



European Elections Update: Netherlands, France, and Germany

Against the backdrop of the 2016 populist surprises of Brexit and the US elections, risk anxiety over the outcomes of 2017 national elections across Europe is high. Concern about far-right populist candidates and parties is fueled by polling data suggesting a surge in support across Europe. For investors and markets, the success of these parties raises prospects of further European Union (EU) fallout and increased trade protectionism endangering already meager global trade and economic growth.

Consequently, the upcoming national elections in France, Germany and the Netherlands are being closely monitored. Current polling shows support for populist parties, previously spiking, as dropping off but still above historical averages. While established mainstream parties will prevail likely in the Netherlands and Germany, higher than normal support for far-right parties could push some policies to the right, most notably on immigration. The major exception is in France where independent presidential candidate Emmanuel Macron appears the favorite.

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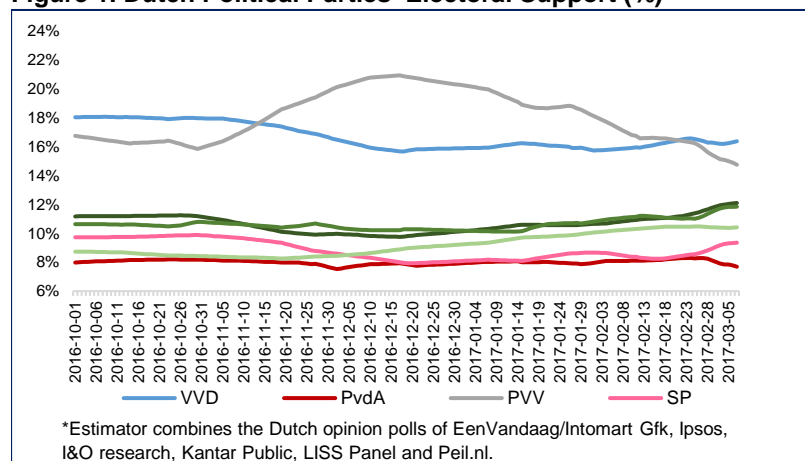
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NWP Takeaway: Expect the far-right PVV to gain 22-25 seats

Netherlands' General Election (March 15)

The PVV (Party for Freedom) and VVD (People's Party of Freedom and Democracy) are neck-and-neck in a tight race over which will gain the most seats. The far-right PVV party, led by the controversial Geert Wilders, could be on the verge of becoming the largest party in the Dutch parliament. However, of late the party's polling data has been trending negative. Earlier forecasting suggesting the PVV might capture as many as 36 seats has recently ebbed settling at just below 15%, translating into 22 to 25 seats. Meanwhile, the incumbent conservative-liberal VVD is holding steady at just over 16%, likely earning the party between 24 to 26 (Figure 1). (An interesting aspect of Dutch polling is that the number of likely seats won is reported rather than vote percentages, see the attached Appendix with List of Parties.)

Figure 1. Dutch Political Parties' Electoral Support (%)*



Source: Northwest Passage Capital Advisors; Using data from the Dutch Polling Indicator ('Peilingwijzer') created by Tom Louwerse, Leiden University, <http://peilingwijzer.tomlouwerse.nl>.

However, the recent clash with the Turkish government over allowing political rallies in the Netherlands may reverse the PVV's recent polling misfortunes. Renewed focus on immigration

and Muslims residing in the country already provided a small bounce for the PVV, narrowing the VVD's already slim lead to less than 2%, within the margin of error.¹ Such negative news feeds the PVV narrative which thrives with more pessimistic voters.² Moreover, the lower levels of voter commitment among several of the minor parties could mean the migration of votes to either the PPV or VVD.³

NWP Takeaway: Despite gaining seats, the PVV will fail to be part of any coalition government

