

FINANCIAL MARKET OUTLOOK (SHORT TERM)

APPEALING		LESS FAVOURED
Global technology stocks Technology disruption Asia's Super 8 Quality stocks (incl. Europe's Magnificent 7) Alternative growth themes (Energy transition, healthcare disruption, blue economy) Small- and mid-caps (including US and European small- and mid caps) ESG engagement	Equities	Cash
Quality bonds (investment grade and high grade) Sustainable Bonds Fixed term deposits Bond ladders Active and diversified bond exposure	Bonds	Cash EM/HY bonds
AUD Generate income from USD, EUR, GBP and CNY	Currencies	CHF
Active commodity exposure Oil	Precious Metals & Commodities	Excess cash

ASSET ALLOCATION

In our global strategy, we keep our preference for bonds over equities.

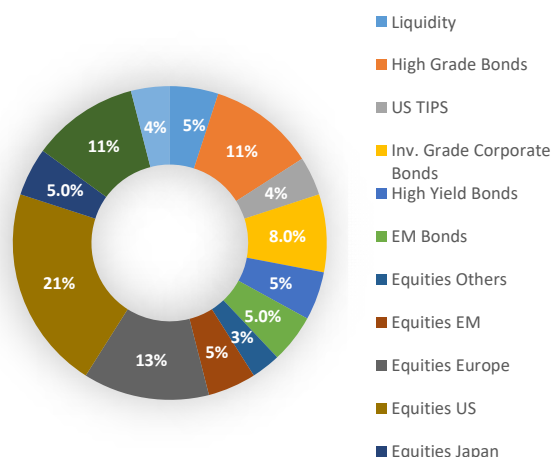
Within equities, we retain our preference for quality.

Within bonds, we prefer high grade and investment grade over high yield and emerging market credit.

Within commodities, we hold a preference oil.

Within foreign exchange, we have the CHF as least preferred and the AUD as most preferred. We stay neutral on the remaining major currencies.

BALANCED USD MODEL PORTFOLIO



EQUITIES

We maintain a neutral view on global equities. Solid macroeconomic data and improving earnings lifted global equities to fresh all-time highs in late March. The flip side is that inflation pressures did not abate as quickly as anticipated and even started to tick marginally higher again in the US, which weighed on the asset class in April. Inflation is a near-term risk but should keep falling in the medium-term in our view.

We also believe 2024 earnings will rebound further. AI beneficiaries should continue to lead, but we expect other sectors to increasingly contribute as well. That said, the equity risk premium remains low, while rate and geopolitical uncertainty is high.

CONTACT DETAILS T&T INTERNATIONAL GROUP

T&T International Wealth Management Ltd.
 Birkenstrasse 47
 CH-6434 Rotkreuz-Zug
 Tel: +41 (0) 43 844 0 844
 www.tt-international.ch
 info@tt-international.ch

Local Contact Points see:
www.tt-international.ch/locations/

BONDS

We maintain our most preferred stance on the higher-quality segments of fixed income given the all-in yields on offer and as central banks transition from rate-hiking to rate-cutting cycles. Specifically, we maintain a preference for high grade and investment grade bonds, and are neutral on high yield and emerging market credit.

Although inflation has printed higher in recent months, we continue to see it on a downward path as the drivers of lower inflation on the goods, rent, and labor market side remain encouraging. Additionally, the recent rise in longer-term rates and expectation that rate cuts are only likely later in the year will transmit into the real economy through tighter financial conditions. This should put downward pressure on growth and inflation, and hence add to the appeal of high-quality bonds.

Source: UBS Houseview monthly, May 2024

CURRENCIES

Surprisingly, solid US economic data and reduced expectations for Federal Reserve rate cuts are supporting the US dollar, which has strengthened marginally within well-established ranges. Our most preferred G10 currency with upside potential against the USD remains the Australian dollar.

We view the Swiss franc as least preferred. Swiss interest rates are very low and motivated the Swiss National Bank's to cut rates preemptively. The need for CHF appreciation to defend against imported inflation has faded.

The backdrop for high-yielding currencies remains in place, mainly in the crosses. Our favorite is the Brazilian real. In frontier markets, exposure to the Egyptian pound looks attractive for investors with a high risk tolerance.

US INTEREST TURNAROUND HAS BEEN POSTPONED

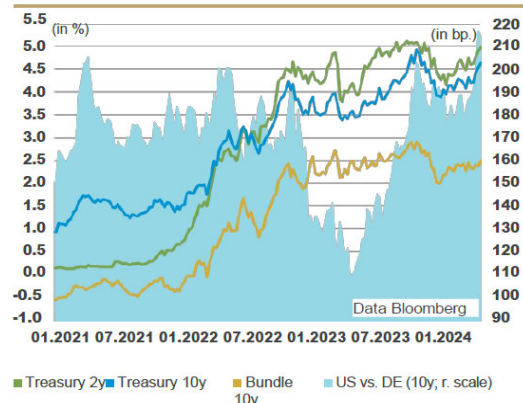
The US interest rate turnaround has been postponed until the second half of the year. The interest rate advantage of ten-year Treasuries over Bunds has reached 220 basis points. We expect a technical countermovement, but the growing government debt requires consolidation.

