

# Capital Markets Strategy

Essential insights for the C-Suite



# The Past May Not be Prologue

1H 2024 Global Market Review

JUN 2024

# The Past May Not be Prologue



While there is good reason to remain optimistic about the depth of global markets, especially USD funding, the primary drivers of markets in the 2H 2024 may hit speed bumps that are very difficult to see clearly today. In particular, historical precedent may offer limited insight into some of the most challenging questions ahead for global markets in the 2H 2024.

## A more complex and uncertain political and economic landscape in the 2H 2024

- An increasingly complicated and unstable Middle East region
- A highly uncertain US election landscape, the complexity of which has limited historical precedent
- More rapidly shifting balance of power, both globally, and across major branches of US Gov't
- Rising concerns around the sustainability of global fiscal policy and public deficits
- Limited visibility around rising maturity walls in selected public and private markets
- A decelerating US economy, bifurcated between goods and services, younger and older populations
- Unconventional central bank policy sequencing amidst an asynchronous global recovery
- Impact of continued US Dollar strength across economies and markets globally

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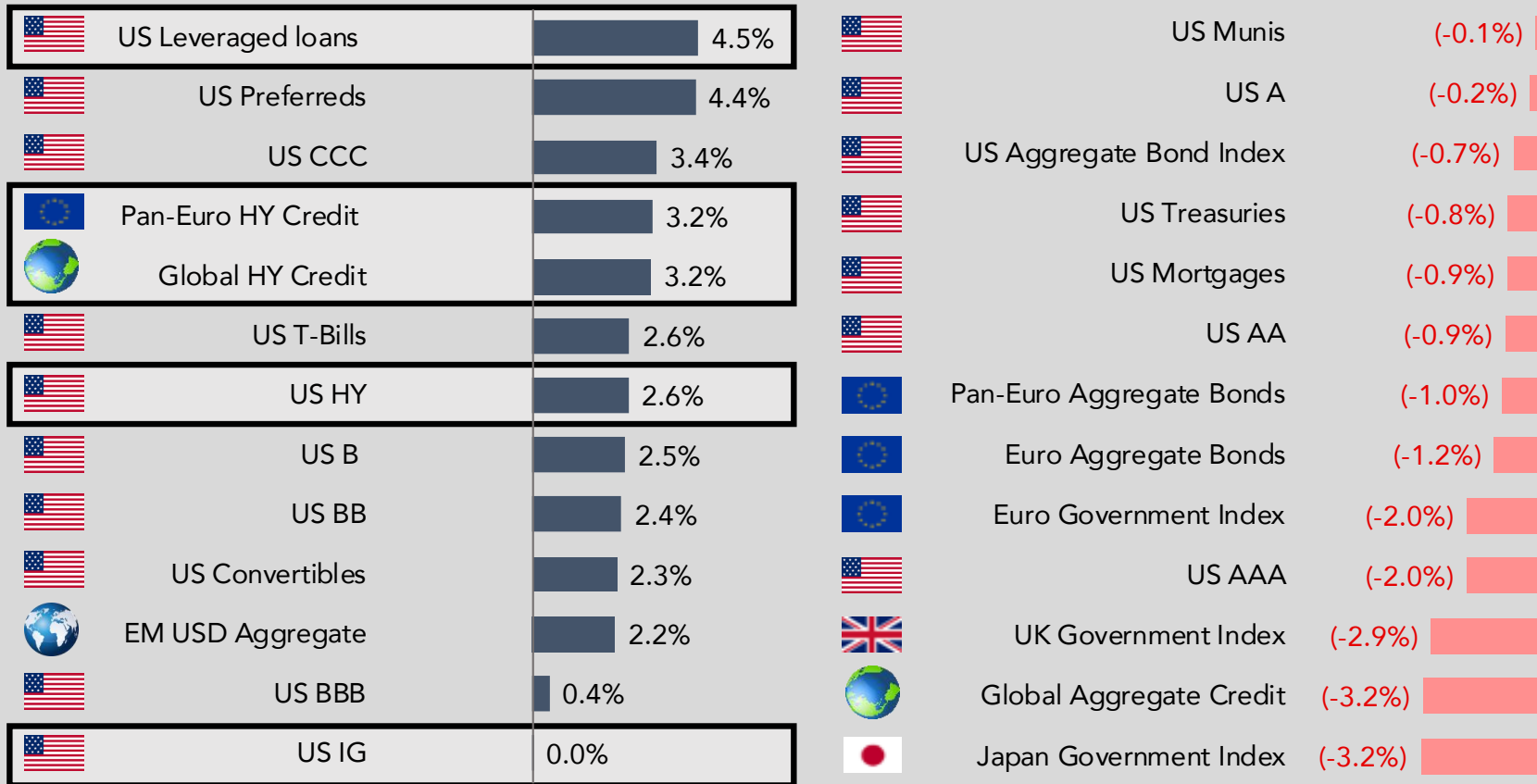


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# HY & Leveraged Loans Outperform in 1H 2024

Against the backdrop of resilient economic activity and elevated global rates, high yield and leveraged loans outperformed investment grade credit in the first half of 2024. European credit underperformed in Q2 as the ECB commenced its easing cycle and French elections introduced political risk.

