Green, Social and Sustainability Bonds

Increasing diversification both in Corporates and Sovereigns

- With $322bn of issuance over 2024, the GSS universe continues its steady growth and stands at $2.9tn. 41 new issuers joined the GSS market in 2024.
- The US monetary policy might stay restrictive for longer than expected in a context of resilient growth and stickier inflation. Current market pricing for 2 rate cuts from the Fed this year might be challenged in the near term and drive global yields higher despite a very likely first cut from the ECB in June.
- The sustainable bond universe delivered -1.51% over the month and -1.83% YTD in EUR hedged terms.

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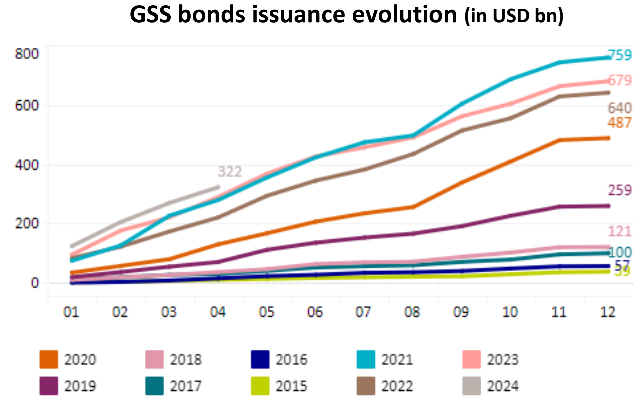
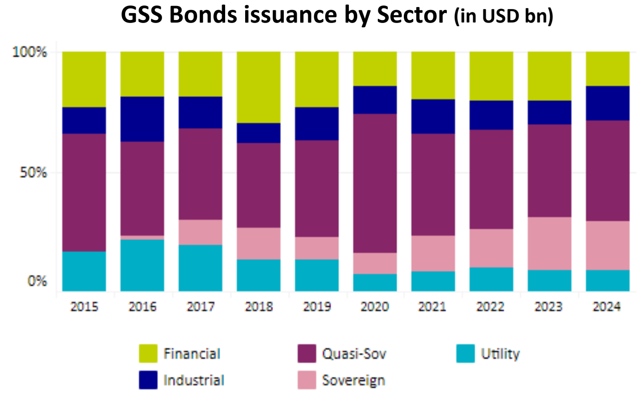
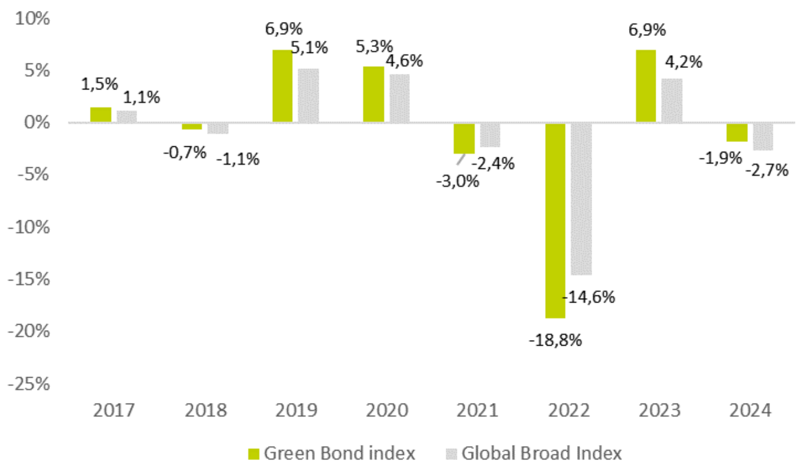
What's happening?

