

Macron wins French Presidential election

SUMMARY

- **Emmanuel Macron has won the French Presidential election by a stronger-than expected margin of around 30%.**
- **Positive for risk assets.** Results are supportive for global equities. We retain our bullish view on Euro area equities and the EUR.
- **Focus shifts to the Parliamentary elections (11, 18 June)** which will be the key to determining Macron's ability to enact reforms.

BACKGROUND

- **Macron, the centrist candidate, wins the French Presidential election.** Preliminary results indicate Macron will become the youngest French President after securing approximately 65% votes and defeating the far-right candidate, Le Pen (35% votes). Macron is pro-EU and pro-business; his priorities include labour reform, reform of education, vocational training and tax cuts.
- **Receding political risks.** Macron's victory removes a big event-risk from the European political calendar. While we still have German and Italian elections over the next 12 months, the stalling of anti-establishment parties should help boost business sentiment and support Euro area growth momentum.
- **Mixed initial reaction.** Initial reactions have been mixed, as the results were in line with market expectations. EUR is marginally down against the US Dollar. While Asian markets have opened higher, US stock market futures have edged lower. Nevertheless, we expect risk assets to move higher over the next few days.

WHAT DOES THIS MEAN FOR INVESTORS?

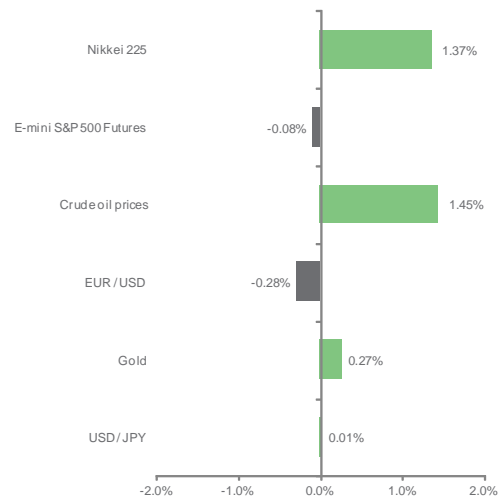
- **Retain positive outlook for Euro area equities.** The election results should act as a near-term tailwind for Euro area equities, our most favoured equity market. The market-friendly outcome should especially benefit banking, consumer discretionary and consumer staples stocks due to renewed confidence.
- **More assertive ECB.** Risks to the Euro area growth and inflation outlook should decline, at the margin, giving ECB more room to gradually reduce the level of monetary stimulus and move towards ending the QE over the next 12 months. Euro area government bond yields should move higher later in the year.
- **EUR/USD to edge higher.** Removal of political risk premium, as well as an expectation of higher government bond yields, is likely supportive for the EUR. At the time of writing, it is trading close to the key level of 1.10 and we expect it to break higher.

WHAT TO WATCH OUT FOR

- **The National Assembly Elections (11, 18 June).** French electoral system places significant power in the National Assembly (lower house). Macron's strong showing means securing a majority cannot be ruled out, but it is not a central scenario for now, given the fragmented political arena. If this proves accurate, the focus will shift to coalition building efforts and the implications for reform prospects.

Mixed initial market reaction

Performance of asset classes since Friday, 5 May 2017



Source: Bloomberg, Standard Chartered
**As of 8:22am – Monday, 8 May 2017

Euro area stocks are 1.2% away from technical resistance

Technical levels of key markets, as of 8 May

Index	Spot	1st support	1st resistance	Short-term trend
S&P500	2,399	2,328	2,400	↑
STOXX 50	3,659	3,480	3,674	↔
FTSE 100	7,297	7,089	7,311	↔
Nikkei 225	19,446	18,800	19,650	↔
Shanghai Comp	3,103	3,045	3,240	↓
Hang Seng	24,696	24,150	25,000	↔
MSCI Asia ex-Japan	598	585	610	↔
MSCI EM	988	977	1,013	↑

Source: Trading Central, Standard Chartered
Note: Arrows represent short-term trend opinions

More upside for EUR likely

EUR/USD price chart, 50 / 100 / 200 day moving averages



Source: Bloomberg, Standard Chartered

Disclosure Appendix

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