

## Macron's decisive victory over Le Pen

Emmanuel Macron won a decisive victory over Marine Le Pen to become the next President of France (66.1% to 33.9%). He actually did much better than most polls predicted in the lead up to the election (62%). While the markets will breathe a huge sigh of relief over the defeat of Le Pen, who was viewed as an existential threat to the EU/Euro zone, France still faces several challenges over the longer term.

- The risk that Macron will mistake his victory for an endorsement of free trade, market reforms and further EU integration when, in fact, the outcome is owed in large part to the misfortunes of the other mainstream candidates. Pushing too far in this direction could provoke a major backlash from a broad segment of the population that views these policies with suspicion.
- It is far from certain that Macron's party, En Marche!, will be able to gain an absolute majority of seats in the upcoming elections for the National Assembly, the lower chamber of parliament, scheduled for June 11 and 18. Macron will once again be competing with the established parties for these seats. An opposition-controlled National Assembly (which must approve all budget legislation) could make it difficult for him to advance his reform agenda.
- Even though she was decisively beaten, it is important to note Le Pen garnered nearly twice the level of vote her party got the last time it made to the second round of the presidential election in 2002 (18%). Indeed, the fact that someone who wants to leave the EU/Eurozone could obtain around 34% of the vote in France highlights a high level of voter dissatisfaction. Another sign of discontent is the lowest voter participation rate (65.3%) since 1981.
- Macron supports measures that promote further integration of the EU/Euro zone such as the creation of a Euro zone budget to provide financial assistance to struggling member states. However, convincing Germany that it should be on the hook for spending decisions of other countries will be a very difficult task. The Netherlands, Finland and Austria also strongly back Germany's position.

But for the time being, Europe has dodged yet another bullet.

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# Geopolitical Briefing

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