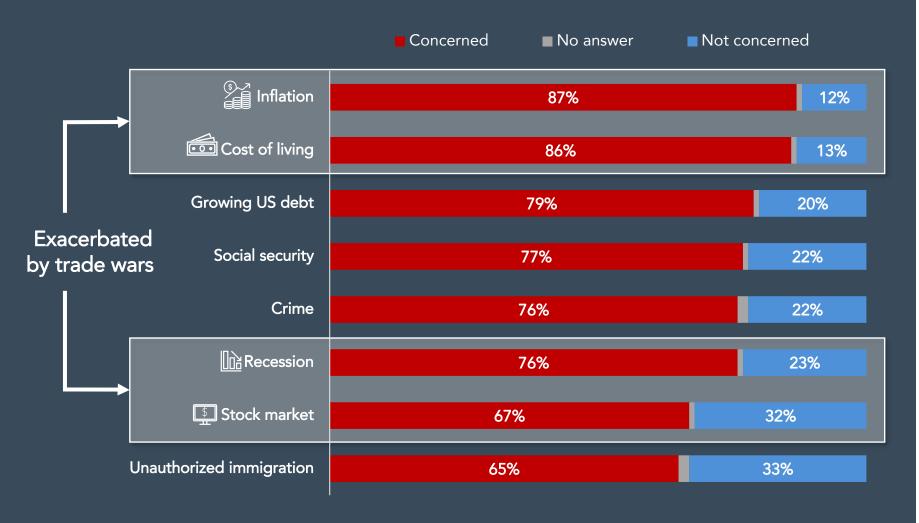


What Americans Worry About



Reuters / Ipsos poll: What Americans worry about



Source: Reuters/Ipsos polled 4,306 US adults on April 16-21, 2025. The margin of error is +/- 2 percentage points.

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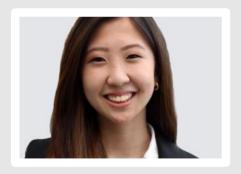
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AUTHORS

Contents

- Weight of policy uncertainty evident in the data
- Contingency planning critical in the absence of reliable forecast environment
- Dissonance across deal activity & markets
- Tariff frequency suggests more paradigm shift than "Art of the Deal"
- We are not returning to the old global trading system
- Tax & trade policy are inextricably linked as carrot & stick
- **7** The "Trump put" has become a reliable expectation in markets
- 8 Asymmetric US-China escalation wavers between decoupling and détente
- Trade deals take time to negotiate
- **10** Trade wars evolving into capital wars
- Resilience of the world's benchmark, risk-free asset
- 12 The Fed is in a bind



Low Visibility Macro Backdrop



"If America, for whatever reason, becomes a less attractive investment destination, the U.S. dollar and the economy could suffer if foreigners sold their U.S. assets."

Jamie Dimon, CEO of JPMorgan



"Even if the dream of jobs coming back to America plays out, that's a 20-year dream. It's not 20 weeks. It's not two years, it's decades."

Ken Griffin, CEO of Citadel



"There's a real likelihood that we're going to see a lot of short-term tremors for companies in profits and supply chains, and I think in the short-term it's mostly headwinds."

Yuval Atsom, CFO of McKinsey

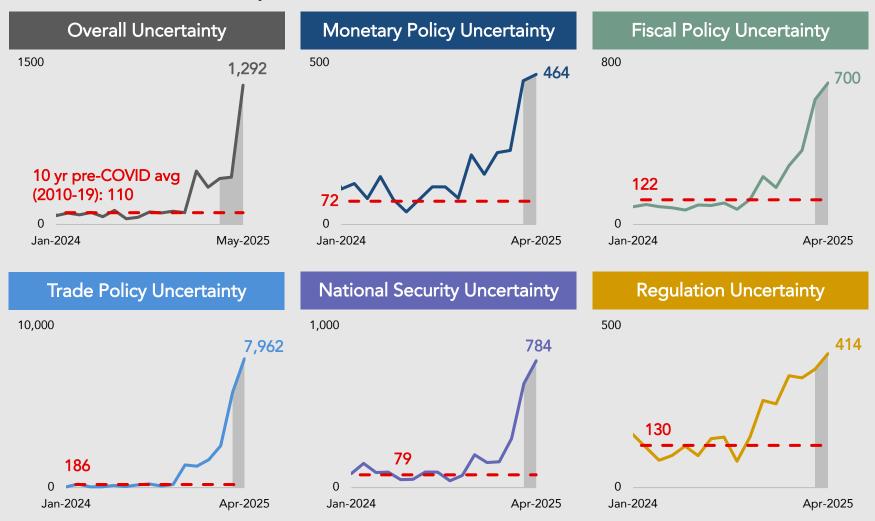


"I've been through six economic recessions in my life. The playbook is to manage the crisis, and that is preserving cash, protecting profits and staying connected with the consumer."

Harmit Singh, CFO of Levi's

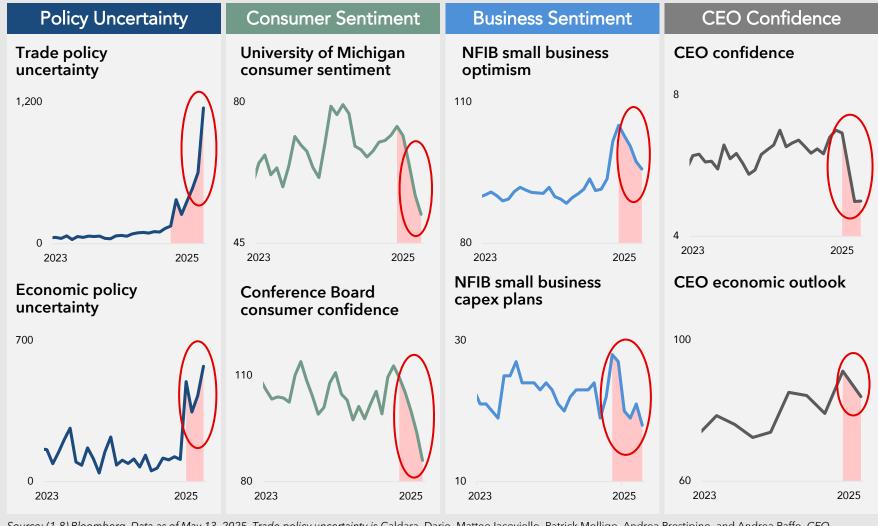
The Weight of Policy Uncertainty

St. Louis Fed economic uncertainty indices



Source: (1-6) St. Louis Fed. Baker, Bloom & Davis. Data as of May 13, 2025.

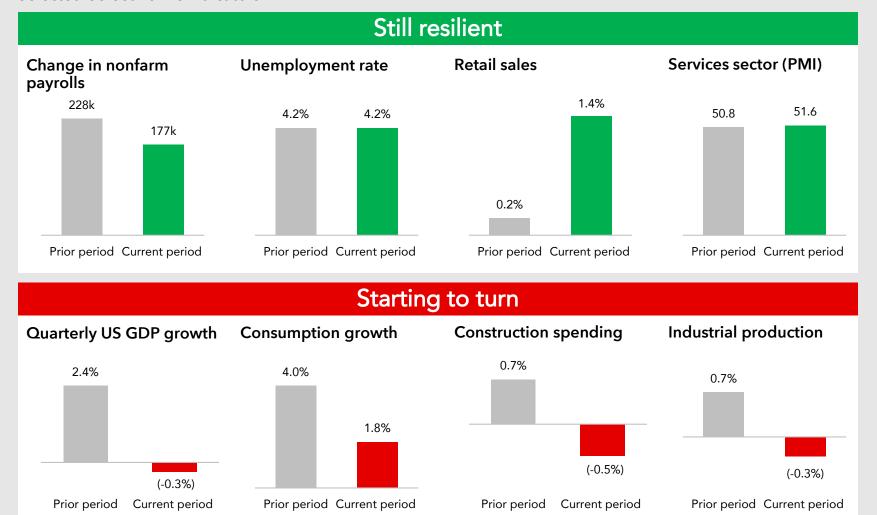
The "Soft" Data is Turning



Source: (1-8) Bloomberg. Data as of May 13, 2025. Trade policy uncertainty is Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo. CEO confidence is Chief Executive Magazine. CEO economic outlook is US Business Roundtable.

Policy Uncertainty Creeping into the "Hard" Data

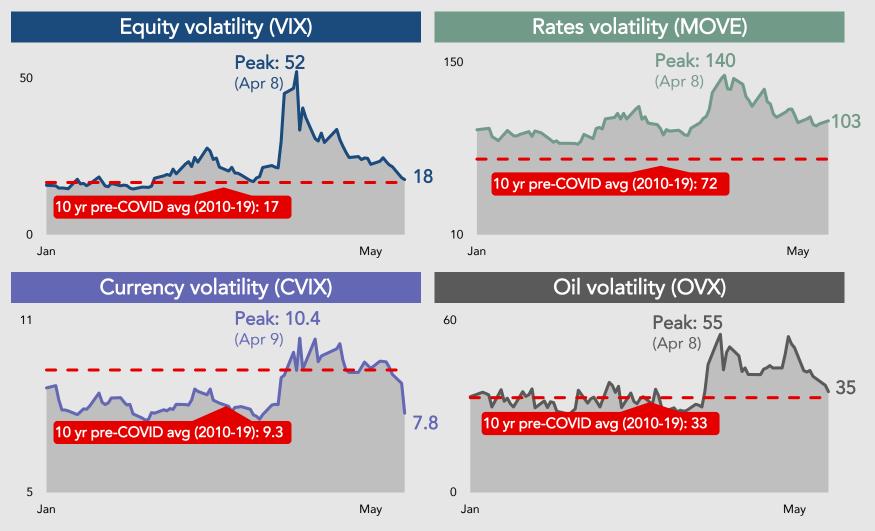
Selected US economic indicators



Source: (1-8) Bloomberg. Data as of May 13, 2025. GDP growth is q/q annualized. Retail sales, construction spending, industrial production monthly data.

Market Volatility Likely to Drive Spreads Wider

Elevated VIX and rates volatility points to wider credit spreads in 2025



Source: (1-4) Bloomberg. Volatility graphs start on Inauguration Day (Jan 20) through May 13, 2025.



Markets Have Become Prisoner to Policy Pivots





Trump agrees to pause tariffs on Canada and Mexico after they pledge to boost border enforcement



Trump announces 90-day pause on 'reciprocal' tariffs with exception of China

The New Hork Times

Markets Soar After Trump Backs
Down on Tariffs

Bloomberg

Trump U-Turns on Powell, China Follow Dire Economic Warnings

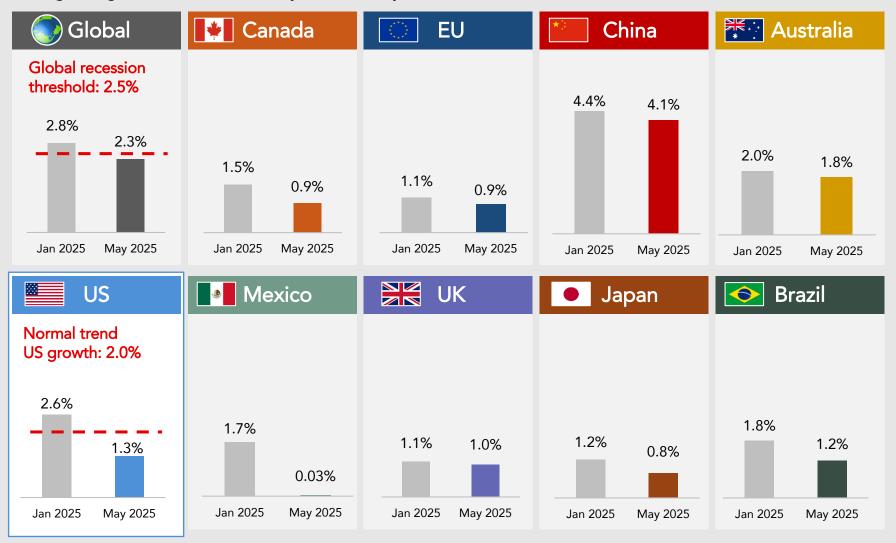
THE WALL STREET JOURNAL.

Trump Says He Has 'No Intention' of Firing Fed Chair Powell

2025 Growth Revised Sharply Lower



2025 global growth forecasts (January 2025 vs. May 2025)

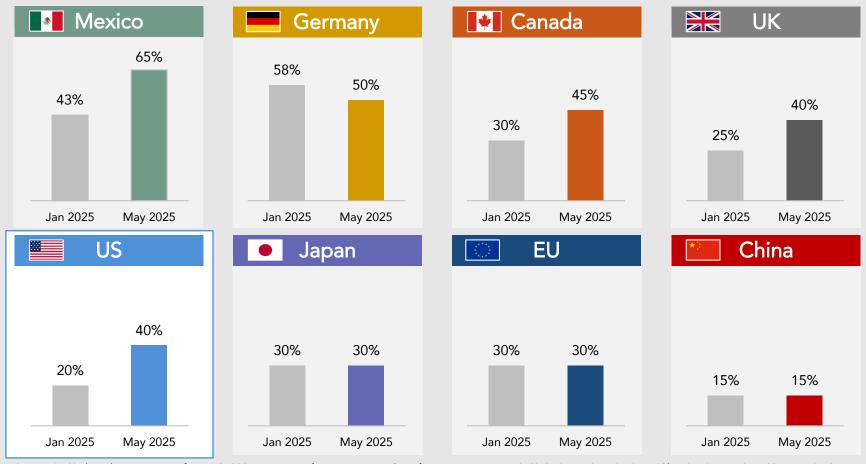


Source: (1-10) Oxford Economics. Data as of May 13, 2025.

Change in Recession Probability in the First 100 Days

Bloomberg's monthly survey of Wall Street economists shows the probability of recession in the next 12 months across a number of countries rising. Elevated trade risk and policy uncertainty is contributing to global growth concerns.

