

Capital Markets Strategy

Essential inCights for the C-Suite

A classical oil painting portrait of William McKinley, showing him from the chest up. He is a middle-aged man with light hair, looking directly at the viewer with a serious expression. He is wearing a dark suit jacket over a white shirt and a dark bow tie. The background is dark and textured.

The Long Shadow of William McKinley

A New & More Expansive Acceleration in Trade War 2.0

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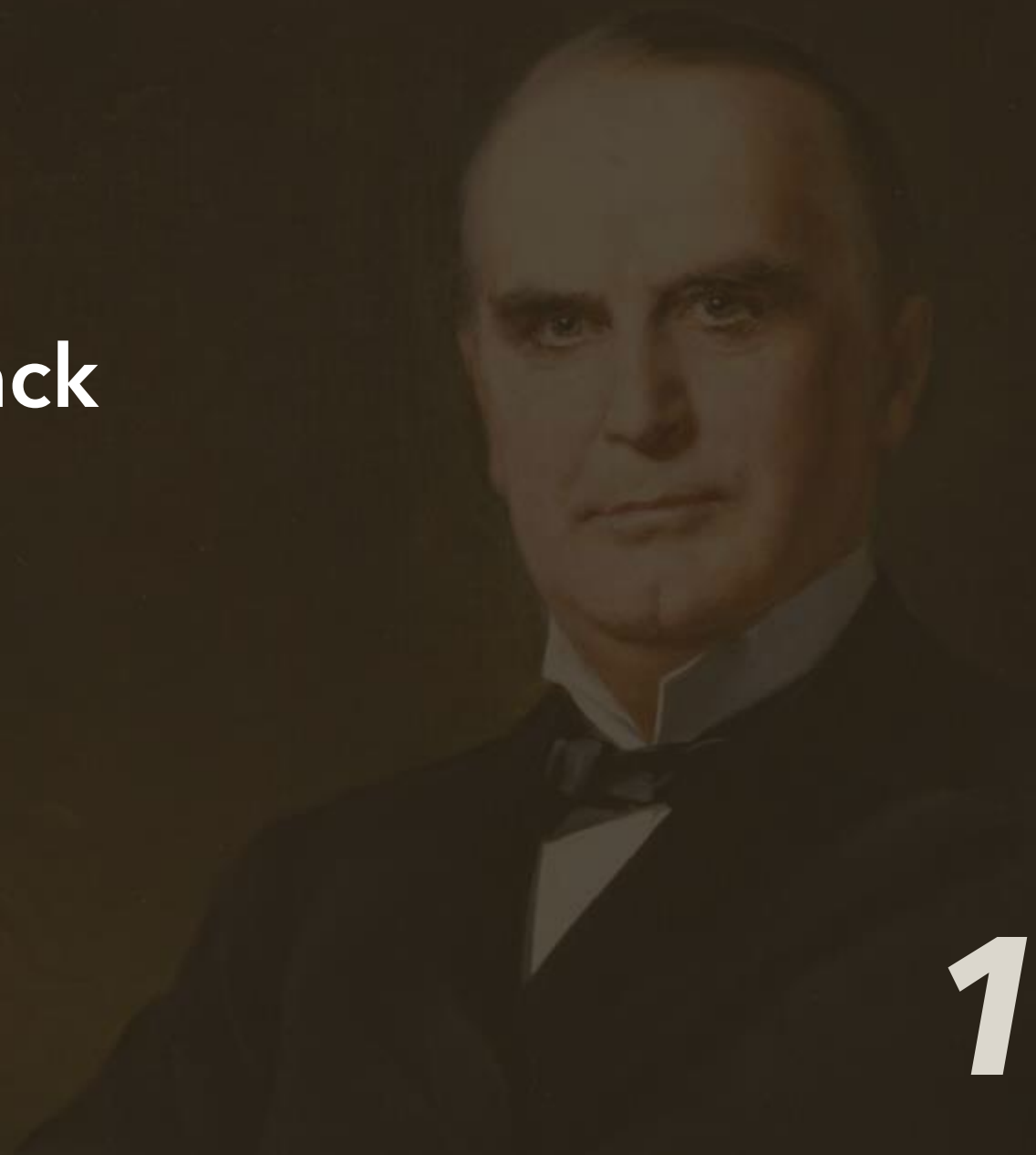
Trade War 2.0 is Different

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Stepping Back in Time



Highest Tariffs Since Late 19th Century

Average tariff rate on all imports

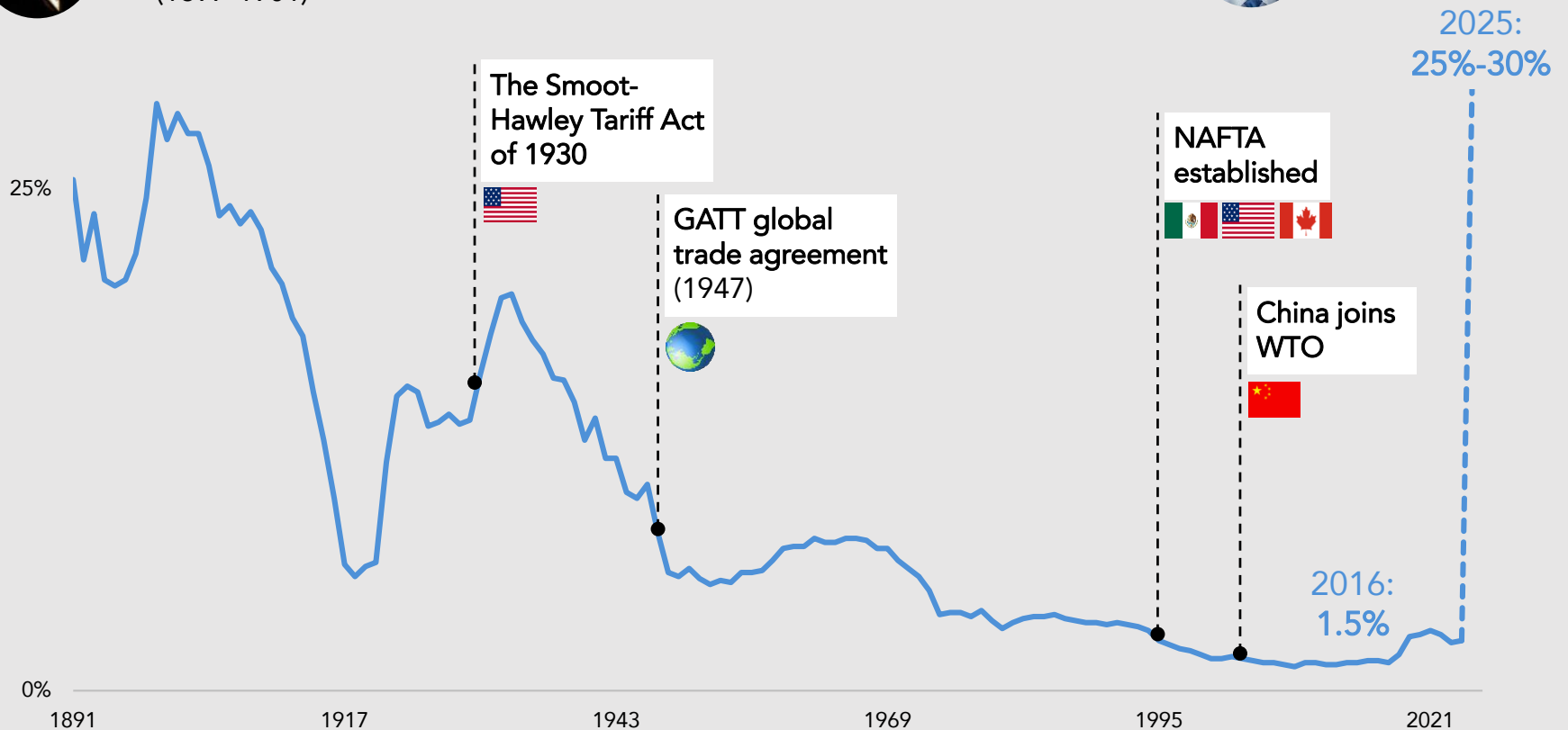
130 Year
High



William McKinley
Presidency
(1897-1901)



Donald Trump
Presidency



Source: (1) US International Trade Commission, "US Imports for Consumption, Duties Collected, and Ratio of Duties to Value." Table 1. US Census Bureau. The Tax Foundation, "Trump Tariffs: Tracking the Economic Impact of the Trump Trade War." 2025 rate is an estimate.

Trade War 2.0 is Different

Liberation Day was a significant day, but just another day in a new economic paradigm that is still in its early stages.



— **Frequency:** New tariff announcements every 3 days between Inauguration and Liberation Day (10 weeks)



— **Timing:** Immediate implementation



— **Pervasive:** Less “Art of the Deal” escalate to de-escalate



— **Philosophical:** More of an economic philosophy



— **Tactical:** More tactical than strategic, but direction of travel is clear



— **Low visibility:** Modification authority to tactically increase or decrease



— **Not just about trade:** Multi-layered tariff tools with different objectives

- Universal, reciprocal, sector, secondary and policy-based tariffs



— **Permanence:** Many of the tariffs are here to stay

**Liberation Day is
Just Another Day**

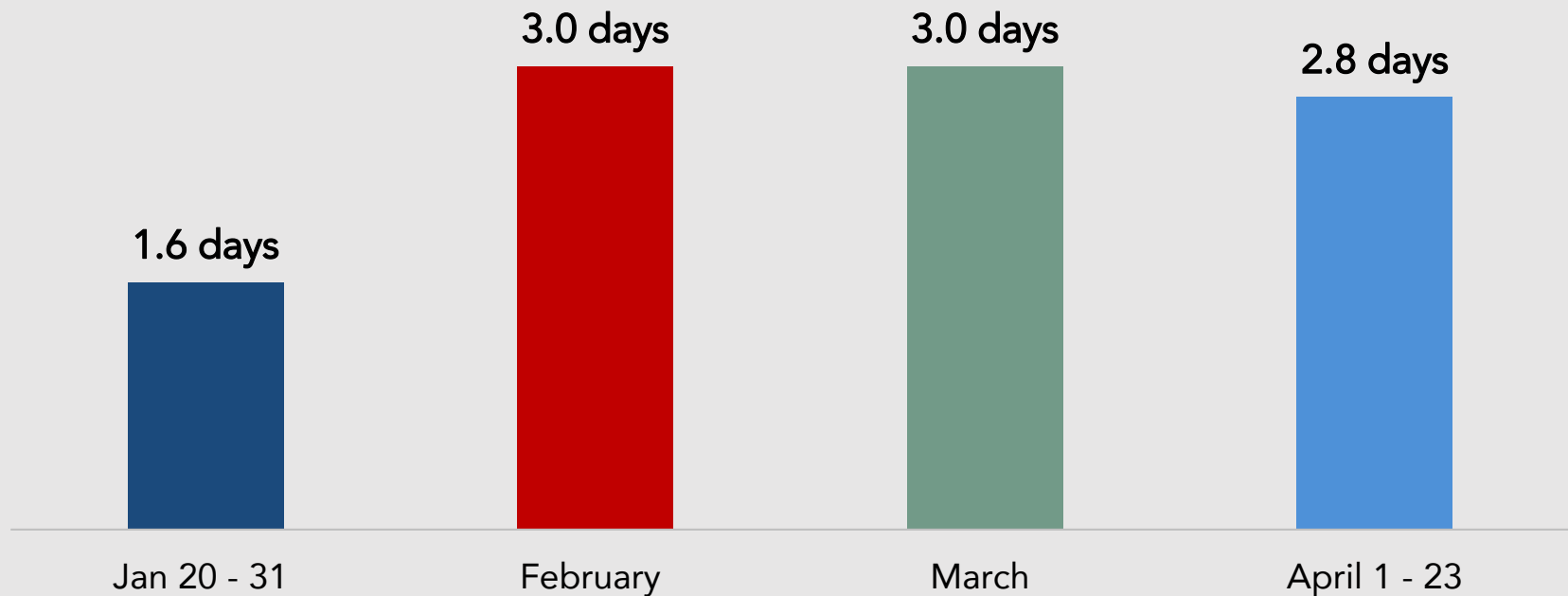
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Trump's Liberation Day Happens Every 3 Days



President Trump's daily trade policy execution may be unpredictable, but the direction of travel is clear. Two steps forward, one step back, two steps forward. Following the Rose Garden debacle on April 2nd, it took less than 7 days for the President to retreat on his comprehensive reciprocal tariff regime. However, the rollout of sector based tariffs has continued in its place. Since President Trump's Inauguration on January 20th, 12 weeks ago, there have been significant new tariff policy announcements every 2-3 days on average. In each of the last three days alone, President Trump has announced significant policy escalation across semiconductors, pharmaceuticals and critical minerals. We expect this pattern to continue - less Art of the Deal, more paradigm shift.

Average # of days between President Trump tariff announcements or threats





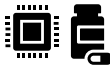




Trump's Liberation Day Happens Every 3 Days



Detailed breakdown of announced / threatened tariff actions

of days since
prior tariff escalation

| | | | |
|---|--------|--------|---|
|  | JAN 20 | — | President Trump issues "America First Trade Policy" Executive Order requiring a review of global trade imbalances and US tariff recommendations by Apr 1 |
|  | JAN 21 | 1 DAY | President Trump threatens 25% tariffs on Canada and Mexico |
|  | JAN 22 | 1 DAY | President Trump threatens new tariffs on Russia |
|  | JAN 23 | 1 DAY | President Trump threatens tariffs on Europe |
|  | JAN 27 | 4 DAYS | President Trump threatens tariffs on computer chips and pharma |
|  | JAN 27 | 4 DAYS | President Trump threatens 25% tariffs on Colombia to accept deportation flights |
|  | JAN 28 | 1 DAY | President Trump threatens BRICS nations with a 100% tariffs if they move away from the USD as reserve currency |













JANUARY 1.6 DAYS Average # of days between tariff threats and escalations

Trump's Liberation Day Happens Every 3 Days



Detailed breakdown of announced / threatened tariff actions

of days since
prior tariff escalation

| | | | |
|---|--------|--------|--|
|  | FEB 1 | 4 DAYS | President Trump announces 10% tariffs on China |
|  | FEB 1 | 4 DAYS | President Trump announces 25% tariffs on Canada and Mexico |
|  | FEB 3 | 2 DAYS | President Trump threatens 25% tariffs on the EU |
|  | FEB 3 | 2 DAYS | President Trump announces 30-day pause of 25% tariffs on Canada and Mexico |
|  | FEB 4 | 1 DAY | President Trump suspends de minimis , a type of duty-free treatment |
|  | FEB 10 | 6 DAYS | President Trump announces 25% tariffs on steel and aluminum |
|  | FEB 13 | 3 DAYS | President Trump announces a policy of reciprocal tariffs on countries that tax US imports |
|  | FEB 14 | 1 DAY | President Trump threatens 25% tariffs on auto |
|  | FEB 18 | 4 DAYS | President Trump threatens 25%+ tariffs on autos , semiconductors and pharma |
|  | FEB 21 | 3 DAYS | President Trump mandates investigations and threatens tariffs against countries with digital service taxes (DSTs) |
|  | FEB 25 | 4 DAYS | President Trump orders new investigation on tariffs on copper |
|  | FEB 27 | 2 DAYS | President Trump announces additional 10% tariff on China |











FEBRUARY 3.0 DAYS Average # of days between tariff threats and escalations

Trump's Liberation Day Happens Every 3 Days



Detailed breakdown of announced / threatened tariff actions

of days since
prior tariff escalation

| | | | |
|---|--------|---------|---|
|  | MAR 1 | 2 DAYS | President Trump order new investigation on tariffs on timber and lumber |
|  | MAR 4 | 3 DAYS | President Trump threatens 25% tariffs on copper and lumber |
|  | MAR 4 | 3 DAYS | President Trump threatens reciprocal tariffs on April 2 on any trading partner that charges tariffs or imposes other trade barriers on US products |
|  | MAR 5 | 1 DAY | President Trump announces 30-day pause of tariffs on autos from Canada and Mexico |
|  | MAR 6 | 1 DAY | President Trump announces 30-day pause of tariffs on goods that fall under the USMCA trade agreement from Canada and Mexico |
|  | MAR 7 | 1 DAY | President Trump threatens Russia with tariffs over the war with Ukraine |
|  | MAR 11 | 4 DAYS | President Trump threatens 50% tariffs on steel and aluminum |
|  | MAR 13 | 2 DAYS | President Trump threatens 200% tariffs on wine and spirits from the EU |
|  | MAR 24 | 11 DAYS | President Trump announces 25% tariff on goods from any country that buys oil or gas from Venezuela |
|  | MAR 26 | 2 DAYS | President Trump announces 25% tariffs on autos |











MARCH **3.0 DAYS** Average # of days between tariff threats and escalations

Trump's Liberation Day Happens Every 3 Days



Detailed breakdown of announced / threatened tariff actions

of days since
prior tariff escalation

| | | | |
|---|--------|--------|--|
|  | APR 2 | 7 DAYS | Liberation Day: President Trump announces more expansive wave of tariff escalation |
|  | APR 7 | 5 DAYS | President Trump announces additional 50% tariff on China |
|  | APR 8 | 1 DAY | President Trump threatens tariffs on pharma |
|  | APR 9 | 1 DAY | President Trump announces 125% reciprocal tariff rate on China |
|  | APR 9 | 1 DAY | President Trump announces 90-day pause on reciprocal tariffs for all countries, excluding China |
|  | APR 11 | 2 DAYS | President Trump announces temporary exemption from tariffs for key electronics & semiconductors |
|  | APR 13 | 2 DAYS | President Trump threatens tariffs on semiconductors |
|  | APR 14 | 1 DAY | President Trump announces Sec 232 investigations for pharma & semiconductors began on April 1 |
|  | APR 15 | 1 DAY | President Trump announces Sec 232 investigations for critical minerals |
|  | APR 17 | 2 DAYS | President Trump announce levies on Chinese vessels docking at US ports |
|  | APR 23 | 6 DAYS | President Trump announces potential exemptions for auto companies |

APRIL 2.8 DAYS Average # of days between tariff threats and escalations

Sooner This Time

3

Immediate Implementation This Time

By relying heavily on the 1977 IEEPA provisions in Trade War 2.0, President Trump can:

- Avoid the one year review and investigation periods
- Utilize modification authority to increase or decrease tariffs as needed
- Implement tariffs immediately

9-12 month investigation periods
required by US trade law
provisions utilized in 2018-19

Section 301,
Trade Act of 1974

Section 232,
Trade Expansion Act of 1962

Section 201,
Trade Act of 1974

No investigation period required
in expected trade law
provisions used in 2025

Section 203, International Emergency
Economic Powers Act of 1977 (IEEPA)

Section 338,
Tariff Act of 1930











Section 122,
Trade Act of 1974

Source: (1) Bloomberg, "A Roadmap Through Trump's Tariff Realities and Trade War Drama" (Shawn Donnan & Anna Wong). Bloomberg Economics.

Rapid Tariff Implementation Dates



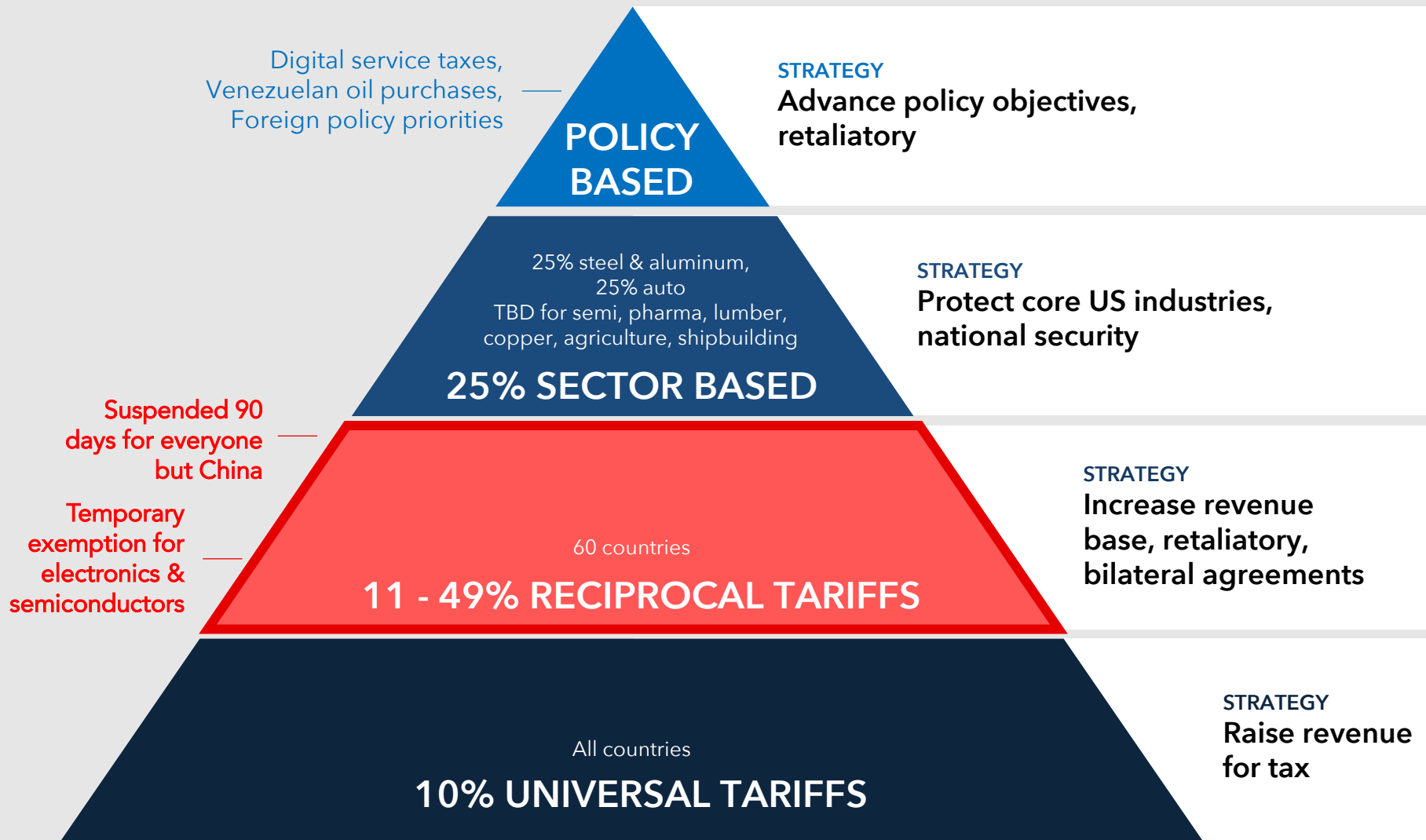
Tariff implementation dates in Trade War 2.0 (2025)

| | | |
|---|--------|---|
|  | FEB 4 | 10% tariffs on China implemented |
|  | MAR 4 | Additional 10% tariffs of China implemented |
|  | MAR 4 | 25% tariffs on Mexico and Canada implemented (delayed 30 days for USMCA compliant products) |
|  | MAR 12 | 25% tariffs on steel and aluminum imports implemented |
|  | APR 2 | Effective date for delayed Canada & Mexico auto and USMCA tariffs |
|  | APR 3 | 25% tariffs on cars and light trucks go into effect |
|  | APR 5 | 10% universal tariffs on ALL countries go into effect |
|  | APR 9 | Country-specific reciprocal tariffs go into effect (delayed 90 days) |
|  | MAY 2 | 25% tariffs on car engines, transmissions, and electrical components go into effect |
|  | JUL 9 | Expected effective date for delayed country-specific reciprocal tariffs |

