NEWSLETTER SEPTEMBER 2022

T&T International Group
Your 360° Wealth Partner

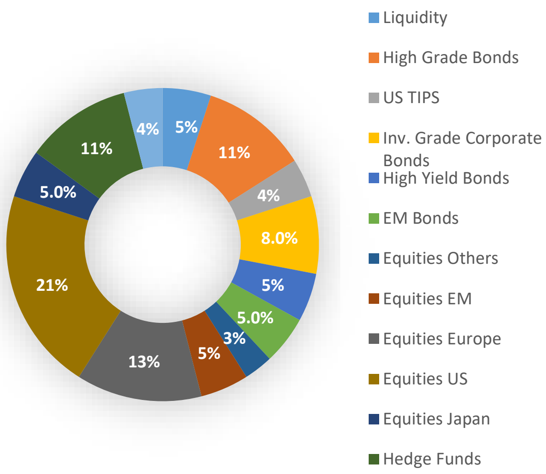
FINANCIAL MARKET OUTLOOK (SHORT TERM)

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, consumer staples Global Value Quality income UK, Australia, Beaten-down stocks Circular economy Family businesses	**Equities**	CIO list preferred stocks Excess Eurozone/US/ growth stocks Concentrated stocks Consumer discretionary stocks real estate stocks Cash
Short duration bonds Resilient credit High grade	**Bonds**	Expensive rated bones Sell rated bones Excess bonds Senior loans Cash
CHF	**Currencies**	EUR, GBP
Commodities Oil	**Precious Metals & Commodities**	

ASSET ALLOCATION

We keep a neutral stance on equities. We believe earnings expectations are likely to be downgraded further and credit conditions are likely to tighten as central banks press on with rate hikes and QT, before inflation can normalize, tightening pause, and markets fully regain confidence. Within this context, we recommend staying invested in value and quality income strategies. Energy, healthcare and consumer staples are the global equity sectors where we see the biggest potential. We also prefer UK and Australia equities. High grade is our preferred segment within fixed income. We still like broad commodities and oil. Within currencies, we prefer CHF whereas we see limited upside potential in EUR and GBP.

BALANCED USD MODEL PORTFOLIO



EQUITIES

The rally in the MSCI ACWI over the last month has been entirely driven by multiple expansion supported by lower inflation expectations and better than expected economic data (payrolls). We recommend staying invested in value-oriented strategies. Within the more value-oriented sectors, we like the attractively valued energy sector. We also like equity markets that have a more value- and commodity-oriented tilt, such as the UK and Australia. Also, we see relative upside potential on both healthcare and consumer staples sectors.

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BONDS

Current valuations on high grade bonds 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 and as such have a most preferred recommendation. Given the current fundamental backdrop and intention from policymakers to continue tightening financial conditions, we believe it is still too early to get tactically bullish on high beta credit as we consider liquidity risk premia too tight. Our focus remains on select bottom-up opportunities.

CURRENCIES

The EUR remains least preferred due to economic uncertainties related to the Ukraine war and ultra-low natural gas supply. Markets also doubt that the ECB will be able to fight inflation effectively, while keeping peripheral spreads under control. Against an appalling domestic backdrop and in the current risk-off environment, we also decided to move GBP to a least preferred currency. A hawkish SNB, benign inflation in Switzerland, and global risk aversion speak in favor of a stronger CHF on a trade weighted basis. We move AUD and CAD from most preferred to neutral. They have recovered over the last month, and we expect that elevated risk aversion will limit the upside.

Source: UBS House View September 2022

TOPIC OF THE MONTH

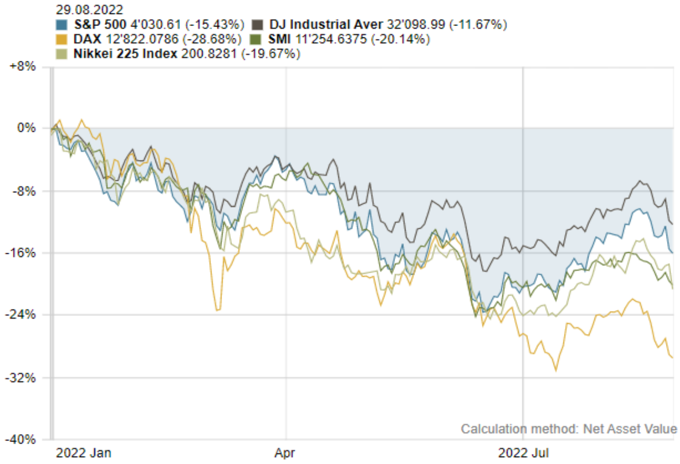
STOCKS DECLINE ON NO FED PIVOT

The S&P 500 fell 4% last week, including a 3.4% decline on Friday after Federal Reserve Chair Jerome Powell said it would likely be necessary to keep monetary policy restrictive “for some time” to bring inflation back under control. In a speech at the central bank’s annual Jackson Hole symposium, Powell pushed back against recent market hopes that ebbing inflation pressures could allow the Fed to pivot toward rate cuts early next year. “The historical record cautions strongly against prematurely loosening policy,” he said.

