

# Green, Social and Sustainability Bonds

## With a size of \$3.5tn, GSS bond market surpasses Euro Credit IG market

- With \$338bn of issuance over 2025, the GSS universe stands at \$3.5tn, surpassing the Euro Credit IG market.
- Eased trade tensions coupled with rising deficits concern -- especially in the US -- have driven rates higher.
- The sustainability bond universe delivered -0.02% over the month and 1.30% YTD in EUR hedged terms.

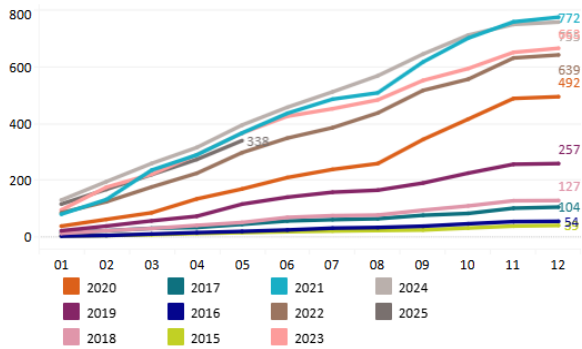
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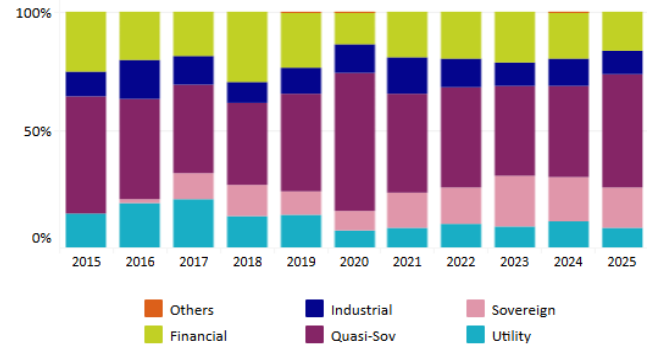
### What's happening?

	Key developments	Key figure
Green Bonds	In May, the market showed increased sectoral diversification, slightly led by Quasi-Sovereign issuers, with notable activity in the Banking and Utilities sectors. EUR remained the dominant issuance currency (75%), followed by GBP (9%) and USD (7%). Regionally, Euro area continued to lead green bond activity, accounting for 61% of volumes. Europe non-Euro area contributed also substantially, accounting for 21% of volumes.	<b>+\$41bn</b> over May <b>\$186bn</b> YTD (-26% vs 2024) <b>21</b> new issuers YTD <b>\$2.1tn</b> Market value
Social Bonds	Social bond issuance remained modest, with Quasi-Sovereigns contributing 68% and Financials 29%. EUR-denominated issuance represented 67% of 2025 volumes, followed by USD at 17%. European issuers remained dominant, accounting for 86% of total year-to-date social bond issuance.	<b>+\$13bn</b> over May <b>\$54bn</b> YTD (-52% vs 2024) <b>2</b> new issuers YTD <b>\$559bn</b> Market value
Sustainability Bonds	Sustainability bonds continued their record pace in 2025, bringing total issuance to approximately \$98bn. Quasi-Sovereigns drove 76% of May's volume. EUR and USD were the main currencies, representing 52% and 32% respectively. Euro area led regional issuance (63%), followed by Asia (20%).	<b>+\$13bn</b> over May <b>\$98bn</b> YTD (0% vs 2024) <b>5</b> new issuers YTD <b>\$853bn</b> Market value

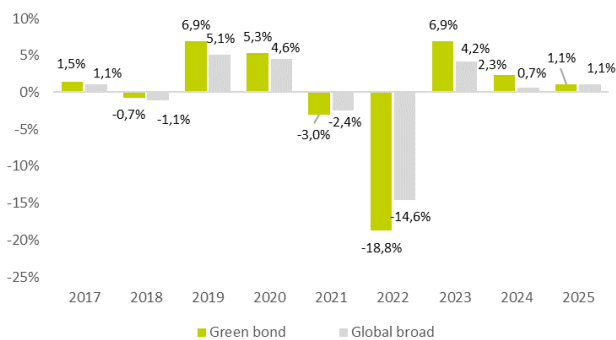
GSS bonds issuance evolution (in USD bn)



GSS Bonds issuance by Sector (in USD bn)



### Calendar Performance Comparison

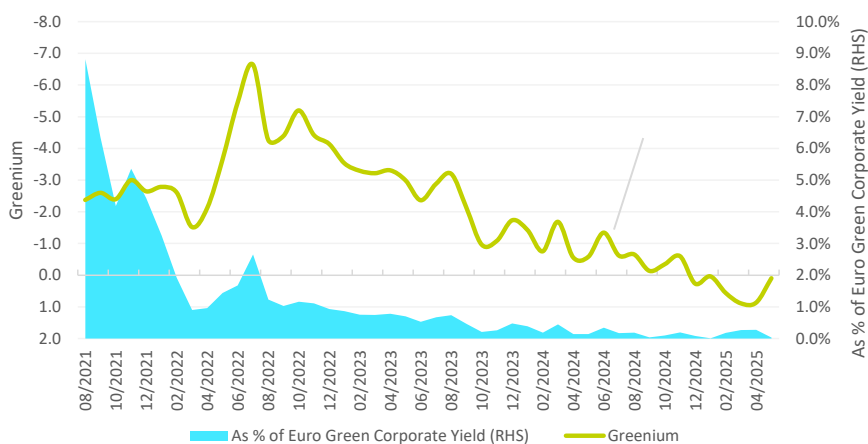


Green bonds universe  
**outperforming**  
conventional universe  
for **6 years** out of 9

Source : AXA IM, Bloomberg as of 30/05/2025

### 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 30/05/2025

## Portfolio Positioning and Performance

Key Strategies		Performance
Term structure	We started the period with a near-neutral duration stance. The duration has been increased in mid-month through euro rates to benefit from a yield rebound. We trimmed the overweight at month-end.	
Asset Allocation	We favor Euro credit vs US credit with a selective approach. There is preference to financials debt and short dated subordinated debts with attractive carry, while being more defensive in overall spread duration.	
Region	We continue to favor peripheral countries and countries with more favorable growth outlook such as Spain. Neutral to France. We also kept Neutral exposure to EM countries, slight overweight in Chile.	

## Outlook

Despite the significant shift in sentiment over the past few weeks, uncertainties remain high. Following the trade truce between the US and China, market is now shifting its focus to concrete deals between the US and its most important trade partners: Europe and China. Tensions have escalated between Russia and Ukraine, making a peace deal less likely in the short term. Additionally, the Trump administration is rapidly advancing tax cuts, which has raised renewed concerns about deficits.

In this context, euro rates have outperformed US rates once again. Growing concerns about higher supply -- especially in the US -- could continue to exert upward pressures on rates. However, in the medium term, the impact on growth is likely to be negative under a new regime of tariffs, which should be supportive of rates.

IG Credit spread has erased the widening that occurred on "Liberation Day". Without any breakthroughs in talks with China or the EU, it is hard to see further significant tightening from here. Moreover, ongoing uncertainty and higher tariffs than before are likely to negatively impact fundamentals.

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