

Capital Markets Strategy

Essential insights for the C-Suite

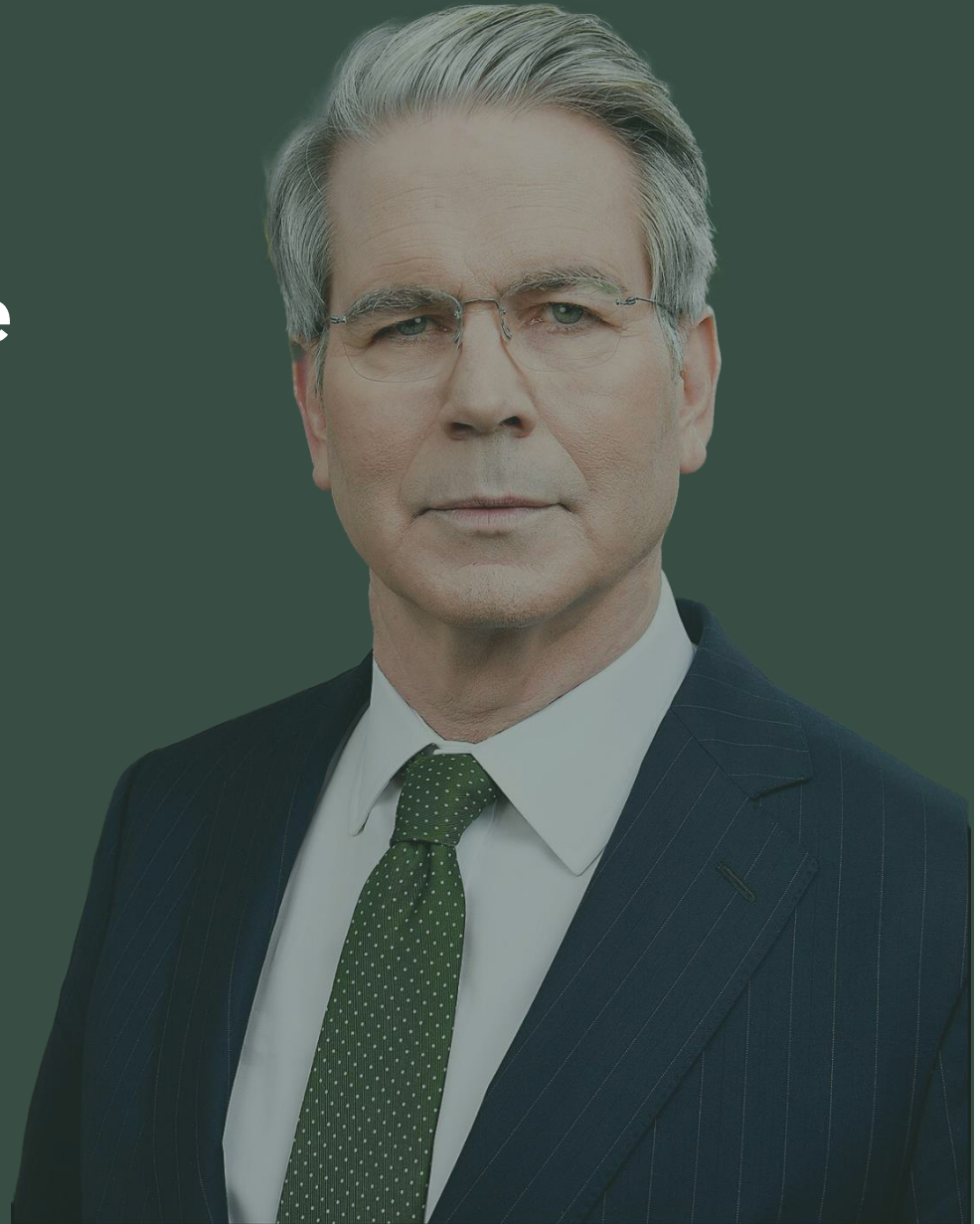


Uncertainty Derails Trump Trade

MAR 2025

“MAGA doesn’t stand for Make M&A Great Again, but I think that...we will see a pickup in corporate activity.”

US Treasury Secretary, Scott Bessent, on CNBC on Friday, March 7



Global Corporate & Investment Bank Capital Markets Strategy Team



Tom Joyce

Managing Director
Capital Markets Strategist
New York, NY

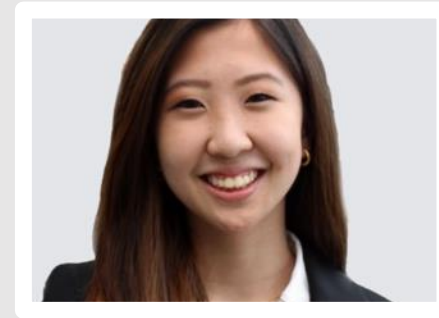
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Stephanie Kendal

Vice President
Capital Markets Strategist
New York, NY

Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun

Analyst
Capital Markets Strategist
New York, NY

Angela.Sun@mufgsecurities.com
(212) 405-6952

AUTHORS



Click or scan to view our
website and access past reports,
policy notes and more.

The Weight of Policy Uncertainty

As post-Inauguration policy uncertainty has risen more than anticipated, the so-called "Trump trade" has unwound, giving way to US equity market underperformance, lower UST yields, a softer US Dollar and declining oil prices.



Record pace of Executive Orders



Disorderly DOGE layoffs



Government austerity measures



Mixed signals on M&A deregulation



Tariff & trade policy escalation



Unstable geopolitical backdrop



Softer US economic data

Key Questions for "Risk-off" 2025 Markets

- 1 Will the recent paradigm shift in market sentiment from inflation to growth concerns continue on its current course?
- 2 At what point will equities become oversold, bonds over-bought?
- 3 Do tariff-induced market selloffs push Congress toward fiscal expansion that is larger and sooner than currently anticipated?
- 4 Will risk-off markets respond more adversely to a March 14th US Government shutdown scenario than prior such episodes?
- 5 Does the strike price for a Trump / Bessent / Powell policy "put" move notably lower from here?

US Equities in Correction Territory



Nasdaq 100



S&P 500

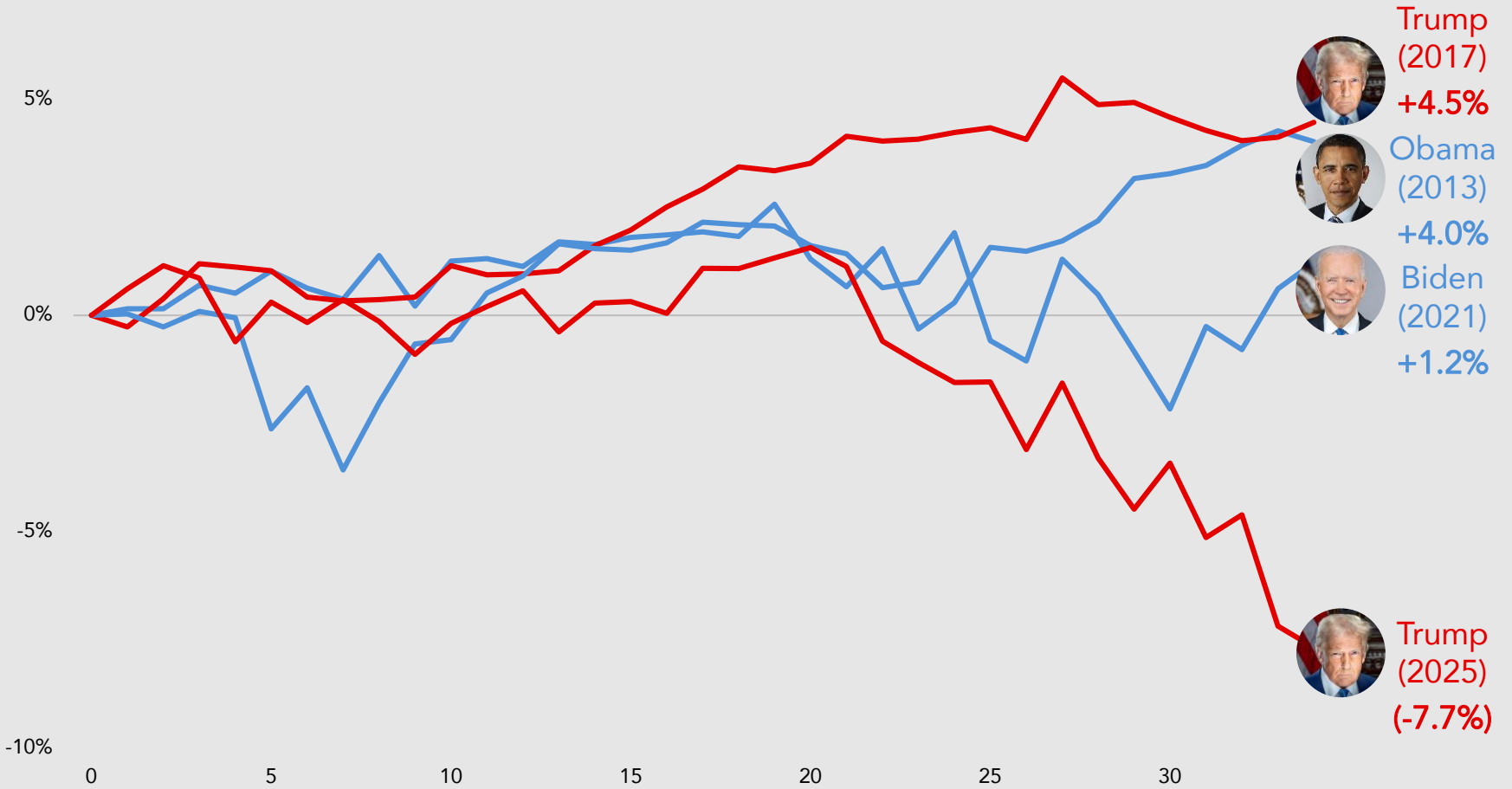


Source: (1-2) Bloomberg. Data as of March 11, 2025.