12 month consensus recession probability forecast (January 2025 vs. May 2025)



Source: (1-8) Bloomberg. Data as of May 13, 2025. Recession forecasts are medians from: 56 economists (US), 25 (Japan), 15 (EU), 14 (China), 6 (Mexico), 14 (Germany), 13 (Canada), 10 (UK).

Notable Currency Forecast Revisions



In the First 100 Days of Trump 2.0, currencies have already traded through most of the year end 2025 forecasts.

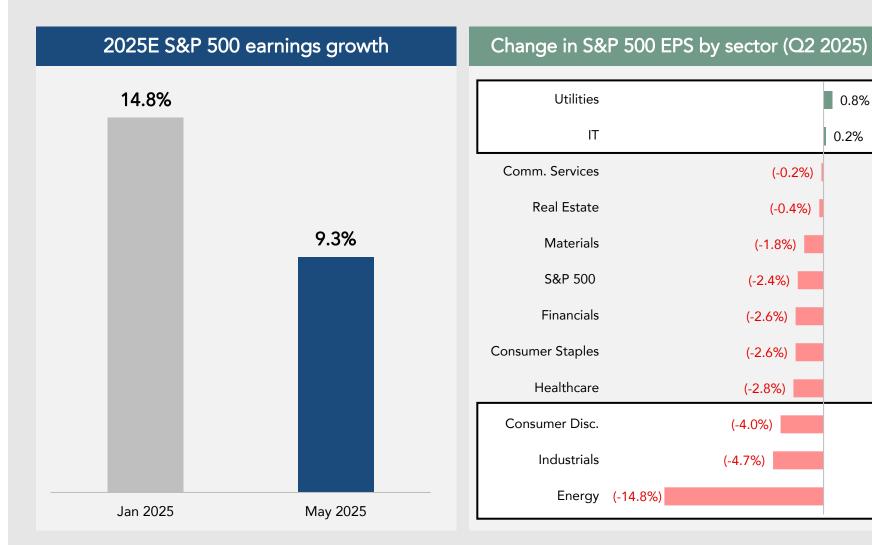
2025 year end consensus currency forecasts (January 2025 vs. May 2025)



Source: (1-8) Bloomberg. Data as of May 13, 2025. Jan 2025 forecast is as of Inauguration (Jan 20, 2025). Bloomberg consensus forecasts.

Corporate Earnings Resilient but Revised Lower

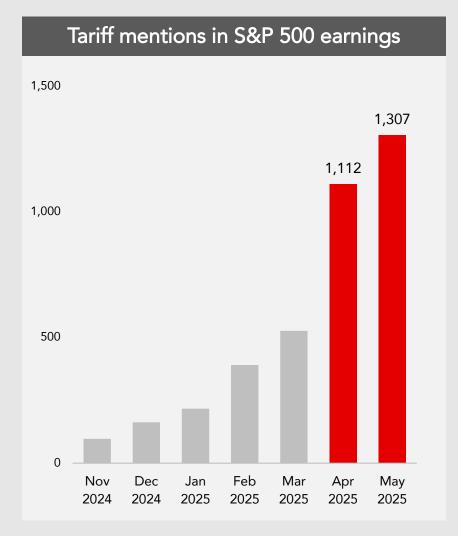


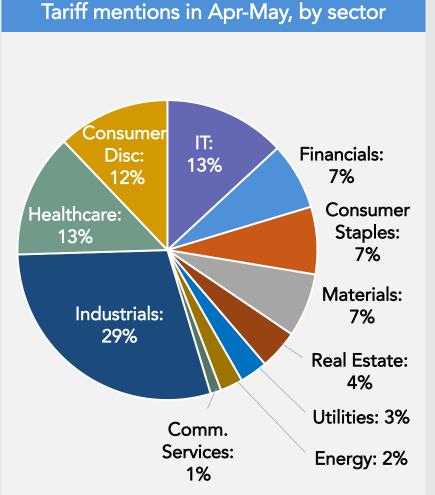


Source: (1-2) Factset, "Earnings Insight" (January 17, 2025 & May 9, 2025). Change in EPS is as of May 2, 2025.

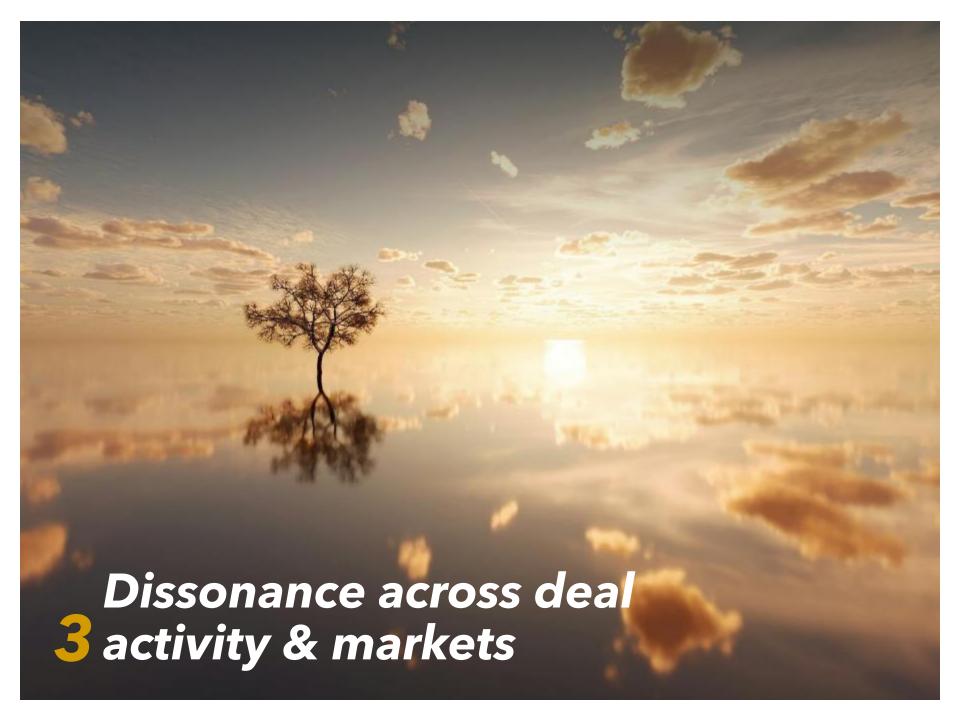
Mention of Tariffs in Corporate Earnings







Source: (1-2) Bloomberg. Data as of May 13, 2025.



Headlines that Increase Uncertainty





Risky corporate borrowers shut out of bond market since Trump's tariff blitz



CFR KICK OFF: Tariffs Kick In; Deals Seem Unlikely



CFR KICK OFF: Slowest April Start In 16yrs -Unless A Bank Steps In



Klarna, StubHub delay IPOs as Trump's tariffs roil markets



US DOJ sues to block Hewlett Packard Enterprise's \$14 billion Juniper deal



Dealmakers reassess hopes for Trump bump as M&A slips to decade low

Headlines that Create Opportunity





Donald Trump's policy pledges unleashing 'animal spirits', Wall Street bankers say

The New York Times

Inside Trump's Plan to Halt Hundreds of Regulations



'Drill, baby, drill' mantra ignites optimism for energy industry



Trump 2.0 Could Mean a More Bank- and Fintech-Friendly Environment

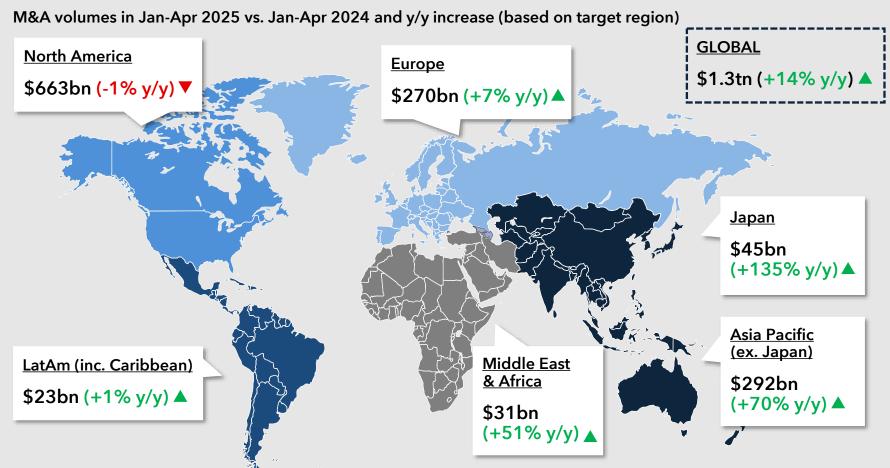


Expanding AI use, White House orders agencies to develop strategies and name leaders

Global M&A Outpacing US Activity



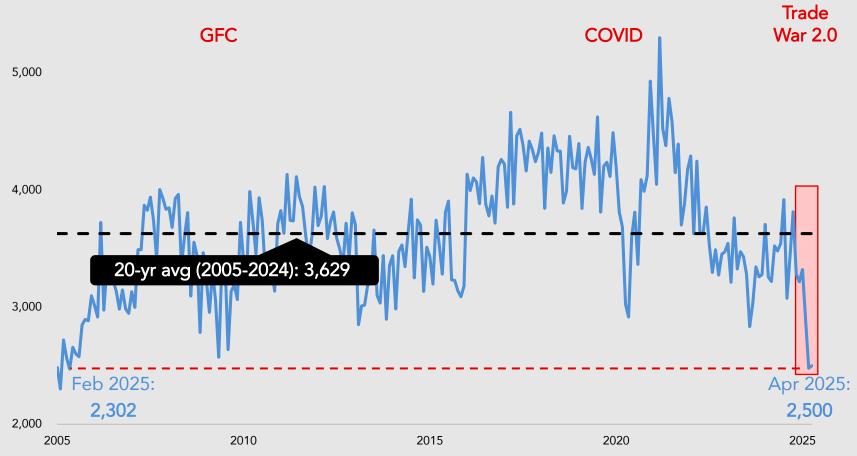
Through the first four months of 2025, global M&A volumes outpaced US activity, with Japan leading all regions on the pace of improvement y/y. Larger mega-deal transactions and improved PE activity, however, masked underlying weakness across global M&A, as evidenced by a sharp decline in deal count YTD.



Source: (1) Dealogic. Cortex. Data through April 30, 2025, accessed on May 5, 2025. Region is by target.

Global M&A Deal Count Falls to 20-Year Low

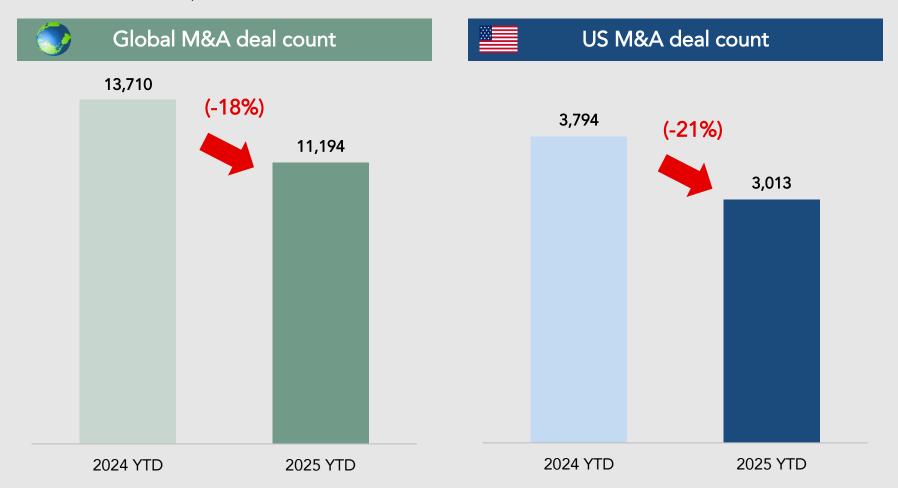
According to data compiled by Dealogic for Reuters, elevated policy uncertainty drove monthly global M&A deal count, an important barometer for the health of the M&A market, down to 20-year lows. Notably, the number of global transactions declined in March-April to the lowest level since February 2005, worse than during the GFC in 2008-9.



Source: (1) Dealogic. Cortex. Data through April 30, 2025, accessed on May 8, 2025.

Underlying Weakness in M&A Market

A wave of larger mega-deal transactions and improved PE activity masked underlying weakness in global M&A YTD, as the number of M&A transactions (deal count) fell sharply across both the global and US deal landscape.

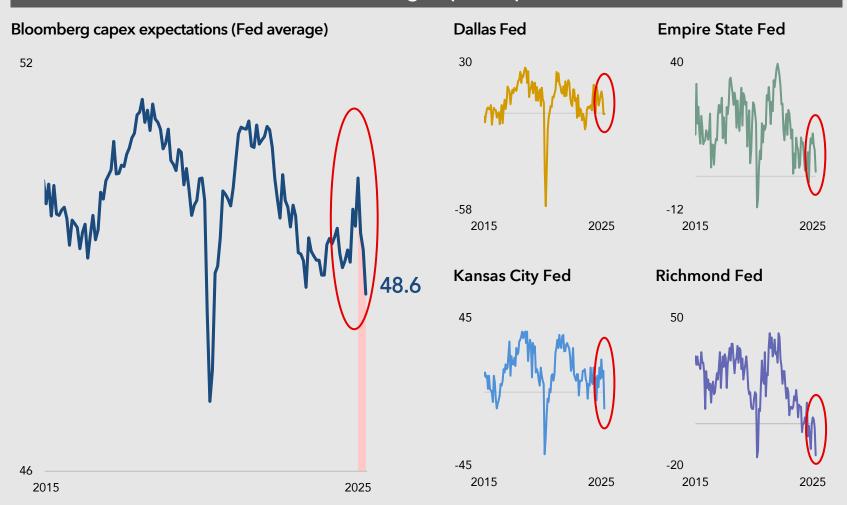


Source: (1-2) Dealogic. Cortex. Data through April 30, 2025, accessed on May 8, 2025. US is by target region.

