

# Capital Markets Strategy

Essential insights for the C-Suite



## Dissonance

Divergence Across Global Markets in Q1 2025

APR 2025

# The Weight of Policy Uncertainty

**Tariff & trade  
policy escalation**



**Record pace of  
Executive Orders**

**Unstable  
geopolitical  
backdrop**



**Disorderly  
DOGE layoffs**

**Softer US  
economic data**



**Government  
austerity measures**

## Market Divergence in Q1 2025

Record IG issuance pace  
Sharp declines in HY issuance  
Cautious US M&A activity  
Rate tightening, spread widening  
US equities underperformed  
Global commodities outperformed



**Mixed signals on  
M&A deregulation**

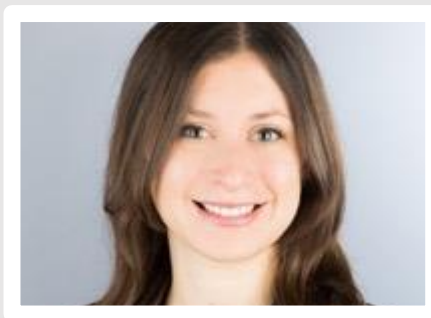
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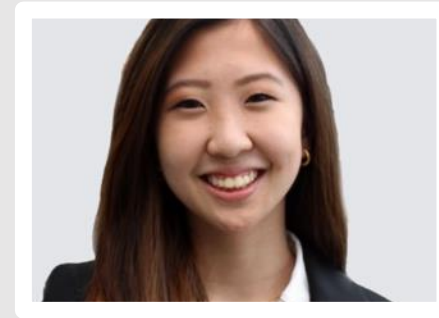
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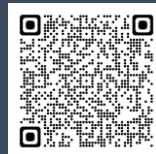


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policy notes and more.

# Global Market Divergence in Q1 2025

- 1** Dissonance in Deal Activity
- 2** USD Credit Market Resilience
- 3** US Rates Tighten on Growth Concerns
- 4** Global Equities Outperformed US
- 5** Unexpected US Dollar Weakening
- 6** Global Commodity Markets Outperformed

**1**

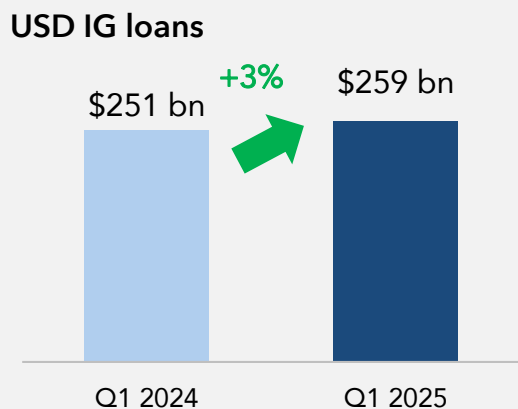
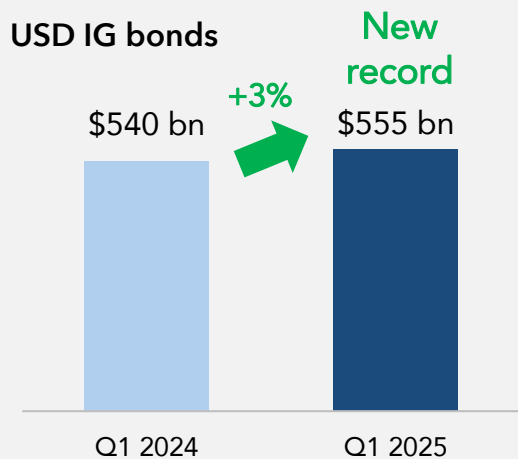
# Dissonance in Deal Activity



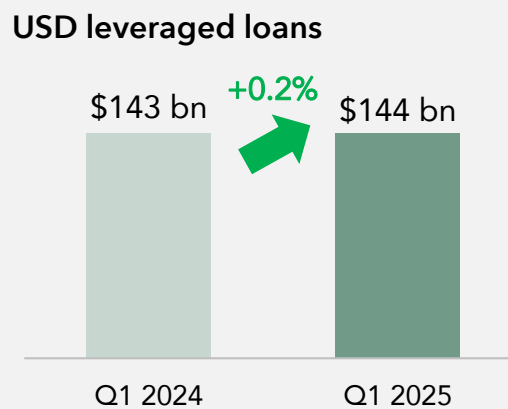
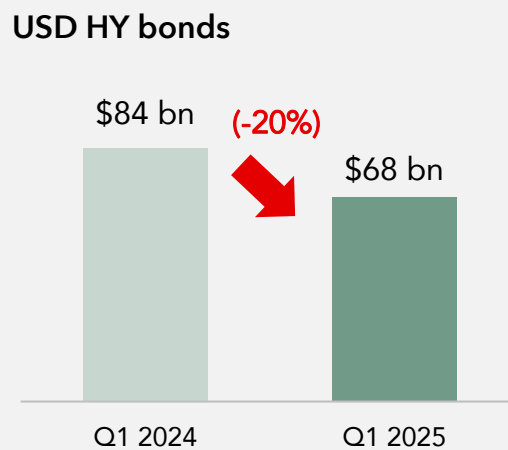
# Dissonance in Deal Activity



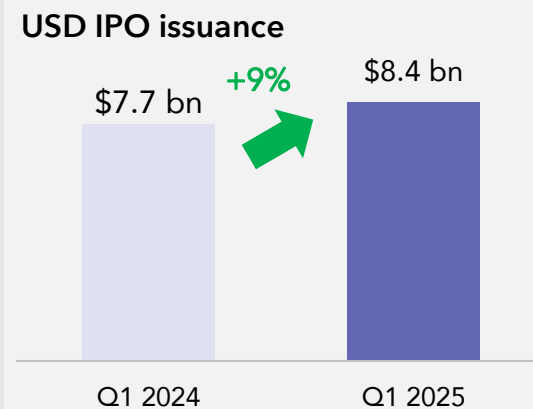
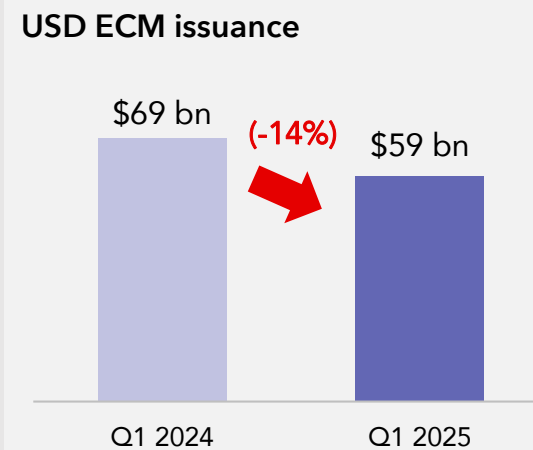
## IG Issuance



## HY Issuance



## Equity Issuance

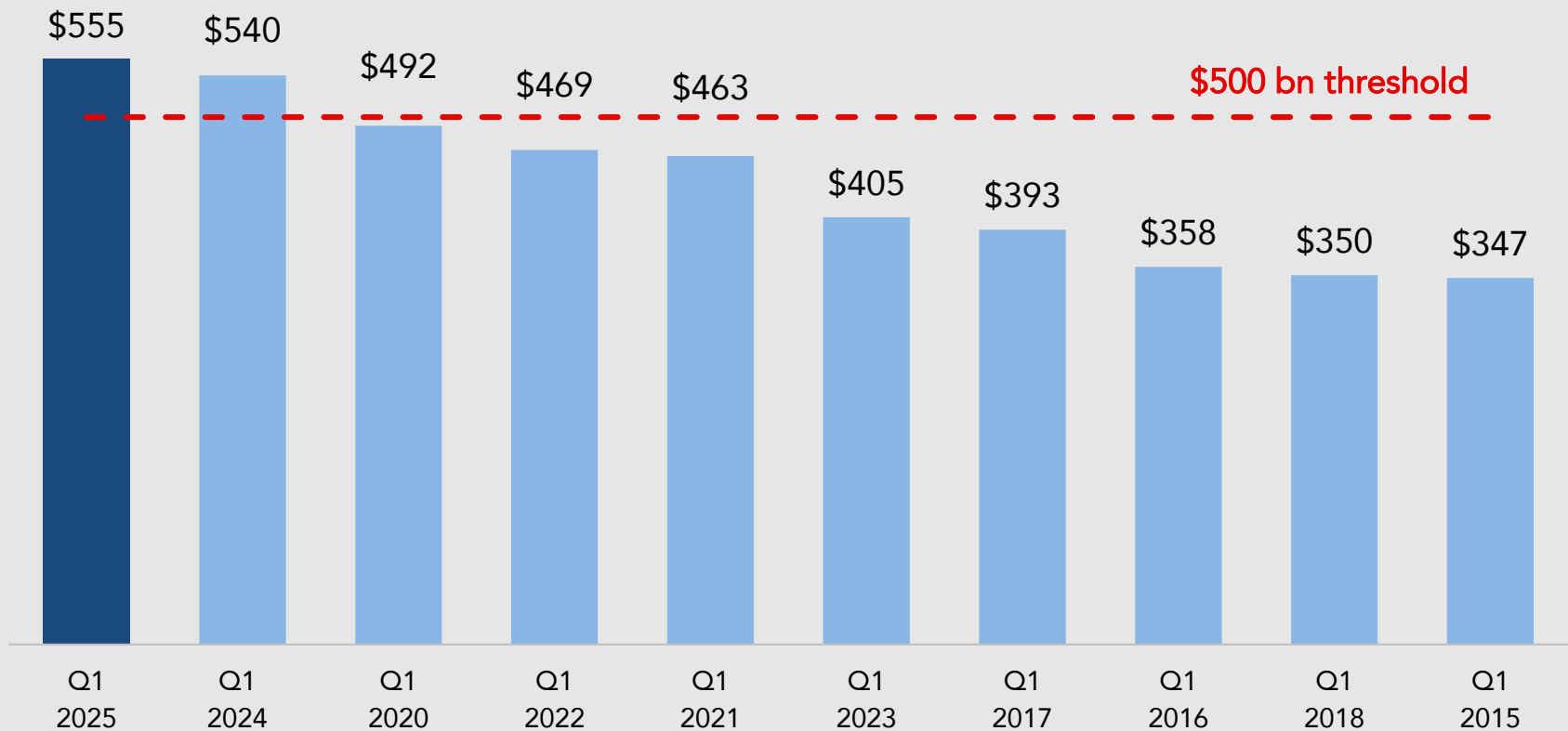


Source: (1-6) IG and HY bond data is CFR. Data as of March 31, 2025. IG loan is LSEG. Data as of March 31, 2025. Lev Loan is LCD. Data through March 27, 2025. Equity issuance is Dealogic. Excludes SPACs, closed-end funds and deals less than \$50mn. Data as of March 31, 2025.

# Highest Q1 USD IG Bond Issuance on Record

All time largest Q1 USD IG issuance, bn

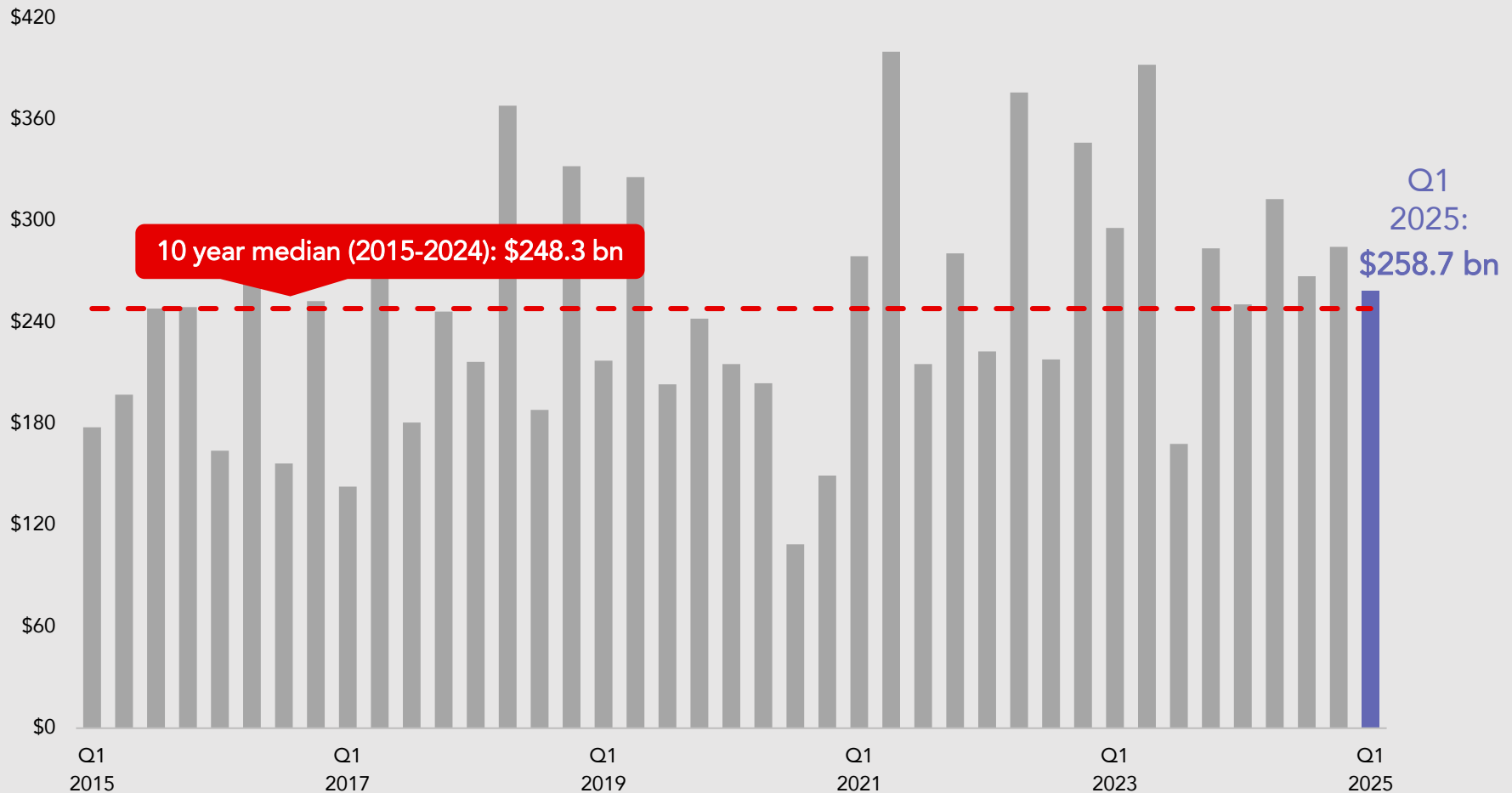
Largest Q1  
on record



Source: (1) CFR. Data as of March 31, 2025.

