

# 2019 EUROPEAN PARLIAMENT ELECTIONS

## Key things to know

### INVESTMENT INSIGHTS INFOGRAPHIC

March 2019

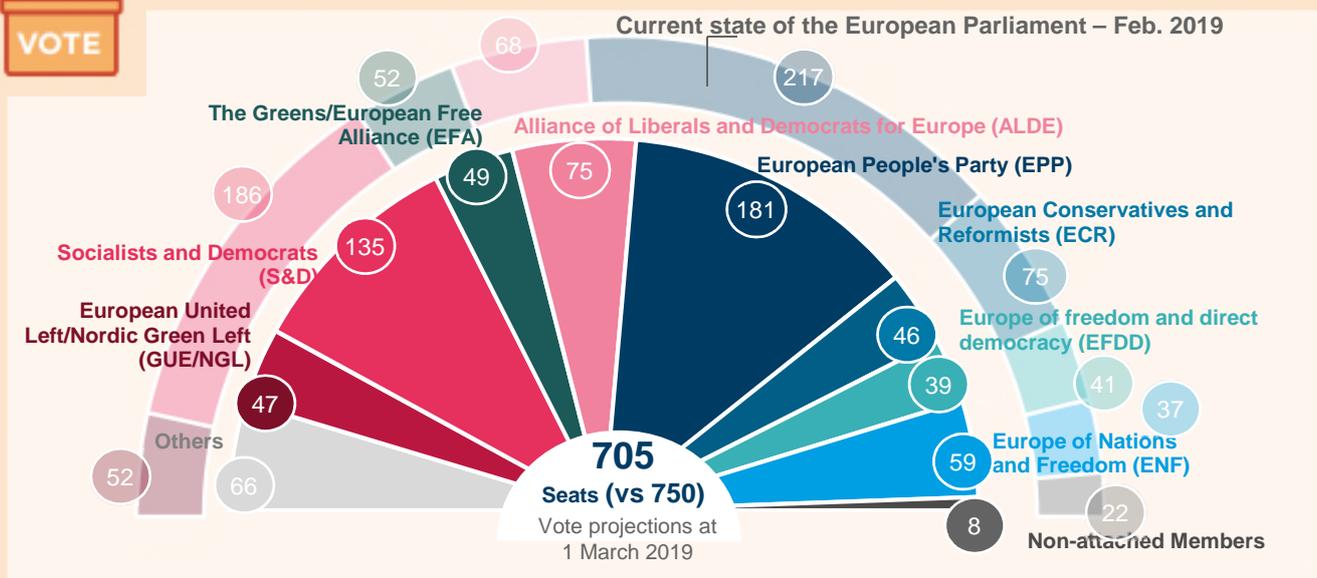


## 5 things to know about 2019 EU elections

1	2	3	4	5
<b>WHEN AND WHERE</b>	<b>THE EU PARLIAMENT</b>	<b>RELEVANCE OF ELECTIONS</b>	<b>THE IMPACT OF BREXIT</b>	<b>SMALL ECONOMIC IMPACT</b>
Take place 23-26 May 2019 in the 27 Member States of the European Union (28 if UK were to vote)	The European Parliament is the only directly elected institutional body of EU, with legislative, budgetary and supervisory powers which include approval of the leadership of the European Commission, the EU's executive arm	These elections take place in a context of tensions (internal within the EU and external related to trade, migration, social tensions, etc.) that will make them a sort of referendum on the EU project, and a key political test for many countries	Potentially fewer members of the European Parliament: 705 members vs the current 750. In case of a long delay in Brexit, the UK would likely take part to the elections. A soft Brexit, with a long transition period, would likely have little impact on the election	We don't see significant implications from the elections, but clearly there is a lot of political noise currently. From an economic standpoint, the results will not change economic policies, at least in the short run



## Vote projections: A more fragmented Parliament



The two major political forces – the European People's Party and the Progressive Alliance of Socialists and Democrats – will likely lose their current majority. However, these two political forces are still expected to remain the two largest parties in the EU Parliament and could thus attract other smaller pro-European political formations that may gain ground (eg, the Greens).

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## Market implications

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### Implications for financial markets

Financial markets dislike uncertainty – political uncertainty in particular. However, the main point regarding European elections is that the impact will not materialise on day one, but the medium-term consequences could be significant. The signalling effect of the election outcome on the different local elections scheduled for 2019, and the effects on the agendas of EU member-state governments will have by far a more relevant impact on markets. In the short term, we expect:



**Potential euro currency depreciation** to reflect the inability of Parliament to take bold decisions towards more integration.



**An increase in market uncertainty**, with a potential impact on corporate and peripheral bonds (wider spreads) and appetite for safe assets (German government bonds).



Stronger focus on **assessment of each country's fiscal strength** which should be reflected in sovereign bonds valuations.

### AMUNDI VIEWS

#### EUROPEAN FIXED INCOME

*“Given zero rates in core bonds, we continue to seek opportunities in peripheral bonds (Spain, Portugal) and in primary markets across both corporate and sovereign issuers, with a strong focus on fundamental analysis”.*

#### EUROPEAN EQUITIES

*“Much of the uncertainty is already priced into European equities, except a no-deal Brexit or a further material deceleration of the EU economy, which is not currently our view. We believe the opportunities within European value are the most compelling”.*

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**Devised by:** Amundi Investment Insights Unit.

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