**More Universal
This Time**

4

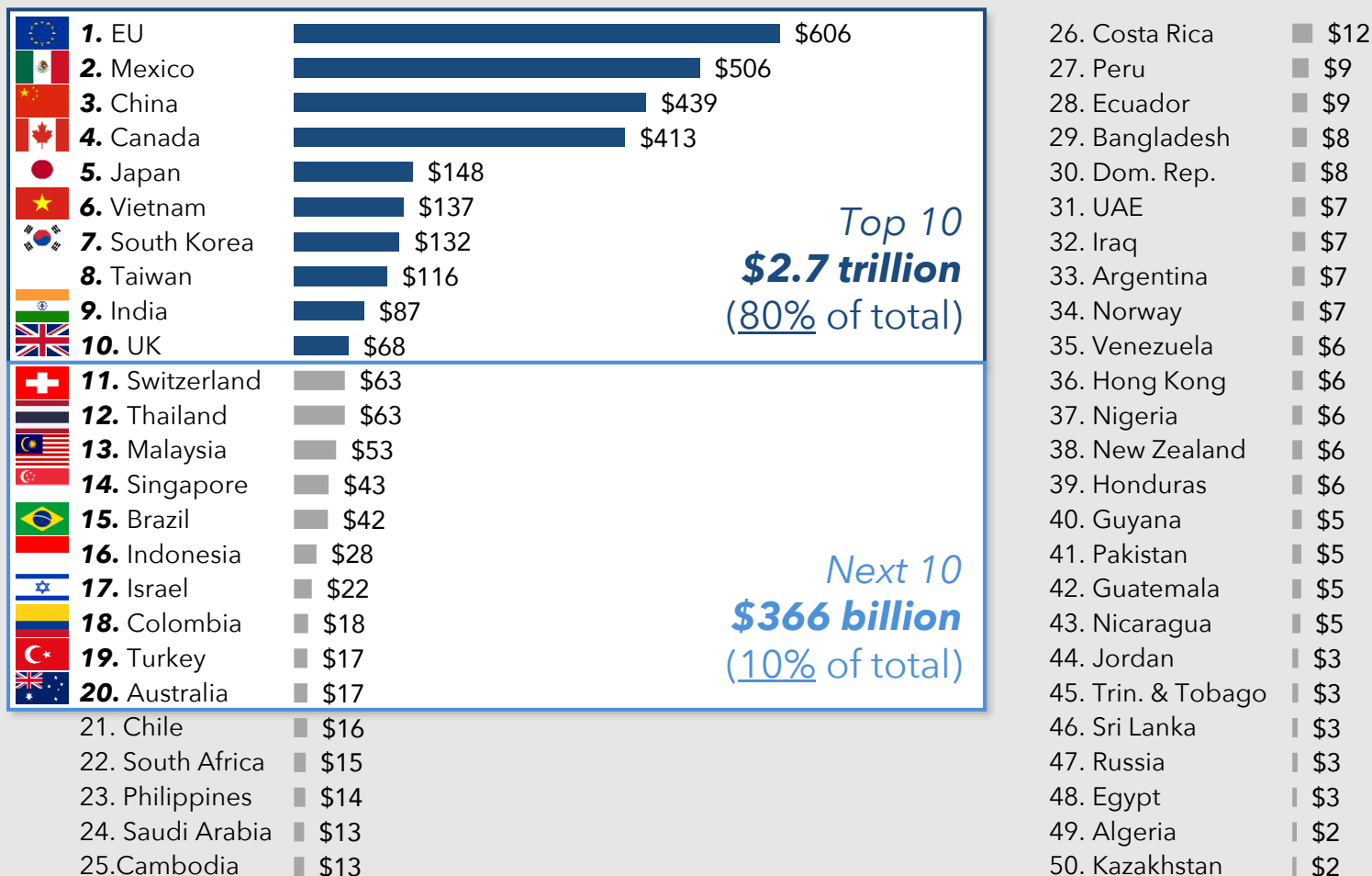
Multi-Layered Approach With Varying Objectives



10% Universal Tariffs on All US Imports



Top 50 sources of US goods imports, USD bn



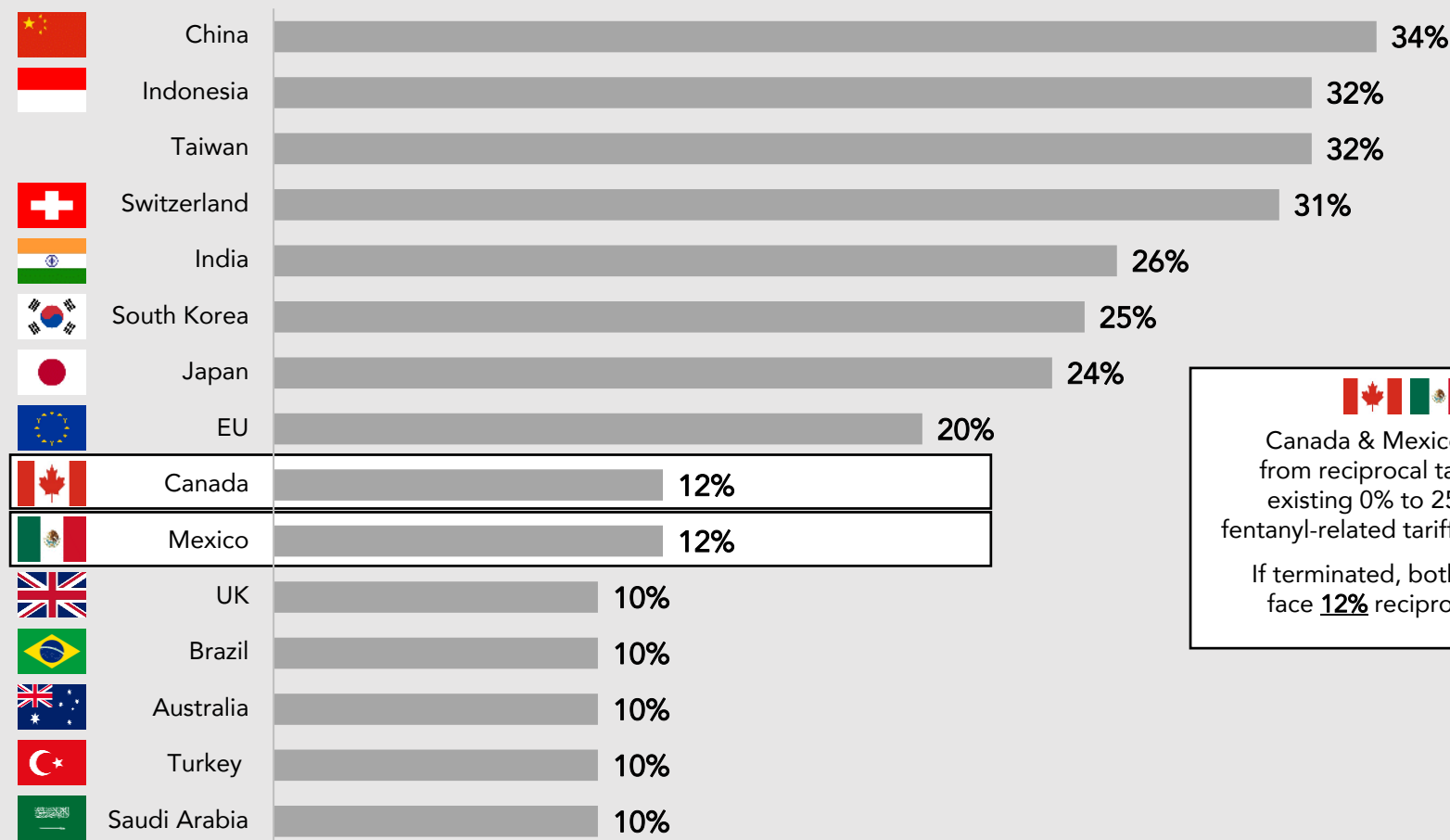
Source: (1) US Census Bureau. Data is 2024.


More Expansive Reciprocal Tool

5

Reciprocal Tariffs Delayed Until July 9th








Reciprocal tariff rate for 15 largest economies by GDP (ex-US)




Canada & Mexico exempt from reciprocal tariffs while existing 0% to 25% IEEPA fentanyl-related tariffs are in place
If terminated, both countries face **12%** reciprocal tariffs

Source: (1) GDP data is 2025 IMF numbers. Russia not included in reciprocal tariff announcement due to sanctions policy.

Reciprocal Tariffs Delayed Until July 9th

| Region | Tariffs charged to US | US reciprocal tariffs |
|--|-----------------------|-----------------------|
| Europe | | |
| Serbia | 74% | 37% |
| Lichtenstein | 73% | 37% |
| Bosnia & Herzegovina | 70% | 35% |
| North Macedonia | 65% | 33% |
|  Switzerland | 61% | 31% |
| Moldova | 61% | 31% |
|  European Union | 39% | 20% |
| Norway | 30% | 15% |
| APAC | | |
| Cambodia | 97% | 49% |
| Laos | 95% | 48% |
| Vietnam | 90% | 46% |
| Sri Lanka | 88% | 44% |
| Myanmar (Burma) | 88% | 44% |
| Bangladesh | 74% | 37% |
| Thailand | 72% | 36% |
|  China | 67% | 34% |
| Taiwan | 64% | 32% |
|  Indonesia | 64% | 32% |
| Fiji | 63% | 32% |
| Nauru | 59% | 30% |
| Norfolk Island | 58% | 29% |
| Kazakhstan | 54% | 27% |
|  India | 52% | 26% |
|  South Korea | 50% | 25% |
| Brunei | 47% | 24% |
|  Japan | 46% | 24% |
| Malaysia | 47% | 24% |
| Vanuatu | 44% | 22% |
| Philippines | 34% | 17% |

| Region | Tariffs charged to US | US reciprocal tariffs |
|-------------------------|-----------------------|-----------------------|
| Americas | | |
| Saint Pierre & Miquelon | 99% | 50% |
| Falkland Islands | 82% | 41% |
| Guyana | 76% | 38% |
| Nicaragua | 36% | 18% |
| Venezuela | 29% | 15% |
| MENA | | |
| Lesotho | 99% | 50% |
| Madagascar | 93% | 47% |
| Syria | 81% | 41% |
| Mauritius | 80% | 40% |
| Iraq | 78% | 39% |
| Botswana | 74% | 37% |
| Reunion | 73% | 37% |
| Angola | 63% | 32% |
| Libya | 61% | 31% |
| South Africa | 60% | 30% |
| Algeria | 59% | 30% |
| Pakistan | 58% | 29% |
| Tunisia | 55% | 28% |
| Côte d'Ivoire | 41% | 21% |
| Namibia | 42% | 21% |
| Jordan | 40% | 20% |
| Zimbabwe | 35% | 18% |
| Israel | 33% | 17% |
| Malawi | 34% | 17% |
| Zambia | 33% | 17% |
| Mozambique | 31% | 16% |
| Nigeria | 27% | 14% |
| Chad | 26% | 13% |
| Equatorial Guinea | 25% | 13% |
| Cameroon | 22% | 11% |
| DR Congo | 22% | 11% |

Source: (1) The White House. Tariffs charged to the US include currency manipulation and trade barriers.

Non-Tariff Barriers Factored into Reciprocal Tariffs

Selected examples of non-tariff barriers



Quotas



Subsidies



Value-added taxes



Currency depreciation



Licenses



Other restrictions (i.e., technical rules, licensing obligations)

Asymmetric US-China Escalation

6

Trade Counterparts Ready This Time



Supporting domestic economy
with fiscal stimulus



Currency depreciation
to offset tariffs



Reducing ownership of
US treasuries and equities



Targeted export controls
(rare earth and strategic minerals)



WTO dispute consultations
and complaints



Targeting US corporate leaders
(antitrust investigations, entity
lists, anti-coercion mechanisms)



Targeted tariffs on red-state
industry sectors
(agriculture, whiskey & spirits)



Targeted tariffs on US industry
leaders (high tech, digital services)



Geostrategic realignment
away from the US



Redirecting trade away
from the US



Market measures



Corporate measures



Trade measures



Geostrategic measures

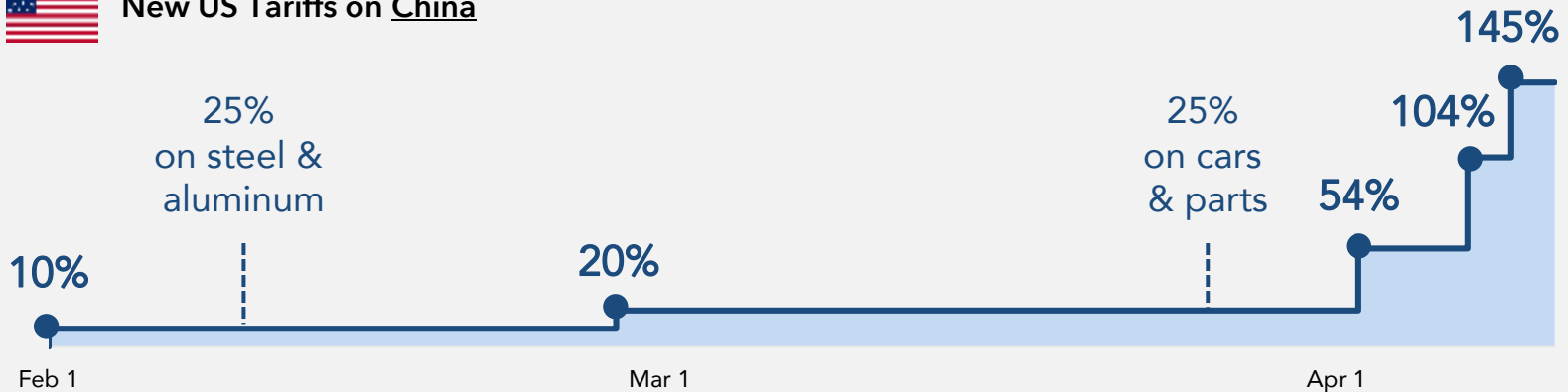
Presidents Trump & Xi Have Not Spoken



Presidents Trump and Xi have not spoken in the three months since Trump's January 20th Inauguration, the longest time period that a US and Chinese President have gone without speaking in over 20 years.



New US Tariffs on China



New China Tariffs on US

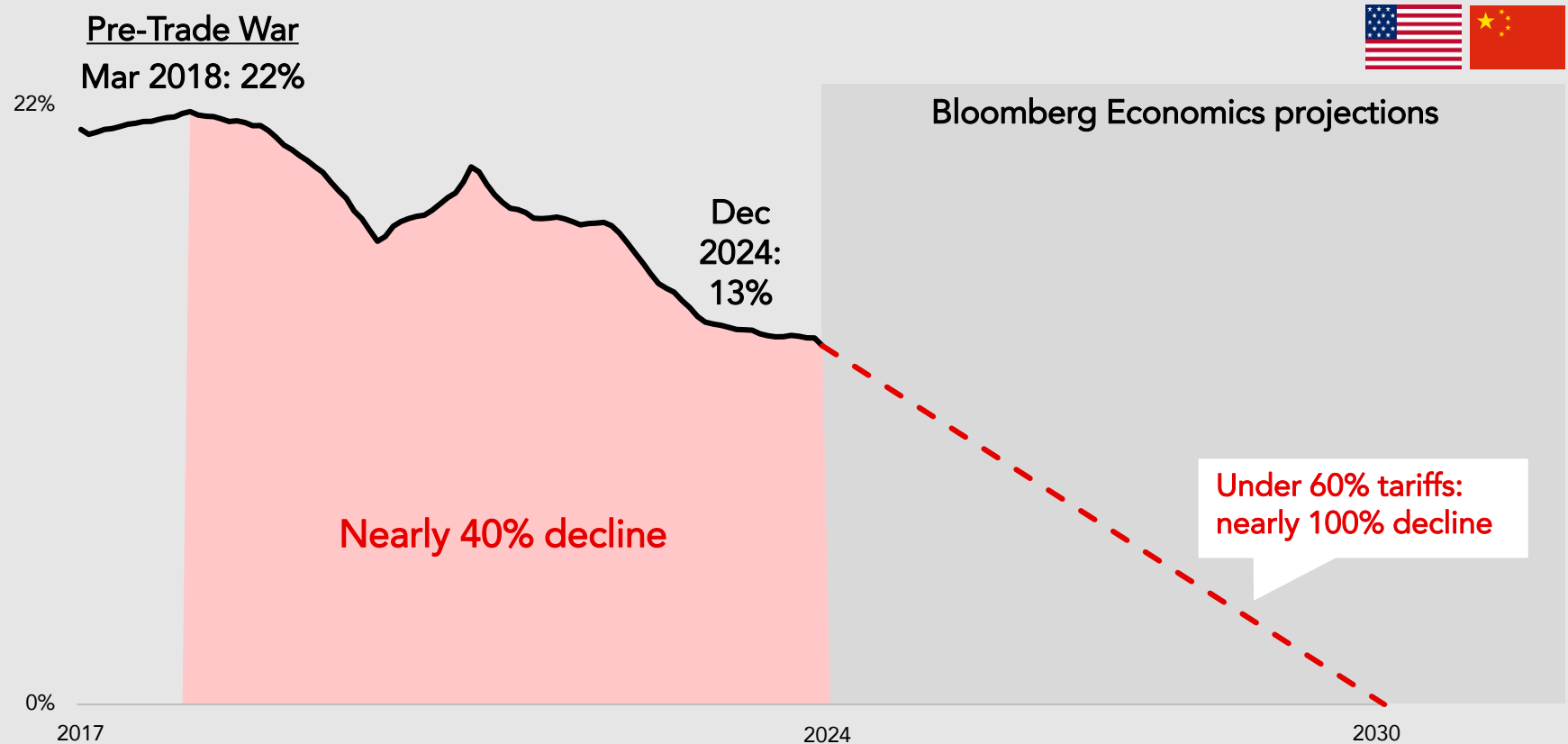


Source: The White House. China's Ministry of Finance. Tariff rate is shown by announcement date. Data as of April 11, 2025.

US-China Trade Could Collapse Entirely

According to Bloomberg Economics, US tariffs above 60% would likely reduce US-China trade by 75-100%. As of April 11th, the Trump Administration had raised US tariffs on goods imported from China to 145%, while China has now reciprocated to a 125% level.

Share of US goods imports from China



Source: (1) US Census Bureau. Data is rolling 12-month average through December 2024. Bloomberg, "Trump's Endless Trade War Will Damage US as Well as China" (Orlik).

Observations from China



What is Trump's endgame?

- Understanding behavior pattern
- The trust is broken

Mixed feelings on strength of Xi's measured response

- Media advocating strong, measured response
- Many corporate clients prefer a pivot to negotiation

Difficult timing for China; no obvious cyclical growth driver

- Consumer, Exports

Sustainability of USTs as global risk free asset



Observations from China (cont'd)

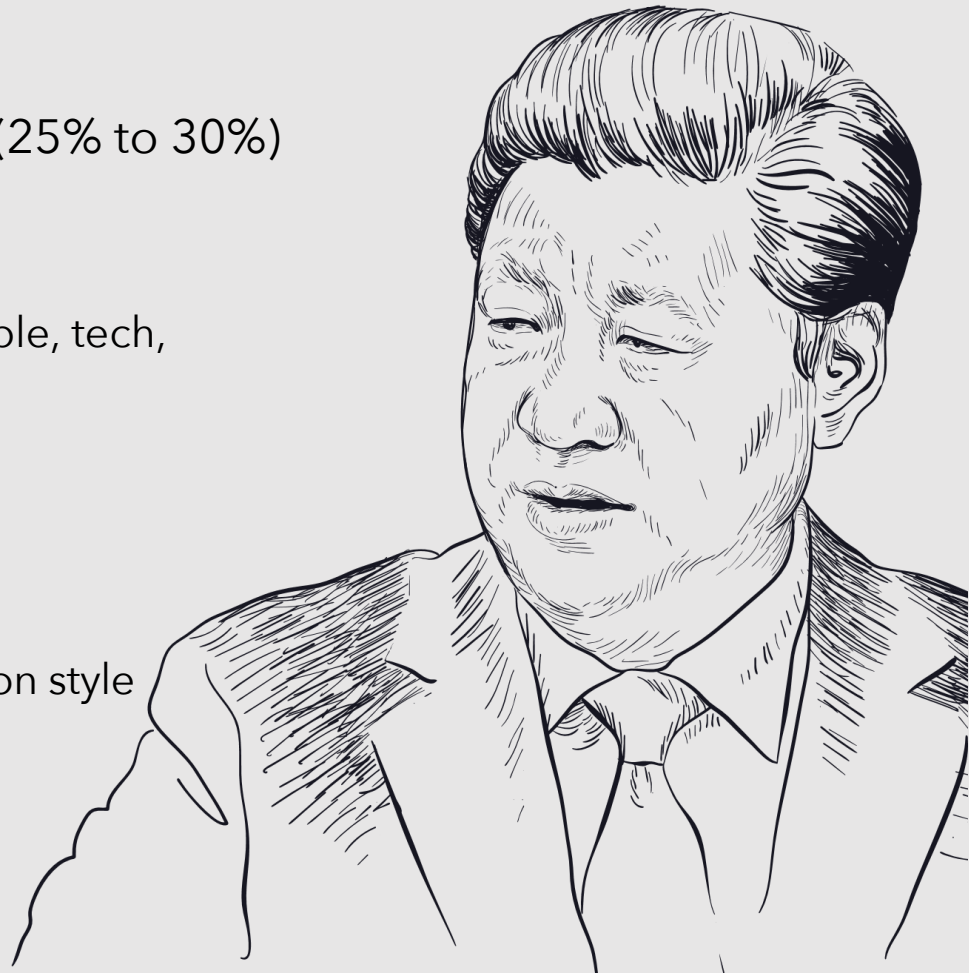


China's retaliatory toolkit is formidable

- Targeted demand-side stimulus
- Support Chinese stocks
 - Purchase stocks, ETFs
 - Increase insurance allocations (25% to 30%)
 - Support SWF
- Currency depreciation (10% to 30%)
- Complex export controls regime (people, tech, strategic minerals)
- Targeting US corporates
- Selling US Treasuries

Primary concerns

- Trump's unpredictability and negotiation style
- China's economy, global recession
- US rates & funding markets





"If you want to talk, the door is open, but the dialogue must be conducted on an equal footing on the basis of mutual respect.

If you want to fight, China will fight to the end.

