

ECB Bond Market Contact Group

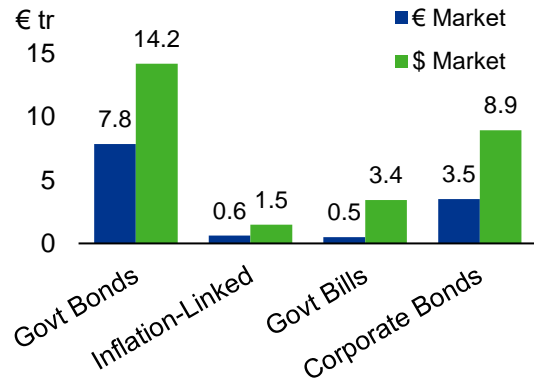
Attractiveness of European bond markets in times of shifting global asset allocations

Frankfurt, 18 June 2025

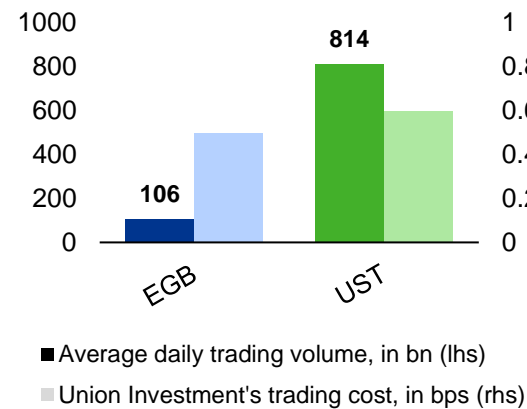
Christian Kopf, Head of Fixed Income, Union Investment Group

The size and structure of the euro area's bond markets

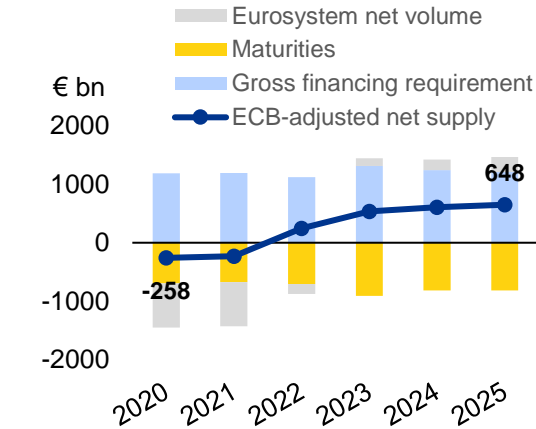
Bond markets are much smaller in the euro area than in the US ...



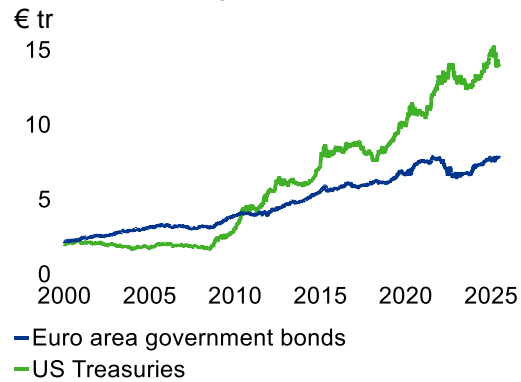
... but liquidity is better in EGBs than in US Treasuries ...



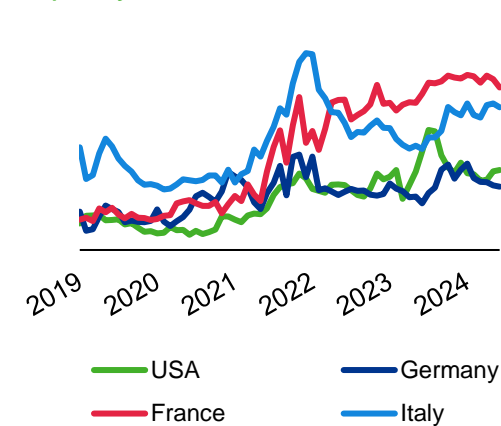
... and the EGB market absorbed a sizable increase in net supply.



