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**“Bargain buys in Piazza Affari... what’s needed now is foreign capital”**

Out of Wall Street, back to Europe. Capital has been flowing in a new direction for some weeks now, fuelled by a convergence of tail winds and borne up by more attractive valuations than in the United States. The obstacles encountered by Donald Trump on the road to reform have confounded the expectations of many investors as to the promised stimulus, leading them to doubt whether the American stock market still has enough oxygen in the mix to ensure continuity for the long ride ahead.

But some observers are viewing shares across the pond from a different perspective. “If Trump managed to reduce corporate tax from 35% to 18/20% and implement the plan to repatriate part of the huge amount of liquidity held abroad by American companies, the framework of reference would change decisively”, observes Massimiliano Cagliero, founder and CEO of Banor, one of Italy’s leading independent investment firms. “Many analyses conclude that valuations on the US markets are high, but that should be reconsidered. All the same, we remain prudent in certain areas, for example the tech sector, where multiples of Facebook, Amazon, Apple, Netflix and Google have reached historically very high levels. But talk of a bubble is perhaps excessive”. In the meantime, Europe is struggling to find the impetus that would help it make up the gap it has accumulated with respect to the US market.

In Cagliero’s view, Emmanuel Macron’s victory in France could strengthen the axis with Germany and trigger a kick-start for Europe. Essentially, only a revitalisation of the Union would at last subdue the fears that the European project might actually fail. “If we consider the political risk, Italy is still a cause for concern”, acknowledges the CEO. “But major American investors are more worried about non-performing loans than by electoral matters”. Cagliero feels that these fears are perhaps unjustified: “The green light for the precautionary recapitalisation of Monte dei Paschi and the approval of the decree enabling Intesa Sanpaolo to buy the Veneto banks have reduced uncertainty. In Piazza Affari you can find good some good opportunities to buy”.

What might encourage greater confidence on the part of foreign capital? “Italy is once again the cheapest European market, although it’s not risk-free”, says Cagliero. Taking forward the reforms, starting with a reorganisation of the public administration, and communicating those

reforms effectively while keeping public debt under control, are necessary conditions if we are to see new inflows to the domestic market”.

**By Pieremilio Gadda**



**Analyses**

**Massimiliano Cagliero is founder and chief executive officer of Banor, an independent Italian investment firm.**