US Stocks Trailing Trump's First Term



S&P 500 performance in first 35 trading days, by President



Source: (1) Bloomberg. Data as of March 11, 2025.

Bank Sector Gives Back Post-Election Gains



S&P Regional Bank KRE ETF

"Trump Trade"
(Sep-Jan 2025)

Trade War 2.0
(Jan-Mar 2025)

70

50

Sep-2024

Mar-2025

+10.6%

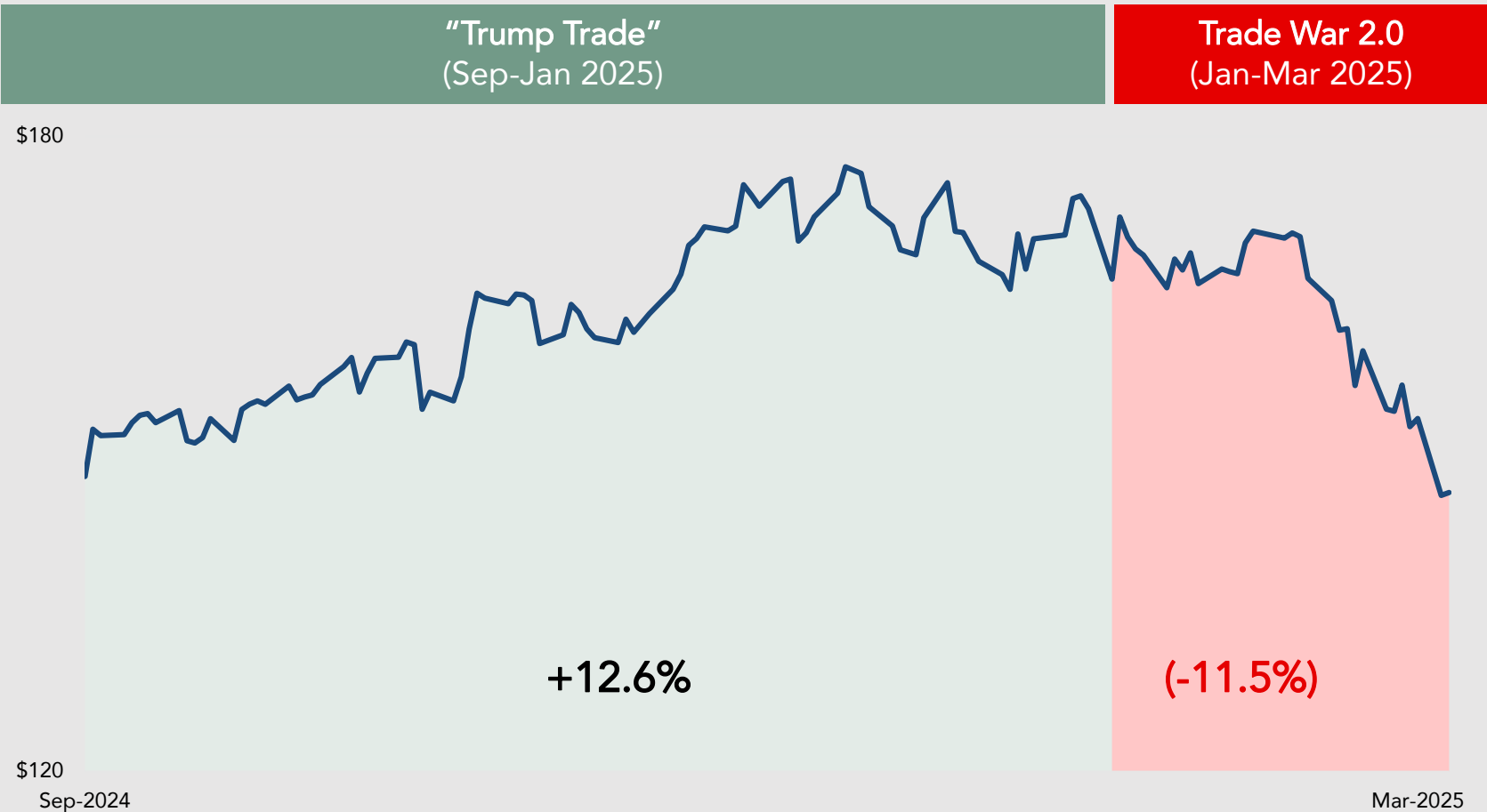
(-12.2%)

Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

Sharp Tech Sector Sell-Off



Magnificent 7 US tech stocks

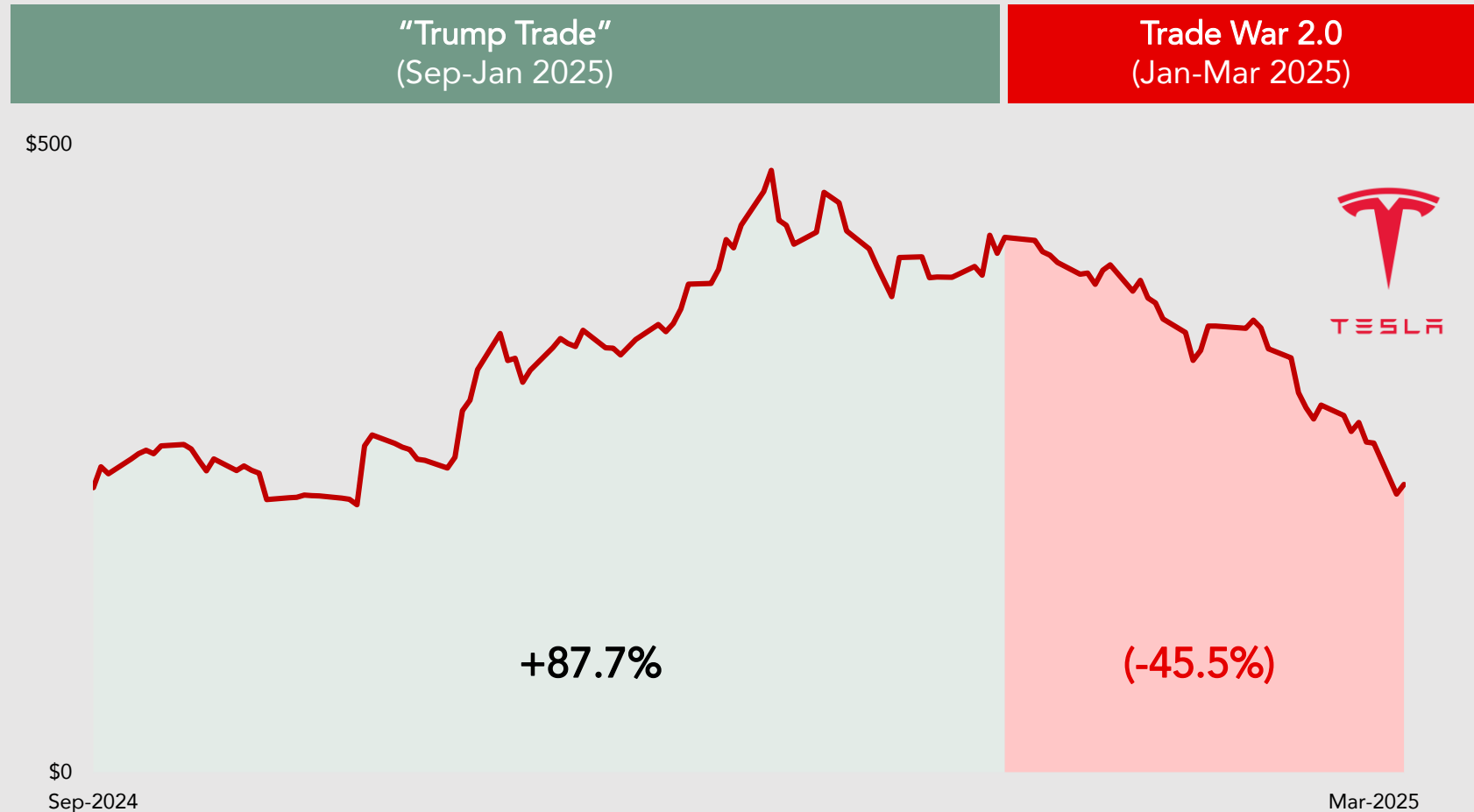


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

Tesla's Stock Down Over 45%



Tesla

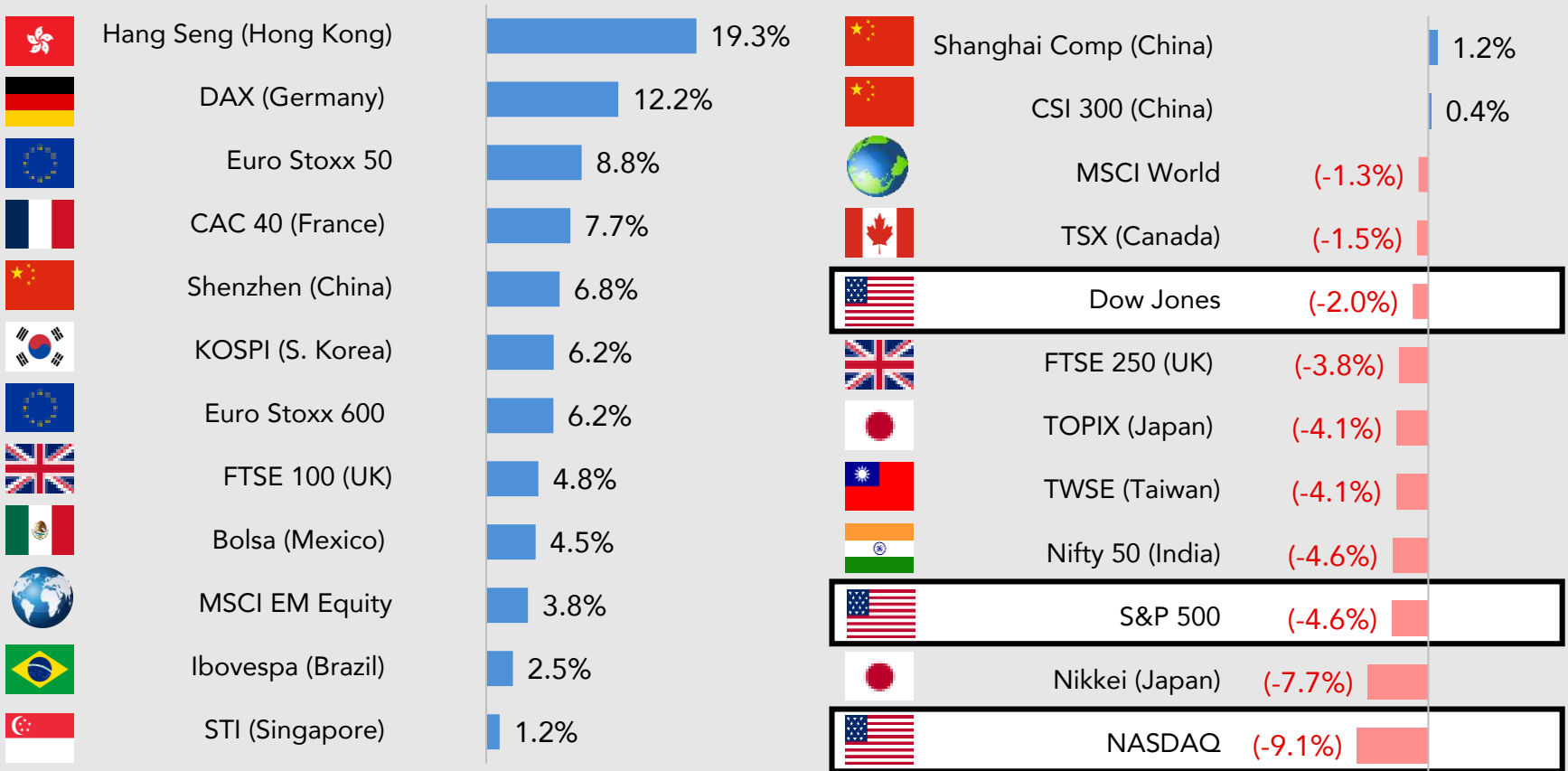


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

Global Equity Market Returns Outpacing US



Regional equity market performance since January 1, 2025

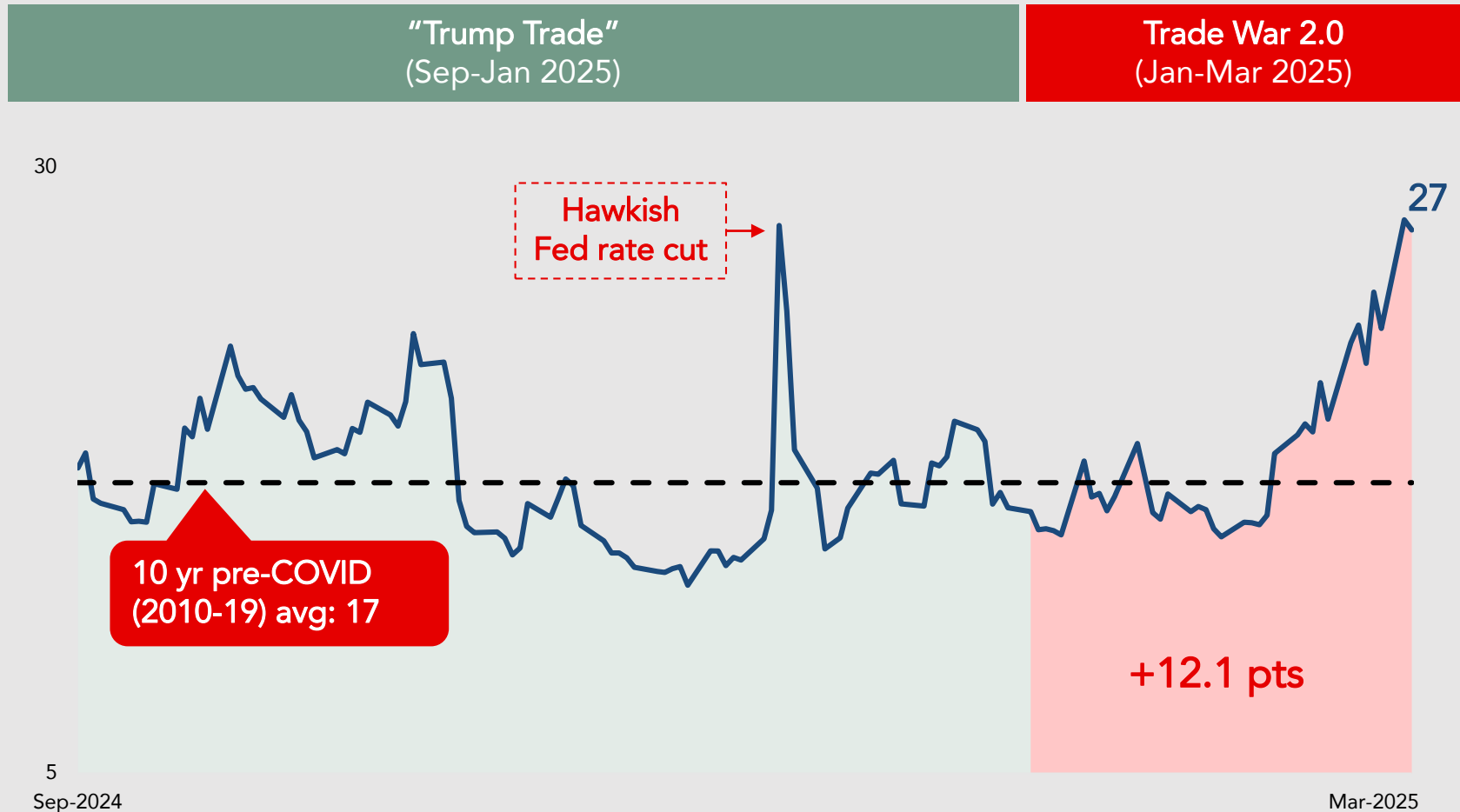


Source: (1) Bloomberg. Data as of March 11, 2025. Equity market performance is total returns.

Equity Volatility Spikes Well Above LT Average



Equity volatility (VIX)



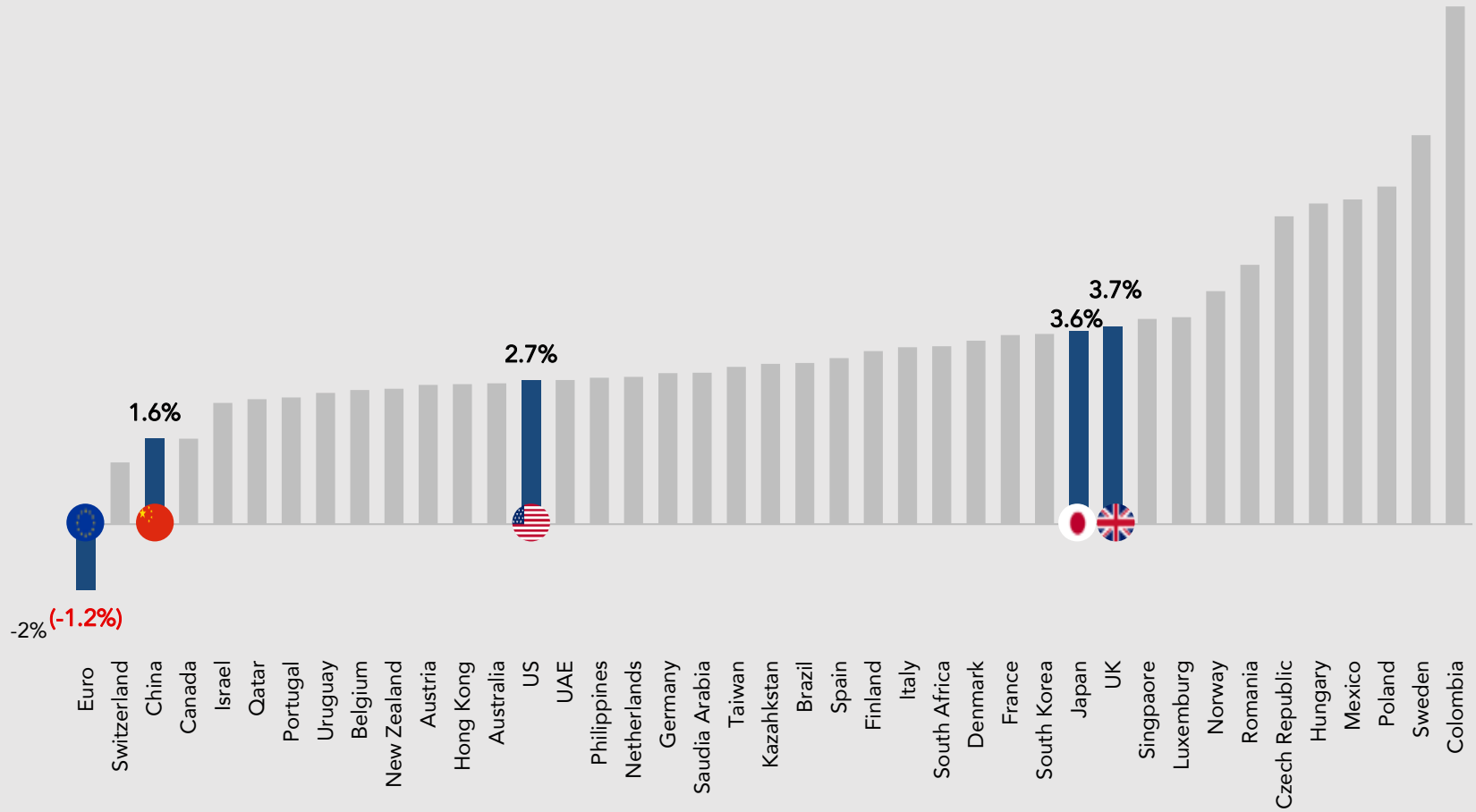
Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