# Higher IG Loan Issuance Driven by Refinancings

USD IG loan issuance, bn

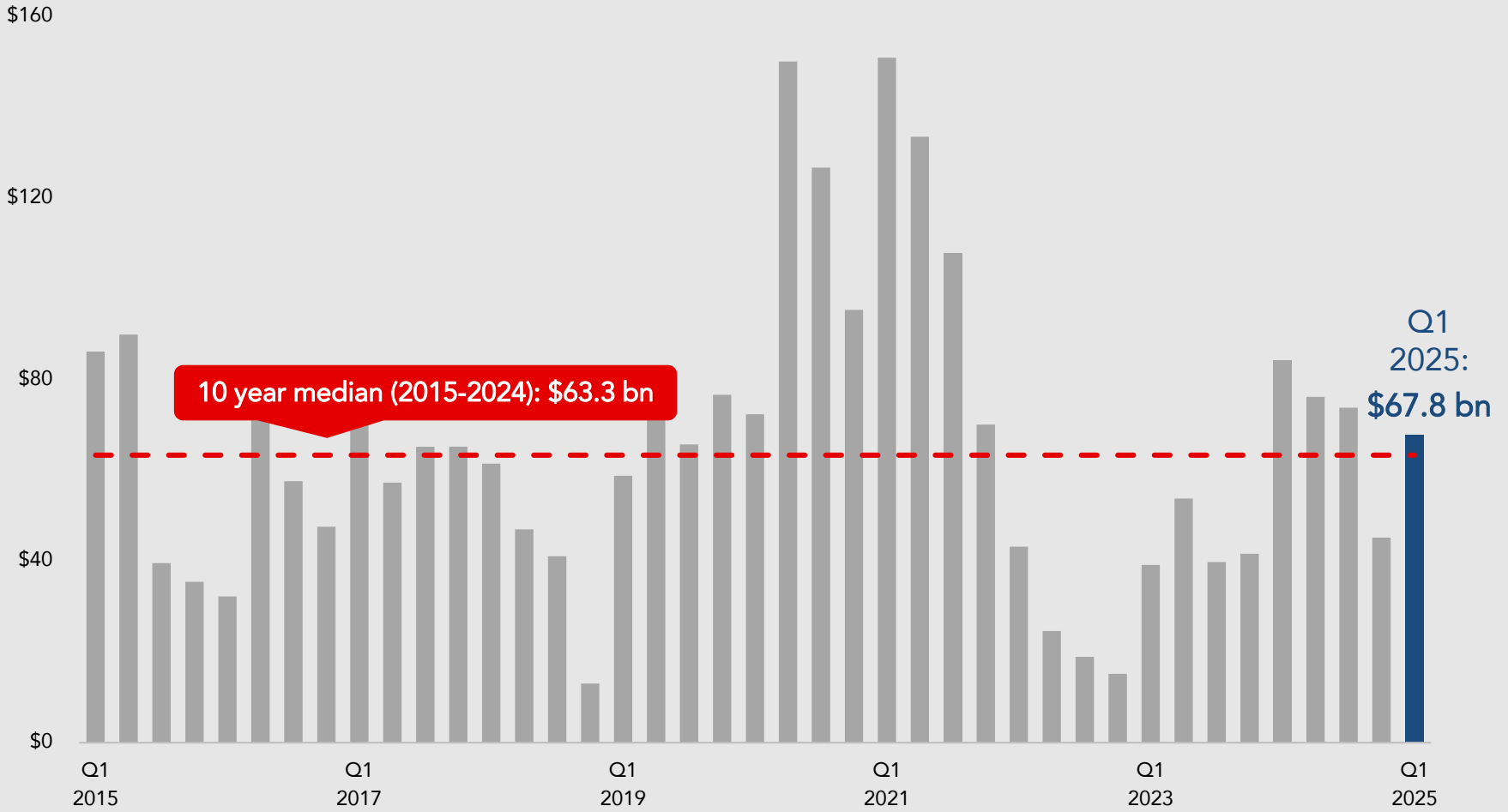


Source: (1) LSEG. Data as of March 31, 2025



# USD HY Volumes Above 10 Year Median

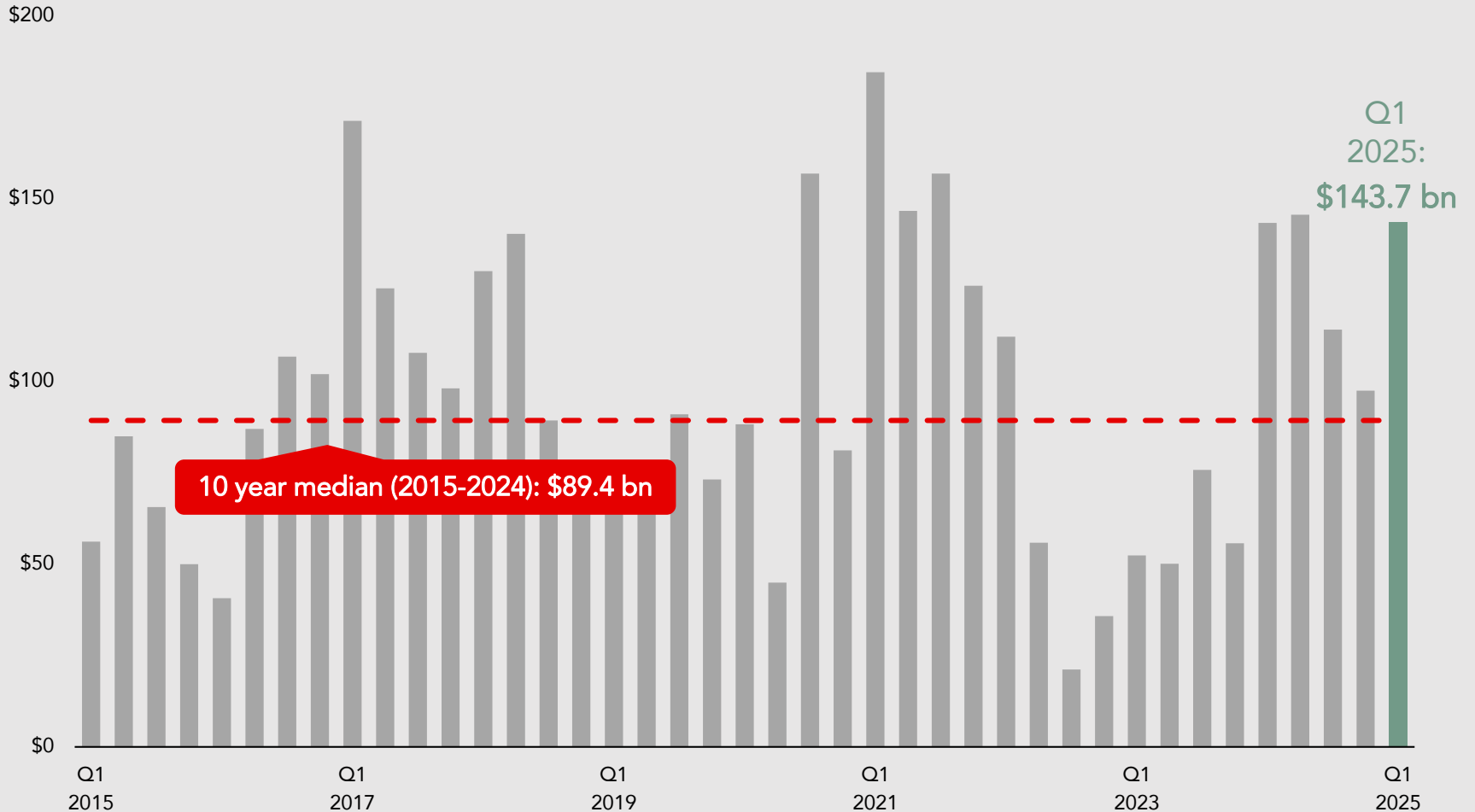
USD high yield quarterly volume, bn



Source: (1) CFR. Data as of March 31, 2025.

# USD Lev Loan Volumes Also Above 10 Year Median

USD leveraged loan quarterly volume, bn

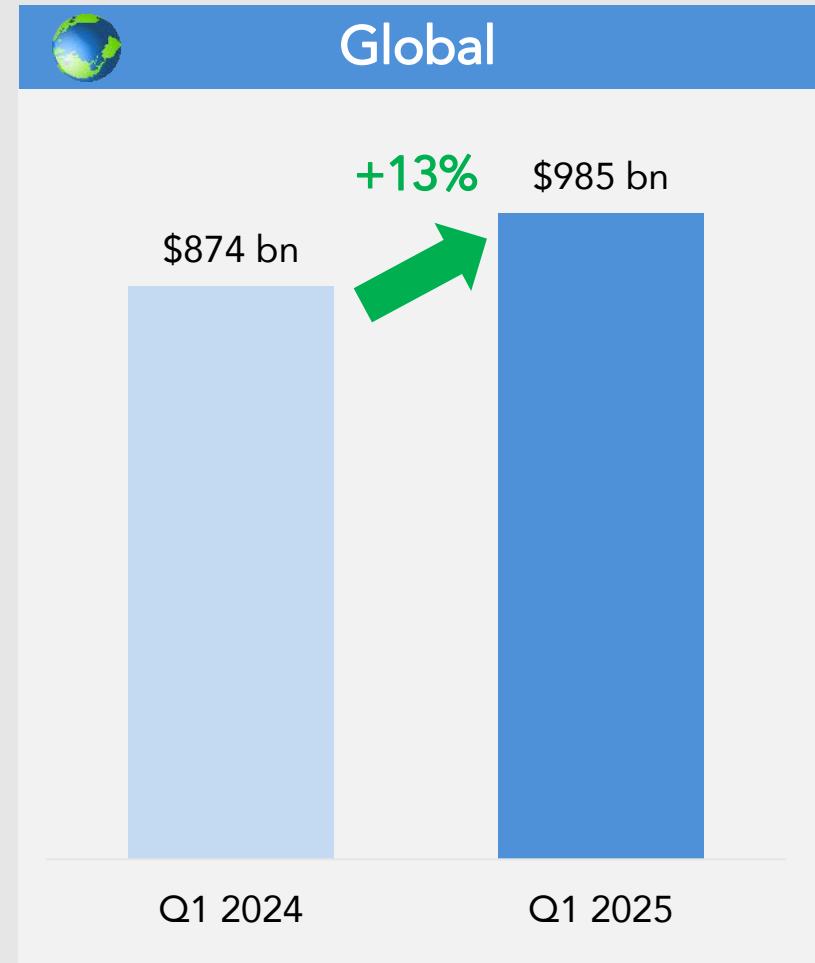
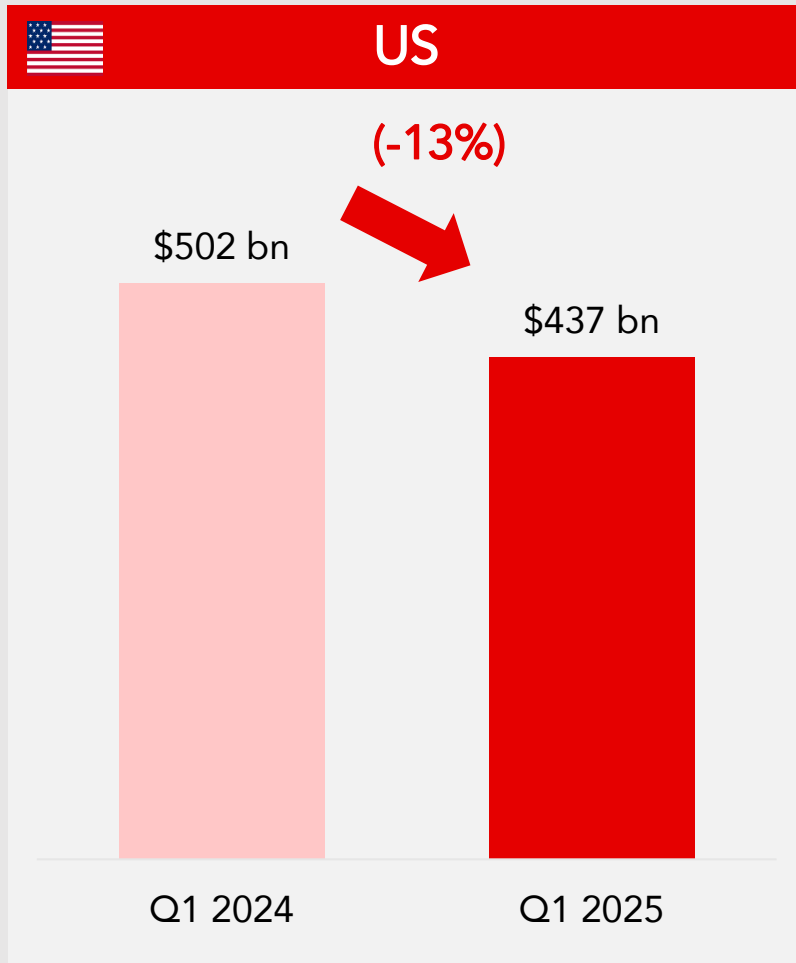


Source: (1) Pitchbook. LCD. Data through March 31, 2025. Volumes exclude extensions and repricings.

# US M&A Deal Activity Disappoints in 2025



M&A volumes in Q1 2025 vs. Q1 2024



Source: (1-2) Dealogic. Cortex. Data through Mar 31, 2025, accessed on April 1, 2025. US is by target region.

