

## Second wave, second chance?

While Europe grapples with Covid-19's second wave, we look ahead to what the ECB could do next week. And with two weeks to go before the US presidential election, if Donald Trump gets a second chance, we look at what that would mean for Europe. And would you like fries with that? Our report on plant-based alternatives is food for thought

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By Thijs Geijer

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Article | 22 October 2020

## ECB: Preparing for the second wave

More infections, more restrictions and more monetary easing? Next week, the ECB could pave the way for more stimulus in December without showing its...



Source: Shutterstock

Videoconference by the European Central Bank President, Christine Lagarde

The last few weeks since the September ECB meeting have been marked by a wave of speeches, blog entries and communication.

After the slightly confusing press conference in September, the ECB has obviously tried to be more present and getting the power of word back but it is still hard to read the ECB under its not so new president Christine Lagarde. In the Draghi-era it was very clear that it was mainly Mario Draghi and Peter Praet, ECB watchers had to listen to in order to get a picture of the future path of the ECB. But now, it challenging to tell who really is calling the shots.

Having said that, at next week's ECB meeting, we think Christine Lagarde could take the lead and pave the way for fresh stimulus in December.

### The old rift opens again

After the September meeting, it seemed as if the old rift between hawks and doves had re-surfaced.

While the doves are on high alert, and warn against any complacency and argue in favour of doing

more in case of more deflationary forces, the hawks seem to argue that any deflationary pressures are the result of several one-off factors and should disappear in 2021. Also, the adverse effects of more monetary stimulus don't justify further easing.

Recent economic developments seem to support the doves. The plateauing of activity started in September but new lockdown measures and social distancing rules will in our view clearly dampen activity in the fourth quarter. Currently, these measures look like 'smart' or 'recreational' lockdowns with most restrictions taking place in the service and leisure sector but new lockdowns similar to the ones in Spring can no longer be excluded.

So, even if the new restrictions mainly impact local or domestic economies for now and not supply chains or spill-over to other countries, but if all eurozone countries eventually apply the same measures, the result will be the same: a double-dip in the eurozone.

## Risk of a double-dip has increased

Even if the risk of a double-dip has clearly increased, it is in our view still too early to call a significant contraction of the eurozone economy in the fourth quarter.

Manufacturing, partly because it started the rebound later than services but partly also due to the strong rebound in China, could still continue its catching up into the fourth quarter. Thereby, at least partly offsetting the negative impact from 'smart' lockdowns. In any case, double-dip or not, the ECB's September projection of GDP growth by 3.1% QoQ in Q4 looks way too optimistic.

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Also, the fact that currently as many goods in the consumer price basket show falling prices as in 2014 suggests that there is more to the deflationary threat story than lower energy prices and a German VAT reduction. And the stronger euro is not helping either. In this regards, the ECB released an interesting working paper this paper, suggesting that QE could be the first line of defence if the ECB was to tackle the stronger euro.

All in all, the case of more easing is building up quickly.

## What we expect next week

After the monetary policy, the discussion about what the ECB could do to tackle climate change and support European initiatives has heated up in recent weeks. There are several options possible, for example, using the collateral framework or asset purchases to support the shift towards a greener eurozone economy.

*We think the ECB is likely to increase the PSPP envelope in December, rather than increase the PEPP programme*

At the same time, the ECB has the option to use its role as bank supervisor to steer this shift. However, as with the discussion about any changes to the definition of price stability and the ECB's strategy review, we think the ECB is unlikely to announce any major changes before the strategy has been concluded, which will not be before mid-2021.

For next week's meeting, we don't expect the ECB to show its cards. The controversies within the Governing Council on what to do next are still quite strong. However, recent economic developments have clearly strengthened the case for the doves.

We anticipate an increase in the PSPP envelope in December, rather than an increase in the PEPP. Christine Lagarde could definitely present some hints. Even if some might argue that recent months have shown that the real communication action is no longer taking place at the press conference but in the blog entry the day after.

We will be monitoring both. Very closely.

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Article | 20 October 2020

# Brexit: non-event or knockout blow to EU recovery?

The economic impact of a no-deal Brexit on the EU economy will be significant, with tariffs introduced and disruption for some sectors likely. The...



Negotiations on a post-Brexit trade deal have proven tough over the course of this year. While both sides have been inching closer to an agreement over recent weeks, last week's EU summit reaffirmed that there's still a lot left to be resolved. Despite Boris Johnson's signal that he is prepared to walk away from talks completely, negotiations are expected to resume in one form or another over coming days.

Our house view is that there will be a deal agreed, but time is running out and both sides realistically have until the middle of November. That means there is still time for things to go wrong, and the risk of there being no deal, or only a wafer-thin agreement, are uncomfortably high.

