the coronavirus outbreak and its economic toll – have likely thrown many portfolios off their broad asset class benchmark weights. Sharp equity selloffs and government bond yield declines have mechanically turned many portfolios underweight equities and overweight bonds.

Many investors rebalance portfolios back toward strategic benchmarks on a calendar basis. Yet extreme market moves have likely caused their portfolios to drift dramatically from benchmarks. We illustrate with a hypothetical portfolio of 60% developed market equities and 40% global bonds. Over the past month, the weight of equities in the portfolio would have rapidly shrunk to just over 50% due to a sharp equity selloff. This one-month drift has been sharper than that seen during the 2008 crisis. See the chart aside. We still see benchmark weights as appropriate. This implies a need to rebalance portfolios – effectively buying equities and selling bonds. To be sure, we believe it is too soon to overweight equities. As we await signs coronavirus infections are peaking and decisive policy actions are stabilizing the economy and markets, it may be prudent to start leaning against market moves through rebalancing.

The coronavirus outbreak represents a major external shock to the macro outlook, akin to a large-scale natural disaster. Public health measures deployed to stop the virus' spread are set to bring economic activity to a near standstill and cause a sharp contraction in economic growth in the second quarter. But we expect activity to ultimately return with limited permanent damage as long as authorities deliver an overwhelming fiscal and monetary policy response to bridge businesses and households through the shock.

One-month drift from equity benchmark in a 60/40 portfolio, 2006-2020

Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.
Sources: BlackRock Investment Institute, with data from Refinitiv Datastream , March 2020. Notes: The chart shows the rolling one-month move away from the benchmark weight of equities in a hypothetical 60/40 portfolio of 60% equities and 40% bonds. We use the MSCI World Index and Bloomberg Barclays Global Aggregate Bond Index to

continuation on page 3

CONTINUATION: A REBALANCING ACT

The required policy response includes drastic public health measures to stem the outbreak – and a decisive, pre-emptive and coordinated policy response to stabilize economic conditions and financial markets. All this is starting to take shape. Central banks have cut rates and adopted measures to ensure markets keep functioning. The key here is to alleviate any dysfunction of market pricing and tightening of financial conditions. What is needed are overwhelming and coordinated policies – both on monetary and fiscal fronts – that forestall any cashflow crunches, especially among small businesses and households, that could lead to financial stresses and tip the economy into a crisis. The UK, Canada and Australia have served as models of policy coordination, as we have advocated in Dealing with the next downturn.

Source: BlackRock 23.03.2020

KEY FIGURES 2020

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2019	27.03.2020	% Chg YTD
Dow Jones Ind.	28'538.44	21'626.78	-24.22%
S&P 500	3'230.78	2'541.47	-21.34%
RUSSELL 2000	1'668.47	1'139.11	-31.73%
NASDAQ COMP	8'972.60	7'502.37	-16.39%
CANADA - TSX	17'063.43	13'371.13	-21.64%
MEXICO - IPC	43'541.02	33'799.49	-22.37%
BRAZIL IBOVESPA	115'645.34	73'428.78	-36.51%
COLOMBIA COLCAP	1'662.42	1'167.04	-29.80%
ASIA	**31.12.2019**	**27.03.2020**	**% Chg YTD**
JAPAN- NIKKEI	23'656.62	19'389.43	-18.04%
H.K. HANG SENG	28'189.78	23'484.28	-16.69%
CHINA CSI 300	4'096.58	3'710.06	-9.44%
EUROPE	**31.12.2019**	**27.03.2020**	**% Chg YTD**
EURO STOXX 50	3'745.15	2'728.65	-27.14%
UK - FTSE 100	7'542.44	5'510.33	-26.94%
GERMANY - DAX	13'249.01	9'632.52	-27.30%
SWITZERLAND - SMI	10'616.94	8'996.37	-15.26%
SPAIN - IBEX 35	9'549.20	6'777.90	-29.02%
NETHERLANDS - AEX	604.85	464.93	-23.13%
RUSSIA - RTSI	155'360.00	92'160.00	-40.68%

VOLATILITY

	31.12.2018	27.03.2020	% Chg YTD
SPX (VIX)	13.78	65.54	375.62%

CURRENCIES

	31.12.2019	27.03.2020	% Chg YTD
EUR/USD	1.1220	1.1168	-0.46%
USD/JPY	108.6750	107.9200	-0.69%
USD/CHF	0.9674	0.9516	-1.63%
GBP/USD	1.3262	1.2455	-6.09%
USD/CAD	1.3002	1.4023	7.85%
EUR/CHF	1.0855	1.0628	-2.09%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2019	27.03.2020	% Chg YTD
GOLD USD/OZ	1'517.48	1'623.50	6.99%
SILVER USD/OZ	17.86	14.29	-19.99%
PLATINUM USD/OZ	965.50	764.50	-20.82%
ENERGY	**31.12.2019**	**27.03.2020**	**% Chg YTD**
WTI Crude Oil	61.06	21.51	-64.77%
Brent Crude Oil	66.00	24.93	-62.23%
Natural Gas	2.19	1.63	-25.57%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.015	0.248	0.744
GERMANY	-0.683	-0.695	-0.485
SWITZERLAND	-0.750	-7.29	-0.356
UK	0.210	0.122	0.361
JAPAN	-0.199	-0.167	0.011

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