NEWSLETTER JULY 2020

T&T International Group
Your 360° Wealth Partner

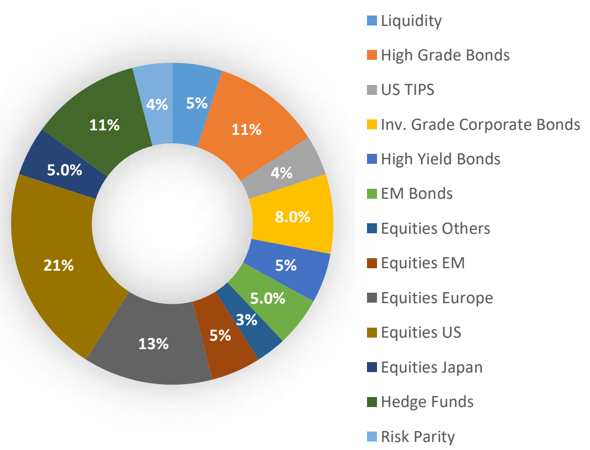
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global Equities (↗) United Kingdom Global quality stocks Global consumer brands Sustainable value creation in emerging markets	**Equities**	EMU
Investment Grade Global Green Bonds USD high yield bonds Asia high yield bonds	**Bonds**	Developed market high grade bonds
British pound CHF	**Foreign Exchange**	USD
Gold: A hedge with benefits	**Precious Metals**	

ASSET ALLOCATION

Economic growth has bounced back quicker from the coronavirus-induced slump than many observers expected. Indeed, the surprise recovery of the US labor market in May supports the view that the market has gone someway to repairing itself as the US economy reopens. Equities, as well as other risk assets, benefited from the stronger-than-expected data as well as from supportive global monetary policy. Risks to the outlook linger and financial markets remain vulnerable to setbacks, as seen by the recent correction following the cautious outlook given by Fed President Powell. Still, we think the balance of risks has improved and the outlook has brightened. Against this backdrop we are adding global equities as a most preferred asset class.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Global equities have risen more than 35% from their March lows, but are still trading 10% below their February high. Price-earnings ratios have rerated sharply, despite the fact that we expect more earnings downgrades in the weeks ahead. Economic surprises and earnings revisions have recently improved and the global economy is starting to show signs of bottoming out, helped by surging money supply and aggressive fiscal stimulus. As the earnings recovery is likely to come through in the second half of the year and excess liquidity continues to support risk assets, we see further upside potential in global equities, in particular among sectors that have lagged the rally so far, such as small and mid cap stocks. Regionally, we prefer UK over Eurozone equities, mainly due to the former's cheaper valuation.

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BONDS

Long-dated government bond yields increased somewhat recently, amid signs of an improving economic picture, while the short-end of major yield curves is firmly anchored at low levels by central banks. Inflation expectations remain very low, despite the rally in commodity prices, thus not putting any pressure on monetary policy makers to change course. In this environment, investors will likely continue to look for carry. Most global credit segments have been in high demand recently, driving credit spreads notably tighter. We still see value in credit. US investment grade and high yield bonds as well as emerging market hard currency sovereign bonds offer attractive carry over low-yielding alternatives. Investors should also look for value off the beaten tracks, e.g. in Asian high yield or Chinese government bonds.

FOREIGN EXCHANGE

Within G10 currencies we remain mildly bearish on the US dollar (USD). US interest rates have collapsed and the US Federal Reserve has supplied markets with an unprecedented supply of USD cash to alleviate funding issues, easing its policy stance more proactively than other central banks globally. We expect USD depreciation, as lockdown measures ease and economies slowly recover, while the Fed stays highly expansive. Broad USD weakness will only become evident, when the easing of lockdowns is shown to be successful and we see stronger global growth. We expect USDCHF to drift down to 0.92 by end of September as either the Fed eases its monetary policy in response to risk aversion or global economic strength promotes the currencies of exporters. The biggest risk to our forecast is robust growth exclusively in the US, while other G10 countries wait for a rebound.

Source: UBS House View July 2020

TOPIC OF THE MONTH

OIL PINS HOPES ON USD 40

Oil will be caught in a tug of war between a potential second wave of COVID-19 and an anticipated pick-up in fuel demand in economies that are trying to fully reopen from the lockdowns forced by the pandemic.

Brent crude at above $42 a barrel and West Texas Intermediate just under $40 could be considered expensive, if one considers the recovery in fuel demand over the past eight weeks to be fledgling at best. Brent is also up 170% from the lows of April. WTI has, meanwhile, rallied an eye-watering 300% in the same time, despite US crude stockpiles hitting record highs at just undermillion barrels.