Current developments on the bond market reflect the diverging monetary policy outlook in the USA and the eurozone. As expected, ECB President Christine Lagarde has prepared the market for a key interest rate cut of 25 basis points in June if new forecasts confirm the easing of price pressure. However, this is also subject to uncertainty, meaning that further interest rate adjustments could be linked to the quarterly forecast changes. In the meantime, only three key interest rate steps are expected by the end of the year.

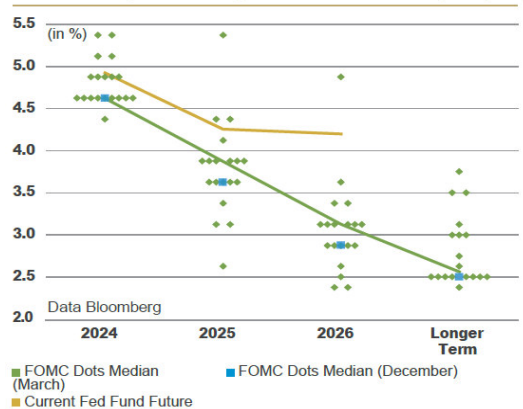
The Fed is now expected to loosen the interest rate screw tentatively in the third quarter at the earliest. It is now expected that the Fed will not tentatively ease interest rates until the third quarter at the earliest. In view of the renewed rise in inflation, Fed Chairman Jerome Powell emphasized that the tight monetary policy will take longer to exert its braking effect. Former US Treasury Secretary Larry Summers made headlines when he estimated the probability that the next interest rate hike would be between 15 % and 25 %. At the same time, this statement also indicates that falling key interest rates remain the base scenario.

The renewed rise in yields on two-year US government bonds to almost 5% underpins the now almost non-existent expectations of interest rate cuts. Now that market sentiment has decoupled from the slight change in the Federal Open Market Committee's interest rate estimates (FOMC dot plot) in March, we see recovery potential at higher yield levels. Finally, it should be noted that interest rate hikes totaling 525 basis points within a period of just 16 months should have a very restrictive effect. In the past 40 years, key interest rates have been held for a maximum of 15 months. The yield on ten-year US government bonds has been below the level of two-year bonds since July 2022. This atypical yield curve structure has also been in place for a remarkably long period. The greatest medium-term risk for the bond market is the immense fiscal support provided by the US government. Signals to limit the growing government deficit, but also a geopolitical escalation, would immediately act as a catalyst and result in falling Treasury yields

Government bond yields and difference US vs. DE



Interest rate path of the Open Market Committee ("dot plot")



Source: LLB May 2024

KEY FIGURES 2024

EQUITY INDICES (LOCAL CURRENCIES)

AMERICA	31.12.2023	26.04.2024	% Chg YTD
Dow Jones Ind.	37'689.54	38'239.66	1.46%
S&P 500	4'769.83	5'099.96	6.92%
RUSSELL 2000	2'027.07	2'002.00	-1.24%
NASDAQ COMP	15'011.35	15'927.90	6.11%
CANADA - TSX	20'958.44	21'969.24	4.82%
MEXICO - IPC	57'386.25	57'833.85	0.78%
BRAZIL IBOVESPA	134'185.24	126'526.27	-5.71%
COLOMBIA COLCAP	1'195.20	1'349.93	12.95%
ASIA	31.12.2023	26.04.2024	% Chg YTD
JAPAN- NIKKEI	33'464.17	37'934.76	13.36%
H.K. HANG SENG	17'047.39	17'651.15	3.54%
CHINA CSI 300	3'431.11	3'584.27	4.46%
EUROPE	31.12.2023	26.04.2024	% Chg YTD
EURO STOXX 50	4'521.44	5'006.85	10.74%
UK - FTSE 100	7'733.24	8'139.83	5.26%
GERMANY - DAX	16'751.64	18'161.01	8.41%
SWITZERLAND - SMI	11'170.26	11'344.32	1.56%
SPAIN - IBEX 35	10'102.10	11'154.60	10.42%
PORTUGAL - PSI 20	6'396.47	6'542.23	2.28%
RUSSIA - RTSI	109'910.00	116'550.00	6.04%

VOLATILITY

	31.12.2023	26.04.2024	% Chg YTD
SPX (VIX)	13.05	15.03	15.17%

CURRENCIES

	31.12.2023	26.04.2024	% Chg YTD
EUR/USD	1.10	1.0703	-3.03%
USD/JPY	141.03	158.06	12.08%
USD/CHF	0.8415	0.9149	8.72%
GBP/USD	1.27	1.2488	-1.91%
USD/CAD	1.32	1.3683	3.31%
EUR/CHF	0.93	0.9792	5.44%

COMMODITIES (USD)

PRECIOUS METALS	31.12.2023	26.04.2024	% Chg YTD
GOLD USD/OZ	2'065.20	2'337.97	13.21%
SILVER USD/OZ	23.84	27.2	14.09%
PLATINUM USD/OZ	995.50	915.5	-8.04%
ENERGY	31.12.2023	26.04.2024	% Chg YTD
WTI Crude Oil	71.65	83.85	17.03%
Brent Crude Oil	77.04	89.50	16.17%
Natural Gas	2.51	1.61	-35.70%

INTEREST RATES GOVERNMENT BONDS

	3 Months	2 Years	10 Years
USA	5.394	5.000	4.67
GERMANY	3.607	2.989	2.5740
SWITZERLAND	1.230	0.999	0.7470
UK	5.285	4.482	4.328
JAPAN	0.025	0.298	0.92

T&T INTERNATIONAL GROUP

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