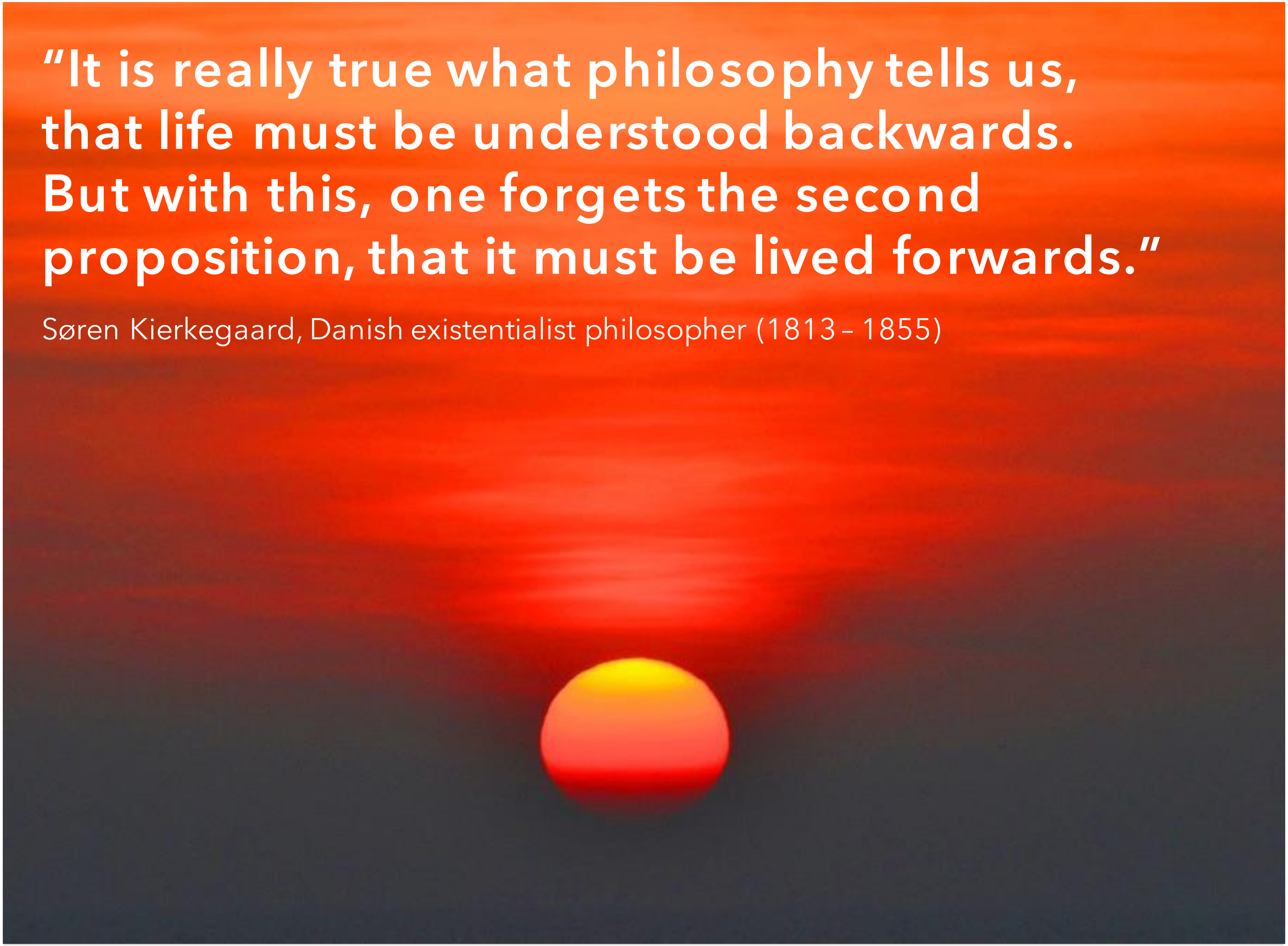
Capital Markets Strategy
Essential inCights for the C-Suite

End of an Era

Tectonic Shifts Underway in Global Policy, Markets & Risk

MAY 2024


"It is really true what philosophy tells us,
that life must be understood backwards.
But with this, one forgets the second
proposition, that it must be lived forwards."
Søren Kierkegaard, Danish existentialist philosopher (1813 – 1855)

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Contents

THE GLOBAL ECONOMY

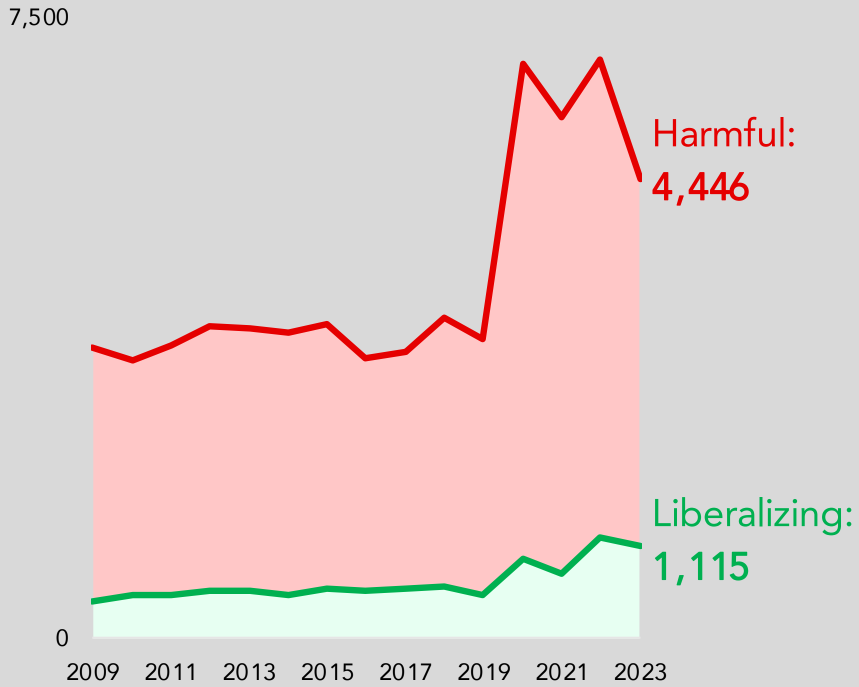
1 Rewiring the Global Economy

New Era of Fragmented Globalization

Following "The Great Moderation" of 1980 – 2020 (declining inflation and rates, rising global trade), a period characterized in part by explosive EM growth, the global economy has begun a transition from being more demand-constrained to more supply-constrained. As obstacles to global trade have risen, so too has global trade growth declined.

