

Capital Markets Strategy
Essential inCights for the C-Suite



USMCA Renewal Risk is Real

APR 2026

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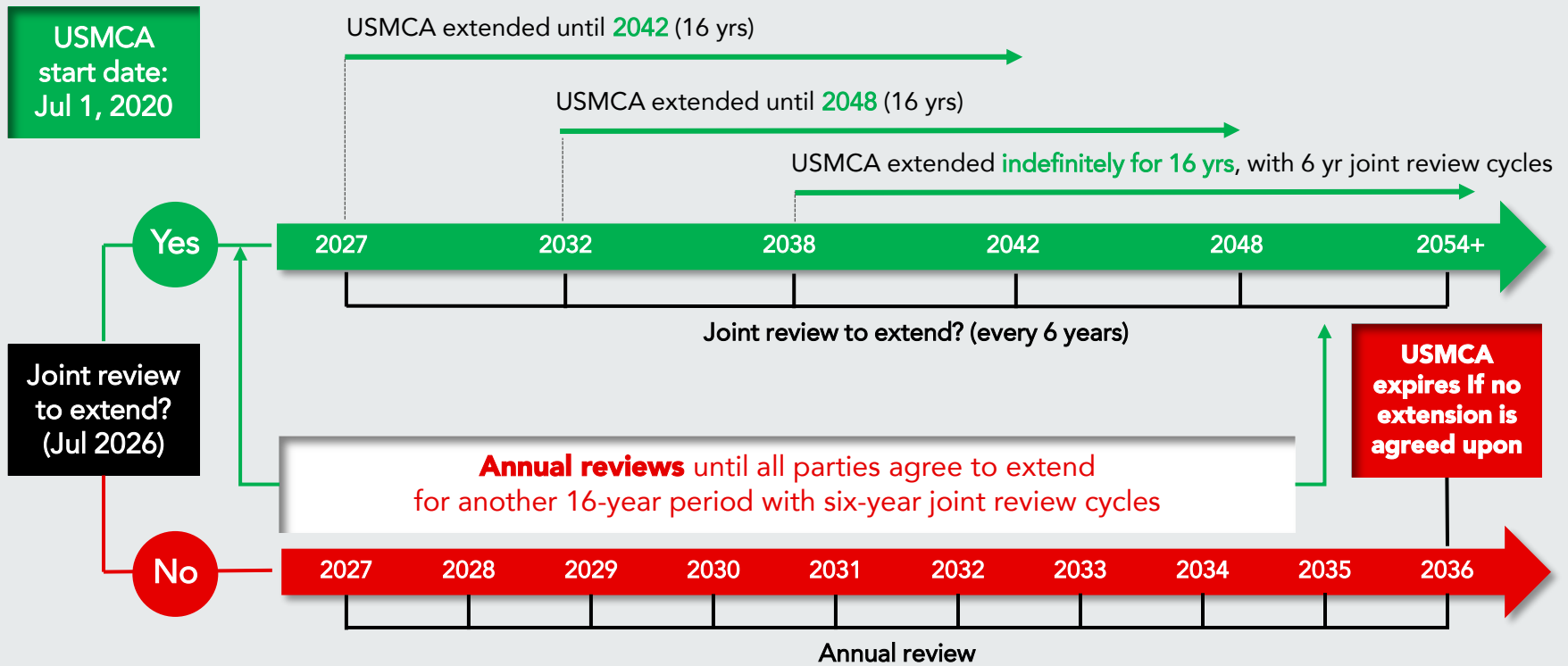


**USMCA Renewal
Risk is Real**

USMCA Renewal Risk is Real

The USMCA is approaching its first joint review on July 1, an important checkpoint rather than a deal termination cliff. Failure to agree by July 1 triggers annual reviews and a 2036 sunset path. However, such a development materially increases uncertainty premiums on trade and investment flows, and raises concerns about US withdrawal at a future date in favor of two non-binding, bilateral deals with Canada and Mexico.

USMCA review timeline (2026-2054+)



Source: CSIC, "USMCA Review 2026: Six Scenarios for North America's Future." Diego Marroquin and Juan Carlos Baker using FTC and CSIS data,

Observations on USMCA Renewal Risk

10 considerations on USMCA renewal risk on July 1, 2026

1 Hard deadline, soft process

Under Article 34.7, all three parties must decide on renewal by July 1, 2026. Failure does not terminate the deal, but triggers annual reviews.

2 Clean renewal appears unlikely

A straightforward early extension appears off the table. USTR Greer signaled July 1 deadline will likely be missed, which triggers 2036 sunset clock and annual reviews.

3 US as demandeur

President Trump is withholding USMCA renewal to renegotiate the USMCA deal he renegotiated in 2018. Longer-term USMCA termination risk should not be dismissed.

Observations on USMCA Renewal Risk

10 considerations on USMCA renewal risk on July 1, 2026

4

Litany of issues

Rules of origin, market access (dairy, agriculture), labor enforcement, auto sector, tariff levels, China "in Mexico".

5

Auto sector has highest operational risk

Major flashpoint on rules of origin disputes. Complexity and size of supply chain.

6

China-in-Mexico as structural fault line

Increased scrutiny of Chinese origin on Mexico supply chain and near-shoring efforts. Geostrategic competition. Donroe Doctrine.

7

Sector-by-sector negotiations underway

Multiple rounds of US-Mexico negotiations underway in Washington DC & Mexico City across auto, steel & aluminum, agriculture and other sectors.

Observations on USMCA Renewal Risk

10 considerations on USMCA renewal risk on July 1, 2026

8 Pivot toward bilateralization

Active US-Mexico negotiations underway, but no full trilateral framework has begun. Trump may be seeking USMCA termination in favor of non-binding bilateral deals longer term.

9 Persistent cloud of uncertainty

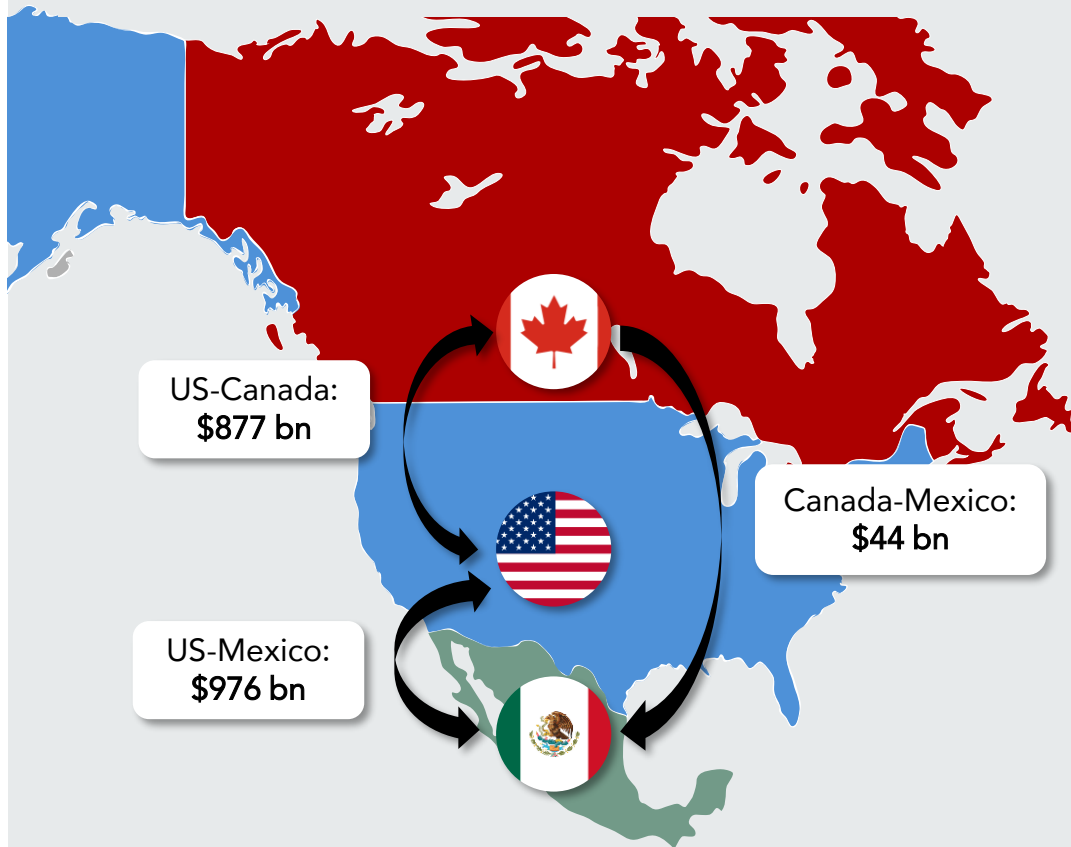
Transition to annual renewals will adversely impact the cost of trade, risk premia, supply chain integration, investor confidence, trade & investment flows.

