

Capital Markets Strategy

Essential insights for the C-Suite



Earnings Subdue the Vigilantes

The Uneven Performance of Global Markets in Q3 2026

OCT 2026

**"I think that most people are underestimating
just how radical the upside of AI could be,
just as I think most people are underestimating
how bad the risks could be."**

Dario Amodei, Co-founder and CEO of Anthropic, in his essay
Machines of Loving Grace (October 2024)

Global Corporate & Investment Banking

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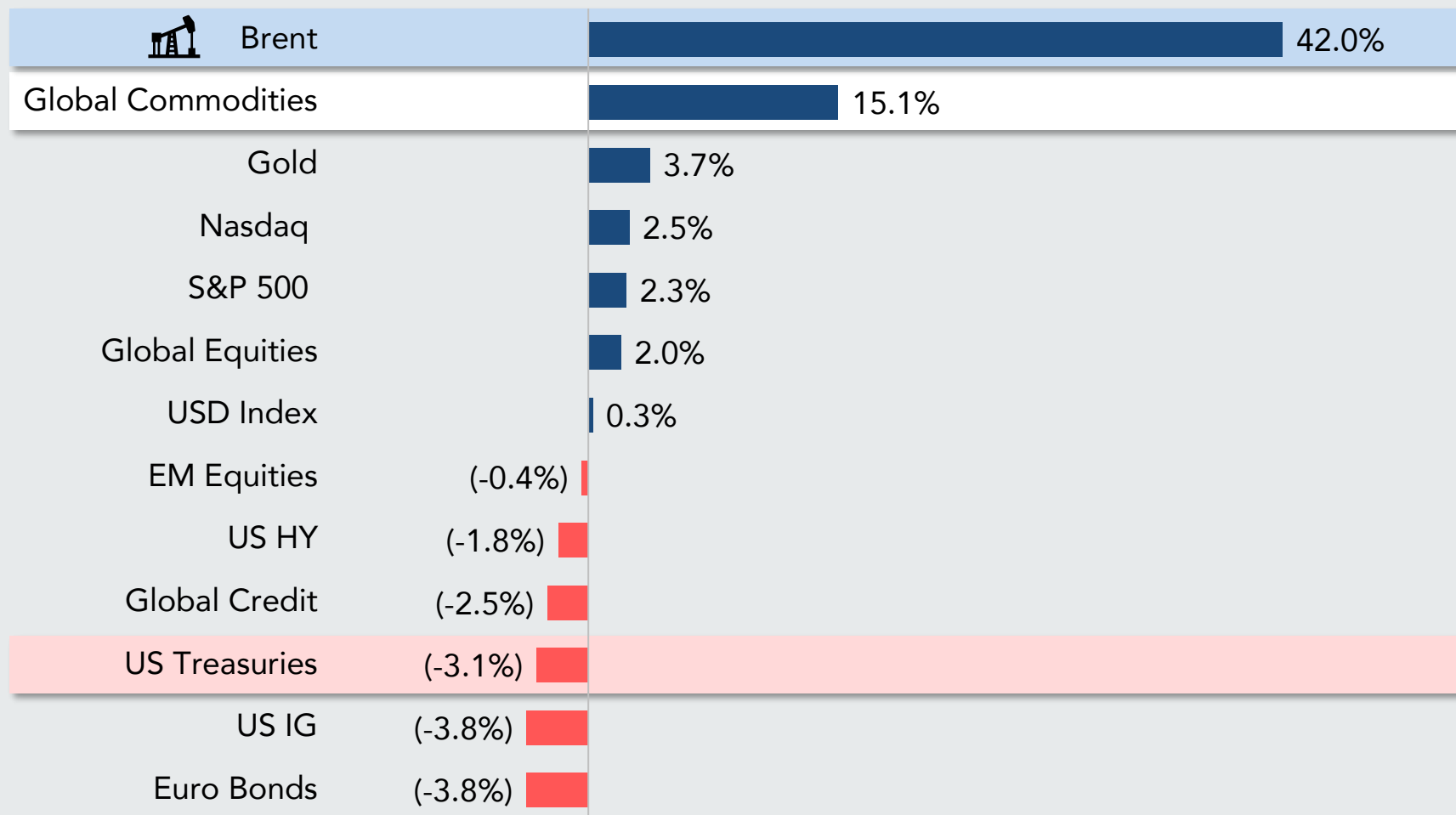


1 *Cross-Asset: Divergence Widening*

Global Commodities Outperformed in Q3 2026



Performance in Q3 2026



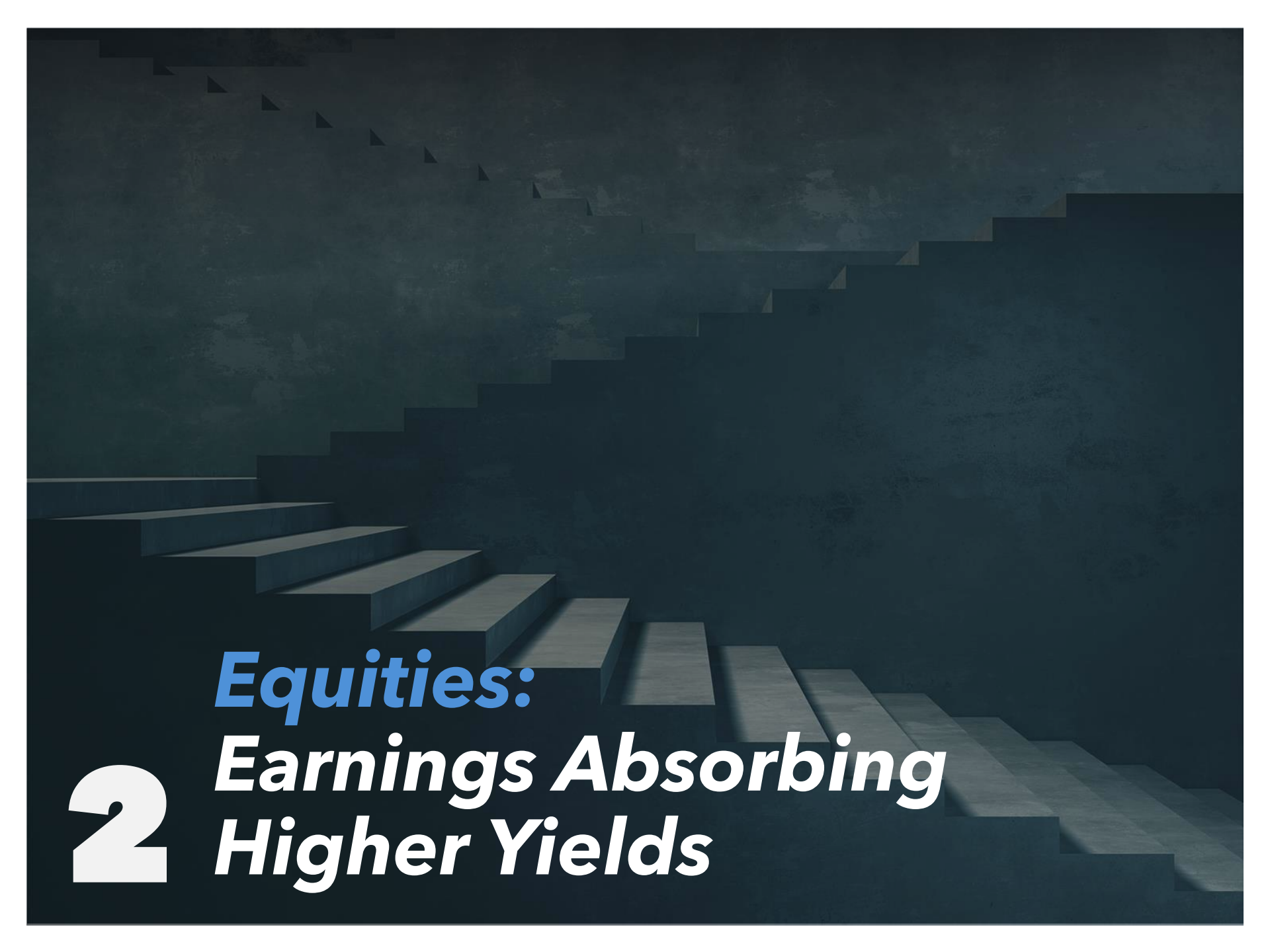
Source: (1) Bloomberg. Data as of September 30, 2026.

US Equities Outperforming Credit Since GenAI Inflection Point

Annual relative total returns, USD markets

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q3 2026
High Yield 17.5%	S&P 500 21.8%	Munis 1.1%	S&P 500 31.5%	S&P 500 18.4%	S&P 500 28.7%	Loans (-0.8%)	S&P 500 26.3%	S&P 500 25.0%	S&P 500 17.9%	S&P 500 2.3%
S&P 500 11.9%	EM Sov 10.0%	Mortgages 1.0%	High Yield 14.4%	High Grade 9.8%	Loans 5.4%	Munis (-9.0%)	Loans 13.7%	EM Sov 9.7%	EM Sov 14.5%	Loans 2.0%
Loans 10.3%	High Yield 7.5%	US Gov't 0.8%	High Grade 14.2%	US Gov't 8.2%	High Yield 5.4%	High Yield (-11.2%)	High Yield 13.4%	Loans 9.2%	High Yield 8.5%	High Yield (-1.8%)
EM Sov 10.1%	High Grade 6.5%	Loans 0.6%	EM Sov 13.0%	High Yield 6.2%	Munis 1.8%	Mortgages (-11.9%)	EM Sov 13.2%	High Yield 8.2%	Mortgages 8.3%	US Gov't (-3.1%)
High Grade 6.0%	Munis 5.4%	High Grade (-2.2%)	Loans 8.7%	Munis 5.3%	High Grade (-1.0%)	US Gov't (-12.9%)	High Grade 8.4%	High Grade 2.8%	High Grade 7.8%	High Grade (-3.8%)
Mortgages 1.7%	Loans 4.3%	High Yield (-2.3%)	Munis 7.7%	Mortgages 4.1%	Mortgages (-1.2%)	High Grade (-15.4%)	Munis 6.5%	Mortgages 1.4%	US Gov't 6.2%	EM Sov (-4.1%)
US Gov't 1.1%	Mortgages 2.4%	S&P 500 (4.4%)	US Gov't 7.0%	EM Sov 3.9%	US Gov't (-2.4%)	S&P 500 (-18.1%)	Mortgages 5.0%	Munis 1.1%	Loans 6.0%	Mortgages (-4.1%)
Munis 0.4%	US Gov't 2.4%	EM Sov (-5.2%)	Mortgages 6.5%	Loans 3.5%	EM Sov (-3.0%)	EM Sov (-18.3%)	US Gov't 3.9%	US Gov't 0.6%	Munis 3.9%	Munis (-5.8%)

Source: (1) CreditSights. Bloomberg. Data as of September 30, 2026. BAML, S&P LSTA. Bloomberg EM Sov is USD EM Sovereign BBB & lower index.

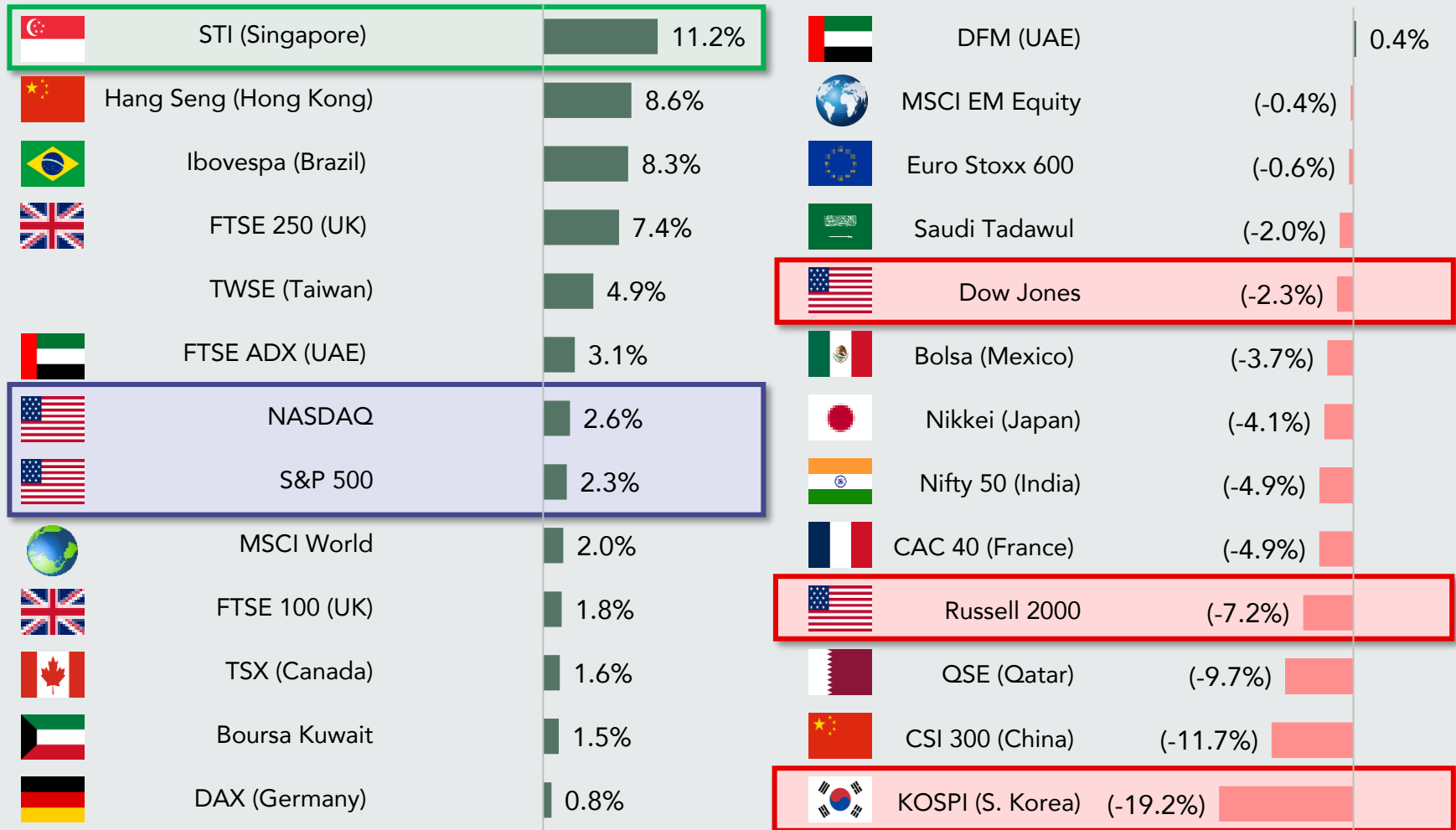


2

Equities:
***Earnings Absorbing
Higher Yields***

Divergence in Equities as Risks Rise in Q3

Regional equity market performance in Q3 2026 (total return)

