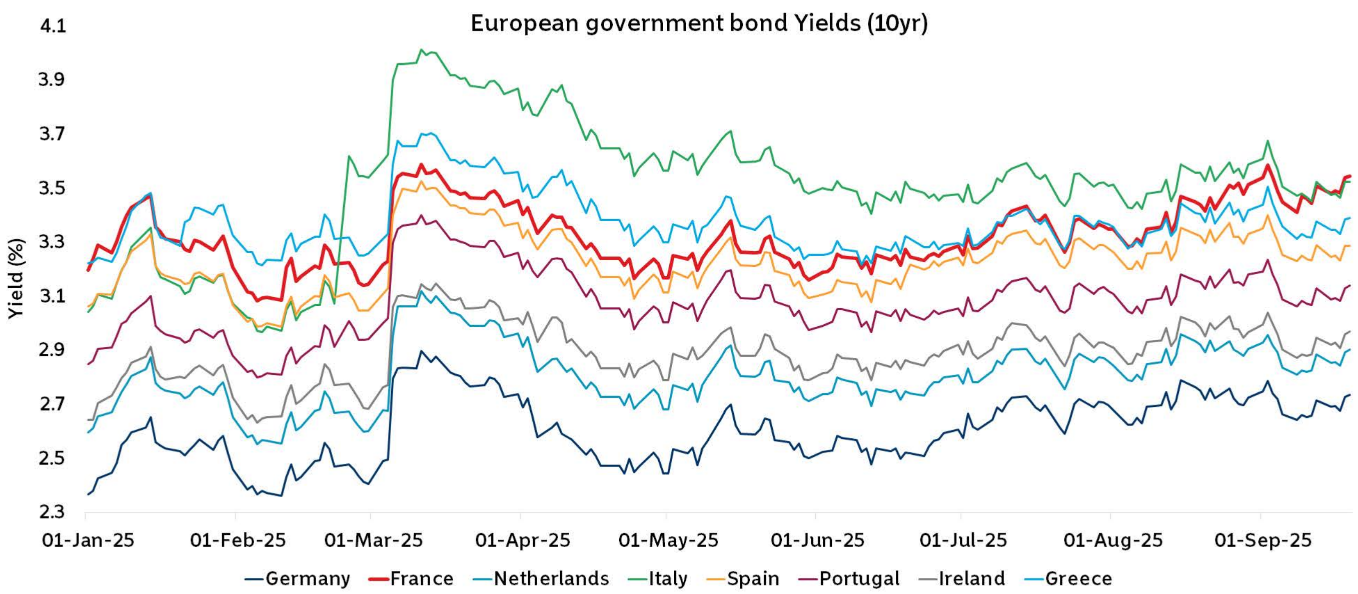
Chart of the Week

22 September 2025



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

French yields surpass the PIIGS'

Grégoire Sharma, CFA
Senior Portfolio & Research Analyst

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.

Why 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.

Weekly market update

week ending 19 September 2025

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Central banks are in a transition phase: with the US initiating rate cuts, Japan starting policy normalisation (selling ETFs), while the UK and EU remain cautious, holding rates steady amid persistent inflation. The balance between controlling inflation and supporting growth is delicate, and financial markets are reacting strongly to any signals of change in central bank stance.

US

- The Federal Reserve cut interest rates by 25 basis points (to a range of 4% to 4.25%) on 17 September, its first rate cut this year. Chair Powell framed it as a "risk-management" cut and reiterated a meeting-by-meeting approach, with the Fed's dot plot still pointing to another 50bps of cuts by year-end.
- US banks borrowed $1.5 billion from the Fed's Standing Repo Facility, signalling mild funding stress around the Treasury's August/September payment and corporate tax deadline.
- US equities continued to push higher, with the S&P 500 and the Nasdaq reaching new highs. Gains were supported by Fed easing, strong performance in tech stocks and news of a potential Trump-Xi meeting at the APEC summit in October.
- There is concern that services inflation / "super-core" inflation remains elevated, and that disinflation in that segment is weak, which complicates the Fed's outlook even after the rate cut.

UK

- The Bank of England (BoE) held its Bank Rate unchanged at 4.00% in the September meeting (17 September), with a 7-2 vote; two members favoured cutting by 25 bps.
- BoE also slowed the pace of quantitative tightening (QT): the stock of government bonds to be sold / wound down over the next 12 months was lowered to £70 billion (from ~£100 billion).
- Inflation (CPI) remains elevated at ~3.8% in August; underlying wage growth still strong though showing signs of slowing. The BoE emphasised the need to keep monitoring inflationary pressures, especially in wages and services
- UK government borrowing in August reached £18 billion, the highest for that month in five years, exceeding forecasts. This adds fiscal pressure ahead of the Autumn budget.

