

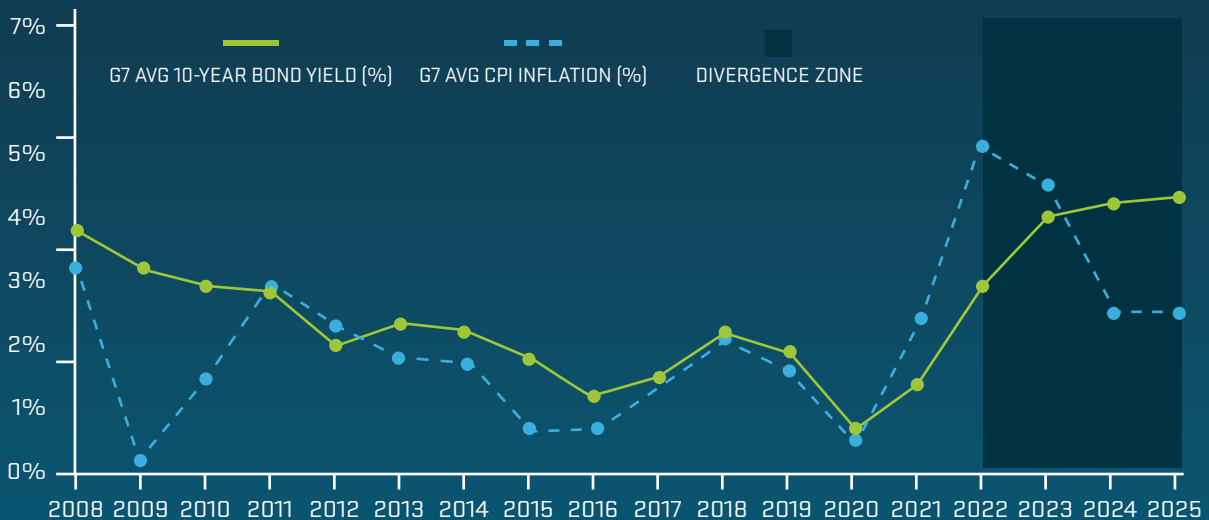
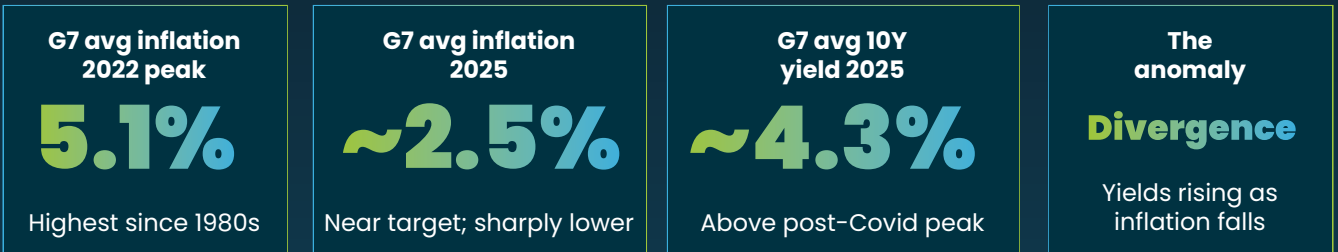
FORTUNE FAVORS THE BOLD: EUROPE'S CAPITAL OPPORTUNITY

→ **THE GLOBAL INVESTMENT LANDSCAPE IS** undergoing important reallocation. Long-term institutional capital is repositioning around two criteria that have grown short in supply: institutional credibility and investment resilience to rapidly diverging states of the world. Each determines where long-duration capital flows and at what cost. Europe has the chance to attract an enormous part of the relocating capital if it doubles down on its investment strengths and deregulates.

Sovereign wealth funds deployed \$179 billion in 2025, largely into infrastructure, AI and digital platforms, energy systems, and logistics. These offer resilience to the investment portfolio, not just diversification.

What makes this moment distinctive is the erosion of credibility and weaker confidence at the center of the financial system. Across the US and Europe, commitment to fiscal rules has drifted and policies have become unpredictable. G7 government debt is projected to reach 130% of GDP by 2031, with no credible consolidation path in the forecast. Consequently, the G7's average 30-year bond yields have risen above their post-Covid peak even as inflation has fallen toward 2%. Yields rising while inflation falls are less a story of rates than the harbinger of a loss in institutional credibility.

In the current episode of geopolitical stress, the dollar strengthened on liquidity demand while →



SOURCE: DEALROOM EUROPEAN DEEP TECH REPORTS 2021-2026 (WITH LAKESTAR AND WALDEN CATALYST); 2020-2023 FIGURES APPROXIMATE; 2024 AND 2025 CONFIRMED FROM PUBLISHED REPORTS.

→ long-dated yields rose; the safe haven function of the US bond market has been impaired. The foundational assumption embedded in how global capital has priced sovereign risk for decades – the unquestioned institutional environment in advanced economies – is being reassessed.

This is not uniformly bad news. Capital market fragmentation is a risk, but also a redistributive force. When institutional credibility grows scarce globally, the jurisdictions that hold their ground will capture a disproportionate share of long-term capital.

This is starting to appear in investor behavior. Sovereign funds have begun reducing allocations to longer-maturity US government debt and shifting financial relationships toward European alternatives as a targeted repositioning to build portfolio resiliency. This creates a structural and differentiated opportunity for jurisdictions that offer clear and consistent policies.

Europe is positioned to seize this opportunity. It has the legal and institutional architecture in place: the deep capital markets and institutional memory that investors depend on. These advantages took decades to build. Key sectors can benefit, particularly renewable energy, a European industrial story as much as a climate one.

These structural advantages are not self-sustaining; credibility needs to be consistently demonstrated. The tension in Europe's economic future is most acute in the sectors where long-term capital is now concentrating: AI infrastructure, digital systems, and the energy sector. Europe is disadvantaged in most of them, encumbered by heavy and inconsistent regulations across the continent that raise the cost of compliance and limit European-scale deployment.

The capital response is already visible. In 2025, Roche, Sanofi, and AstraZeneca collectively committed more than €100 billion to US investment, citing Europe's regulatory environment. Europe faces a genuine calibration challenge: mitigating the real risks of technological disruption without ceding the sectors that will define the next decade to jurisdictions that have chosen a different balance. That challenge is not yet being met.

Europe's regulatory impulse is not without justification. Governments are correct to worry about unconstrained AI development, data concentration, and digital market dominance. But the execution has imposed costs that are now measurable and consequential. More than sixty digital laws were proposed or adopted in the last EU legislative term alone, with over 60% of European companies citing regulation as a key obstacle to investment.

As global capital becomes more selective, concentrating in jurisdictions that offer clarity and cohesion at scale, the distance between Europe's structural potential and its institutional delivery grows increasingly consequential. Capital is making a judgment on where the systems that matter can be built. So far, they are finding that answer lies outside Europe.

Europe's economic future is therefore not just an investment question. The opportunity created by institutional drift globally is genuine and significant. Europe needs to ease the regulatory burden or it risks missing a generational opportunity to attract capital in sectors that will shape the global economy for decades to come. This will require clarity around the trade-offs involved and the political will to compete for global capital once again. ■



ABOUT THE AUTHOR

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