2

**USD Credit  
Market Resilience**



# Credit Returns Positive, & Equity Returns Negative, for First Quarterly Period Since COVID

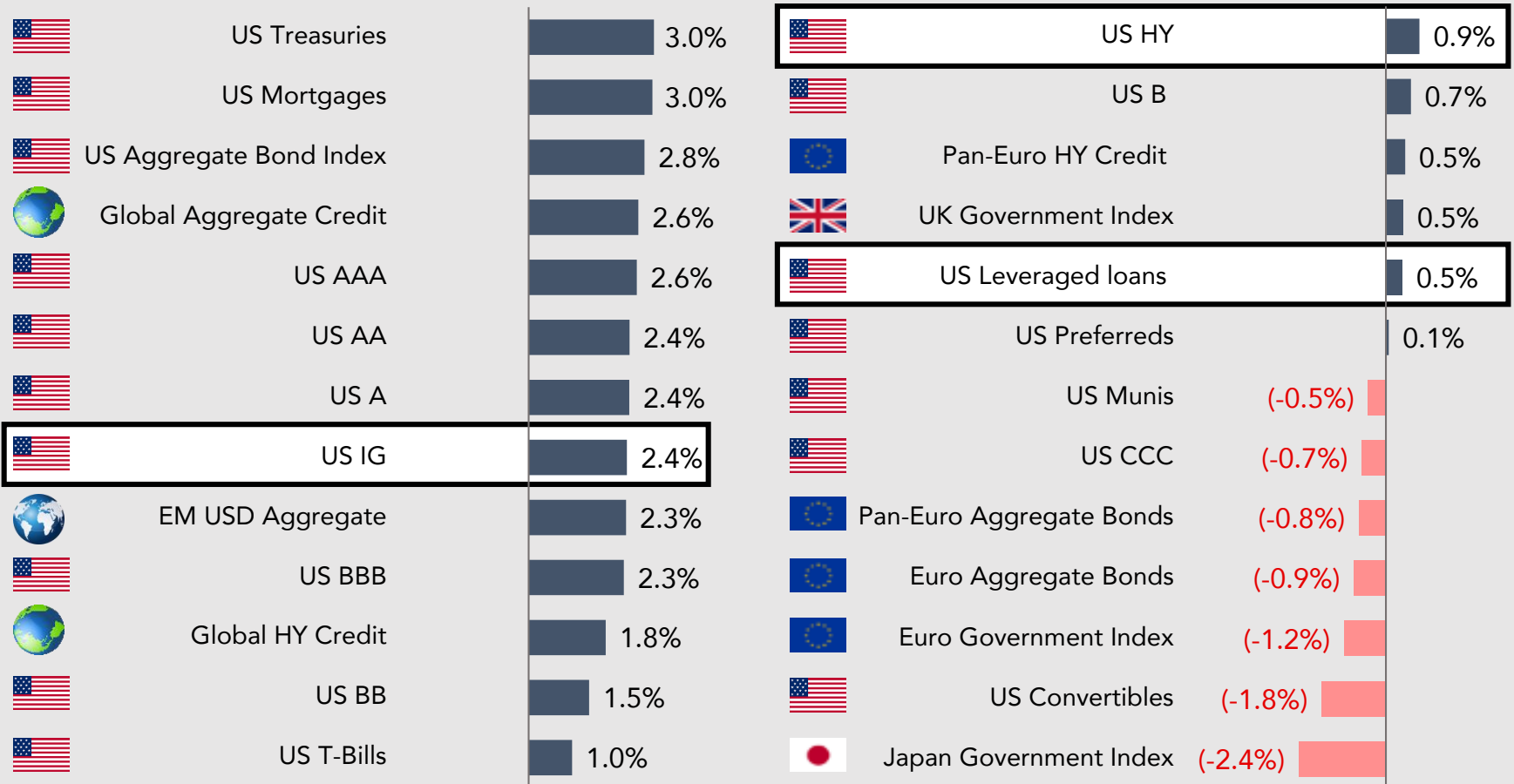
Annual & Q1 relative total returns, USD markets

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 2025
Munis 3.6%	High Yield 17.5%	S&P 500 21.8%	Munis 1.1%	S&P 500 31.5%	S&P 500 18.4%	S&P 500 28.7%	Loans (-0.8%)	S&P 500 26.3%	S&P 500 25.0%	Mortgages 3.0%
Mortgages 1.5%	S&P 500 11.9%	EM Sov 10.0%	Mortgages 1.0%	High Yield 14.4%	High Grade 9.8%	Loans 5.4%	Munis (-9.0%)	Loans 13.7%	EM Sov 9.7%	US Gov't 2.9%
S&P 500 1.4%	Loans 10.3%	High Yield 7.5%	US Gov't 0.8%	High Grade 14.2%	US Gov't 8.2%	High Yield 5.4%	High Yield (-11.2%)	High Yield 13.4%	Loans 9.2%	High Grade 2.4%
EM Sov 1.4%	EM Sov 10.1%	High Grade 6.5%	Loans 0.6%	EM Sov 13.0%	High Yield 6.2%	Munis 1.8%	Mortgages (-11.9%)	EM Sov 13.2%	High Yield 8.2%	EM Sov 1.8%
US Gov't 0.8%	High Grade 6.0%	Munis 5.4%	High Grade (-2.2%)	Loans 8.7%	Munis 5.3%	High Grade (-1.0%)	US Gov't (-12.9%)	High Grade 8.4%	High Grade 2.8%	High Yield 0.9%
Loans 0.1%	Mortgages 1.7%	Loans 4.3%	High Yield (-2.3%)	Munis 7.7%	Mortgages 4.1%	Mortgages (-1.2%)	High Grade (-15.4%)	Munis 6.5%	Mortgages 1.4%	Loans 0.5%
High Grade (-0.6%)	US Gov't 1.1%	Mortgages 2.4%	S&P 500 (4.4%)	US Gov't 7.0%	EM Sov 3.9%	US Gov't (-2.4%)	S&P 500 (-18.1%)	Mortgages 5.0%	Munis 1.1%	Munis (-0.2%)
High Yield (-4.6%)	Munis 0.4%	US Gov't 2.4%	EM Sov (-5.2%)	Mortgages 6.5%	Loans 3.5%	EM Sov (-3.0%)	EM Sov (-18.3%)	US Gov't 3.9%	US Gov't 0.6%	S&P 500 (-4.3%)

Source: (1) CreditSights. Bloomberg. Data as of March 31, 2025. BAML, S&P LSTA. Bloomberg EM Sov is USD EM Sovereign BBB & lower index.

# USD Credit Markets Resilient in Q1 2025

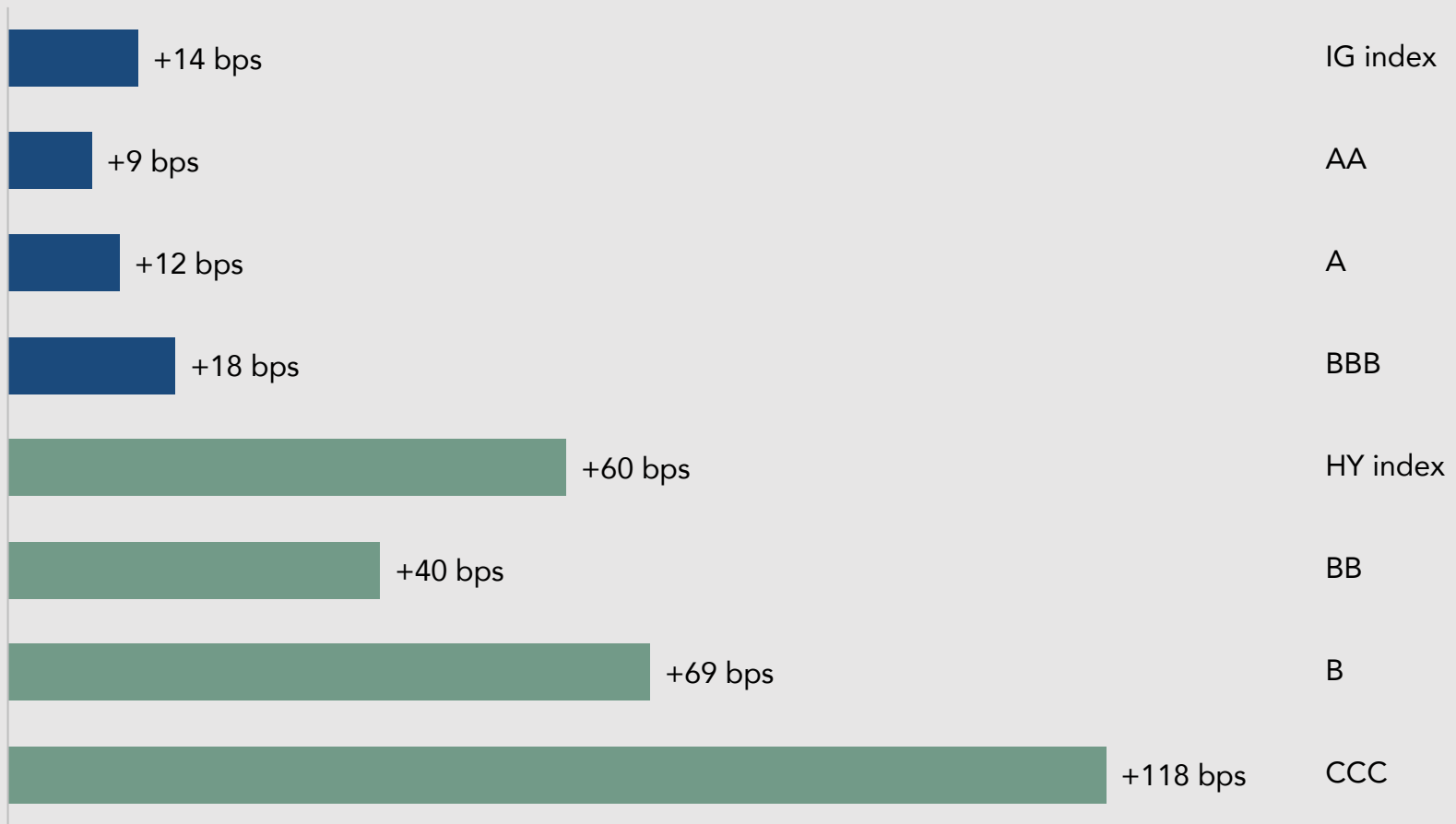
## Credit market total returns in Q1 2025



Source: (1) Bloomberg. Data as of March 31, 2025.

# USD Credit Spreads Widening on Trade War Risk in Q1 2025

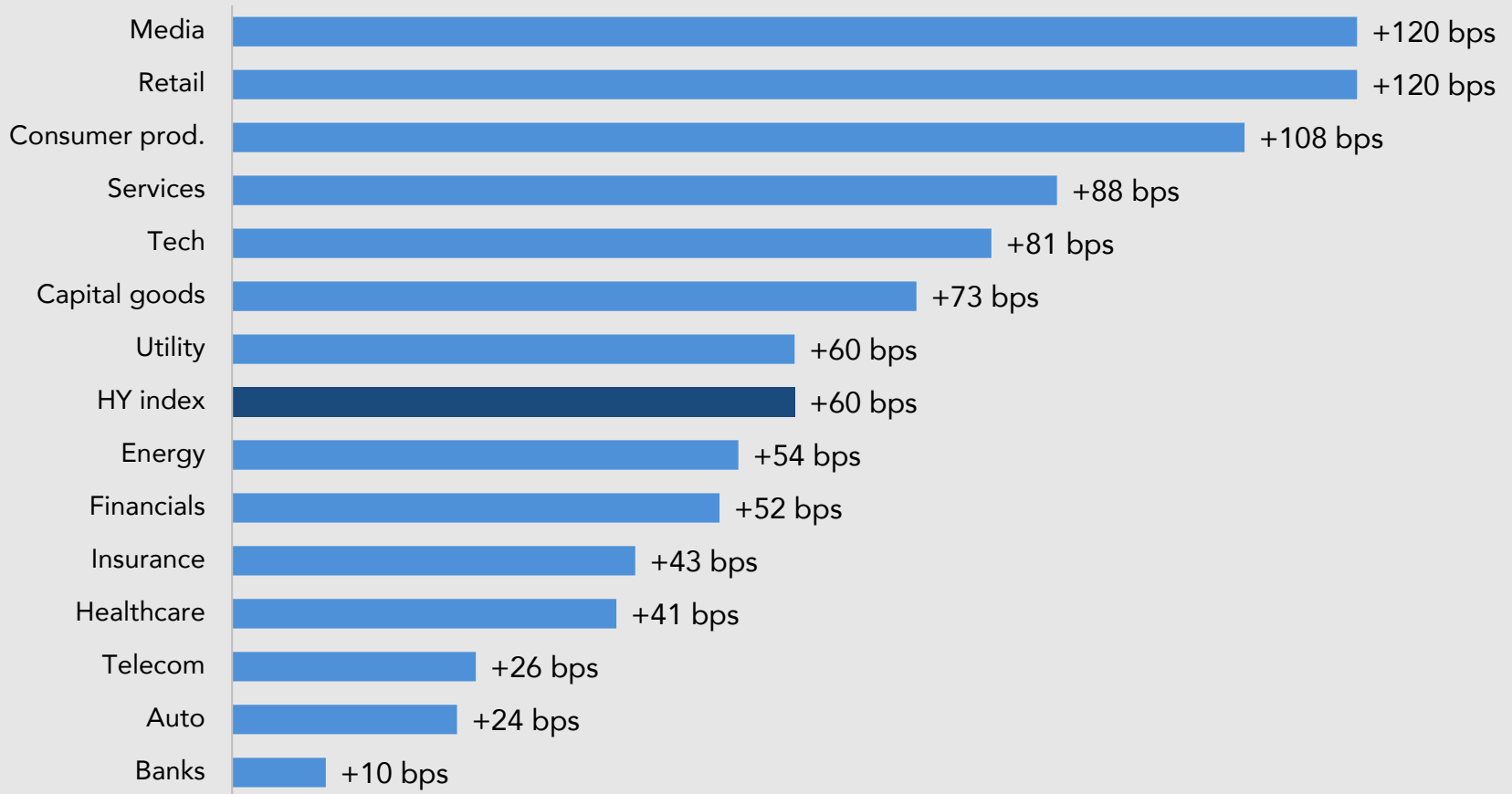
USD credit spreads in Q1 2025



Source: (1) Bloomberg. Data as of March 31, 2025.

# Credit Spread Widening Varied by Sector

Change in HY spreads by sector in Q1 2025

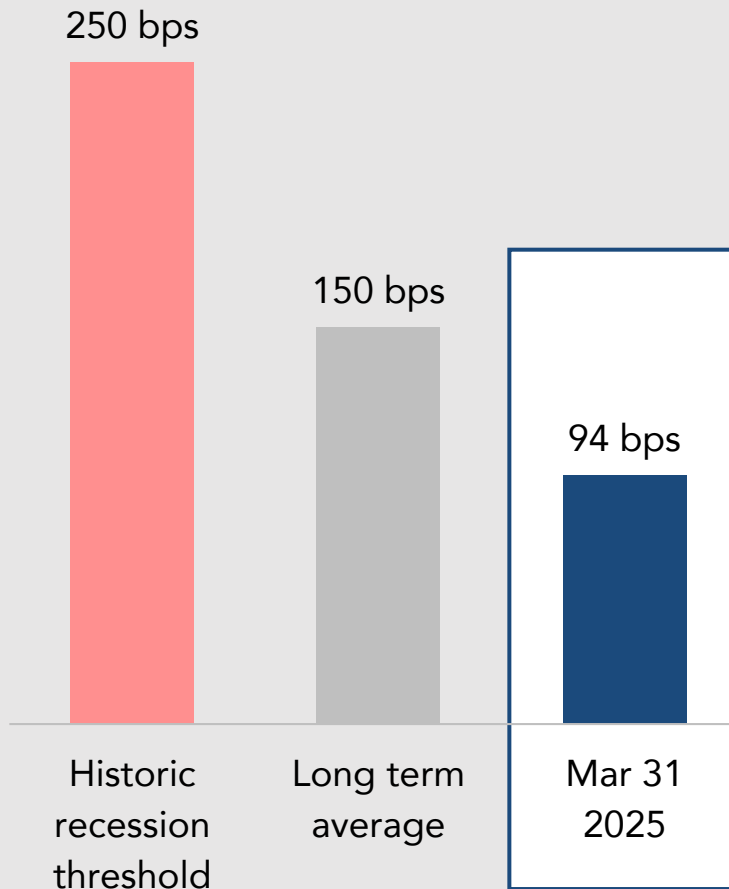


Source: (1) IFR. Data through March 28, 2025. HY index is Bloomberg US Corporate HY Average OAS. Sector indices are ICE BofA.