Europe

- The European Central Bank (ECB) kept its key interest rates unchanged in its meeting, reiterating its cautious, data-dependent stance.
- Inflation was around ~2% in the euro area (headline) and core inflation somewhat stable; the ECB stressed that their assessment of the inflation outlook was "broadly unchanged".
- The ECB and People's Bank of China extended the €45 billion / CNY 350 billion euro-renminbi swap line for another three years, maintaining it as a backstop facility for renminbi liquidity.
- EU debt and sovereign bond markets seem relatively orderly, though vigilance remains over fiscal discipline in member states. The ECB emphasised data-dependence and meeting-by-meeting assessment.

Rest of the World/Asia

- China's central bank left its benchmark lending rates (e.g. the 1-year and 5-year Loan Prime Rate, LPR) unchanged in September, continuing a cautious monetary policy stance.
- Trade tensions with the US appear to have eased somewhat, and this is reflected in some stabilisation of exports after months of pressure.
- The Bank of Japan (BoJ) held rates steady at 0.5% in its September meeting, but the decision was split, with two members voting for a hike.
- Higher crude oil prices were dampened; gold prices rose, reflecting safe-haven demand and inflation concerns.

Weekly market data

week ending 19 September 2025

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Asset Class / Region	Currency	Cumulative returns: Week ending 19 September	Month to date	YTD 2025	12 months
Developed Markets Equities					
United States	USD	1.2%	3.2%	14.1%	17.7%
United Kingdom	GBP	-0.9%	0.2%	15.8%	14.5%
Continental Europe	EUR	0.4%	1.2%	12.1%	8.5%
Japan	JPY	-0.4%	2.4%	14.6%	23.3%
Asia Pacific (ex Japan)	USD	0.4%	5.6%	24.9%	22.9%
Australia	AUD	-1.0%	-1.6%	10.5%	10.7%
Global	USD	1.0%	2.8%	17.0%	18.0%
Emerging Markets Equities					
Emerging Europe	USD	0.6%	1.1%	42.8%	32.8%
Emerging Asia	USD	1.0%	7.4%	26.3%	25.7%
Emerging Latin America	USD	2.0%	5.4%	41.5%	17.3%
BRICs	USD	1.3%	6.3%	24.7%	25.1%
China	USD	1.0%	7.4%	38.6%	57.4%
MENA countries	USD	1.9%	0.5%	2.4%	3.5%
South Africa	USD	2.3%	8.7%	51.0%	38.5%
India	USD	1.1%	3.8%	5.2%	-4.3%
Global emerging markets	USD	1.2%	6.7%	27.0%	24.4%
Bonds					
US Treasuries	USD	-0.3%	0.9%	5.4%	1.5%
US Treasuries (inflation protected)	USD	-0.2%	0.7%	7.0%	3.6%
US Corporate (investment grade)	USD	-0.1%	1.5%	7.1%	3.8%
US High Yield	USD	0.3%	0.9%	7.2%	7.5%
UK Gilts	GBP	-0.4%	0.4%	1.6%	-2.4%
UK Corporate (investment grade)	GBP	-0.1%	0.6%	3.8%	2.9%
Euro Government Bonds	EUR	-0.2%	0.2%	0.0%	0.4%
Euro Corporate (investment grade)	EUR	0.0%	0.2%	2.6%	3.9%
Euro High Yield	EUR	0.3%	0.6%	4.6%	6.8%
Global Government Bonds	USD	-0.1%	0.5%	7.2%	1.3%
Global Bonds	USD	-0.1%	0.8%	8.3%	3.0%
Global Convertible Bonds	USD	1.6%	4.2%	20.8%	24.0%
Emerging Market Bonds	USD	-0.4%	1.1%	9.0%	6.3%

Asset Class / Region	Currency	Cumulative returns: Week ending 19 September	Month to date	YTD 2025	12 months
Property					
US Property Securities	USD	-1.5%	-0.5%	2.3%	-4.2%
Australian Property Securities	AUD	-1.0%	-0.6%	11.3%	2.1%
Asia Property Securities*	USD	-0.8%	0.8%	18.4%	17.5%
Global Property Securities	USD	-1.1%	0.5%	10.9%	2.3%
Currencies					
Euro	USD	0.2%	0.4%	13.6%	5.4%
UK Pound Sterling	USD	-0.6%	-0.2%	7.7%	1.5%
Japanese Yen	USD	-0.1%	-0.6%	6.4%	-3.2%
Australian Dollar	USD	-0.7%	0.8%	6.6%	-3.3%
South African Rand	USD	0.2%	1.8%	9.0%	0.9%
Swiss Franc	USD	0.2%	0.6%	14.2%	6.7%
Chinese Yuan	USD	0.1%	0.2%	2.6%	-0.7%
Commodities & Alternatives					
Commodities	USD	-0.7%	-0.6%	3.2%	5.5%
Agricultural Commodities	USD	-1.4%	-2.3%	-4.0%	-2.7%
Oil	USD	-0.5%	-2.1%	-10.7%	-11.0%
Gold	USD	1.2%	6.9%	40.4%	42.2%

**data to 1 August 2025. Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.*

For more information, please contact:
Distribution Services

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1829

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