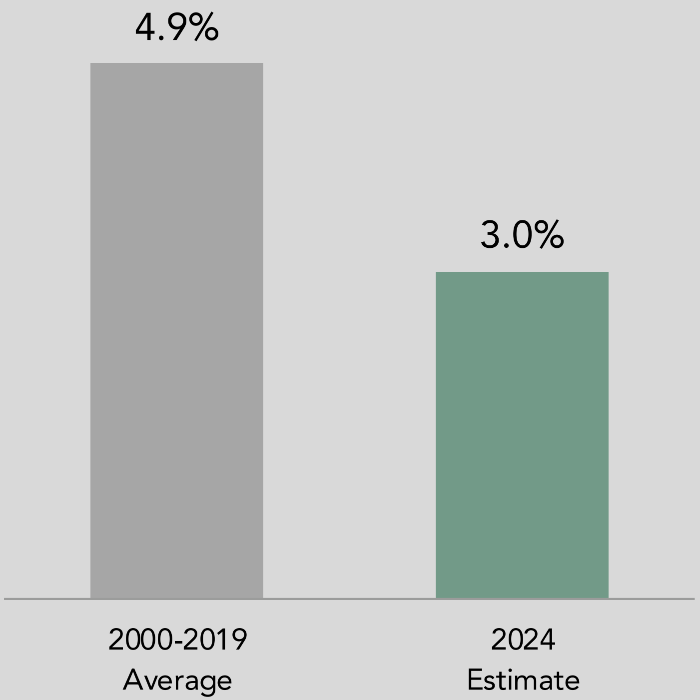
Rising Cross-Border Trade Restrictions

of **new** policy interventions implemented by year



Declining Global Trade Growth

Global trade growth

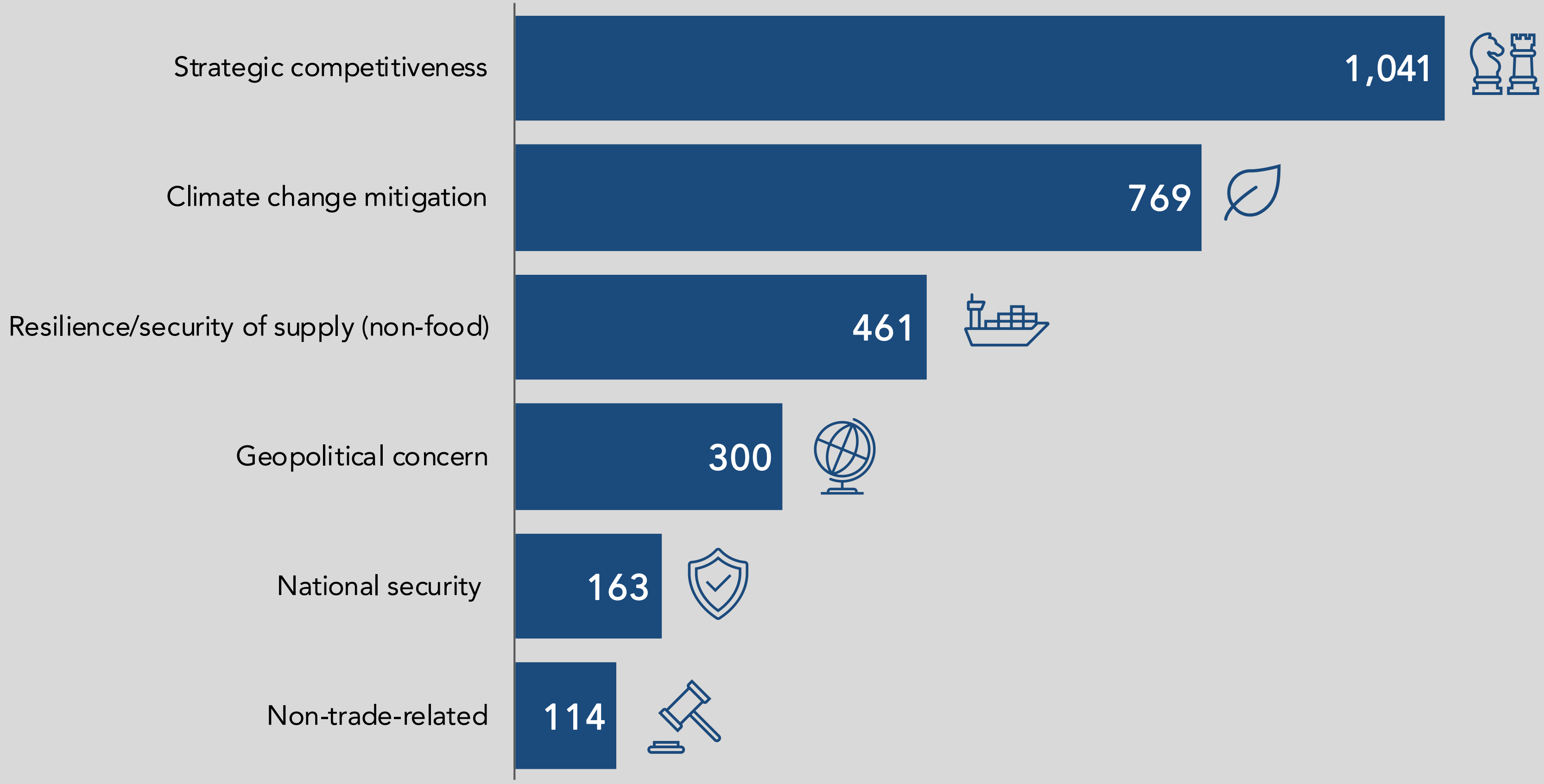


Source: (1-2) IMF, "World Economic Outlook" (April 2024). Global Trade Alert. Total number of implemented interventions since 2009.

Global Trade Policy Intervention

According to Global Trade Alert, strategic competitiveness is the most cited motive for countries when considering policy intervention in response to rising geopolitical and supply chain risk.

