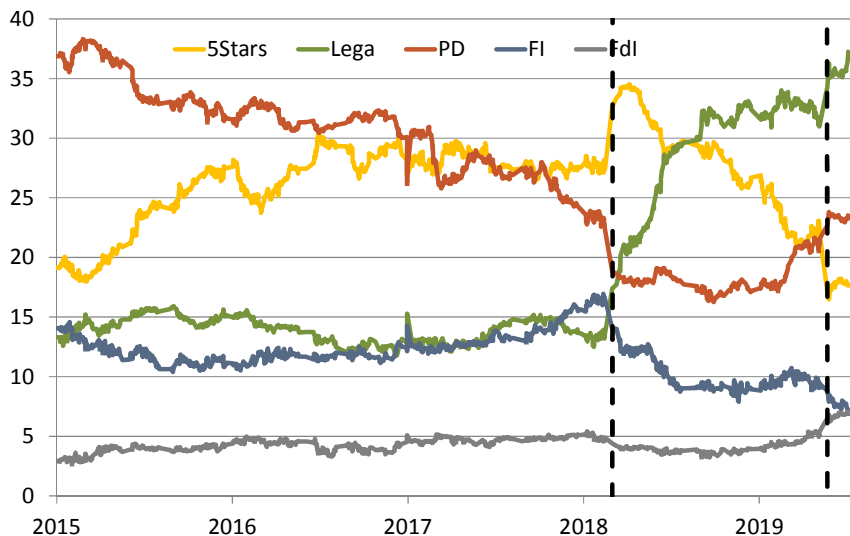


19 July 2019

## Italian snap elections: when, not if

Italian opinion polls (in %)



Five Star Movement (Di Maio); Lega (Salvini); PD: centre-left Democratic Party; FI: centre-right Forza Italia (Berlusconi); FdI: right-wing Fratelli d'Italia; average of seven latest available polls; vertical lines mark result in national election in March 2018 and European elections in May 2019. Sources: National opinion polls, Berenberg

- **Strange bedfellows sticking together:** Ever since the anti-establishment Five Star Movement and the right-wing Lega teamed up to form a coalition in June 2018, they have argued heavily with each other. So far, the two parties have stuck together. After tensions reached a new climax this week, the risk of snap elections looms a little larger than before.
- **Is this time different?** Tensions have risen for two reasons. First, after allegations that the Lega sought Russian funding ahead of the European elections in May, the Five Star Movement sided with the opposition in parliament to demand an inquiry into the Lega's financing. Second, the Lega voted against Ursula von der Leyen as president of the European Commission on Tuesday. This lowers the chances of an Italian securing the powerful post of EU competition commissioner.
- **The rise of one bedfellow is the fall of the other:** Although the Five Star Movement is furious about the Lega's actions, there is not much it can do. The Five Star Movement has plummeted in the polls, from 33% in March 2018 to 18% now (see chart). As a result, the party will probably hold on to the coalition for the time being. The Lega can call the shots, as it has managed to more than double its approval rating, from 17% to 37%. It has an incentive to trigger snap elections.
- **Snap elections in the autumn?** Polls suggest that the Lega may win a majority of seats with the far-right Brothers of Italy, even without Silvio Berlusconi's Forza Italia. That may encourage Lega leader Matteo Salvini to act soon. The lower chance of nominating an EU commissioner gives the Lega extra ammunition to use against the Five Star Movement and Brussels.
- **Checks and balances:** By the end of September, the government needs to submit an update to its 2020 budget, and then send it to the European Commission by mid-October. President Sergio Mattarella will make sure a government is in place at that time. For a snap election in September, Salvini would have to pull the plug next week. Amid the Lega's Russian funding allegations, Mattarella may try to avoid new elections for now.
- **2020 more likely:** Italy's updated 2020 budget will most likely cause a new controversy with the EU this autumn. Rome has to find more than €20bn in savings to meet its deficit targets. The funding gap could easily increase by €15bn due to Salvini's touted tax cuts. Lower interest payments – as yields for BTPs have come down and may fall a little further if the European Central Bank restarts net asset purchases – help only a little. A deal with the EU will require a humiliating fiscal climbdown for Salvini. He may want to wait for the Lega's result in regional elections in November.
- **If Italy yields, so will the EU:** Regardless of potential snap elections, the outlook for Italy is clear. The more an Italian government gets real, redirects funds from government consumption to investment and implements structural reforms, the more flexibly the EU will interpret its fiscal rules, as new European Commission president-elect von der Leyen has confirmed. Otherwise the EU will be stubborn and Italy will be a candidate for a debt crisis in the next serious recession.

