

Global Corporate & Investment Bank Capital Markets Strategy Team



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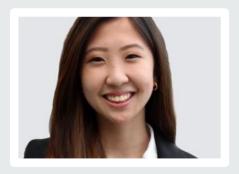
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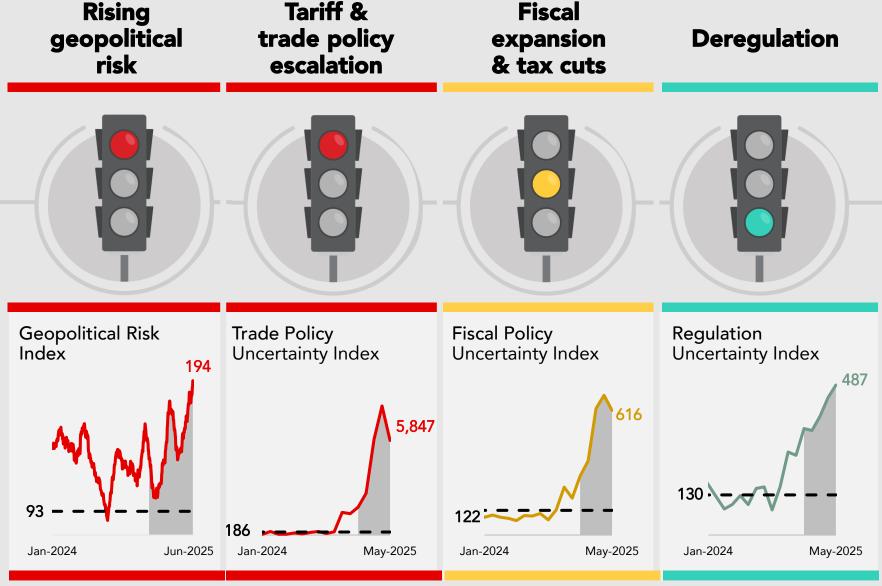


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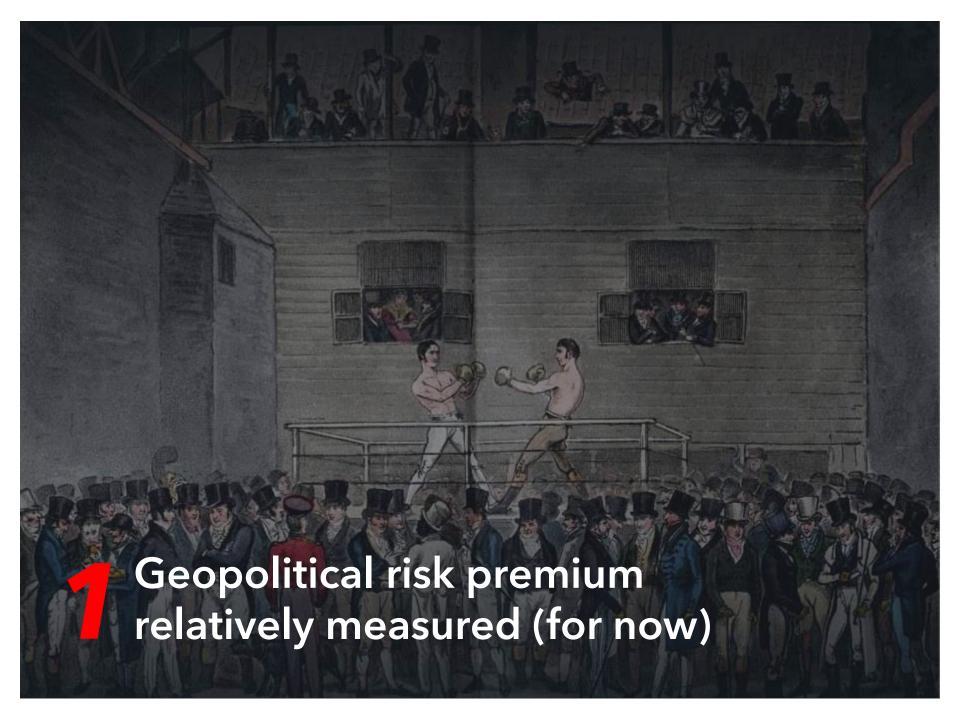
AUTHORS

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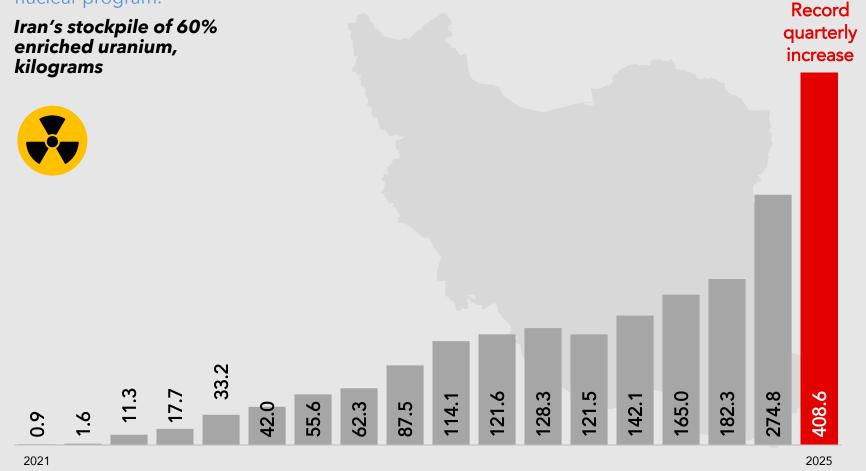
Source: (1-4) Geopolitical risk index is compiled by Fed economists Caldara and lacoviello and is 30-day MA. St. Louis Fed. Baker, Bloom & Davis. Data as of June 17, 2025. Avg line is 10 year pre-COVID average.



Iran's Expanded Inventory of Enriched Uranium



On May 31, 2025, the International Atomic Energy Association (IAEA) reported a record quarterly increase in Iran's stockpile of enriched uranium, enough for approximately 10 nuclear weapons. On June 12, 2025, the IAEA censured Iran for non-compliance on the international commitments of its nuclear program.



Source: IAEA data compiled by Bloomberg. As of June 2025.

Dozens of Nuclear Sites Spread Across Iran



Iran operates a number of facilities that carry out the different steps of the nuclear fuel cycle



Uranium enrichment, research



Military testing



Waste disposal



Power reactor



Research reactor



Uranium mining



Unknown



Source: Wisconsin Project on Nuclear Arms Control.

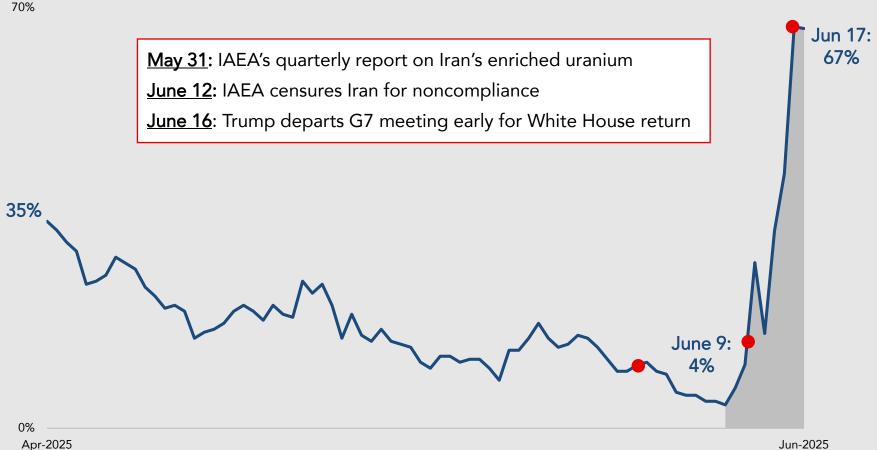
Note: Some uranium enrichment and research sites include heavy water production and centrifuge manufacturing. Sites shown as unknown include undeclared sites with limited International Atomic Energy Agency inspection access

US Participation in Iran Strikes



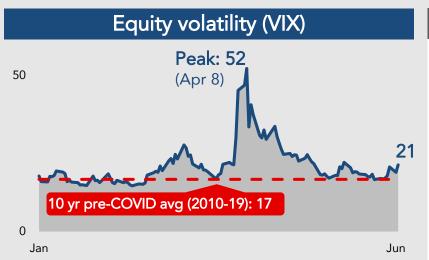
Polymarket odds of US military action against Iran before July

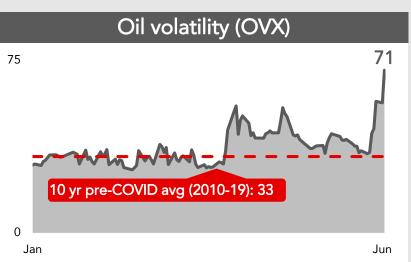


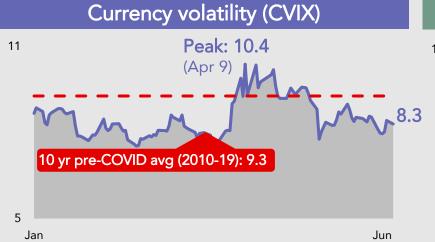


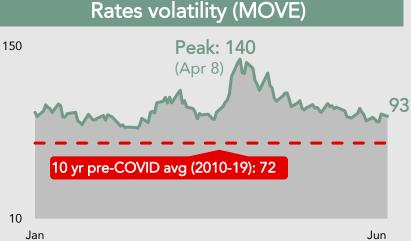
Source: (1) Bloomberg. Polymarket. Data as of June 17, 2025.

Market Volatility Relatively Measured (For Now)





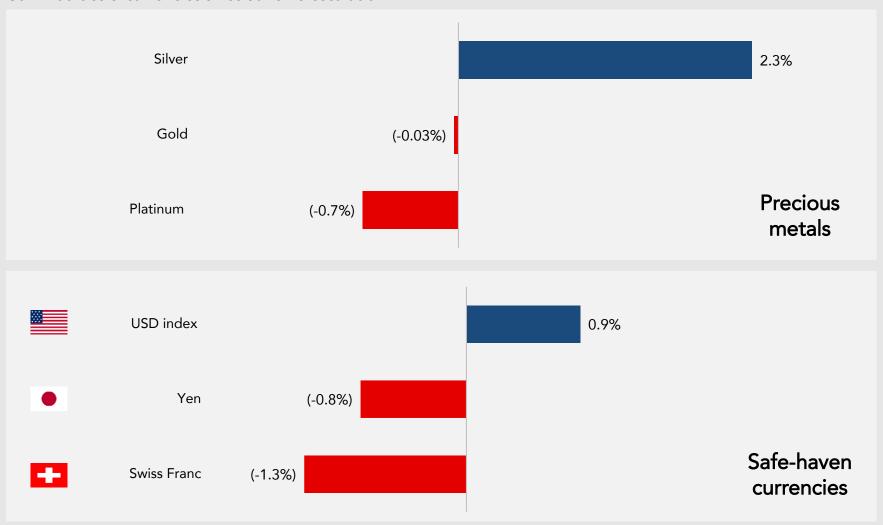




Source: (1-4) Bloomberg. Data as of June 17, 2025.

Safe Havens Relatively Contained (For Now)

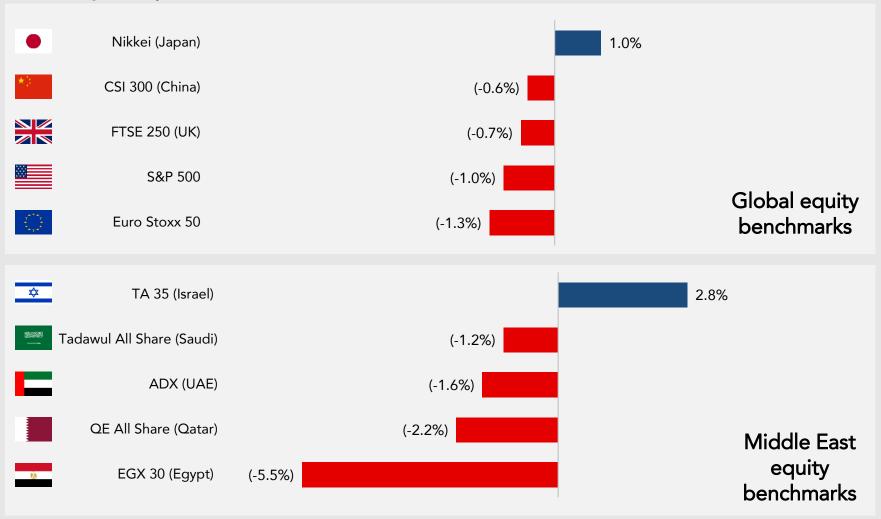
Commodities & currencies since June 13 escalation



Source: (1-2) Bloomberg. Data as of June 17, 2025. Currencies are vs. USD.

Global & Regional Equities Relatively Resilient (For Now)

Global & regional equities since June 13 escalation

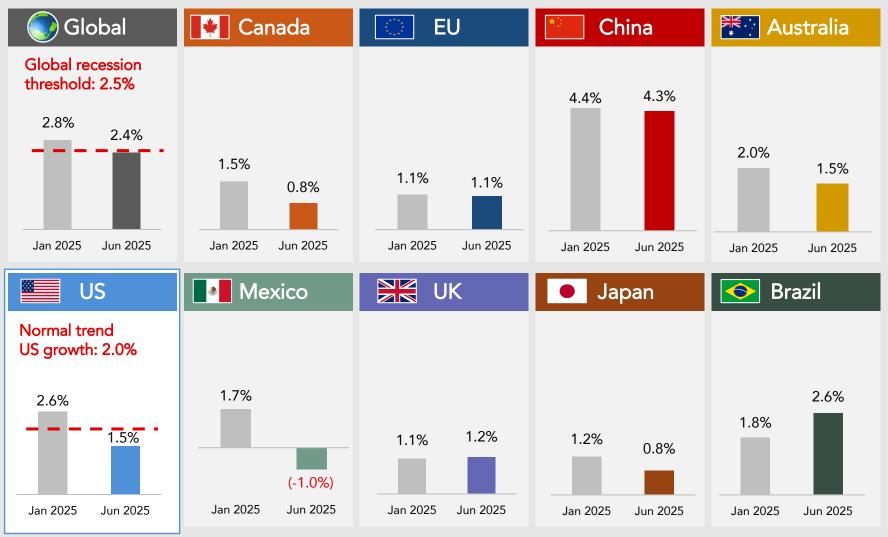


Source: (1) Bloomberg. Data as of June 17, 2025.