Global Bond Market Returns Outpacing US



Total returns, YTD

10%



Source: (1) Bloomberg. Data as of March 11, 2025. MUFG Research, "The Bullet - Asia".

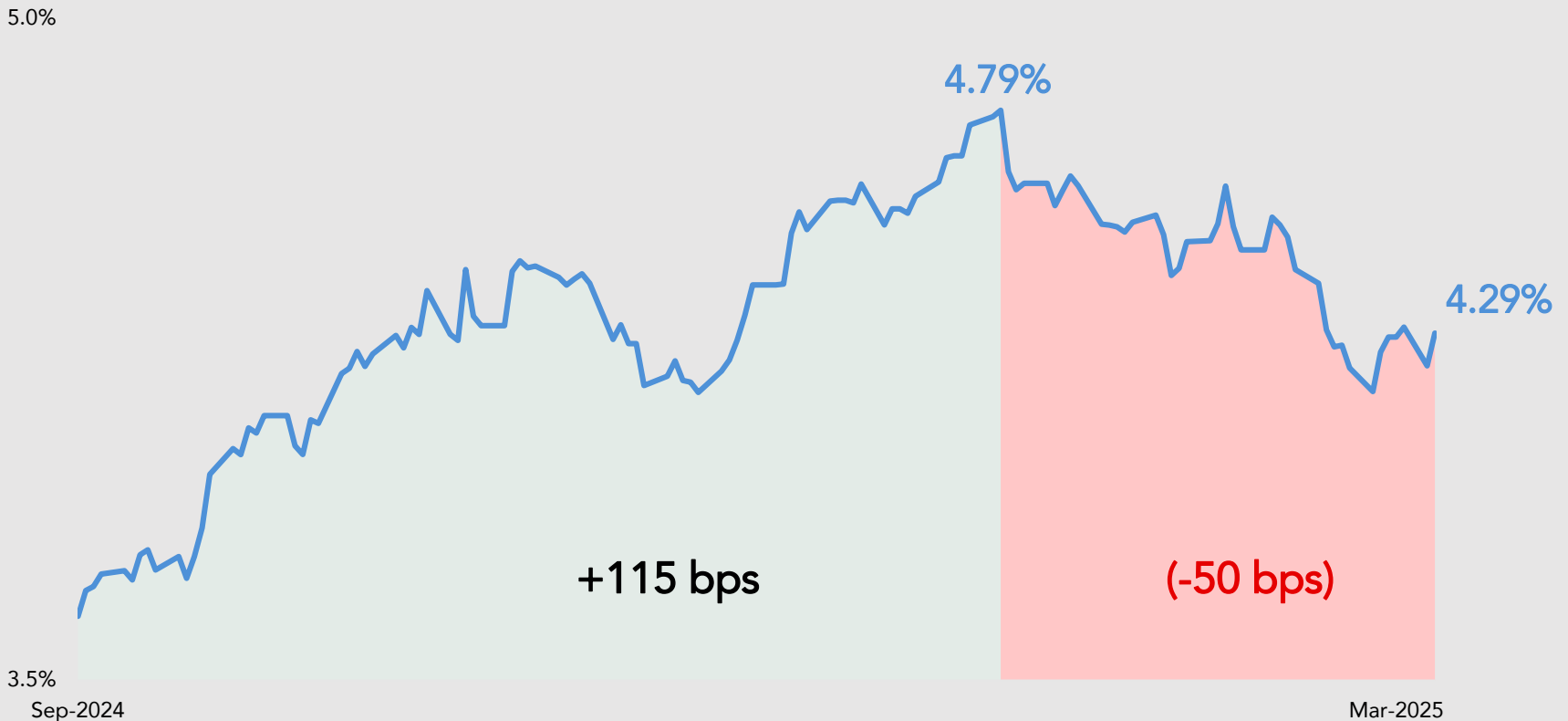
UST Yields Drop on Growth Concerns



10 year UST

"Trump Trade"
(Sep-Jan 2025)

Trade War 2.0
(Jan-Mar 2025)

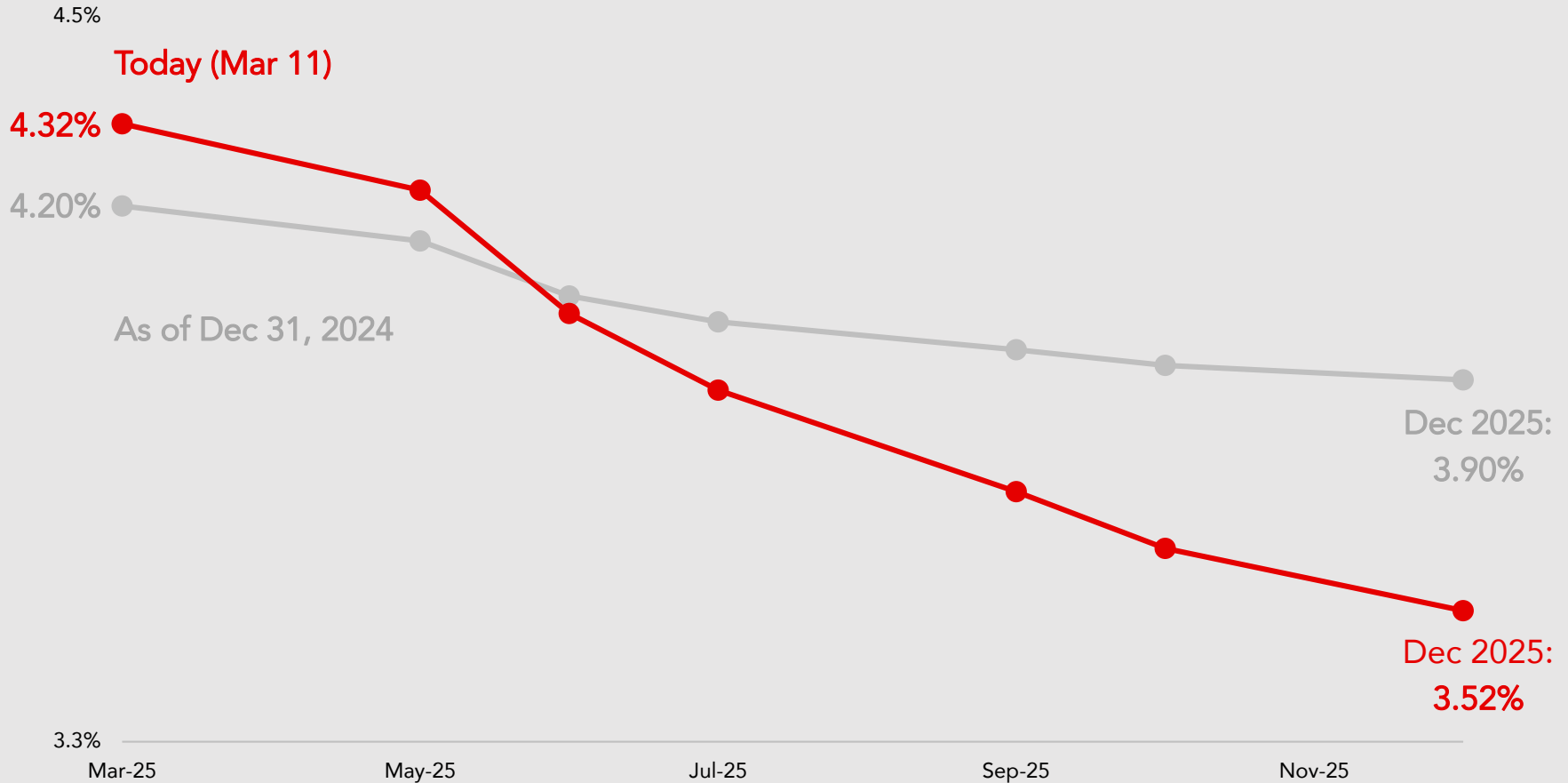


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 14, 2025. Trade War 2.0 is Jan 14, 2025 - March 11, 2025.

