



## French presidential election: Macron and Le Pen run-off May 7

APRIL 25, 2017 | By [Wouter Sturkenboom](#)

Although the race between the top four candidates tightened near the end, Emmanuel Macron and Marine Le Pen made it to the second round. The markets seem to consider this good news, likely because it views Macron's policies as fiscally more conservative than Le Pen's.

In our view, the subsequent market rally – namely in the euro, broad European stocks and French bonds – does not look to be a major market event. We expect eurozone assets will have a small bounce on this outcome although markets were already pretty sanguine to begin with.

### The politics

36 hours after Macron's victory, current polls are now suggesting the centralist candidate will win over 60% of the vote in the second round of the French presidential election.<sup>1</sup>

In fact, the Socialists have already officially called on their supporters to vote for Macron in on the 7 May, as have several prominent conservative politicians from one of the other initial candidates, François Fillon's camp.

Meanwhile last night, Le Pen has ‘temporarily’ stepped down as the leader of Front National to focus on her appeal and embrace a broader range of voters.

## Looking forward

Should the second-round vote pivot on the issue that most differentiates the two candidates, namely eurozone membership, the victory of Macron over Le Pen could turn out to be even bigger than current polling predicts. After all, eurozone membership is still very popular in France, according to the December 2016 Flash Eurobarometer by the European Union Commission, with 60% of the people favouring staying in the eurozone.

Le Pen may try to downplay this issue and focus on immigration instead, but here too there does not seem to be enough electoral support to carry her over her current 40% vote ceiling<sup>2</sup>

As we have written before in our latest [Global Market Outlook](#), continental Europe is less sensitive to the rise of populism that gave us U.S. President Trump and Brexit because its welfare state has eased the pain of the people left behind by globalisation. It’s not immune, but the rise of inequality in Europe has been much more contained and with it the level of political uncertainty.

The French legislative elections on 11 and 18 June will be interesting to watch beside the second round presidential on 7 May. Both Macron and Le Pen will not have a natural political base in the Assembly which will make governing a bit of a challenge. So, for those investors hoping for to see a rupture French governance that might help to unleash the private sector and push back the state, caution seems warranted.

## The markets

The news that Macron made it into the second round as the top candidate has seen a relief rally of sorts in the euro, broad European stocks and French bonds. However, this relatively small bounce is, **in our view not a major market event**

Firstly, because eurozone markets have not been overly concerned about the outcome to begin with, and secondly because Macron is unlikely to be able to swiftly deliver on his political agenda. **A small potential positive yes, a game changer no.**

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<sup>1</sup> [BBC news](#), as of 25 April 2017.

<sup>2</sup> BCA Research. Geopolitical Strategy: Weekly report. 12 April 2017

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