Why U.S. Investors Are Warming to European Equities in 2025

Published June 30, 2025

Christopher Gannatti, CFA
Global Head of Research

Samuel Rines
Macro Strategist, Model Portfolios

Key Takeaways

- In 2025, U.S. investors are increasingly shifting toward European equities as sectoral parallels, especially in defense, industrial automation and banking, offer similar exposures at significantly lower valuations and with higher dividend yields.
- Europe's industrial and energy transition, supported by regulatory tailwinds and strategic capital investments, is creating long-duration opportunities in infrastructure, utilities and renewables that are often overlooked by American allocators.
- With geopolitical alignment, sector familiarity and the euro stabilizing, European equities are evolving from diversification tools to strategic allocations, making the WisdomTree European Opportunities Fund (OPPE) a timely vehicle for accessing this renaissance.

In a world long dominated by U.S. equities, something curious is happening in 2025: American financial professionals are casting a wider net, increasingly drawn to Europe. For years, the narrative favored U.S. innovation, tech dominance and capital efficiency. But today, against a backdrop of geopolitical realignment, sectoral rotation and valuation compression, Europe is not only relevant—it's compelling.

To understand the opportunity, imagine you're a U.S. investor comfortable with familiar sectors: semiconductors, defense, infrastructure, banking. Now ask: Where else in the world can I get similar exposures, often at roughly half the valuation and with stronger dividends? The answer is Europe.[1]

Defense and Strategic Autonomy: Europe's Modern Arsenal

American investors know the power of Lockheed Martin and Northrop Grumman. But Europe's Rheinmetall, BAE Systems and Leonardo are enjoying a historic re-rating as the North Atlantic Treaty Organization (NATO) and the European Union (EU) step up defense spending. Rheinmetall has secured multibillion-euro orders for 155-mm artillery shells, with production ramping up to more than one million rounds annually by 2027 to meet sustained NATO demand.[2] Leonardo is central to Eurofighter upgrades and helicopter exports. BAE has secured multi-decade visibility via Australia-United Kingdom-United

States (AUKUS) submarine and Future Combat Air programs.[3] These firms offer kinetic and digital defense exposure with long runways, riding the same secular tailwinds as their U.S. counterparts.

Meanwhile, Thales is a leading provider of secure communications solutions, with extensive involvement in low Earth orbit (LEO) satellite systems and comprehensive cybersecurity services,[4] making it an analogue to U.S. firms like L3Harris or Palantir, but with the added kicker of European digital sovereignty ambitions.

The Industrial Renaissance: Infrastructure and Automation

While the American Recovery and Reinvestment Act of 2009 (ARRA), Creating Helpful Incentives to Produce Semiconductors Act of 2022 (CHIPS) and Inflation Reduction Act of 2022 (IRA)spurred and are still spurring U.S. reshoring, Europe is quietly enabling its own industrial renaissance. Siemens and ABB are leading the continent's factory automation, digital twin and power management revolution.[5] If you like Rockwell Automation or Eaton in the U.S., these are your European analogues—but with added exposure to EU energy transition policies.

Schneider Electric's EcoStruxure platform leverages AI to enhance energy efficiency in data centers, effectively managing the increased power demands associated with AI workloads.[6] And then there's Maersk, pivoting from a cyclical freight carrier to a vertically integrated green-logistics platform, not unlike what Amazon aims to build in-house.

Energy Transition and Real Asset Yield

U.S. investors chasing renewables exposure through names like NextEra or Brookfield should not overlook Europe's leaders. TotalEnergies and BP have pivoted aggressively into liquefied natural gas and low-carbon infrastructure, while Equinor's CCS (Carbon capture and storage) and offshore wind portfolio positions it as a transition-era cash generator with a green upside.

In early 2025, activist investor Elliott Investment Management acquired a nearly 5% stake in BP and has been pressuring the company to scale back its renewable energy investments in favor of focusing on its traditional oil and gas operations to enhance shareholder returns.[7]

EDP (Portugal) and Verbund (Austria) offer pure-play exposure to hydro and wind, bolstered by strong EU regulatory tailwinds and roughly 5%–6% dividend yields.[8] If you're looking for duration and defensiveness in real assets—while avoiding U.S. rate volatility—these utilities deliver.

Then there's Snam: the quiet backbone of Europe's future hydrogen economy, owning and operating much of the pipeline and storage infrastructure that will underpin the EU's net-zero ambitions.[9]

Financials: The Underrated Rebound

With the U.S. regional banking system under pressure and money-center banks consolidating, European banks are finally earning their cost of capital. UniCredit, CaixaBank and Bank of Ireland are returning capital aggressively while, in some instances, trading below book.[10] Peripheral banks once shunned for non-performing loan (NPL) risk now boast cleaned-up balance sheets and are stress-test darlings.

And for U.S. investors who understand the power of financial conglomerates like JPMorgan or Morgan Stanley, BNP Paribas and Nordea offer scale, diversified income streams and optionality on wealth management—especially important given Europe's demographic wealth transfer.

Telecom and Infrastructure: The Quiet Compounding Machines

American investors might track Crown Castle and American Tower, but Europe's INWIT provides exposure to 5G densification and fiber leasing in Italy with lower competition and better regulatory optics.[11]

Nokia, long written off, is now developing AI-native Radio Access Network (RAN) solutions that could slash operating costs for telcos. For those tracking Open RAN adoption in the U.S., Nokia's positioning is newly strategic.

Consumer Brands: GLP-1-Proof or Enabled?

