



# France Pays More Than Italy. This Is Not 2012.

France's 10-year spread to German Bunds has risen from 68bps in June to 132bps, past Italy's. Our own read of five eurozone spread curves says this is a political repricing concentrated in France, on top of a shared European move, not the start of a sovereign debt crisis.

## 132bps

France's 10-year spread to Bunds on 13 October 2026, now 29bps above Italy and 50bps above Greece

## About 3x

Rise in spread dispersion across five eurozone sovereigns since early 2026, concentrated in one name

## +\$715m

Net inflows to a broad euro-area government bond ETF from 1 April to 8 October 2026: no flight from European duration

### THE FINDING IN ONE LINE

France is being repriced for its politics, not its solvency: part of the move is shared across Europe, the rest is France alone, and money is still flowing into euro government bonds.

Three Horizons Capital, Portfolio Analytics. Sovereign spreads from 3HC bond analytics, own basket of 8 to 10-year bonds, to 13 October 2026; ETF flows to 8 October 2026. External debt-affordability context as cited in section 05.

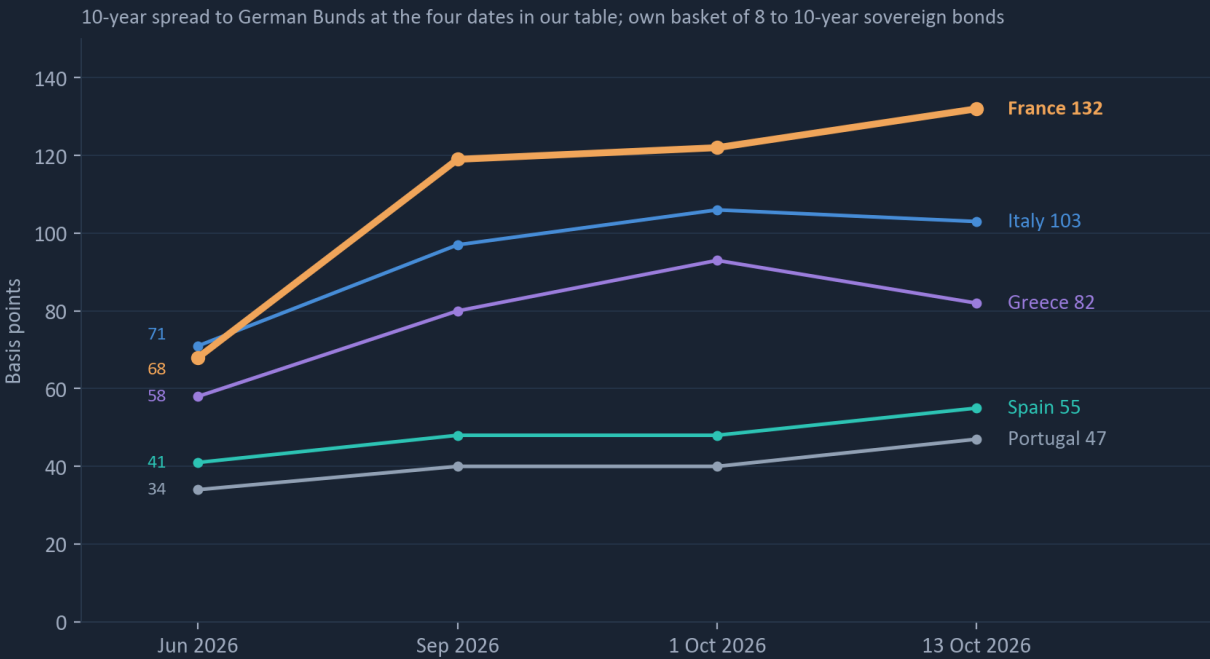
01 France now pays more than Italy to borrow

In June, France's 10-year spread to German Bunds was 68bps, 3bps inside Italy's. By 13 October it was 132bps: 29bps above Italy, 50bps above Greece, and above Spain and Portugal too. We measure each spread on our own basket of 8 to 10-year sovereign bonds, not a single benchmark bond.

| DATE        | FRANCE | ITALY | SPAIN | GREECE | PORTUGAL |
|-------------|--------|-------|-------|--------|----------|
| Jun 2026    | 68     | 71    | 41    | 58     | 34       |
| Sep 2026    | 119    | 97    | 48    | 80     | 40       |
| 1 Oct 2026  | 122    | 106   | 48    | 93     | 40       |
| 13 Oct 2026 | 132    | 103   | 55    | 82     | 47       |

10-year spread to German Bunds, basis points. Source: 3HC bond analytics.