## Border checks concerns are about to become reality

The main issue that has spooked people over the past few years has been chaos at the borders as border checks would suddenly come into effect. The British Freight Transport Association has estimated that every extra minute a lorry spends at the border for customs checks, will result in an



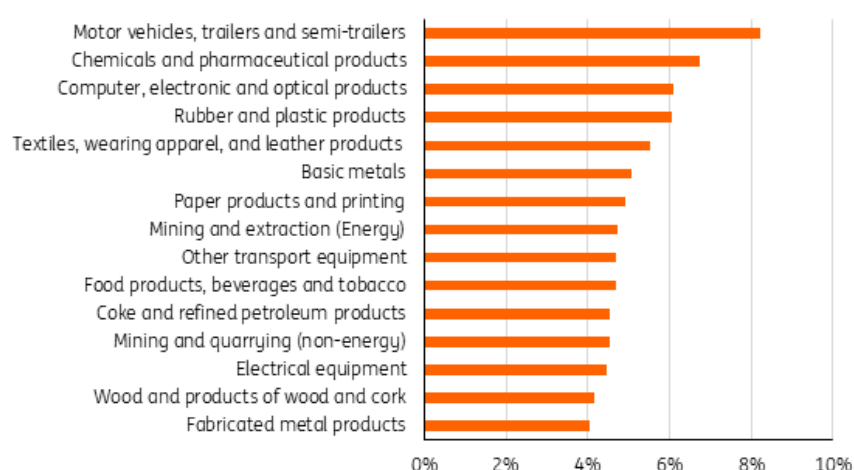
additional 30km of queues along the major roads to Dover. Current expectations are delays of up to two days for outbound shipments to the EU, according to Michael Gove, the UK minister responsible for Brexit.

These queues drive up transport costs as transit times will be longer. Businesses reliant on just in time (JIT) supply networks will also see inventory costs go up as they will need to hold larger buffers of spare parts. And trade of fresh agricultural goods could be badly affected if long delays emerge as the time that perishable goods can be sold is limited.

For EU exporters to the UK, the immediate effects of a no-deal Brexit would be less severe. This is because the UK would phase in checks over a period of three to six months in a no deal scenario. EU exporters will initially only need to prepare for basic customs requirements on most goods going into the UK, and this should help minimise some of the disruption at key roll-on-roll-off ports for goods entering the UK.

## Fig 1: Most exposed EU sectors to trade with the UK

Share of EU sector output destined for the UK as either intermediate or final products /service.



Source: OECD Input Output Tables

We computed the share of EU sector output that depends on trade with the UK. This is output in intermediate and final products destined for the UK. This exposure may be through indirect exports as well. For example, output of the chemicals and plastics industry in car exports to the UK. Taking all of that together shows the share of output of a sector at risk of possible disruption. The automotive, chemicals and electronics sectors are the most exposed to trade with the UK. These sectors are also characterised by more complex supply chain networks that potentially include multiple border crossings between the EU and the UK due to imported intermediate inputs. This means that these sectors will see the largest increase in costs as the rise in trade costs will accumulate with every border crossing.

For example, more than 80% of UK cars are made for export. However, these cars include a lot of imported parts on which the EU and the UK will also impose tariffs in the event of a no-deal Brexit.

Due to the current economic contraction related to the COVID19 pandemic, there is already slightly less trade than usual. This may offer some relief at the border, and potentially may see slightly

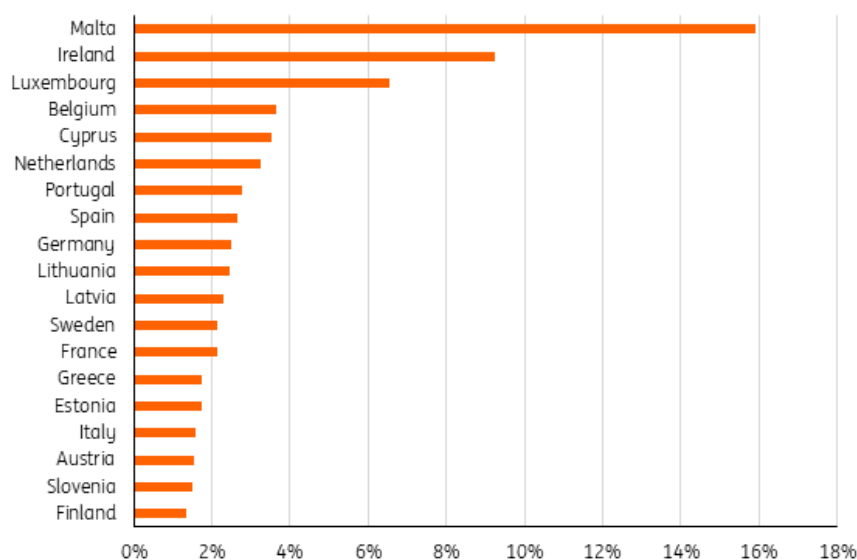
reduced disruption than otherwise would have been the case.

At a country level, the risk of possible disruption differs significantly between countries<sup>[1]</sup>. Looking at the larger EU economies, then Belgium and Netherlands are high on the list of countries that depend on trade with the UK and are therefore at risk of experiencing larger fallouts from the increased barriers to trade that will happen as of 1 January.

[1] For Malta, Ireland and Luxembourg, this is significantly higher, however, this is partly caused by royalty flows related to international tax optimization structures.

## Fig 2: For most EU countries, dependence on trade with the UK is less than 4%

Share of EU country output destined for the UK as either intermediate or final products /service.



Source: OECD ICIO, calculations ING

The country level exposure shown in Figure 2 may also come from indirect trade with the UK. For example, the exposure of Germany may be in part through German car parts in Slovakian car exports to the UK.