Cautious Outlook for Capex



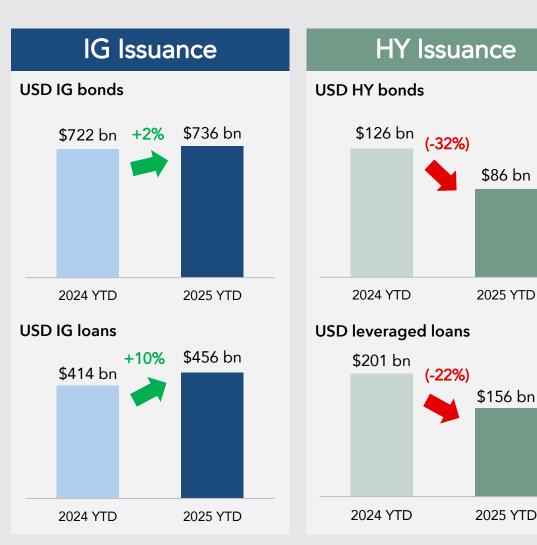
Fed Manufacturing Capex Expectations



Source: (1-5) Bloomberg. Capex expectations is z-score of Philadelphia Fed, Empire State, Kansas City Fed, Dallas Fed, and Richmond Fed capex intentions. Data as of May 13, 2025. Empire State and Kansas City Manufacturing Survey is 6 month ahead expectations for capital expenditures.

Divergent Pace Across Financing Markets





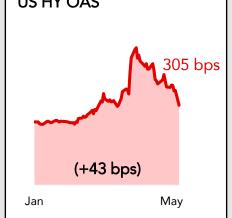


Source: (1-6) IG and HY bond data is CFR. Data as of May 12, 2025. IG loan is LSEG. Data as of May 12, 2025. Lev Loan is LCD. Data through May 8, 2025. Equity issuance is Dealogic. Excludes SPACSs, closed-end funds and deals less than \$50mn. Data as of May 12, 2025.

HY Credit Spreads More Vulnerable to Volatility

Credit spreads since Jan 20, 2025







Source: (1-8) Bloomberg. Credit indices are Bloomberg. Data as of May 13, 2025.



Global Leaders Respond to Policy Escalation



Could the EU's "big bazooka" be deployed against the US?



South Korea, Vietnam agree to boost economic ties amid looming US tariffs

Bloomberg

Politics

China Orders Boeing Jet Delivery Halt as Trade War Expands



China expands key mineral export controls after US imposes tariffs



EU Chief Warns Bloc Could Target Digital Services If Talks With U.S. Fail-Report



China slaps restrictions on 18 US firms over Trump tariffs



Since President Trump's Inauguration on January 20th, there have been significant changes in US tariff policy every 3-4 days on average.

Average # of days between changes in President Trump tariff policy





Detailed breakdown of major US tariff policy changes

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
Y Y	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 major US tariff policy changes



Detailed breakdown of major US tariff policy changes

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 major US tariff policy changes



Detailed breakdown of major US tariff policy changes

of days since prior tariff escalation

MAR 1	2 DAYS	President Trump orders 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 major US tariff policy changes



Detailed breakdown of major US tariff policy changes

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 - MAY 3.1 DAYS Average # of days between major US tariff policy changes

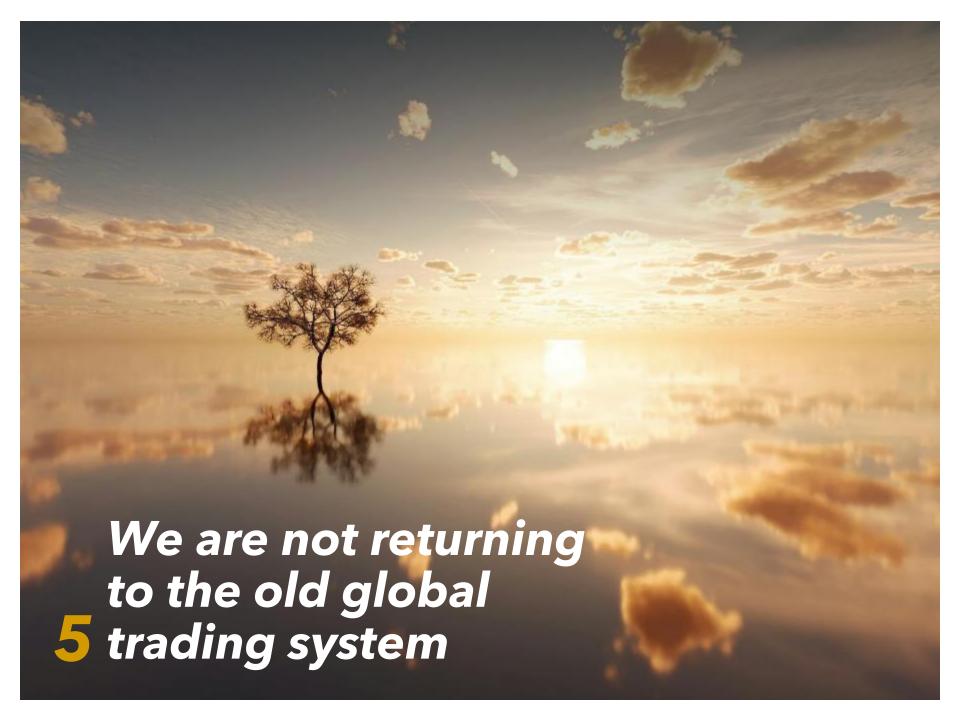


Detailed breakdown of major US tariff policy changes

of days since prior tariff escalation

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 <u>potential</u> exemptions for auto companies
APR 29	6 DAYS	President Trump announces auto tariff exemptions
MAY 1	2 DAYS	President Trump announces sanctions on any country who buys Iranian oil
MAY 4	3 DAYS	President Trump announces 100% tariffs on movies made overseas
MAY 9	5 DAYS	President Trump announces Sec 232 investigation for commercial aircrafts & parts
MAY 12	3 DAYS	President Trump announces 90-day reduction in China tariff rates from 145% to 30%

APR - MAY 3.1 DAYS Average # of days between major US tariff policy changes



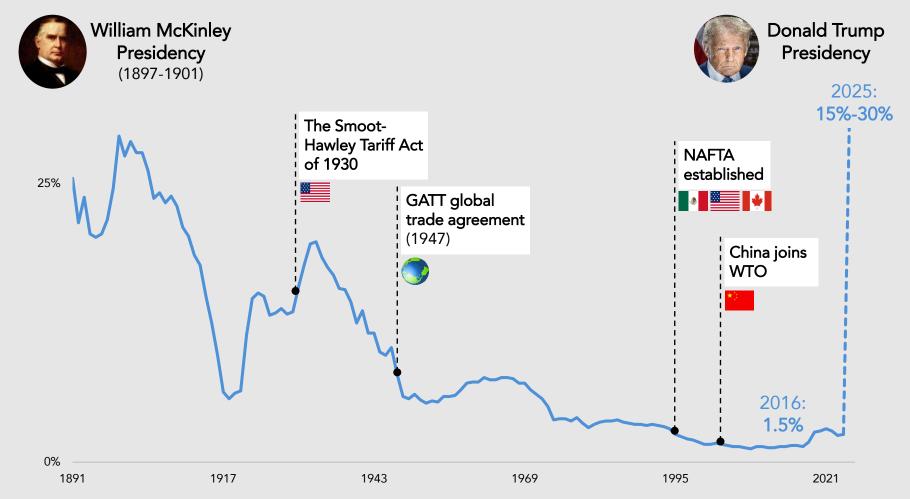
"The McKinley Tariff was framed for the people...as a defense to their industries, as protection to the labor of their hands, as a safeguard to the happy homes of the American workingmen, and as a security to their education, their wages, and their investments...It will bring to this country a prosperity unparalleled in our own history and unrivalled in the history of the world."

Congressman William McKinley (R-OH) in 1890, prior to his election as Governor of Ohio (1892), and as 25th President of the United States (1896)

Highest Tariffs Since Late 19th Century

Average tariff rate on all imports

130 Year High

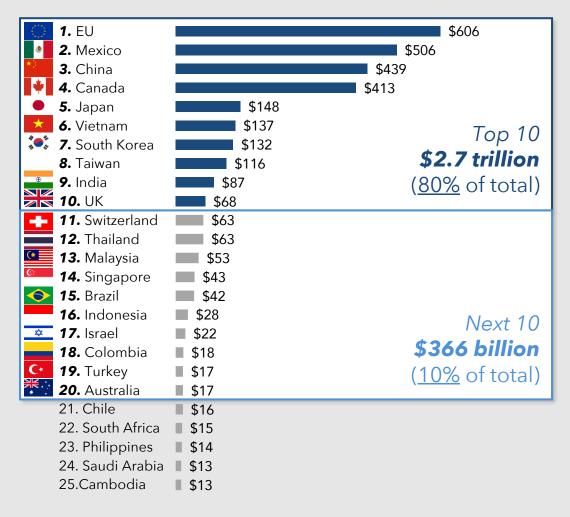


Source: (1) US International Trade Commission, "US Imports for Consumption, Duties Collected, and Ratio of Duties to Value." Table 1. US Census Bureau. The Tax Foundation, "Trump Tariffs: Tracking the Economic Impact of the Trump Trade War." 2025 rate is an estimate.

Primary Focus of US Trade Policy



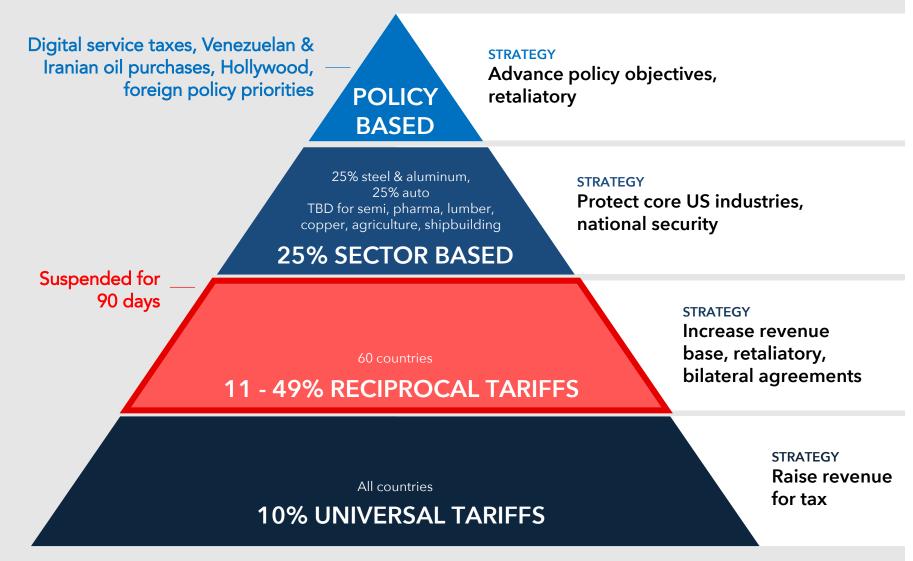
Top 50 sources of US goods imports, USD bn



26. Costa Rica	ı	\$12
27. Peru	ı	\$9
28. Ecuador	1	\$9
29. Bangladesh	1	\$8
30. Dom. Rep.	I	\$8
31. UAE	1	\$7
32. Iraq	T	\$7
33. Argentina	T	\$7
34. Norway	1	\$7
35. Venezuela	1	\$6
36. Hong Kong	1	\$6
37. Nigeria	1	\$6
38. New Zealand	1	\$6
39. Honduras	1	\$6
40. Guyana	1	\$5
41. Pakistan	1	\$5
42. Guatemala	1	\$5
43. Nicaragua	1	\$5
44. Jordan	1	\$3
45. Trin. & Tobago	-	\$3
46. Sri Lanka		\$3
47. Russia		\$3
48. Egypt		\$3
49. Algeria	1	\$2
50. Kazakhstan		\$2

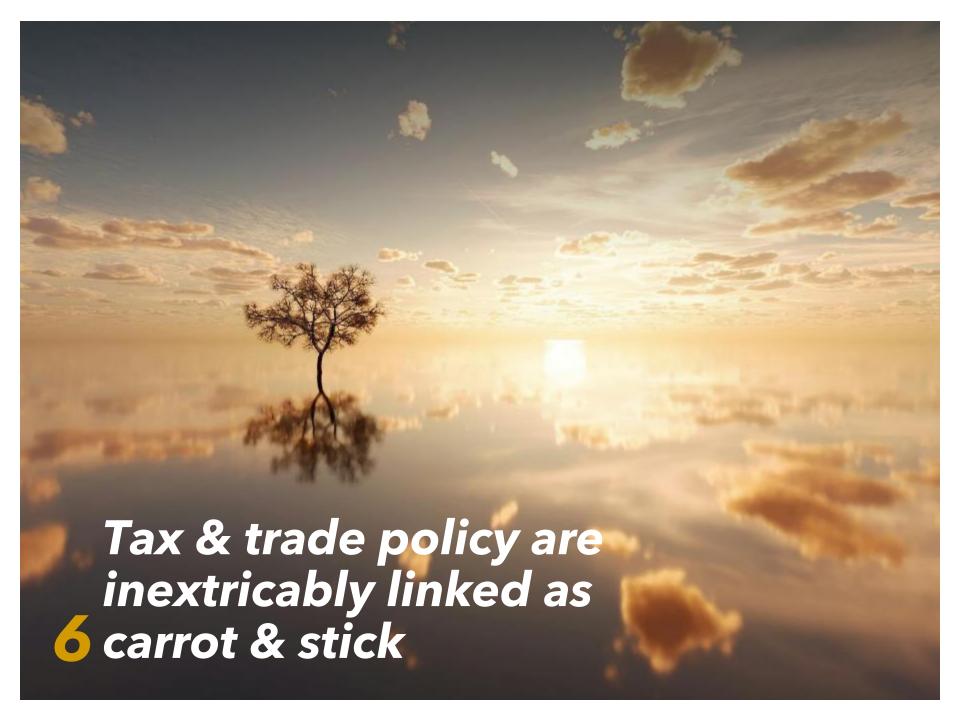
Source: (1) US Census Bureau. Data is 2024.

