

Capital Markets Strategy

Essential inCights for the C-Suite



Monthly Market Recap

Markets Complete Post-Liberation Day Roundtrip in May

JUN 2025

In Memoriam: Stanley Fischer



October 15, 1943 - May 31, 2025

**20th Vice Chair of Federal Reserve (2014 - 2017) &
8th Governor of the Bank of Israel (2005 - 2013)**

"He had a role in shaping a whole generation of economists and policymakers."

Ben S. Bernanke, Former Chairman of the Federal Reserve (2006 - 2014)

"He was an outstanding economist, an outstanding policymaker, but even more importantly, a great human being."

Olivier Blanchard, Former IMF Chief Economist (2008-2015)

"His wisdom shaped generations of policymakers and strengthened global co-operation"

Christine Lagarde, President of the ECB (2019 - present)

"In a broader sense everyone who was involved in the macro policy enterprise was Stan Fischer's disciple."

Lawrence Summers, Former US Treasury Secretary (1999 - 2001)

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Deal Activity Recovery

A pair of worn, brown leather boxing gloves with yellow laces, hanging from a thick black rope in a boxing ring. The gloves are positioned in the center-right of the frame, with the ropes of the ring visible in the background. The lighting is dramatic, highlighting the texture of the gloves and the ropes.

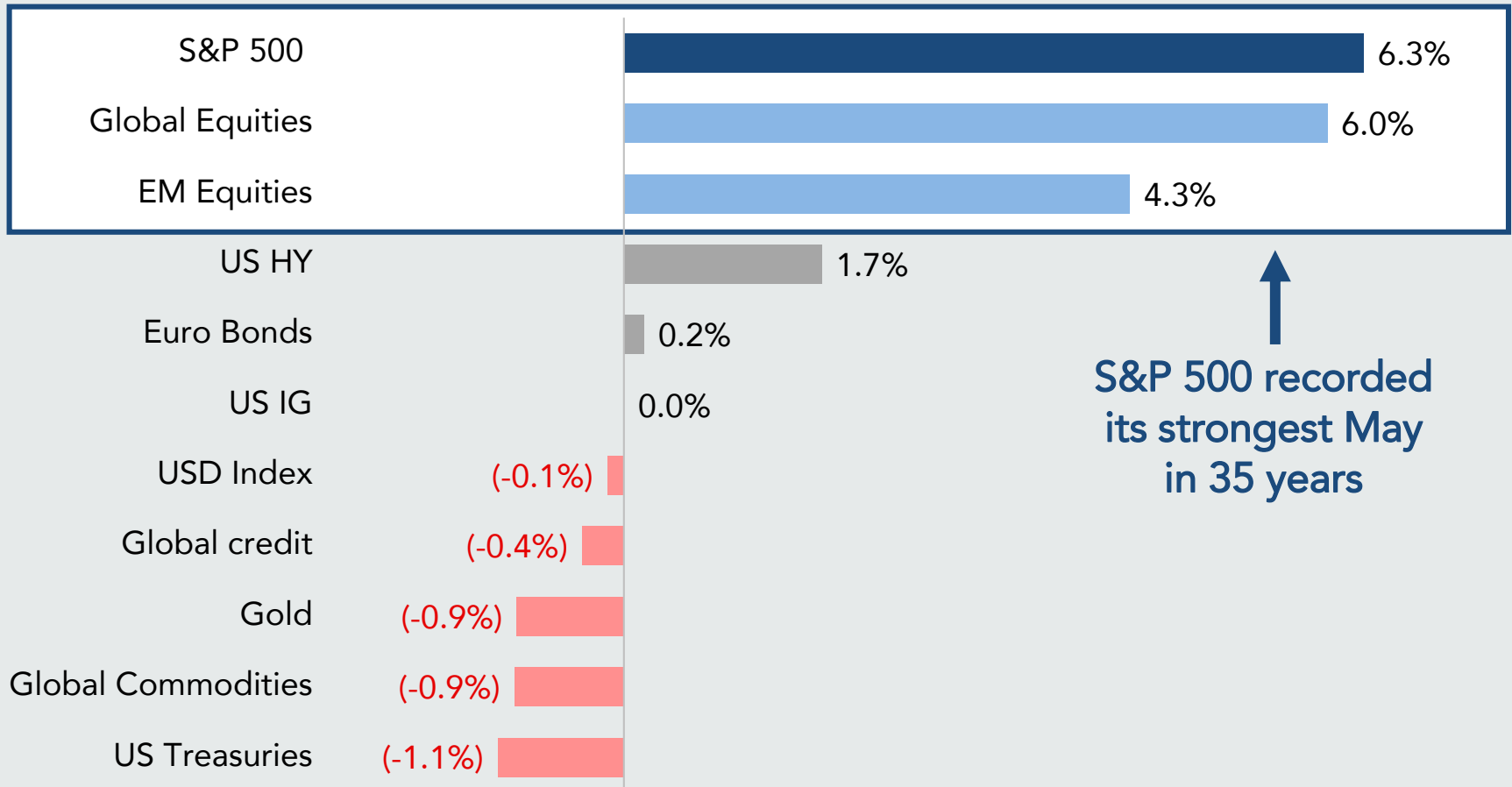
1

Equities Bounce Back

Global Equities Outperform Major Asset Classes in May 2025

Global markets benefitted from resurgent risk sentiment in May, led by a broad rotation into technology, global equities and higher levered corporate balance sheets.

May 2025 total returns

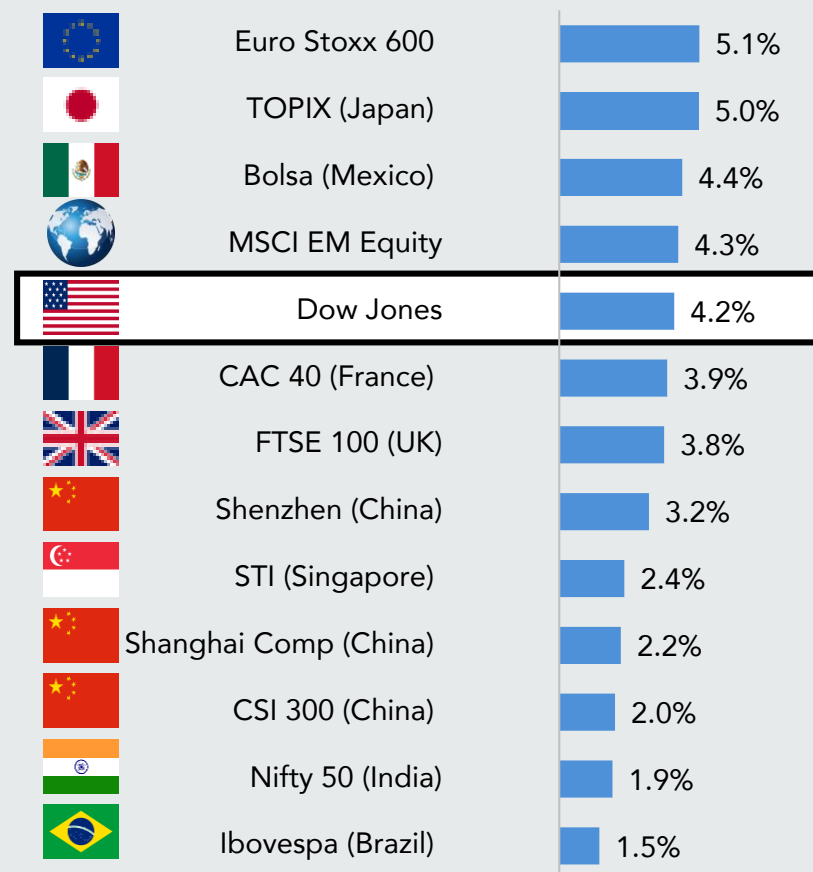
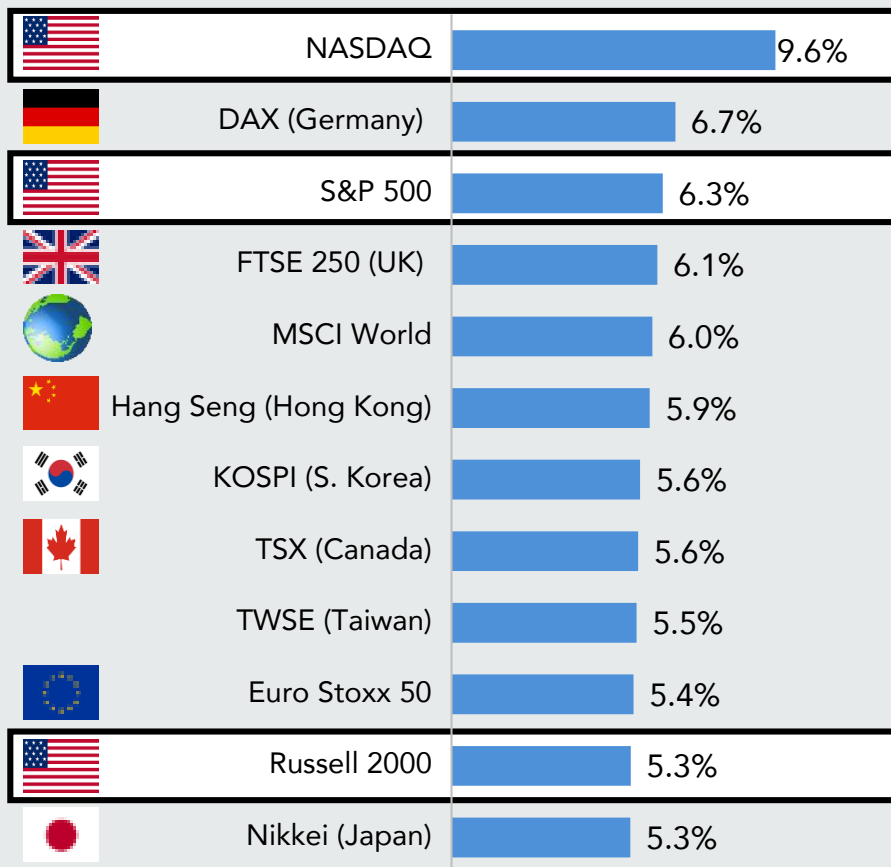


Source: (1) Bloomberg. Data as of May 31, 2025.

Tech Stocks Lead Global Equities in May 2025

Led by high growth tech sector earnings, US stocks led the global equity recovery in May. The S&P recorded its strongest May in 35 years. Small caps also outperformed on anticipated tax and regulatory policy changes.

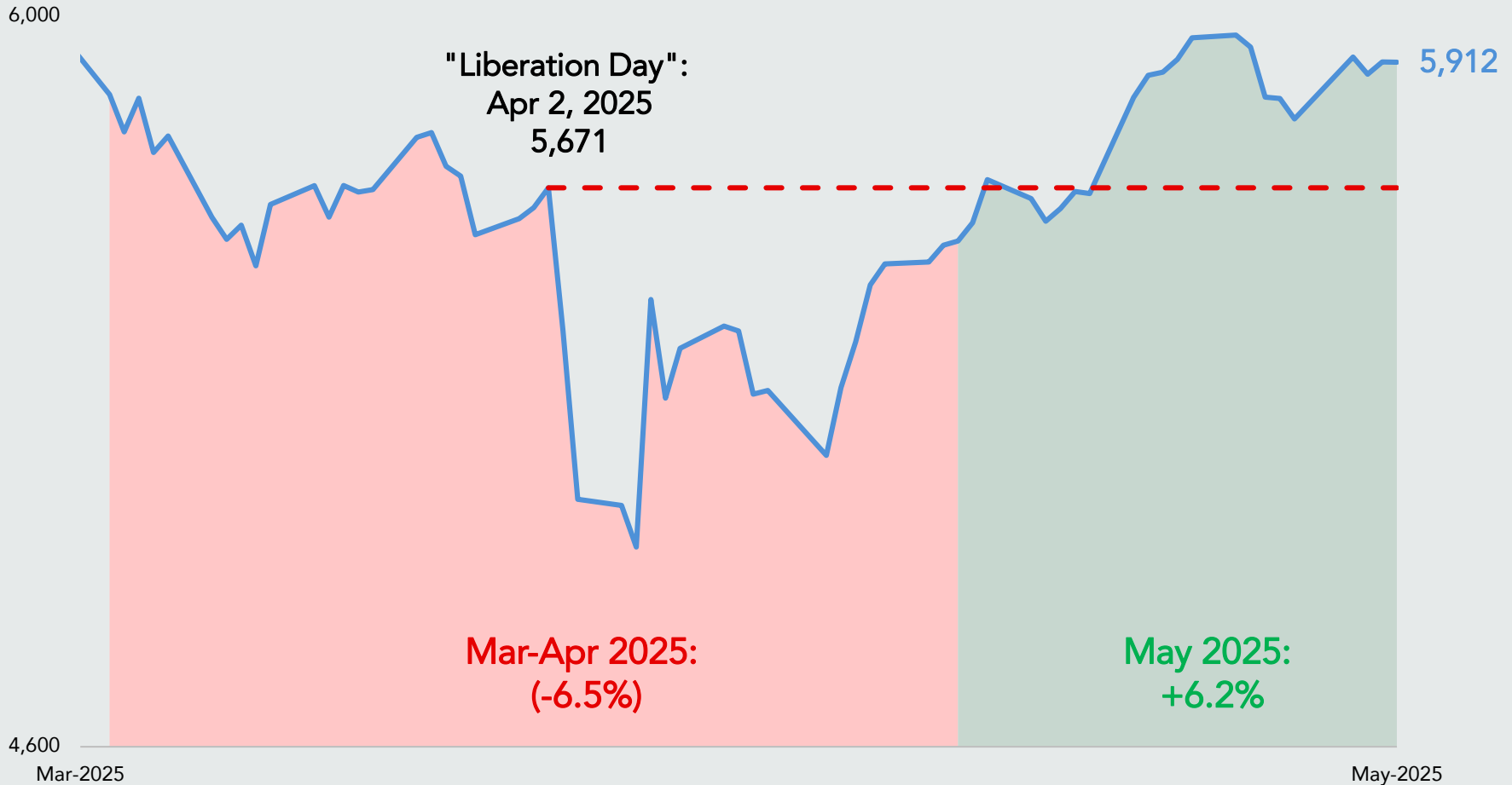
Regional equity market performance in May 2025 (total return)



