

Resurgent M&A driven bond financings have been a core theme for our 2024 outlook. Over the last two weeks, 3 of the 5 largest USD investment grade deals since Jan 2023 have priced, each of which entailed M&A use of proceeds. Though it did not reach the “top 10” threshold by size, Solventum launched a \$6.9 bn M&A-related bond financing this morning on what would otherwise have been a quiet Friday in the market. Look for resurgent deal activity to continue as a core 2024 theme as three of the most important macro drivers for M&A remain strong: (i) C-suite confidence in the economy; (ii) rising equity valuations; and (iii) attractive financing markets.

Largest USD IG bond financings since January 2023

Date	Issuer	Deal Size (bn)
May 16, 2023	Pfizer Investment Enterprises	\$31.0
Feb 15, 2023	Amgen Inc	\$24.0
Feb 22, 2024	AbbVie Inc	\$15.0
Feb 21, 2024	Cisco Systems, Inc	\$13.5
Feb 14, 2024	Bristol-Myers Squibb Co	\$13.0
Feb 7, 2023	Intel Corp	\$11.0
May 1, 2023	Meta Platforms Inc	\$8.5
Jan 16, 2024	JPMorgan Chase & Co	\$8.5
Sep 12, 2023	Bank of America Corp	\$8.5
Jul 18, 2023	Wells Fargo & Co	\$8.5
Apr 19, 2023	Bank of America Corp	\$8.5

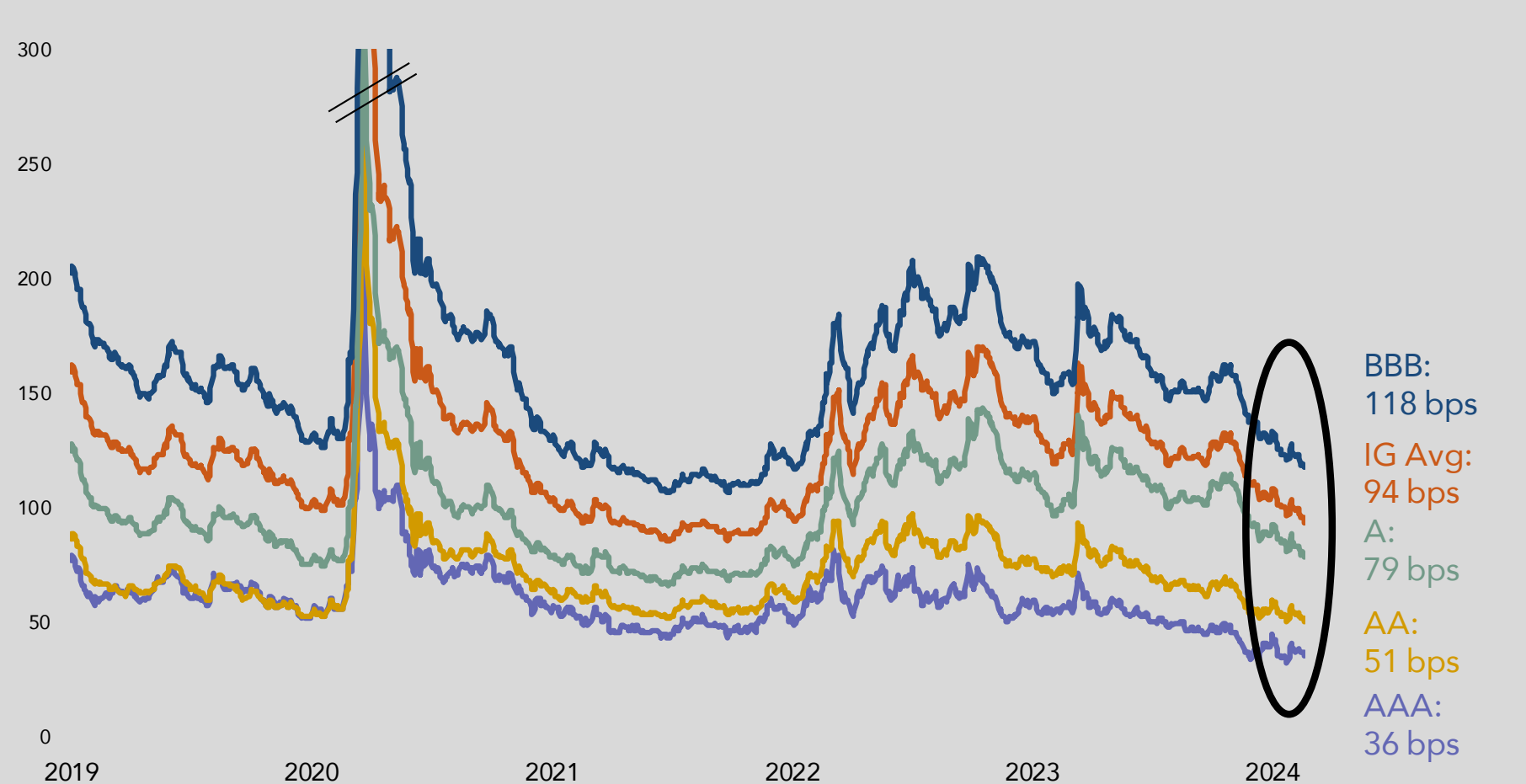
YTD bond issuance has exceeded expectations with the strongest January IG issuance on record, and February volumes already above consensus estimates for the month. With \$60.3 bn of issuance, the past week has been the largest USD IG issuance week of 2024. Markets are expecting the heightened pace of activity to continue next week, with total February volumes likely to well exceed expectations.

