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TD Economics

Summary of the French election results

- As widely expected, the French presidential elections were broadly in line with what pre-election polls suggested. Emmanuel Macron, leader of the new centrist and pro-EU En Marche! party, came out on top, earning an estimated 23.7% of first-round votes. His opponent in the runoff vote will be Marine Le Pen, leader of the far-right, anti-EU/euro Front Nationale party, who earned 21.7% of the popular vote.
- The election outcome is a blow to France's established political order. Yesterday's election was the first time that neither of the two mainstream parties of the left and right had made it to the second round of voting in almost 60 years.
- Market reaction was swift, with the euro appreciating just under 2% against the U.S. dollar in the immediate aftermath of the vote, but has since given up more than a quarter of that gain. The spread between French and German bunds have eased, and French equities (CAC 40 Index) have surged more than 4% at the time of writing.
- Attention now turns to the second round of voting, set for May 7th 2017, for which pre-election polls have been consistently suggesting a Macron victory by a wide margin (Macron, 64% vs. Le Pen, 37%).

Key Implications

- With the chance of a populist run-off election between parties on the far left and far right no longer in the cards and low odds of anti-euro and EU candidate Le Pen beating Macron in the second round of voting, markets have responded by pricing in the firming economic recovery in the Eurozone. Stronger economic growth in the Eurozone implies continued absorption of economic slack, and is likely leading the ECB to contemplate removing rather than enhancing monetary accommodation in the next 12 months, barring any shock that would negatively affect its inflation outlook.
- With Macron's victory there is a low risk of France exiting the EU and euro. Nonetheless, the French elections remain the greatest risk to our French economic outlook. While Macron may win the Presidency, his party will have to win a lot of support in the legislative elections set for June 11 and 18th in order to secure a strong mandate. A failure to do so would partly handcuff Macron, reducing his ability to pursue what is broadly seen as a pro-business, reform agenda over his mandate. (see our pre-election [report](#) for a brief discussion of our French economic outlook)

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