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

Roundtrip for US Equities in May 2025

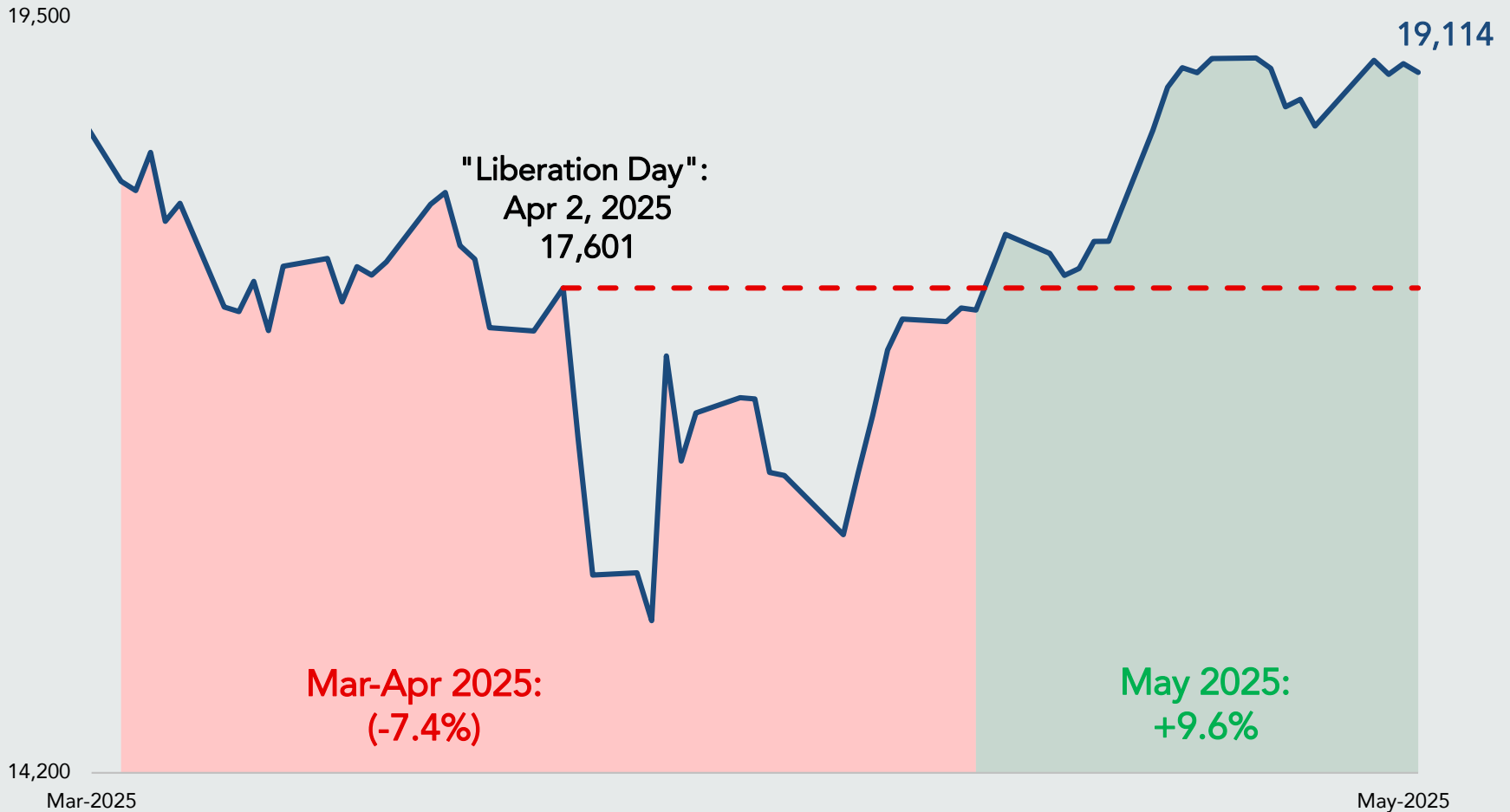
S&P 500



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

Tech Valuations Recover from US-China Discord

Nasdaq

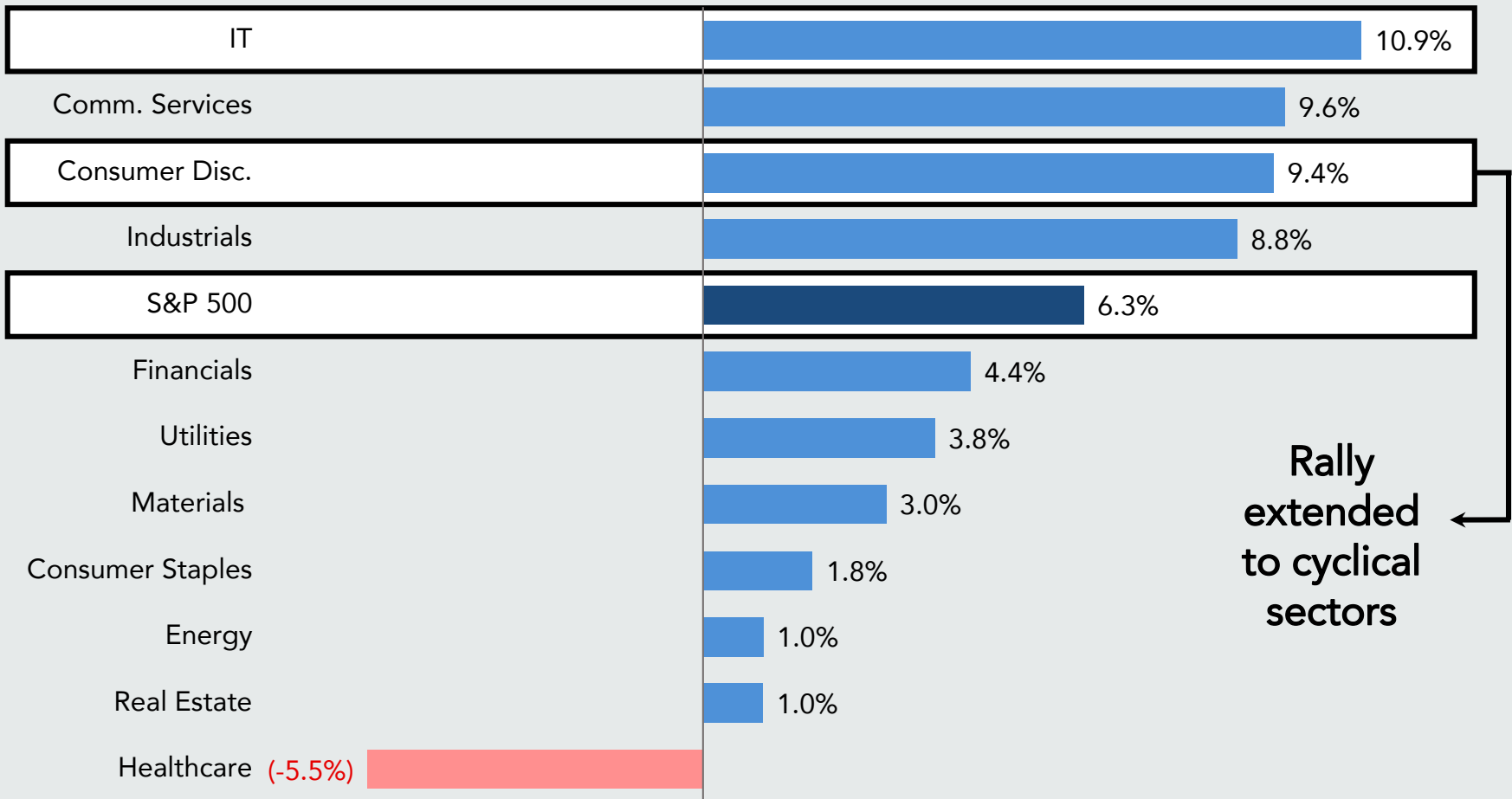


Source: (1) Bloomberg. Data as of May 31, 2025.

Tech Stocks Outperform in May 2025

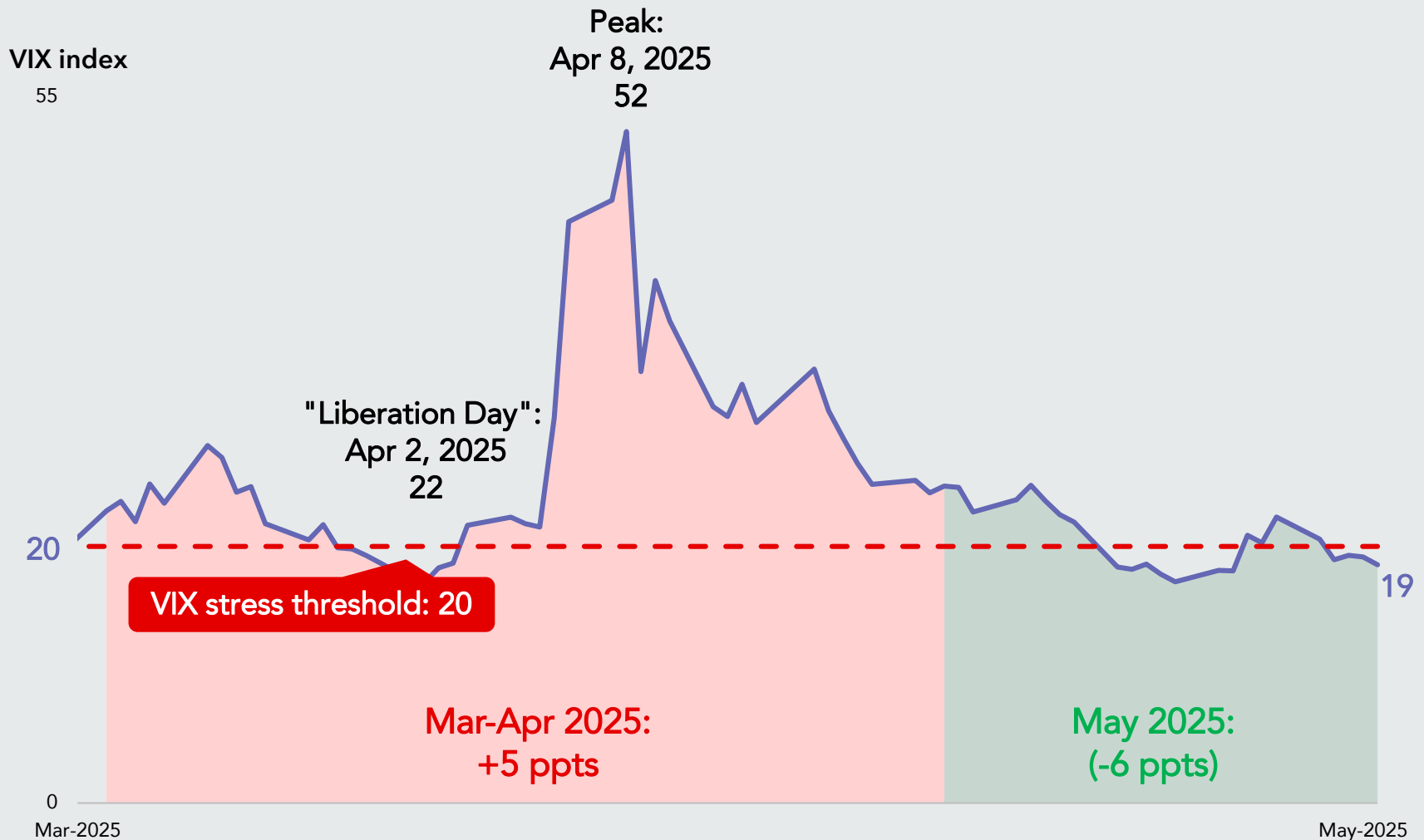
The US equity rally in May, led by tech, also extended to more cyclical sectors.

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



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

VIX Volatility Resets Below Stress Thresholds



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

A pair of worn, dark brown leather boxing gloves with yellow laces, hanging from a thick black rope in a boxing ring. The gloves are positioned in the upper right quadrant of the frame. The background is dark and moody, with the ropes of the ring visible. The lighting highlights the texture of the gloves and the rope.

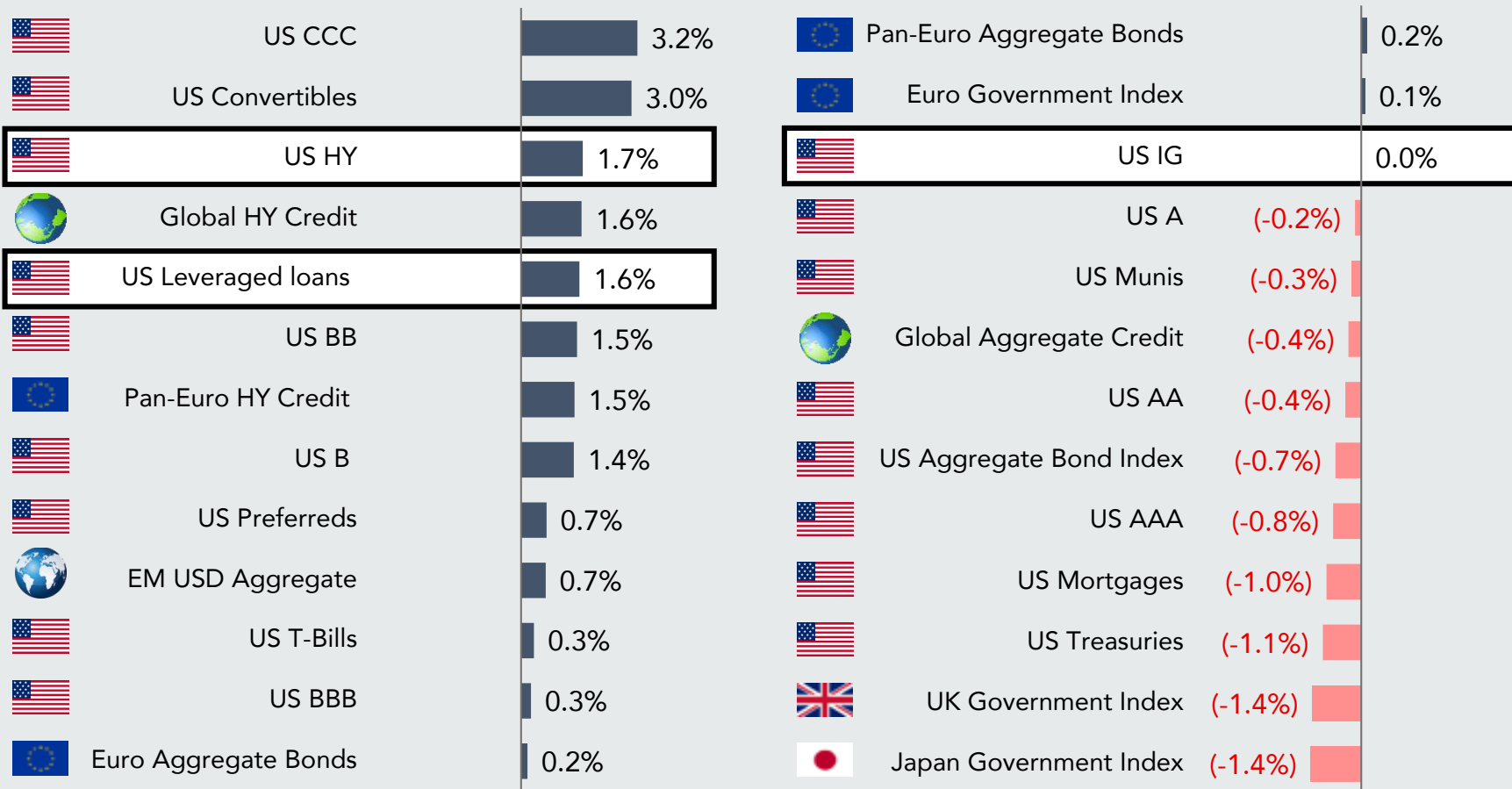
2

USD Credit Spreads Resume Tightening

Higher Levered Credit Drives Bond Recovery in May 2025

A mid-month selloff in duration drove the Bloomberg Aggregate Bond Index lower in May, though higher levered USD credits outperformed.

