March 2019

Financial Markets Review

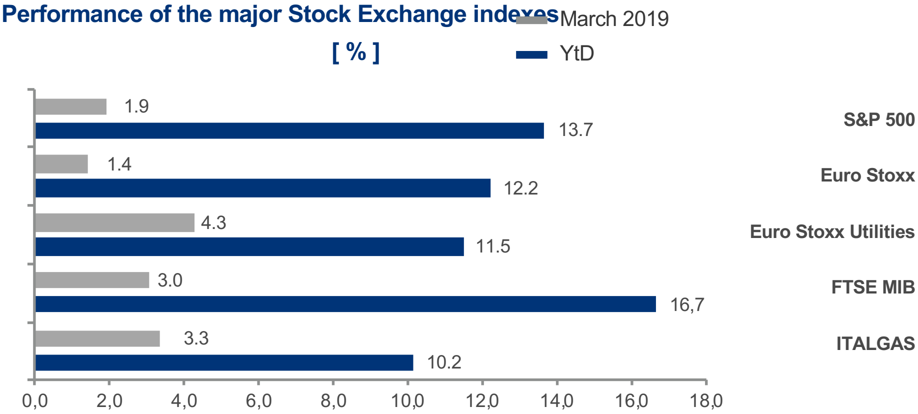
Recovery of the global equity market continues, backed by the accommodating approach of central banks. Core yields update period lows, also owing to continuing weakness of macro data

The financial markets

The global equity market continued to recover in March as well, backed by the accommodating approach of the FED and ECB, and the Chinese government provided confirmations on the tax stimulus and regulatory foreign investments review plan that supports domestic consumption and capital inflow in the country. Euro Stoxx +1.4% vs S&P 500 +1.9%. Moderate outperformance marked FTSE Mib (+3.0%), reflecting Enel and ENI's rallies, respectively induced by a contraction in core yields and an increase in oil prices. Core yields were sharply down (Bund -25 bps, UST -31 bps), reflecting the mentioned dovish approach by central banks and continuing weakness of the macro data (US and German core inflation, German manufacturing SMEs at all-time lows since 2012), with strong accentuation of the reversed US yield curve in the 1- to 3-year segment. It is reported that the ECB unanimously decided to approve the new TLTRO plan in the face of cut GDP estimates and Eurozone inflation, and to extend guidance on fixed rates to at least the end of 2019. The FED also cut its growth estimates and reported there will be no rate hikes

Performance of the major Stock Exchange indexes

[%]



Source: Italgas processing of Bloomberg data

in 2019 (2 were planned in December), that sales of government securities will be halved starting from May and that standardisation of the budget will be interrupted starting from October. The BTP-Bund spread remained unchanged, with the decision on the new TLTRO offset by consumer and Italian manufacturer confidence below expectations, and a new Italian sovereign auction. EUR/USD -1.3%, at the lowest level since mid-2017, reflecting approval of the new TLTRO plan and implications for the ECB long-term monetary policy arising from the need to introduce mechanisms aimed at safeguarding the profitability of the banks. Despite the ECB's dovish approach and rejection of the Brexit no-deal option, with an extension of the Brexit deadline, EUR/GBP +0.4% was due to the weak UK macro data (business confidence and unemployment in the private sector index) and growing divisions of the Parliament on the PM May's proposal, rejected three times.

