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LA STAMPA
QUOTIDIANO: TURIN

Political risks

Uncertainty in Europe and America. Markets weighing up the opportunities

European elections in May, global tensions with an outcome that's hard to predict, Brexit, and Italy's soundness: all factors that are prompting investors to focus on protecting capital. But they offer opportunities too.

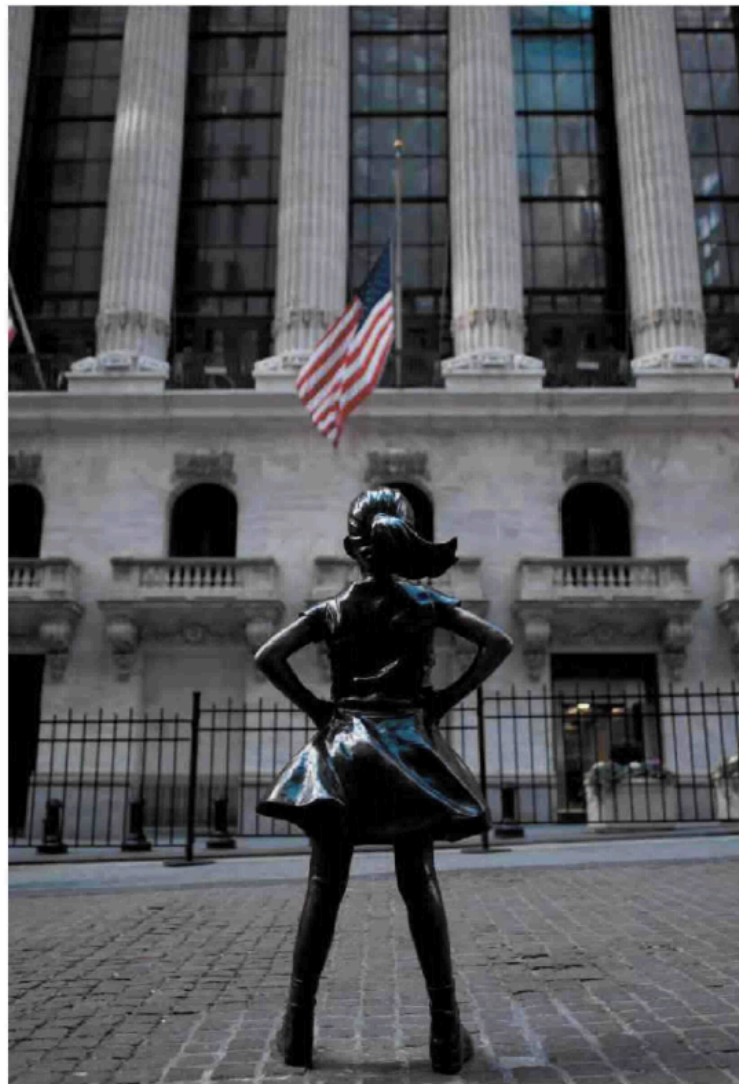
SANDRA RICCIO

In January 2019 the financial markets regained confidence and triggered a strong recovery. The change of course decided by America's central bank, the Federal Reserve, which hit the "pause" button in its interest rate policy, provided the impetus for the stock markets. In 2018, the fear of continuing rises in the cost of money had troubled the listings. Although that fear seems, for now, to have been put to rest, the political risk is still the dominant factor. "We're in a highly uncertain situation in which the markets are dominated by geopolitics. It's very hard to predict how the current global tensions will be resolved", comments Luca Riboldi, Chief Investment Officer at Banor SIM.

The European elections in May, Trump's policies, the chaos surrounding Brexit and the difficulties of the Italian government will be at the centre of attention in the coming months. How can investors protect their portfolios from political effects? In the view of Matteo Ramenghi, Chief Investment Officer at UBS Wealth Management in Italy, greater geographical diversification is the best shield from political risks. Investors increasingly need to consider global portfolios that have well diversified components covering the advanced and the emerging economies. "Overall, we remain positive about the stock markets because valuations are significantly discounted with respect to historical averages and we don't see any signs of a global recession", he says. "Analyses of the companies included in the main stock indices confirm these conclusions and indicate that profits will continue to grow in most sectors, albeit at lower rates".

"The best choice is to protect your capital", observes Luca Riboldi. "We feel it's useful in this period to have balanced and well diversified portfolios with a mix of shares, liquidity, bonds — mainly sound at both short and long-term maturities —, gold and commodities". In Riboldi's opinion, investors could also place their bets on sectors that stand to benefit from the reduction in globalisation, such as retail (for example food or clothing distribution), which suffered from competition from the Internet and the global supply chain. It's no longer so easy to export from

China and other countries, so local retailers will have less competition. The advice, however, is to avoid excessive exposure to any single asset class.



The New York Stock Exchange: January saw a marked improvement in Wall Street too

+7%

The rise recorded in January in Piazza Affari, Milan's bourse.

+8%

The recovery on America's Standard & Poor 500 index in January

250

The level around which the German Bund-Italian BTP (Treasury bonds) spread has settled.