2024 largest weeks of IG issuance, USD bn



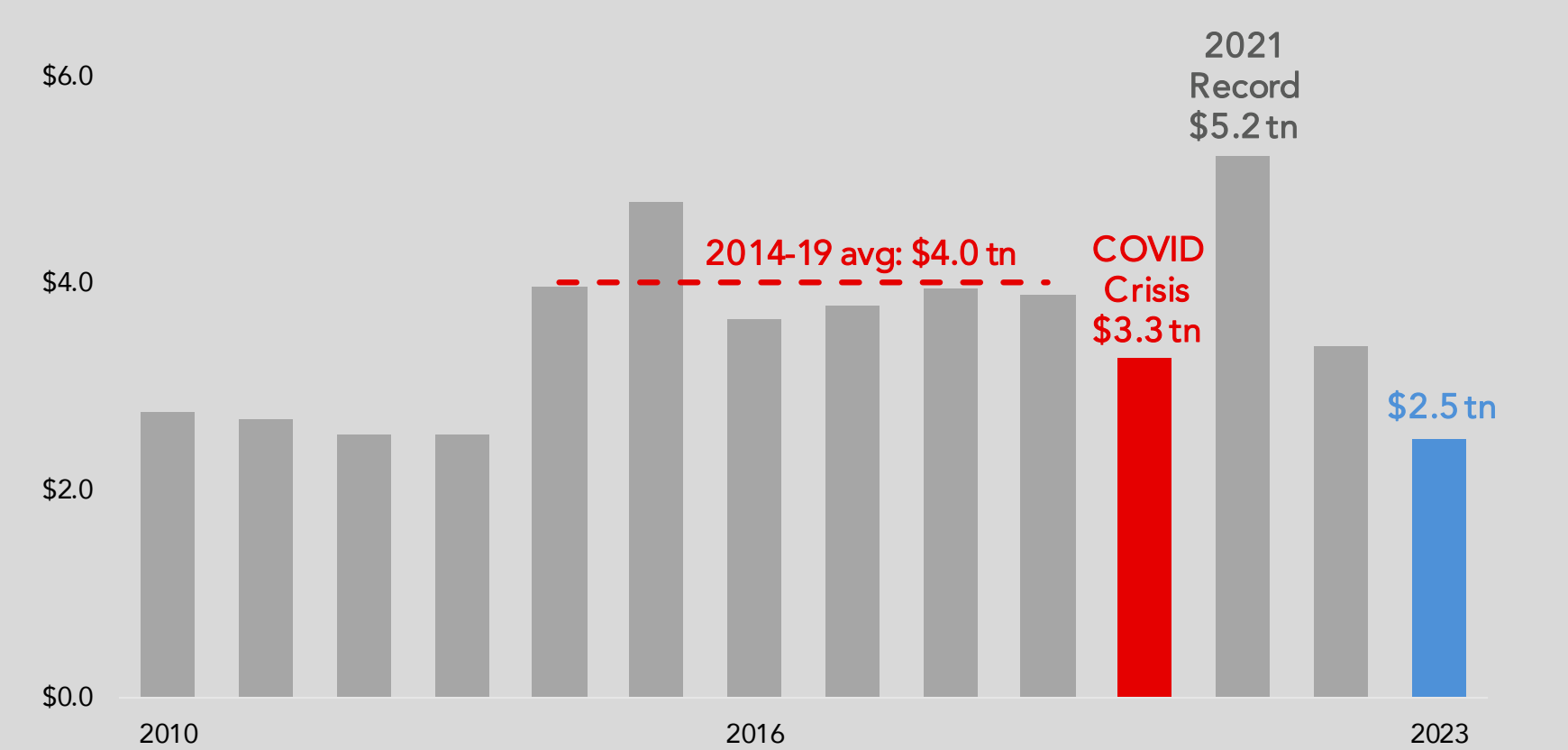
The attractive fundamental and technical backdrop for corporate credit has been evident in IG credit spreads trading well inside long-term averages. This past week, the IG index, BBB and single-A spreads touched YTD lows of 94 bps, 118 bps and 51 bps, respectively.

ICE BofA US Corporate Index OAS



Global M&A volumes in 2023 slowed to the lowest levels in more than a decade (\$2.5 trillion), less than half the record volumes of just two years ago. In 2024, M&A volumes are expected to rebound on the back of a numerous catalysts, as outlined below.

Global M&A volumes, USD tn



- Catalysts for 2024 Deal Activity
- Moderating inflation; lower rates
 - Earnings recovery; equity market strength
 - Resilience & depth of IG financing markets
 - Generate growth > organic alternatives
 - Strong, cash-rich balance sheets
 - Record PE dry powder (\$2.5 trillion)
 - Converging buyer / seller price expectations
 - Access to technology, innovation (digital, AI, fintech)
 - Higher energy prices; energy transition; infrastructure
 - Pent up demand following low 2023 M&A

Source: (1-2) CFR. Data as of February 23, 2024. (3) Federal Reserve Board. (4) Bloomberg. Data as December 31, 2023. Institute for Mergers, Acquisitions & Alliances. SP Global “End of rate hikes can trigger M&A turnaround”. PWC “US Deals 2024 Outlook”.

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“Macro stability isn’t everything, but without it, you have nothing.”