The oil market

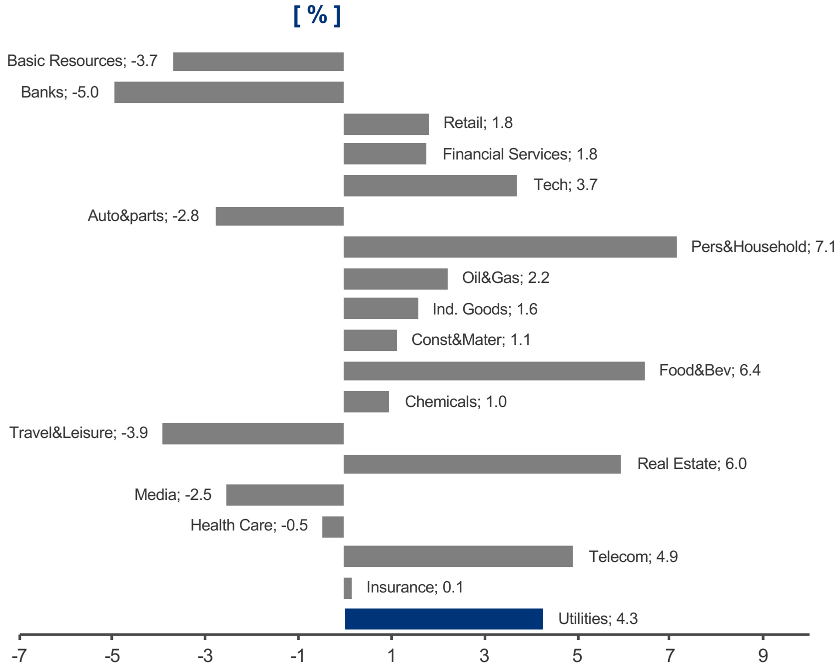
Despite the contraction of the EUR/USD rate, at the lowest point since May 2017, Brent prices (+3%) updated the highs since November due to: 1) continued production cuts by the OPEC+ block, with Russia and Saudi Arabia that declared full alignment with the production targets and the possibility of additional output reductions if necessary in order to rebalance the market; 2) worsened production conditions in Venezuela following repeated blackouts; 3) disturbances in Algeria because of protests against extension of the presidential mandate; 4) US statements on the possibility to end exemptions on the import of Iranian crude granted for six months to eight large consumers, in force until the end of May; 5) stock of US crude down further than forecast.

Trend of the sectors

Sector dynamics reflected the contraction of core yields on new lows of the period triggered by the mentioned newsflow put out by central banks, with defence and bond-proxies at the top of the lists vs cyclicals and banks the worst performers. With a 5% drop, banks in particular closed at the bottom of the lists, despite rumours on the ECB's possible mitigation of the negative impacts caused by the ultra-accommodating monetary policy on the profitability of banks (contraction of unitary spreads on intermediate funds) through the remodulation of the negative rate on deposits, and approval of the new TLTRO plan that facilitates repayment of the previous issues falling due between 2020 and 2021.

Sector dynamics reflected core yields at new lows for the period; bond-proxies at the top of the lists vs banks the worst performers

Trend of the main sectors, March 2019



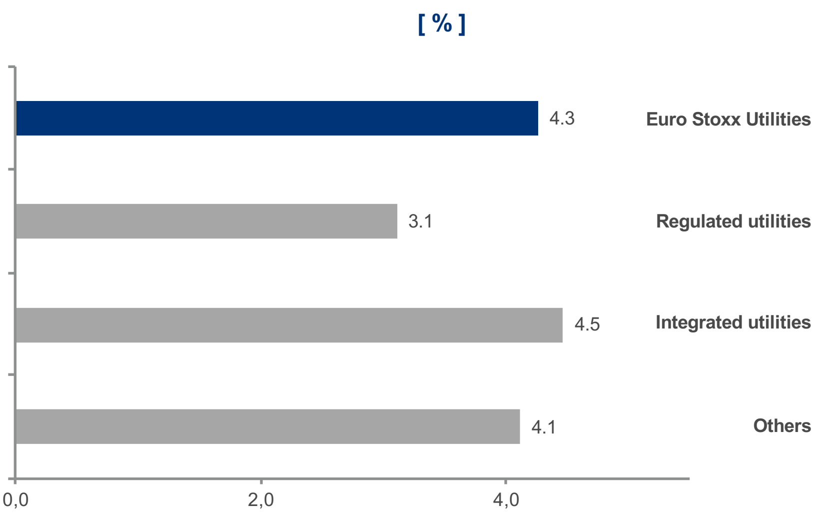
Source: Italgas processing of Bloomberg data

