

WHY MARKETS BUY EUROPE AGAIN

Kalin Anev Janse, Chief Financial Officer and Management Board Member

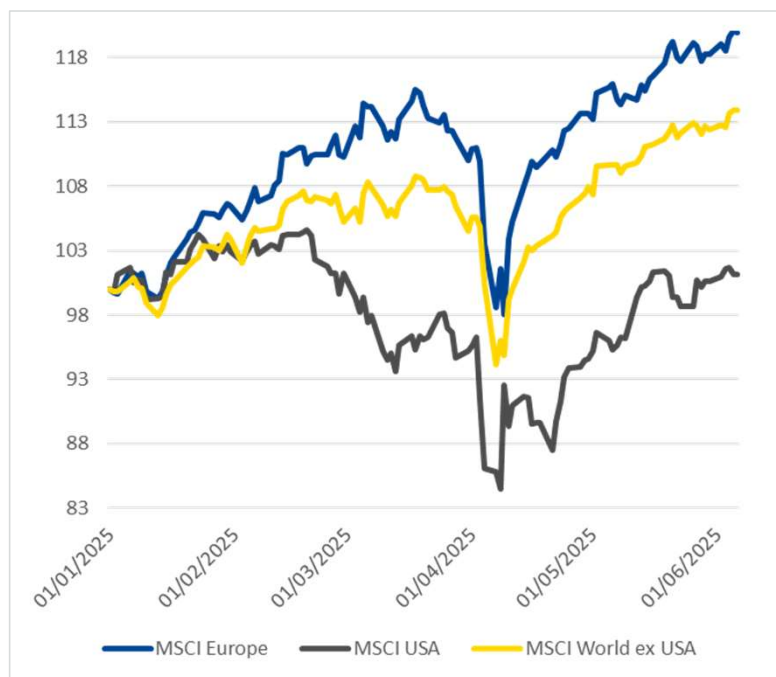
London, 18 June 2025

Sovereign Wealth Fund Institute – Global Wealth Conference



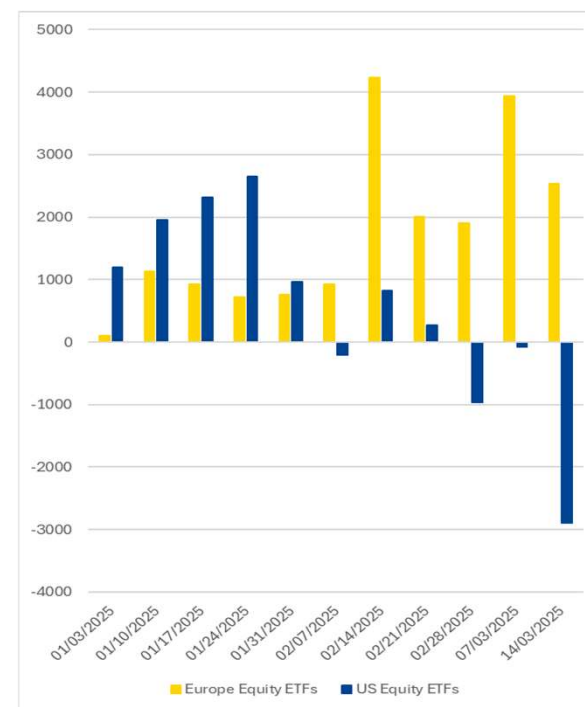
EUROPEAN MARKETS HAVE BEEN OUTPERFORMING THE WORLD AND UNITED STATES IN 2025

Indices rebased (\$) (year-to-date)



