

French elections and macro and market risk

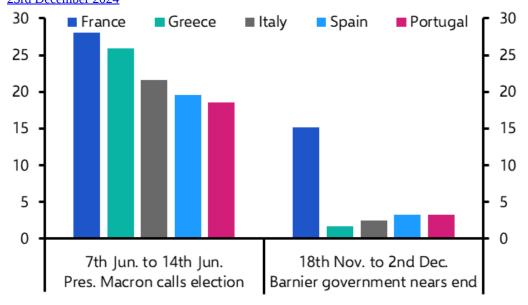
Emmanuel Macron's decision to call a snap election has plunged French politics into turmoil that has spilled into the bond market. As investors brace for the outcome of voting – with final results due on 7th July – this insight from across our macro, market and property teams outlines the potential risks to the France's debt situation and to French assets.

Key election analysis

Chief Economist's Note

Key reads to get ready for 2025

<u>Data releases and a slew of central bank meetings have made for a busy end to the year. Our latest monetary policy analysis is listed here, and you can explore and download our interest rate forecasts...</u>
23rd December 2024

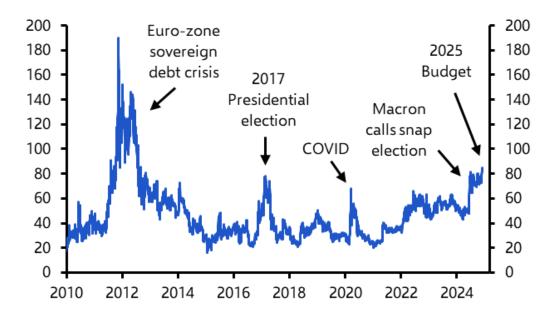


Capital Daily

Taking stock of contagion risks in EZ bond markets

The probable imminent collapse of the French government is not having much impact on bond markets elsewhere in the euro-zone. And we think contagion risks will remain limited, as long as the monetary...

3rd December 2024 · 5 mins read

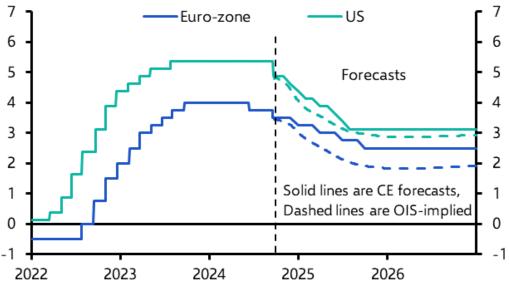


Capital Daily

We see more trouble ahead for French OATs

The spread between 10-year French and German government bond yields has risen again, and we forecast that it will continue to trend up next year.

29th November 2024 · 6 mins read

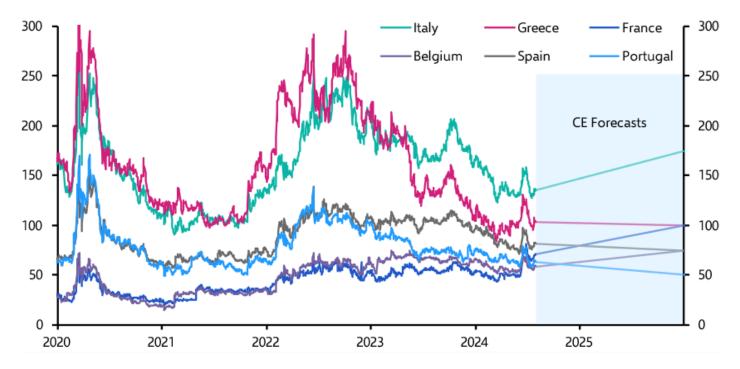


Capital Daily

Inflation rather than growth likely to be key for EZ bonds

We think government bond yields in the euro-zone will rebound a bit, particularly in those countries, like France, where public finances are concerning.

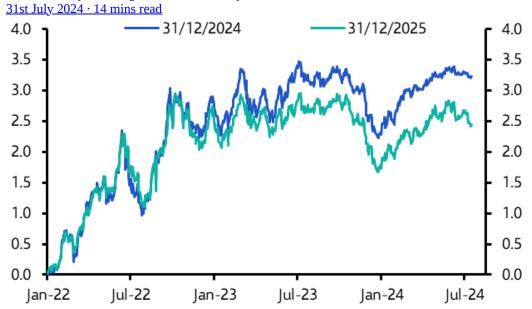
23rd September 2024 · 5 mins read



Global Markets Focus

EZ spreads on different paths after French election

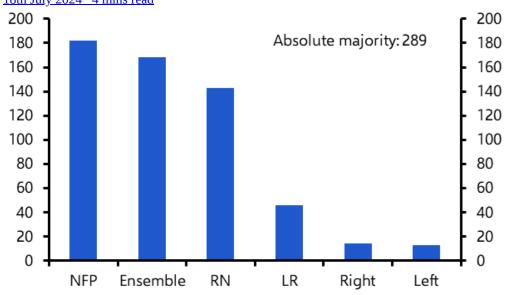
We have revised down our forecasts for government bond spreads in Spain and Portugal, but we continue to think that those in France, as well as in Italy and Belgium, are more likely to rise than fall.