Stated motives for policy intervention

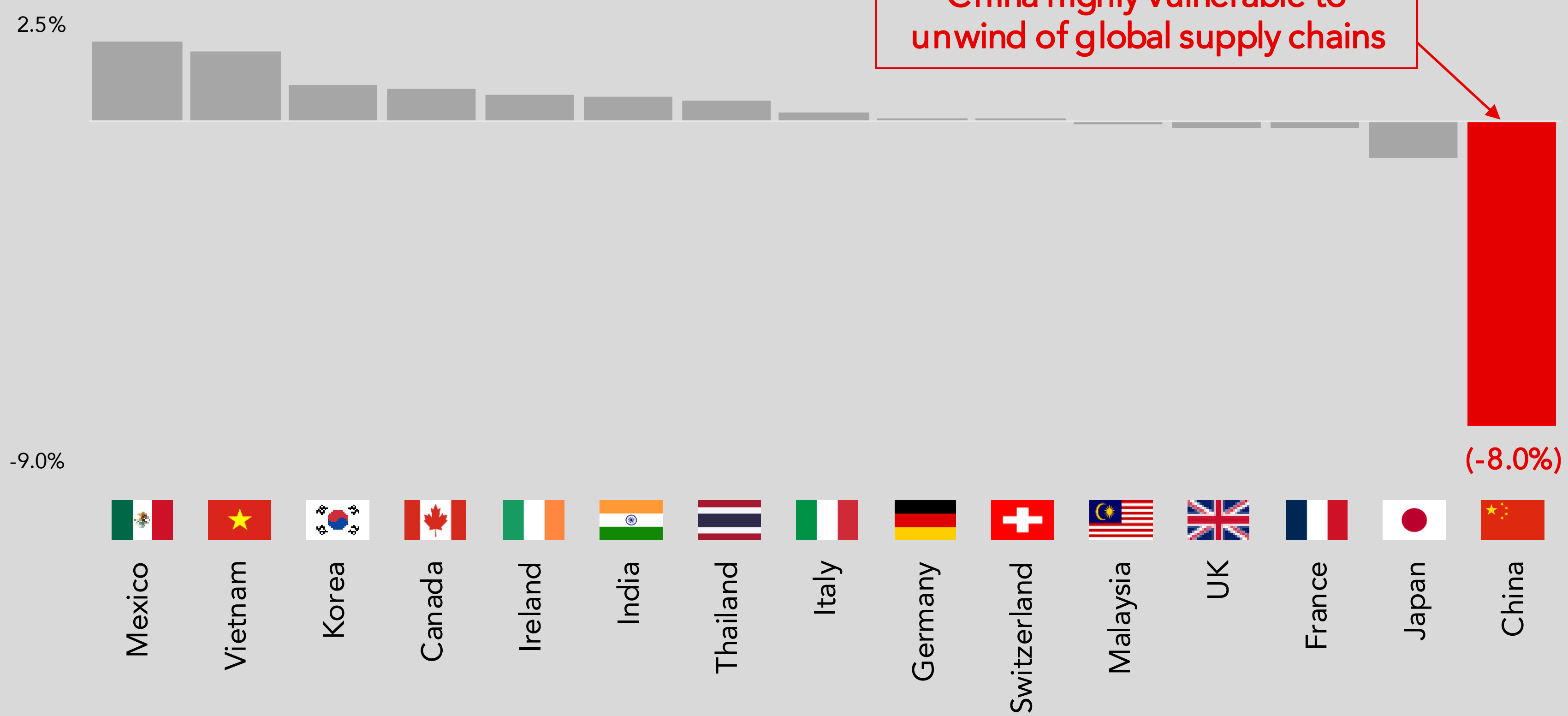


Source: (1) Global Trade Alert. Data accessed on May 6, 2024.

Restructuring of Global Supply Chains

Following the US-China trade wars in 2018-2019, and COVID-era vulnerabilities in supply chains, China's share of US imports began a steady decline as companies began to reallocate sourcing patterns across partner countries. China's market share experienced a sharp 8% decline in just 6 years and is likely trending lower from here.

