

FINDINGS FROM THE Q4 2026 ESM SOVEREIGN SENTIMENT SURVEY

The following presents results from a survey of 35 financial market participants active in euro area sovereign bond markets, conducted between 21 September and 9 October 2026. The sample includes issuers (debt management offices and treasuries), intermediaries, and investors. Sample mean growth and inflation expectations were broadly in line with market consensus, though recession probability (27%) was slightly elevated compared to consensus (20%).

Main findings

- After a summer characterised by a global bond sell-off, perceived investor sentiment towards euro area sovereign bonds has declined compared to Q2 2026, but remains positive on net among domestic investors (see [Figure 1](#)).
- Concurrently, risk focus among participants has shifted from persistent inflation towards fiscal sustainability concerns. Geopolitics remain a relevant concern, and the focus on monetary policy risks has increased (see [Figure 2](#)).
- Global factors, euro area monetary policy, and euro area countries' domestic fiscal expansions are perceived to have driven euro area sovereign yields higher in recent months (see [Figure 3](#)).
- Views diverged on the outlook for euro area sovereign spreads, Bund yields and the Bund curve, with a third to a half of participants expecting limited further change or a decrease or tightening ahead. (see [Figure 4](#)).
- The potential consequences of an AI-driven equity market correction and continued AI hyperscaler issuance are seen to pull euro area yields in opposing directions (see [Figure 5](#)).

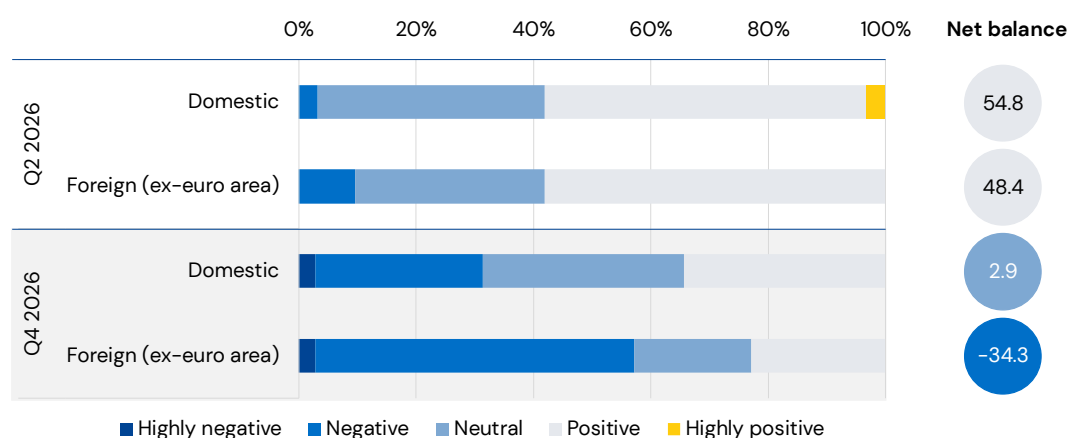
Other adverse risks identified include political and electoral risks, often in the context of broader fiscal sustainability concerns in both Europe and the US, as well as political extremism. Geopolitical risks related to Iran and Russia were also mentioned frequently, with consequences for energy supply, inflation and potentially spread fragmentation across the euro area.

Against the adverse risks identified, investors and intermediaries reported hedging mainly with rates derivatives alongside de-risking (shorter duration, higher-quality sovereigns, SSAs and covered bonds, gold, commodities, and US dollars). Issuers mentioned managing balance-sheet risk via liquidity buffers, maturity and duration flexibility, funding diversification, and fixed-coupon issuance.

Highlights

Figure 1

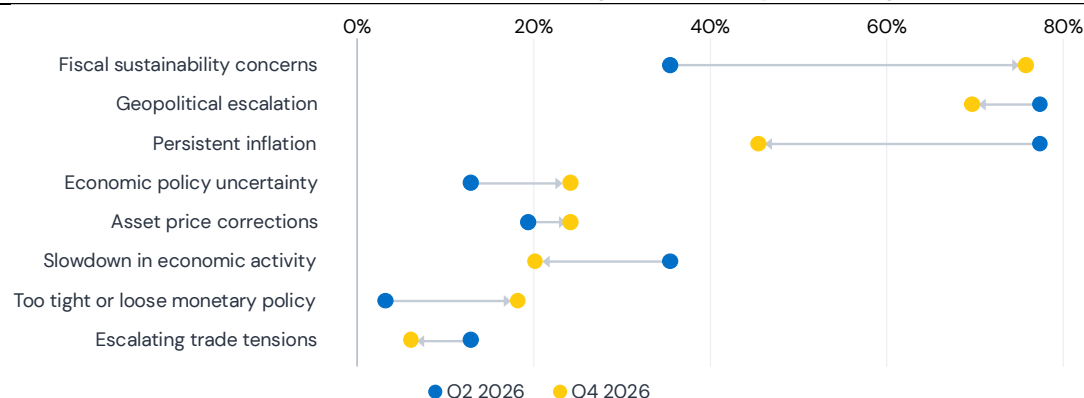
Investor sentiment towards euro area sovereign bonds (share of respondents)



