Capital Markets in Italy

EU market perspective

Consob, 9 September 2026

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Overall assessment: Resilient markets, increasing tail risk

Risk categories

	Previous risk level	Current risk level	Outlook
Liquidity	■	■	→
Market	■	■	→
Credit	■	■	↗
Contagion	■	■	→
Operational	■	■	↗
Environmental	■	■	→

Market segments

	Previous risk level	Current risk level	Outlook
Securities markets and crypto-assets	■	■	→
Infrastructures, services	■	■	↗
Asset management	■	■	→
Retail investors	■	■	→

Risk status: High or very high overall

– Risks stay high: The discrepancy between deteriorating macrofinancial conditions and their muted impact on market valuations poses significant risks of abrupt market corrections

– Risk changes and outlooks: Increasing yields increase credit risk for corporate and sovereign alike; Frontier AI models heighten cyber threats and increase the level of operational risk

Outlook: The confluence of risks in many market segments increases tail risk

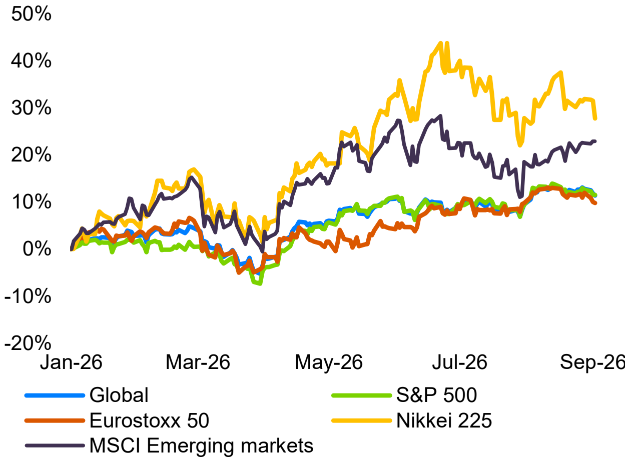
– Overconfident markets: War in the ME had significant impact on the economic outlook, inflation pressures, monetary policy stance, but global equity indices reached record highs. This raises overvaluation concerns

– Credit: Corporate default rates have increased and financial conditions tighten. Private finance still opaque

– Cyber risks: recent advances in frontier AI may facilitate cyberattacks, with potential disruptions to market infrastructures and systemic financial institutions

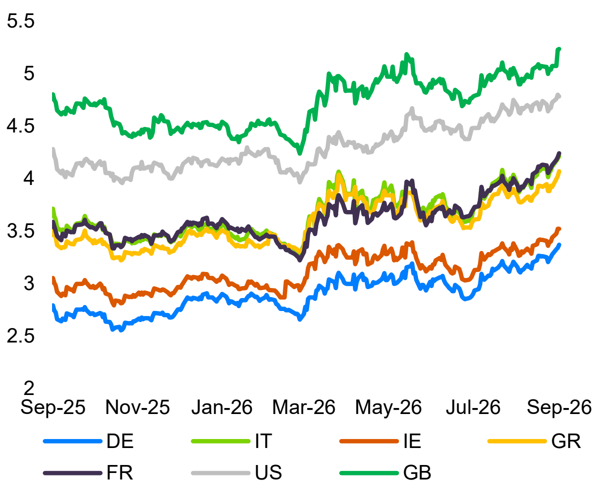
Markets (1/2): Markets resilient, yields up

Upward trend despite the ME war



Note: Performance of global equity indices, in %, rebased at -1Y.
Sources: Refinitiv EIKON, ESMA.

Sovereign yields remain high across the board



Note: Selected sovereign bond yields, in %
Sources: Refinitiv EIKON, ESMA.

Equities: Resilient valuations

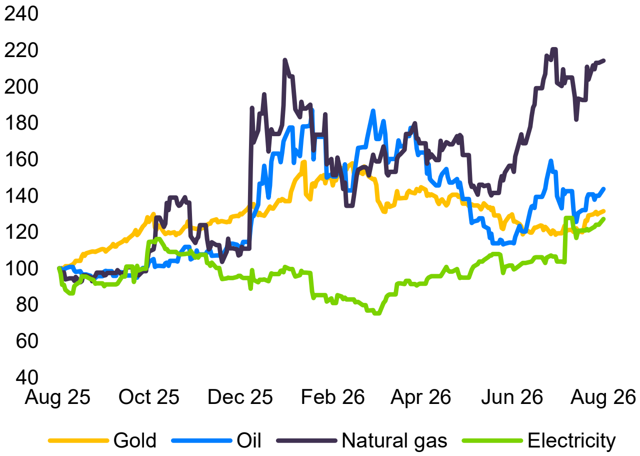
- Markets: Global equity indices, including the EU (+8% YTD), rose overall despite heightened volatility, with market stress remaining below April 2025 sell-off levels
- Strong earnings for tech and AI firms drive performance in the US (+11% YTD), with increasing concerns about market concentration and overvaluation

