09 SEPTEMBER 2026

Weekly Market Snapshot
French Budget and political concerns return

Weekly Recap

1. **ECB expected to raise interest rates –** The European Central Bank is widely expected to raise rates by 25 basis points on Thursday, as euro-area inflation remains above target, largely because of energy prices. Markets are even starting to consider another rate hike in December.

2. **Strong US jobs report changes the Fed outlook –** The US economy added 162,000 jobs in August, above expectations, while unemployment remained at 4,1%. This has significantly increased expectations that the Fed could hike before year end. US CPI inflation will be key, published on Friday.

3. **Trade tensions between Canada and the US escalate –** Canada introduced retaliatory tariffs of USD 20 billion of US goods today after bilateral trade negotiations stalled. This adds another source of uncertainty for North American trade and supply chains.

Market perfomance			
EQUITY REGIONAL*	Level	Week ago	YtD
S&P 500 COMPOSITE	7748	1.1%	12.8%
STOXX EUROPE 600 E	650	0.4%	9.7%
FTSE 100 UK	10822	0.30%	9.0%
NIKKEI 225	66400	-1.4%	29.7%
MSCI EM	1726	1.7%	25.0%
Bond yields (10 yr)	Level	Week ago*	YtD*
UK	5.18	-4	+71
Germany	3.38	+5	+53
USA	4.78	-1	+62
Japan	2.91	-10	+84
Credits	Spread	Week ago**	YTD**
EUR IG	77	-1	-1
EUR HY	263	+3	-7
US IG	81	0	+2
US HY	264	+3	-12
EM HY ($)	219	0	-12
CURRENCY	Level	Week ago	YtD
EUR/USD	1.16	0.3%	-1.0%
EUR/GBP	0.86	0.1%	-1.7%
USD/JPY	154.37	-3.6%	-1.5%
COMMODITY (USD)	Level	Week ago	YtD
Crude Oil WTI	93	1.3%	61.9%
BBG Industrial Metals (TR)	468	0.8%	13.7%
BBG Precious Metals (TR)	1179	1.9%	1.8%
Gold	4405	1.7%	2.1%
Silver	66	3.0%	-7.2%
Copper	14510	1.0%	14.4%

Source LSEG as of 08-September-2026

**bps **Spread change in bps*

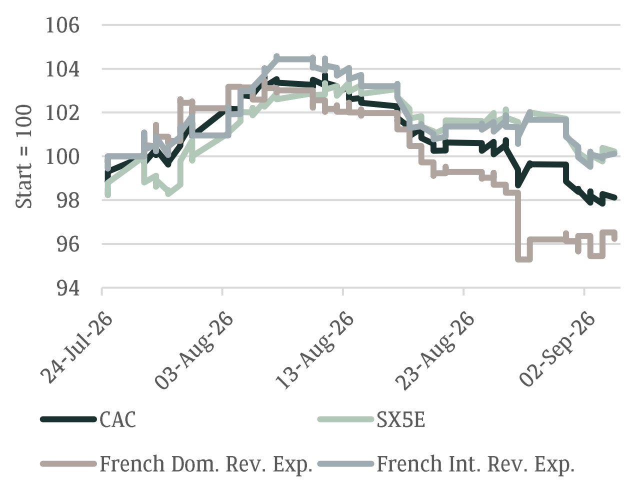
Snapshot

France has returned to the spotlight for investors as concerns over public finances, weak economic growth and political uncertainty weigh on market sentiment. Government bond yields have risen sharply, with French 10-year sovereign debt now offering a significant premium over German Bunds and, unusually, yielding more than equivalent Italian government bonds.

At the same time, French equities have lagged broader eurozone markets, reflecting growing investor caution. The country's budget deficit remains elevated at around 5.1% of GDP, while economic activity has stalled, with weak GDP growth contrasting with a more resilient euro area backdrop. Adding to these concerns, opinion polls ahead of the 2027 presidential election point to a highly fragmented political landscape.

Nevertheless, France retains important strengths, including a diversified economy and a stable A+ sovereign credit rating, suggesting that market concerns should be balanced against longer-term fundamentals.

