

# 2024 EUROPEAN ELECTIONS – RADICAL RIGHT GAINING GROUND

Increasing investor risk for the 2027 French election

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## Executive Summary


**European parliamentary elections are taking place between 6-9 June. There is increased momentum from fringe and far-right parties, who have anti-European Union (EU) integration views. A shift away from the current centrist majority in the EU parliament would put a dent to the agenda of further integration.**

Despite the rising momentum away from centrist parties, notably coming from the right, we believe that centrists will manage to retain a majority, even if it is by a slimmer margin. Unless we are wrong-footed in our view, we do not see the EU elections as a major risk for financial markets. Neither do we expect any major policy shifts, with the EU's focus to remain on the Energy Transition and Security in light of the increased geopolitical risks on its borders.

The real risk for Europe will be in the key member states' elections, notably the French presidential elections in 2027. Emmanuel Macron's presidential term is coming to an end and with his En Marche (LREM) party not having a clear heir apparent to succeed him, it could leave a vacuum in the French political landscape. Marine Le Pen's far right, anti-EU party, Rassemblement National (RN), could benefit from this vacuum in terms of votes and momentum. This is likely to be the bigger threat to the EU integration agenda over the next two years; something that the market is not quite ready to focus on, or pay attention to. That in our view, is where the risk lies.

## Portfolio and market implications

We believe there is limited impact near term, assuming centrists retain a majority in the EU Parliament. Policies pursued so far in terms of Energy Transition, Security & Defence, and Investment & Innovation are likely to continue to be focus areas, which underpin our three seismic thematic shifts, and our eight medium-term thematic opportunities. There is however a more significant risk of increased volatility and slowdown in EU Integration. Should a far-right party be in a stronger position to win the national elections in 2027, this could be the risk in France, one of the key founding member states of the EU.

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**Zehrid Osmani**

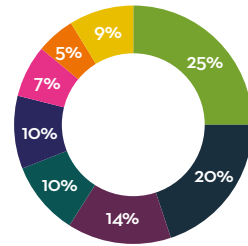
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# EU Parliamentary elections – of relevance to EU institutions

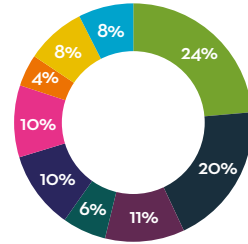
The EU Parliamentary elections are scheduled to take place between 6-9 June across all 27 EU member states, leading to the election of 720 members of the European parliament (MEPs). They are elected for a five-year term using proportionate representation. The parliament passes EU laws and approves the budget. It is also responsible for approving the Commission President. However, it is important to highlight that the EU central decisions lie with the European Council and the European Commission, which is the EU’s executive branch.

Post the EU Parliamentary elections, we will have a new Commission being formed, with the Commission President being nominated by the European Council, and the parliament being tasked with voting on the candidate and the commissioners that make up the EU Commission in September-October.

Current total MEPs



Projected total MEPs



- EPP
- S&D
- Renew
- Greens/EFA
- ECR
- ID
- The Left
- NI (Non-inscrits)
- New unaffiliated

Source: Politico as at 31 May 2024.

