

European safe assets boosted by growing international demand

di Burhan Khadbai

European Stability Mechanism reaches highest share of Asian buyers since 2011

Increasing international demand – particularly from Asian investors – is boosting the status of Europe’s safe assets. This comes as a result of a scarcity of high-quality, liquid securities and the desire to diversify away from dollar-based investments.

The development of the investor base for European safe assets was one of the topics discussed at OMFIF Sovereign Debt Institute’s roundtable on [Team Europe’s borrowing outlook for 2025](#) in Luxembourg, in partnership with LBBW. The roundtable in November brought together senior officials from the European Commission and the European Stability Mechanism, alongside fixed income portfolio managers to discuss the key issues in European capital markets and the outlook for the year ahead.

During the roundtable, Kalin Anev Janse, chief financial officer at the ESM, provided insights on the institution’s efforts to diversify its investor base, highlighting that in 2024, the ESM allocated 22% of its bonds to Asia. ‘We only had a higher participation from Asia in 2011 which is really at the start of when we were incepted and when we had a very small issuance programme,’ said Anev Janse.

Following a trip to South Korea, Anev Janse also said Korean investors are particularly keen buyers of European safe assets. ‘They like the fact that we are triple-A-rated and they look at EU, [European Investment Bank] and ESM [and European Financial Stability Facility] pretty much in the same way. They see them as a blended European credit. For example, if you only buy Germany, France or Italy, you take a country risk. But if you buy these three institutions, you buy safety and security in the euro area or the European Union’.

The arrival of the EU's large and liquid issuance programme has added to the availability of European safe assets, resulting in Asian investors increasing their limits for these bonds. Not only do international investors see the safety and security in these assets, they are also keen to diversify away from dollar-based investments.

South Korea's role as a key buyer for ESM's bonds is not one-sided. The ESM itself is a major investor in Korean assets. During the trip, the ESM delegation engaged with the Bank of Korea to exchange their experience around the idea to build an Asian safety net inspired by the ESM. In an [op-ed for the Financial Times](#), Rhee Chang-Yong, governor of the Bank of Korea, hinted at these plans by praising the ESM's 'established' and 'solid market-tested record'.

Siegfried Ruhl, hors classe adviser to the director general for budget at the Commission, discussed the growing demand for EU bonds. 'We see it not only from Asia, we see it also from Australia, Canada and the Middle East, and also slowly from South America, which is usually very dollar-based'.

Ruhl noted that the distribution of its bonds goes beyond what is reflected in the statistics on their syndicated transactions given that the Commission conducts around 40% of its issuance via auction where they do not have visibility on the end buyers. Also, investors are increasingly buying the Commission's bonds in the secondary market.

'Demand and interest in European safe assets is increasing,' said Ruhl. 'More and more investors inside and outside Europe are also changing the treatment of EU bonds in their portfolios, moving it out from the part which is allocated to the so-called SSA element and trading it versus European govies such as Bunds and OATs [French government bonds].'

By investor type, the ESM has had the biggest growth with central banks, followed by hedge funds. Meanwhile, EU bonds saw the biggest increase to its investor base in 2024 by the insurance and pension fund industry – which is likely due to the EU's longer-dated issuance.

For the first half of 2025, the EU has announced that it will issue €90bn of long-term bonds across seven auctions and six syndicated transactions with an estimated total

issuance of around €160bn for the whole year. Meanwhile, the ESM is estimated to issue €21.5bn across the whole of 2025, marginally up from the €20bn raised in 2024. The growing interest from international investors in EU bonds was highlighted during the two investor-led meetings OMFIF hosted in partnership with the Commission in [Dubai](#) and [Singapore](#) this year. During those meetings, leading international investors, mentioned how EU bonds are developing another key asset class to fill the shortage of high-quality and liquid assets, particularly as it grows. Total EU bonds surpassed €500bn in 2024 and drove total outstanding bonds by the EU, ESM and EIB to €1tn – a key milestone in the growth of European safe assets.

A full transcript of the roundtable will be published in January 2025, featuring extended discussions with the EU, ESM, fixed income investors and LBBW on a number of key issues in the European capital markets and an in-depth outlook for the year ahead for European SSA borrowers.

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