## 1H 2024 credit market total returns

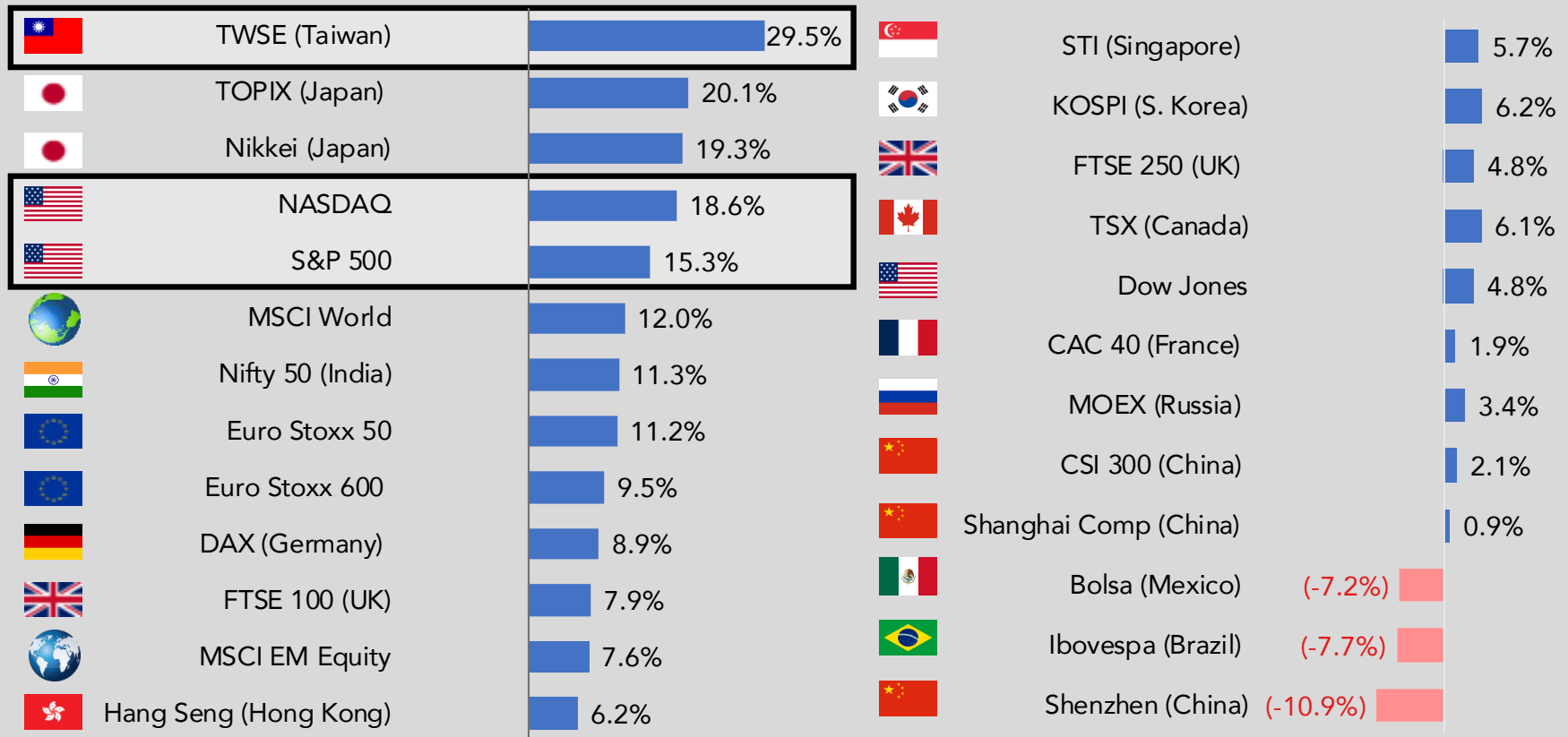


Source: (1) Bloomberg. Data as of June 30, 2024.

# Global Equity Markets Hit New Highs in 1H 2024

The S&P 500 hit its 32<sup>nd</sup> record high this year (intraday) as Nvidia surged 150% to become the world's largest company by market cap. The tech-heavy Taiwanese market led major global indices, while the Nasdaq 100 had its best month of 2024 in June, surpassing the 20,000 mark. Japanese equities also outperformed most global benchmarks.