US import market share change since March 2018

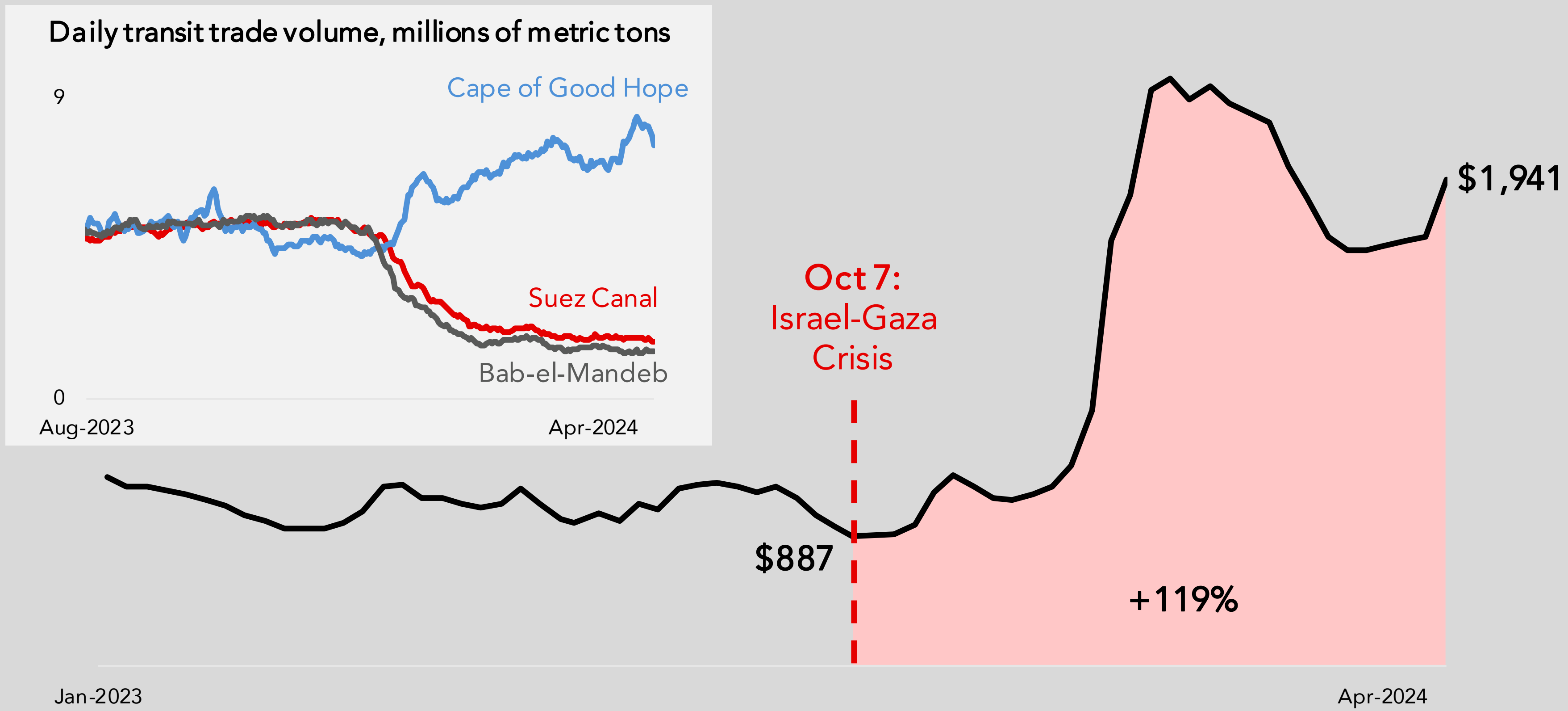


Source: (1) "Global Supply Chains: The Looming Great Reallocation" (Alfaro, Chor). Prepared for the Jackson Hole Symposium, Aug 24-26, 2023 organized by the Federal Reserve Bank of Kansas City. UNComtrade. Change in import market share is rolling 12-month change since March 2018 (US-China trade peak). Latest data is through March 2024.

Global Supply Side Vulnerabilities

In recent years, numerous variables have highlighted the vulnerability of global supply chains including the pandemic, US-China tension and escalating Middle East conflict. While the Houthi rebels have not disrupted outbound Strait of Hormuz oil flows, their missiles have been highly disruptive to inbound Bab-el-Mandeb shipping routes, as evidenced by the sharp rise in Asia-to-Europe container shipping prices in recent months.

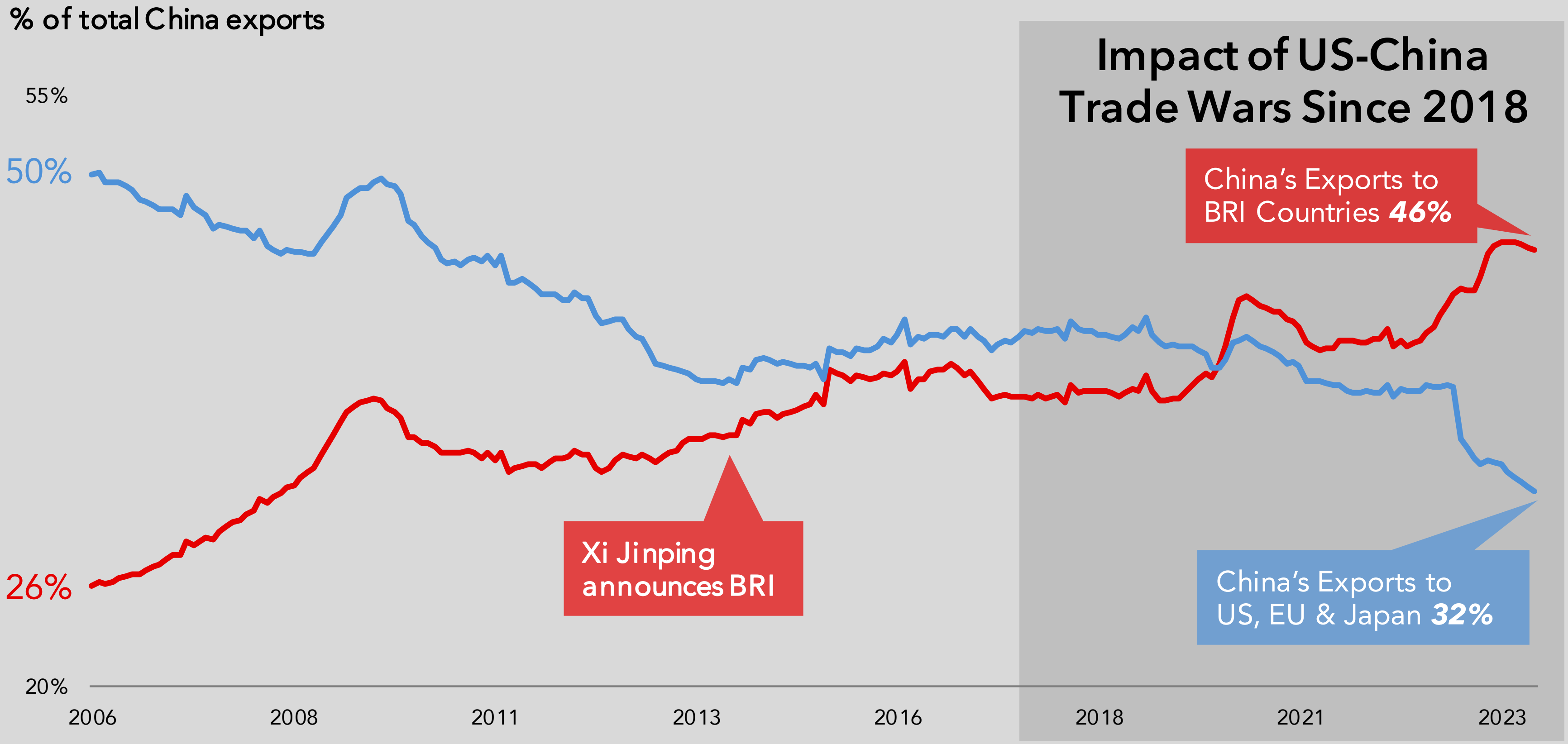
Shanghai Shipping Exchange Index, cost of moving 40ft container



Source: (1-2) Bloomberg. Data as of May 6, 2024. IMF Portwatch. Apollo. Transit trade volume data through April 30, 2024. 14 day moving average.

China's Global Trade Realignment

Since announcing the Belt & Road Initiative (BRI) in 2013 and the US-China trade wars which began in 2018, China has accelerated its efforts to reconstruct its global trade footprint in a manner that is more focused on developing (EM) economies, and less dependent on the United States and the Western-dominated post WWII trading architecture (i.e., WTO). Today, Beijing has negotiated bilateral and regional "free trade agreements" (FTAs) with nearly 30 countries accounting for nearly 40% of its $3.4 trillion in exports in 2023 (world's largest exporter).