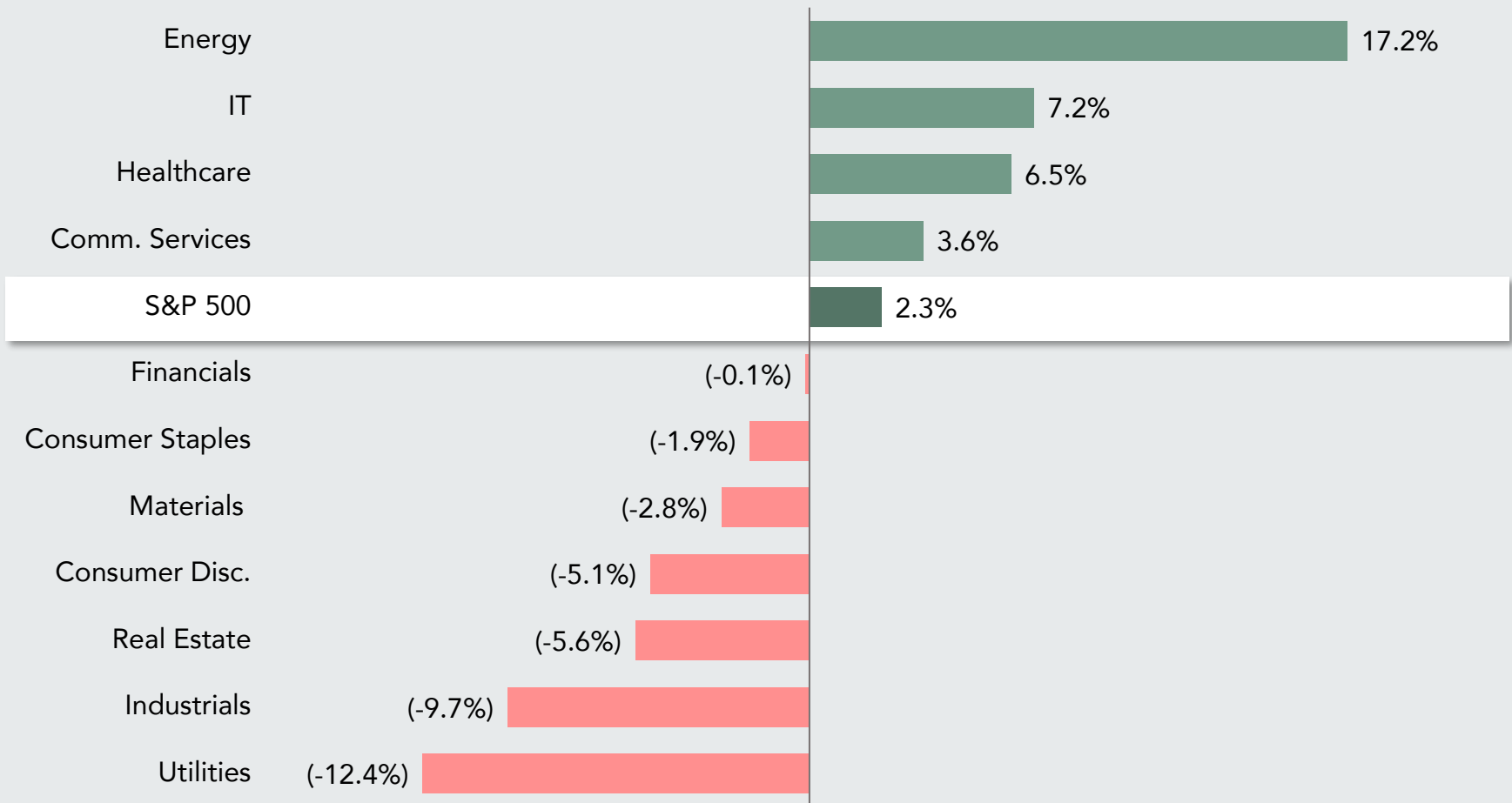


Source: (1) Bloomberg. Data as of September 30, 2026. Equity market performance is total returns.

Energy Companies Outperform as Geopolitical Risk Returns



S&P 500 industry sector performance in Q3 2026 (total return)



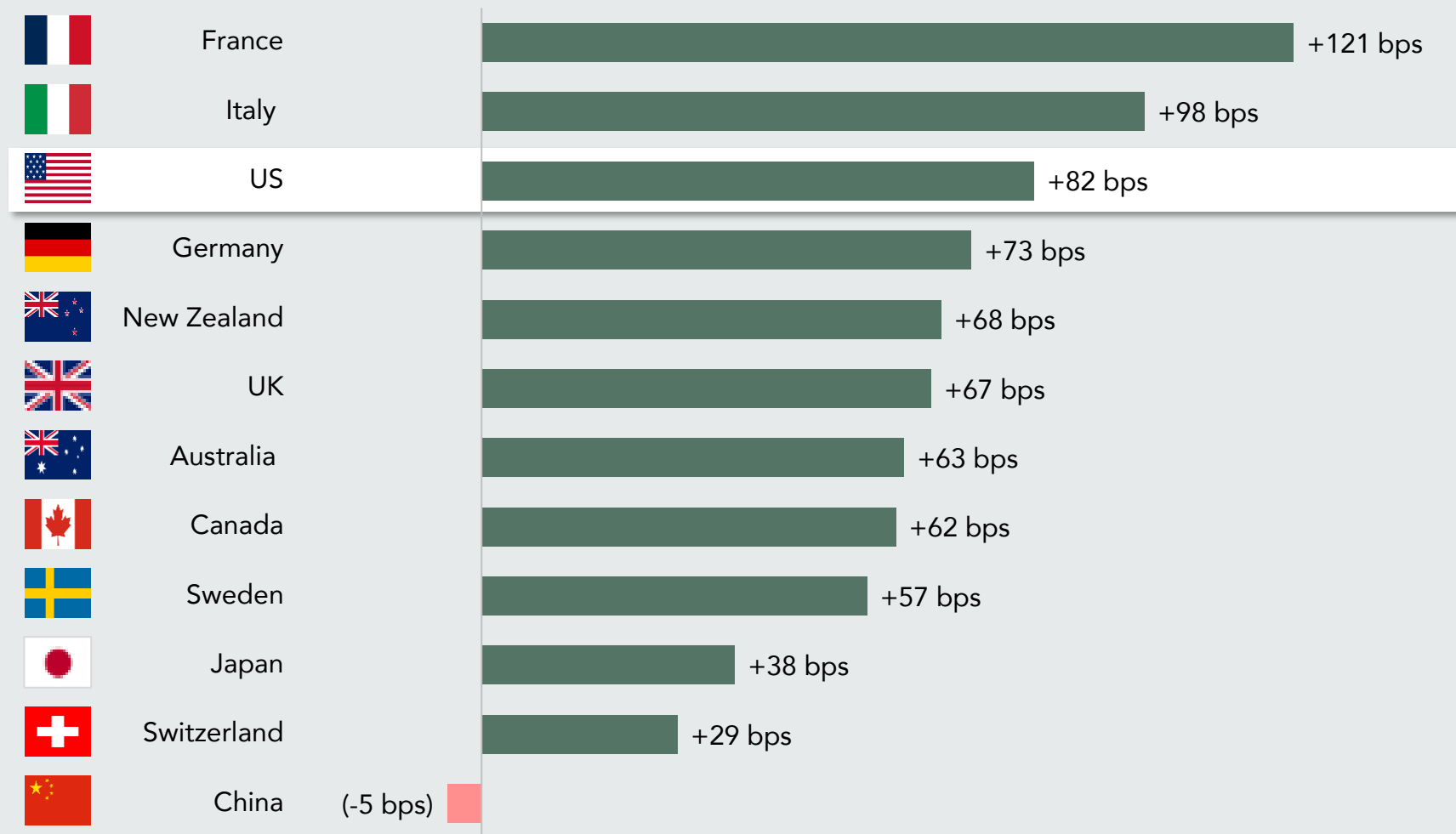
Source: (1) Bloomberg. Data as of September 30, 2026.

Rates:
3 Duration Selloff Accelerates

Global 10 Year Yields Widen Sharply



Change in global government 10 year yields in Q3 2026

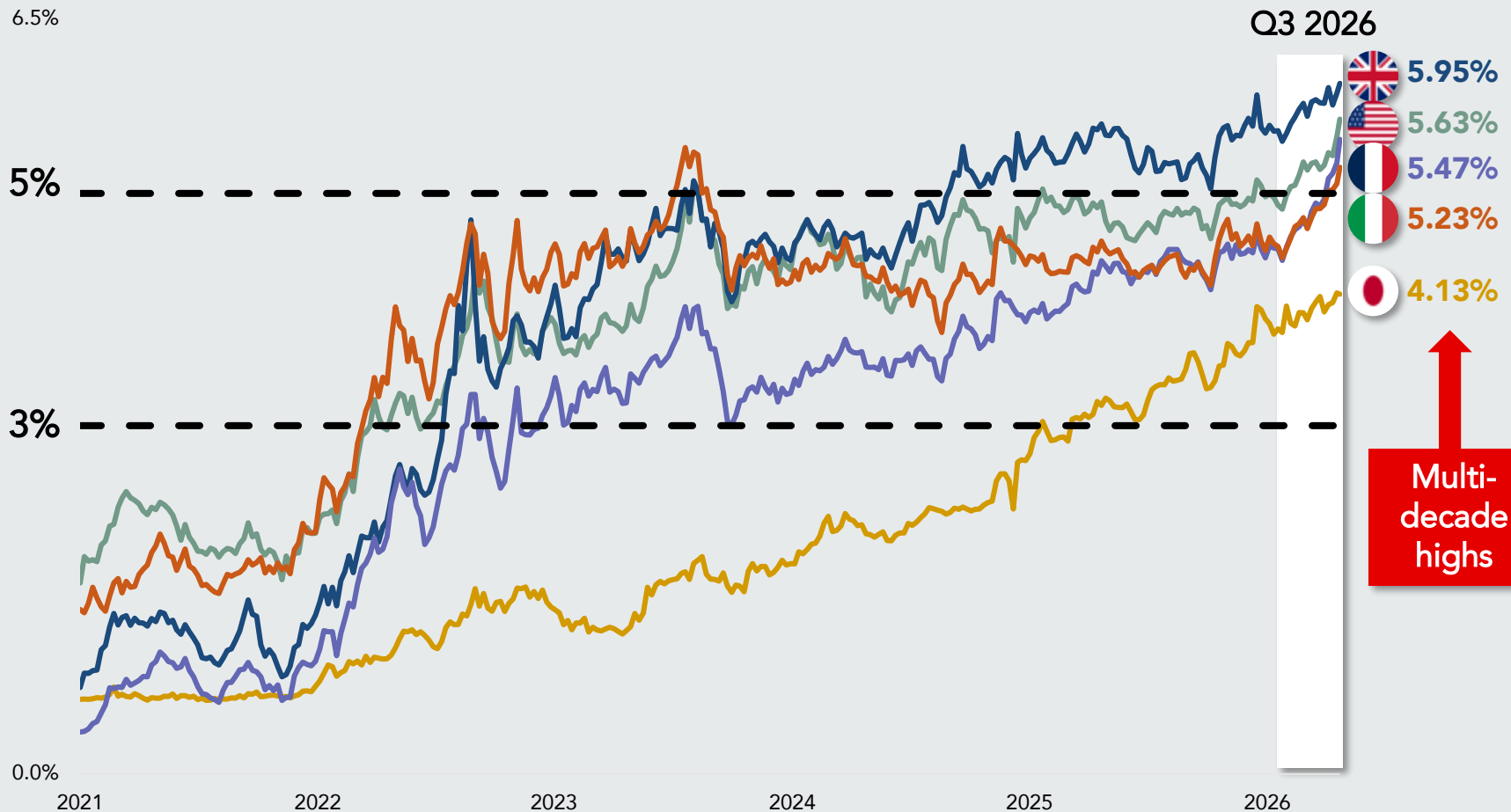


Source: (1) Bloomberg. Data as of September 30, 2026.

Global Markets Repricing Duration Risk



30 yr global government bond yields

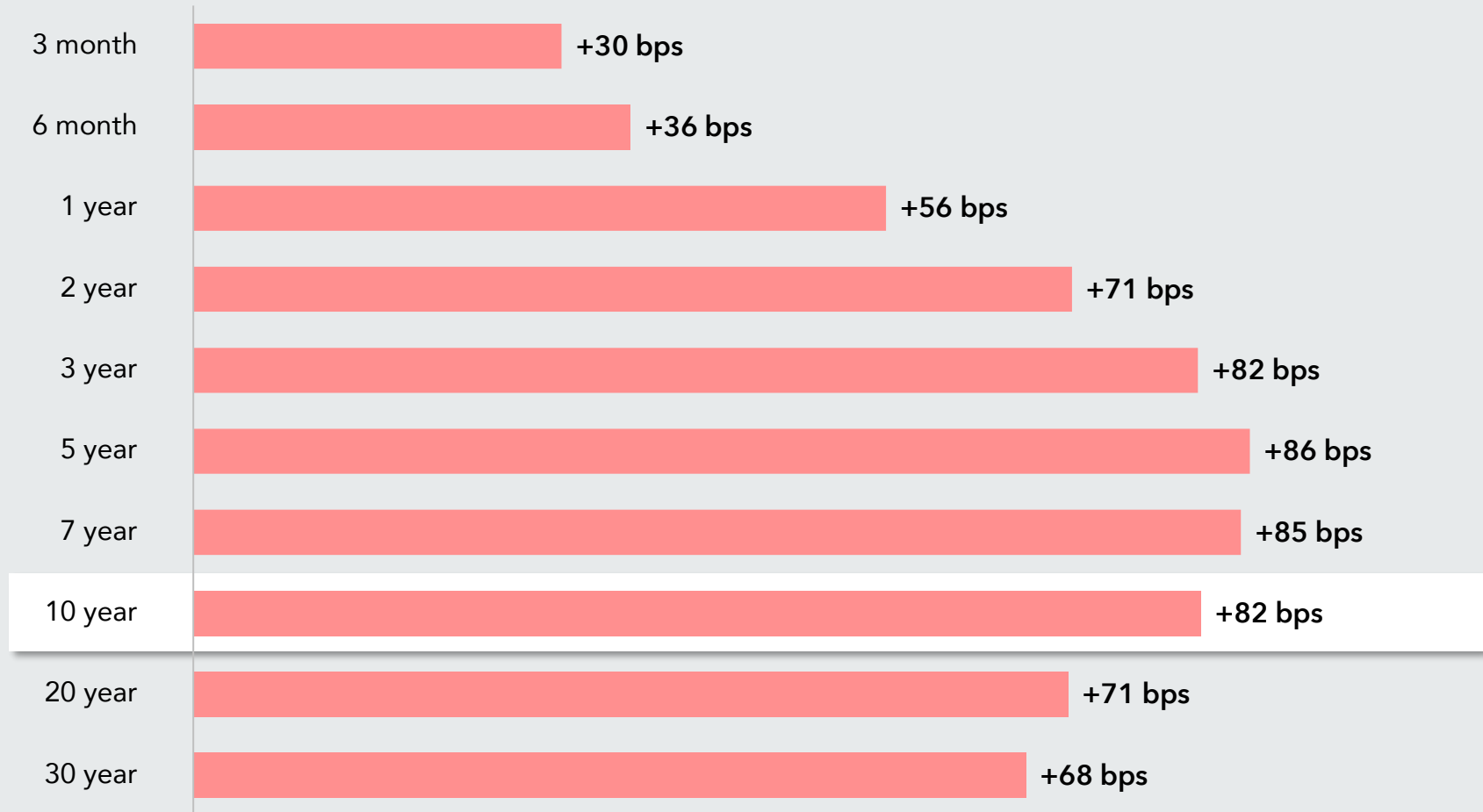


Source: (1) Bloomberg. Data as of September 30, 2026.