Pressure, threats and blackmail are not the right way to deal with China"

China's Commerce Ministry, April 10, 2025

Tariffs to Fund Tax Cuts

7

Funding \$10 Trillion of Proposed Tax Cuts

Extending the 2017 tax cuts: **\$4.6 trillion**

Additional tax provisions: **\$4.7 trillion**

Over 10 years

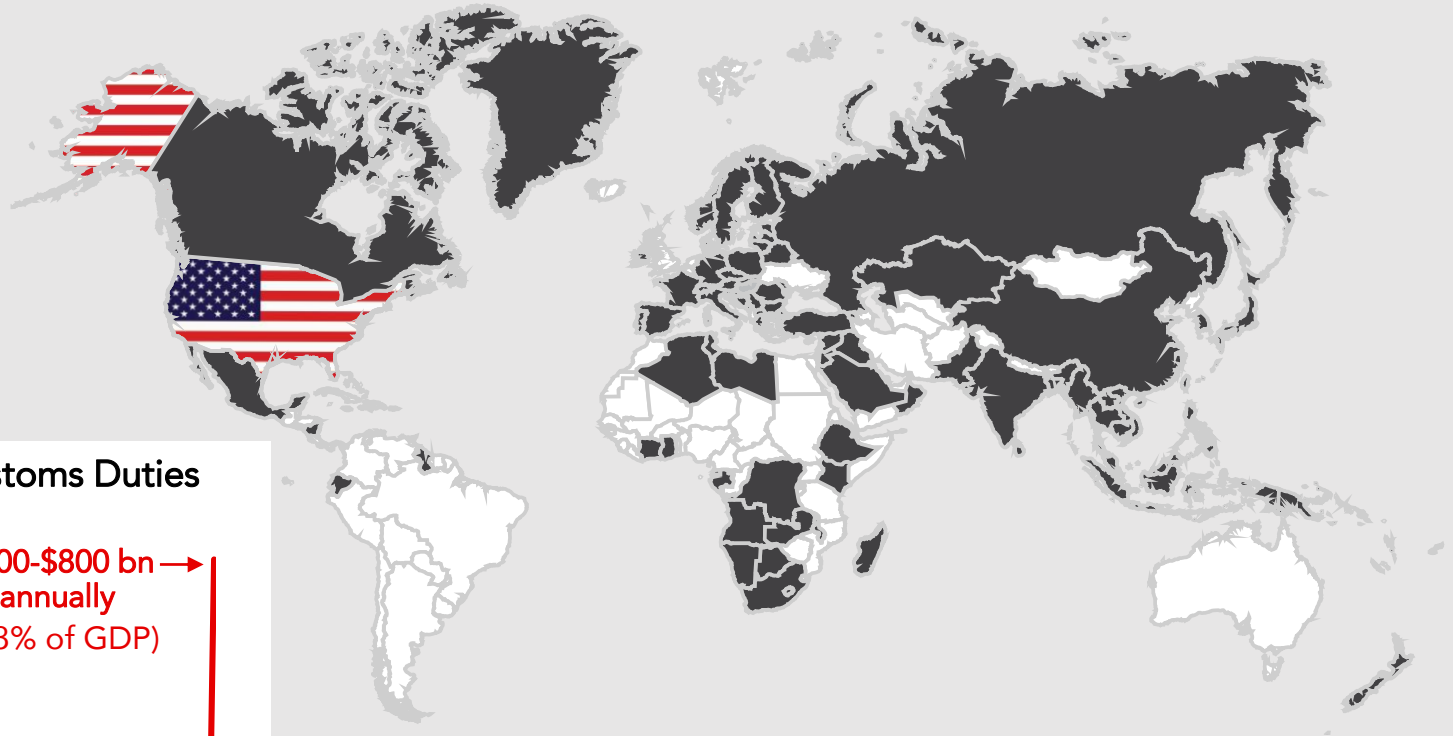
Over 10 years

| | | | |
|---|---|---|--|
| Individual tax brackets: \$3.3 trillion | Higher estate & gift tax exemptions: \$167 bn | Reduce corporate statutory rate from 21% to 15%: \$900 bn | Double the SALT cap (\$10k to \$20k): \$175 |
| | Investment treatment: \$378 bn | Eliminate taxes on tips: \$175 bn | Eliminate taxes on Social Security: \$1.9 trillion |
| | Corporate tax provisions: \$172 bn | Extend the Child Tax Care credit : \$1.5 trillion | |
| | Increased interest expense: \$605 bn | | |

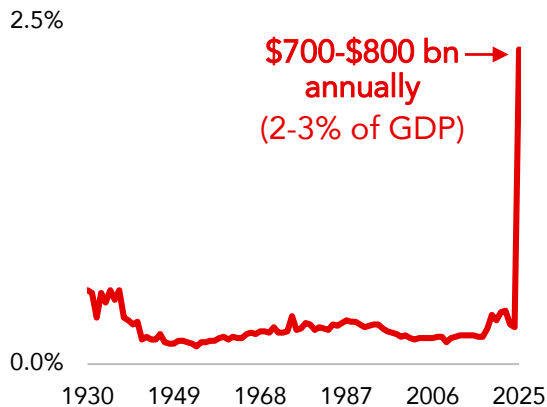
Source: (1) Veda Partners (Treyz). CBO, "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenue" (May 2024).

Universal & Reciprocal Tariffs Create Revenue

■ The US had trade deficits with more than 100 countries



Annual US Customs Duties



Source: (1-2) Capital Economics, "Trump Reciprocal Tariff Blow Bigger Than we Expected" (April 2, 2025). BEA. Census Bureau. Sidley Austin LLP. World Integrate Trade Solution. Full year data as of 2022.

How to Fund Trillions of Tax Cuts?

The Senate Finance and House Ways & Means Committees will pursue several paths to fund nearly \$10 trillion (measured over 10 years) of new tax cuts and tax cut extensions that meet the “Byrd Rule” requirements of the Senate’s “budget reconciliation” process (50 votes required). Our base case view is that a larger-than-anticipated tax package is quite possible, and could result in the largest single year US fiscal expansion on record (i.e., \$2-3 trillion).

Selected pay-forwards to fund tax cuts and tax cut extensions



Reduce overall size of tax package (well below \$10 trillion)



Reduce time period of extensions (from 10 to 4-5 years)



Significant cuts to government spending (i.e., Medicaid)



Raise selected tax rates (i.e., carried interest)



Eliminate selected tax incentives (i.e., energy tax credits)



Congressional legislation to raise tariffs or remove China’s MFN status



Change Senate rules to circumvent Parliamentary and current CBO / JCT scoring rules:

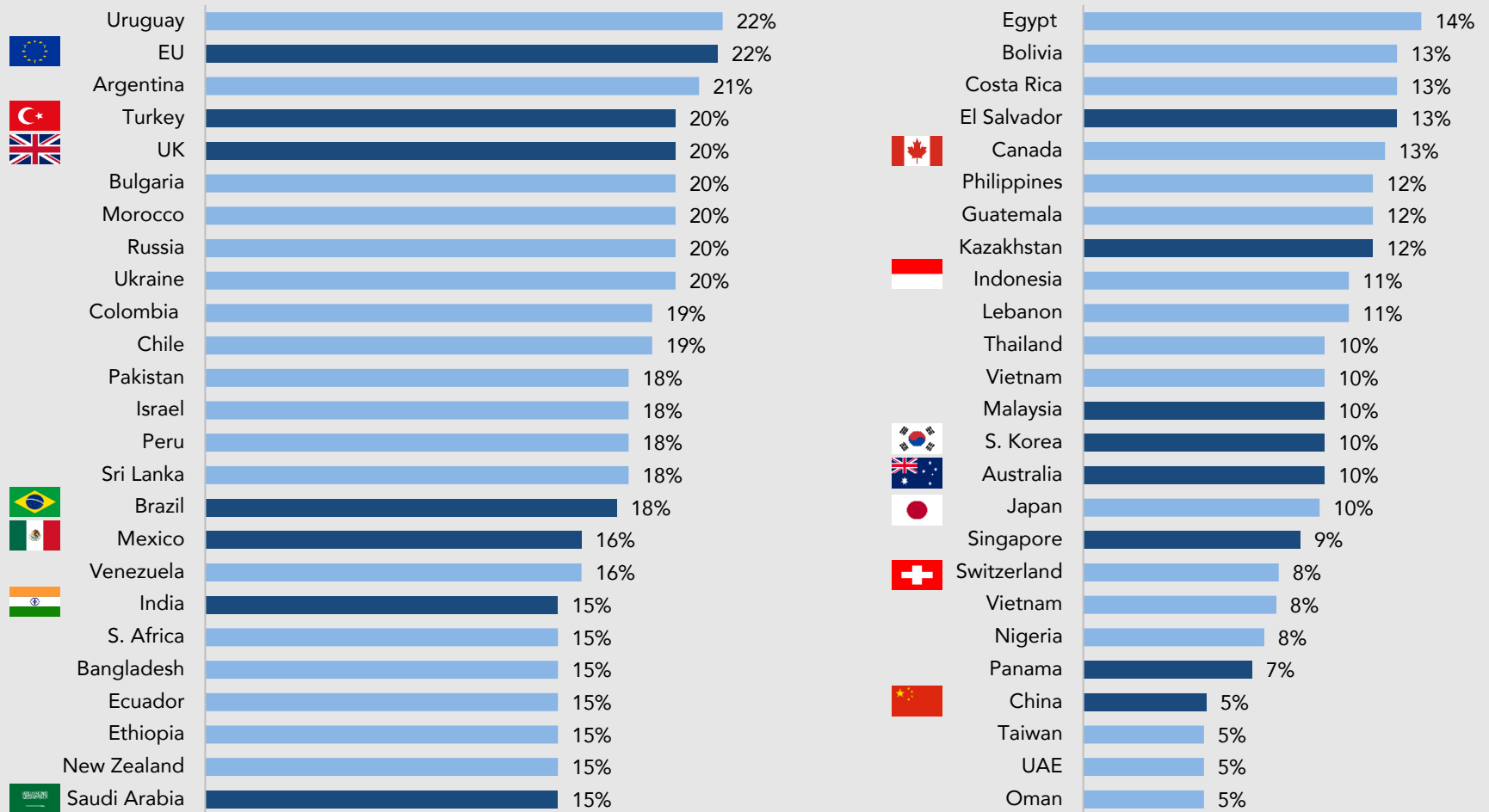
- Change rules to treat \$4.6 trillion of US tax extensions as “current policy baseline” (effectively, excludes \$4.6 trillion from deficit calculations)
- ***Change rules to permit inclusion of tariff revenue (currently not permitted unless tariffs passed by an Act of Congress)***

Tax Wars Merging With Trade Wars

8

President Trump Views VATs as Export Subsidies

VAT rate



Source: (1) Capital Economics. Bloomberg, "Trump Widens Trade Fight to Include Global Taxes and Regulation." China figure is CE estimate. Canada VAT figure includes provincial sales tax. Global VAT Compliance. EU is average. Flags for 15 largest economies ex-Russia and individual EU member states.

Trump Views DSTs as Discriminatory

Over 40 regions globally have either enacted or are actively pursuing Digital Service Taxes (DSTs). President Trump has required the USTR, Treasury and Commerce departments to undertake a comprehensive review of these regions by April 1 and provide recommendations for reciprocal US policy action.

Over 40 regions have adopted DSTs

Legislation enacted:

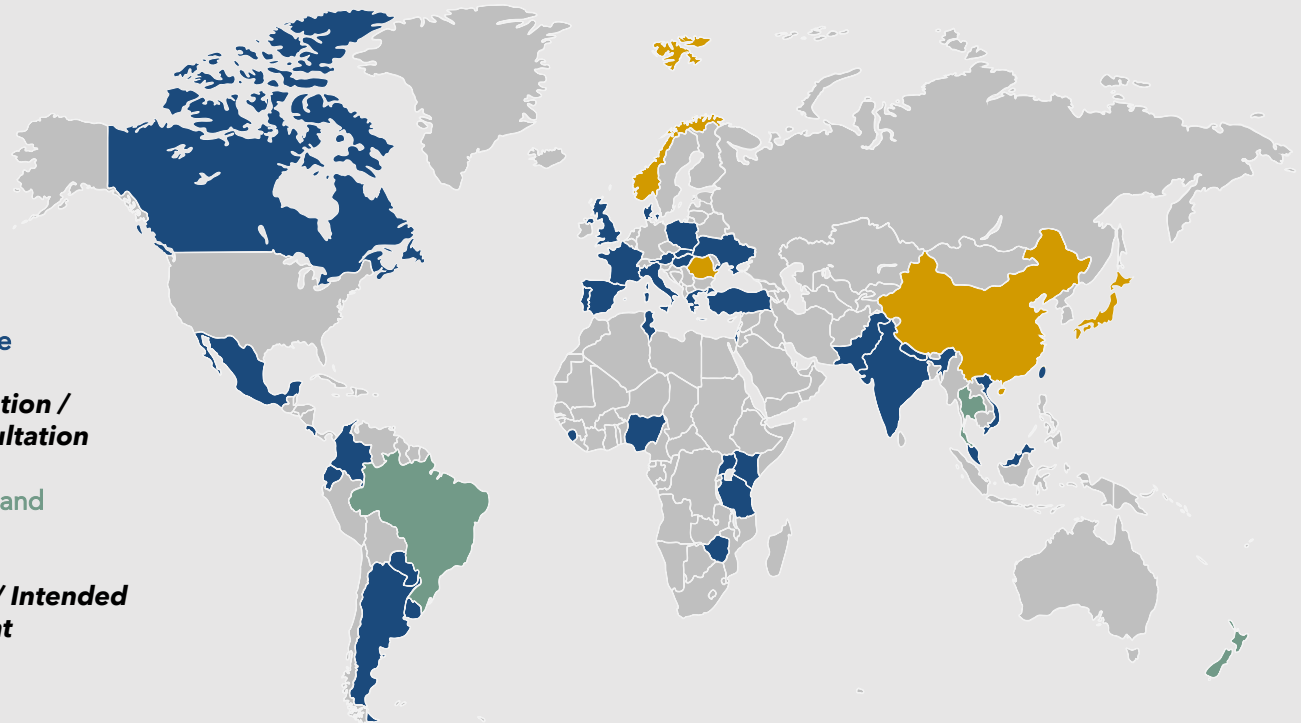
- | | |
|------------------|--------------|
| 1. Argentina | 25. Spain |
| 2. Austria | 26. Taiwan |
| 3. Canada | 27. Tanzania |
| 4. Colombia | 28. Tunisia |
| 5. Costa Rica | 29. Turkey |
| 6. Denmark | 30. Ukraine |
| 7. Ecuador | 31. UK |
| 8. France | 32. Uganda |
| 9. Greece | 33. Uruguay |
| 10. Hungary | 34. Vietnam |
| 11. India | 35. Zimbabwe |
| 12. Israel | |
| 13. Italy | |
| 14. Kenya | |
| 15. Malaysia | |
| 16. Mexico | |
| 17. Nepal | |
| 18. Nigeria | |
| 19. Pakistan | |
| 20. Paraguay | |
| 21. Poland | |
| 22. Portugal | |
| 23. Sierra Leone | |
| 24. Slovakia | |

Draft Legislation / Public Consultation

- | |
|-----------------|
| 36. Brazil |
| 37. New Zealand |
| 38. Thailand |

Announced / Intended to Implement

- | |
|-------------|
| 39. China |
| 40. Japan |
| 41. Norway |
| 42. Romania |

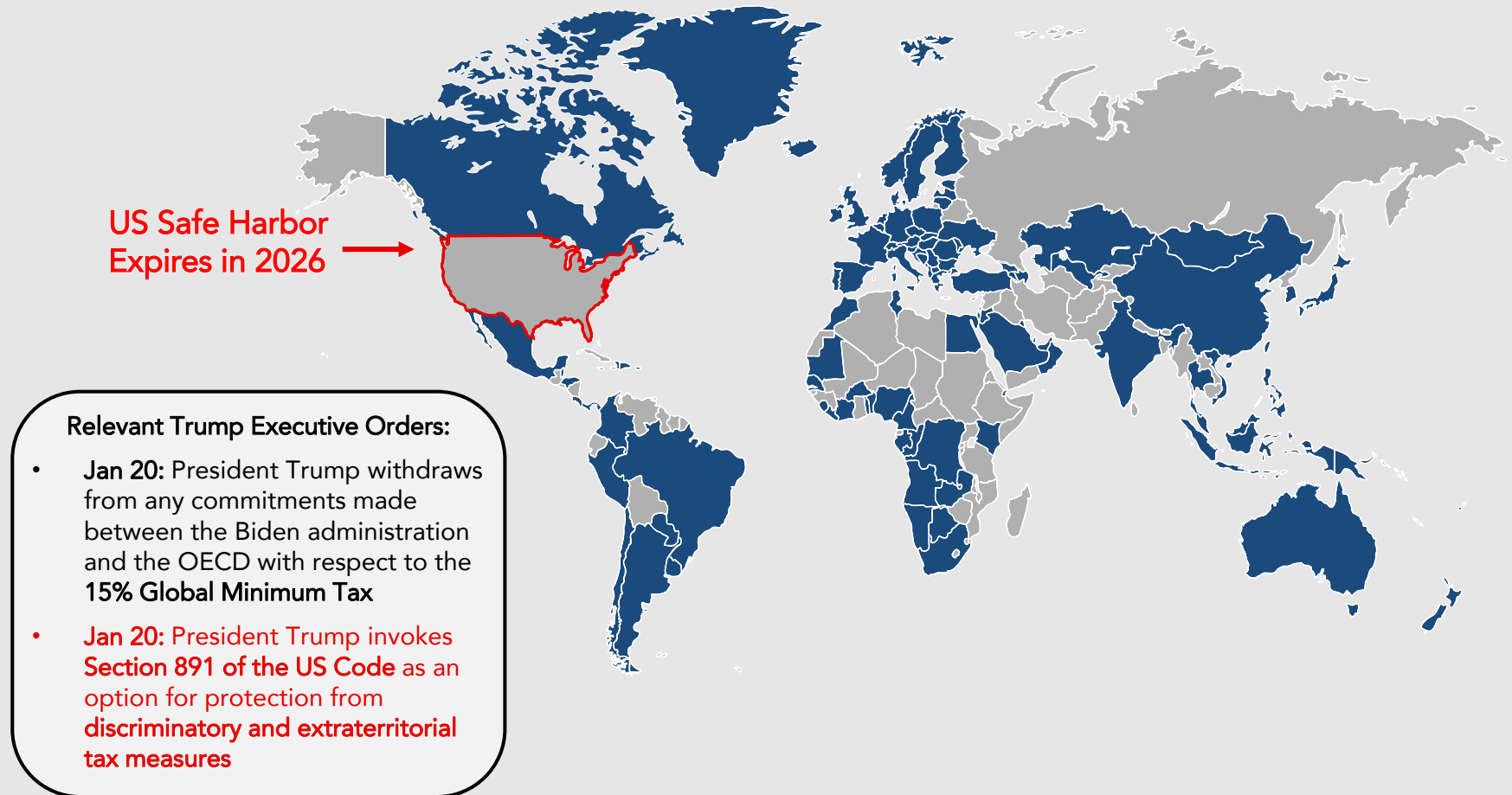


| | | |
|---|---|--|
|  35 Legislation Enacted |  3 Draft Legislation/Public Consultation |  4 Announced/Intention to Implement |
|---|---|--|

Source: KPMG, "Taxation of the Digitized Economy – Developments Summary" Data as of January 30, 2025.

Trump Views Global Minimum Tax as Discriminatory

Regions committed to the OECD Pillar 2 15% Global Minimum Tax Agreement

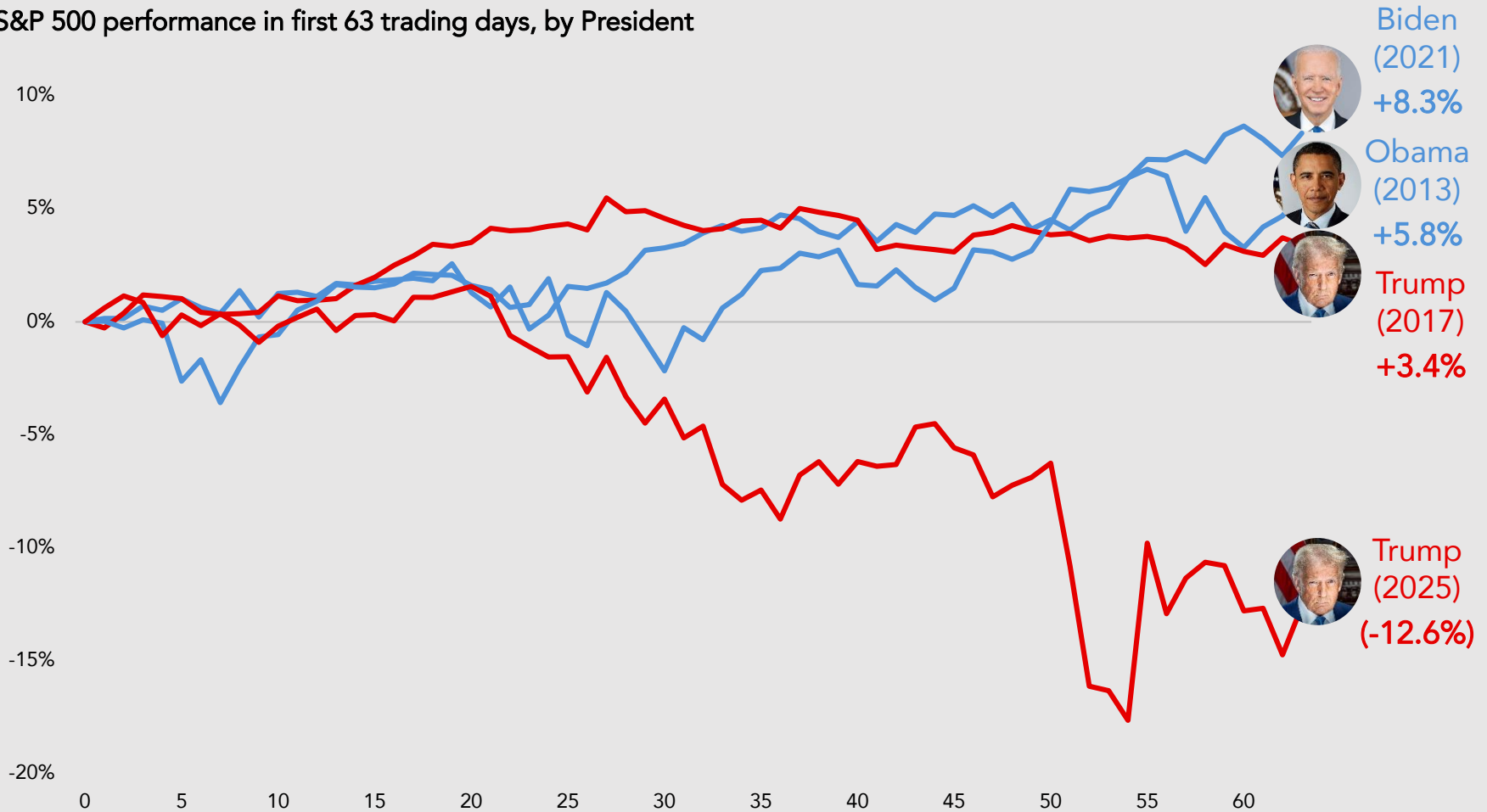


Source: (1) OECD. "Members of the OECD/G20 Inclusive Framework on BEPS that have approved the July 2023 Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy as of May 28, 2024. Including Canada who signed in September 2024.