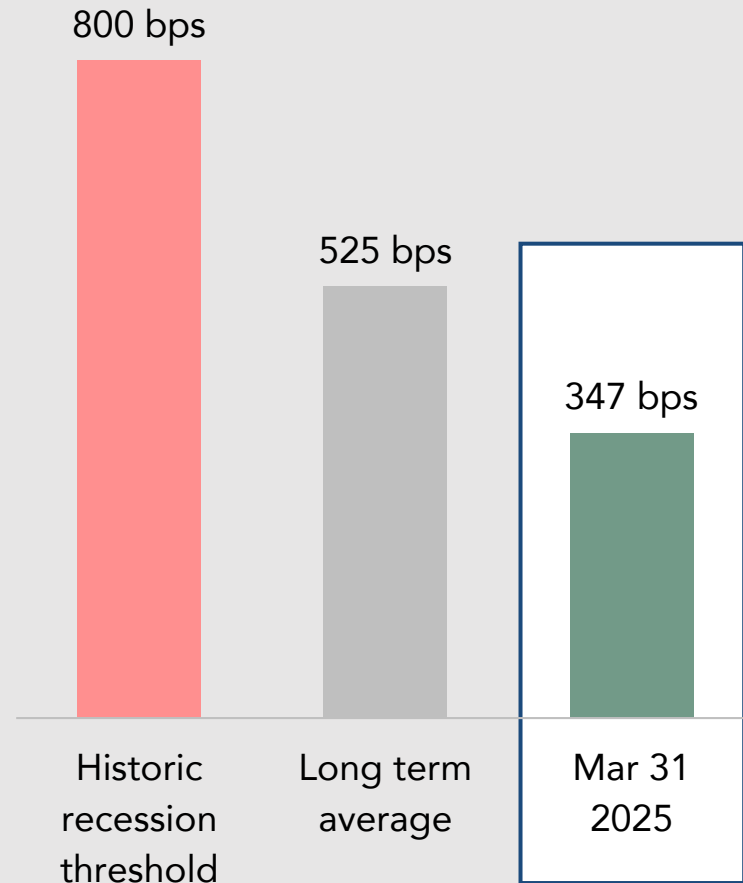


# USD Spreads Still Below Long Term Averages

USD IG OAS



USD HY OAS



Source: (1-2) Bloomberg. Data as of March 31, 2025.

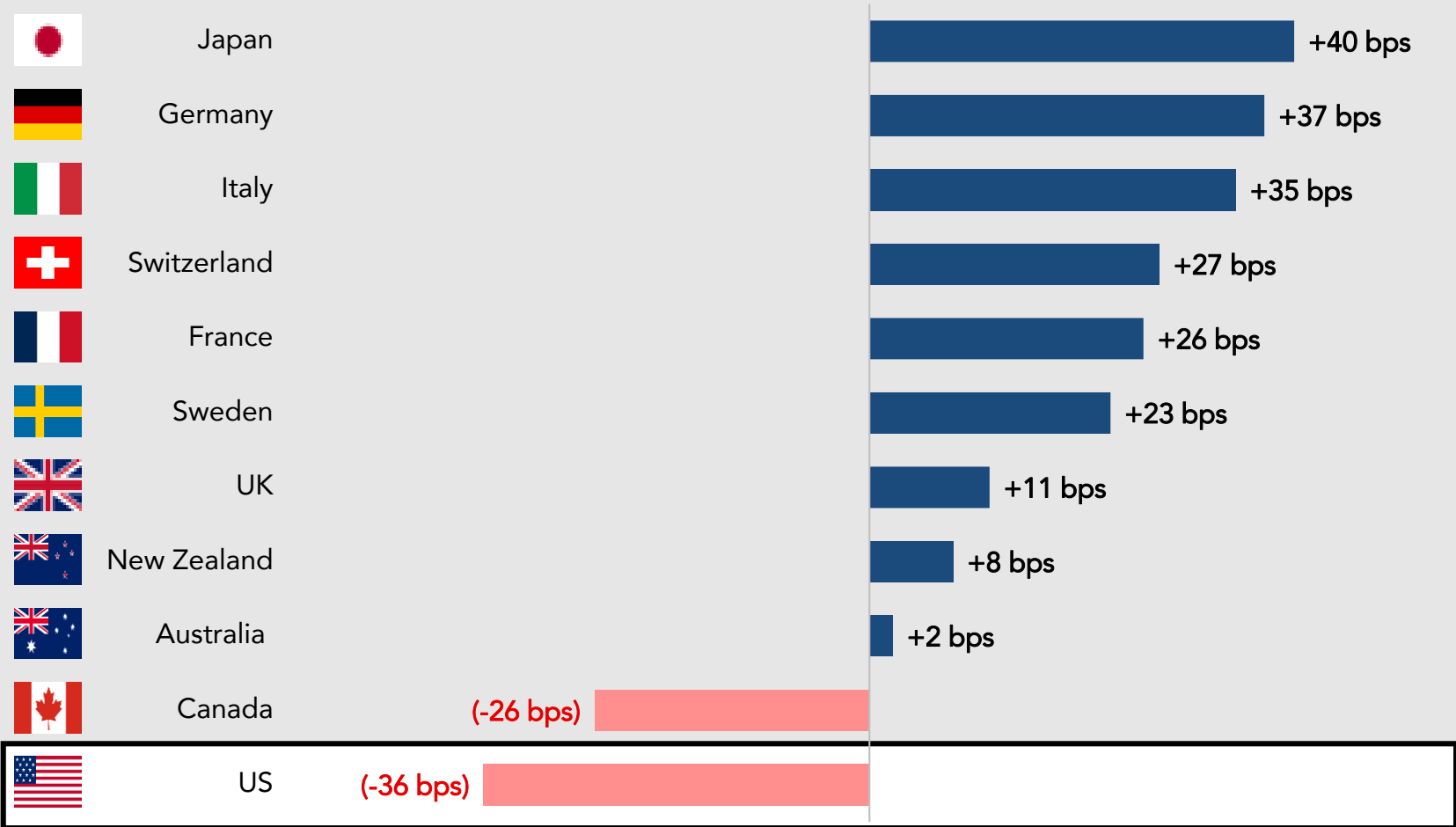
**3**

**US Rates Tighten  
on Growth  
Concerns**



# Divergent Global Bond Yields in Q1 2025

Change in global 10 year yields in Q1 2025

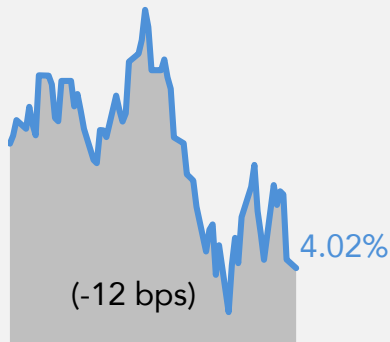


Source: (1) Bloomberg. Data as of March 31, 2025.

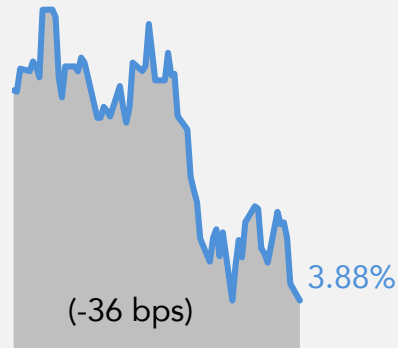
# Benchmark Treasury Yields Tighter, Despite Higher Inflation Breakevens

Tighter benchmark UST yields  
in Q1 2025

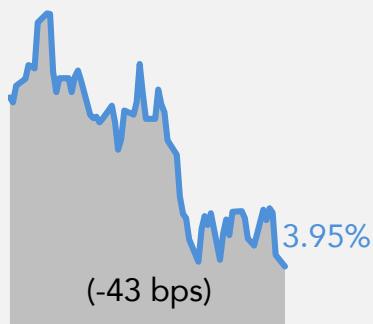
1 year UST



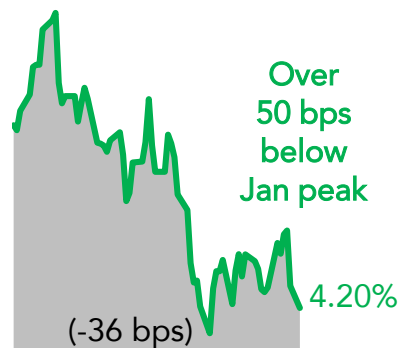
2 year UST



5 year UST

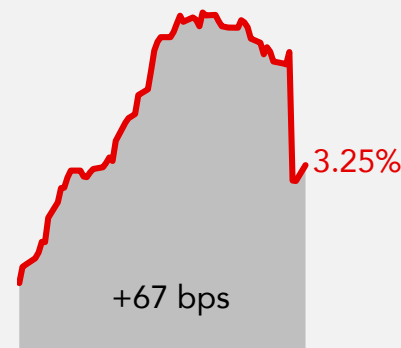


10 year UST

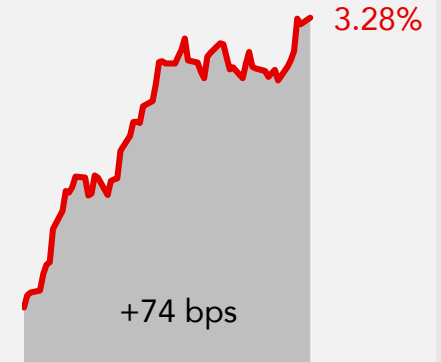


Higher inflation breakevens  
in Q1 2025

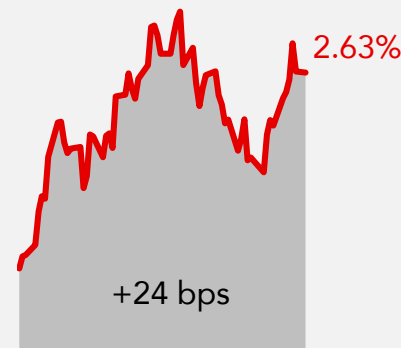
1 year US breakeven



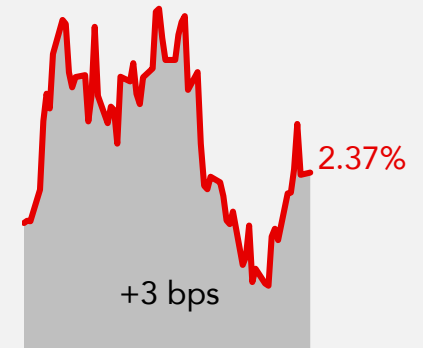
2 year US breakeven



5 year US breakeven



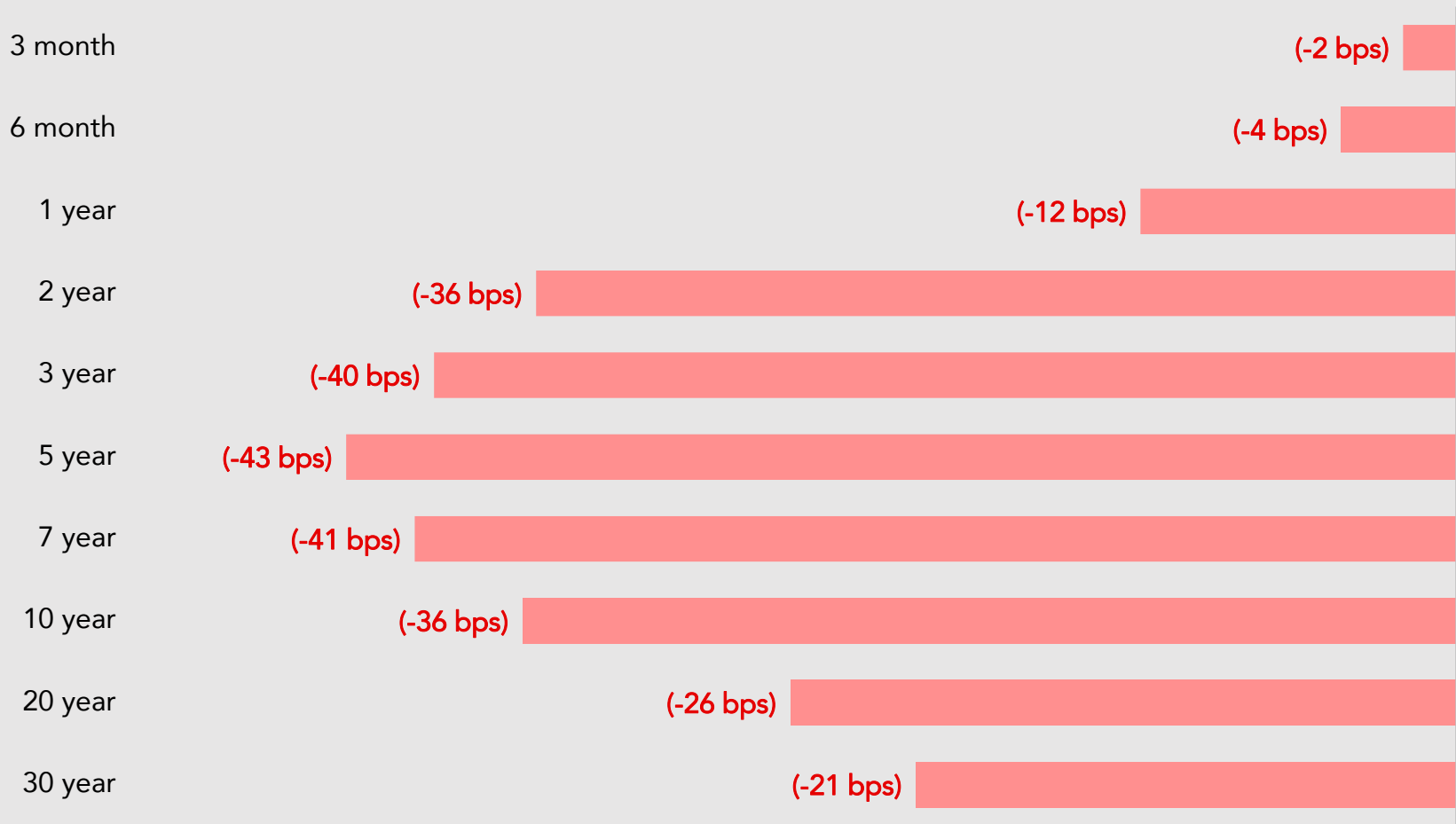
10 year US breakeven



Source: (1) Bloomberg. Data as of March 31, 2025.