## 1H 2024 regional equity market performance

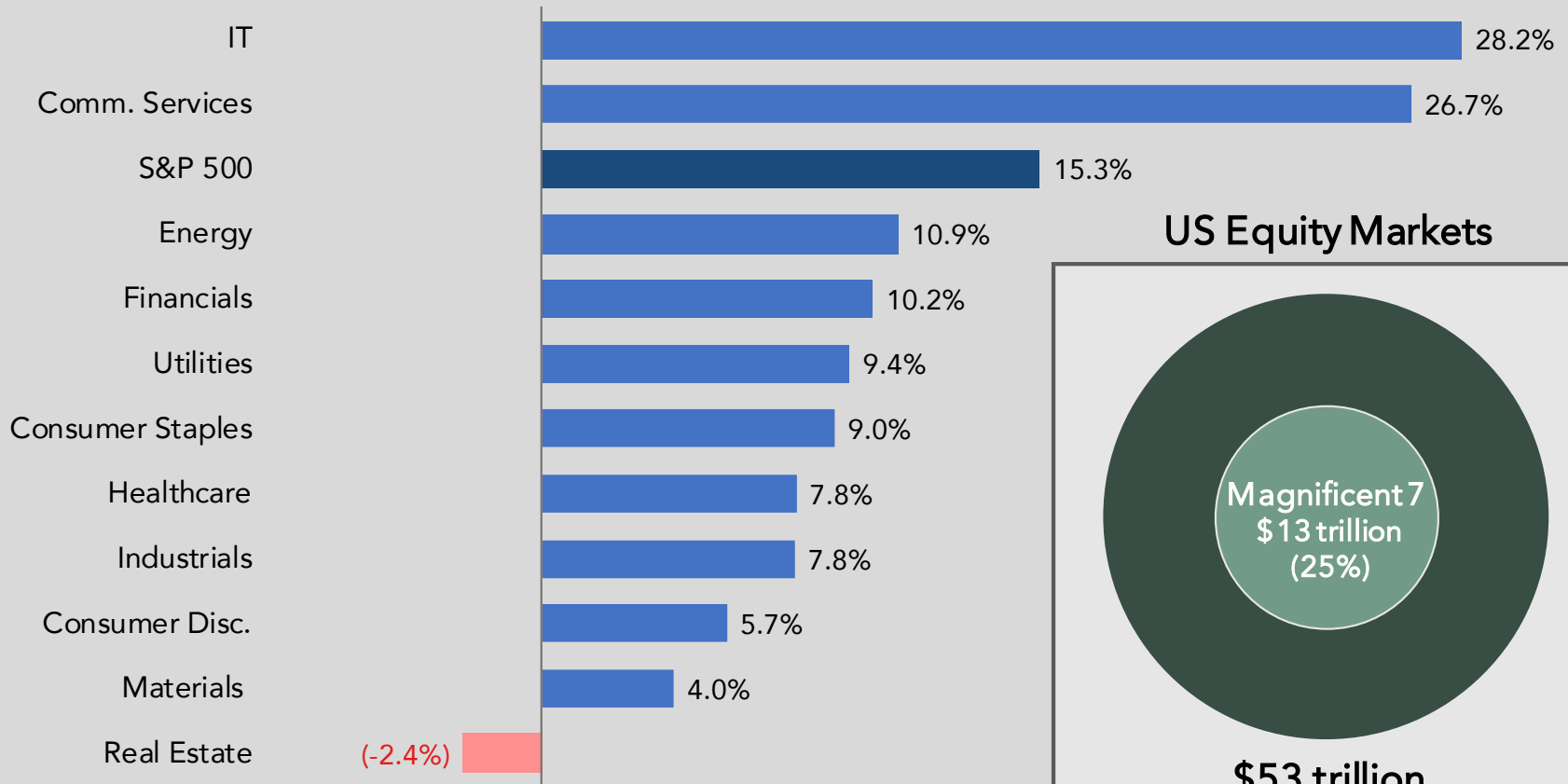


Source: (1) Bloomberg. Data as of June 30, 2024. Total returns.

# Tech & Telecom S&P 500 Strength in 1H

The technology and communication sectors drove S&P outperformance in the 1H with each sector up nearly 30% year-to-date. Outside of real estate, every sector in the S&P finished the 1H in positive territory.