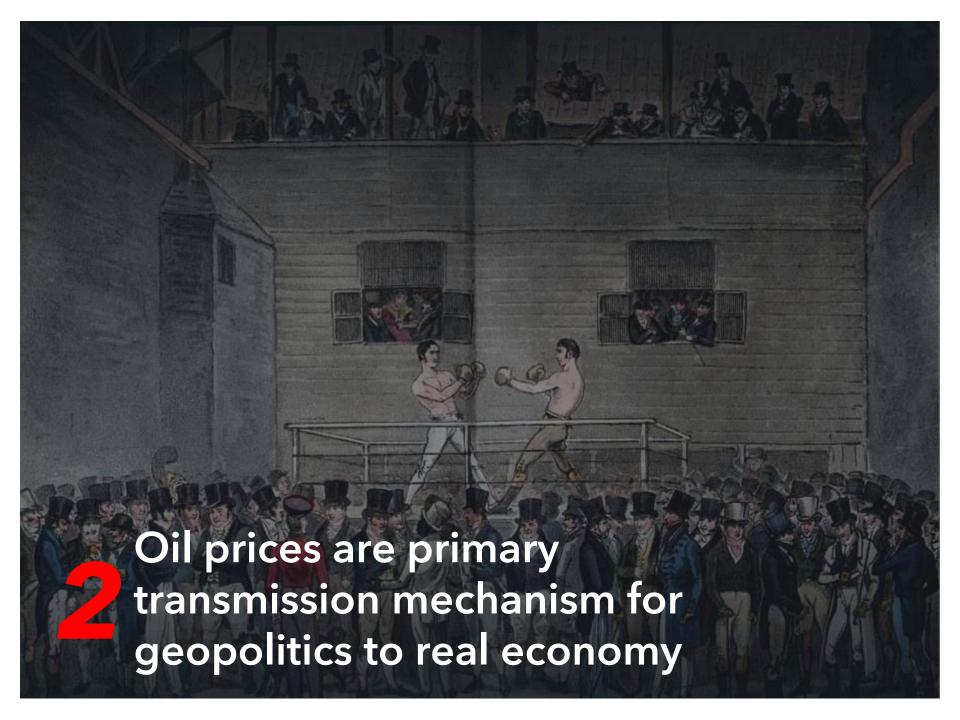
Vulnerable Time for Global Economy



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

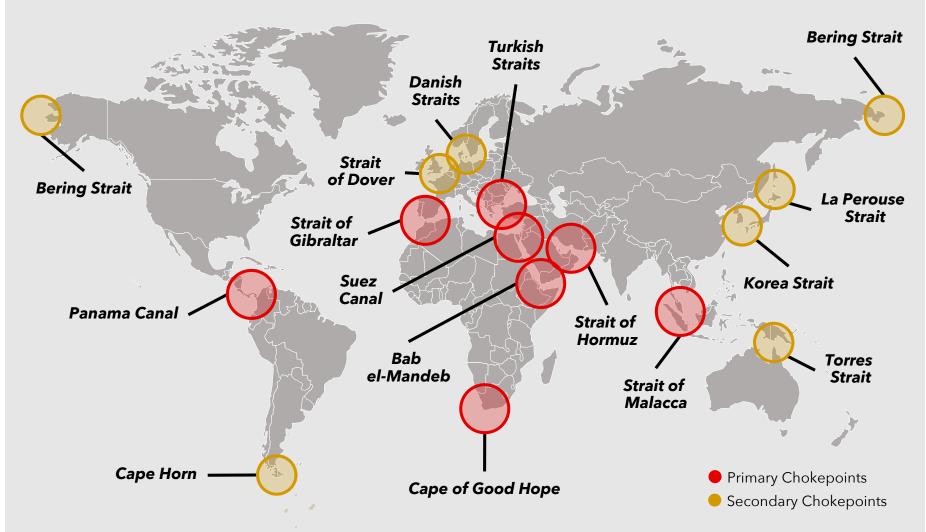


Source: (1-10) Oxford Economics. Data as of June 16, 2025.



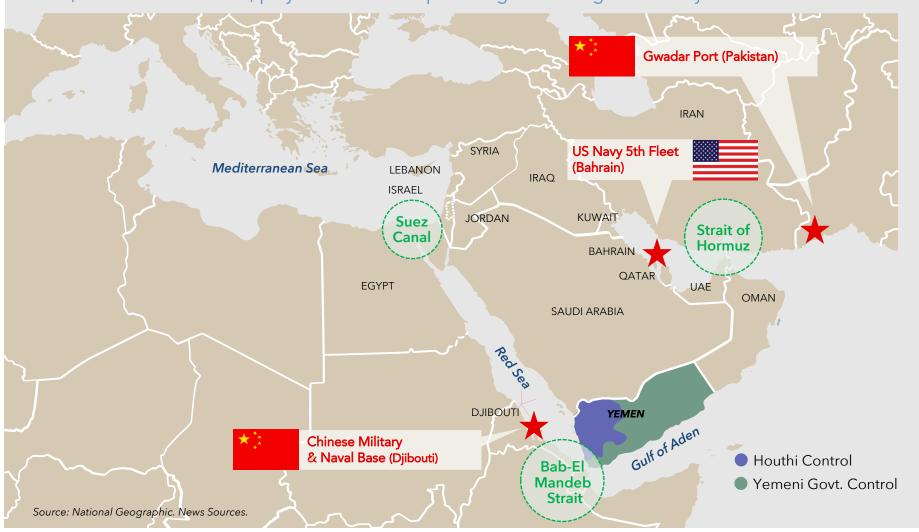
The World's Most Important Maritime Chokepoints

The Middle East region contains several of the world's most critical geostrategic chokepoints for global commerce, as well as oil and gas transport.



Geostrategic Chokepoint: The Strait of Hormuz

The Strait of Hormuz is 20 miles wide at its most narrow point, with two 2-mile wide shipping lanes for outbound and inbound traffic, separated by a 2-mile buffer zone. The Strait contains eight major islands, several of which are controlled by Iran. Iran has never closed the Strait and the US Navy's 5th fleet, stationed in Bahrain, plays an active role patrolling the strategic waterway.



Geostrategic Chokepoint: The Strait of Hormuz

Accounting for 88% of Persian Gulf oil exports and 25% of total daily global oil transport, the Strait of Hormuz represents one of the most important geostrategic chokepoints for the global economy.



Oil passage

- 25% of global oil (20 m/b/d)
- 30% of global seaborn oil
- 38% of Saudi's oil
- 88% of Persian Gulf oil

LNG passage

20% of global LNG (largely from Qatar)

Asian-bound markets

- ~85% of outbound oil & LNG proceeds to Asian markets
- ~7% of outbound oil proceeds to the US

More reliant exporters

• Iran, Iraq, Kuwait, Qatar and Bahrain

Less reliant exporters

- Saudi Arabia (746 mile pipeline to Red Sea)
- UAE (pipeline to Gulf of Oman)

Modest Risk Premium Returns to Oil Markets



As of June 17, oil prices are still in line with pre-"Liberation Day" levels. Iran is among the world's largest oil producers. In escalation scenarios involving either a shutdown in Iranian oil production or closure of the Strait of Hormuz, we would expect oil prices to rise above \$90 and \$125 per barrel, respectively. Notably, OPEC's spare production capacity at approximately 5.3 m/b/d exceeds Iran's daily production capacity of 3.3 m/b/d.



Jan 20: Trump Inauguration

Apr 2: "Liberation Day"

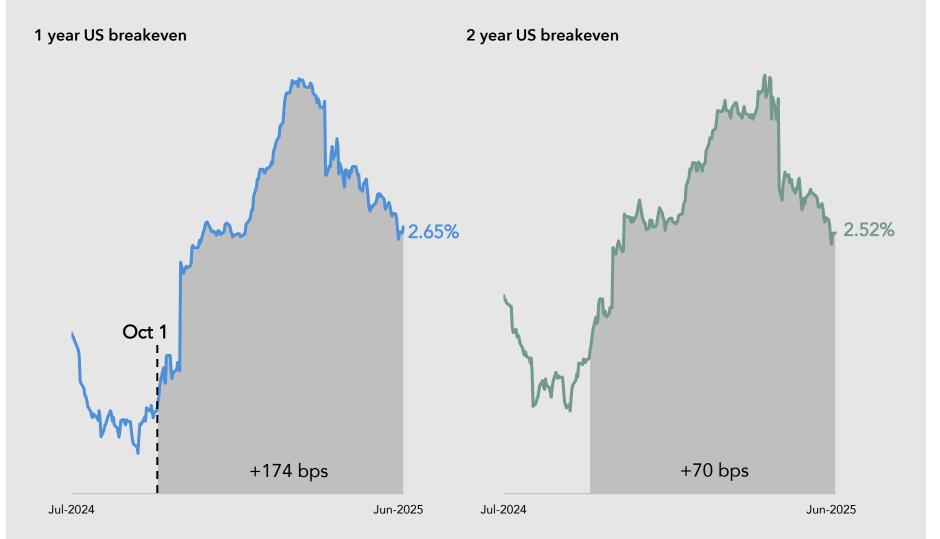
Apr 3, May 3, May 31: OPEC production increases Jun 13: Israel attacks Iran



Source: (1) Bloomberg. Data as of June 17, 2025.

US Inflation Breakevens Remain Elevated

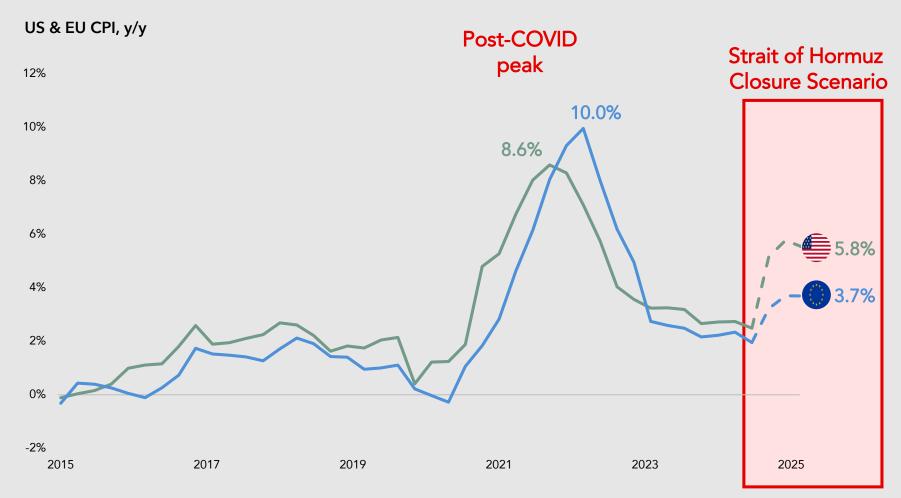




Source: (1-2) Bloomberg. Data as of June 17, 2025.

Inflation Impact of Strait of Hormuz Closure

In the unlikely event of a Strait of Hormuz closure, Oxford Economics predicts oil prices above \$130, a rise in US inflation close to 6%, and an increase in EU inflation to levels nearly double the ECB's target.



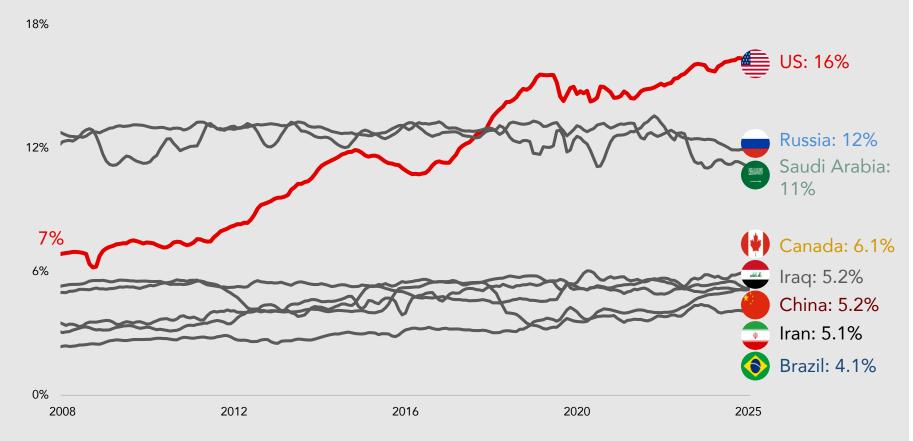
Source: (1) Oxford Economics. Data as of June 16, 2025. Closure scenario is Oxford forecast through 2025.

World's Largest Oil Producers





Oil production as % of world total

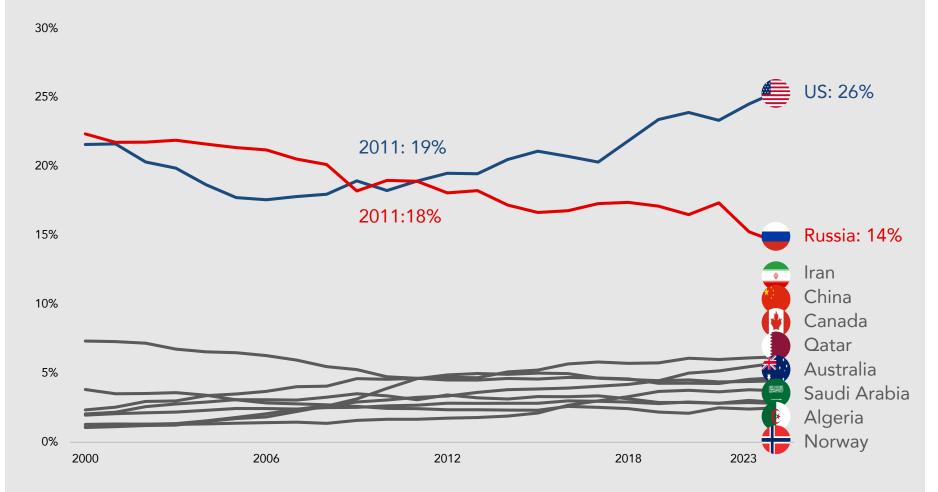


Source: (1) Bloomberg. Data through January 2025. EIA. 3 month moving average.