# UST Yields Tighter in Q1 2025

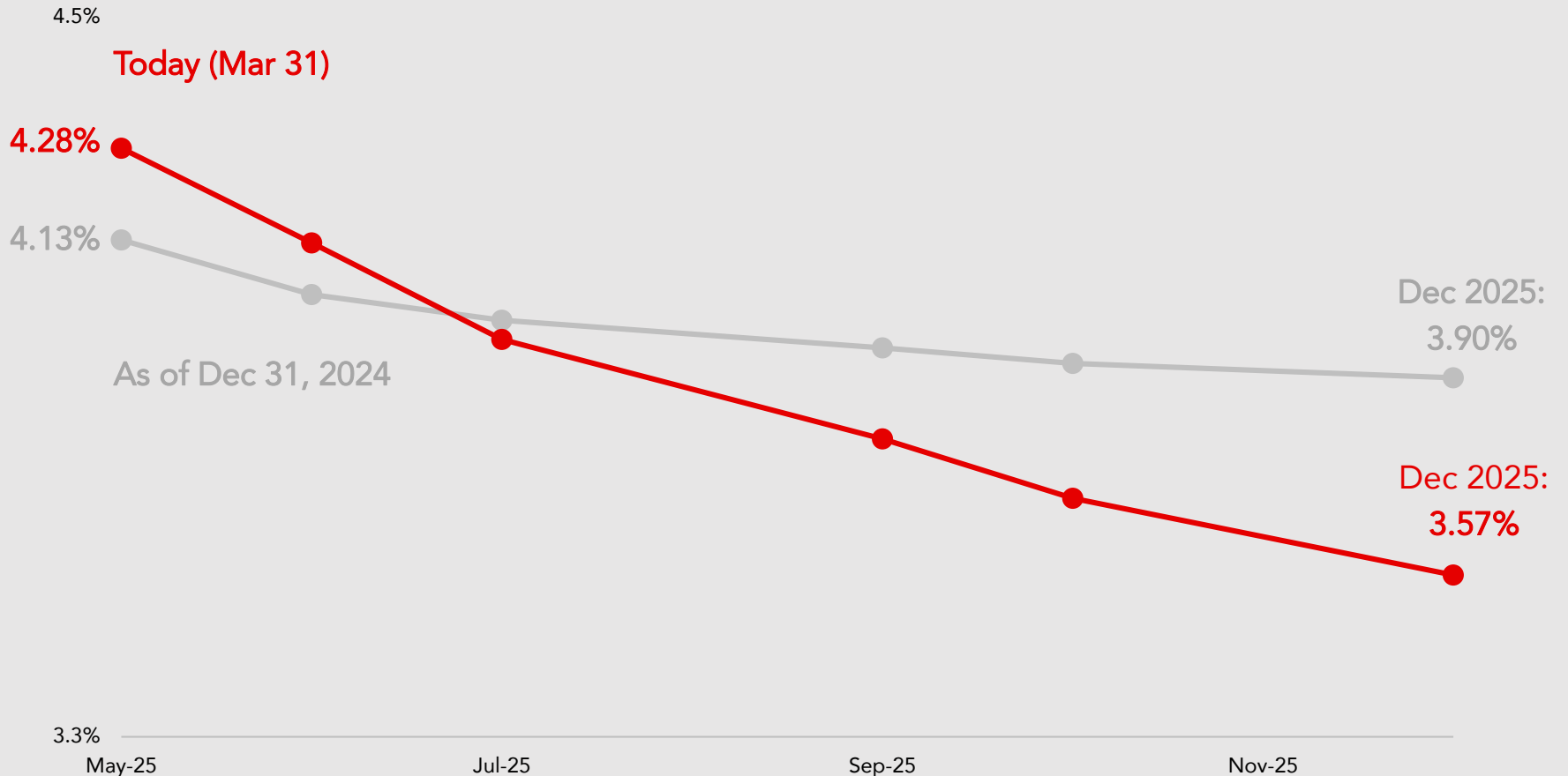
Change in UST rates in Q1 2025



Source: (1) Bloomberg. Data as of March 31, 2025.

# Fed Funds Futures Pricing More 2025 Policy Easing

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



Source: (1) Bloomberg. Data as of March 31, 2025.

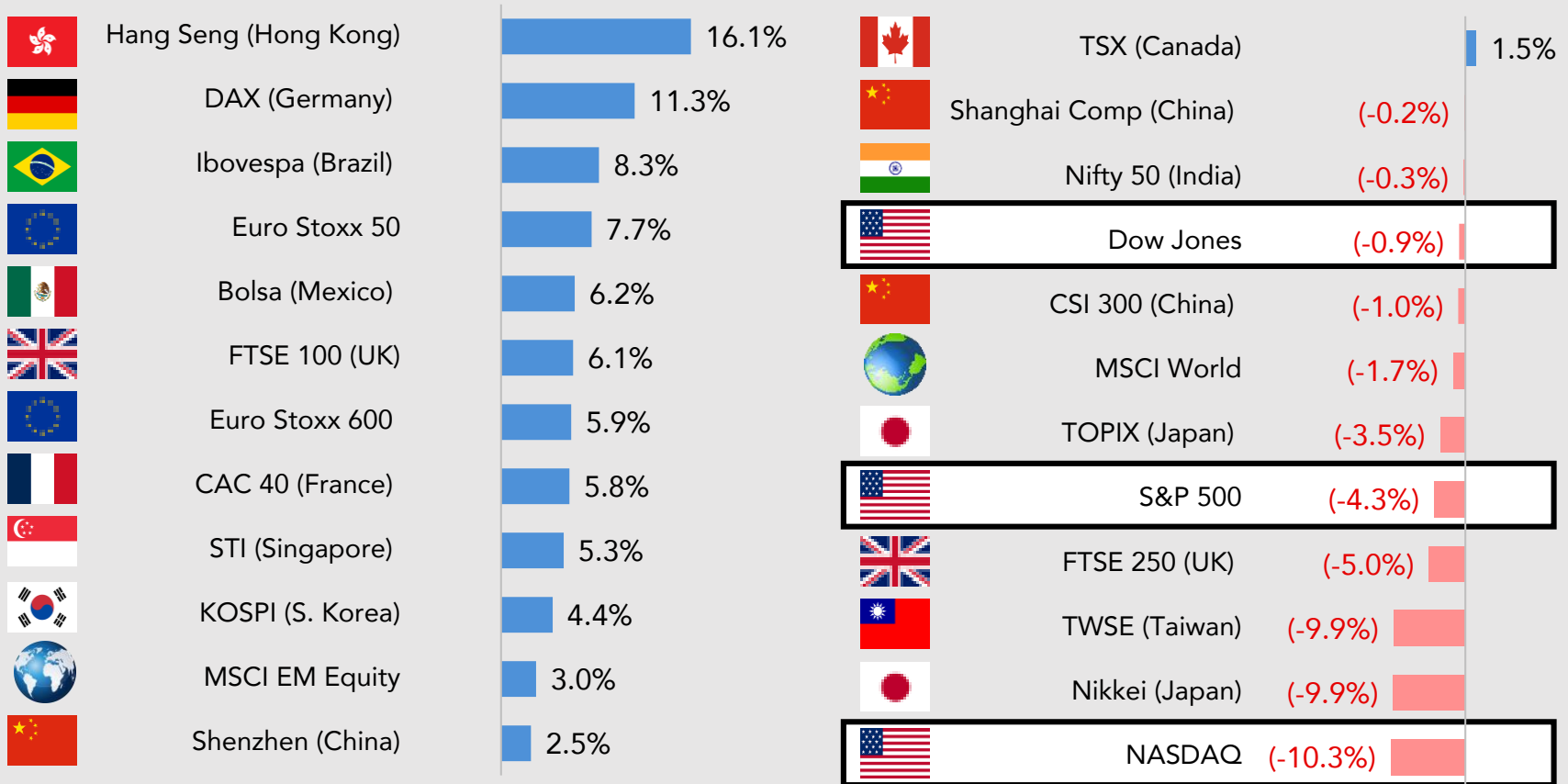
**4**

**Global Equities  
Outperformed  
US**



# Global Equities Outperformed US in Q1 2025

Regional equity market performance in Q1 2025 (total return)

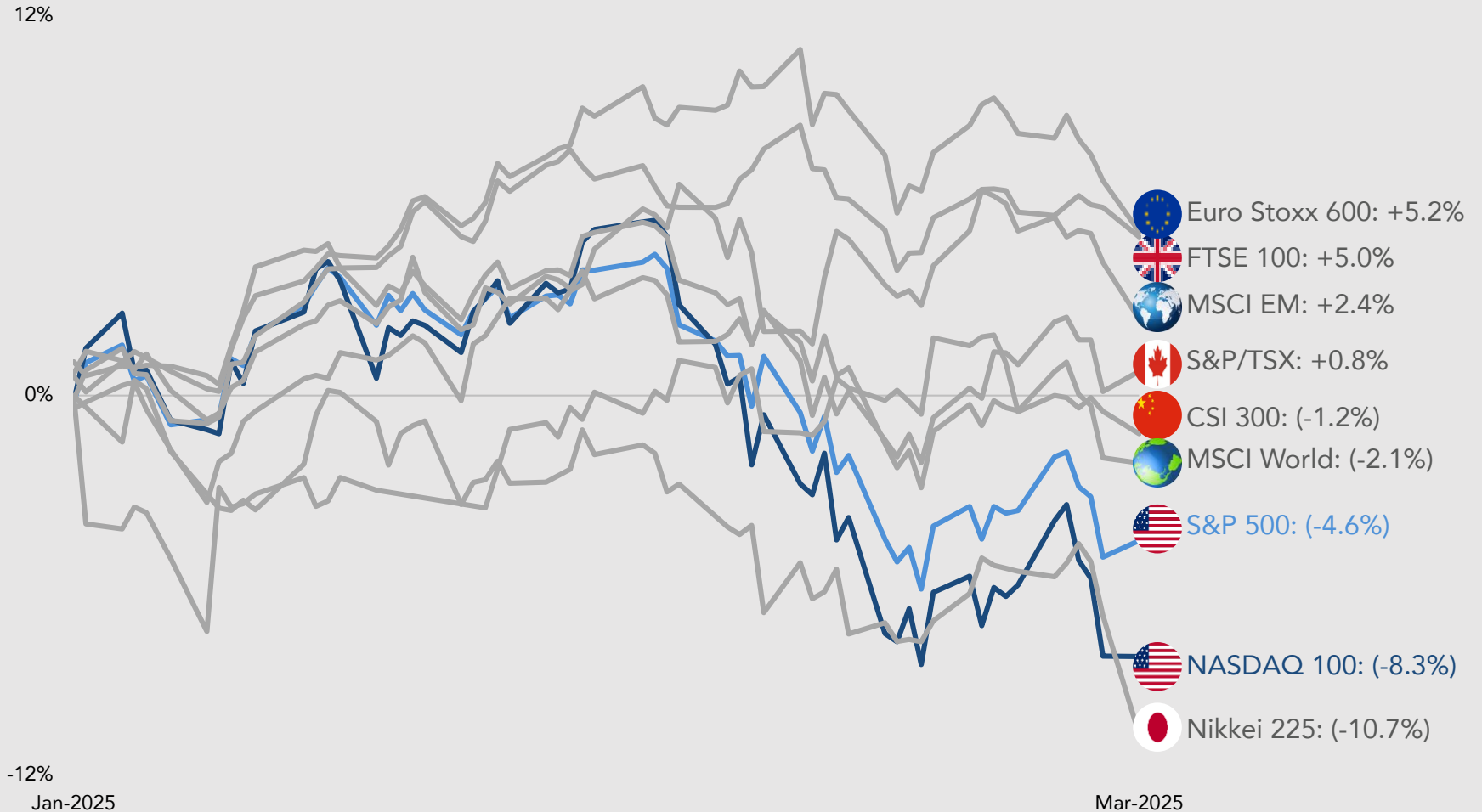


Source: (1) Bloomberg. Data as of March 31, 2025. Equity market performance is total returns.



# S&P Trailed Most Global Benchmarks in Q1 2025

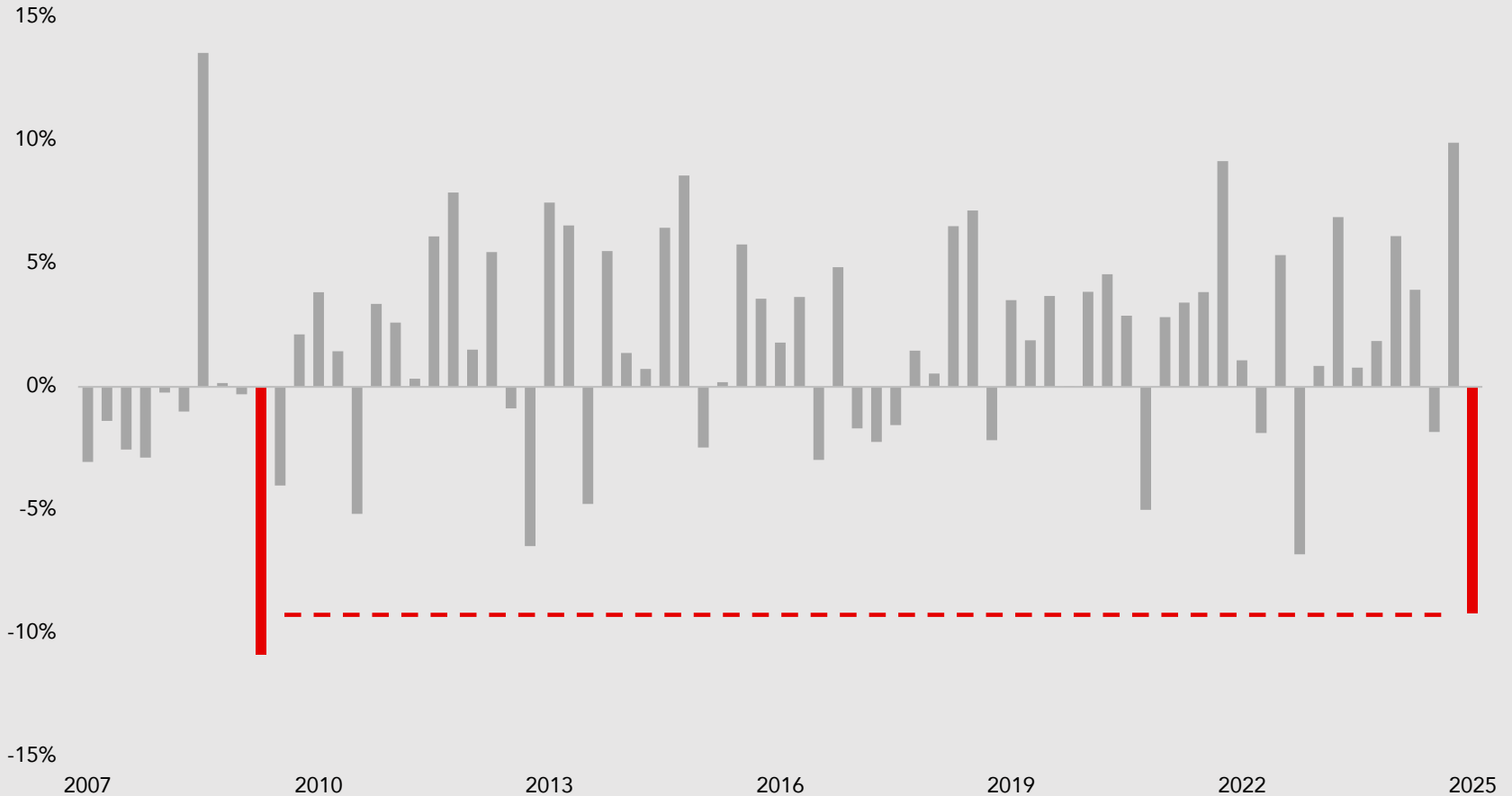
Global equity market performance in Q1 2025



Source: (1) Bloomberg. Data as of March 31, 2025. Graph shows price return, not total return.

