

ECB Bond Market Contact Group:

Attractiveness of European bond markets in times of shifting global asset allocations

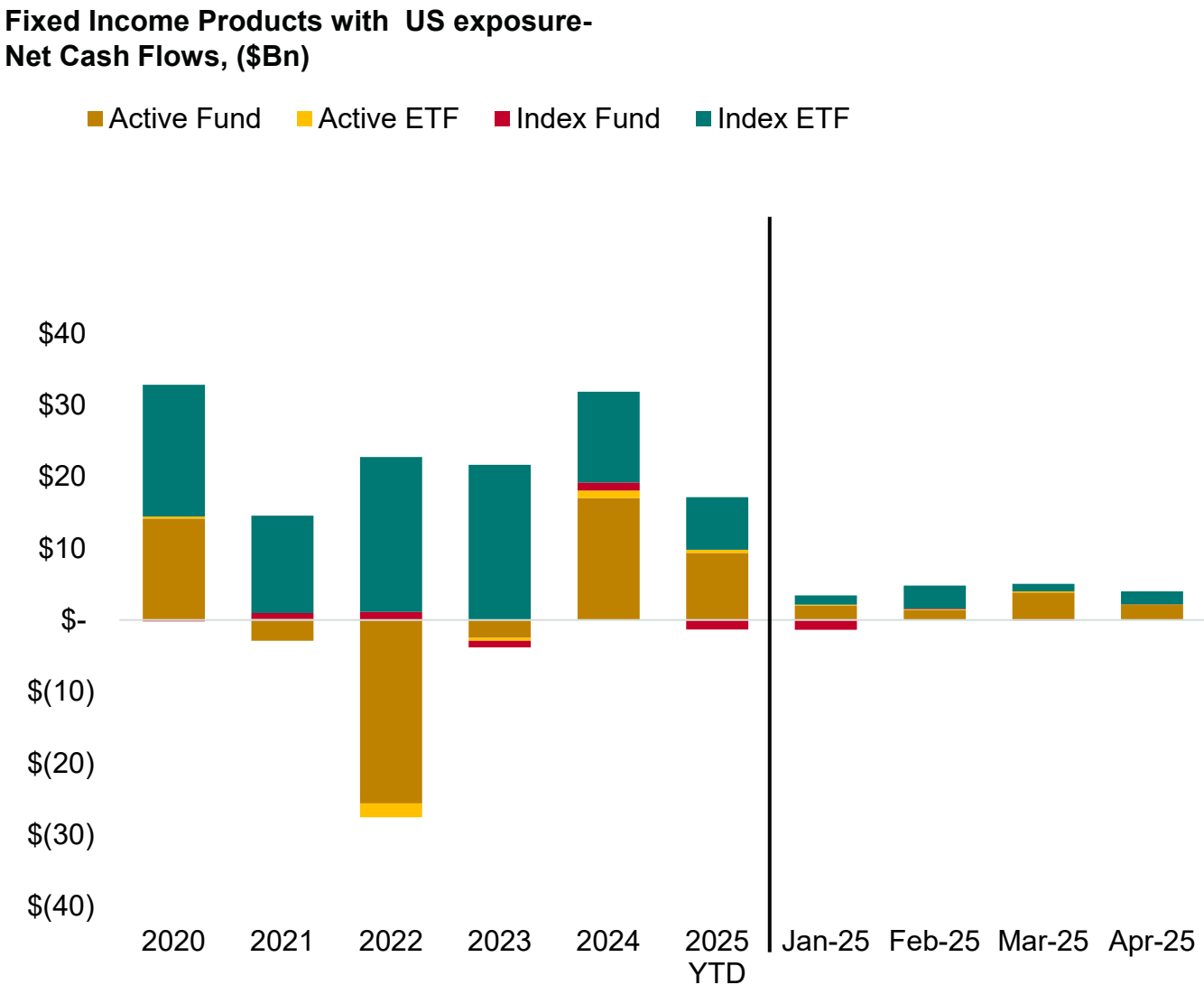
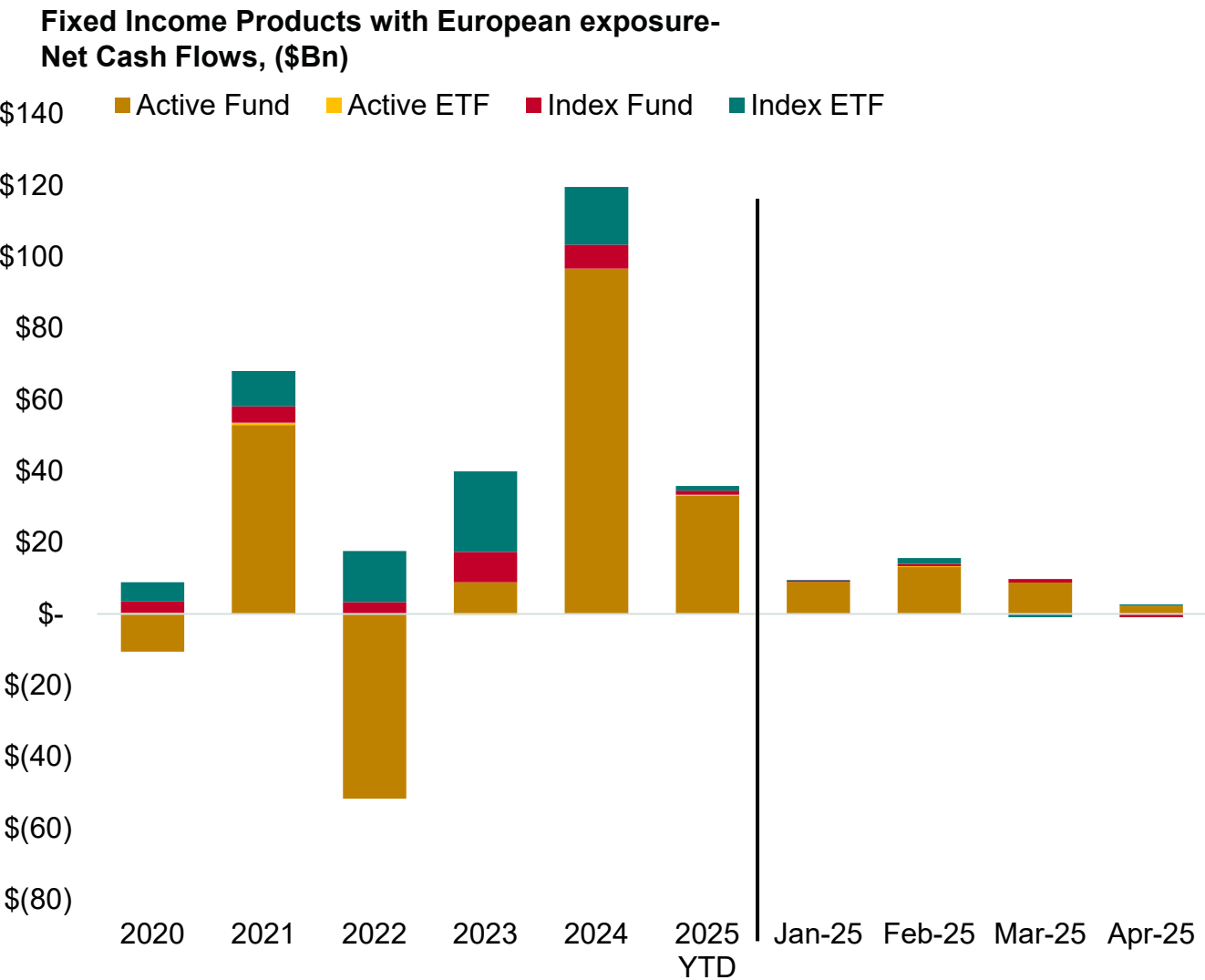
Loubna Moudanib