## 1H 2024 S&P 500 industry sector performance

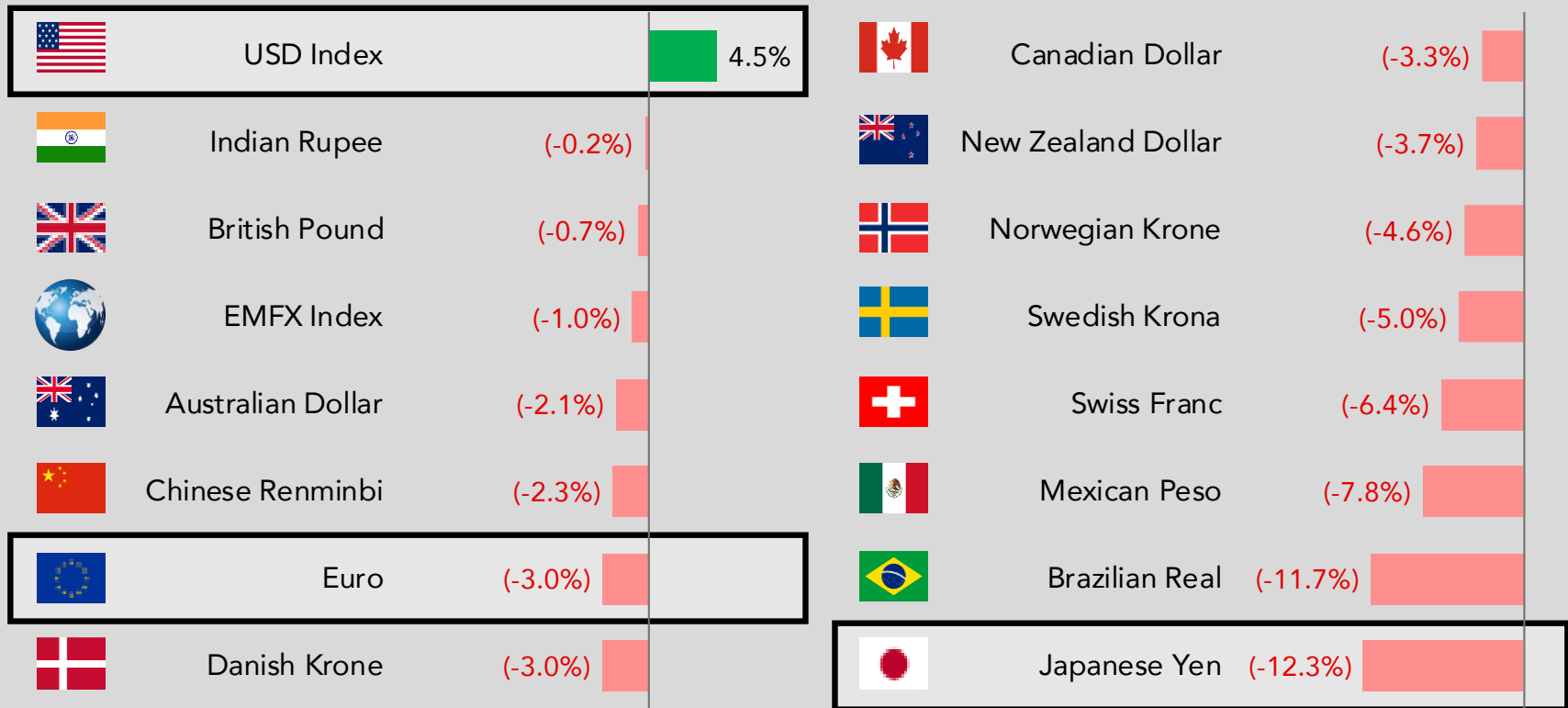


Source: (1) Bloomberg. Data as of June 30, 2024.

# Unexpected US Dollar Strength Continues

The US Dollar has been the strongest performing G10 currency in 2024 and finished the first half with six straight weeks of gains. Unconventional central bank sequencing, with the Fed trailing the G10 policy easing cycle, drove much stronger US Dollar strength in the 1H than most had anticipated just six months ago. The Euro in June had its worst monthly performance YTD, while Yen traded to its lowest level vs. USD since 1986.

## 1H 2024 currencies performance vs. USD

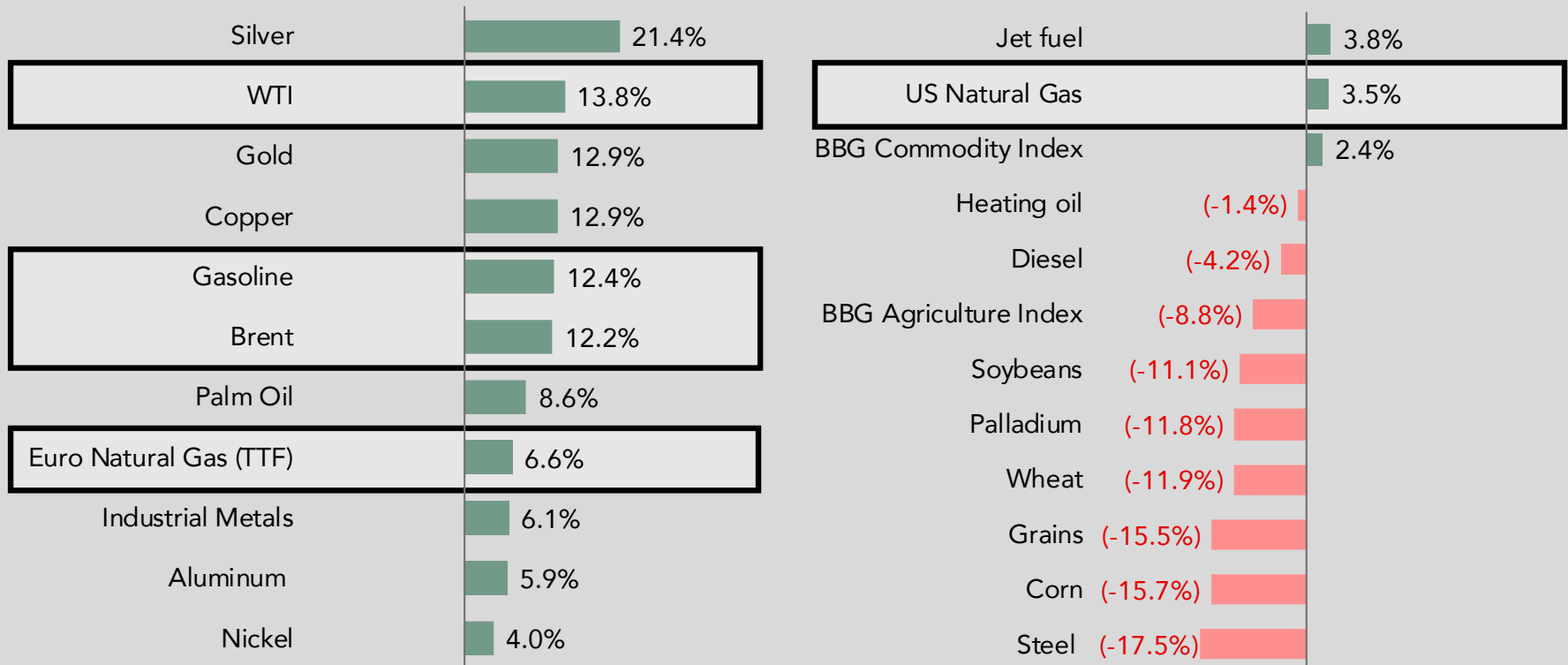


Source: (1) Bloomberg. Data as of June 30, 2024.

# Oil & Gas Prices Notably Higher in 1H 2024

Oil prices increased in the first half of the year with WTI and Brent up 14% and 12%, respectively, as the geopolitical risk premium crept marginally higher in Q2. Fundamentals in the oil market are also seasonally tight, with demand rising in the summer travel months, and OPEC+ capping supply at lower levels until October.

