NEWSLETTER SEPTEMBER 2020

T&T International Group
Your 360° Wealth Partner

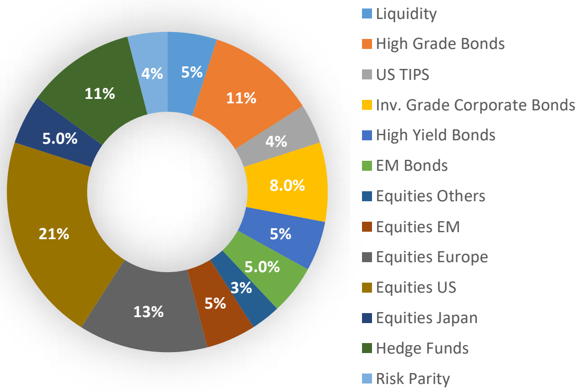
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global equities United Kingdom Global consumer brands Global sustainable equities (↗) Eurozone multy-style strategies to invest beyont the cycle Digital Transformation	**Equities**	Materials sectors (↘) Listed real estate sector (↘)
Investment Grade Global Green Bonds Emerging Market Sovereign Bonds Asia high yield bonds	**Bonds**	Developed market high grade bonds
	Foreign Exchange	USD
Commodities (↗) Gold: A hedge with benefits Crude Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Global economic data continued to beat expectations over the last month and the development of vaccines against SARS-CoV-2 continues apace. Southern US states have been able to slow their recent outbreaks. In Europe and Asia, infection numbers are rising in several countries but, in our view, remain at manageable levels. We think moderate restrictions on activity should be sufficient to limit outbreaks and expect a vaccine to be widely available from 2Q21. Given unprecedented monetary stimulus and our outlook for COVID-19 and vaccine availability, we maintain an overall risk-on asset allocation expressed through a preference for global equities, various credit segments and commodity positions.

BALANCED USD MODEL PORTFOLIO



EQUITIES

The picture still looks supportive for equities over the coming months, in our view. While the economy is running below potential, the data is improving, vaccine developments seem to be making progress, and better testing and treatment capacities mean full lockdowns are unlikely. Given high uncertainty, central banks and governments will likely stay in full stimulus mode. Earnings estimates have been cut dramatically and net earnings revisions have turned positive for global equities. Priceto- earnings ratios are stretched, but in a world of ultra-low rates, we think equities look more attractive than bonds. Geopolitics and a second virus wave remain key risks.

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

While longer-term rates could move gently higher given ongoing recovery from the pandemic-induced slowdown, we believe any spikes would be short-lived due to the Fed's active management of interest rates and its balance sheet. This, along with low inflation, should prevent longer-term rates from rising quickly as the year progresses. We remain constructive on US investment grade and emerging market hard currency sovereign bonds. We think the yields in these credit segments remain attractive and valuations in EM sovereign bonds offer particular catch-up potential relative to US credit. After the strong spread compression, we move our preference on US HY to neutral. While the recovery in growth and search for yield remain supportive, current valuations leave little room for error on the downgrade and default cycle.

DIVISAS

Within G10 currencies, we remain mildly bearish on the US dollar (USD). US interest rates have collapsed and the Fed 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. From here, we think USD shorts should be implemented with a broadly diversified set of G10 currencies. We see medium- to long-term upside potential in the EUR, GBP, CHF, the scandies, the antipodean currencies and the Canadian dollar.

Source: UBS House View September 20, 2020

TOPIC OF THE MONTH

COMMODITIES LOOK SET TO SHINE

In a record-breaking year for asset prices, gold has grabbed its share of the headlines. After reaching a record high of USD 2,051/oz in early August, gold suffered its largest one-day decline in seven years on 11 August, dropping back below USD 1,900/oz. But we think the bout of profit-taking in gold should be short-lived and also believe the appeal of commodities extends well beyond just the yellow metal.

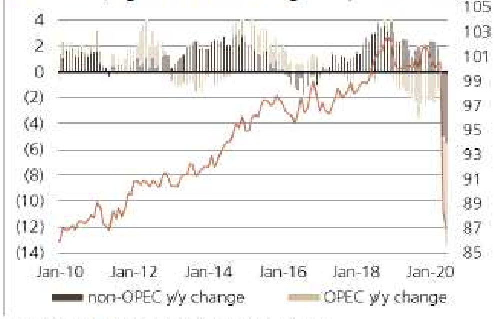
As ample central bank liquidity finds its way into the real economy, we think the conditions are set for a solid and synchronized growth recovery across the world. This should pave the way for a pick-up in commodity demand, particularly in the developed world, while Chinese demand for commodities stays buoyant.