Source: Bloomberg

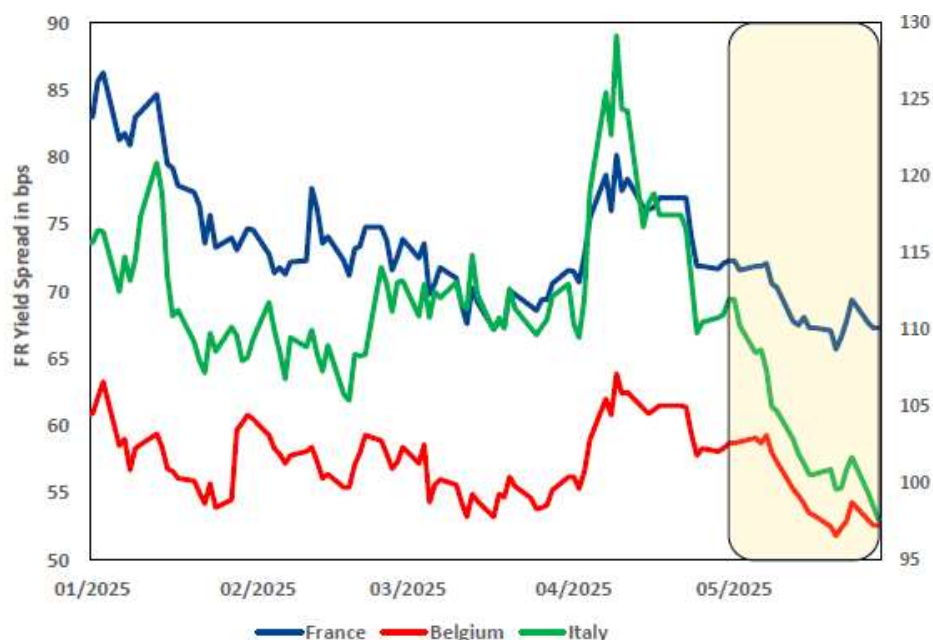
Weekly Estimated Flows in Europe Equity ETFs and US Equity ETFs (Universe of European investors)