# S&P Trailed Global Stocks in Q1 2025 by Largest Margin Since 2009

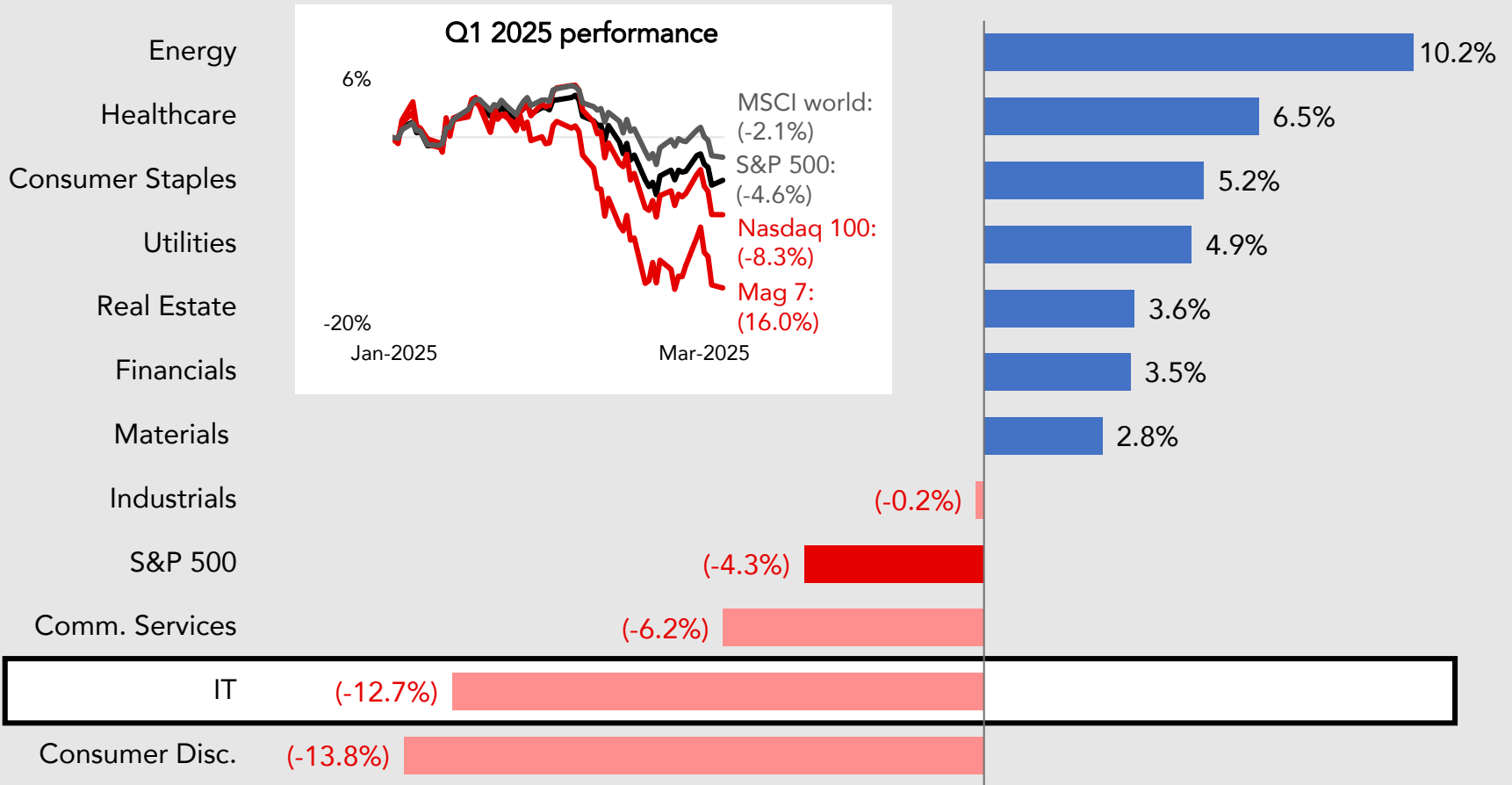
S&P 500 index – MSCI all country world (ex-US) index



Source: (1) Bloomberg. Data as of March 31, 2025.

# Worst Quarter for Tech Stocks Since 2022

S&P 500 industry sector performance in Q1 2025 (total return)

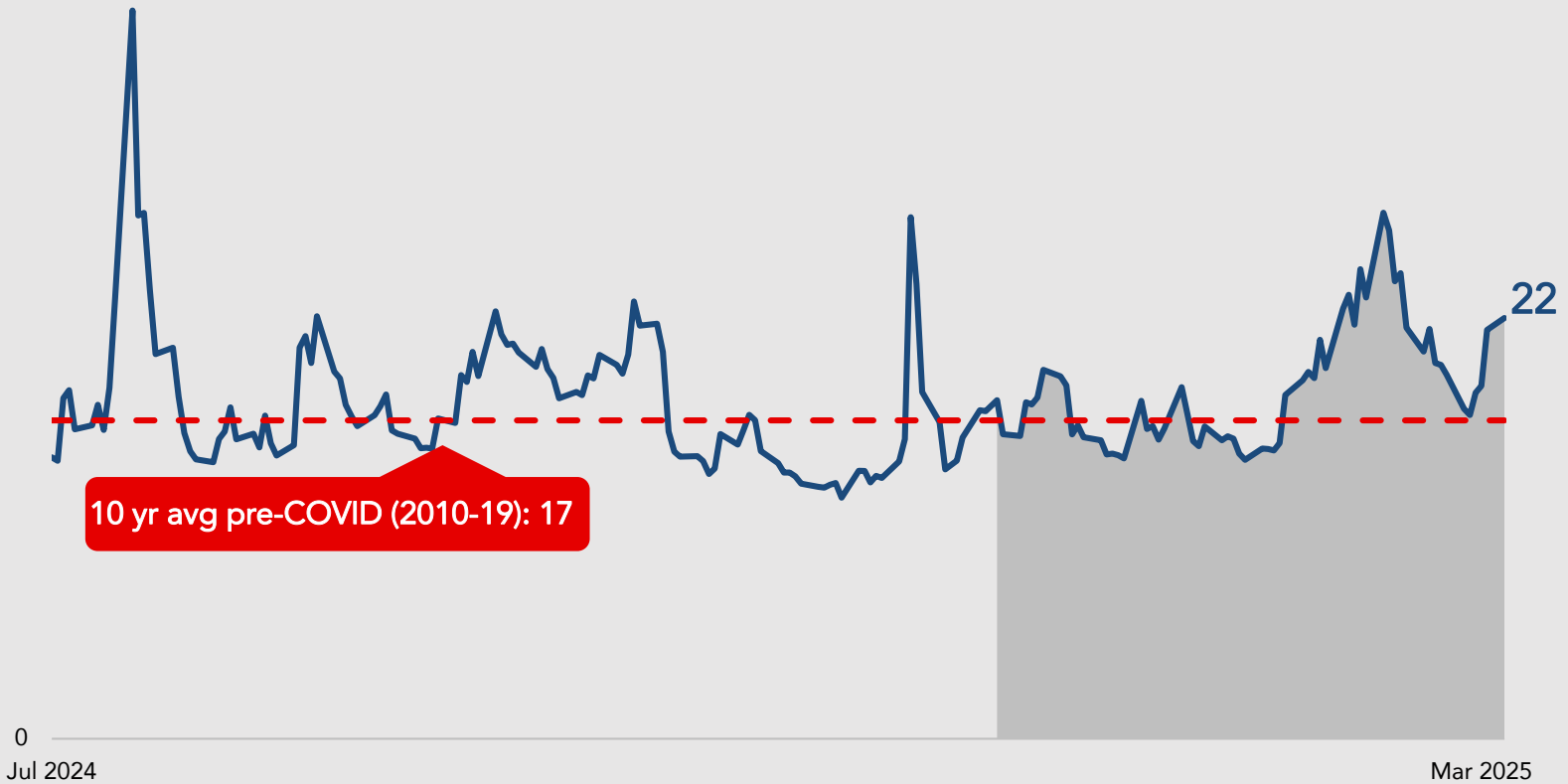


Source: (1) Bloomberg. Data as of March 31, 2025. Industry sector performance is total returns. Line chart is price return.

# Equity Volatility Well Above Long Term Average

VIX index

45



Source: (1) Bloomberg. Data as of March 31, 2025.

