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HI Numen Credit's Lanza Bets on BOE Cut, Shuns Europe Bonds

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By Marco Bertacche

(Bloomberg) -- A bet on Bank of England dovishness is the best way to play the global slowdown, with u-turns by the ECB and the Fed unlikely, said London-based Filippo Lanza, CIO at Numen Capital, who manages two bond funds for Italy's Hedge Invest Sgr.

* Lanza puts chance of Brexit deal passing, with some fine tuning, at 40%; chance of Brexit deadline extension and ensuing elections at 60%

** Deal passing is positive for GBP and U.K. assets, which are underpriced; if it doesn't go through, "one of the bets out of the money is a BOE rate cut by end of the year; it's a protection against all scenarios"

** Lanza says he has put options on scenario BOE will cut by 25bps or 50bps by end of year

* Europe rates markets "are pricing an unlikely ECB scenario" -- the probability it will announce a new TLTRO in March is below 10%

** A reduced, conditional, more onerous TLTRO is more likely (>75 %), which will be disappointing: "markets are still addicted to QE and monetary stimulus"

** The way out is for debt bought by QE to be cancelled; the reinvestment will have to be made permanent

** ECB u-turn won't happen, sees a "serious correction" in Europe rates by June; Lanza's funds have been short Europe rates since Jan.-Feb., no Italy positions (even greater risk on TLTRO disappointment/delay); in absolute terms and vs Treasuries, Italy is historically overpriced, as is rest of Europe

* "We're at the start of a credit iceberg meltdown," he says. "There will be a huge credit crunch in some sectors," which will have to restructure, eg. Italian construction, also global media TV sector; there will be opportunities in distressed companies next few years

* Sees opportunity in telecom sector, especially Telecom Italia, KPN, Vodafone, bets on M&A (telecom, pharma) and distressed situations like CMC Ravenna

** Long Telecom Italia: "there will be a repricing of strategic assets," the telecom backbone will be regulated differently in the future, the pricing power will be shifted towards telecom operators

* NOTE: Italian Bonds Lure Buyer in Shape of \$1.6 Billion Hedge Fund (1)

--With assistance from Chiara Remondini.