

TRENDMACRO LIVE!

On the French Presidential Primary

Monday, April 24, 2017

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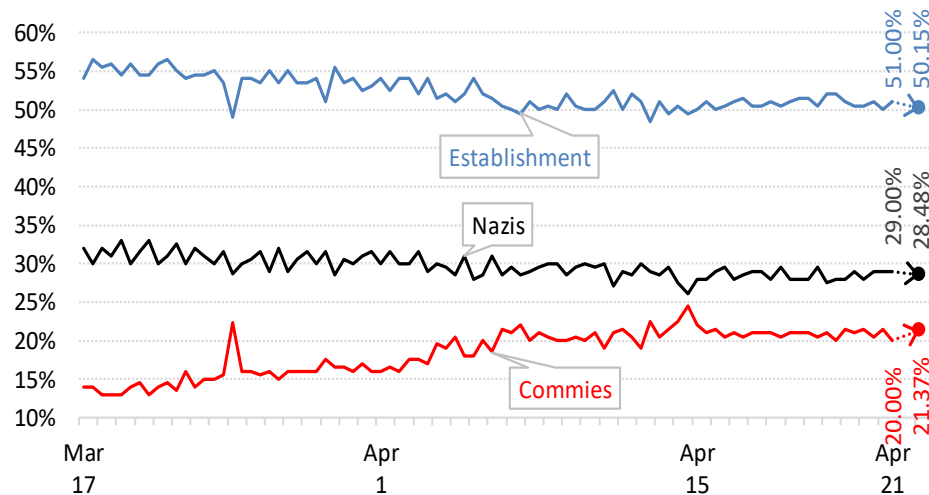
The Establishment split the vote with the Nazis and the Commies. A message to the EU.

The 11-way French presidential primary went about as we expected (see [“Our Fearless France Predictions”](#) April 21, 2017): center-left [Emmanuel Macron](#) and separatist-right [Marine Le Pen](#) were in first- and second-place, respectively, and will advance to the two-way run off on May 7.

As of this writing, markets are experiencing a big risk-on move. Is it just because Le Pen performed worse than the polls had expected (as we predicted), and while extreme-left [Jean-Luc Mélenchon](#) performed better than expected, it wasn't enough to put him in the run-off? Conservative [François Fillon](#) performed better than final polls (also as we predicted), but also not enough to make the run-off (as we had hoped he might). *In the run-off Macron – a pro-Europe all-things-to-all-people chameleon who once described himself as a “left-wing supply-sider” – is the heavy favorite – but until he's elected, Le Pen's global-systemic threat to the euro currency will hang over markets to some extent. All this is in-line with expectations. Maybe markets are actually focusing on [President Trump's tweet](#) that big tax cuts will be announced Wednesday.*

- *While in-line with expectations, this was another revolutionary devolutionary election* (please see the chart below, and [“From](#)

