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France votes on 23 April: what is the current position of Marine Le Pen?

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Marine Le Pen has been losing in the polls, a fact probably due to the improved economic environment in France.

The sentiment indicator for the business sector has continuously improved over the past three years. Unemployment has been falling since October 2016. According to a poll by OpinionWay, a majority of the French are critical of the introduction of a new national currency (71% of the respondents were against it, 29% in favour).

Therefore, the chances of the Front National to win the presidential elections have been in decline. At the moment, Emmanuel Macron is clearly ahead in the polls. However, unexpected events such as a terror attack or another scandal may change the sentiment drastically.

Source: *OpinionWay*

Does this mean the political risk in France has been contained?

No, because even a victory by Macron would not be able to completely calm the political situation in France, since like Le Pen he holds no majority in the parliament.

Without a majority in parliament, Macron has no chance of pushing the reforms that France urgently needs. His newly formed party currently does not have a single deputy in the National Assembly ("Assemblée Nationale").

Even if he can win over a part of the Parti Socialiste (N.B. some ministers have already declared they are backing Macron), the presidential candidate of the left wing of the Parti Socialiste, Benoit Hamon, can still rely on strong support.

The next elections for the National Assembly are scheduled for June. In [France](#), only few people can imagine that the traditional hegemony of the right or left wing could ever change. However, the outcome of the elections is hard to predict. Due to the voting system, according to which every deputy in a municipality is elected from a group of candidates from different parties, personal attachments sometimes are of higher relevance than party membership.

Source: *Wikipedia*

What does this mean for the bond markets?

In the short run, a continued falling of Le Pen's poll numbers could lead to narrowing spreads on French government bonds. However, if the market realises how few necessary reforms can be implemented in France, the attractiveness of French bonds may cool down again, and the yields of French bonds might rise again relative to German yields.

Yield differential (spread) 10 years French vs. 10 years German government bonds

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