

THE ITALIAN JOB



Yehven: «Governments are nothing more than puppets and strings in a world where NAFTA can overrule the Supreme Court. Like my cousin Mashkov always says: “This is our only refuge, baby—gold».

From the movie The Italian Job, by F. Gary Gray

in just a few hours. The United States has decided whom to point the finger at: “It was Iran - said Donald Trump - We know it is responsible because we saw the boat. I guess one of the mines didn’t explode and it’s probably Tehran that caused it. They did do it”. Now the main danger is the possibility of an escalation of the tension.

Moving on to macro data, in May the industrial production of the US rose of a 0.4% on a monthly basis, exceeding the expectations which assumed a 0.1% growth. On the other hand, retail sales are below the analysts’ estimates, increasing by 0.5% against estimates of +0.6%. The US consumer sentiment index developed by the University of Michigan, according to the preliminary June reading, settled instead at 97.9 points: a result just below the consensus of the economists (98 points). April’s industrial production figure was revised from -0.5% to -0.4%.

Perhaps it is not “the only”, as Yehven says in The Italian Job, but it is surely a “certainty”. We are talking about the gold that, according to UBS, will reach \$ 1,400 an ounce in the next twelve months. Behind this expectation lies the forecast that real US rates will remain moderate even in 2020, regardless of whether the Fed remains motionless or decide to proceed with a cut. The dollar, on the other hand, seems destined to weaken and the attention will be more focused on the deficit. All these factors will support the price of metal in the coming months. Last year, the gold was negatively affected by the strength of the US currency, but with increasing fears of a weakening of the US economy, investor interest has now returned to asset classes destined to benefit from the increased risk aversion of the markets.

In addition, in recent days, the black gold also returned in the spotlight. Last week two oil tankers were in fact attacked (the exact dynamics are still unclear) and burnt in the Gulf of Oman, on the route where travels one fifth of all the crude oil consumed in the world. The crews, fortunately, are safe. The resulting chaos caused the price of oil to jump by 4%

One element that continues to irritate the markets is the state of stalemate of the negotiations to end the trade war between the USA and China. If that wasn’t enough, the United States has come into conflict with another country: India has in fact decided to impose duties on 28 stars and stripes’ products. The decision was taken following Washington’s refusal to exempt Delhi from higher taxes on steel and aluminum imports. Among the assets affected by the nation of the Maharajas, with rates that in some cases even reach 70%, there are almonds and apples.

The time has come to talk about the EU. The President of the ECB, Mario Draghi, spoke last week at a conference of central and eastern European countries, stating that “The Single Market created prosperity” especially in the CEE countries in the euro area, “by generating convergence in per capita income”. And he continued: “The EU has been a source of growth and anchor of stability, allowing the region to catch up with EU living standards”. Draghi then specified that since the crisis, growth has slowed and reduced productivity gains, which is why he called for reforms that will

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allow to consolidate the benefits of the Single Market.

In the meantime, Rome has become a special observer. The Eurogroup has made it known that it has listened to the proposals of the EU Commission on Italy and that it supports the request to take the necessary measures to respect the budget rules. Therefore, the Lega and 5 Stelle government

has little time to make the rest of Europe change its mind about their conduct. Economy Minister, Giovanni Tria, said that by the end of July he will bring to the table more data in favor of Italy. Meanwhile, yesterday the Milanese listing closed with a timid rise of 0.07%.



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