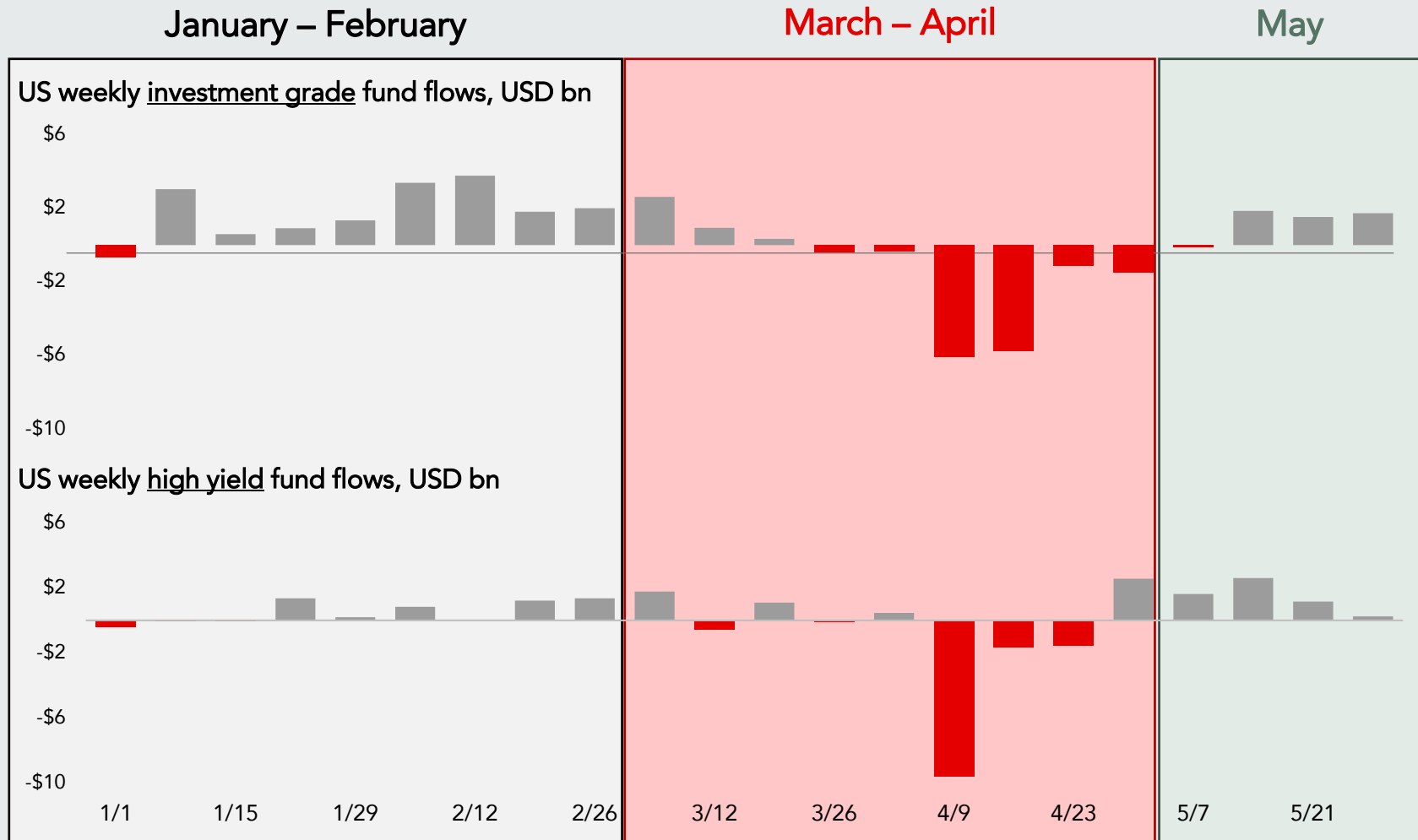
Credit market total returns in May 2025



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

Resurgent USD Corporate Bond Flows in May 2025

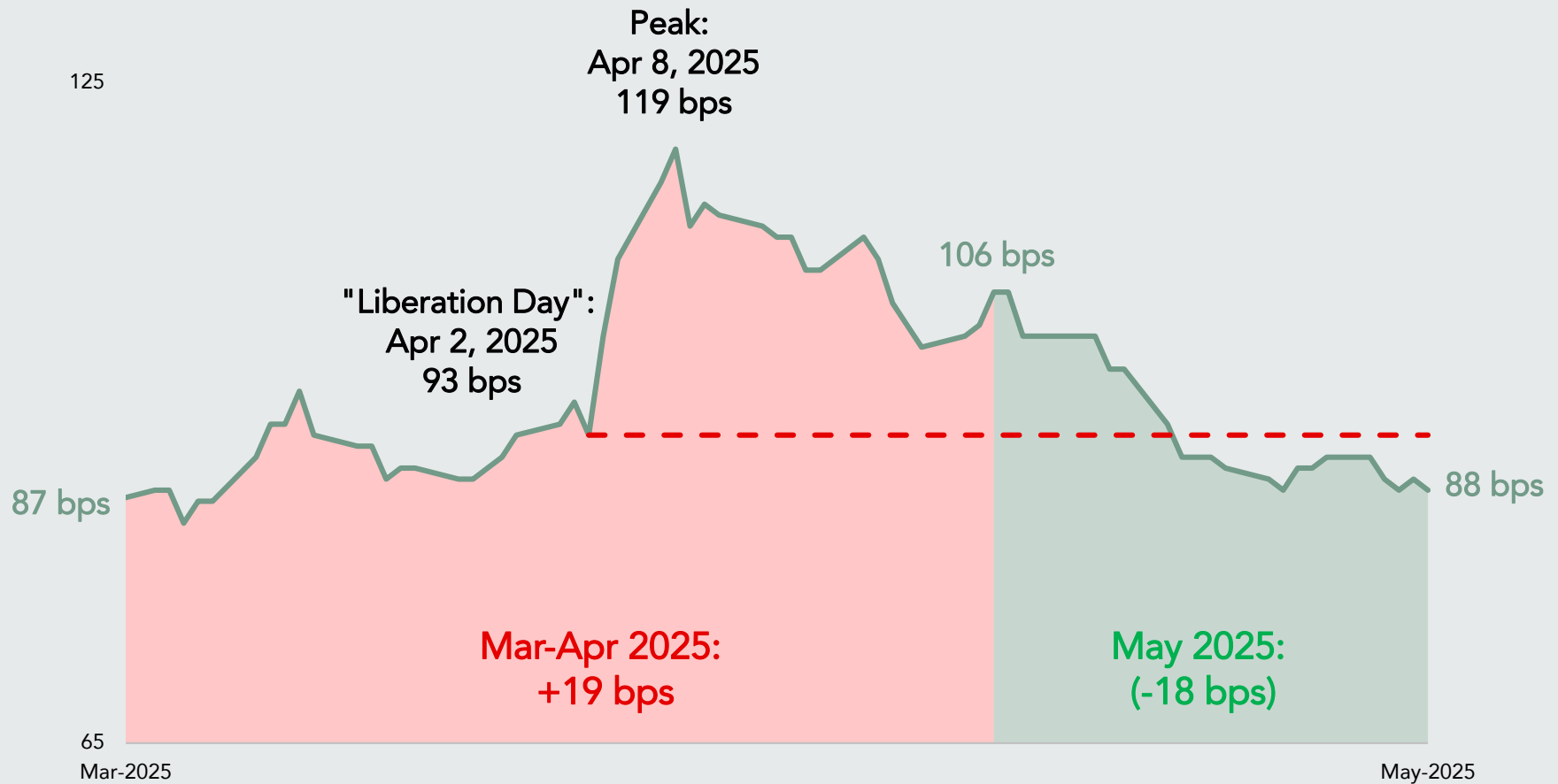
Improved global risk appetite in May favored strong, yield producing corporate balance sheets over more highly levered sovereigns.



Source: (1) IFR. Data through the week ending May 28, 2025.

USD IG Spreads Tighter than "Liberation Day"

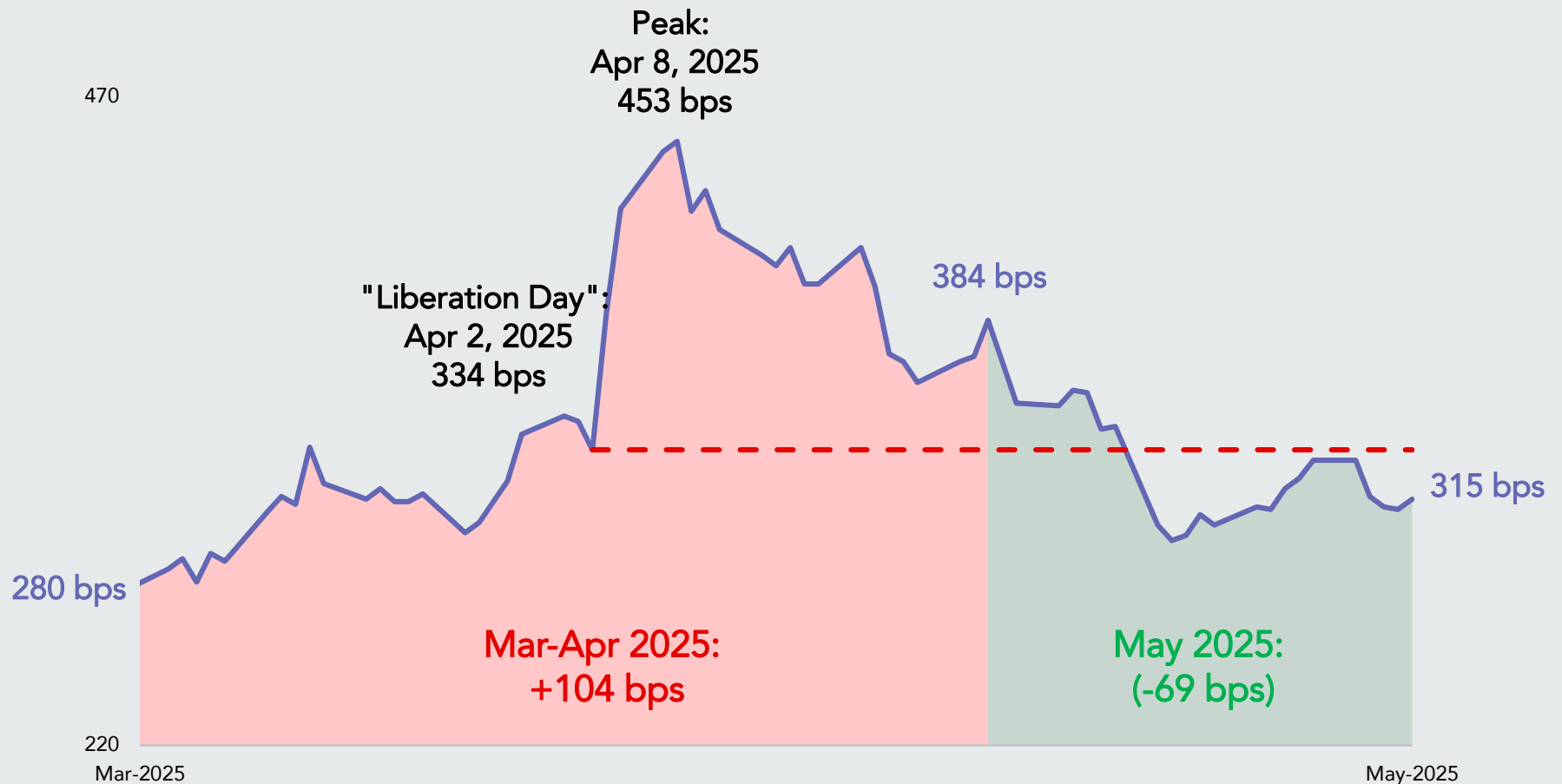
USD investment grade credit spreads (March - May, 2025)



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

USD HY Spreads Also Tighten Sharply in May

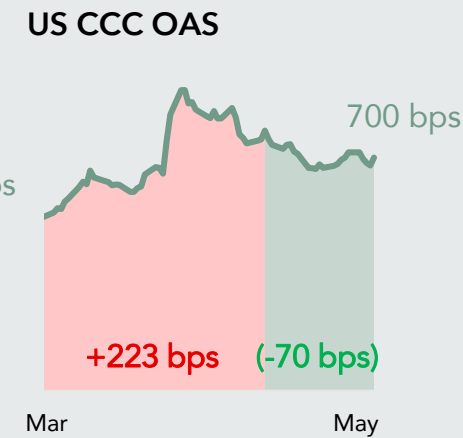
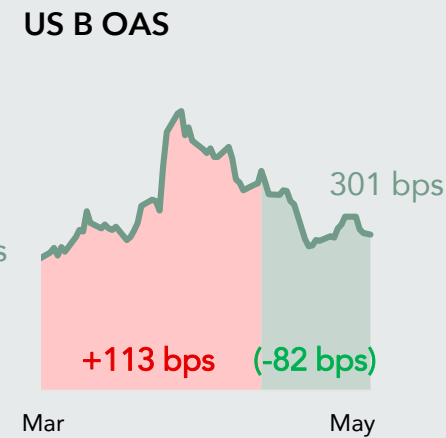
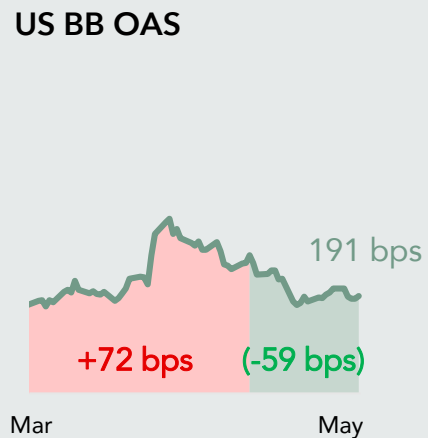
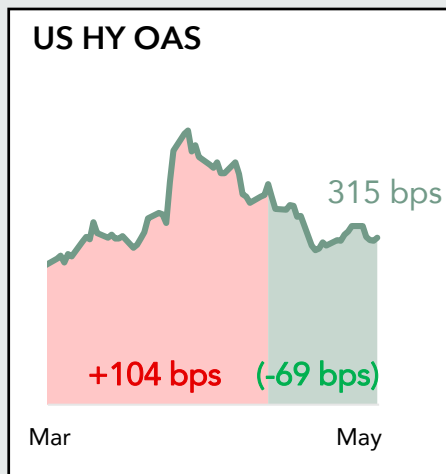
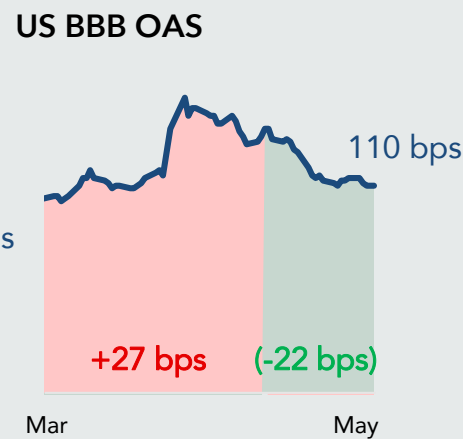
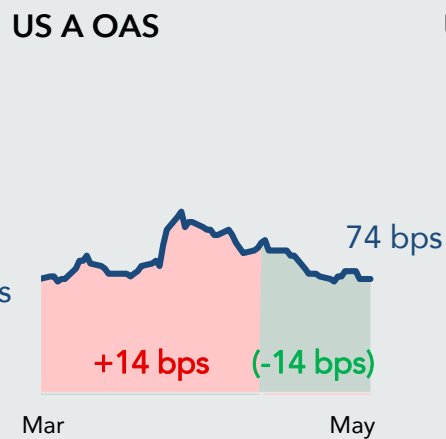
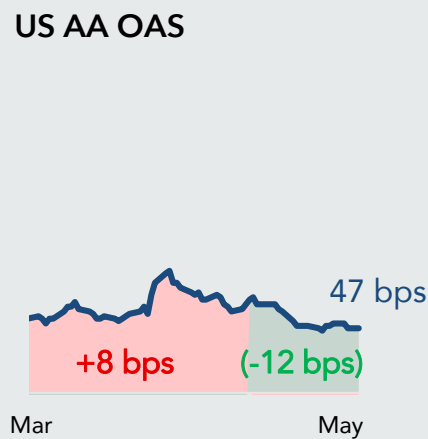
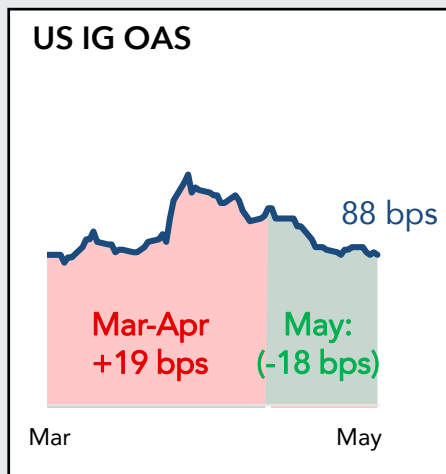
USD high yield credit spreads (March - May, 2025)



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

Credit Risk Appetite Returns in May 2025

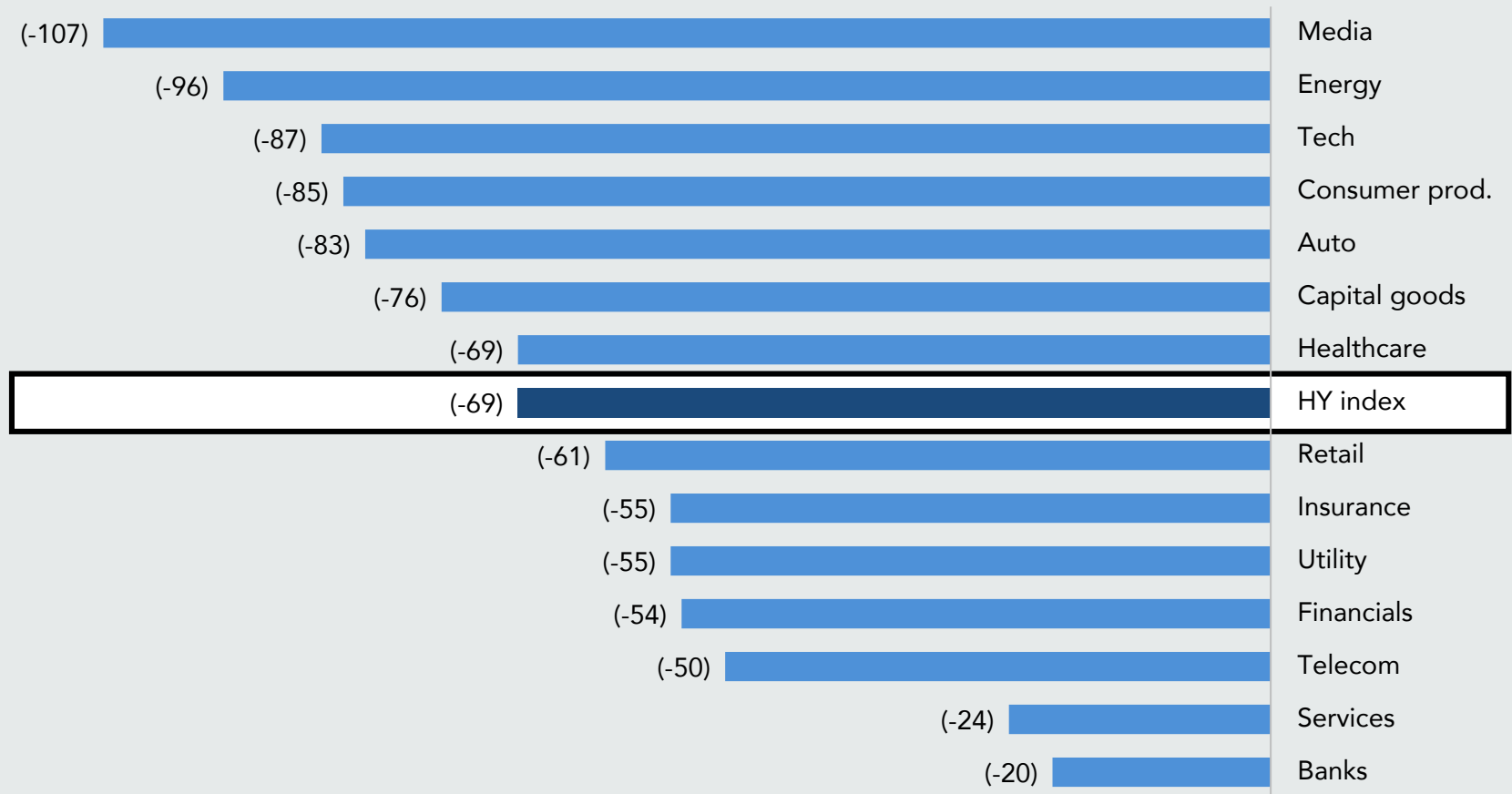
USD credit spreads from March - May, 2025



Source: (1-8) Bloomberg. Credit indices are Bloomberg. Data as of May 31, 2025.