Fed Funds Futures Increasingly Worried About Growth Over Inflation



Marked implied Fed Funds rate (Dec 31, 2024 vs. today)

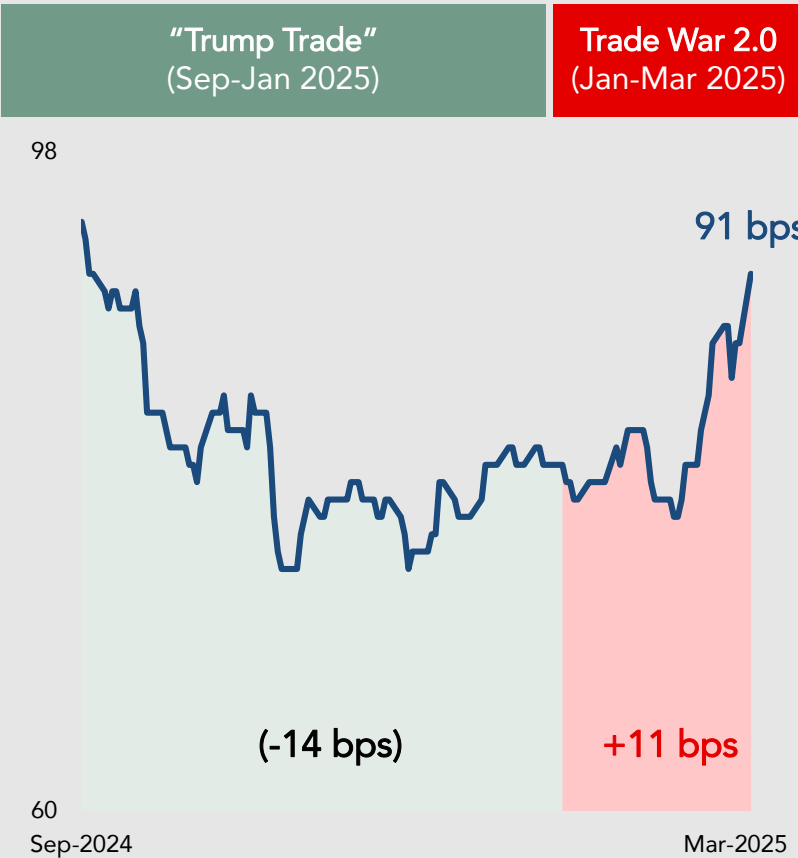


Source: (1) Bloomberg. Data as of March 11, 2025.

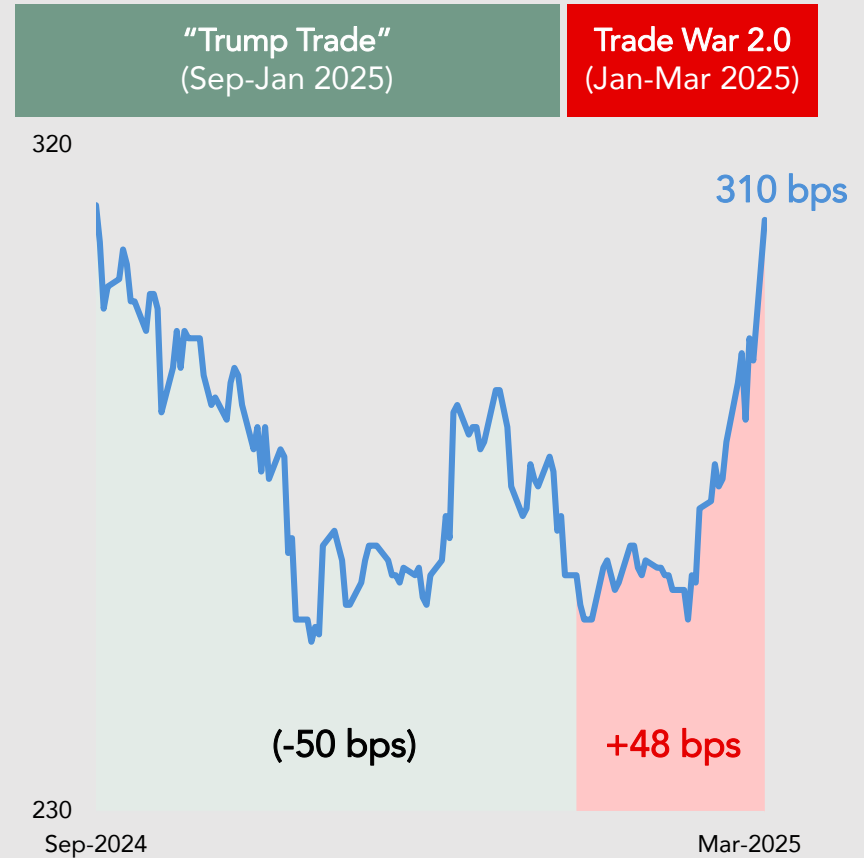
USD Credit Spreads Widen From Multi-Decade Tights