There is, of course, a flip-side to that view where oil would be considered fairly cheap. That theory is supported by the estimate from Vitol, the world's largest independent oil trader, which said last week that global use of oil was rising by 1.4 million barrels a day every week in June, taking this month's growth to more than 5.5 million barrels.

Trafigura, another prominent name in crude trading, said oil demand was back to 90% of normal levels and it expected prices.
But such convictions may not fly in the face of growing fears that there could be a second wave of the pandemic.

White House Trade Adviser Peter Navarro said Sunday that the Trump administration was preparing for a possible second COVID-19 wave this fall. 29 states and US territories logged an increase in their seven-day average of new reported case numbers after many lifted restrictions in recent weeks.

Treasury Secretary Steven Mnuchin has, meanwhile, said the United States cannot shut down its economy again, regardless of the impact of the COVID-19. President Donald Trump said Saturday he was encouraging coronavirus response workers to slow down testing, arguing that increased tests lead to more cases being discovered.

Globally, South Korea and China are battling stubborn new outbreaks, and the Australian state of Victoria has extended control protocols for another four weeks. New Zealand is also facing an uptick in cases arriving at its isolation facilities, as Kiwis return home from abroad.

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CONTINUATION: OIL PINS HOPES ON USD 40

Brent's next technical target is $43.40, and above that, it should attempt to close the chart gap from early March, and rally to $45.

WTI meanwhile, has traced out a double top at $40.40 a barrel, which will probably provide some tough resistance initially. After that, its technical target is in the $44 region, followed by also $45, its 200-day moving average.

Goldman Sachs said longer-term recovery in crude might depend, ironically, on bringing back the same US shale oil production that has been shut down on a mass-scale over the past few weeks.

Source: www.investing.com 22.06.2020

KEY FIGURES 2020

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2019	22.06.2020	% Chg YTD
Dow Jones Ind.	28'538.44	26'024.95	-8.81%
S&P 500	3'230.78	3'117.86	-3.50%
RUSSELL 2000	1'668.47	1'433.36	-14.09%
NASDAQ COMP	8'972.60	10'056.47	12.08%
CANADA - TSX	17'063.43	15'148.12	-11.22%
MEXICO - IPC	43'541.02	38'123.56	-12.44%
BRAZIL IBOVESPA	115'645.34	95'335.96	-17.56%
COLOMBIA COLCAP	1'662.42	1'161.41	-30.14%
ASIA	**31.12.2019**	**22.06.2020**	**% Chg YTD**
JAPAN- NIKKEI	23'656.62	22'437.27	-5.15%
H.K. HANG SENG	28'189.78	24'511.34	-13.05%
CHINA CSI 300	4'096.58	4'102.05	0.13%
EUROPE	**31.12.2019**	**22.06.2020**	**% Chg YTD**
EURO STOXX 50	3'745.15	3'241.69	-13.44%
UK - FTSE 100	7'542.44	6'244.62	-17.21%
GERMANY - DAX	13'249.01	12'262.97	-7.44%
SWITZERLAND - SMI	10'616.94	10'151.13	-4.39%
SPAIN - IBEX 35	9'549.20	7'345.70	-23.08%
NETHERLANDS - AEX	604.85	565.07	-6.58%
RUSSIA - RTSI	155'360.00	123'220.00	-20.69%

VOLATILITY

	31.12.2018	22.06.2020	% Chg YTD
SPX (VIX)	13.78	28.01	103.27%

CURRENCIES

	31.12.2019	22.06.2020	% Chg YTD
EUR/USD	1.1220	1.0875	-3.07%
USD/JPY	108.6750	106.6500	-1.86%
USD/CHF	0.9674	0.9742	0.70%
GBP/USD	1.3262	1.2476	-5.93%
USD/CAD	1.3002	1.3879	6.75%
EUR/CHF	1.0855	1.0594	-2.40%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2019	22.06.2020	% Chg YTD
GOLD USD/OZ	1'517.48	1'754.70	15.63%
SILVER USD/OZ	17.86	17.72	-0.78%
PLATINUM USD/OZ	965.50	825.00	-14.55%
ENERGY	**31.12.2019**	**22.06.2020**	**% Chg YTD**
WTI Crude Oil	61.06	40.73	-33.30%
Brent Crude Oil	66.00	43.08	-34.73%
Natural Gas	2.19	1.66	-24.20%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.142	0.18	0.698
GERMANY	-0.510	-0.695	-0.438
SWITZERLAND	-0.790	-0.647	-0.408
UK	0.087	-0.067	0.193
JAPAN	-0.100	-0.153	0.009

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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