10 Disruption calculus & termination risk

Transition to annual reviews creates an opportunity to renew USMCA near term, while preserving the option for more disruptive action after the US midterm elections. Deal termination requires 6 months notice (Article 34.6).

Threatening to Withdraw from “Irrelevant” USMCA in 2026

Trade in goods and services (2024)



Notable issues:

- Auto rules of origin
- Labor enforcement
- Market access (agriculture)
- China backdoor nearshoring
- Dispute resolution compliance
- Digital trade & taxes; AI
- Energy policy friction
- Critical minerals, steel & aluminum
- Non-trade issues (i.e., border, fentanyl)

Source: U.S. Bureau of Economic Analysis. UN Comtrade. Statistics Canada. Canada-Mexico trade is goods only. Data is latest through 2025.

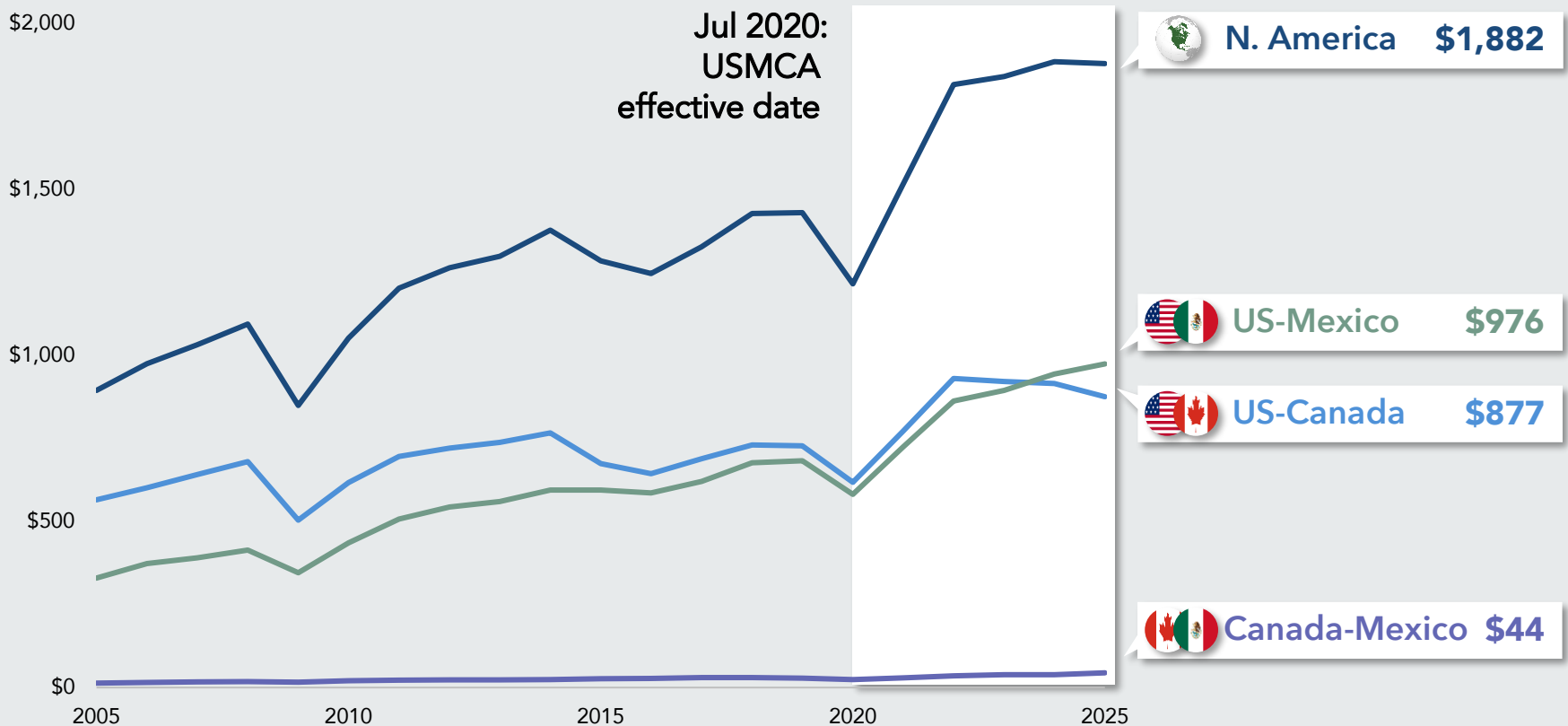


Breakdown of USMCA Trade Activity

USMCA Renewal Risk Belies Its Own Success

Trilateral trade between the US, Mexico and Canada rose from just \$340 billion in 1994 under NAFTA to nearly \$2 trillion in 2025 under the USMCA. Mexico became the top US trading partner in 2023 and Canada is the US's second-largest trading partner.

