

### ONE, TWO, THREE!



From *One, two, three!* by Billy Wilder.

*McNamara: Here's the bill of how much you owe me. [list] Total: 41,020 marks or \$ 10,225.*

*Otto: "You mean I've been a capitalist for only 3 hours and already I owe \$10,000?"*

*Mac: "That's what makes our system work. Everybody owes everybody."*

From China came the response of the Prime Minister, Giuseppe Conte, who was in Beijing for the Belt and Road Forum: "We will surely have to improve, but for the moment it is fine". However, there is a positive note in the analysis of S&P. If the state is considered unwise, families are instead positively evaluated because they are limiting their debt to the maximum.

Let's talk about Kering, which seems to have a "debt" with the Italian tax authorities. According to the allegations, the group would have avoided paying taxes on the Italian commercialization of Gucci-branded products (owned by the French giant), paying, through a Swiss company, only Swiss taxes at a rate of less than 9%. Kering is therefore preparing to issue a check for over one billion euros, the highest maxi-compensation in the history of Italian taxation. The title, however, did not suffer particular shocks at Piazza Affari.

«Everybody owes everybody!»: is that «what makes our system work», as McNamara says? Not always. Just look at last week's S&P review of Italy's credit rating. The agency did not downgrade and the rating remained stable (BBB), but the negative outlook was also confirmed. The reason is that the state is not considered virtuous since public debt is on the rise. «We expect a GDP increase», stresses S&P. And again: "Italy's budget position risks are increasing. The Italian government is reversing the budget consolidation process". In particular, the agency's report reads that "the government's current economic and budget plan helped the Italian economy to fall into a technical recession during the second half of 2018". "The uncertainty regarding the course of public accounts" also played a role and caused the increase in "debt costs during the summer of 2018". Furthermore, "it appears that the government's budget moves have been counterproductive in many respects, given their negative effects on financial conditions and financing costs for Italian banks".

In general, at European level there seems to be a "debt" of confidence: the economic sentiment indicator for the Euro Area fell to 104 in April from March's 105.6. The industry sentiment indicator also fell to -4.1 points from -1.6 of the previous month, the minimum value recorded since September 2014. For the consumer sentiment the trend is downward, equal to -7.9 points against -7.2 in March. On the other hand, the service provider sector indicator was stable at 11.5 points.

Confidence is scarce also for Deutsche Bank. Credit Suisse worsened the rating to underperform from neutral and slashed the target price per share from 8 to 6.5 €. However on Monday the German list, together with the main European indices, closed slightly up.

Let's open another chapter. As for the trade agreement between Washington and Beijing, there is no "debt" of trust. "We're getting into the final laps": this is the US Treasury Secretary Steven Mnuchin's statement on the progress of the negotiations, reported these last days by the New York Times. The US politician is expected in China together with

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the Trade Representative, Robert Lighthizer, for a series of talks that should lead to the final signing of the agreement.

From the States also arrive positive news regarding the GDP. In the first quarter of 2019, a growth of + 3.2% was recorded, beating expectations (+ 2.3%). However, this figure must be put into context: two-thirds of said increase can be referable to two very volatile items, inventories and net

exports. Instead, consumer and business spending is disappointing, having grown by about 1%, below expectations.



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