June 18th, 2025

Core purpose:

To take a stand for all investors, to treat them fairly, and to give them the best chance for investment success

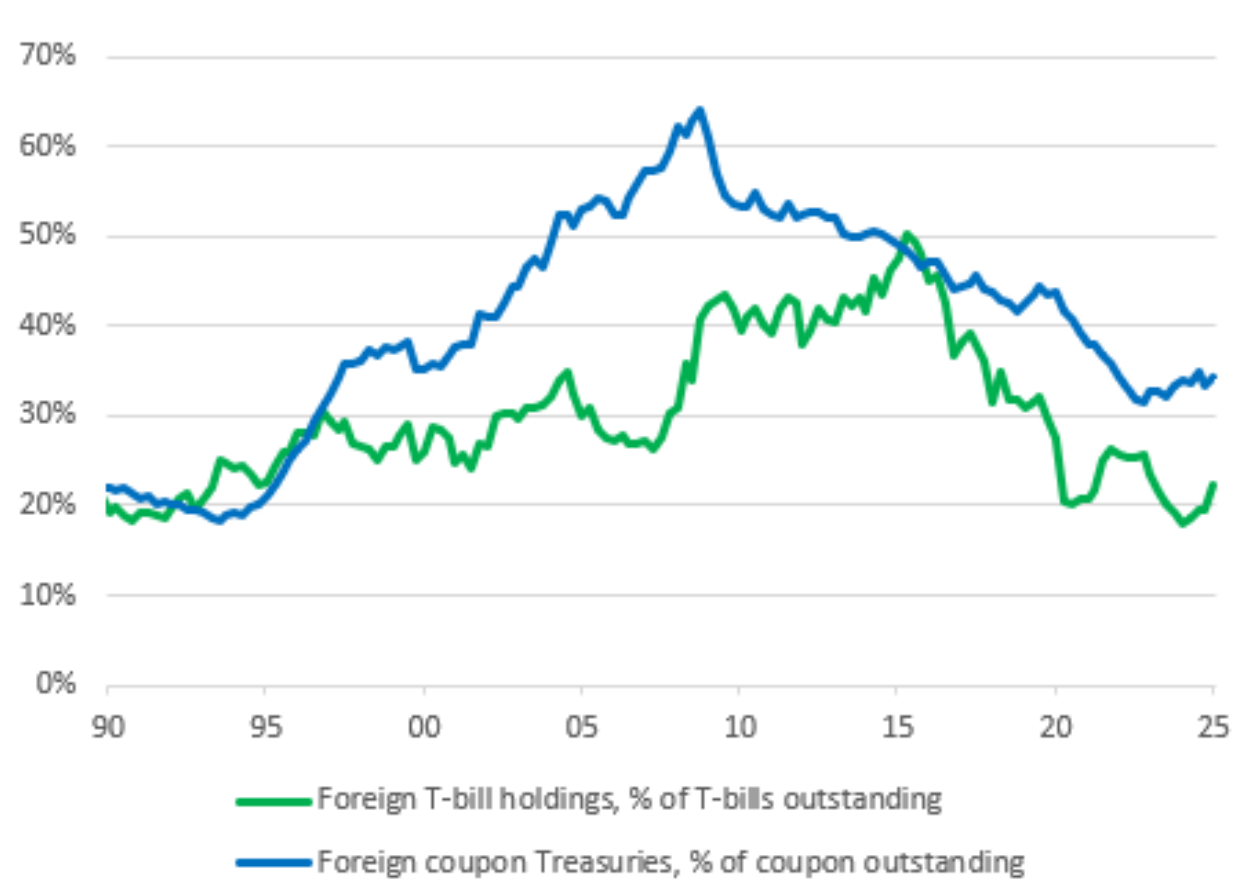
Demand for fixed income remains strong



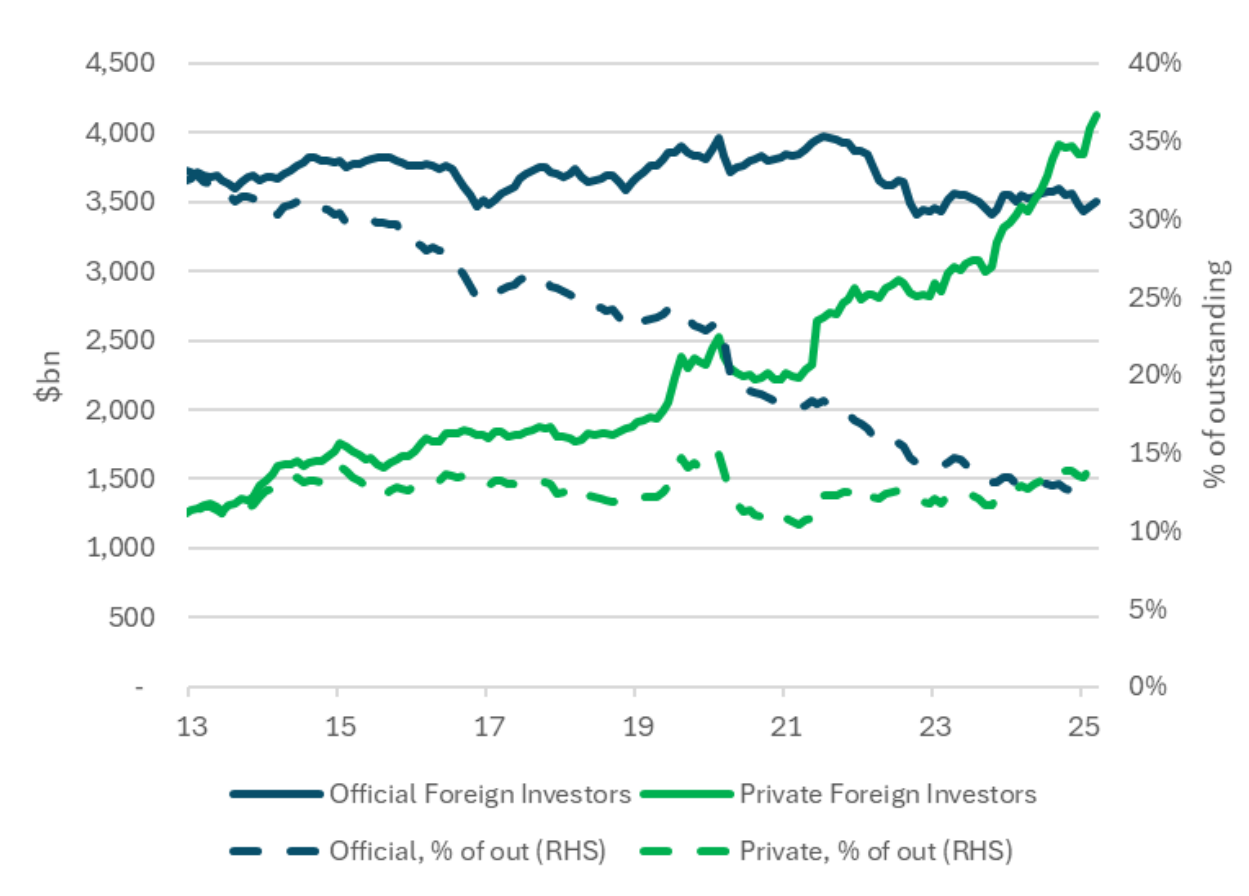
Source: Broadridge, GMI Funds. Data as of April 2025
Notes: Data for European domiciled products. For European exposures: EUR Corporate Bond, EUR Corporate Bond - Short Term, EUR Diversified Bond, EUR Diversified Bond - Short Term, EUR Flexible Bond, EUR Government Bond, EUR Government Bond - Short Term, EUR High Yield Bond EUR Inflation-Linked Bond, EUR Subordinated Bond, EUR Ultra Short-Term Bond, Europe Bond, Europe Loan. For US exposures: USD Corporate Bond USD Corporate Bond - Short Term, USD Diversified Bond, USD Diversified Bond - Short Term, USD Flexible Bond, USD Government Bond, USD Government Bond - Short Term, USD High Yield Bond, USD Inflation-Linked Bond, USD Ultra Short-Term Bond.

