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CAPITAL

THE PEAK: ALLA FONTE DEI MERCATI

THE LONGEST RIDE



Luke Collins: «We all fall down sooner or later, the problem is not if but when and how much you get hurt»

Quote taken from The Longest Ride, 2015, movie directed by George Tillman Jr.

Even markets fall sooner or later, the problem is how much they hurt. And on

Monday, many price lists fell and got hurt, in the wake of new fears related to the spread of coronavirus. In Asia, the biggest losses were recorded in South Korea: Kospi fell by 3.8% after the news of the rapid infections' increase in the country, with the automotive giant Hyundai Motor's shares losing more than 4%. On Monday, also Korean Air Lines and Asiana Airline's stocks have collapsed, falling respectively by - 5.52% and - 5.54%. Reuters has announced that both companies will suspend flights to Daegu, which is South Korea's fourth largest city. The Southern American giant Samsung announced on Saturday that a case of coronavirus has been confirmed at its mobile phone manufacturing

plant; the title has lost more than 2.5%. Fear sends down Hong Kong as well, which yesterday declined by 1.79%. While Shanghai Index fell less heavily (it dropped by just 0.31%), the Shenzhen Stock Exchange, on the other side, has risen by 1.24%, probably based on the perception that, at least in China, virus' spread is slowing down.

In Confucius' Country, however, they do not let guard down: it has been taken the unusual decision of postponing the plenary session of People National Assembly, one of the most important national political meetings. The annual session opening of the Chinese legislative body was scheduled for the 5th of March. This event would have attracted about 3,000 delegates from all over Beijing's provinces: the National Committee preferred not to take any risks. During the Assembly, which is held simultaneously to the Consultative Political Conference, China would set its future objectives, while summing up the previous 12 months. In addition, during the session, the Prime Minister would present a working document needed to establish growth targets and budget for Defence and Security, as well as Economic Policy's priorities.

In Europe, Italy appears to be the most affected nation, particularly on the North. While, it is difficult to precisely assess possible economic consequences, Bank of Italy Governor, Ignazio Visco, mentioned a potential negative impact of more than 0.2 points of GDP. The FITSE MIB, yesterday, has therefore closed leaving behind 5.4% with the other main Old Continent pillars falling as well: DAX -4%, CAC

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-3.9%, Ftse100 -3.5%.

On a macroeconomic perspective, the Eurozone's preliminary inflation estimate of January, indicating an acceleration of prices, was confirmed. According to EUROSTAT, the increase equal to 1.4% on a trend basis is in line with analysts' expectations; while the previous month recorded a 1.3% growth. On a monthly level, consumer prices have fallen by 1%, after +0.3% in the previous month and also in this case, results pairs with forecasts. If we look at the "inflation core" (purified from the most volatile components such as fresh food, energy, alcohol and tobacco) we see an increase of 1.1% on an annual basis and a decrease of 1.7% on a monthly basis.

Turning to the United States, we could underline how last week Federal Reserve Minutes (in relation to the meeting of the 28th and 29th of January) were published: corona-

virus was mentioned eight times. The epidemic is considered a «new risk for the global outlook». There is however a growing optimism on US economy, with an outlook considered «more favorable than the last meeting, even if some risks persist». From the Minutes, it clearly comes up how the uncertainty regarding Trade «is high» despite recent Phase 1 agreements between the United States and China. In the last meeting, the Federal Open Market Committee decided to keep interest rates at 1.50-1.75% as in December after that, in 2019, three 25 basis point cuts were made.

If we look at US manufacturing sector, we may see a fall in February. If we look at the SME services Index, elaborated by Markit, we would notice a slip to 50.8 points, down from 51.9 points at the end of January. The figure is higher than 50, watershed level between expansion and contraction; even if expectations were equal to 51.5 points.



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