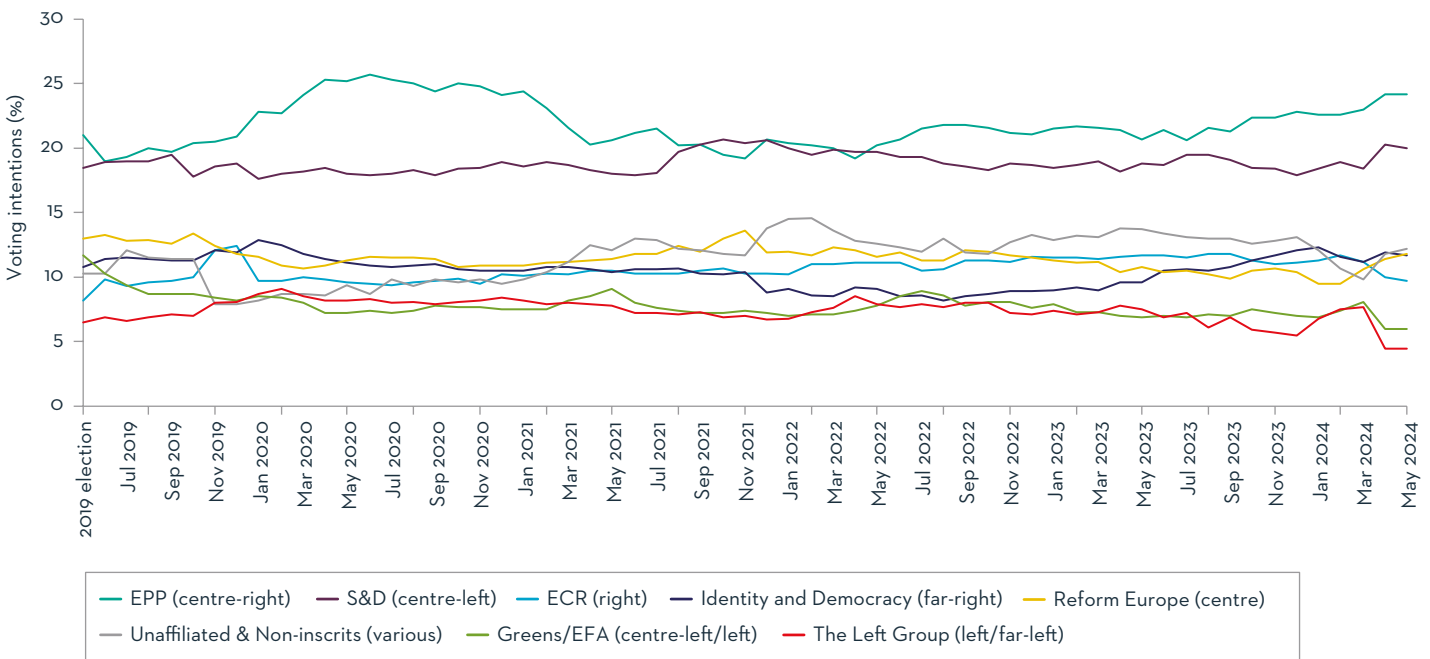
## Polls show momentum from the far-right – albeit we still expect a centrist win

Polls currently show increasing momentum by the far right parties, to the detriment of centrists – centre-right European People’s Party (EPP), centre-left Socialists and Démocrates (S&D), and the progressive Renew Europe party (RE). At this stage, the prediction is that the centrist parties retain a majority (55% vs 59% previously) and therefore overall control of the European Parliament. Right wing parties comprise the radical European Conservatives and Reformists (ECR), and the far-right Identity and Democracy (ID) – their share of the seats is predicted to increase to 20%, from c.17% in the current parliament.

There are unaligned parties, the NI and New Unaffiliated parties. Whereas the Green parties sit in the Greens/EFA (European Free Alliance).

### European Parliament Election Poll of Polls

The centre is the biggest voting bloc but the right are gaining ground



Source: Politico as at 31 May 2024.