Foreign demand for Treasuries

While foreign holdings of Treasuries securities have declined over the past decade driven by foreign official investors...

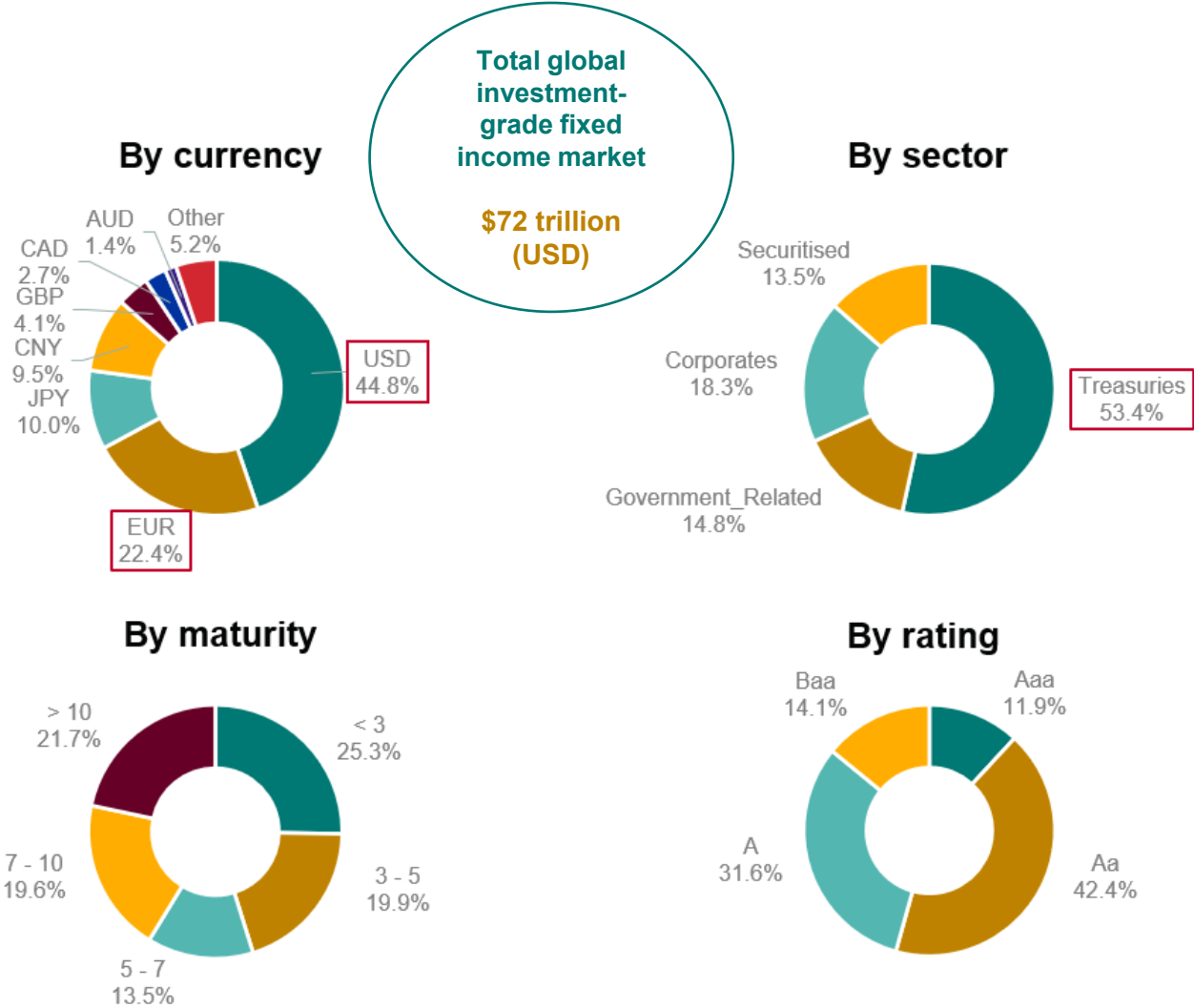


... foreign private investors have kept pace with increased issuance.