World's Largest Natural Gas Producers



Natural gas production as % of world total

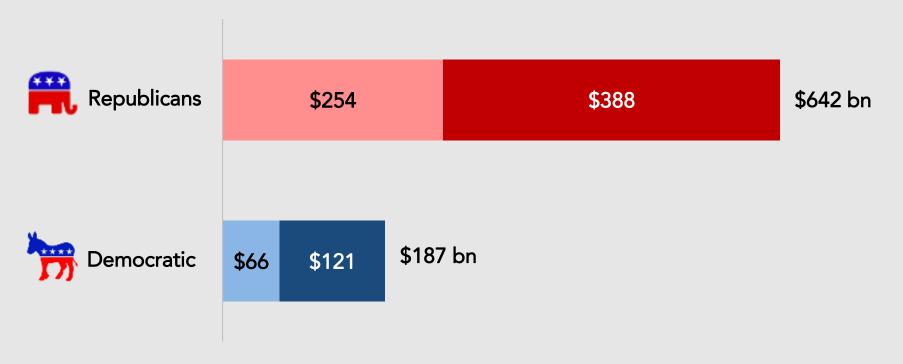


Source: (1) Energy Institute, "Statistical Review of World Energy" (2023 data).

Balancing Energy Transition with Energy Security

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



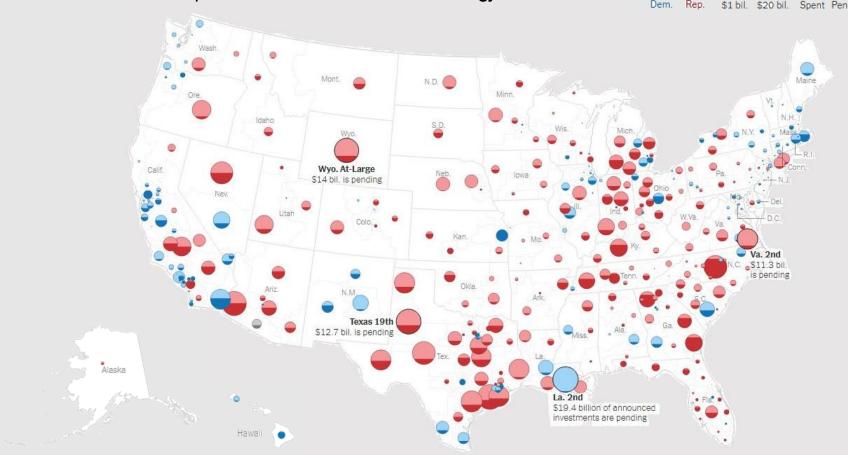
Source: (1) NYTimes, "A Clean Energy Boom Was Just Starting. Now, a Republican Bill Aims to End It." Clean Investment Monitor. Data is from the third quarter of 2022 through the first quarter of 2025. Excludes roughly \$14 bn where the congressional district is unclear or the seat is vacant.

75% of IRA Investments in Red States

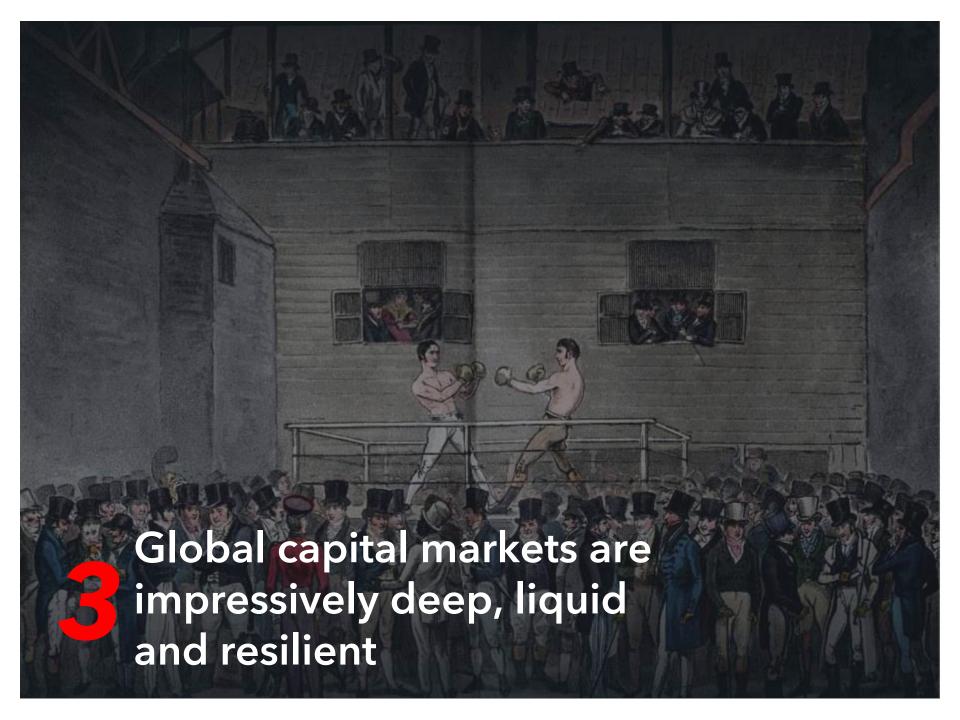


Approximately 75% of the roughly \$800 billion in announced IRA clean energy investments across the United States are located in red Republican House districts.

House districts where companies have announced low carbon energy investments

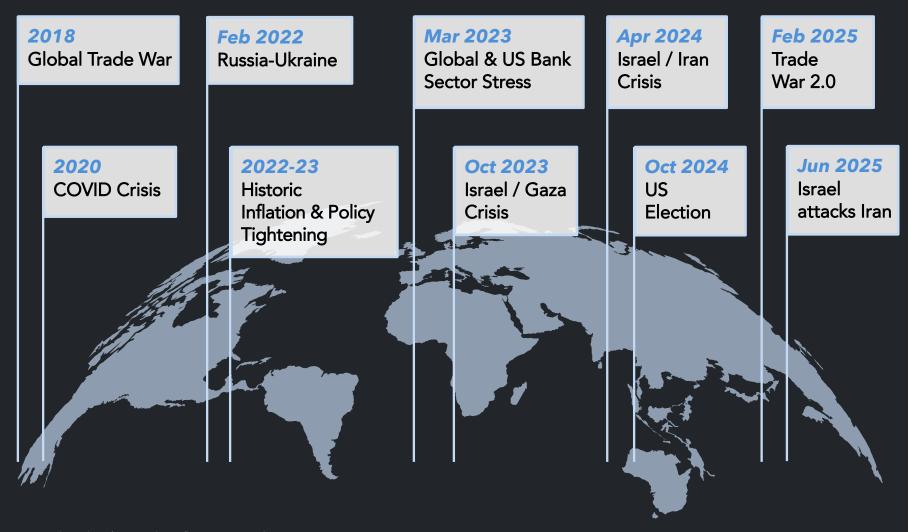


Source: (1) NYTimes, "A Clean Energy Boom Was Just Starting. Now, a Republican Bill Aims to End It." (May 13, 2025). Data is from the third quarter of 2022 through the first quarter of 2025. Excludes roughly \$11bn where the congressional district is unclear. Clean Investment Monitor.



Low Visibility Macro Backdrop

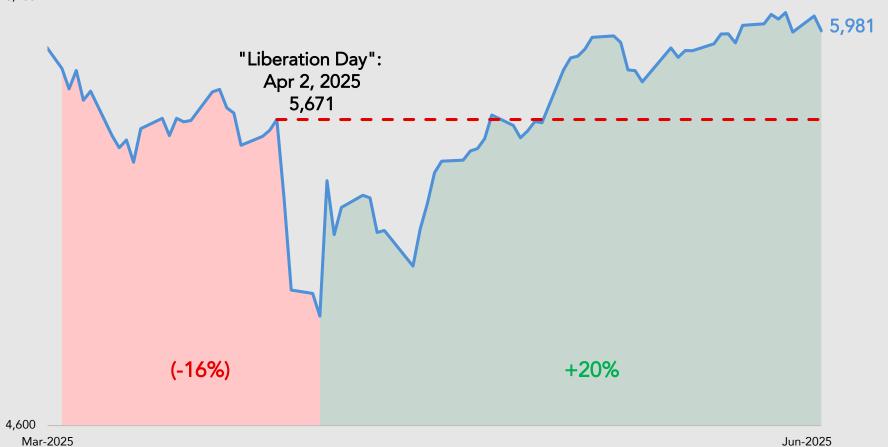
Low probability, high impact events have been occurring more frequently, and are nearly impossible to forecast.



Roundtrip for US Equities

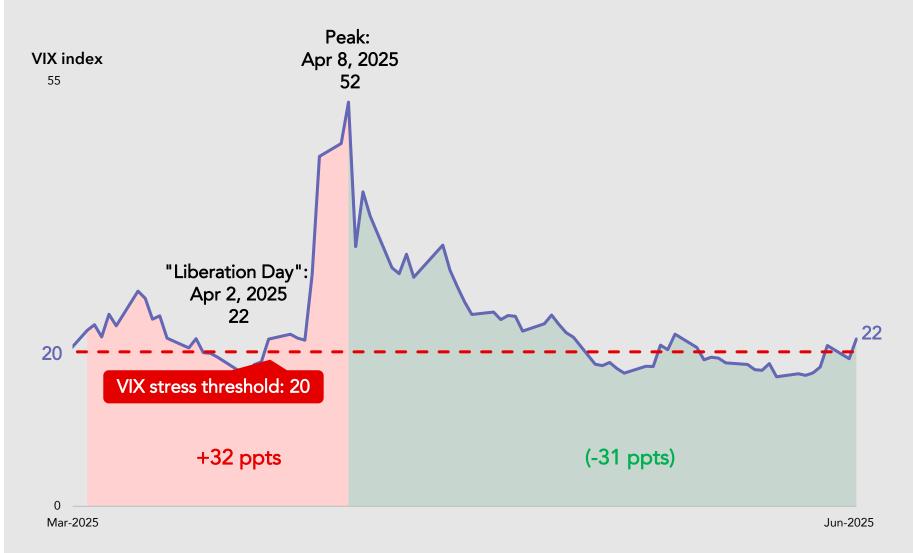


6,100



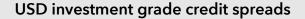
Source: (1) Bloomberg. Data as of June 17, 2025.

VIX Volatility Resets Lower (For Now)



Source: (1) Bloomberg. Data as of June 17, 2025.

USD IG & HY Spreads Do Full Roundtrip



Peak: 125 Apr 8, 2025

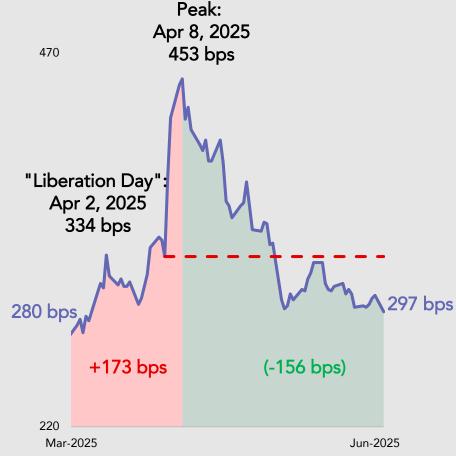
119 bps



(-35 bps)

Jun-2025

USD high yield credit spreads



Source: (1-2) Bloomberg. Data as of June 17, 2025.

+32 bps

65

Mar-2025

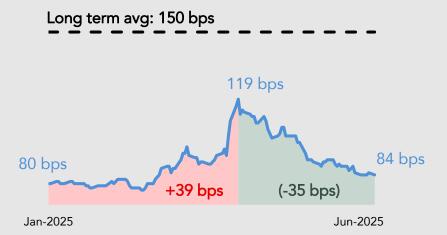
Credit Spreads Well Below Historic Averages

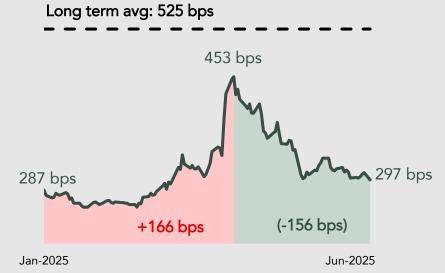
USD investment grade credit spreads 2025 YTD

Recession threshold: 250 bps

USD high yield credit spreads 2025 YTD

Recession threshold: 800 bps

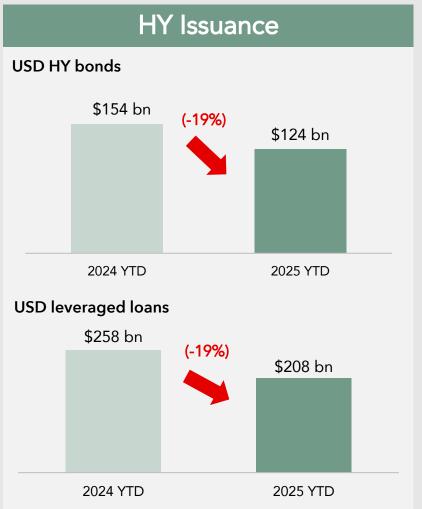




Source: (1-2) Bloomberg. Data as of June 17, 2025.