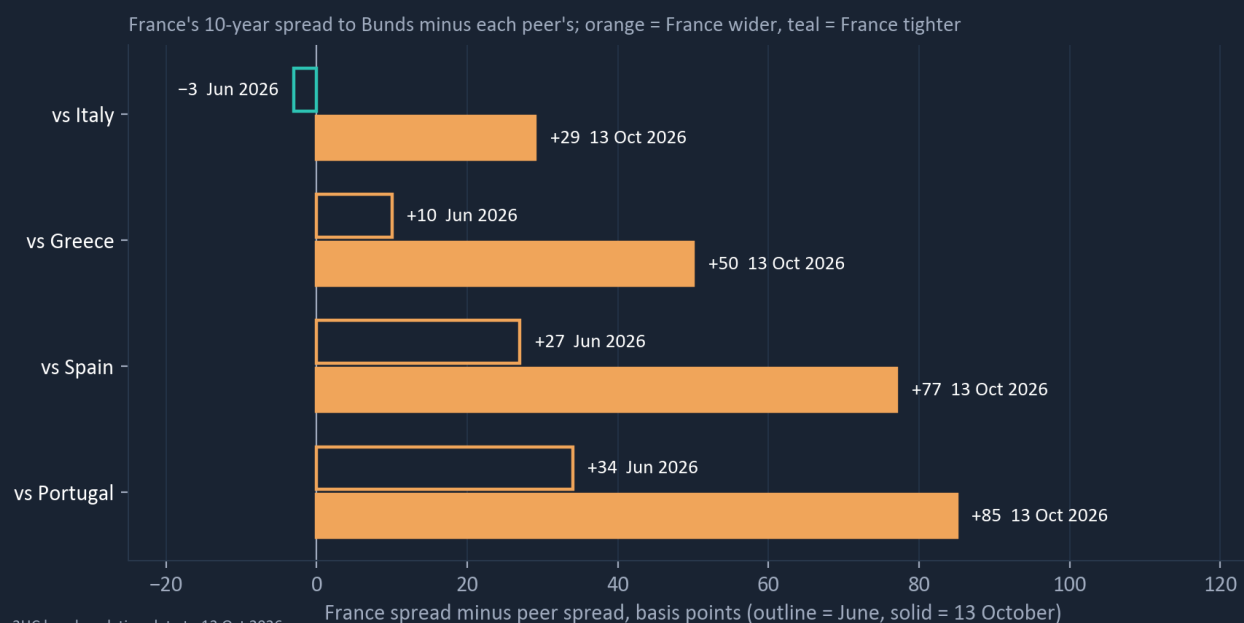
France has moved from the middle of the pack to the top



Source: 3HC bond analytics, data to 13 Oct 2026. Points are not evenly spaced in time.

The ordering is the tell. A sovereign debt crisis widens the whole periphery together and keeps the existing credit-quality ranking. Here one credit has jumped past peers whose own fiscal trajectories are improving, on a reassessment of its governability rather than its balance sheet. That is the signature of a political repricing.

### In June France paid less than Italy; it now pays 29bps more



## 02 Most of the move is European; the rest is France

We split France's monthly spread change into a shared European component and a France-specific residual, by regressing it on the average move of the other four. Month-to-month changes in France's spread correlate at 0.71 to 0.87 with those of Italy, Spain, Greece and Portugal. A majority of France's widening, roughly 50% to 70% depending on specification, moved with the rest of the basket: a shared European duration and term-premium sell-off, not a France-only funding shock.

The France-specific residual only turns positive from September 2026. That timing lines up with the French budget and parliamentary calendar, not with any new funding-stress data point.

#### SO WHAT

Two things are happening at once. Europe as a whole is being repriced for duration, and France is being repriced for politics on top. They call for different responses.

### 03 One name is moving, not the system

Dispersion across our five-country basket, measured as the standard deviation of the five spreads, has roughly tripled: from about 12bps to 13bps early in the year to about 33bps to 36bps in September and October. It has risen because one name moved away from the others, not because all five rose in parallel. That is the standard quantitative tell for a single-name, political repricing rather than a systemic credit event.

### 04 Money did not run

A crisis shows up in flows before it shows up in headlines. A broad euro-area government bond ETF of about \$6bn took in a cumulative +\$715m of net inflows between 1 April and 8 October 2026, through the whole French stress episode; its assets rose from \$5.77bn to \$6.08bn. It is one fund, not a census of the market, but it points the same way as the spreads: repricing, not a flight from European sovereign duration.

