

# LETTER FROM EDOUARD CARMIGNAC

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## JULY 2017

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

Paris, July 12, 2017

Dear Investor,

Witold Gombrowicz, a Polish writer who made France his second home, once remarked that “Being French fundamentally means taking more than just France into consideration.” Today, by firmly rejecting nationalistic and populist political currents of every stripe, my compatriots have unambiguously re-embraced the spirit of openness and commitment to universal values that are hallmarks of French culture.

The waning of populism here and elsewhere in Europe, the trouble Theresa May is having getting a clear mandate to carry out Brexit, and Donald Trump’s serial blundering – these are all heartening signs. As I stressed in my previous Letter, economic nationalism won’t work in an interdependent world; nor can we build a viable future by promoting security at the expense of civil liberty and conservative dogmas at the

expense of innovation.

Should financial markets be happy to see populism on its way out? While the shelving of fiscal stimulus platforms – many of them half-baked – may dampen economic growth in the short term, it will also eliminate a fair amount of the serious uncertainty that would have inevitably pushed countries to use exchange rates and protectionism to defend themselves. With the Macron-Merkel duo at the helm, the European construction process now appears to be back on track, and it looks at long last like renewed trust and a reduction in imbalances between EU Member States will translate into more lasting support for the economy.

However, as political risk fades into the background, global liquidity is now under threat from the Federal Reserve and, to a lesser extent, the ECB. The ultra-loose monetary policies pursued by these and other central banks since 2008 have done a great deal to keep the economy going, yet they have also driven up financial asset prices. So with economic growth both gaining traction and reaching a broader range of countries, this seems like the right time to start soaking up some of the excess liquidity in the system. But ensuring that the market will be able to handle the gradual policy tightening is no easy job, and it may require particular skill in the United States, where the growth engine is beginning to run out of steam.

This means that we will have to carefully and constantly monitor the way that central banks manage their monetary policy normalisation process. We hope that in doing so, we will help make your summer holiday as trouble-free as possible.

Yours truly,

**Edouard CARMIGNAC**  
*Président Directeur Général*



Edouard Carmignac

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