## Agricultural products and cars will be most heavily taxed

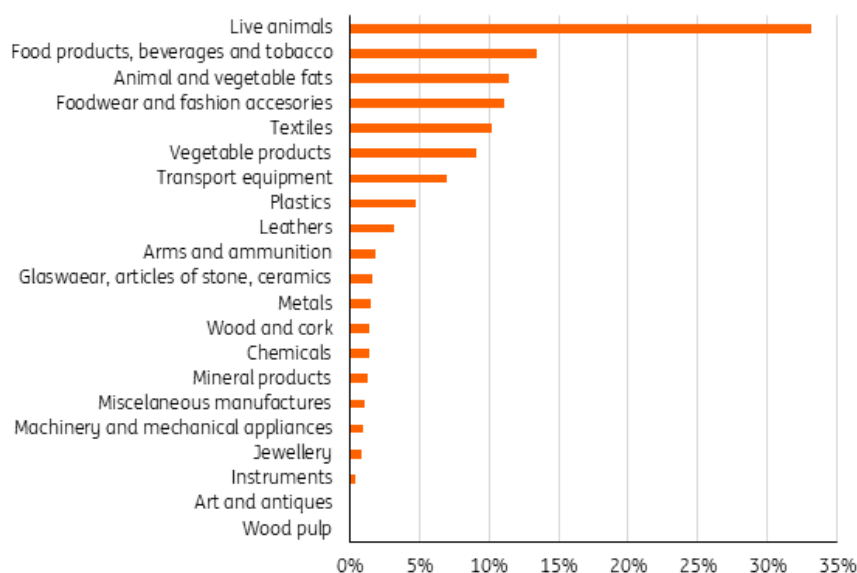
Another key issue if trade negotiations fail is that tariffs will come into effect on 1 January. Currently there are no tariffs on trade between the EU and the UK. In a no deal scenario, EU imports from the UK would be taxed at the EU's WTO tariffs. In such a scenario, the UK will also impose tariffs on imports from the EU. The UK government has already published the tariff schedule which it will apply in case of a no-deal situation. The UK will not simply mirror the EU tariffs and has announced that for a lot of products, tariffs will be kept at zero. Still, there would be significant tariffs on a large number of goods (See Figure 3).

This is especially true for (processed) agricultural products, with tariffs as high as 150% on some



dairy products. This means that exporting to the UK will become a lot more expensive for the EU agricultural sector, if no trade deal is reached. Other product categories with high tariffs are textiles and cars (included in transport equipment) adding to worries for an already volatile sector.

**Fig 3: UK tariffs by product group (weighted by imports from the EU)**



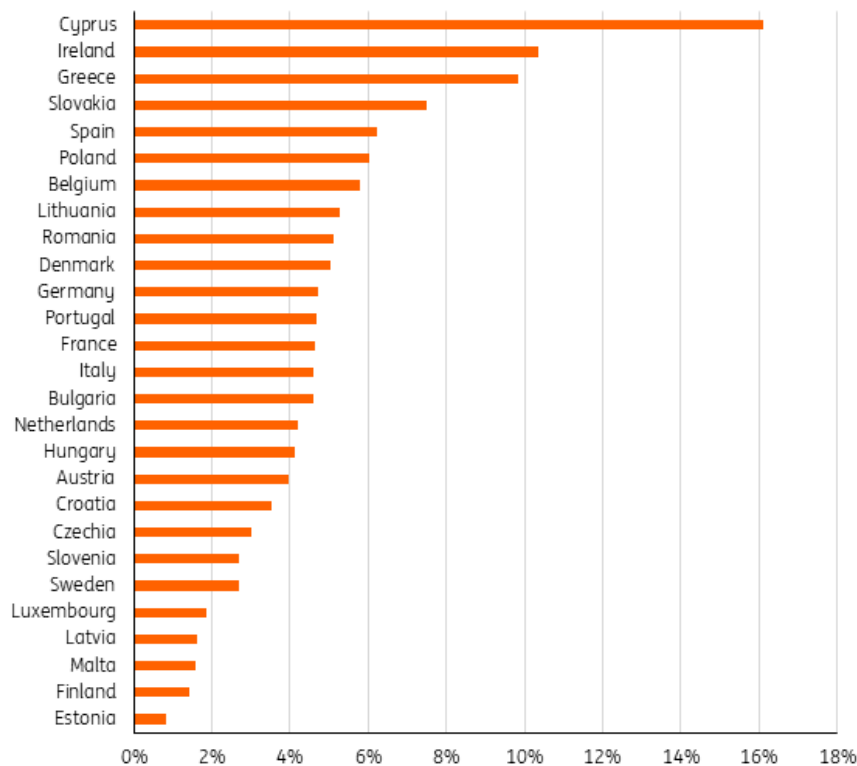
Source: UK department of international trade, UN-Comtrade statistics, WTO, and the world bank.

The countries facing the highest trade-weighted tariffs are Ireland, Greece and Slovakia. The high trade-weighted tariff of Slovakia is mostly associated with a high share of cars in Slovakian exports to the UK. For Ireland, this is a double whammy. Not only is the UK its largest trade partner, it also exports goods on which the UK asks particularly high tariffs.

One caveat, however, is that Irish-UK trade is unsurprisingly linked to Northern Ireland. As part of the Withdrawal Agreement, Northern Ireland will remain a de-facto member of the EU customs union. That therefore means that for trade confined to the island of Ireland, tariffs will not apply.

Larger EU countries such as France, Germany and Italy have a more diverse export basket and are therefore facing lower tariffs on average (for more detail see Figure 4).

