04 / SPECIAL BRIEFING

France, *repriced.*

Fiscal pressure, the cost of capital and the businesses beneath the country headline.



SOVEREIGN RISK / COMPANY REALITY

R.J. Dalin

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Nordics to the world.

01 / THE VIEW

Read the obligation before the asset.

France’s fiscal position matters beyond government bonds. It can change financing costs, public demand and business confidence. The investment task is to trace those channels into an individual asset’s cash flow.

01

119.0% / the accumulated obligation

General-government gross debt at the end of June 2026, as a share of GDP. This is a stock of debt, not the annual deficit. [1]

02

5.0% / the proposed next step

The 1 October budget proposal targets a 2027 deficit of 5.0% of GDP, against a government estimate of 5.4% for 2026. A proposal is not a delivered adjustment. [2]

03

4.85% / the market’s price of time

France’s official ten-year constant-maturity yield indicator on 19 October. It is a yield, not the OAT-Bund spread or the average interest cost on all public debt. [3]

THE IDEA BEHIND THE VIEW

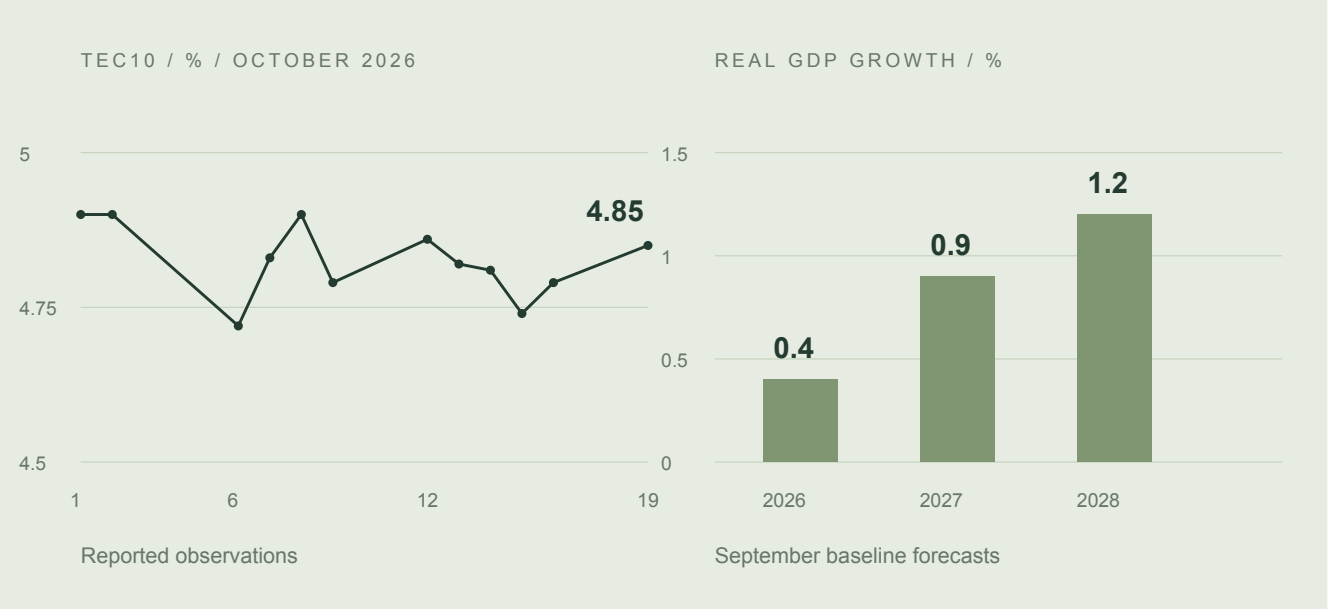
The route is fiscal credibility → sovereign funding → credit and public demand → company cash flow. Existing fixed-rate debt does not reset overnight: AFT reported an average maturity of eight years and 158 days for negotiable state debt at end-September. [4] That buys time; it does not remove the need to refinance.

A company’s customers and liabilities usually reveal more than the country in its address.

02 / THE EVIDENCE

A yield is not a verdict on France alone.

The general level of euro interest rates matters too. The ECB's deposit rate rose to 2.50% from 16 September. [5] That short-term policy rate is different from a ten-year sovereign yield and from a French-German yield spread.



Left: AFT TEC10 observations, 1-19 October 2026 [3]; narrow 4.5-5.0% axis. Reported dates only, no interpolated observations. Right: Banque de France, September baseline [6]; annual growth forecasts, zero-based bars.

Separate the common and local shocks

If French and German yields rise together, a wider rates move may dominate. If France widens against Germany, investigate the French component. A matched-date spread is needed before attributing the move; the chart does not invent one.

The recovery is conditional

Banque de France projects growth of 0.4%, 0.9% and 1.2% over 2026-28. [6] That leaves little room for a business plan to assume rapid domestic demand growth. Export customers, public buyers and consumers may follow different paths.

Market observations and institutional forecasts answer different questions. Keep their dates and status attached.

03 / THE FRAMEWORK

Three lanes deserve a closer look.

The aim is to locate cash flows that can withstand the conditions, not to treat a country discount as an investment thesis.