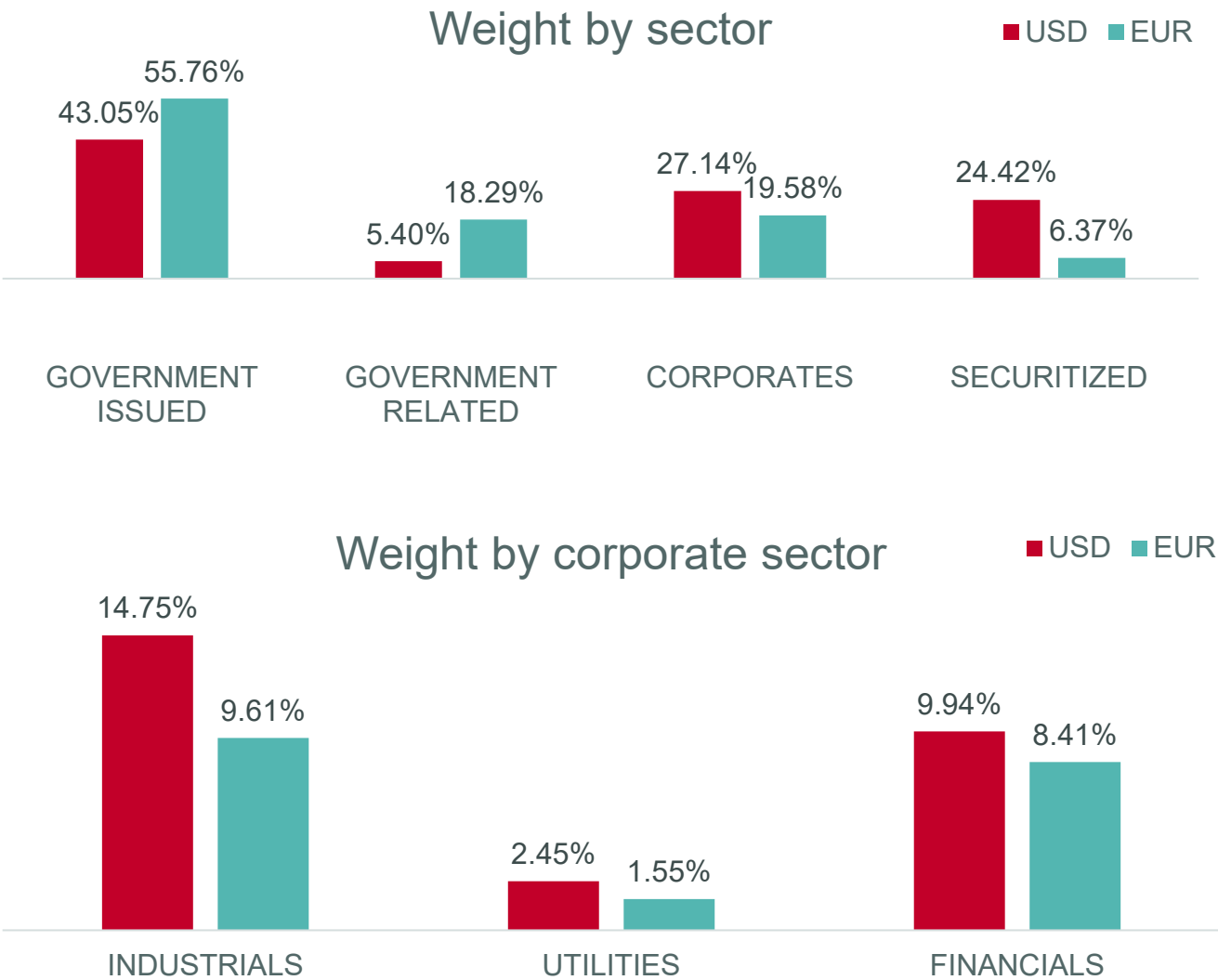


Structural and preference barriers to European reallocation

The global investment-grade fixed income market by component



Local-market-specific risk factors

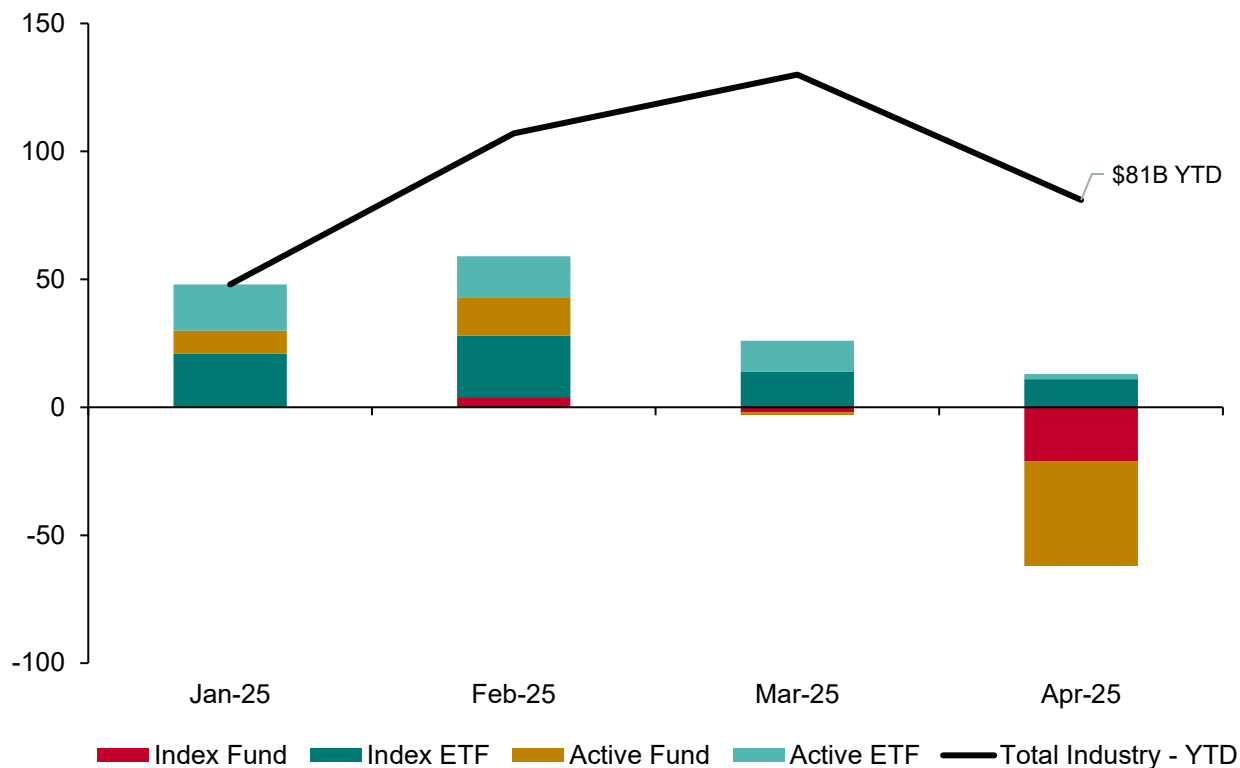


Appendix

Demand for fixed income remains strong

Fixed income flows remain strongly positive YTD, even after fund outflows in April. FI ETF flows have remained consistently positive

