NEWSLETTER JULY 2022

T&T International Group
Your 360° Wealth Partner

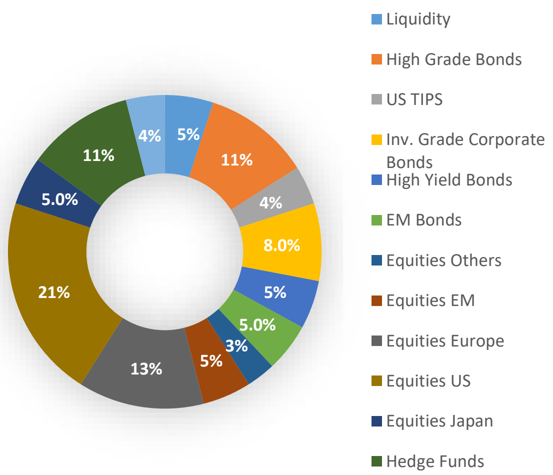
FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Energy security (commodities, energy equities, greentech, clean air and carbon reduction, and energy efficiency) Food security (agricultural yield) Cybersecurity Sectors: energy, healthcare Global Value Quality income UK, Australia, China equities Beaten-down stocks Automation and robotics Family businesses	**Equities**	CIO list preferred stocks Excess Eurozone/US/ growth stocks Concentrated stocks Consumer discretionary stocks Cash
Short duration bonds Resilient credit	**Bonds**	Expensive rated bonds Sell rated bonds Excess bonds Cash
AUD,CAD,NOK,CHF	**Currencies**	EUR
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

Market volatility remains elevated as high inflation and rising interest rates are bringing down global growth expectations. China's zero-COVID policy has also driven a more significant reduction in growth forecasts for the world's second-largest economy. For equities, we believe market levels will be higher at the end of the year and prefer value-oriented companies, sectors, and markets. We also maintain our preference for commodities. With higher yields, bonds are starting to add some diversification to portfolios again.

BALANCED USD MODEL PORTFOLIO



EQUITIES

We believe the time is ripe for value-oriented investments following a decade of unusual underperformance, which we believe is now reversing. Within the more value-oriented sectors, we like the attractively valued energy sector, which is supported by high and rising energy prices. We also like equity markets that have a more value- and commodity-oriented tilt, such as the UK and Australia. For broad equity indexes, we see limited upside given the rising risk on earnings growth.

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BONDS

Major central banks are poised to raise interest rates at an accelerated pace on the back of higher inflation. This has translated into higher interest rates across the yield curve, reflecting significant expectations of a meaningful and front-loaded rate hiking cycle, as well as wider spreads across credit markets. This in turn translates to better prospects ahead, as we think a lot is priced in.

CURRENCIES

Commodity currencies like the Australian dollar, Norwegian krone, and Canadian dollar are within our preferred currencies, while commodity-importing, export-oriented, and low-yielding currencies like the euro should underperform. After a strong US dollar run, on the back of rising Federal Reserve rate hike expectations and softer equity markets, we think its appreciation potential is near the end. The rate hike by the Swiss National Bank is likely the starting point of a larger tightening move that includes inflation-fighting efforts. Hence, we position the Swiss franc as another of our most preferred currencies. As for the Chinese yuan, we continue to hold a cautious stance in the short run.

Source: UBS House View July 2022

TOPIC OF THE MONTH

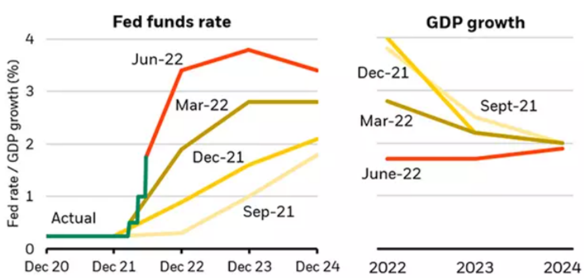
CENTRAL BANK BLITZ TO HIT GROWTH

A flurry of central bank moves last week has revealed many are ignoring the crushing effect this will have on growth. This dynamic raises serious growth risks, and we now see the US restart of economic activity stalling over the coming quarters. The focus is on the Fed – and we think it will ultimately change course but not before causing growth to stall. This raises the specter of growth weakness but still persistent inflation.

The Fed's updated "dot plot" of the Fed funds projection shows it's ready to push rates to nearly 4% by next year (red line, left chart). This takes rates well beyond neutral of around 2.5% – the level that neither stimulates nor decreases economic activity. Yet the Fed continues to forecast trend-like growth (red line, right chart). Financial conditions are already quickly tightening. And with growth slowing elsewhere and higher energy prices, we expect a worsening macro environment for the rest of the year and into 2023. The Fed isn't looking for a recession, even though in our view one would be needed if it wanted to drive inflation back down to 2%. So we expect the Fed to change course once it becomes clear growth has stalled.