Credit Spread Tightening Varied by Sector

Change in HY spreads by sector in May 2025, bps



Source: (1) IFR. Data through May 31, 2025. HY index is Bloomberg US Corporate HY Average OAS. Sector indices are ICE BofA.

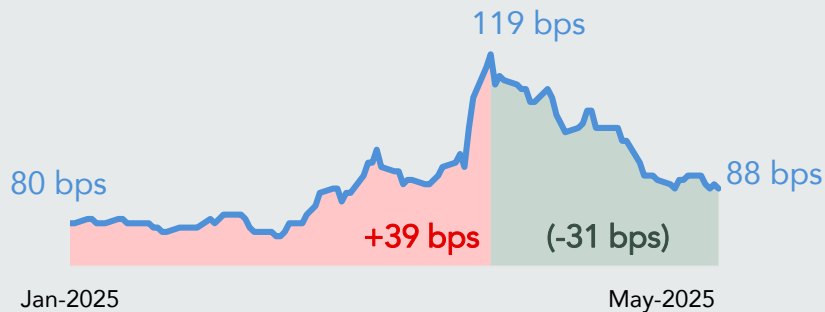
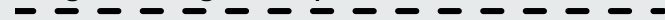
Credit Spreads Remain Well Below Historic Averages

USD investment grade credit spreads 2025 YTD

Recession threshold: 250 bps

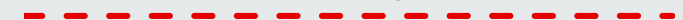


Long term avg: 150 bps

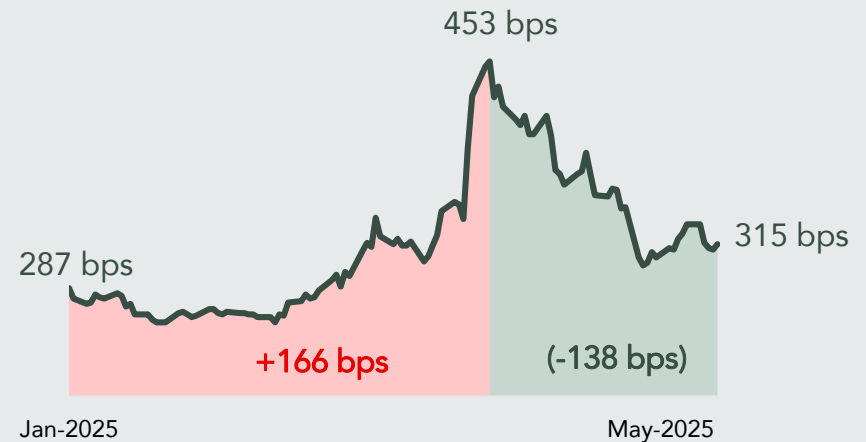
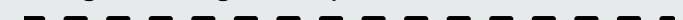


USD high yield credit spreads 2025 YTD

Recession threshold: 800 bps



Long term avg: 525 bps



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



3

Longer Duration Gov Yields Under Pressure

Moody's Follows S&P & Fitch in US Ratings Downgrade

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

2011

August 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

2023

August 1

Fitch Downgrades U.S. Credit Rating

Ratings company says downgrade reflects 'erosion of governance'

WSJ

2025

May 16

U.S. Loses Last Triple-A Credit Rating

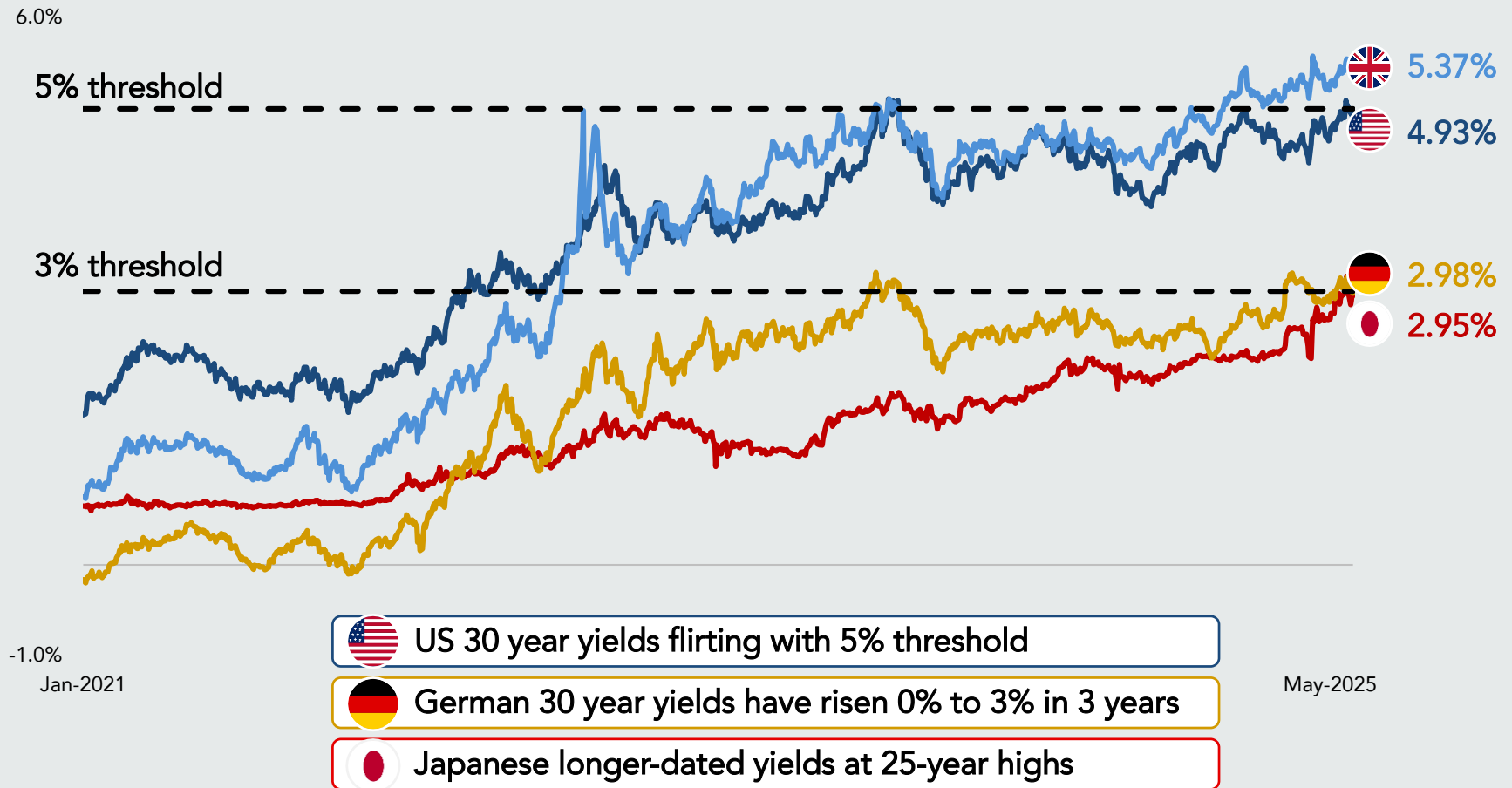
Moody's downgrades the U.S. government, citing large fiscal deficits
and rising interest costs

WSJ

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

Markets More Sensitive to Fiscal Expansion, Debt & Deficits

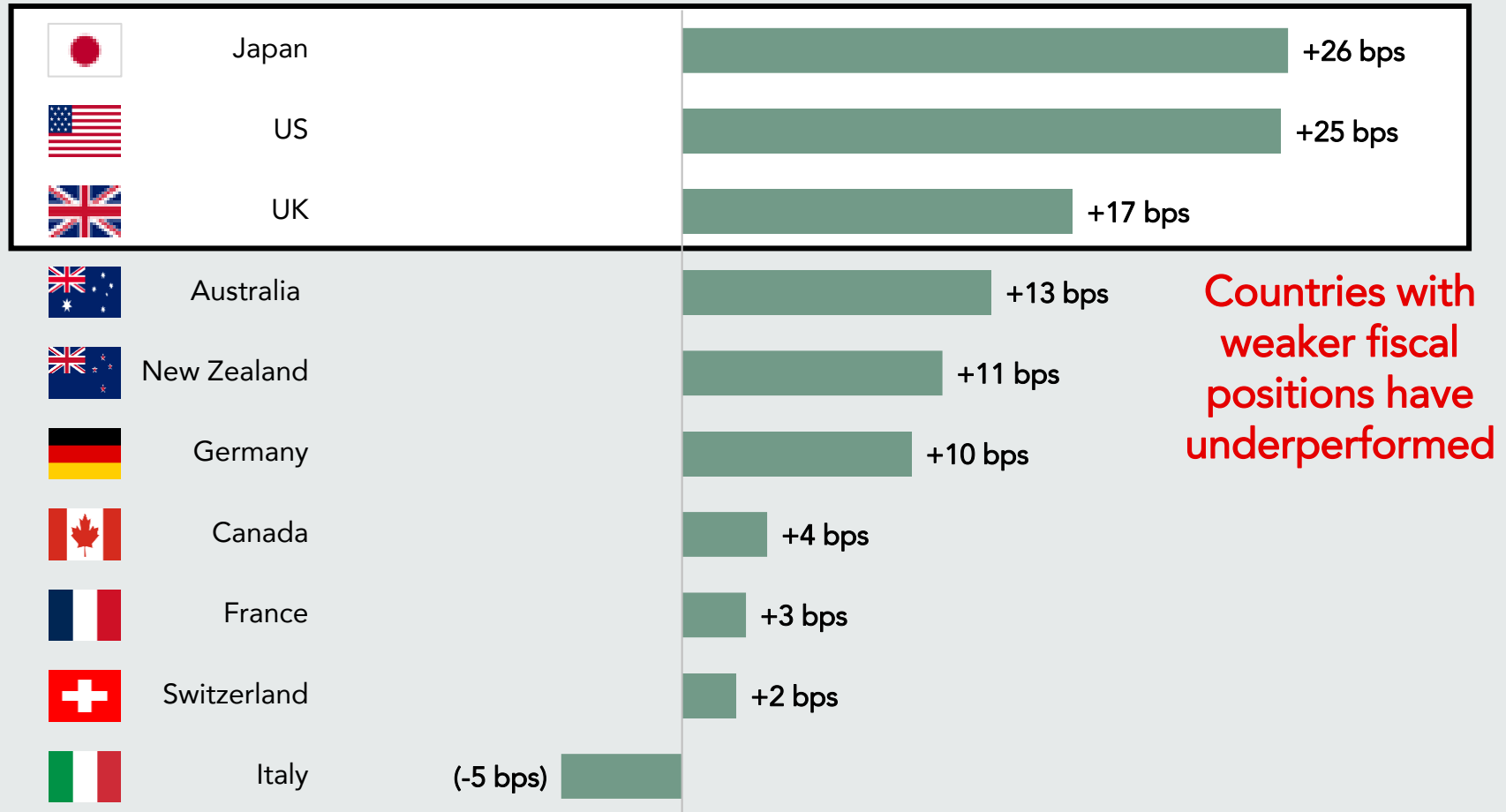
30 yr government bond yields



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

Longer Duration Maturities More Vulnerable

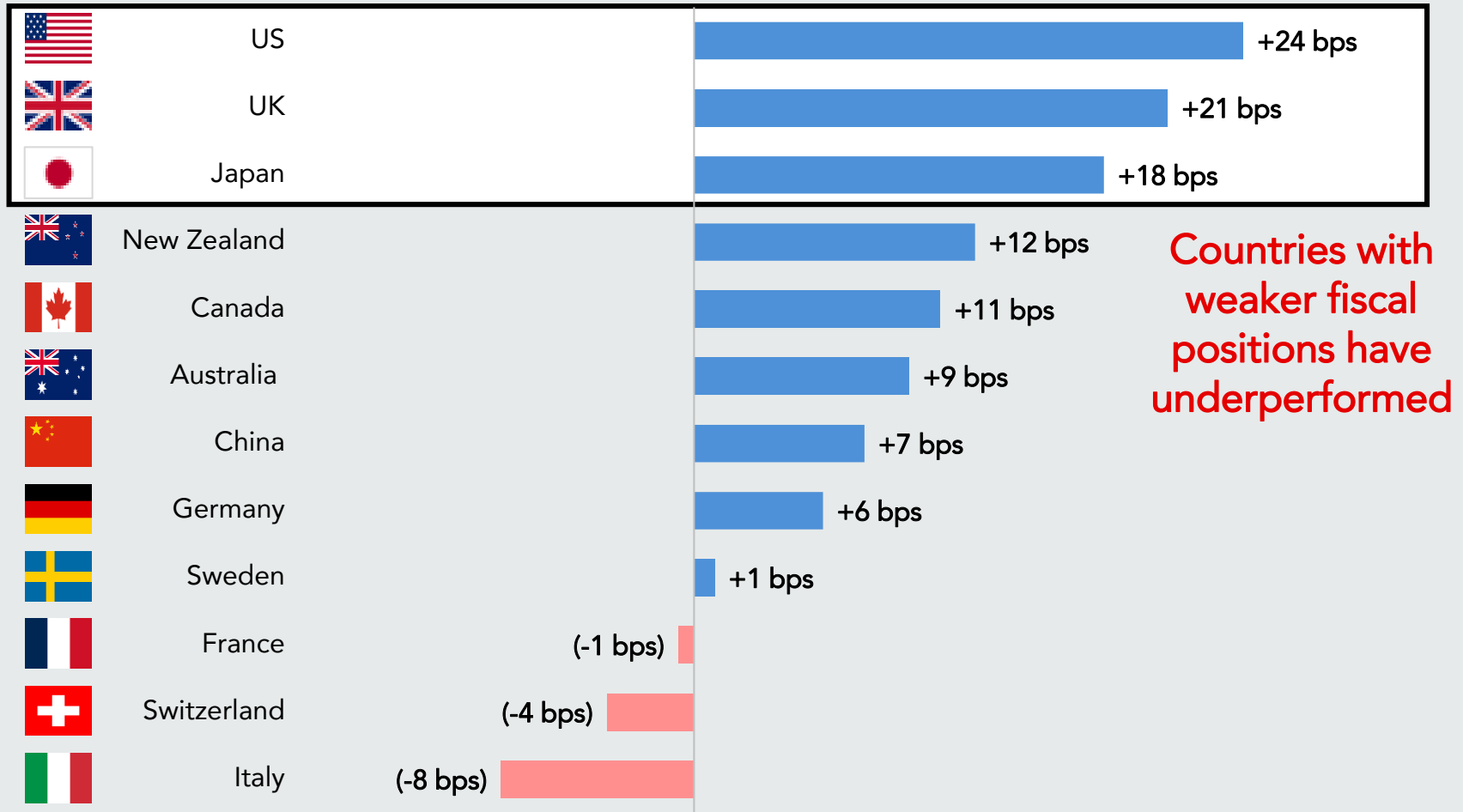
Change in global government 30 year yields in May 2025



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

Longer Duration Maturities More Vulnerable

Change in global government 10 year yields in May 2025

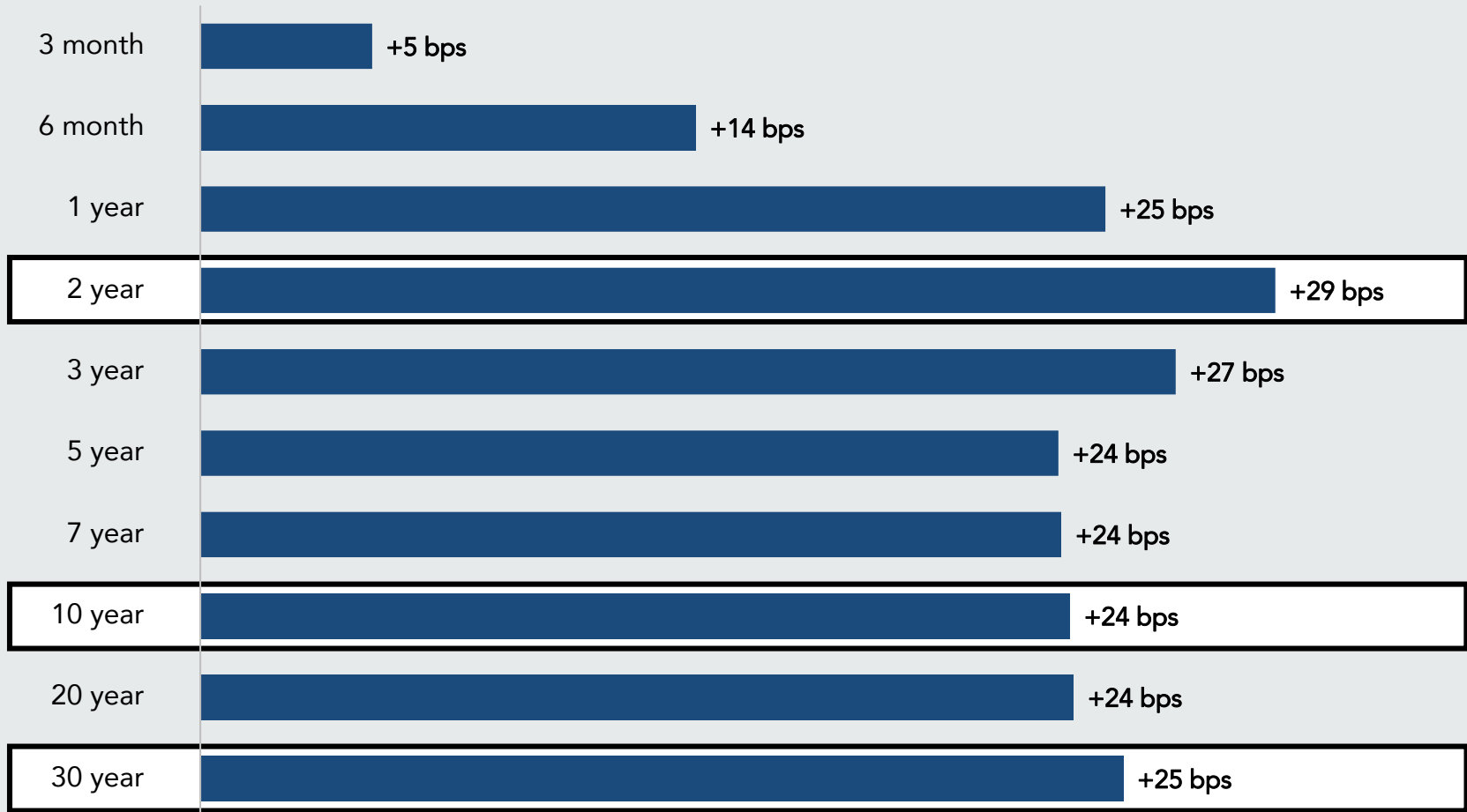


Source: (1) Bloomberg. Data as of May 31, 2025.