Total bilateral goods & services trade, USD bn

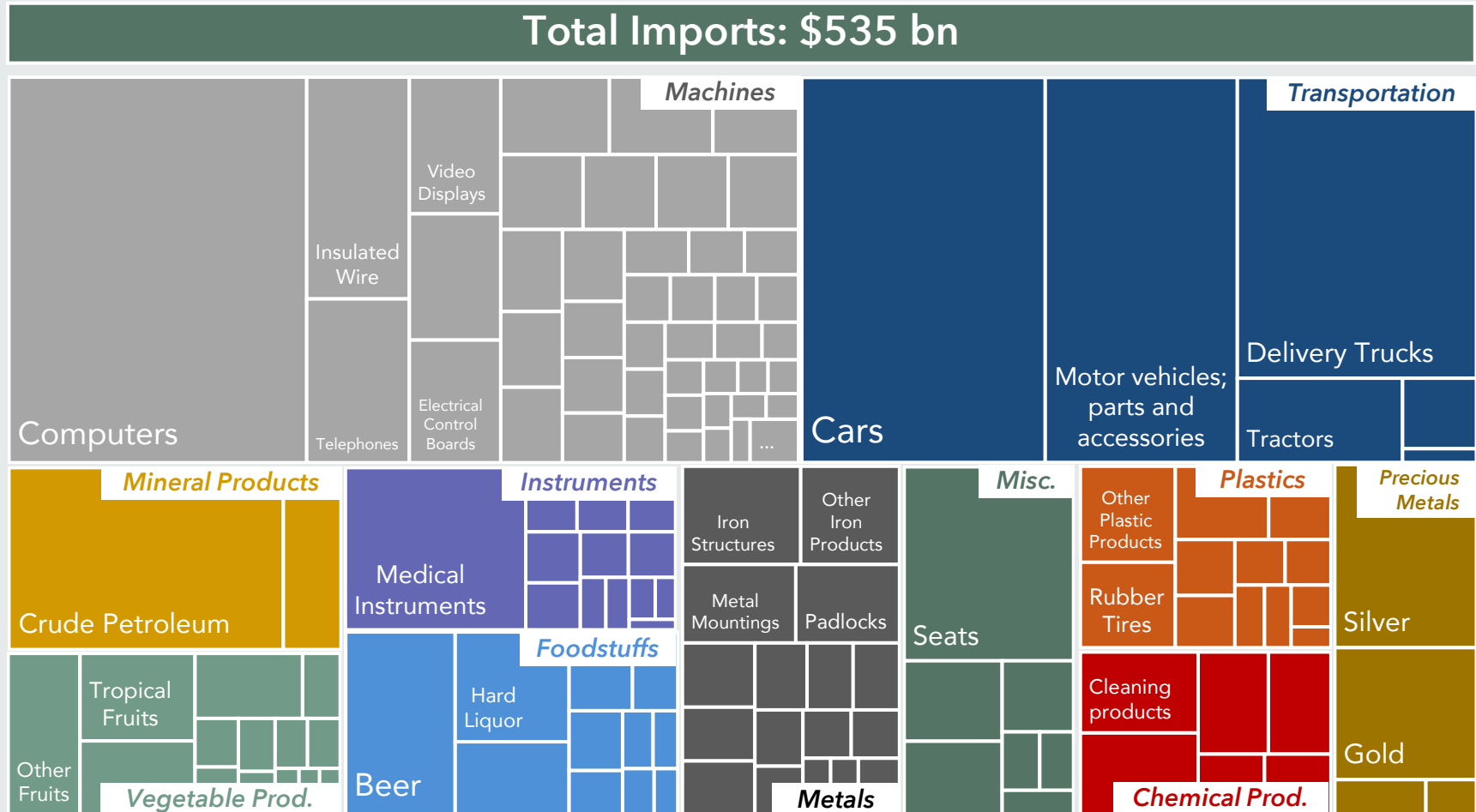


Source: (1) U.S. Bureau of Economic Analysis. UN Comtrade. Statistics Canada. Canada-Mexico trade is goods only. Data is latest through 2025.

Breakdown of US Imports from Mexico



Share of imports from Mexico

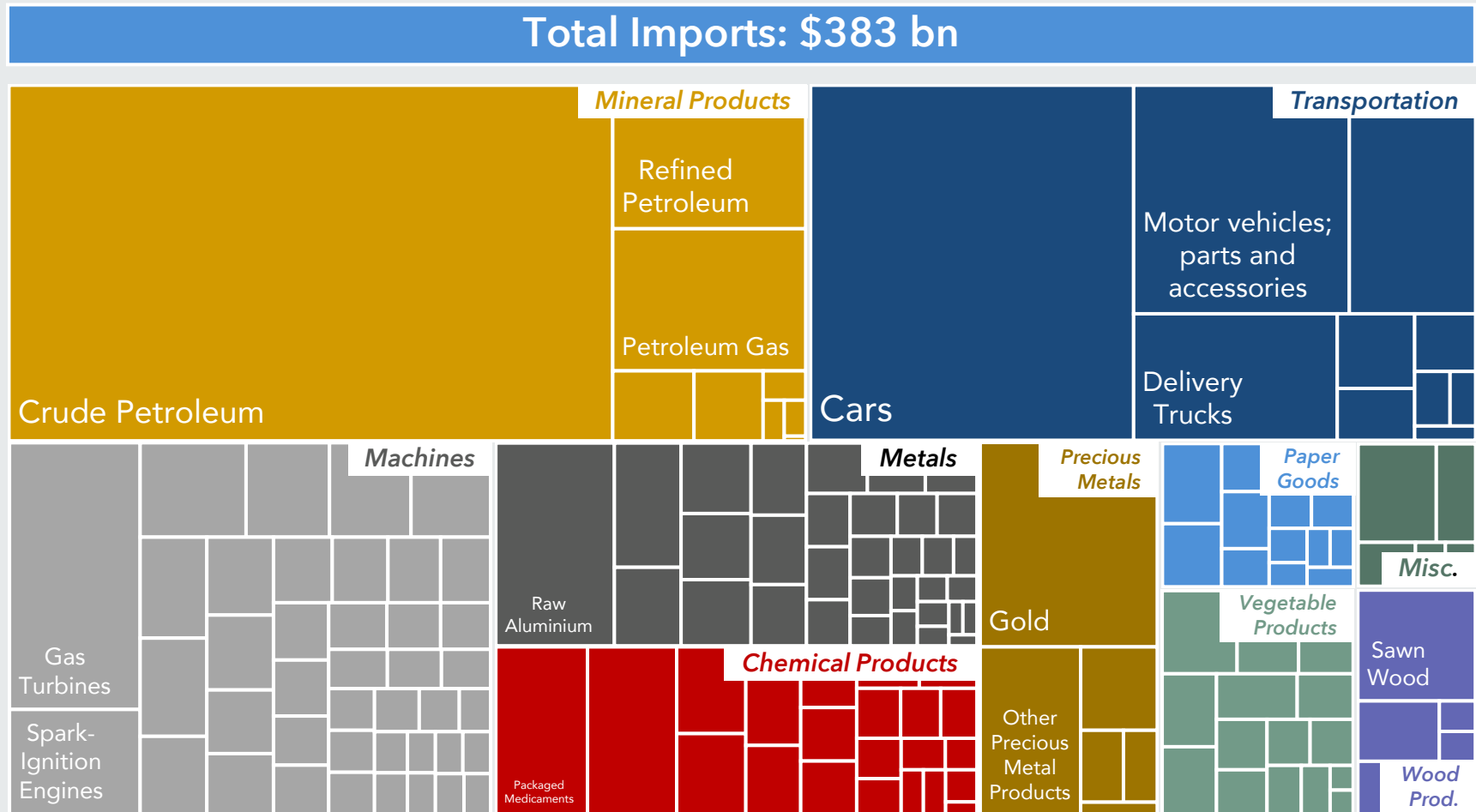


Source: (1) Financial Times, "How to deal with Donald Trump's tariff threats". US Census Bureau. Data for 2025.