**Fig 4: UK's trade weighted tariff by EU country**



Source: UK department of international trade, UN-Comtrade statistics, WTO, and the world bank.

For outbound trade from the UK to the EU, the EU's WTO tariff schedule will apply. The EU's tariffs are a bit higher than those proposed by the UK. Although these tariffs will still be fairly low, importing goods from the UK will become more expensive for EU businesses. The EU's tariffs are highest for agricultural products and the automotive industry. This raises input costs for firms with UK based suppliers.

## Invalid product certifications may complicate supply networks

When the transition period ends, the UK will leave the single market and, in principle, that means British product rules could change. Without a deal, that potentially means products that require certification, such as safety equipment, cosmetics and pharmaceuticals will need to be tested/certified on both sides of the channel.

To some extent, the immediate disruption for EU exporters has been mitigated by the UK's decision to recognise the CE mark for all of 2021, and has signalled no immediate plans to change most product regulations. But ultimately, EU firms will need to have dual conformity assessments in place to meet both European (CE) and UK (UKCA) rules.

However, the challenges are more immediate for sectors where the conformity requirements are stricter. [The FT](#) has recently highlighted the example of the chemicals industry, which faces the imminent and expensive task of re-registering individual products, with-or-without a deal (although an agreement would potentially remove some of the barriers to re-registration).

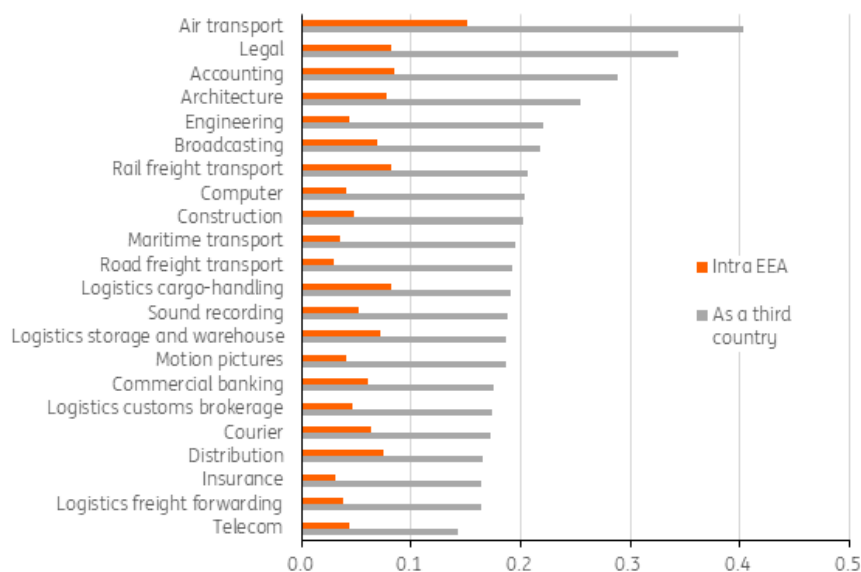
In short, all of this is time-consuming and expensive for businesses and will complicate trade for

many more EU exporters.

## Contingency measures needed for services in case of no deal

Deal or no deal, Brexit will have a significant effect on services. Free-trade agreements typically do very little for services – and Brexit is set to herald a range of changes covering issues from licensing to data-sharing and freedom of movement restrictions. Figure 5 shows the difference in barriers for trade in services within the European Economic Area and with third (non-EU member countries). Without any deal, the UK will face the same restrictions as other third countries.

**Fig 5: Intra EEA and extra EEA barriers to services trade**



Source: OECD, calculations ING

Trade in services restrictions (scale: 0 to 1)

Due to the intangible nature of services, there are various ways for businesses to deal with these restrictions. For example, contracts can be adjusted to include new terms for data sharing with non-EU countries and businesses can register overseas subsidiaries to operate across border.

That said, a deal would have some benefits. Firstly, it would likely trigger a deal on financial services equivalence (a much narrower version of passporting), as well as a data adequacy agreement. It would also presumably involve a deal on aviation, while it could also resolve the potential issue stemming from a shortage of truck licenses for UK hauliers that travel to Europe.

On the issue of transport, back in 2019 both sides announced contingency measures to allow basic air travel and trade to keep moving in the event of 'no deal'. Similar arrangements have so far not been formally replicated for the start of 2021, keeping businesses and passengers in an uncertain position for now.

## The immediate impact will be significant for the EU, though less noticeable due to Covid-19

It is hard to argue that a no-deal Brexit, and all the changes that would bring on 1 January, are a

non-event for the EU economy. Disruptions to supply chains, thanks to border checks, will be small initially but could become an issue after a few months. Tariffs will be raised on numerous EU goods and disruption to trade in both services and goods requiring new certifications is a risk if no contingency measures can be put in place. This will mainly affect agriculture, automotive and the chemical industry, with countries like Ireland, Belgium and the Netherlands likely to experience the most disruption due to the relatively sizable amount of trade between them and the UK.

As a result of the large economic volatility caused by the Covid-19 pandemic, the economic impact will not be as noticeable as it would have been if a 'cliff-edge' Brexit had occurred last year at growth rates closer to zero. Make no mistake: the introduction of tariffs, disruptions to supply chains and the risk of other non-tariff related disruption will have a negative impact. In a recent literature review by the European Central Bank, the longer term impact on EU GDP growth is estimated at -0.2 to -0.3%% in a WTO scenario, which will be higher at the beginning due to initial disruptions mentioned before. Together with large downside risks related to the second wave of the coronavirus, a no-deal Brexit will make for a very volatile start to 2021 for the EU economy.