Source: ESM Sovereign Sentiment Survey Q4 2026

Figure 2

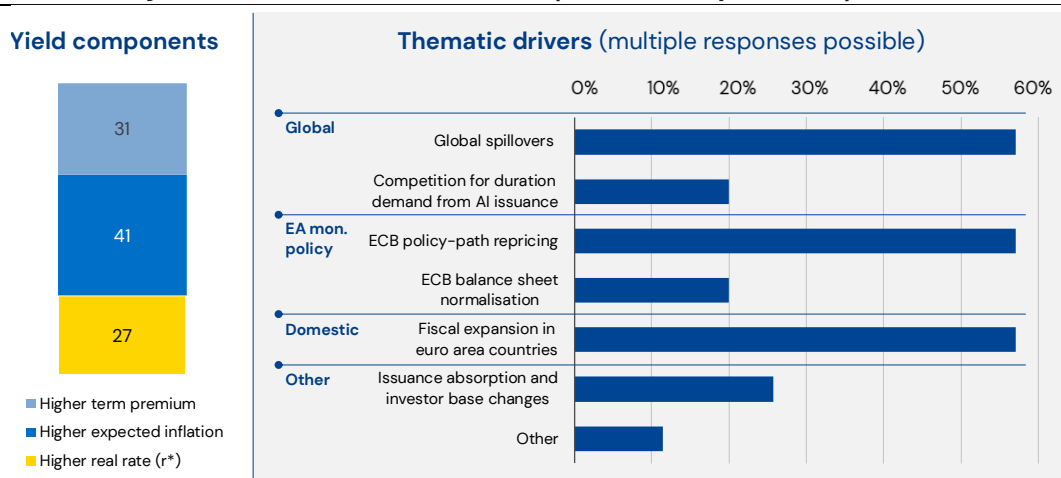
Most material adverse risks over 12 months (share of respondents)



Note: multiple responses possible. Source: ESM Sovereign Sentiment Survey Q4 2026

Figure 3

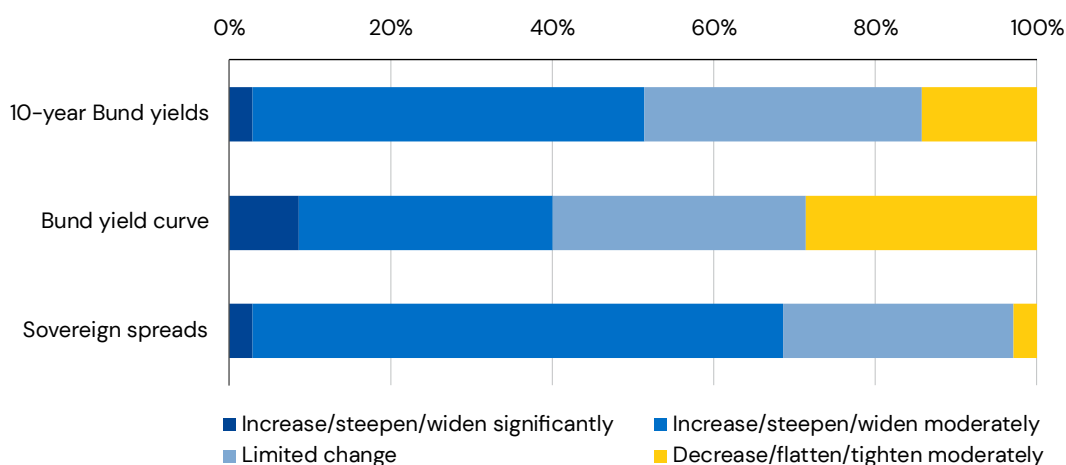
Drivers of yield increase since June 2026 (share of respondents)