---

## Disclaimer

This document was compiled by the above mentioned authors of the economics department of Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as “the Bank”). The Bank has made any effort to carefully research and process all information. The information has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press. However, we do not assume liability for the correctness and completeness of all information given. The provided information has not been checked by a third party, especially an independent auditing firm. We explicitly point to the stated date of preparation. The information given can become incorrect due to passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. The forecasts contained in this document or other statements on rates of return, capital gains or other accession are the personal opinion of the author and we do not assume liability for the realisation of these.

This document is only for information purposes. It does not constitute investment advice or recommendation to buy financial instruments. It does not replace consulting regarding legal, tax or financial matters.

### Remarks regarding foreign investors

The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons, into whose possession this document comes, should inform themselves about, and observe, any such restrictions.

### United Kingdom

This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

### United States of America

This document has been prepared exclusively by Joh. Berenberg, Gossler & Co. KG. Although Berenberg Capital Markets LLC, an affiliate of the Bank and registered US broker-dealer, distributes this document to certain customers, Berenberg Capital Markets LLC does not provide input into its contents, nor does this document constitute research of Berenberg Capital Markets LLC. In addition, this document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

This document is classified as objective for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 646 949 9000), if you require additional information.

### Copyright

The Bank reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without the Bank's prior written consent.

© 2018 Joh. Berenberg, Gossler & Co. KG

# Contacts



**BERENBERG**

PARTNERSHIP SINCE 1590

JOH. BERENBERG, GOSSLER & CO. KG

Internet [www.berenberg.com](http://www.berenberg.com)

E-mail: [firstname.lastname@berenberg.com](mailto:firstname.lastname@berenberg.com)

## EQUITY RESEARCH

### GENERAL MID CAP

#### MID CAP - DACH

Carl-Oscar Bredengen +44 20 3753 3160  
Marta Bruska +44 20 3753 3187  
Charlotte Friedrichs +44 20 3753 3077  
Gustav Froberg +44 20 3465 2655  
James Letten +44 20 3753 3176  
Alexander O'Donoghue +44 20 3207 7804  
Gerhard Orgonas +44 20 3465 2635  
Benjamin Pfannes-Varrow +44 20 3465 2620

#### MID CAP - EU core

Beatrice Allen +44 20 3465 2662  
Fraser Donlon +44 20 3465 2674  
Christoph Greulich +44 20 3753 3119  
Andreas Markou +44 20 3753 3022  
Anna Patrice +44 20 3207 7863  
Trion Reid +44 20 3753 3113  
Jan Richard +44 20 3753 3029

#### MID CAP - UK

Joseph Barron +44 20 3207 7828  
Calum Battersby +44 20 3753 3118  
Joseph Bloomfield +44 20 3753 3248  
Robert Chantry +44 20 3207 7861  
Sam Cullen +44 20 3753 3183  
Ned Hammond +44 20 3753 3017  
Edward James +44 20 3207 7811  
Kieran Lee +44 20 3465 2736  
Lush Mahendrarajah +44 20 3207 7896  
Benjamin May +44 20 3465 2667  
Iain Pearce +44 20 3465 2665  
Anthony Plom +44 20 3207 7908  
Eoghan Reid +44 20 3753 3055  
Owen Shirley +44 20 3465 2731  
Donald Tait +44 20 3753 3031  
Sean Thapar +44 20 3465 2657

