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## Market Challenges of Fiscal Debt



- The yield on the French 10y Government bond (known as OATs) has moved sharply higher (yields up/price down) since the announcement of a snap election by French President Macron.
- Today, Portuguese 10y Government bonds trade with a yield of 4 basis points lower than OATs.
- This is the first time since 2006 that Portuguese government debt has traded with a lower yield than French government debt.
- It is predicted that the National Rally will gain seats. The party's leader, Marine Le Pen, has been associated with ideas such as France leaving the European Union/Euro in the past. Markets are concerned that her party would worsen France's long-term fiscal sustainability.
- French government debt has a credit rating of Aa2/AA- (Moody's / S&P) \*chuckle\*.  
However, markets are becoming increasingly worried about the country's debt trajectory.
- France has not run a budget surplus since 1974.

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