**5**

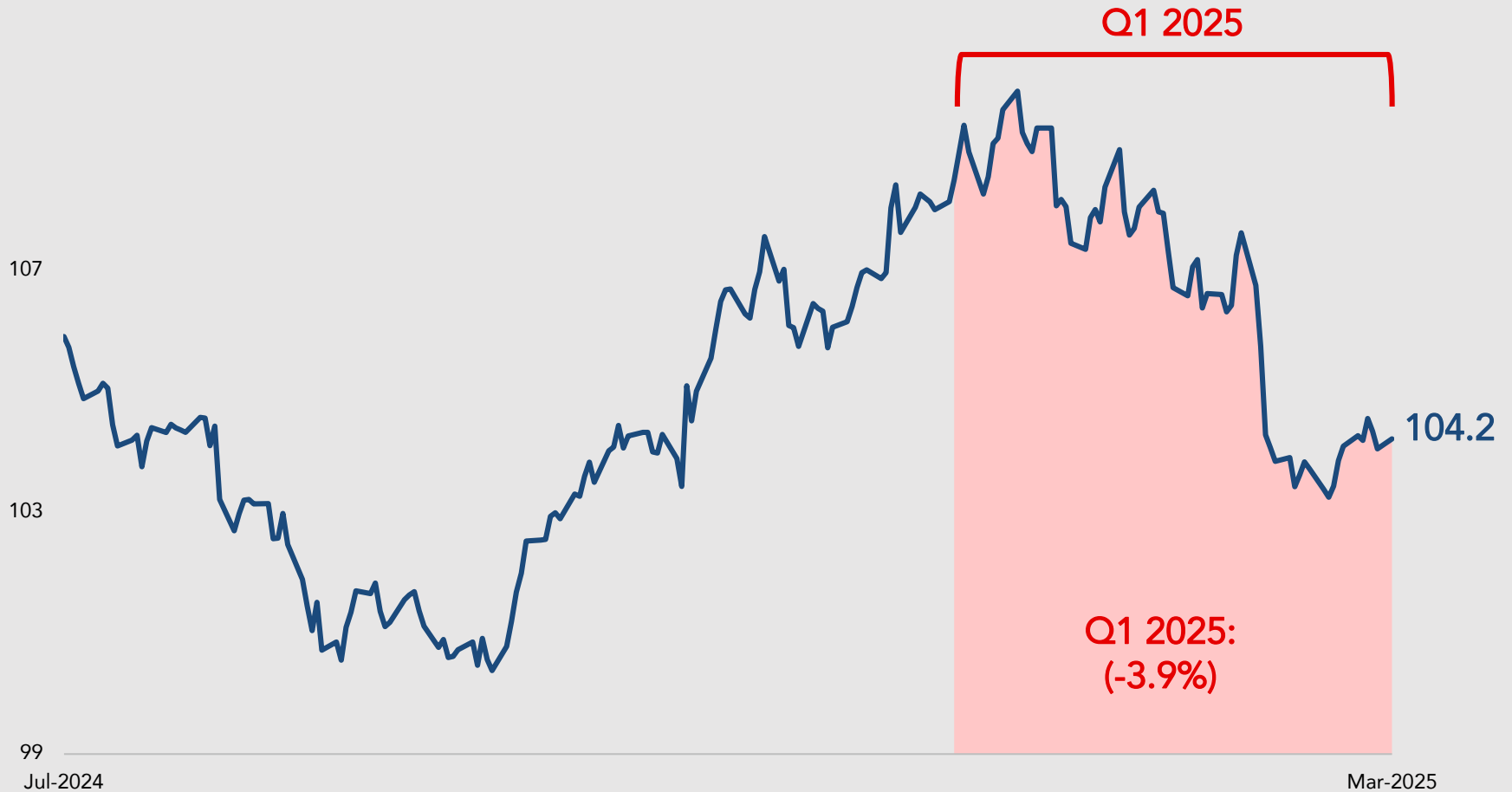
**Unexpected US  
Dollar Weakening**



# Sharpest Q1 Decline for USD Since 2017



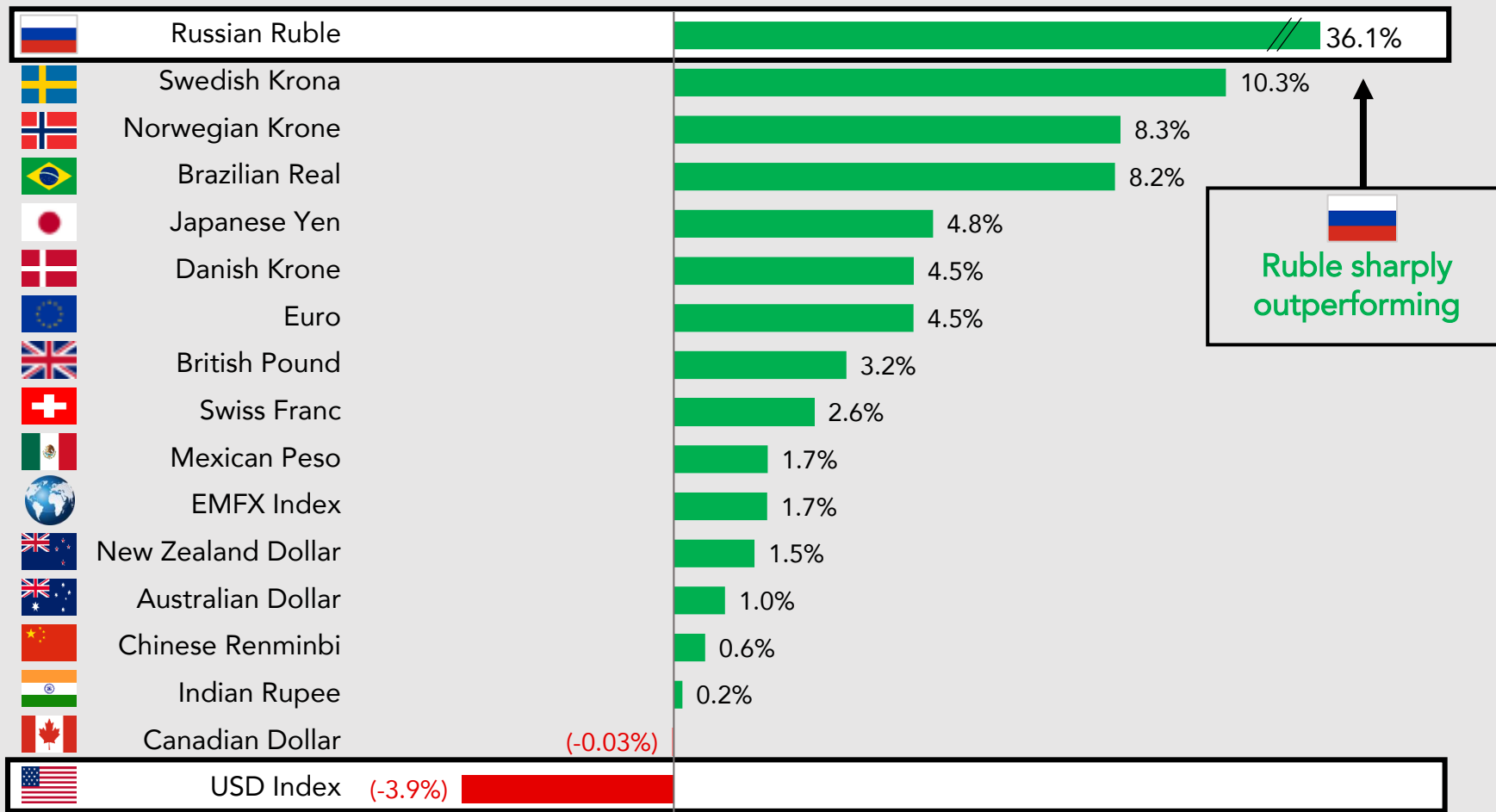
US Dollar index performance since January 2023



Source: (1) Bloomberg. Data as of March 31, 2025.

# Unexpected US Dollar Weakness in Q1 2025

Currency performance vs. USD in Q1 2025

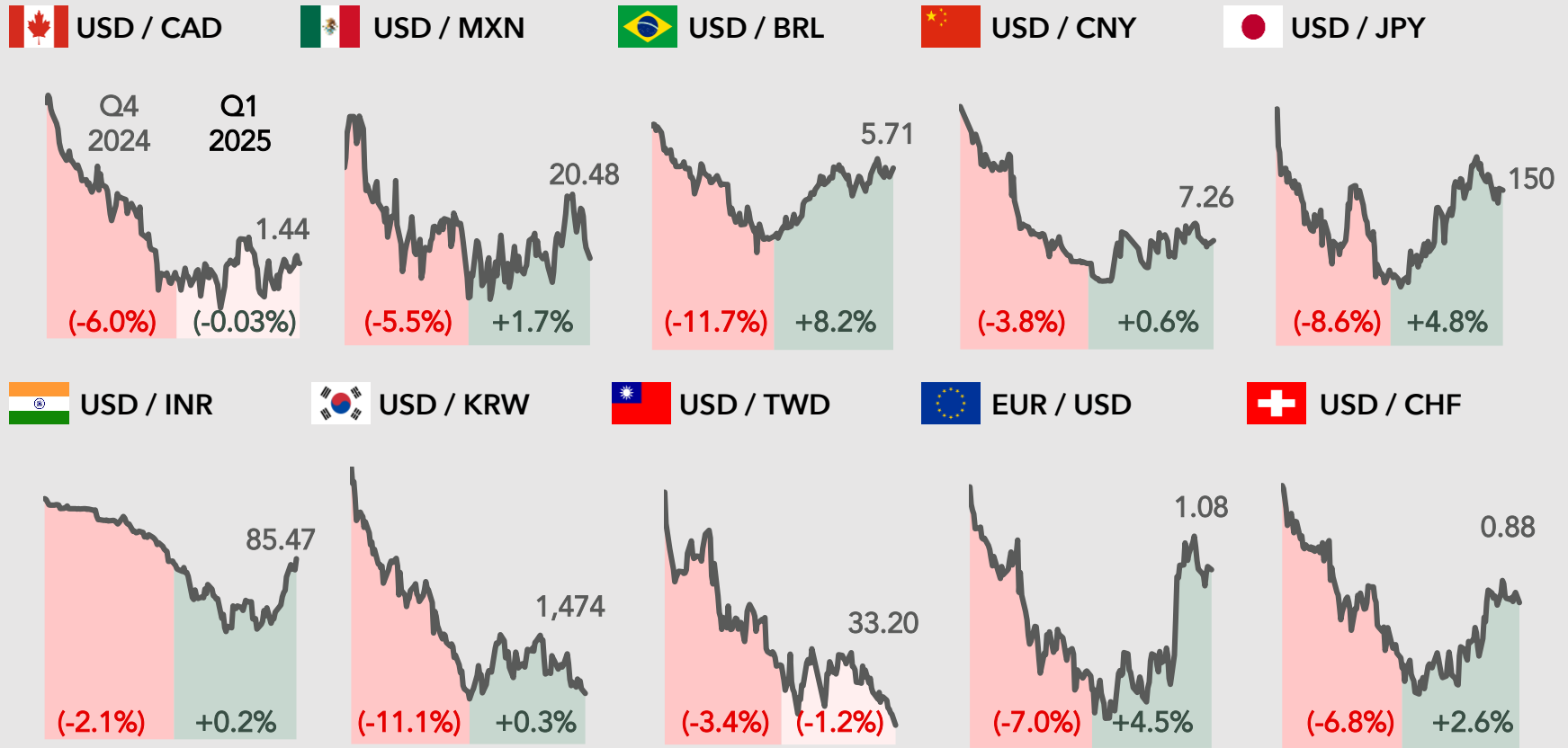


Source: (1) Bloomberg. Data as of March 31, 2025.

# Unexpected US Dollar Weakness in Q1 2025

Currency performance vs. US Dollar in Q4 2024 vs. Q1 2025

## Large Trade-Based Economies



Source: (1-10) Bloomberg. Data as of March 31, 2025. All currencies graphed vs. USD to show depreciation.



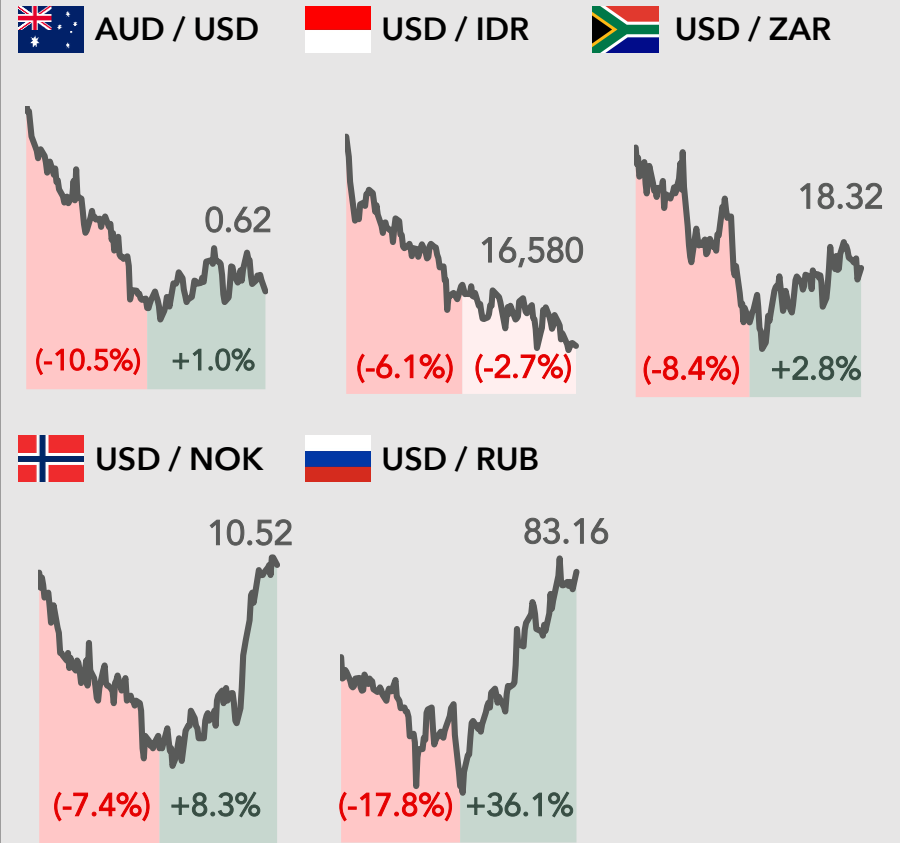
# Unexpected US Dollar Weakness in Q1 2025

Currency performance vs. US Dollar in Q4 2024 vs. Q1 2025

## Large Exporters of Steel & Aluminum to the US



## Major Commodity-Linked Currencies



Source: (1-11) Bloomberg. Data as of March 31, 2025. All currencies graphed vs. USD to show depreciation.

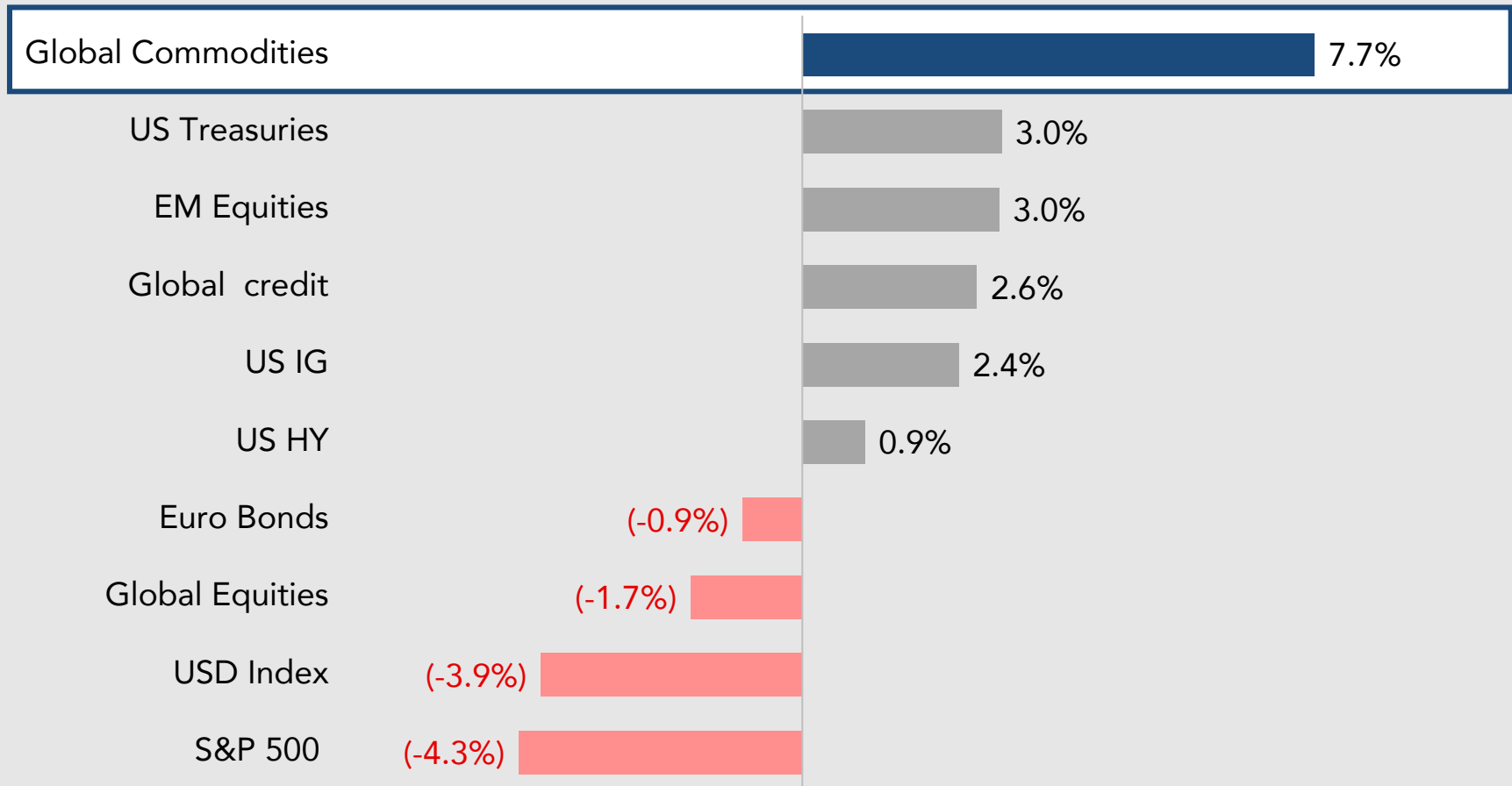
A hand is holding a transparent, rectangular tablet that displays a glowing world map. The map is semi-transparent and shows the outlines of continents with some internal grid lines. The background is dark and out of focus, showing a laptop keyboard and some blurred lights, suggesting a tech or business environment.