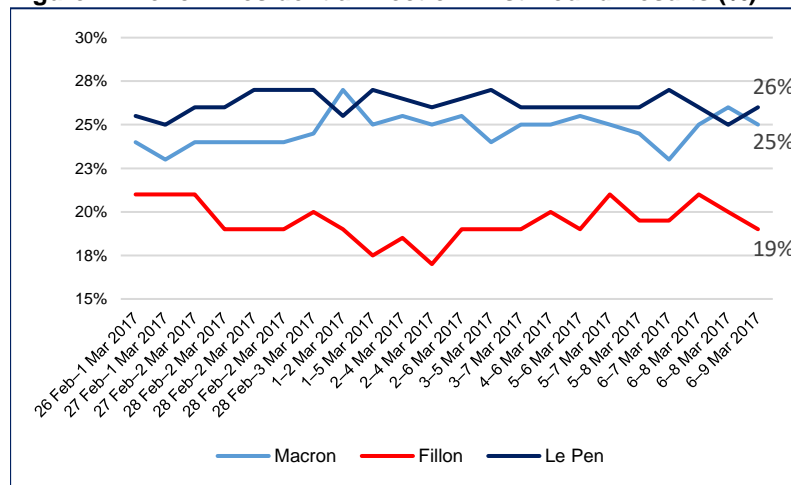
A very crowded field, with potentially 15 parties winning seats, means the necessity of forming a coalition government, consistent with the recent pattern. Coalition building is a major hurdle for the PVV to overcome. Even if it captures the most seats, most other parties have already declared their refusal to join with the PVV in forming a government. Regardless, the PVV should nearly double its seat total over the 2012 election results.

France's Presidential Election (April 23; May 7)

NWP Takeaway: Like 2002, a FN candidate, Le Pen, will advance over one of the established party candidates

The French presidential election is a three-candidate race between Republican Francis Fillon, independent Emmanuel Macron, and Marine Le Pen of the National Front (Figure 2). Le Pen has maintained a solid position in the polls and is expected to advance easily to the second round. The race for the other candidate who will take on Le Pen in the second round has swung from favoring establishment candidate Fillon to the upstart independent Macron. Fillon's candidacy has suffered over allegations that family members, including his wife, were given bogus jobs and put on government payrolls. Meanwhile, Macron is running close with Le Pen for the largest first-round vote percentage and is expected to advance.

Figure 2. French Presidential Election First Round Results (%)



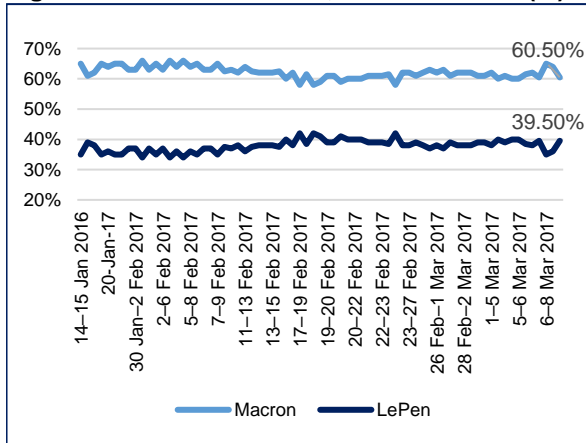
Source: Northwest Passage Capital Advisors; Using polls results from Ifop-Fiducial (rolling), OpinionWay (rolling), Elabe, Odoxa, Kantar Sofres, Ipsos, and Harris

While easily advancing to the second round, Le Pen currently falls short in polling of probable second round scenarios. In a match-up with Macron, Le Pen has gained about 4.5% since January, but still trails by 20% (Figure 3). Against the falling Fillon, the gap is larger at 38% versus 62% (Figure 4); however, this should narrow after the recent charges filed against Fillon.

NWP Takeaway: Independent candidate Macron appears the odds-on favorite in the second round, but expect a strong Le Pen push

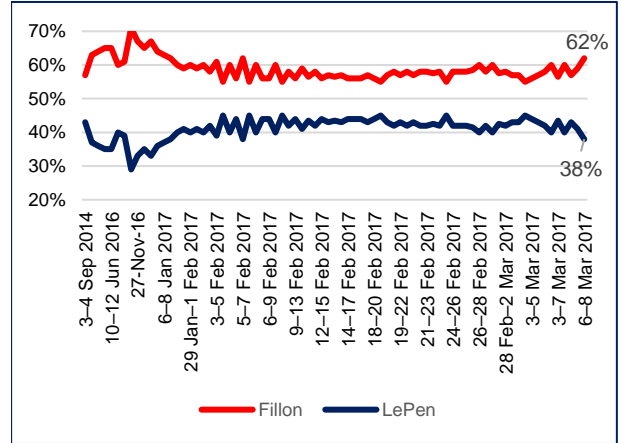
Despite an uphill battle, a Le Pen victory should not be completely discounted. While her father, Jean-Marie Le Pen, only captured 18% of the 2002 second-round vote, Marine Le Pen is polling more favorably at 40% and trending upwards. Whether French voters come out in force to reject a National Front candidate is questionable given high levels of party disenchantment. This phenomenon is especially acute among younger voters. Among poll respondents below the age of 35 Le Pen is favored in the first round by 33%, more than any other candidate.⁴ Further scandals or a terror attack could strengthen Le Pen against an apparent weak field.