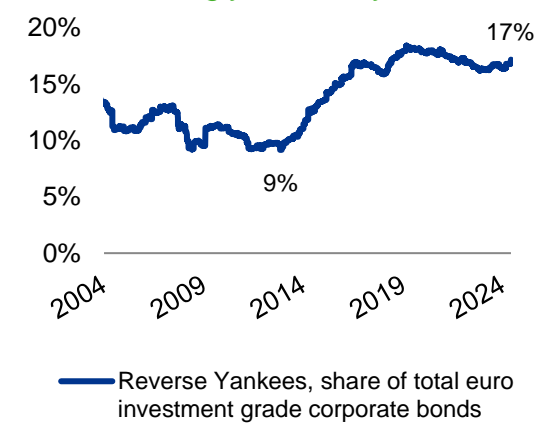
Historical evolution of government bond market capitalisation



Bloomberg Government Securities Liquidity Indices

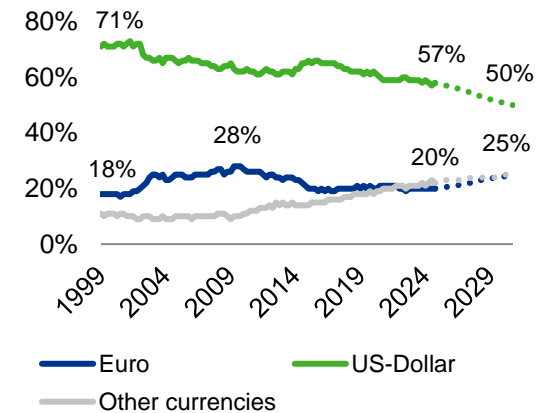


Euro-denominated corporate bonds are increasingly issued by US firms

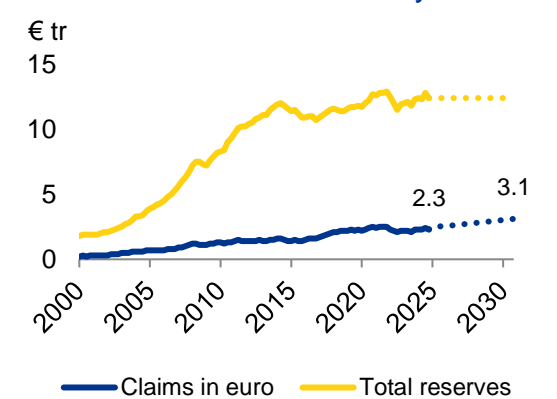


Potential inflows

The euro's share in international reserves may continue to rise ...



... which could lead to inflows of € 800 billion in the next five years



Sources: [1] Union Investment, based on ICE; [2] FINRA, JP Morgan (TRACE statistics), MarketAxess (TRAX data), Tradeweb (Union Investment's TCA); [3] Union Investment forecast for Austria, Belgium, France, Germany, Italy, Netherlands, Portugal and Spain, based on data from national agencies, Banca d'Italia, ECB, Bloomberg; [4] Macrobond, ICE (G0Q0, EG00); [5] Bloomberg; [6] Commerzbank, ICE (ERUS, ER00)

Source: Union Investment, based on IMF COFER

Topics for discussion

1. Is the increased participation of foreign investors in the euro area bond market predominantly driven by pull factors, such as lower transaction costs and greater market depth, or by push factors related to the characteristics of other global bond markets?
2. Which magnitude of net inflows do you expect into euro area government and corporate bond markets over the coming years?
3. Do you expect the bulk of the flow to go into government bond markets?
4. What will be the impact of inflows on intra-EMU government bond spreads and swap spreads?
5. How do you judge the absorption capacity of euro area corporate bond markets? Will we see more reverse Yankee issuance?

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