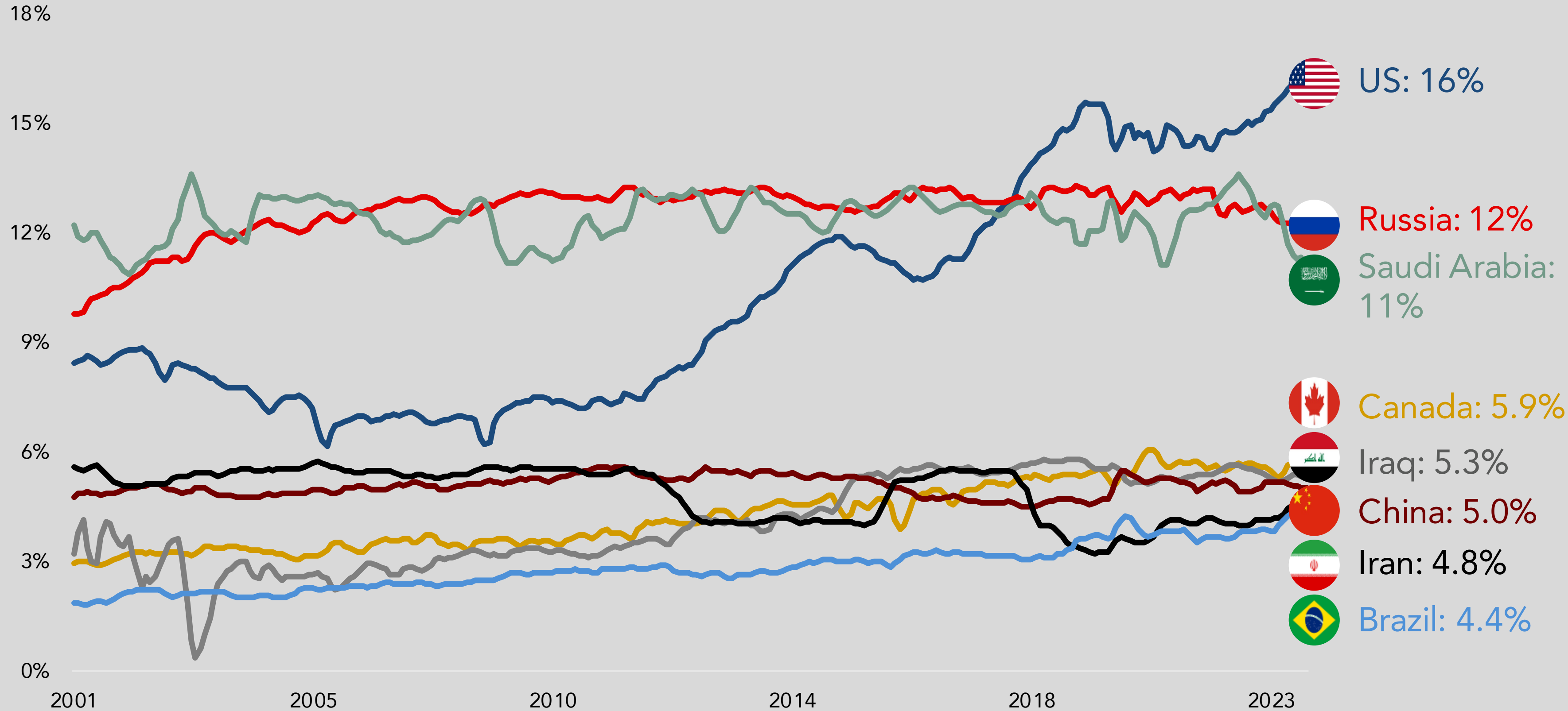


Source: (1) Bloomberg. Data through YE 2023. China trade in USD terms. Customs General Administration PRC. Financial Times "China's Plan to Reshape World Trade on Its Own Terms" (Feb 25, 2024).

More Diversified Global Energy Markets

In recent decades, global energy markets have become much more diversified, both in terms of regional source and type of energy. Over the last 20 years, in addition to explosive growth in its natural gas and clean energy sectors, US oil production market share has more than doubled to 13 m/b/d, or 16% of global supply. More diversified global energy markets have helped absorb the impact of rising geopolitical risk.

Oil production as % of world total



Source: (1) Bloomberg. Data through December 2023. EIA. 3 month moving average.