UST Yields Widened Across the Entire Curve



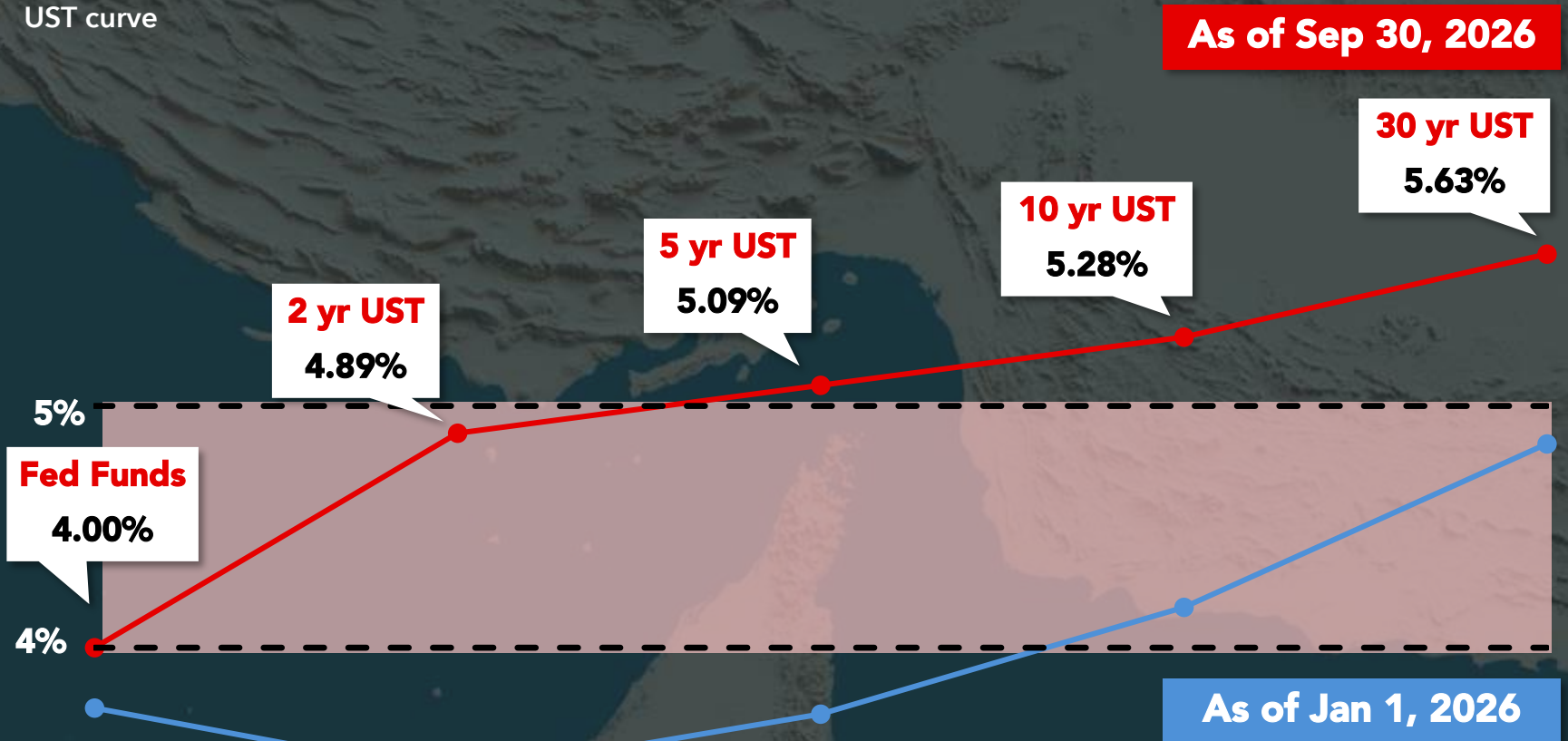
Change in UST rates in Q3 2026



Source: (1) Bloomberg. Data as of September 30, 2026.

UST Curve Repriced Higher

UST curve



Source: (1) Bloomberg. Data as of September 30, 2026. Fed funds is upper bound.

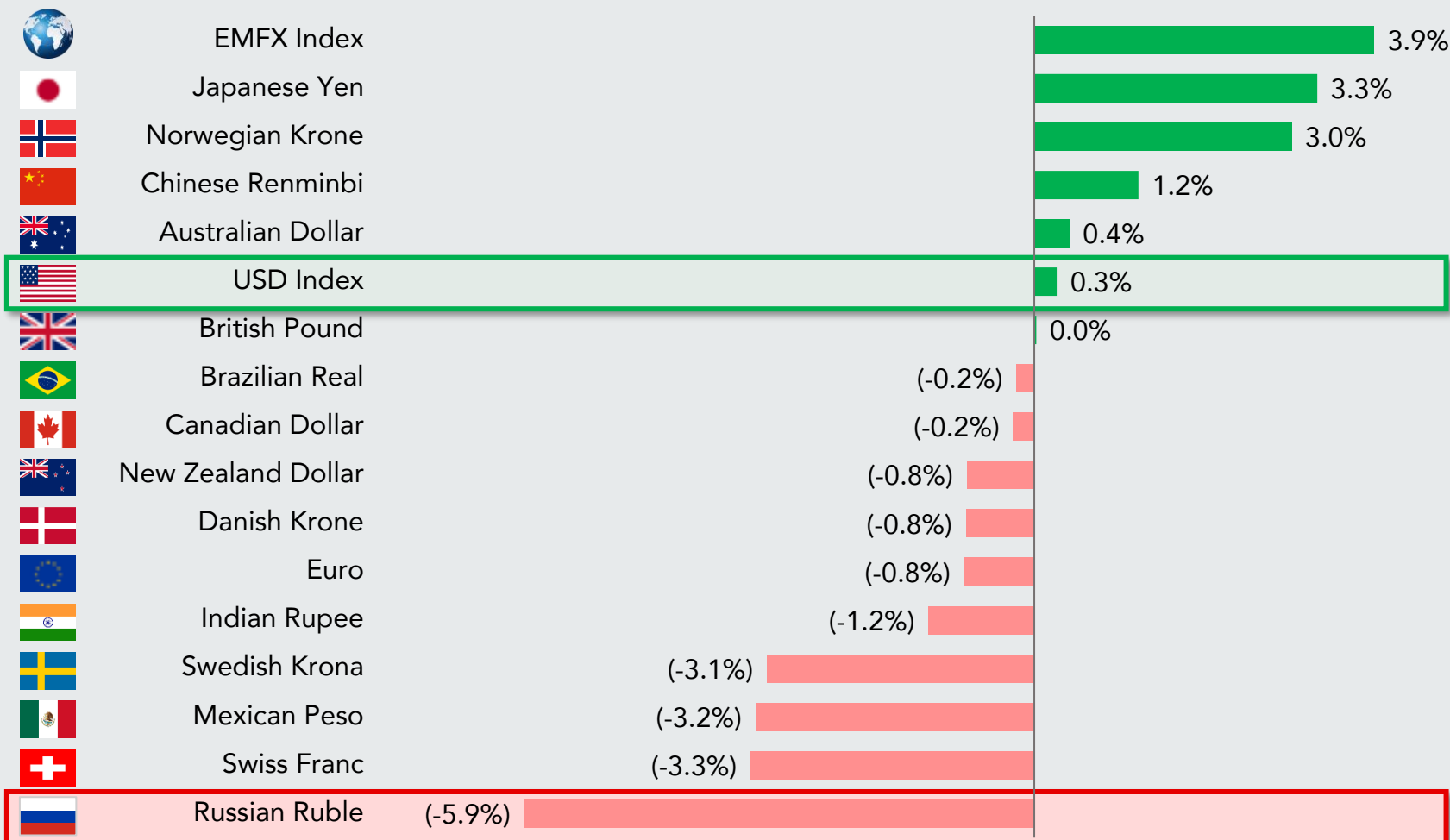
FX:

***4 Structural Dollar Strength,
Cyclical Reinforcement***

Modest USD Strength Vs. Most G10



Currency performance vs. USD in Q3 2026

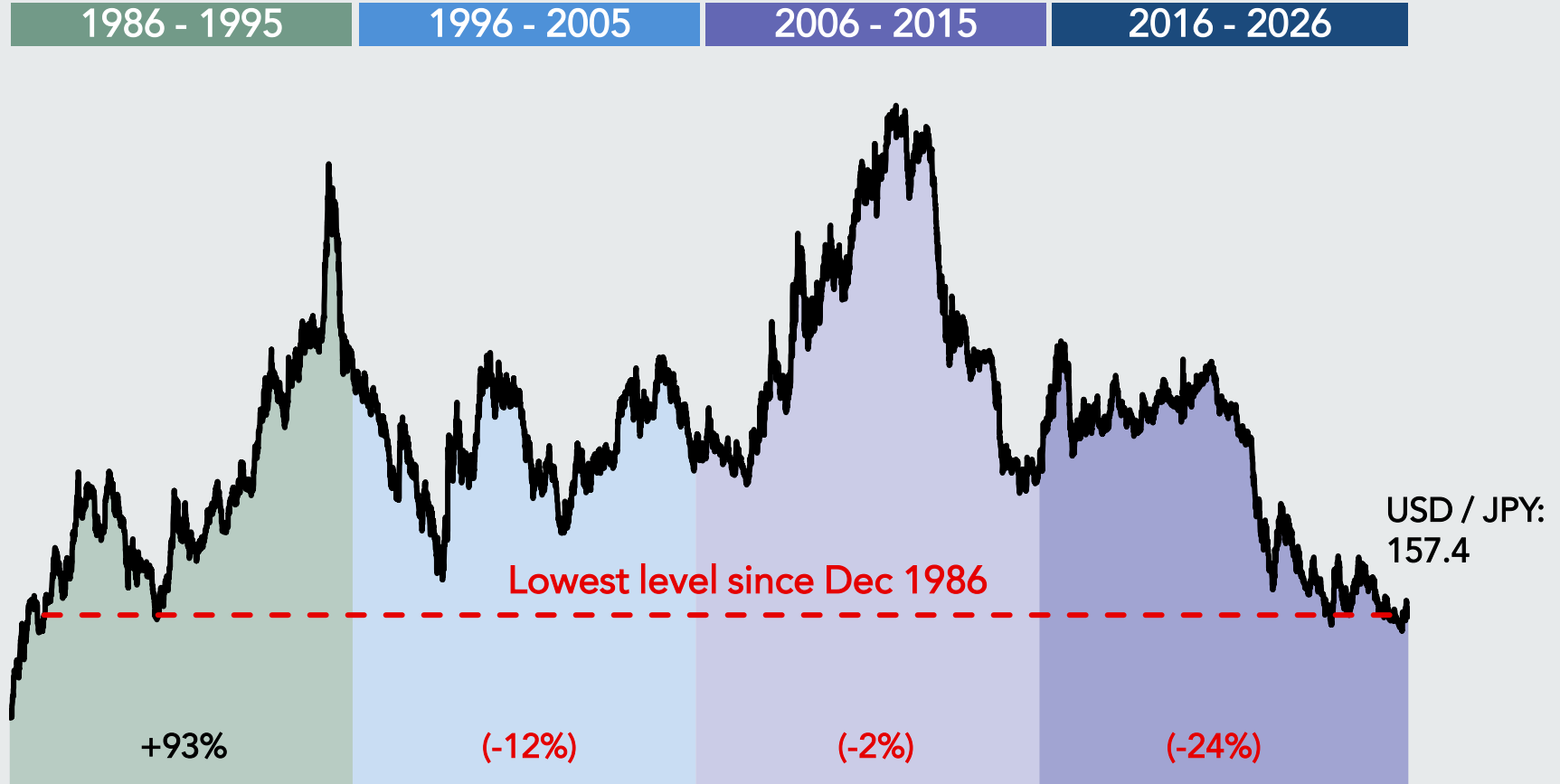


Source: (1) Bloomberg. Data as of September 30, 2026.

Yen Nears Lowest Levels Since 1986

Driven by entrenched policy and yield differentials, USD/JPY's drop to the low 160s marks a four-decade low with Yen trading at its weakest level since December 1986.

USD / JPY

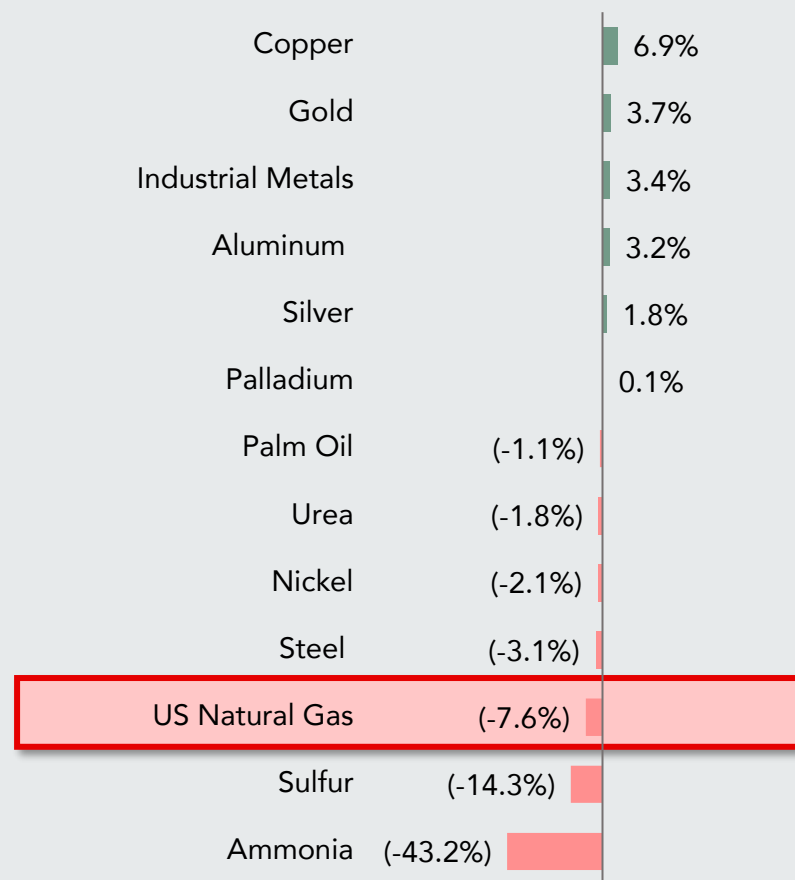
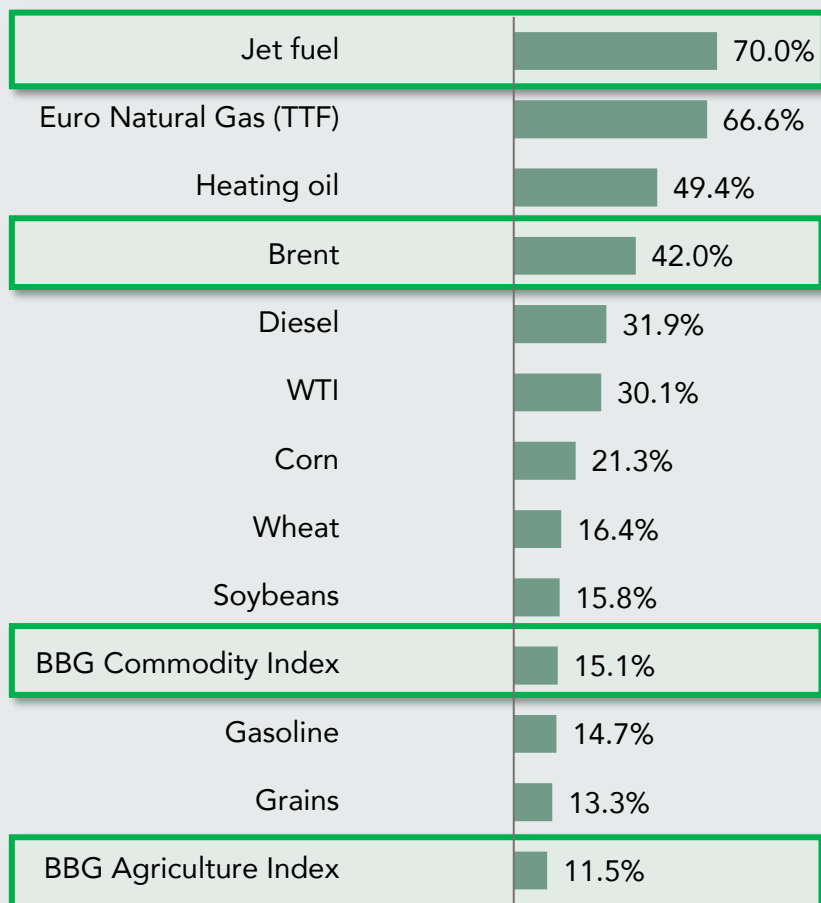


Source: (1) Bloomberg. Data as of September 30, 2026. Appreciation & depreciation data is JPY vs. USD. Graph shows USD vs. JPY, inverted.