French presidential primary vote-share — Polls ● Actual



Source: Various, TrendMacro calculations

Update to strategic view

EUROPE MACRO, US

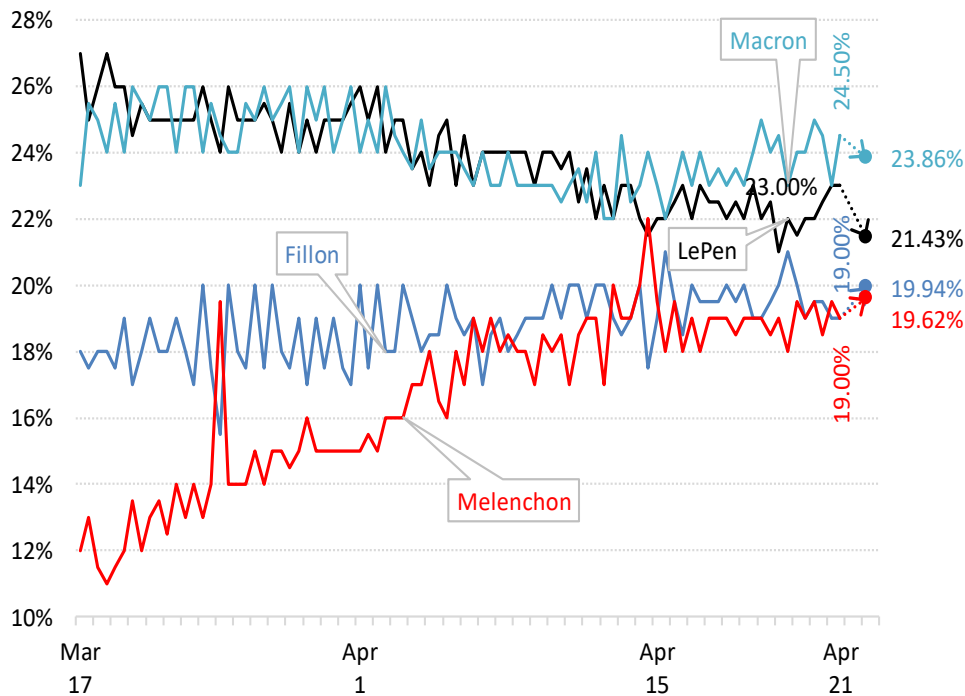
MACRO, FX: Centrist Macron and separatist-right Le Pen move to the French presidential run-off, with Macron the heavy favorite, but with at least a distant systemic threat to the fragile euro still hanging over the global economy. The immediate reaction of markets has been risk-on, but the election news was generally in-line with expectations, perhaps leaving as the weekend's surprise Trump's tweet about tax cuts to be announced Wednesday. Both Macron and Le Pen performed slightly worse than indicated in polls; Fillon did better, and Mélenchon performed as expected. Overall, radicals on the left and right both performed better than expected, and together captured half of votes cast. This was another revolutionary devolutionary election that sends the European Union an important warning about the need to improve accountability and growth prospects.

[\[Strategy dashboard\]](#)

[Executive Orders to Spontaneous Order](#)” February 17, 2017; [“Make My Inauguration Day](#)” January 23, 2017; and [“2017: It’s Bigger than The Donald](#)” December 30, 2016).

- Neither of the two traditional major parties – the center-left [Parti Socialiste](#) or the center-right [Les Républicains](#) will have a candidate in the run-off, for the first time in half a century. Macron’s ran under the banner of the [En Marche!](#) party, founded barely a year ago.
- Fillon performed better than his polls, the [Socialiste](#) candidate [Benoît Hamon](#) performed worse, as did Macron (though he nevertheless finished in first-place; please see the chart below).

French presidential primary vote-share — Polls ● Actual



Source: Various, TrendMacro calculations

- Macron, Fillon and Hamon together – the largest factors in the four-party cluster we’ll call “the Establishment” -- only got 50.15% of the vote.
- And while Le Pen personally performed worse than indicated by polls, other extreme-right parties such as [Debout la France](#) – advocating separation from Europe, but without Le Pen’s racist edge – performed better, making up two-thirds of Le Pen’s underperformance. Altogether, the far-right cluster we’ll call “the Nazis” got 28.5% of the vote.
- Mélenchon and the other extreme-left candidates all outperformed their respective polling. Altogether, the far-left cluster we’ll call “the Commies” got 21.4% of the vote.
- Considered broadly, then, the Nazis and the Commies put together almost perfectly split the vote perfectly with the Establishment – losing by a mere 0.3% of the total vote (again, please see the chart on the first page).

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- While the European Union's elites can probably look forward with relative comfort to Macron's victory in May. While Le Pen can pick up votes from the others among the Nazis, she will struggle to pick up many from the Commies or the Establishment.
- But Macron's victory is not an absolutely sure thing. Perhaps for Le Pen, victory is [just a shot away](#). The threat of Le Pen, even if it is avoided – just that even got this far – surely sends a message, as the Brexit referendum did, that the EU must reform itself toward greater political accountability and improved economic growth (see [“Brexit: Who Won, Who Lost, What's Next?”](#) July 11, 2016).

Bottom line

Centrist Macron and separatist-right Le Pen move to the French presidential run-off, with Macron the heavy favorite, but with at least a distant systemic threat to the fragile euro still hanging over the global economy. The immediate reaction of markets has been risk-on, but the election news was generally in-line with expectations, perhaps leaving as the weekend's surprise Trump's tweet about tax cuts to be announced Wednesday. Both Macron and Le Pen performed slightly worse than indicated in polls; Fillon did better, and Mélenchon performed as expected. Overall, radicals on the left and right both performed better than expected, and together captured half of votes cast. This was another revolutionary devolutionary election that sends the European Union an important warning about the need to improve accountability and growth prospects. ▶