



Gianmarco Rania - Fund manager Banor SICAV European Value

This timid inflation is a trend destined to last

Cyclical sectors are a strategic pillar of the Banor SICAV European Value equity fund

by Chiara Merico

Even on the financial markets we are beginning to see the first signs of recovery: inflation is on the rise again and so are interest rates, in the wake of what seems to be real growth, stimulated by the support plans created by governments across the world. We spoke with Gianmarco Rania, Head of Equities at Banor Capital and manager of the Banor Sicav European Value fund.

Gianmarco Rania, what is happening to interest rates?

By now it is an established fact: the rates have started to climb again due to the increase in inflation. Initially this change was caused by the expansive monetary and fiscal policies adopted to ensure the recovery of industrial growth and to tackle unemployment. Then they continued to rise as things reopened: last November the announcement of the Pfizer vaccine led aggregate demand – consumer spending on goods and services – to increase significantly, also thanks to the large amount of savings accumulated during the pandemic, which in the USA amounted to 2.5 trillion dollars. This dynamic was seen first in China, then in the United States and then also in Great Britain and Europe.

But the central banks have not yet changed their monetary policy...

Until mid-May all of this took place in the complete immobilism of the central institutions, which continue not to propose any tapering measures, i.e. reduction in quantitative easing, arguing that the recovery in inflation is temporary. With the publication of the Federal Reserve reports in April, however, it was found that a number of local governors had started to request a review of the QE, aimed in particular at reducing the size of the monthly purchases of the American central bank. And according to a recent survey by Merrill Lynch, for institutional investors the main risk factor on the financial markets is no longer Covid, but the potential upturn in interest rates.

What are the reasons for this trend?

As it stands, the increase in interest rates is not due to speculation, but to the improving macroeconomic situation: this is thanks to the measures put in place across the world to develop a number of areas linked to the real economy. For example, the Next Generation EU plan is worth €750 billion and was introduced with the aim of helping the European economy recover from one of the worst crises in history. Just think, the Marshall Plan was worth \$13 billion, around 3% of the European GDP, and aimed to restore a continent emerging from a world war. The Recovery Fund, on the other hand, represents 8-9% of the European GDP. Plus, remember that the plan's €750 billion has been added to the other €540 billion set aside immediately to face the emergency, for a total of nearly €1.3 trillion.

LANIA: "THE INCREASE IN CONSUMER PRICES IS HIKING UP INTEREST RATES. A PHENOMENON DUE PRIMARILY TO MONETARY POLICIES, AND ALSO THE REOPENING"

Sustainability plays a central role in the plan...

NextGenEU has been defined as "the greenest stimulus" ever put in place in the world, with a strong focus on the decarbonisation of the energy sector, so on renewable energies and electric transport.

Not to mention green construction: the funds allocated to improve the efficiency of buildings total €500 billion. As a company, we are exposed to stocks that ought to benefit from these trends, such as Enel, Iberdrola, Engie, or for green construction Saint Gobain, or even Volkswagen, Renault and BMW for electric transport.

ESG investments are requested more and more frequently...

For Banor Capital the focus on sustainability criteria is a priority: on average our funds have a very high ESG rating. For some time, we have known that stocks that respect these criteria perform well, while areas such as oil risk suffering from heavy losses: because of this, the energy companies themselves have decided to make huge investments in renewable energies such as solar and wind. These are all signs of how the world is changing.