## Some dynamics to watch out for across the EU – the ongoing advent of far-right parties

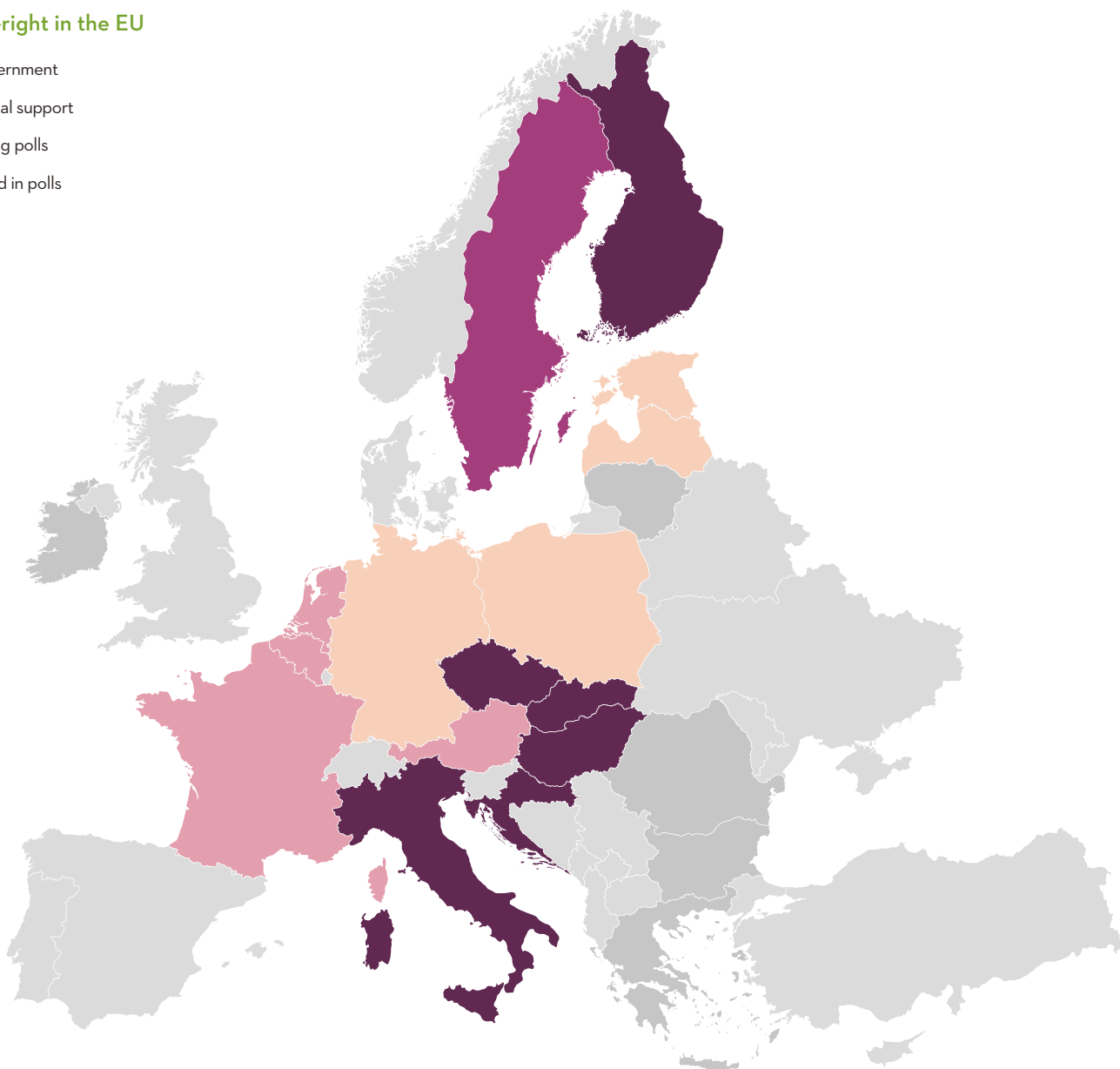
Far-right political parties are certainly gaining ground throughout Europe, in a worrying manner from the point of view of anti-EU sentiment, which could lead to a slower EU integration agenda. There are already six EU countries that are currently governed by hard-right parties: Italy, Finland, Croatia, the Czech Republic, Slovakia, and Hungary. In addition, the Netherlands is heading towards a right-wing government. The Dutch coalition talks have just concluded, after six months of negotiations, leading to the agreement for Geert Wilders to form a government. Furthermore, the government situation in Sweden appears precarious, relying on a confidence agreement with the nationalist Sweden Democrats, which is currently the second largest party in parliament.

Worrying trends across other EU countries include France, Belgium and Austria where hard-right parties are leading in polls. The countries where far-right parties are in second position in polls are also worth listing: these are currently Germany, Poland, Latvia, and Estonia.

The map below illustrates the current situation. Countries in light purple on the map are where the right is in a government coalition (Sweden).

