Capital Markets Strategy
Essential inCights for the C-Suite

MUFG

Chart of the Day

Following SVB's insolvency, US financial and banking sector conditions moved to their tightest levels since March 2020

Issuance:

$0	Amount of IG and HY USD issuance in the week of March 13. First ever $0 IG week in March.
+4%	YTD Y/Y HY issuance
(-10%)	YTD Y/Y IG issuance
(-14%)	YTD Y/Y ABS issuance
(-52%)	YTD Y/Y Lev Loan issuance

Pricing:

+34 bps	IG spreads since March 1
+97 bps	HY spreads since March 1
+35 bps	HY YTW since March 1

Fund Flows:

(-$2.5 bn)	Leverage Loan outflows in March
(-$3.4 bn)	IG outflows in March
(-$3.7 bn)	HY outflows in March

Volatility:

+10%	FX volatility since March 1
+23%	Equity volatility since March 1
+45%	Oil volatility since March 1
+46%	Rate volatility since March 1

Lending:

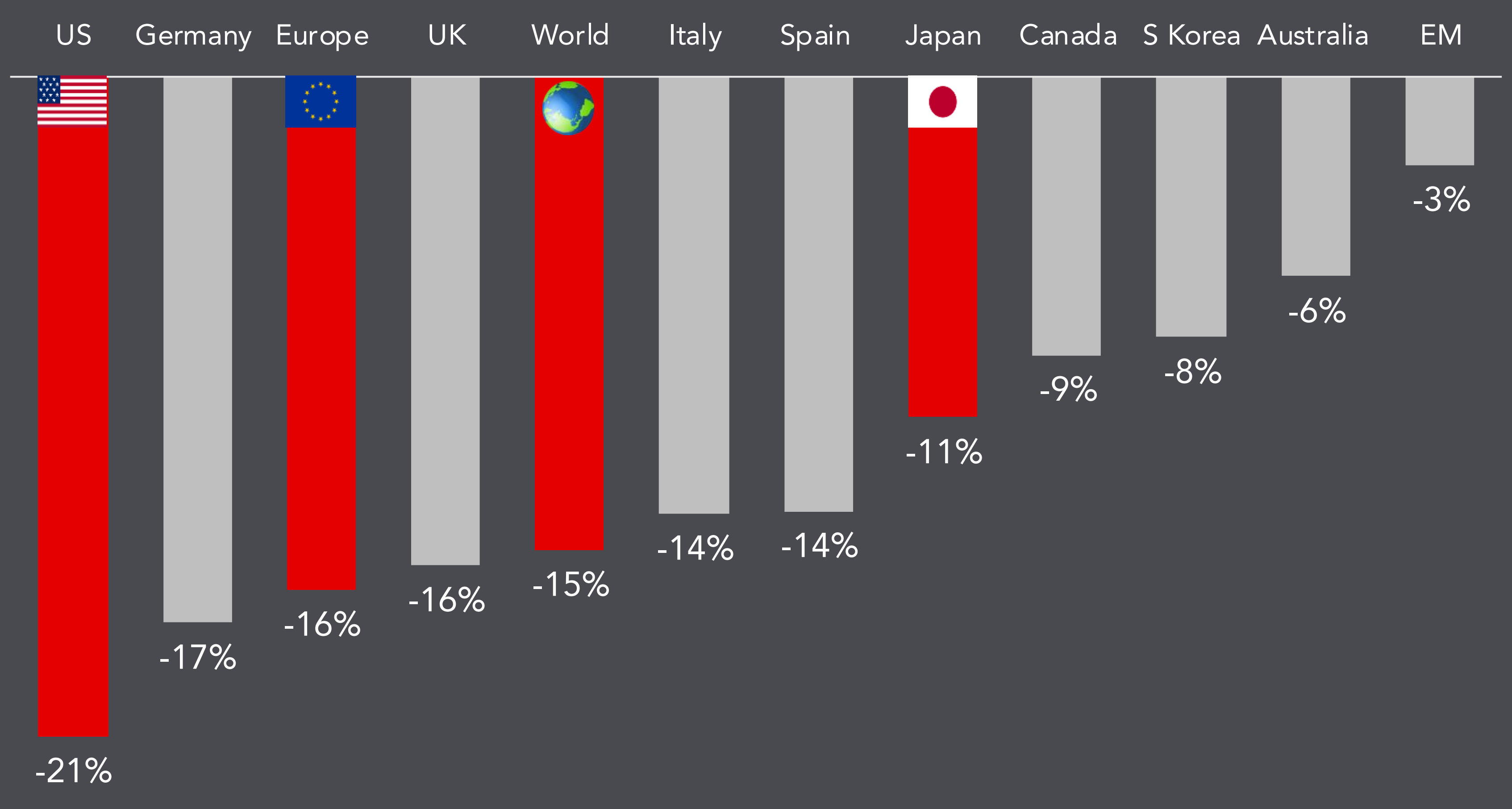
44%	% of lenders tightening C&I loan standards for small institutions (vs. typical recession threshold of 10%)
45%	% of lenders tightening C&I loan standards for large / medium institutions (vs. typical recession threshold of 20%)
6.97%	Avg 30 yr mortgage rate vs. 4.53% one year ago

Bank Sector:

+22 bps	TED spread inter-bank lending rate since March 1 (3M Libor less 3M T-bills)
+42 bps	FRA-OIS interbank lending rate since March 1 (lending rate less overnight risk free rate)
$165 bn	Weekly utilization of Fed Discount Window & BTFP for week ending March 15 (new record)
(-28%)	KBW bank index performance since March 1

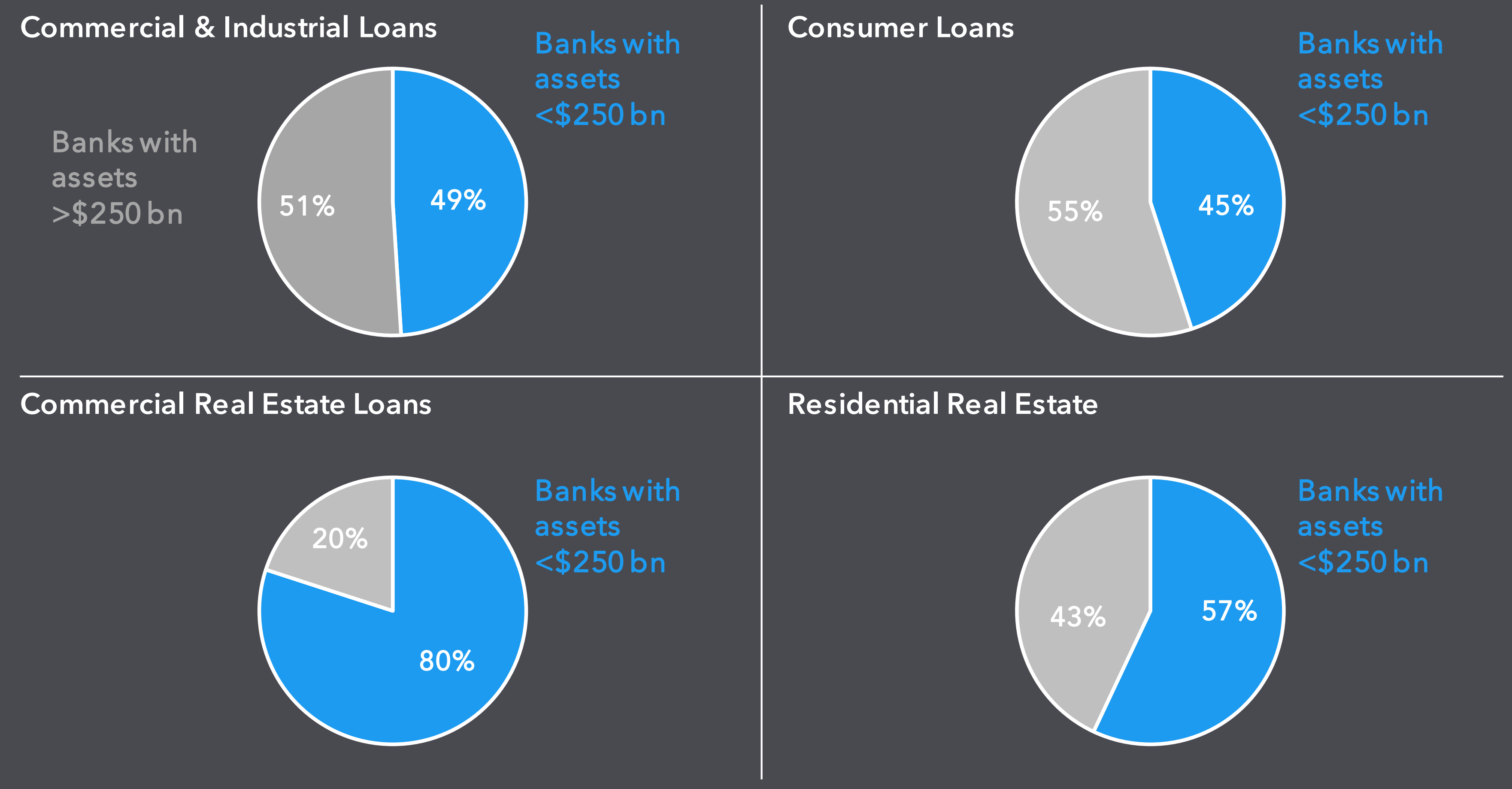
US regional bank indices have significantly under-performed their global peer group since early March, which in turn will have implications for financial stability and credit function in the broader economy

Bank equity indices, performance since March 1, 2023



Small, regional banks in the US (<$250 bn of assets) are critical sources of credit for the US economy, accounting for nearly 50% of consumer and industrial sector loans and nearly 60% and 80% of residential and commercial real estate loans, respectively.

% of loans by category from small (<$250 bn in assets) vs. large banks



Source: (1-2) CFR. IFR. Lipper Fund Flows. Bloomberg. Data as of March 21, 2023. Outflows are cumulative since the week ending March 23. (3-6) FDIC. BCA Research. Commercial real estate includes multi-family residential, construction & land development, and farmland real estate loans. Residential real estate includes single-family real estate loans. Data as of Q4 2022. Includes all FDIC-insured institutions (Commercial Banks and Savings Institutions).

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"Macro stability isn't everything, but without it, you have nothing."