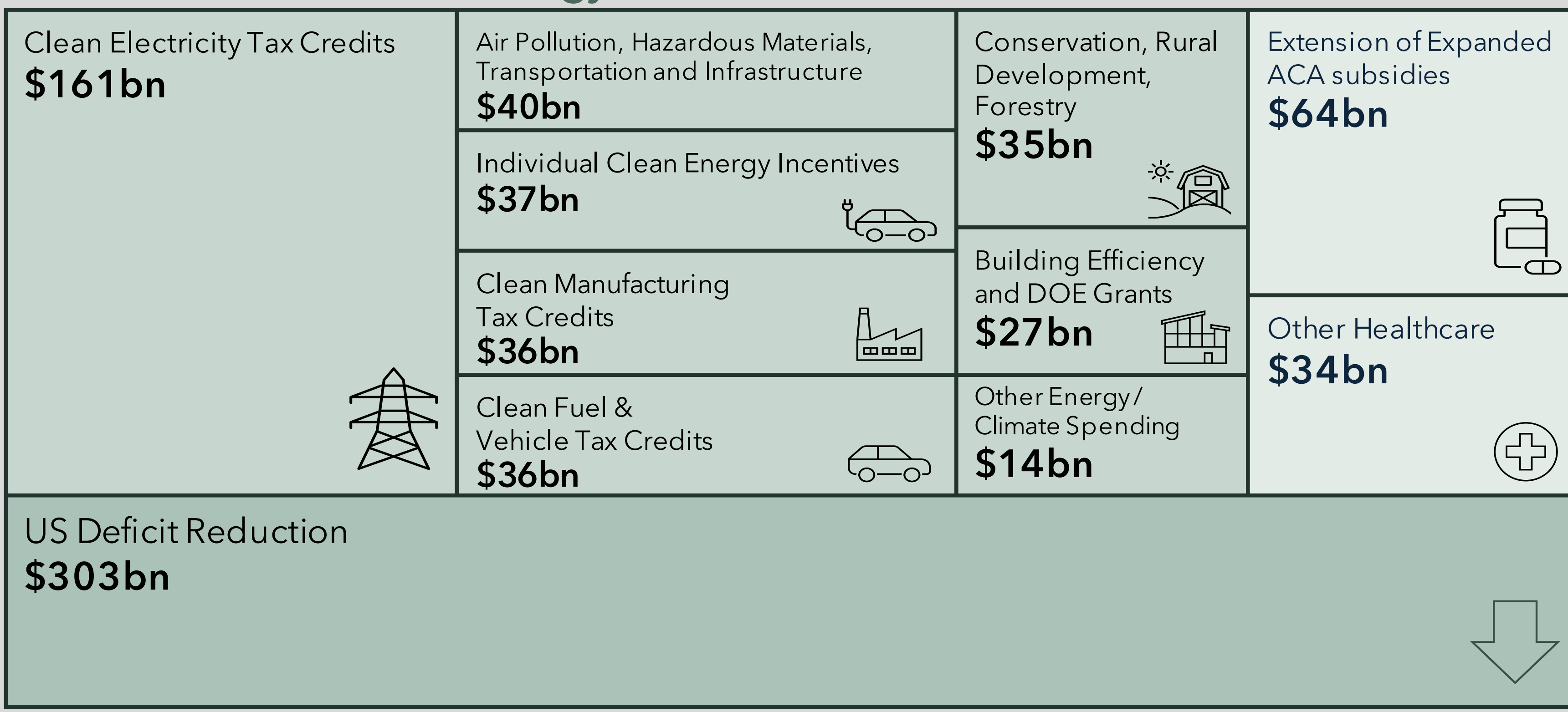
Energy Transition

Signed into law by President Biden in August 2022, the Inflation Reduction Act will actually have a negligible impact on inflation (according to CBO scoring); but rather, was intended as a massive clean energy, private-sector energy transition bill funded by government tax incentives and subsidies. While energy transition may be a necessary and irreversible mega-trend, it is also likely to be modestly inflationary near-term.

Spending provisions in the Inflation Reduction Act

Clean Energy & Climate: $386

Healthcare: $98 bn



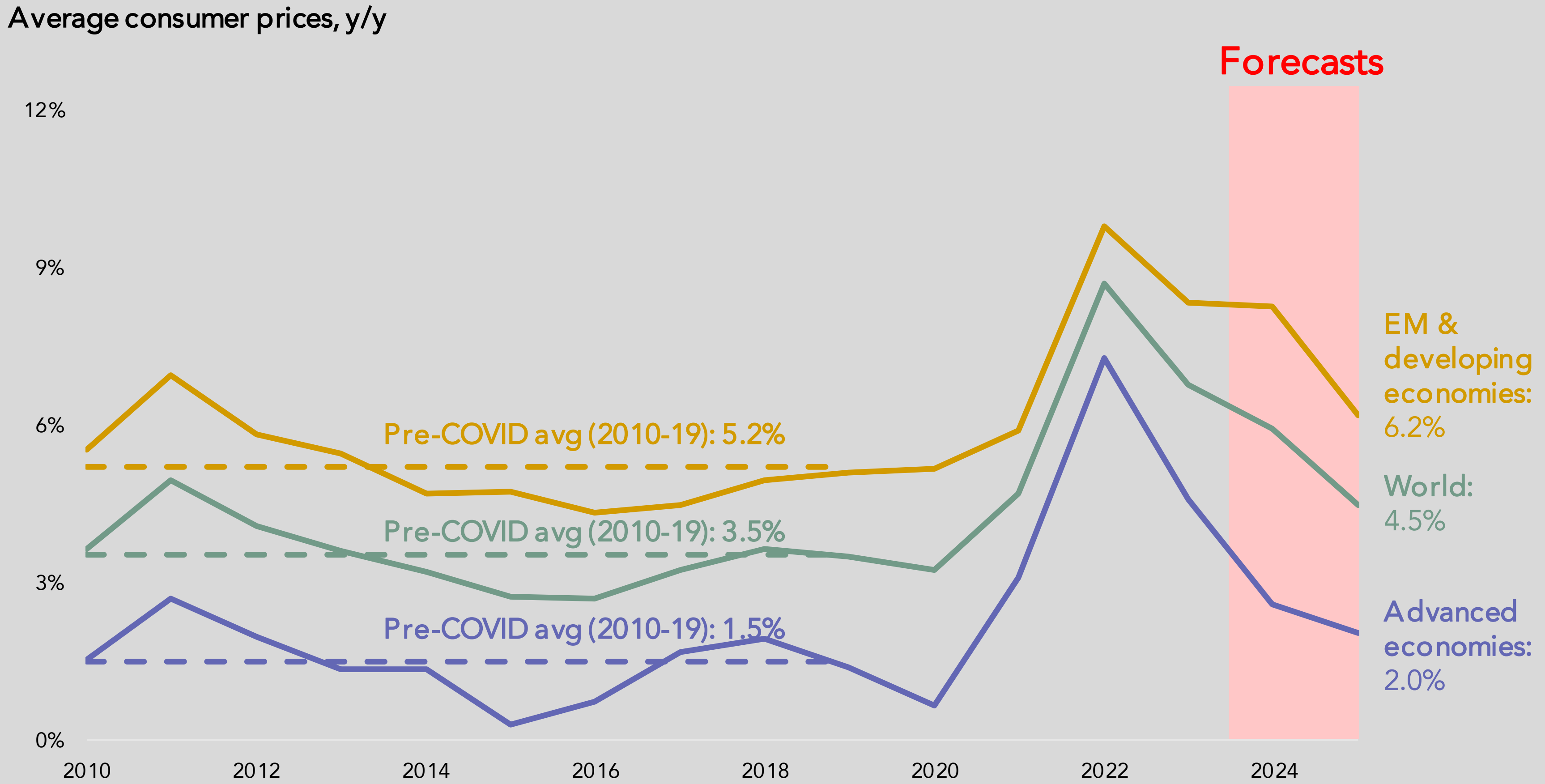
Source: (1) CBO. CFRB. Bloomberg. Based on the latest available CBO scoring. Note: The CBO estimates legislation includes $790 bn of offsets to fund $485 bn of new spending and tax breaks, though negotiators include $740 bn of offsets and $437 bn of investments.