Multi-Layered Approach With Varying Objectives



90 day suspension began on May 14 for China and April 9 for all other countries.

Calibrating Expectations / MAY 2025 / page 39



"A billion here, a billion there, pretty soon you're talking real money."

US Senator Everett Dirksen (R-IL), (1896 - 1969)

\$4-5 Trillion Tax Bill More Likely Than \$10 Trillion

Extending the 2017 tax cuts: \$4.6 trillion Additional tax provisions: \$4.7 trillion Over 10 years Over 10 years Higher estate & gift Reduce corporate Double the SALT cap Individual tax brackets: tax exemptions: statutory rate from (\$10k to \$20k): **\$175** \$3.3 trillion \$167 bn 21% to 15%: \$900 bn Eliminate taxes Investment treatment: on Social Security: \$378 bn \$1.9 trillion Fliminate taxes on tips: **\$175 bn** Extend the Child Corporate tax Tax Care credit: provisions: \$172 bn \$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).



How to Fund Trillions of Tax Cuts?

Over the next few months, the Senate Finance and House Ways & Means Committees will pursue complex negotiations to fund trillions of dollars of new tax cuts and tax cut extensions that meet the "Byrd Rule" requirements of the Senate's budget reconciliation process (50 votes required), while also satisfying numerous political constituencies in both chambers of the Congress.

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, upper income tax brackets)



Eliminate or sharply reduce IRA clean energy tax incentives



Change US Senate rules to treat \$4.6 trillion of US tax extensions as "current policy baseline" (effectively, excludes \$4.6 trillion from deficit calculations)



Change US Senate rules to permit inclusion of **tariff revenue** (currently not permitted unless tariffs passed by an Act of Congress)

IRA Cuts as Revenue Raiser for Tax

To date, companies have announced approximately \$800 bn in clean energy IRA investments across the United States, about 75% of which are domiciled in red Republican House districts. However, only about \$300 bn of that money has been spent, with much of the remaining \$500 bn dependent on potential IRA cutbacks to fund tax. Through a series of immediate and phased-out cutbacks, with high variance by clean energy subsector, approximately \$200 to \$400 bn of IRA tax incentives are likely to be eliminated in the final US tax cut legislation expected in 2H 2025.

Clean energy IRA investment projects announced across the United States, USD bn

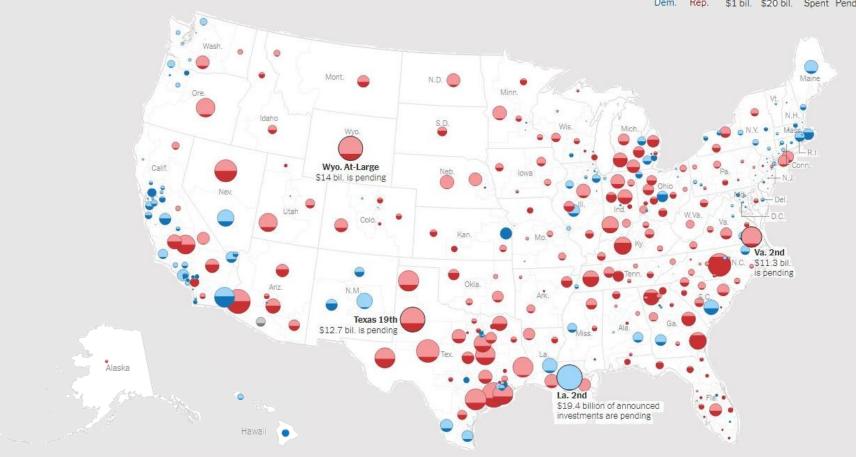


Source: (1) NYTimes, "A Clean Energy Boom Was Just Starting. Now, a Republican Bill Aims to End It." Clean Investment Monitor. Data is from the third quarter of 2022 through the first quarter of 2025. Excludes roughly \$14 bn where the congressional district is unclear or the seat is vacant.

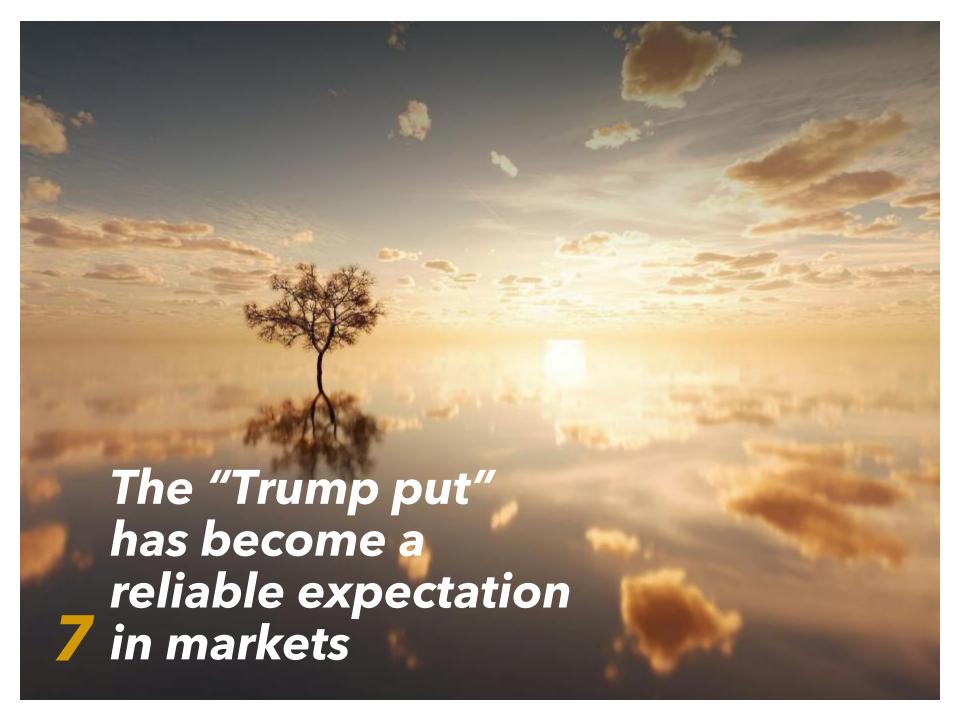
75% of IRA Investments in Red States

Approximately 75% of the roughly \$800 billion in announced IRA clean energy investments across the United States are located in red Republican House districts.

House districts where companies have announced low carbon energy investments



Source: (1) NYTimes, "A Clean Energy Boom Was Just Starting. Now, a Republican Bill Aims to End It." (May 13, 2025). Data is from the third quarter of 2022 through the first quarter of 2025. Excludes roughly \$11bn where the congressional district is unclear. Clean Investment Monitor.

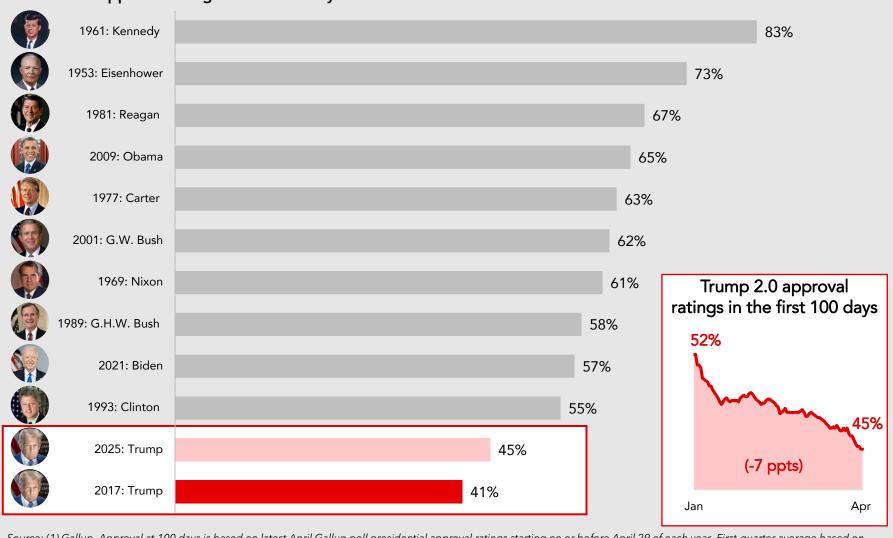


"Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat."

Sun Tzu, Chinese military general, strategist & philosopher (544 - 496 BC)

Lower Approval Ratings Contributed to Tariff De-escalation

Presidential approval ratings at first 100 days



Source: (1) Gallup. Approval at 100 days is based on latest April Gallup poll presidential approval ratings starting on or before April 29 of each year. First-quarter average based on ratings in Gallup surveys with start dates between Jan. 20 and Apr. 19 of each year. 2025 Trump approval rating is Real Clear Politics.

The "Trump Put": Delays & Exemptions



The Trump put has become a reliable expectation for market participants and trade counterparties since Trade War 2.0 began on February 1, 2025.

Selected Trump tariff announcements, delays & carveouts

	Announcement			Delay or exemption
FEB 1	President Trump announces 25% tariffs on Canada and Mexico	2 days later	FEB 3	President Trump announces 30-day pause of 25% tariffs on Canada and Mexico
MAR 4	President Trump announces 25% tariffs on Canada and Mexico after 30-day pause	1 day later	MAR 5	President Trump announces 30-day pause of tariffs on autos from Canada and Mexico
MAR 4	President Trump announces 25% tariffs on Canada and Mexico after 30-day pause	2 days later	MAR 6	President Trump announces 30-day pause of tariffs on goods that fall under the USMCA trade agreement from Canada and Mexico
MAR 26	President Trump announces 25% tariffs on autos (effective Apr 3)	34 days later	APR 29	President Trump announces auto tariff exemptions
APR 2	President Trump announces country-specific reciprocal tariffs (effective Apr 9)	7 days later	APR 9	President Trump announces 90-day pause on reciprocal tariffs for all countries, excluding China
APR 9	President Trump raises tariffs on China to 145%	2 days later	APR 11	President Trump announces temporary exemption from tariffs for key electronics & semiconductors
APR 9	President Trump raises tariffs on China to 145%	33 days later	MAY 12	US agrees to reduce China tariffs from 145% to 30% for temporary 90-day period (with China reducing from 125% to 10%)
APR 17	Trump states that "Powell's termination cannot come fast enough"	5 days later	APR 22	Trump clarifies that he has no intention of firing Chair Powell before May 2026

The Trump Put: Glass Half Full or Empty?

The "Trump put" has become a reliable expectation in markets since Trade War 2.0 began on February 1, 2025. Whether one chooses to view such pivots as policy flexibility, capitulation, or even "Art of the Deal" tactics, both market participants and trade counterparties know they can rely on policy reversal when needed.



More optimistic view:

- Provides soft floor for markets
- Precipitated bear market rally
- Creates stress test scenario to accelerate bilateral agreements



Less optimistic view:

- Weakens US negotiating position (especially with China)
- Creates stabilizing mechanism for additional policy escalation
- LT strategic and economic damage
 ST market relief





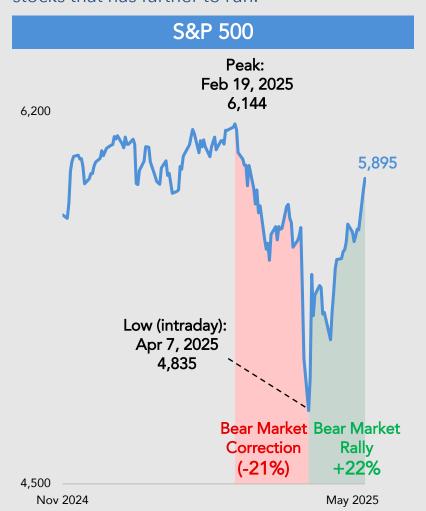




The "Trump Put" Triggers Bear Market Rally



The Trump put has provided a soft floor for markets and precipitated a bear market rally for stocks that has further to run.



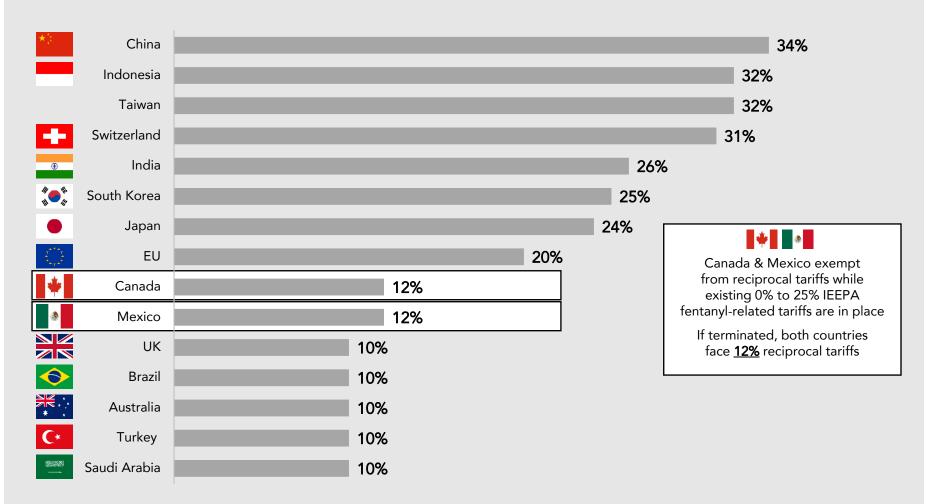


Source: (1-2) Bloomberg. Data as of May 13, 2025.