**Markets More
Sensitive This Time**

Markets More Sensitive This Time

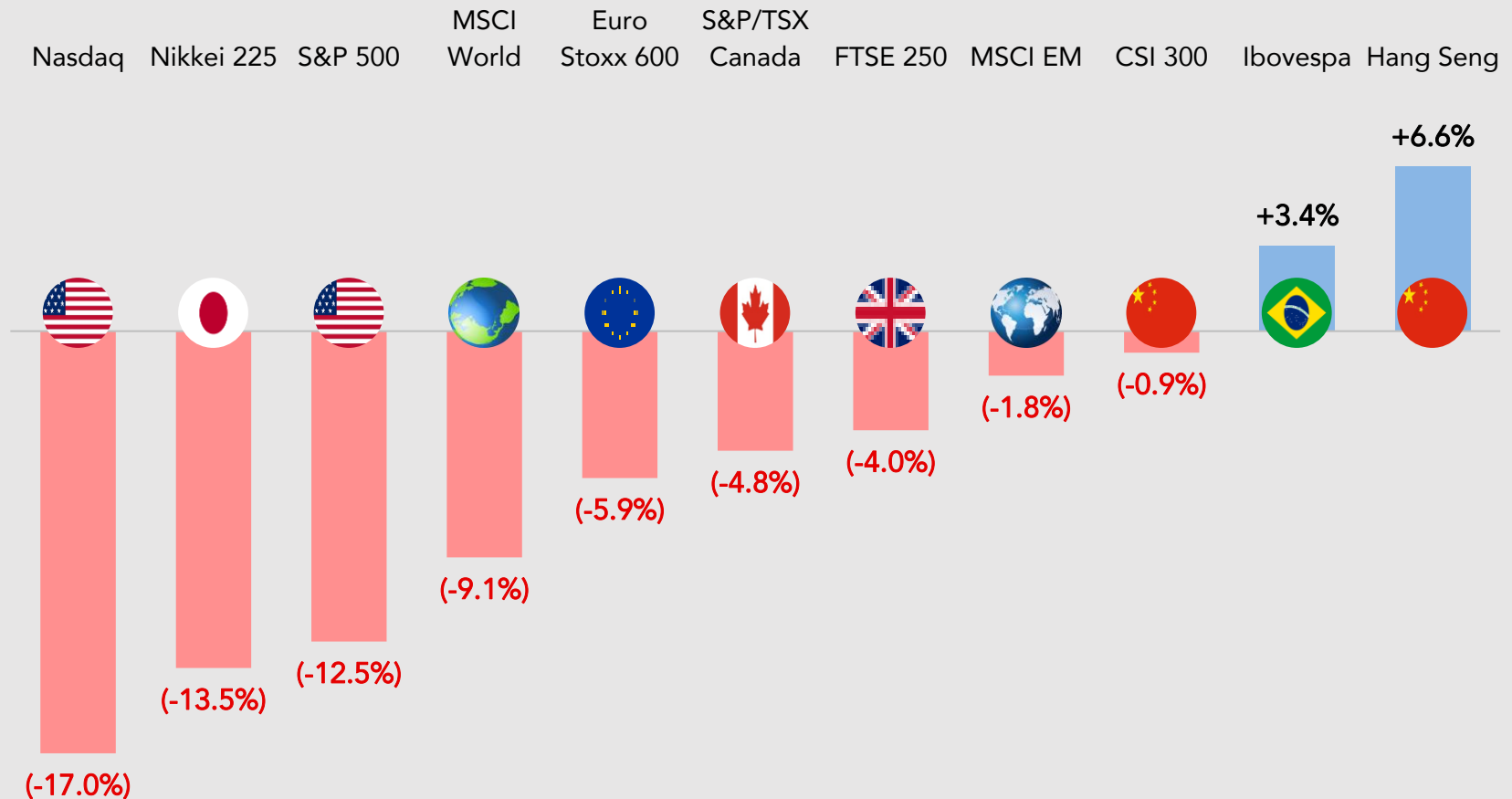
S&P 500 performance in first 63 trading days, by President



Source: (1) Bloomberg. Data as of April 23, 2025.

Risk Assets Under Pressure

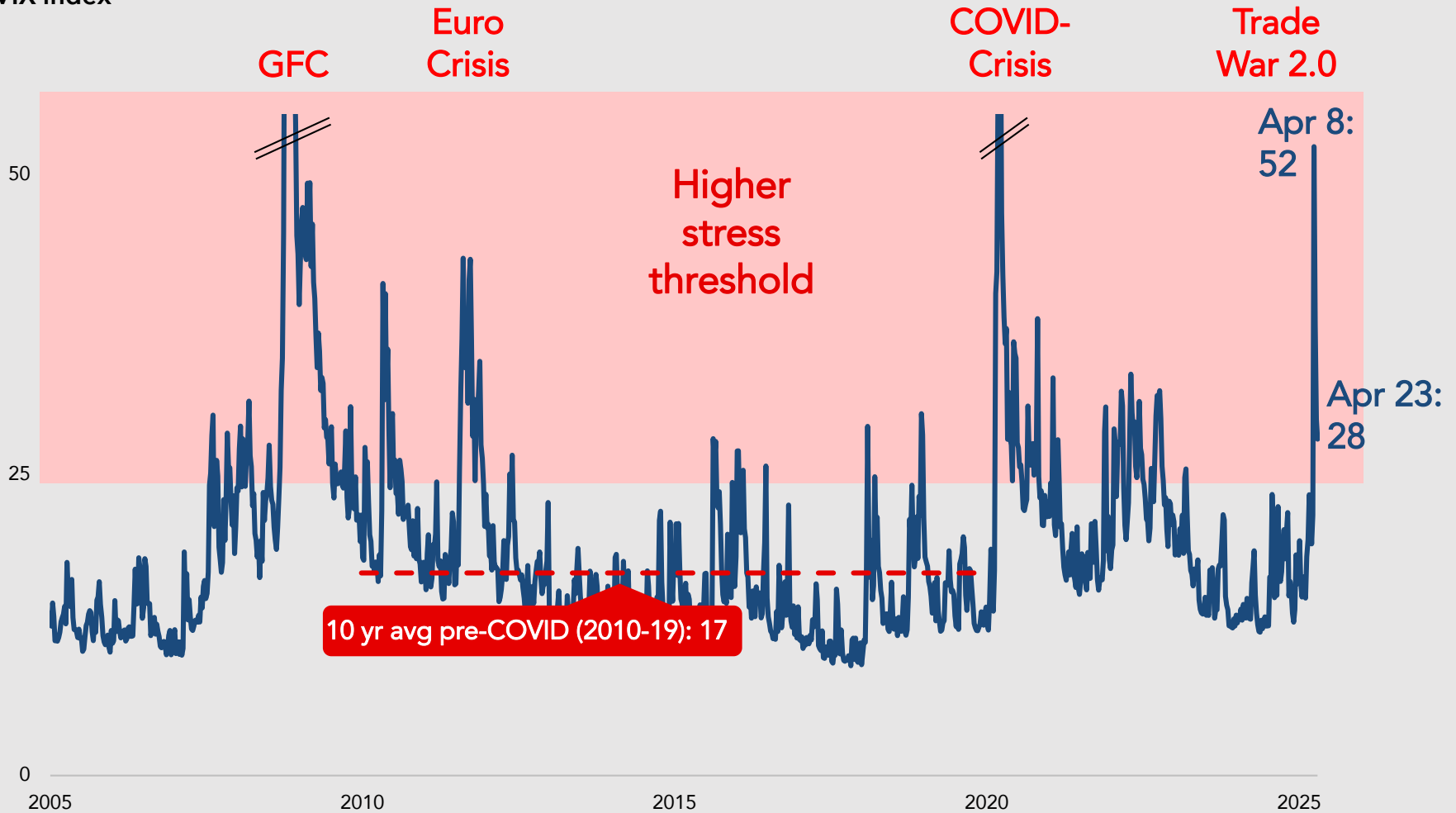
Global equity market performance since trade war began (Feb 1 – Apr 22)



Source: (1) Bloomberg. Data through April 22, 2025.

Equity Volatility at Market Stress Thresholds

VIX index

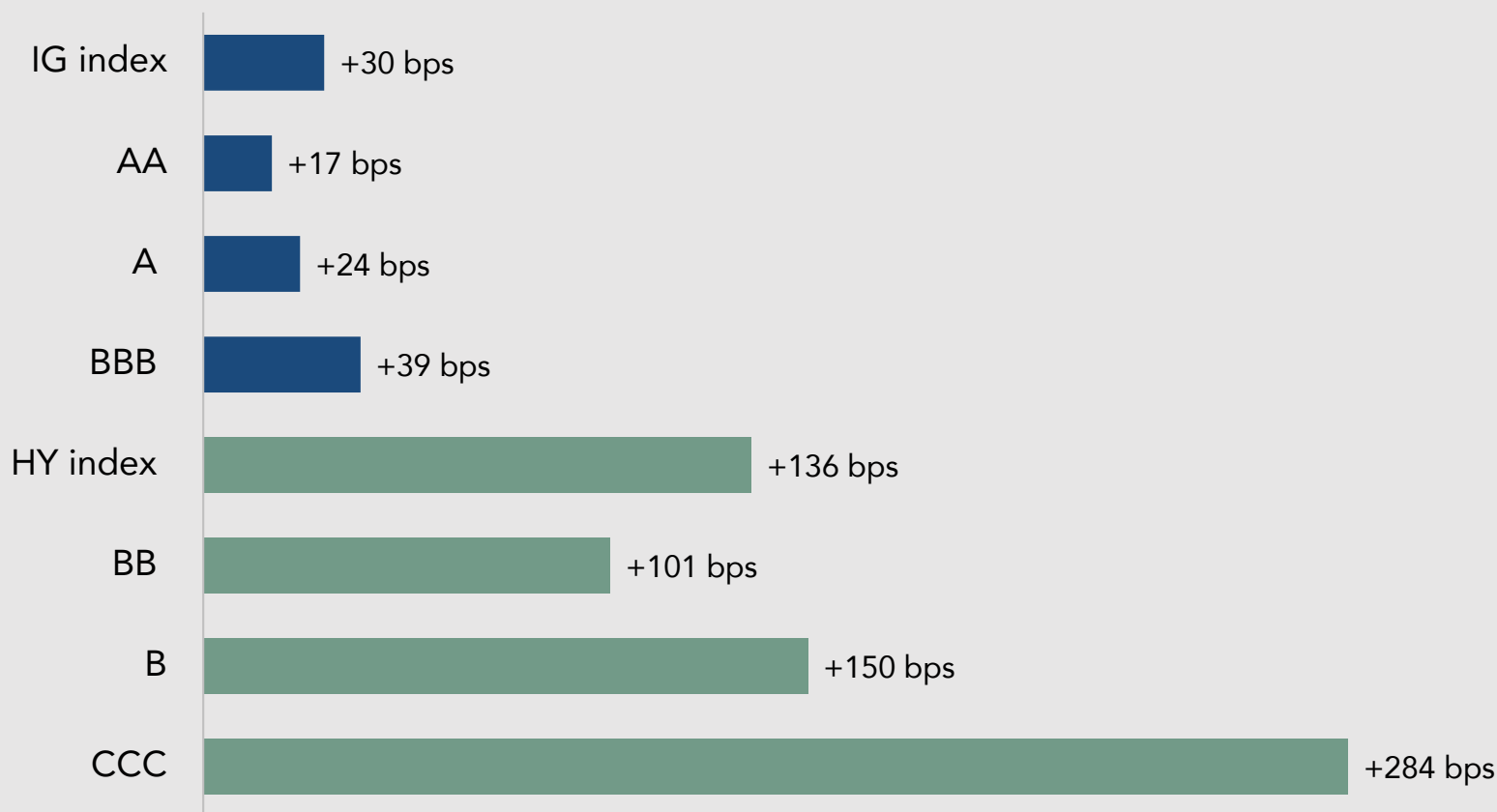


Source: (1) Bloomberg. Data as of April 23, 2025. 2008 peak is 81. 2020 COVID peak is 82.

USD Credit Spreads Since Trade War 2.0 Inception

Previously trading at multi-decade tights, HY credit spreads are also signaling growth concerns, having widened considerably since Trade War 2.0 began on Feb 1, 2025.

USD credit spread performance (since Feb 1, 2025)



Source: (1) Bloomberg. Data as of April 23, 2025.

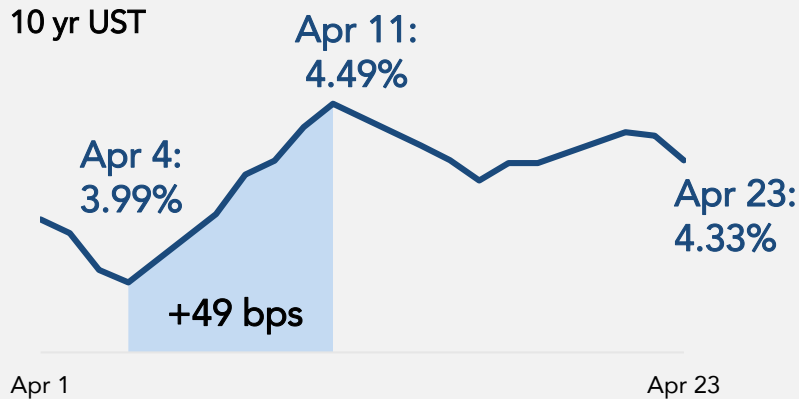
Trade Wars Evolving into Capital Wars

10

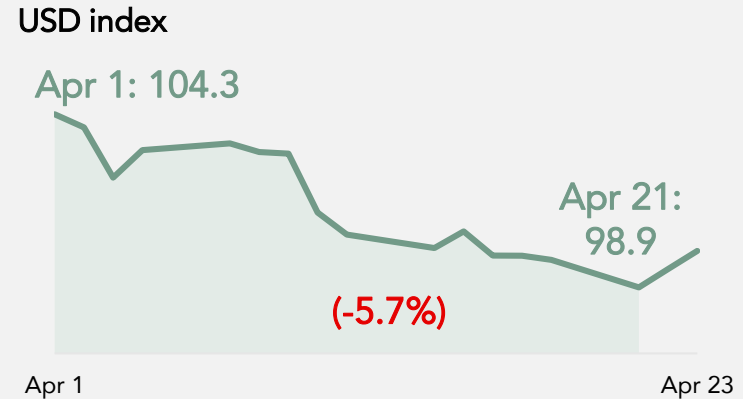
A faint, dark portrait of a man in a suit and bow tie, likely a historical figure, serves as the background for the slide. The man has a serious expression and is looking slightly to the right of the camera.

Capital Wars are a New and More Dangerous Expansion of the Trade War

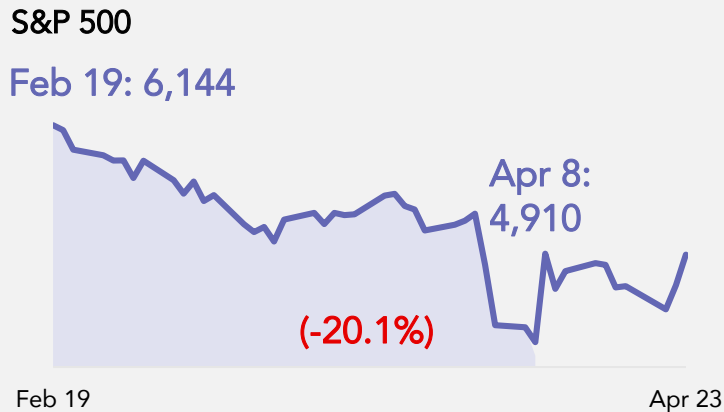
Largest UST selloff since 1980s



US Dollar at 3-year low

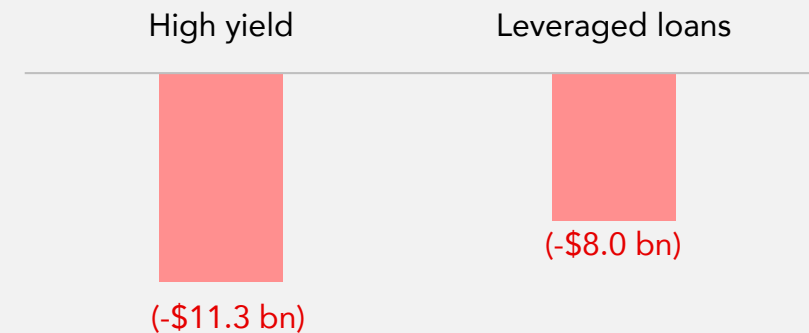


20% bear market correction in US equities



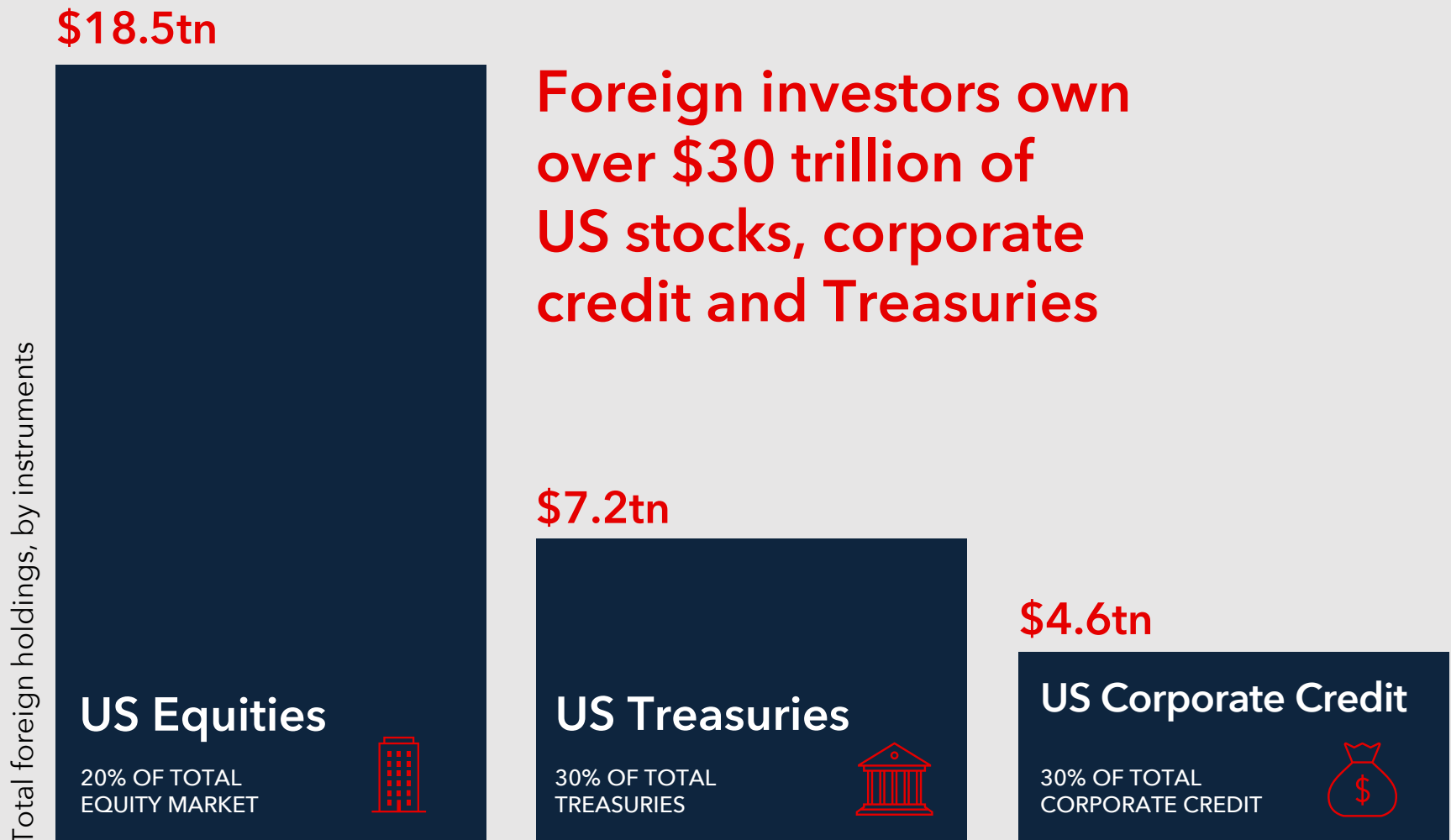
Accelerated outflows from higher risk assets

USD fund flows for weeks ending Apr 9 & Apr 17



Source: (1-4) Bloomberg. Data as of April 23, 2025. April 8 S&P 500 low is intraday.

Foreign Selling of US Dollar Assets



Sources: Federal Reserve, MacroBond, Torsten Slok, Apollo Chief Economist

Confidence Crisis in the World's Most Important Risk-Free, Safe Haven Asset

10 year UST yield

April 2nd (4:00PM):
US vs. The World
(Liberation Day)

April 9th (1:18PM):

Trump retreats
(90 day pause
except China)

4.49%

4.17%

3.99%



- Growth concerns
- Safe haven flows
(-18 bps)



- Inflation risk
- Weak UST auction
- Tepid foreign demand
- Foreign selling
- Basis trade unwind
- UST swap unwinds
+49 bps

Apr 1

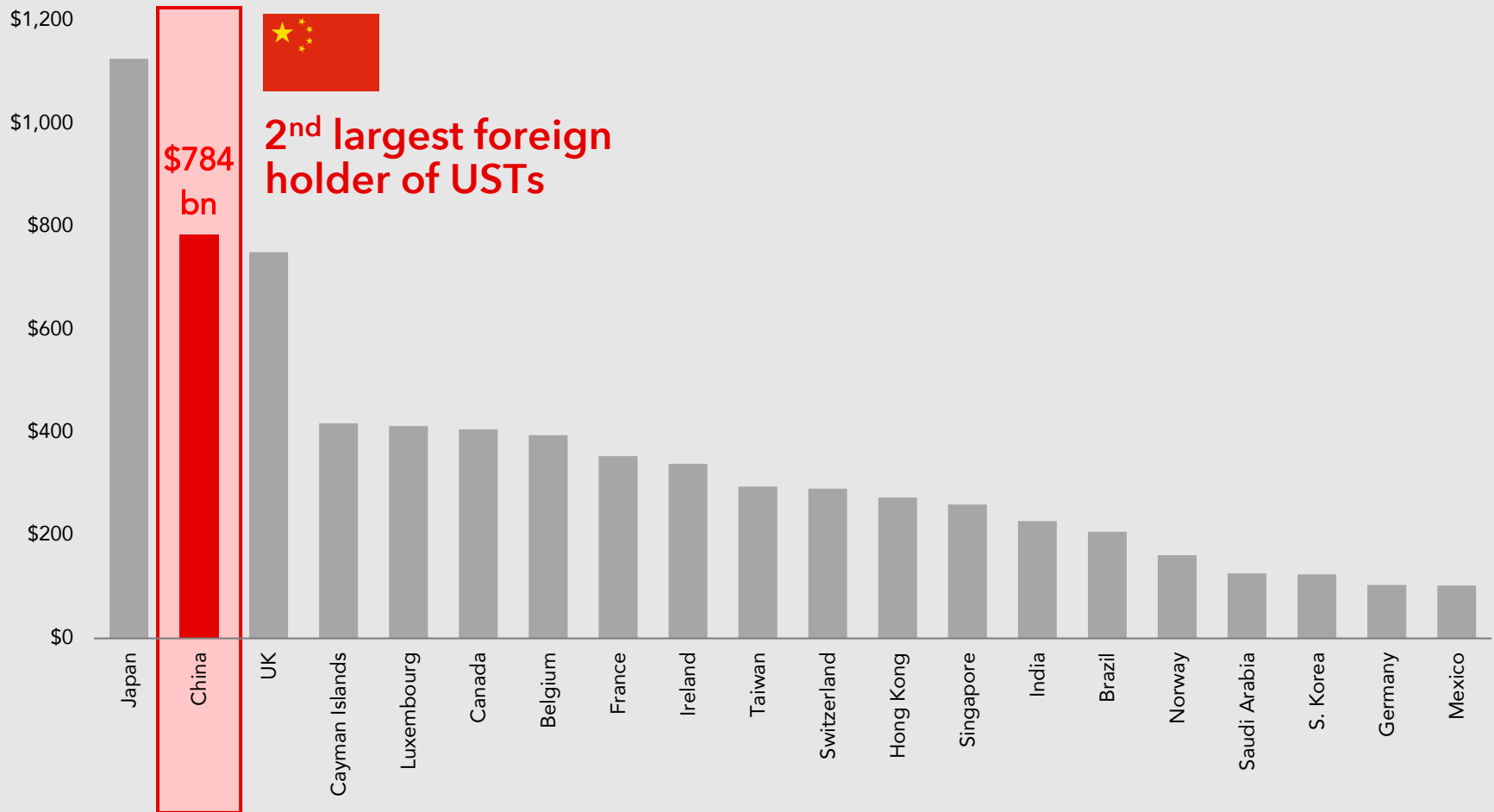
April 7-11 was the largest 5 day spike
in 10 year UST yields since early 1980s

Apr 11

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

China's US Treasury Holdings

Foreign holders of US Treasury Securities , USD bn



Source: (1) US Department of the Treasury. Data is latest available - February 2025. Reuters "China slips away from Treasuries but sticks with dollar bonds".