5 ***Energy:
Geopolitical Risk
Premium Returns***

Geopolitical Risk, Supply & Climate Shocks

Commodity market performance in Q3 2026

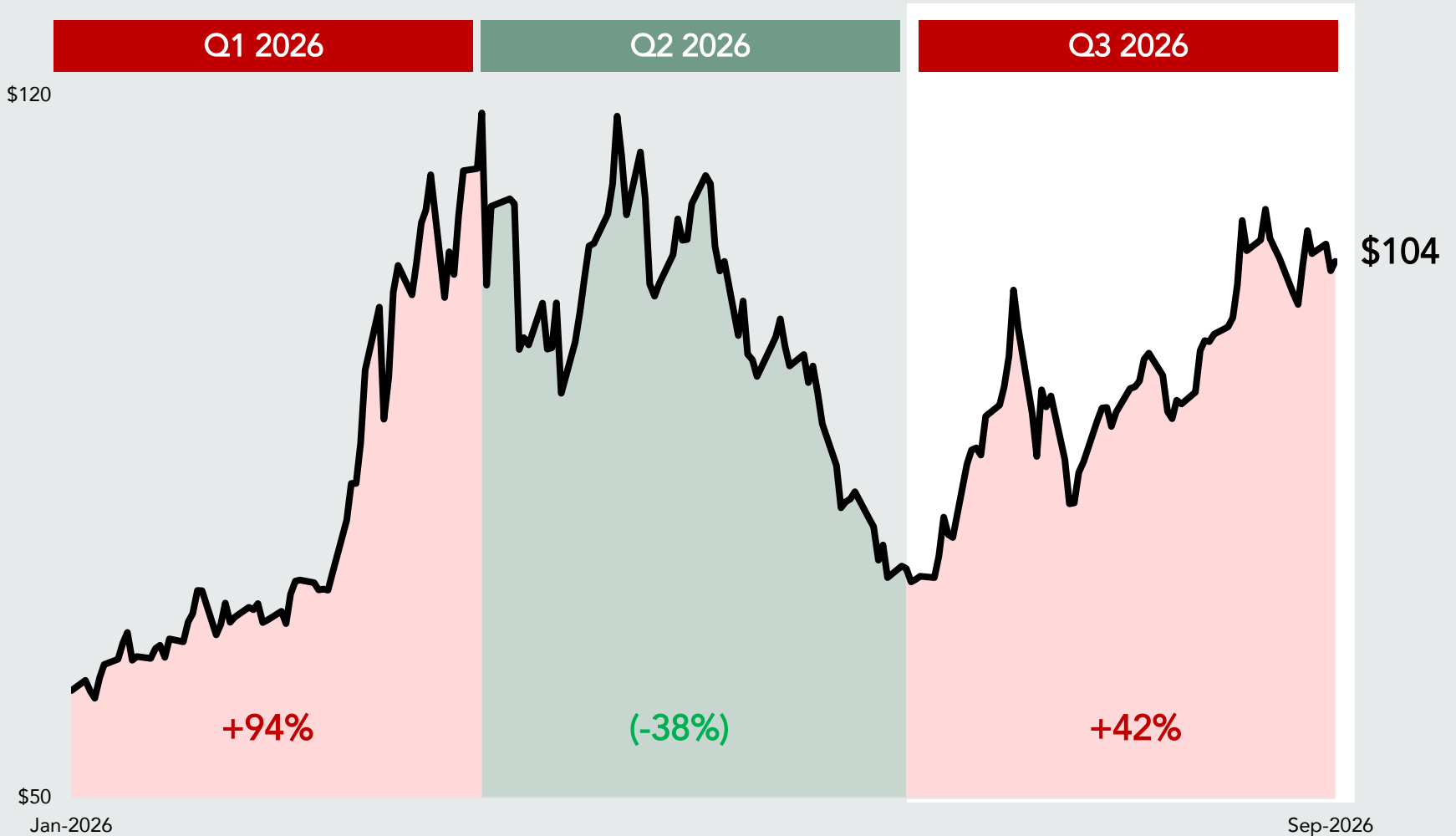


Source: (1) Bloomberg. Data as of September 30, 2026. Commodities Index and Agriculture Index are total return.

Risk Premia Returns to Oil Markets



Brent in 2026 YTD

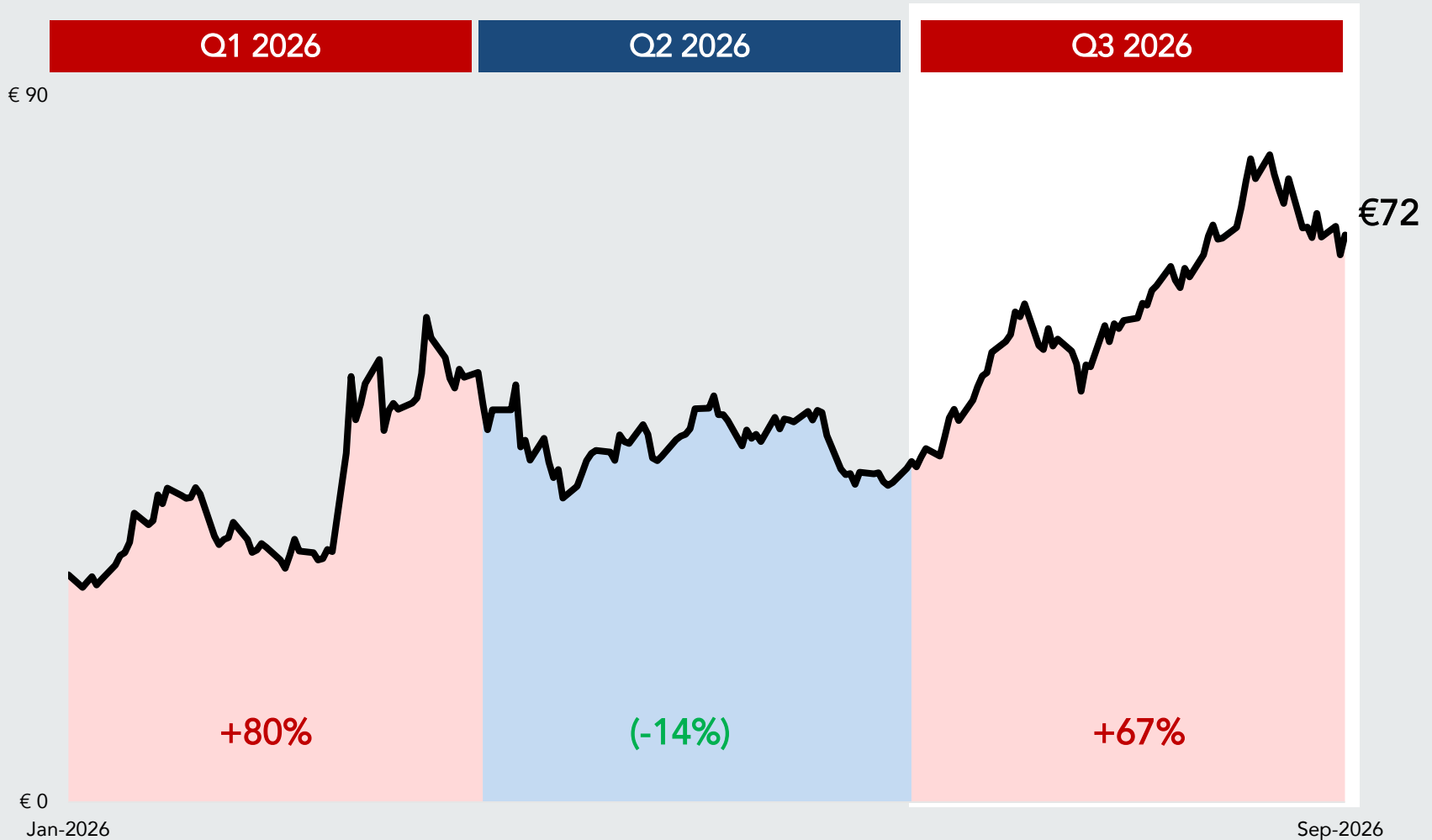


Source: (1) Bloomberg. Data as of June 30, 2026.

Risk Premia Returns to European Nat Gas



EU nat gas in 2026 YTD



Source: (1) Bloomberg. Data as of September 30, 2026.

Refined Products Outrunning Crude

Price performance since Jan 1, 2026

US-Iran War

180%

-10%

Jan-2026

Sep-2026

Jet fuel +136%

Diesel +134%

Gasoline +102%

Maritime fuel +93%

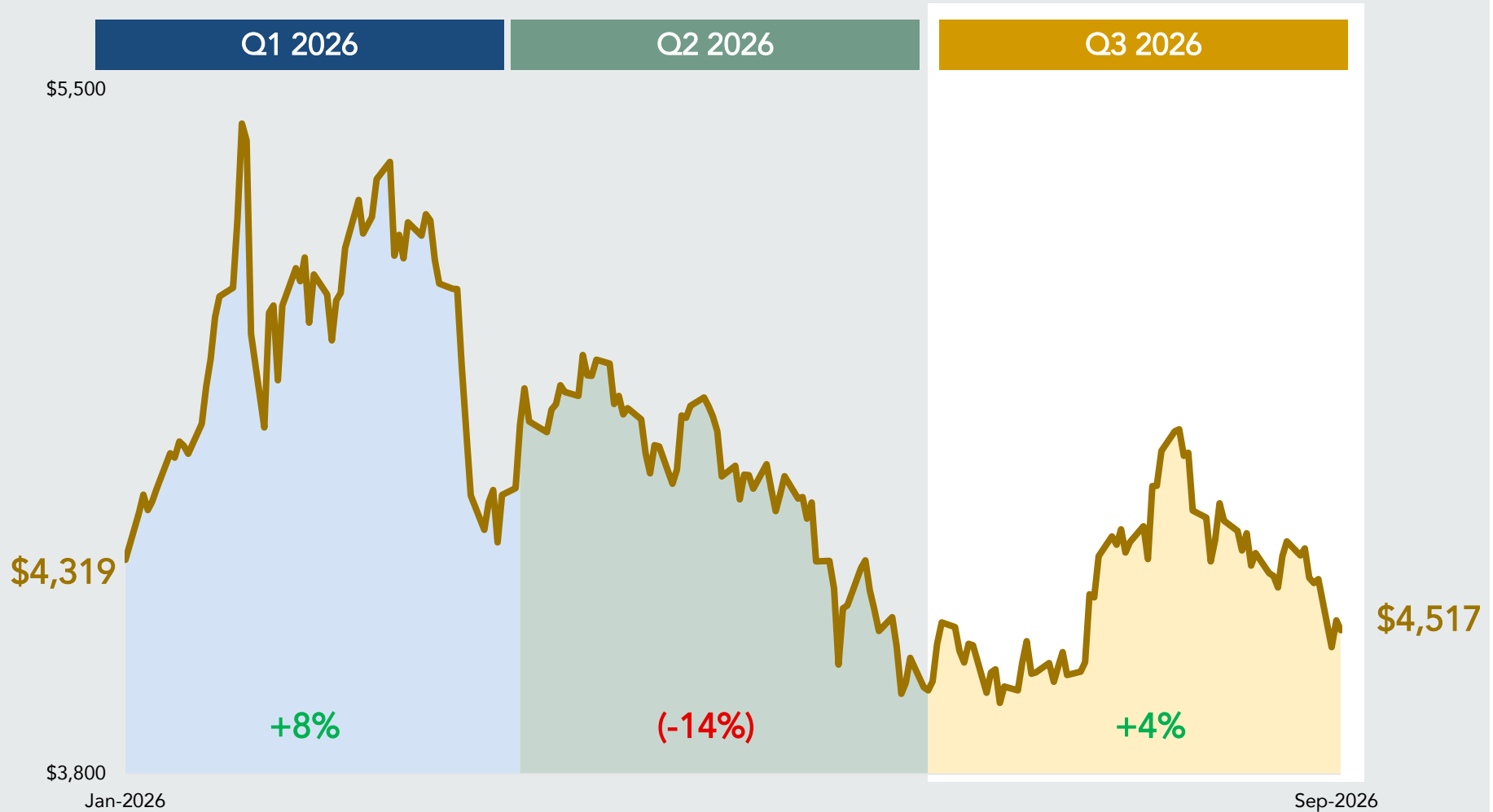
Brent +70%

Fuel oil +59%

Source: (1) Bloomberg. Data as of September 30, 2026.

Gold Finds Its Footing

Gold in 2026 YTD



Source: (1) Bloomberg. Data as of September 30, 2026.



Credit:

6

***Higher Yields,
Resilient Spreads***

Rising Rates Dampen Q3 Credit Returns

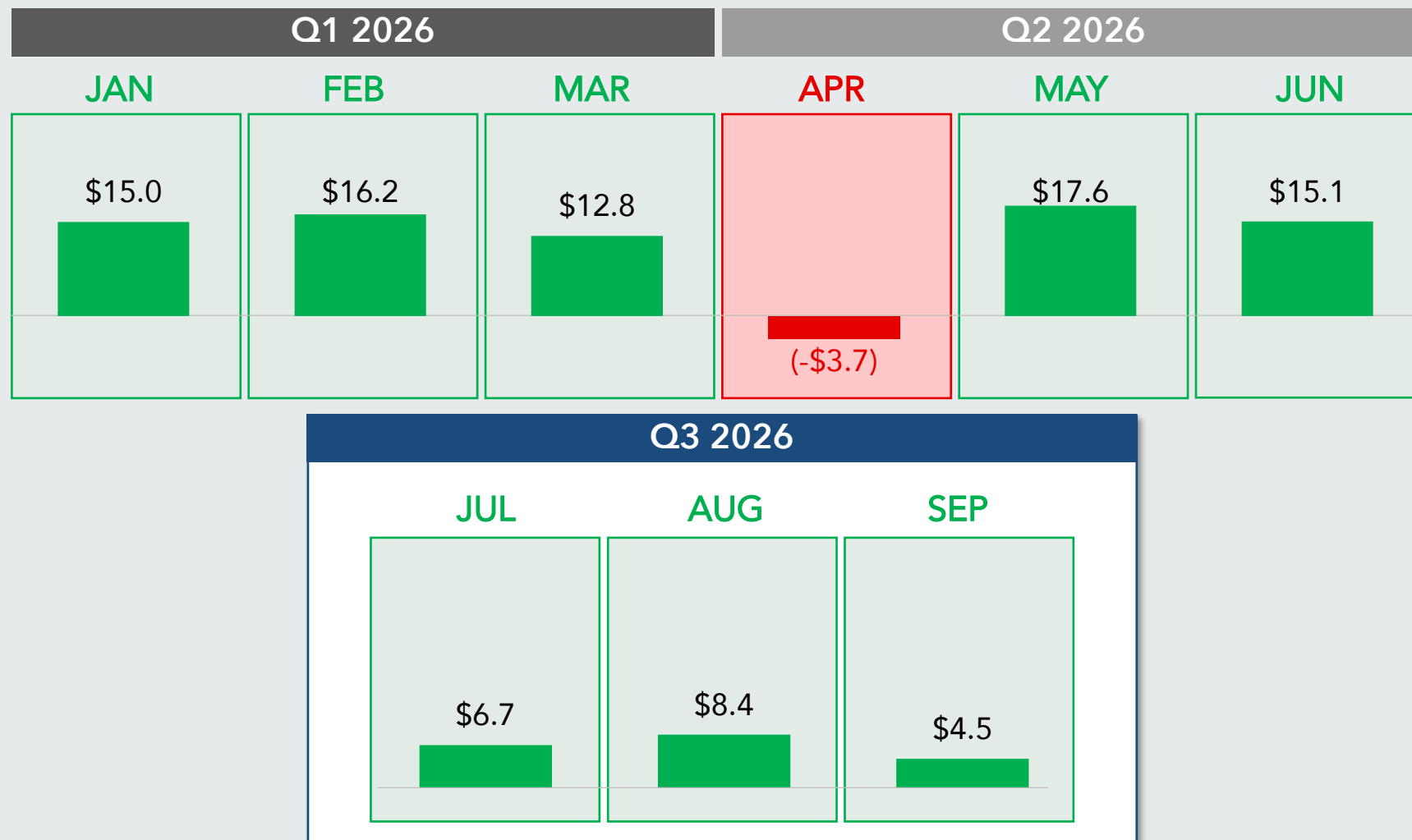
Credit market total returns in Q3 2026

	US Leveraged loans	2.0%		US Aggregate Bond Index	(-3.5%)
	US T-Bills	0.9%		US CCC	(-3.6%)
	US B	(-1.3%)		US BBB	(-3.6%)
	Pan-Euro HY Credit	(-1.5%)		US A	(-3.7%)
	US HY	(-1.8%)		US IG	(-3.8%)
	US BB	(-1.9%)		Euro Aggregate Bonds	(-3.8%)
	Japan Government Index	(-2.0%)		US Mortgages	(-4.1%)
	Global HY Credit	(-2.2%)		US AA	(-4.4%)
	Global Aggregate Credit	(-2.5%)		US Preferreds	(-4.4%)
	UK Government Index	(-2.8%)		Euro Government Index	(-4.5%)
	US Treasuries	(-3.1%)		US Munis	(-5.8%)
	EM USD Aggregate	(-3.5%)		US AAA	(-6.0%)
	Pan-Euro Agg. Bonds	(-3.5%)		US Convertibles	(-7.2%)

Source: (1) Bloomberg. Data as of September 30, 2026.

