NEWSLETTER AUGUST 2020

T&T International Group
Your 360° Wealth Partner

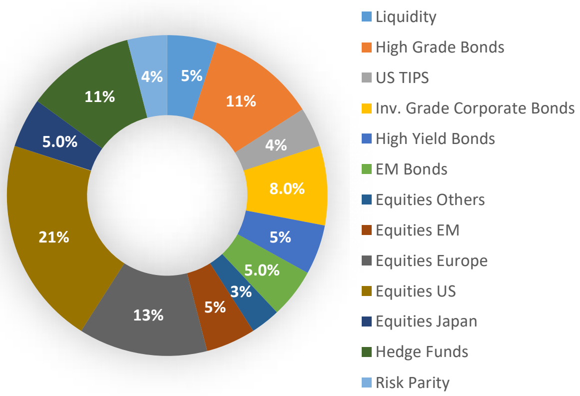
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global equities United Kingdom Global quality stocks Global consumer brands Sustainable value creation in emerging markets Estrategias de multi-estilo de la zona euro para invertir más allá del ciclo Digital Transformation (↗)	**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 Crude Oil (↗)	**Precious Metals**	

ASSET ALLOCATION

Macroeconomic data continues to incrementally improve as economies emerge from the depths of the lockdowns. The recent surge in infections in parts of the US is a setback to the trajectory of the recovery; however, our central scenario assumes we do not return to the full lockdown measures of March/April. We maintain an overall risk-on asset allocation expressed through a preference for global equities and various credit segments. The unprecedented money creation and stimulus should continue to underpin asset prices and any ongoing improving macro numbers or positive developments on the virus would allow us to capture moves to the upside.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Economic surprises have improved, and the global economy is starting to show signs of bottoming out, helped by surging money supply and aggressive fiscal stimulus.
Price-to-earnings (P/E) valuations have rerated sharply but we believe that if the recovery holds, earnings estimates are unlikely to be revised materially lower after the second quarter results. 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 mid-cap stocks in US and global industrials. Regionally, we prefer UK over Eurozone equities, mainly due to the former's cheaper valuation.

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BONDS

The message from global central banks is that they have no intention of reversing their accommodative policies. This in effect is creating a ceiling on how high long term nominal yields can move. Inflation expectations have increased off the back of rising energy prices and confidence that we are through the worst of the downturn. For these to meaningfully move higher, we need to see a more broad based economic recovery globally. We remain constructive on US investment grade and high yield as well as emerging market hard currency sovereign bonds. The yields in these credit segments remain attractive and compensate investors for potential future defaults and downgrades. Technicals have also improved significantly with ongoing positive fund flows and no signs of a credit crunch, therefore allowing most borrowers access to capital.

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 pro-actively than other central banks globally. The euro is likely to profit from an EU-wide recovery plan. The euro and other G10 currencies should profit relative to the USD from a rebound of economic growth.

Source: UBS House View August 2020

TOPIC OF THE MONTH

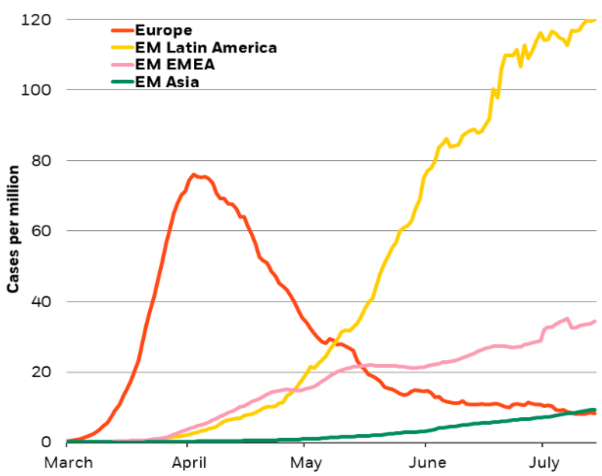
FAVOURING EURO STOCKS IN GLOBAL RESTART

As economies start to normalise, we see European equities as the most attractive regional exposure to a differentiated global reopening. The region sports a robust health infrastructure, exposure to a pickup in global growth, and galvanised policy response with room for more stimulus. As a result, we see it offering better risk-reward than traditional beneficiaries of a growth pickup: emerging markets (EMs).

The pace of the activity restart depends on how successful countries are in suppressing the virus as they reopen. This gives Europe a leg up versus much of the emerging world. Many EM countries have less robust public health systems, and the pandemic has not yet peaked. Infections have jumped in Latin America after an initial lag, as the chart shows, and are steadily rising in emerging Europe, Middle East and Africa (EMEA), and South Asia. By contrast, infections in developed Europe have been on a downward trajectory since peaking in April.

