

Brexit, Referendum and US elections: the three mines in the markets

The managers at Banor Capital analyse the possible market reactions to the three events that will be defining the macroeconomic scenarios from now until March 2017

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Luca Riboldi – Chief Investment Officer, Banor SIM

MILAN – How will the markets react to the US elections, the Italian referendum and Brexit? Managers from Banor Capital share their views. They'll be at the Four Seasons in Milan tomorrow for a workshop for operators on alternative investment strategies. The workshop focus will be the strategies of Banor SICAV funds, which are inspired by value investing.

US elections. “We acknowledge that this presidential election is more divisive and has more potential unknowns than most past elections. However, we do not spend a lot of our time, nor do we have any unique perspective, in forecasting the outcome of the election or what it means for the market. Our portfolio is not constructed to benefit from the victory of one particular candidate and their policies, rather we build our portfolio based on our long term view of each specific security. On that front, we believe it is unlikely that the election of either candidate will materially

impact the long term value of our positions". **Eddie Ramsden, Advisor for Banor SICAV North America Long Short**

Italian referendum. "Of the various sources of political risk, the one that affects us most closely is the Italian referendum. A constitutional issue, with few financial implications, it has turned into a vote of confidence on the current Prime Minister (whose position is at risk). The political instability that a 'No' vote would unleash would complicate life in the Italian stock market to no small degree. Both UniCredit and MPS banks have postponed the official communications on their capital increases until after the referendum and it's clear to all investors that a 'No' vote could throw both operations into disarray. As asset managers and operators we don't get involved in political judgements (especially right now, with an exceptionally complex referendum question in the offing). We believe, however, that a 'Yes' vote would contribute to political stability, and therefore market stability, by restoring to the country the confidence and international interest that at present is clearly lacking". **Luca Riboldi – Chief Investment Officer, Banor SIM**

Brexit. "In the United Kingdom, the premier, Theresa May, has just suffered a heavy blow: the High Court has ruled that responsibility for triggering Britain's exit from Europe (the famous Article 50) lies with Parliament, not the Government. This decision will bring a calmer tone to the negotiations (compared with those threatened by the extreme wing of the Brexiteers currently in the government). However, having to manage the negotiations at a parliamentary level would see the timescale stretch to infinity (added to which is the risk of early elections in 2017). The fall in sterling undoubtedly helped the economy during this difficult summer, but next year things will get complicated, with inflation sky high and a possible reduction in foreign investment". **Francesco Castelli –Head of Fixed Income at Banor Capital**