UST Yields Weaker Across the Curve in May 2025



Change in UST rates in May 2025

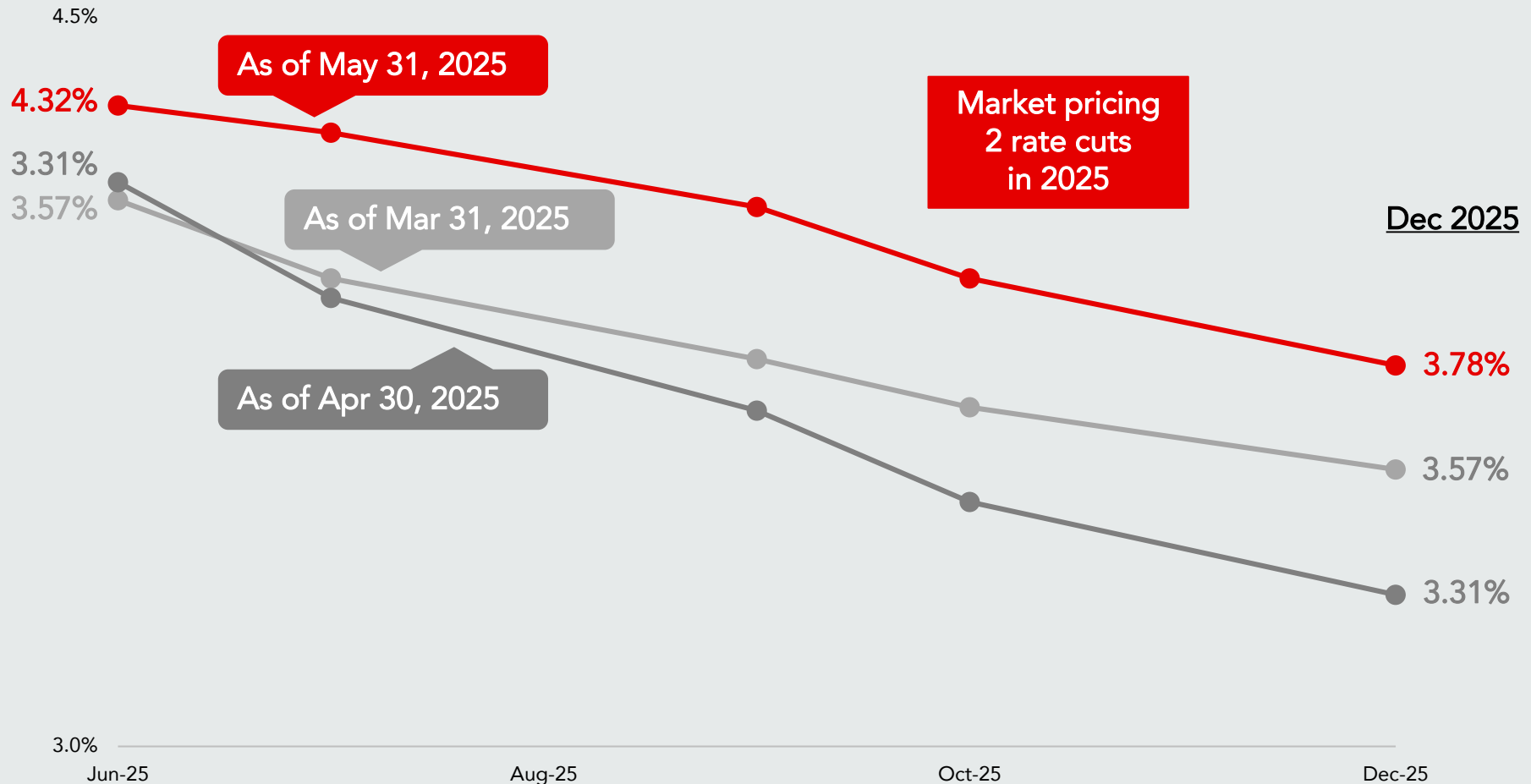


Source: (1) Bloomberg. Data as of March 31, 2025.

Fed Funds Now Pricing Less Growth Risk



Marked implied Fed Funds rate



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

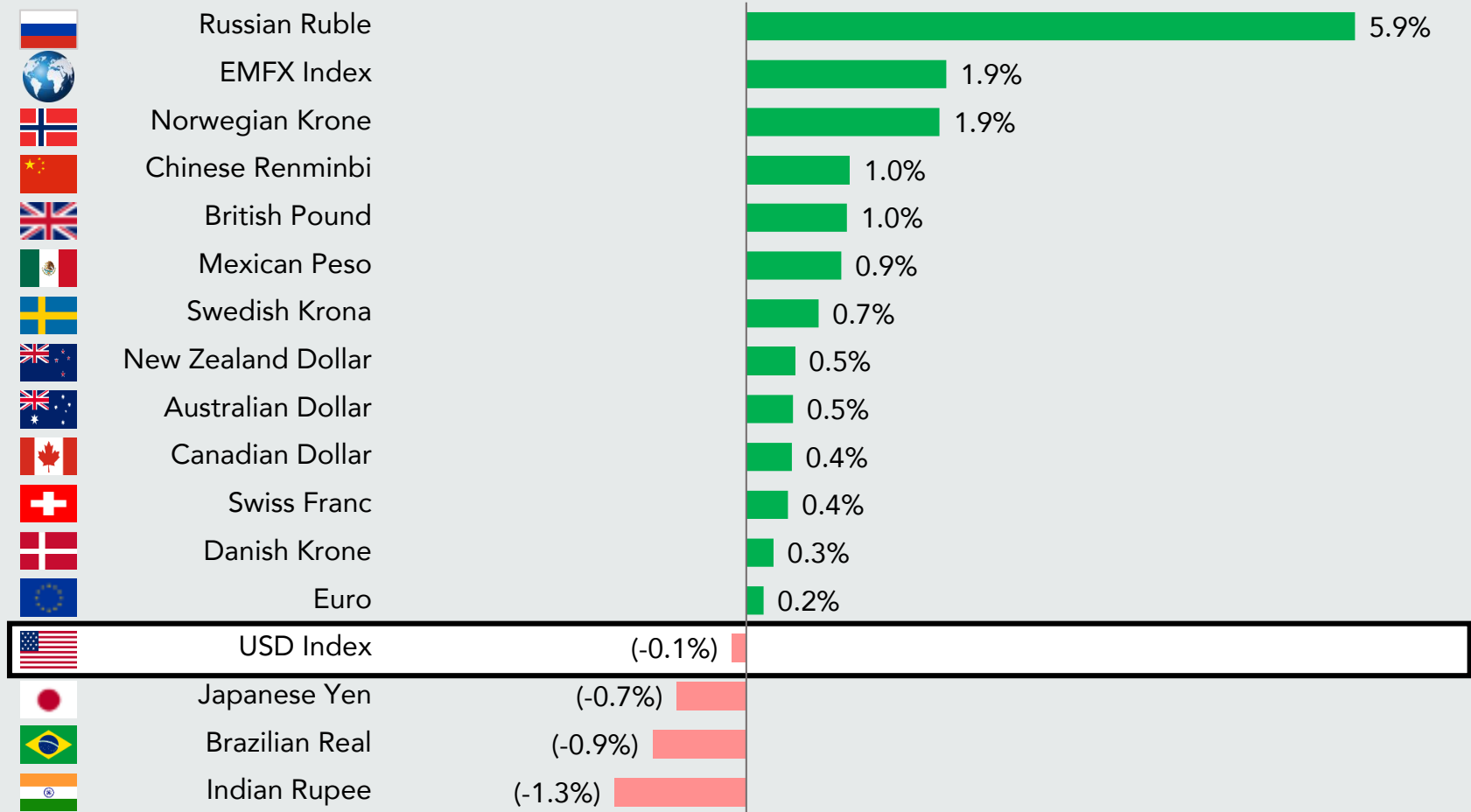
A pair of worn, brown leather boxing gloves with yellow laces, hanging from a thick black rope in a boxing ring. The gloves are positioned in the center-right of the frame, with the ropes of the ring visible in the background. The lighting is dramatic, highlighting the texture of the gloves and the ropes.

4

Dollar Selloff
Has Not Reversed

Global FX in May 2025

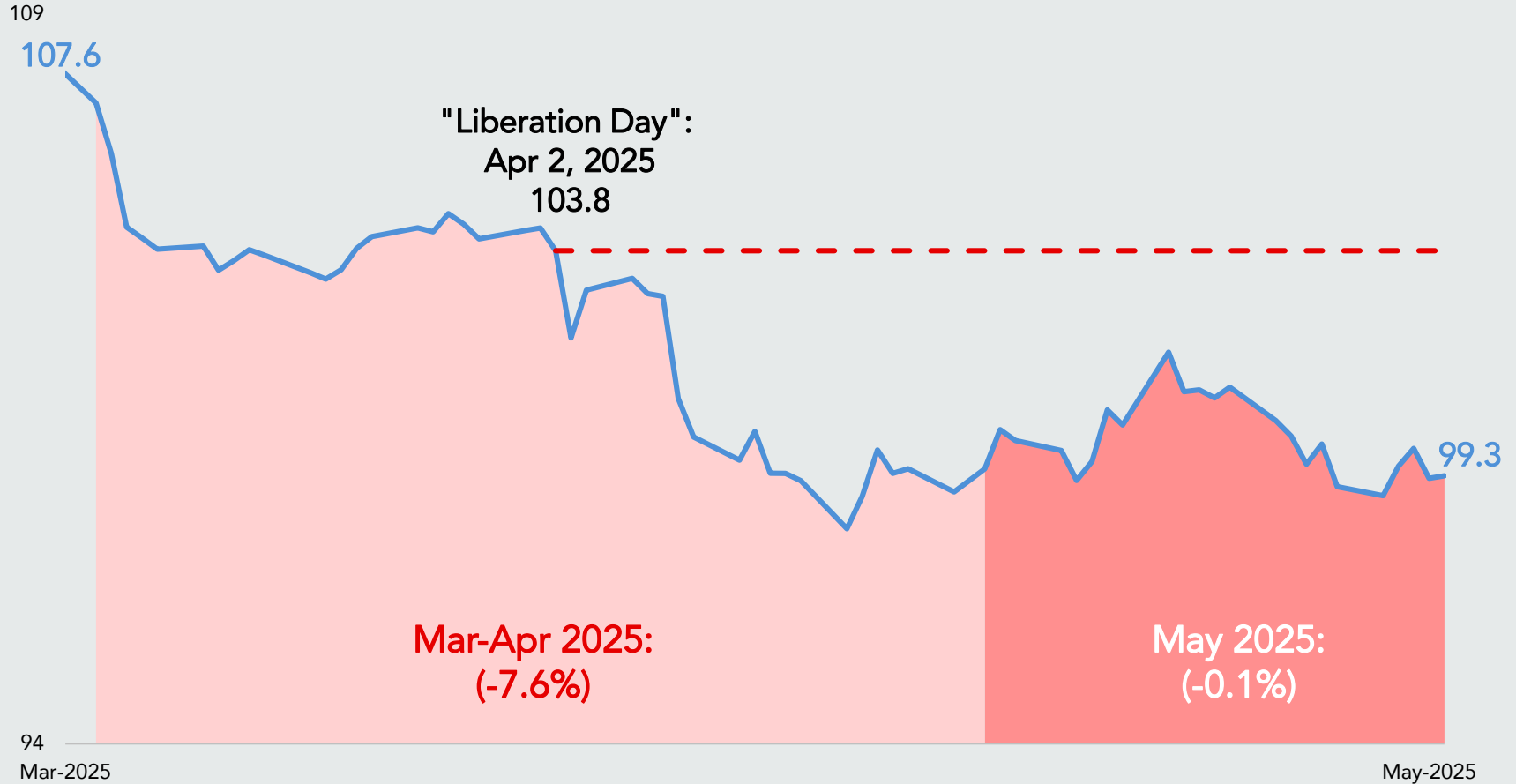
Currency performance vs. USD in May 2025



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

US Dollar Stabilizes in May 2025

USD Index

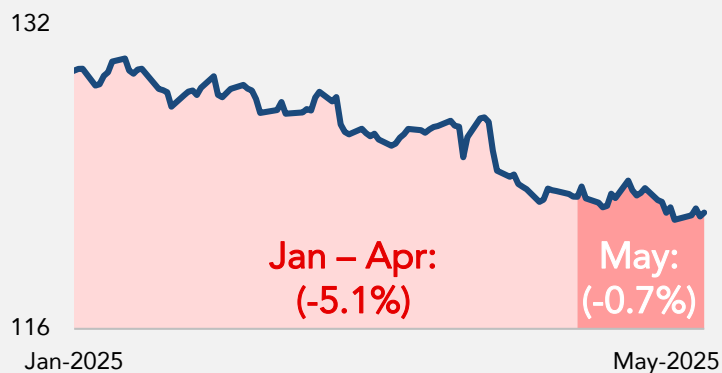


Source: (1) Bloomberg. Data as of May 31, 2025.