Capital Flight Raising Questions on Dollar's Safe Haven Status

The US Dollar typically strengthens at times of global financial stress, or when US rates increase. As US trade, legal and public policy have become increasingly uncertain in recent weeks, especially through tariff escalation, a concurrent and unusual selloff in the Dollar, US equities and bonds has occurred, driving the Dollar to three year lows.

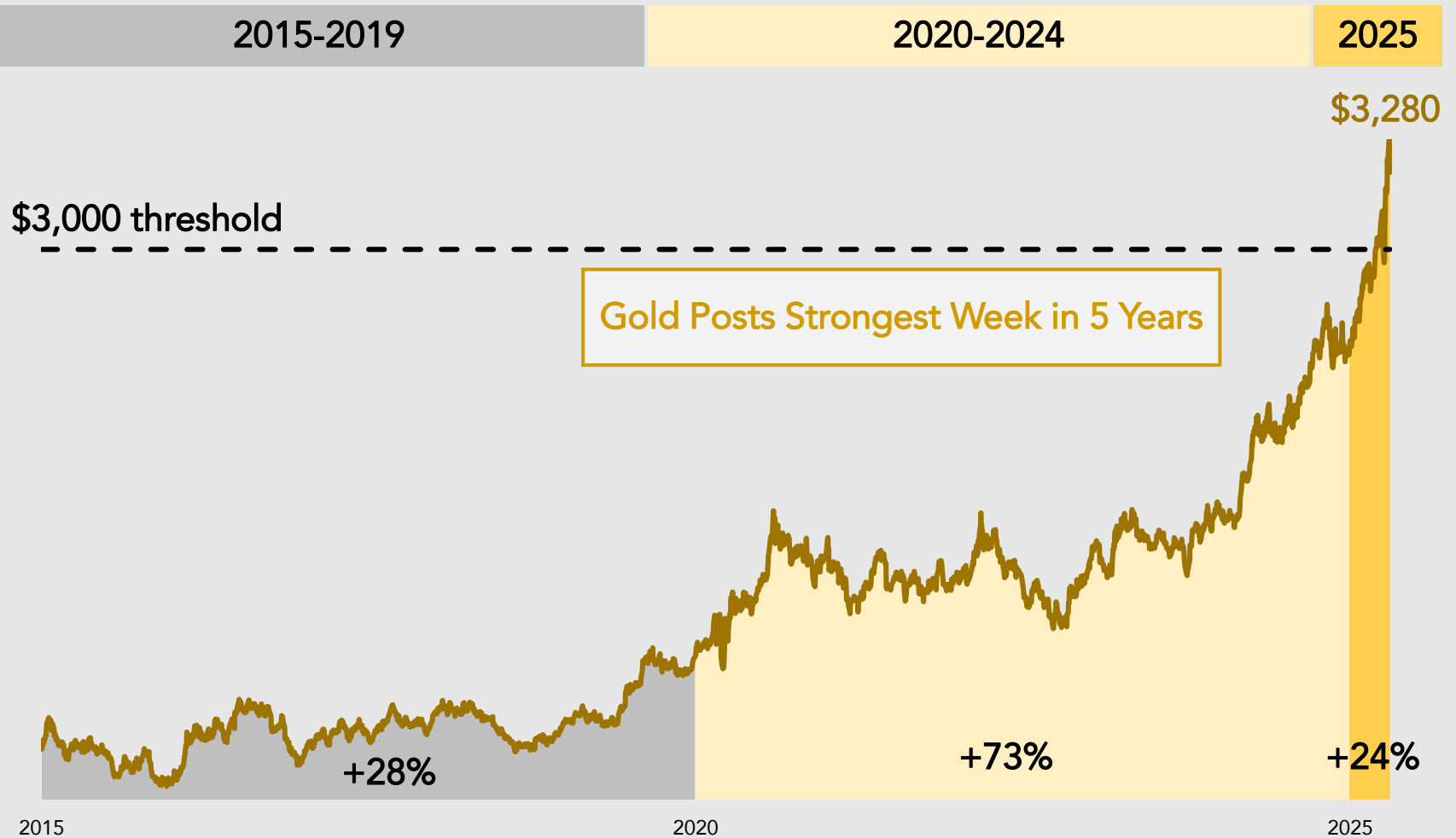
USD index (LHS) vs. 10 year UST (RHS)



Source: (1) Bloomberg. Data as of April 23, 2025.

De-Dollarization Through Gold Markets

Gold since 2015



Source: (1) Bloomberg. Data as of April 23, 2025.

Rates at a Crossroads

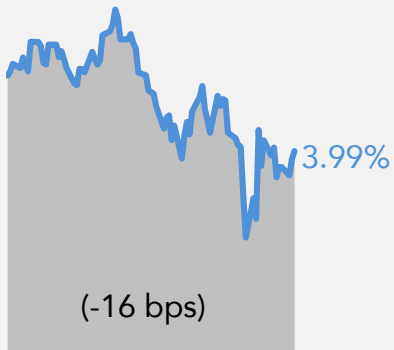
A portrait of a man in a tuxedo, which serves as the background for the right half of the slide.

11

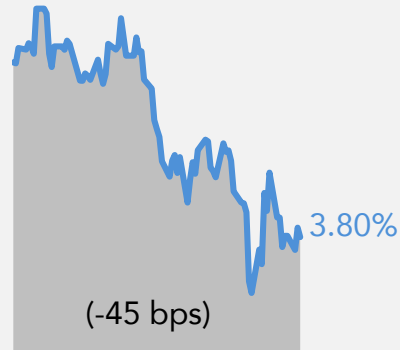
Markets Pricing More Concerning Stagflation Scenario

UST Yields (2025 YTD)

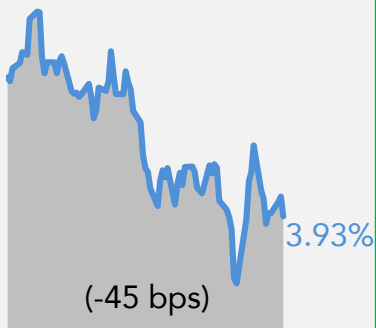
1 year UST



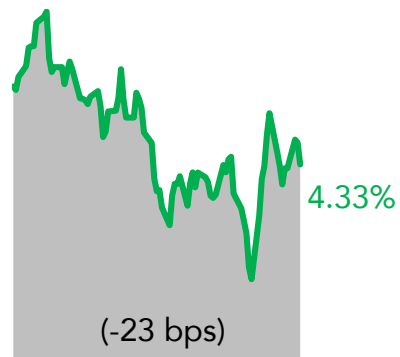
2 year UST



5 year UST

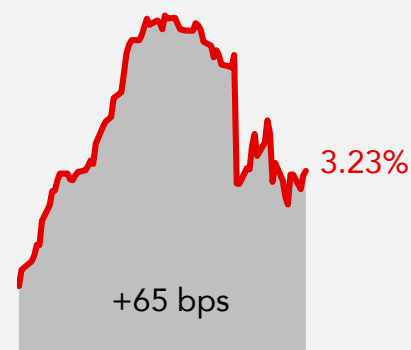


10 year UST

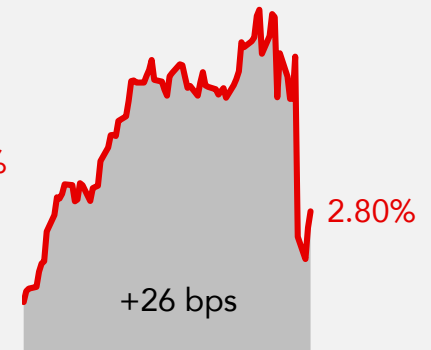


Inflation Breakevns (2025 YTD)

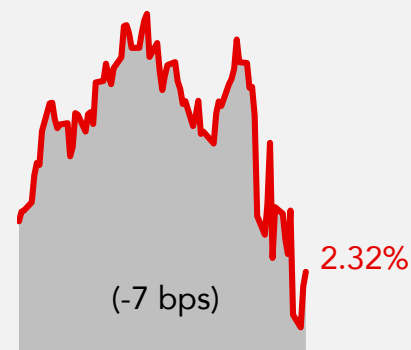
1 year US breakeven



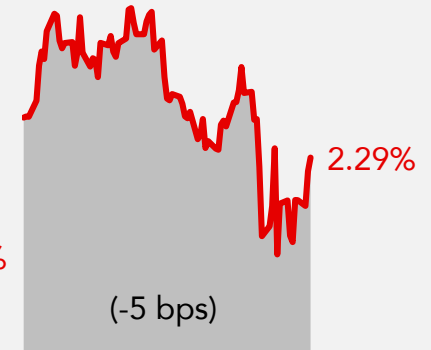
2 year US breakeven



5 year US breakeven



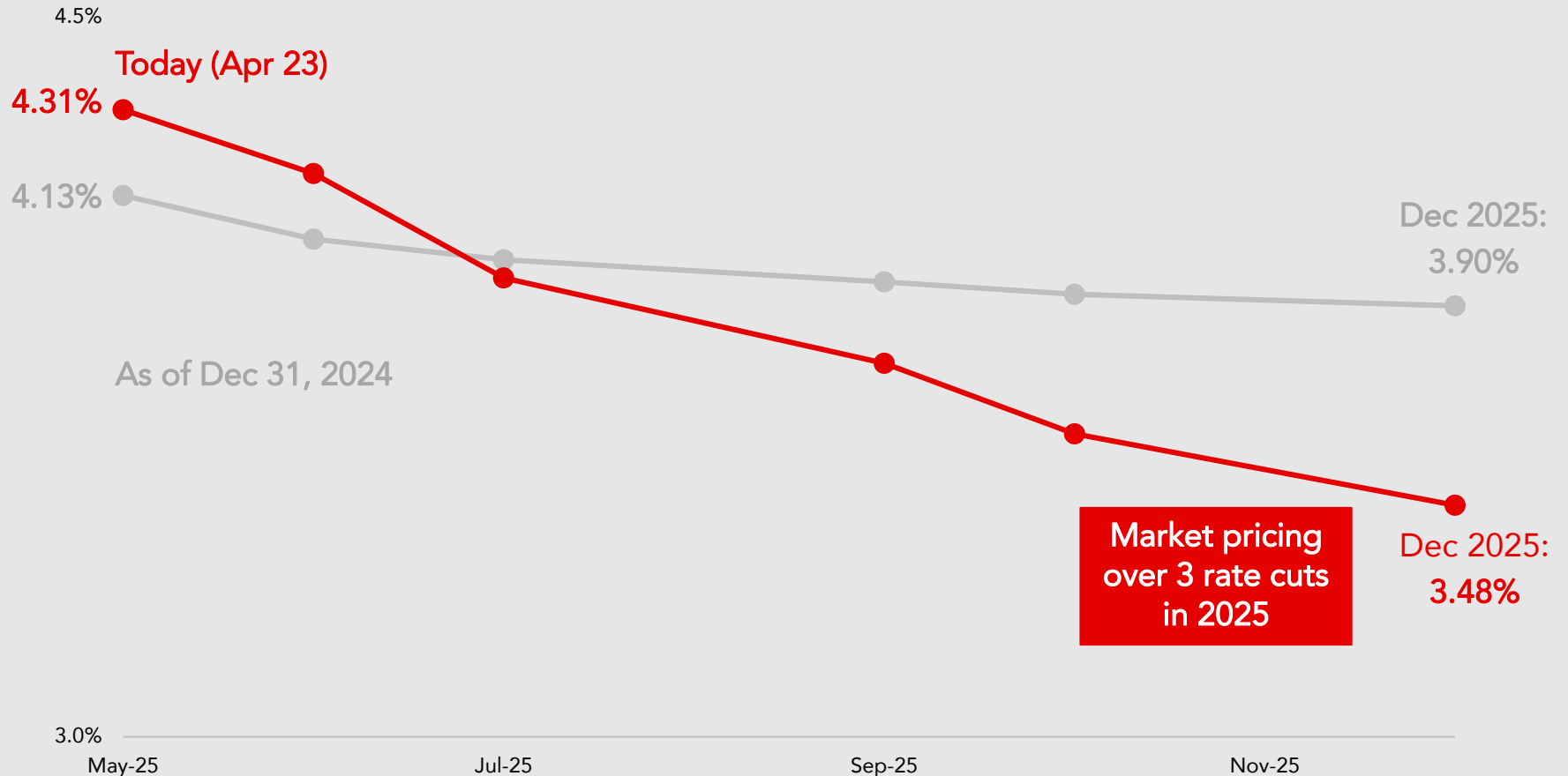
10 year US breakeven



Source: (1-8) Bloomberg. Data as of April 23, 2025.

Fed Funds Futures Pricing More 2025 Policy Easing

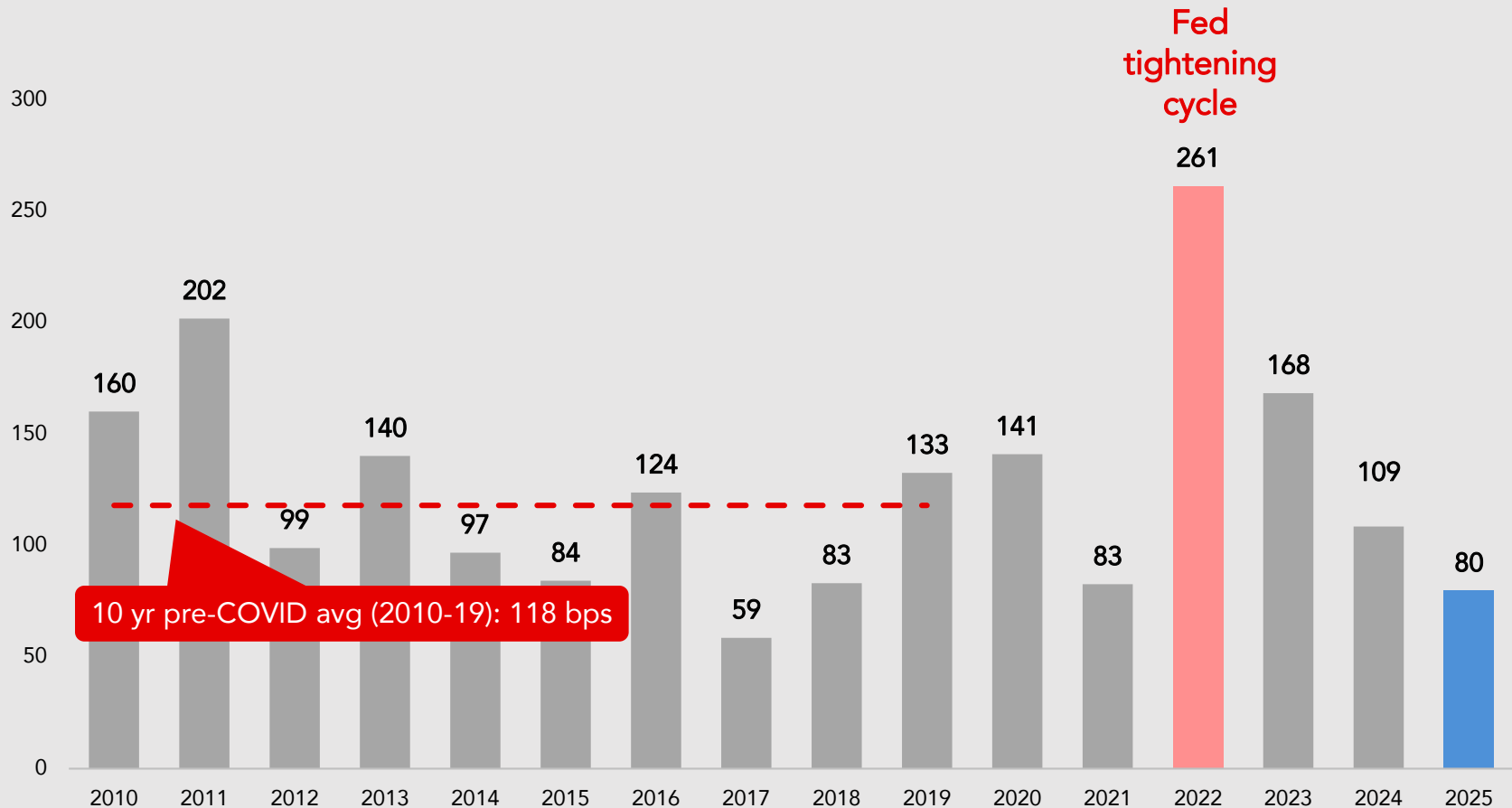
Marked implied Fed Funds rate (Dec 31, 2024 vs. today)



Source: (1) Bloomberg. Data as of April 23, 2025.

Historical 10 Year UST Trading Band

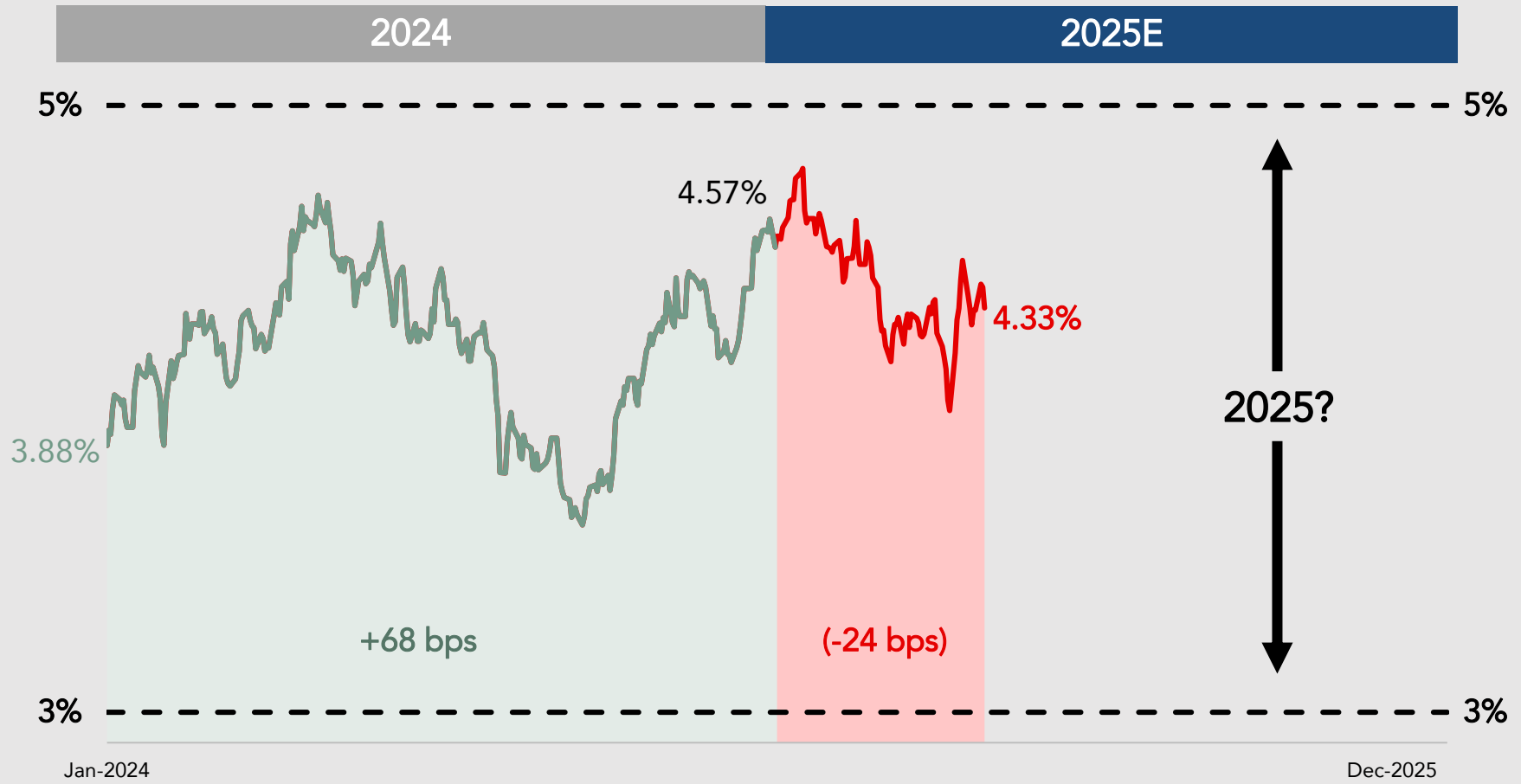
10 year UST annual trading range



Source: (1) Bloomberg. Data as of April 23, 2025.

Wider Trading Band for 10 Yr UST Yields in 2025

10 year UST



Source: (1) Bloomberg. Data as of April 23, 2025.