### THEMATIC RESEARCH

Steven Bowen +44 20 3753 3057  
Julia Schrameier +44 20 3753 3172

## EQUITY SALES

### SPECIALIST SALES

**AEROSPACE & DEFENCE & CAPITAL GOODS**  
Cara Luciano +44 20 3753 3146

### AUTOS & TECHNOLOGY

Edward Wales +44 20 3207 7815

### BANKS & DIVERSIFIED FINANCIALS

Alex Medhurst +44 20 3753 3047  
**BUSINESS SERVICES, LEISURE & TRANSPORT**  
Rebecca Langley +44 20 3207 7930

### CONSUMER DISCRETIONARY

Victoria Maigrot +44 20 3753 3010

### CONSUMER STAPLES

Ramniko Sroa +44 20 3753 3064

### HEALTHCARE

David Hogg +44 20 3465 2628

### MEDIA & TELECOMS

Jonathan Smith +44 20 3207 7842

### METALS & MINING

Sanam Nourbakhsh +44 20 3207 7924

### OIL & GAS AND UTILITIES

Jason Turner +44 20 3753 3063

### THEMATICS

Chris Armstrong +44 20 3207 7809

### SALES

#### BENELUX

Miel Bakker +44 20 3207 7808  
Bram van Hijfte +44 20 3753 3000

## SALES TRADING

### LONDON

Charles Beddow +44 20 3465 2691  
Mike Berry +44 20 3465 2755  
Joseph Chappell +44 20 3207 7885  
Stewart Cook +44 20 3465 2752  
Mark Edwards +44 20 3753 3004  
Tom Floyd +44 20 3753 3136  
Tristan Hedley +44 20 3753 3006  
Luke Holmes +44 20 3465 2750  
Peter King +44 20 3753 3139  
Simon Messman +44 20 3465 2754

### BUSINESS SERVICES, LEISURE & TRANSPORT

#### BUSINESS SERVICES

Zaim Beekawa +44 20 3207 7855  
Tom Burlton +44 20 3207 7852

#### LEISURE

Roberta Claccia +44 20 3207 7805  
Jack Cummings +44 20 3753 3161  
Stuart Gordon +44 20 3207 7858  
Annabel Hay-Jahans +44 20 3465 2720

#### TRANSPORT & LOGISTICS

William Milosavljevic +44 20 3465 2640  
Joel Spungin +44 20 3207 7867  
Adrian Yanoshik +44 20 3753 3073

### CONSUMER

#### BEVERAGES

Javier Gonzalez Lastra +44 20 3465 2719  
Matt Reid +44 20 3753 3075

#### FOOD MANUFACTURING AND HPC

Ebba Bjorklid +44 20 3753 3247  
James Targett +44 20 3207 7873

#### FOOD RETAIL

Dusan Milosavljevic +44 20 3753 3123

#### GENERAL RETAIL

Michael Benedict +44 20 3753 3175  
Thomas Davies +44 20 3753 3104  
Oliver Anderson +44 20 3753 3173  
Graham Renwick +44 20 3207 7851  
Michelle Wilson +44 20 3465 2663

#### LUXURY GOODS

Lauren Molyneux +44 20 3207 7892

### ENERGY

#### OIL & GAS

Baha Bassatne +44 20 3753 3158  
John Gleeson +44 20 3465 2716  
Ilkin Karimli +44 20 3465 2684  
Edward Pizzey +44 20 3753 3185  
Henry Tarr +44 20 3207 7827

### FRANCE

Alexandre Chevassut +33 1 5844 9512  
Dalila Farigoule +33 1 5844 9510  
Kevin Nor +33 1 5844 9505  
Guillaume Viret +33 1 5844 9507

### SCANDINAVIA

Donata Leonova +44 20 3753 3156  
Marco Weiss +49 40 3506 0719

### UK

Thomas Baker +44 20 3753 3062  
James Burt +44 20 3207 7807  
Fabian De Smet +44 20 3207 7810  
Marta De-Sousa Fialho +44 20 3753 3098  
Katie Ferry +44 20 3753 3041  
Robert Floyd +44 20 3753 3018  
David Franklin +44 20 3465 2747  
Sean Heath +44 20 3465 2742  
Stuart Holt +44 20 3465 2646  
James Hunt +44 20 3753 3007  
James McRee +44 20 3753 3036  
David Mortlock +44 20 3207 7850  
Eleni Papoula +44 20 3465 2741  
Bhavin Patel +44 20 3207 7926  
Kushal Patel +44 20 3753 3038  
Richard Payman +44 20 3207 7825