Figure 3. Macron v. Le Pen, Second Round (%)



Source: Northwest Passage Capital Advisors; Using poll results from Ifop-Fiducial, OpinionWay, Elabe, Odoxa, Kantar Sofres, Ipsos, BVA, and Harris

Figure 4. Fillon v. Le Pen, Second Round (%)



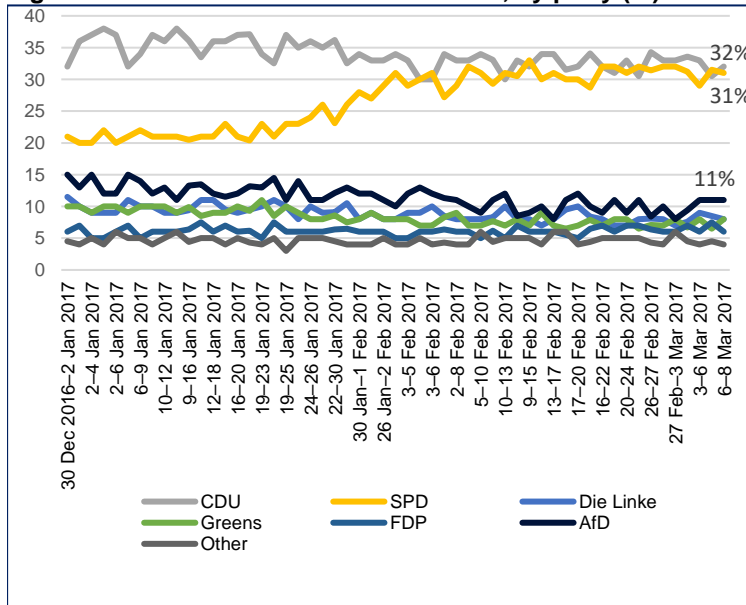
Source: Northwest Passage Capital Advisors; Using poll results from Ifop-Fiducial, OpinionWay, Elabe, Odoxa, Kantar Sofres, Ipsos, BVA, and Harris

NWP Takeaway: Previously spiking support for the far-right AfD has fallen, while the SPD has surged since January

Germany Federal Election (September 24)

Until recently, the German election appeared to be a potential coming-out party for the far-right Alternative for Germany party (AfD) to challenge the Grand Coalition, led by Chancellor Angela Merkel, combining her CDU (Christian Democratic Union) party and the SPD (Social Democratic Party). Ginned up by news and events highlighting the AfD's anti-immigrant platform, the party gained temporary traction in the polls, potentially tripling their 2013 election results (4.7%).

Figure 5. German Federal Election Result, by party (%)



Source: Northwest Passage Capital Advisors; Using Polling data collected from INSA, Emnid, Civey, Ipsos, Allensbach, Forsa, Trend Research, GMS, Infratest dimap, and Forschungsgruppe Wahlen

March 14, 2017



NWP Takeaway: Anticipate another "Grand Coalition", but possible flip in the chancellorship

Since early February, the race has tightened dramatically between Merkel's CDU and the SPD, reinvigorated by the pick of Martin Schulz as its chancellor candidate. From the end of the year to early February, the SPD picked up nearly 10% moving into a near dead heat with the CDU. Meanwhile, the AfD has fallen into a distant third position, holding at just over 10%.

Should these poll results hold, expect little in the way of major change regarding governing. Another CDU-SPD "Grand Coalition" is expected. However, if other parties of the left (Die Linke and the Greens) can pick-up ground between now and the fall it could increase the chances of an SPD-led left coalition. For now, the German election appears to be a race for the chancellorship between the two major establishment parties.