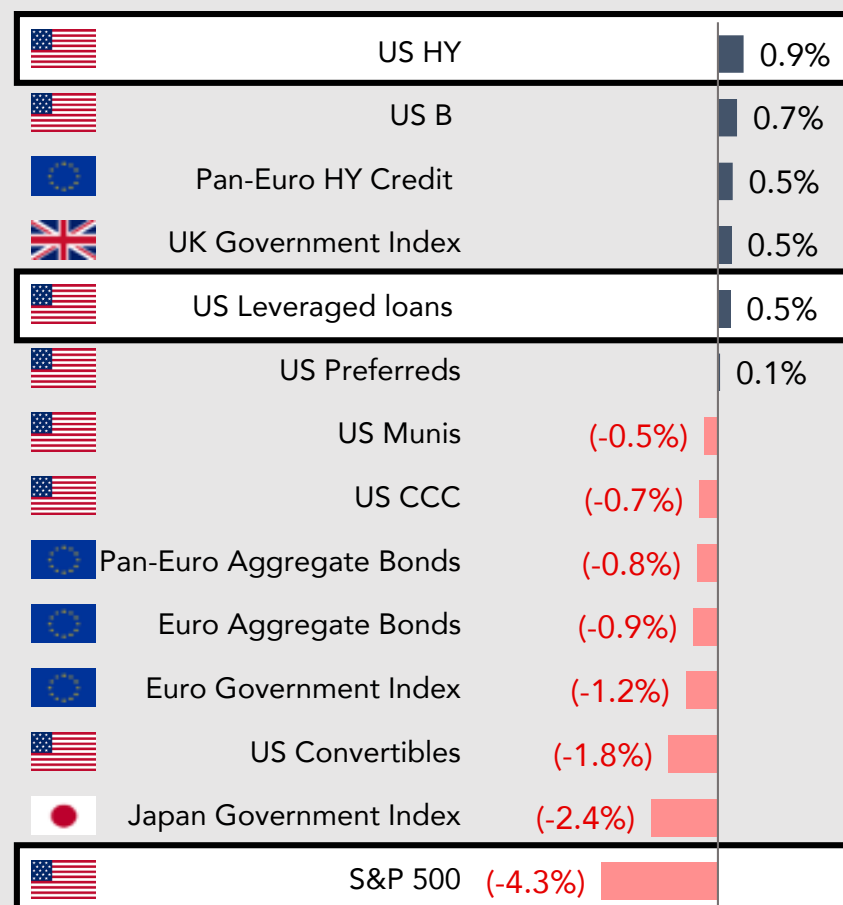
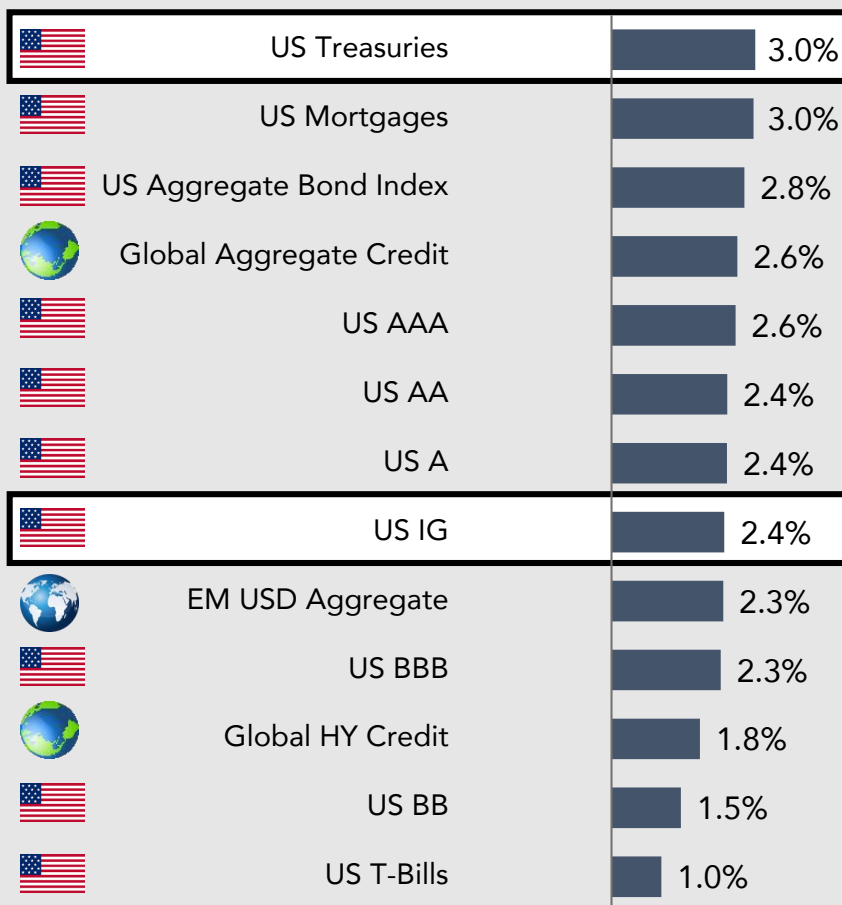
Corporate Credit Resilience

A portrait of a middle-aged man with a serious expression, wearing a dark suit, white shirt, and dark bow tie. The portrait is semi-transparent and serves as a background for the slide.

12

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

Credit market & S&P 500 total returns in Q1 2025

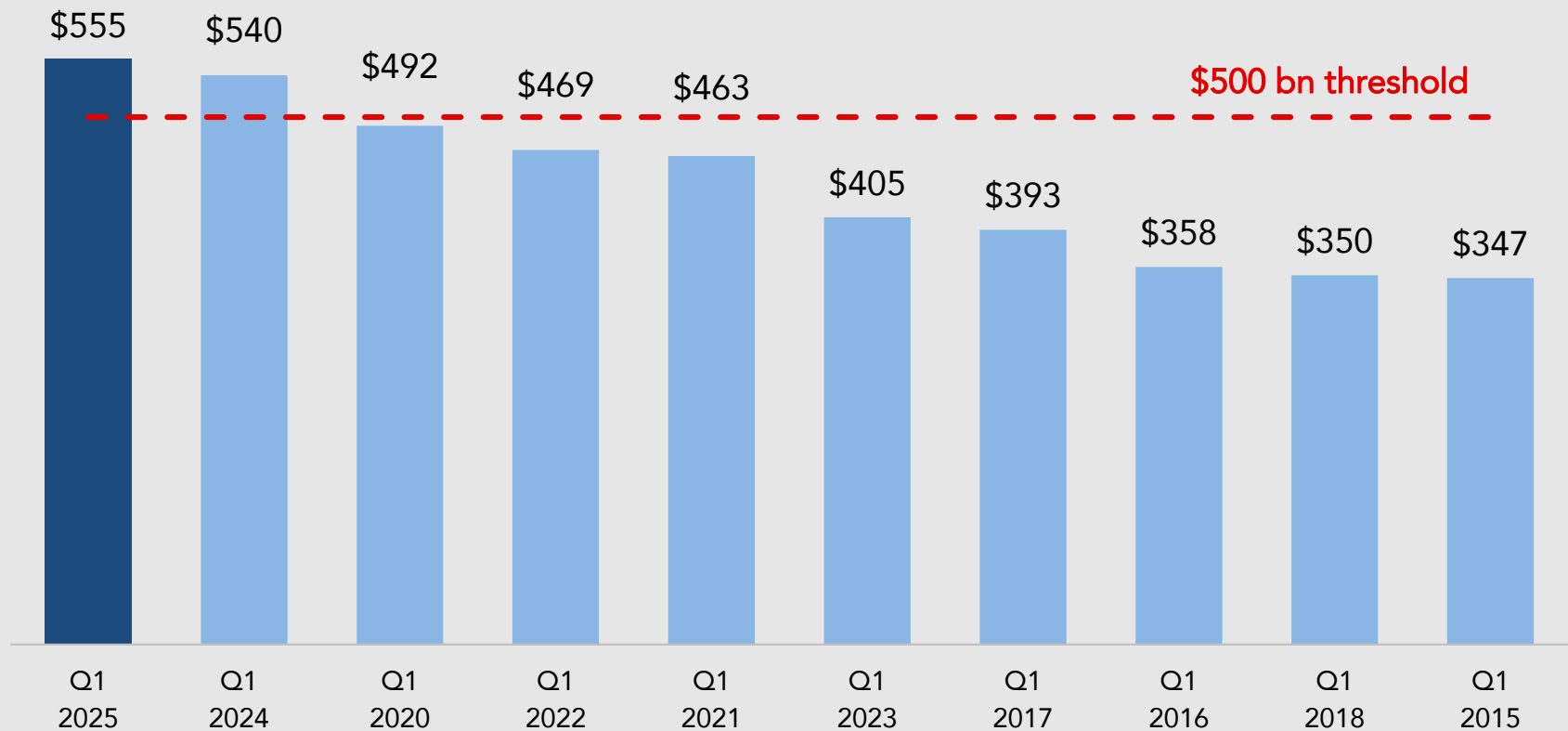


Source: (1) Bloomberg. Data as of March 31, 2025.

Highest Q1 USD IG Bond Issuance on Record

All time largest Q1 USD IG issuance, bn

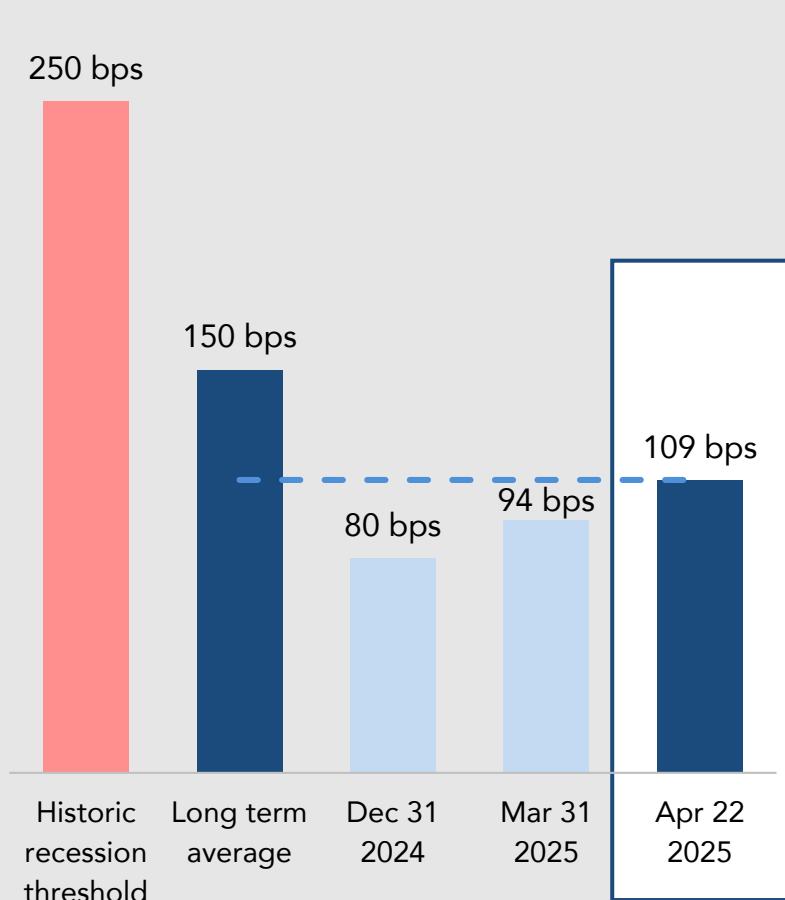
Largest Q1
on record



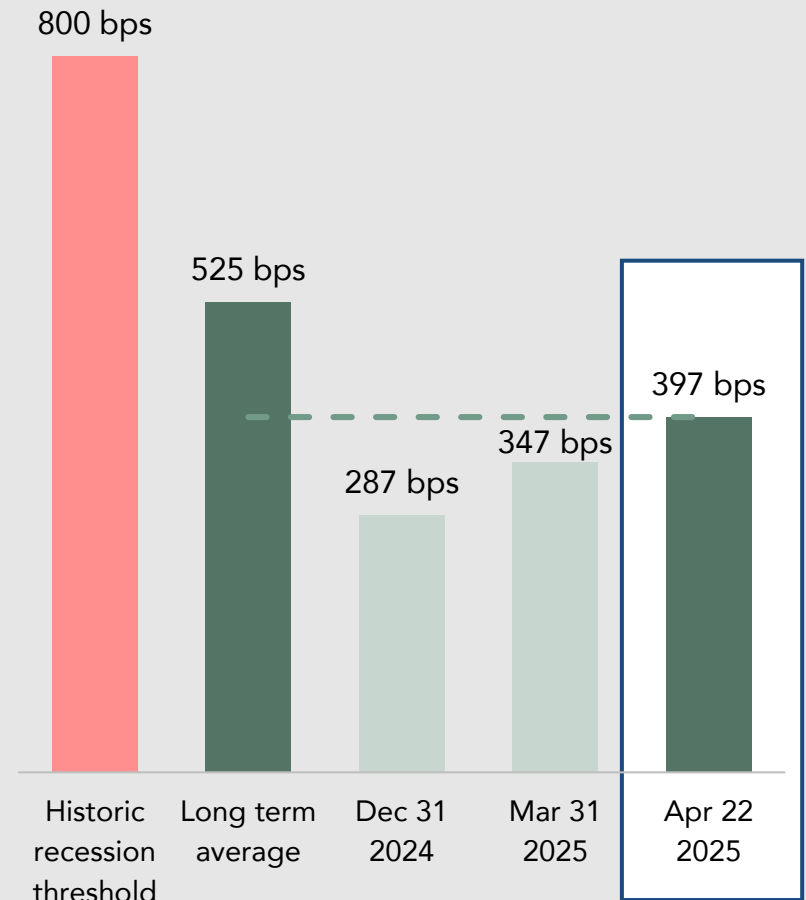
Source: (1) CFR. Data as of March 31, 2025.

USD Spreads Still Below Long Term Averages

USD IG OAS



USD HY OAS



Source: (1-2) Bloomberg. Data as of April 22, 2025.

Counterintuitive Dollar Weakness

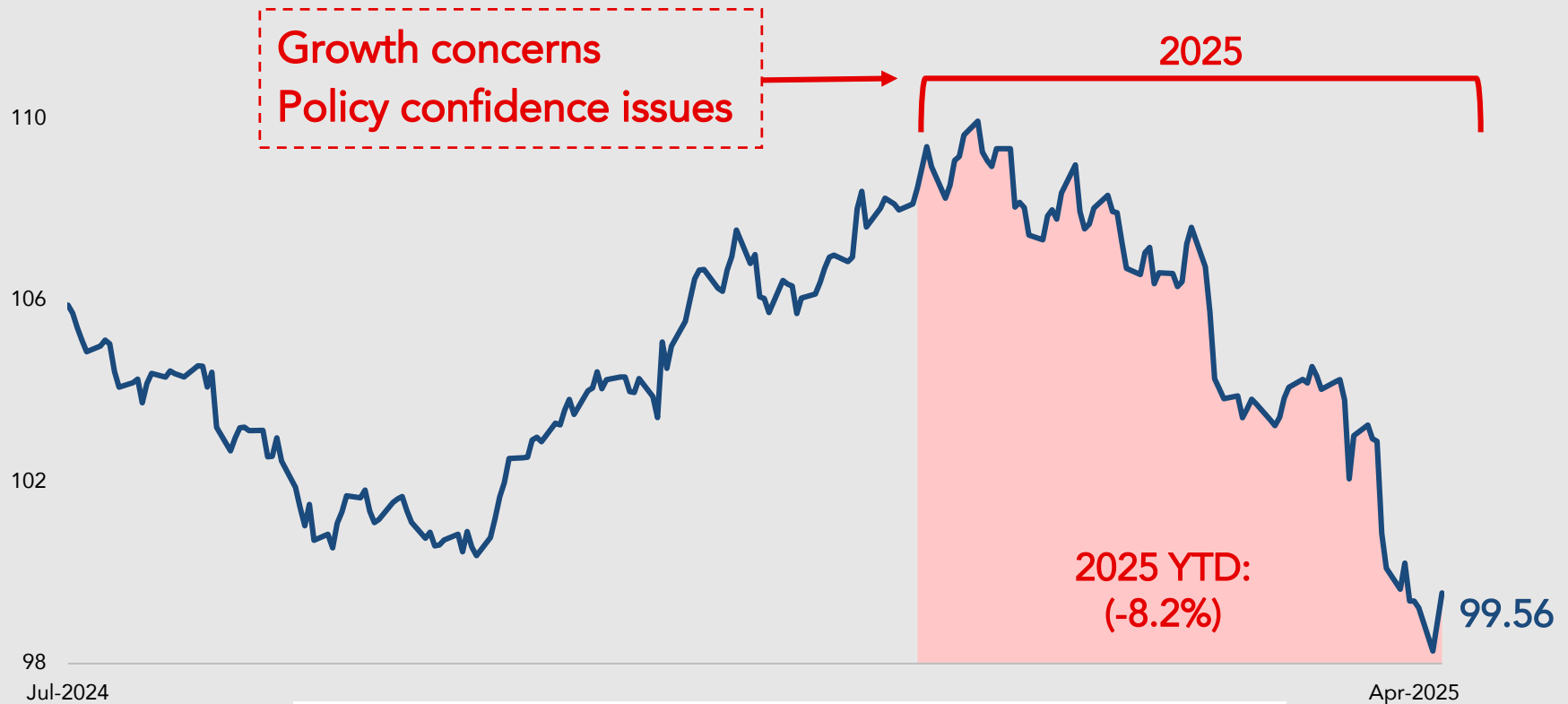
A faint, sepia-toned portrait of a man with a high forehead, wearing a dark suit and a bow tie. The portrait is positioned on the right side of the slide, partially obscured by the dark background and the text.

13

Sharpest Q1 Decline for USD Since 2017



US Dollar index performance

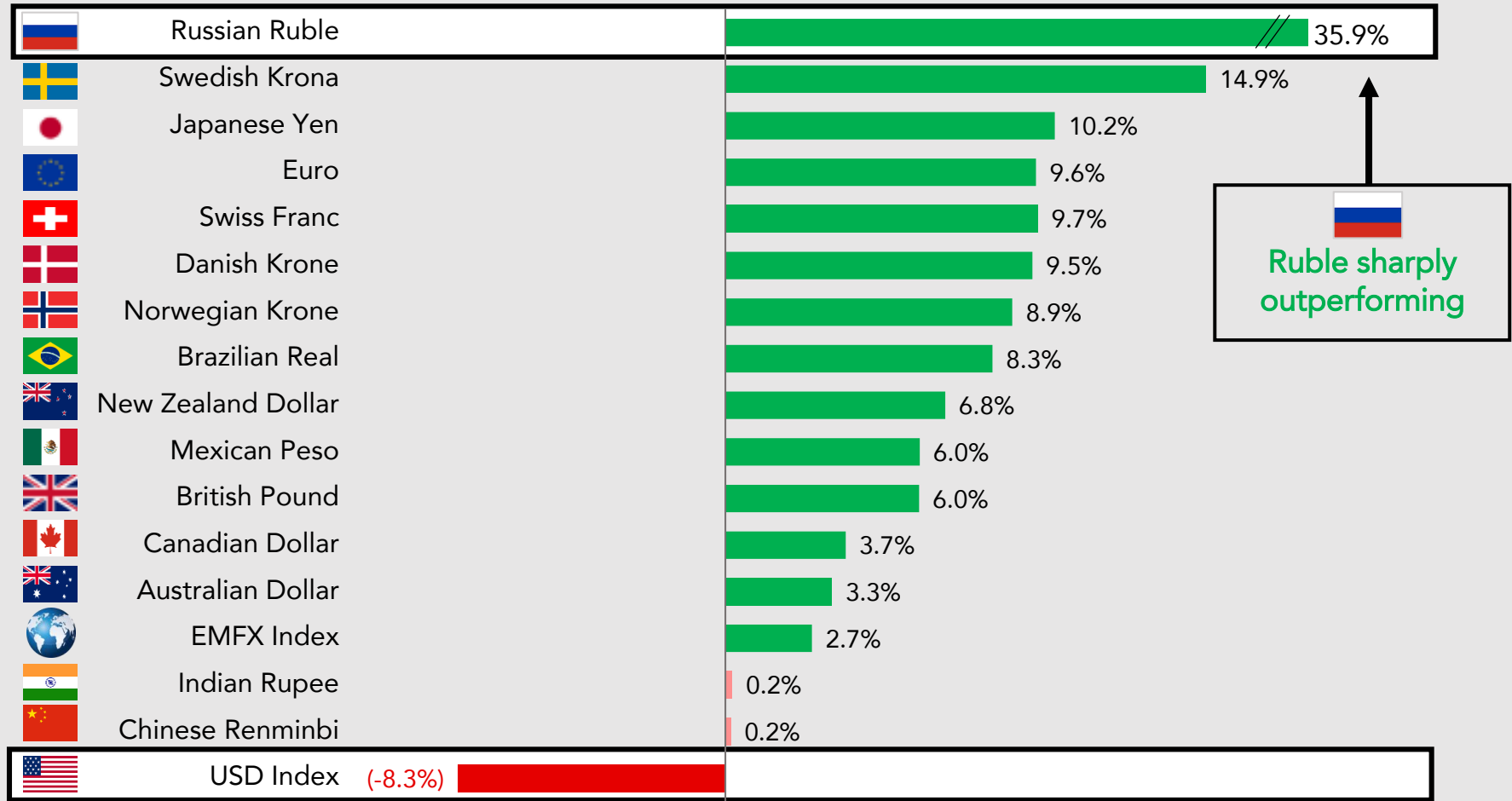


The US Dollar on "Liberation Day" had its largest single day decline since 2022

Source: (1) Bloomberg. Data as of April 23, 2025.

Unexpected US Dollar Weakness in 2025 YTD

Currency performance vs. USD in 2025 YTD













Source: (1) Bloomberg. Data as of April 23, 2025.

Sector & Market Divergence

14

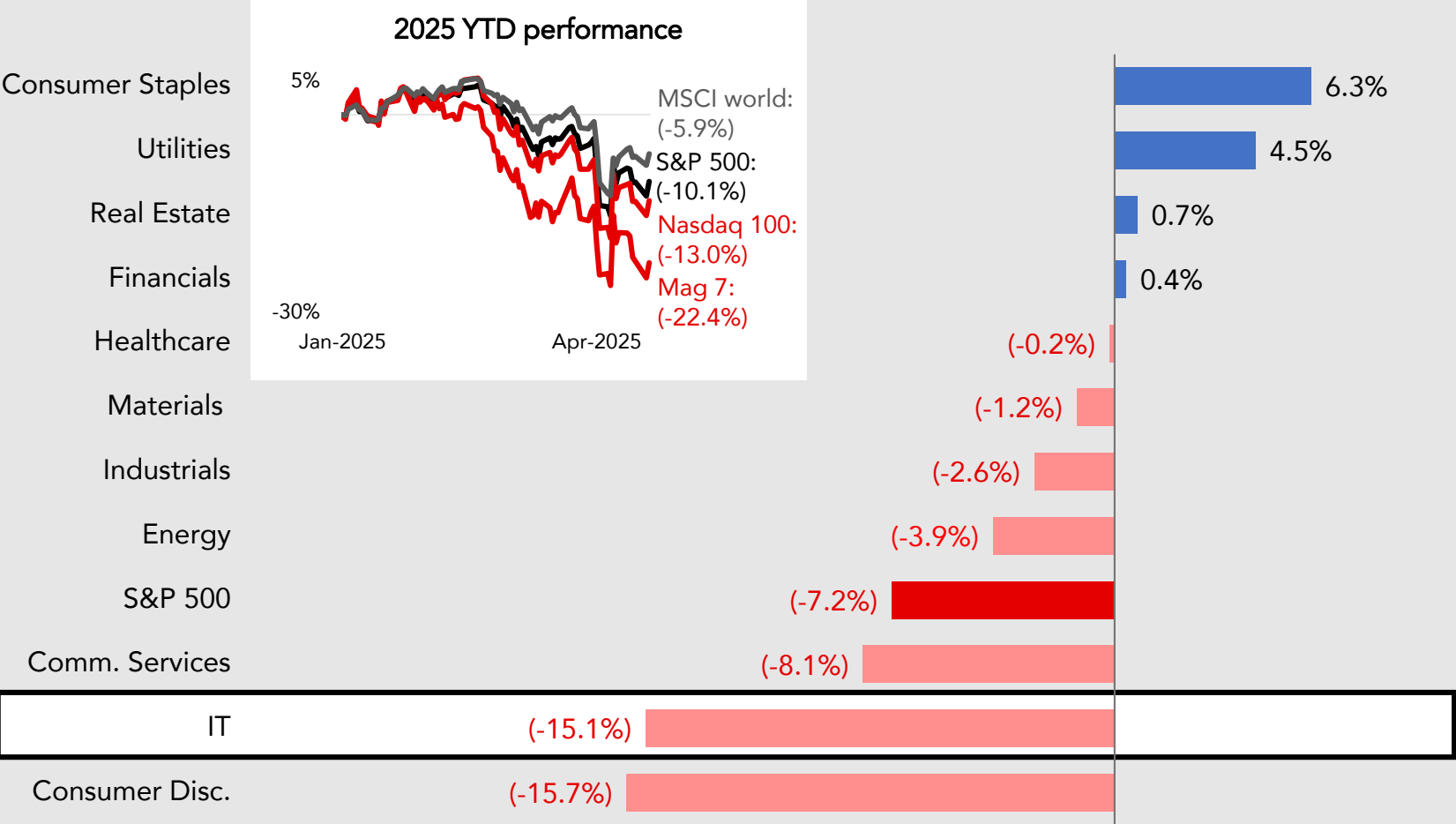
Sector & Market Divergence



| | |
|---|---|
|  MANUFACTURING Auto, chemicals, aerospace | SERVICES  Software, cybersecurity, large cap financials |
|  CYCLICALS Consumer discretionary, industrials, construction | DEFENSIVE  Consumer staples, healthcare, pharma, utilities |
|  GLOBAL MNCs Auto, manufacturing, large-cap tech, chemicals | DOMESTIC-FOCUSED COMPANIES  Regional banks, utilities, housing |
|  HIGH US RECIPROCAL TARIFFS China, Asia, Europe | LOWER US RECIPROCAL TARIFFS  Canada, Mexico |
|  RISK ASSETS Equities, HY, EMFX | "SAFER" HAVENS  USTs, Yen, IG credit, commodities Alternative assets (private credit, infrastructure) |

Worst Period for Tech Stocks Since 2022

S&P 500 industry sector performance since Jan 1 (total return)



Source: (1) Bloomberg. Data as of April 23, 2025. Industry sector performance is total returns. Line chart is price return.