Divergent Pace Across Financing Markets

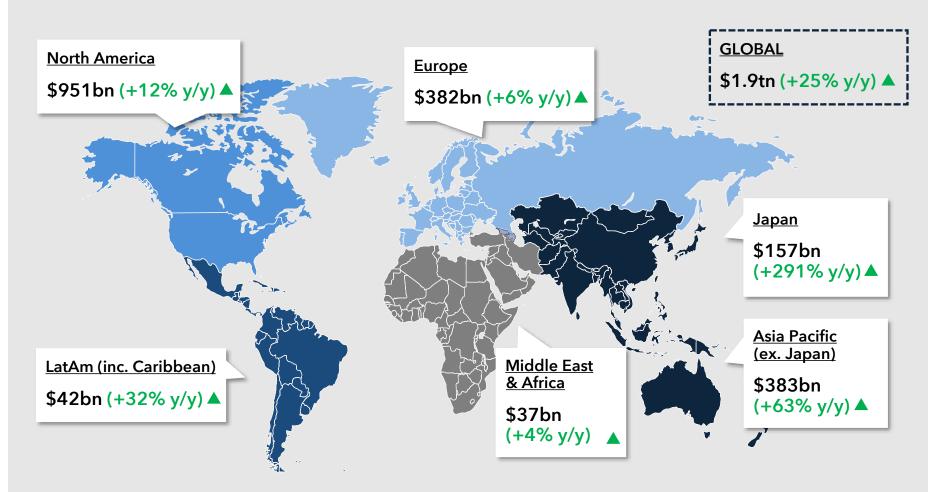




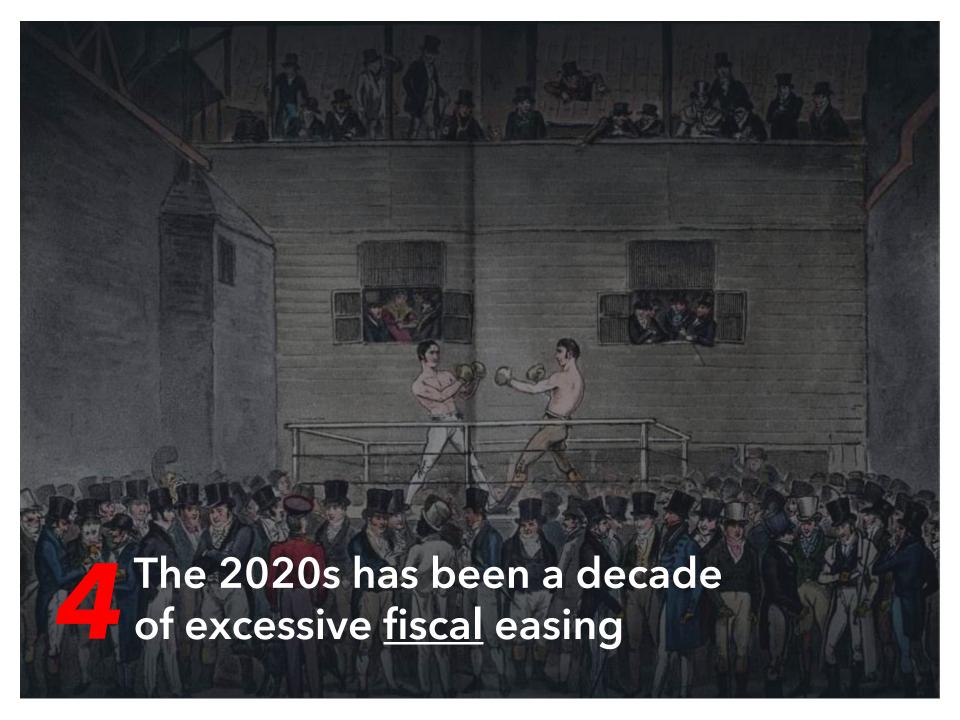
Source: (1-4) IG and HY bond data is CFR. Data as of June 17, 2025. IG loan is LSEG. Data as of June 16, 2025. Lev Loan is LCD. Data through June 12, 2025.

Global M&A Volumes up 25% YTD Despite Uncertainty 1

M&A volumes in Jan-Jun 2025 vs. Jan-Jun 2024 and y/y increase (based on target region)



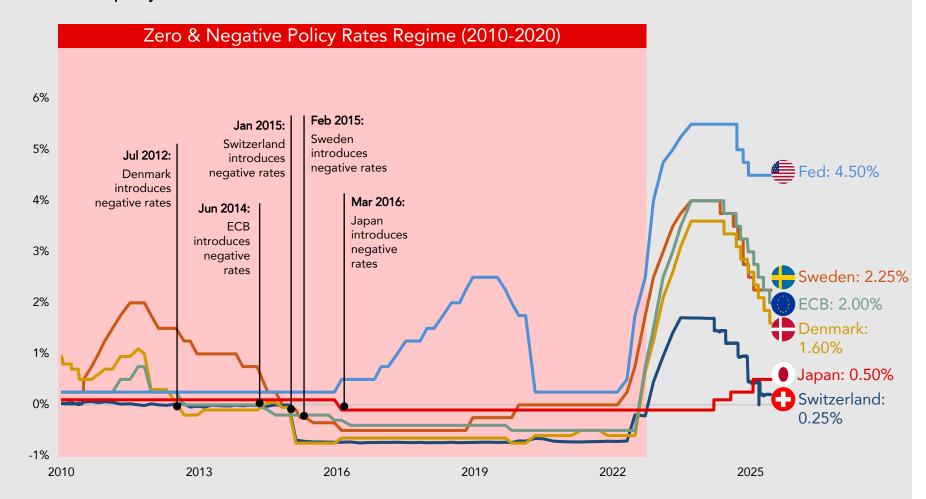
Source: (1) Dealogic. Cortex. Data through June 16, 2025, accessed on June 16, 2025. Region is by target.



2010s: Extraordinary Monetary Easing



Central bank policy rates

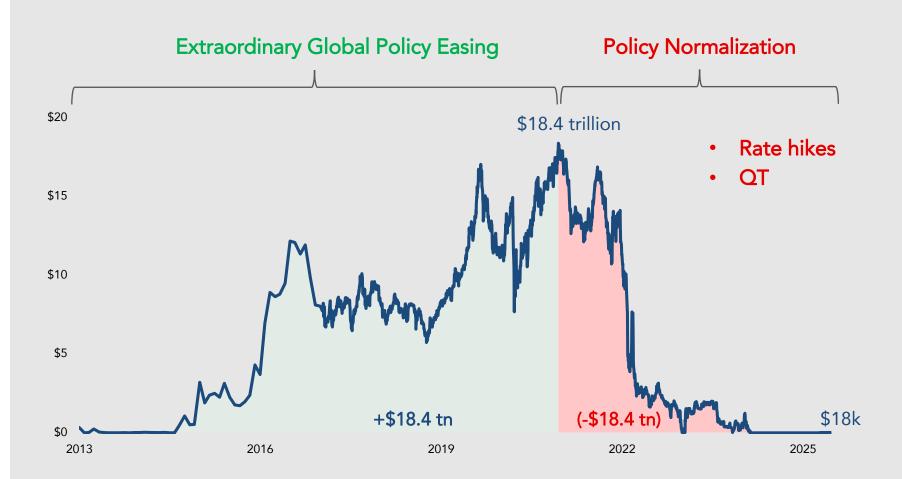


Source: (1) Bloomberg. Data as of June 17, 2025. US is Fed Funds upper bound. ECB is deposit facility. Denmark is interest rate on certificates of deposit. Japan is unsecured overnight call rate upper bound. Switzerland is the overnight reporate.

Negative Yielding Debt Peaked at \$18 Tn in 2020



Global aggregate negative yielding debt, market value, USD tn

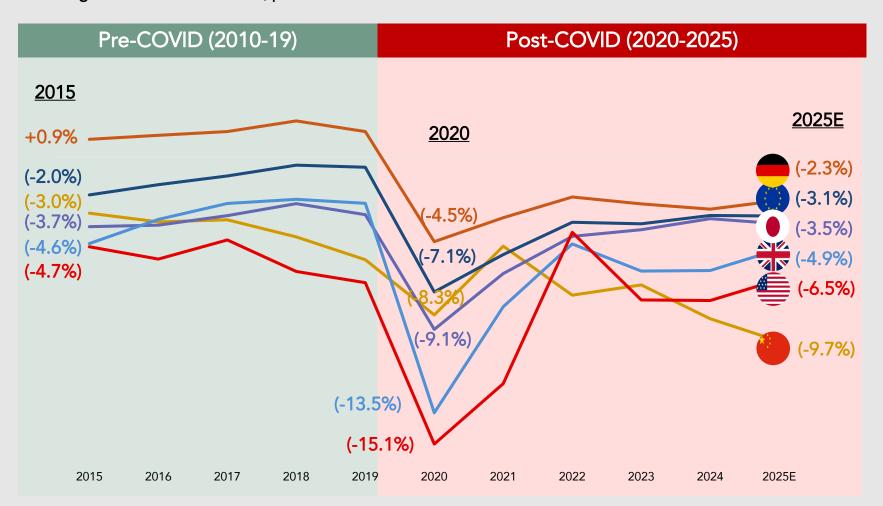


Source: (1) Bloomberg. Data as of June 17, 2025.

2020s: Policy Pivot to Fiscal Easing



General government fiscal balance, percent of GDP

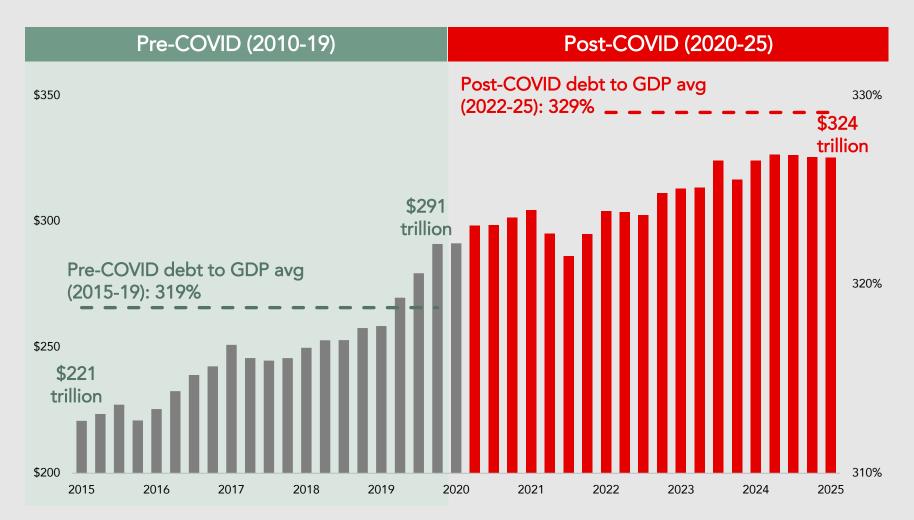


Source: (1) Oxford Economics. Data as of June 2025.

Global Debt Hits New Record of \$324 Trillion



Global debt (LHS), USD tn

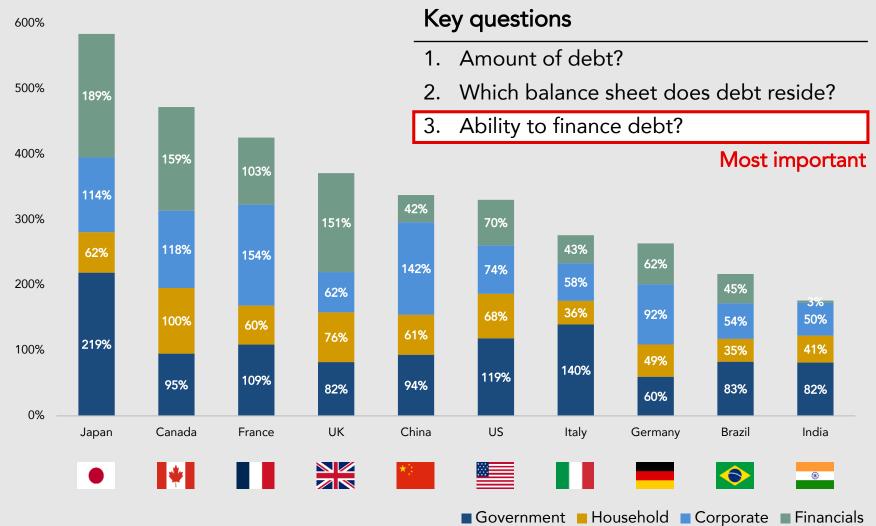


Source: (1) IIF Global Debt Monitor. Data through Q1 2025.

3 Critical Questions for Debt & Deficits



Debt to GDP by sector (2025)



Source: (1) IIF Global Debt Monitor. Data is Q1 2025.

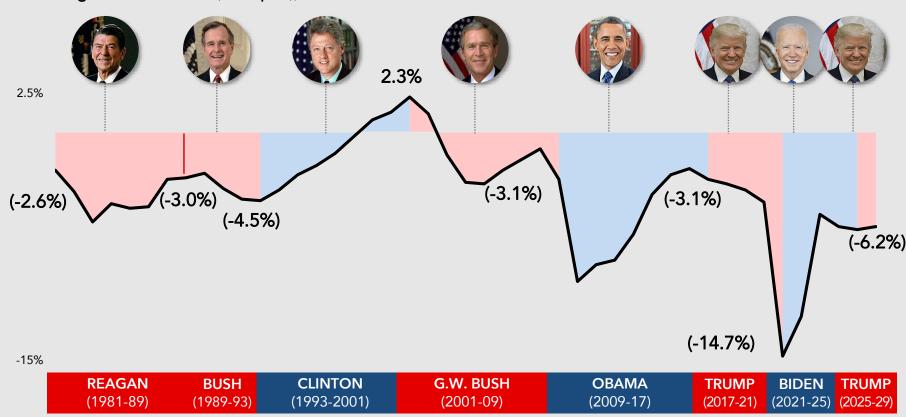


Unusually High Deficits for Peacetime Expansion



The Congressional Budget Office estimates 2025 deficits to be 6.2% of GDP. Moody's highlights the increase over the last 10+ years in government debt and interest payment ratios that are higher than similarly rated sovereigns. Moody's also expects federal deficits to continue to widen, reaching nearly 9% of GDP by 2035, up from 6.4% in 2024. The larger fiscal deficits will drive the government's debt and interest burden higher.