Utilities sector updates 8-year highs with core yields and thermoelectric margins

Trend of the Utilities sector

4% increase for the utilities sector, basically supported by the mentioned accommodating approaches of central banks; the sector reached 8-year highs. Despite the dynamics of the core yields, integrated securities on the whole overperformed the regulated securities on the basis of the margins improved by gas and coal generation resulting from the contracted prices of the respective commodities induced by the increased offer and expectations of progressive replacement with renewable sources. RWE (+11%) achieved the best increase due to the 2019 guidance adjusted for one-off components higher than expectations. The water/environmental segment was on the whole in line with the sector's index.

March 2019 - Trend of the sector and sub-sectors

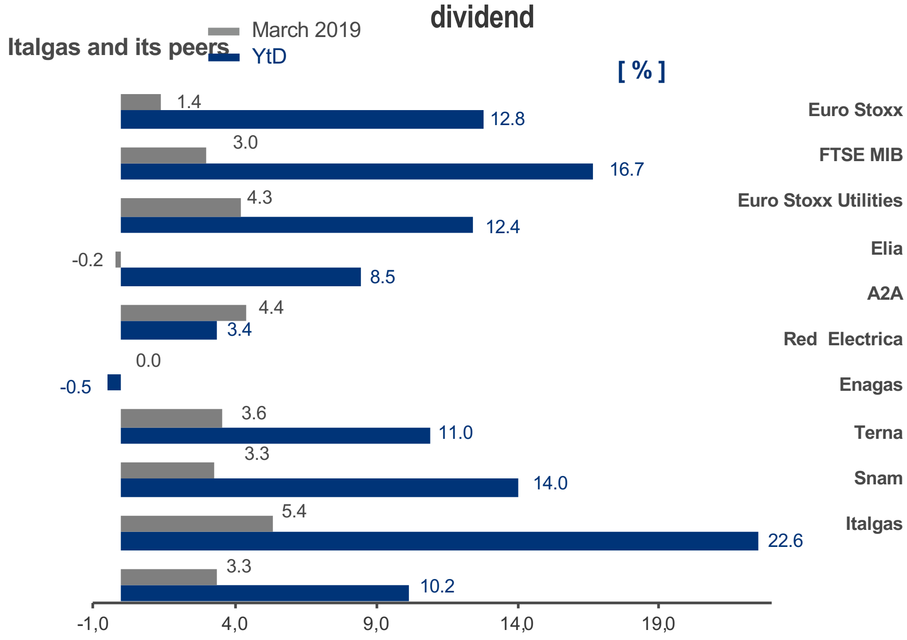


Source: Italgas processing of Bloomberg data

The Italgas share and its peers

Italgas (+3%) is updating its maximum price levels even without adjusting the dividend

Italgas went up approximately 3% after updating its maximum price levels even if not adjusting the prices due to detachment of dividends. Like the sector, the share benefitted from the thrust given by the new rotation in favour of bond-proxies and defence shares due to the accommodating approach of central banks. Only Elia and Red Electrica failed to go up, as they are respectively awaiting an increase in capital to fund the construction of the UK-Belgium underwater cable and development of the domestic activities and, as a consequence, some brokers sustained downgrades due to regulatory risks over the 2020-2025 period.



Source: Italgas processing of Bloomberg data

Agenda

Corporate events

13 May BoD Q1 results

14 May Press Release and Conference Call

Corporate News

There are no price-sensitive Corporate News this month

Italgas SpA
Via Carlo Bo 11 - 20143 Milano (MI) Italy
www.italgas.it investor.relations@italgas.it
tel: +39 02 81872012 - fax: +39 02 81872 291