Breakdown of US Imports from Canada



Share of imports from Canada



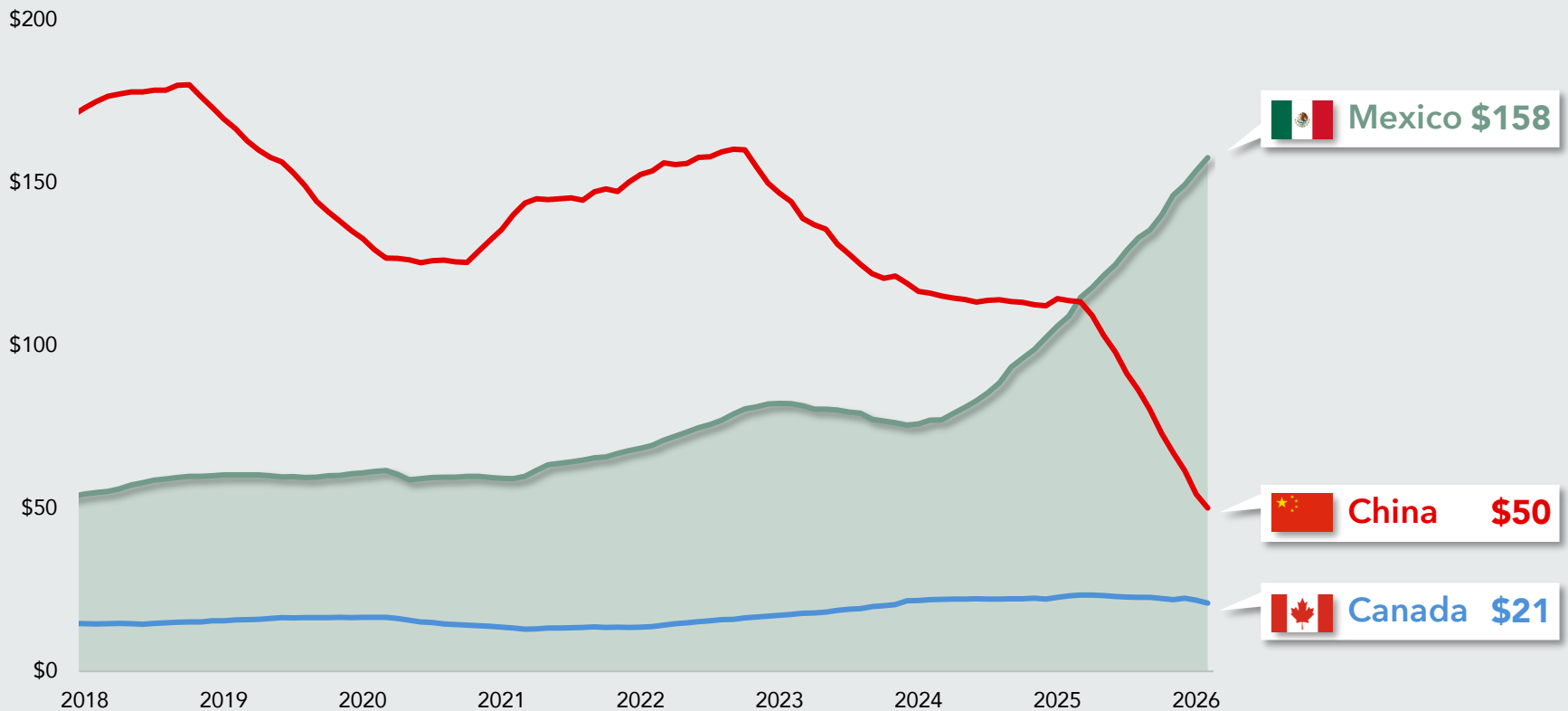
Source: (1) Financial Times, "How to deal with Donald Trump's tariff threats". US Census Bureau. Data for 2025.

China Backdoor Nearshoring Concerns



Last year, Mexico surpassed China as the United States' primary source of advanced technology products, including many of the most sensitive products for US economic and national security. However, much of the value-added content in Mexico's advanced technology exports appears to come via imports from East Asian economies.

US imports of advanced technology products, 12-month rolling sum, USD bn



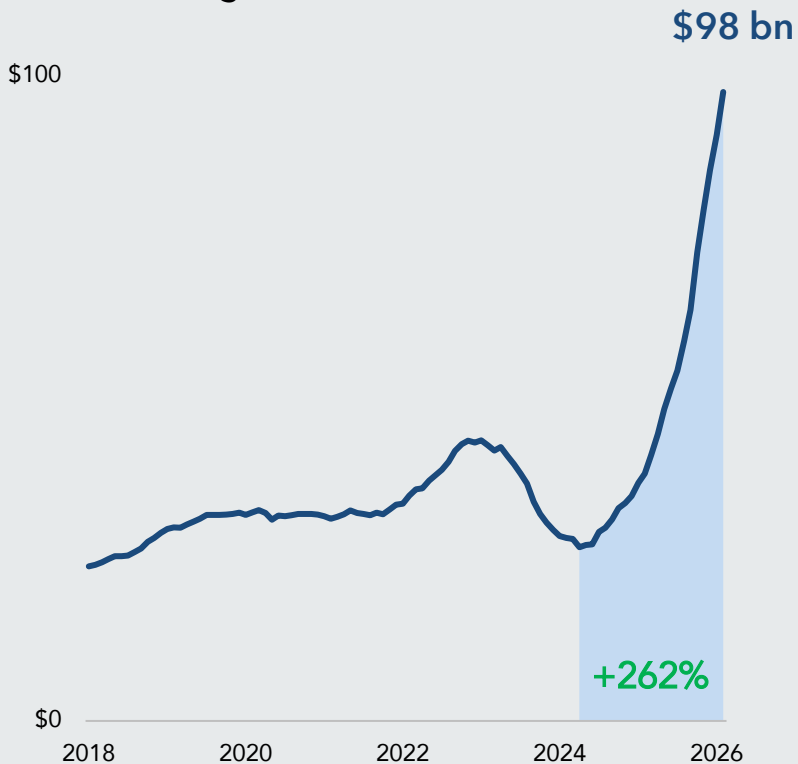
Source: (1) US Census. Advanced technology products are goods whose technology is in a recognized high technology field and are leading edge in that field. Import data is 12-month rolling sum. Data is latest through February 2026.

