

February 2025

## **ECB Bond Market Contact Group 2025 WORK PROGRAMME**

This document presents the work programme for the scheduled meetings of the ECB's Bond Market Contact Group (BMCG) in 2025. The work programme may be adapted throughout the year to address relevant unforeseen events and new topics of interest and is based on members' suggestions.

### **A. Recurrent item**

A member of the group will present a review and outlook of euro area bond market developments in each meeting. The presentation will be followed by a general discussion, including some topics of policy relevance or related to the BMCG mandate.

### **B. Specific items for 2025**

#### **1. Market dynamics and supply challenges**

- The implications of increased bond supply, especially in light of the ECB's quantitative tightening, political and fiscal uncertainties, and the impact of global factors such as US protectionism and foreign investor trends for bond pricing and market stability.
- How might potential adverse economic scenarios have implications for bond markets, including concerns about the future role of government bonds as safe-haven assets and implications for corporate issuers and credit risk premia, for both investment grade and high yield issuers.

#### **2. Market structure, investor base and intermediation trends**

- Changes in investor profiles for euro area bonds, including the rising role of hedge funds, the change in bond trading strategies, developments affecting dealer capacity and its impact on EGBs, and relevance of cross-market dynamics (e.g. the link between bond and repo markets).
- The rise of passive management and increased retail participation in bond markets.
- Dutch pension fund reform and its impact on EGB markets, particular at the long-end of curves.
- The impact of emerging liquidity providers and shifts in buy-side behaviour on market liquidity and

structure.

- The growing role of private credit markets and the implications for bond markets.
- Changes in preferences amongst central bank reserve managers and large institutional investors more generally, including the emergence of new asset classes (crypto assets etc.) in portfolios, the revival in allocations to gold, and the implications for bond markets.

### **3. Policy divergence**

- Examining the divergence in monetary policies between major economies (e.g. ECB, Fed, BoJ), including changes to their respective balance sheet policies and their impact on bond markets.
- Risks of financial deregulation and regional differences: the potential effects of US deregulation on other markets, how the evolving regulatory landscape is affecting market liquidity and stability, differentiated landscape of central clearing across jurisdictions, and the impact of Capital Markets Union.

### **4. Technological and market infrastructure advances**

- The rise of automation and electronic trading, the increasing prevalence of systematic trading, the introduction of digital assets, and innovations in trading protocols such as the move towards T+1 settlement.
- The role of technological advancements in improving market functioning, transparency, and systemic risk management.
- The impact of AI on bond markets from end-to-end (analysis and monitoring, primary markets, trading and price discovery, portfolio management, post-trade). The emerging use of AI in front office activities vs process efficiency purposes.

### **5. Sustainable finance and ESG trends**

- The future of sustainable finance and the challenges posed by regulatory complexities.
- Monitoring how large institutional investors and asset owners are reacting to evolving regulatory and policy initiatives impacting green investment both in the EU and globally.
- How demand for ESG assets is evolving and how this affects the “greenium”.

**Cooperation with other ECB Contact Groups in the domain of market operations:** The Operations Managers Group, the Foreign Exchange Contact Group and the Money Market Contact Group will continue to exchange information with the BMCG and liaise with each other on relevant topics of mutual interest.