### LONDON (cont'd)

AJ Pulley +44 20 3465 2756  
Paul Somers +44 20 3465 2753  
Frans Van Wakeren +44 20 3753 3079

### PARIS

Vincent Klein +33 1 58 44 95 09

### ENERGY (cont'd)

#### UTILITIES

Oliver Brown +44 20 3207 7922  
Andrew Fisher +44 20 3207 7937  
Lawson Steele +44 20 3207 7887

### FINANCIALS

#### BANKS

Adam Barrass +44 20 3207 7923  
Frederick Brennan +44 20 3753 3171  
Michael Christodoulou +44 20 3207 7920  
Andrew Lowe +44 20 3465 2743  
Eoin Mullany +44 20 3207 7854  
Peter Richardson +44 20 3465 2681

#### DIVERSIFIED FINANCIALS

Panos Ellinas +44 20 3753 3149  
Chris Turner +44 20 3753 3019

#### REAL ESTATE

Kai Klose +44 20 3207 7888

### HEALTHCARE

Scott Bardo +44 20 3207 7869  
Klara Fernandes +44 20 3465 2718  
Michael Healy +44 20 3753 3201  
Tom Jones +44 20 3207 7877  
Michael Ruzic-Gauthier +44 20 3753 3128

### INDUSTRIALS

#### AEROSPACE & DEFENCE

Andrew Gollan +44 20 3207 7891  
Ross Law +44 20 3465 2692  
George McWhirter +44 20 3753 3163

#### AUTOMOTIVES

Cristian Dirpes +44 20 3465 2721  
Asad Farid +44 20 3207 7932  
Alexander Haisil +44 20 3465 2749  
Viktoria Oushatova +44 20 3207 7890

### UK (cont'd)

Christopher Pyle +44 20 3753 3076  
Adam Robertson +44 20 3753 3095  
Joanna Sanders +44 20 3207 7925  
Mark Sheridan +44 20 3207 7802  
George Simbert +44 20 3207 7911  
Sam Stannah +44 20 3753 3157  
Paul Walker +44 20 3465 2632

### GERMANY

Simone Arnheiter +49 69 91 30 90 740  
Nina Buechs +49 69 91 30 90 735  
André Grosskurth +49 69 91 30 90 734

### SWITZERLAND, AUSTRIA & ITALY

Duncan Downes +41 22 317 1062  
Andrea Ferrari +41 44 283 2020  
Gianni Lavigna +41 44 283 2038  
Jamie Nettleton +41 44 283 2026  
Yeannie Rath +41 44 283 2029

### COO Office

Fenella Neill +44 20 3207 7868  
Greg Swallow +44 20 3207 7833

## EQUITY TRADING

### HAMBURG

David Hohn +49 40 350 60 761  
Lukas Niehoff +49 40 350 60 798  
Lennart Pleus +49 40 350 60 596  
Marvin Schweden +49 40 350 60 576  
Philipp Wiechmann +49 40 350 60 346  
Christoffer Winter +49 40 350 60 559

### LONDON

Christopher Brown +44 20 3753 3085  
Edward Burlison-Rush +44 20 3753 3005

### INDUSTRIALS (cont'd)

#### CAPITAL GOODS

Jonathan Coubrough +44 20 3465 2699  
Philippe Lorrain +44 20 3207 7823  
Simon Toennesen +44 20 3207 7819  
Ethan Zhang +44 20 3465 2634

#### MATERIALS

Sebastian Bray +44 20 3753 3011  
Xian Deng +44 20 3753 3014  
Anthony Manning +44 20 3753 3092  
Rikin Patel +44 20 3753 3080

#### METALS & MINING

Richard Hatch +44 20 3753 3070  
Laurent Kimman +44 20 3465 2675  
Michael Stoner +44 20 3465 2643

