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Investment Insights into Current Events



DiMEO SCHNEIDER
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EU Elections: German Election Watch

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On September 24th, incumbent Angela Merkel secured her fourth term in Germany's Federal Election. However, provisional results indicate a worse-than-expected majority for the German Chancellor. Ms. Merkel's conservative CDU party and its sister CSU party lost parliamentary seats in their worst showing since 1949. Meanwhile, the anti-immigrant, anti-Euro AfD party won seats for the first time since its foundation in 2013, becoming the first far-right party to enter the German parliament since WWII and increasing the political fragmentation in Germany. Ms. Merkel must now embark on building a coalition government.

Key Points:

- The reaction within global equity markets was relatively muted as investors digested the election results. The yield on Germany's 10-year bund declined as demand for safe haven assets rose. Meanwhile, the Euro trended slightly lower amid uncertainty leading into the coalition-building process as the outcome may influence the direction of the currency as well as equities and Eurozone bond yields.
- Despite elevated political risk in the region, the Eurozone continues to show signs of growth driven by a rise in investment and household consumption. Unemployment fell to a near 8-year low in the Eurozone, with Germany boasting the lowest rate among the largest economies.
- Similar to the Dutch and French elections earlier this year, the German election outcome removes a layer of uncertainty within international developed markets and is important for pro-Europe and the stability of the European Union. However, AfD gains are concerning and could potentially make progress on more contentious EU issues more difficult.
- Our outlook for global equities is founded on valuations and a long-term mindset. In the current market environment, valuations outside of the U.S. are more compelling than they are within. Despite heightened political risks such as that of the German election, DiMEO Schneider & Associates does not find compelling reasons that would justify overriding our methodology at this time.

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

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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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