

No Ferragosto rally, but there is confidence in Piazza Affari

It will be a volatile month. Gamma Capital: “We can expect a lateral phase between 18,500 and 20,500 points”. Banor: “Industrials, energy and finance are key sectors for recovery”.

No Ferragosto rally this time around. In the year of Covid-19, August will be a month marked by volatility. Despite very negative macroeconomic figures for GDP growth in 2020 – with the European Commission forecasting an 11.2% drop in national gross domestic product for the year, worse than the initial estimates one month ago which predicted a 9.5% decrease – the Milan Stock Exchange might still have a few surprises in store.

“We have a positive outlook on the FTSE MIB, even in terms of evaluation”, explained Gianmarco Rania, Head of Equities at Banor Capital, adding that, “Its aggregate return on dividends of around 4% is much higher than the returns on Italian government bonds (BTPs), which came to around 1%, and the return on other European indices (2.63% for the Euro Stoxx 50). It should be noted how, despite a sharp decline in corporate profits in absolute terms, the biggest European and Italian companies have been pleasantly surprised, in many cases beating analyst estimates”.

According to Carlo De Luca, Head of Asset Management at Gamma Capital Markets, “Now that risky asset prices no longer depend so much on supply and demand, but on the monetary policies of the central banks and the fiscal policies of governments, we are more likely to see a lateral phase between 18,500 and 20,500 points”. According to Gamma, given the ongoing global pandemic, the New York Stock Exchange could be what tips the scales, seeing as it is on the rise, especially because of the positive trend in the Tech and Biotech sectors”.

In fact, the uncertainty around the practical implementation of the Recovery Fund, together with the strength of the euro, expose the European indices to a greater weakness compared to the others. “In the worst-case scenario, our index in particular could correct up to significant levels of between 17,000 to 17,500”, explains Gamma. The best case, on the other hand, could be influenced by a shift in the agreement between the Democrats and the Republicans on the new generous stimulus package (US\$3 trillion), by more peaceful relations between the USA and China and by greater clarity on the Recovery Fund implementation. “In this case, the sectors that could benefit from the rebound are those that were trailing behind: value and industrials”, Gamma explains. “Though we prefer long term, we are still invested in growth securities linked to tech, biotech and demographic megatrends, with a great deal of physical gold hedged against the dollar”.

“Italy, which we know will be one of the biggest beneficiaries of the Recovery Fund and other measures, is highly exposed to cyclical sectors such as industrials, energy and finance”, concludes Banor’s Rania, explaining that, “The recent macroeconomic figures, though in a contraction cycle at GDP level, showed a strong rebound in manufacturing in July, confirming the fact that the Italian economy is slowly recovering”.



Gianmarco Rania, Head of Equities at Banor Capital



Carlo De Luca, Head of Asset Management at Gamma Capital Markets

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