Slow but Steady USD IG Flows

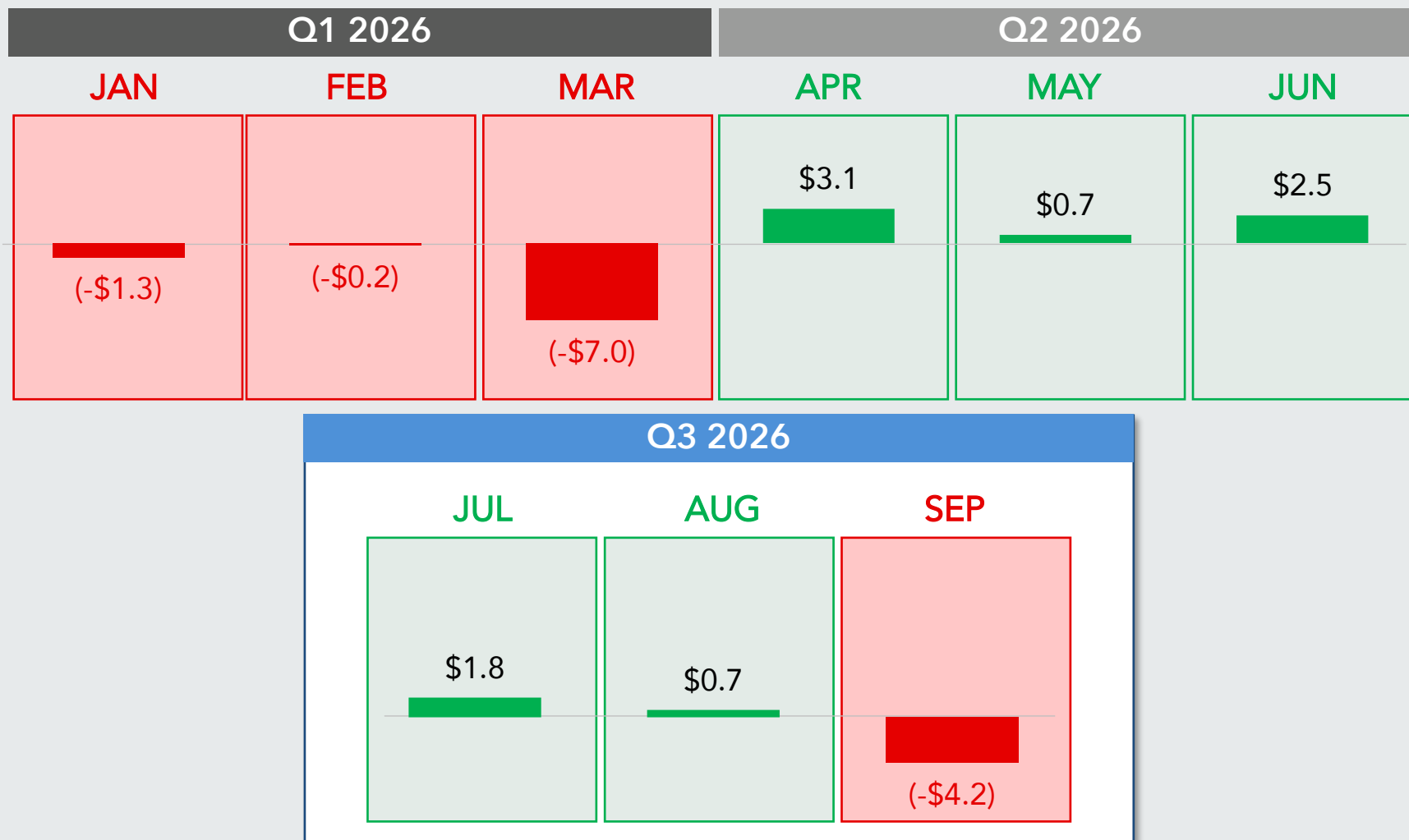
Monthly IG fund flows in 2026 YTD, USD bn



Source: (1-2) IFR. Data through the week ending September 30, 2026.

Supply & Rates Dampen USD HY Flows

Monthly HY fund flows in 2026 YTD, USD bn



Source: (1-2) IFR. Data through the week ending September 30, 2026.

Resilient IG Credit Spreads, HY Widens

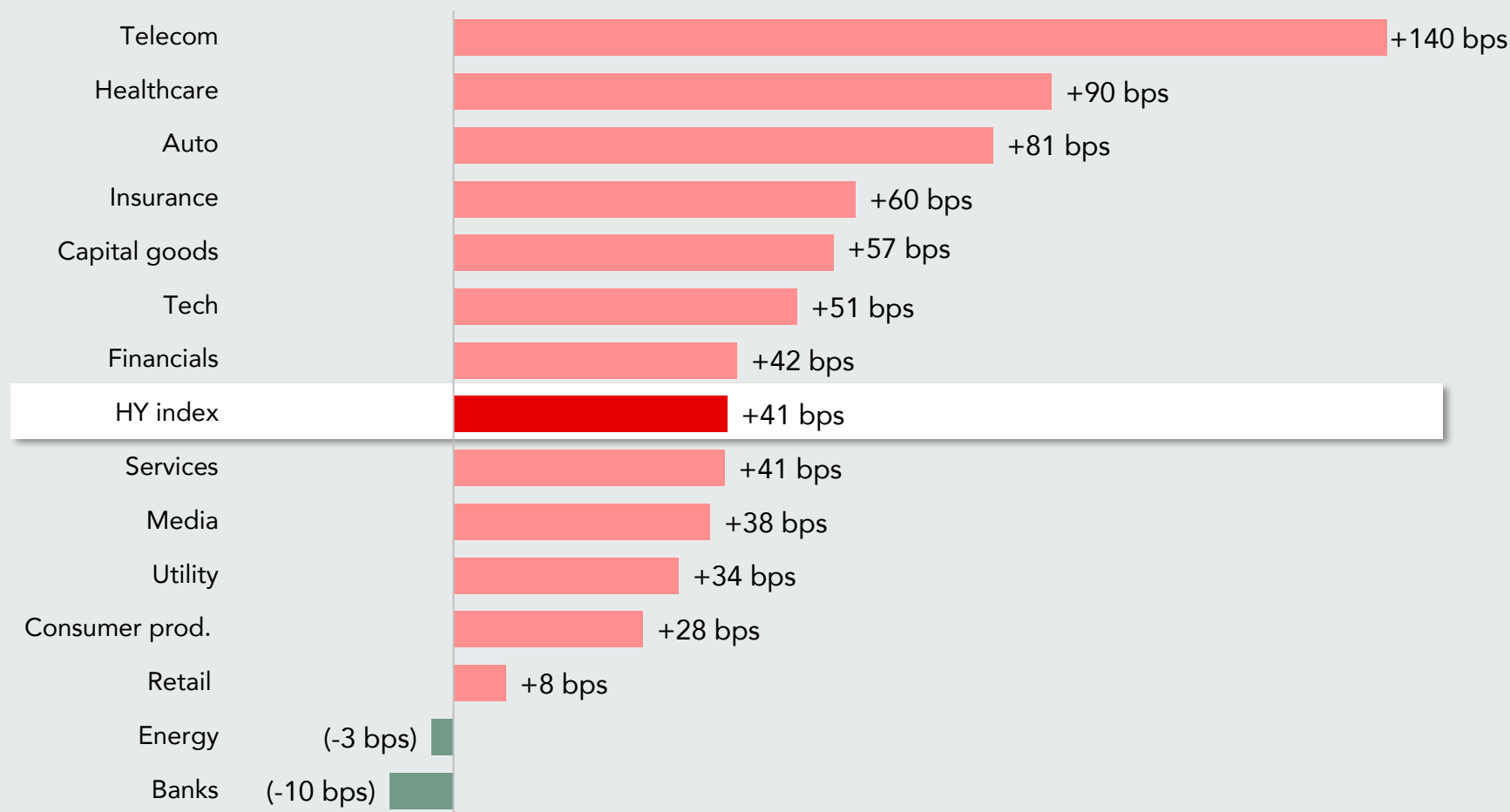
USD credit spreads in Q3 2026



Source: (1) Bloomberg. Data as of September 30, 2026.

Broad-Based USD HY Spread Widening

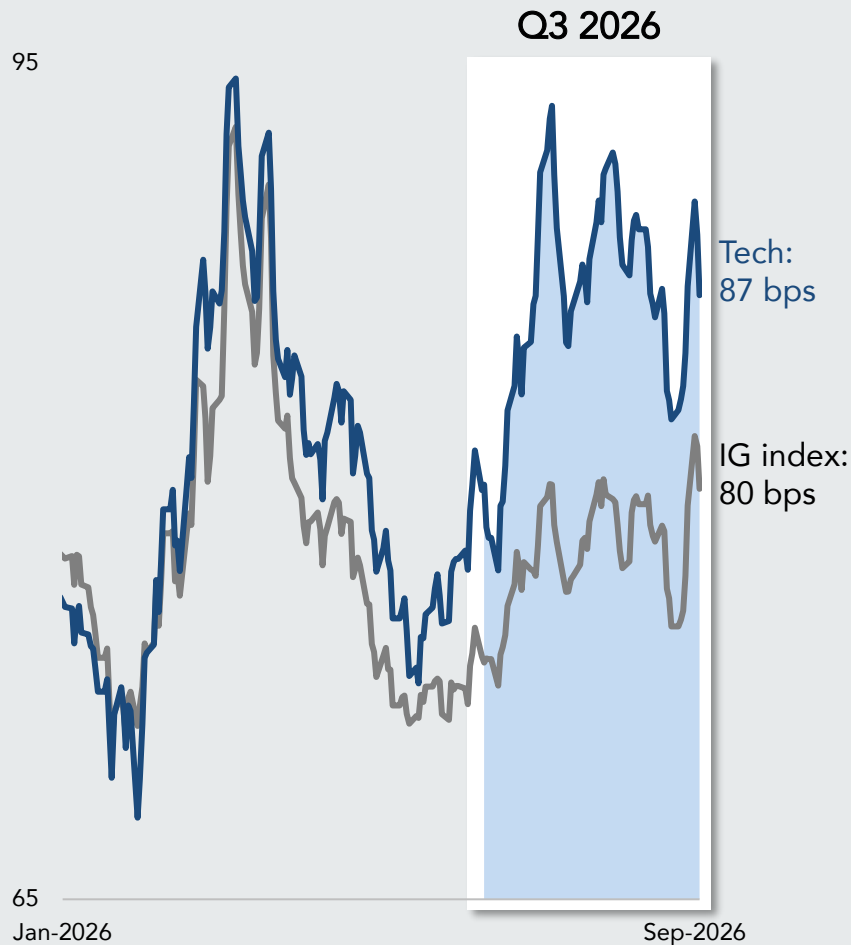
Change in HY spreads by sector in Q3 2026, bps



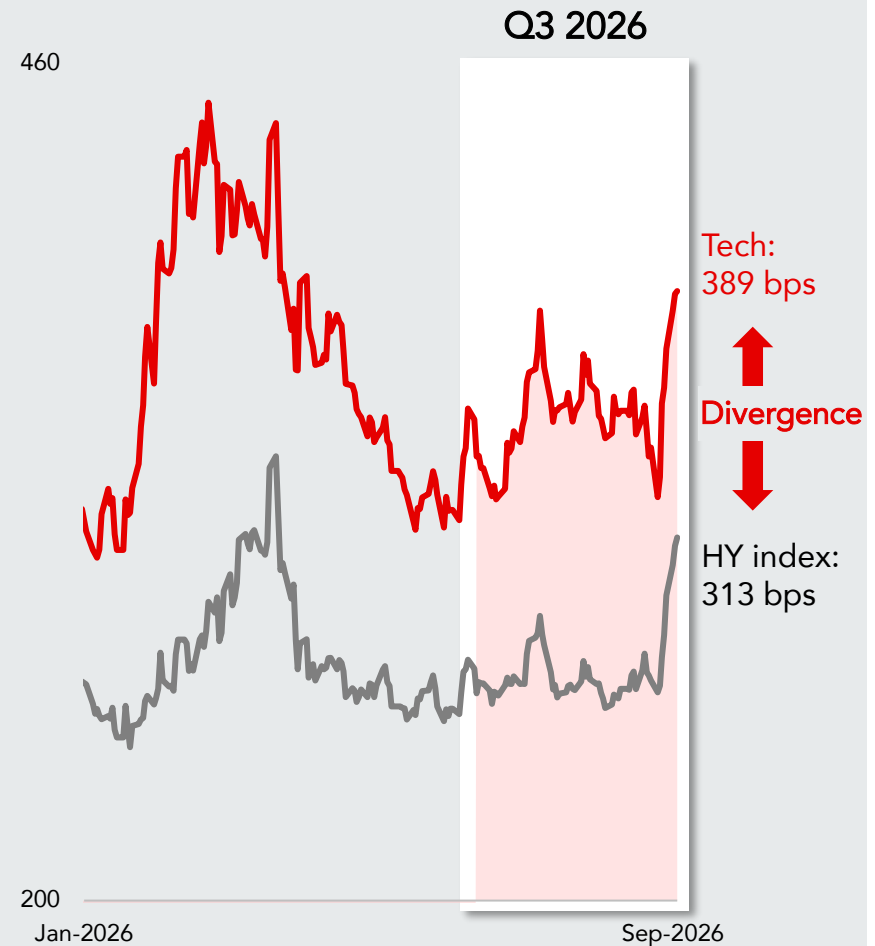
Source: (1) Bloomberg. Data as of September 30, 2026.

