

Italian banks recovering. How can you trade the sector?

Published 4 January 2017

WisdomTree

Contributor

Before the Italians went to the polls at the end of last year, it looked like the 'no' vote would fuel an irreversible financial crisis. The rejection of Renzi's referendum was yet another blow to the EU and a sign of a rising populist sentiment gathering pace. The biggest threat however was undoubtedly Italy's debt-laden banks – especially Banca Monte dei Paschi di Siena (MPS).

Now, with good news on the horizon, shares in Italian banks are kicking off the new year with a series of strong rises – albeit from a very low base. At the time of writing, the European Central Bank looks poised to bail out the bank and others in the sector despite the expected price tag of MPS's rescue package rising to €8.8bn.

The FTSE Italia All-Share Banks Index rose 2% on 3 January, hitting its highest intraday level since 31 May and putting it on track for its highest close since the same date. The climb followed a 2.25% rise on 2 January. Italian financial stocks have continued to rise faster than the wider market. The FTSE MIB, Italy's broader benchmark index, climbed 0.6% on the morning of 3 January.

Whilst investors have welcomed the government's intervention (to the tune of €20bn) to help Italy's third-largest bank, analysts have warned the bailout may not be the end of difficulties in the wider sector, with seven other Italian banks in various stages of distress.

So it may be time to act now.

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.