



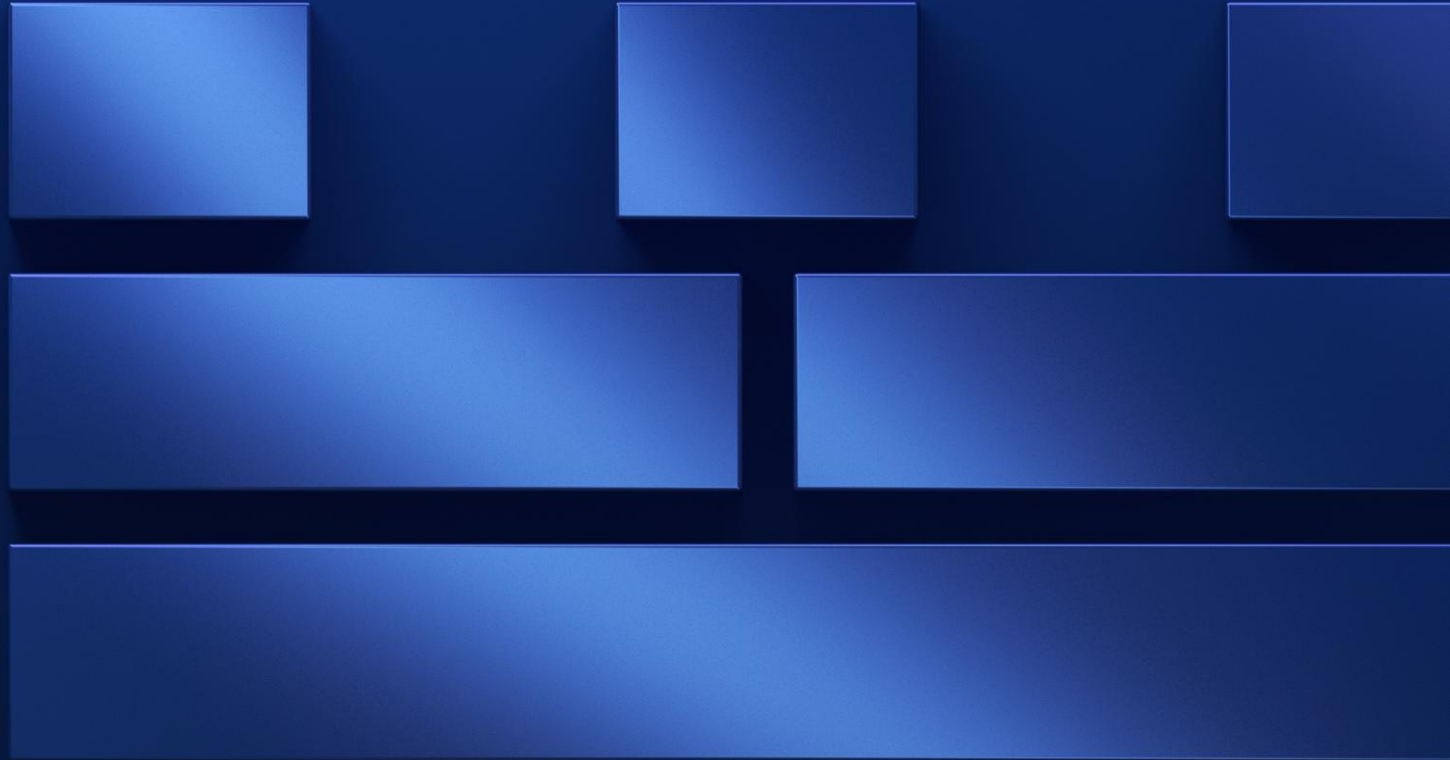
Fixed Income and Macro

On the international role of the euro

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Is the euro an international currency?

- “If a vessel makes the cut then discussions over the toll begin. The people said that the Iranians have a ranking system of one to five for nations, with ships from countries that are seen as friendly more likely to get better terms. For oil tankers, the starting price in the negotiations is typically around \$1 per barrel of oil, **paid in yuan, or stablecoins – cryptocurrencies pegged to the value of hard currency.** <https://www.bloomberg.com/news/articles/2026-04-01/strait-of-hormuz-ships-paying-iran-yuan-and-crypto-tolls-for-safe-passage>
- “Why do you buy gold, if you can’t buy anything with it? To diversify our reserves. **Why not buying euros? Because there are no Eurobonds – EU Bonds and Bills are supranationals, not sovereigns”**
- How many currencies trade **only** vs EUR? **None**
- How many countries has ECB swap lines with? **6 – PBOC has 42**

Can the euro be an international currency?

- **Yes, if it offers what others want**
 - **Stable and credible institutional structure** ✓
 - **High returns on investment** ✗
 - **Liquid assets to buy** ✗

Can the euro be an international currency?

- **Yes, if it offers what others want**
 - **Stable and credible institutional structure** ✓
 - **Lots of interest** -> the opportunity is now!
 - Iceland EU referendum, UK rapprochement
 - Sweden, Norway, Denmark, Hungary -> EUR?
 - Trade agreements – Australia, Indonesia, (Mercosur), (India)
 - Canada in SAFE EU program

Can the euro be an international currency?

- Yes, if it offers what others want

- High returns on investment **X**

- **Single market in goods and capital**

- Optimize investment

- Need large single market to create “gazelles”
- Need EU banks to optimally redeploy savings across EU
 - Investment banking is a relationship businesses

- **Shift approach to risk taking**

- From *defense* – regulate to save/regain credibility – to *offense* – regulate to invest
- Sleepy deposits, sleepy economy
 - Start-ups don't have loans
- Foster Private Pension Funds to change attitude towards risk/equities
 - Channel retirement savings into private markets rather than public debt
- SWF to invest in strategic sectors

Can the euro be an international currency?

- Yes, if it offers what others want

- Liquid assets to buy **X**

- **Eurobonds**

- Optimize debt management -> offer asset investors want
 - Investors want liquid sovereign bonds that are in benchmark indices, not supranationals
- Show global investors that you are a serious
 - If EU partners don't trust each other, why would others trust them?
- Can you have EUR-backed stablecoins without Eurobonds?
 - Digital EUR is a solution for a different problem

Can the euro be an international currency?

- **Consider nudges**

- Make EUR invoicing/settlement part of trade agreements
 - Oil pricing in USD -> Petrodollars -> USD reserves
 - China invoicing/settlement -> will it lead to RMB reserves?
- Offer EUR fx swaps to **all** countries with trade agreements

- **The time is now** – by 2029 it will be too late

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