

# The French election - a resounding victory



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The result of the French presidential election yesterday did not immediately surprise markets, as they had had time to prepare for the result after the first round of the voting a fortnight ago. Emmanuel Macron won a resounding victory over Marine Le Pen, although there was a high percentage of abstentions and spoiled votes, as followers of Jean-Luc Melenchon were encouraged not to vote.

Although this reflects another vote for the European mainstream after the upsets of Brexit and Trump, Macron felt it necessary to set up a new movement to win, as the traditional socialist and right of centre parties saw their popularity decline sharply.

Now Macron has won, he has a lot of work ahead of him. As I wrote in March, the biggest issue he will face as the founder of a new political movement, is to win seats and form a government in the upcoming parliamentary elections on the 11th and 18th of June. En Marche, his newly created party, has been working hard to recruit candidates and build a regional infrastructure, but it is unlikely he will win an outright majority despite the collapse of his old socialist party. His strategic direction and his key policies are very much in the mould of a pro-European centrist movement, but coincide with the wider objectives of the Republicans: deficit reduction, job creation, increased labour flexibility, and an

improvement in competitiveness. It is most likely that a coalition government will be formed. Macron has ambitious plans for the reform of the French economy, but he would do well to notice the struggles that Trump has faced in some of his tax and healthcare reforms in the US, where he has had a propensity to overpromise and then faced opposition.

The impact on investment markets was felt after the first round of voting (a stronger Euro, stronger equity prices and a narrowing of the French risk premium in the bond markets), so little impact has been seen this morning, but there will have been a collective sigh of relief amongst the more hawkish members of the ECB, as this gives them more freedom to act as they feel is appropriate given their view of the strengthening economic conditions in the eurozone.

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