Green, Social and Sustainability Bonds
Strong sovereign issuances continue

- With $474bn of issuance over 2024, the GSS universe continues its steady growth and stands at $3.1tn. 74 new issuers joined the GSS market in 2024.
- Rates rallied significantly on the back of French political uncertainty. In the meantime, ECB delivered the first rate cut.
- The sustainable bond universe delivered 0.56% over the month and -0.83% YTD in EUR hedged terms.

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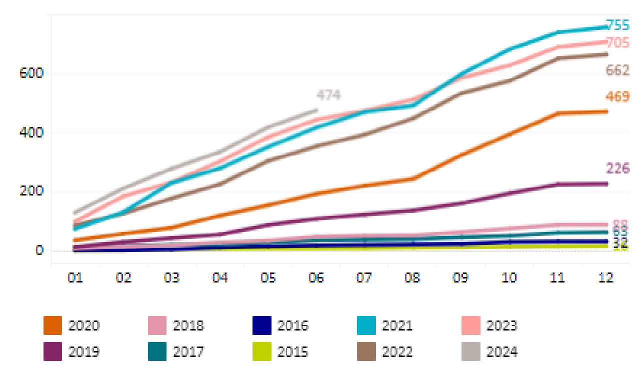
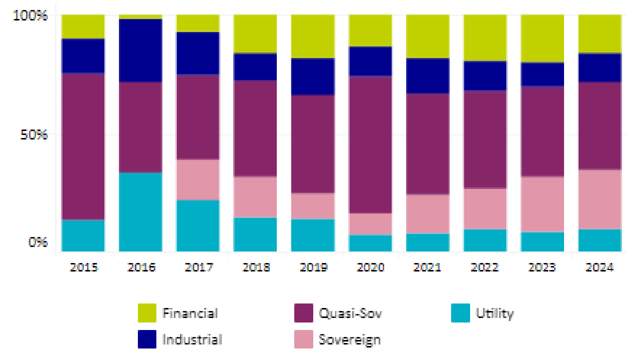
What's happening?

	Key developments	Key figure
Green Bonds	At end of June 2024, Green Bond issuances reached $300bn YTD, with a strong contribution from Sovereign & Utility sector during the month, accounting for 27% and 31% respectively. In the Sovereign space, Australia joined the market with its first green bond issuance, making AUD the 3rd biggest currency in terms of issuances, just after EUR and USD. Emerging countries have kept the positive trend, representing more than 10% of the overall issuance.	+$**36**bn over June $**300**bn YTD (+8% vs 2023) **49** new issuers YTD $**1.81**tn Market value
Social Bonds	We saw limited amount of issuances over the month in the Social Bonds space, only Financials and Quasi-sovereigns have remained active. In terms of currency, EUR represents around 52% of 2024 issuances, followed by USD at 25%.	+$**5**bn over June $**61**bn YTD (-2% vs 2023) **8** new issuers YTD $**498**bn Market value
Sustainability Bonds	Steady issuances continued for Sustainability bonds in 2024 bringing the overall market size at around $779bn. Monthly issuances were well diversified in the Sovereign side, with Brazil and Peru leading the pace. In the Corporate side, Banking sector remained the most presented, Utility and Real Estate accounted the rest 30% of monthly issuances.	+$**17**bn over June $**112**bn YTD (+12% vs 2023) **17** new issuers YTD $**779**bn Market value

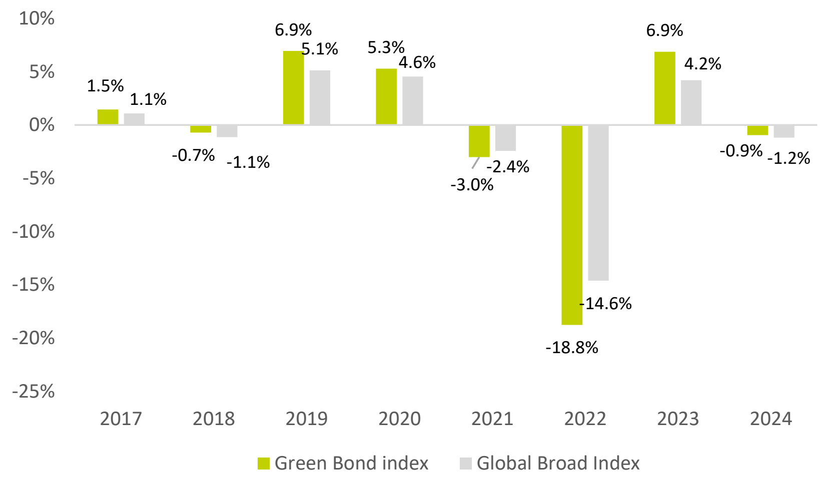
GSS bonds issuance evolution (in USD bn)



GSS Bonds issuance by Sector (in USD bn)



- **Calendar Performance Comparison**

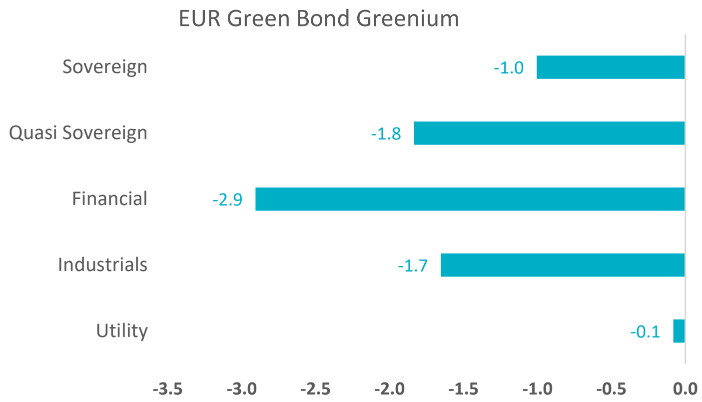


Source : AXA IM, Bloomberg as of 28/06/2024

Green Bonds Universe **outperformed** conventional Universe for **5 years** out of 7

- **What about the Greenium ?**

We observe an average of **-1.9bps** greenium in the Euro Green bonds market



Source : AXA IM, Bloomberg as of 28/06/2024

While Greenium is becoming **less and less relevant** globally, sectorial differences remain and offer **arbitrage opportunities**

Portfolio Positionning and Performance

	Key Strategies	Performance
Term structure	During the month we took profit of our long duration position given the strong rally caused by French political turmoil.	+
Asset Allocation	We maintained our preference for credit especially in short-dated subordinated debts.	=
Region	We kept the overweight in Austrian sovereign debts and initiated a defensive stance in France combined with a slight overweigh in Spain.	+

Outlook

Renewed political uncertainty in France pushed interest rates down and weighed on risky assets. At the same time, the ECB delivered its first rate cut, although it remained cautious about the prospects for further easing.

Against this backdrop, rates fell sharply during the month, mechanically increasing expectations of rate cuts by the Fed or the ECB between now and the end of the year. With almost 2 rate cuts expected on either side of the Atlantic by the end of 2024, the potential for further rate rally seems limited, and a rebound cannot be ruled out in the short term without a sharp deterioration in the outlook for growth or inflation.

Credit risk premiums remain attractive. However, the rebound in volatility and uncertainty on the inflation front could weigh on risk appetite.