Tech Spreads Diverging from the Index

IG index vs. IG tech spreads



HY index vs. HY tech spreads

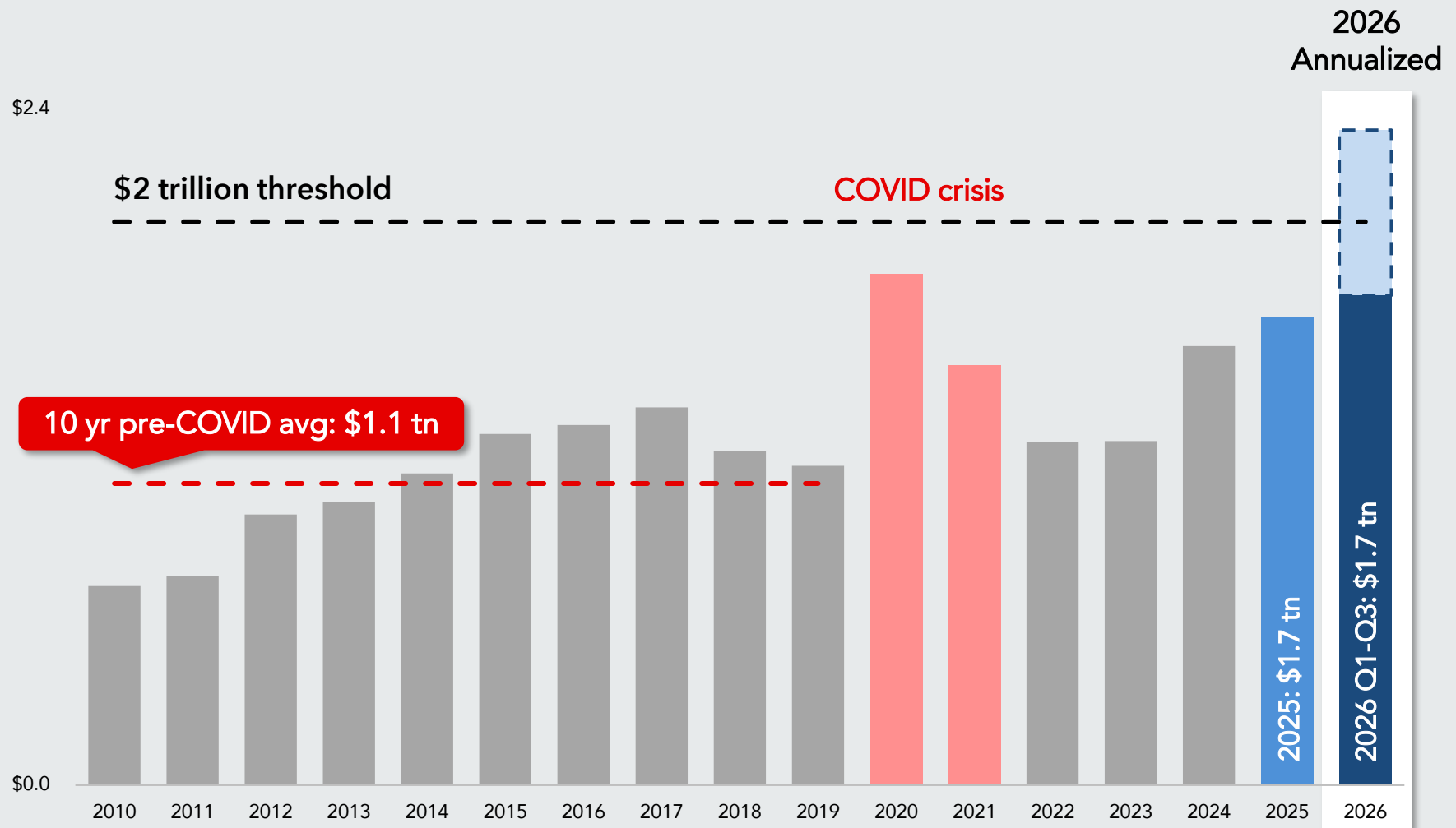


Source: (1-2) Bloomberg. Data as of September 30, 2026. Index OAS to Treasury.

7 ***Financing:***
***Setting New Milestones,
Redefining Mega-Deals***

Big Tech Driving Record USD IG Issuance

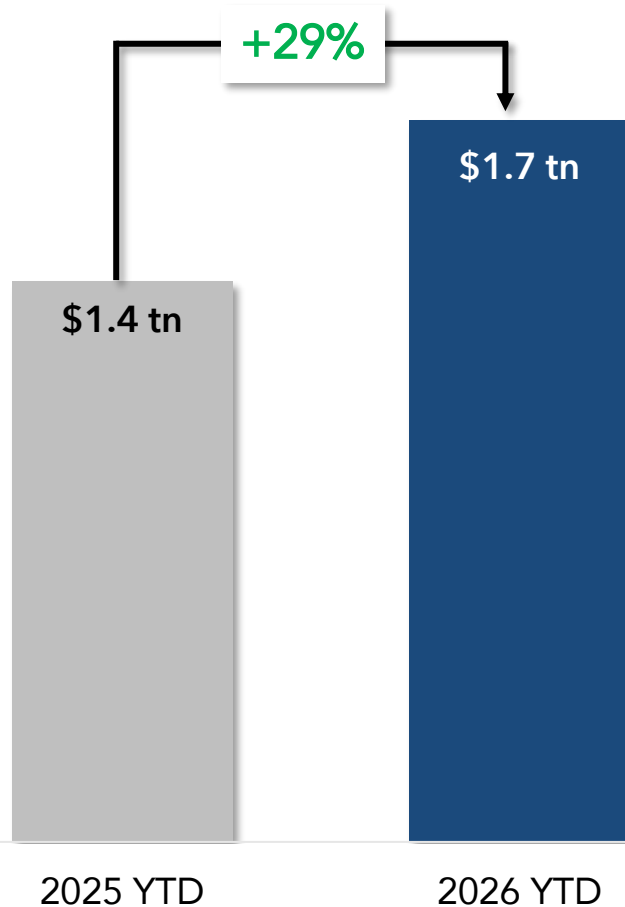
Annual USD IG issuance, tn



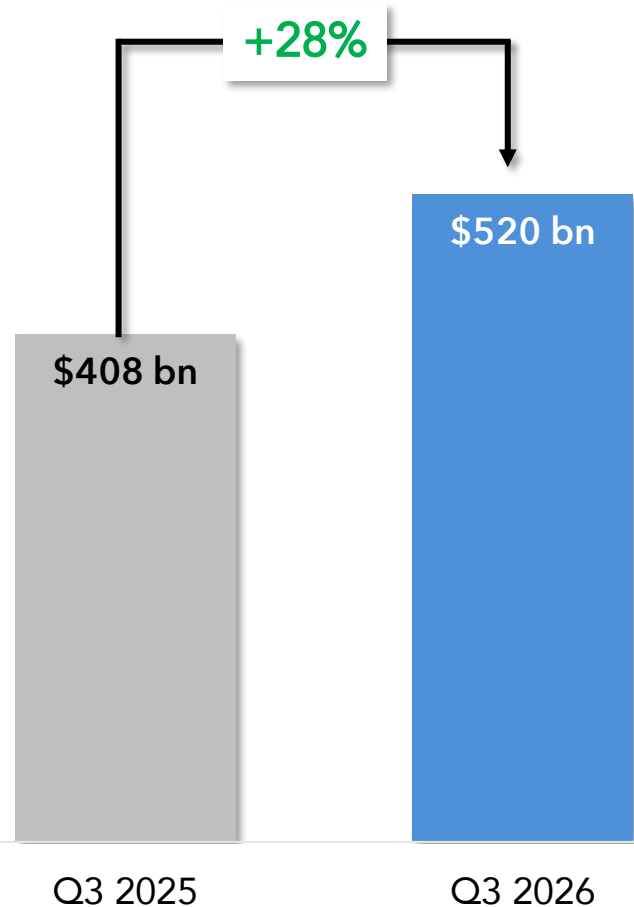
Source: (1) CFR. Data as of September 30, 2026.

USD IG Issuance Maintains Record YTD Pace

YTD IG deal volume, USD bn

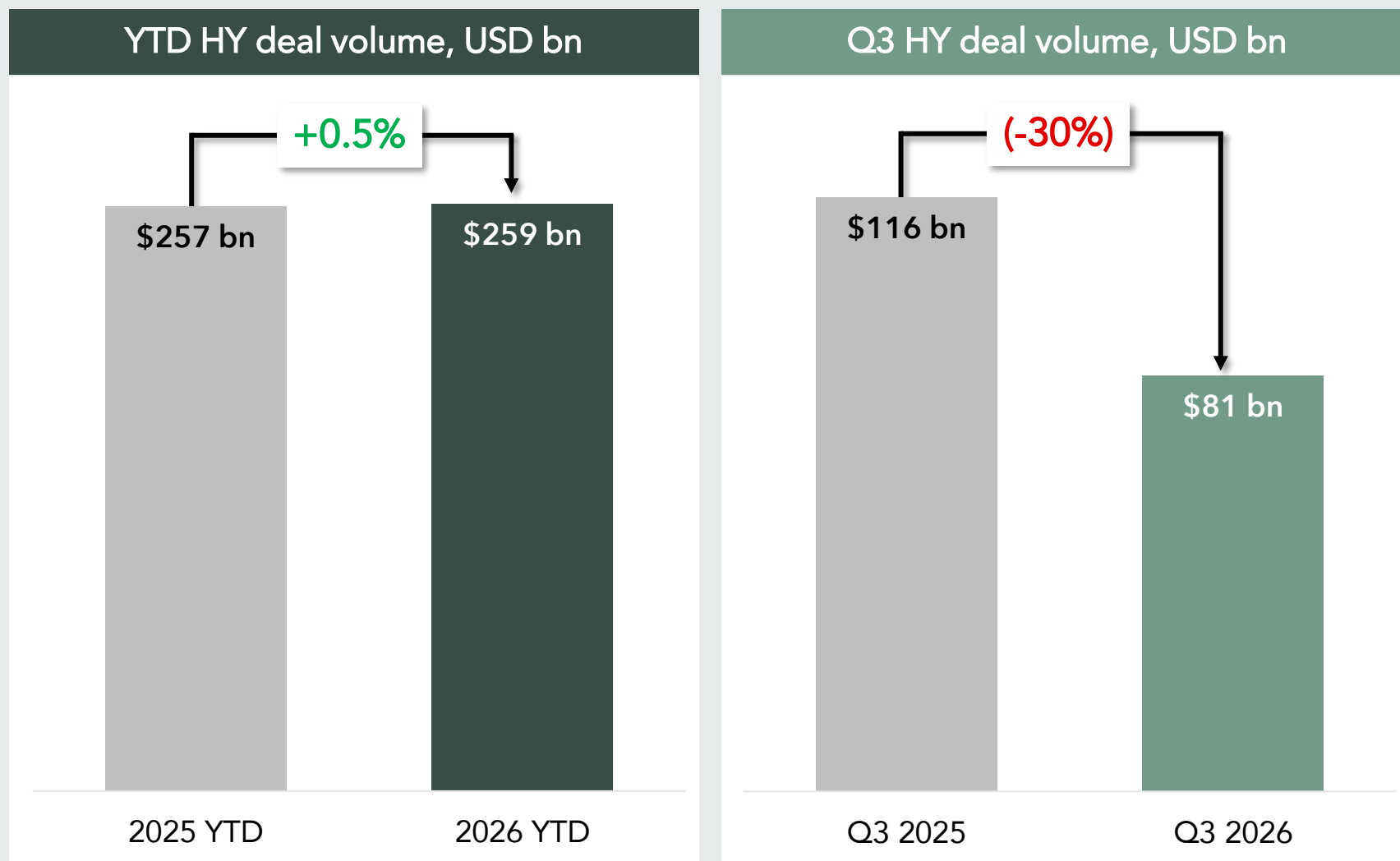


Q3 IG deal volume, USD bn



Source: (1-2) CFR. Data as of September 30, 2026. YTD data is Jan 1 – Sep 30 for 2025 and 2026.

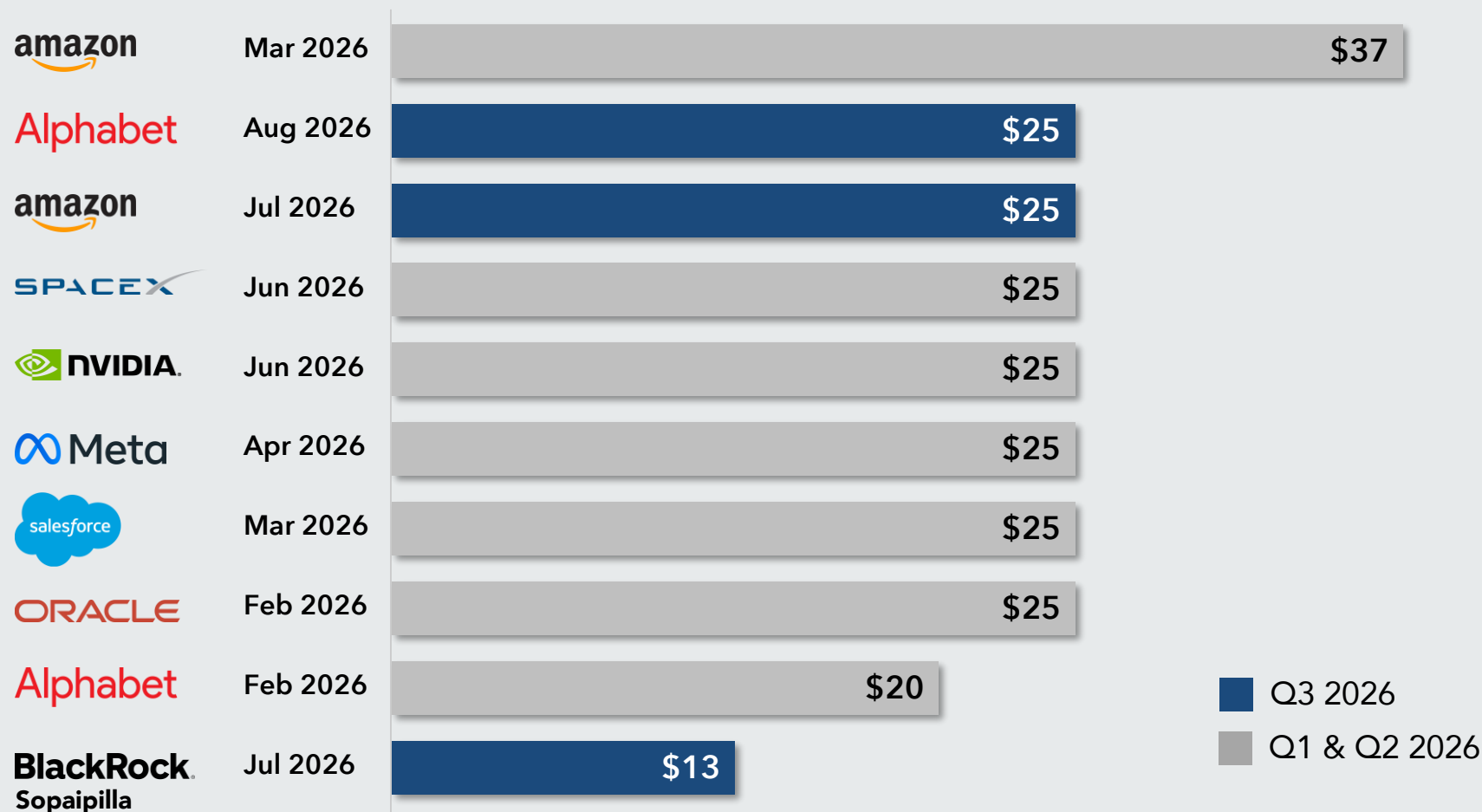
USD HY Issuance Slows as Yields Rise



Source: (1-2) CFR. Data as of September 30, 2026. YTD data is Jan 1 – Sep 30 for 2025 and 2026

Big Tech Scale Debt Capital Issuance Continued

Largest USD IG tech deals in 2026, bn



*BlackRock-sponsored JV to fund 80% stake in Meta data center

Source: (1) CFR. Data as of September 30, 2026.



