

# View from

the trading floor



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## What now for President Hollande?



*John Bennett, director of European equities at Henderson Global Investors, discusses the effect of Hollande's victory and what it means for rest of the eurozone*

The win by Francois Hollande, the socialist candidate, for the French Presidency is a necessary evil. It ruptures the 'Merkozy' axis that has dictated eurozone policy in recent years. Whilst the vainglorious Sarkozy might have believed his partnership with German Chancellor Angela Merkel was on equal terms, it was clear that policy was drawn along German thinking. Unfortunately, the austerity medicine prescribed by the axis has been killing the eurozone patient, particularly the more sickly members who do not have the strength to tolerate the dosage. Hollande has stated he would like to renegotiate the fiscal compact agreed between member states. This could pave the way for a period of volatility as the ratings agencies bleat their disapproval but such a move is born of pragmatism that more needs to be done to promote growth.

For Sarkozy, such a blatant change of tack would have been awkward if not impossible. For Hollande, it is relatively easy since his win gives him the mandate for change. Will Germany tolerate a shift in stance? Probably, since the only option is to risk being isolated within the eurozone. Will the markets be forgiving? Probably, since otherwise Europe risks becoming a textbook case of the Paradox of Thrift. A shift in mindset towards a focus on getting Europe moving again rather than relentless cuts is exactly what the doctor should be ordering.

In terms of our positioning, we remain of the view that despite the difficult backdrop it is possible to assemble a portfolio of carefully selected, liquid stocks on attractive valuations. At a time when the western world's leaders are trying frantically to engineer inflation, we find it compelling that global businesses whose domicile happens to be Europe have the potential to reward handsomely the patient investor. All the more so when their stocks are trading at very attractive valuations. As ever the scarce yet fundamental commodity is patience.