Capital Daily

ECB overshadowed by French politics

<u>Investors' expectations for ECB rate cuts have not changed much over recent months and today's meeting did little to change that.</u>
<u>Instead, euro-zone assets have been influenced more by French politics...</u>
<u>18th July 2024 · 4 mins read</u>

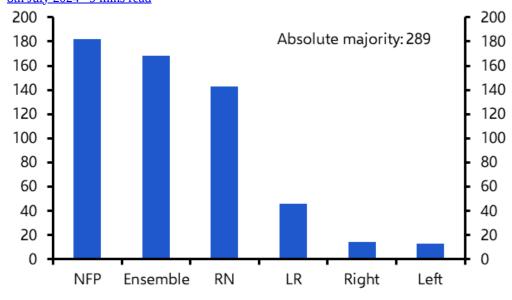


Europe Economics Update

What next for France?

The results of France's parliamentary elections mean it should avoid the large, unfunded fiscal expansion that two of the three major political groups were advocating. But it also means France is very...

8th July 2024 · 9 mins read

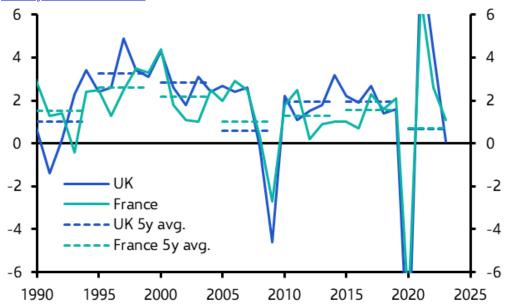


Capital Daily

Wait-and-see in markets as France avoids far-right PM

The surprising results of the French legislative elections have not triggered much of a market reaction. While investors appear to have been relieved by the far-right National Rally (RN)'s failure to...

8th July 2024 · 4 mins read



Chief Economist's Note

Debate over lack of 'fiscal space' misses the point

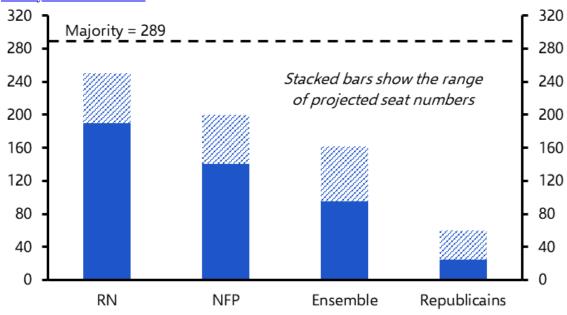
Elections in the UK and France over the past few days have produced radically different outcomes, with the centre-left Labour Party securing a landslide victory in the UK, but the vote in France...
8th July 2024



Europe Rapid Response

Second round results of France's parliamentary election

The exit polls for the second-round of France's legislative election are certainly a surprise. The left-wing New Popular Front (NFP) appears to have become the biggest group in parliament, while... 7th July $2024 \cdot 3$ mins read

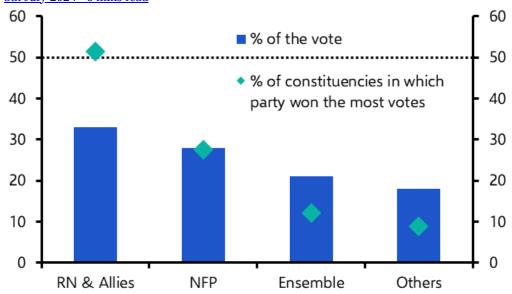


Europe Economics Weekly

Gridlock likely in France, ECB officials eye July pause

The prospect of a hung parliament in France suggests the country is headed for political gridlock and somewhat looser fiscal policy but that a large-scale fiscal expansion probably won't materialise...

5th July 2024 · 6 mins read



Capital Daily

French election first-round relief rally might not last

Investors have welcomed the broadly unsurprising results of the first round of the French legislative elections, but the discount on French financial assets is still there and, in our view, likely to...