China Backdoor Nearshoring Concerns

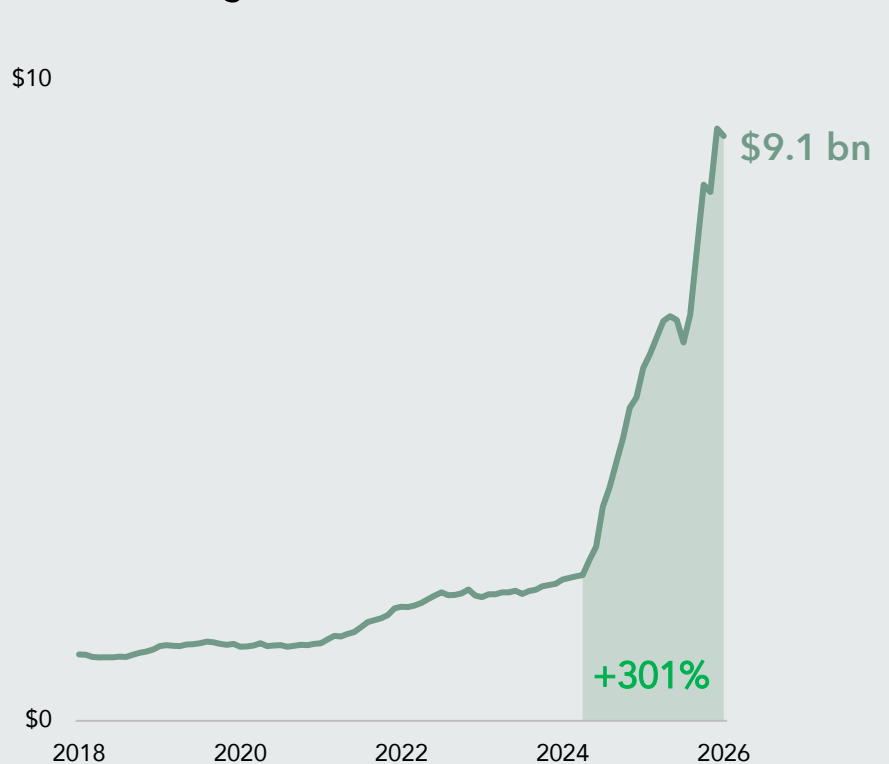


Mexico's exports of data processing equipment have risen over 250% since 2024, while exports of server boards and parts have quadrupled. One of the core tensions in the USMCA review is transshipment, specifically from China with the US expected to push hard for tighter rules of origin requirements for computer equipment exports.

Mexico total exports of data processing equipment, 12-month rolling sum, USD bn



Mexico total exports of server boards & parts, 12-month rolling sum, USD bn



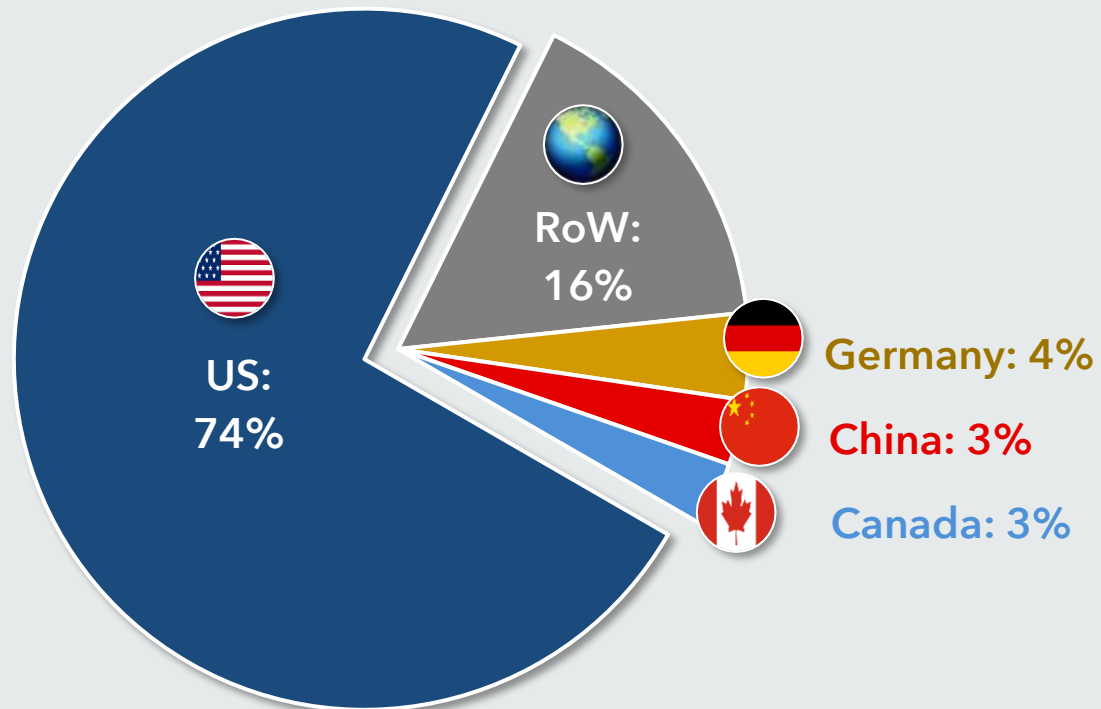
Source: (1-2) Brookings, "USMCA Forward 2026". Banco de Mexico. Export data shows 12-month rolling sum. Data is latest through February 2026.

Foreign Content in Mexican Motor Vehicles



US-made content accounted for nearly 75% of the foreign value-added embedded in vehicles imported by the US from Mexico.

Foreign content in Mexican motor vehicles exported to the US, % of total

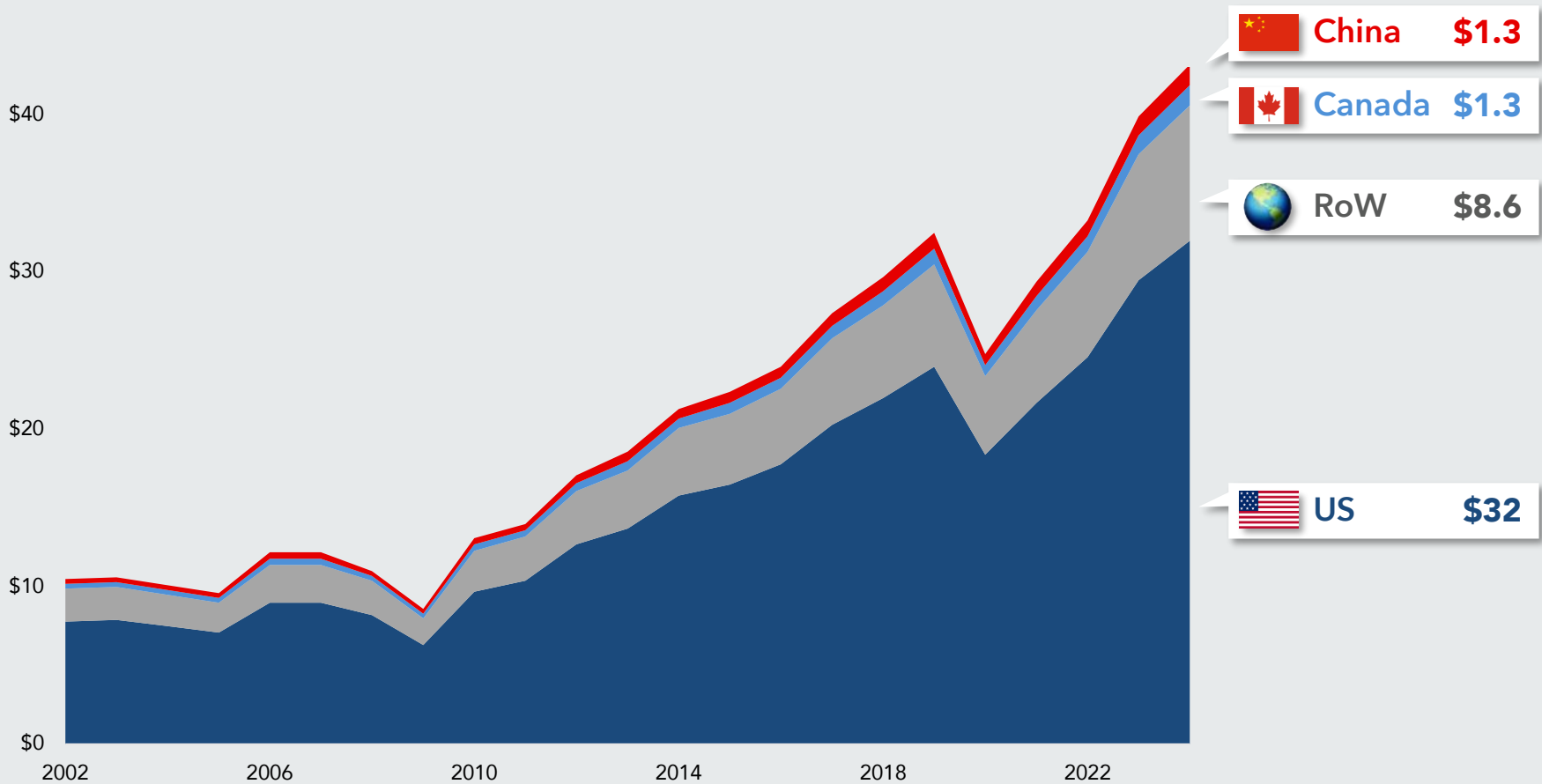


Source: (1) Cato Institute. NBER, "Disentangling Global Value Chains" (May 2019).

