

## INSTITUTIONAL INVESTOR DIALOGUE

**19 November 2025, from 13:30 to 15:30 CET  
(physical event)**

### Participants

- Representatives of Alecta, Allianz Global Investors, Aviva Investors, Blackrock, Fidelity Investments, Generali, J.P. Morgan Asset and Wealth Management, Legal & General Investment Management, Nippon Life Insurance Company, PGGM, PIMCO, Santander Asset Management, State Street Investment Management, UBS Asset Management and Zurich Insurance Group
- Members of the Governing Council of the ECB (or their alternates)
- ECB officials from the Directorates General Market Operations, Macroeconomic Policy and Financial Stability, Economics, Secretariat and the Compliance & Governance Office

### Summary

#### **Outcome of the survey of participating members**

The meeting began with a presentation of the results of a survey conducted among the participating institutional investors. The results revealed that survey participants remain very attentive to the future path of policy rates as the key element of the ECB's monetary policy actions. Moreover, political uncertainty and geopolitical risks were viewed as the primary triggers for higher volatility in financial markets, while uncertainty about the growth outlook and rising fiscal debt deficits remain relevant risk factors. Respondents expected the Fed's monetary policy decisions to be the key driver of the EUR/USD exchange rate over the next 12 months, with trade and fiscal policies having lost prominence compared to the previous meeting in June.

Regarding G3 currency allocations, most respondents indicated no intention to change their allocations in the next 12 months. As regards asset valuations, 80% of respondents viewed US equities as overvalued, with only 7% planning to increase their equity exposure in North America in the next 12 months. Approximately 50% of respondents considered European corporate bonds to be overvalued, with 40% expressing plans to increase their European equity allocations. Since June, institutional investors have continued to reduce exposure to the US. Notably, they have shifted from reducing tactical allocations to actively reducing their strategic asset allocations, with 50% of respondents reporting such changes.

Alternative assets remain a popular investment choice, with 50% of respondents planning to increase allocations towards infrastructure investments. Within private markets, some investors indicated an increase of private equity and debt, while a few others plan to scale back such investments. Tokenised assets, including tokenised funds and stablecoins, were seen gaining traction in portfolio strategies driven by demand for efficient cross-border payments, convenience in day-to-day payments and their potential as a safe store of value in economies with currency instability.

During the discussion participants offered some nuanced perspectives, also relating to the geographic location of investors. While US financial markets remain overall attractive, there was growing interest in diversifying asset and currency allocations, particularly among non-US investors. Participants also noted increased scrutiny of concentration risks, especially in portfolios with significant US exposure, which reflects observed trends in currency hedging strategies. On environmental, social and governance (ESG) investments, Europe showed broadly constant momentum, driven by regulatory efforts to standardise ESG practices. In contrast, ESG initiatives in the US were often reframed in the context of energy security. Despite notable progress, challenges persist in balancing sustainability goals with investment returns, as well as addressing the high costs associated with ESG initiatives.

### **Global investment trends**

The participant introducing the topic of global investment trends focused on broader market dynamics, the evolving landscape of artificial intelligence (AI) and shifts in global investment flows following the April tariffs announcement. The response to the tariffs highlighted differing geographical investment perspectives: US investors briefly reduced their US equity exposures after April before stabilising, while European investors modestly increased their euro area allocations. However, cumulative European equity flows into the euro area remain negative. It was noted that portfolio allocations in US markets are likely to remain stable, with any reductions expected to occur passively through mark-to-market adjustments. The sluggish reallocation of investments to European markets was attributed, in part, to slower expected growth, which is also partly related to the region's more moderate pace of AI developments. The presenter emphasised the growing role of AI in capital expenditure, as companies ramp up spending to remain competitive in the ongoing "AI arms race". This spending, initially driven by cash reserves, is expected to rely increasingly on debt markets in the future. AI's potential as a cost-saving tool, its integration into business models and the boost it may provide to growth were also highlighted. Additionally, the presentation further explored China's accelerating innovation trajectory and Europe's critical role in promoting sustainable investment strategies.

The subsequent discussion delved into AI's transformative impact on the economy and global markets, highlighting its cost-saving potential and the creation of new business opportunities. In this context,

some areas around the globe were proactively preparing their workforce for the AI era, while it was noted that Europe faces some regulatory challenges and training gaps. Participants expressed some concerns about AI investments being largely concentrated among a few companies, the sustainability of long-term returns on AI investments and the risk of inefficiencies or wasteful spending. Participants also discussed the merits of open-source versus proprietary AI models, including their implications for innovation and competition. Concerns were voiced about AI's energy demands, geopolitical ramifications and alignment with sustainability goals.

### **Impact of broader adoption of stablecoins and tokenised assets on asset allocation**

The presentation on the broader adoption of stablecoins and tokenised assets highlighted their transformative potential in asset allocation and the digital finance ecosystem. Stablecoins were recognised as pivotal tools in digital finance, offering accessibility and efficiency but posing counterparty risks due to their private nature, which distinguishes them from central bank digital currencies (CBDCs). Moreover, tokenised finance was identified as a revolutionary force in capital markets, offering innovation such as fractional ownership, real-time transparency and enhanced liquidity. These features have the potential to ease access to traditionally illiquid assets like bonds, commodities and private funds. The market potential of tokenised assets is substantial offering the possibility of reshaping asset allocation and returns.

The discussion on stablecoins and tokenised finance explored the opportunities and challenges these innovations present, with participants focusing on regulatory, economic and adoption-related considerations. A key point highlighted was the potential for stablecoins to compete with traditional bank deposits, particularly in emerging markets, and their possible role as yield-generating instruments if regulatory gaps were not addressed. Participants also emphasised the ability to embed non-monetary rights into tokens, which could make them more attractive to investors. However, concerns were raised regarding the slow adjustment within traditional asset management, where entrenched structures and regulatory hurdles have delayed progress. The discussion also touched on the potential for tokenisation to ease access to private markets, enabling broader distribution to retail investors. However, it was noted that tokenisation alone does not necessarily resolve liquidity issues in the underlying assets. Moreover, the growth of adoption remains dependent on regulatory support and the education of market participants. While the US appear to be at the forefront of innovation in this field, the consensus was that the full potential of stablecoins and tokenised finance is yet to be realised. Significant work is still required to address regulatory gaps, overcome entrenched systems and improve market understanding of these fast-evolving technologies.