To be sure, EMs are heterogenous. The virus outbreak–and ability to withstand it–varies greatly by country. Many north Asian economies, for example, appear to have gained control of the epidemic – and have relatively strong balance sheets and the policy space to weather the downturn.

New Covid-19 cases as share of population, March-July 2020



Source: BlackRock Investment Institute

Europe's health capabilities and containment measures position the region well for a domestic recovery. European companies also are highly geared to an improvement in global trade and recovering Chinese economy. Some EM economies are likely to benefit, too, and tech-focused Asian countries are showing early signs of a pickup in trade. Escalating US-China trade tensions are a risk to market sentiment toward EM, European and Japanese equities alike in that respect. Europe, however, is less vulnerable to any renewed downturn in commodity prices than EM economies that are heavily exposed to commodities and natural resources, such as Russia and Brazil.

Importantly, the monetary and fiscal support to cushion the virus shock is stronger in Europe than in EM countries and Japan - and there is space and appetite for additional stimulus. After an initially slow start, the euro area has galvanized its policy response. The European Central Bank has made clear that it stands ready to add more monetary stimulus. Leaders of the 27 EU member states last week discussed a groundbreaking, joint economic recovery package at their first physical summit since the start of the coronavirus lockdown.

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CONTINUATION: FAVOURING EURO STOCKS IN GLOBAL RESTART

Importantly, unprecedented coordination between fiscal and monetary authorities is allowing the region to unleash stimulus and bring down peripheral borrowing costs at the same time. By contrast, we see the policy space in many EM countries as much more limited, as many risk spiking interest rates and sliding currencies in response to more fiscal or monetary stimulus.

What are the risks in preferring Europe over EM? First, a surprise in the pandemic's trajectory. This could range from a drop in EM infection rates to a virus resurgence in Europe. Second, EM equities could further outperform European peers if the US dollar weakens against EM currencies or if the global growth upswing is much larger than we expect.

Source: www.blackrock.com - weekly commentary 20.07.2020

KEY FIGURES 2020

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2019	20.07.2020	% Chg YTD
Dow Jones Ind.	28'538.44	26'872.64	-5.84%
S&P 500	3'230.78	3'251.84	0.65%
RUSSELL 2000	1'668.47	1'467.95	-12.02%
NASDAQ COMP	8'972.60	10'503.19	17.06%
CANADA - TSX	17'063.43	16'183.66	-5.16%
MEXICO - IPC	43'541.02	36'345.24	-16.53%
BRAZIL IBOVESPA	115'645.34	104'484.47	-9.65%
COLOMBIA COLCAP	1'662.42	1'156.16	-30.45%
ASIA	**31.12.2019**	**20.07.2020**	**% Chg YTD**
JAPAN- NIKKEI	23'656.62	22'717.48	-3.97%
H.K. HANG SENG	28'189.78	25'057.99	-11.11%
CHINA CSI 300	4'096.58	4'680.30	14.25%
EUROPE	**31.12.2019**	**20.07.2020**	**% Chg YTD**
EURO STOXX 50	3'745.15	3'388.34	-9.53%
UK - FTSE 100	7'542.44	6'261.52	-16.98%
GERMANY - DAX	13'249.01	12'919.61	-2.49%
SWITZERLAND - SMI	10'616.94	10'470.92	-1.38%
SPAIN - IBEX 35	9'549.20	7'478.00	-21.69%
NETHERLANDS - AEX	604.85	579.14	-4.25%
RUSSIA - RTSI	155'360.00	123'260.00	-20.66%

VOLATILITY

	31.12.2018	20.07.2020	% Chg YTD
SPX (VIX)	13.78	25.68	86.36%

CURRENCIES

	31.12.2019	20.07.2020	% Chg YTD
EUR/USD	1.1220	1.1429	1.86%
USD/JPY	108.6750	107.0450	-1.50%
USD/CHF	0.9674	0.9394	-2.89%
GBP/USD	1.3262	1.2569	-5.23%
USD/CAD	1.3002	1.3581	4.45%
EUR/CHF	1.0855	1.0729	-1.16%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2019	20.07.2020	% Chg YTD
GOLD USD/OZ	1'517.48	1'809.90	19.27%
SILVER USD/OZ	17.86	19.34	8.29%
PLATINUM USD/OZ	965.50	840.50	-12.95%
ENERGY	**31.12.2019**	**20.07.2020**	**% Chg YTD**
WTI Crude Oil	61.06	40.59	-33.52%
Brent Crude Oil	66.00	43.14	-34.64%
Natural Gas	2.19	1.72	-21.55%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.117	0.147	0.628
GERMANY	-0.566	-0.667	-0.452
SWITZERLAND	-0.740	-0.751	-432.000
UK	0.013	-0.096	0.156
JAPAN	-0.021	-0.077	-0.164

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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