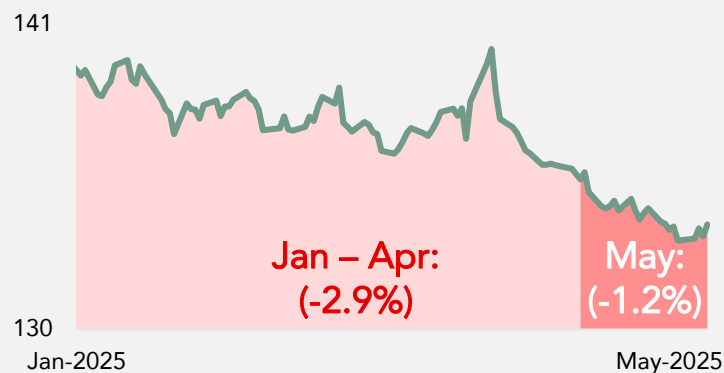
Broad Based Dollar Weakness Persists

Dollar weakness through multiple lenses

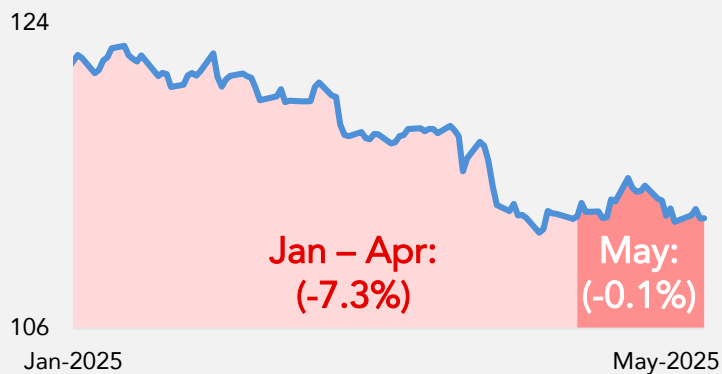
USD Index – 26 EM & advanced economies



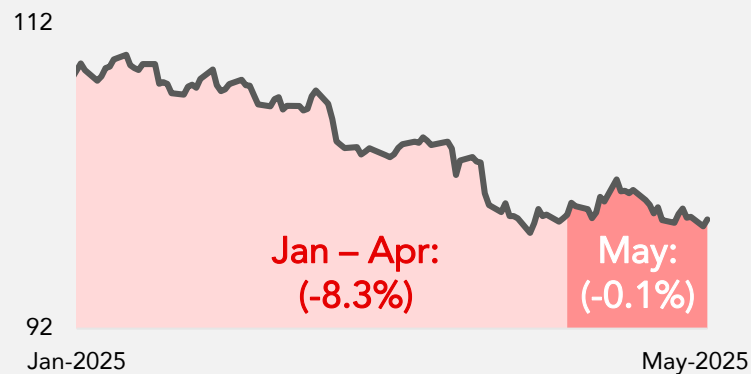
USD Index – 19 EM economies



USD Index – 7 advanced economies



Bloomberg Dollar Index - 6 adv. economies

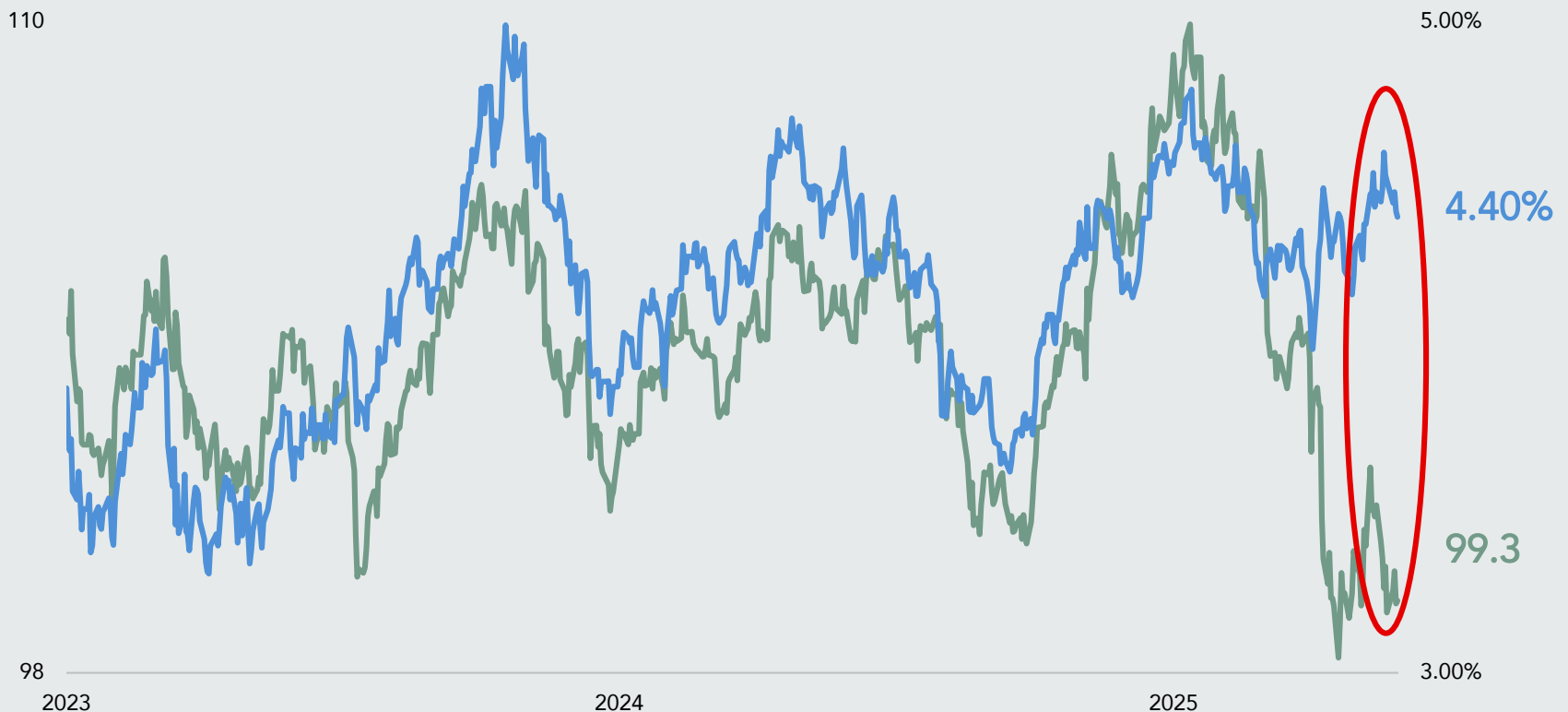


Source: (1-4) Bloomberg. Data as of June 3, 2025. USD index with 26, 19 & 7 economies are trade-weighted. 19 EM economies include CNY, MXN, KRW, INR, BRL, TWD, SGD, HKD, VND, MYR, THB, ILS, IDR, PHP, CLP, COP, SAR, ARS, RUB. USD Index 7 advanced economies include AUD, CAD, JPY, SEK, CHF, GBP, EUR. BBG 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 May 31, 2025.

A pair of worn, dark brown boxing gloves with yellow laces hanging from a thick black rope in a boxing ring. The gloves are positioned in the upper right quadrant of the frame. The background is dark and moody, with the ropes of the ring visible. The overall tone is gritty and competitive.

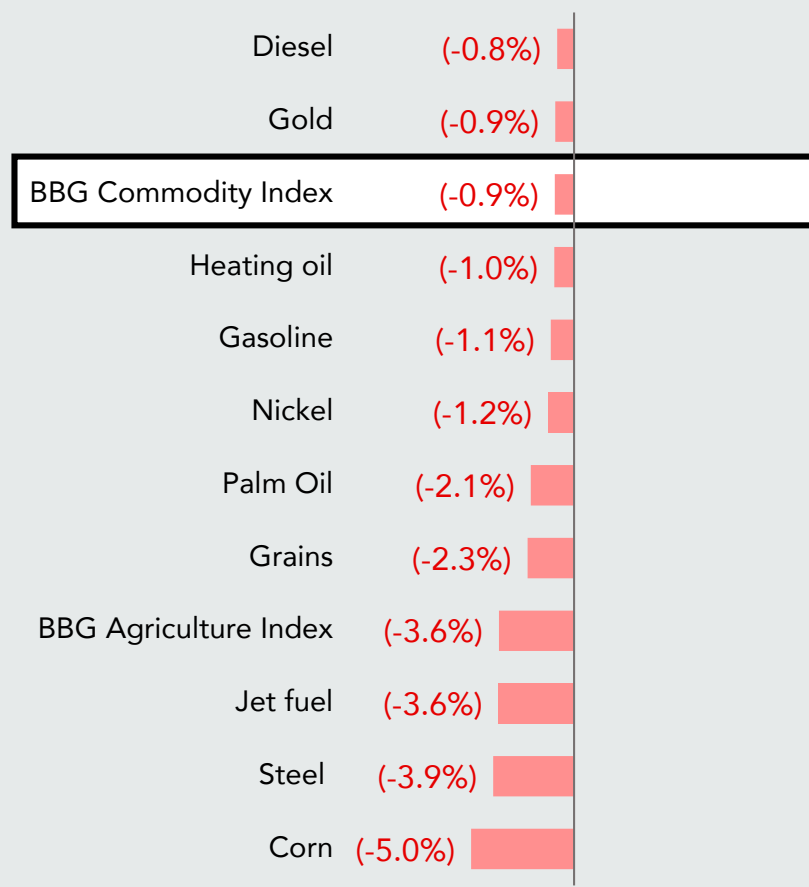
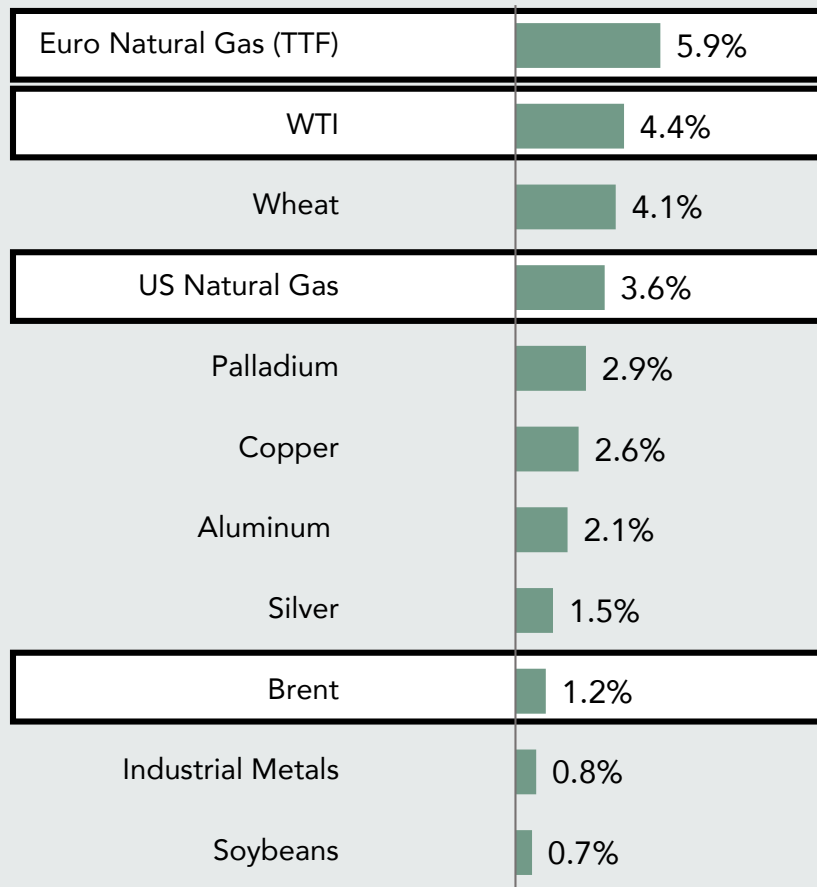
5

Differentiation Across Commodities Complex

Global Commodities in May 2025

Commodities were among the worst performing major global asset class in May with the broader index posting negative returns. The monthly move higher in oil prices during May masked recent weakness and downside risk from increased OPEC production.

Commodity market performance in May 2025



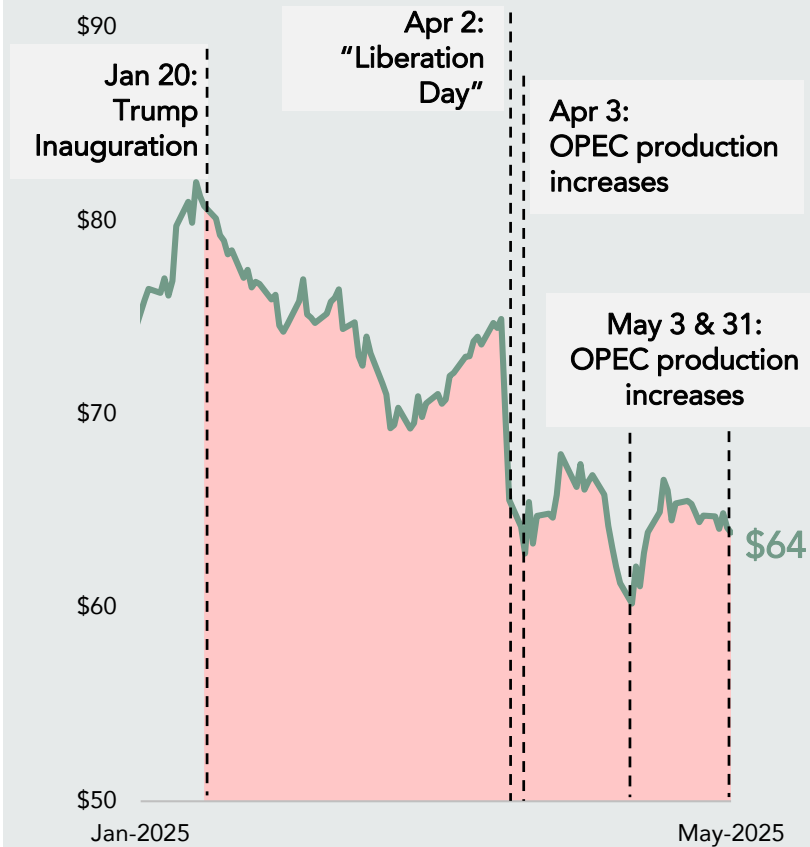
Source: (1) Bloomberg. Data as of March 31, 2025. Commodities Index and Agriculture Index are total return.