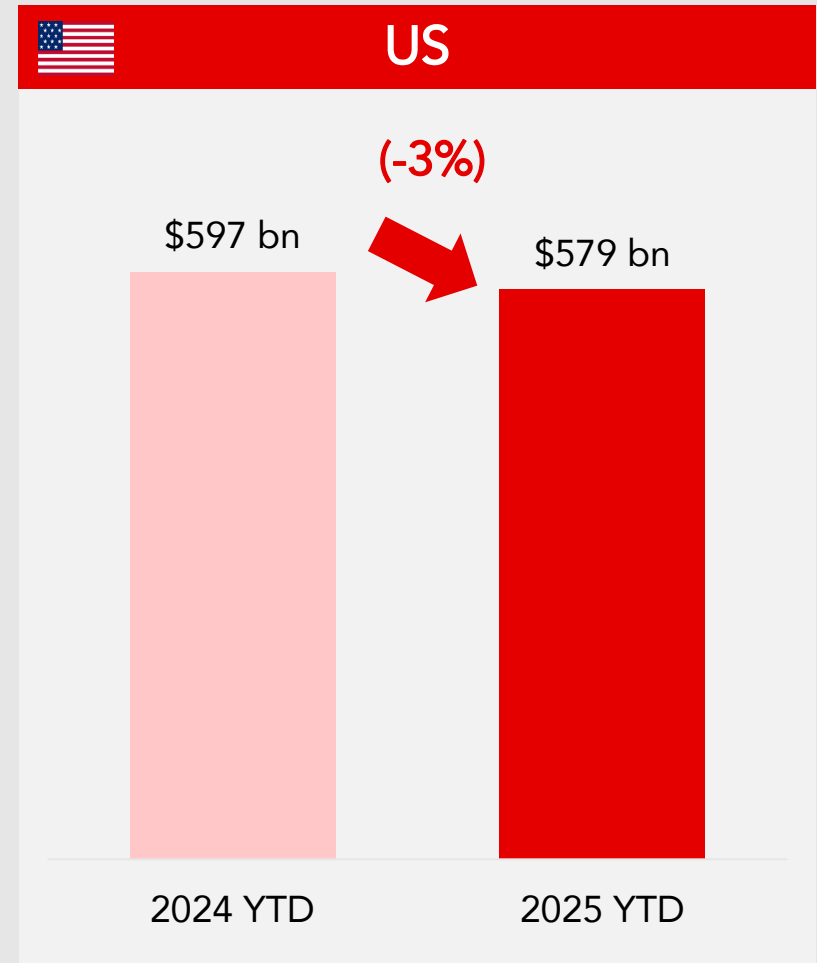
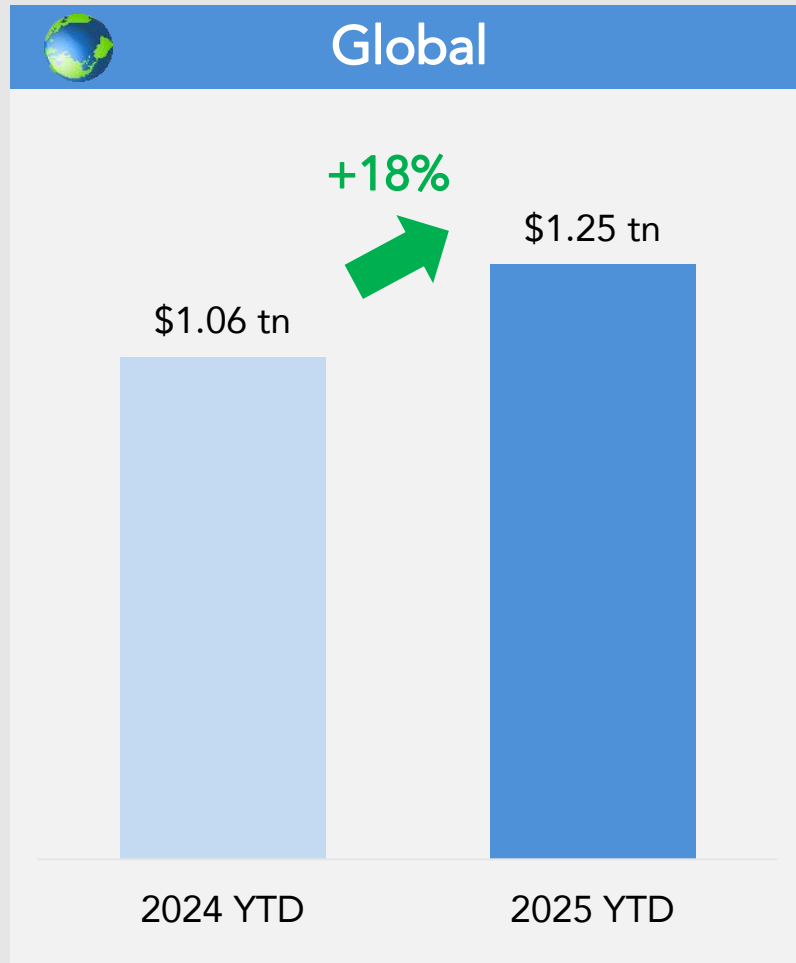
C-Suite Caution

15

US M&A Deal Activity Disappoints in 2025



M&A volumes in 2025 vs. 2024



Source: (1-2) Dealogic. Cortex. Data through April 22, 2025, accessed on April 23, 2025. US is by target region.

Dissonance in Deal Activity



IG Issuance

USD IG bonds

\$631 bn (-2%) \$617 bn

2024 YTD

2025 YTD

USD IG loans

\$338 bn +11% \$376 bn

2024 YTD

2025 YTD

HY Issuance

USD HY bonds

\$106 bn (-32%) \$72 bn

2024 YTD

2025 YTD

USD leveraged loans

\$168 bn (-15%) \$143 bn

2024 YTD

2025 YTD

Equity Issuance

USD ECM issuance

\$75 bn (-14%) \$64 bn

2024 YTD

2025 YTD

USD IPO issuance

\$10.4 bn (-6%) \$9.8 bn

2024 YTD

2025 YTD

Source: (1-6) IG and HY bond data is CFR. Data as of April 22, 2025. IG loan is LSEG. Data as of April 22, 2025. Lev Loan is LCD. Data through April 16, 2025. Equity issuance is Dealogic. Excludes SPACs, closed-end funds and deals less than \$50mn. Data as of April 22, 2025.

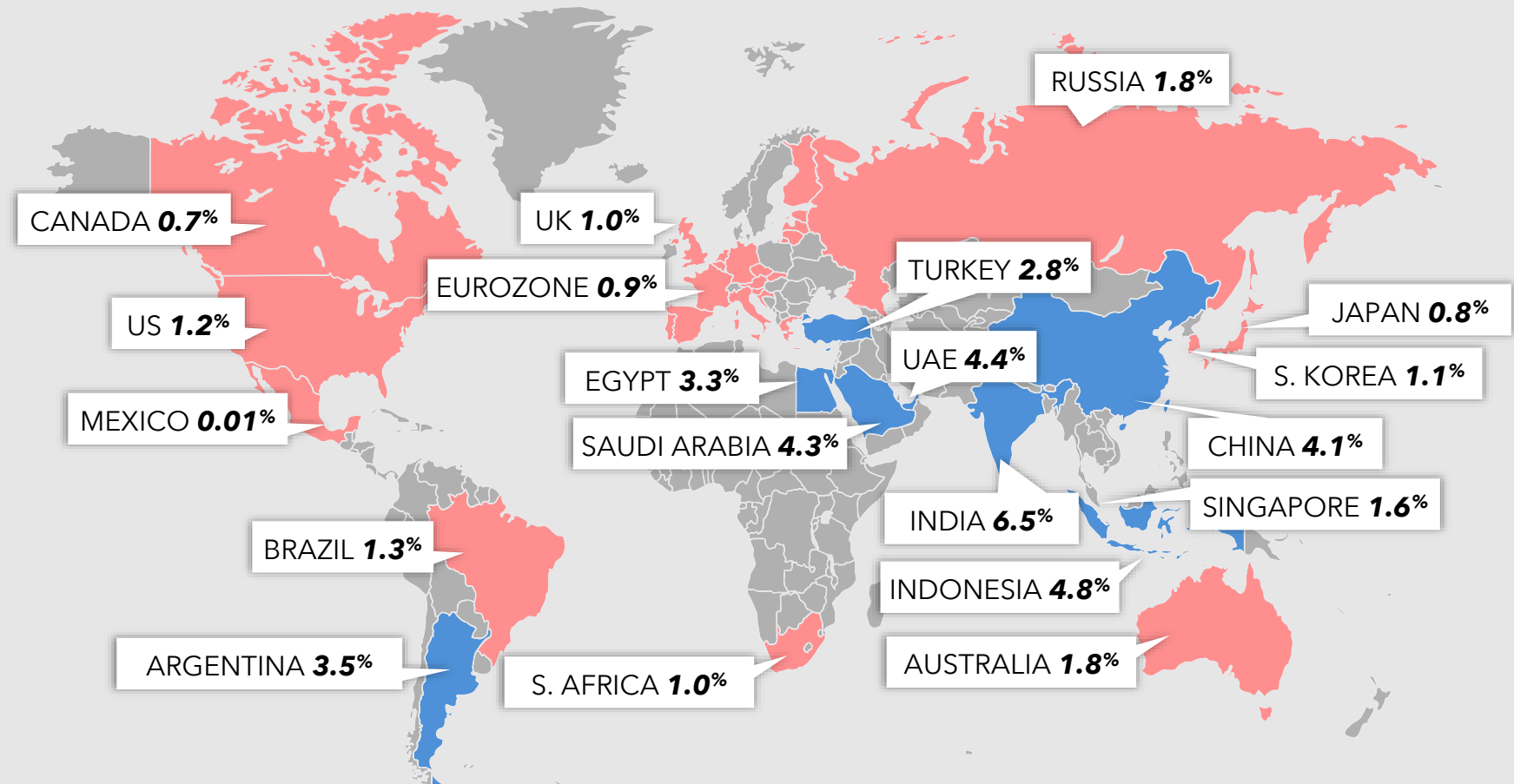
**Soft Data Turning,
Hard Data Resilient**

16

Global Recession May Have Already Begun

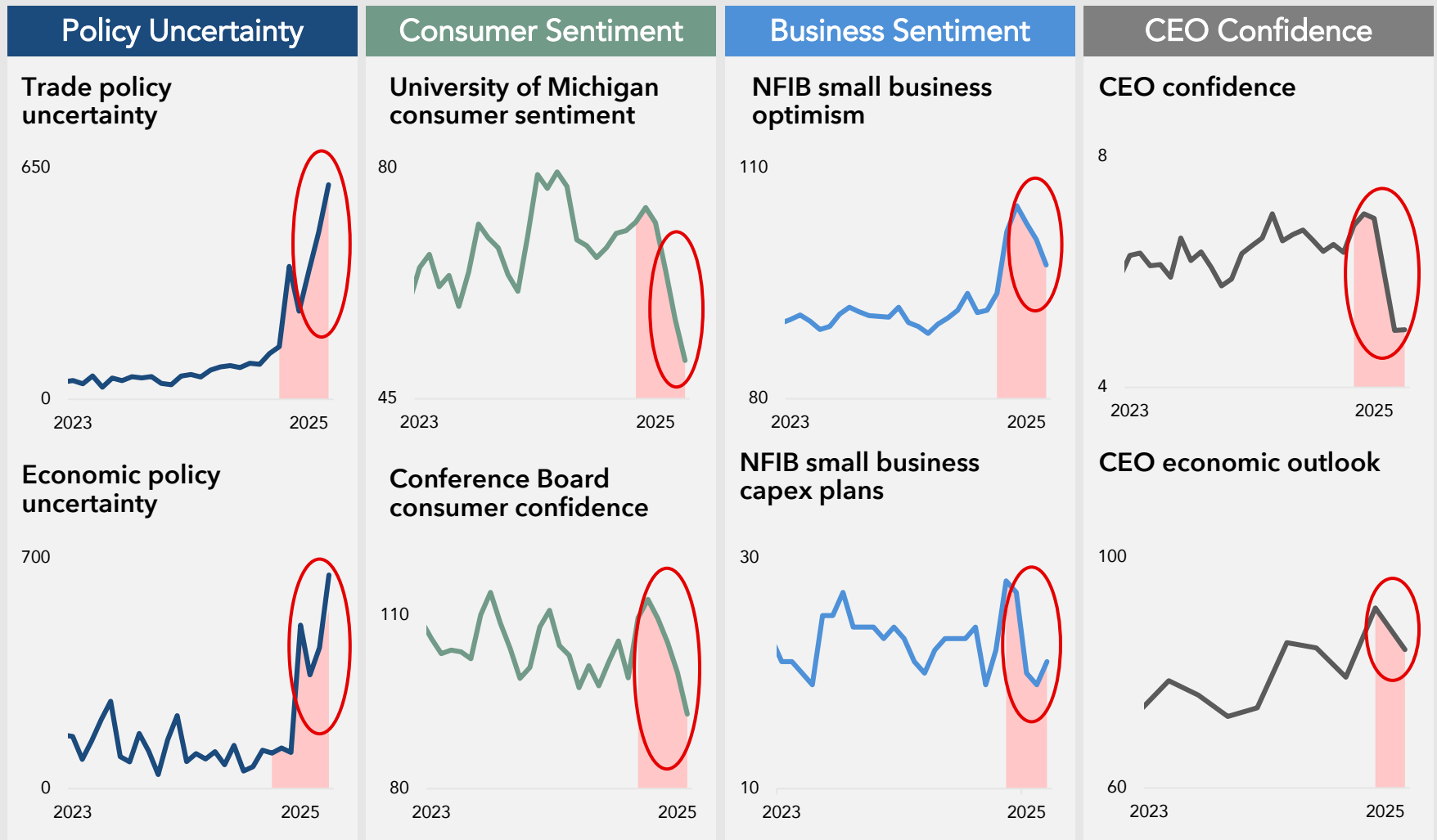
2025 GDP growth, y/y

GLOBAL GROWTH: 2.3%



Source: (1) Oxford Economics. Data as of April 15, 2025.

The "Soft Data" is Turning Rapidly

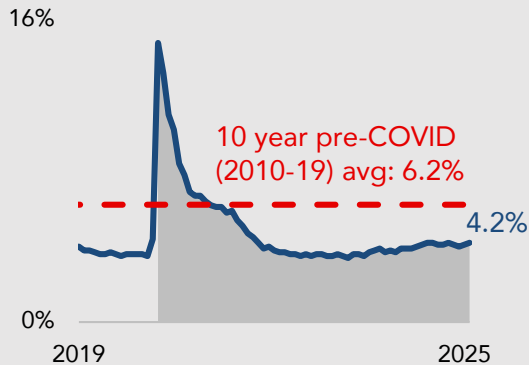


Source: (1-8) Bloomberg. Data as of April 23, 2025. CEO confidence is Chief Executive Magazine. CEO economic outlook is US Business Roundtable.

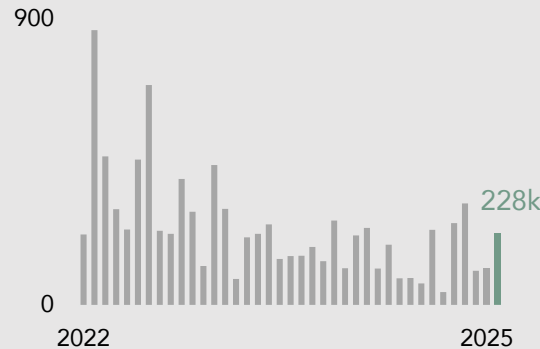
The Hard Data is Still Fairly Resilient



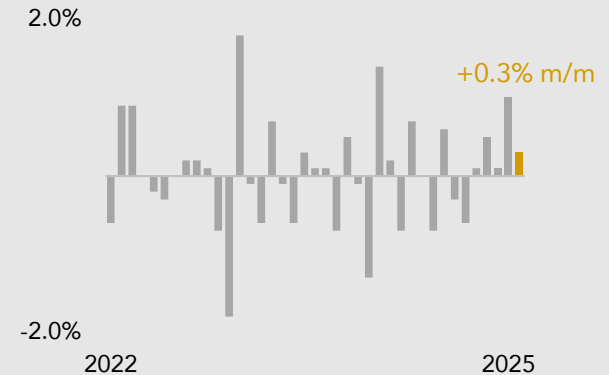
US unemployment still well below long term averages



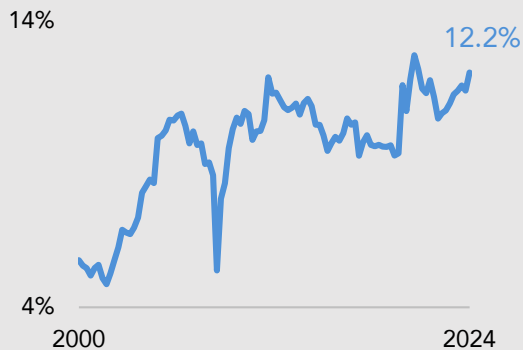
US job growth exceeds expectations in March NFP report



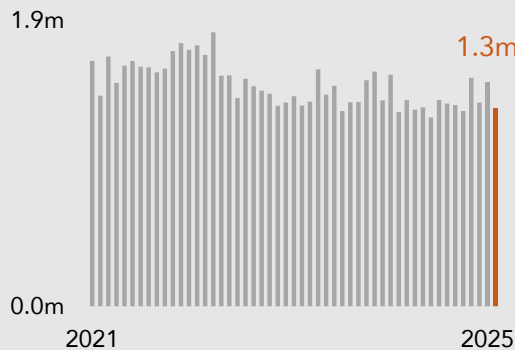
US manufacturing output rose modestly in March



Corporate profit margins remain strong



Strong pace of housing starts point to resilient market



Steady durable goods orders, due in part to trade war front-loading



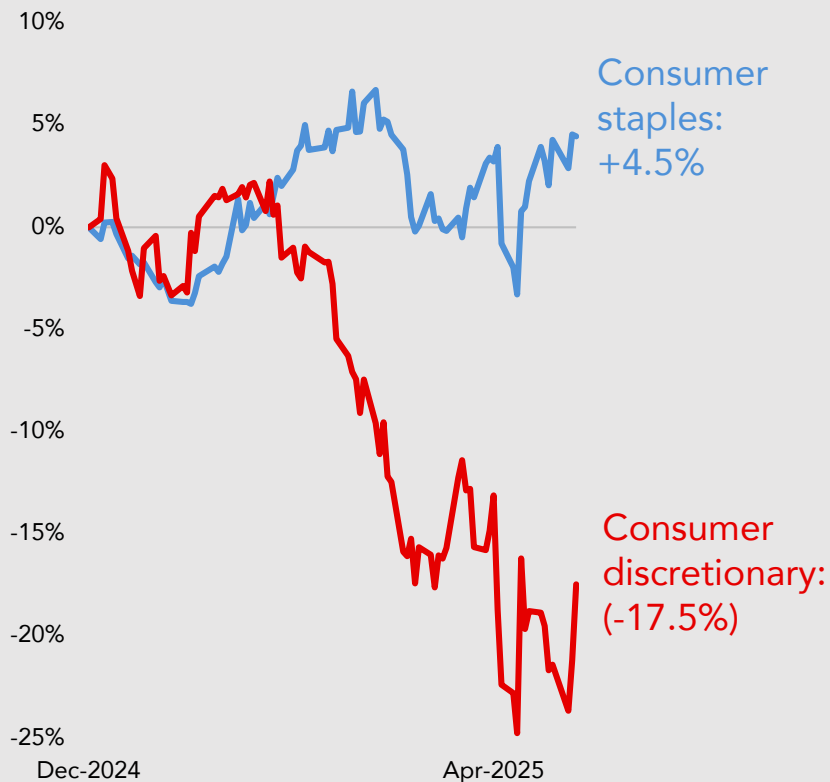
Source: (1-6) Bloomberg. Data as of April 23, 2025. Oxford Economics. FRED BEA. Corporate profits are as percent of GDP.