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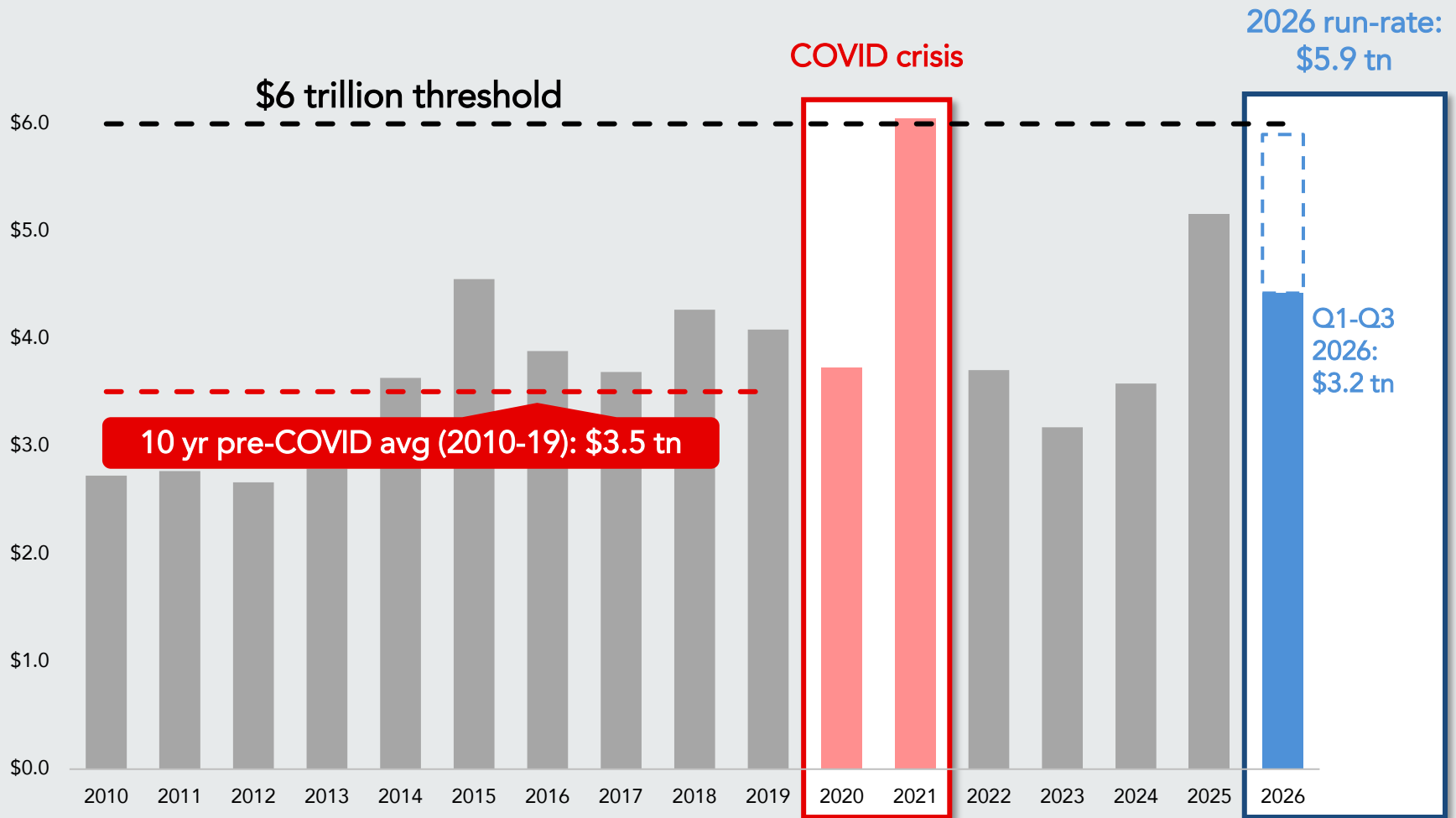
M&A:

***Deal Economy
at Historic Velocity***

Global M&A Continued its Torrid Pace



Annual global M&A volumes, USD tn

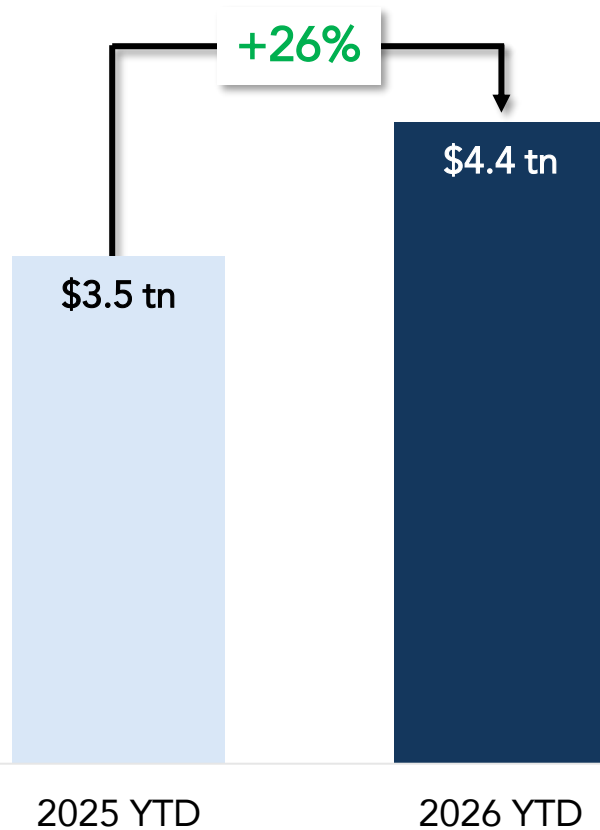


Source: (1) Dealogic. Cortex. Data through September 30, 2026, accessed on October 1, 2026.

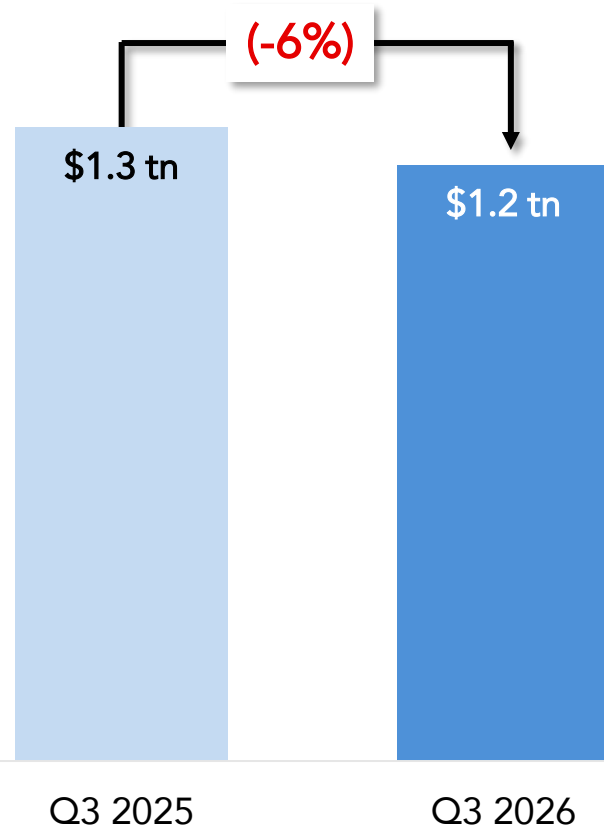
Global M&A Kept Steady Pace in Q3



YTD Global M&A volumes



Q3 Global M&A volumes

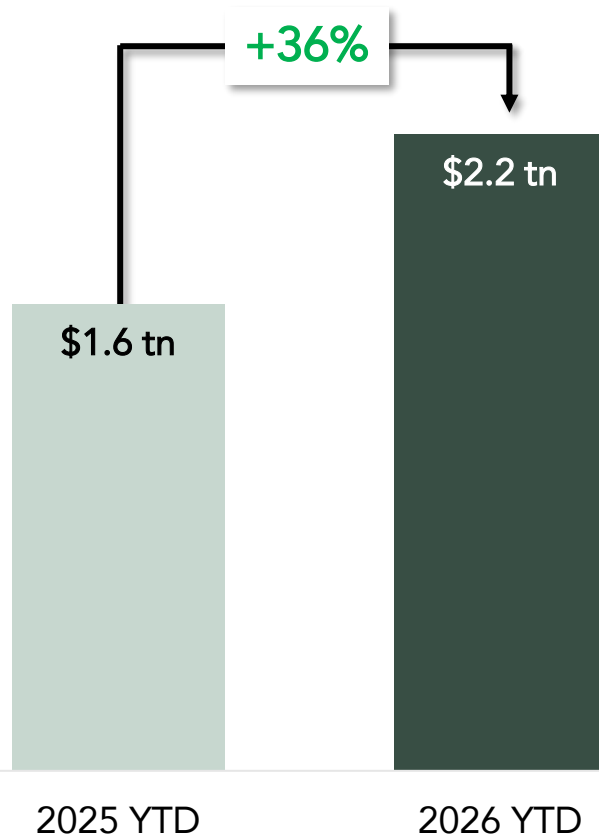


Source: Dealogic. Cortex. Data through September 30, 2026, accessed on October 1, 2026. YTD data is Jan 1 - Sep 30 for 2025 and 2026

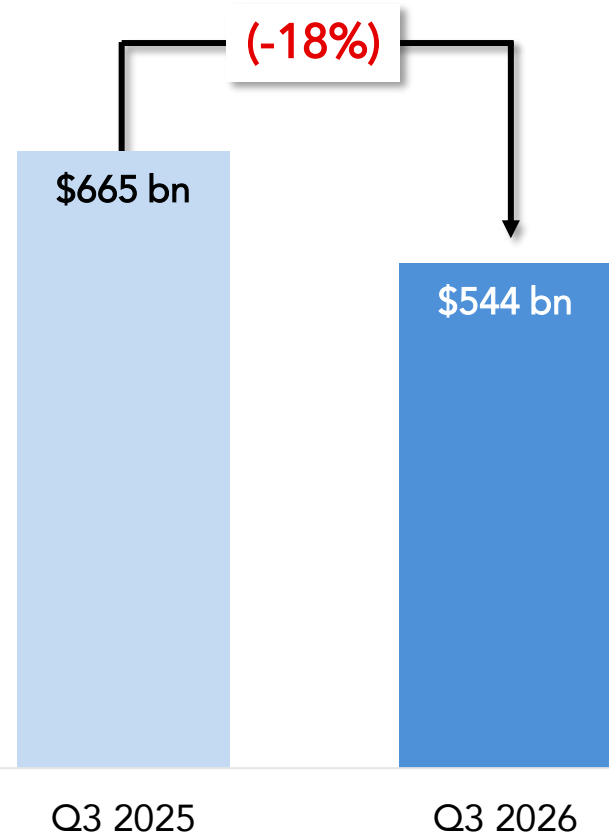
US M&A Volumes Slowed Down in Q3



YTD US M&A volumes



Q3 US M&A volumes

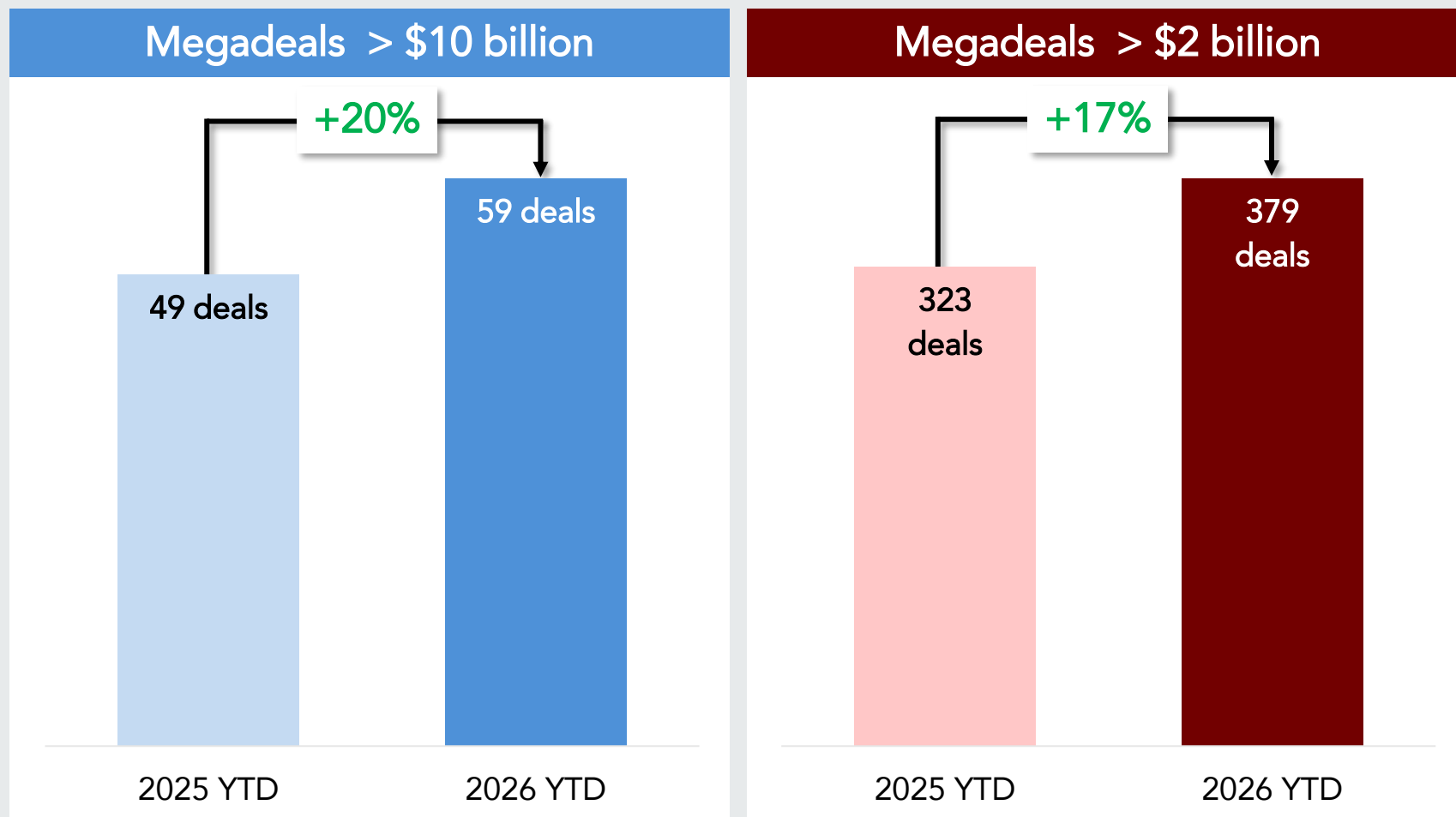


Source: Dealogic. Cortex. Data through September 30, 2026, accessed on October 1, 2026. Region is by target. YTD data is Jan 1 - Sep 30 for 2025 and 2026

Megadeal Activity Defies Rising Rates & Risk



Global M&A Megadeals YTD 2025 vs. YTD 2026 (# of deals)

