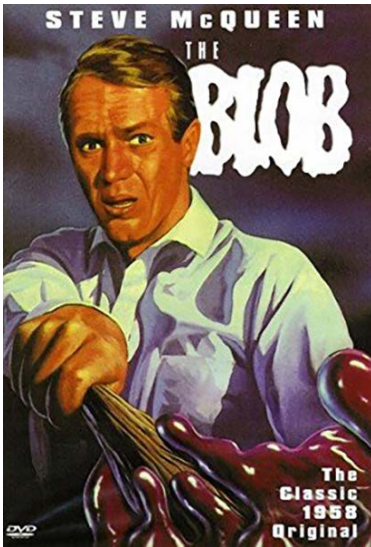


THE BLOB



It's the Indian summer, my man: winter will fall upon us at any moment and without asking our permission. (Moss)
Kevin, don't eat with your face. (Mrs. Penny)
The men from Domo Pak will teach us how to maintain our leftovers fresh. (Brian)
Our little experimental virus seems to have grown up into a plasmid life form that hunts its pray.

A predator! It's fantastic.

From the movie "The Blob" –by Chuck Russell.

It's called Def, the Economic and Financial Document of the Italian government, but the market only heard default. It doesn't matter if it is real or not, for now what matters is perception. The yellow-green government perception is clear: it is not going to respect the former government's deal, that set a 0,9% GDP; it is going to go way higher, up to the 2,4%. The same old electoral propaganda? We are somewhere in the middle. Nothing is set in stone. The final target value will probably be shared at the end of December but the announcement has been made to the nation and now the negotiation with Europe can start. The reflection on the Italian's government bond has been immediate, with the 10-year yields surging to their highest in the last four weeks, growing from Friday's 3,15% to Monday's 3,22%. The 2-years is getting weaker, reaching the 1,12% from Friday's 0,99%. The spread with Germany is expected to reach 300 basis points.

During the weekend, Italy tried to resume the relation with the markets, shaken by the government's decision of finding 10 billion dollars for the universal basic income, widely increasing the deficit. During a public event the Italian President Sergio Mattarella reminded of the Constitution's prescriptions in terms of the national debt. Italy's debt is worth 2,341 billions of euros, 2,000 in bond. This enormous amount produces an interest expenditure for 66 billions euros a year, almost the 3,9% of the GDP. These are the numbers.

One government after the other, the Italian debt looks like a shapeless mass, hard to fight. The Blob, a horror cult from the '80s, the decade of the explosion of the Italian's debt, seems to materialize its menace.

Giovanni Tria, the Minister of economy, the man the investors are relying on, claims to agree with Mattarella and speaks about a strong GDP growth in the next two years: +1,6% on 2019 and +1,7 by 2020.

Thanks to this acceleration, not confirmed by the economist's previsions, the debt should fall one point percent every year for the next three years, starting from 2019. The Eurozone's reaction has been extremely strong: president Juncker has even talked about the end of the euro if Italy doesn't respect the maneuver, whilst the experts just gave a flat no. The European Commission is set to reject Italy's budget plans in November and open a "procedure against the country's public accounts in February". This is what stated on Monday the newspaper "la Repubblica", also adding that the Minister of economy, Giovanni Tria, "is going to be subject to a strong pressure, so that he will at least try to change the deficit's numbers", set to a 2,4% from 2019 to 2021.

Giancarlo Giorgetti, member of the League and Undersecretary of State to the presidency of the Council of Ministers, spoke directly to the markets and showed a certain openness to a revision: "If something isn't going to work, we will be ready to intervene even before the definitive drawing up of

the maneuver and its approval”.

The Blob is not only confined to Italy. Also China has a monster debt: 250% of the GDP. Most of it, though, is productive, because it has been used to expand the industrial and infrastructural base of the country. But it is still huge and the Manufacturing PMI index, published on Friday, is causing some concern after hitting 50, marking a watershed between expansion and contraction. Let's remember that the Chinese stock market will be closed this entire week for the anniversary of the Proclamation of the Republic of China.

No horror movie, instead, at the other side of the Atlantic Ocean. Sunday night, the USA and Canada reached a deal on the renovation of the trade pact that also includes Mexico, the so called NAFTA. The two presidents should ratify

the agreement and sign the final document during November's summit. The new pact already has a name: USMCA.

In the USA no one talks about the debt; the main issue is the GDP's never ending growth that is dragging the market to new peaks. From now to mid-October, the markets won't find great obstacles. After that, the USA's mid-term and the German regional elections.

Horror movies' only goal is to keep the tension up, they tell stories that can take place in our imagination but never in real life. The Italian's maneuver raises the debt but, thanks to its populism, it is going to have positive repercussions on the growth by stimulating the internal demand. Only by growing, the debt-Blob is going to stop being scary.



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