Foreign Content in Mexican Motor Vehicles



Implied value-added content to Mexican motor vehicles by country of origin, USD bn

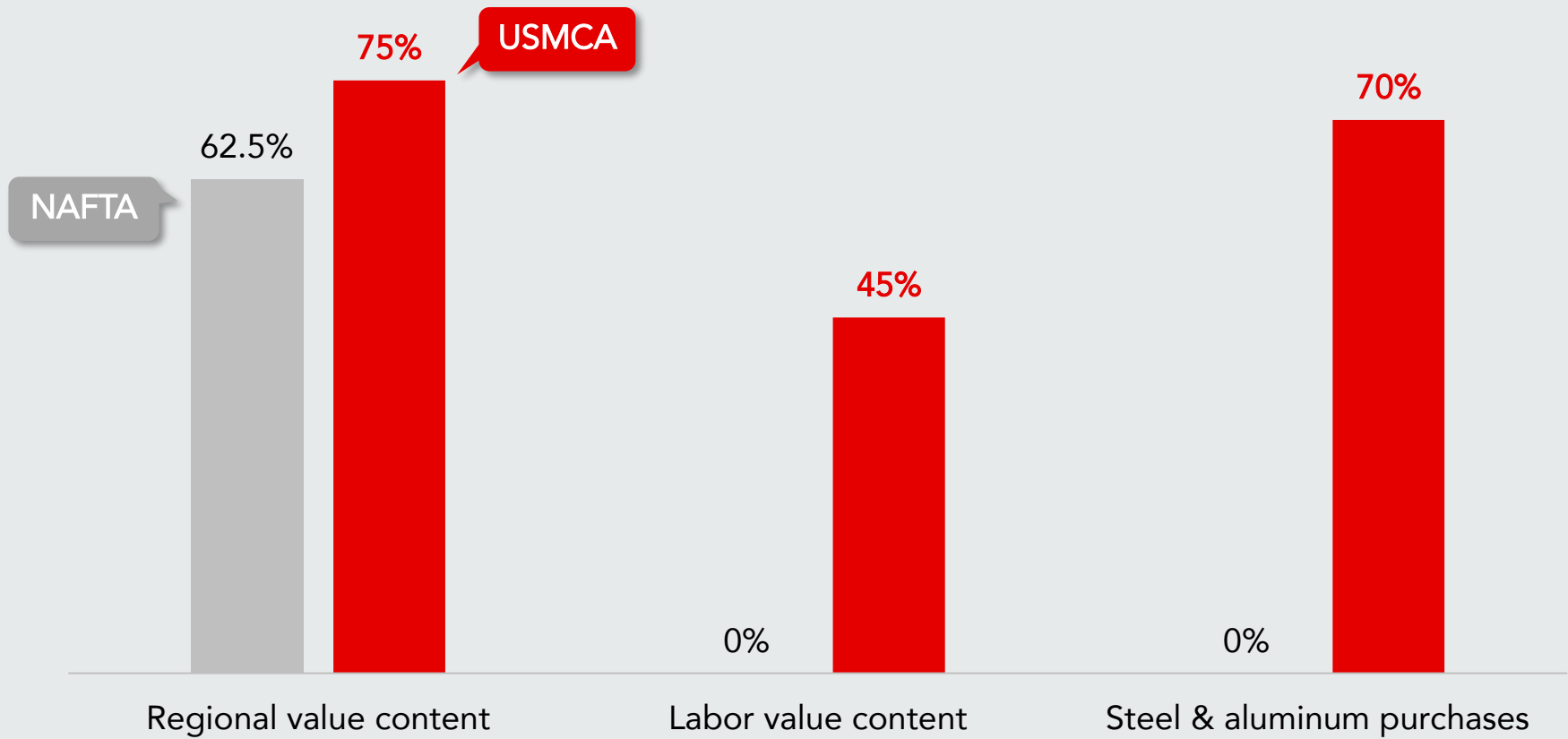


Source: (1) Cato Institute. RealTime Economics, "Restricting Imports of Mexican Vehicles Will Harm US Manufacturers". PIIE. Data is latest through 2024E.

USMCA Required Rules of Origin

The threshold for regional value content (RVC) increased to 75% moving from NAFTA to USMCA with two new requirements added. The 2026 USMCA review is expected to tighten the automotive RVC further and potentially expand the labor value content (LVC) requirement, with the US pushing for higher thresholds to limit Chinese-origin components flowing through into the US market.

Rules of origin for automotive products (NAFTA vs. USMCA)



Source: (1) Federal Reserve, "Trade Compliance at What Cost? Lessons from USMCA Automotive Trade."