### 05 The debt arithmetic is not 2012's

Published research from Lombard Odier (13 October 2026) puts France's net government interest payments at about 2% of GDP, against about 4% for Italy and the US and about 3% for the UK. It also notes that France's external financing position is nowhere near the 7% to 12% of GDP deficits that preceded the 2012 crisis in Portugal, Spain, Greece and Ireland. We have not re-derived that analysis; it sits outside our bond and flow data. It is consistent with what our spreads show: a repricing of governability and fiscal-path uncertainty, not a deterioration in the capacity to service debt.

Nor do we see a trigger for the ECB's Transmission Protection Instrument. It exists to counter market dysfunction and fragmentation, not to cap a government's own political risk premium, and the flows show no broad flight from euro-area sovereign bonds.

## 06 Our view

A political repricing, not a solvency event. But it is wide enough, and early enough in a multi-year European election calendar, to treat as a structural feature of the next 12 to 18 months rather than a spike to fade.

**Sovereign bonds.** We expect the France-specific premium to stay elevated and choppy, re-widening around budget votes, confidence motions and election news rather than blowing out in one direction. We would not extrapolate French stress onto Italy, Spain, Greece or Portugal, whose fiscal paths are improving. We stay neutral on aggregate euro-area duration, with a preference for credits whose improving rank order is intact (Italy, Greece and Portugal on the current trend) over France, where the France-specific residual is still the marginal driver.

**Currency.** The widening political premium, on top of weaker relative growth and policy rates against the US, supports continued euro softness against the dollar. We weight that call on the rate differential and relative growth more than on France: the spread move is one input among several.

**Equities and credit.** Rising dispersion within European sovereigns is a leading indicator we expect to see in European equity and corporate credit too: by sector exposure to French fiscal policy, and in financials that sit close to the sovereign ceiling. We favour differentiating issuers and sectors with direct exposure to French outcomes over a blanket regional call driven by the French bond story alone.

## 07 What changes for a portfolio

- **Treat France as single-name risk within sovereigns.** Size French exposure on its own, not as part of one blended euro government allocation.
- **Do not price the periphery off France.** Italy, Spain, Greece and Portugal are on their own improving paths; the ranking has changed for a reason.
- **Separate the two moves.** The shared duration move and the France premium need different hedges and different client conversations.
- **Watch dispersion, not just levels.** The same split is likely to show up in European equity and credit, by exposure to French policy.
- **Plan for chop, not a one-way trade.** Budget votes and confidence motions are scheduled; build the response before them.

## 08 What would change our mind

### SIGNAL

### WHAT IT WOULD MEAN

The shared share of the move rises, with the periphery re-widening in lockstep with France

The story is broadening from political to systemic

Rating trajectories reverse in Italy, Spain, Greece or Portugal

The contrast that makes this France-specific is gone

Sustained net outflows from broad euro-area government bond funds

The clearest market signal of a shift from repricing to stress

ECB communication or action on Transmission Protection Instrument eligibility for France

The ECB itself sees contagion or fragmentation risk

## 09 What we measured

- **Spreads:** 10-year spread to German Bunds from our own basket of 8 to 10-year sovereign bonds in 3HC bond analytics, to 13 October 2026.
- **Decomposition and dispersion:** each month's change in France's spread regressed on the average change of the other four (the shared share is a range because it depends on specification); dispersion is the standard deviation of the five spreads.
- **Flows:** one broad euro-area government bond ETF, net flows and assets from 1 April to 8 October 2026. One proxy, not a market-wide flow census.
- **Data cleaning:** one 10-year Bund series showed an isolated, multi-day dislocation of about 190bp from 17 to 26 February 2026; that window is excluded from trend interpretation.
- **External context:** debt-affordability and external-financing figures in section 05 are from Lombard Odier's published research (13 October 2026), cited as corroboration, not re-derived.
- Past spread and flow behaviour is not indicative of future results. This paper is research, not investment advice, and is not a recommendation to take any position.

### IF THIS IS USEFUL

This read joins our own sovereign bond basket, a factor decomposition and fund-flow data on one platform. If you run European fixed income, multi-asset or currency-hedged books and want the same single-name look-through on your sovereign sleeve, talk to us at [threehorizonscapital.com](https://threehorizonscapital.com).