Federal government deficit (or surplus), % of GDP



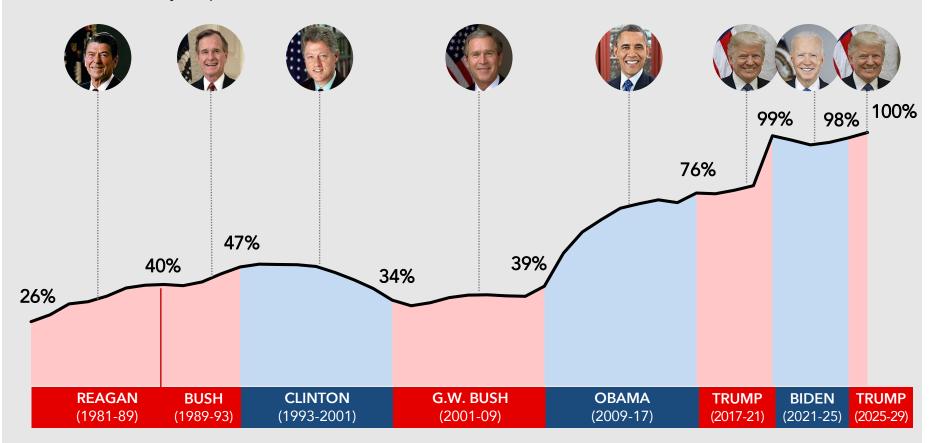
Source: (1) Congressional Budget Office. Long-Term Budget Projections (Mar 2025). Historical Data on federal Debt Held by the Public.

Full Decade of Debt Build During COVID



US Government Debt has risen to 100% of GDP, well above the 12% median of the nine countries still rated AAA by all three rating agencies. While debt to GDP has risen most significantly in response to recessions (GFC, COVID), the increase has actually spanned decades and occurred across both Republican and Democratic administrations.

Federal debt held by the public, % of GDP

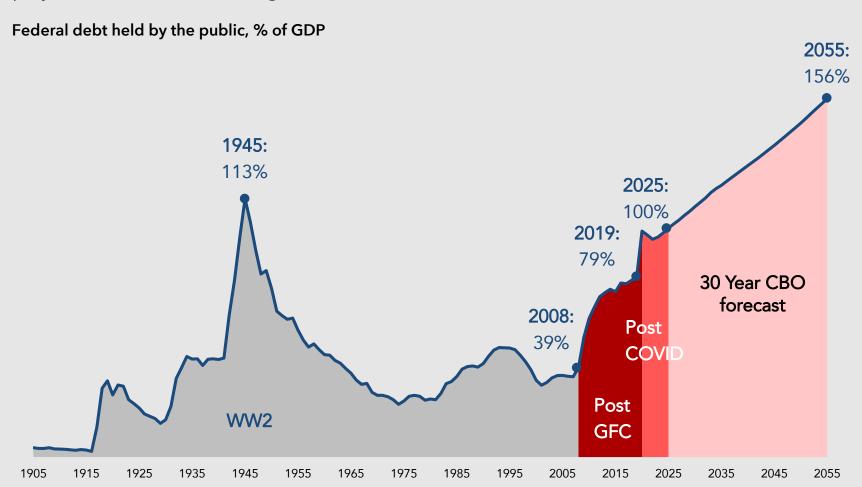


Source: (1) Congressional Budget Office. Long-Term Budget Projections (Mar 2025). Historical Data on federal Debt Held by the Public. 2025 Federal debt is CBO estimate.

Federal Debt to Reach 156% of GDP in 2055



Over the five years since COVID, US Government debt/GDP increased from approximately 80% to nearly 100% today, a milestone previously not expected to be reached for a decade. Current CBO projections have US debt rising to 118% in 2035, and 156% in 2055.



Source: (1) Congressional Budget Office. Long-Term Budget Projections (Mar 2025). Historical Data on federal Debt Held by the Public.

The US AAA Ratings Downgrade



Current US Sovereign Credit Ratings: AA+ / AA+ / Aa1 (S&P, Fitch, Moody's)

2011August 5

S&P Strips U.S. of Top Credit Rating

Unprecedented Downgrade Comes After Last-Minute Standoff; Treasury Says Decision Is 'Flawed by a \$2 Trillion Error'

WSJ

2023August 1

Fitch Downgrades U.S. Credit Rating

Ratings company says downgrade reflects 'erosion of governance'

WSJ

2025May 16

U.S. Loses Last Triple-A Credit Rating

Moody's downgrades the U.S. government, citing large fiscal deficits and rising interest costs

WSJ

Source: WSJ. S&P. Moody's. Fitch.

Nine Countries with AAA Ratings

Following S&P / Fitch / Moody's downgrades, there are now nine remaining countries with AAA ratings from all three agencies. Notably, US debt and deficit metrics deviate considerably from the AAA sovereign peer group.

Country	S&P Rating	Fitch Rating	Moody's Rating	2025E Net Debt / GDP	2025E Deficit (% of GDP)
Australia Australia	AAA	AAA	Aaa	32%	(-0.2%)
Denmark	AAA	AAA	Aaa	(-4%)	+2.0%
Germany	AAA	AAA	Aaa	50%	(-2.3%)
Luxembourg	AAA	AAA	Aaa	(-4%)	+0.6%
Netherlands	AAA	AAA	Aaa	36%	(-2.0%)
Norway	AAA	AAA	Aaa	(-163%)	+10.2%
Singapore	AAA	AAA	Aaa	< 0%*	+0.3%
Sweden	AAA	AAA	Aaa	12%	(-1.8%)
Switzerland	AAA	AAA	Aaa	16%	+0.05%
Median				12%	0.1%
US	AA+	AA+	Aa1	98%	(-6.5%)

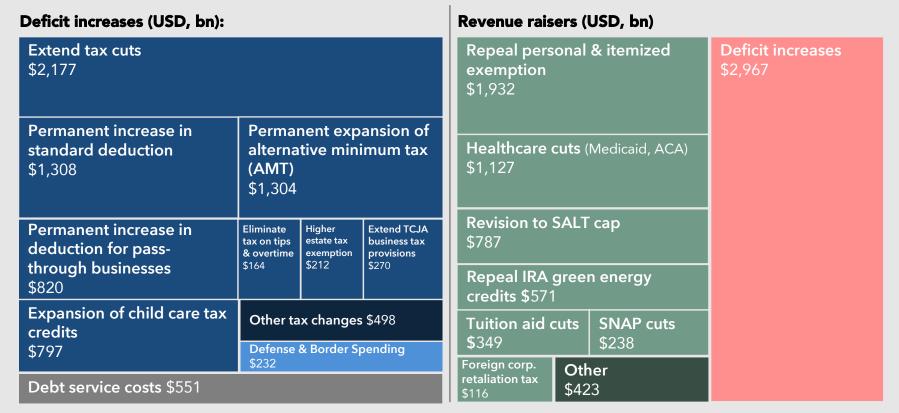
Source: (1) S&P, Fitch, Moody's. Data as of May 19, 2025. Oxford Economics. Net Debt to GDP data is IMF World Economic Outlook (April 2025). *IMF does not disclose Singapore's net debt to GDP ratio which is below 0% given assets and reserves greater than external liabilities.



House Tax Bill Would Add \$3.0 Trillion to US Deficits

The US House of Representatives GOP tax bill would raise the US debt ceiling by \$3 trillion and add ~\$3.0 trillion to US deficits over the next decade. In the months ahead, the US Senate will make substantive changes to the Bill and then work with a fragile GOP House majority to reconcile differences. Though the end of August remains the target for passage into law, the complexity and cost of tax cuts could delay timing to Q4.

Proposed deficit changes, through 2034

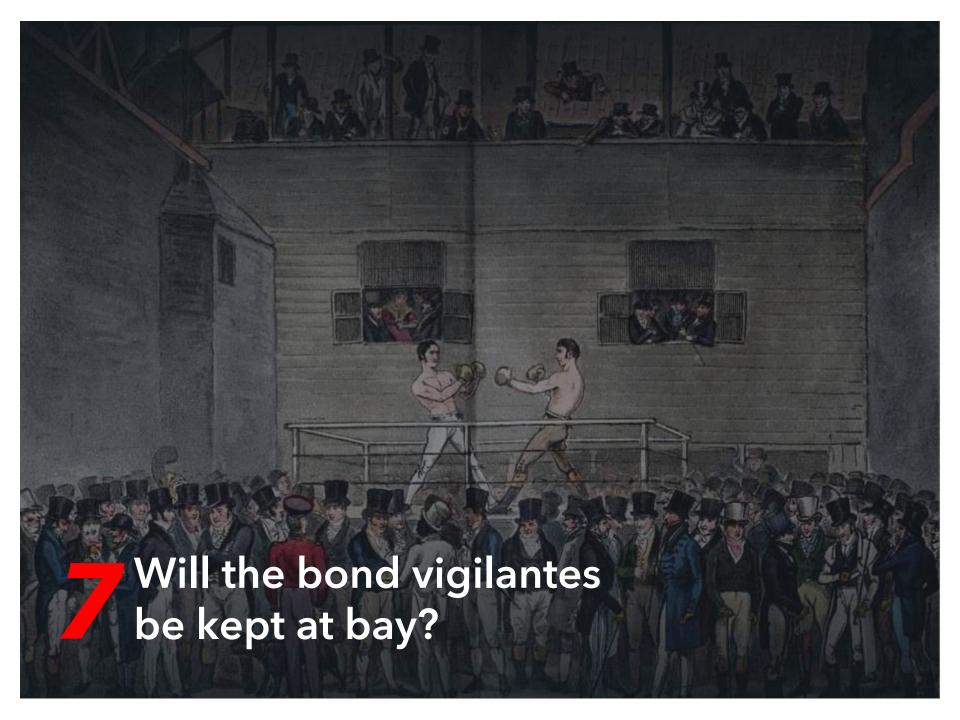


Source: (1) CBO. Committee for a Responsible Federal Budget. Defense and border spending includes Armed Services, Homeland Security and Judiciary Committees. Deficit increases include (-\$175bn) of interactions.

Tariff Revenue to Fund US Fiscal Expansion

The total <u>announced</u> US tariffs would produce annual revenue of \$700-\$800 bn, though the <u>actual</u> number is likely to be much lower (i.e., \$200-\$300 bn). Notably, some base high level of US tariffs will be maintained to fund domestic fiscal expansion and tax cuts.

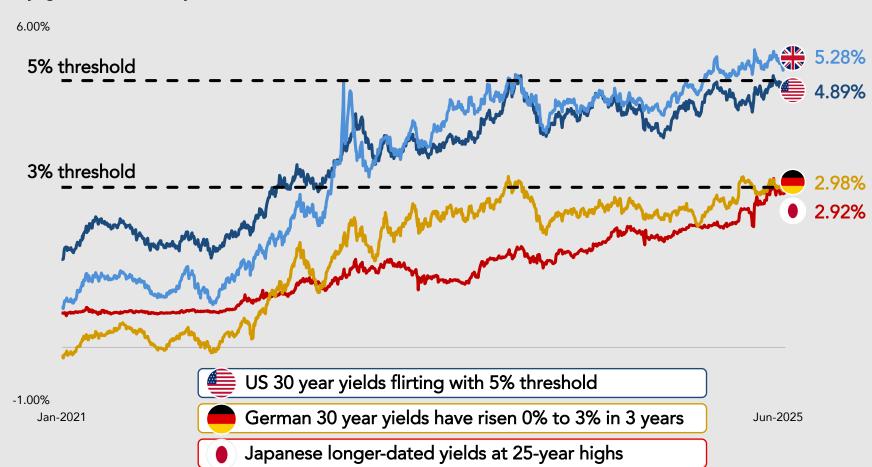




Markets More Sensitive to Fiscal Expansion, Debt & Deficits

Fiscal expansion, rising debt & deficits and higher structural rates are emerging as core market themes in 2025.

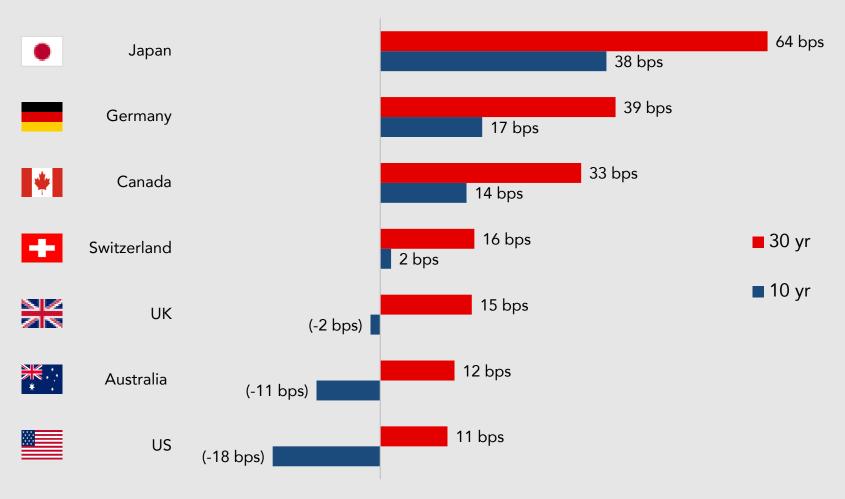
30 yr government bond yields



Source: (1) Bloomberg. Data as of June 17, 2025.

Longer Duration Maturities More Vulnerable

Change in global government 30 & 10 year yields in 2025 YTD



Source: (1) Bloomberg. Data as of June 17, 2025.

US Treasury Market Term Premia Resets Higher



Markets began pricing in the "Trump Trade" in October 2024, which has included higher term premia across the UST curve on expectations of fiscal expansion and trade policy escalation.

10 year term premium estimate



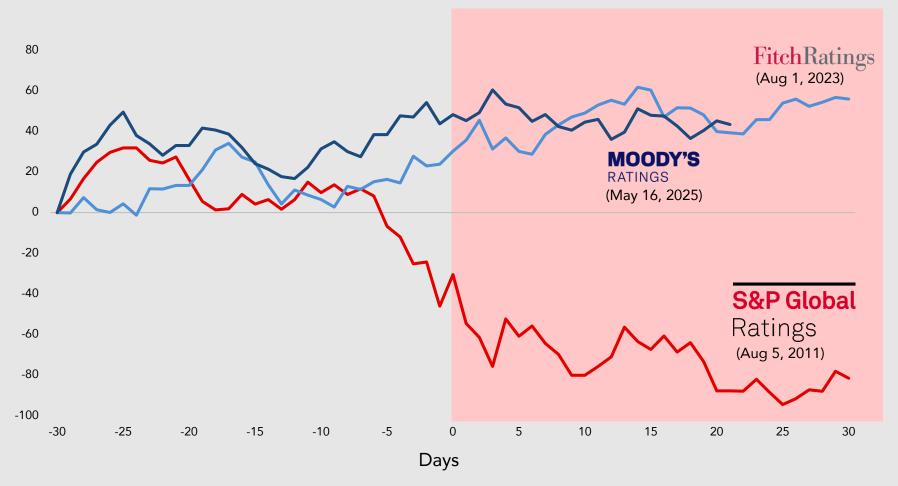
-0.5% Jan-2024 Jun-2025

Source: (1) Bloomberg. Data as of June 17, 2025. ACM term premium model. Federal Reserve Bank of NY.

