

PRESIDENT-ELECT TRUMP: THE VIEW FROM EUROPE

‘Do you ever get the feeling that the only reason we have elections is to find out if the polls were right?’ - Robert Orben

Political watching from a European time zone in 2016 has all been about the hour from 2am to 3am (London time). In late June, consensus expectations of a Brexit referendum ‘remain’ vote were quashed, as ‘leave’ surprisingly triumphed. It was around a similar time earlier today that the seemingly iron-clad grip Hillary Clinton had on the Presidential vote started to slip away, much to widespread astonishment here in Europe.

Prior to the last year or two, President-elect Donald Trump was famous for a couple of matters in Europe: his role in the American version of *The Apprentice* and his interest in Scottish golf course development. Today he is a couple of months or so away from taking the most powerful political office in the world.

Most European politicians would have preferred Hillary Clinton to have prevailed in the Presidential vote. Donald Trump strikes many as instinctively protectionist and potentially dismissive of historical international allegiances. This matters for Europe, because the wealth created in the region in the post Second World War period has occurred via a partnership with the United States on progressive trade liberalisation and defence co-operation (most notably during the Cold War). Europe does not have the internal resources to be overly protectionist nor the geographic structure to consider isolation. In short, a continuation of the normal world order would have suited Europe very well – especially as Brexit and Eurozone angst is providing considerable internal challenges at the moment.

Comments so far reflect much of the above such as ‘German businesses signal concern over protectionism’, concerns from high ranking French officials about recent deals on climate controls and Iran, plus the spectre of the Russian leader Vladimir Putin – who is feared in Europe after his intervention in Ukraine a couple of years ago - calling for a ‘constructive dialogue’ on US-Russia relations.

I believe it is likely that trade actions and negotiations will characterise whether the Trump Presidency is viewed as a relative economic success or not. Campaign rhetoric is one matter, practical reality is another, and despite the short-term attractions of more protectionist actions, the strong view from Europe is that they should be resisted. We will have to see in the fullness of time whether this is the reality or not but I was heartened by the tone of Donald Trump’s effective acceptance speech from his campaign headquarters, where he not only noted that it was ‘time for us to come together as one united people’ but he also hoped to forge ‘great, great relationships’ with other nations.

The key to succeed in this difficult balancing act between campaign rhetoric and practical realities may well be the relationship with the UK - a country which is going through its own challenges with the aftermath of the Brexit referendum vote. It was noteworthy that the UK Prime Minister Theresa May observed earlier today that: ‘Britain and the United States have an enduring and special relationship based on the values of freedom, democracy and enterprise... I look forward to working with president-elect Donald Trump, building on these ties to ensure the security and prosperity of our nations in the years ahead’.

The UK not only is looking to strike trade deals with countries – a concept warmly supported by Donald Trump on the campaign trail, in stark contrast to President Obama’s ‘back of the queue’ comment – but as a link to European political and diplomatic scene there is scope to develop a mutually beneficial bilateral relationship. Back in the 1980s and 1990s, this was referred to as a ‘special relationship’ by successive British Prime Ministers – an era of stronger growth and trade/diplomatic successes.

Alternative scenarios exist – of creeping trade controls, an enthused anti-establishment political order in France and Germany plotting electoral success in 2017 and creating international co-operations. However, the initial relatively benign capital markets’ reaction in Europe – certainly more benign than on the day of the Brexit referendum result – shows that unexpected news is not always negatively interpreted.

Today’s political news does not change the notion that for the investment markets, the glass can still be half full. Policy-makers just have to keep on working to convince the electorate that this is the case.

CHRIS BAILEY, European Strategist, Raymond James Euro Equities*

*An affiliate of Raymond James & Associates and Raymond James Financial Services.

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