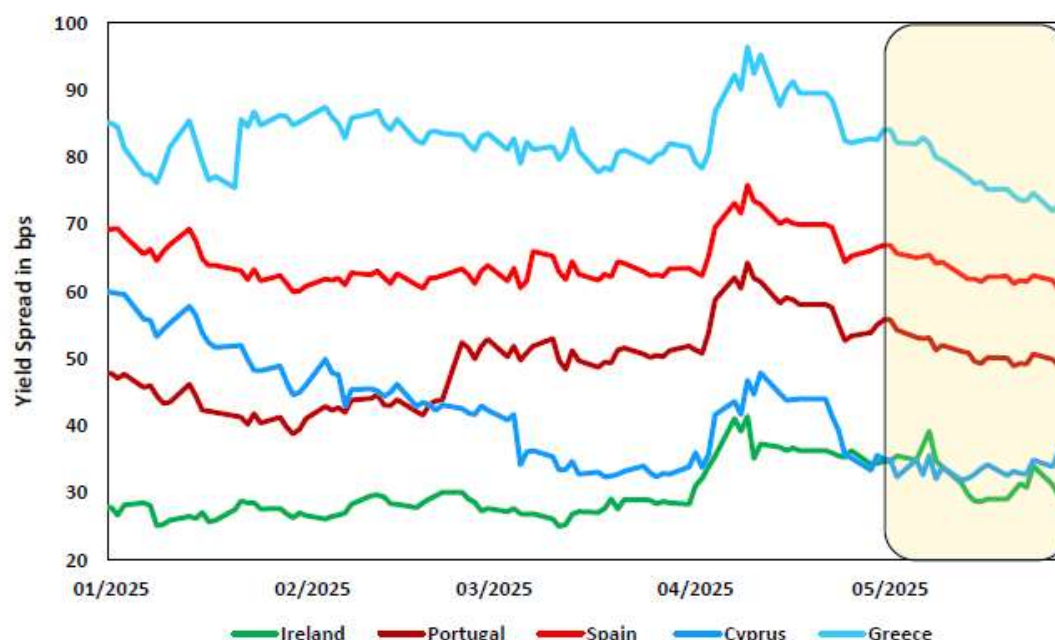
Source: Morningstar

EURO AREA SPREADS TIGHTENING - DESPITE ADDITIONAL DEFENCE SPENDING CAUSING A TEMPORARY SPIKE IN EARLY APRIL

10-year Yield Spreads of FR, BE (LHS) and IT (RHS) vs Germany

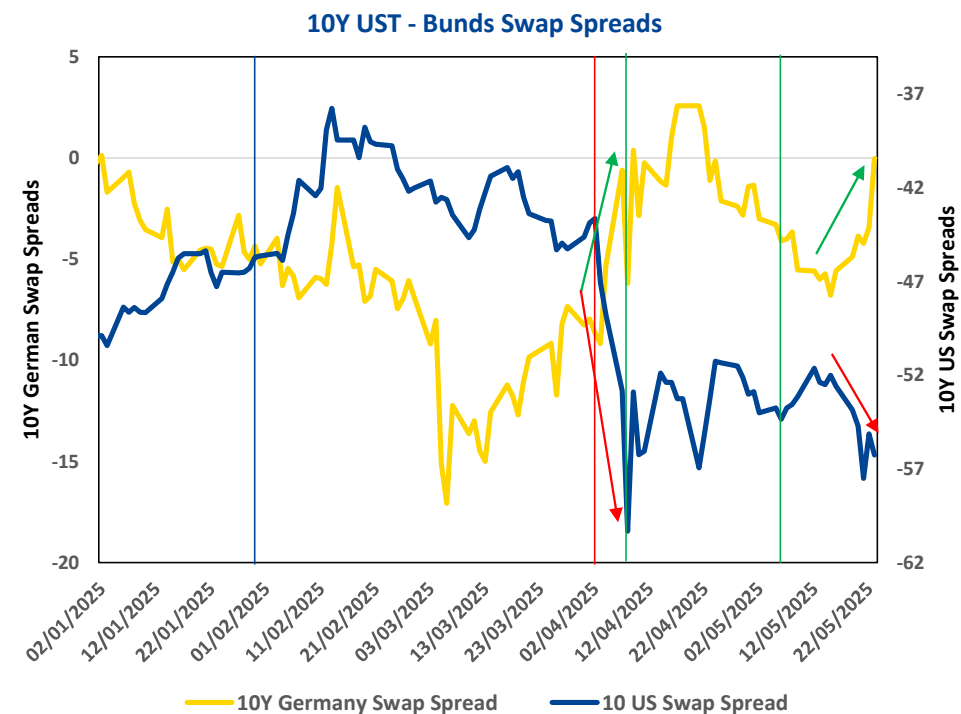
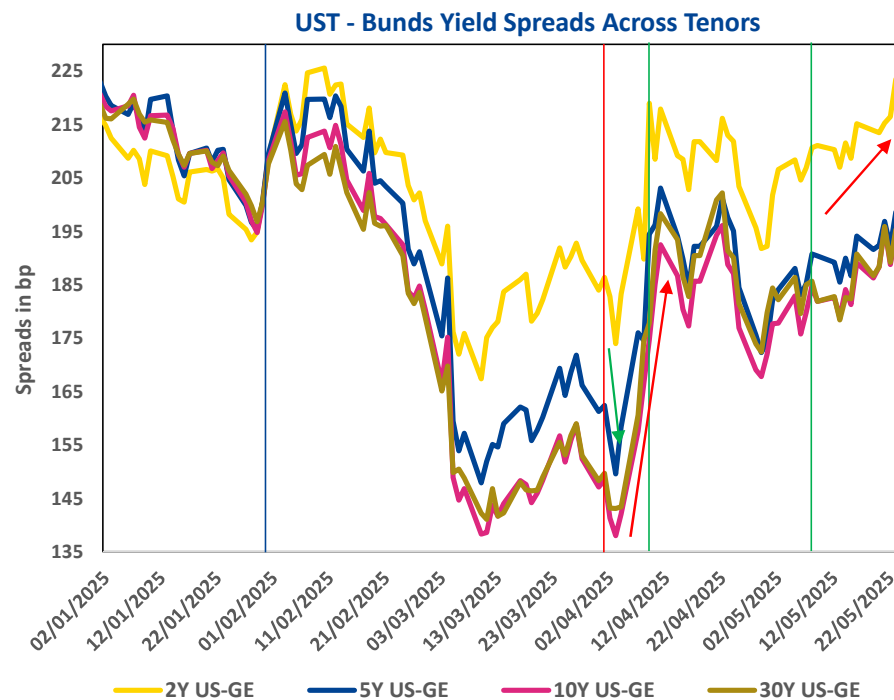


10-year Yield Spreads vs Germany



Source: Bloomberg

SPREAD MOVES FAVOURING GERMAN BUNDS OVER US TREASURIES (USTs)