The rise of GLP-1 weight-loss drugs has disrupted food and beverage stocks in the U.S., but Europe has its own nuanced plays. Nestlé, with its premium wellness brands like Garden of Life and Vital Proteins, is arguably more GLP-1-aligned than its peers.

British American Tobacco and Imperial Brands, meanwhile, are underpinned by cash flow and transitioning into ZYN-style modern-oral products, a trend still underpriced in European valuations.

Even retailers like Tesco are monetizing data assets (e.g., Clubcard Plus) in ways reminiscent of Costco and Kroger's loyalty economics, but with the added benefit of real estate ownership.[12]

Biotech and Health Innovation

Roche and Novartis offer global pipelines with highly visible cash flows. Genmab, a biotech darling, has a royalty-rich model and partnerships with AbbVie and J&J. For those who missed the initial run of Amgen or Regeneron, European biotech offers the next wave—but at a discount.

Valuation: The Elephant in the Room

The S&P 500 Index trades near 19x forward earnings.[13] Many of the European names above trade at 10x–12x, with higher dividend yields and similar secular growth hooks.[14] These are not distressed cyclicals or legacy giants; these are modern, strategically important businesses often mispriced due to geography.

With the euro stabilizing and inflation rolling over, foreign exchange (FX) headwinds are no longer the alibi they once were.

Conclusion: Europe, Investing in Itself for the Future

In 2025, Europe isn't just a diversification play; it's a source of underappreciated innovation, defensive yield and geopolitical alignment. The narratives driving capital flows—from AI and energy to defense and health care—are not U.S.-exclusive.

For the sophisticated U.S. allocator, the question isn't why Europe? It's why not now? With sectoral familiarity, valuation appeal and strategic overlap with U.S. trends, European equities have earned a fresh look—not as exotic outliers, but as essential complements.

The WisdomTree European Opportunities Fund (OPPE)[15] is one avenue through which investors can tap into many of the themes mentioned in this article. We detailed this methodology in this prior piece: "Revisiting the Museum—Europe's Macro Renaissance."

[1] Sources: "MSCI Europe Index Factsheet," MSCI Inc., 4/25; E. Yardeni, "Stock market briefing: Valuation metrics," Yardeni Research, Inc., 5/15/25.

[2] Source: "Rheinmetall receives framework contract for 155mm ammunition worth up to €8.5 billion," Rheinmetall AG, 6/20/24.

[3] AUKUS is widely interpreted as a strategic counterbalance to China's influence in the Indo-Pacific region. It also deepens industrial defense cooperation among the three nations over decades, with implications for companies like **BAE Systems**, **Raytheon** and **Northrop Grumman** as key subcontractors.

[4] Sources: "Secure Communications," Thales Group (n.d.); "Cybersecurity for Space," Thales Group (n.d.); "Cybersecurity Solutions," Thales Group (n.d.).

[5] Sources: "The Digital Twin at Siemens Electronics Factory Erlangen," Siemens AG (n.d.); "Smart production meets digital twin in ABB's factory of the future," ABB Ltd. (n.d.).

[6] Sources: "AI Data Center Solutions," Schneider Electric. (n.d.); "Our AI-based solutions," Schneider Electric. (n.d.).

[7] Source: "BP to ditch renewables goals and return focus to fossil fuels," Reuters EnergyNow, 2/24/25.

[8] Sources: "Pagamento de dividendos – exercício 2024," EDP – Energias de Portugal, S.A., 4/15/25; "Corporate news: VERBUND 2024 annual results," Verbund AG, 3/20/25.

[9] Source: "2025–2029 Strategic Plan," Snam S.p.A., 1/25.

[10] Sources: "1Q25 Group Results," UniCredit S.p.A., 5/11/25; "First Quarter 2025 Results," CaixaBank S.A., 4/30/25; "Q1 2025 Interim Management Statement," Bank of Ireland Group plc., 5/2/25.

[11] Sources: "INWIT approves financial statements at 31 December 2024: Improvement in industrial and financial indicators with over 900 new towers, revenues +8%, EBITDAaL +9%," INWIT, 3/4/25; "Italy: EIB and INWIT sign €350 million agreement to develop digital *telecommunications* infrastructure," European Investment Bank, 2/28/25; "Mergers: Commission clears acquisition of joint control over INWIT by Telecom Italia and Vodafone, subject to conditions," European Commission, 3/6/20.

[12] Source: "Clubcard data in the driving seat as Tesco profits surge," Decision Marketing, 10/3/24.

[13] Source: "S&P 500 Earnings Season Update: April 17, 2025," FactSet, 4/17/25.

[14] Source: "MSCI Europe Index Factsheet," MSCI Inc., 5/30/25.

[15] Prior to June 2, 2025, the Fund was known as the WisdomTree Europe Hedged SmallCap Equity Fund (EUSC). On that date, the Fund's investment policy changed.

Important Risks Related to this Article

For current holdings, click here. Holdings are subject to risk and change.

here are risks associated with investing, including the possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. This Fund focuses its investments in Europe; therefore, the impact of events and developments associated with the region can adversely affect performance. The securities of small-capitalization companies generally trade in lower volumes and are subject to greater and more unpredictable price changes than larger-capitalization stocks or the stock market as a whole. The Fund uses various strategies to attempt to minimize the impact of changes in the value of the euro against the U.S. dollar, and these strategies may not be successful. Derivative investments can be volatile, and these investments may be less liquid than other securities and more sensitive to the effects of varied economic conditions. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.