## 1H 2024 commodities performance



Source: (1) Bloomberg. Data as of June 30, 2024. MUFG Commodities Weekly (Ehsan Khoman). All values are price change. Commodities Index and Agriculture Index are total return.

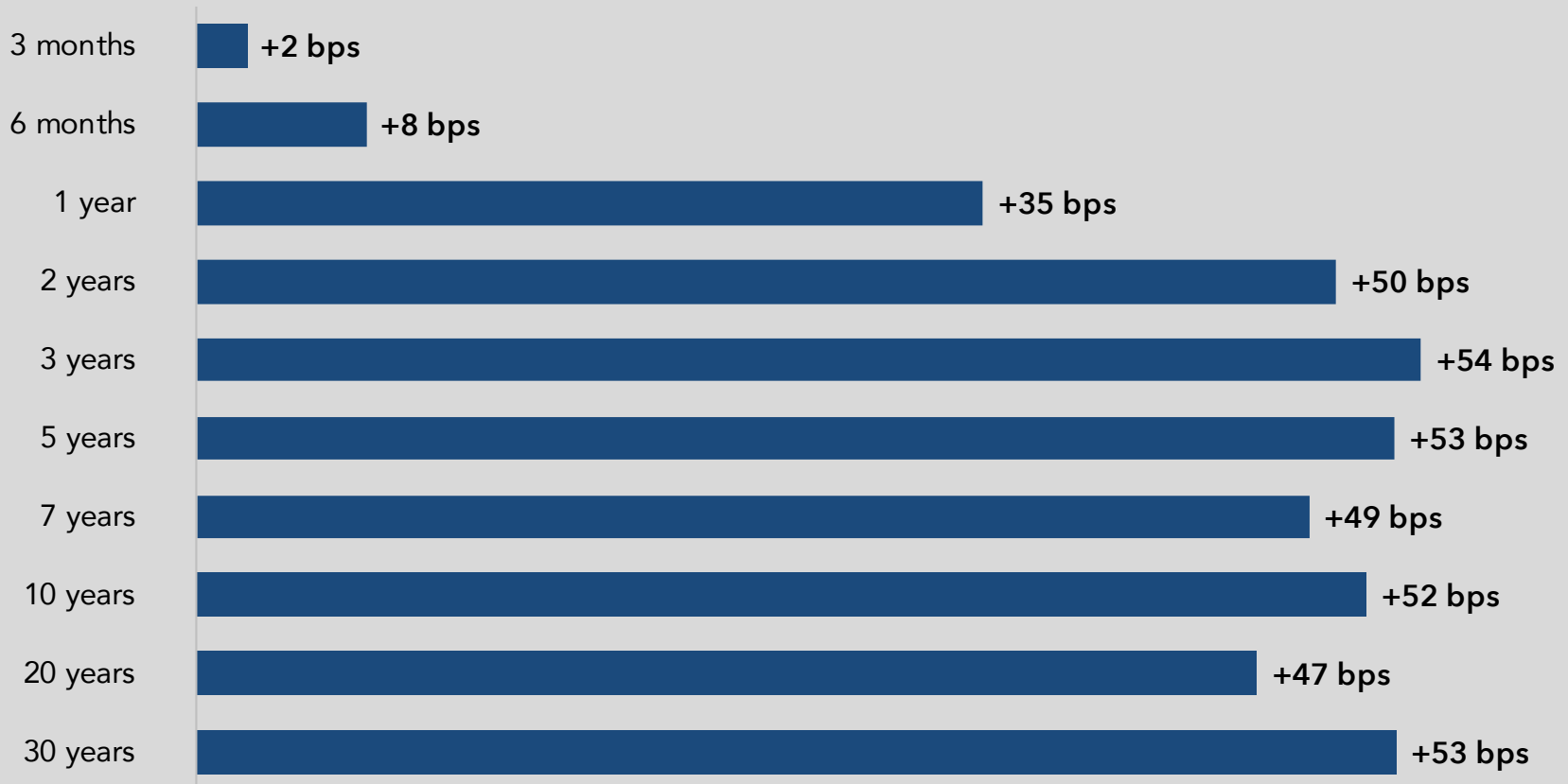


# UST Yields Widened in 1H 2024



Rates moved tighter across the UST curve in Q2, but not enough to offset the move wider in Q1. Resilient economic data and “sticky” services inflation drove both the Fed and the market to repricing easing expectations for the balance of the year.