DOMESTIC REVENUE EXPOSED COMPANIES START TO UNDERPERFORM IN FRANCE



Source: BNP Paribas Bloomberg

Fiscal challenges continue to pressure markets

The primary concern for investors remains the deterioration in France's public finances. Despite repeated commitments to fiscal consolidation, the budget deficit has remained above 5% of GDP since 2021 and is projected at 5.1% in 2026. As a result, investors are demanding a higher premium to hold French government debt. The spread between French and German 10-year sovereign bonds has widened considerably, reflecting concerns about debt sustainability and the government's ability to restore fiscal discipline in the coming years. For bond markets, the credibility of future budgetary measures will be critical in determining whether borrowing costs stabilise or continue to rise.

A weak economy limits improvement

Economic growth has provided little comfort. France contracted by 0.2% in the first quarter of 2026 and recorded zero growth in the second quarter, underperforming the broader euro area. This weak economic backdrop makes fiscal consolidation more difficult, as slower activity limits tax revenues while public expenditure remain elevated. Investor concerns are also visible in equity markets. The CAC 40 has significantly underperformed the broader Euro STOXX index this year, reflecting a more cautious stance towards France's growth prospects. Unless economic activity accelerates, markets may continue to demand a higher risk premium for French financial assets.

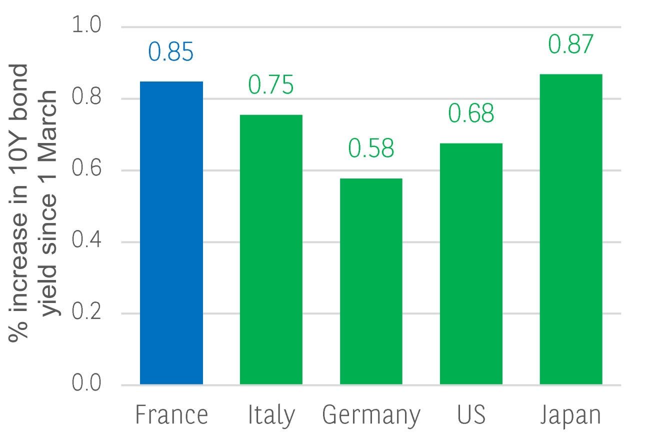
Political uncertainty emerge as a key market risk

Political uncertainty has become an increasingly important factor for investors. Recent polls ahead of the 2027 presidential election suggest strong support for candidates from both the far right and the far left, raising the possibility of a highly polarised electoral contest. While opinion polls should be treated with caution and the election remains several months away, markets have become more sensitive to political developments. Investors typically favour policy continuity and predictability, both of which appear less certain today. Even so, France retains major strengths, including a large and diversified economy and an A+ sovereign credit rating with a stable outlook, factors that continue to underpin long-term investor confidence.

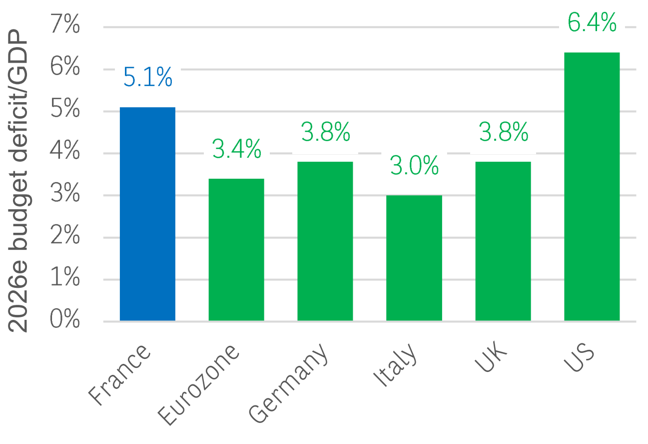
Reasons for caution, but not alarm

While concerns around France's fiscal position, economic growth and political outlook are justified, excessive pessimism appears unwarranted. France has demonstrated resilience through previous periods of uncertainty, and its underlying economic strengths remain significant. Fiscal consolidation will be necessary to improve the sustainability of public finances, although meaningful reforms may take time. Over the longer term, stronger growth and more disciplined public spending should help strengthen the fiscal outlook. If future governments manage to combine growth-enhancing reforms with fiscal discipline, France should remain well positioned to preserve debt sustainability and maintain investor confidence.

FRENCH 10-YEAR BOND YIELDS HAVE RISEN 0.85% SINCE MARCH



FRENCH 2026 BUDGET DEFICIT OF 5.1% WIDER THAN FOR THE EUROZONE



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