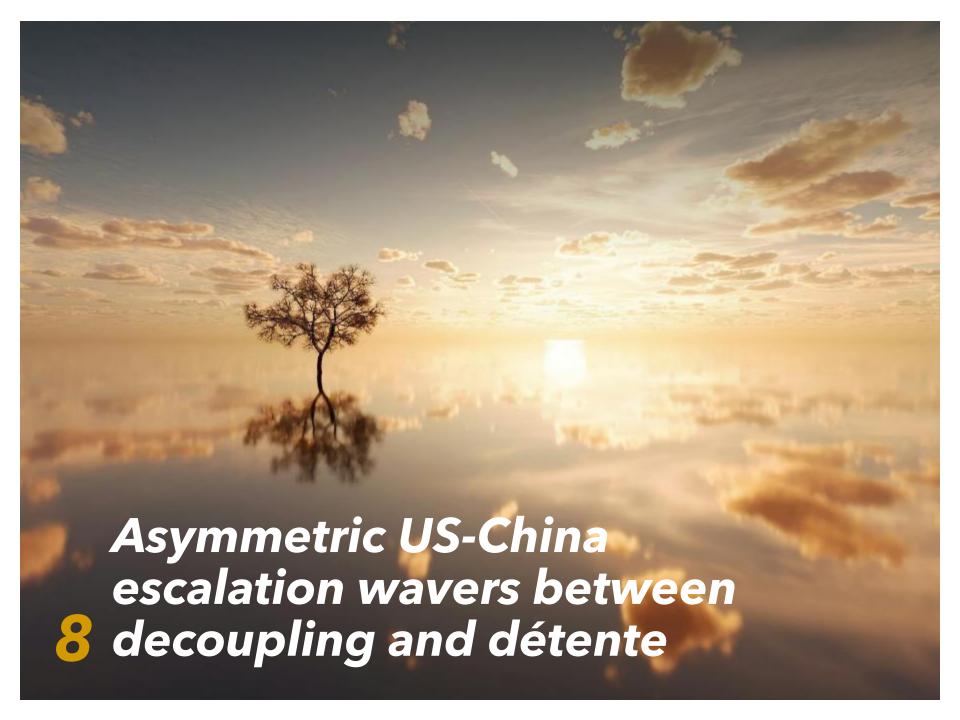
Reciprocal Tariffs Delayed Until July 9th



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



Source: (1) GDP data is 2025 IMF numbers. Russia not included in reciprocal tariff announcement due to sanctions policy. Calibrating Expectations / MAY 2025 / page 53





"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.

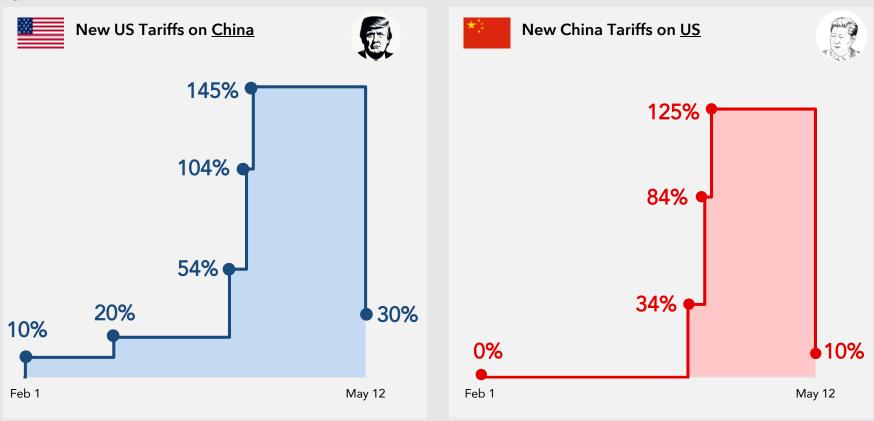
If you want to fight, China will fight to the end.

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

China's Commerce Ministry, April 10, 2025

90-Day Relief on Asymmetric US-China Escalation

The limited "China expertise" in President Trump's inner circle became evident during the asymmetrical tariff policy escalation in early April 2025. Faced with unsustainable market and economic damage, and China's willingness to stand strong and play the long game, the "Trump put" resurfaced on May 12th. Following four days of discussions in Geneva, the US will temporarily lower 145% tariffs on most Chinese products to 30% on May 14th, while China will reduce tariffs on US goods from 125% to 10%. Both sides have also signaled that the 90 day pause could be extended through good faith discussions.

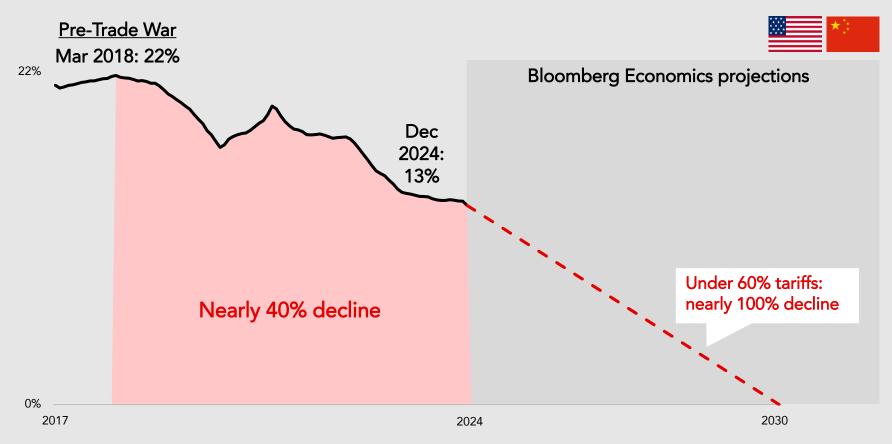


Source: The White House. China's Ministry of Finance. Tariff rate is shown by announcement date. Data as of May 12, 2025. Calibrating Expectations / MAY 2025 / page 56

US-China Trade Could Collapse Entirely

According to Bloomberg Economics, US tariffs above 60% would likely reduce US-China trade by 75-100%. Following escalation to 145% and 125% tariff levels in April, the US and China temporarily suspended those rates in May down to levels of 30% and 10% respectively. Nonetheless, a decline in US-China trade over the next five years by 75% from peak levels in 2018 is quite possible.

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).



Container ship departures from China to the US, # of ships



Source: (1-2) Bloomberg. Data as of May 13, 2025. Torsten Slok (Apollo). Container ship count is dry cargo ships using 15-day rolling average. Tonnage is in twenty-foot equivalent units.

May-2025

Calibrating Expectations / MAY 2025 / page 58

Jan-2024

Observations from China



What is Trump's endgame?

The trust is broken

Difficult timing for China; no obvious cyclical growth driver

• Consumer, Exports

Primary concerns

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

China's retaliatory toolkit is formidable

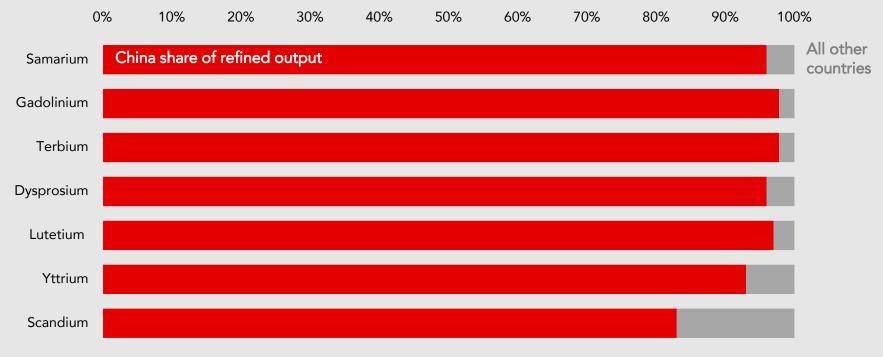
- Targeted demand-side stimulus
- Support Chinese stocks
- Currency depreciation, if needed (10% to 30%)
- Complex export controls regime (strategic minerals)
- Targeting US corporates
- Selling US Treasuries



China Relaxes Export Control Regime

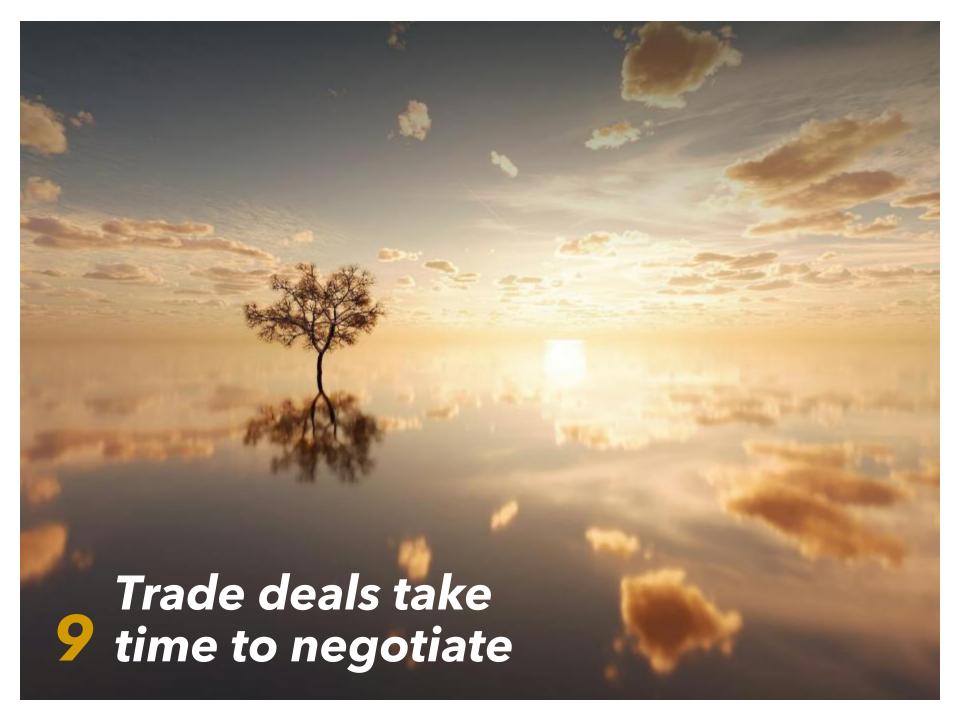
China's policy toolkit is formidable. Notably, China is implementing a very complex export control regime involving strategic minerals, people and technology. As part of the 90-day reprieve announced in Geneva, China has also said that it will suspend or cancel its non-tariff measures imposed on the US since April 2nd, including the tight restrictions imposed April 4th on the sale of seven critical strategic minerals to the United States.

China targeting seven rare earths in export controls



The US has zero <u>refined</u> production of these 7 strategic minerals

Source: (1) Bloomberg, "Seven Rare Earth Metals That China is Weaponizing Against the US." Project Blue.



Early Progress on Bilateral Negotiations



U.S. and China agree to slash tariffs for 90 days in major trade breakthrough



US, Japan move closer to outline of trade deal, source says

The New York Times

U.S.-U.K. Trade Deal to Build on Close Ties but Leave Some Tariffs in Place



Exclusive: India offers to slash tariff gap by two-thirds in dash to seal trade pact with Trump



Malaysia vows to buy more US goods in break from united Asean front on Trump's tariffs



South Korea to seek speedy solution on auto tariffs in US trade talks

Trade Deals Take Time to Negotiate

According to a detailed study by the Peterson Institute, trade deals take about 18 months to negotiate, on average, due to their significant complexity which includes: 13,000 product categories in the US alone, tariff and non-tariff barriers, rules of origin, IP rights, government subsidies, tax policy, dispute resolution mechanisms and numerous other issues.

Duration of US trade negotiations from launch date to signing (# of months)

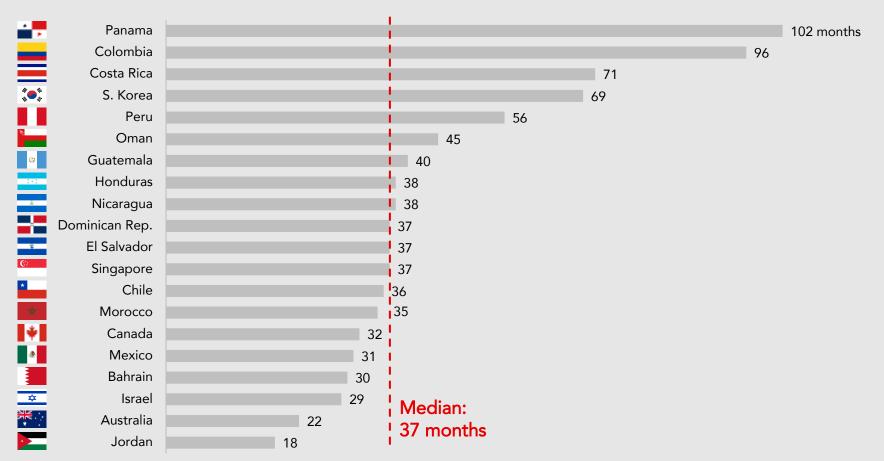


Source: (1) Peterson Institute for International Economics, "How Long Does it Take to Conclude a Trade Agreement with the US?"

Trade Deals Take Time to Implement

Implementing trade deals also takes time, about three years on average. Simply modernizing the 1994 NAFTA agreement, which began in 2018, was not fully implemented in the form of the USMCA until July 2020.