## Change in UST rates in 1H 2024

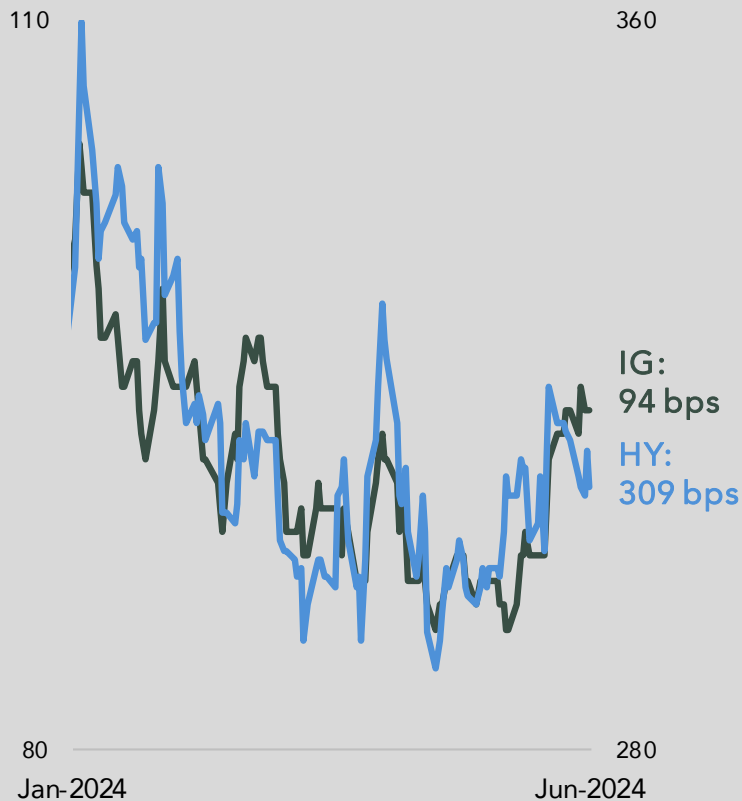


Source: (1) Bloomberg. Data as of June 30, 2024.

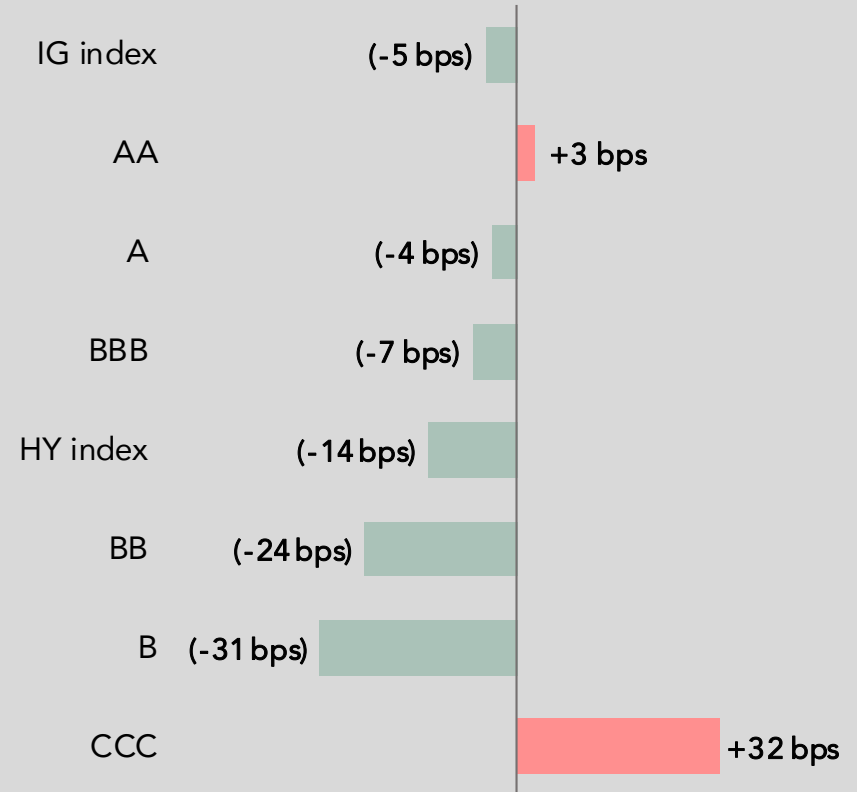
# Credit Spreads Largely Tighter in 1H

In Q1 2024, USD credit spreads tightened across every rating class. Though spreads broadly gave up some of the tightening in Q2, CCC spreads ended the first half 100 bps wider than their April lows as default rates moved higher and investors focused their attention on the impact of higher financing costs.