Where to look	What to verify	What breaks it
Electrification services	Paid demand, connections and utilisation	A project depends on support that fails
Specialist exporters	Order quality, concentration and collections	Backlog cancels or cash gets trapped
Refinancing + succession	Asset quality and cash needed after closing	New debt leaves no operating cushion

OHR research map: connect the cash-flow mechanism to evidence and a specific failure condition.

Power must become useful capacity

RTE reports that more than 95% of French electricity production was low-carbon in 2025. [7] That invites work on connections, controls and industrial conversion. It does not guarantee cheap delivered power for every customer or solve a project’s utilisation risk.

Follow the buyer, then the balance sheet

An export supplier can face a different demand cycle from a domestic retailer. A public-sector contractor has another exposure again. Map who pays, when the cash arrives and how much working capital a growing order book absorbs.

04 / IN PRACTICE

Two points can consume the cushion.

Consider a business with €5m of debt and €750,000 of annual EBITDA. Refinancing at 8% rather than 6% adds €100,000 in annual cash interest, even if its products and customers remain unchanged.

CASH INTEREST RATE	CASH INTEREST RATE	CASH INTEREST RATE
6%	7%	8%
€300,000 / year	**€350,000 / year**	**€400,000 / year**
2.50× coverage	**2.14× coverage**	**1.88× coverage**
EBITDA / cash interest	EBITDA / cash interest	EBITDA / cash interest

OHR illustration, not market lending quotes. Interest = debt × rate; coverage = EBITDA ÷ cash interest. Excludes principal, fees, taxes, hedging, capex and working capital. It is not debt-service coverage.

WHAT TO OBSERVE

Debt outstanding	Annual EBITDA	Cost of +100 basis points
€5.0m	**€750,000**	**€50,000 a year**

Start with the maturity schedule

Then trace fixed and floating rates, hedges, covenant definitions, security and repayment priority. A lender’s committed terms matter more than a model that assumes the refinancing will simply be available.

The exit also needs financing

A lower entry price can disappoint when maintenance is understated or the next buyer needs much cheaper debt. For property, infrastructure and companies alike, test the purchase price and funding structure together.

05 / THE OWNERSHIP LENS

Three paths. Evidence before conviction.

France’s budget debate is an ongoing process. Reporting on the 1 October proposal described substantial parliamentary obstacles. [9] Monitor what is enacted and delivered rather than treating the announcement as the outcome.

IMPROVEMENT

Does credibility become visible in delivery?

Budget execution improves, financing stays orderly and company confidence recovers. Revisit broad discounts while retaining the cash-flow tests.

SLOW SQUEEZE

Can the business live with dearer capital?

Investment is delayed and borrowing remains available at a higher cost. Require a case that needs neither rapid growth nor easy refinancing.

STRESS

Are several indicators deteriorating together?

Watch market liquidity, bank funding, credit availability and customer payments. Reconsider leverage, seniority and counterparty concentration.

What to watch

Pair the OAT-Bund spread with auction demand, bank lending, business surveys and actual collections. Banque de France describes sovereign, funding and collateral channels in its stability work. [8] No single indicator can establish the whole story.

What would change our view

Weaker export demand, persistent energy pressure or missing public support would challenge the lanes above. A price rebound alone would not repair those assumptions. Improve the thesis when the evidence improves.

No probabilities are assigned to these scenarios. Their purpose is to make the next decision more disciplined.

FROM THE EDITOR / READING NOTES

A letter, and the reading behind it.

France is a reminder of why I prefer to start with the terms of ownership and work outward. Markets can compress a country into a headline. Our task is to recover the detail: who earns the cash, who has a claim on it and what happens when the assumptions change. This note separates official observations, government targets, institutional forecasts and our own arithmetic. The sources are here so readers can challenge the work. OHR's perspective remains patient and practical: understand the obligation, recognise the uncertainty and look for productive capacity that can endure it.

R.J. Dalin

OHR Perspectives / October 2026

SOURCES & FURTHER READING

[1] INSEE · Quarterly Maastricht debt, Q2 2026
29 September 2026. General-government gross debt, end-June.

[2] French Economy Ministry · Presentation of the 2027 draft budget
1 October 2026. Government estimate and proposed deficit target.

[3] Agence France Trésor · TEC10 daily observations
1-19 October 2026. Dated ten-year constant-maturity yields.

[4] Agence France Trésor · Government-debt dashboard
State-debt maturity at 30 September 2026. Negotiable state-debt maturity; narrower scope than general government.

[5] European Central Bank · Monetary policy decisions
10 September 2026. Rates effective from 16 September.

[6] Banque de France · September interim projections
15 September 2026. Conditional growth forecasts for 2026-28.

[7] RTE · 2025 Electricity Review: key findings
2025 annual data; report April 2026. Low-carbon electricity generation share.

[8] Banque de France · Financial Stability Report
24 June 2026. Sovereign, funding and collateral channels.

[9] Reuters / Euronext · France demands belt-tightening in 2027 budget
1 October 2026. Political context on that date; no later vote assumed.

RESEARCH & EDITORIAL NOTE

Research cut-off: 20 October 2026. Original commentary by R.J. Dalin for OHR. Sources are independent; no endorsement or affiliation is implied. Historical books and essays are conceptual references. Research priorities are not rankings of expected returns. Hypothetical examples are not holdings or available transactions. General information, not personalised advice or an offer. Forecasts are uncertain; capital and liquidity are at risk. Charts distinguish observations, forecasts and illustrations. Cover artwork is illustrative and AI-generated.