USD IG OAS



USD HY OAS

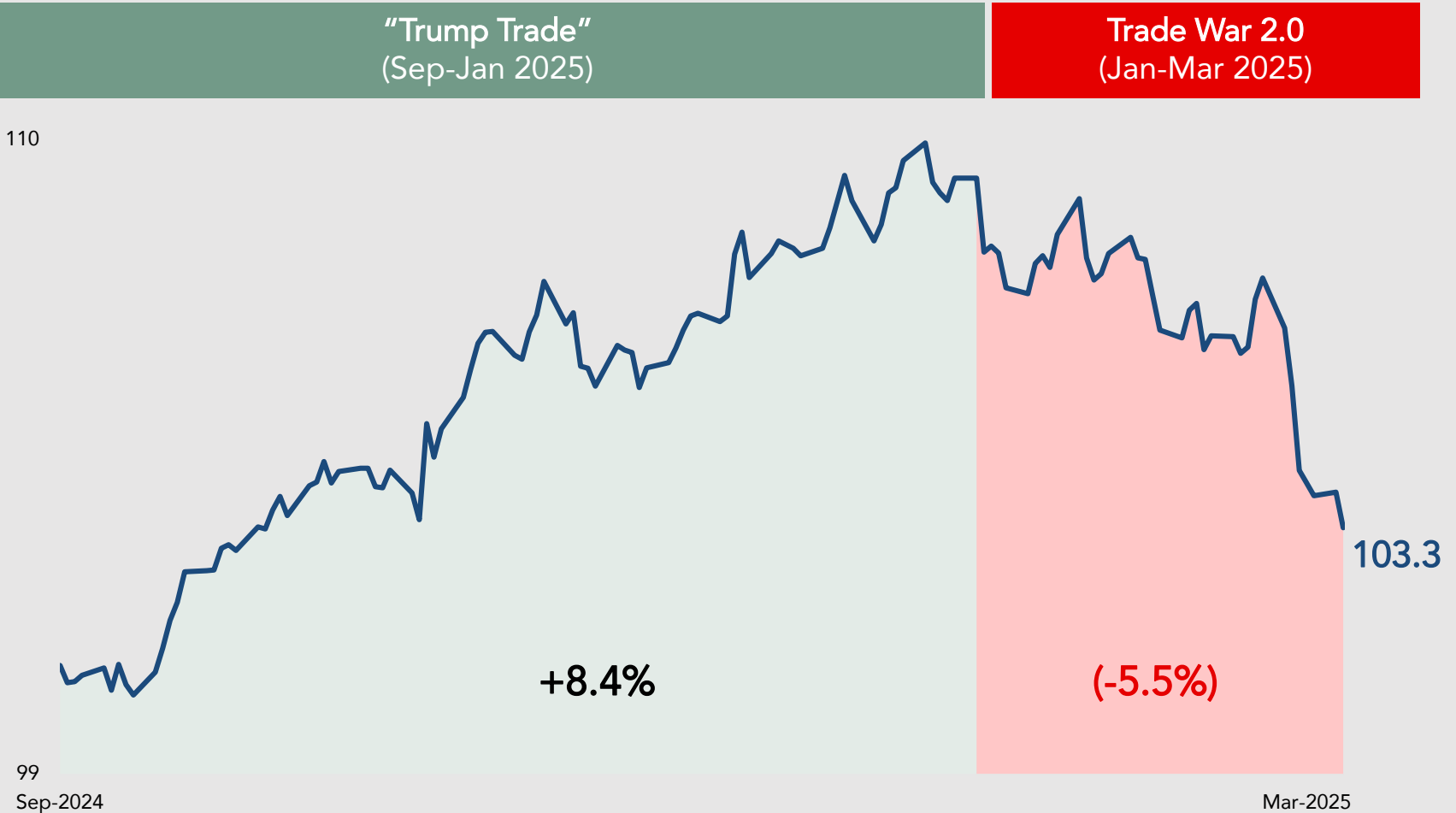


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

US Dollar Weakening on Growth Concerns



US Dollar index performance

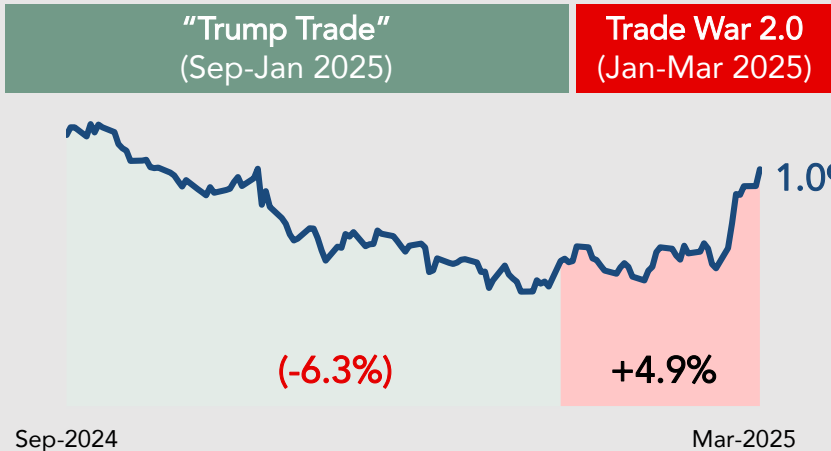


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

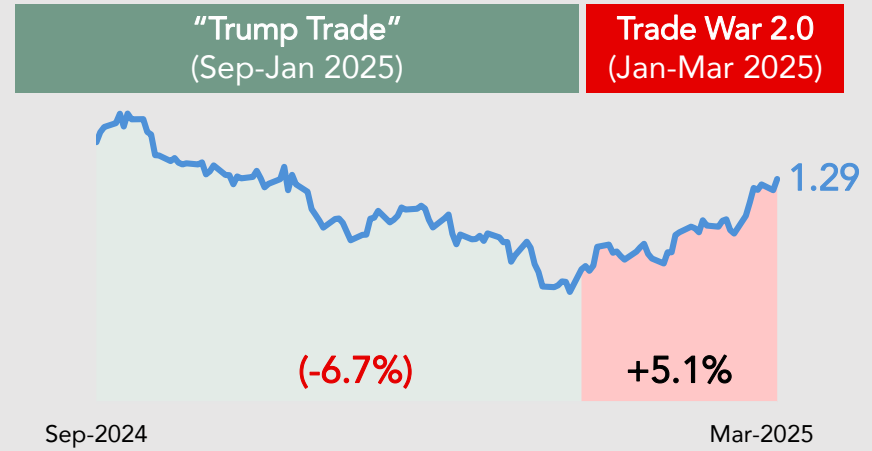
US Dollar Weakening on Growth Concerns



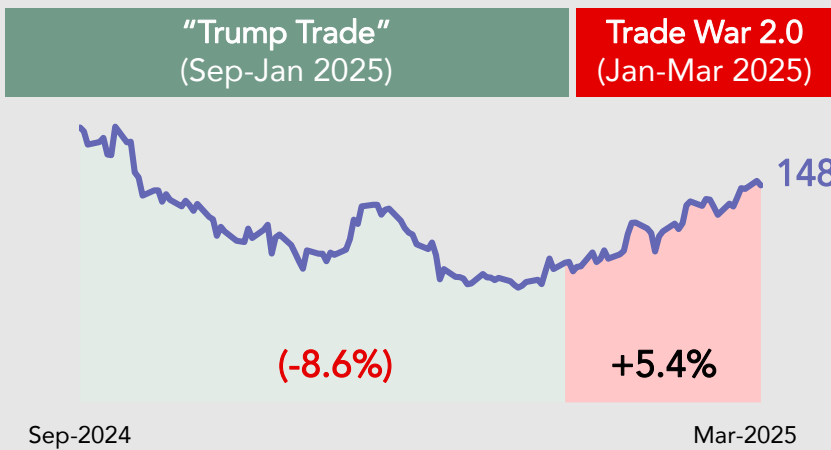
 Euro vs. USD



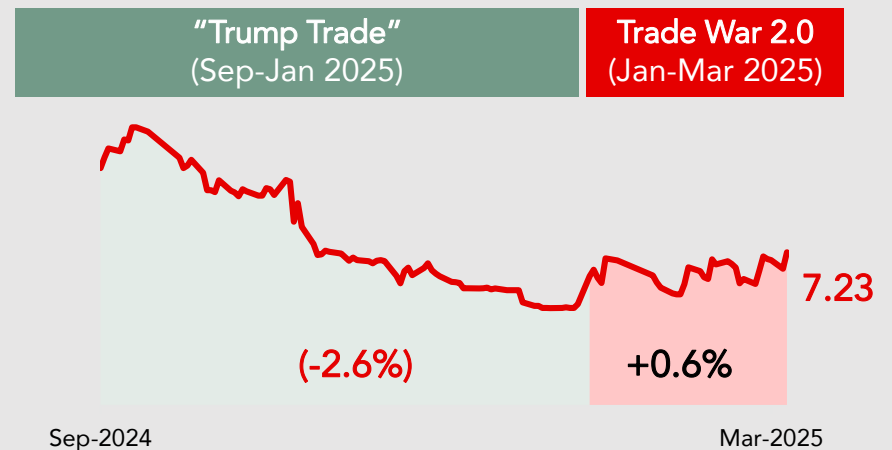
 GBP vs. USD



 Yen vs. USD



 CNY vs. USD

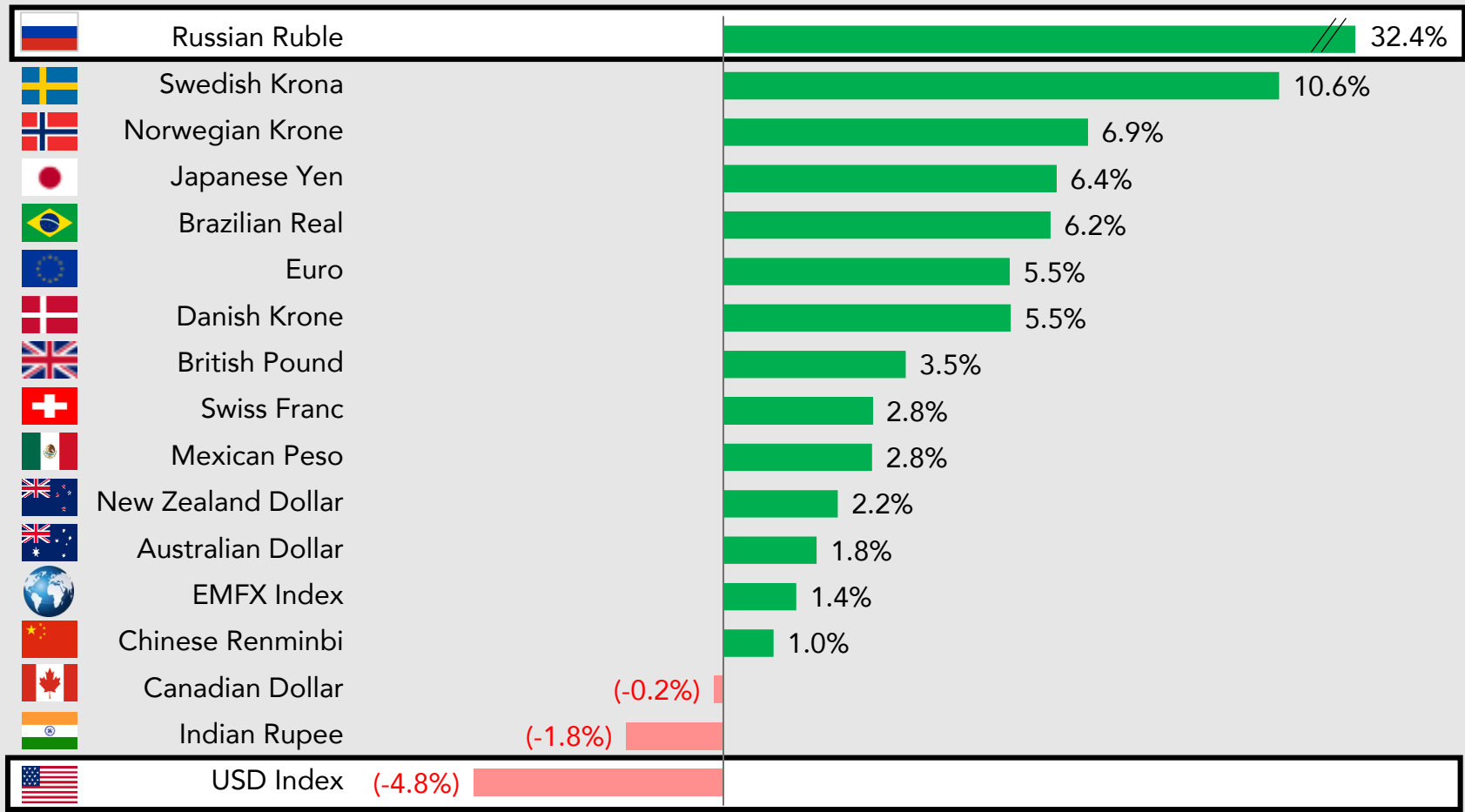


Source: (1-4) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - Mar 11, 2025. All currencies graphed vs. USD.

US Dollar Lower vs. Major Currency Pairs



Currency performance vs. USD since January 1, 2025



Source: (1) Bloomberg. Data as of March 11, 2025.