Bonds: High volatility, no safe haven

- Sovereign: Yields increased sharply at the onset of the war and remained at these higher levels. Spreads remained contained
- Corporate: Iran war pushed spreads to widen, especially in the high-yield segment

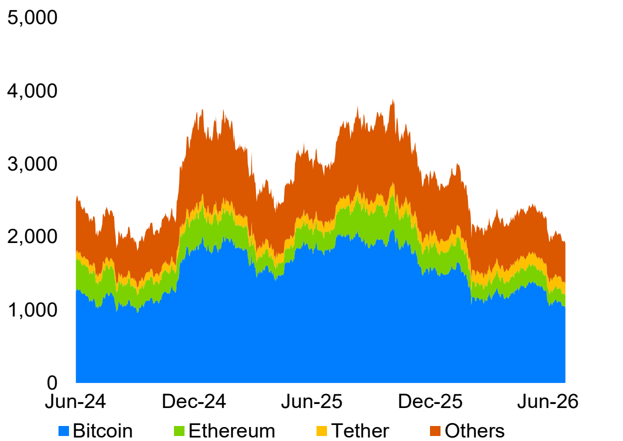
Markets (2/2): Commodities and crypto not immune to macro uncertainty

Volatility remains high in commodity markets



Note: Commodity prices and price indices, rebased. -1Y = 100.
Sources: Refinitiv EIKON, Datastream, ESMA.

Downward pressure continues in crypto markets



Note: Market valuation of Bitcoin, Ethereum, Tether and other crypto-assets, in EUR bn.
Sources: CoinMarketCap, ESMA.

Commodities: prices retreat from peaks

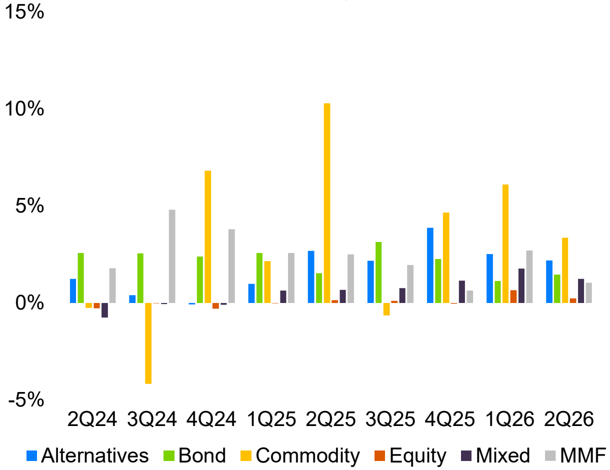
- Commodity markets still volatile, although market functioning remains orderly. In the longer term, natural gas expected to remain more vulnerable than oil markets, given lower reserve buffers and technical challenges associated with restarting production
- Gold's response to geopolitical risk remains nuanced, with safe-haven demand competing with the impact of higher energy prices on inflation, yields and the US dollar

Crypto markets: fragile investor sentiment

- Crypto-assets downturn continued in 1H26: total market value down to EUR 1.9tn by end-June (-28% YTD, -49% since Oct 2025 all-time high) amid persistent macro uncertainty and weaker retail investor participation; links between crypto and traditional finance continue to expand
- Stablecoins growth halted in 1H26 after strong expansion in 2025 (EUR 275bn market value); the market remains highly concentrated, which represents a structural vulnerability

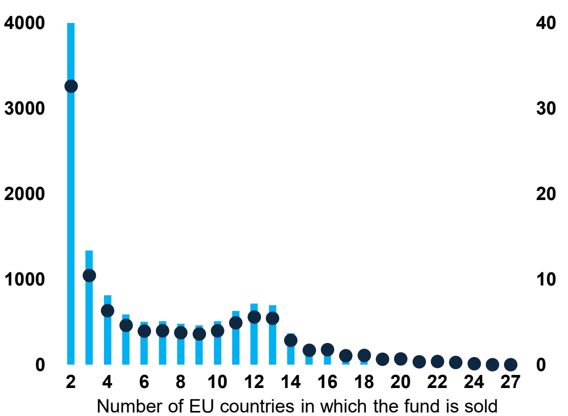
Asset management: High volatility but stable risks

Positive flows across categories



Note: EU27-domiciled funds' quarterly flows, in % of NAV.
Sources: Refinitv Lipper, ESMA.