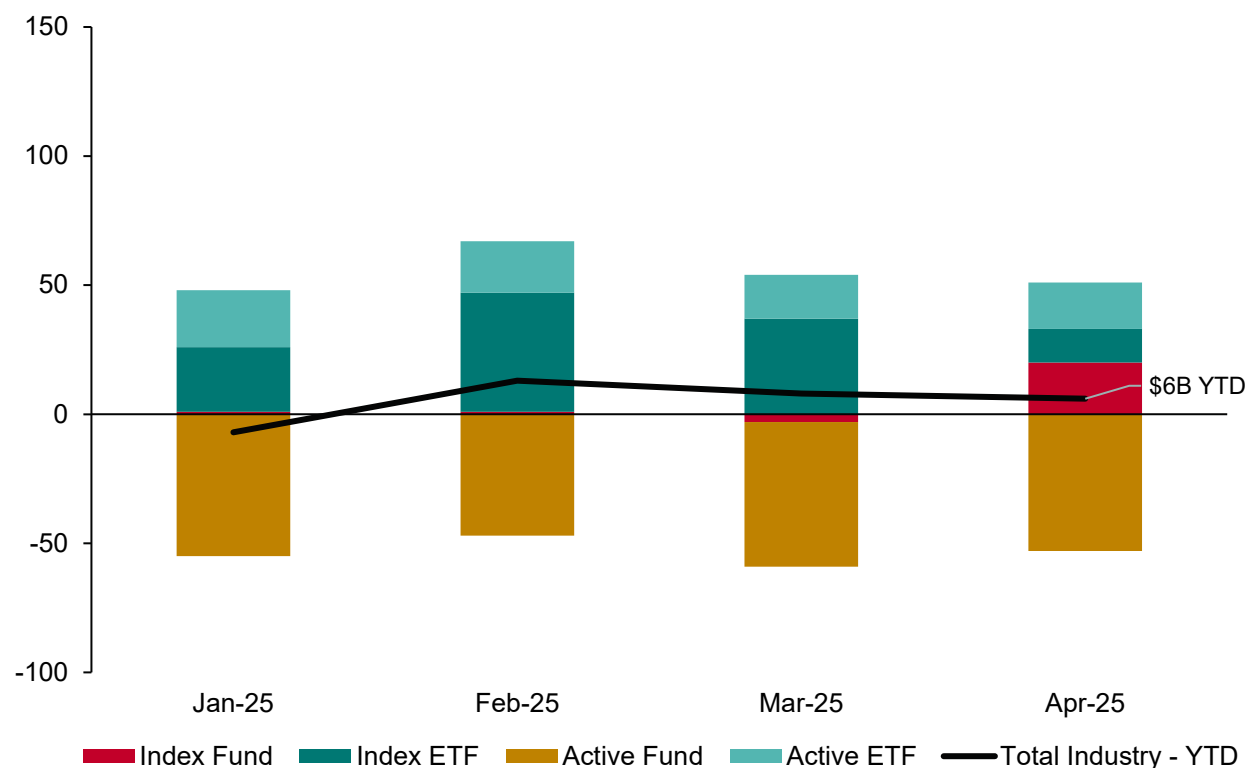
Fixed Income Bond Flows, US 40 Act Industry (\$Bn)



YTD (\$B)	(19)	70	(18)	48	81
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Equity flows are muted YTD, with active fund outflows largely offsetting ETF inflows across index and active

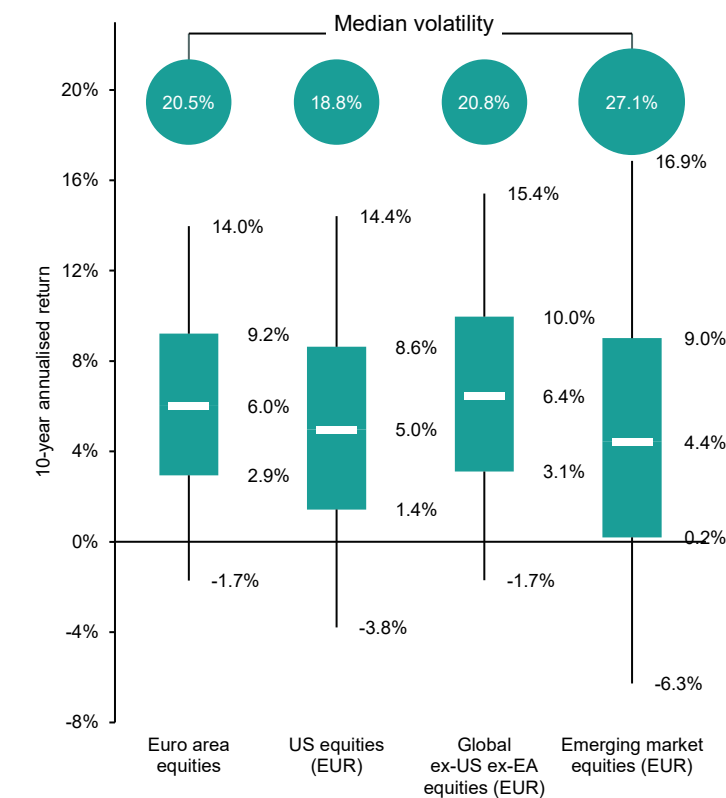
Equity Flows, US 40 Act Industry (\$Bn)