### TMT

#### TECHNOLOGY

Tammy Olu +44 20 3465 2673  
Tej Sthanqiya +44 20 3753 3099  
Lou Ann Yong +44 20 3753 3159

#### MEDIA

Robert Berg +44 20 3465 2680  
Keisi Hysa +44 20 3207 7817  
Laura Janssens +44 20 3465 2639  
Sarah Simon +44 20 3207 7830

#### TELECOMMUNICATIONS

David Burns +44 20 3753 3059  
Usman Ghazi +44 20 3207 7824  
Laura Janssens +44 20 3465 2639  
Abhilash Mohapatra +44 20 3465 2644  
Carl Murdock-Smith +44 20 3207 7918

### ECONOMICS

Florian Hense +44 20 3207 7859  
Kallum Pickering +44 20 3465 2672  
Holger Schmieding +44 20 3207 7889

### CRM

Megan Connelly +44 20 3753 3244  
Laura Cooper +44 20 3753 3065  
Beau Dibbs +44 20 3753 3048  
Jessica Jarmyn +44 20 3465 2696  
Madeleine Lockwood +44 20 3753 3110  
Vikram Nayar +44 20 3465 2737

### CORPORATE ACCESS

Lindsay Arnold +44 20 3207 7821  
Sally Fitzpatrick +44 20 3207 7826  
Maz Gentile +44 20 3465 2668  
Robyn Gowers +44 20 3753 3109  
Dipti Jethwani +44 20 3207 7936  
Ross Mackay +44 20 3207 7866  
Stella Siggins +44 20 3465 2630  
Lucy Stevens +44 20 3753 3068  
Abbie Stewart +44 20 3753 3054

### EVENTS

Miranda Bridges +44 20 3753 3008  
Charlotte David +44 20 3207 7832  
Suzy Khan +44 20 3207 7915  
Natalie Meech +44 20 3207 7831  
Eleanor Metcalfe +44 20 3207 7834  
Sarah Weyman +44 20 3207 7801

### LONDON (cont'd)

Danny Carr +44 20 3753 3360  
Jack Clayton +44 20 3753 3166  
Will Kain +44 20 3753 3167  
Chris McKeand +44 20 3207 7938  
Ross Tobias +44 20 3753 3137  
Robert Towers +44 20 3753 3262

### ELECTRONIC TRADING

Jonas Doehler +44 40 3506 0391  
Matthias Führer +49 40 3506 0597  
Sven Kramer +49 40 3506 0347



**BERENBERG CAPITAL MARKETS LLC**

Member FINRA & SIPC

Internet [www.berenberg-us.com](http://www.berenberg-us.com)

E-mail: [firstname.lastname@berenberg-us.com](mailto:firstname.lastname@berenberg-us.com)

**EQUITY RESEARCH**

**CONSTRUCTION**

Robert Muir +1 646 949 9028  
Daniel Wang +1 646 949 9025

**GENERAL MID CAP - US**

Samuel England +1 646 949 9035  
Alex Maroccia +1 646 949 9033  
Brett Knoblauch +1 646 949 9032

