L'Economia del CORRIERE DELLA SERA

Weekly

Date	02-03-2020
Page	34
Sheet	1

Analysis

"Designer securities" Spring Sale?

Fears of coronavirus are upsetting the market balance as stock exchanges everywhere begin to seriously revalue the new risk. Aside from China, the most concerning situation is in Italy where, after GDP fell by 0.3% in the last quarter of 2019, a technical recession (two successive quarters of negative growth) looks increasingly likely.
Estimates on the outlook of the first three months of 2020 have been blown apart and eyes are turning to the sectors liable to bear the brunt of the crisis, such as tourism and production. But it is still too early to make predictions.
And with this in mind, Francesco Castelli, Fixed Income Manager at Banor Capital, attempted to soften the tone a little by reiterating that, "our first thoughts go to the people affected by the disease, the victims and their families. As a professional (and a father), the most important recommendation I can give is about health, not finance. We must follow the guidelines issued by the authorities. While it is important not to panic, we should also avoid taking unnecessary risks."
However, from a purely statistical point of view, for Castelli, 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." These events have an immediate impact on people's willingness to travel, with the Travel and Leisure sector one of the most negatively affected by market sales. "It is worth noting that, even in the days prior to the alert, Italy was already suffering from a lower number of Asian tourists due to flight suspensions," Castelli remarked. "Production activities have been affected too, both directly, due to the suspended supply of consumer products from east Asia, and indirectly, through the impact on the supply chain. When a factory closes in China, for example, 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." How should we weather this storm from a financial perspective? "In just the same way that we usually approach our activities: by continuing to monitor our investments," argues the expert from Banor Capital. "In general, given our nature as prudent investors focused on the medium term, we tend to invest in stable sectors and businesses able to withstand the volatility that periodically impacts the market. Because we know the companies in our portfolio well, we don't have reason for serious financial concerns. For investors who did their homework, the panic now represents a buying opportunity. Our analyses constantly show the highest quality companies, but often people feel that some of these are wildly expensive because of an excessive price hike. Days like these are like end-of-season sales: the right time to buy designer clothes."
As in similar cases, panic will continue to affect the markets until there are signs of an improvement. This could be the discovery of a vaccine or simply the end of the flu season, which should reduce the spread of the virus. "This was the case with SARS, and we believe that Coronavirus will be no different," concluded Castelli.

Gabriele Petrucciani

Fixed income
Francesco Castelli, Fixed Income Manager at Banor Capital: the future is difficult to predict; some patience required

Travel and holidays will clearly be one of the most affected sectors. Italy was already suffering from lower numbers of Asian tourists


Investimenti

Bond con la pagella affidabile
Le occasioni del mini-crollo

E se fosse il momento per «titoli di marca» in saldo?