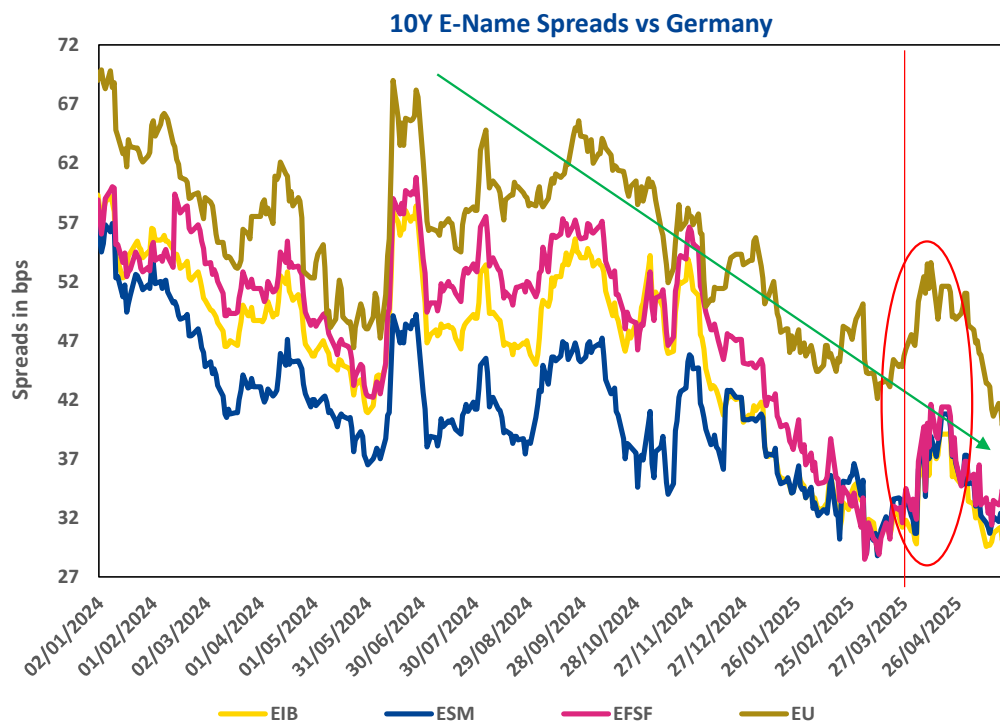


USTs sold off just as Bunds were bought (UST yields rising due to expected spending and deficit increase)
 Loss of confidence in USTs and a vote of confidence in Bunds was manifested via their opposite reaction vs swaps (USTs losing ground as Bunds gained)

Source: Bloomberg

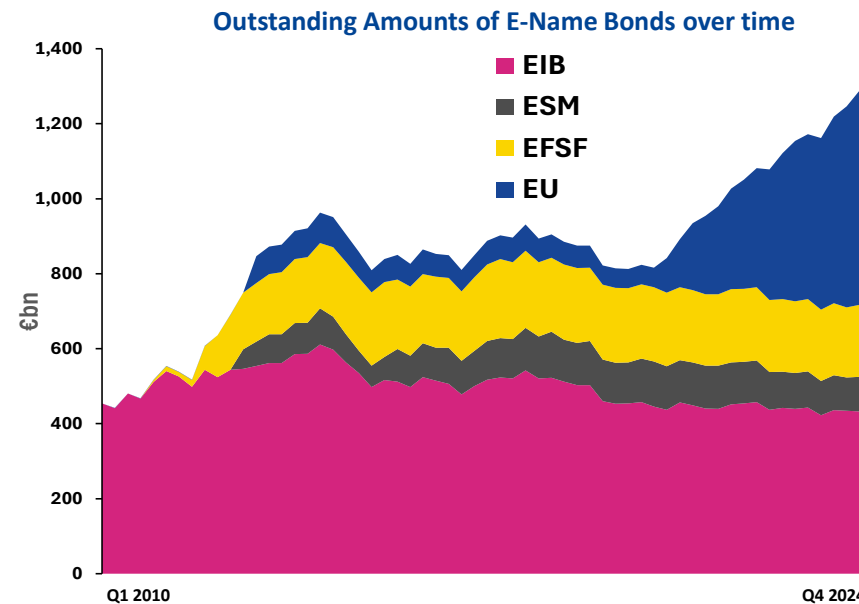
TOP RATED EUROPEAN SAFE ASSETS TIGHTENED VS GERMANY

Starting from multi-month lows in spreads vs Germany, E-names reached new lows after some contained widening