### The far-right in the EU

- In government
- External support
- Leading polls
- Second in polls



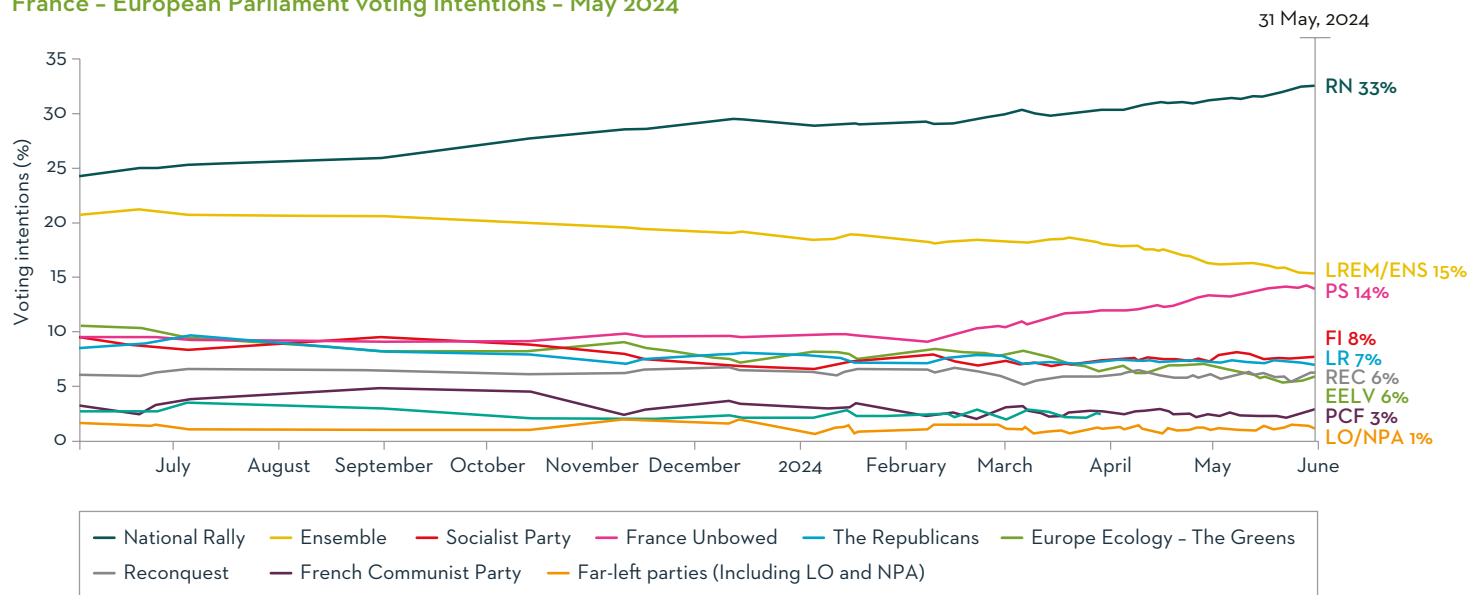
Source: Martin Currie and Politico, 29 May 2024.

In our view, the most important political event for investors to watch out for is not so much the upcoming European Parliamentary elections, given the expected retention of majority by centrist parties, as explained above, but rather the 2027 French presidential elections.

## 2027 French Presidential election could be an investor and geopolitical event risk

France is a key EU member state, so the French Presidential elections scheduled for April 2027 could be an event risk for investors, in turn dialling up the geopolitical risk in Europe. The hard-right party of Le Pen, RN, is currently leading in the polls, with 33% of votes, versus Emmanuel Macron's party, LREM only polling at c.15%, whilst the Socialist Party (PS) polls at 14%. President Macron will be coming to the end of his two-term mandate, which means that there will be a need for some credible candidate to take over from him. Should there be a lack of charismatic candidates to oppose Le Pen, we could be at higher risk of a worrying historic win by the RN party. President Macron's approval rating is currently at c.30%, with a high disapproval rating of 68%.

### France - European Parliament voting intentions - May 2024



Source: Martin Currie and Politico as at 29 May 2024.

Back in the 2022 French presidential elections, Le Pen got 23.2% of the votes in the first round (a rise compared to 21.3% in the 2017 presidential elections), vs Macron winning 27.8% of votes. Macron went onto win the second round by 58.5% to Le Pen's 41.5%.

