

THE ANALYSTS

“We're in for a roller coaster ride” V-shaped recession possible

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Panic has engulfed the market. Piazza Affari has had the worst performance in Europe. Negative signs like these have not been seen since the aftermath of the Brexit referendum in June 2016. “We’ve witnessed a shock effect, but it will be short-lived,” **Emanuele Canegrati**, senior analyst at the London broker **BpPrime**, tells *Avvenire*. “Now, we need to keep our nerve, understand that the most badly hit sectors are those associated with exports: luxury goods, asset management, cars. And keep an eye on the energy sector as we could see a significant fall in demand in China.” What does coronavirus mean for investors? “We're in for a roller coaster ride,” continues Canegrati. “I think there will be a V-shaped recession, where we witness a sharp drop followed by an upturn.” And while the analysts at **Equita Sim** underline that “Lombardy and Veneto represent around 30% of Italy’s

Castelli (Banor Capital): “The slump in production will be felt on GDP in the coming months, although exactly how and to what extent is difficult to predict.”

GDP, and the negative impact on growth will be temporary,” for economist and former director of the **Confindustria Studies Centre Luca Paolazzi**, “the stock markets had already begun to react on Friday, not so much to the wave of cases of Covid-19 in Italy, but in response to the decline in the service sector. Worries had centred on the manufacturing sector, but in fact, the opposite has happened. Commercial businesses have closed, travel bans are in place, events are being cancelled, fear is spreading, and this prevents people from acting normally. This is all totally irrational, but in fact, the impulses and psychology behind our decisions influence economic trends the most.” And it's not only a problem

for shareholders. Government bonds are also under pressure, where yesterday the spread rose by 10 basis points. “Investors are scared,” Vincenzo Longo, market strategist at **IgGroup** tells *Avvenire*. “Italy now has the third highest number of cases, here in the heart of Europe and well away from Asia's borders. This can compromise the economic stability of our country, and so the spread rises and a technical recession becomes all but certain.” “Before making a financial analysis,” **Banor Capital**’s fixed income manager **Francesco Castelli** tells *Avvenire*, “I want to reiterate that our first thoughts go to the people affected by the disease, both victims and their families. From a purely statistical perspective, the medical impact of the virus is marginal. In Italy, flu kills hundreds of people every year, and pneumonia (usually bacterial) is regularly responsible for over ten thousand deaths on an annual basis. The difference, for the economy at least, is the greater level of attention. Businesses never close for flu. No one would cancel Carnival for pneumonia, and aeroplanes continue to fly.” Then there is the impact on production, both direct and indirect, on the supply chain. “When a factory closes in China, for example,” continues Castelli, “it interrupts the supply chain of Apple or Jaguar Land Rover (to cite two businesses that have issued warnings to their investors). The slump in production will be felt on GDP in the coming months, although exactly how and to what extent is difficult to predict.”