### IG and HY credit spreads in 1H 2024



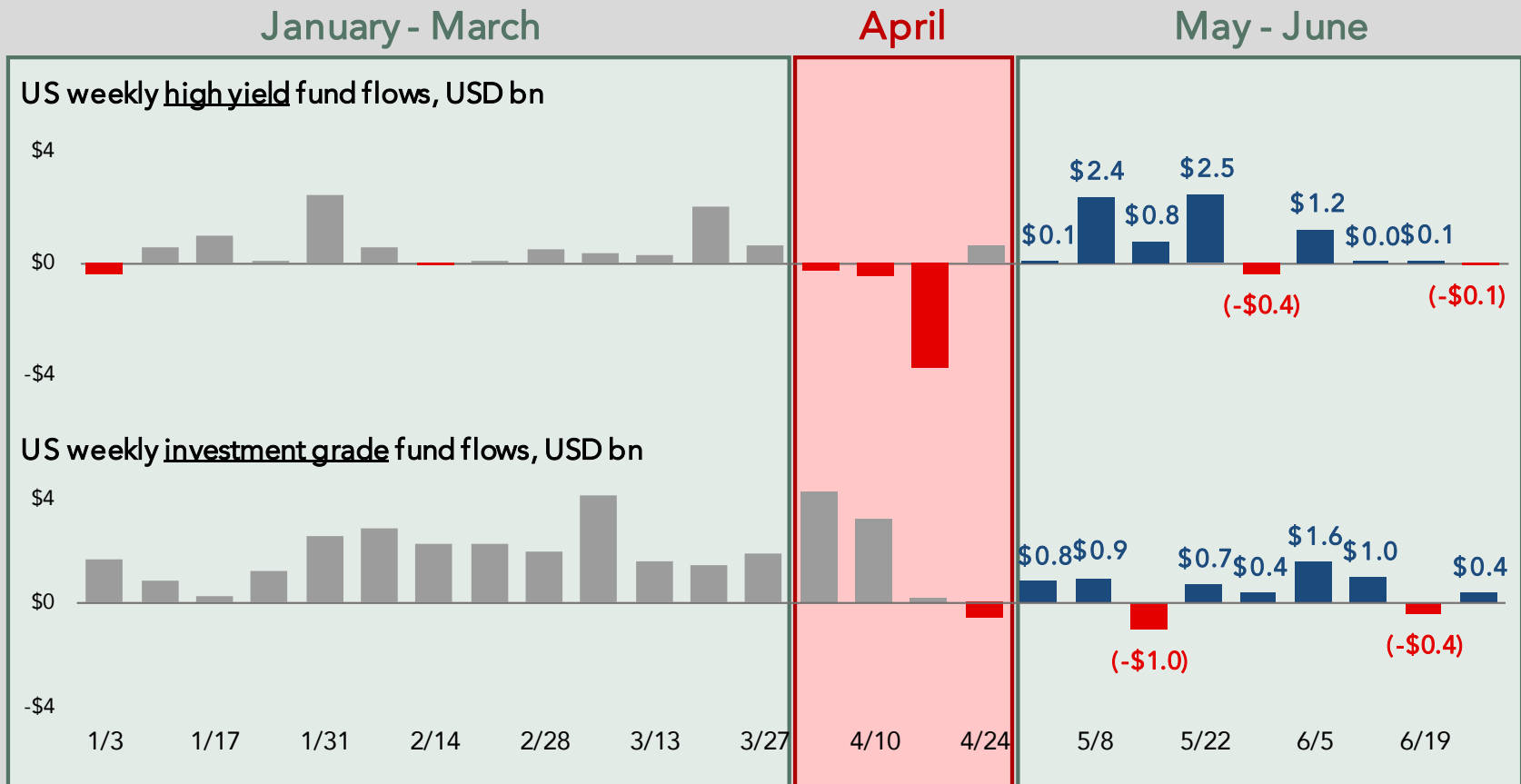
### USD credit spreads in 1H 2024



Source: (1-2) Bloomberg. Data as of June 30, 2024.

# USD Bond Flows Generally Strong in 1H 2024

With the exception of the more pronounced period of rate volatility in April, USD IG and HY bond flows were generally quite strong in the 1H 2024. Fueled by resilient economic fundamentals and a Fed policy transition underway, investors increased allocations to strong, yield-producing corporate balance sheets globally. With higher perceived economic and political risk rising in the 2H, the pace of inflows began to slow in June.

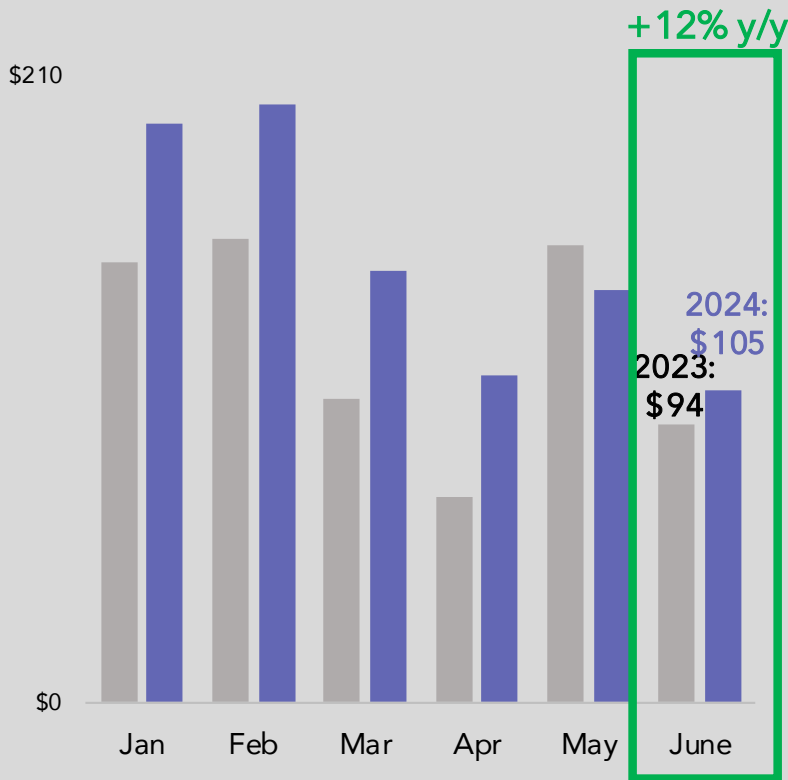


Source: (1) IFR. Data as of June 30, 2024.

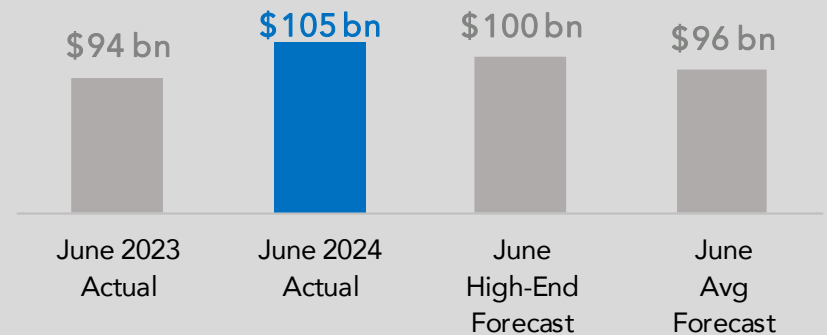
# Highest 1H 2024 USD IG Issuance on Record

Driven by record issuance in January and February, 1H 2024 was the largest first half issuance excluding 2020. At nearly \$900 bn so far, IG supply only needs \$360 bn in 2H 2024 to meet the average 2024 issuance estimate. For only the second time in history, monthly issuance has exceeded \$100 bn in every month of 1H 2024.