The hawkish comments echoed those from other top Fed officials in recent weeks and dented market sentiment following a 17% rally in US stocks from June’s lows. Friday’s fall left the S&P 500 5.8% below a recent peak in mid-August. The technology-heavy Nasdaq Composite, which is more vulnerable to higher interest rates, fell 3.9% on Friday and is now down 7.5% from its recent high earlier this month.

The yield on 2-year US Treasuries ended Friday just 2 basis points (bps) higher, before early Monday trade added another 8bps to reach a 15-year high near 3.47%.

Fed funds futures were little moved on Friday, although they have adjusted over recent weeks to reflect a lower probability that the central bank will be able to start cutting rates in 2023. As recently as mid-July, futures had been implying over 80bps worth of rate cuts next year, starting as early as March. Now they are implying 30bps worth of cuts next year, with the first cut around November.



In currency markets, the broad US dollar index gained modestly onFriday, with the DXY reaching a new 20-year high above 109 points. Pro-growth currencies, such as the Australian dollar, New Zealand dollar and Norwegian krone fell. The euro and Chinese yuan have also come under pressure. Jackson Hole talk overshadowed encouraging data that suggested July may have marked a turning point in US inflation. In data released just ahead of Powell's speech, the PCE deflator, which is the Fed's preferred inflation measure, surprised to the downside, falling 0.1% month-over-month in July, with core PCE edging up just 0.1%. Powell said, “While the lower inflation readings for July are welcome, a single month's improvement falls far short of what the Committee will need to see before we are confident that inflation is moving down.”

Powell also noted the importance of inflation expectations. Just as he started his speech, the University of Michigan's Survey of Consumers showed five to 10-year inflation expectations holding steady at 2.9%, a reading compatible with the Fed’s target for PCE.

Source: UBS CIO 29.08.2022

KEY FIGURES 2022

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2021	26.08.2022	% Chg YTD
Dow Jones Ind.	36'338.30	32'283.40	-11.16%
S&P 500	4'766.18	4'057.66	-14.87%
RUSSELL 2000	2'245.31	1'899.83	-15.39%
NASDAQ COMP	15'644.97	15'178.20	-2.98%
CANADA - TSX	21'294.64	19'873.29	-6.67%
MEXICO - IPC	53'272.44	47'272.11	-11.26%
BRAZIL IBOVESPA	104'822.44	112'298.86	7.13%
COLOMBIA COLCAP	1'415.79	1'304.38	-7.87%
ASIA	**31.12.2021**	**26.08.2022**	**% Chg YTD**
JAPAN- NIKKEI	27'444.17	28'641.38	4.36%
H.K. HANG SENG	27'231.13	20'170.04	-25.93%
CHINA CSI 300	5'211.29	4'107.55	-21.18%
EUROPE	**31.12.2021**	**26.08.2022**	**% Chg YTD**
EURO STOXX 50	4'298.41	3'603.68	-16.16%
UK - FTSE 100	7'384.54	7'427.31	0.58%
GERMANY - DAX	15'884.86	12'971.47	-18.34%
SWITZERLAND - SMI	12'875.66	10'885.79	-15.45%
SPAIN - IBEX 35	8'713.80	8'063.61	-7.46%
NETHERLANDS - AEX	797.93	705.08	-11.64%
RUSSIA - RTSI	159'390.00	112'750.00	-29.26%

VOLATILITY

	31.12.2021	26.08.2022	% Chg YTD
SPX (VIX)	22.75	25.56	12.35%

CURRENCIES

	31.12.2021	26.08.2022	% Chg YTD
EUR/USD	1.1374	0.9964	-12.40%
USD/JPY	115.15	137.66	19.55%
USD/CHF	0.911	0.9669	6.14%
GBP/USD	1.3543	1.1731	-13.38%
USD/CAD	1.2633	1.3036	3.19%
EUR/CHF	1.0361	0.9642	-6.94%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2021	26.08.2022	% Chg YTD
GOLD USD/OZ	1'821.50	1'737.86	-4.59%
SILVER USD/OZ	23.18	18.91	-18.42%
PLATINUM USD/OZ	960.5	866	-9.84%
ENERGY	**31.12.2021**	**26.08.2022**	**% Chg YTD**
WTI Crude Oil	75.21	93.06	23.73%
Brent Crude Oil	79.32	100.99	27.32%
Natural Gas	3.73	930.00	24832.98%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	2.941	3.489	3.13
GERMANY	-0.065	1.0690	1.5480
SWITZERLAND	0.12	0.638	0.9840
UK	2.074	2.86100	2.643
JAPAN	-0.11	-0.076	0.24

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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