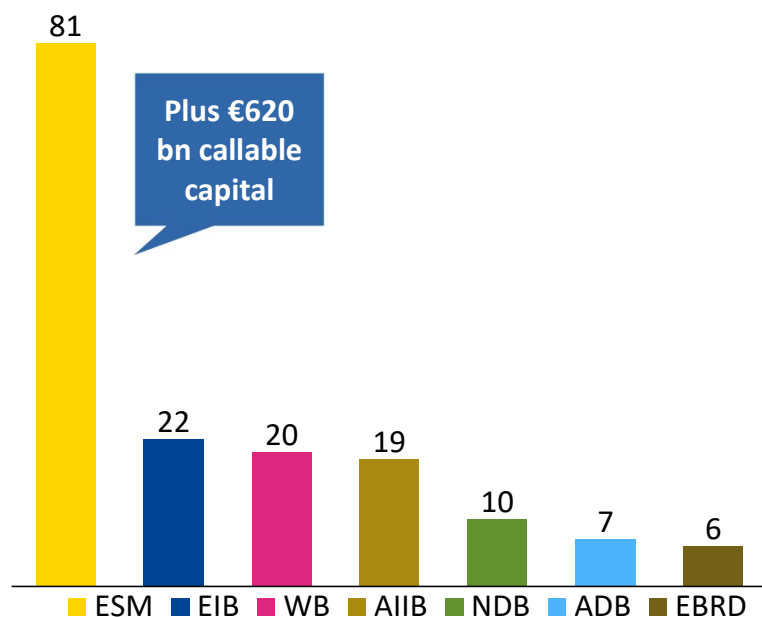
Source: Bloomberg

European safe assets reached almost €1.4tn in 2024 vs just €0.4tn in 2010



ESM AS THE MOST CAPITALISED IFI IN THE WORLD

Paid-in capital of major international financial institutions (€ bn) - end 2024



Ensures **AAA rating** & a large global investor base:

- 130 highly rated institutions: Government related issuers, Supranationals and Financial institutions
- 10 currencies from developed markets to diversify
- Derivatives instruments to hedge financial risks
- ~ 70% Europe and 30% outside (Japan, Canada, Australia, etc)

Close to €7Bn, invested in **ESG labelled bonds**, from energy transition to biodiversity.

The investment team trades close to **€320bn per year** to adjust portfolio to market conditions.



EFSF AND ESM IN THE MARKET

€300bn in loans to the 5 countries, Spain set to finalise repayments in 2027, Greece in 2070

Financed by bonds: 1800 investors in 89 countries: EU, China, Japan, Korea, Switzerland, UAE, UK, US, Americas, Africa, etc.

Over 30 roadshows and events

1 Capital Markets Seminar

Highest ratings from the main ratings agencies:

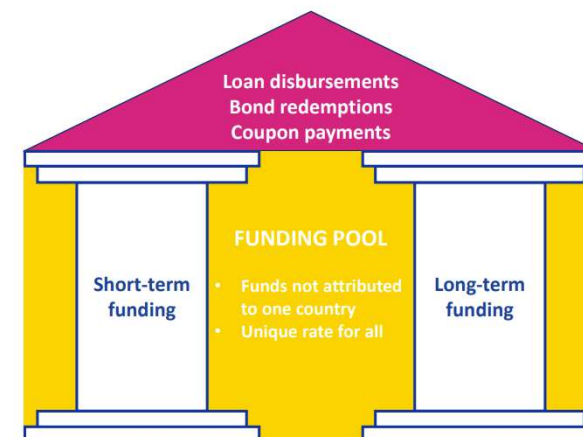
STANDARD
& POOR'S

FitchRatings

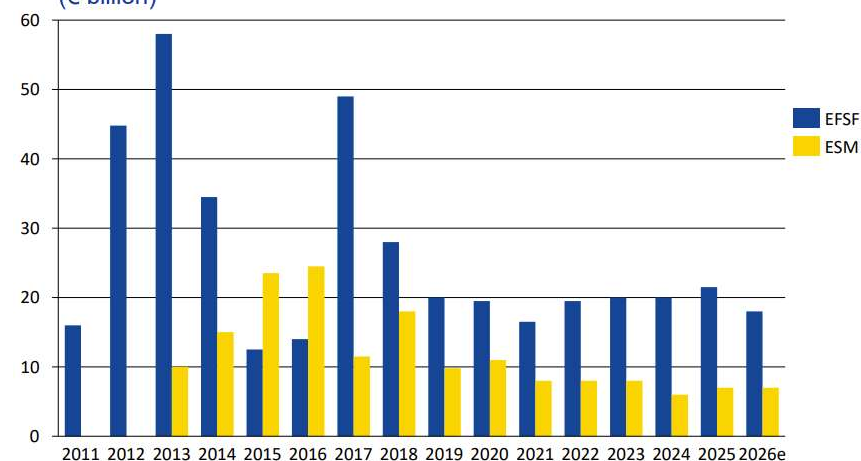
MOODY'S

SCOPE

MORNINGSTAR DBRS



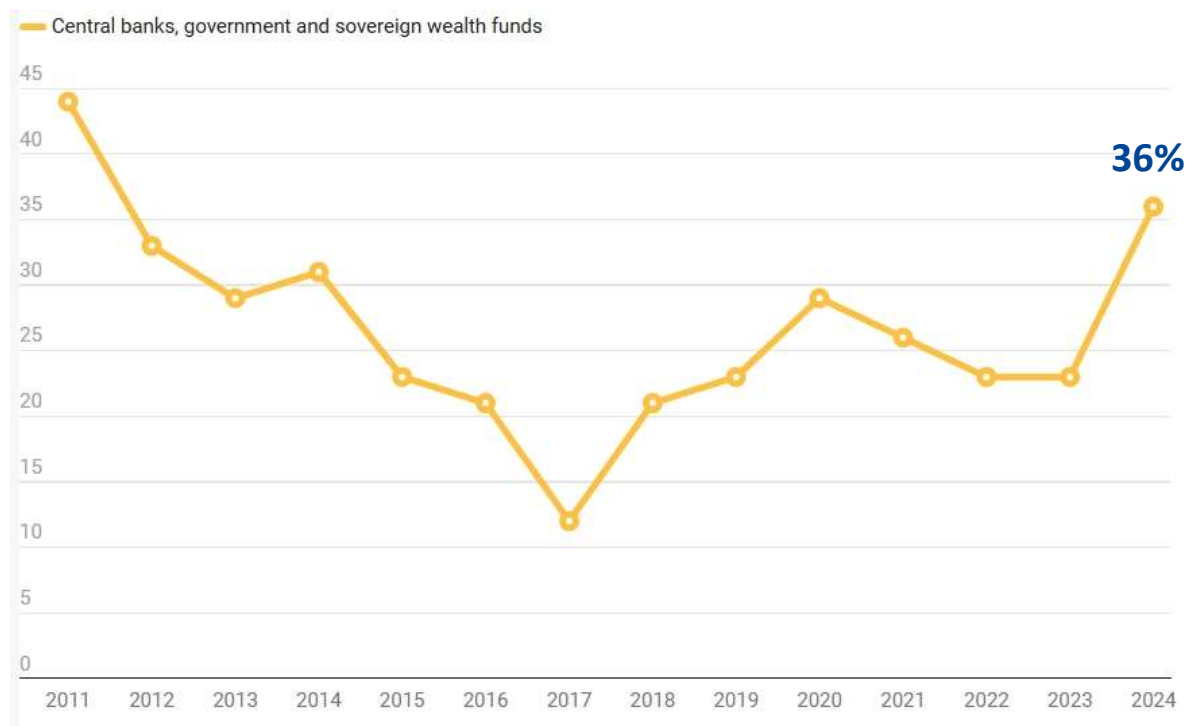
EFSF / ESM Bond issuance
(€ billion)*



Source: ESM calculations

SOVEREIGN WEALTH FUNDS, GOVERNMENTS AND CENTRAL BANKS REACHED PEAK LEVELS SINCE 2011

% of ESM/EFSF issued bonds allocated to central banks, government and sovereign wealth funds



Indicates trust in:

