

AEGON INSIGHTS

Navigating uncertainty: Why European ABS is back in focus

Global financial markets showed resilience in April, rebounding despite intensifying geopolitical tensions and persistent inflation pressures. A brief period of optimism early in the month, driven by a temporary ceasefire in the Middle East, lifted equity markets and pushed oil prices lower. However, as the situation deteriorated, oil prices surged again, reigniting inflation concerns and driving sovereign yields to multi-year highs.

In this context, central banks stayed cautious. The US Federal Reserve held rates steady and signalled a prolonged pause, emphasising the need for clear evidence of disinflation before considering policy easing. Similarly, the European Central Bank remained on hold, while indicating that further tightening could still be on the table if inflationary pressures persist.

More broadly, economic signals remain mixed. While US growth continues to benefit from structural tailwinds such as AI-led investment, Europe is experiencing slower momentum, with weak GDP growth and a re-acceleration in inflation. This combination has increased concerns around a potential stagflationary environment.

A supportive backdrop for ABS

Within this complex macro environment, European asset-backed securities (ABS) have shown notable resilience. Improved sentiment, combined with strong demand for income, drove a tightening of spreads in April, reversing some of the widening seen earlier in the year. Better technicals and a renewed appetite for yield also played an important role.

Issuance trends also underline the resilience of the asset class. Supply has remained robust across ABS, RMBS and CLO markets, with year-to-date volumes significantly ahead of the previous year. This has been accompanied by a shift towards more consumer-related issuance, reflecting evolving economic dynamics across Europe.



**Egbert
Bronsema**
Senior Portfolio
Manager

Egbert Bronsema is a portfolio manager in the European ABS team. Prior to joining the firm, he worked for eleven years as a portfolio manager and an analyst in the structured finance team at IMC Asset Management. Egbert has been in the industry since 2005 and joined the firm in 2016. He holds a Master's degree in business economics and quantitative economics from Maastricht University.

Balancing opportunity and risk

Looking forward, investors face a delicate balancing act. Geopolitical uncertainty, particularly around energy supply, continues to pose risks to inflation and growth. If oil prices remain elevated for an extended period, stagflationary pressures would likely intensify, creating a challenging environment for traditional risk assets.

That said, we believe ABS remains relatively well positioned in such an environment. The combination of relatively high, predictable and stable income provides meaningful downside protection while reducing sensitivity to interest rate volatility. With stagflation still a possibility, striking the right balance between rates, spreads, and fundamental (consumer) credit performance remains key.

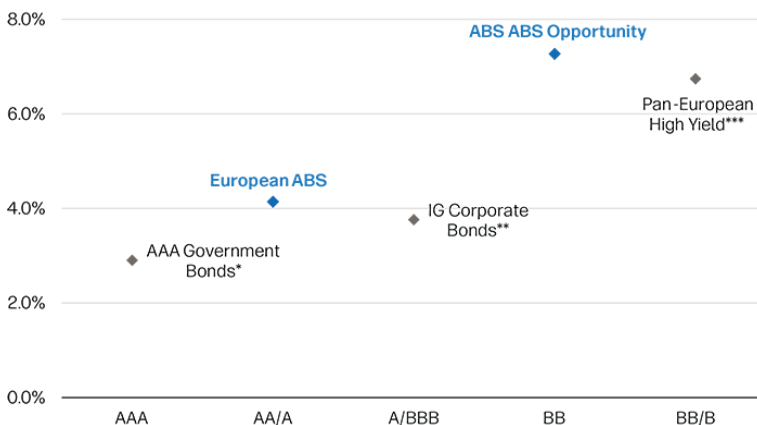
From a fundamental perspective, household and corporate balance sheets are likely to come under pressure if growth weakens further. That said, European consumers continue to benefit from a number of financial buffers, including relatively strong labour markets and higher savings. As a result, any deterioration in credit performance is expected to be gradual rather than abrupt, particularly in high-quality underlying assets such as residential mortgages and auto loans.

Resilience in a shifting landscape

While volatility may increase in the near term, particularly in more cyclical or higher-risk segments, historical experience suggests that ABS markets tend to recover relatively quickly following periods of stress. As ABS benefits from short interest rate duration, prolonged capital loss is therefore not the main detractor of returns in periods of stress. Recoveries are often fast and are typically driven by carry and pull to par dynamics when credit spreads recover.

With spreads still offering a premium relative to similarly rated fixed income assets, European ABS continues to present attractive relative value. Combined with its defensive characteristics and income potential, the asset class is drawing increased attention from investors looking to navigate a more uncertain and fragmented macroeconomic environment.

Yields of select asset classes (in EUR)



Source: Aegon Asset Management, Barclays, Bloomberg as at 31 March 2026. All yields are in EUR and gross of fees. * Barclays Euro AAA Government Bond Index, ** Barclays Euro Aggregate Corporate Bond Index, *** Barclays Pan-European High Yield Index.

“
Combined with its defensive characteristics and income potential, the asset class is drawing increased attention from investors...

Disclosures

For Professional Investors only and not to be distributed to or relied upon by retail clients.

The principal risk of this product is the loss of capital. Please note that other risks will be present. The materiality of these risks will be accounted for in the mandate which will be governed by an investment management agreement.

All investments contain risk and may lose value. Responsible investing is qualitative and subjective by nature, and there is no guarantee that the criteria utilized, or judgement exercised, by any company of Aegon Asset Management will reflect the beliefs or values of any one particular investor. Responsible investing norms differ by region. There is no assurance that the responsible investing strategy and techniques employed will be successful. Investors should consult their investment professional prior to making an investment decision.

Past performance does not predict future returns. Outcomes, including the payment of income, are not guaranteed.

Opinions and/or example trades/securities represent our understanding of markets both current and historical and are used to promote Aegon Asset Management's investment management capabilities: they are not investment recommendations, research or advice. Sources used are deemed reliable by Aegon Asset Management at the time of writing. Please note that this marketing is not prepared in accordance with legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing by Aegon Asset Management or its employees ahead of its publication.

All data is sourced to Aegon Asset Management unless otherwise stated. The document is accurate at the time of writing but is subject to change without notice. Data attributed to a third party ("3rd Party Data") is proprietary to that third party and/or other suppliers (the "Data Owner") and is used by Aegon Investment Management B.V. under license. 3rd Party Data: (i) may not be copied or distributed; and (ii) is not warranted to be accurate, complete or timely. None of the Data Owner, Aegon Investment Management B.V. or any other person connected to, or from whom Aegon Investment Management B.V. sources, 3rd Party Data is liable for any losses or liabilities arising from use of 3rd Party Data.

Aegon Asset Management UK plc is authorized and regulated by the Financial Conduct Authority. Aegon Investment Management B.V. is registered with the Netherlands Authority for the Financial Markets as a licensed fund management company. On the basis of its fund management license Aegon Investment Management B.V. is also authorized to provide individual portfolio management and advisory services.

Please visit <https://www.aegonam.com/en/contact/> for an English summary of investor rights and more information on access to collective redress mechanisms.