

## Piazza Affari the worst since September 11

**LUIGI DELL'OLIO, LUCA PIANA AND VITTORIA PULEDDA**

Piazza Affari is the world's only major financial market that still has indices performing below the levels of 11 September 2001 (recovered only if dividend returns are also considered). The main reason is composition. There are few companies with high growth and a lack of balance in terms of bank and industrial securities.

## Piazza Affari has never risen up from the abyss of September 11

The recapture of Afghanistan by the Taliban has forced geopolitical experts, in recent weeks, to rewrite their appraisal of the twenty years since the September 11 attacks. Even from an economic perspective it is certainly not an ordinary period — with the long phase of interventions from the central banks, which after 2008 especially, soaked the economies in liquidity to prevent the collapse of the banking system and to avert even bleaker recessions.

In terms of the financial markets, the anniversary of the tragedy in New York highlights a phenomenon. In the twenty years since, Borsa Italiana's FTSE MIB is one of the very few in the developed world to record negative performance, having lost 17%. If one includes the dividends distributed by its listed companies, the result changes, showing growth of 56%, still a big difference compared to other indices. The Dow Jones increased nine-fold and the Nasdaq 18-fold. Not as stellar, but important nevertheless, were the other European stock exchanges. The Frankfurt DAX grew by 239%, the Paris CAC 40 (again total return, dividends included) by 186 and the London FTSE 100 by 193. In Asia, on the other hand, over 20 years, the Tokyo Nikkei showed progress of 279% and the Shanghai Composite 183.

What are the reasons for this gap? Martin Moeller, Co-Head of Global Equity Team at Union Bancaire Privée (UBP), highlights the link with the real economy. Milan has lagged behind, reflecting the loss of Italy's competitiveness compared to international rivals. "In the long term, the countries and companies that create stable or increasing value tend to achieve good stock performance", he explains. To give an example of the first group, the United States, and the second, Europe, with Italy in particular.

The main Piazza Affari blue-chip index is traditionally more exposed to low growth sectors like energy, utilities, banks and insurance. "One example in this sense comes from a heavyweight like Eni (37.6 billion in current capitalisation, in fourth place after Enel, Stellantis and Intesa Sanpaolo, *Ed.*), which is expected to see 2021 revenue at the same level as 2001", underlines Moeller. "Even the most cyclical companies in the automotive and agricultural sectors have struggled to record solid growth over time, aided by the weakness in internal demand". He adds, "On the contrary, Wall Street has many rapidly growing companies, not only in the digital sector, but also in healthcare, financial services, communications and medical technologies".

In Milan, banking has been decisively negative since 2011. "We went from nine companies from the sector in the MIB 30 to four in the current FTSE MIB, which comprises 40 stocks in total, with the capitalisation of the financial sector dropping from 40 to 25%", states Alberto Villa, Head of Equity Research at Intermonte. In part, the major banks and financial companies have merged. In part, they have fallen into difficulty (see MPS). In part, they have fallen into foreign hands and have therefore been delisted; this is the case with BNL (now controlled by BNP Paribas) and RAS (Allianz), but also companies in other sectors (see Bulgari to LVMH). Plus, all that remains of the Telecom universe — i.e. Olivetti, Telecom Italia and TIM, with total capitalisation of 110 billion in summer 2001 — is now TIM (8.4 billion).

Angelo Meda, Head of Equities at **Banor SIM**, notes another factor that keeps investors at bay. “Numerous companies in the main index, like Enel and Eni, have the Italian government as their primary shareholder, which is something that you do not find in most other international indices and that often creates interference in investment management and decisions”. Meda also points out the lack of global champions for Made in Italy among the big groups. “EssilorLuxottica (now only listed in Paris, *Ed.*) and Stellantis are two of the few businesses that have grown continuously in these years, reinforcing their competitiveness overseas”, he explains, recalling the scepticism of many family-run businesses with regard to being listed, including businesses like Barilla and Ferrero.

The limited size of the Italian stock market compared to the economy has meant Piazza Affari is considered less often by fund managers. “Capitalisation has remained less than 40% of GDP over the years, compared to 200% on Wall Street and 100% in London and Paris”, underlines Alberto Villa, who recalls how Milan's performance has been affected by frequent political instability. A burden, explains the analyst, that has even slowed general performance, even with emerging businesses praised by the market, in finance — from Fineco to Poste — as well as in the industrial sectors.