## EU policy direction - do not expect any major shifts

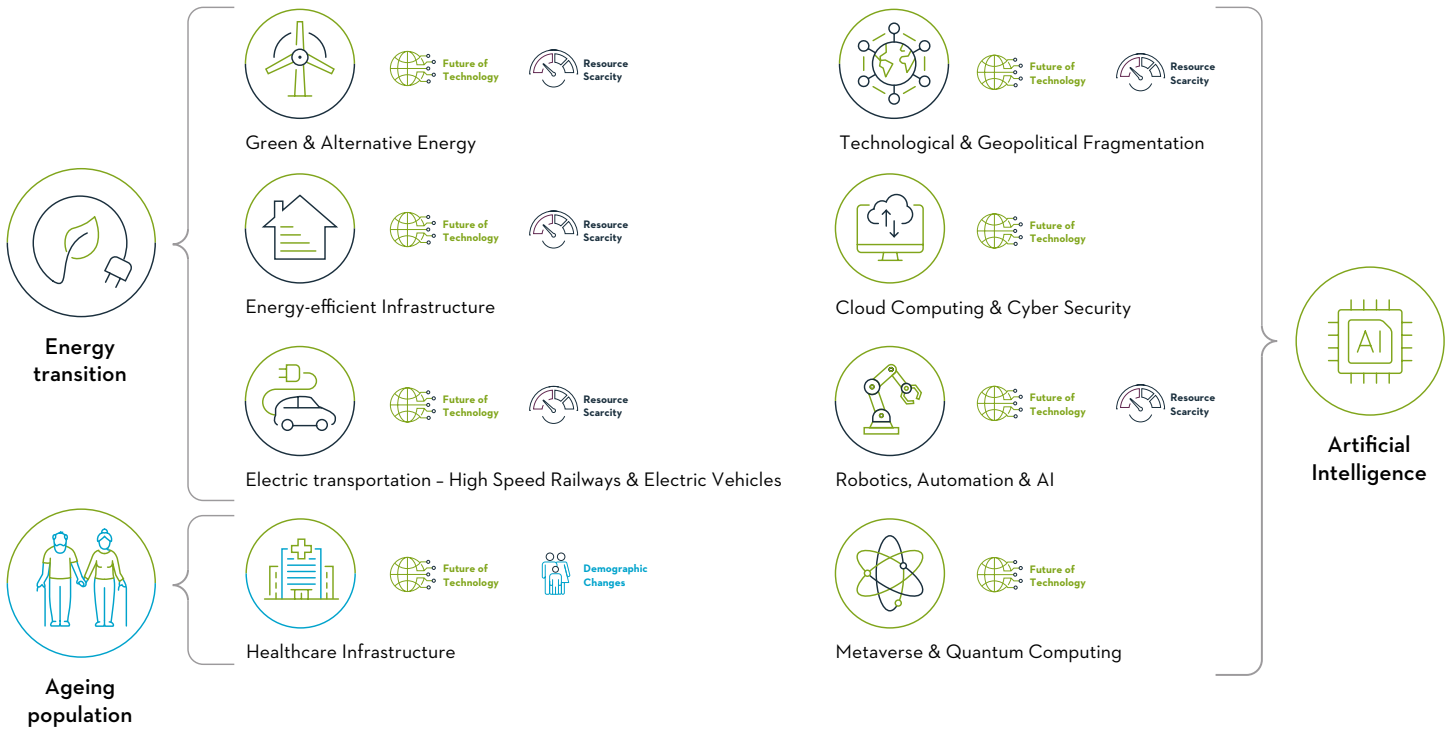
The EU will have a new five-year policy plan, which is likely to be a continuation of the previous five years, in terms of focus on the Energy Transition. The policies will however be influenced by the increased geopolitical tensions, with a higher emphasis on alternative energy sources rather than simply green energy, and more spending channelled towards national security and defence. We also believe that more initiatives will be taken to equip the EU with harnessing the Artificial Intelligence (AI) opportunity in a more rapid manner, through initiatives to stimulate investment in innovation. Ongoing focus on regulation related to AI, and increased regulatory scrutiny on big tech companies is likely to continue. Finally, there is likely to be an increasingly more aggressive stance towards unfair competition from China, as a way to protect domestic industries, notably the auto industry.

Marine Le Pen's far right, anti-EU party, Rassemblement National (RN), could benefit from this vacuum in terms of votes and momentum. This is likely to be the bigger threat to the EU integration agenda over the next two years; something that the market is not quite ready to focus on, or pay attention to.

# Our eight medium-term thematic opportunities remain well underpinned

Many of these potential policies capture our eight medium-term thematic opportunities, and three seismic thematic shifts, which are Energy Transition, Ageing Population, and Resource Scarcity. These are illustrated below, and written about in our report, *'Seismic thematic shifts bringing opportunities and disruption'*.

## Three seismic shifts capturing our eight medium-term thematic opportunities



# Important information

This material is intended to be of general interest only and should not be construed as individual investment advice or a recommendation or solicitation to buy, sell or hold any security, or fund, or to adopt any investment strategy. It does not constitute legal or tax advice. The views expressed are those of the investment manager and the comments, opinions and analyses are rendered as at publication date and may change without notice. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market.

The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions.

**Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.**

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.
- The strategy may invest in derivatives Index futures and FX forwards to obtain, increase or reduce exposure to underlying assets. The use of derivatives may result in greater fluctuations of returns due to the value of the derivative not moving in line with the underlying asset. Certain types of derivatives can be difficult to purchase or sell in certain market conditions.

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