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For professional investors

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Dutch elections likely to be as flat as the country

- Nationalist Geert Wilders unlikely to pose serious threat
- Dutch don't have the same anti-EU feeling as the British
- Impact on Amsterdam Stock Exchange seen as limited

The Dutch elections are unlikely to produce any upsets due to the smörgåsbord of political parties vying for power, says Robeco's Chief Economist Léon Cornelissen.

The country goes to the polls on March 15 to choose members of the 150-seat lower house of parliament. The party with the most seats gets to form a coalition government, and its leader then becomes prime minister. With the far-right PVV led by Geert Wilders currently ahead in the polls, this has led to fears of another Brexit or Trump-style electoral shock.

However, the arcane nature of Dutch politics, with 28 parties of all complexions challenging in the election – there is even a party for animals, and another for the over-50s – means that the final result is likely to be as flat as the country itself, Cornelissen says. It's also unlikely to impact Dutch stocks, even if Wilders wins, adds Lukas Daalder, Chief Investment Officer of Robeco Investment Solutions.

"The Netherlands uses a system of proportional representation, with a smörgåsbord of political parties where no-one is dominant," says Cornelissen. "Although the PVV has



Léon Cornelissen,
Chief Economist

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consistently polled as the largest party for about a year, that doesn't translate to much in terms of seats and parliamentary power."

"These polls predict that the PVV will probably get 24-28 seats out of the 150, and there's no chance they'll get an absolute majority. And since few people are prepared to work with the PVV and Wilders, they wouldn't be able to form a coalition even if they were the largest party. So there's no cause for alarm."

The Dutch Trump

The alarm bells have been ringing because Wilders – dubbed the 'Dutch Trump' – is fervently anti-EU, and has attacked both Islam and immigrants, particularly the Netherlands' large Moroccan community. The PVV previously served in a Dutch coalition before breaking a pact in a row over austerity measures in 2012, causing a general election, though Wilders has never held government office.

"The PVV is more of a long-term risk because the party has long punched above its weight, suggesting that they're the only true opposition as an anti-establishment group," Cornelissen says. "In fact, Wilders is already an establishment figure, having served for 19 years in the Dutch parliament; he cannot claim to be an 'outsider' given his longevity."

"Of course, some people will look to the result in the Netherlands as being a bellwether for France, where Marine Le Pen and her far right National Front is standing for president. An unexpectedly strong showing by Wilders would suggest the populist tsunami is still going on, increasing the risk of a Le Pen presidency. Investors would then switch their holdings into safe havens, including ironically, the Netherlands."

"But there just isn't the same anti-EU feeling in Holland as was seen with the Brexit. A recent poll by TNS Nipo showed that only a quarter of Dutch people are in favor of leaving the EU, and a firm 55% backs Remain. The Netherlands is a founder member of the EU, and has important trade relations with the UK, where the Brexit is already a worry about lost trade for the Dutch."

"So there is a consensus in the Netherlands that leaving the EU would be madness, though there are worries about the euro, because the feeling is the same as it is in Germany – that we pay up for the southern periphery countries.

The current parties

With just 12 seats, the PVV is currently not even in the top four of parties in parliament. The Netherlands has been governed since 2010 by Prime Minister Mark Rutte's liberal VVD party (40 seats) in coalition with the center-left PVDA Labor Party (35 seats), whose former parliamentary leader Jeroen Dijsselbloem is the finance minister. Then there's the Socialist

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Party (15 seats), the conservative Christian Democrats (13 seats) and the more liberal D66 (12 seats).

Up and coming is the Green Left (4 seats), led by 30-year-old Jesse Klaver, who is seen as a Justin Trudeau 'poster boy' type character after the young prime minister of Canada. Even the more obscure parties can win seats in parliament. The orthodox Christian SGP, which believes that the Netherlands should be governed by the Bible, has three seats, while the pro-animal rights and vegetarian Party for Animals has two seats. The 50Plus party, which is popular among the aging population and campaigns to lower the retirement age from 67 to 65, has one seat.

Virtually all Dutch parties support continued membership of the EU: only the PVV and Socialists want a referendum on a 'Nexit'. However, the 'new kid on the block', 34-year-old populist Thierry Baudet, who is being billed as the 'anti-EU wonder boy', looks set to win a seat with his newly formed Forum for Democracy party, according to polls.

Limited market impact

The elections are unlikely to have any effect on the highly internationalized Amsterdam Stock Exchange, says Daalder. "Even if Wilders wins with a clean sweep, the odds of it having much of an impact on Dutch stocks or any other stocks is limited," he says. "In order to form a coalition government, he would need to tone down on his more radical policy ideas and become more boring."

"There could be a spillover to European stock markets if any Wilders victory is seen as the becoming the next move away from the euro, but the simple fact is the Netherlands is too small to really influence European or global equities."

"If you look at the make-up of the Amsterdam Stock Exchange, most are internationally orientated companies such as Royal Dutch Shell, Unilever and Phillips, who have their origins in the Netherlands but mostly now operate overseas, where most of their earnings come from outside the country."

"The Dutch stock market is also quite heavy with financials, and Wilders could not impact them very much because their regulation is done by the ECB in a pan-European context. Unless the Netherlands actually goes for a Nexit, most equities are just not affected by Dutch elections."

'The odds of it having much of an impact on Dutch stocks is limited'

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