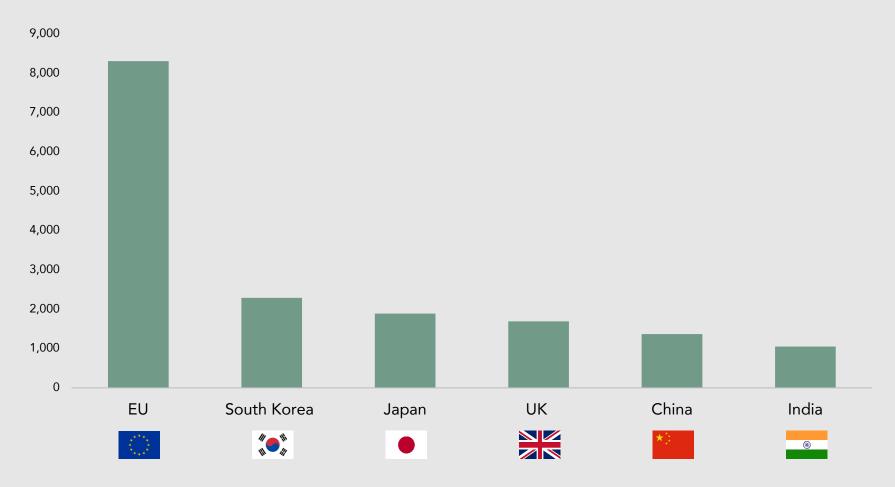
Duration of US trade negotiations from launch date to implementation (# of months)



Source: (1) Peterson Institute for International Economics, "How Long Does it Take to Conclude a Trade Agreement with the US?"

Trump Tariffs Hitting Major US LNG Buyers

Cumulative US LNG export volumes by country (2016-2024), billion cubic feet



Source: (1) EIA. Data as of April 30, 2025. EU value includes LNG exports from Belgium, Croatia, Finland, France, Germany, Greece, Italy, Lithuania, Malta, Netherlands, Poland, Portugal, and Spain.

Calibrating Expectations / MAY 2025 / page 65

Progress on US-UK Trade Agreement



On Thursday May 8, President Trump announced a trade framework with the UK. The US-UK announcement was quite limited in scope, and most details still need to be negotiated over the coming weeks including detail on steel and aluminum tariffs, digital services taxes, and advanced technology partnerships.

Preliminary details on US-UK trade agreement

Tariffs	• 10% baseline tariff remains in place
Autos	 US will allow 100k vehicles into the US from the UK at a 10% tariff rate (vs. 25% rate)
Steel & Aluminum	Partial relief, quota system at MFN rates for UK steel and aluminum products
Expanded Market Access	 \$5bn of US exports to the UK Includes \$700mn in ethanol exports and \$250mn in agriculture products Establishes streamlined customs procedures for US exports
Aerospace	 UK airline will announce a \$10bn order of Boeing aircrafts Reported tariff elimination on engines and aerospace parts
Sectoral Tariffs	 US will give the UK preferential treatment in any additional sectoral tariffs likely including pharma, lumber, copper, and semiconductors

Source: The White House. Fact Sheet "US-UK Reach Historic Trade Deal." Oxford Economics, "Trade Agreement with the UK Shows Tariffs are Here to Stay." "General Terms for the United Sates of America and the United Kingdom of Great Britain and Northern Ireland Economic Propensity Deal." Picture by Simon Dawson / No 10 Downing Street. 27/02/2025

US-Japan Dialogue Progressing Rapidly





Following a successful White House meeting in February between Japanese PM Ishiba and US President Donald Trump, trade delegations from the US and Japan met in Washington in mid-April and early May to discuss tariff measures.

Priorities discussed in February summit between Trump and PM Ishiba:

- LNG: Increasing exports of U.S. LNG to Japan, potential joint venture to develop energy infrastructure in Alaska
- Increasing Japan's U.S. Investment:
 Raising level of inbound investment
 from Japan to over \$1 trillion



- Technology Cooperation: Controls around sensitive technology (chips, semi equipment) and cooperation on AI development (China containment)
- Critical Minerals: Increasing supply chain security by diversifying sources, domesticating capabilities
- Defense: Increased purchases of US military equipment; regional defense cooperation; shipbuilding

Bilateral US-Japan Negotiations





Nearly half of Japanese CEOs say they'll boost investments in America — despite Trump's tariffs



POLITICS

Japanese firm SoftBank plans to invest \$100 billion in U.S., Trump announces

HONDA

Exclusive: Honda to produce next Civic in Indiana, not Mexico, due to US tariffs, sources say



NIPPON STEEL

Nippon ups proposed investment in U.S. Steel as it tries to sway Trump on deal

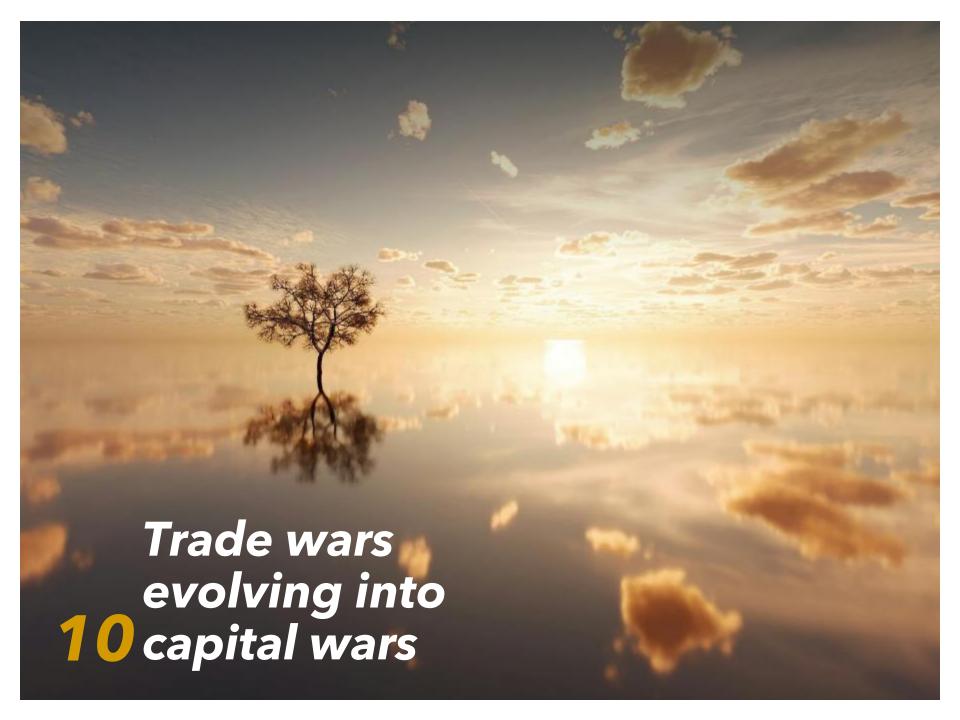
TOYOTA



From Toyota to Nissin, Japan companies open spigot on U.S. investment



Japan Beer Maker Asahi Looks to Invest More in the U.S. as President Trump Wields Tariffs



Trade Wars Evolving into Capital Wars

FORTUNE

'The Sell America Trade': Who's behind the sinking of the U.S. dollar

THE WALL STREET JOURNAL. 'Sell America' Trade Worst Since 2008

Bloomberg

Emerging Market Assets Rally, Boosted by 'Sell America' Trade

THE WALL STREET JOURNAL.

Despite Trump's Apparent U-Turn, Drawn-Out Capital Flight Could Still Hit U.S. Markets

TREASURIES

BARRON'S

Foreigners Dump U.S. Treasuries. Here's Who Did the Most Selling.

Foreign Selling of US Dollar Assets

\$18.5 tn

Fotal foreign holdings, by instruments **US Equities** 20% OF TOTAL **EQUITY MARKET**

Foreign investors own over \$30 trillion of US stocks, corporate credit and Treasuries

\$7.2 tn



\$4.6 tn

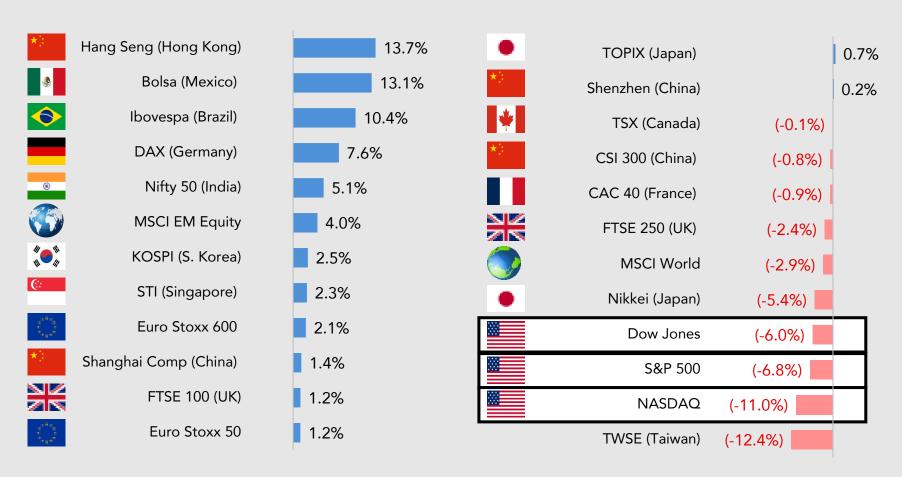
US Corporate Credit

30% OF TOTAL CORPORATE CREDIT



US Equities Selloff in the First 100 Days

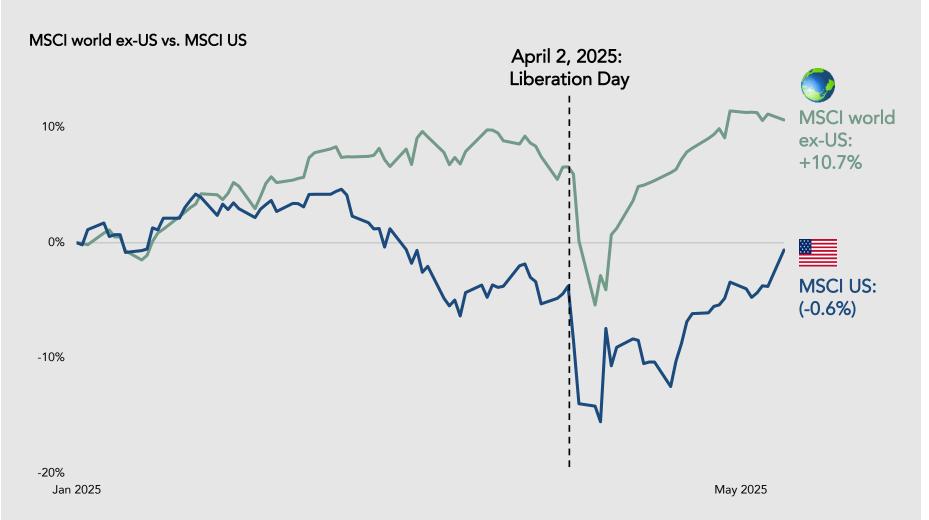
Regional equity market performance from Jan 20 – Apr 30, 2025 (total return)



Source: (1) Bloomberg. Data as of April 30, 2025. Equity market performance is total returns.

US Underperforming Global Equities

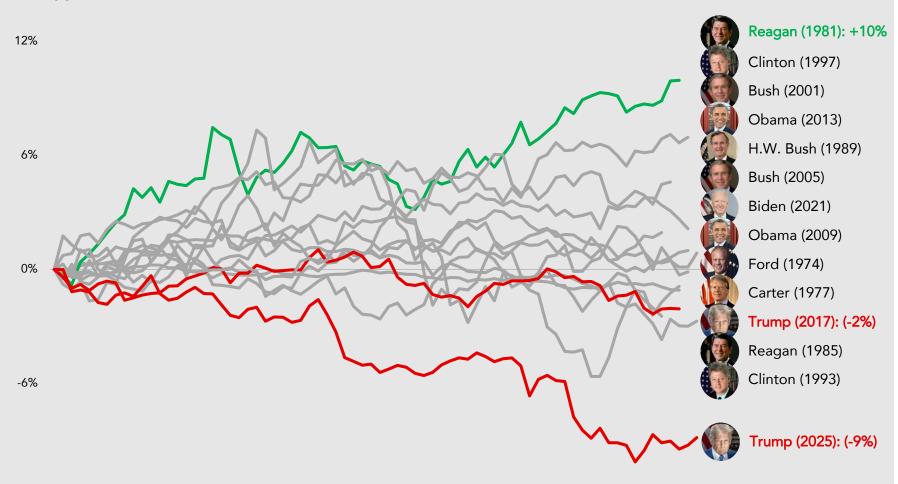
Non-US equities bounced back faster after President Trump's "Liberation Day" announcement.



Source: (1) Bloomberg. Data as of May 13, 2025.

The US Dollar in the First 100 Days

DXY index



Source: (1) Bloomberg. Data as of April 30, 2025.

-12%

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.

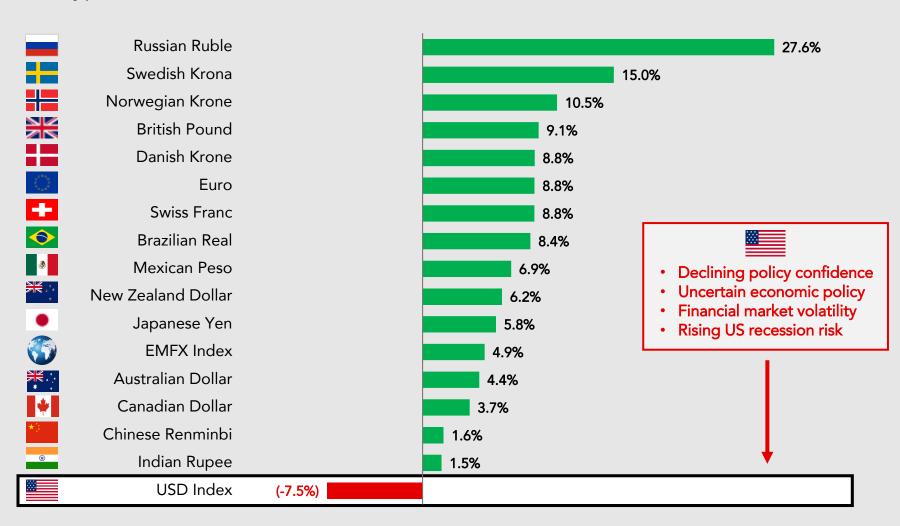
USD index (LHS) vs. 10 year UST (RHS)



Source: (1) Bloomberg. Data as of May 13, 2025.