**The Trade War
is Still Alive**

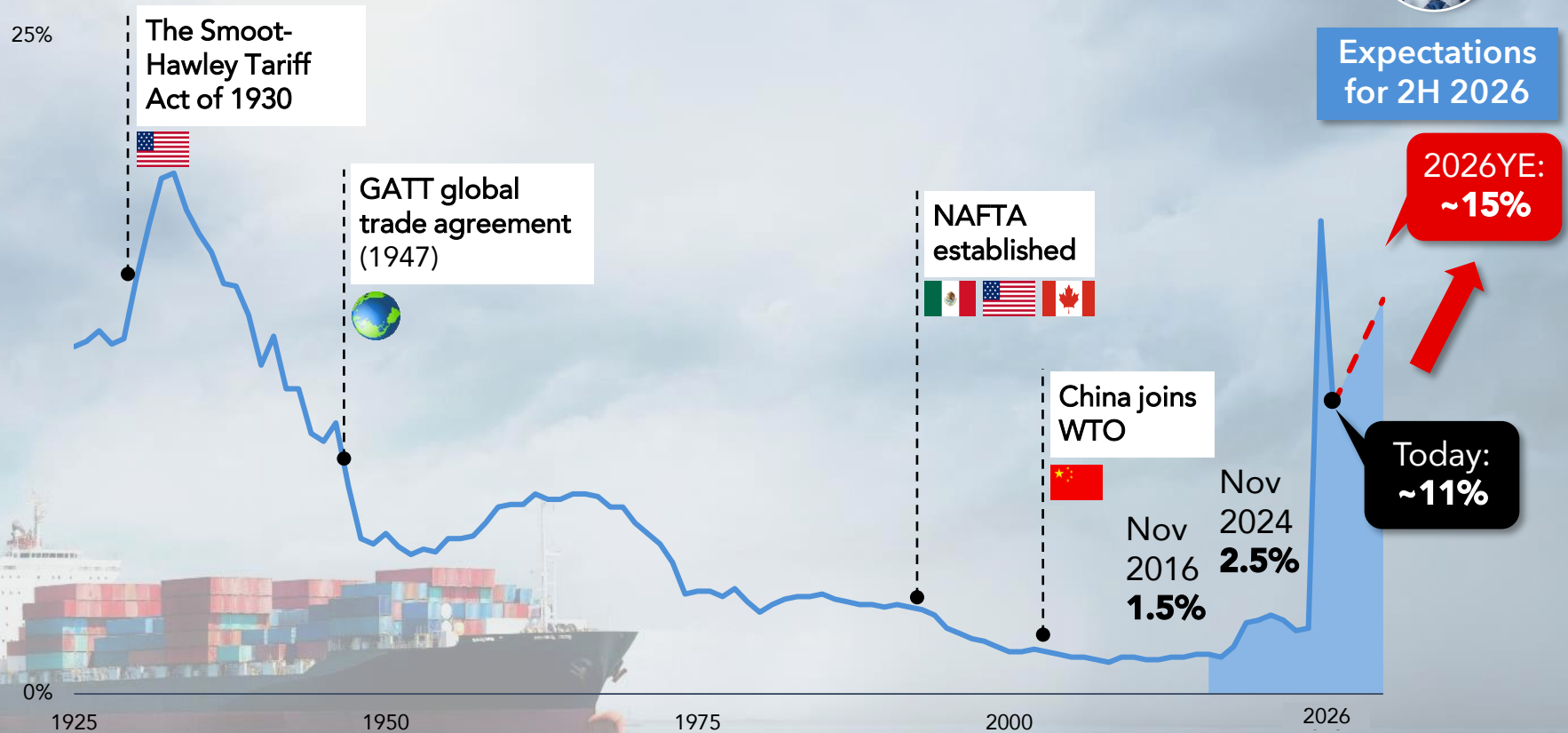
US Tariffs Will Be Higher in 2H 2026

Average US tariffs declined following the US Supreme Court IEEPA decision. However, we expect US tariffs to INCREASE in the 2H 2026 as a result of current and pending investigations via Sections 232 and 301, which involve more than a dozen industry sectors and over 90 countries in aggregate.



Expectations for 2H 2026

Average tariff rate on all imports

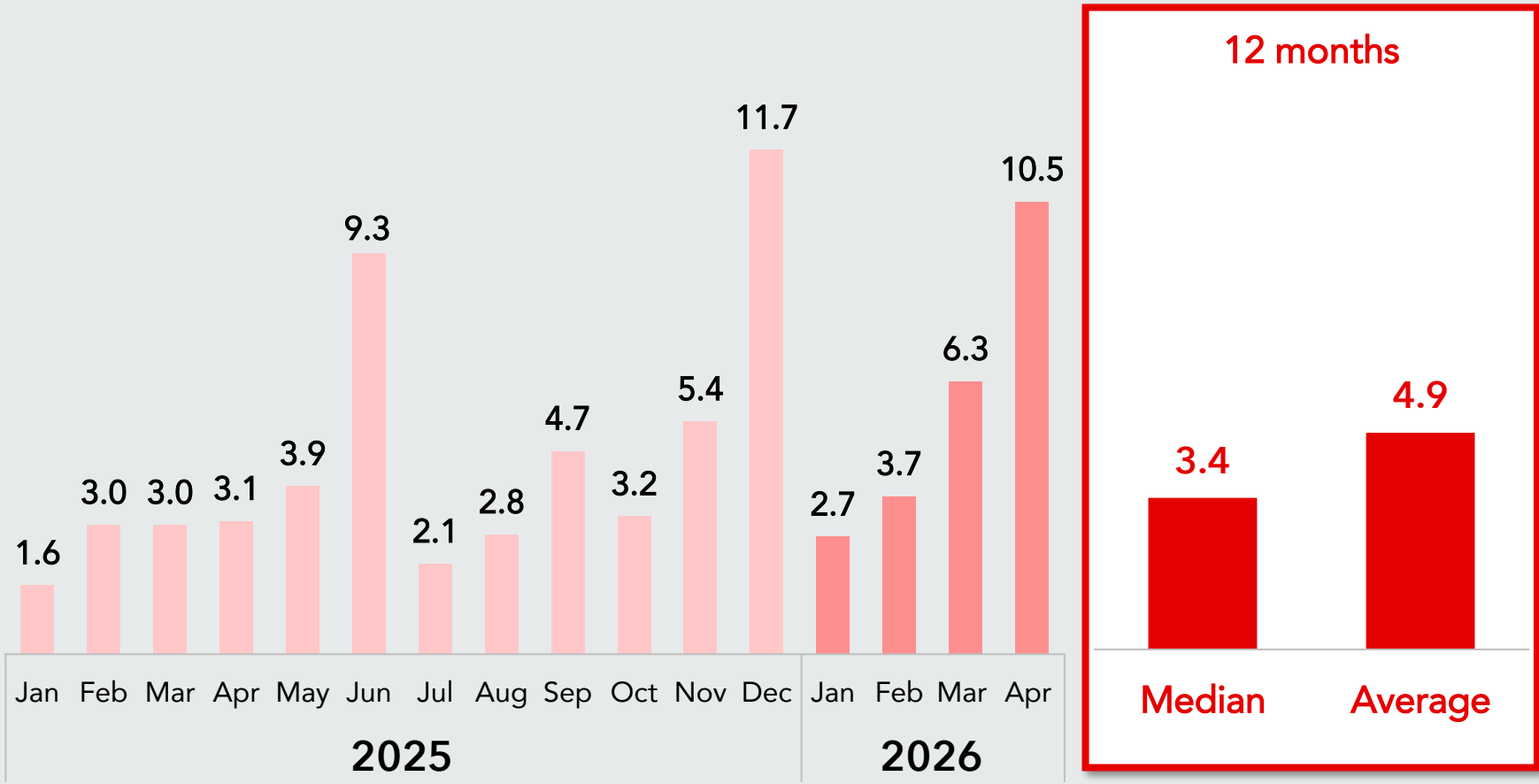


Source: (1) US International Trade Commission, "US Imports for Consumption, Duties Collected, and Ratio of Duties to Value." Table 1. US Census Bureau. The Tax Foundation, "Trump Tariffs: Tracking the Economic Impact of the Trump Trade War." 2026 rate is an estimate from Yale Budget Lab, Capital Econ & Oxford as of February 2026.

New Tariffs Announced Every 3-5 Days



Average # of days between changes in President Trump tariff policy
(includes new threats and announcements)
















Source: (1) Various News Sources. January 2025 is Jan 20-31. April 2026 is Apr 1-28.

Active or Completed Section 232 Investigations

The Trump administration has initiated over a dozen Section 232 investigations across a range of sectors since Feb 2025, with 7 of those concluded investigations resulting in tariffs. After the Supreme Court struck down IEEPA tariffs in Feb 2026, the President announced a global 10% tariff under Section 122 while simultaneously accelerating the use of Section 232 to rebuild the tariff regime on more robust legal ground.

