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LA STAMPA

Markets and managers

“The Fed will wait before
it makes any new moves”

Five questions for
Massimiliano Caglierò,
CEO at BanorSim

What do you expect from the Fed’s meeting after Draghi’s decisions?

“That it leaves rates essentially unchanged, or raises them very gradually, as short- and long-term inflation expectations are still well off the Fed’s 2% target. A significant rise could lead to a strengthening of the dollar, which in turn would cause more problems for China and many other emerging economies, whose debts are mainly in dollars.

Do you think America might take action on rates some time in 2016?

“In 2016 the Fed will raise rates only if inflation expectations move upwards and/or the US stock market stays around or above 2000 points on the S&P 500. Although we feel that the American economy is doing better than observers from outside the country might think, we think the Fed will take a very prudent approach to rate rises, more so than the market currently expects”.

What effect will that have on the euro”

“We don’t expect any major movement on the euro”

Where do you see value?

“Banor SIM is a value-based investment firm. Our analyses, and so our investment decisions, tend to focus on companies with sound fundamentals, high cash flow production and a well-considered dividends policy that’s sustainable over time. Taking a long-term approach, sectors linked to commodities – agriculture, oil and metals – and media businesses in southern European countries are at present under-valued. While banks have interesting evaluations, they could continue to suffer until the economic cycle picks up again, with a related increase in long-term rates and higher inflation”.

There’s also a major question mark over Asia. What’s the scenario there?

“I was in Asia last week and met people from the main local sovereign funds and institutional investors. Their asset allocation includes a significant percentage in shares, in part for the obvious reasons – the long-term time period, and the decreased returns on bonds. And also for another two considerations. China may be slowing down, but it’s not stopping. It’s behaving in the way it was led to do three years ago, when the decision at central level was to move from an economy based on exports to one based on domestic consumption. We’re placing too much emphasis on the slow-down. IN addition, the geopolitical tensions, and the problems between China, its neighbours and the USA over control of the seas and certain islands, have been over-estimated”. |s. R.]