Note: multiple responses possible. Higher r* refers to an increase in the neutral (or natural) real interest rate, commonly denoted r* (r-star). Source: ESM Sovereign Sentiment Survey Q4 2026

Figure 4

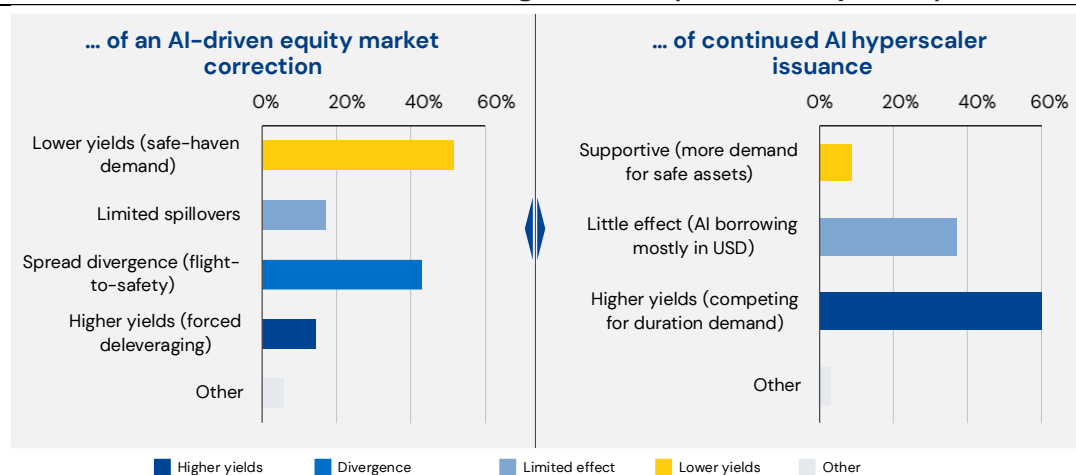
Outlook for euro area sovereign assets over 12 months (share of respondents)



Source: ESM Sovereign Sentiment Survey Q4 2026

Figure 5

Effects of AI risks on euro area sovereign markets (share of responses)



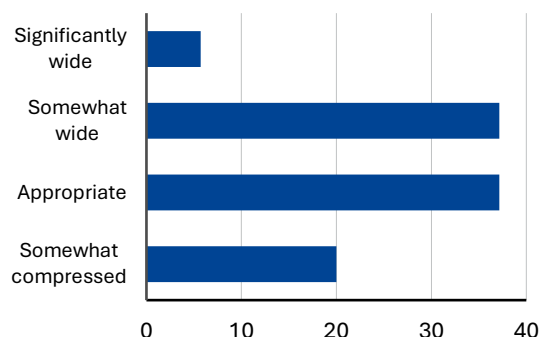
Source: ESM Sovereign Sentiment Survey Q4 2026

Full results

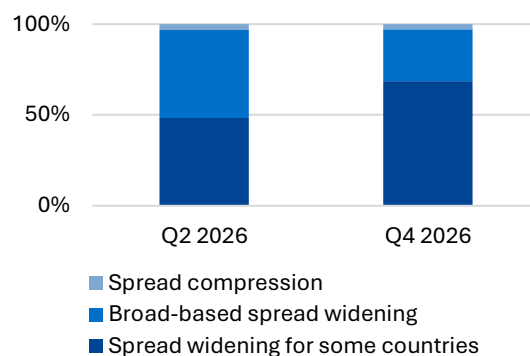
Figure A.1

Euro area sovereign bond spreads

a) Views on EA sovereign bond spread levels (share of respondents)



b) Expected EA sovereign spread reaction to adverse events (share of respondents)

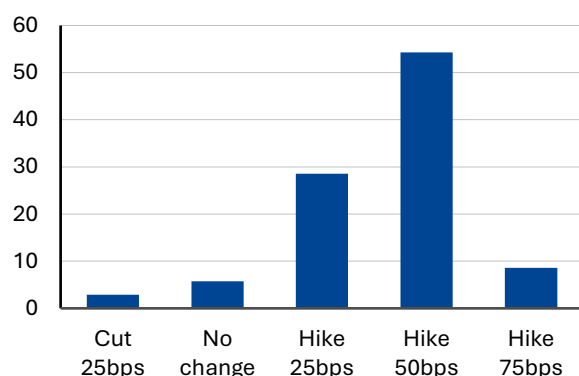


Notes: Spreads between 10-year euro area sovereign bonds and 10-year German sovereign bonds.