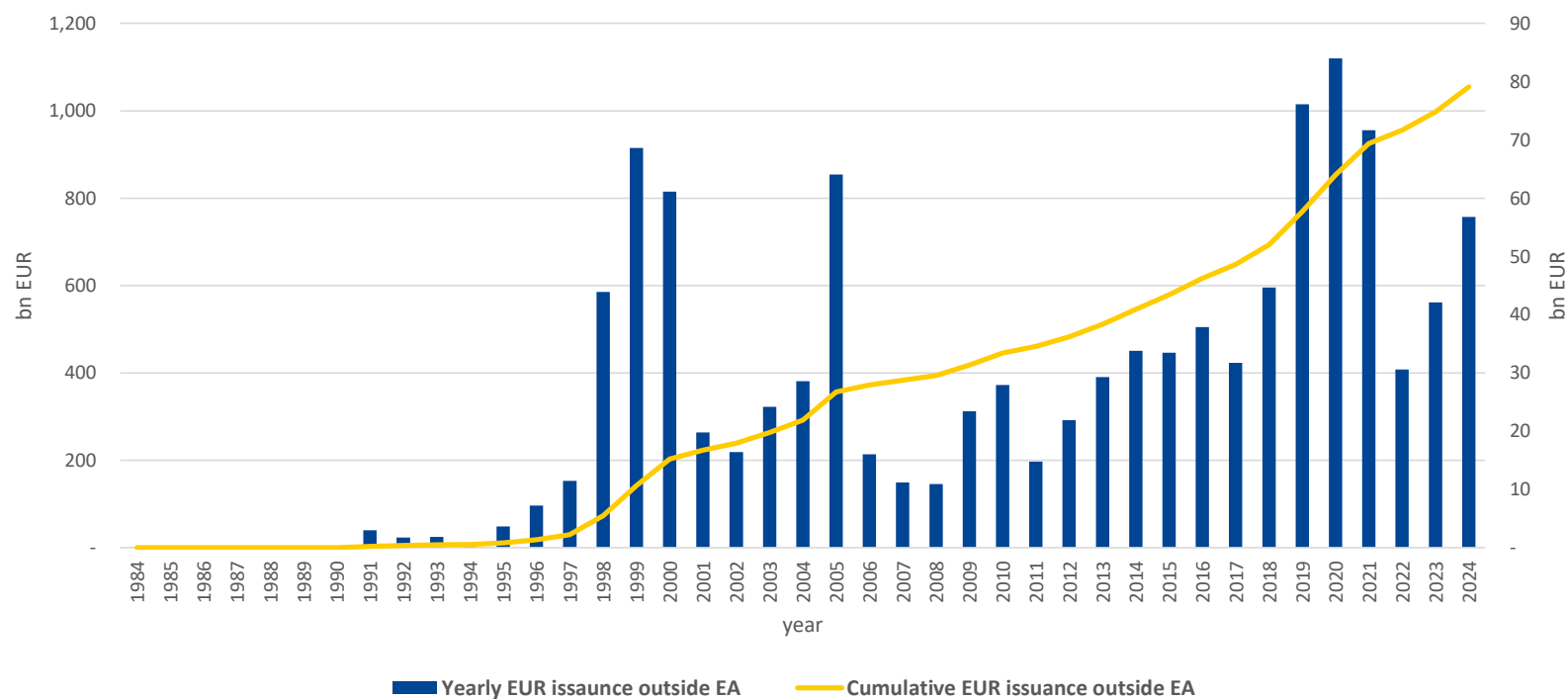
- Euro area economy
- Euro as a currency
- AAA-rated European safe assets

Asia leads this trend: 22%
of ESM/EFSF issued bonds
allocated to Asian investors
in 2024