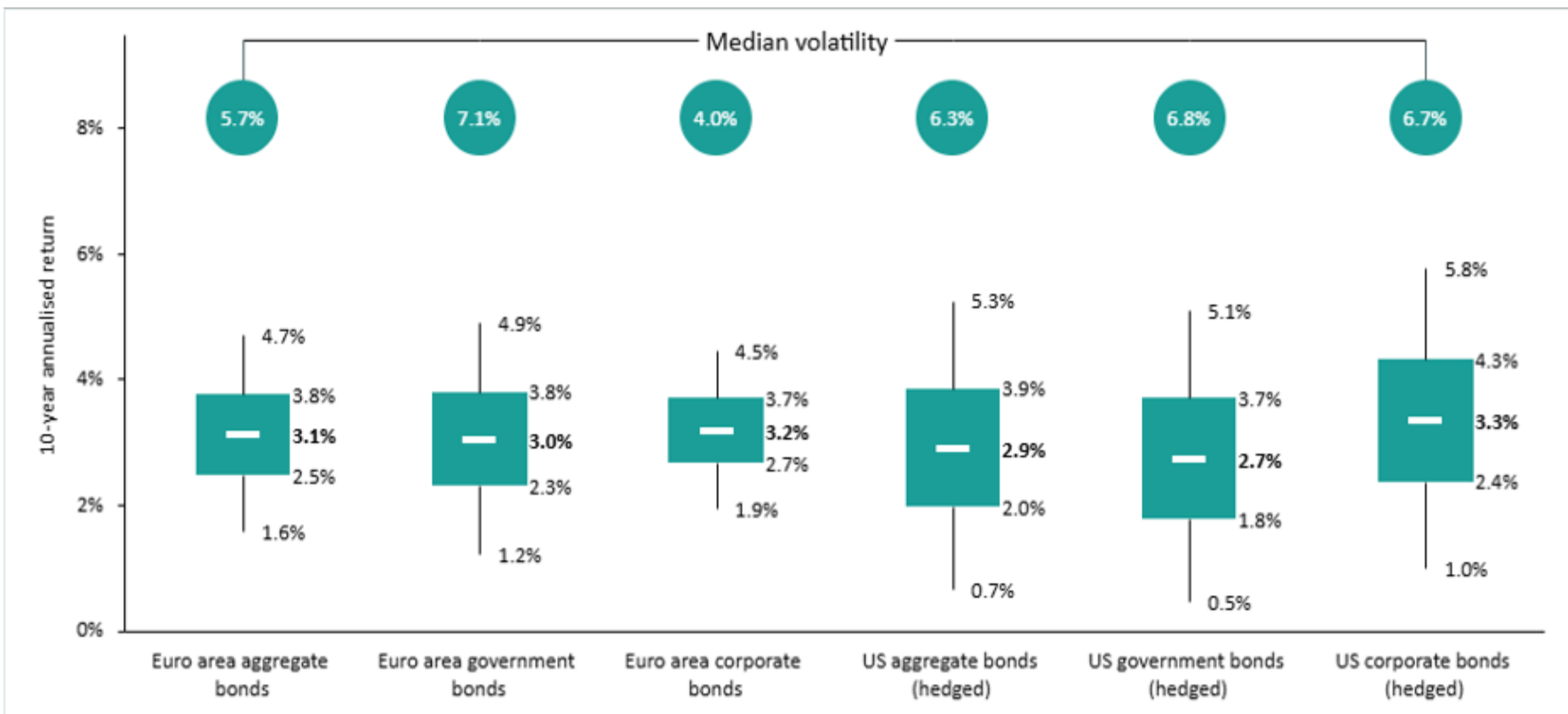
YTD (\$B)	19	121	(211)	77	6
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Fixed income is attractive, particularly compared to US equities

Valuation and currency headwind to US equities



Attractive return outlook for fixed income – we expect lower US bond returns hedged vs. EUR



Any projections should be regarded as hypothetical in nature and do not reflect or guarantee future results.

Notes: The forecast corresponds to the distribution of 10,000 VCMM simulations for 10-year annualised nominal returns in EUR for assets highlighted here. Asset-class returns do not take into account management fees and expenses, nor do they reflect the effect of taxes. Returns do reflect the reinvestment of income and capital gains. Indices are unmanaged; therefore, direct investment is not possible.

Sources: Vanguard calculations, based on data from Refinitiv, as at 31 May 2025.

IMPORTANT: The projections and other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Distribution of return outcomes from the VCMM are derived from 10,000 simulations for each modelled asset class. Simulations are as at 11 June 2025. Results from the model may vary with each use and over time.

Important information



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The VCMM projections are based on a statistical analysis of historical data. Future returns may behave differently from the historical patterns captured in the VCMM. More important, the VCMM may be underestimating extreme negative scenarios unobserved in the historical period on which the model estimation is based.

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Important information



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