

## French elections: Wall Street joins European relief rally

25 April 2017



A European stock market rally sparked by the French presidential election spread to Wall Street on Monday.

All three main US share markets jumped more than 1%, with the tech-heavy Nasdaq index closing at a record high.

Europe's main markets jumped at least 2% and the euro hit a five-month high as fears over the election eased.

"Markets are taking the news out of France very positively," said David Levy, US-based investor at Republic Wealth Advisors.

Most Asian stocks markets have seen a second day of gains. They'd already reacted to the weekend vote on Monday.

Japan's Nikkei 225 was up about 0.4% in morning trade, while South Korea's Kospi had increased 0.1%.

Stock markets in Australia and New Zealand are closed for ANZAC day.

### **'Relief rally'**

Centrist Emmanuel Macron topped the voting on Sunday and is strongly tipped as the eventual winner in the run-off with far-right candidate Marine Le Pen on 7 May.

Investors had worried that far-left Jean-Luc Mélenchon would beat Mr Macron on Sunday, giving voters a choice between two Eurosceptic candidates.

In the US, the Nasdaq gained 1.2% to finish the day at 5,983.82, up about 67 points from a record set last week. The Dow Jones and S&P 500 indexes both rose 1.1%.

As in Europe, banking stocks were among the stand-out gainers.

"This [election] alleviates fears that we were going to have to navigate a French exit (from) the European Union," said Brian Jacobsen, chief portfolio strategist at Wells Fargo Funds Management.

"This is a classic relief rally showing up most in financials," he said. "We cleared this hurdle and now it's a little bit more clear running."

### **'Frexit off the table'**

France's Cac 40 share index closed 4% up, while Germany's Dax was 3.37% up.

The Cac's gains took it to its highest level since the financial crisis of 2008. In London, the FTSE 100 share index ended 2% ahead.

At one point, the euro rose to its highest level against the dollar since mid-November, before giving up some ground.

### **Newcomer Macron targets presidency**

Octavio Marenzi, chief executive of the financial research consultancy Opimas in Paris, said: "Macron will be reassuring to markets, with his pledge to lower corporate taxes and to lighten the administrative burden on firms. He basically represents continuity."

Other analysts said markets had welcomed Mr Macron's large lead in opinion polls over Ms Le Pen, who has opposed the euro and France's EU membership.

"Clearly investors are happy with the result as a 'Frexit' seems to be off the table," said Neil Wilson, an analyst at ETX Capital in London.

"But watch for the risks to return - if Le Pen starts polling in the 40%+ bracket we will see nerves creep back in and some of these big lurches higher could be dialled back as profits are taken and investors reprice risk."

European bank shares rose to their highest level since December 2015 on the improved prospects for the euro.

In France, shares in Societe Generale and Credit Agricole jumped 9.86% and 10.86% respectively. In London, Barclays rose 5.4% and Standard Chartered added 4.75%.

Germany's Dax broke through 12,400 points for the first time, led higher by Commerzbank and Deutsche Bank.

In the US, JP Morgan and Goldman Sachs were the Dow's biggest risers, gaining 3.5% and 3% respectively.

### **Rallying around Macron**

As results started coming in on Sunday night, the euro jumped 2% to its highest level since 10 November, the day after the results of the US presidential election. The euro eased back later on Monday.

The move left sterling down 1.3% against the euro at 1.17, while the pound dropped 0.2% versus the US dollar at 1.27.

"The extent of the market reaction shows how nervous investors were, worried that the actual polls would deliver another shock result," said Steven Bell, chief economist at BMO Global Asset Management.

Mr Macron, a former investment banker, served as economy minister under current President Francois Hollande.

Despite his relative inexperience - he has never served as an MP - polls see him defeating Ms Le Pen in the second round.

**Original Story:** <http://www.bbc.com/news/business-39688501>