NEWSLETTER MAY 2021

T&T International Group
Your 360° Wealth Partner

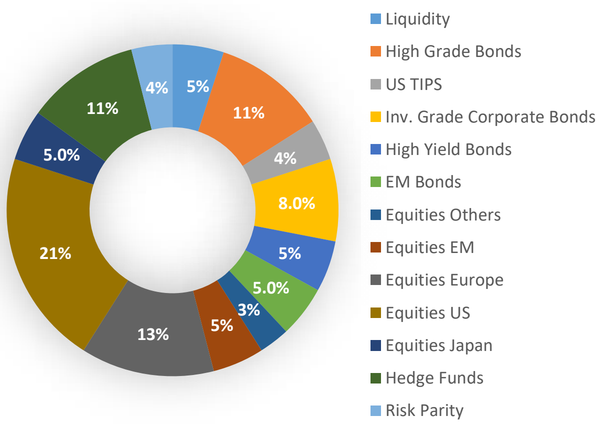
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Asia ex-Japan, China equities DM small-caps and mid-caps 5G+, fintech, healthtech, greentech Future of the earth Sustainable investing Investing in digital subscriptions Financials	**Equities**	Global consumer brands Eurozone-Comunications, consumer discretionary Consumer staples
Asia high yield Chinese goverment bonds. Leverage US high yield Green bonds: defensive and sustainable Yield pick-up with corporate hybrids Flexing Synthetic	**Bonds**	Select investment grade bonds Select emerging market bonds
EUR, GBP CNY	**Currencies**	USD, JPY
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

With the vaccine rollout now accelerating, reopening approaching, and more fiscal stimulus on its way in the US, growth expectations have improved dramatically. Policy uncertainty is rising as a result, injecting volatility into equity and bond markets. However, we believe central banks will maintain easy financial conditions. We remain risk-on overall, expressed through a preference for select equities as well as select credit and commodities segments that are geared to the economic recovery.

BALANCED USD MODEL PORTFOLIO



EQUITIES

Markets are transitioning to a more mature phase of the recovery trade. The initial stage was characterized by unprecedented polic intervention, which saw real rates collapsing and P/E expansion supporting equities. With earnings growth accelerating, higher bond yields should not derail the positive equity performance. As such, we expect further upside in the coming 6– 12 months, driven mainly by the cheaper segments such as select cyclical and value stocks. We keep emerging markets at Most Preferred, as their valuations are attractive compared with those of developed markets.

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BONDS

With a short-term spike in inflation looming and economic normalization on the horizon, volatility in the long-end of the yield curve has increased. Central banks have stated that they will withdraw stimulus much later than they did in previous cycles as the recovery kicks in, and that they would like to see a moderate glide path for rates. After the strong rally, we believe that US rates will move more gradually higher from here as the economy starts normalizing in 2Q and the market slowly brings forward tapering and eventual rate hikes. Within credit, we believe that the lower credit segments in the US will be sustained by the strong fiscal stimulus, fast vaccine rollout as well as an improved outlook for defaults. We maintain US high yield as Most Preferred, while US investment grade remains as Least Preferred due to tight valuations and its vulnerability to rising yields. Finally, we still like Asian high yield bonds for their attractive yields

CURRENCIES

Among G10 currencies, we remain bearish on the US dollar and the yen. We expect pro-cyclical currencies like the euro, commodity-producer currencies, and the pound to benefit from a weaker greenback. The Swiss franc is also likely to rise, but not as much as the EUR or the GBP. Demand for the safe-haven JPY should fall, and the currency may even underperform the greenback as global investors prepare for a post-COVID world. Strong demand for the Chinese yuan should keep it on a medium-term uptrend versus the USD.

Source: UBS House View April 2021

TOPIC OF THE MONTH

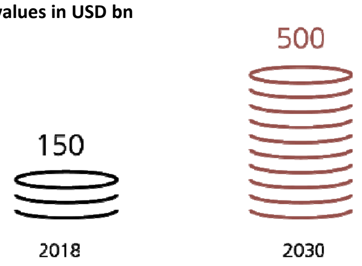
FINTECH IS EARNING A PLACE IN THE PORTFOLIO

Upside for stocks increases as growth rebounds
The S&P 500 has reached new record highs eight times since the start of April, and is now up around 11% since the start of the year. While investing at all-time highs may be daunting for some, we see more upside ahead and have raised our year-end S&P 500 target to 4,400 from 4,200 previously. First, S&P 500 earnings look set to hit a quarterly record in 1Q, with the reporting season starting last week. We forecast earnings per share growth of close to 30% for the quarter, with full-year growth of 31%. Second, while input cost inflation is on the rise, we do not see this as a threat to margins given that faster growth should bolster revenues. History suggests that profit margins tend to remain healthy when producer prices rise amid an uptick in economic activity. Finally, we expect the drag from higher corporate taxes to be less than proposed by the Biden administration, with Congress likely to opt for a 4 percentage point increase rather than the 8 ppts suggested by the president.

