NEWSLETTER AUGUST 2022

T&T International Group
Your 360° Wealth Partner

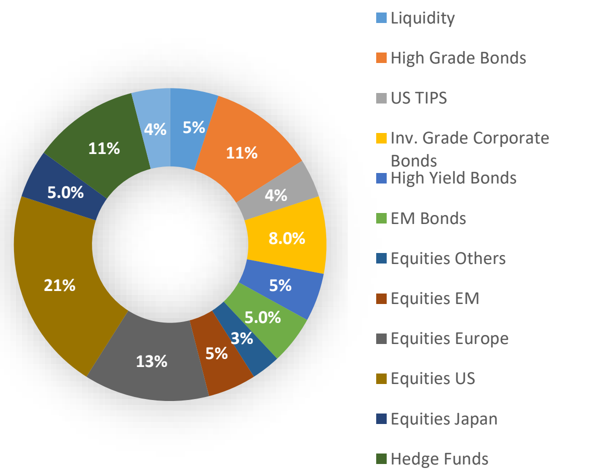
FINANCIAL MARKET OUTLOOK (SHORT TERM)

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 High grade	**Bonds**	Expensive rated bones Sell rated bones Excess bonds Senior loans & other floating rated fixed income instruments 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. For equities, we believe market levels will be higher at the end of the year and prefer value-oriented companies, sectors, and markets. Within fixed income, we have a preference for high grade bonds. We still like commodities and commodity currencies like the Australian dollar, Norwegian krone, and Canadian dollar but we also see now less upside potential for gold.

BALANCED USD MODEL PORTFOLIO



EQUITIES

We recommend staying invested in value-oriented strategies. 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

In our global asset class preferences, we are upgrading high grade bonds to most preferred. Current valuations incorporate an aggressive front loaded rate hiking cycle. Given the balance of risks between high inflation and slowing growth, we believe the asset class presents an attractive asymmetric return prospect. Interest rate volatility is set to remain high and market conditions challenging; therefore, we believe it is still too early to get tactically bullish on high beta credit. We would rather focus on select bottom-up credit opportunities.

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 the upside for the USD is more limited and the commodity producers should be the first ones to profit from the declining momentum in the greenback. 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 August 2022

TOPIC OF THE MONTH

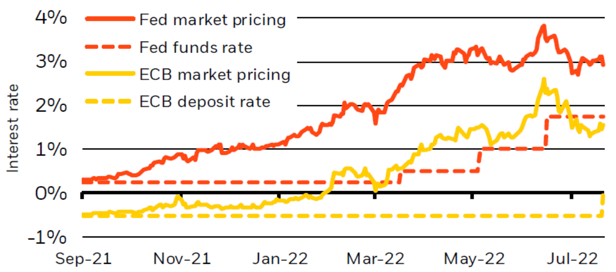
EXPECT MORE VOLATILITY AFTER FED HIKE

The Fed has raised rates by an additional 0.75% last week as it scrambles to raise the fed funds rate into restrictive territory to rein in inflation. Market views on what to expect next for rates have been volatile. Why? Central banks think they can curb inflation and cause only a mild slowdown, whereas this is unlikely in reality, in our view. We see more volatility ahead until central banks take sides in the stark trade-off between growth and inflation they are facing.

Market expectations for Fed and European Central Bank (ECB) policy rates have swung up and down in the past year, futures pricing of Refinitiv data show. First, market pricing for the fed funds rate jumped from near zero to almost 4% in June. See the red line in the chart. That epic move was followed by a one percentage point drop in just a month's time. The biggest monthly changes in rate projections have been more than double the average in the two decades before the pandemic, we find. The reason: Central banks have been ignoring the sharp trade-off they are facing: crush growth or live with some inflation. This has caused rate projections to surge higher on expectations central banks will fight inflation at all cost and then retreat on recession fears. The Fed's forecasts in particular suggest it believes it can bring inflation back to its 2% target without damaging

Bumpy ride

Central bank policy rate pricing in rate forwards, Sept. 2021-July 2022



Sources: BlackRock Investment Institute with data from Refinitiv Datastream, July 2022. Notes: The chart shows expectations for three-month interest rates as implied by futures pricing for the U.S. and euro area. Solid lines show market expectations for 1-year rates in one year's time based on interest rate swaps. Dotted lines show central bank rates.

