

Green, Social and Sustainability Bonds

Green bond market firmly surpassing 2023 volumes with 447bn issuance YTD

- Primary market activity remained dynamic over November with \$33bn of GSS issuances. As the year comes to a close the GSS market looks poised to firmly surpass 2023 issuance volumes, closely tracking 2021 peak volumes.
- A red sweep in the US election and renewed political tension in France have further dimmed the macroeconomic outlook for the Eurozone, leading euro rates to drift lower.
- The sustainable bond universe delivered 1.50% over the month and 3.18% YTD in EUR hedged terms.

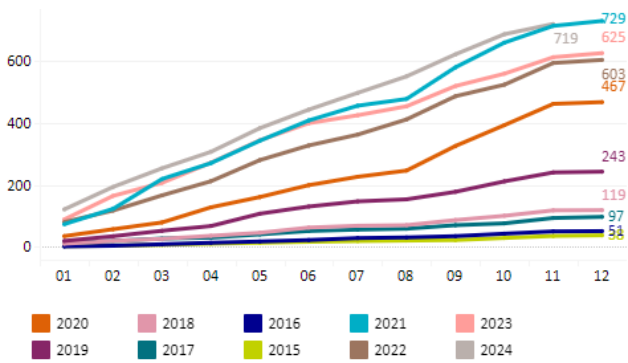
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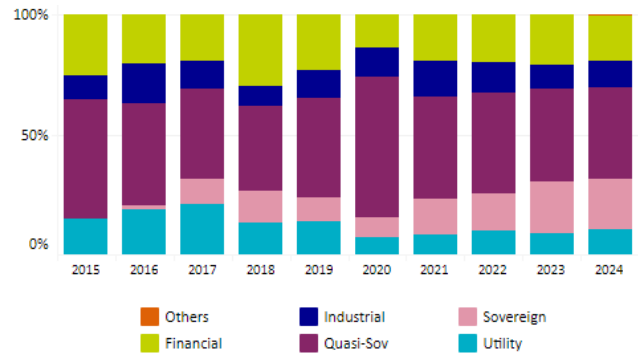
What's happening?

	Key developments	Key figure
Green Bonds	November was another strong month with \$24bn in issuances, with the green bond market now firmly surpassing 2023 volumes YTD as the year comes towards a close. Issuances continued to be tilted towards credit accounting for 66% of total volume for the month as sovereign issuance slowed. On the credit side, banks and industrials were leading sectors respectively accounting for 28% and 31% of total monthly issuances followed by utilities. In terms of currency, the month was dominated by EUR issuances which comprised >90% of all issuances.	+ \$24bn over November \$447bn YTD (+17% vs 2023) 78 new issuers YTD \$1.86tn Market value
Social Bonds	Social bond issuances over the month were dominated by financials (88%) where the totality of issuances were in USD. By contrast, the month saw more limited sovereign activity with Chile issuing a social bond albeit in local currency.	+ \$3bn over November \$91bn YTD (+10% vs 2023) 16 new issuers YTD \$491bn Market value
Sustainability Bonds	Sustainability issuances was mostly driven by quasi-gov (84%) over the month. USD accounted for the majority of total issuances (85%), followed by EUR (7%) and notably AUD (7%) which were roughly on par. Emerging markets accounted for 14% of issuances exclusively represented by sovereign, standing below the 34% contribution level of November 2023.	+ \$5bn over November \$181bn YTD (+23% vs 2023) 30 new issuers YTD \$769bn Market value

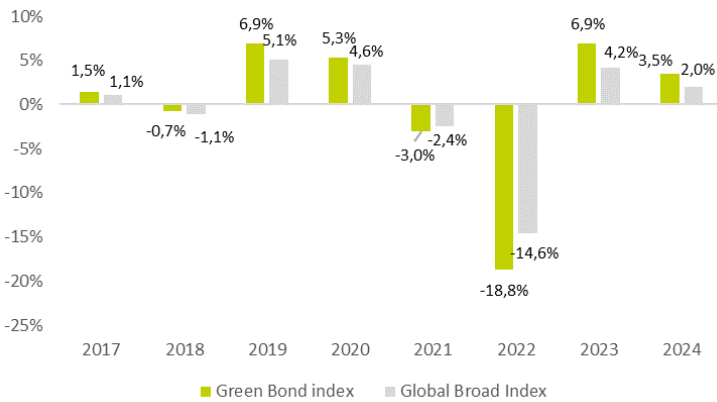
GSS bonds issuance evolution (in USD bn)



GSS Bonds issuance by Sector (in USD bn)



Calendar Performance Comparison

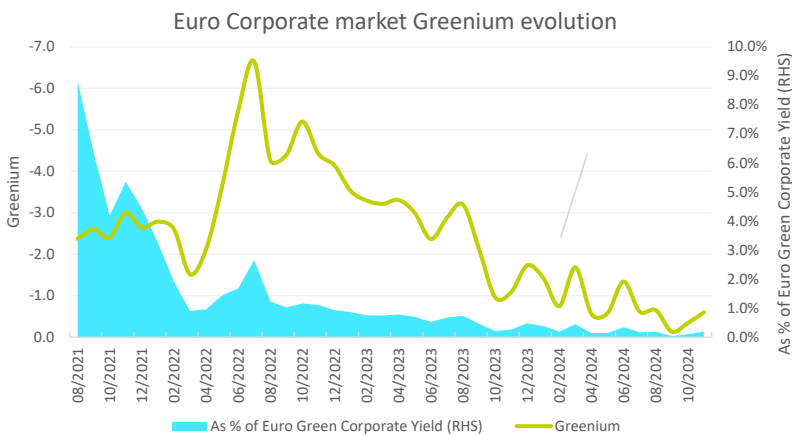


Green bonds universe **outperforming** conventional universe for **6 years** out of 8

Source : AXA IM, Bloomberg as of 2/12/2024

What about the Greenium ?

Green bonds trade on average in line with their conventional bond



Source : AXA IM, Bloomberg as of 29/11/2024

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

Portfolio Positioning and Performance

	Key Strategies	Performance
Term structure	Over the month we brought down our overweight position in duration, moving to a roughly neutral position on USD while remaining long on euro rates.	+
Asset Allocation	We continued to favour credit over sovereign and sovereign-related debts reflecting sound fundamentals, strong technicals, carry levels and CB's easing process.	-
Region	We kept our overweight position on Spanish sovereign debts while maintaining a neutral stance on France. We also kept a slight overweight on EM debts via Chile and Indonesia.	+

Outlook

Recent macroeconomic data in the US has continued to show resilience, but a red sweep in the US election and political tension in France have further dimmed the macroeconomic outlook for the Eurozone. The implementation of tariffs and their potential impact on Eurozone inflation and growth should be a key focus in 2025, potentially keeping rates volatility elevated.

Rates rallied throughout November, particularly Euro rates. While the economic situation in Europe should support Euro rates over the medium term with ongoing rates reduction by the ECB, one should not dismiss the possibility of a potential rebound in rates over the short term due to the heavy supply in Q1 2025.

Credit spreads finished the month flat, benefitting from the narrative that the Trump administration would be supportive of the private sector. Yet, heightened geopolitical and political uncertainty, weaker growth, or an unexpected rebound in inflation could dampen investor sentiment and appetite for this asset class.

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