# UK: Five charts show the growing economic challenge

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Source: Shutterstock

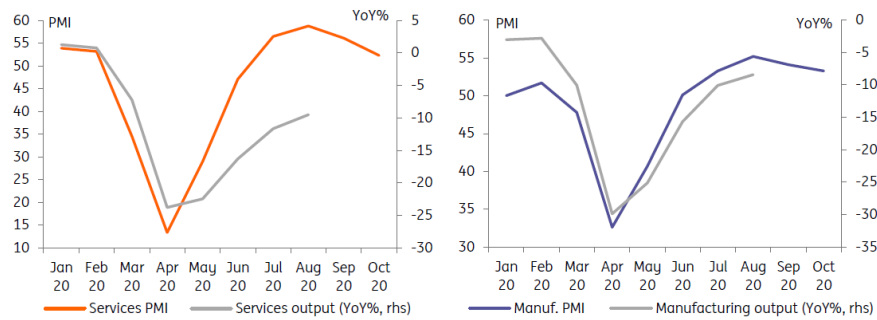
A general view of the skyline and high-rise buildings in London

## 1 October PMIs hint that the recovery is running out of steam

The UK's economic recovery from Covid-19 is faltering. That's the core message from the latest purchasing managers' index, which while technically still above the breakeven 50-level for both manufacturing and services, show early signs of moderation.

Admittedly the PMIs are probably not the best gauge of activity at the moment - the nature of the diffusion indicators means they don't necessarily tell us accurately how rapidly growth is slowing at turning points in the economic story, only that more businesses are reporting issues.

Nevertheless, the IHS Markit/Cips press release that accompanies the data paints a picture of an economy beginning to feel the strain of new restrictions. And this corroborates what we are beginning to see in the data elsewhere.

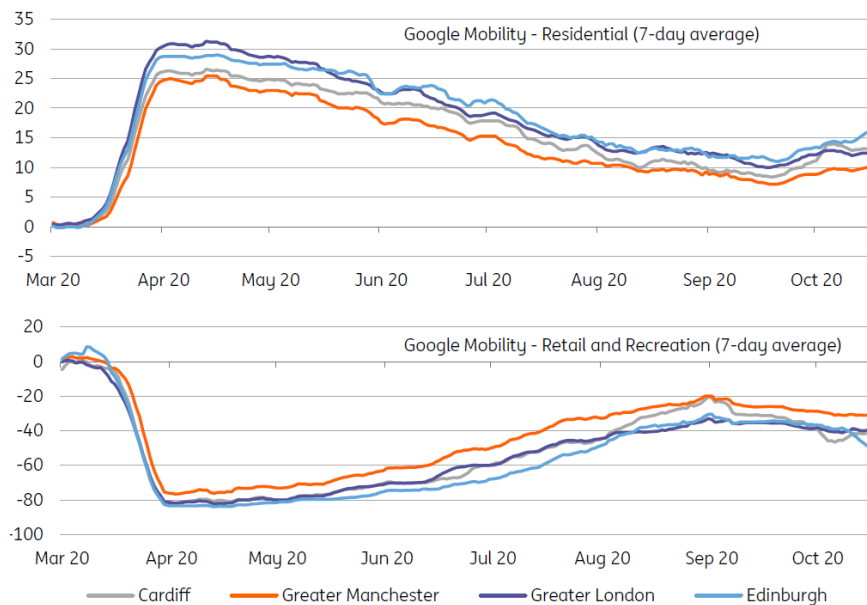


Source: Markit/CIPS, Macrobond

## 2 People are staying home more and going out less

Take the Google Mobility data, which has proven to be a fairly good proxy for activity during the earlier phases of lockdown. That tells us that in major UK cities, people are starting to stay at home more and go out less. That's also the tentative conclusion from the recent Springboard football data, published by the ONS.

[As we wrote in more detail earlier](#), this poses a particular challenge for the high street and could spell trouble for the remarkable rebound in retail we've seen over the summer.



Source: Macrobond, ING calculations

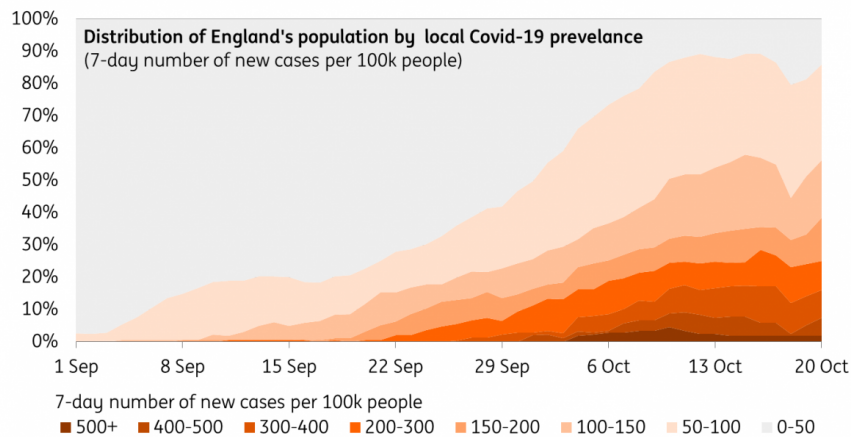
## 3 Over a quarter of England's population live in areas with weekly cases above 200 per 100,000 people

This reduction in mobility shouldn't come as much of a surprise, given new local restrictions covering an increasing share of the UK.

