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Towards Eurobonds?

February 16, 2026

Dear clients, dear partners,

Coming from a country that is slow to get its public finances under control, France's proposal to create Eurobonds has sometimes been met with sarcasm. But let's not be mistaken: Eurobonds already exist in a certain sense, and the debate on their future is no longer taboo, as shown by the Bundesbank's historic conversion to this project. The consequences could be substantial.

As European governments consult ahead of an important EU summit scheduled for 19 March, the idea of Eurobonds – i.e. bonds issued jointly by European countries, or by the eurozone alone – is resurfacing. Popularised in 2009-2012 during the euro crisis, this project was buried at the end of 2012 by Angela Merkel. During the Covid crisis, however, an important step was taken with the issuance of European Union bonds (sometimes called 'Coronabonds') to finance the €750 billion 'NextGenEU' recovery plan for the period 2021-2026, as well as other projects (including the SURE[1] programme). These bonds, backed by the EU budget, are not exactly the same as the Eurobonds envisaged during the euro crisis, but they are similar. Designed as a temporary measure, this programme is generally considered to be an economic and financial success that has strengthened Europe. It is now inspiring new avenues of thought.

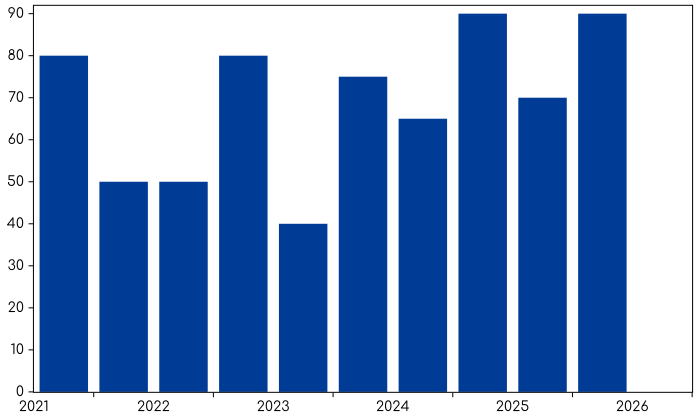
The idea of mutualising the existing public debts of Member States remains off the table, but two projects are now supported by many stakeholders, including, officially, the Bundesbank, despite the German government's initial negative reaction.

The first project concerns the continuation of bond issues to finance projects related to European public goods, for example in the field of strategic autonomy: defence, energy transition, digital infrastructure, etc. With this in mind, the SAFE programme, which covers €150 billion in military spending, as well as the €90 billion loan to Ukraine, will be financed by EU bonds. The EU currently issues around €80 billion per half-year (Chart 1) and is expected to be the largest bond issuer in Europe for the second consecutive year in 2026. The market value of its debt currently stands at €730 billion, which is about half of Spain's bond debt.

[1] Launched in 2023, the SURE programme (Support to mitigate Unemployment Risks in an Emergency) was closed in February 2025. It was financed to the tune of €98 billion by EU social bond issues.

Rise in European Union bond issuance
Amount per half-year, in billions of euros

Montée en puissance des émissions d'obligations de l'Union Européenne
Montants par semestre, en milliards d'euros



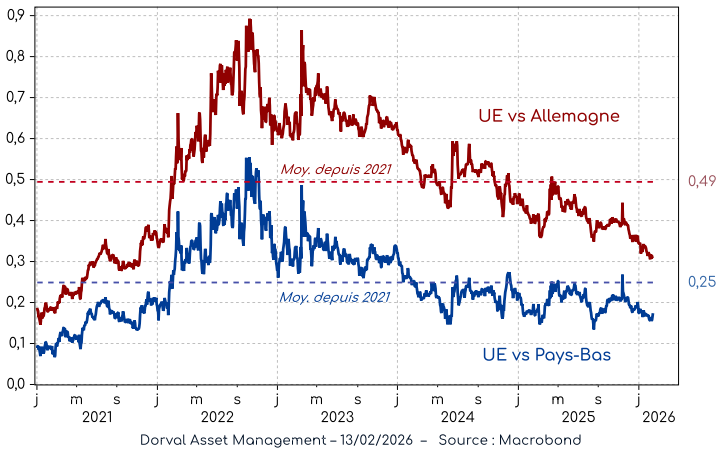
Dorval Asset Management – 13/02/2026 – Source : Macrobond

The second project aims to create secure European assets, for which demand is driven by the search for diversification away from the dollar. For Europe, this is an opportunity to strengthen the international role of the euro at a key moment, while hoping for a reduction in its financing costs. This ambition is now fully supported by the ECB. It is part of a power struggle with Donald Trump's United States, but also with China. Eurobonds are therefore not a response to a crisis of confidence as in 2010, but an opportunity for power.

In the current situation, European Union bonds do not fully meet these conditions for safe assets. Despite a AAA rating[2], which has become very rare, since 2021 the EU has been financing itself at an average rate 0.5% higher than Germany and 0.25% higher than the Netherlands (Chart 2).

Despite its AAA rating, the EU borrows at a higher rate than Germany and the Netherlands
Yield spread on 10-year bonds

Malgré son AAA, l'UE se finance à un taux plus élevé que l'Allemagne et les Pays-Bas
Différence de rendement sur les obligations à 10 ans



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[2] The EU is rated AAA by Moody's, Fitch and DBRS, and AA+ by S&P. This is a higher rating than that of the US Treasury.

EU vs Germany / Average since 2021 / Average since 2021 / EU vs Netherlands

Moreover, during the bond crash of 2022, the rate differential between the EU and Germany and even the Netherlands widened, showing that investors consider EU bonds to be less liquid and more volatile assets. To become safe-haven assets, EU bonds will therefore need to evolve in terms of both quantity and quality.

A sufficiently intensive and recurring issuance programme would improve the liquidity of this market. Some economists are also talking about the creation of a European debt agency that would consolidate the issuances of all EU institutions, including the European Investment Bank, which has €450 billion in outstanding debt (including €250 billion in euro bonds). Finally, initiatives are underway to include EU bonds in the main sovereign bond indices. They are currently excluded as so-called 'supranational' bonds.

However, these adjustments may prove insufficient. In an optimistic scenario, the size of the market for these expanded and improved 'Eurobonds' would reach around €1.2 trillion outstanding, or 6.5% of the eurozone's GDP. This is why Olivier Blanchard and Angel Ubide launched an idea in 2025 that has just been approved by certain European decision-makers, including the Spanish Minister of Economy. The idea is to convert part of the national debt into Eurobonds, up to an indicative amount of 25% of GDP. According to the authors, this operation would require only 1% of each country's GDP to guarantee the coupons. The legal and political problems associated with this initiative seem very difficult to overcome. But the history of Europe has shown that it can sometimes be creative in producing solutions that are acceptable to all.

Currently benefiting from strong convergence in sovereign rates, the eurozone financial markets are not holding their breath on the issue of Eurobonds. However, it is interesting to note that the debate seems to be evolving in a constructive manner and that the concept is attracting new support, including from the Bundesbank. With various projects underway to accelerate financial unification – including the Banking Union, the Capital Markets Union and the Savings and Investment Union – the debate on Eurobonds is part of an atmosphere that is currently favourable to European finance. But if these projects take shape on a sufficiently large scale, the economic pull effect could become very substantial over the next two years.

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Fund	Net equity exposure	Breakdown by theme (as a percentage of total equities)	Other
Dorval Convictions	70%	- Core basket excluding themes: 55% - Financials: 27% - Reflation: 15% - Small caps.: %	Euro Stoxx 50 futures and options hedges

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