Where the heavyweights have not provided great satisfaction, it is a different story for the Star, the index of medium-sized companies with excellent fundamentals. Created in spring 2001, it includes nearly 80 listed stocks with strong representation from industrial sectors and consumer goods, as well as various companies operating in digital. “From 2002 onwards, the Star has provided an annual return — including dividends — of 10.7%, not far from the 12% of the Nasdaq and a great deal better than the 2% achieved by the FTSE MIB”, recalls Meda. “Globalised medium-sized businesses attract investor interest because they make it possible to participate in the creation of value that these companies know how to deploy due to the quality of the products and services they offer”, is the interpretation offered by Villa, who cites cases like Reply, Sesa and Tinexta.

Lastly, the analysis of the AIM, created in 2009 to attract smaller businesses thanks to reduced bureaucracy and costs, is up and down. Listed companies have reached a modest number (150), and it is responsible for the listed companies in Milan going from 292 to 377 in twenty years, with new breakthroughs even in the most complex phases, but total capitalisation remains limited (7.5 billion). As for the future, the challenge is to convince a significant number of Italian companies that access to the capital market can help them grow, not only in terms of gaining new resources for investments, but also in terms of visibility. The rest will depend on Italy's ability to venture into a more sustained path of growth than the one recorded since the start of the century. The potential for recovery is there.

#### Opinion



The performance of the Milan stock exchange has been affected by the performance of the financial sector, which now accounts for 25 per cent of the total, down from 40

**ALBERTO VILLA**  
INTERMONTE

## The numbers

### COMPARISON WITHOUT DIVIDENDS

INTERNATIONAL INDICES FROM 10 SEPTEMBER 2001 AND TODAY

DOW JONES	+268,13%
NASDAQ	+800,05%
FTSE MIB	-17,46%
DAX	+239,07%*
CAC40	+52,39%
FTSE100	+41,44%
SHANGHAI COMPOSITE	+90,89%
TOKYO NIKKEI	+175,7%

(\*) Index that already lists dividends included

SOURCE: PROCESSED BY UNION BANCAIRE PRIVÉE (UBP) USING BLOOMBERG DATA

### COMPARISON WITH DIVIDENDS

INTERNATIONAL INDICES TOTAL RETURN FROM 10 SEPTEMBER 2001 AND TODAY

DOW JONES	+499,19%
NASDAQ	+1009,91%
FTSE MIB	+55,9%
DAX	+239,07%*
CAC40	+186,82%
FTSE100	+193,46%
SHANGHAI COMPOSITE	+183,41%
TOKYO NIKKEI	+279,11%

(\*) Index that already lists dividends included

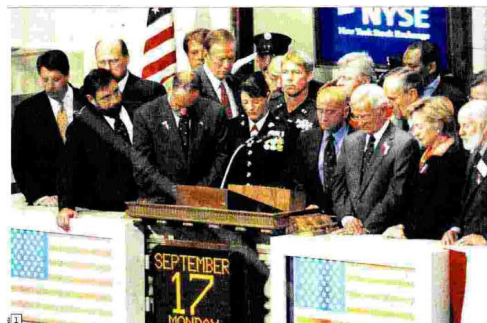
SOURCE: PROCESSED BY UNION BANCAIRE PRIVÉE (UBP) USING BLOOMBERG DATA

## LUIGI DELL'OLIO

Italian indices are the only ones on the world's major stock exchanges still below pre-9/11 levels. And even if one considers the dividends paid, they are still a long way from the US, Asian and European stock markets.

<b>-17%</b> <b>WITHOUT DIVIDENDS</b> FTSE MIB performance since 10 September 2001, net of dividends	<b>+55%</b> <b>WITH DIVIDENDS</b> FTSE MIB performance since 10 September 2001, calculating total return
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[1] The reopening of Wall Street on the morning of Monday, 17 September 2001, after the attacks the previous week



## Opinion

In the long term, the countries and companies that create stable or increasing value tend to achieve good stock performance

MARTIN MOELLER  
UNION BANCAIRE PRIVÉE

