



EU Elections: Macron Wins French Presidency

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The French election outcome is seen as a win for Europe, the European Union (EU) and the Euro. Centrist Emmanuel Macron of the independent En Marche Party secured a high stakes victory over Marine Le Pen of the far-right National Front Party in an election that has garnered worldwide interest. Mr. Macron campaigned on pro-European values, while Ms. Le Pen ran on an anti-EU, anti-immigration platform. This is the second in a series of landmark elections across Europe and is viewed as a test of the power of populism sweeping across the continent. Emboldened by the UK's vote to leave the EU and the surprise victory of U.S. President Donald Trump, populist movements have shaken up the European political landscape.

Global equity markets took a pause and the Euro pared early gains after rallying since Macron's preliminary victory in the first round in anticipation of yesterday's second round face-off. Markets now appear focused on what lies ahead for the new French president. Gains in fixed income markets were also muted. Heading into the weekend's election, the spread between French and German bonds had narrowed to a 6-month low as investors perceived less risk in holding French bonds over German bonds.

The French election outcome is considered important for the stability of the EU. As the sixth-largest economy in the world and a founding member, France is seen as integral to the continued viability of the bloc. A Macron victory largely puts to rest speculation of the EU's demise and may help set a pro-Europe and pro-EU tone for the German election this fall. Italy's election is not scheduled until 2018, however, the anti-establishment mood is fueling calls for a vote later this year. Meanwhile, following Prime Minister Theresa May's surprise announcement last month, the UK will hold elections in June.

So, what happens next? Following Mr. Macron's inauguration, the focus will quickly shift to the National Assembly elections, where voters in 577 constituencies will choose their parliamentary representatives which will be held in another two rounds of voting on June 11th and June 18th. Only then will a clearer picture emerge of where French politics intend to head. The outcome of parliamentary elections will influence the choice of prime minister, thus impacting the extent to which Mr. Macron can push through his economic and political agenda. The second round presidential candidates' policy platforms on key issues are detailed on the following page.

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Key Issues	Candidate Positions	Insights & Perspectives
Labor Market	<p>Macron: Advocates allowing some flexibility for overtime around France's strict 35-hour work week and has vowed to leave the 62-year retirement age untouched. Mr. Macron has also pledged to reduce unemployment to 7% from nearly 10%</p> <p>Le Pen: Is for keeping the 35-hour work week and lowering the retirement age to 60. Ms. Le Pen proposes introducing a new tax on employers that hire foreign workers to encourage jobs go to French nationals with the revenue generated going to fund welfare benefits</p>	<ul style="list-style-type: none">Neither candidate campaigned on raising the retirement age. However, retirement ages are trending higher globally as increased longevity has left many countries with large public pension systems, including France, facing a shortfall
Fiscal Policy	<p>Macron: He proposes reducing corporate tax to 25% from 33% to boost investment and hiring. He also proposes a €50 billion stimulus plan over 5 years, investing in areas such as job training and infrastructure. Supports cutting public spending by €60 billion over 5 years by streamlining the government and reducing the public sector headcount by 120,000. This could be accomplished by not filling jobs as employees retire to ensure France remains within the EU Stability and Growth Pact deficit limit of 3% of GDP</p> <p>Le Pen: She wishes to lower individual taxes for low income earners and increase welfare benefits, measures she would pay for by withdrawing from the EU and savings from dramatically reducing immigration. In Ms. Le Pen's view, immigrants take jobs from the French. Ms. Le Pen would abandon the EU deficit limit of 3%</p>	<ul style="list-style-type: none">Mr. Macron and Ms. Le Pen present starkly different approaches for tackling unemployment. For more than a decade France has suffered from chronic unemployment that has hovered near 10% and currently more than double that of the UK and Germany and higher than the Eurozone average. The youth jobless rate is nearly 25%
Europe/EU	<p>Macron: A supporter of Europe, the EU and the Euro. His position on the Eurozone is that it should focus on further integration, with its own budget adopted by a parliament of the member states that use the currency and that has its own finance minister</p> <p>Le Pen: Staunchly anti-EU, anti-immigration and has called for renegotiating its relationship with the EU and abandoning the common currency and/or a referendum on France's EU membership. Ms. Le Pen advocates abandoning the freedom of movement of people principle and restoring the country's borders</p>	<ul style="list-style-type: none">Hailed as one of the most consequential French election in decades and a new threat to the EU following the Brexit vote. Unlike the UK, France is part of the monetary union and abandoning the currency and/or a "Frexit" could have greater repercussions on the Euro than "Brexit"
Trade	<p>Macron: A supporter of free trade</p> <p>Le Pen: Promotes "intelligent protectionism" which would mean new trade barriers</p>	<ul style="list-style-type: none">Globalization and its perceived impact on French jobs has sharply divided voters

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DiMEO Schneider & Associates, L.L.C. continues to believe that maintaining a diversified portfolio and following a disciplined rebalancing plan will help enable investors to weather volatility in such uncertain times. Our outlook for global equities is founded on valuations and a long-term mindset. In today's environment, valuations are more compelling outside of the U.S. than they are within. Despite elevated risks such as that of the French election, we do not find compelling reasons at this time that would justify overriding this disciplined methodology.

For further information and assistance, please contact any of the professionals at DiMEO Schneider & Associates, L.L.C.

About the Author:



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Jackie performs research and operational due diligence on core investment managers. She is a team member of the Core Investment Strategy Group. Jackie also participates in the firm's Outsource Chief Investment Officer (OCIO) practice for financial institutions. In 2012, Jackie was a contributing author to *Nonprofit Asset Management* (John Wiley & Sons) and in 2005, she co-authored *The Practical Guide to Managing Nonprofit Assets* (John Wiley & Sons). She received a Bachelor of Business Administration (BBA) from Iowa State University and is a Certified Financial Planner (CFP[®]) from the College for Financial Planning. Jackie is a former member of the Board of Trustees for The Chicago Academy for the Arts, an independent college preparatory school dedicated to the performing arts. In her free time, Jackie can be found testing her luck at her favorite vacation destination, Las Vegas.

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