The Fed seems dead set on raising rates this year to levels that, in our view, would clearly slow the economy. It seems to be responding to the "politics" of current high inflation. But the Fed isn't actually looking to slow the economy. Fed Chair Jerome Powell said the central bank is not trying to induce a recession. This reflects the Fed's lack of acknowledgment of the policy trade-off.

Fed funds and GDP growth projections by meeting



Sources: BlackRock Investment Institute and Federal Reserve, June 2022. Notes: The charts show the progression of the Fed's median projection for the Fed funds rate and GDP growth in its quarterly Summary of Economic Projections.

Current high core inflation rates reflect an imbalance of demand and supply broadly across the economy. It isn't due to overheating demand but unusually low production capacity in an incomplete restart following the pandemic.

In fact, the Fed is facing an acute trade-off: either slam down activity or live with persistent inflation while production capacity recovers. The Fed hasn't acknowledged this. It assumes that a rapid return of supply capacity will help resolve high inflation – so any upside surprise to inflation will push it toward tighter policy, and a downside surprise on inflation won't necessarily slow it down. If the Fed jacks up rates and then changes course as we expect, it still raises the risk of zero or negative growth and persistent inflation. When the macro environment is shaped by production constraints, the Fed can't avoid volatility. It can only trade inflation volatility for output volatility.

How does the inflation/growth trade-off play out elsewhere? We think the European Central Bank (ECB) will be forced to confront reality sooner because the euro area will feel economic pain sooner. The ECB's planned policy normalization underappreciates the risk of the energy crisis pushing the euro area into recession. The ECB's troubles are seen in the peripheral bond volatility that sparked an emergency meeting last week to help steady financial conditions across the euro area. That comes as the Swiss central bank and the Bank of England (BOE) also raised rates last week, with the BOE warning of recession risks. The BOE is closer to acknowledging the policy trade-off and could decide to go slow on further rate hikes. The Bank of Japan bucked the trend, keeping its ultra-accommodative stance, largely because inflation remains low and Japan did not have harsh lockdowns driving the inflation volatility in other major economies.

Source: blackrock.com 22.06.2022

KEY FIGURES 2022

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2021	24.06.2022	% Chg YTD
Dow Jones Ind.	36'338.30	31'500.81	-13.31%
S&P 500	4'766.18	3'911.74	-17.93%
RUSSELL 2000	2'245.31	1'765.74	-21.36%
NASDAQ COMP	15'644.97	11'607.62	-25.81%
CANADA - TSX	21'294.64	19'062.91	-10.48%
MEXICO - IPC	53'272.44	47'741.50	-10.38%
BRAZIL IBOVESPA	104'822.44	98'672.26	-5.87%
COLOMBIA COLCAP	1'415.79	1'338.83	-5.44%
ASIA	**31.12.2021**	**24.06.2022**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	26'491.97	-3.47%
H.K. HANG SENG	27'231.13	21'719.06	-20.24%
CHINA CSI 300	5'211.29	4'394.77	-15.67%
EUROPE	**31.12.2021**	**24.06.2022**	**% Chg YTD**
EURO STOXX 50	4'298.41	3'808.86	-11.39%
UK - FTSE 100	7'384.54	7'585.46	2.72%
GERMANY - DAX	15'884.86	14'462.19	-8.96%
SWITZERLAND - SMI	12'875.66	11'647.17	-9.54%
SPAIN - IBEX 35	8'713.80	8'933.60	2.52%
NETHERLANDS - AEX	797.93	702.28	-11.99%
RUSSIA - RTSI	159'390.00	111'760.00	-29.88%

VOLATILITY

	31.12.2021	24.06.2022	% Chg YTD
SPX (VIX)	22.75	29.05	27.69%

CURRENCIES

	31.12.2021	24.06.2022	% Chg YTD
EUR/USD	1.1374	1.0556	-7.19%
USD/JPY	115.15	135.21	17.42%
USD/CHF	0.911	0.9592	5.29%
GBP/USD	1.3543	1.2264	-9.44%
USD/CAD	1.2633	1.2896	2.08%
EUR/CHF	1.0361	1.0126	-2.27%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2021	24.06.2022	% Chg YTD
GOLD USD/OZ	1'821.50	1'827.18	0.31%
SILVER USD/OZ	23.18	21.41	-7.64%
PLATINUM USD/OZ	960.5	910	-5.26%
ENERGY	**31.12.2021**	**24.06.2022**	**% Chg YTD**
WTI Crude Oil	75.21	107.62	43.09%
Brent Crude Oil	79.32	113.12	42.61%
Natural Gas	3.73	6.22	66.76%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	1.687	3.057	3.124
GERMANY	-0.484	0.8030	1.4420
SWITZERLAND	-0.24	0.285	1.2710
UK	1.178	1.93300	2.303
JAPAN	-0.175	-0.066	0.229

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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