1st July 2024 · 5 mins read

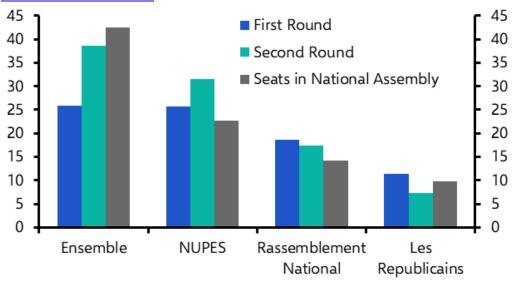


Europe Economics Update

First round results of France's parliamentary election

The preliminary results of the first round of voting are broadly in line with the final opinion polls, showing that Emmanuel Macron's centrist coalition has lost out to both the left and right. But a...

30th June 2024 · 3 mins read



Europe Economics Weekly

Three scenarios for after the French election

With France heading to the polls on Sunday for the first round of the legislative election, the latest polls show a small uptick in support for the National Rally (RN) and French bond spreads have...

28th June 2024 · 10 mins read 400 0.90 BTP-Bund Spread (bp, LHS) 350 0.95 EUR/USD (Inverted, RHS) 300 1.00 250 1.05 200 1.10 150 1.15 100 1.20 Spreads wider, Lega-5 Star 50 1.25 Euro weaker coalition formed 0 1.30

2020

FX Markets Update

2016

Assessing French election risk for the euro

2018

2019

2017

The upcoming French election continues to loom over euro-zone financial markets and the euro. We think it would take a worst case scenario in which France's fiscal outlook worsens materially to...

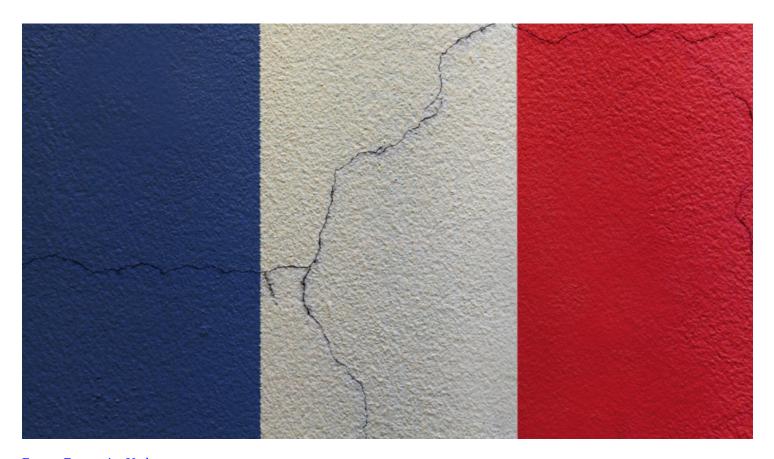
27th June 2024 · 4 mins read

2021

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2023

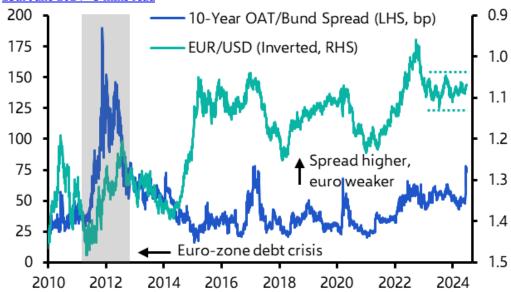
2024



Europe Economics Update

How might the ECB respond to a French fiscal crisis?

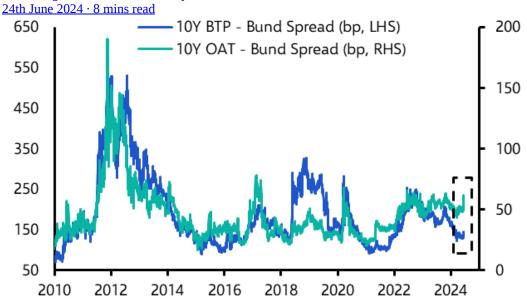
If the results of France's election, or actions of the next French government, trigger contagion to other euro-zone countries' bond markets, the ECB could respond by purchasing their bonds using the... 25th June 2024 · 5 mins read



Europe Economics Update

Q&A on French election: politics, economics, markets

This Update summarises the answers to some of the questions which clients raised in our recent online briefing about the forthcoming French legislative elections. The questions are divided into three...