Sharp & Unexpected Dollar Decline Creating Dislocations

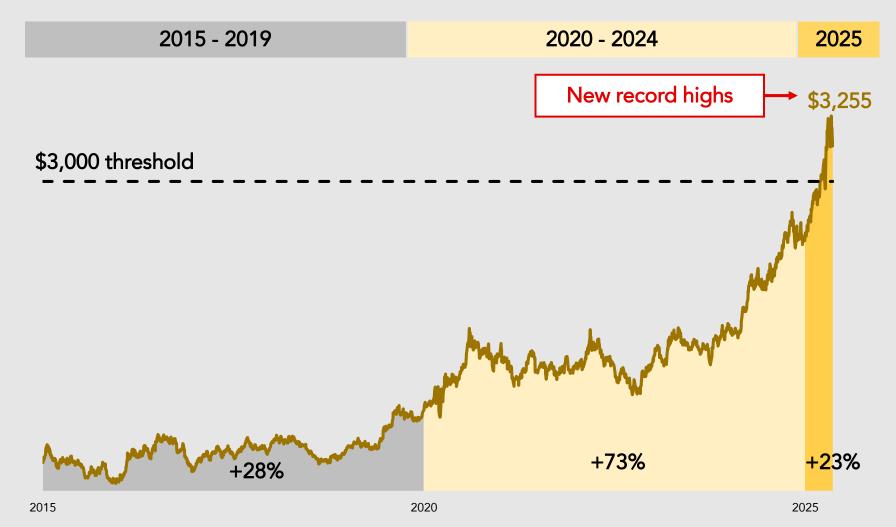
Currency performance vs. USD since Jan 20



Source: (1) Bloomberg. Data as of May 13, 2025.

De-Dollarization Through Gold Markets

Gold since 2015



Source: (1) Bloomberg. Data as of May 13, 2025.



Rising Risk Premium in World's Ultimate Safe Haven



Donald Trump has added a political risk premium to US assets

The New York Times

Trump Has Added Risk to the Surest Bet in Global Finance

THE ECONOMIC TIMES

Trump's push against Powell is latest reason to sell US assets

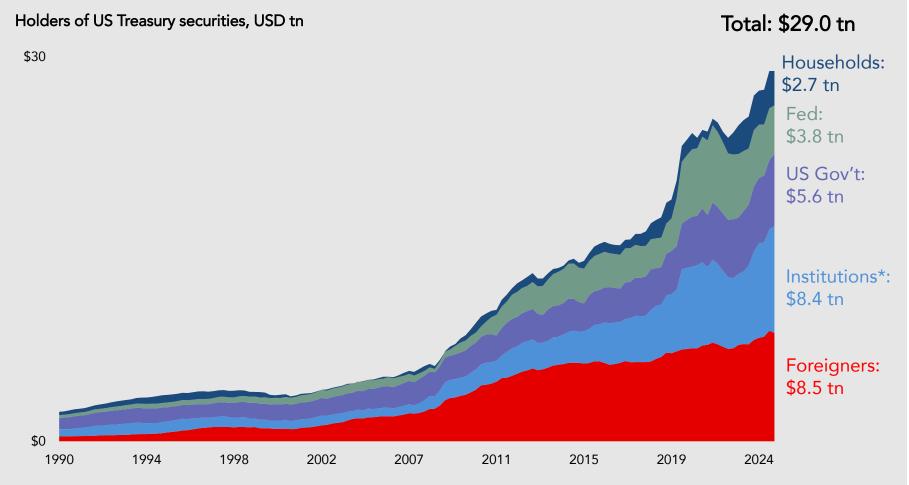
Bloomberg

Are US Treasuries Really Losing Their Safe-Haven Appeal?

THE WALL STREET JOURNAL. Is There a New U.S. Risk Premium?

Ownership of \$30 Trillion UST Market

71% of the US Treasury market is held domestically, with much of domestic and foreign ownership held by the private sector.

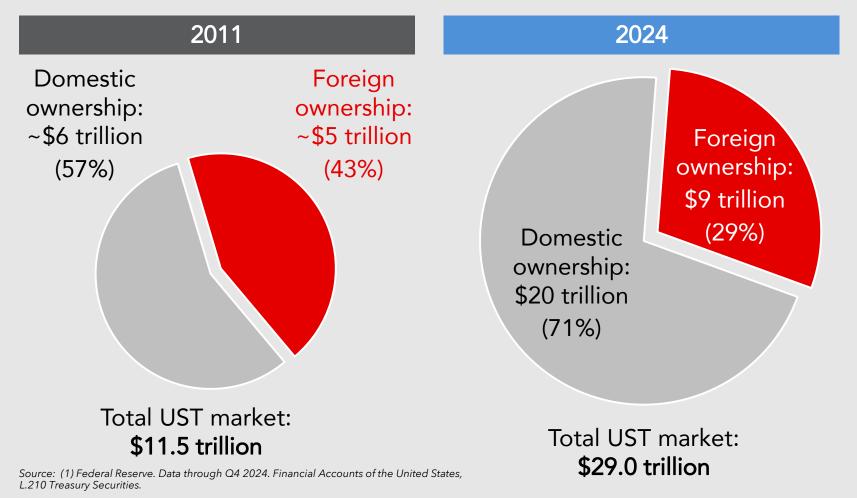


*Institutional ownership includes banks, mutual, closed-end & ETF funds, pensions, insurance, ABS issuers & broker-dealers Source: (1) Federal Reserve. Data through Q4 2024. Financial Accounts of the United States, L.210 Treasury Securities. Gov't includes Federal, State & local governments, retirement funds and gov't sponsored enterprises. Total represents total marketable US Treasury debt.

Domestic & Foreign Ownership of US Treasuries

With China and EM growth (and annual surpluses) peaking around 2014, foreign central banks' ownership share of US Treasuries has been on a multi-year decline.

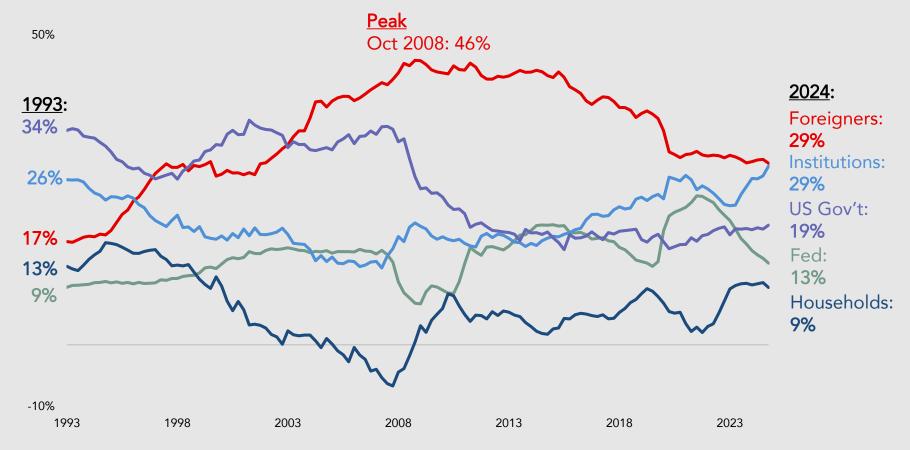
Size of US Treasury market



Domestic & Foreign Ownership of USTs

While foreign central bank purchases of US Treasuries have increased on an absolute basis over the last decade, their relative share of today's \$30 trillion UST market has declined sharply since peak China and EM growth in 2014. Investment fund purchases of USTs (pension funds, insurance funds, money market funds) have increased notably since the Fed tightening cycle began in March 2022.

Holdings of Treasuries as a % of total Treasury debt outstanding

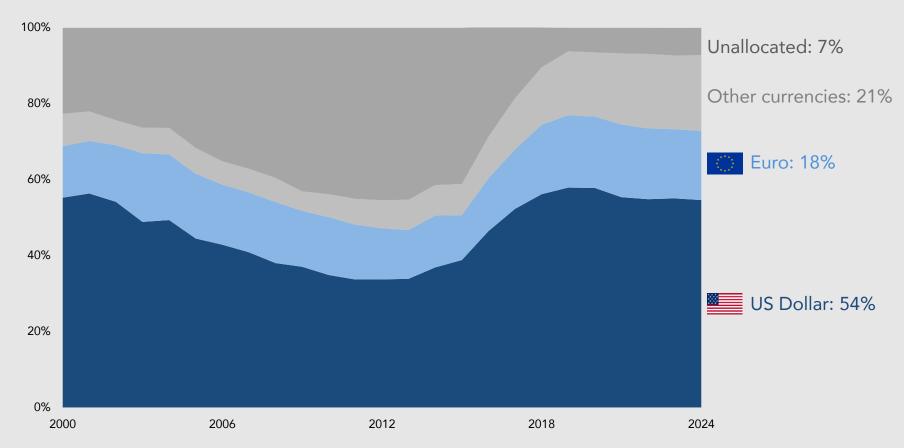


Source: (1) Federal Reserve. Data as of Q4 2024. Financial Accounts of the United States, L.210 Treasury Securities. US Government includes Federal, State & local.

Nearly 55% of Global FX Reserves in USD

While multi-currency settlement has become more common in selected markets, Central Bank FX reserves invested in US Dollars have held steady in the 50-60% range in recent years.

Reserves in different currencies



Source: (1) IMF COFER. Data through Q4 2024.

Overseas Demand More Recently From Private Sector

While foreign purchases of US Treasuries are net positive, "official" or public foreign purchases have actually been negative since 2021 and have been offset by overseas demand from the private sector.

Foreign purchases of USTs by private / public sector, 12 month rolling sum (USD, bn)



Source: (1) Bloomberg. US Treasury. MUFG US Macro Strategy. UST purchases include bonds and notes. Data through February 2025.

China Slows Recycling of Surpluses into USTs



China's economy reached peak growth in approximately 2014, as their cumulative FX reserve balances also peaked at \$4 trillion. As China's growth rate has slowed down over the past decade, and as Xi Jinping's "rebalancing efforts" toward more domestically-driven consumer growth unfolds, China's need to recycle surpluses into the large liquid UST market has also declined. We expect this directional trend to continue in the years ahead, and marginally increase as economic tensions between the US and China persist.



Source: (1-2) US Department of the Treasury. Data is latest available - March 2025 for FX reserves and Feb 2025 for UST holdings. Reuters "China slips away from Treasuries but sticks with dollar bonds". Council on Foreign Relations "The Dollar: The World's Reserve Currency". World Bank. Central Bank of the Republic of China (Taiwan) With the exception of Taiwan, total comprise foreign exchange reserves held by monetary authorities, reserves held by the IMF, and IMF Special Drawing Rights. Bloomberg. Data as of May 13, 2025.

Japan Supplants China as #1 Overseas UST Buyer

Over the last decade, Japan has solidified its position ahead of China as the #1 overseas buyer of US Treasuries.

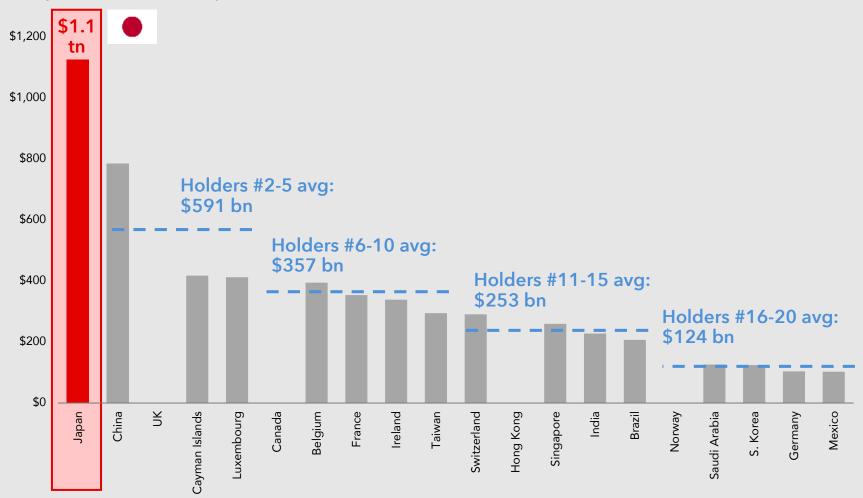
Japan & China holdings of US Treasury securities, USD bn



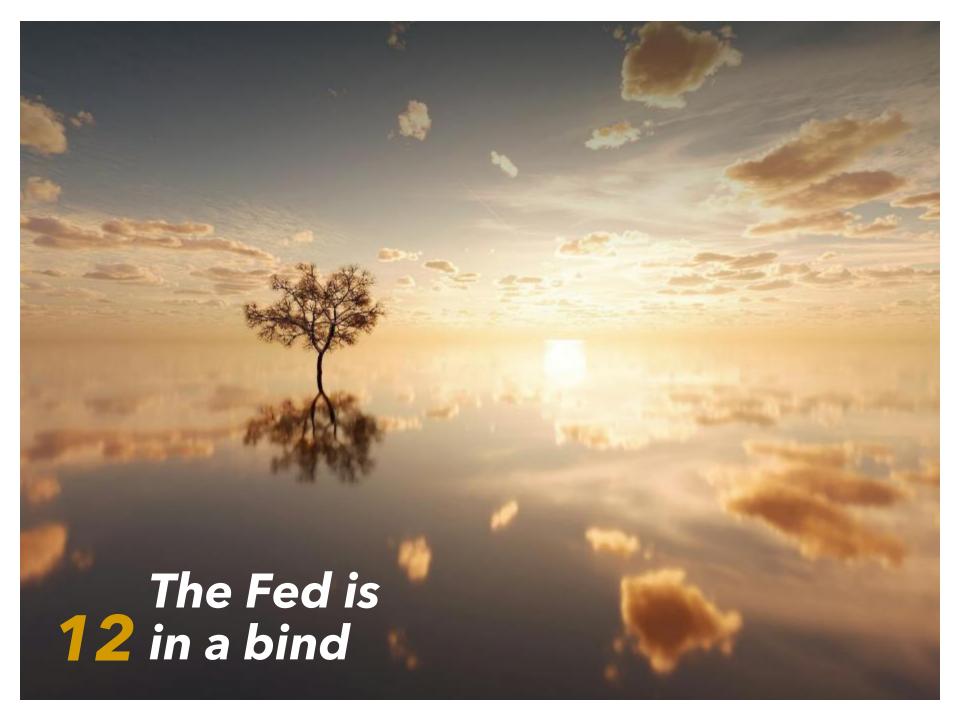
Source: (1) US Department of the Treasury. Data is latest available - February 2025. Reuters "China slips away from Treasuries but sticks with dollar bonds".