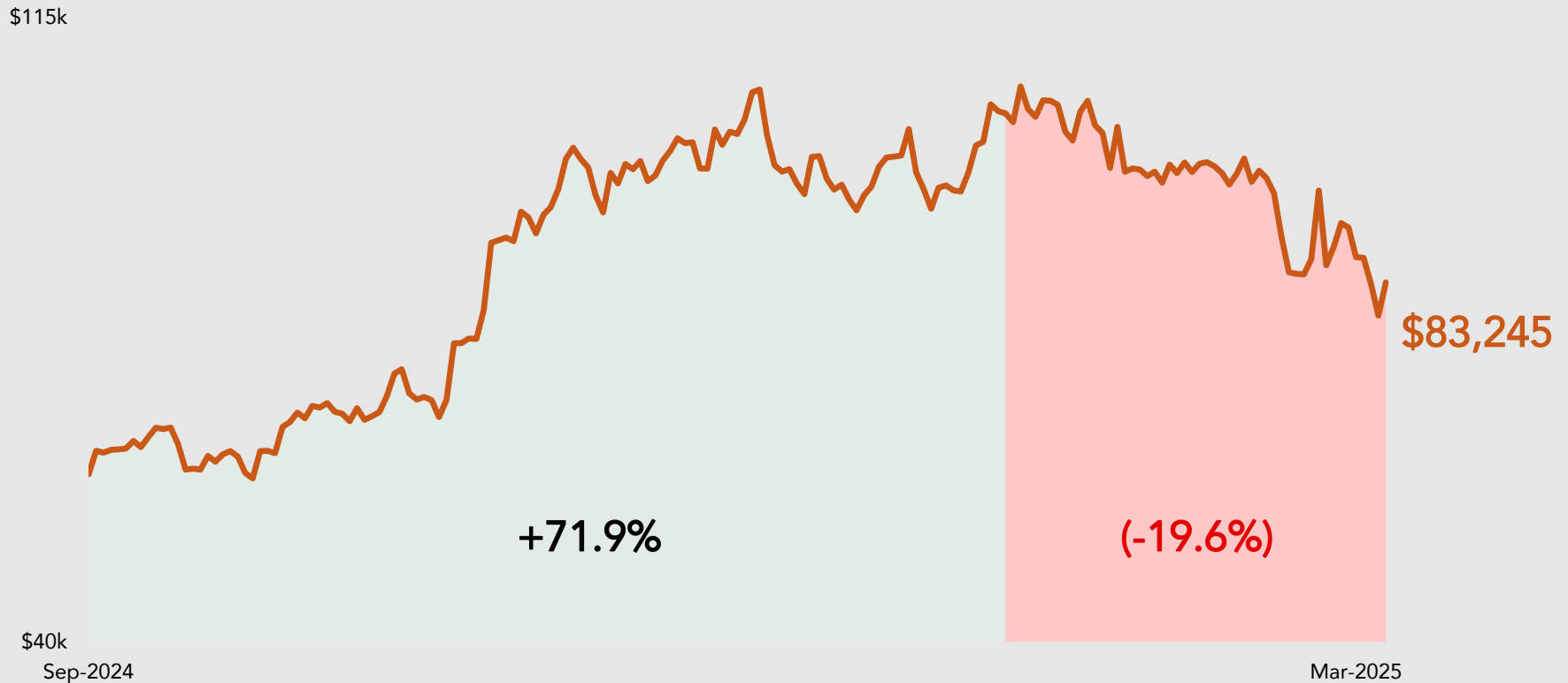
Bitcoin's Post-Election Surge Receding



Bitcoin

"Trump Trade"
(Sep-Jan 2025)

Trade War 2.0
(Jan-Mar 2025)

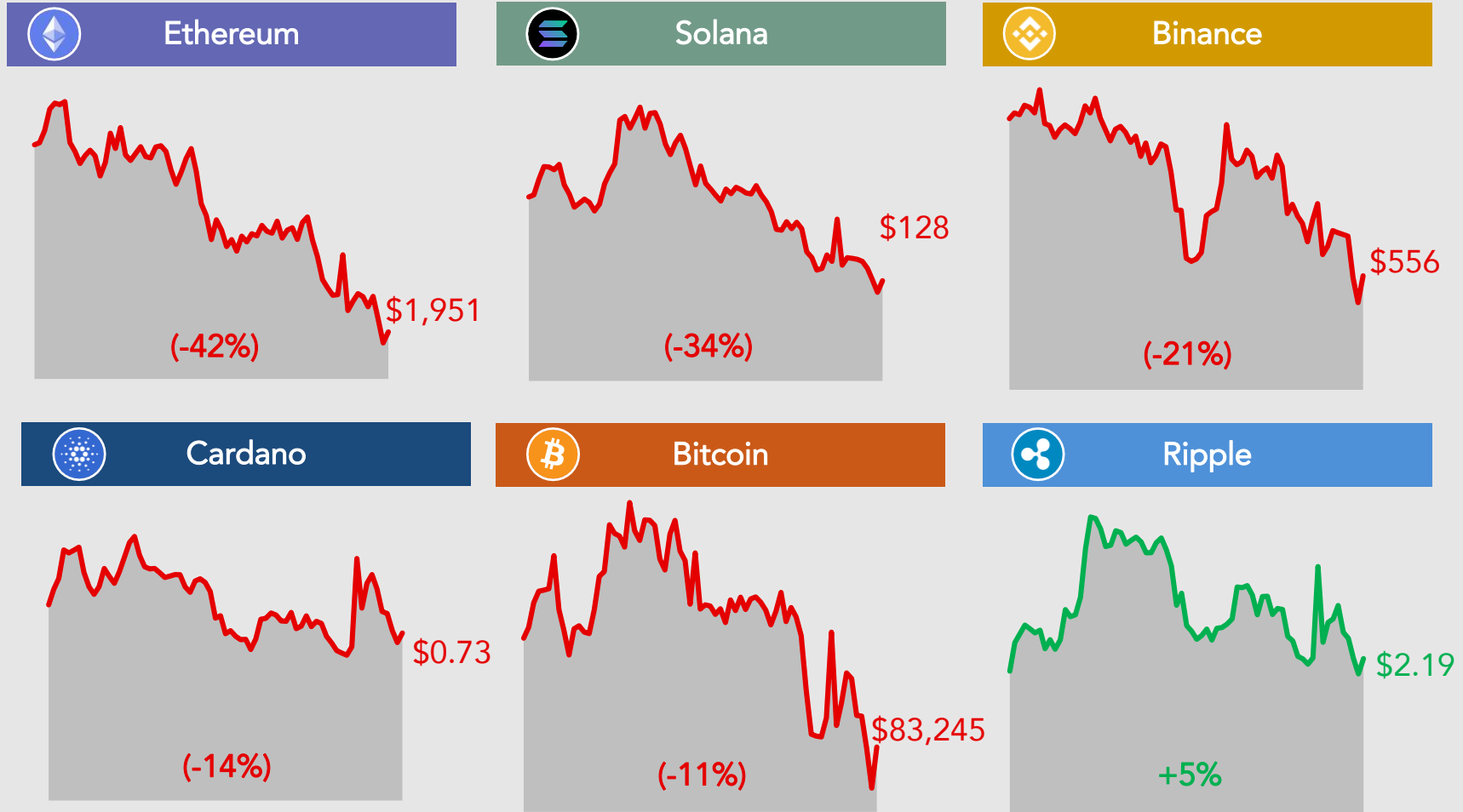


Source: (1) Bloomberg. Data as of March 11, 2025.

Cryptocurrencies Lagging High Expectations



Cryptocurrency performance since January 1, 2025



Source: (1-6) Bloomberg. Data as of March 11, 2025.

Oil Prices Down on Demand Shock Concerns



 Brent

 WTI

"Trump Trade"
(Sep-Jan 2025)

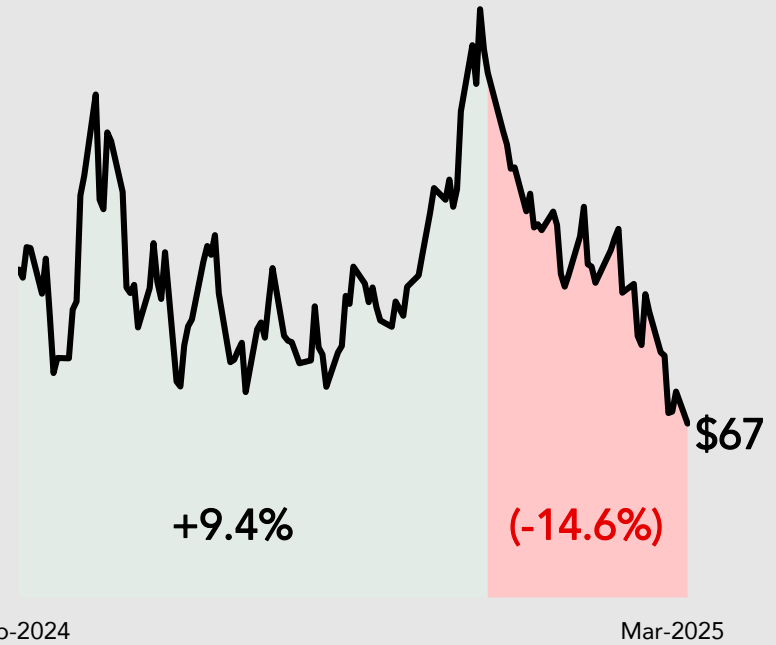
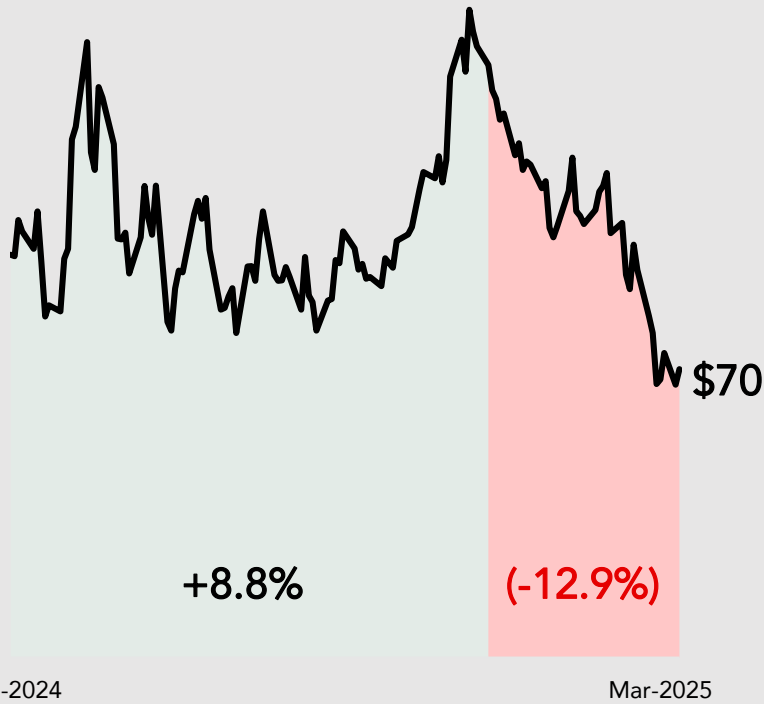
Trade War 2.0
(Jan-Mar 2025)

"Trump Trade"
(Sep-Jan 2025)

Trade War 2.0
(Jan-Mar 2025)

\$85

\$85









Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 10, 2025.







