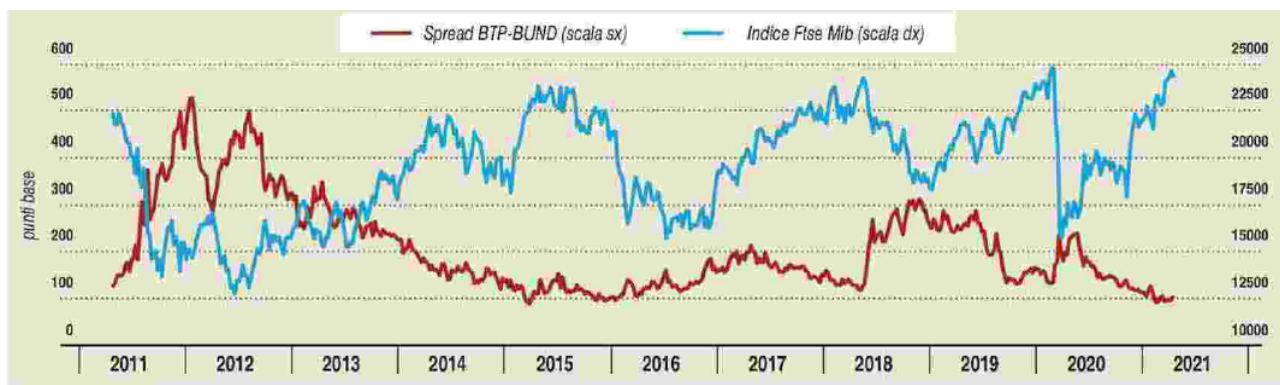


**STOCK MARKET** The FTSE MIB is one step away from 25,000, a peak value reached before COVID. But the index still trades at a discount compared to the multiples of the other main international exchanges. And if the “Italy” risk continues to come down...

## At Piazza Affari without making your head spin

THE SPREAD FALLS AND PIAZZA AFFARI RISES



### ITALY AT THE LEVEL OF GREECE

Index	Price/Earnings	10-year average
◆ S&P 500	32,9	20,2
◆ Ibex 35	30,6	16,4
◆ Cac 40	30,2	17,5
◆ Dax	26,4	15,2
◆ Ftse 100	21,4	17,1
◆ Grecia	18,4	11,7
◆ Italia	18,4	16,8

by **Elena Dal Maso**

It is widely known that, historically, the Italian Stock Exchange trades at a discount compared to the other main European exchanges on average, 20% less. Political instability and skyrocketing public debt are, in short, the reasons behind this phenomenon. The price/earnings ratio, which is at 18.4 today in Piazza Affari, compares with 30.2 for the French CAC 40, 26.1 for the German DAX and 32 for the Spanish Ibex. There is plenty of space to run, even if only to get closer to the European average. But today, the situation is different because the Italian debt is now under the protection of the ECB, while the reputation of Mario Draghi, now prime minister, has greatly helped the FTSE MIB (at 24,450 points) get back to the resistance level of 25,500 points, reached in 2020 just before the COVID pandemic, after a difficult climb that began way back in the Lehman Brothers era (2008-2009). Can 25,500 be reached again? And in the event it can be reached, is it worth it to sell the securities in a portfolio or is it better to keep them in the hope of further progress? *MF-Milano Finanza* asked a group of experts and specialised asset managers on the Italian market this question.

BANOR SIM

Press clipping for use by recipient only. Reproduction prohibited.

Massimo Trabattoni, head of Italian equity at Kairos Partners SGR, remembers that, "We have been struggling with this level for more than 10 years. The market should aim for healthy growth more than simply breaking the index, not with a short-term but a medium-term objective, as a country that is starting fresh". In this respect, added the manager, "25,500 is a level that, once it is exceeded, could become a robust support".