Markets Responded Differently to Recent US AAA Downgrades



Cumulative change in 10 year yields before and after US AAA downgrades (bps)



Source: (1) MUFG Macro Strategy (George Goncalves). Bloomberg. Data as of June 17, 2025.

Policy Dependent UST Yields?



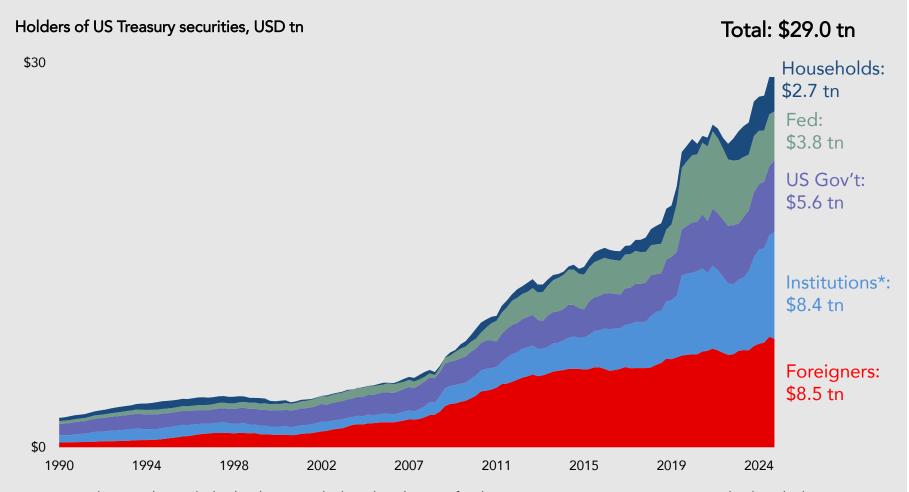
10 year UST



Source: (1) Bloomberg. Data as of June 17, 2025.



Structural Shift in Ownership of \$30 Trillion UST Market

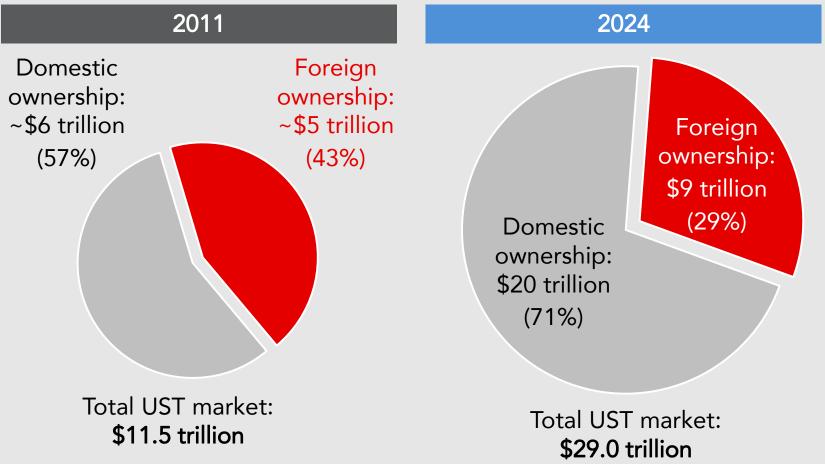


*Institutional ownership includes banks, mutual, closed-end & ETF funds, pensions, insurance, ABS issuers & broker-dealers Source: (1) Federal Reserve. Data through Q4 2024. Financial Accounts of the United States, L.210 Treasury Securities. Gov't includes Federal, State & local governments, retirement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



Source: (1) Federal Reserve. Data through Q4 2024. Financial Accounts of the United States, L.210 Treasury Securities.

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.

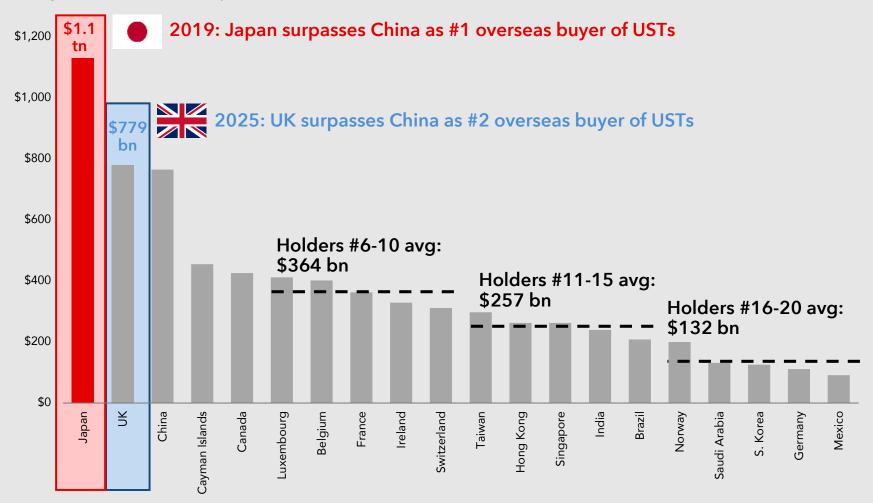
Foreign purchases of USTs by private / public sector, 12 month rolling sum (USD, bn)



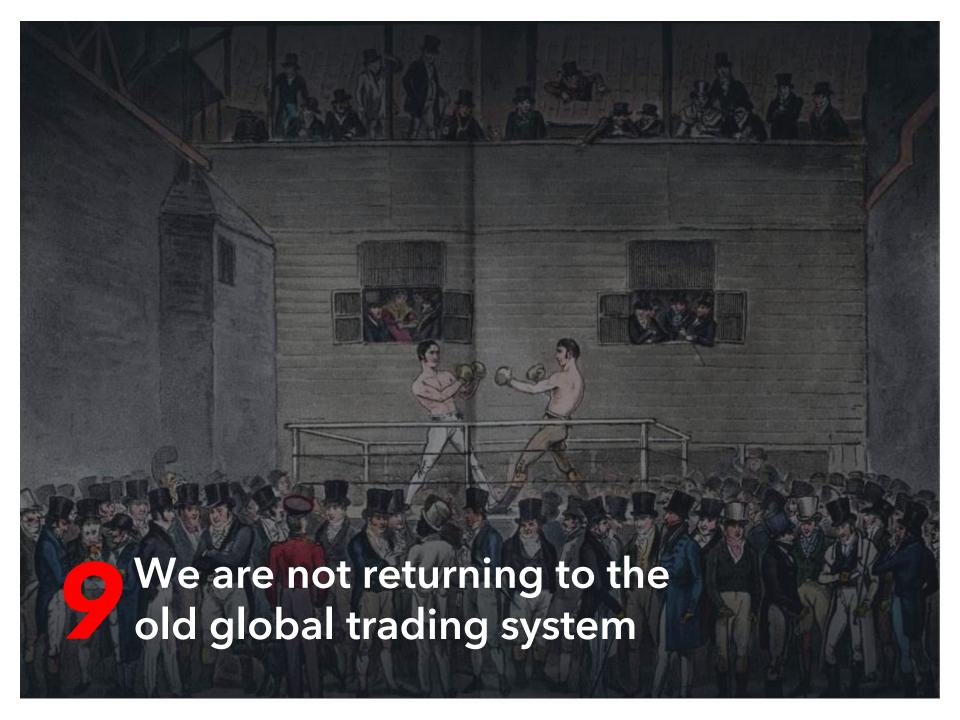
Source: (1) Bloomberg. US Treasury. MUFG US Macro Strategy. UST purchases include bonds and notes. Data through February 2025.

Japan is #1 Overseas Buyer of US Treasuries

Foreign holders of US Treasury securities , USD bn



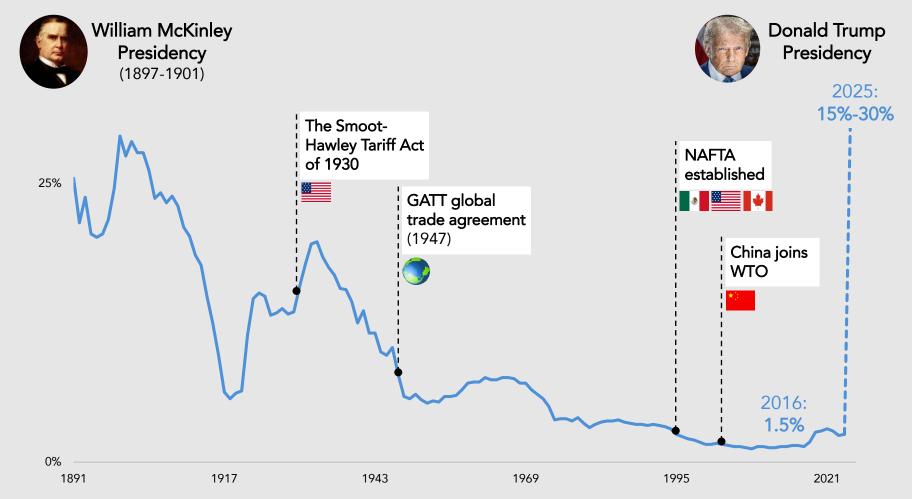
Source: (1) US Department of the Treasury. Data is latest available - March 2025. Reuters "China slips away from Treasuries but sticks with dollar bonds".



Highest Tariffs Since Late 19th Century

Average tariff rate on all imports

130 Year High



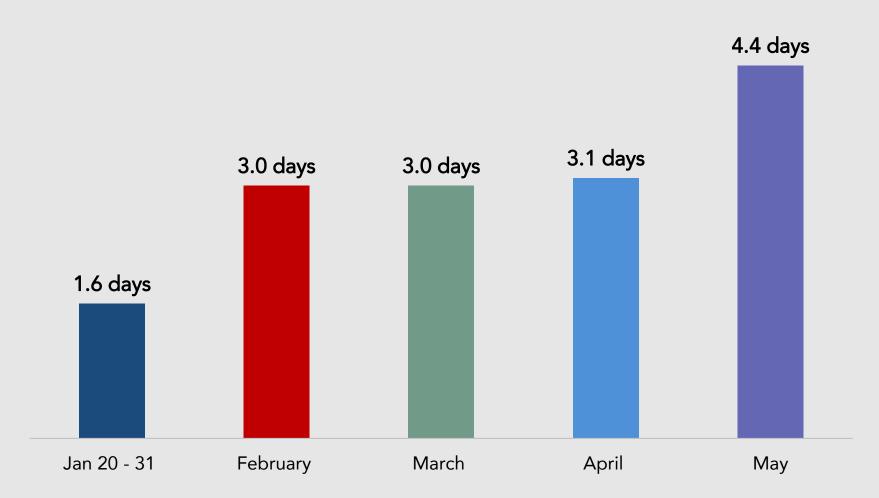
Source: (1) US International Trade Commission, "US Imports for Consumption, Duties Collected, and Ratio of Duties to Value." Table 1. US Census Bureau. The Tax Foundation, "Trump Tariffs: Tracking the Economic Impact of the Trump Trade War." 2025 rate is an estimate.

New Tariffs Announced Every 3-4 Days

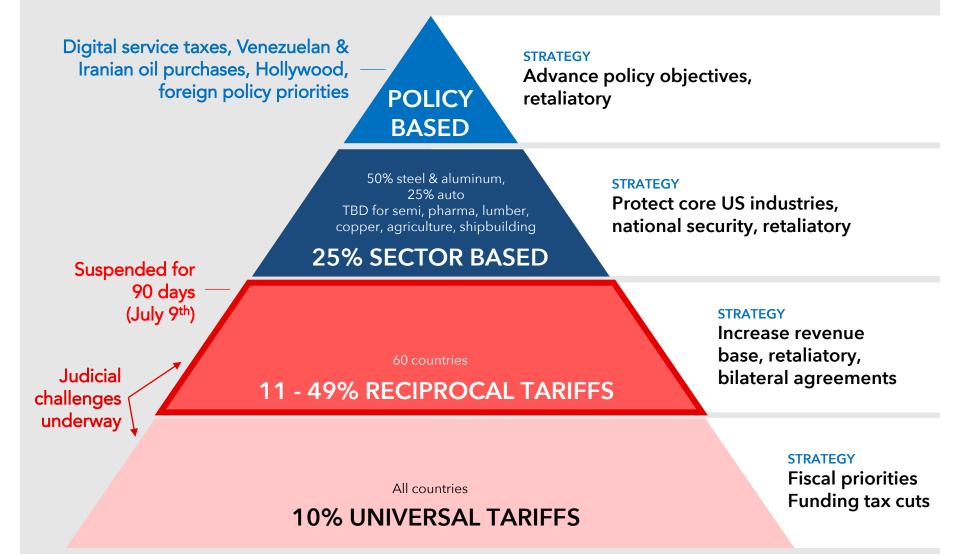


Since President Trump's Inauguration on January 20th, there have been significant changes in US tariff policy every 3-4 days on average.

Average # of days between changes in President Trump tariff policy



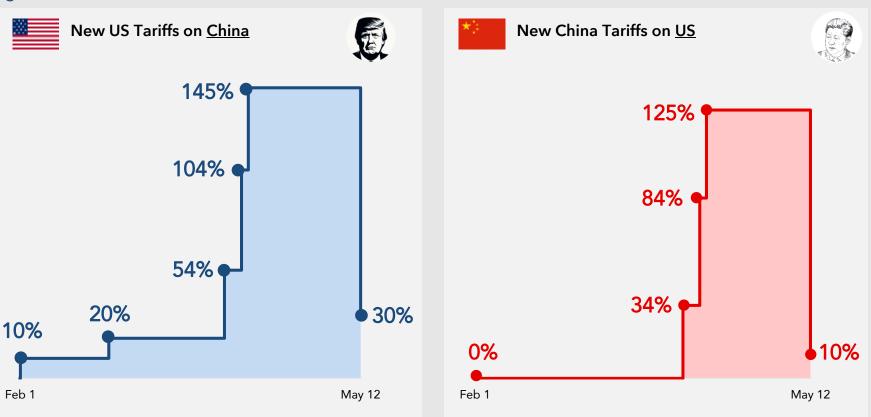
Multi-Layered Tariff Policy Approach



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

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.



