

May 8, 2017

Investment Insights

Observations on the French presidential election

**Ellwood
Capital Markets
Committee**

French presidential elections concluded yesterday, with En Marche! candidate Emmanuel Macron soundly defeating the populist National Front party candidate Marine Le Pen. Two interesting takeaways:

- **The accuracy of French polling.** While markets have been suspicious of polling after Brexit and US Presidential election misses, French polls generally got it right. Although there has been minimal polling for the upcoming parliamentary elections on June 11 and 18, markets may have more confidence with future polling reports.
- **Losses for populist candidates.** The French elections cap off the third loss (including Austria and Netherlands) for populist candidates in the last five months. While populist movements will likely remain active in Europe, this outcome will be a sigh of relief for markets, which have been on edge with uncertainties surrounding this election.

As President, Macron faces serious headwinds in promoting structural reforms of the economy (particularly related to labor) and government. As a new party formed just over a year ago, it remains

unclear if En Marche! can win a parliamentary majority and establish coalitions with established parties to act on Macron's reform proposal.

Despite longer-term challenges facing Macron, the French election outcome is—at least over the shorter-term—supportive of a more positive macro tone for both the Euro zone and markets more broadly. Global equity markets and the Euro had rallied in the days following the first round of French presidential elections on April 23, as Macron emerged as the favorite and his pro-EU platform and planned labor reforms were well received by the capital markets. On the first trading day following the Macron's May 7, 2017, presidential win, it appears investors had already priced in his victory, with both Euro-zone equity markets and the Euro down slightly.

Our view

Ellwood views this election outcome as a positive for the capital markets, removing the potential for negative surprise had Le Pen won. Overall, our views on Europe are generally positive, given attractive relative valuations, rebounding economic indicators and strengthening corporate earnings. **E**



33 W Monroe Street
Suite 1850
Chicago, IL 60603
ellwoodassociates.com

Advice. Aligned

Important Disclosures

The information provided herein is for educational use only and not to be construed as investment advice. In no way should the information herein be construed as personal recommendations as it does not take into account the particular investment objectives, financial situations, or needs of individual clients.

The information presented is not an offer to buy or sell securities, nor should it be construed as tax or legal advice. Any opinions herein reflect our judgement as of this date and are subject to change. The historical information included herein is historical only and is not a guarantee of future performance.

There are risks involved with investing, including loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations.

About Ellwood

For four decades, Ellwood has customized investment programs that are practical, grounded in fundamental research, and focused on bottom-line performance. Our consulting practice is national in scope and is focused on serving seven primary practice areas: Healthcare Systems and Hospitals, Corporate Defined Benefit Plans, Corporate Defined Contribution Plans, Endowments and Foundations, Public Funds, High-Net-Worth Clients, and Wealth Management Advisory Services.

Ellwood was founded in 1977 and is a 100% employee-owned, independent investment consulting firm with no parent or affiliate organizations. Ellwood is based in Chicago, IL with a regional office in the Denver, CO area.