THE GLOBAL ECONOMY

2 Last Mile of Inflation Normalization

Elevated Inflation in a "Rewired" Global Economy

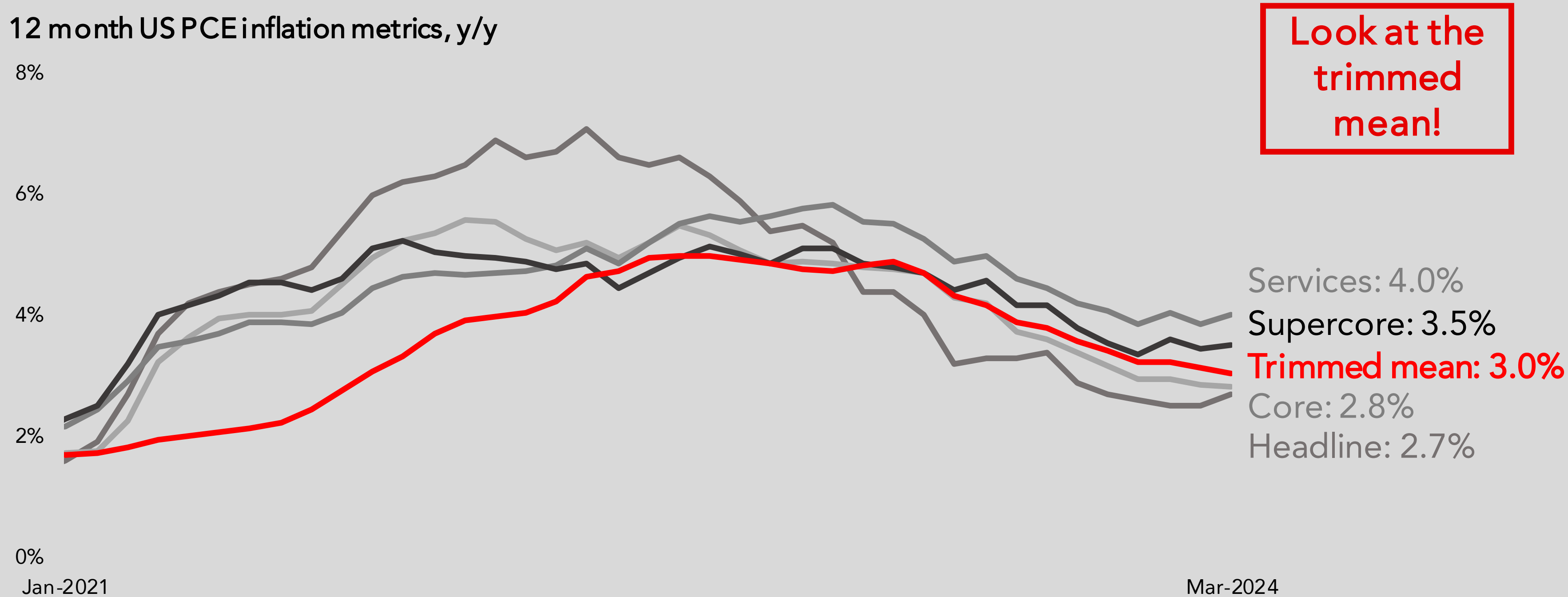
Post-COVID supply chain adjustments, synchronized global policy tightening and a steady reduction of energy sector geopolitical risk premiums have contributed to a broad-based decline in global inflation since 2022. However, the drivers of remaining "above-trend" inflation are divergent across economies.



Source: (1) Bloomberg Government. IMF World Economic Outlook (April 2024).

Revisiting the 2% Inflation Target

Reported monthly by the Dallas Fed (most recently, on Friday, April 26), 12 month trimmed mean inflation (y/y) has made slow and steady progress toward the Fed's 2% target in recent months, though has further to go. By excluding the most volatile buckets of inflation data over the measurement period, as opposed to pre-specified items (food and energy), the trimmed mean provides a more reliable snapshot of price pressures in the economy. Notably, it has been running higher than both Core and Headline PCE metrics.



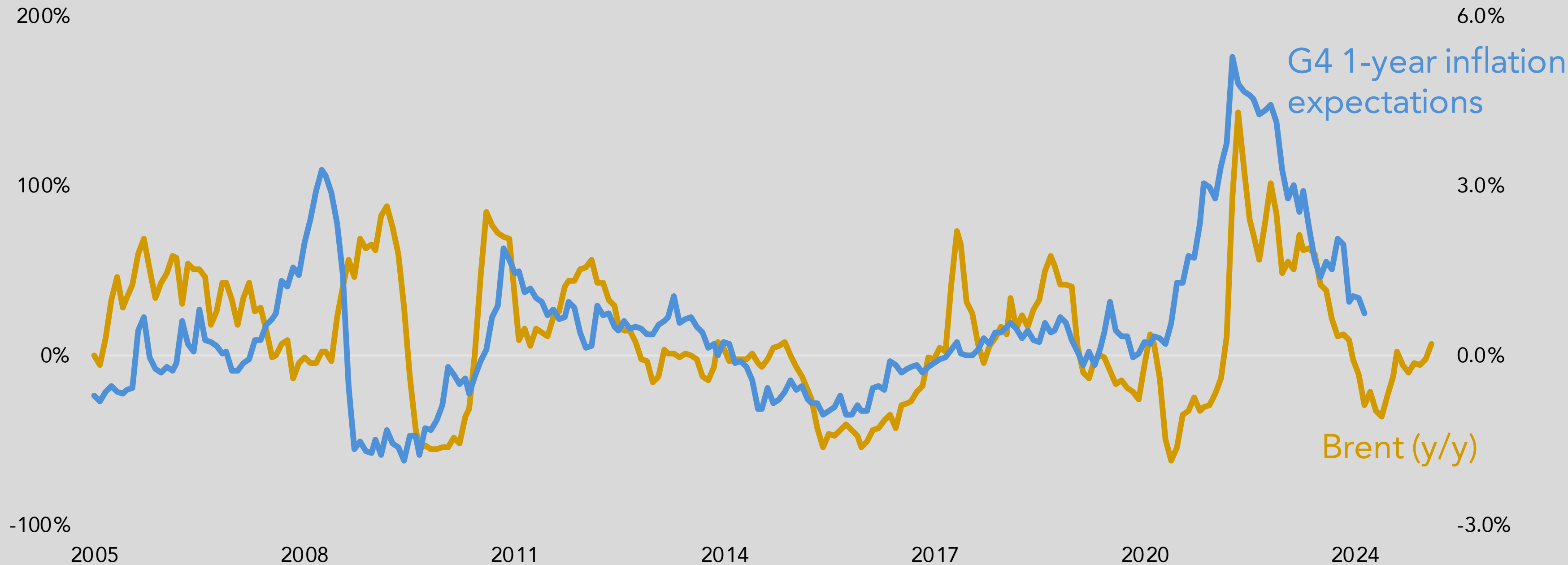
A 2% inflation target for advanced economies may be too tight for a global economy that is rewiring

Source: (1) Bloomberg. Supercore PCE is core services ex-housing. The trimmed mean is the Dallas Fed Trimmed one year PCE inflation annual rate. Data as of May 6, 2024.