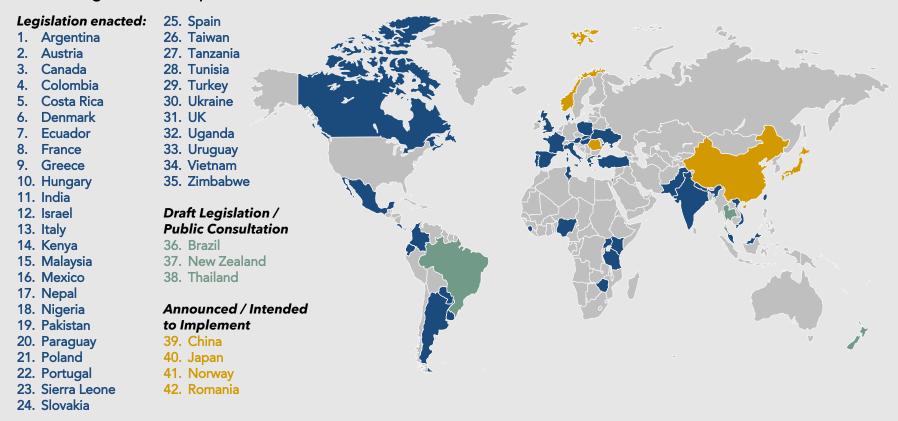
Source: The White House. China's Ministry of Finance. Tariff rate is shown by announcement date. Data as of May 12, 2025. Geopolitical Risk, Fiscal Profligacy & Trade Wars / JUN 2025 / page 63

Trade Wars Merging With Tax Wars

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

35 Legislation Enacted



4 Announced/Intention to Implement

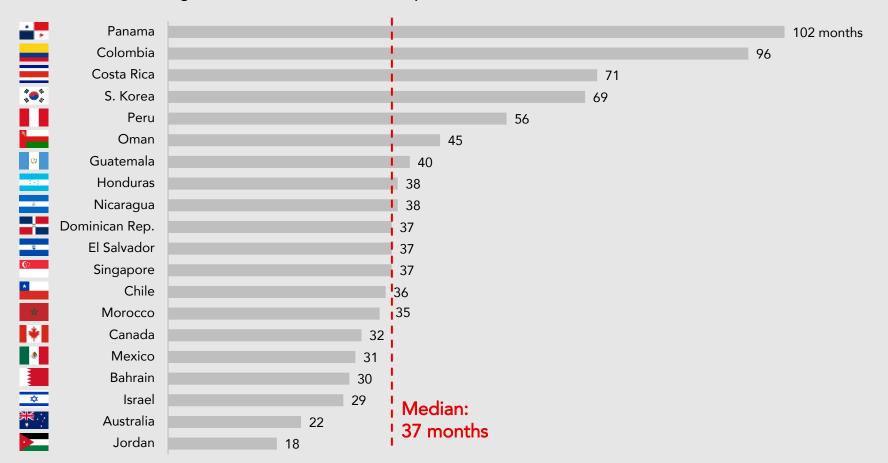
3 Draft Legislation/Public Consultation

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

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)

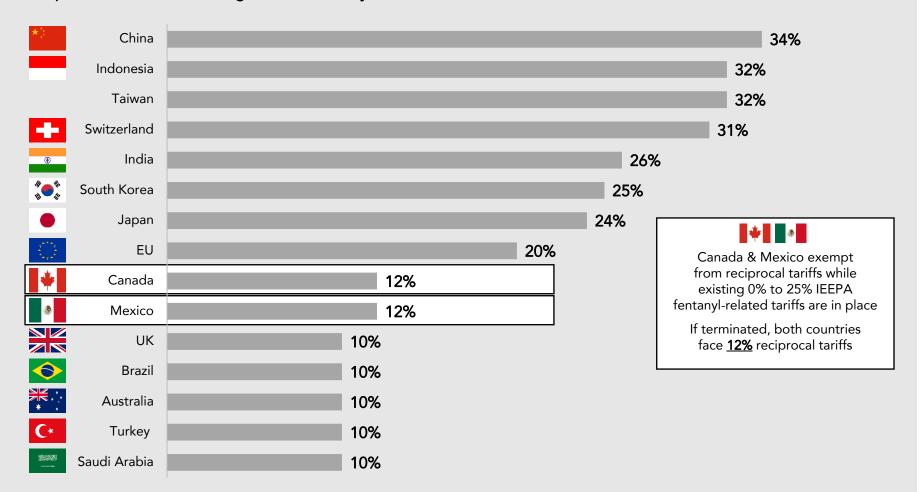


Source: (1) Peterson Institute for International Economics, "How Long Does it Take to Conclude a Trade Agreement with the US?"

Key Date to Watch: Reciprocal Tariffs Delayed Until July 9th



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



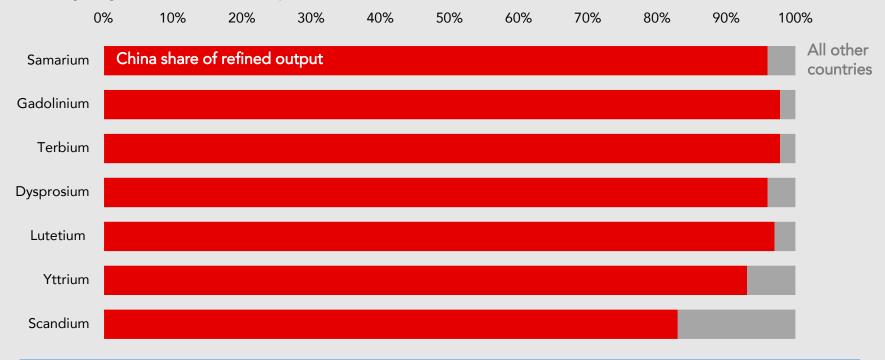


China's Restrictions on Strategic Minerals



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.

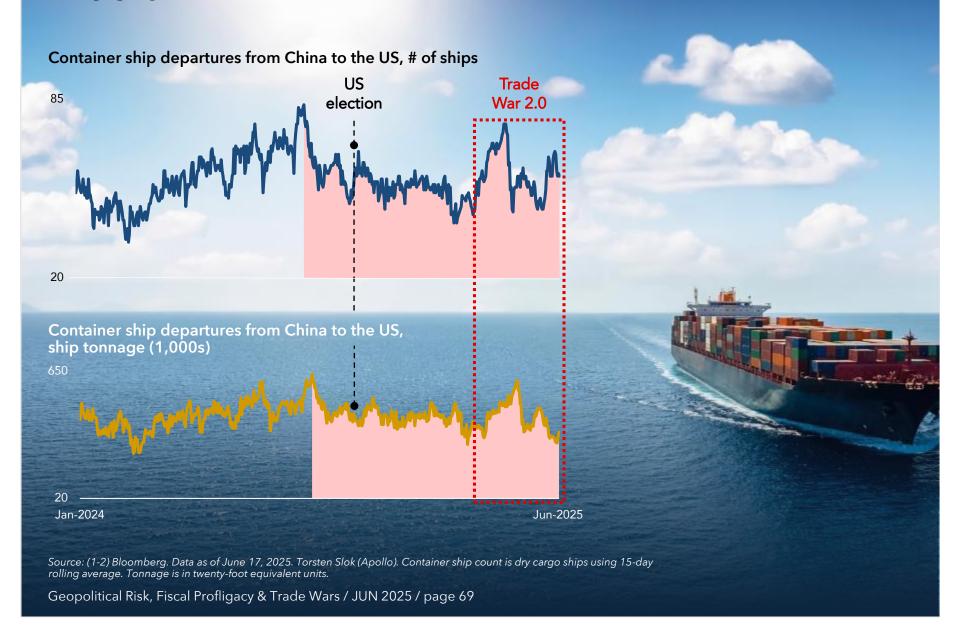
China targeting seven rare earths in export controls





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

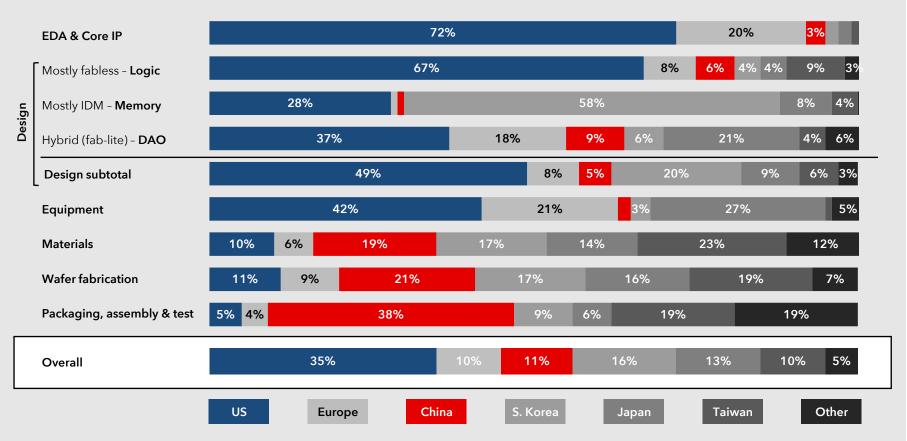
Supply Chain Bottlenecks Between US & China



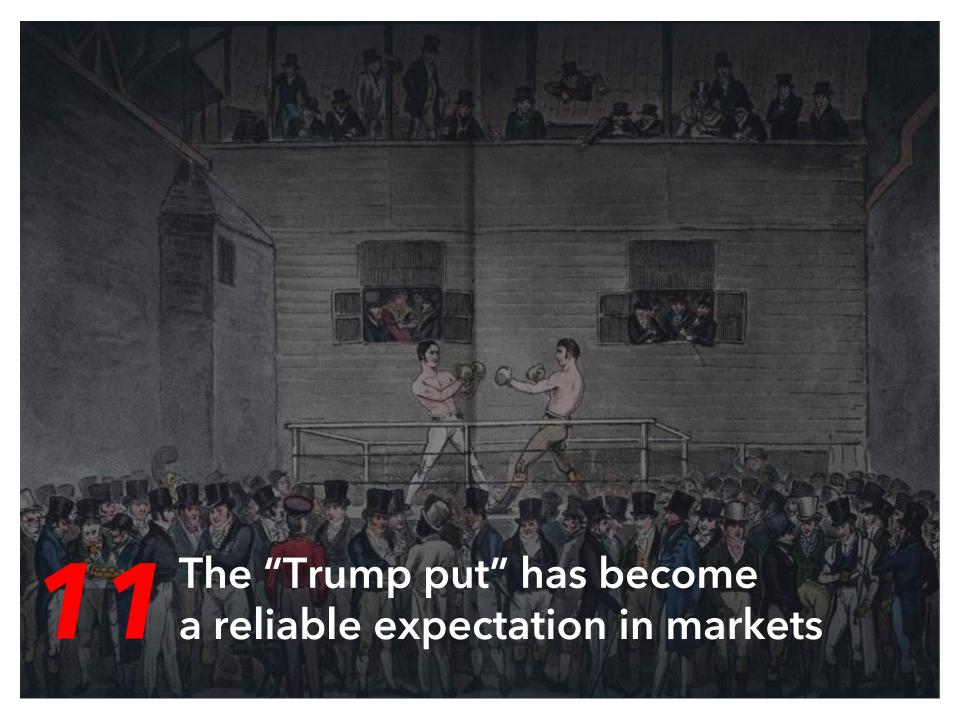
US Tech Sector Restrictions on China

The global semiconductor supply chain is highly complex and regionally specialized. In general, the United States plays an outsized role in complex design, software tools and capex intensive equipment. While China has made rapid progress across the semi supply chain, US policy restrictions on technology access have precipitated an evolution of trade wars into technology wars.

Semiconductor industry value added, by activity and region (2021)



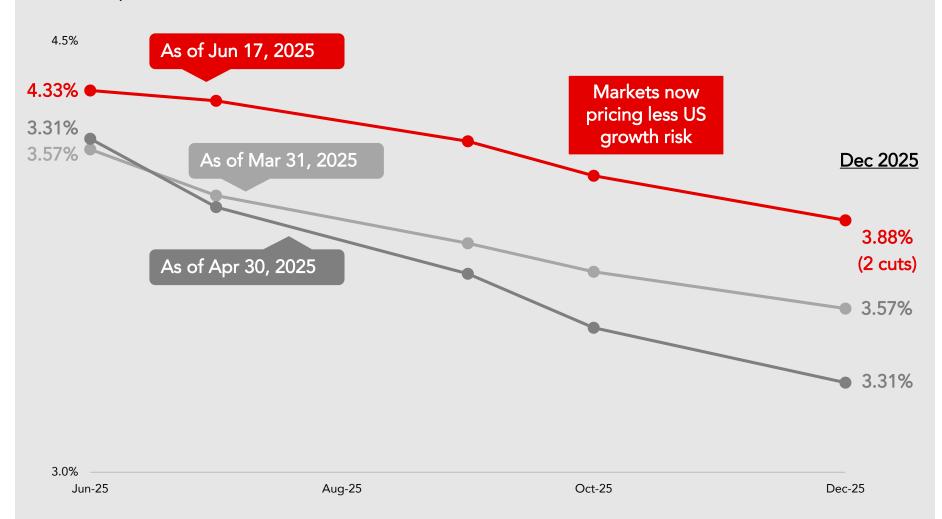
Source: (1) Semiconductor Industry Association, "2022: State of the U.S. Semiconductor Industry". Data as of 2021.



There is No Fed or Powell "Put"



Marked implied Fed Funds rate



Source: (1) Bloomberg. Data as of June 17, 2025.

