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LA STAMPA

Investments

Brexit, savings scenarios

Prudence is the order of the day but analysts say there's no risk of a 2008-style crisis.
Gold and other safe havens for protection, but there are opportunities to make a return

By SANDRA RICCIO

Brexit has opened up a new area for alarm over Europe. It comes on top of concerns about the economy, security, refugees… An immediate response by European leaders will be vitally important. For investors, a new period of uncertainty has opened up. Analysts are convinced that Brexit will not mark a new Lehman Brothers situation but any comparison with the failure of the great American merchant bank, which caused such havoc in the markets in September 2008, brings people out in a cold sweat. Great Britain's exit from the EU will certainly come with plenty of unknowns.

The flight into safe havens like gold and the German Bund underscores the quest for protection that is once again the order of the day for investors. Investment professionals' advice is decisive in situations like this. The line they're taking is to keep calm and not get swept up by emotion. Safe haven options include appropriately positioned investment funds, "parachute" stocks, and of course gold and safe haven currencies.

Anyone with cash and an appetite for risk can grasp the opportunities the situation offers. Chris Iggo, Chief Investment Officer at AXA Investment Managers, sees buying opportunities. "The central banks will be injecting liquidity, rates rises will be delayed and bonds will offer a greater capacity to preserve capital than shares, given the uncertain outlook for profits", he comments. And adds that "the 'Leave' victory wasn't our leading scenario, but the outlook for fixed income products hasn't changed much".

Bonds have held up well in the periods of greatest turbulence and still provide a shelter. "Government bonds generally reacted well to the English referendum and we feel that risks will be limited in the immediate future. Both the European Central Bank (ECB) and the Bank of England have promised stabilisation measures and support as soon as its necessary", says Banor Capital fund manager Francesco Castelli. "In England it's actually easy to envisage a reduction in the official rate, to as low as zero". In this expert's view, securities in the countries of Europe's periphery have seen some tension. “There’s a fear that the populist protest against a united Europe could spread to Italy and Spain, where the consequences of an exit would cause an unmanageable financial tsunami, given the single currency. We feel that these fears are exaggerated, as things stand at present. For the time being, the ECB’s ceaseless interventions are providing an important shield for the periphery”.

“From the asset allocation perspective, while we don’t see any immediate risks we don’t see investments in government bonds as being very attractive: zero-return 10-year German bonds and Italy’s 10-year BTPs, at under 1.5%, could act as a defence option but we don’t think they offer value over the long-term”, states Castelli.

In Iggo’s view, investors still need to see returns, it will take time for the economic implications of Brexit to become clear, and there’s plenty of liquidity for investment.

Some key figures	
1.5% **10-year Italian BTPs** **The yield of Italy’s 10-year government bonds is nearly one point lower than a year ago**	**-23%** **Piazza Affari since the start of 2016** **That’s the figure for the Italian stock market’s performance in the first half of 2016**
2.5% **30-year bonds** **Italian debt bonds with this rate of return have a very long time horizon**	**+13%** **Milan in 2015** **Last year, Piazza Affari saw overall progress reach two-figure levels.**