



## Italy Votes: Is Market Chaos in the Cards for Monday?

### Description

Italians are about to cast a vote that could send Europe into another major tailspin, and nobody is paying attention.

### What's going on?

Trump's cabinet decisions and the OPEC production agreement have dominated the financial headlines in the past week and continue to move the market.

These are important short-term factors and can't be ignored, but the upcoming referendum vote in Italy probably deserves more attention.

Italians are being asked by Prime Minister Matteo Renzi to vote in favour of significant constitutional reforms that would take power away from the senate, which currently has the ability to block any new legislation.

If the country votes "yes," Renzi will cement his position as a pro-growth European leader, and Italy will have the flexibility to make the difficult decisions required to heal its economy.

Reforms are desperately needed.

The country's public debt-to-GDP ratio is the worst in the Eurozone, after Greece, and several of the country's banks are on the brink. The youth unemployment rate is close to 40%, and corruption continues to choke off economic growth.

To put it mildly, Italy is an absolute mess.

If Italians vote "no," Renzi has said he will resign, and this could trigger significant political instability in the country, as well as across Europe, as opponents to Renzi are pushing for an exit from the Eurozone. Some analysts say up to eight of the country's banks could fail and trigger a meltdown in the broader European financial sector.

In short, we could be looking at total chaos in Europe on Monday morning and in the weeks to come if Renzi doesn't get his way.

### Should you be afraid?

Europe managed to navigate through the Greece crisis; Brexit had a limited short-term impact on markets; and the Trump win has actually sent stocks to all-time highs. Global financial markets might just shrug-off a "no" vote and continue on their merry way.

However, Greece is tiny compared to G8-member Italy, and an exit from the Eurozone by the Italians would probably spell the end of the European Union, so the potential for damage is significant.

If investors get nervous and decide to take some profits after this year's big gains, the market could be headed for a sharp pullback. That would be a short-term negative for most portfolios, but it could also provide a welcome opportunity to pick up some quality names at attractive prices.

### How to position for the move?

Miners could get a boost as funds rotate to safe-haven gold. Given the recent drop in the stock, **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) might be worth considering today.

Aside from that, keep cool and get some cash ready to take advantage of a potential knee-jerk reaction to the downside.

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### Date

2025/08/06

### Date Created

2016/12/02

### Author

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