Tech remains a long-term opportunity despite headwinds
Recent developments have been unfavourable for the tech sector in recent weeks. President Biden's proposals to increase US corporate taxes are a potential threat to a sector whose assets are largely intangible, which has made it easier for companies to take advantage of low tax regimes around the world. Meanwhile, the record USD 2.75 billion fine imposed on Alibaba by Chinese regulators for anti-competitive behaviour highlighted intensifying scrutiny from regulators. But we believe both pressures are manageable. On tax, we project the drag on tech earnings from US tax plans will be in the mid-to-high single-digit percentage range. And part of this drag may be offset by increasing government support for R&D and semiconductor manufacturing. Equally, we see regulatory pressures from China as being constrained by tech competition with the US. More broadly, with the lower- for-longer narrative still in place, investors should be looking for the secular growth opportunities offered by tech

Fintech is earning a place at the table
Financial services leaders have been slower to adapt to new technology, in part due to complex regulations, legacy consumer habits, and other structural constraints. But we believe the fintech industry is at an inflection point, with strong drivers on both the demand and supply side resulting in irreversible changes for the financial services sector. The pandemic has accelerated the adoption of cashless contactless payment and normalized a broader consumer shift to online services. At the same time, a promising cohort of fintech unicorns have steadily expanded the suite of digital products and platforms in many major markets, attracting a growing base of digital-native consumers that is comfortable shifting more of their financial transactions and relationships online. We think the sector offers long-term structural growth for investors, with the global fintech market

Fintech revenues expected to post 10.5% CAGR during 2018–2030, values in USD bn



…with substantial annual growth expected through 2025

Payments	12%
Insurtech	25%
Online lending	16%
Proptech	30%
Others	12%
Total fintech	15%

KEY FIGURES 2021

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2020	23.04.2021	% Chg YTD
Dow Jones Ind.	30'606.48	34'043.49	11.23%
S&P 500	3'756.07	4'180.70	11.31%
RUSSELL 2000	1'974.86	2'271.86	15.04%
NASDAQ COMP	12'888.28	14'016.80	8.76%
CANADA - TSX	17'433.40	19'031.64	9.17%
MEXICO - IPC	44'066.88	49'091.09	11.40%
BRAZIL IBOVESPA	119'017.24	120'530.06	1.27%
COLOMBIA COLCAP	1'437.89	1'296.07	-9.86%
ASIA	**31.12.2020**	**23.04.2021**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	29'020.63	5.74%
H.K. HANG SENG	27'231.13	24'078.75	-11.58%
CHINA CSI 300	5'211.29	5'135.45	-1.46%
EUROPE	**31.12.2020**	**23.04.2021**	**% Chg YTD**
EURO STOXX 50	3'352.64	4'013.34	19.71%
UK - FTSE 100	6'460.52	6'938.56	7.40%
GERMANY - DAX	13'718.78	15'279.62	11.38%
SWITZERLAND - SMI	10'703.51	11'200.54	4.64%
SPAIN - IBEX 35	8'073.70	8'618.60	6.75%
NETHERLANDS - AEX	624.61	715.77	14.59%
RUSSIA - RTSI	138'530.00	149'070.00	7.61%

VOLATILITY

	31.12.2020	23.04.2021	% Chg YTD
SPX (VIX)	22.75	17.33	-23.82%

CURRENCIES

	31.12.2020	23.04.2021	% Chg YTD
EUR/USD	1.2237	1.2101	-1.11%
USD/JPY	103.2360	107.9200	4.54%
USD/CHF	0.8840	0.9138	3.37%
GBP/USD	1.3673	1.3879	1.51%
USD/CAD	1.2739	1.2477	-2.05%
EUR/CHF	1.0817	1.1057	2.22%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2020	23.04.2021	% Chg YTD
GOLD USD/OZ	1'897.70	1'778.18	-6.30%
SILVER USD/OZ	26.45	26.01	-1.66%
PLATINUM USD/OZ	1'075.50	1'232.00	14.55%
ENERGY	**31.12.2020**	**23.04.2021**	**% Chg YTD**
WTI Crude Oil	48.52	62.14	28.07%
Brent Crude Oil	51.80	66.11	27.63%
Natural Gas	2.53	2.73	7.91%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	0.020	0.157	1.567
GERMANY	-0.585	-0.693	-0.257
SWITZERLAND	-0.850	-0.75	-0.259
UK	0.046	0.042	0.745
JAPAN	0.095	-0.128	-0.108

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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