

... Green Bonds, Strongest Shield Against Financial & Climate Risks

The study assessed whether green financial assets can act as both hedges for investors and tools for climate risk mitigation. Researchers analysed green bonds (S&P Green Bond Index), clean energy assets (WilderHill Clean Energy Index), and clean cryptocurrencies (Ripple, Stellar) alongside conventional bonds, conventional energy assets, and “dirty”

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Using advanced methods including volatility spillover analysis, hedge and safe-haven tests, and out-of-sample portfolio optimisation, the study found that while no asset consistently acted as a full hedge, only green bonds and conventional bonds significantly reduced portfolio volatility and downside risk. Stability and low volatility, the researchers note, are more important than simple correlation benefits for long-term portfolios.

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The findings carry clear implications for investors, fund managers, and corporate treasuries. Institutions seeking climate-aligned investments without compromising financial stability should prioritise green bonds. For policymakers and regulators, the study underscores the need to develop transparent and robust green bond markets, reinforcing their role in sustainable growth and financial resilience.

The research adds a data-driven framework for integrating green assets into modern portfolios, providing actionable insights amid rising climate and market uncertainties, and strengthens the global case for green finance as both a financial and environmental stabiliser.