

# LETTER FROM EDOUARD CARMIGNAC

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## APRIL 2017

Edouard Carmignac writes on current economic, political and social issues each quarter.

Paris, April 12, 2017

Dear Investor,

As I suggested in my previous Letter, equity markets have performed well in this first quarter of the year – so well, in fact, that they have wrongfooted the many doomsday prophets who announced a surge of volatility, blamed in large part on Donald Trump’s alleged unpredictability.

The US stock market is up by over 9.6% since he was elected. But should we then conclude that populism can contribute to economic recovery, even though it represents a grossly inadequate response to the discontent and the sense of injustice so widespread today? That the economic nationalism advocated by Trump can actually work in our increasingly interdependent world, or that promoting security at the expense of civil liberty and conservative dogmas at the expense of innovation will pave the way to a better future? On

the contrary, we firmly believe that the currently enviable rally in American stocks is driven more by the global economic recovery under way than by campaign promises whose fulfilment looks increasingly doubtful.

La Fontaine's vivid fable "The frog that wished to be as big as the ox" irresistibly springs to mind. "She stretches, swells, and strains. . . enlarging till she splits." It would be madness to imagine that a country the size of France whose economy is both vulnerable and deeply enmeshed with the broader European economy could leave the euro area – effectively causing the entire European integration process to implode – and come out unscathed.

This is not to say that there aren't good grounds for rethinking that integration process, because there most emphatically are. The European Union simply can't go on micro-regulating everything from bidets to fermented milk in cheese at a time when it is apparently incapable of coming up with a sensible immigration policy. Regulatory easing has become a vital necessity for the entire continent. But it won't be effective unless it first takes root in each Member State through the adoption of ambitious reform programmes that can unleash the energy of individual citizens and businesses alike. Once that energy is unleashed, we will be in a position to seize the many growth opportunities generated by the world of tomorrow – applying smart ecological thinking to everything from production and consumption to housing, transportation and energy.

That is the way – the only way – we can ward off the growing threat of a triple cultural, societal and economic collapse.

Yours truly,



Edouard Carmignac

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