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Liquidity In Credit Markets Is Getting Greener, Report Says

DUBLIN, July 8, 2021 /PRNewswire/ -- (S&P Global Ratings) Liquidity is steadily increasing across sustainable debt markets, with a 40% year-over-year increase in sustainable debt issuance expected in 2021 and interest growing in lower-rated credit sectors.

Given the surging interest in environmental, social, and governance (ESG) factors, a report published today by S&P Global explores liquidity and pricing within sustainable debt markets. See our report, "Green Liquidity Moves Mainstream."

"Liquidity is growing as issuers and investors alike seek to deliver upon their ESG goals and objectives, and this should bode well for the future growth and stability of sustainable debt markets," says S&P Global Ratings Sector Lead Patrick Drury Byrne.

According to the report, there are some signs that sustainable bonds may be pricing at a premium in certain sectors, although it is difficult to isolate the impact of ESG factors.

"Improved standardization within sustainable debt markets could bolster liquidity further," says Drury Byrne. "However, issuers that cannot satisfy investors' ESG thresholds may in time face higher financing costs and lower liquidity."

The report also discusses the path to greener monetary policy. Greening monetary policy operations might not be an easy task, but options exist, and their implementation could accelerate the development of green liquidity, especially in the corporate bond space.

This report does not constitute a rating action.

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S&P Global Ratings, 55 Water Street, New York, NY 10041

SOURCE S&P Global Ratings

For further information: London: +44 20 7176 3605; Paris: +33 1 44 20 6740; Frankfurt: +49 69 33 999 182; Milan: +39 02 72 111 245; Moscow: +7 495 783 4009

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