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French yields surpass the PIIGS'

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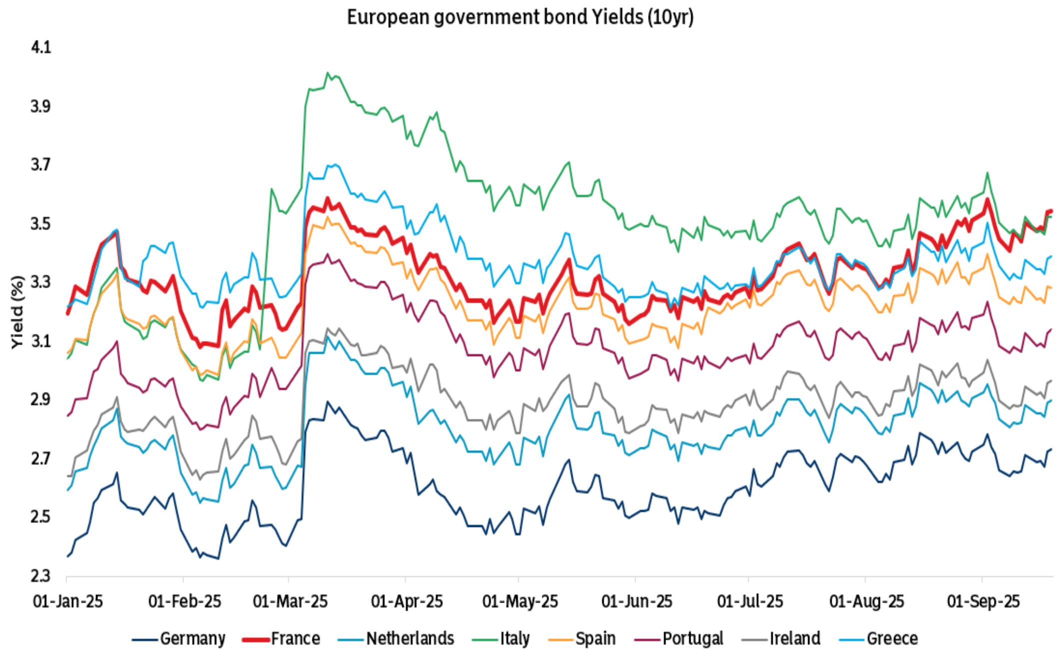

Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 19 September 2025.

What this chart shows

This week's chart highlights a striking reversal in eurozone bond markets: the yield on France's 10-year government bonds has climbed above those of several key peripheral countries, including the so called 'PIIGS' (Portugal, Italy, Ireland, Greece, and Spain). This shift reflects a deepening concern over France's fiscal trajectory, with markets reacting to high and rising debt levels, a persistent budget deficit and growing political fragmentation. The recent credit rating downgrade of France by Fitch to A+ has only intensified scrutiny. In contrast, peripheral countries, traditionally considered riskier, have seen their sovereign yields compress as a result of ongoing fiscal consolidation, improved credit ratings, and relative political stability. France, once firmly placed in the eurozone's "core," is now seeing its sovereign risk priced more like that of its southern neighbours.

What this is important

France now faces higher borrowing costs than countries historically viewed as more fiscally vulnerable, a significant shift with long-term implications for European debt markets. With Spain recently upgraded to A+ by S&P and Portugal to A by Fitch, there's a growing convergence between peripheral and core sovereign spreads relative to Germany. This challenges long-held assumptions about the eurozone's credit hierarchy. Periphery countries, despite their progress, still carry structural vulnerabilities. As spreads compress, the distinction between "core" and "periphery" risks becoming blurred. If France's debt-to-GDP ratio exceeds 120% by 2027, as projected by Fitch Ratings, some may argue it shares more in common with Italy or Greece than with Germany. Investors need to reassess whether France's current yield levels fully reflect its deteriorating fiscal outlook. Should spreads between France and Germany widen further and volatility pick up, markets may begin to price French debt more like a peripheral issuer. The chart underscores a pivotal shift: in today's market, credit risk is being redefined not by geography, but by fundamentals.

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Important notes