**Italy is like** a company that is going through a turnaround, said Trabattoni, "where a credible CEO, Mario Draghi, has come on board, thanks to whom the spread, now at 103, has gone back to premium levels over Greece and closer to the level of Spain. Now we need more time, at least a couple of years with Draghi, to see the effect of this change. It cannot be assumed that we can streamline Italian bureaucracy or reform justice in a short period of time". Trabattoni highlights the fact that Italy is a country "with its engine stopped in the pit, to be restarted, with a higher potential than other countries like Spain. We have much more industrial fabric, supported by sectors, like Modena's engine sector. In this sense, the mid and small cap companies are a strong point to be highlighted". Italy is emerging as a leader in Europe at a time when in Germany Angela Merkel is exiting the scene and the SPD and the Greens are growing stronger, explained Antonio Amendola, Fund Manager for Equity in Italy and Europe at AcomeA SGR. In France, President Macron, if reconfirmed, will not have the same power and majority as with the first government. Thanks to Draghi, continued Amendola, "great liquidity has already arrived for SMEs, the same ones that supply construction materials for example or work in the food supply chain. They will be the first ones to benefit from strong investments in the US. That is why I see a lot more value outside the FTSE MIB, above all on the STAR and AIM, where we find a situation where the rest of the world envies us". According to the asset manager, "The investments of Italians should concentrate on these securities, avoiding excessive dispersion abroad".

According to Lorenzo Batacchi, **in order to make a level of 25,500 points sustainable**, "We shall have to see how the Recovery Fund project unfolds at the end of the month and see that the vaccination roll-out proceeds rapidly while we wait for a structural reopening of activities". And he reminds us that the STOXX 600 is breaking long-term resistance at around 440, which was reached before the dot-com bubble, the great financial crises and the USA-China trade tension. "As Bloomberg data highlights, historically, April is the strongest month for European stocks, with the STOXX 600 rising regularly in the last 20 years with only five exceptions, with an average return of 2.6%", added the expert.

The FTSE MIB is a very concentrated index, recalled Angelo Meda, head of equities at Banor SIM, "with a significant presence of state-owned companies operating in natural or legal monopolies and with a sectoral concentration in the energy (i.e. oil and electricity) and financial (banks and insurance companies) sectors". And even though the index has returned to pre-pandemic levels, continued Meda, "it remains well below the historical highs (by about 45%, with the highest value reached way back in 2007 being 44,364 points)". This is because some areas (like oil extraction or traditional banks) have negative structural dynamics and because several companies, especially in the financial sector, have had to recapitalize, creating a dilution for shareholders that is almost impossible to recover. On the contrary, the STAR segment is quoted at its historic highs, adds Meda, "not only is it above pre-pandemic values (by over 20%), but since 2007, it has multiplied three times over, in line with the performance of global indices such as the S&P500". In the case of the FTSE MIB, the energy and financial sectors account for almost 60% of the index. With the price of oil between 60

and 70 dollars, "we can expect further recovery, while for banks and insurance companies, what will be important is the interest rate trend and the recovery of GDP which, especially in 2022, must remain high to avoid creating npls". Based on prospects associated with the vaccination campaign and stimulus packages, Banor expects "a further rise in the main index". For the STAR segment, the composition of the index "linked with national samples in their segments leads us to be much more positive, especially in the medium term. Companies like Amplifon, Interpump, Reply and Carel, which dominate in their sectors, continue to grow organically and by aggregating other companies. They have an even higher potential for growth that is more linked to the world, more than the domestic economy," explains Meda. Even Andea Randone, head of mid and small cap research at Intermonte SIM, is positive about Piazza Affari "at a fundamental level because, in the US, the Biden plan, which is very courageous in infrastructure, in environmental protection, and in seeking a new fiscal balance, is coming to fruition". Randone went on to explain that Europe has a Recovery Plan which, although important in its own right, "must be implemented and which, in a sort of competition with the US, could even be broadened. The US example can be a driver on the vaccination campaign front as well as the consequent reopening of activities front". Consequently, in Piazza Affari, the companies that will benefit are the "mid and small caps, especially dynamic companies that have made innovations or made acquisitions even during the pandemic, for example the digital sector, or companies associated with environmental themes", concluded Randone. The FTSE MIB, intervenes Fabio Caldato, Partner at Olympia WM, "comes to a new test of strength in an international environment of indices at their absolute maximums and high multiples. However, Italian valuations remain acceptable for a long-term investor". And according to him, blue chip companies like Enel, Stellantis, Intesa, Eni, Ferrari, Stm and Generali have growth drivers even in the short term.

(All rights reserved)