EU cross-border funds



Note: Number of cross border UCITS funds by number of EU countries in which the fund is sold (left-hand side), thousands. Share of total number of cross border UCITS funds per number of countries in which a fund is sold (right-hand side), %.
Sources: Morningstar Direct, ESMA

Asset management trends

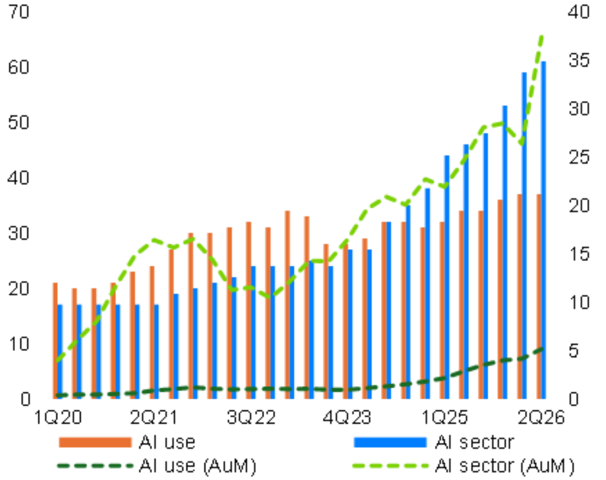
- EU funds experienced a sharp rise in volatility in 1H26, especially commodity funds; flows remained broadly positive across most categories
- Structural vulnerabilities remain: repricing risk, esp. in EQ funds given their significant exposure to the US market and tech sector; fixed-income funds sensitive to rising inflation expectations and higher yields

Most EU cross-border retail funds available for sale in only two countries

- Recent ESMA analysis shows that the cross-border marketing of UCITS in the EU is limited. More than 30% of cross-border UCITS are available for sale in maximum two countries
- Of the cross-border UCITS available for sale in ten or more EU countries, 60% are ultimately owned by non-EU parent companies.

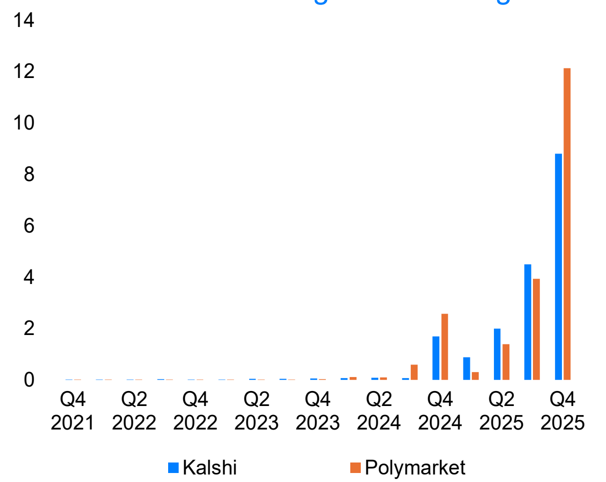
Financial innovation: Momentum around some innovations

Investment funds with AI-related names



Note: Number (left axis) and AuM (right axis, EUR bn) of EU funds that have the terms "artificial intelligence" or "machine learning" in their name and that either use AI in their investment strategy or invest in the AI sector.
Sources: Morningstar, ESMA

Prediction market trading volumes surged



Note: Kalshi quarterly trading volumes (in USD bn). Kalshi data as of 25/11/2025. Polymarket data as of 31/01/2026.
Sources: Kalshi API, Polymarket API, JBecker, ESMA.

AI-themed funds keep growing

– AI-themed funds: increasing number of UCITS that mention AI in their name, 97 in June 2026 (+23% in 1 year), supported by strong market confidence in AI-driven growth and rising AI infrastructure spending

Quantum computing attracts new funding

– Quantum computing is attracting investment and market interest, including through private capital and public listings

– While practical applicability in finance is still remote, the threat to cryptography is to be addressed well in advance due to the lengthy migration timelines for exposed systems

Prediction markets are growing in popularity

– Growing trading volumes, supported by retail participation and integration with Crypto, DeFi, AI and social media

– Risks mainly linked to investor protection and market integrity. EU activity remains limited but continued monitoring is warranted

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