By our calculations, over a quarter of England's population is living in local areas with weekly Covid-19 cases above 200 per 100,000 people. If those areas were all to see Tier 3, or 'Very High', restrictions imposed over the coming weeks, that could potentially affect (either directly or partially) around 200,000 workers in licensed restaurants/pubs alone.



But aside from the direct effects, there's a clear question mark over how consumers behave over the coming weeks. The first phase of the pandemic showed that rising case numbers could translate into greater consumer caution, even without fresh government intervention. So far there's limited evidence that this is happening in the second wave, although consumer confidence has begun to turn lower again.



Source: Macrobond, ONS population data, ING calculations

Covid-19 case growth based on Local Authority District level data

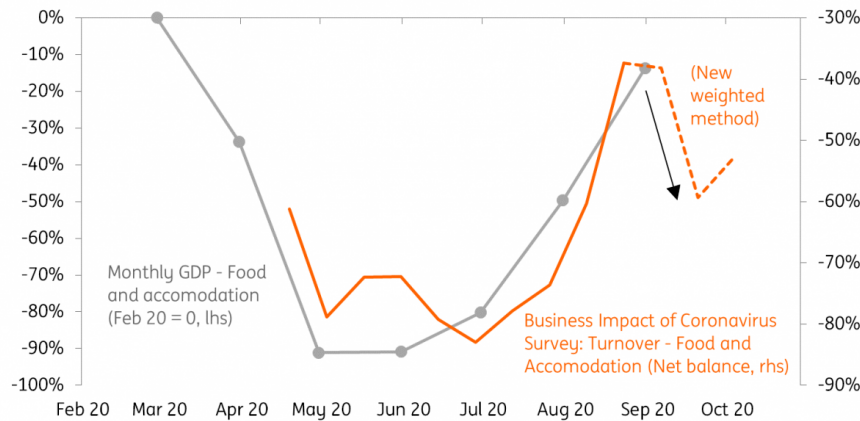
#### 4 A rising number of firms are seeing revenues underperform in the hospitality sector

Away from the major hotspots, it's become increasingly clear over recent weeks that hospitality businesses across the UK are already encountering challenges, amid restrictions on household gatherings indoors.

The latest ONS business impact survey indicates that a greater share of firms in this sector are encountering lower-than-usual turnover - and that points to a fall in hospitality output when we get the October GDP numbers.

Wrapping all of this together, the fourth quarter looks set to be very challenging for the UK economy. We now expect October GDP to contract by at least 1%. While this is clearly much less than the damage earlier in the year, November could see further hit if the UK as a whole were to enter a 'circuit-breaker' style lockdown.

A national situation resembling that coming into force Wales, where non-essential retail, hospitality and other services will be closed again for a couple of weeks, could easily shave between 5-7% off monthly GDP depending on how wide-ranging it ended up.



Source: ONS Business Impact Survey, ING calculations

Net balance = Number of food/accommodation businesses reporting higher revenue than normal, less those reporting less revenue

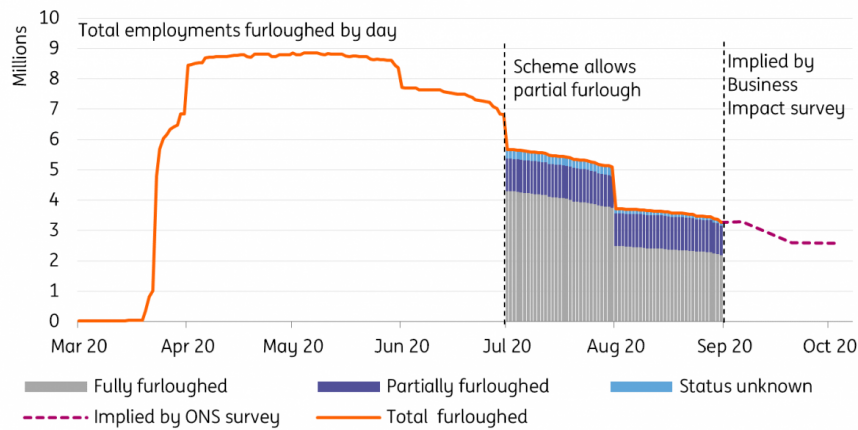
## 5 1.7 million people may still be on 'full furlough' according to latest data

If there's one piece of better news, it's that the latest measures announced by the Chancellor should limit the rise in unemployment over the Winter.

The new terms of the Job Support Scheme, which allow businesses to bring-back workers part-time and claim government support for the hours not worked, is not a million miles off the terms of the existing furlough scheme as it stands in October.

Admittedly these changes will come too late for some firms - redundancies have already begun to rise. However, we think there could be as many as 1.7 million people still potentially benefitting from 'full furlough', according to our estimate from the latest ONS Business Impact survey and August's furlough data. The new, more generous support terms (combined with the ability to fully furlough staff where businesses are closed), should help limit the number of these workers moving from the Job Retention scheme into unemployment.

