



Investment Update

Political Risk to Investing

So far, markets appear to be unaffected this year by the ongoing political uncertainty. In the US, confidence has rebounded and their stockmarkets appear to be pricing Trump as Ronald Reagan reincarnate.

Even Reagan took two years to implement tax reform with a much more cohesive Republican party. There is much scope for disappointment in this area.

In the Eurozone, disintegration would be one of the largest financial shocks in modern history. We know that "currency unions" have broken apart before, but none in recent decades would compare with the size, global significance, and the level of cross border financial integration of the Eurozone. Financial institutions have transacted trillions of Euros on the assumption of zero exchange rate risk. Deutsche Bank assesses that the cross border exposure to firms and banks balance sheets could be as high as €46 trillion within the Eurozone.

After last year, who can predict political elections. Nevertheless, we tend to be a little nervous of the current French election whilst in the second stage of the process. However, the core of the EU has considerable support with the French populous - 80% support the free movement of EU citizens whilst 68% support the euro and monetary union.

However, the Eurobarometer poll, which predicted the UK would vote for Brexit, suggests that the French are becoming more despondent about the EU for the first time. So we think that this Sunday's election result could be much closer than many think.

The financial markets are rather cool on the political risk we face this year but we stress vigilance on this aspect. Furthermore, we do not expect large upward rallies on markets as and when these political risk hurdles in the EU are cleared.

As ever, if you wish to consult us on any aspect above, please do not hesitate to get in contact.



Private Fund Management

Telephone: +351 289392484/289392485

Facsimile: +351 289392483

Email: info@privatefundmanagement

Website: www.privatefundmanagement

Address: Avenida Jose Dos Santos Farias, Loja 1, Lote 83/84, Almancil, 8135-167. Portugal.