**HEALTHCARE**

**BIOTECH/THERAPEUTICS**

Shanshan Xu +1 646 949 9023

**MED. TECH/SERVICES**

Ravi Misra +1 646 949 9028

**SPECIALTY PHARMA/BIOTECH**

Patrick R. Trucchio +1 646 949 9027

**CAPITAL GOODS**

Andrew Buscaglia +1 646 949 9040

**LEISURE**

Brennan Matthews +1 646 949 9024

**INDUSTRIAL MATERIALS**

Paretosh Misra +1 646 949 9031

**MULTI-CHANNEL RETAILING**

Sumit Sharma +1 646 949 9034

**REAL ESTATE**

Nate Crossett +1 646 949 9030  
Connor Siversky +1 646 949 9037

**SHIPPING & TRANSPORTATION**

Donald McLee +1 646 949 9026

**SOFTWARE & IT SERVICES**

Gal Munda +1 646 949 9021  
Joshua Tilton +1 646 949 9036

**TECHNOLOGY HARDWARE**

Andrew DeGasperi +1 646 949 9044

**ECONOMICS**

Mickey Levy +1 646 949 9099  
Roiana Reid +1 646 949 9098

**EQUITY SALES**

**SALES**  
Albert Aguiar +1 646 949 9218  
Daniel Claeys +1 646 949 31 44  
Nate Emerton +1 617 292 82 11  
Kelleigh Faldi +1 617 292 8288  
Ted Franchetti +1 646 949 9231  
Rich Harb +1 617 292 8228  
Zubin Hubner +1 646 949 9202  
Jessica London +1 646 949 9203  
Anthony Masucci +1 646 949 9217  
Ryan McDonnell +1 646 949 9214  
Emily Mouret +1 415 802 2525  
Peter Nichols +1 646 949 9201  
Kieran O'Sullivan +1 617 292 8292  
Rodrigo Ortigao +1 646 949 9205

**CRM**

Alexandra Angove +1 646 949 9211  
Sammy Chea +1 646 949 9241

**CORPORATE ACCESS**

Adriane Klein +1 617 292 8202  
Olivia Lee +1 646 949 9207

**EVENTS**

Meridian Della Penna +1 646 949 9208  
Laura Hawes +1 646 949 9209

**SALES TRADING**

Isaac Carp +1 646 949 9107  
Ronald Cestra +1 646 949 9104  
Mark Corcoran +1 646 949 9105  
Michael Haughey +1 646 949 9106  
Christopher Kanian +1 646 949 9103  
Lars Schwartz +1 646 949 9101

**BERENBERG CAPITAL MARKETS LLC**

Member FINRA & SIPC

Internet [www.berenberg-us.com](http://www.berenberg-us.com)

E-mail: [firstname.lastname@berenberg-us.com](mailto:firstname.lastname@berenberg-us.com)

**EQUITY RESEARCH**

**GENERAL MID CAP - US**

Samuel England +1 646 949 9035  
Alex Maroccia +1 646 949 9033  
Brett Knoblauch +1 646 949 9032

**HEALTHCARE**

**MED. TECH/SERVICES**

Ravi Misra +1 646 949 9028

**SPECIALTY PHARMACEUTICALS**

Patrick R. Trucchio +1 646 949 9027

**CAPITAL GOODS**

Andrew Buscaglia +1 646 949 9040

**LEISURE**

Brennan Matthews +1 646 949 9024

**INDUSTRIAL MATERIALS**

Paretosh Misra +1 646 949 9031

**REAL ESTATE**

Nate Crossett +1 646 949 9030  
Connor Siversky +1 646 949 9037

**SHIPPING & TRANSPORTATION**

Donald McLee +1 646 949 9026

**SOFTWARE & IT SERVICES**

Gal Munda +1 646 949 9021  
Joshua Tilton +1 646 949 9036

**TECHNOLOGY HARDWARE**

Andrew DeGasperi +1 646 949 9044

**EQUITY SALES**

**SALES**  
Albert Aguiar +1 646 949 9218  
Nate Emerton +1 617 292 82 11  
Kelleigh Faldi +1 617 292 8288  
Ted Franchetti +1 646 949 9231  
Rich Harb +1 617 292 8228  
Zubin Hubner +1 646 949 9202  
Jessica London +1 646 949 9203  
Anthony Masucci +1 646 949 9217  
Ryan McDonnell +1 646 949 9214  
Emily Mouret +1 415 802 2525  
Peter Nichols +1 646 949 9201  
Kieran O'Sullivan +1 617 292 8292  
Rodrigo Ortigao +1 646 949 9205

**CORPORATE ACCESS**

Adriane Klein +1 617 292 8202  
Olivia Lee +1 646 949 9207  
Robert Meyers +1 646 949 9215

**EVENTS**

Laura Hawes +1 646 949 9209

**SALES TRADING**

Ronald Cestra +1 646 949 9104  
Mark Corcoran +1 646 949 9105  
Michael Haughey +1 646 949 9106  
Christopher Kanian +1 646 949 9103  
Lars Schwartz +1 646 949 9101  
Bob Spillane +1 646 949 9102