



The Fading Trend of Populism

This weekend may have seen the peaking of populism in politics. The defeat of Victor Orban in Hungary seems very significant. The pursuit of personal power and the overriding of political boundaries has been reversed by the success of Peter Magyar and his Tisza party with an overwhelming majority, in an election with a record turnout. This vote of confidence adds authority to Magyar and his likely policy reversal going forward 'We did not give the Hungarian government a mandate to openly represent Russian interests. Sixteen years ago, we did not give Viktor Orban a mandate to dismantle the rule of law'

Is it too fanciful to suggest this foreshadows a trend reversal across the Atlantic? When one looks at how markets were performing up until the end of February when Trump unleashed the Iran war, the thought of muzzling an erratic incumbent is an attractive prospect. While it should be acknowledged that the US gave Europe a much needed prompt to increase defence spending, Orban's defeat is likely to result in the release of significant funds to help Ukraine buttress their own defence; though recognizing local sentiment, Hungary is unlikely to send arms to its neighbour.

Anecdotal evidence suggests that middle America is growing tired of its leader and there are some comparisons to be made with the Orban regime. The November US mid term elections are coming into view, and while political losses will not unseat the President, it may severely restrict his power, particularly impromptu actions. Markets were fairly confident that there might be scope for an interest rate cut before the war, currently not so now. However any reduction in the current oil price, will bring that into focus again.

One unpredictable element on the geopolitical front is the impact the Orban loss will have on Putin. He seems to have a lot of apologists encouraging him to escalate in Ukraine. Mention is made of a tactical nuclear bomb attack to reverse the developing stalemate in the war, and this is a further reminder to not only have access to required near term liquidity, but also to focus on strategic portfolio deployment options.

Short term Gilts, preferably at a discount to maturity value, offer a strong liquid portfolio base. Defence stocks also have their attractions. At this point UK stocks offer value, despite being vulnerable, in an open economy, to rising inflation. Cashflow is a key metric, which we look for in any potential selection, and still find it in cyclical stocks such as banks. We recently took profits in this area, but prices have come back to attractive levels, and we are actively looking again in this area. In some cases individual stocks are attractive and we are looking at housebuilders, where selectivity is critical.

We generally take the view that one should look through geopolitical events, and that may be true in terms of the Iran war. However we do see a change in direction in central Europe at the moment and this may herald not only greater security there, but represent a straw in the wind in terms of politics in the United States.



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