EUROPEAN CENTRAL BANK

EUROSYSTEM

DIRECTORATE GENERAL MARKET OPERATIONS ECB-PUBLIC

INSTITUTIONAL INVESTOR DIALOGUE

24 June 2026, from 13:00 to 15:00 CET
(virtual event)

Participants

- Representatives of Amundi, Allianz Global Investors, Blackrock, Generali, Government of Singapore Investment Corporation, J.P. Morgan Asset and Wealth Management, Norges Banks Investment Management, Nippon Life Insurance Company, PGGM, 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, Macroprudential Policy and Financial Stability, Economics, Secretariat and the Compliance & Governance Office

Summary

Outcome of the survey of participating members

The meeting started with a presentation of the results of a survey conducted among the participating institutional investors. Survey participants continued to view the future path of policy rates as the most critical element of the ECB's monetary policy actions. Moreover, the uncertainty around inflation risks has emerged as a key trigger for heightened financial market volatility, alongside concerns about rising fiscal deficits, political uncertainty and geopolitical risks.

Monetary policy decisions of the US Federal and the ECB were seen as the dominant driver of the EUR/USD exchange rate over the next 12 months, while US macroeconomic fundamentals and trade policy have lost relevance when compared to previous surveys. Moreover, political uncertainty and geopolitical risks have also re-gained significance as potential drivers of future exchange rate developments. But overall, most respondents indicated no intention to change their asset allocations in the next 12 months, with only modest plans to reduce their US dollar allocations while increasing exposures to the euro and the Japanese yen.

Overvaluation risks were seen across regions and asset classes, albeit to different degrees. Therefore, respondents expect a limited adjustment of their asset allocations across regions. Respondents indicated that they expect to increase allocations to European assets but this was not expected to take place in equities. In contrast, intentions to increase equity allocations in North America have risen, while they have fallen sharply for bonds, and only a small proportion will increase overall allocation in the region. Alternative assets continue to attract strong interest, with infrastructure investments remaining the most favoured category among respondents. Moreover, investments in natural resources and commodities have gained traction as ways to mitigate inflation risks. In contrast, private debt and private equity displayed notable declines in intended allocations.

On the topic of artificial intelligence (AI) related opportunities, institutional investors displayed a balanced approach across three main strategies: broad AI exposure in regions with secure power supply, targeted investments in technology enablers such as semiconductors, and investments in energy infrastructure benefiting from AI growth.

During the discussion, participants elaborated on these themes. They emphasised the need for clear communication on the monetary policy reaction function in times of heightened uncertainty. The transformative impact of AI on the real economy was also a key focus. In particular, it was highlighted that investments in AI are benefitting the economy via different layers, ranging from sectors that provide crucial inputs to the AI developments, such as chips, energy and construction to sectors that profit from the adoption of AI. While US financial markets remain attractive on the backdrop of the AI theme, participants pointed to growing concerns over concentration risks in portfolios heavily exposed to the US, as well as emerging markets exposed to the semiconductor sector.

Global investment trends

The presenter focused on the “mega forces” shaping the economy and markets, with a particular emphasis on AI transformation and geopolitical fragmentation. On AI, the presenter highlighted the significant capital expenditure (capex) driven by a few key companies, noting its growing influence on economic growth. While AI adoption has outpaced previous technologies, workplace integration remains uneven, with a significant part of the engagement at the experimental or proof-of-concept stage. Geopolitical fragmentation was addressed as a driver of economic shifts, including increased defence spending and inflationary pressures, which in turn challenges the traditional reliance on government bonds as portfolio diversifiers. The presenter proposed a number of ways to navigate these challenges. This included thematic investing for equity allocations to leverage trends, such as AI and defence , but also strategies that address index concentration risks, together with regular reviews of strategic asset allocation, including scenario analysis and contingency planning.

The subsequent discussion explored AI’s transformative impact on portfolio construction and market dynamics, emphasising its role as both a disruptor and an equaliser across global investment landscapes. Participants noted a rapid shift in investment processes, with thematic baskets—targeted collections of assets aligned with specific trends, such as AI innovation or European defence—gaining traction as traditional indexes struggle to keep up with evolving opportunities. The conversation also addressed the shorter term inflationary pressures linked to AI, while disinflationary forces could however dominate in the long term. Broader concerns also included the potential weaponisation of AI, regulatory uncertainties, and its implications for privacy and societal transformation.

Participants also discussed what these structural shifts mean for Europe. On the one hand, a few vulnerabilities were pointed out, such as limited capital market depth, more fragmented banking system, and challenges in scaling up AI adoption. On the other hand, strengthening capital markets and expanding private equity in line with the objectives of the Savings and Investment Union were seen as critical to helping Europe unlock missed opportunities. Additionally, participants emphasised Europe's unique ability to create distinctive products and services in many areas, which – if paired with faster AI adoption – could be an opportunity to advance faster than other regions.

Investing in times of energy shocks and implications for AI transformation

The presentation on investing in times of energy shocks and AI transformation underscored their transformative impact on asset allocation and global markets. Energy shocks were identified as pivotal disruptors, driving inflationary pressures and reshaping the growth-inflation dynamic, requiring investors to rethink traditional hedges and asset allocation strategies. Meanwhile, the adoption of AI emerged as a structural force revolutionising industries, with Europe leveraging its capex revival in AI infrastructure, defence, and energy security to establish strategic autonomy.

The subsequent discussion focused on diversification as a strategy to address challenges posed by energy shocks while leveraging opportunities arising from AI-driven transformation, building on the previous discussion in global investment trends. A particular focus emerged on the evolving dynamics of bond allocations, where participants highlighted the risks of deteriorating fundamentals of developed market sovereign bonds relating to fiscal policy and inflation risks. In this context, highly rated corporate bonds, covered bonds and private markets more generally were seen as offering diversification opportunities for investors' portfolios. Emerging markets were also discussed as having improved trajectories relative to some developed markets. While some mentioned that investment mandates exhibited increasing home bias, other participants challenged this view, noting for example the weakening of the sovereign-bank nexus. Innovation in financial markets, such as tokenisation, was also highlighted as a new angle of diversification by the creation of new asset classes, comparable in some ways to the securitisation boom of the 1980s or the creation of ETFs in the 1990s. It could increase operational efficiency and reshape the investment landscape, but participants stressed that collaboration among policymakers, industry leaders and financial institutions will be essential to fully realise tokenisation's potential and guide its evolution.