So while unfortunately there will still inevitably be a rise in the jobless rate over coming months, it's now less likely to peak at 9-10% as we had previously anticipated.



Source: HMRC, ONS Business Impact survey, ING calculations

Implied figures based on ONS survey and total UK employment (excl self-employees)

## Expect more Bank of England QE in November

Nevertheless, the backdrop of slowing economic activity, the forthcoming hurdles presented by the end of the transition period, as well as the strains in the jobs market, all point to more Bank of England stimulus.

We expect an addition £100bn worth of quantitative easing to be announced in November. However we think the Bank of England will opt against negative rates at this stage.

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Article | 19 October 2020

## US Elections: What's in it for Europe?

America votes and the entire world is watching. Given recent strains in US-EU relations, Europe has a vested interest in the outcome of the election. In...



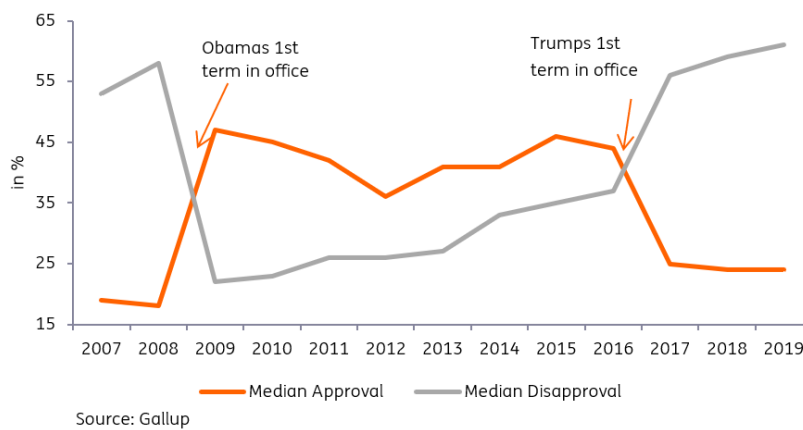
President Trump with various European leaders at the NATO summit last year

While domestic issues will decide the US election, the outcome will have a significant impact on many other economies, particularly through trade and security policy as well as through the signalling effect of any US regulatory decisions for the rest of the world.

### Status quo of the cracked relationship between the EU and the US

When thinking about what has recently defined the relationship between the EU and the US, two things immediately come to mind: tariffs and sanctions. The “America First” policy, applied by President Trump in order to tackle the US current account deficit, has challenged many economies over the last four years. Before Trump moved into the White House, the US had been a reliable partner in trade and foreign policy. This included, among others, fighting terrorism and cooperation in safety and energy.

Fig. 1: European Approval of US Leadership

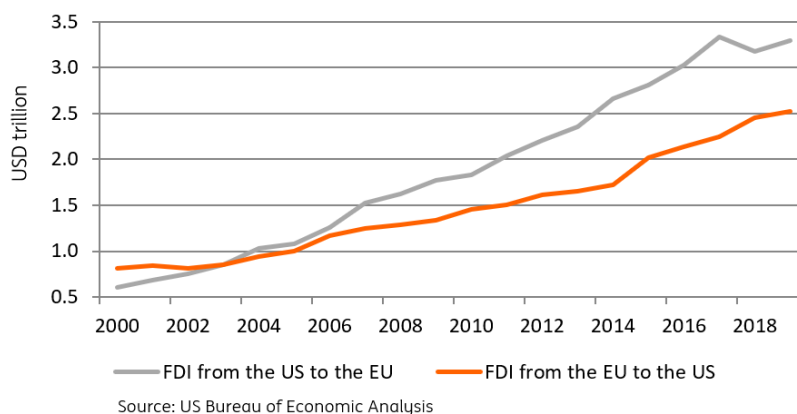


## European surplus in goods trade

The US has been running a trade deficit with the EU since 1994. In fact, the deficit in goods trade with the EU has increased more than tenfold from \$17 billion in 1997 to \$178.5 billion in 2019, while the services trade balance has been in surplus since the recording started in 2003. During Trump's term in office, European exports to the US have increased by 23.7%, while US exports to the EU increased by 24.9%.

Foreign direct investment from the US to the EU has been lower under the Trump administration than in the past. When Donald Trump entered office, the stock of US FDI in the EU was \$3.3 trillion. In 2018, this stock had dropped to \$3.2 trillion. At the same time and maybe even triggered by the trade war, European direct investment in the US increased from \$2.0 trillion in 2015 to \$2.5 trillion in 2019.

Fig. 2: Foreign Direct Investments between the US and the EU



## Trade frictions and tariffs

Shortly before Trump moved into the White House in January 2017, the US and EU agreed on a deal under the Transatlantic Trade and Investment Partnership Agreement (TTIP), which included the removal of 97% of tariffs. The US wished to remove 100% of tariff lines, whereas the EU wanted to keep tariffs on sensitive agricultural products. A free trade agreement between the EU and US would have seen EU exports to the US rise by 27% while US exports to the EU would

have increased by 37.5%. However, the Trump administration did not continue with the negotiations.

Instead, Trump took a different approach, imposing tariffs in June 2018, with steel (25%) and aluminum (10%) in the firing line. The administration has frequently threatened to impose tariffs on European cars and car parts but up to now, these threats have not become reality. This means that currently – despite the tough talk – the only tariffs that Trump has imposed or increased on European goods are the ones on steel and aluminium and on Europe-made goods like e.g. Scottish Whiskey, Italian Pecorino or Dutch Edam cheese. Some of these latter tariffs were in line with the WTO ruling on Boeing and Airbus.