Source: ESM calculations

EURO GAINING POPULARITY

Cumulative euro issuance outside the euro area exceeded €1 trillion in 2024

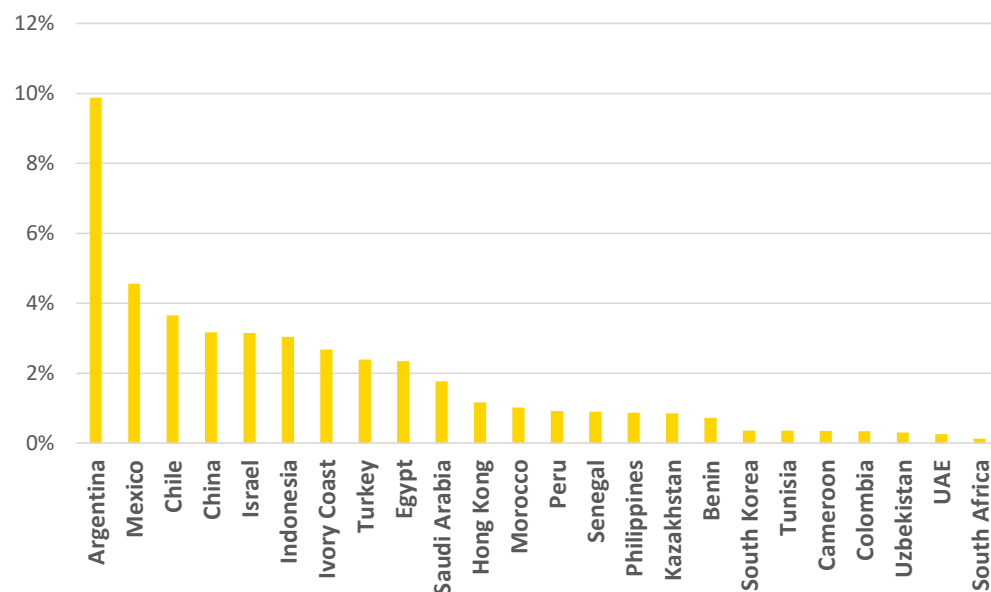


Source: ESM calculations based on Bloomberg Finance L.P.

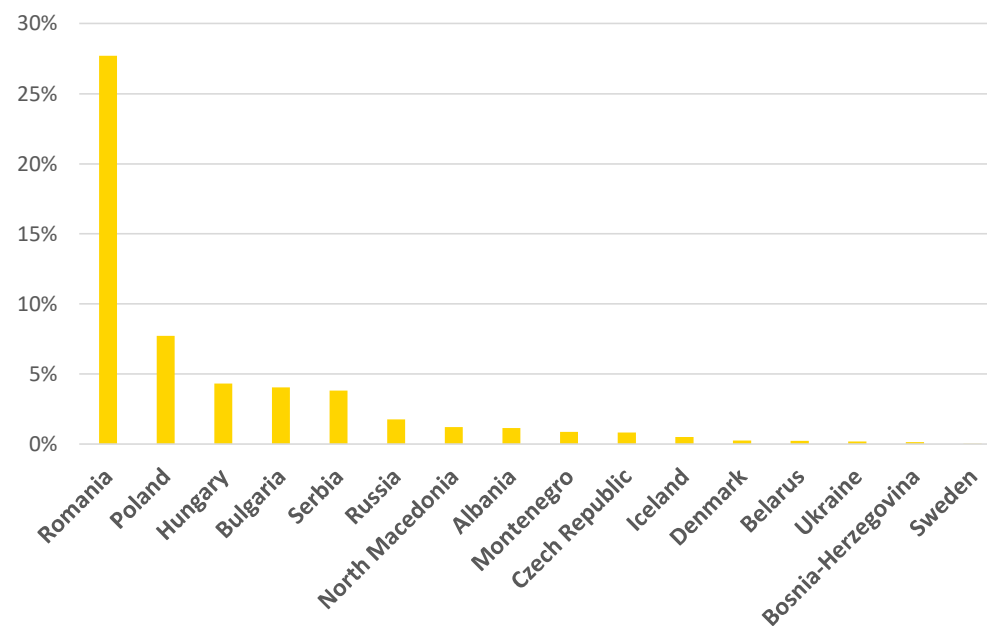
ESM Blog: [How non-euro countries have embraced the issuance of euro-denominated bonds](#) | [European Stability Mechanism](#)

NON-EURO COUNTRIES HAVE EMBRACED THE ISSUANCE OF EURO-DENOMINATED BONDS

44% of the euro-denominated outstanding debt outside the euro area (€400bn) is issued by non-European countries



56% of the outstanding euro-denominated debt outside euro area (€400bn) is with non-euro European countries



Source: ESM calculations based on Bloomberg Finance L.P.

WHAT TO WATCH IN 2025?

Euro area is set to grow – Bulgaria ready to join 1 Jan 2026 as 21st member

EU and euro at record support level from Eurobarometer*

Defence finance and tariffs top of the market agenda

Europe's response has convinced the market – for now

- Draghi and Letta reports
- Implementation via Defence White paper, Savings and Investments Union and Clean Industrial Deal
- €800bn package, of which €650bn national and €150 new SAFE instrument

NATO Summit end June to give direction on defence finance

[*Standard Eurobarometer 103 - Spring 2025 - May 2025 - - Eurobarometer survey](#)



CONTACT

Kalin Anev Janse

+ (352) 260 962-400

k.anevjanse@esm.europa.eu



European Stability Mechanism
6a Circuit de la Foire Internationale
L-1347
Luxembourg

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