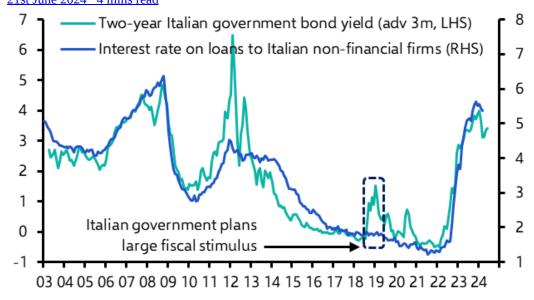


Asset Allocation Update

French politics need not sink euro-zone stocks

Recent political uncertainty in France has taken a big toll on equities there, but stock markets elsewhere in the euro-zone have generally avoided major selloffs. That's broadly consistent with past...

21st June 2024 · 4 mins read



Europe Economics Weekly

Excessive deficits; lessons from Italy's 2018 mini crisis

The European Commission this week announced its intention to put five euro-zone countries, including France and Italy, into Excessive Deficit Procedures. This will concentrate investors' minds on the...

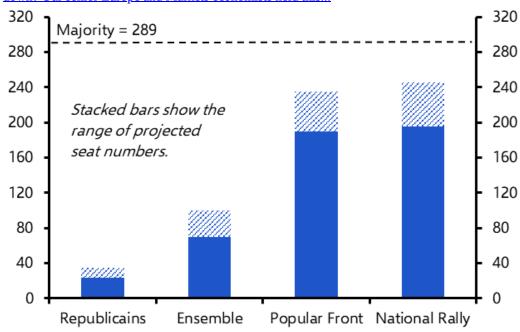
21st June 2024 · 7 mins read

Event

<u>Drop-In: French election outcome – Fiscal policy outlook and market risk</u>

8th July 2024, 11:00AM BST

Will this snap election mark the end of the France's political turmoil? And will the election results convince the bond vigilantes to stand down? Our senior Europe and Markets economists held this...

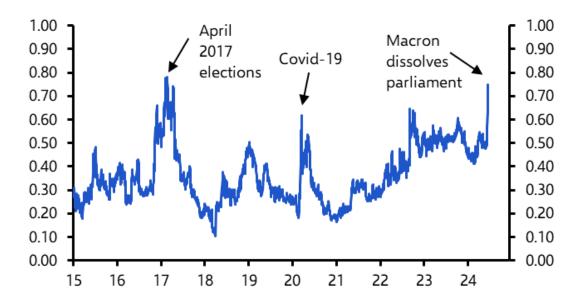


Europe Economics Update

French bond sell-off could get worse

We see three scenarios for French fiscal policy in the coming months. Even in the best case the spread of French over German bond yields remains higher than before Macron called an early election. In...

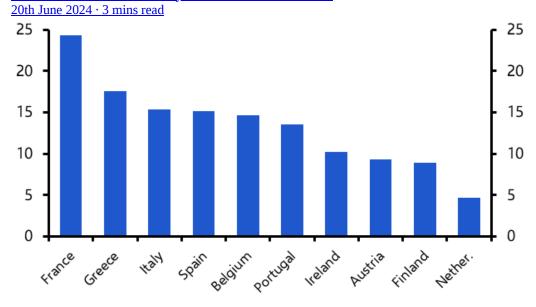
20th June 2024 · 4 mins read



Europe Commercial Property Update

Political uncertainty to hit French property values

Investor concerns about the upcoming snap legislative elections have pushed up French government bond yields and we think they will rise further over the rest of the year. This has worsened the...

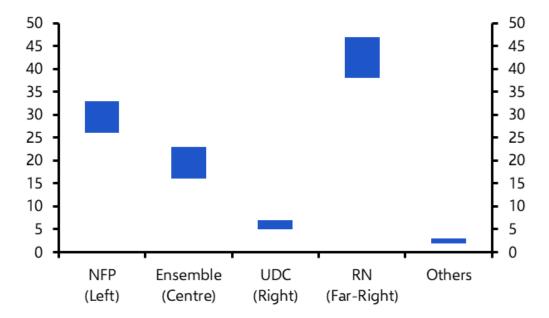


Global Markets Update

Political uncertainty to keep euro-zone spreads higher

We expect political uncertainty in France to maintain a floor under government bond spreads in the near term, not only in France but also in other vulnerable euro-zone countries. Further ahead, we see...

19th June 2024 · 4 mins read



Capital Daily

A poor week for French bonds and equities

French government bonds and equities have sold off this week, and the euro has weakened. A lot of bad news now seems priced in, but we suspect the discount on French assets is here to stay.

14th June 2024 · 4 mins read

Details

| 24th June 2024