**6**

**Global  
Commodity  
Markets  
Outperformed**

# Global Commodities Outperformed Major Asset Classes in Q1 2025

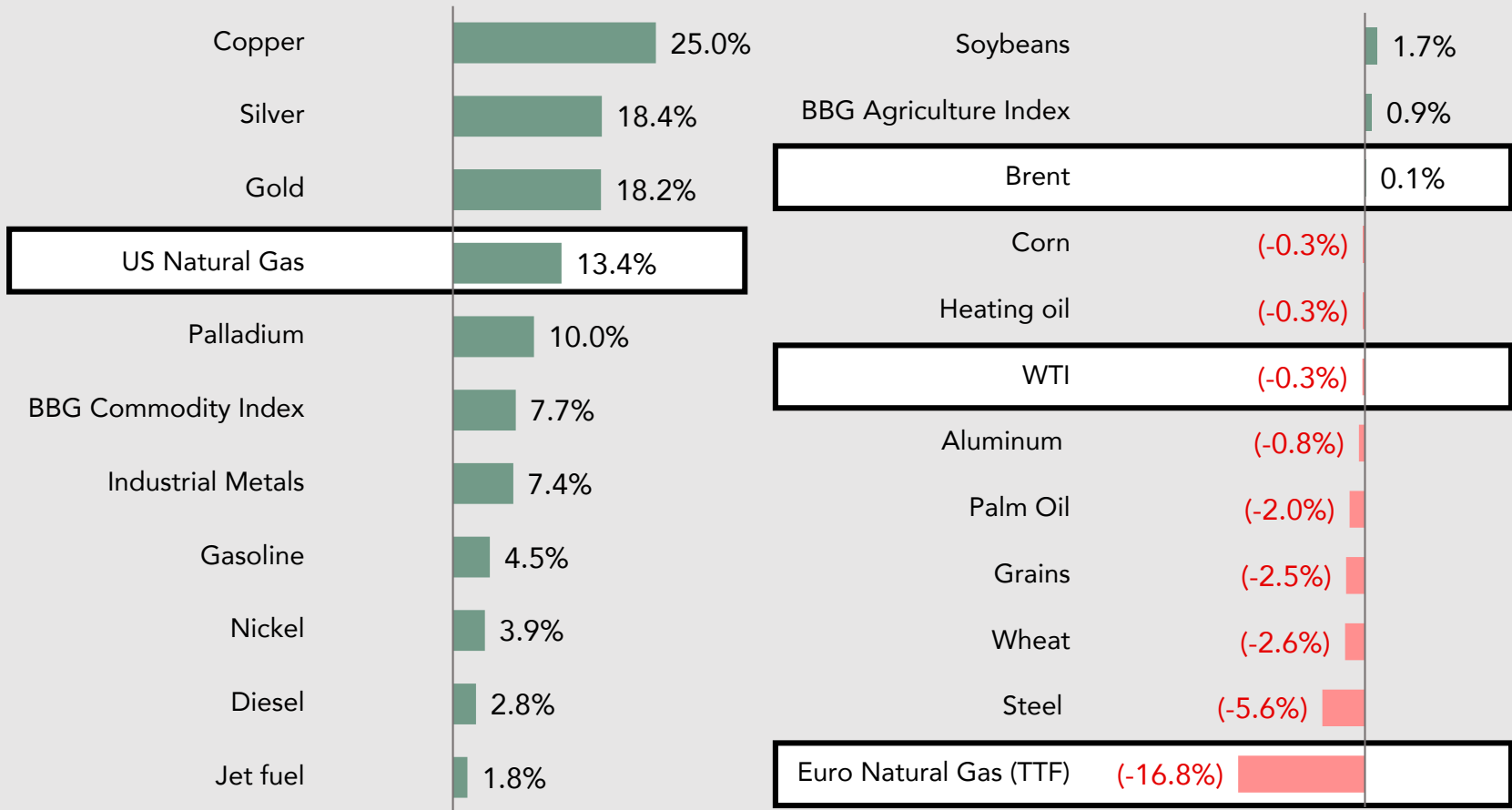
Q1 2025 total returns



Source: (1) Bloomberg. Data as of March 31, 2025.

# Copper Outperformed on Tariff Risk in Q1 2025

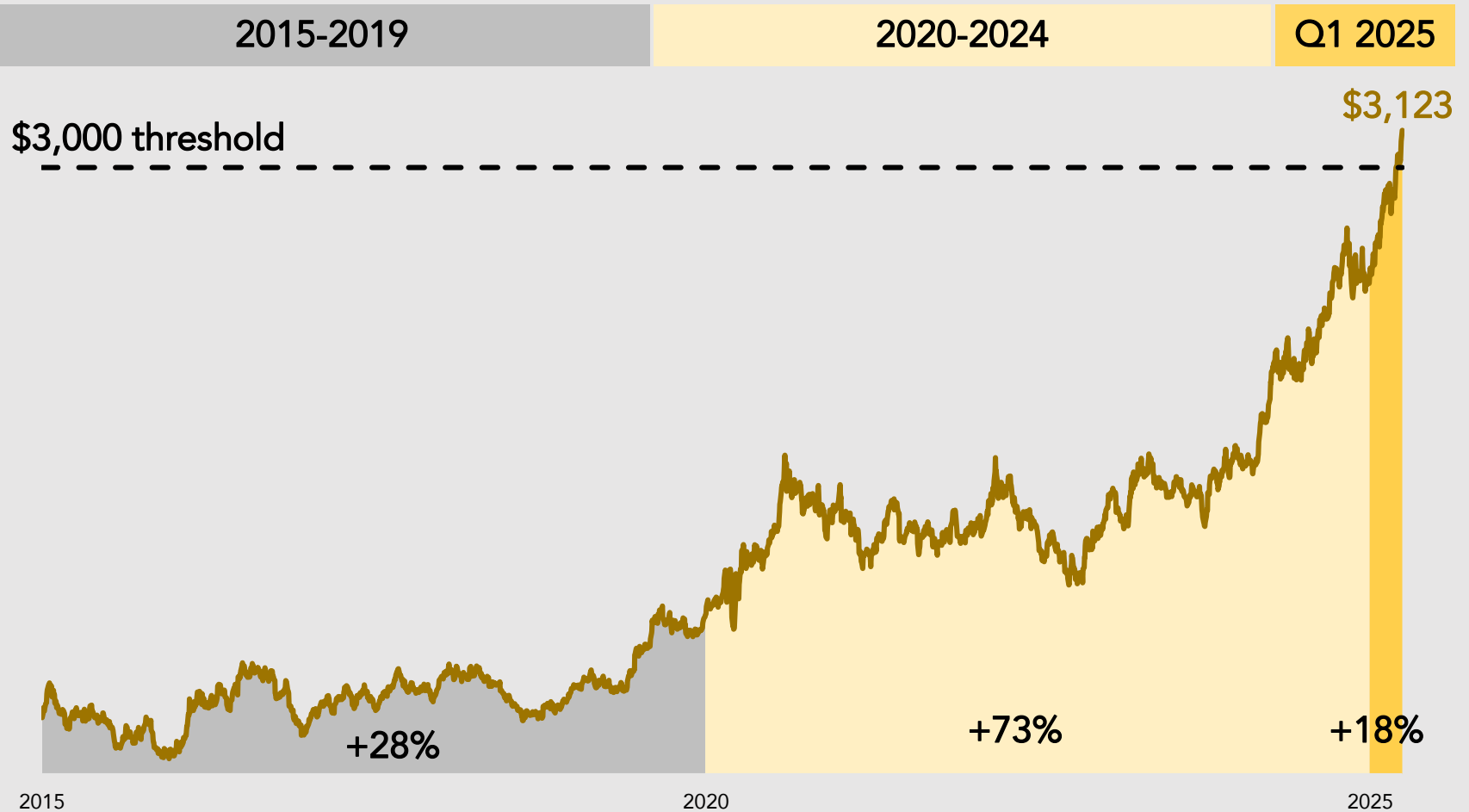
Commodity market performance in Q1 2025



Source: (1) Bloomberg. Data as of March 31, 2025. Commodities Index and Agriculture Index are total return.

# Gold Has Largest Quarterly Gain Since 2011, Reaching New Record High

Gold since 2015



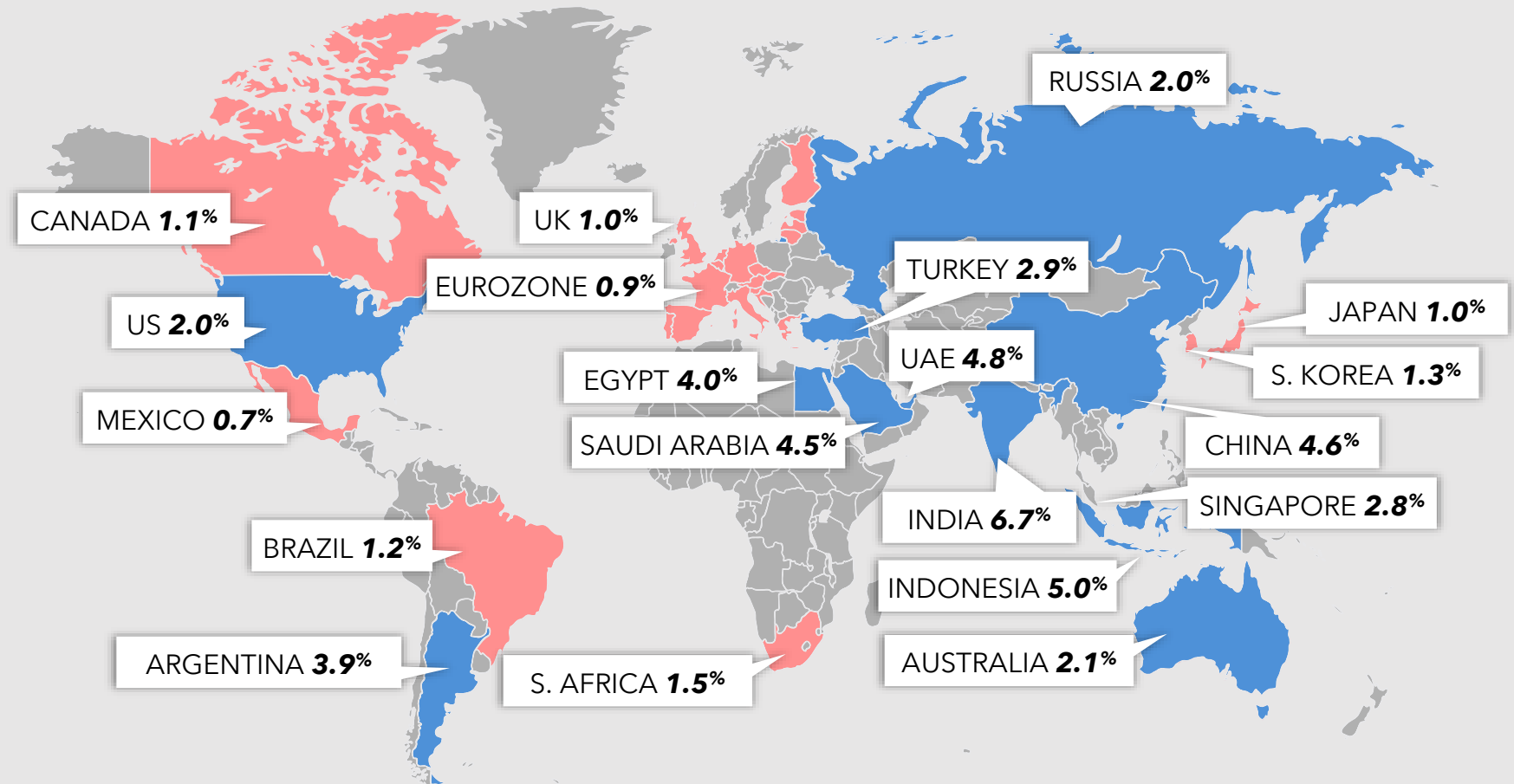
Source: (1) Bloomberg. Data as of March 31, 2025.

# Appendix

A hand is holding a transparent, rectangular tablet that displays a world map. The map is rendered in a light blue color with several glowing white nodes scattered across the continents, suggesting a global network or data flow. The tablet is held over the keyboard of a laptop, which is partially visible in the foreground. The background is dark and out of focus, with some blurred lights, possibly from a computer monitor or other devices, creating a high-tech, digital atmosphere.

# Subdued Global Economy in 2025

2025 GDP growth, y/y















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

# 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

GDP growth forecasts, y/y

Region / country	2024E	2025E	
<b>North America</b>			
 US	2.8%	2.0%	↓
 Canada	1.5%	1.1%	↓
 Mexico	1.2%	0.7%	↓
<b>Eurozone</b>			
 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%	↑
<b>Other Europe</b>			
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%)	↓
<b>APAC</b>			
 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%	1.3%	↓
New Zealand	(-0.3%)	1.2%	↑
 Japan	0.1%	1.0%	↑
<b>LatAm</b>			
Argentina	(-2.0%)	3.9%	↑
Chile	2.3%	2.4%	↑
Colombia	1.7%	2.0%	↑
 Brazil	2.9%	1.2%	↓
<b>MENA</b>			
UAE	3.8%	4.8%	↑
Saudi Arabia	1.4%	4.5%	↑
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 April 1, 2025.



# 2025 Global Currency Forecasts

Currency pair	Spot (Apr 1)	Q2 2025	Q3 2025	Q4 2025	Q1 2026
EUR / USD	1.08	1.06	1.08	1.10	1.14
GBP / USD	1.29	1.29	1.29	1.32	1.36
USD / JPY	149	152	150	148	146
USD / CNY	7.27	7.40	7.40	7.35	7.30
AUD / USD	0.63	0.61	0.63	0.65	0.66
NZD / USD	0.57	0.56	0.57	0.58	0.60
USD / CAD	1.43	1.48	1.47	1.42	1.38
USD / NOK	10.46	10.94	10.65	10.36	9.83
USD / SEK	10.14	10.47	10.37	10.00	9.47
USD / CHF	0.88	0.89	0.86	0.85	0.83
USD / MXN	20.38	20.75	21.00	20.75	20.50
USD / BRL	5.68	5.85	5.90	6.00	6.05
USD / CLP	946	965	980	990	1,000

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

# 2025 MUFG Global Rates Forecasts

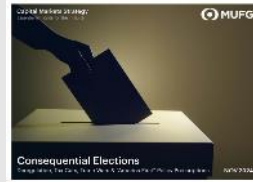
	Spot (Apr 1)	Q2 2025		Q3 2025		Q4 2025		Q1 2026	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.25%	4.40%	4.25%	4.20%	4.00%	4.05%	3.75%	3.90%
2 yr UST	3.85%	4.00%	4.01%	4.13%	3.91%	3.88%	3.82%	3.75%	3.78%
5 yr UST	3.90%	4.13%	4.10%	4.25%	4.07%	4.13%	4.03%	4.00%	4.00%
<b>10 yr UST</b>	4.15%	<b>4.25%</b>	<b>4.33%</b>	<b>4.38%</b>	<b>4.31%</b>	<b>4.25%</b>	<b>4.29%</b>	<b>4.13%</b>	<b>4.26%</b>
30 yr UST	4.51%	4.50%	4.57%	4.63%	4.54%	4.63%	4.52%	4.50%	4.55%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of March 31, 2025. Fed funds is upper bound.

# 2025 MUFG Commodities Forecasts

	Spot (Apr 1)	Q2 2025		Q3 2025		Q4 2025		Q1 2026	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	<b>\$71</b>	\$64	\$69	\$69	\$69	\$72	\$69	N/A	\$68
Brent	<b>\$75</b>	\$69	\$73	\$74	\$73	\$77	\$72	N/A	\$72
US Nat Gas	<b>\$3.99</b>	\$2.90	\$3.50	\$2.70	\$3.50	\$2.90	\$3.70	N/A	\$3.75
Euro Nat Gas	<b>€42</b>	€38	€43	€33	€40	€29	€42	N/A	€40

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



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