Japan is #1 Overseas Buyer of US Treasuries

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".



"The bond market is the most un-spinnable entity there is."

James Carville, American Political Consultant & Strategist

No "Fed Put" for Data Dependent Policy Regime



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



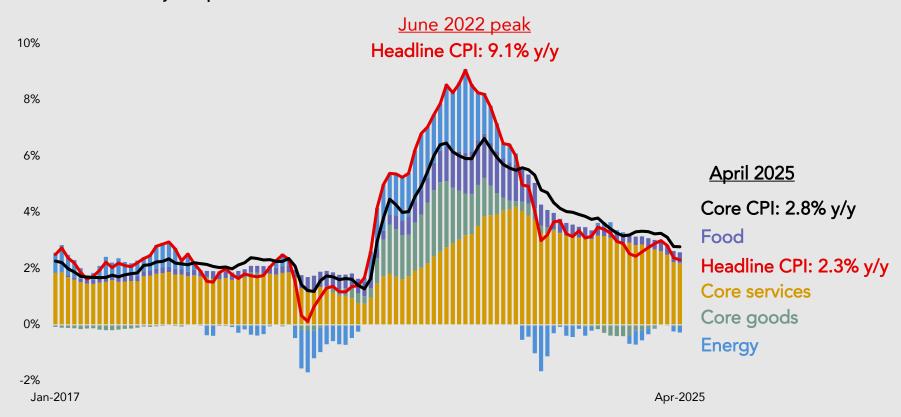


Source: (1) Bloomberg. Data as of May 13, 2025.

Too Early to Assess Tariff Pass Through to Inflation

Inflation came in softer than expected for a third month in April suggesting that the immediate pass through of tariffs into broader pricing was quite modest. Headline CPI rose 2.3% y/y and 0.2% m/m. Core inflation rose 2.8% y/y, the slowest pace the since spring 2021 inflation surge, and 0.2% m/m. Lower energy prices, a key input for everything from airline tickets to groceries, have likely dampened the early impact of inflation, thereby clouding the medium term outlook for inflation.

Breakdown of CPI by components

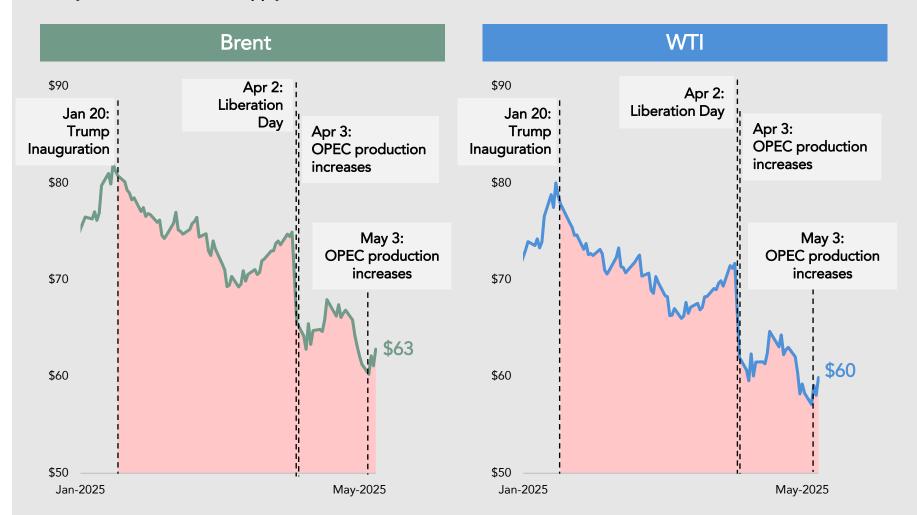


Source: (1) Bureau of Labor Statistics. CPI Report April 2025. Bloomberg. Data as of May 13, 2025.

Lower Energy Prices Cloud Inflation Outlook



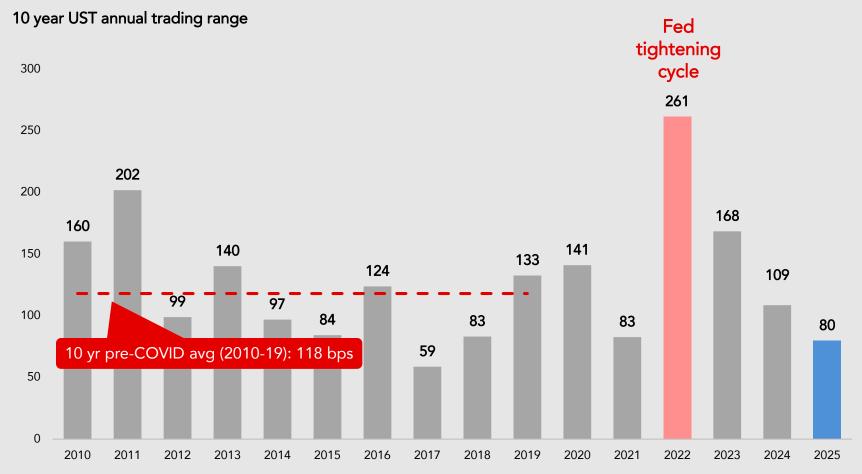
Policy induced demand & supply shocks



Source: (1-2) Bloomberg. Data as of May 8, 2025.

Historical 10 Year UST Trading Band

UST yields traded in a roughly 100 bps band in 2024, in line with the average 10 year pre-COVID average. Though 10 year yields have been even more range-bound YTD, we expect the band to widen as the year progresses.

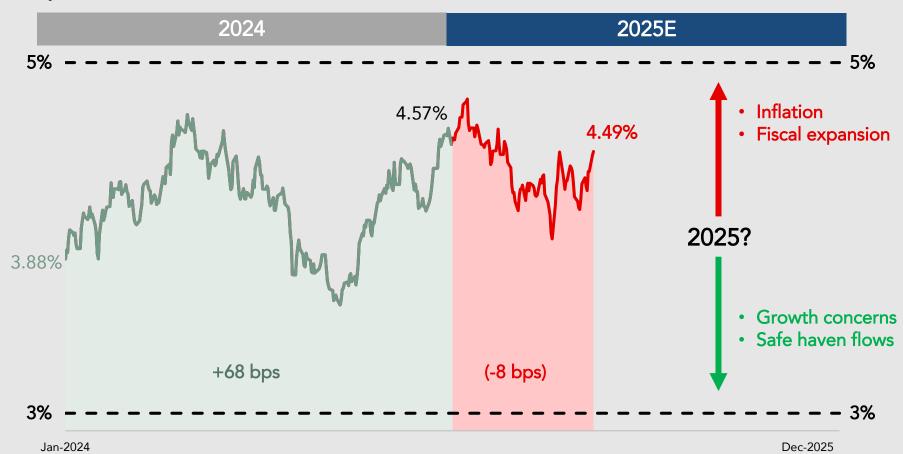


Source: (1) Bloomberg. Data as of May 13, 2025.

Wider Trading Band for 10 Yr UST Yields in 2025

Given the magnitude of economic risk (growth, inflation) and policy uncertainty (trade, fiscal), we expect the 10 year UST yield to trade in a wider band than the longer term 100 bps range of recent years, on average.

10 year UST



Source: (1) Bloomberg. Data as of May 13, 2025.



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%	1.3%	-
₩ Canada	1.5%	0.9%	•
Mexico	1.2%	0.0%	-
Eurozone	0.8%	0.9%	
Ireland	1.2%	5.2%	1
Spain	3.2%	2.5%	-
Netherlands	1.0%	1.1%	1
Finland	(-0.1%)	0.8%	•
France	1.1%	0.5%	-
Italy	0.5%	0.5%	-
Germany	(-0.2%)	0.0%	1
Other Europe			
Poland	2.9%	3.2%	1
Türkiye	3.2%	2.8%	-
Russia	4.3%	2.6%	•
Czech Republic	1.0%	2.1%	1
Sweden	0.9%	1.9%	1
Denmark	3.7%	1.9%	-
UK	1.1%	1.0%	† †
Switzerland	1.3%	0.6%	-
Norway	2.1%	0.5%	-
0 (1) 0 () 5			

Region	2024	2025E	
APAC	4.0%	3.5%	
■ India	6.6%	6.4%	-
Indonesia	5.0%	4.8%	-
** China	5.0%	4.1%	•
Australia Australia	1.0%	1.8%	•
Singapore	4.4%	1.6%	•
New Zealand	(-0.1%)	0.8%	•
Japan	0.1%	0.8%	•
South Korea	2.1%	0.7%	-
LatAm	1.7%	1.4%	
Argentina	(-1.7%)	4.2%	•
Chile	2.4%	2.4%	•
Colombia	1.7%	2.2%	•
Brazil	2.9%	1.2%	-
MENA	1.8%	3.4%	
Saudi Arabia	1.3%	5.0%	•
UAE	3.8%	4.7%	1
Sub-Saharan Africa	3.7%	3.8%	1
Egypt	3.1%	3.8%	1
Qatar	2.4%	2.4%	1
Oman	1.7%	2.1%	1
Kuwait	(-2.7%)	1.9%	1
South Africa	0.6%	1.0%	•

Source: (1) Oxford Economics. Data as of May 13, 2025.

2025 Global Currency Forecasts

Currency pair	Spot (May 13)	Q2 2025	Q3 2025	Q4 2025	Q1 2026
EUR / USD	1.12	1.12	1.15	1.18	1.20
GBP / USD	1.33	1.32	1.34	1.36	1.38
USD / JPY	148	144	142	140	138
USD / CNY	7.20	7.40	7.45	7.40	7.35
AUD / USD	0.65	0.62	0.63	0.65	0.66
NZD / USD	0.59	0.58	0.59	0.60	0.62
USD / CAD	1.40	1.40	1.38	1.36	1.35
USD / NOK	10.38	10.54	10.44	10.00	9.58
USD / SEK	9.73	9.91	9.74	9.32	8.92
USD / CHF	0.84	0.83	0.82	0.81	0.79
USD / MXN	19.50	20.00	19.75	19.50	19.00
USD / BRL	5.63	5.70	5.80	5.90	5.80
USD / CLP	942	960	980	990	980

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

2025 MUFG Global Rates Forecasts

		Q2 2025		Q3 2025		Q4 2025		Q1 2026	
	Spot (May 13)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.25%	4.45%	3.75%	4.30%	3.75%	4.05%	3.50%	3.80%
2 yr UST	4.00%	3.63%	3.84%	3.75%	3.73%	3.63%	3.62%	3.50%	3.55%
5 yr UST	4.10%	3.88%	3.98%	4.00%	3.90%	3.88%	3.85%	3.75%	3.81%
10 yr UST	4.48%	4.25%	4.25%	4.38%	4.18%	4.25%	4.13%	4.00%	4.11%
30 yr UST	4.93%	4.63%	4.61%	4.75%	4.53%	4.63%	4.49%	4.38%	4.46%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of May 13, 2025. Fed funds is upper bound.

2025 MUFG Commodities Forecasts

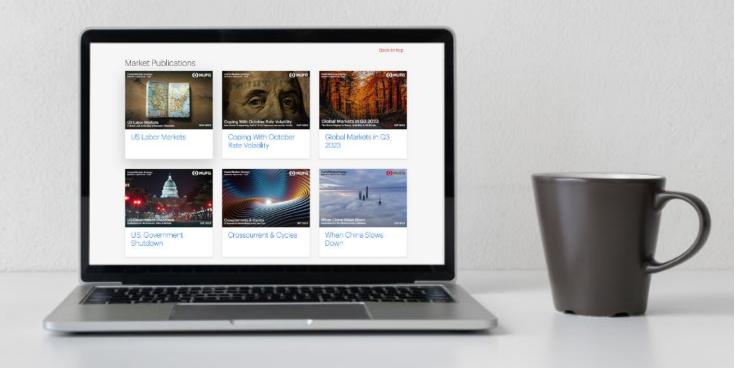
		Q2 2	Q2 2025 Q3 2025		2025	Q4 2025		Q1 :	2026
	Spot (May 13)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	\$63	\$60	\$65	\$58	\$66	\$57	\$66	\$59	\$66
Brent	\$66	\$65	\$67	\$63	\$68	\$62	\$70	\$64	\$68
US Nat Gas	\$3.58	\$3.60	\$3.67	\$3.75	\$3.75	\$4.00	\$4.00	\$4.15	\$4.13
Euro Nat Gas	€35	€38	€40	€33	€39	€29	€39	€31	€35

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of May 13, 2025.



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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.

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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.

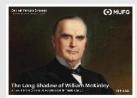
Experience

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.





























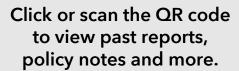








































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