Figure A.2

Euro area rate expectations

a) ECB expectations (basis point change exp. over 12 months; share of respondents)



b) 10-year Bund yield level expected in 12 months (share of respondents)

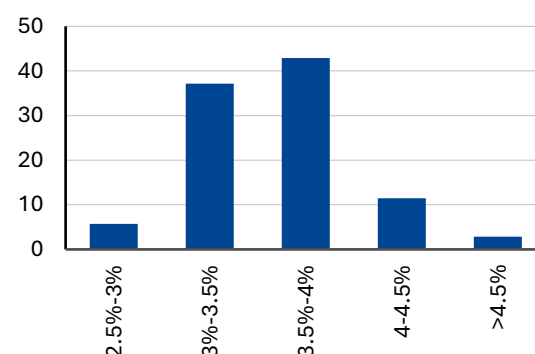
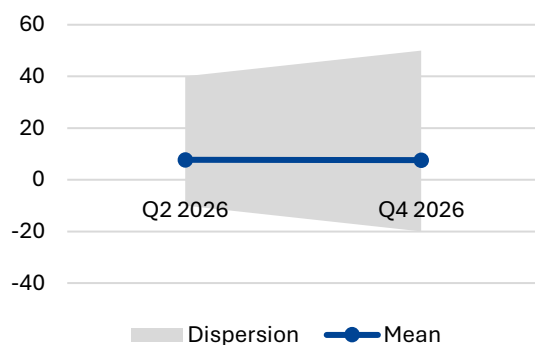


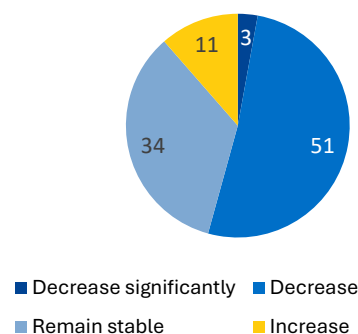
Figure A.3

Swap spread and maturity expectations

a) EUR swap spread expected in 12 months (share of respondents)



b) Average maturity of EA sovereign issuance over 12 months (share of respondents)

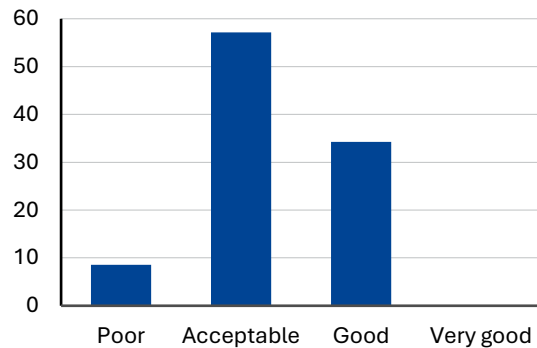


Notes: Swap spread defined as EUR swap rate less German bond yield.

Figure A.4

Liquidity and financial stability

a) Liquidity in EA secondary sovereign bond markets (share of respondents)



b) Probability of major fin. stability event over next 12 months (share of respondents)

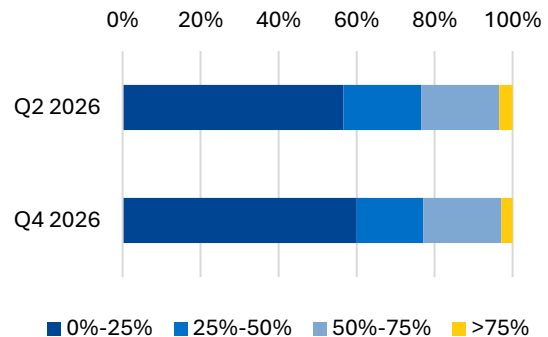
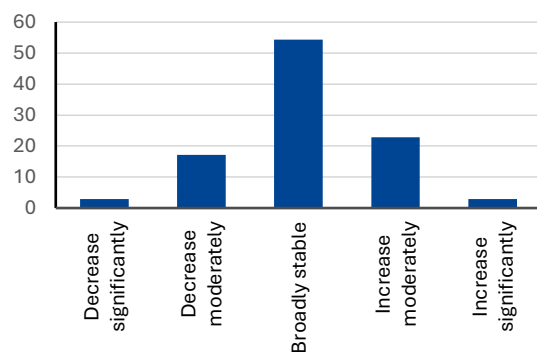


Figure A.5

International factors

a) Expected evolution of the international role of the euro (share of respondents)



b) Risk of Japanese investors repatriating from EA sovereign market (share of resp.)