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Appendix

List of Parties and Dutch Polling Data (projected seats won)

List of Parties:

- VVD** People's Party for Freedom and Democracy
- PVV** Party for Freedom
- PvdA** Labour Party
- SP** Socialist Party
- CDA** Christian Democratic Appeal
- D66** Democrats 66
- GL** GreenLeft

I&O Research

Date	VVD	PvdA	PVV	SP	CDA	D66	GL
3/8/17	24	14	20	14	16	20	17
2/28/17	25	14	22	12	15	17	20
2/15/17	24	14	20	11	16	20	19
1/31/17	25	12	26	13	14	15	18
1/16/17	26	17	26	10	15	13	19
12/20/16	23	16	33	11	12	15	18
11/21/16	27	17	30	15	12	13	12

De Stemming

Date	VVD	PvdA	PVV	SP	CDA	D66	GL
6-Mar-17	24	12	24	15	20	16	16
27-Feb-17	22	12	22	16	19	17	15
14-Feb-17	23	12	26	13	18	16	15
30-Jan-17	24	12	31	15	17	16	14
16-Jan-17	23	11	29	15	18	15	13
19-Dec-16	24	12	29	12	16	17	12
29-Nov-16	25	13	29	15	15	19	11

Ipsos

Date	VVD	PvdA	PVV	SP	CDA	D66	GL
28-Feb-17	27	12	28	13	17	19	13
20-Feb-17	25	11	28	11	18	19	16
14-Feb-17	24	11	27	11	18	18	16
1-Feb-17	22	10	35	14	16	15	15
17-Jan-17	29	12	30	13	16	15	14
19-Dec-16	23	11	36	13	13	13	13
5-Dec-16	25	7	35	15	17	17	11

Peil

Date	VVD	PvdA	PVV	SP	CDA	D66	GL
2-Mar-17	28	12	24	12	19	17	13
23-Feb-17	28	13	26	11	16	16	13
16-Feb-17	26	11	27	10	18	17	14
2-Feb-17	24	11	28	12	19	17	14
19-Jan-17	27	11	27	11	18	18	12
22-Dec-16	28	10	29	10	18	18	13
8-Dec-16	27	11	29	12	18	17	11
24-Nov-16	28	12	26	13	17	17	12
10-Nov-16	30	12	23	14	18	18	10

TNS NIPO

Date	VVD	PvdA	PVV	SP	CDA	D66	GL
7-Mar-17	25	9	23	14	21	17	18
5-Mar-17	24	10	25	13	21	17	17
3-Mar-17	24	10	25	13	21	17	17
28-Feb-17	25	12	28	11	19	15	17
26-Feb-17	25	12	29	11	18	14	18
19-Feb-17	25	11	29	11	17	14	18
12-Feb-17	24	11	30	12	17	14	17
5-Feb-17	23	11	32	12	16	14	17
29-Jan-17	24	10	33	11	16	14	16
22-Jan-17	24	10	33	11	16	14	16
15-Jan-17	23	10	34	11	16	14	16
8-Jan-17	23	10	35	11	15	14	14
18-Dec-16	23	10	36	11	14	14	14
11-Dec-16	23	10	36	11	14	14	14
4-Dec-16	24	9	34	11	15	14	14
27-Nov-16	25	9	33	11	15	15	14

LISS (panel data)

Date	VVD	PvdA	PVV	SP	CDA	D66	GL
8-Mar-17	26	13	21	16	16	18	15
7-Mar-17	25	13	21	18	16	18	15
6-Mar-17	25	13	22	17	15	19	15
5-Mar-17	25	13	21	17	15	18	15
4-Mar-17	25	13	21	16	15	18	15
3-Mar-17	25	13	21	17	15	18	16
2-Mar-17	25	13	21	17	15	18	16
1-Mar-17	25	13	22	17	15	18	16
28-Feb-17	26	13	22	15	15	17	17
27-Feb-17	26	14	22	15	15	17	17
26-Feb-17	25	14	22	16	15	18	17
25-Feb-17	25	14	21	16	15	18	17
24-Feb-17	25	14	22	15	14	18	16
23-Feb-17	24	14	23	16	14	17	16
22-Feb-17	24	14	22	15	14	18	16
21-Feb-17	24	14	22	15	14	18	17

¹ LISS panel poll, March 13, 2017. <https://verkiezingen.liSSdata.nl/>

² Peil.nl poll, March 12, 2017.

³ I&O Research Poll, March 7, 2017.

⁴ IFOP rolling poll, March 10, 2017. http://dataviz.ifop.com:8080/IFOP_ROLLING/IFOP_10-03-2017.pdf