Section 232 investigations

Sector	Announcement of action	Tariff rate
 Auto & auto parts	Effective Apr 2025	25%
 Steel & aluminum	Effective Jun 2025; Apr 2026 expansion	50%
 Copper	Effective Aug 2025; Apr 2026 expansion	50%
 Timber & lumber	Effective Oct 2025	10%
 Heavy-duty vehicles & parts	Effective Nov 2025	25%
 Semiconductors	Effective Jan 2026	25%
 Pharmaceuticals	Effective Jul 2026 (large firms); Sep 2026 (small)	100%
 Commercial aircraft & jet engines	<i>No later than mid-May 2026</i>	TBD
 Polysilicon	<i>No later than mid-July 2026</i>	TBD
 Drones & unmanned aerial vehicles	<i>No later than mid-July 2026</i>	TBD
 Wind turbines & parts	<i>No later than late Aug 2026</i>	TBD
 Pers. protective & medical equip.	<i>No later than mid-Sep 2026</i>	TBD
 Robotics & industrial machinery	<i>No later than mid-Sep 2026</i>	TBD

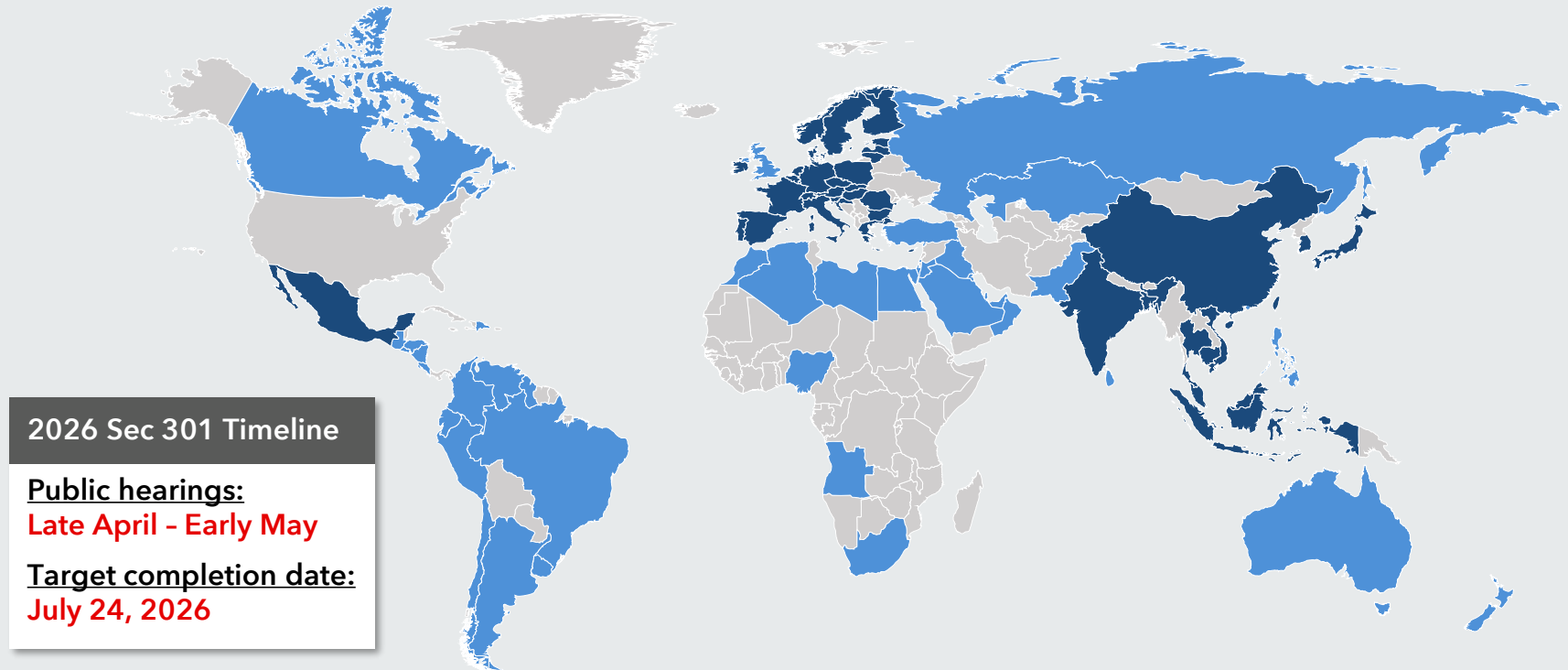
Source: (1) US Commerce Department. Various News Sources. Covington, "Current and Forthcoming Section 232 Actions by the Trump Administration." As of April 2026.

Status of USTR Greer Section 301 Investigations

In March 2026, USTR Greer launched two Section 301 investigations targeting nearly 90 economies – a direct response to the Supreme Court’s decision invalidating the administration’s use of IEEPA to impose tariffs. Greer signaled his intent to move on an accelerated timeline, with public hearings scheduled for late April and early May and a target completion date of July 24, 2026, coinciding with the expiration of the parallel Section 122 tariffs.

Countries targeted in 2026 Section 301 investigations

- Structural excess manufacturing capacity & failure to enforce forced labor import prohibition
- Failure to enforce forced labor import prohibition only



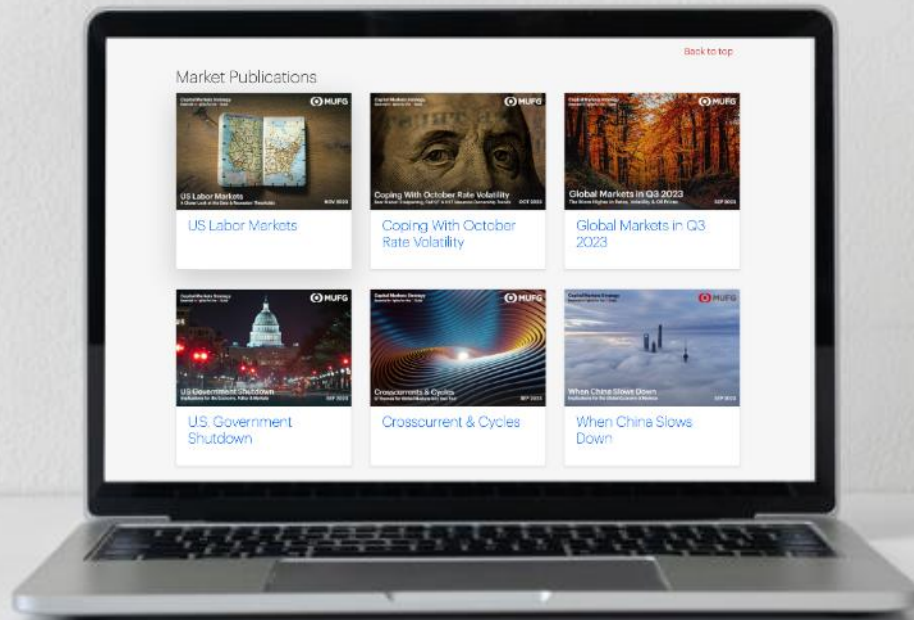
Source: (1) USTR. Data as of April 21, 2026.





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Role

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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.

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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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Experience

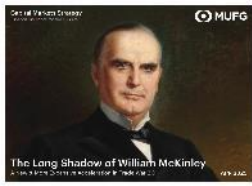
Angela previously interned at MUFG working in Capital Markets within the Equity Capital Markets and Leveraged Finance divisions. She is also an active member of the Carnegie Mellon University recruiting team.

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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