Back in 2016, average US tariffs on EU agricultural goods and non-agricultural goods amounted to 6.8% and 3.9%, respectively. In 2018, these tariffs had risen to 7.2% and 4.0%, respectively. For Chinese agricultural products, average US tariffs went from 4.2% in 2016 to 4.3% two years later while tariffs on non-agricultural products rose to 4.1% from 4.0%. This is far lower than countries like Guatemala, where average US tariffs imposed on agricultural products amounted to 8.4% in 2018, but at the same time, it is much more than Iceland, for example, where average US tariffs on agricultural products amounted to just 2% in 2018. Unfortunately, there is hardly any reliable data available for 2019.

## Trade in Energy and Nord Stream 2

In addition to tariffs on goods, the Trump administration also made keen use of sanctions to impose its economic will. The last 150km of Nord Stream 2, the gas pipeline from Russia to Germany, is a case in point.

In recent years, the US has become the EU's main supplier of liquefied natural gas (LNG). The share of gas imported from the US was 16% in 2019, up from 6% and 4% in 2018 and 2017, respectively. The EU needs to import 70% of its total LNG demand. In order to diversify its energy imports and ensure the security of supply, the EU looked to increase gas imports from Russia, a move which sparked a geopolitical row.

After the Trump administration threatened to impose sanctions on companies financing the project, the Nord Stream 2 project was halted last year. On the US side, this was justified by the Countering America's Adversaries through Sanctions Act (CAATSA), effective since 2017.

At the same time, the Trump administration has been retreating from the world stage while attempting to dismantle the rules-based global order. Trump has terminated the US relationship with the World Health Organization, arguing that it was responsible for the spread and development of Covid-19. And he has blocked the nomination of judges in the World Trade Organization's arbitration court. In short, global tensions have risen, trust has been lost and the EU has been caught in the crossfire.

## What Europe should expect from the next US president?

Will things change if Trump is re-elected in November? His campaign slogans 'Keep America Great' and 'Promises Made, Promises Kept' point to a second term in office without any deviation from the current path of policy.

Even though Europe probably wouldn't be the main focus of Trump's second term in office, the



threat of tariffs and sanctions on European goods and manufacturers would stay with Europe for another four years. Europe would also have to become more independent and probably also more opportunistic in the geopolitical race between the US and China.

If Republicans were to lose their majority in Congress, Trump could become even more active in the area of trade, as foreign policy would remain one of the few exclusive presidential responsibilities. In theory, a second Trump administration could try to work together with the EU to address joint concerns over China but comments from the current administration over the last few years suggest this is not a preferred tactic. A win by Joe Biden, on the other hand, could portend a more conciliatory approach though a complete U-turn on all of the Trump-era policies seems unlikely. Here are some of the ways in which we think a Biden administration could impact Europe:

- On **trade**, don't expect a significant shift. Traditionally, the Democrats have been less supportive of free trade than Republicans. The race on tech should continue, putting further strain on global trade and particularly, relations with China. However, a Biden administration is likely to invest more in the transatlantic relationship, in a bid to make Europe an ally. Biden seems unlikely to use tariffs as a policy instrument. Even if trade relations improve under Biden, US pressure on Europe to increase defence spending will remain. In this regard, it is interesting that the WTO very recently ruled in favour of the EU in the Boeing-Airbus dispute, although the EU has announced that it will wait until after the US election before imposing any measures.
- Related to trade is **Brexit**. Here, the outcome of the US elections could have an impact on the current cumbersome negotiations between the UK and the EU. If Trump retains the presidency, he might try to get a UK trade deal agreed, to the detriment of Europe. Conversely, Biden's Irish roots make things more challenging for the UK and could therefore push the UK to sign up to the EU's demands.
- On **regulation and taxation**, a Biden administration could bring the US closer to Europe when it comes to financial regulation. And it might go back to the negotiating table with other OECD countries to amend taxation rules for digital companies. If, under a common agreement on digital regulation, the EU abandons the national digital services tax for US companies, the US would drop the Section 301 investigations.
- Although Joe Biden thinks that **Nord Stream 2** is "a bad deal for Europe", it is possible that he won't be as strict as Trump on this issue as he seeks to rebuild relationships with Europe, and Germany in particular. However, he might want something in return. If Europe's reliance on Russian gas increases, the US may demand broader access to gas markets in Europe at the expense of Russia.
- There could also be positive spillovers for Europe from what may look like **US domestic issues**: a big infrastructure programme, more investment to tackle climate change and 5G. Under a Biden administration, European global players are more likely to benefit from these domestic US investments than under a second term for Trump.
- Planned **tax increases** by the Biden administration are unlikely to have a major impact on FDI from Europe to the US, which has always been high. Even with higher taxes, we do not see a contraction of European company earnings. Taxes could be higher but not as high as they were before Trump took office while conditions for foreign trade should improve.

Europe may not have a say in the coming presidential election but it does have a stake in the outcome. A re-election for Trump suggests a continuation of the status quo while a change in the Oval Office could usher in a new period of US-EU relations. Under either scenario, however, Trump's

legacy will likely live on, with "America First" still at the heart of future foreign policy.

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