Markets Have Come to Rely on the "Trump Put"

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	President Trump announces 90-day pause on reciprocal tariffs for all countries, excluding China	

Markets Have Come to Rely on the "Trump Put"

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			
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	
May 23	President Trump announces 50% tariffs on the EU to start June 1	2 days later	May 25	President Trump announces delay until July 9 for EU tariffs	

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











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

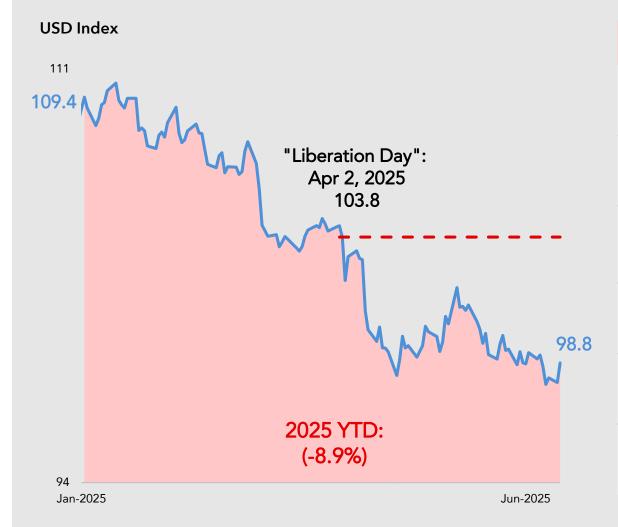
US Corporate Credit

30% OF TOTAL
CORPORATE CREDIT



The US Dollar Selloff Has Not Reversed





The USD selloff has not reversed

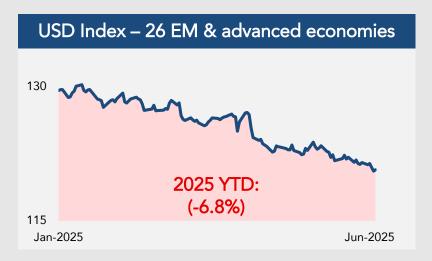
- Over-valuation, repricing
- Cyclical weakness
- Debt sustainability concerns
- Trade policy retaliation
- US sanctions policy
- Less reliable safe haven

Source: (1) Bloomberg. Data as of June 17, 2025.

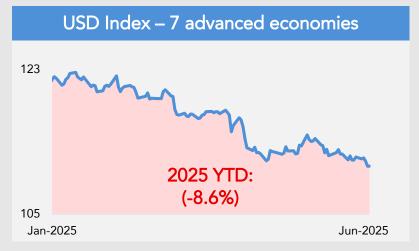
Broad Based Dollar Weakness Persists

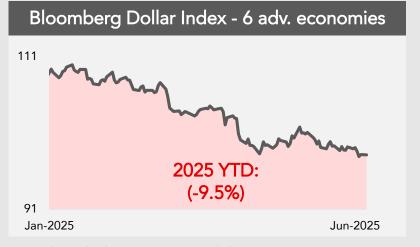


Dollar weakness through multiple lenses









Source: (1-4) Bloomberg. Data as of June 17, 2025. USD index with 26, 19 & 7 economies are trade-weighted. 19 EM economies include CNY, MXN, KRW, INR, BRL, TWD, SGD, HKD, VND, MYR, THB, ILS, IDR, PHP, CLP, COP, SAR, ARS, RUB. USD Index 7 advanced economies include AUD, CAD, JPY, SEK, CHF, GBP, EUR. BBG Dollar index is EUR, JPY, GBP, CAD, SEK, CHF.

Dollar Disconnecting from Rate Differentials



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)



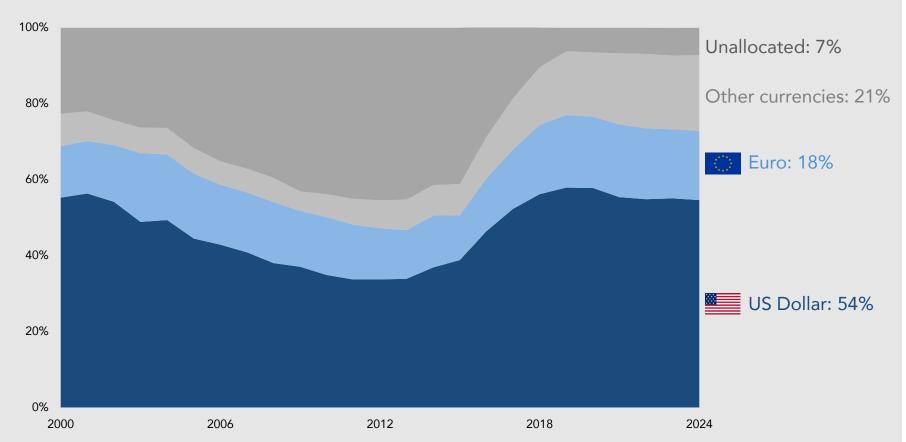
Source: (1) Bloomberg. Data as of June 17, 2025.

Global FX Reserves in USD Remain Stable



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



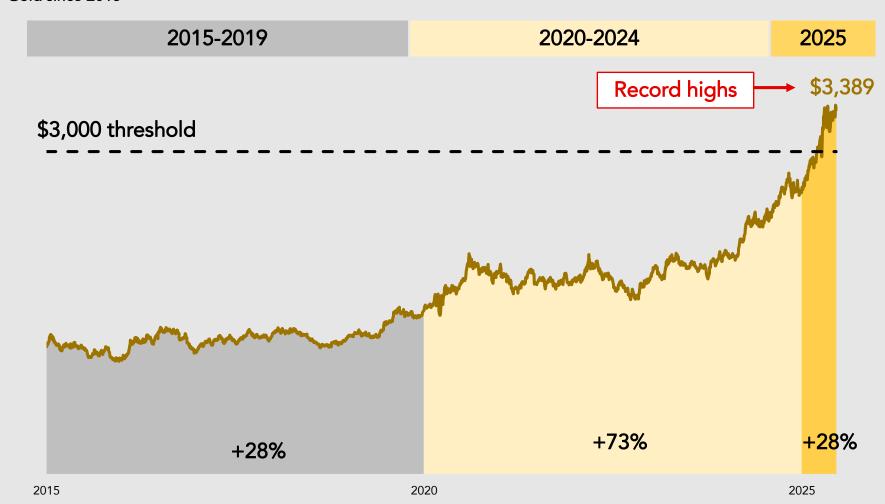
Source: (1) IMF COFER. Data through Q4 2024.

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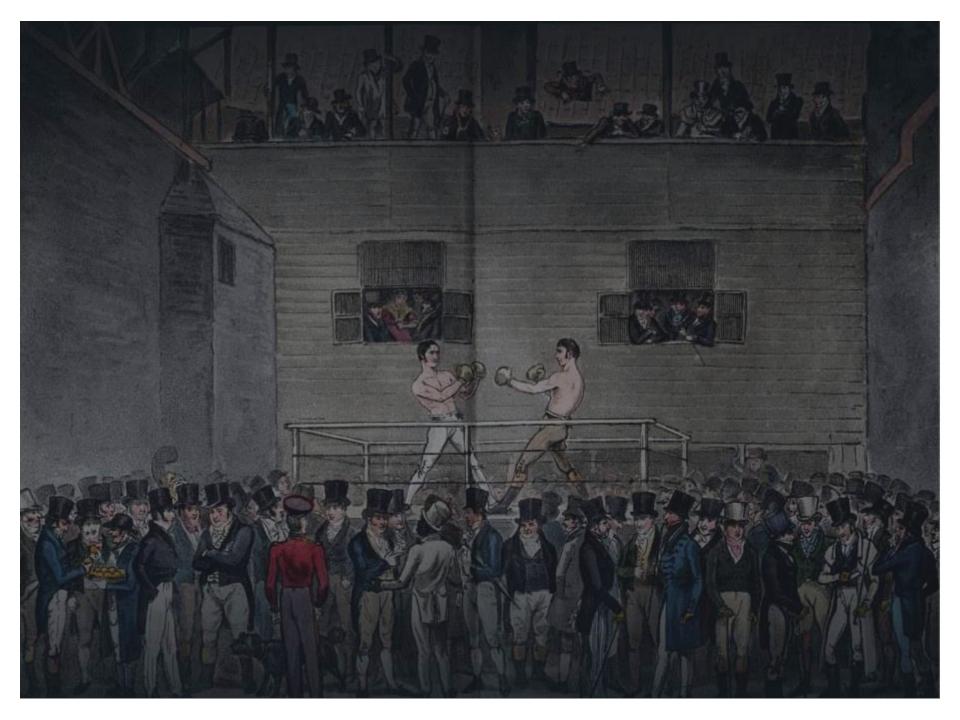
De-Dollarization Through Gold Markets



Gold since 2015



Source: (1) Bloomberg. Data as of June 17, 2025.



2025 Global Economic Forecasts

The global economy is expected to grow at about 2.4% in 2025, well below its long term 3.5% average

GDP growth forecasts, y/y

Region	2024	2025E	
North America			
US	2.8%	1.5%	-
∳ Canada	1.6%	0.8%	,
Mexico	1.2%	0.1%	-
Eurozone	0.8%	1.1%	
Ireland	1.3%	9.0%	1
Spain	3.2%	2.5%	† †
Netherlands	1.7%	2.0%	1
Finland	(-0.1%)	0.8%	1
France	1.1%	0.5%	-
Italy	0.5%	0.5%	-
Germany	(-0.2%)	0.2%	1
Other Europe			
Poland	2.9%	3.4%	1
Türkiye	3.2%	2.7%	-
Czech Republic	1.0%	2.1%	1
Sweden	1.0%	1.4%	1
Denmark	3.7%	2.0%	-
UK	1.1%	1.2%	+ + + + + +
Switzerland	1.4%	0.8%	•
Russia	4.3%	0.8%	-
Norway	2.1%	(-1.0%)	-

Region	2024	2025E	
APAC	4.1%	3.6%	
India	6.7%	6.5%	-
Indonesia	5.0%	4.8%	-
** China	5.0%	4.3%	-
Australia	1.0%	1.5%	•
Singapore	4.4%	1.6%	•
New Zealand	(-0.1%)	0.8%	•
Japan	0.2%	0.8%	•
South Korea	2.1%	0.7%	-
LatAm	1.7%	2.0%	
Argentina	(-1.7%)	4.2%	1
Chile	2.4%	2.4%	1
Colombia	1.6%	2.3%	•
Brazil	3.0%	2.6%	-
MENA	1.9%	3.3%	
Saudi Arabia	1.3%	5.2%	1
UAE	3.8%	5.1%	1
Sub-Saharan Africa	3.7%	3.7%	•
Egypt	3.1%	3.8%	1
Qatar	2.3%	2.4%	1
Oman	1.7%	2.1%	1
Kuwait	(-2.6%)	2.3%	1
South Africa	0.6%	1.0%	1

Source: (1) Oxford Economics. Data as of June 17, 2025.

2025 Global Currency Forecasts

Currency pair	Spot (Jun 17)	Q2 2025	Q3 2025	Q4 2025	Q1 2026
EUR / USD	1.16	1.12	1.15	1.18	1.20
GBP / USD	1.36	1.33	1.35	1.36	1.38
USD / JPY	144	144	142	140	138
USD / CNY	7.18	7.20	7.25	7.30	7.30
AUD / USD	0.65	0.63	0.64	0.65	0.66
NZD / USD	0.61	0.58	0.59	0.60	0.62
USD / CAD	1.36	1.38	1.37	1.35	1.34
USD / NOK	9.91	10.36	10.17	9.83	9.58
USD / SEK	9.45	9.73	9.39	9.07	8.92
USD / CHF	0.81	0.83	0.82	0.81	0.79
USD / MXN	18.87	19.75	19.50	19.25	19.25
USD / BRL	5.50	5.70	5.70	5.80	5.80
USD / CLP	934	950	960	970	980

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

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2025 MUFG Global Rates Forecasts

		Q2 :	2025	Q3 2025 Q4 2025		2025	Q1 2026		
	Spot (Jun 17)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.50%	4.50%	4.00%	4.30%	3.50%	4.05%	3.50%	3.85%
2 yr UST	3.95%	3.88%	3.90%	3.63%	3.78%	3.38%	3.64%	3.50%	3.58%
5 yr UST	4.01%	4.00%	4.01%	4.00%	3.93%	3.88%	3.86%	3.75%	3.84%
10 yr UST	4.42%	4.25%	4.41%	4.38%	4.32%	4.25%	4.25%	4.00%	4.20%
30 yr UST	4.93%	4.88%	4.89%	5.00%	4.76%	4.63%	4.66%	4.50%	4.63%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of June 17, 2025. Fed funds is upper bound.

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2025 MUFG Commodities Forecasts

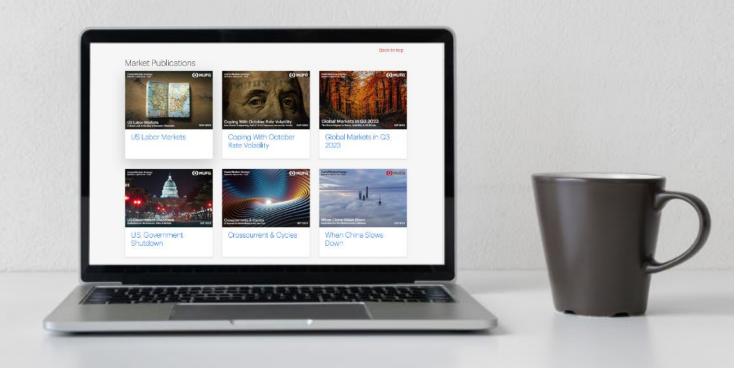
		Q2 2	2025	Q3 2025		Q4 2025		Q1 2026	
	Spot (Jun 17)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	\$73	\$60	\$63	\$58	\$64	\$57	\$62	\$59	\$62
Brent	\$75	\$65	\$67	\$63	\$66	\$62	\$65	\$64	\$65
US Nat Gas	\$3.81	\$3.60	\$3.55	\$3.75	\$3.75	\$4.00	\$4.00	\$4.15	\$4.13
Euro Nat Gas	€39	€38	€37	€33	€37	€29	€39	€31	€36

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of June 17, 2025.



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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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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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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

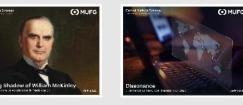
Angela graduated with honors from Carnegie Mellon University's Tepper School of Business with a BS in Business Administration with an additional major in Statistics and a minor in Media Design. She was a member of Alpha Kappa Psi business fraternity and the Undergraduate Entrepreneurship Association.





















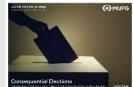








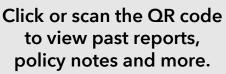




































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