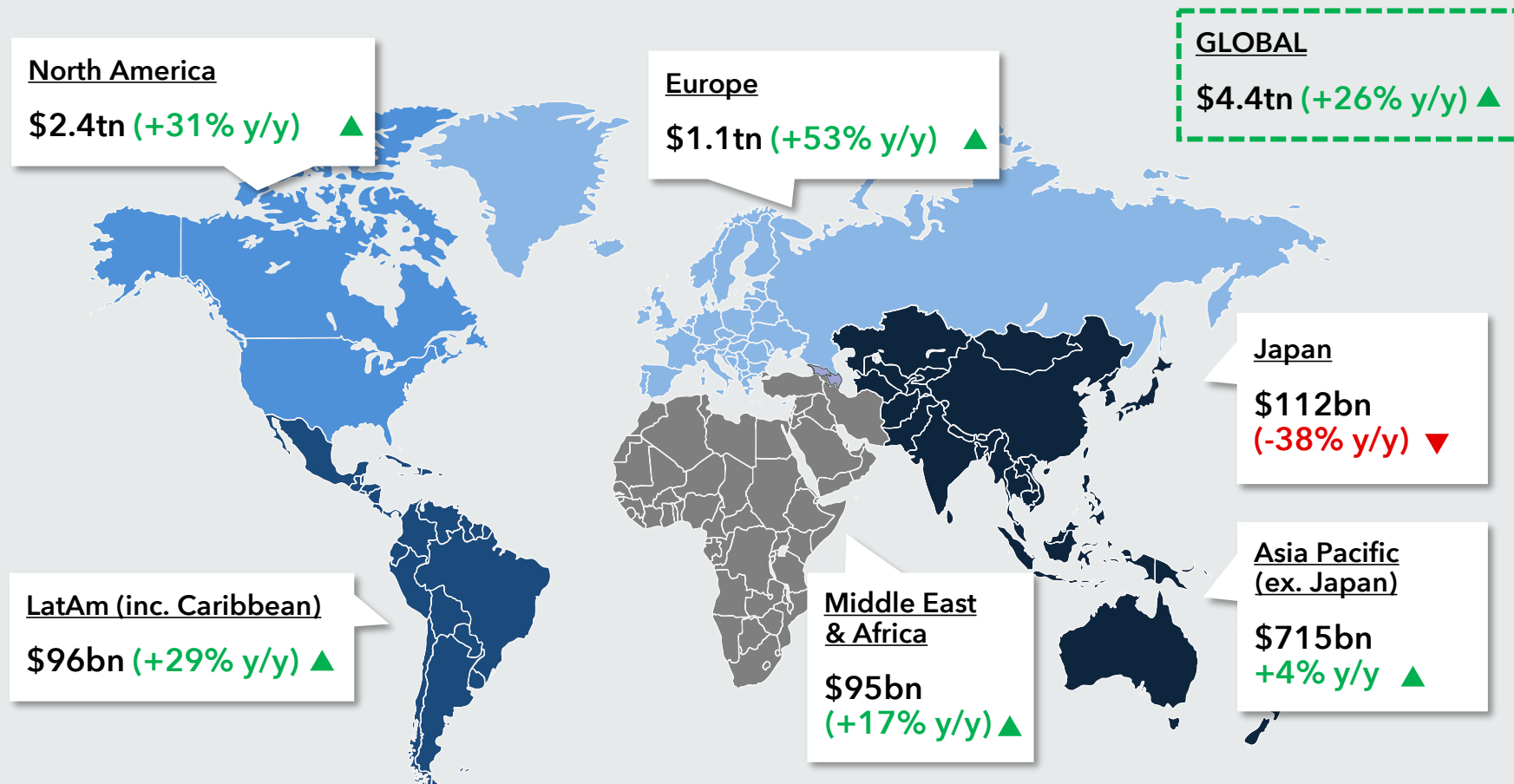


Source: Dealogic. Cortex. Data through September 30, 2026, accessed on October 1, 2026. Region is by target. Greater than or equal to \$2bn and \$10bn.

Global M&A Activity by Region



M&A volumes in YTD 2026 vs. YTD 2025 and y/y increase (based on target region)

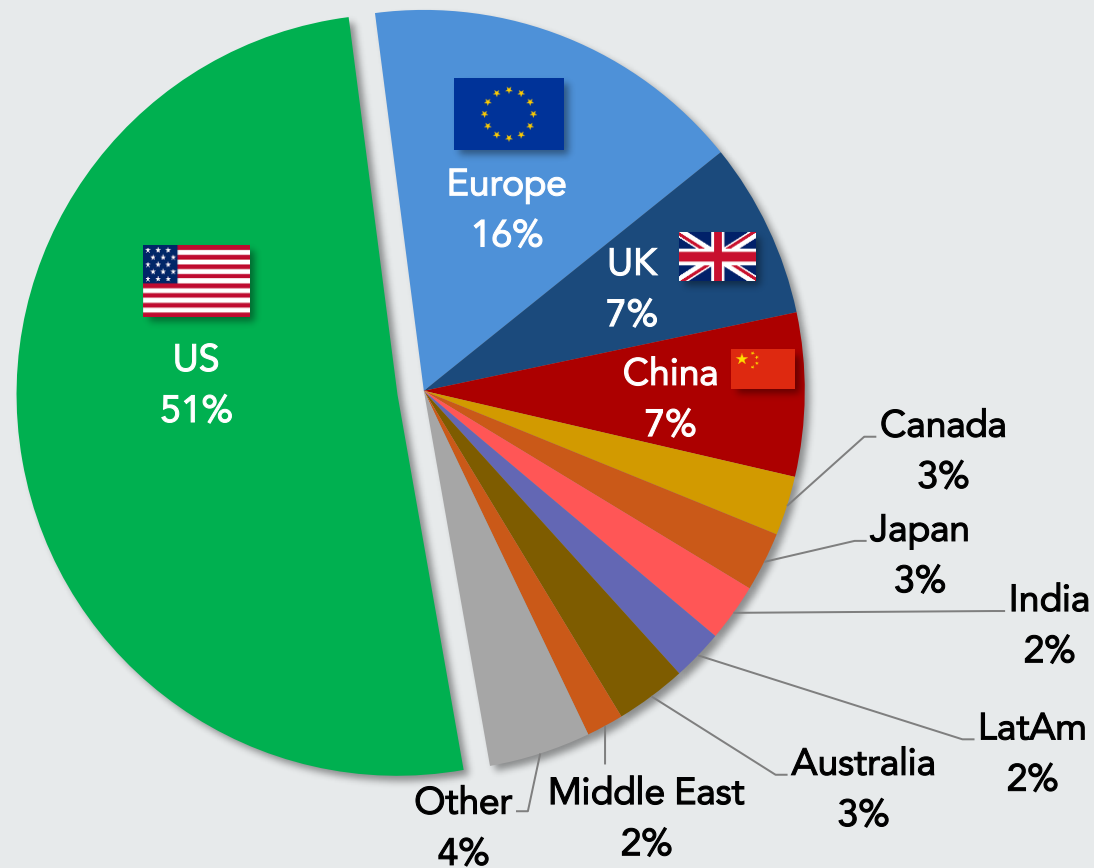


Source: (1) Dealogic. Cortex. Data through September 30, 2026, accessed on October 1, 2026. Region is by target.

US Over 50% of YTD Deal Activity



Global M&A activity, by region (YTD 2026)

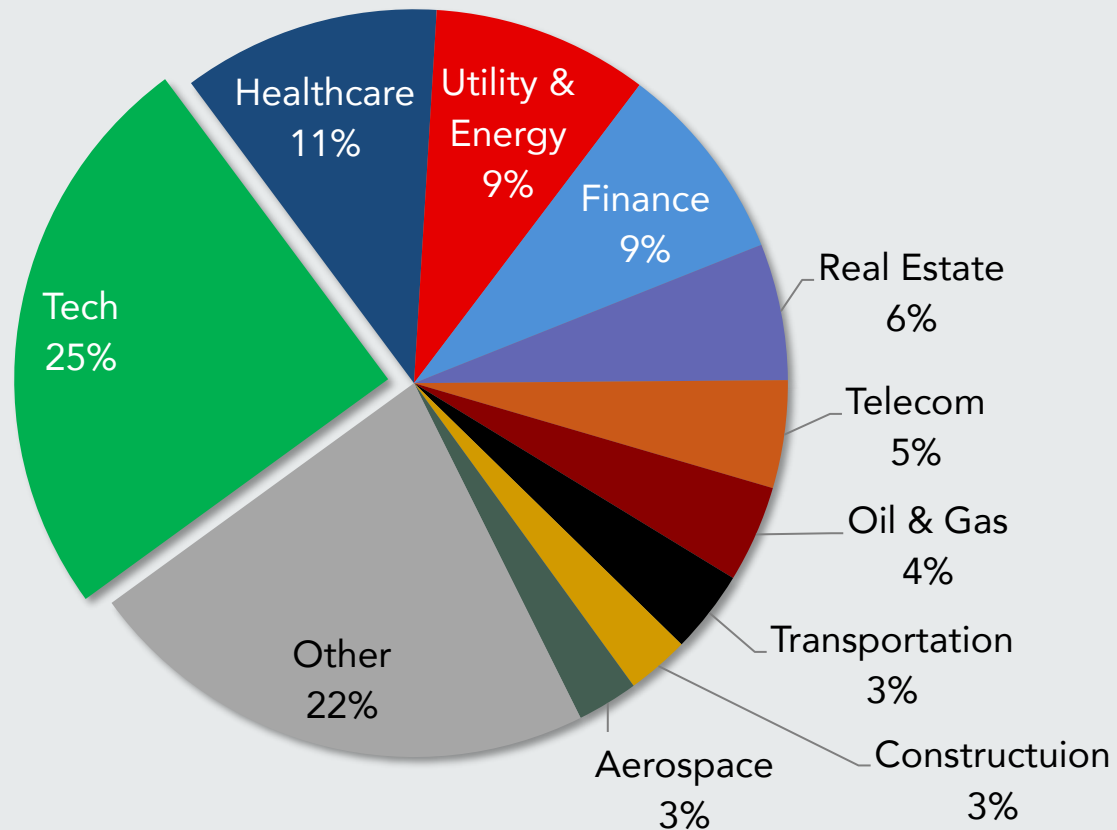


Source: (1) Cortex. Dealogic. Data through September 30, 2026. Data accessed October 1, 2026. Includes rank eligible, M&A deals. China includes HK. LatAm includes Caribbean. By target region.

Tech Leads All Sectors in Deal Activity



Global M&A activity, by sector (YTD 2026)



Source: (1) Dealogic. Cortex. Data through September 30, 2026, accessed on October 1, 2026.



2026 Global GDP Forecast Changes



GDP growth forecasts, y/y (January 2026 vs. October 2026)

Region	Jan 2026	Oct 2026	
North America			
US	2.5%	2.1%	↓
Mexico	1.4%	1.2%	↓
Canada	0.9%	1.0%	↑
Eurozone			
Spain	2.4%	2.7%	↑
Germany	0.7%	1.0%	↑
Italy	0.6%	0.9%	↑
France	0.8%	0.4%	↓
Other Europe			
Poland	3.8%	3.3%	↓
Sweden	2.4%	2.4%	—
Switzerland	0.9%	2.1%	↑
Norway	2.2%	1.4%	↓
UK	1.0%	1.2%	↑
Russia	(-0.1%)	0.7%	↑
LatAm			
Colombia	3.0%	2.9%	↓
Brazil	1.6%	2.0%	↑
Argentina	2.3%	2.0%	↓
Chile	2.2%	0.3%	↓

Region	Jan 2026	Oct 2026	
MENA			
Iran	2.1%	?	↓
Israel	4.2%	4.4%	↑
Saudi Arabia	4.3%	(-4.6%)	↓
UAE	4.5%	(-1.5%)	↓
Qatar	6.4%	(-22.1%)	↓
Kuwait	3.4%	(-21.2%)	↓
Oman	2.3%	2.3%	—
Bahrain	3.0%	(-16.6%)	↓
Egypt	4.9%	4.6%	↓
Türkiye	3.0%	2.5%	↓
APAC			
India	6.5%	7.5%	↑
Singapore	3.1%	5.2%	↑
Indonesia	5.1%	5.1%	—
China	4.5%	4.6%	↑
South Korea	2.1%	3.4%	↑
Philippines	5.4%	3.0%	↓
Thailand	1.5%	2.1%	↑
Australia	2.5%	2.0%	↓
Japan	0.7%	0.5%	↓

Source: (1) Oxford Economics. Data as of October 1, 2026. Bahrain, Iran, Israel Jan 2026 forecast is Bloomberg consensus.

Global Currency Forecasts

Currency pair	Spot (Oct 1)	Q4 2026	Q1 2027	Q2 2027	Q3 2027
EUR / USD	1.13	1.12	1.14	1.16	1.18
GBP / USD	1.32	1.31	1.32	1.33	1.35
USD / JPY	158	155	153	151	149
USD / CNY	6.71	6.65	6.60	6.55	6.50
AUD / USD	0.69	0.70	0.71	0.72	0.73
NZD / USD	0.56	0.57	0.58	0.59	0.60
USD / CAD	1.42	1.42	1.40	1.38	1.36
USD / NOK	9.62	9.73	9.65	9.57	9.41
USD / SEK	10.05	10.18	9.91	9.57	9.32
USD / CHF	0.83	0.85	0.83	0.81	0.78
USD / MXN	18.29	18.00	17.75	17.40	17.00
USD / BRL	5.22	5.25	5.15	5.00	4.90
USD / CLP	985	980	960	940	900

Source: (1) Bloomberg. MUFG Foreign Exchange Outlook - October 2026 (Derek Halpenny). Data as of October 1, 2026.

MUFG Global Rates Forecasts

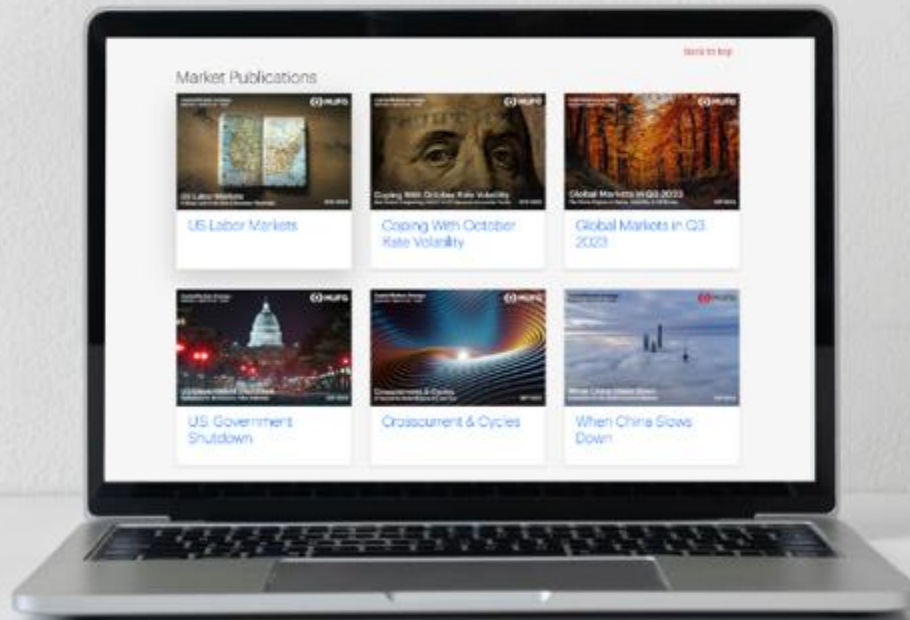
		Q4 2026		Q1 2027		Q2 2027		Q3 2027	
	Spot (Oct 1)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.00%	4.25%	4.23%	4.25%	4.25%	4.25%	4.22%	N/A	4.13%
2 yr UST	4.79%	4.25%	4.50%	4.13%	4.41%	4.00%	4.32%	N/A	4.22%
5 yr UST	5.01%	4.38%	4.64%	4.25%	4.55%	4.13%	4.47%	N/A	4.39%
10 yr UST	5.24%	4.63%	4.86%	4.50%	4.80%	4.38%	4.72%	N/A	4.66%
30 yr UST	5.61%	5.00%	5.26%	4.88%	5.20%	4.75%	5.15%	N/A	5.09%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of October 1, 2026. Fed funds is upper bound.



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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 Director 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 10 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.



Angela Sun

Associate
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Role

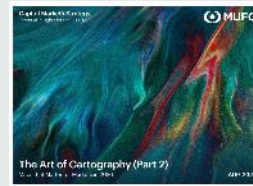
Angela Sun is an Associate in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy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