2023 vs. 2024 USD IG issuance, bn



June USD IG issuance forecasts



2024 USD IG issuance forecasts

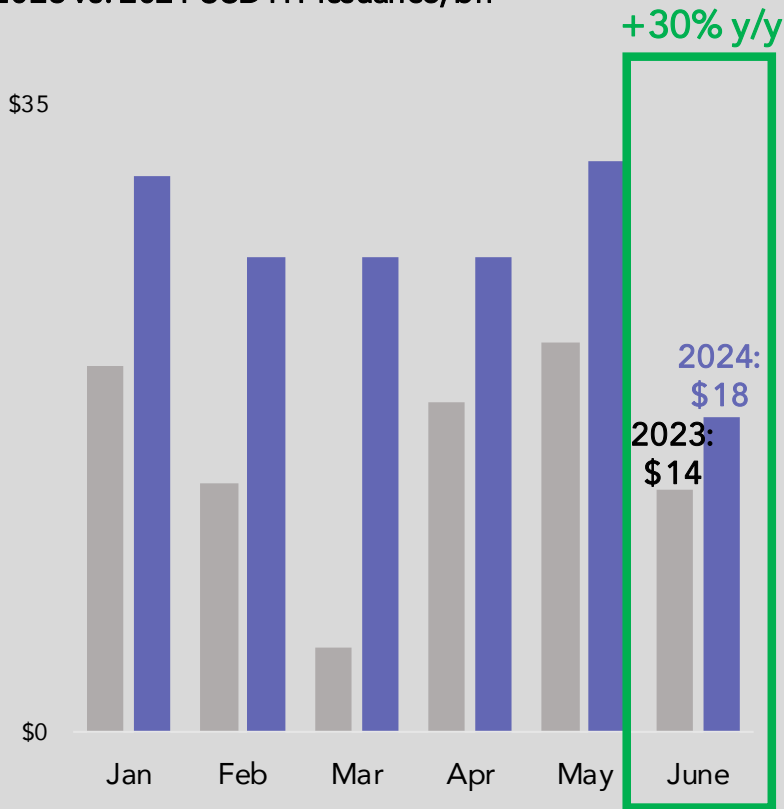


Source: (1-3) CFR. CFR forecast is consensus average. CreditSights. CS forecast is gross supply. Data as of June 30, 2024.

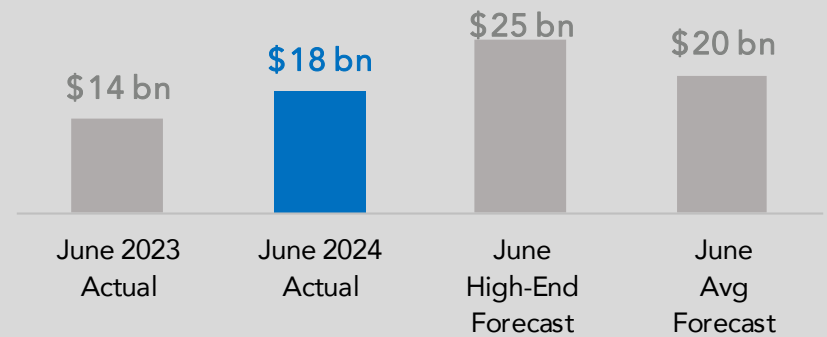
# USD HY Issuance +75% Year-Over-Year

1H 2024 USD High Yield issuance of \$160 bn is 75% above last year's 1H volume and just 4% shy of 2023 full year volume. Year-to-date issuance well exceeded forecasts, with YTD volumes sitting just \$65 bn short of MUFG's estimate for the full year.

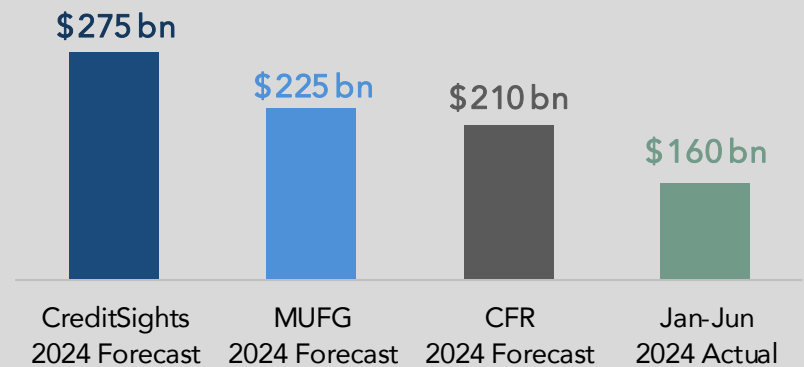
2023 vs. 2024 USD HY issuance, bn



June USD HY issuance forecasts



2024 USD HY issuance forecasts



Source: (1-3) CFR. CFR forecast is consensus average. May high-end forecast uses wide end of ranges. CreditSights. CS forecast is gross supply. Data as of June 30, 2024.

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