

"Recovery Fund, an opportunity for growth European markets are on the launch pad"

Gianmarco Rania, Head of Equities at Banor Capital

"The major indices have been left behind by the ones in the USA and emerging economies. Today, their valuations are very low and attractive."

by Andrea Telara, MILAN



"We believe that the European markets have very high potential for appreciation in the short to medium term". This is the opinion of Gianmarco Rania (photo to the left), Head of Equities at Banor Capital and manager of the Banor SICAV European Value fund, outlining the scenarios on the horizon for the economy and financial markets in Italy and the old continent.

Mr. Rania, why do you have this positive outlook?

"European institutions have implemented measures that are unprecedented in history. The exit from the pandemic, albeit delayed by some months, appears to be an irreversible process thanks to the large-scale use of the many available vaccines.

Another reason that leads us to be optimistic is the currency aspect. Notwithstanding the favourable economic prospects, the major indices have been left behind by the ones in the USA and emerging economies.

Today, in relative absolute terms, their valuations are very low and attractive.

Over recent years, Europe as a geographic area has been highly underweighted by institutional investors.

The most recent data show an inversion of the trend".

At present, the Recovery Fund is being widely discussed. In your opinion, what prospects are opening up with the European investment plan?

"The Recovery Fund represents a unique opportunity for growth. The size and scope of the plan are unprecedented and far surpass the Marshall Plan after the second world war. The special fund, which will be used to finance the economic recovery in the three years from 2021 to 2024, has a value of € 750 billion, 500 billion of which will be in the form of grants, with 250 billion in the form of loans.

Added to this are further COVID-19 crisis support measures, namely the SURE, ESM and EIB programmes, which have added an additional 540 billion to fight the pandemic.

The sectors that will benefit the most are linked to the recovery of the economic cycle through stocks that I call 'sustainable cyclicals'. These include the construction sector, in which we are overweight with the Banor SICAV European Value fund, or utilities, especially among companies linked to the renewables industry.

Other areas that we consider attractive are infrastructure, which will benefit greatly from the boost to Recovery Fund investments, and luxury, which while being affected by the pandemic, is showing robust signs of recovery".

What should we expect post-pandemic?

"The situation in continental Europe remains difficult, with the number of cases and deaths still high and delays in vaccine campaigns. However, the general trend is downwards, and we expect the virus to be suppressed in the summer months thanks to an acceleration in vaccine campaigns in the warmer weather, which previously helped to reduce transmission of the virus, as well as the (largely underestimated) number of people who have recovered and therefore have antibodies. We believe that vaccines are effective and have been shown to reduce the onset of serious symptoms as well as the number of hospitalisations and deaths. Doubts remain as to the vaccine production and distribution process and the procedures for lifting restrictions and exiting lockdowns.

These two factors could generate high levels of uncertainty on the financial markets in the second half of the year. Sectors linked to tourism, transport, restaurants and hospitality were the most affected by the pandemic, but they are sectors in which we expect a strong rebound".

AFTER COVID-19

“We expect a strong rebound in the sectors most affected by the pandemic, such as tourism, restaurants, hotels and transport”

In the coming months, Italy will have a new government led by Mario Draghi. What is the outlook for our country?

“Italy will be one of the biggest beneficiaries of the Recovery Fund.

The recent macroeconomic figures, though in a contraction cycle at GDP level, showed a timid rebound in economic activity, confirming the fact that the Italian economy is slowly recovering.

The arrival of Mario Draghi has raised the level of our country’s reputation and had positive effects in terms of spread and the stock market. In any case, some questions still remain as to the implementation of the structural reforms requested by Europe, but the first signs have undoubtedly been positive.

We have a positive outlook for the FTSE MIB in Milan, despite the delays in the vaccine campaign and persistent lockdowns which are slowing recovery in the short term”.

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THE DRAGHI GOVERNMENT

“The first signs are favourable. We have a positive outlook for the FTSE MIB, despite the delays in the vaccine campaign”