Oil Prices Continued Their Move Lower

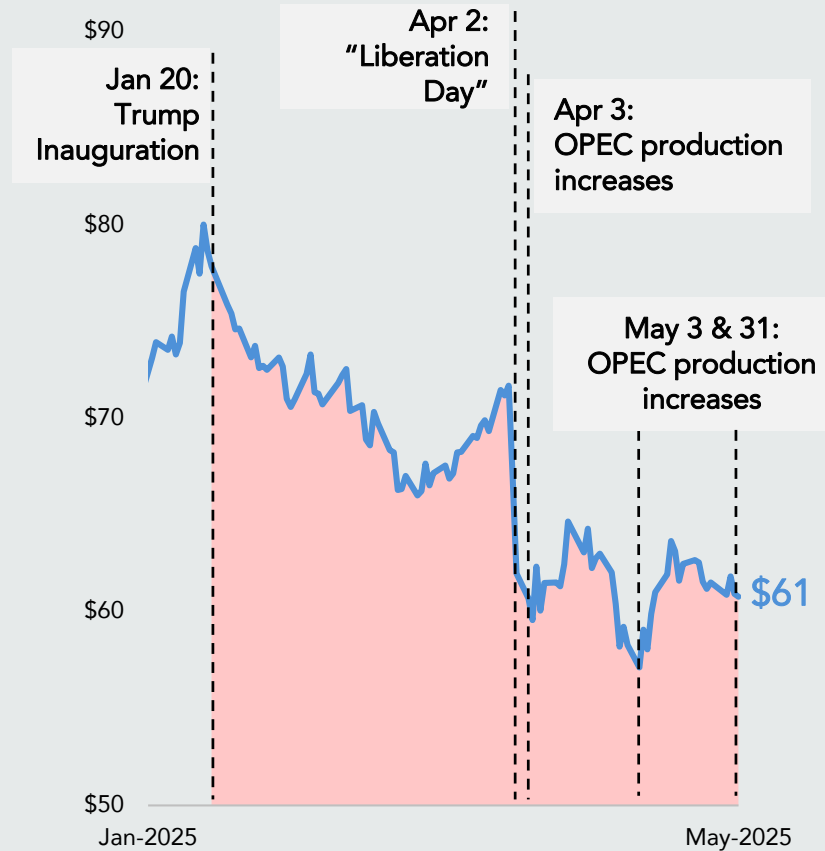


Policy induced demand & supply shocks

Brent



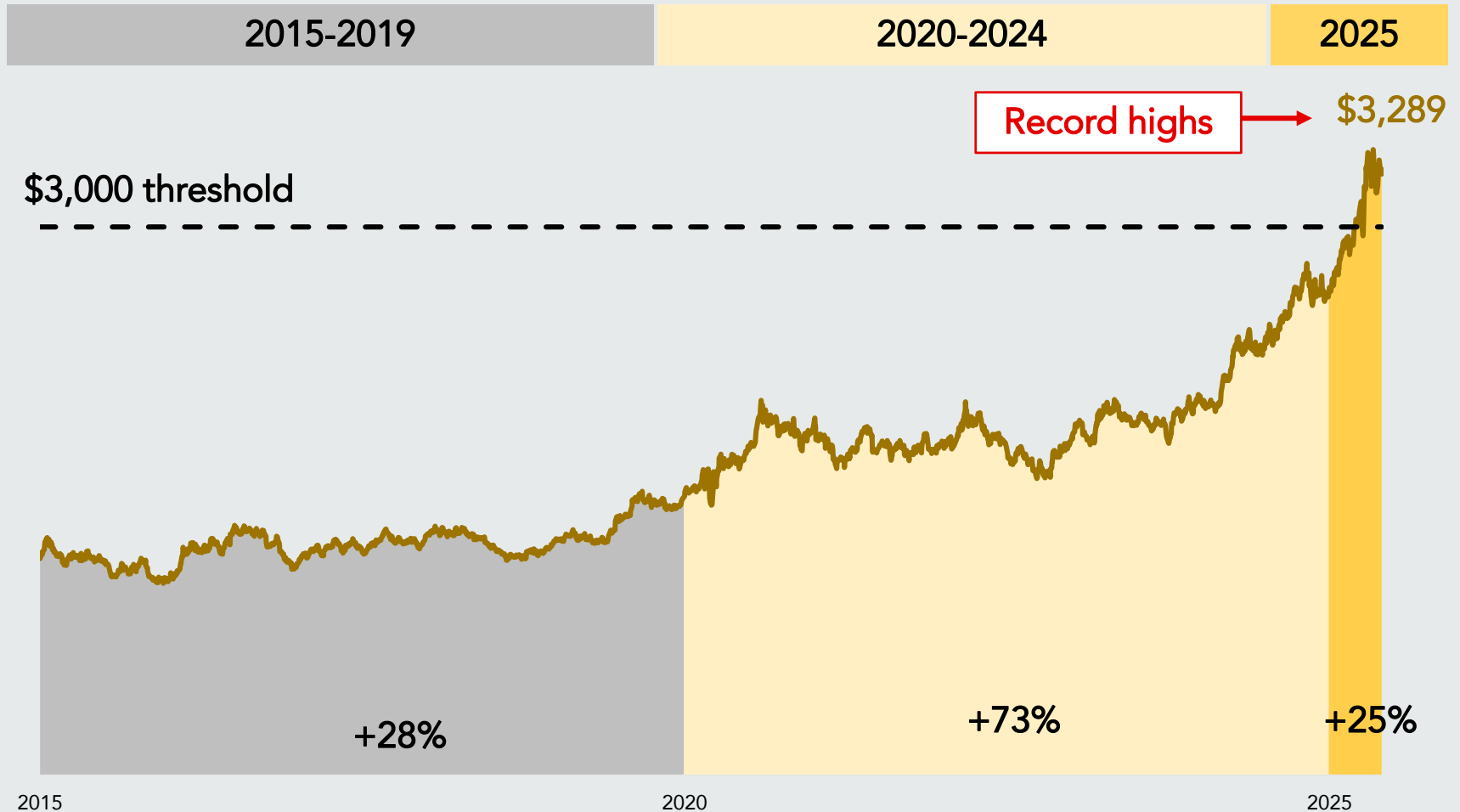
WTI



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

Gold Moves Higher on De-Dollarization Dynamic

Gold since 2015



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

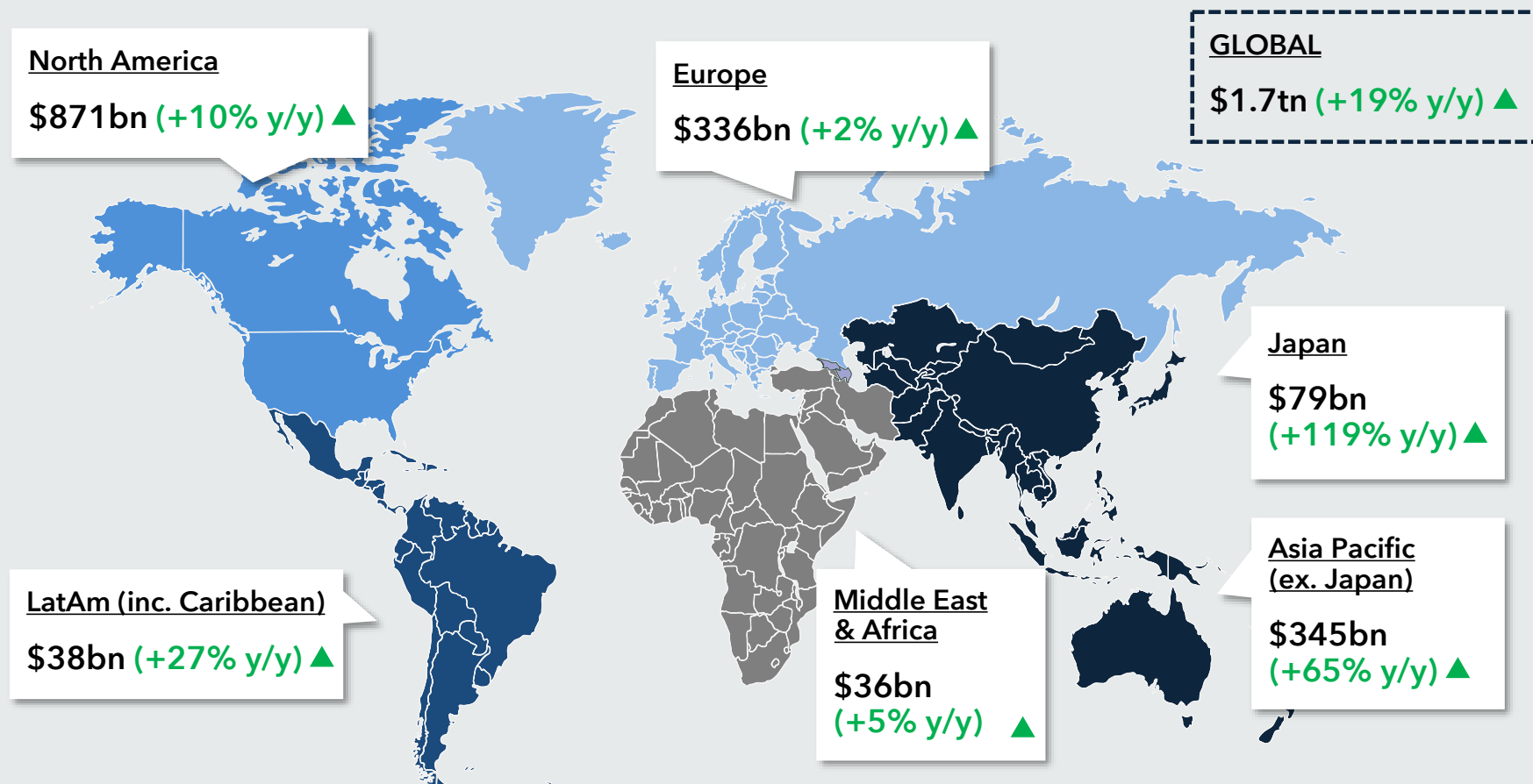
A pair of worn, dark brown boxing gloves with orange laces hanging from a thick black rope in a boxing ring. The gloves are positioned in the center-right of the frame, with the ropes of the ring visible in the background. The lighting is dramatic, highlighting the texture of the gloves and the ropes.

6

Deal Activity Recovery

Global M&A Volumes up 20% YTD Despite Uncertainty

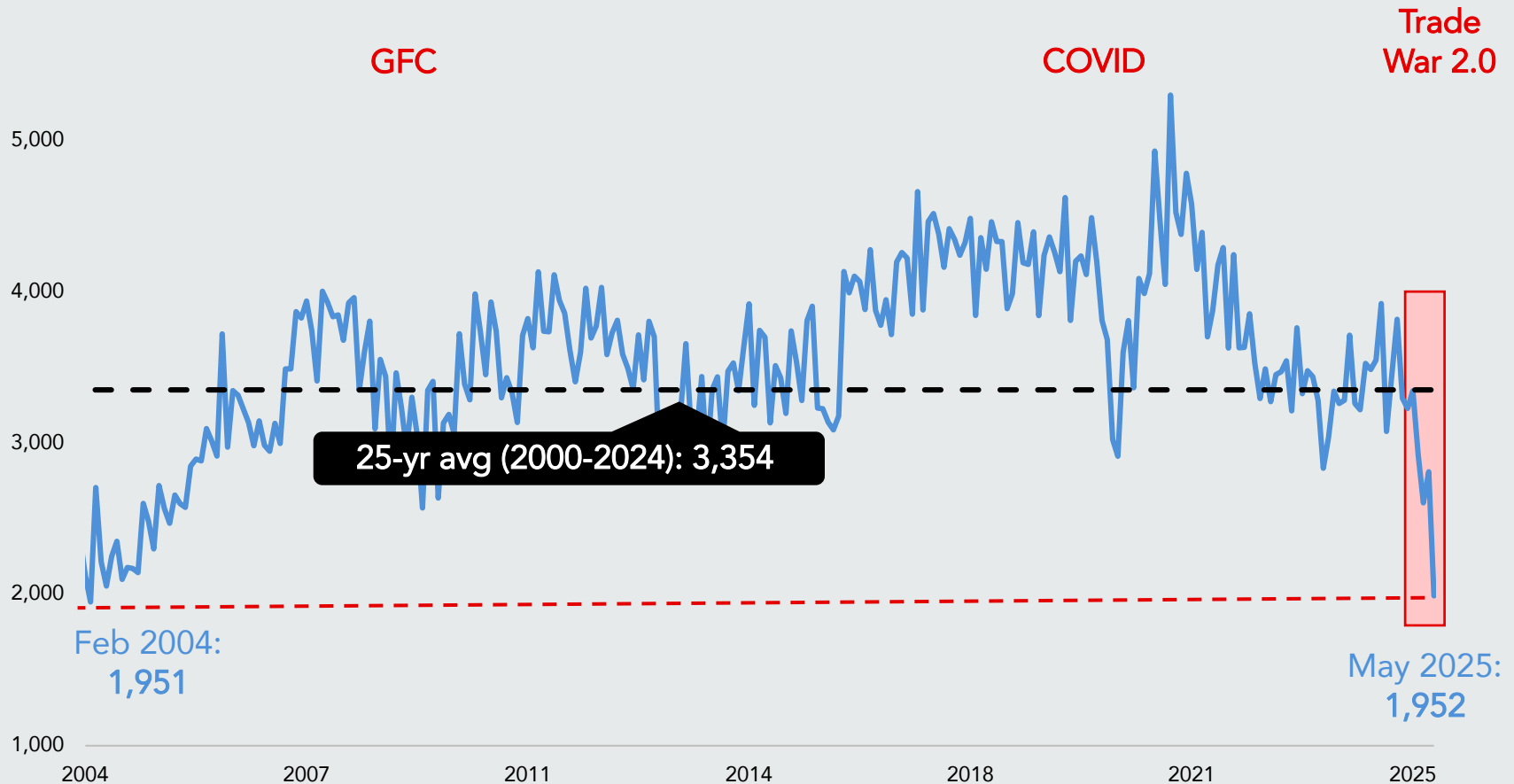
M&A volumes in Jan-May 2025 vs. Jan-May 2024 and y/y increase (based on target region)



Source: (1) Dealogic. Cortex. Data through May 31, 2025, accessed on June 2, 2025. Region is by target.

Global M&A Deal Count Fell to 21-Year Low in May

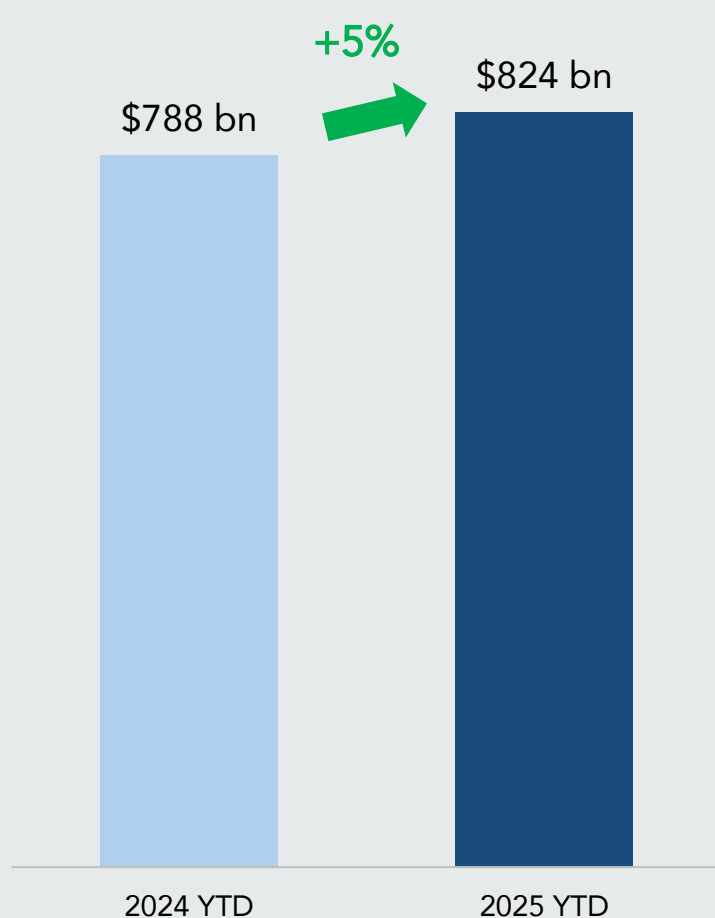
According to data compiled by Dealogic for Reuters, elevated policy uncertainty drove monthly global M&A deal count, an important barometer for the health of the M&A market, down to 21-year lows. Notably, the number of global transactions declined in May to the lowest level since February 2004, worse than during the GFC in 2008-9.



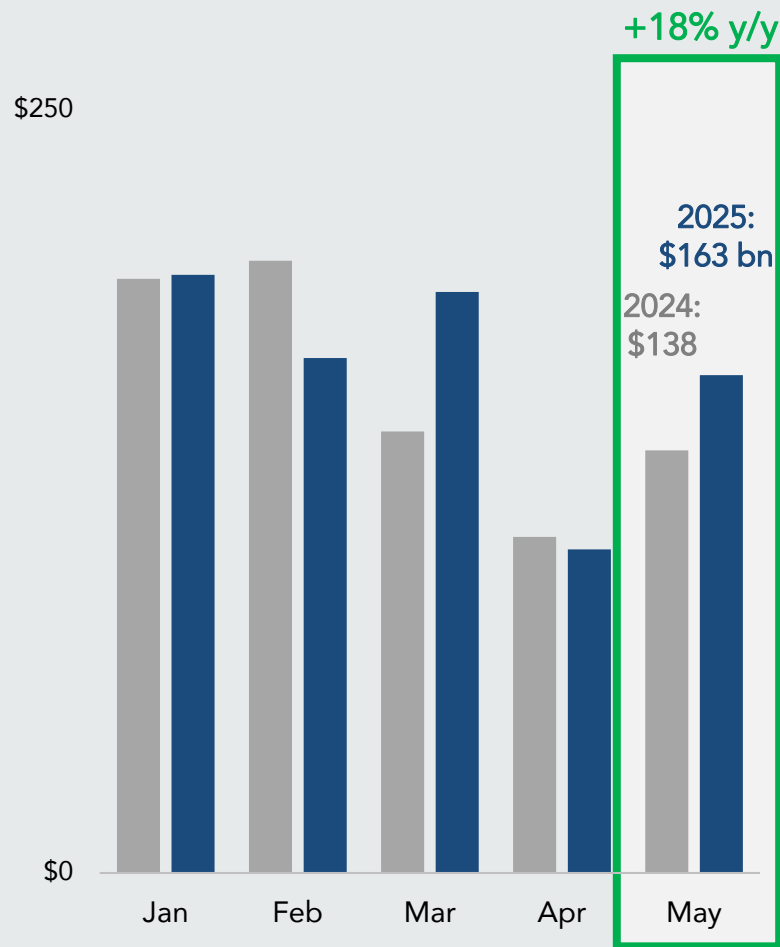
Source: (1) Dealogic. Cortex. Data through May 31, 2025, accessed on June 2, 2025.

