

Stock Exchanges, Europe is looking rosy

Bank securities make a comeback

Luca Riboldi, Director of Investments at Banor Sim, reads the markets' cards

“After nine years of less than brilliant performances, they could grow further thanks to cost-cutting and possible aggregations between various institutions”

Spotlight on companies with solid balance sheets and sustainable profitability

by **Andrea Telara**
 MILAN

Growth of around 25% between January and the start of December. The performance recorded in 2019 by the FTSE MIB index on the Milan Stock Exchange is truly significant, and it's in good company. In the year nearing its end, all the biggest international financial markets have rewarded investors with satisfying results, following the swerve at the end of 2018. What will happen in the coming months? This is the question being posed by many Italian investors as the year-end turning point approaches. “Much will depend on the performance of the economy”, said Luca Riboldi, Director of Investments at Banor Sim, one of the main Italian asset management companies, specialised in capital management and in consulting on large financial estates. In fact, Riboldi underlines that today there is much uncertainty around GDP dynamics in the main geographic areas of the globe. Many analysts still predict slow-motion growth in Europe, around 0.6-0.7%.

In China, a 5.5-6% increase is expected in the GDP, which is slightly lower than in the past, while in the United States. the economy should endure thanks to the still vigorous domestic consumables. In this scenario, if the profits of American companies

increase at a rate of 8-9% and if the interest rates are not hiked excessively, for Riboldi, 2020 could be a moderately positive year for the markets, with a flat or slight upwards trend in the American financial markets. For the European listings and listings in emerging economies, there could be growth that is small but slightly more decisive than in America. “If, on the other hand, the economy does not manage to really speed up or rates increase more than expected,” continued the Director of Investments at Banor Sim, “there would probably be negative repercussions on the markets”. Aside from the valuations on the overview of the financial markets, the management ‘philosophy’ of Banor Sim is still the same as it was in the very beginning. In fact, the company stands out for what financial professionals call ‘value investing’. This means an investment process that begins by analysing the absolute value of the securities of companies on the basis of various factors, such as the quality of management, the firm’s competitive strength and the benefits it enjoys compared to competitors because of entry barriers. In the long term, according to various studies, value investing proves to be an investment process which can guarantee excellent performance, since it makes it possible to target companies that preserve an intrinsic value in the medium and long

term, even if the market scenario is negative.

“At the moment,” continued Riboldi, “the valuations of value shares are more attractive compared to growth securities”. With this expression, the financial community classifies the shares of companies that usually have a stock market price to company profit ratio much higher than the average, since they have notable growth prospects. Banor Sim has its spotlight on value shares in various sectors, such as Snam Rete Gas or Nestlé, which have solid balance sheets and a sustainable profitability prospect over the long term. Looking at the current market valuations, Riboldi asks us not to forget about bank securities, which have recorded upturns in the last part of this year, but which are emerging from a good 9 years of less than brilliant performances. “If there is no worsening in the economic situation,” concluded the Director of Investments at Banor Sim, “the securities of banks and financial institutions could still grow, benefiting from cost-cutting and the possible drive towards consolidation, i.e. towards a cycle of mergers and aggregations between various European institutions, driven by the regulating authorities’ guidelines in the Old Continent”.

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Luca Riboldi, Director of Investments at the company Banor Sim