Commodities should benefit as the global economy improves. Based on our historical analysis, quarterly commodity returns tend to be higher when economic growth accelerates. In our analysis, returns were more than double when the GDP of advanced economies gained speed during the full 30-plus year sample window. The key message here is that we should not wait until GDP growth in the developed world is back above trend to chase the asset class. While commodities perform strongly in the later stages of an economic cycle, good returns can also be found when economic activity accelerates, even from negative territory.

Gold has room to rally further. Gold’s sell-off was driven by a rebound in 10-year real rates after falling to record lows in negative territory. Demand for gold this yearhas been driven mostly by record inflows to gold exchange-traded funds, so the price reaction was exaggerated and should be seen in the context of the sharp price runup prior to the pullback. On 17 August gold had already recovered to USD 1,954/oz. With the Fed continuing to suppress nominal rates and inflation expectations rising, we maintain our end year forecast of USD 2,000/oz. In the near term, gold may move as high as USD 2,300/oz, particularly if geopolitical tensions rise.

Global oil production has fallen to a 9-year low

Values are in mbpd, left-scale y/y change for OPEC and non-OPEC, right-scale absolute global production



Source: IEA, UBS, as of 12 August 2020

Lower real rates have supported gold

Values are in USD/oz and percent

Source: Bloomberg, UBS, as of 12 August 2020

KEY FIGURES 2020

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2019	20.08.2020	% Chg YTD
Dow Jones Ind.	28'538.44	27'739.73	-2.80%
S&P 500	3'230.78	3'385.51	4.79%
RUSSELL 2000	1'668.47	1'551.00	-7.04%
NASDAQ COMP	8'972.60	11'264.95	25.55%
CANADA - TSX	17'063.43	16'606.76	-2.68%
MEXICO - IPC	43'541.02	38'707.24	-11.10%
BRAZIL IBOVESPA	115'645.34	101'467.87	-12.26%
COLOMBIA COLCAP	1'662.42	1'174.12	-29.37%
ASIA	**31.12.2019**	**20.08.2020**	**% Chg YTD**
JAPAN- NIKKEI	23'656.62	22'880.62	-3.28%
H.K. HANG SENG	28'189.78	24'791.39	-12.06%
CHINA CSI 300	4'096.58	4'679.15	14.22%
EUROPE	**31.12.2019**	**16.12.1908**	**% Chg YTD**
EURO STOXX 50	3'745.15	3'273.98	-12.58%
UK - FTSE 100	7'542.44	6'013.34	-20.27%
GERMANY - DAX	13'249.01	12'830.00	-3.16%
SWITZERLAND - SMI	10'616.94	10'229.92	-3.65%
SPAIN - IBEX 35	9'549.20	6'339.90	-33.61%
NETHERLANDS - AEX	604.85	552.44	-8.66%
RUSSIA - RTSI	155'360.00	128'170.00	-17.50%

VOLATILITY

	31.12.2018	20.08.2020	% Chg YTD
SPX (VIX)	13.78	22.72	64.88%

CURRENCIES

	31.12.2019	20.08.2020	% Chg YTD
EUR/USD	1.1220	1.1863	5.73%
USD/JPY	108.6750	105.8000	-2.65%
USD/CHF	0.9674	0.9082	-6.12%
GBP/USD	1.3262	1.3217	-0.34%
USD/CAD	1.3002	1.3183	1.39%
EUR/CHF	1.0855	1.0774	-0.75%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2019	20.08.2020	% Chg YTD
GOLD USD/OZ	1'517.48	1'947.05	28.31%
SILVER USD/OZ	17.86	27.23	52.46%
PLATINUM USD/OZ	965.50	924.50	-4.25%
ENERGY	**31.12.2019**	**20.08.2020**	**% Chg YTD**
WTI Crude Oil	61.06	42.82	-29.87%
Brent Crude Oil	66.00	44.90	-31.97%
Natural Gas	2.19	2.35	7.40%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.096	0.141	0.644
GERMANY	-0.552	-0.682	-0.507
SWITZERLAND	-0.740	-0.818	-0.502
UK	0.029	-0.028	0.226
JAPAN	-0.095	-0.111	0.031

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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