Green, Social and Sustainability Bonds

$100bn GSS bond issuances over January led by a strong start from Sustainability bonds

- The GSS market started the year strongly with $100bn issuances, including $43bn of sustainability bonds.
- Rates rebounded on the back of resilient macro data coming from the US and tariffs threats.
- The sustainable bond universe delivered 0.24% over the month in EUR hedged terms.

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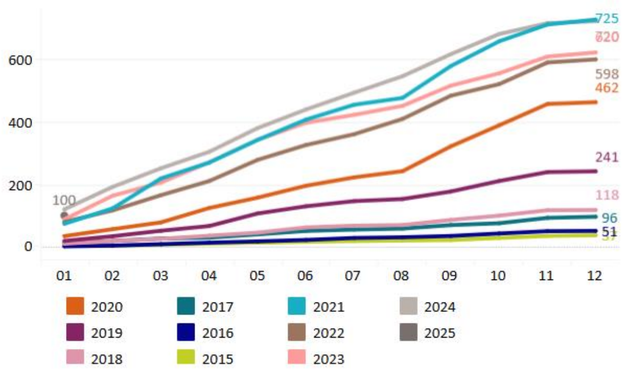
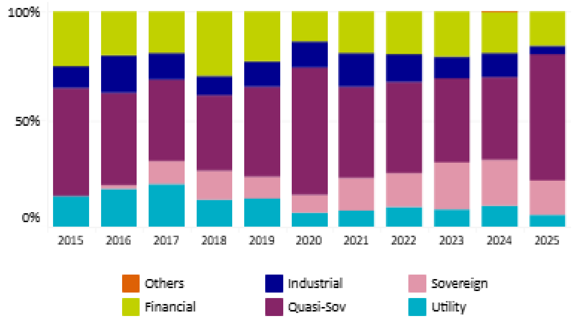
What's happening?

	Key developments	Key figure
Green Bonds	A quieter start of the year for Green bonds with $38bn of issuances mostly coming from sovereigns (accounting for 32%) and quasi-sovereign (accounting for 26%). Corporates only accounted for 42% of total volume, led by financials. EUR remained the key currency with 65% of issuances.	+$38bn over january $38bn YTD (-40% vs 2024) 3 new issuers YTD $1.84tn Market value
Social Bonds	Social bond issuances started 2025 as they started 2024 with $19bn issuances, mostly coming from quasi-sovereigns (65%) and banks (25%). EUR dominated the market with 59% of volume but it is worth mentioning a pick up from USD issuances accounting for 28%, reflecting 10% issuances coming from EM countries.	+$19bn over December $19bn YTD (flat vs 2023) 0 new issuers YTD $497bn Market value
Sustainability Bonds	A very strong start for sustainability bonds with $43bn of issuances comine almost exclusively from quasi-sovereign issuers (83%). The currency picture was more diversified with 46% USD, 26% EUR and 13% GBP. Asia and EM were big contributors outside of Europe, respectively accounting for 11% of this month.	+$2bn over December $183bn YTD (+24% vs 2023) 32 new issuers YTD $752bn Market value

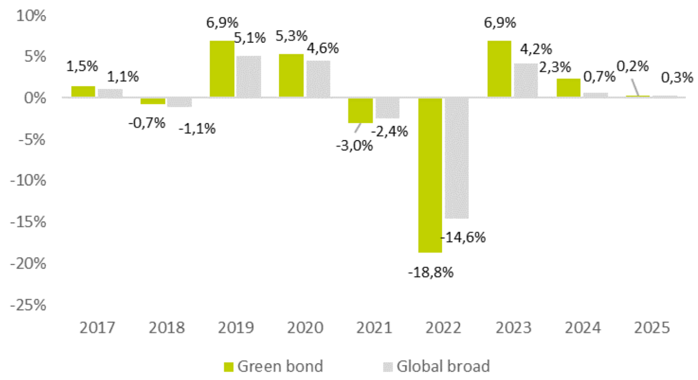
GSS bonds issuance evolution (in USD bn)



GSS Bonds issuance by Sector (in USD bn)



- **Calendar Performance Comparison**

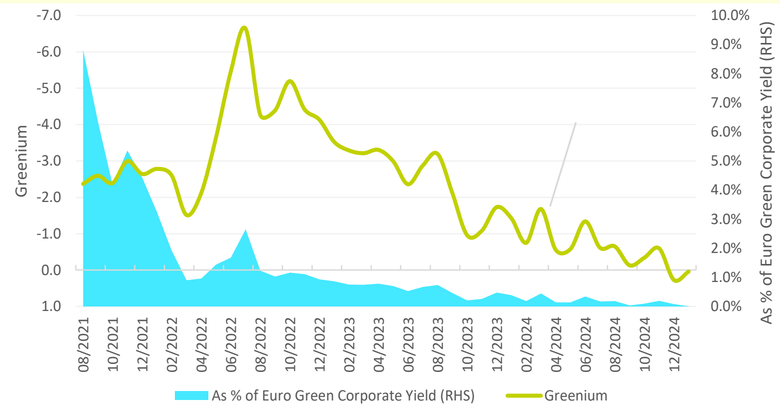


Green bonds universe **outperforming** conventional universe for **6 years** out of 8

Source : AXA IM, Bloomberg as of 31/01/2025

- **What about the Greenium ?**

Green bonds trade on average in line with their conventional bond



Greenium is becoming **irrelevant** when considering return prospects yet should still be **monitored** at bond / sector level

Source : AXA IM, Bloomberg as of 31/01/2025

Portfolio Positionning and Performance

	Key Strategies	Performance
Term structure	We increased duration over the first half the month as rates rebounded before reducing partially at the end of period following a retracement of the initial move.	=
Asset Allocation	We continued to favor credit over sovereign and sovereign-related debts reflecting sound fundamentals, muted supply and interesting carry levels.	+
Region	We kept our overweight position on Spanish sovereign debts and came back to neutrality on France. We also kept a slight overweight on EM debts via Chile and Indonesia.	+

Outlook

2025 started with increased volatility and uncertainty. The market is dominated by extensive headlines surrounding tariff discussions and geopolitical tensions following Trump's inauguration. Macroeconomic data confirmed a divergence between the Eurozone and the US. In this context, ECB cut rates by an additional 25bps while the FED decided to keep rates unchanged.

Rates surged during the first half of the month due to heavy supply but later retreated as attention shifted to Trump's tariff policy and the potential disruptions in the AI sector. Valuations now appear more reasonable, but continued strong macroeconomic data in the US, substantial supply, and uncertainty surrounding Trump's tariff policies - especially towards Europe - along with the upcoming German elections, could keep rate volatility elevated in the short term. This environment may favor a more tactical approach to duration management.

Credit spreads continued to tighten despite an active primary market. Sentiment remains supportive for credit spreads, driven by solid fundamentals and resilient macroeconomic conditions. Demand is strong as investors seek carry. However, slowing growth and escalating geopolitical tensions, particularly from the trade war, could pose potential downside risks for this asset class.