

## THE STOCK EXCHANGE AND ITS ASSOCIATED INDUSTRIES

WHAT'S GOING UP AND WHAT'S  
GOING DOWN

From the start of 2019 to mid-November Piazza Affari has risen by 25%, the best result in the last decade

Finance, the automotive industry and utilities are the best performing sectors, while the race towards renewable energy is penalising the oil and fuel industries

# Luxury blue chip stocks lead the race Good performance by managed securities

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Since the start of 2019 to mid-November, Piazza Affari has risen by 25%, a very strong result, particularly when compared to data from previous years and at a time when the global economy is experiencing a slowdown. It is the best year in the last ten. The second best result was recorded in 2009, with growth of 19%.

**Eni, Saipem and Tenaris (energy),  
Mondadori (cyclical stocks) and  
OVS and Esprinet (retail stores) are  
the ones to watch.**

The fact that Italy has a predominance of high-dividend securities, which—being unaffected by the trend of the economic cycle—are stable, and utilities (Enel, Snam Rete Gas, Terna) has helped considerably. In fact, Enel has made a significant contribution to this growth, enjoying performance of 55% since the start of the year and a percentage impact on the index of 14-15%. Overall, utilities account for 30-32% of the entire index.

The decrease in European ten-year bond yields, which stood at 0.20% in Germany at the start of the year and have fallen to -0.70%, has driven the move towards securities with stable returns and high dividends. Furthermore, recovery has been seen in bank securities, which, in the last nine years, have restructured balance sheets through sales of bad loans, restructuring, cost-cutting and capital increases. While banks have recorded performances below the index up until last year, apart from a brief spike in 2017, since September-October, all of the major institutions and some of the smaller ones have recorded growth of between 20% and 30%. The energy sector has made less progress but has nonetheless made a positive contribution, Eni in particular. Campari, Recordati, Diasorin, or rather securities with good, stable growth, showed excellent performance until August and have slowed down in the last few months, but are nonetheless up by 25-30% on the start of the year. The growth in the index has been driven not by surprise profits but by lower taxes and the consequent search for securities with high dividends or stable profit growth.

From now until year-end, we hope to see consolidation because, at this price level, the number of businesses which are sensitive to interest rates is very high and it is difficult to imagine that rates will rise again.

Financial securities, the car industry and oil services associated with the industrial sector have done well in the last month and a half and could continue to grow, despite not shining in the first half of the year. There is still not much clarity surrounding the current economic trend. The economy's growth expectations for the year have been revised downwards throughout 2019, except for the slight recovery seen in the last month. It remains to be seen if the upturn is temporary or if it will consolidate in 2020 following the actions of the central banks, which have injected cash into the system, helping the financial markets to recover and keeping taxes low. To date, there is much uncertainty surrounding the economic trend for the next twelve months. The consensus is still for rather modest growth in Europe, around 0.6-0.7%. In China, which trails the European markets, particularly in the industrial retail sectors, somewhat lower growth is expected than in previous years, around 5.5-6%.



The US economy should manage to withstand the slowdown thanks to the positive performance of domestic consumables.

As regard blue chip stocks, one sector that has enjoyed particularly good performance in 2019 is the luxury sector, considering large, well-managed and high-quality businesses—particularly French ones—such as LVMH and Kering. The managed securities sector has performed well thanks to the positive trends in the stock and bond markets. Simply consider Banca Generali, Azimut and Mediolanum. Management fees and fundraising are both at very good levels.

However, we believe that luxury securities and asset managers are trading at relatively high volumes compared to the past, and we don't foresee there being additional margins for much expansion in the next twelve months.

Looking at 2020, the sectors performing well below the historical average are oil and oil services due to the shift towards green industries (renewable energy) which has had a negative impact on traditional energy securities. Today, these securities are valued relatively highly. We don't expect the price of oil to increase much above these levels, but we also don't predict a decrease. In essence, stable levels are expected. In general, financial experts—and banks in particular—have recorded figures in the black in the latter part of the year, but are extricating themselves from nine years of below-average performance. If the economic situation doesn't suffer further downturns and stabilises, the banks could continue to grow, thanks to cost-cutting and the possible drive towards consolidation at European level due to new guidelines followed by regulators.

It will also be interesting to watch certain small- and mid-cap companies—as well as some retail shops—which had succumbed to competition from e-commerce, now that the loss of market share from offline to online has come to an end.

As regards the energy sector, we are keeping an eye on Eni, Saipem and Tenaris, for cyclical stocks (media in particular), we are opting for Mondadori, and for retail, we are going for OVS and Esprit. When it comes to industrials, we can mention BIESSE and Datalogic, while for high-dividend securities, we look to UniCredit, which we believe to have the most interesting history to date.

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