USD IG Issuance Ahead of Historic 2024 Pace

USD IG issuance, bn



2024 vs. 2025 USD IG issuance, bn

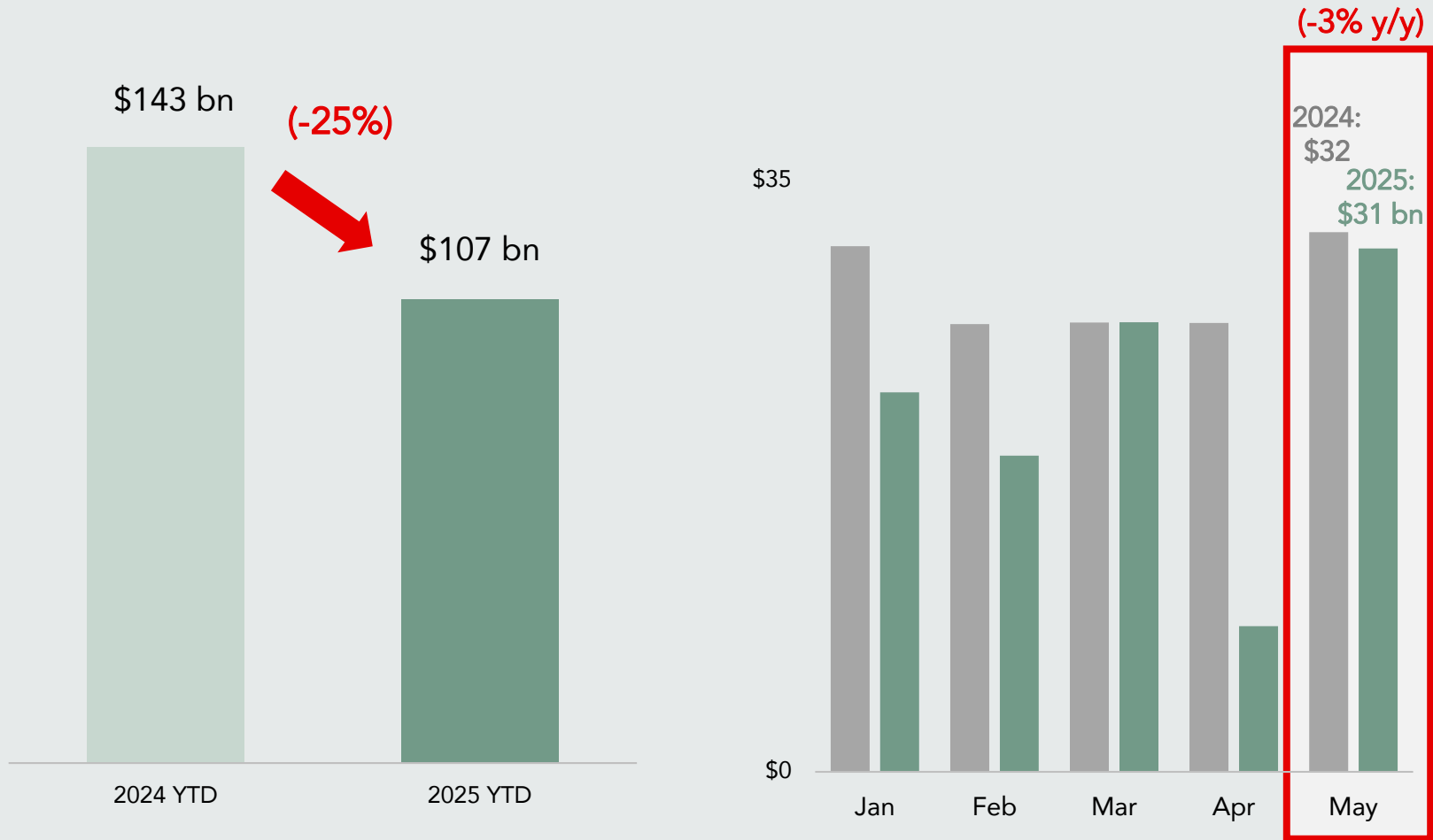


Source: (1-2) CFR. Data as of May 31, 2025.

HY Bond Issuance Improved Markedly in May

USD HY issuance, bn

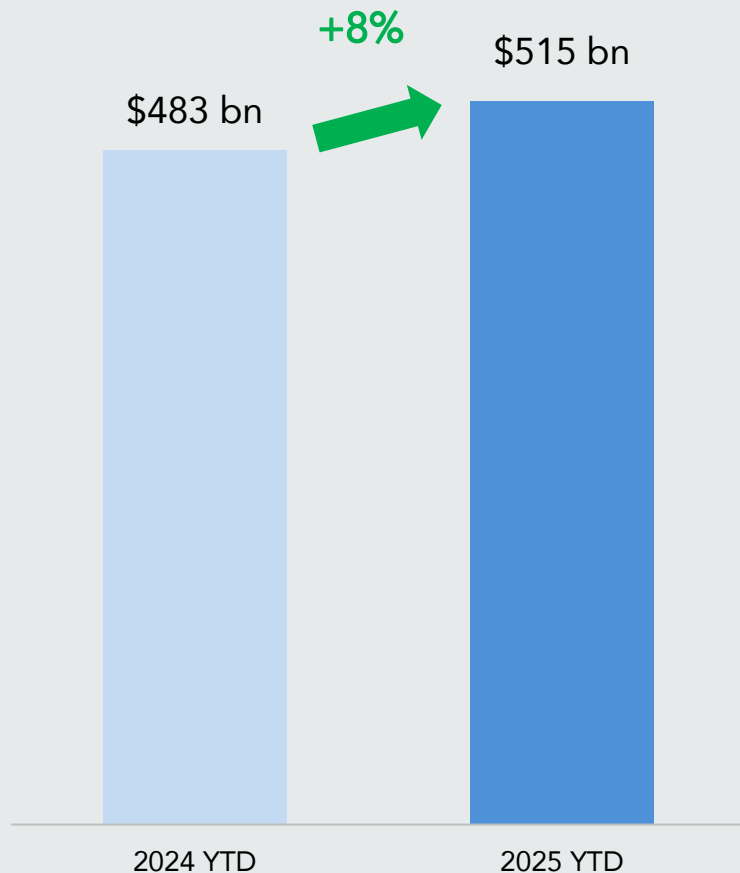
2024 vs. 2025 USD HY issuance, bn



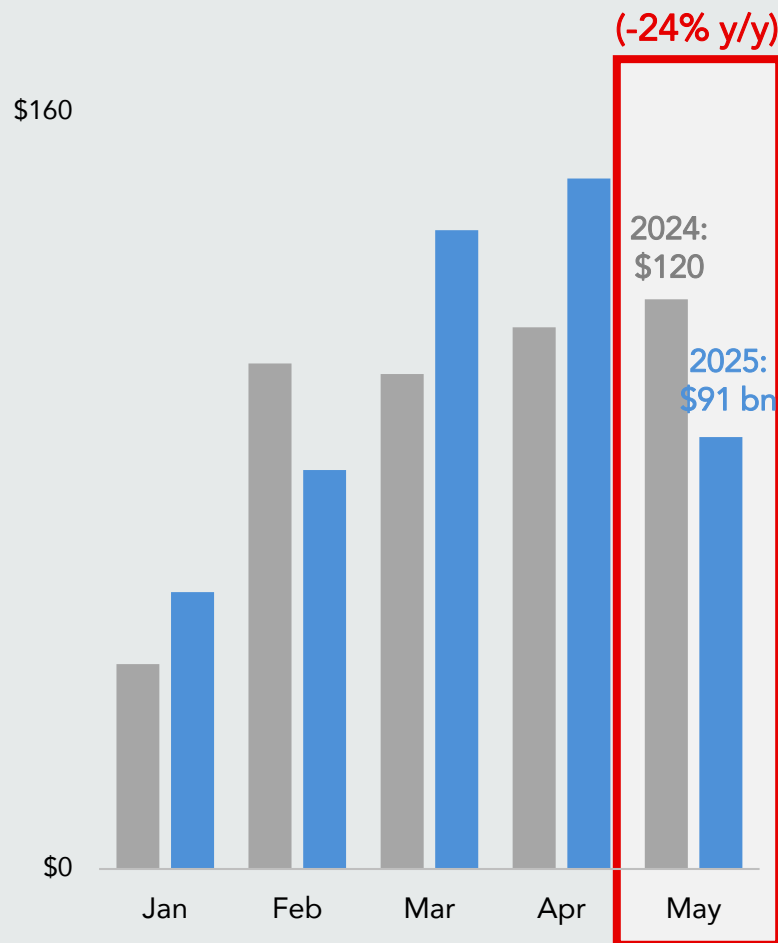
Source: (1-2) CFR. Data as of May 31, 2025.

2025 IG Loan Issuance Down in May, but up 8% YTD

USD IG loan issuance, bn



2024 vs. 2025 USD IG loan issuance, bn

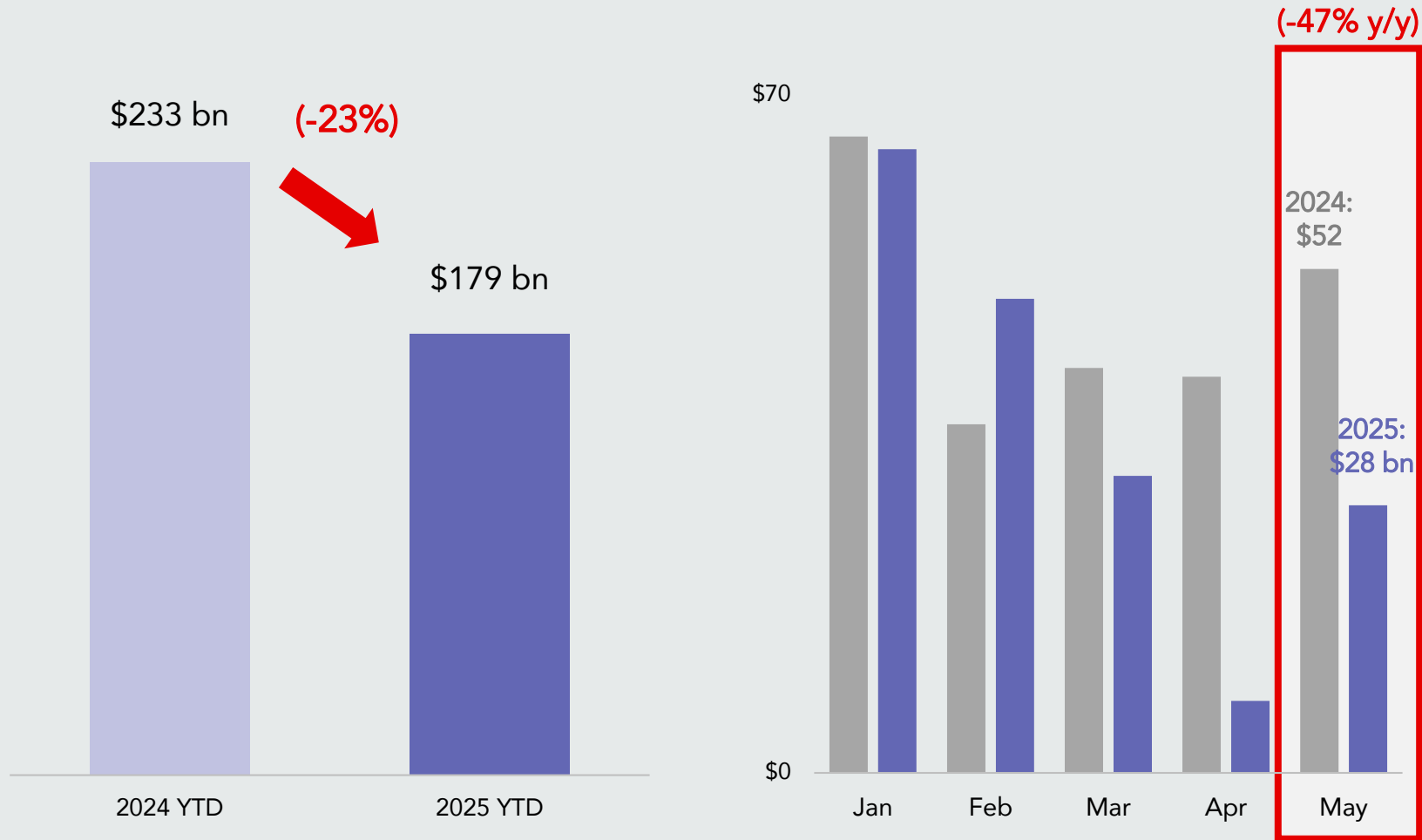


Source: (1-2) LSEG. Data as of May 31, 2025.

Leveraged Loan Issuance Down in May & YTD

USD leveraged loan issuance, bn

2024 vs. 2025 USD leveraged loan issuance, bn



Source: (1-2) LCD. Data through May 29, 2025.







Appendix









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	1.5%	0.9%	↓
 Mexico	1.2%	0.0%	↓
Eurozone			
 Ireland	1.2%	5.2%	↑
Spain	3.2%	2.5%	↓
Netherlands	1.0%	1.1%	↑
Finland	(-0.1%)	0.8%	↑
France	1.1%	0.5%	↓
Italy	0.5%	0.5%	↓
Germany	(-0.2%)	0.0%	↑
Other Europe			
Poland	2.9%	3.4%	↑
Türkiye	3.2%	2.8%	↓
Czech Republic	1.0%	2.1%	↑
Sweden	0.9%	1.9%	↑
Denmark	3.7%	1.9%	↓
 UK	1.1%	1.2%	↑
Switzerland	1.3%	0.8%	↓
 Russia	4.3%	0.4%	↓
Norway	2.1%	(-1.0%)	↓

Region	2024	2025E	
APAC			
 India	6.6%	6.4%	↓
Indonesia	5.0%	4.8%	↓
 China	5.0%	4.3%	↓
 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			
Argentina	(-1.7%)	4.2%	↑
Chile	2.4%	2.4%	↑
Colombia	1.6%	2.3%	↑
 Brazil	2.9%	2.2%	↓
MENA			
 Saudi Arabia	1.3%	5.2%	↑
UAE	3.8%	5.1%	↑
Sub-Saharan Africa	3.7%	3.8%	↑
Egypt	3.1%	3.8%	↑
Qatar	2.3%	2.4%	↑
Oman	1.7%	2.1%	↑
Kuwait	(-2.6%)	2.3%	↑
South Africa	0.6%	1.0%	↑

Source: (1) Oxford Economics. Data as of June 2, 2025.

2025 Global Currency Forecasts

Currency pair	Spot (Jun 2)	Q2 2025	Q3 2025	Q4 2025	Q1 2026
EUR / USD	1.14	1.12	1.15	1.18	1.20
GBP / USD	1.36	1.33	1.35	1.36	1.38
USD / JPY	143	144	142	140	138
USD / CNY	7.20	7.20	7.25	7.30	7.30
AUD / USD	0.65	0.63	0.64	0.65	0.66
NZD / USD	0.60	0.58	0.59	0.60	0.62
USD / CAD	1.37	1.38	1.37	1.35	1.34
USD / NOK	10.08	10.36	10.17	9.83	9.58
USD / SEK	9.53	9.73	9.39	9.07	8.92
USD / CHF	0.82	0.83	0.82	0.81	0.79
USD / MXN	19.21	19.75	19.50	19.25	19.25
USD / BRL	5.69	5.70	5.70	5.80	5.80
USD / CLP	938	950	960	970	980

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

2025 MUFG Global Rates Forecasts

		Q2 2025		Q3 2025		Q4 2025		Q1 2026	
	Spot (Jun 2)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.50%	4.48%	4.00%	4.26%	3.50%	4.00%	3.50%	3.82%
2 yr UST	3.94%	3.88%	3.91%	3.63%	3.78%	3.38%	3.63%	3.50%	3.58%
5 yr UST	4.01%	4.00%	4.02%	4.00%	3.93%	3.88%	3.86%	3.75%	3.84%
10 yr UST	4.44%	4.25%	4.37%	4.38%	4.30%	4.25%	4.25%	4.00%	4.19%
30 yr UST	4.97%	4.88%	4.83%	5.00%	4.73%	4.63%	4.64%	4.50%	4.61%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of June 2, 2025. Fed funds is upper bound.

2025 MUFG Commodities Forecasts

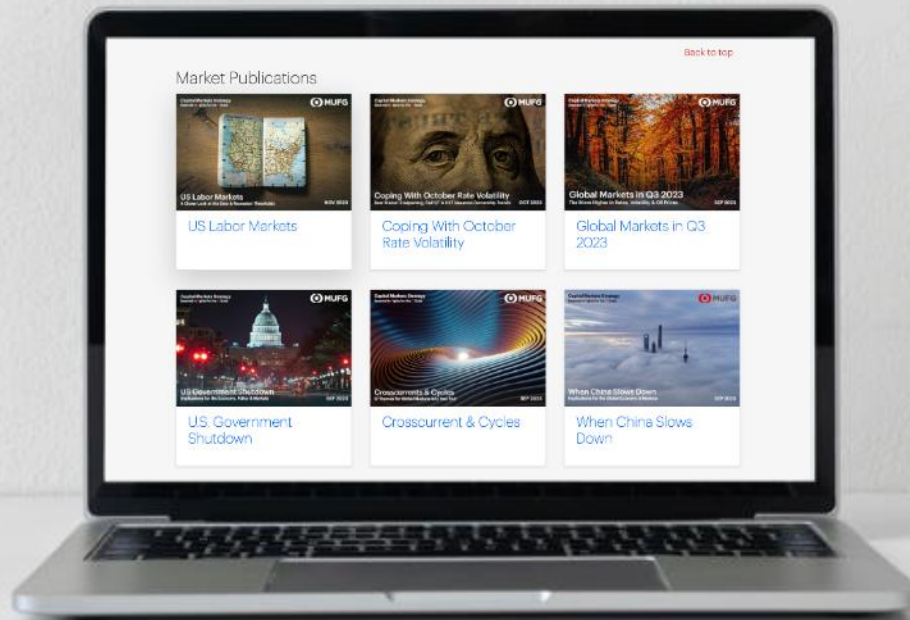
		Q2 2025		Q3 2025		Q4 2025		Q1 2026	
	Spot (Jun 2)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	\$63	\$60	\$64	\$58	\$64	\$57	\$66	\$59	\$65
Brent	\$65	\$65	\$67	\$63	\$67	\$62	\$66	\$64	\$66
US Nat Gas	\$3.69	\$3.60	\$3.67	\$3.75	\$3.75	\$4.00	\$4.00	\$4.15	\$4.13
Euro Nat Gas	€35	€38	€39	€33	€39	€29	€40	€31	€35

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of June 2, 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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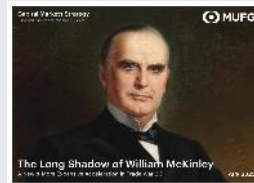
Angela Sun is an Associate in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy 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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