

Italy Stocks Shows Expectations of Arabs

INTERNATIONAL STOCKS

The Milan bourse has seen a lively rise of 15 per cent in the general index during December from its low for the year on Nov. 10. This comeback, from an all-time low on that date of 64.93, is attributable directly to the impact of the FIAT-Libya deal earlier this month, after which a number of corporations are expecting Arab capital inflows.

The FIAT deal not only injected capital into FIAT and life-giving foreign exchange into Italy's reserves, but more important in the long run for the health of Italian industry, set the stage for increased trilateral trade expansion between Italy, OPEC, and the Comecon. The widely reported Soviet angle of the FIAT-Libya arrangement, involving freeing of foreign exchange for FIAT's expansion inside the Soviet Union, is in no small part responsible for the life in the Milan bourse, since the announcement by the Moscow Narodny Bank last week that the Soviet Union is extending the Comecon's transferable ruble to Western nations to expand trade and industrial development, as an alternative to the current monetary system's inability to do so. Both Arab nations and far sighted European investors are viewing the Moscow Narodny announcement, as well as a Soviet-British-Italian proposal that Europe and some OPEC nations create an East-West trade bank based on their jointly-pooled foreign exchange reserves, as implying real development upcoming in Italian industry.

In particular, the stocks which did well of course were those which were widely reported to be the subject of Arab and other foreign investment investigations. Among them were Pirelli and Co., which rose 41.2 per cent on the month; Rinascenti, which rose 11.9 per cent; Olivetti, rising 10.7 per cent; ANIC, rising 18.7 per cent, and FIAT itself, which zoomed 22.7 per cent on the month.

Pirelli and Olivetti in particular have been the subject of much speculation regarding Arab investment. Both of them "have FIAT deals up their sleeves," *La Repubblica* commented Dec. 14.

Pirelli rose 5.6 per cent during the past week alone, and as much the week before, on the strength of tremendous overall turnover, while FIAT, which also saw a huge

turnover of shares, fell 1.2 per cent last week, mostly on profit-taking after its phenomenal rise earlier in the month.

The slight weakness in the market during the past week, many market sources and brokers commented, had little to do with the attractiveness of the shares, but was attributable to the reduction of the foreign exchange tax from 7 per cent to 3.5 per cent by the Bank of Italy at the beginning of the week, which caused a slight drop in the lira. The Bank of Italy, however, was able to stabilize the lira around 875 to the dollar, not a significant drop on the week, although New York traders were hoping for a plunge to 900 to the dollar. The Bank's announcement Dec. 30 at the end of the week that Italy will be upvaluing its gold reserves to the market price from the current valuation of 1.8 trillion lira at 635 lira per dollar and \$35 per ounce of gold, should buoy the lira considerably next month. The Bank announced in particular that it reserves the right to revalue Italy's gold on a quarterly basis, firm expectation that gold, *which is basic to the newly forming transferable ruble trade clearing system*, should do well, and the lira with it.

In this regard, the news that Swiss money is in particular responsible for the rise in Pirelli, FIAT, and other active stocks in Milan has potential far-reaching political significance. Swiss banks traditionally purchase stocks (and gold) for their Arab clients, but the Swiss capital inflow could easily represent as well certain European banks and corporations in the know picking up some Italian equity while it's cheap. "In the know" at this point in Europe could well mean those who are aware of the significance of the transferable ruble proposal and the East-West trade bank reserve pool for a boom in Italian exports and technological development, as well as those who simply Arab-watch.

As for this week, those issues doing particularly well in spite of the lira weakness were ANIC, up 14.6 per cent; Pirelli, up 5.6 per cent; and Montedison, up 2.6 per cent. ANIC and Montedison did well in spite of a slump in government and related shares due to the intensive Parliamentary debate on industrial reconversion (state participation and restructuring) which helped bring Italsider steel, for example, down 3.9 per cent on the week.

	Nov. 30	Dec. 3	Dec. 10	Dec. 17	Dec. 23	Dec. 31	Dec. 30	% Change	
								week	month
ANIC	396	430	422	385	410	470	(473)	*14.6	*18.7
FIAT	1735	2100	2093	2080	2150	2128	(2139)	-1.2	*22.7
Finsider	232.25	233.5	223	223	226	222	(224)	*1.8	-4.4
Italgas	720	720	715	698	715	706	(700)	*1.3	-2.0
Italsider	312	312	316	300	305	293	(300)	-3.9	-6.1
Montedison	320	320	339	312	330	339	(335)	*2.6	*5.8
Pirelli and Co.	NA	1615	1615	1845	2160	2281	(2280)	*5.6	*41.2
Pirelli Spa	1080	1240	1310	1469	1525	1510	(1500)	-1.0	*40.0
Rinascenti	52.5	53.5	55	56	64	58.8	(58.8)	-8.2	*11.9
Snia Viscosa	1125	1200	1199	1060	1171	1135	(1130)	-3.1	*0.1
Olivetti	920	960	1005	965	1121	NA	(1018)	-9.2	*10.7

* is plus