

New buyers and lower rates are rewiring European credit

Key takeaways

- The macro backdrop is favourable for European credit: moderate growth and falling policy rates are creating supportive technical and fundamental conditions.
- Attractive opportunities are available in financials — notably subordinated bank and insurance debt — and in select real estate credit.
- Amundi combines top down and bottom up research, deep sector expertise, and broad fixed income capabilities, enabling tailored exposure to these opportunities while managing credit and market risks.

As the European Central Bank cut interest rates through 2025 to 2%, **money that might historically have sat in cash and money market funds has begun to reallocate** — but not in the way many market participants anticipated. According to **Hervé Boiral, Head of Euro Credit** at Amundi, the dominant flows into credit funds have come from retail investors rather than institutional buyers.

Especially in southern Europe, retail demand has concentrated in straightforward target-maturity products, typically four- to five-year duration strategies that are easy to explain and distribute. That shift has introduced a new cohort of investors into fixed income: often multi-asset or allocation-oriented, motivated primarily by absolute yield rather than by spread versus sovereigns.

The change in buyer composition is having practical market effects. Primary corporate bond issuance in 2025 has been met with robust demand and frequent oversubscriptions, signalling that substantial capital remains in search of credit exposure.

Fundamental backdrop: benign for credit

Amundi's view is that the **current macro environment is supportive for credit**. Growth is moderate — neither overheating nor sliding into recession — which discourages excessive corporate leverage, while avoiding the profit squeezes that accompany downturns. This in between scenario keeps companies cautious and profitable, a favourable setting for credit investors.

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On the fundamental side, the environment is quite benign because we have growth, but it's neither high nor low, and it's not pointing towards a recession. It's a sweet spot to invest in credit.

- Hervé Boiral, CFA, Head of Euro Credit

Monetary policy outlook and implications

The Amundi Investment Institute's central scenario points to a **possible ECB terminal rate reaching 1.5% by mid-2026**, implying two cuts in the coming months. Indeed, modest European growth combined with Fed easing — which would narrow the Fed ECB rate differential and affect the dollar and import inflation — could encourage further ECB easing. In that environment, lower policy rates, particularly if mirrored by the Fed, are likely to be **supportive for credit as investors seek higher yielding alternatives**.

Portfolio positioning

Amundi's Euro credit strategies combine top down and bottom up analysis. The investment team currently expresses a **preference for financials, with banks singled out** after a period of solid profits and rating upgrades in parts of Europe's periphery. European banks continue to offer relatively wide spreads, notably in subordinated debt, and the team prefers to move down the capital structure to capture value, **favouring Tier 2 and RT1** (insurance subordinated) securities. Some AT1s in southern Europe have recently looked rich, prompting a more selective stance.

Real estate is another area of interest. The sector remains sensitive to yield movements and continues to offer attractive spreads that compensate for risk, with potential upside from Germany's infrastructure initiatives.

As a defensive measure, the team holds modest positions in two year bunds, which would benefit should the ECB deliver further cuts.

Cyclical sectors remain the principal area of caution. A rise in tariffs or trade friction would first affect industrials. The automotive sector is particularly vulnerable given intense competition from China, heavy investment for electrification, and tariff risks; exposure there, if present, is kept short dated and highly selective.

Why Amundi for European credit

The current macro and technical picture has created a favourable, though selective, opportunity set for European credit. As the **European leader in fixed income**, at Amundi we offer broad capabilities across different segments and a comprehensive range of solutions to help clients capture yields while managing credit and market risks.

Indeed, Amundi stands out as a leader in the **Euro Credit space since 1999**, managing approximately **€56 billion in assets**¹. Our seasoned investment team comprises 13 portfolio managers, with 9 focused on the Euro Investment Grade and 4 dedicated to the Euro High Yield segment².

¹ Source: Amundi, as of 21 November 2025

² Source: Amundi, as of 21 November 2025

Discover our European credit solutions

[Amundi Funds Euro Subordinated Bond Responsible](#)

[Amundi S.F. – Diversified Short-Term Bond Select](#)

[Amundi Funds Euro Corporate Select](#)

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