More Cautious US Consumer

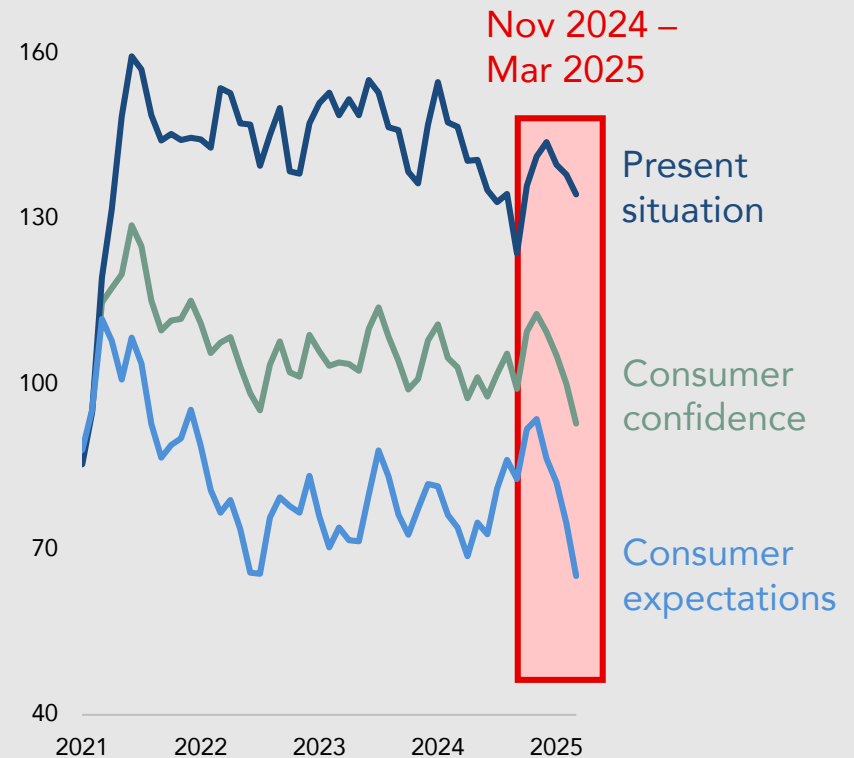


In equity markets, where recession concerns have also risen, defensive sectors such as consumer staples have diverged sharply from the more cyclical consumer discretionary stocks. The Conference Board's measure of US consumer confidence dropped sharply (again) in March, the lowest reading in the post-COVID period since January 2021. Notably, the "Expectations" Index in March recorded its lowest reading in 12 years.

S&P 500 index performance since December 2024

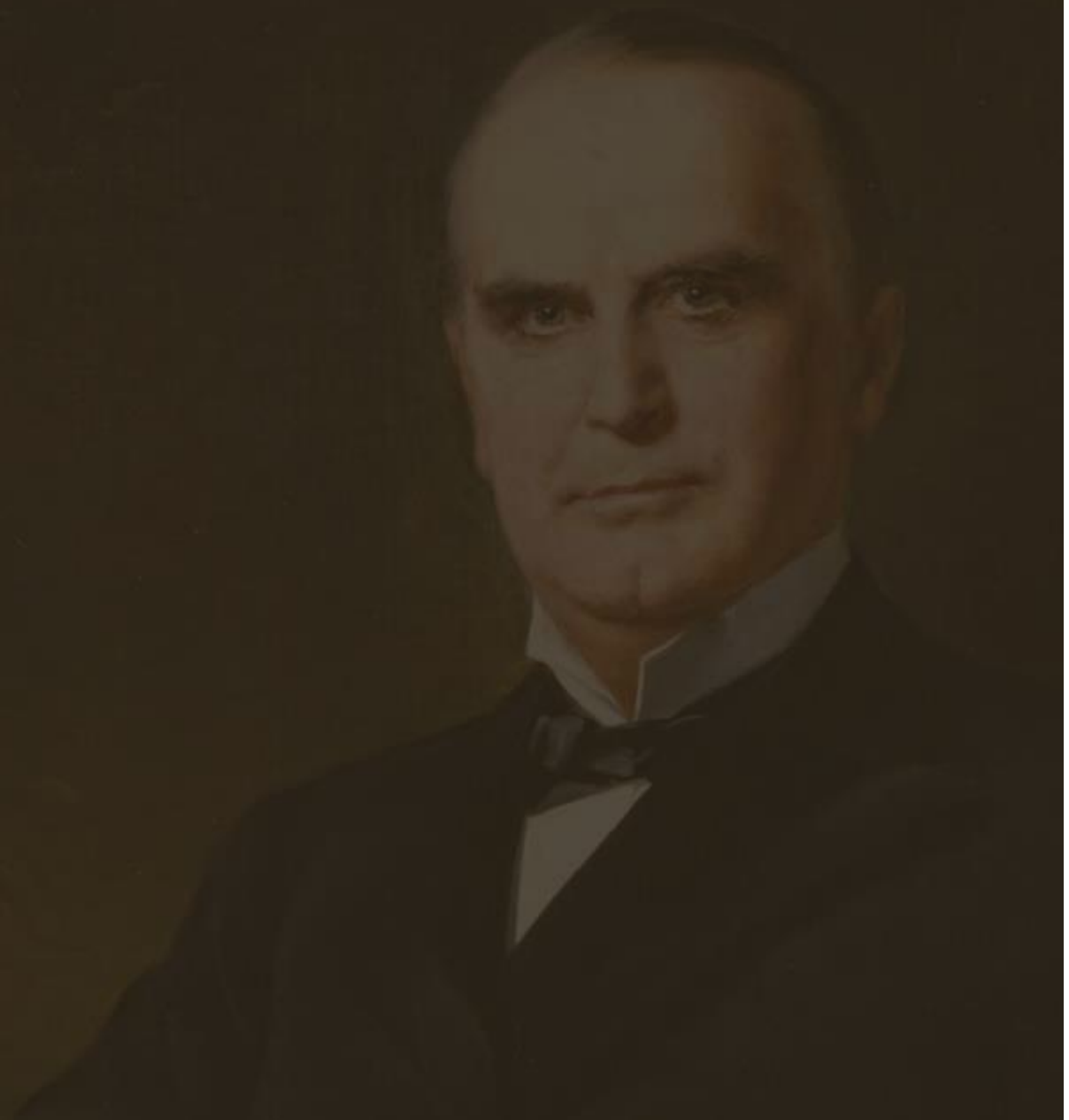


Conference Board US consumer confidence



Source: (1-2) Bloomberg. Data as of April 23, 2025. Bloomberg. Oxford Economics, "US: Confidence takes a big hit from falling stocks and tariffs threats".

Summary Conclusions



Where are We Going from Here?

GLOBAL TRADE

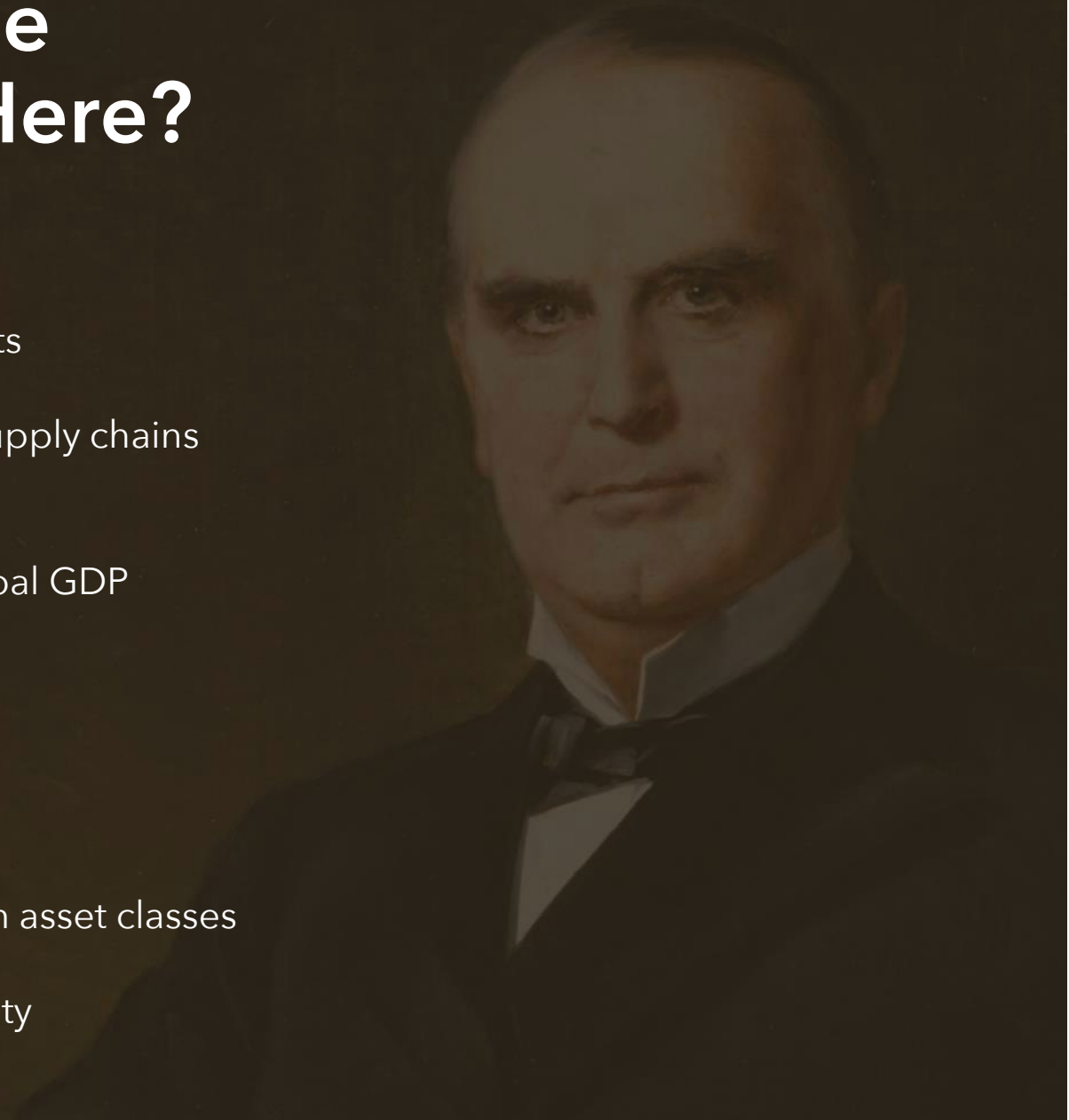
- Measured policy retaliation
- Limited bilateral agreements
- Fragmented trade blocks
- Higher cost, restructured supply chains

GLOBAL ECONOMY

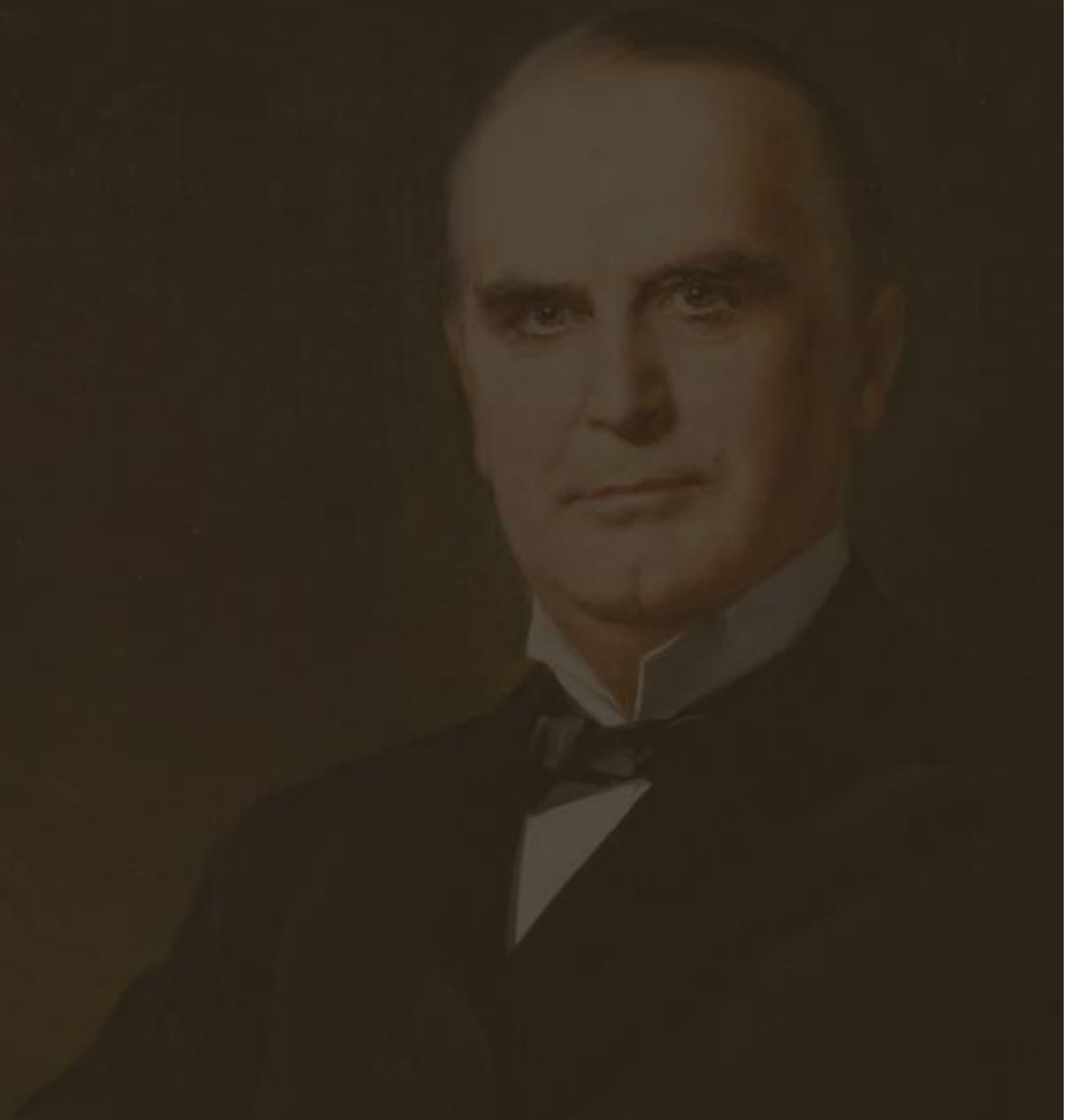
- Downward revisions to global GDP
- Higher recession risk
- Calibrated fiscal expansion
- Decoupling

GLOBAL MARKETS

- Higher volatility
- Greater dispersion between asset classes
- Risk assets under pressure
- Deterioration in credit quality








Appendix









2025 Global Economic Forecasts

The global economy is expected to grow at about 2.3% in 2025, well below its long term 3.5% average

GDP growth forecasts, y/y

| Region | 2024 | 2025E | |
|---|---------|---------|---|
| North America | | | |
|  US | 2.8% | 1.2% | ↓ |
|  Canada | 1.5% | 0.7% | ↓ |
|  Mexico | 1.2% | 0.0% | ↓ |
| Eurozone | | | |
| Spain | 3.2% | 2.7% | ↓ |
| Ireland | 1.2% | 2.6% | ↑ |
| Netherlands | 1.0% | 1.2% | ↑ |
| Finland | (-0.1%) | 0.8% | ↑ |
| France | 1.1% | 0.5% | ↓ |
| Italy | 0.5% | 0.5% | ↓ |
| Germany | (-0.2%) | 0.0% | ↑ |
| Other Europe | | | |
| Poland | 2.8% | 3.4% | ↑ |
| Türkiye | 3.2% | 2.8% | ↓ |
| Czech Republic | 1.0% | 2.2% | ↑ |
| Sweden | 0.9% | 2.0% | ↑ |
| Denmark | 3.7% | 1.9% | ↓ |
|  Russia | 3.9% | 1.8% | ↓ |
|  UK | 1.1% | 1.0% | ↑ |
| Switzerland | 1.3% | 0.6% | ↓ |
| Norway | 2.1% | (-0.3%) | ↓ |

| Region | 2024 | 2025E | |
|---|---------|-------|---|
| APAC | | | |
|  India | 6.7% | 6.5% | ↓ |
| Indonesia | 5.0% | 4.8% | ↓ |
|  China | 5.0% | 4.1% | ↓ |
|  Australia | 1.0% | 1.8% | ↑ |
| Singapore | 4.4% | 1.6% | ↑ |
| South Korea | 2.1% | 1.1% | ↓ |
| New Zealand | (-0.1%) | 0.8% | ↑ |
|  Japan | 0.1% | 0.8% | ↑ |
| LatAm | | | |
| Argentina | (-1.7%) | 3.5% | ↑ |
| Chile | 2.4% | 2.4% | ↑ |
| Colombia | 1.7% | 2.0% | ↑ |
|  Brazil | 2.9% | 1.3% | ↓ |
| MENA | | | |
| UAE | 3.8% | 4.4% | ↑ |
|  Saudi Arabia | 1.3% | 4.3% | ↑ |
| Sub-Saharan Africa | 3.6% | 3.8% | ↑ |
| Egypt | 3.1% | 3.3% | ↑ |
| Kuwait | (-2.7%) | 2.5% | ↑ |
| Qatar | 2.6% | 2.5% | ↓ |
| Oman | 1.7% | 2.1% | ↑ |
| South Africa | 0.6% | 1.0% | ↑ |

Source: (1) Oxford Economics. Data as of April 23, 2025.

2025 Global Currency Forecasts

| Currency pair | Spot (Apr 23) | Q2 2025 | Q3 2025 | Q4 2025 | Q1 2026 |
|---------------|------------------|---------|---------|---------|---------|
| EUR / USD | 1.15 | 1.06 | 1.08 | 1.10 | 1.14 |
| GBP / USD | 1.34 | 1.29 | 1.29 | 1.32 | 1.36 |
| USD / JPY | 141 | 152 | 150 | 148 | 146 |
| USD / CNY | 7.31 | 7.40 | 7.40 | 7.35 | 7.30 |
| AUD / USD | 0.64 | 0.61 | 0.63 | 0.65 | 0.66 |
| NZD / USD | 0.60 | 0.56 | 0.57 | 0.58 | 0.60 |
| USD / CAD | 1.38 | 1.48 | 1.47 | 1.42 | 1.38 |
| USD / NOK | 10.35 | 10.94 | 10.65 | 10.36 | 9.83 |
| USD / SEK | 9.52 | 10.47 | 10.37 | 10.00 | 9.47 |
| USD / CHF | 0.81 | 0.89 | 0.86 | 0.85 | 0.83 |
| USD / MXN | 19.63 | 20.75 | 21.00 | 20.75 | 20.50 |
| USD / BRL | 5.75 | 5.85 | 5.90 | 6.00 | 6.05 |
| USD / CLP | 952 | 965 | 980 | 990 | 1,000 |

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

2025 MUFG Global Rates Forecasts

| | Spot (Apr 23) | 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% | 3.85% |
| 2 yr UST | 3.84% | 4.00% | 3.86% | 4.13% | 3.80% | 3.88% | 3.73% | 3.75% | 3.72% |
| 5 yr UST | 3.96% | 4.13% | 3.97% | 4.25% | 3.96% | 4.13% | 3.94% | 4.00% | 3.93% |
| 10 yr UST | 4.33% | 4.25% | 4.23% | 4.38% | 4.24% | 4.25% | 4.23% | 4.13% | 4.22% |
| 30 yr UST | 4.75% | 4.50% | 4.50% | 4.63% | 4.49% | 4.63% | 4.48% | 4.50% | 4.50% |

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of April 7, 2025. Fed funds is upper bound.

2025 MUFG Commodities Forecasts

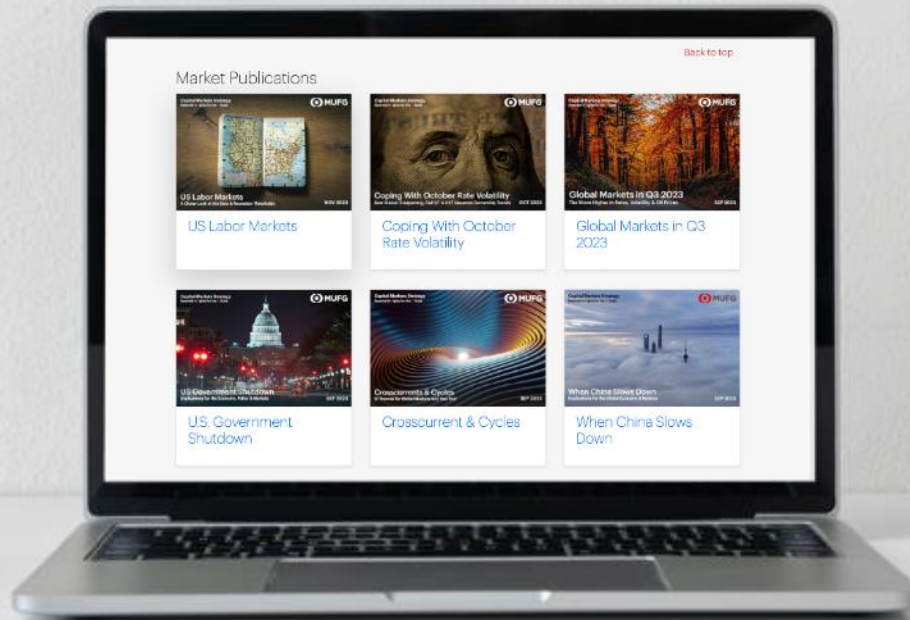
| | | Q2 2025 | | Q3 2025 | | Q4 2025 | | Q1 2026 | |
|--------------|------------------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|
| | Spot (Apr 23) | MUFG | Consensus | MUFG | Consensus | MUFG | Consensus | MUFG | Consensus |
| WTI | \$64 | \$64 | \$67 | \$69 | \$68 | \$72 | \$67 | \$70 | \$68 |
| Brent | \$67 | \$69 | \$70 | \$74 | \$70 | \$77 | \$70 | \$75 | \$70 |
| US Nat Gas | \$3.01 | \$3.60 | \$3.75 | \$3.75 | \$3.75 | \$4.00 | \$4.00 | \$4.15 | \$4.15 |
| Euro Nat Gas | €34 | €38 | €42 | €33 | €39 | €29 | €40 | €31 | €36 |

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of April 23, 2025.



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About the Authors



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Role

Tom Joyce is a Managing Director and Capital Markets Strategist within MUFG's global capital markets and investment banking business. Based in New York, Tom heads a team that creates customized analytical content for multi-national S&P 500 companies. His team provides in depth analysis on the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Tom has over 30 years of Investment Banking experience in New York, London, Hong Kong, and San Francisco. Tom created and built the Capital Markets Strategy role, advising corporate C-Suite executives (Boards, CEOs, CFOs, and Treasurers) on the pervasive macro forces driving markets. Tom also presents at dozens of corporate events each year including Board meetings, CEO ExCo sessions, CFO and Treasury off-sites, corporate leadership events and conferences.

Education

Tom's educational background includes a year of study at Oxford University from 1991 - 1992, a Bachelor of Arts in Political Science from Holy Cross College in 1993, and a MBA from Kellogg Business School, Northwestern University in 2000.

Personal

Tom resides in New Canaan, CT with his wife and four sons, where he previously served on the Board of Trustees of the New Canaan Library. Tom also serves on the President's Council of Holy Cross College.

About the Authors



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Role

Stephanie Kendal is a Vice President in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Stephanie has spent nearly eight years as a Capital Markets Strategist. She is an active member of the University of Michigan recruiting team and is focused on the diversity recruiting effort at MUFG. Stephanie is also a part of MUFG's DEI, Culture & Philanthropy (DCP) Council.

Education

Stephanie graduated with honors from the University of Michigan's Ross School of Business with a BBA .

Personal

Stephanie is involved in NYC's iMentor program, mentoring high school students with their journey to college graduation. She also volunteers at Experience Camps, a free summer camp program for grieving children, as the associate program director.



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Role

Angela Sun is an Analyst in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Angela previously interned at MUFG working in Capital Markets within the Equity Capital Markets and Leveraged Finance divisions. She is also an active member of the Carnegie Mellon University recruiting team.

Education

Angela graduated with honors from Carnegie Mellon University's Tepper School of Business with a BS in Business Administration with an additional major in Statistics and a minor in Media Design. She was a member of Alpha Kappa Psi business fraternity and the Undergraduate Entrepreneurship Association.



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