	Key developments	Key figure
Green Bonds	As end of April 2024, Green Bond issuances reached $195bn, illustrating once again the particular positive dynamic in this market, with 8 new issuers joining the market. Sovereign segment is particularly active in 2024 with a very diversified profile, led by France and Germany. In terms of Corporates, the diversification continues in 2024 : Automotive, Basic Industry and Telecom are particularly active YTD, while Banking and Utilities represent less than half of the market.	+$**32**bn over April $**195**bn YTD (+6% vs 2023) **32** new issuers YTD $**1.69**tn Market value
Social Bonds	Over the month, 3 new issuers joined the market mostly coming from Banking sector. As for the last year, Asia and Emerging market continues to grow, representing around 27% of 2024 issuances. In Real Estate segment, Vonovia issued a social bond financing occupancy-based apartments for low-income households. In terms of currency, EUR represents around 53% of 2024 issuances, followed by USD at 25%.	+$**9**bn over April $**51**bn YTD (+37% vs 2023) **5** new issuers YTD $**486**bn Market value
Sustainability Bonds	Steady issuances continue for Sustainability bonds in 2024 bringing the overall market size at around $726bn. While YTD issuances are less diversified on the corporate segment, the picture in terms of currency remains very balanced, even if the USD contribution in April issuances stands at 70%.	+$**13**bn over April $**77**bn YTD (+12% vs 2023) **5** new issuers YTD $**726**bn Market value





- **Calendar Performance Comparison**

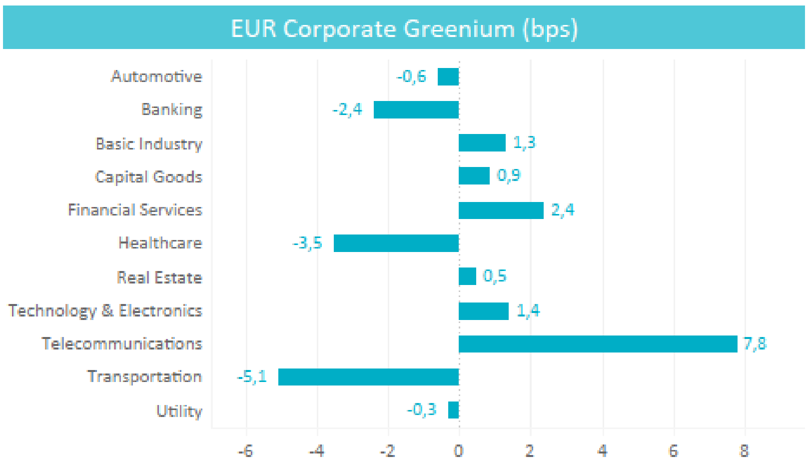


Green Bonds Universe **outperformed** conventional Universe for **5 years** out of 7

Source : AXA IM, Bloomberg as of 30/04/2024

- **What about the Greenium ?**

We observe an average of **-2,3bp Greenium** in the EUR Green Bond Market



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

Source : AXA IM, Bloomberg as of 30/04/2024

Portfolio Positionning and Performance

	Key Strategies	Performance
Term structure	During the month we switched to a slight long duration position mainly through Euro Rates in the context of resilient growth and stickier inflation in the US that put upside pressure on rates.	+
Asset Allocation	We maintained our preference for credit over sovereign-related debts.	+
Region	During the month we kept our neutral position on European Periphery countries and added a slight overweight on Emerging countries.	=

Outlook

The US economy continued to prove particularly resilient with another upside surprise on the inflation front. This pushed market to question the Fed's ability to deliver on the 2 to 3 rate cuts forecasted by year end and drove overall rates markets higher despite the repeated ECB guidance towards a first rate cut by June.

Rates have rebounded significantly, reaching as high as 4.7% for UST and 2.65% for bund. Valuations appear more attractive in the EUR, though one should not dismiss the risk of further upward pressure in the absence of progress on the US inflation front. We should continue to favor tactical duration trades rather than taking significant long-duration positions.

In the credit market, spreads widened temporally on the back of aggressive rates sell-off and renewed tensions in the Middle East, before quickly retracting as tensions eased. Resilient economy and strong risk appetite continue to be positive for the asset class. However, performance has already been strong and the “higher-for-longer” rates scenario coupled with geopolitical uncertainty could undermine current sentiment.