Appendix

2025 Global Economic Forecasts

The global economy is expected to grow at about 2.6% in 2025, well below its long term 3.5% average, with the US one of the only advanced economies to grow 2% in the year ahead.

GDP growth forecasts, y/y

Region / country	2024E	2025E	
North America			
 US	2.8%	2.0%	↓
 Canada	1.5%	1.1%	↓
 Mexico	1.2%	0.7%	↓
 Eurozone	0.8%	0.9%	
Ireland	1.2%	3.1%	↑
Spain	3.3%	2.6%	↓
Netherlands	0.9%	1.3%	↑
Finland	(-0.2%)	0.9%	↑
France	1.1%	0.6%	↓
Italy	0.5%	0.4%	↓
Germany	(-0.2%)	0.0%	↑
Other Europe			
Poland	2.8%	3.5%	↑
Denmark	3.6%	3.3%	↓
Türkiye	3.2%	2.9%	↓
Czech Republic	1.0%	2.3%	↑
Sweden	0.9%	2.3%	↑
 Russia	3.9%	2.0%	↓
 UK	0.9%	1.0%	↑
Switzerland	1.3%	0.8%	↓
Norway	2.1%	(-0.3%)	↓

Region / country	2024E	2025E	
APAC	4.0%	3.9%	
 India	6.7%	6.7%	↑
Indonesia	5.0%	5.0%	↓
 China	5.0%	4.6%	↓
Singapore	4.4%	2.8%	↓
 Australia	1.0%	2.1%	↑
South Korea	2.1%	1.6%	↓
New Zealand	(-0.3%)	1.2%	↑
 Japan	0.1%	1.0%	↑
LatAm	1.7%	1.7%	
Argentina	(-2.0%)	3.9%	↑
Chile	2.3%	2.4%	↑
Colombia	1.7%	2.0%	↑
 Brazil	2.9%	1.2%	↓
MENA	1.7%	3.4%	
UAE	3.8%	4.8%	↑
Saudi Arabia	1.4%	4.4%	↑
Egypt	2.9%	4.0%	↑
 Sub-Saharan Africa	3.6%	3.8%	↑
Kuwait	(-3.4%)	3.1%	↑
Oman	1.5%	2.2%	↑
Qatar	1.9%	2.1%	↑
South Africa	0.6%	1.5%	↑

Source: (1) Oxford Economics. Data as of March 11, 2025.

2025 Global Currency Forecasts

Currency pair	Spot (Mar 11)	Q1 2025	Q2 2025	Q3 2025	Q4 2025
EUR / USD	1.09	1.02	1.02	1.05	1.08
GBP / USD	1.29	1.24	1.24	1.27	1.30
USD / JPY	148	152	152	150	148
USD / CNY	7.23	7.40	7.50	7.50	7.40
AUD / USD	0.63	0.61	0.60	0.62	0.64
NZD / USD	0.57	0.55	0.54	0.56	0.58
USD / CAD	1.45	1.46	1.47	1.45	1.42
USD / NOK	10.68	11.57	11.77	11.43	10.93
USD / SEK	10.02	11.08	11.28	10.95	10.56
USD / CHF	0.88	0.91	0.90	0.89	0.87
USD / MXN	20.34	20.75	21.00	20.75	20.50
USD / BRL	5.82	5.95	6.05	6.15	6.25

Source: (1) MUFG Annual Foreign Exchange Outlook - March 2025. (Derek Halpenny). Bloomberg.

Denotes peak USD strength

2025 MUFG Global Rates Forecasts

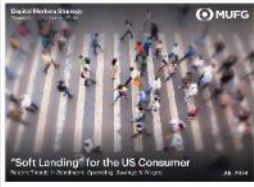
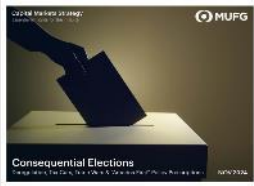
	Spot (Mar 11)	Q1 2025		Q2 2025		Q3 2025		Q4 2025	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.50%	4.50%	4.25%	4.35%	4.25%	4.20%	4.00%	4.10%
2 yr UST	3.94%	4.25%	4.19%	4.00%	4.09%	4.25%	4.00%	4.00%	3.91%
5 yr UST	4.04%	4.38%	4.31%	4.13%	4.23%	4.38%	4.19%	4.25%	4.13%
10 yr UST	4.29%	4.50%	4.49%	4.25%	4.44%	4.50%	4.41%	4.50%	4.38%
30 yr UST	4.61%	4.75%	4.67%	4.50%	4.63%	4.75%	4.60%	4.75%	4.58%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of March 11, 2025. Fed funds is upper bound.

2025 MUFG Commodities Forecasts

	Spot (Mar 11)	Q1 2025		Q2 2025		Q3 2025		Q4 2025	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	\$66	\$68	\$72	\$64	\$71	\$69	\$70	\$72	\$69
Brent	\$70	\$73	\$75	\$69	\$74	\$74	\$74	\$77	\$72
US Nat Gas	\$4.45	\$3.20	\$3.28	\$2.90	\$3.18	\$2.70	\$3.48	\$2.90	\$3.59
Euro Nat Gas	€43	€52	€50	€38	€45	€33	€42	€29	€42

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of March 11, 2025.



Click or scan the QR code to view past reports, policy notes and more.



Disclaimer

The information herein provided is for information purposes only, and is not to be used or considered as investment research, a proposal or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. Neither this nor any other communication prepared by MUFG Bank, Ltd. ("MUFG Bank"), MUFG Securities Americas Inc., or other MUFG group companies (collectively, "MUFG") is or should be construed as investment advice, a recommendation or proposal to enter into a particular transaction or pursue a particular strategy, or any statement as to the likelihood that a particular transaction or strategy will be effective in light of your business objectives or operations. Before entering into any particular transaction, you are advised to obtain such independent financial, legal, accounting and other advice as may be appropriate under the circumstances. In any event, any decision to enter into a transaction will be yours alone, not based on information prepared or provided by MUFG. MUFG hereby disclaims any responsibility to you concerning the characterization or identification of terms, conditions, and legal or accounting or other issues or risks that may arise in connection with any particular transaction or business strategy. MUFG is not acting and does not purport to act in any way as an advisor or in a fiduciary capacity.

Certain information contained in this presentation has been obtained or derived from third party sources and such information is believed to be correct and reliable but has not been independently verified. While MUFG believes that factual statements herein and any assumptions on which information herein are based, are in each case accurate, MUFG makes no representation or warranty regarding such accuracy and shall not be responsible for any inaccuracy in such statements or assumptions. Note that MUFG may have issued, and may in the future issue, other reports that are inconsistent with or that reach conclusions different from the information set forth herein. Such other reports, if any, reflect the different assumptions, views and/or analytical methods of the analysts who prepared them, and MUFG is under no obligation to ensure that such other reports are brought to your attention. Furthermore, the information may not be current due to, among other things, changes in the financial markets or economic environment and MUFG has no obligation to update any such information contained in this presentation. This presentation is not intended to forecast or predict future events. Past performance is not a guarantee or indication of future results. Any prices provided herein (other than those identified as being historical) are indicative only and do not represent firm quotes as to either price or size. This presentation has been prepared by members of our capital markets strategy team and does not necessarily represent the MUFG "house" view.

This presentation is proprietary to MUFG Securities and may not be quoted, circulated or otherwise referred to without our prior written consent. Notwithstanding this, MUFG Securities shall not be liable in any manner whatsoever for any consequences or loss (including but not limited to any direct, indirect or consequential loss, loss of profits and damages) arising from any reliance on or usage of this presentation and accepts no legal responsibility to any investor who directly or indirectly receives this material.

IRS Circular 230 Disclosure: MUFG Securities does not provide tax advice. Accordingly, any discussion of U.S. tax matters included herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone not affiliated with MUFG Securities of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

The MUFG logo and name is a service mark of Mitsubishi UFJ Financial Group, Inc., and may be used by it or other MUFG group companies for branding or marketing purposes. Group companies include MUFG Bank, MUFG Americas Capital Leasing & Finance, LLC, Mitsubishi UFJ Trust and Banking Corporation, MUFG Securities Americas Inc., and deposit activities performed by banking affiliates of MUFG, including, in the United States, MUFG Bank.

MUFG Bank is NOT a member of the FDIC and its deposit products are NOT insured by the FDIC or by any other government agency.

© 2025 Mitsubishi UFJ Financial Group Inc. All rights reserved.