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THE TREASURY'S "ITALIA" BOND

The anti-Covid BTP* is a huge success Additional 4.7 billion subscribed Analysts promote it

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There was trust. Savers purchased the Coronavirus emergency BTPs zealously. Four billion on Monday, a further 4.76 billion yesterday, during the second day dedicated to small savers (the retail offer ends today). While the previous issue reached 6.7 billion, this time "it will go beyond the 10 billion ceiling", explained Emanuele Canegrati, senior analyst at BpPrime. Even though, if we have to talk about success, in all fairness, we should raise the bar and take as a reference the BTP Italia that expired in April, which raised 14 billion. Of course, at the Treasury, they are well aware of the fact that the entire amount of Italian debt to be refinanced is € 380 billion, which is the result of the old debt (about 200 billion), the new one linked with the pandemic and this issue, a sort of referendum for the retail market, representing a good sign, as Davide Iacovoni, Head of the Public Debt section at the Italian Ministry of Economy and Finance explained. And, indeed, the percentage of small savers, which today is steady at 3% of the debt (just about € 80 billion, based on data from Bankitalia), will rise. But that does not solve the problems, also because "this placement came at a high cost", continued Canegrati. "The yield on offer is more than double the preceding one. In addition, it is inflation indexed, and there is also a super bonus at the end. In comparison, the conditions offered by the European Stability Mechanism (ESM), which offers a ten-year loan at a marginal interest of 0.1%, are more favourable". And all of this seems to have been noticed precisely by savers who, in a season characterised by low or negative interest rates, responded in large numbers. "The minimum return offered of 1.4%", as Tommaso Mariotti, Bond Market Manager at Banor Sim explained to Avvenire, "already presents a substantial premium compared with the return of BTPs of the same maturity period and which as of Monday's closing was 0.25% more per annum. The loyalty bonus was also doubled from 0.40% to 0.80% for investors who held on to their bonds until maturity, in other words 0.16% more per annum". But there could also be future advantages, considering that BTP Italia is inflation-linked. Of course, in all of this, there is always the risk of Italy defaulting, which, however, explained Flavio Cadenzano, Senior Investment Strategist at AllianceBernstein, "will remain extremely low as long as the ECB continues to buy Italian Government Bonds as part of its broad purchasing programme. Luckily, it will do so for a long time, while doing its best in 'all that is necessary' to maintain the average European yield low". And so is there no Argentina type of risk? "Monetary and fiscal policies will progress on a par all over the world for the next few years", continued the analyst. "For this reason we believe that Italian sovereign debt is attractive and that the risk of default is low and not even remotely comparable with that of other countries" outside the European Union. Much will also depend on how rating agencies will rate Italy's degree of solvency, currently just two levels above junk grade. "Thanks to the ECB, Italy will maintain its investment grade rating", concluded Carpenzano.

***(Buono del Tesoro Poliannuali - Italian Multi-year Treasury Bond)**


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