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LA STAMPA QUOTIDIANO: TURIN

Francesco Castelli, Banor Capital

"Complex times, but this could be an opportunity to invest in bonds"

INTERVIEW

"This new period in Italian politics is making the markets nervous because it will come up against the end of the Draghi era. That's a 'stop' sign that more than anything will penalise our country's government securities", says Francesco Castelli, head of fixed income at Banor Capital.



How should we decipher this peculiar situation?

"Since the elections a clear preference has emerged on the part of Italians for increased public spending. Growing the deficit, however, is proving difficult to fund, since the main purchaser of BTPs [treasury bonds], i.e. the European Central Bank, has decided to withdraw. The government now finds itself engaged on two fronts: a political context in Europe, and a financial contest on the markets. The first contest is already looking to the European elections in 2019: both the government's rhetoric and that of the European commission is influenced by that ballot and the tone is heating up".

What are the risks?

"The most important contest is the tug-of-war with the markets. The Italian government is one of the world's most indebted: current expenditure, and the high deficit the government is planning, need to be funded by an ongoing cycle of auctions to obtain between 10 and 20 billion each month. Without these auctions, the state would stop paying public sector workers and pensioners and unpredictable financial scenarios would open up: from the return of the lire to a renegotiation of the country's debt, as happened in Greece. To reduce the spread, the government will need to convince them that the new budget will involve spending the right amount, but no more, and that we'll stay in the euro -- forever".

Will you continue to invest in Italy?

"We've always invested in our country and will continue to do so. Even for institutional investors like us periods of great volatility are difficult to

manage. But more than anything, they're difficult to explain to clients. However, they're also the best time to invest taking a long-term view".

This is a very tense time, including for small investors. What do you suggest to people with BTPs in their portfolio?

"In Banor we manage savings, we don't do trading. So the advice we can give is to avoid taking hasty decisions but to reflect on your portfolio, and it's best to do that with the help of an adviser. BTPs are an important instrument for our investments but they need to be included, as always, in a portfolio that's diversified by issuer". S.RIC.