The Fed and ECB are hostage to the "politics of inflation," in responding to a chorus of voices demanding they bring down inflation. The problem? Today's inflation is caused by production constraints, from labor shortages to supply chain kinks, not because of excessively high demand. Rate hikes can cool the latter but don't really fix the former, we think. Reducing inflation to 2% would mean slamming spending down so hard it would stall the economic restart. Yet the Fed and ECB still suggest they can engineer a "soft landing," where higher rates decrease inflation and cause only a mild slowdown. Case in point: The ECB explicitly said it doesn't foresee a recession when it raised rates by 0.5% recently.

Central banks today face sharp trade-offs between growth and inflation and many have yet to acknowledge this. The ECB limited its maneuvering room by stressing it's only focused on inflation. This will make it harder to change course. There might be a pivot later this year when a might comes knocking. We expect the Fed to change course only next year, when the economic effects of rate rises become clear. The market agrees. Rate projections now show the Fed cutting rates in 2023. The ECB and Fed will eventually choose growth over inflation. That means they won't have slammed demand all the way down to meet the low level of productive capacity. Production constraints are likely to keep fueling inflation as a result. That's why we think inflation will persistently run above central bank targets, even as it declines from current 40-year highs. Market expectations are not consistent with this. Breakeven inflation rates, a measure of expected inflation derived from bond yields, have fallen sharply in the past month. Markets appear to expect a typical slowdown, where both growth and inflation weaken. This means inflation data could surprise to the upside – and cause markets to rapidly price a higher rate path once again.

Source: www-blackrock.com

KEY FIGURES 2022

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2021	01.08.2022	% Chg YTD
Dow Jones Ind.	36’338.30	32’798.40	-9.74%
S&P 500	4’766.18	4’118.63	-13.59%
RUSSELL 2000	2’245.31	1’883.31	-16.12%
NASDAQ COMP	15’644.97	15’286.01	-2.29%
CANADA - TSX	21’294.64	19’692.92	-7.52%
MEXICO - IPC	53’272.44	47’384.56	-11.05%
BRAZIL IBOVESPA	104’822.44	102’225.08	-2.48%
COLOMBIA COLCAP	1’415.79	1’295.96	-8.46%
ASIA	**31.12.2021**	**01.08.2022**	**% Chg YTD**
JAPAN- NIKKEI	27’444.17	27’993.35	2.00%
H.K. HANG SENG	27’231.13	20’165.84	-25.95%
CHINA CSI 300	5’211.29	4’188.68	-19.62%
EUROPE	**31.12.2021**	**01.08.2022**	**% Chg YTD**
EURO STOXX 50	4’298.41	3’706.62	-13.77%
UK - FTSE 100	7’384.54	7’413.42	0.39%
GERMANY - DAX	15’884.86	13’479.63	-15.14%
SWITZERLAND - SMI	12’875.66	11’145.91	-13.43%
SPAIN - IBEX 35	8’713.80	8’085.10	-7.21%
NETHERLANDS - AEX	797.93	728.18	-8.74%
RUSSIA - RTSI	159’390.00	107’890.00	-32.31%

VOLATILITY

	31.12.2021	01.08.2022	% Chg YTD
SPX (VIX)	22.75	29.05	27.69%

CURRENCIES

	31.12.2021	01.08.2022	% Chg YTD
EUR/USD	1.1374	1.0263	-9.77%
USD/JPY	115.15	131.66	14.34%
USD/CHF	0.911	0.95	4.28%
GBP/USD	1.3543	1.2257	-9.50%
USD/CAD	1.2633	1.2841	1.65%
EUR/CHF	1.0361	0.9749	-5.91%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2021	01.08.2022	% Chg YTD
GOLD USD/OZ	1’821.50	1’772.22	-2.71%
SILVER USD/OZ	23.18	20.36	-12.17%
PLATINUM USD/OZ	960.5	909.5	-5.31%
ENERGY	**31.12.2021**	**01.08.2022**	**% Chg YTD**
WTI Crude Oil	75.21	93.89	24.84%
Brent Crude Oil	79.32	110.01	38.69%
Natural Gas	3.73	8.28	121.98%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	2.546	2.909	3.124
GERMANY	-0.025	0.2320	1.4420
SWITZERLAND	-0.16	-0.022	1.2710
UK	1.785	1.67800	2.303
JAPAN	-0.135	0.084	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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