Energy Prices as Critical Inflation Variable

As we approach the US Presidential election in November, how the consumer "feels" about the economy becomes more important than how the economy is "actually" doing. Historically, oil prices have had a high correlation with the consumers' perception of inflation. Higher inflation expectations, in turn, influence wage growth. According to Capital Economics, the baseline view is that oil prices remain range-bound, increasing headline inflation by less than a few tenths of a percentage point (or not at all). However, if Middle East escalation precipitated a return in oil prices to levels that immediately followed the Ukraine invasion ($120-130), advanced economy inflation would increase by more than a full percentage point.

Oil's impact on consumer "perceptions" of inflation



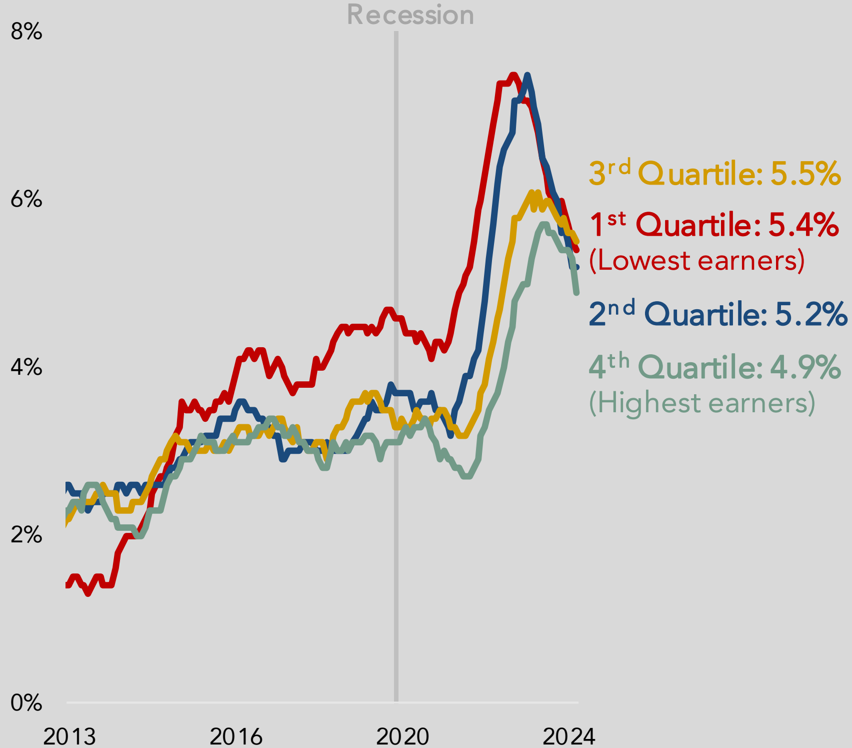
Source: (1) Capital Economics, "Middle East Tensions Not Yet a Major Threat to Inflation" (Jennifer McKeown, Chief Global Eco nomist). April 16, 2024. Inflation expectations are survey-based G4 average, standardized. *Brent (y/y, advanced 1 year) and survey-based 1 year inflation expectations (G4 average).*

Wage Growth Exerting "Sticky" Inflationary Pressure

Following the extraordinary policy support and labor market shortages of the COVID era, wage and "services" inflation has been more persistent and will take longer to normalize. While labor markets remain tight, real wages are moving closer to pre-COVID levels in many advanced economies.

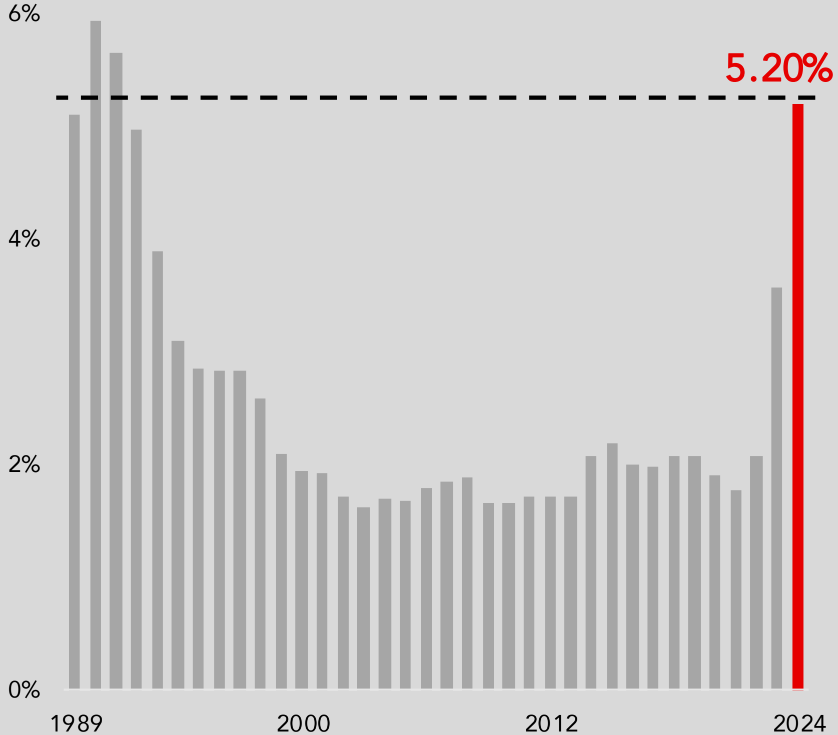
US wage growth still elevated

US median wage growth, y/y



Japanese wage growth highest since 1991

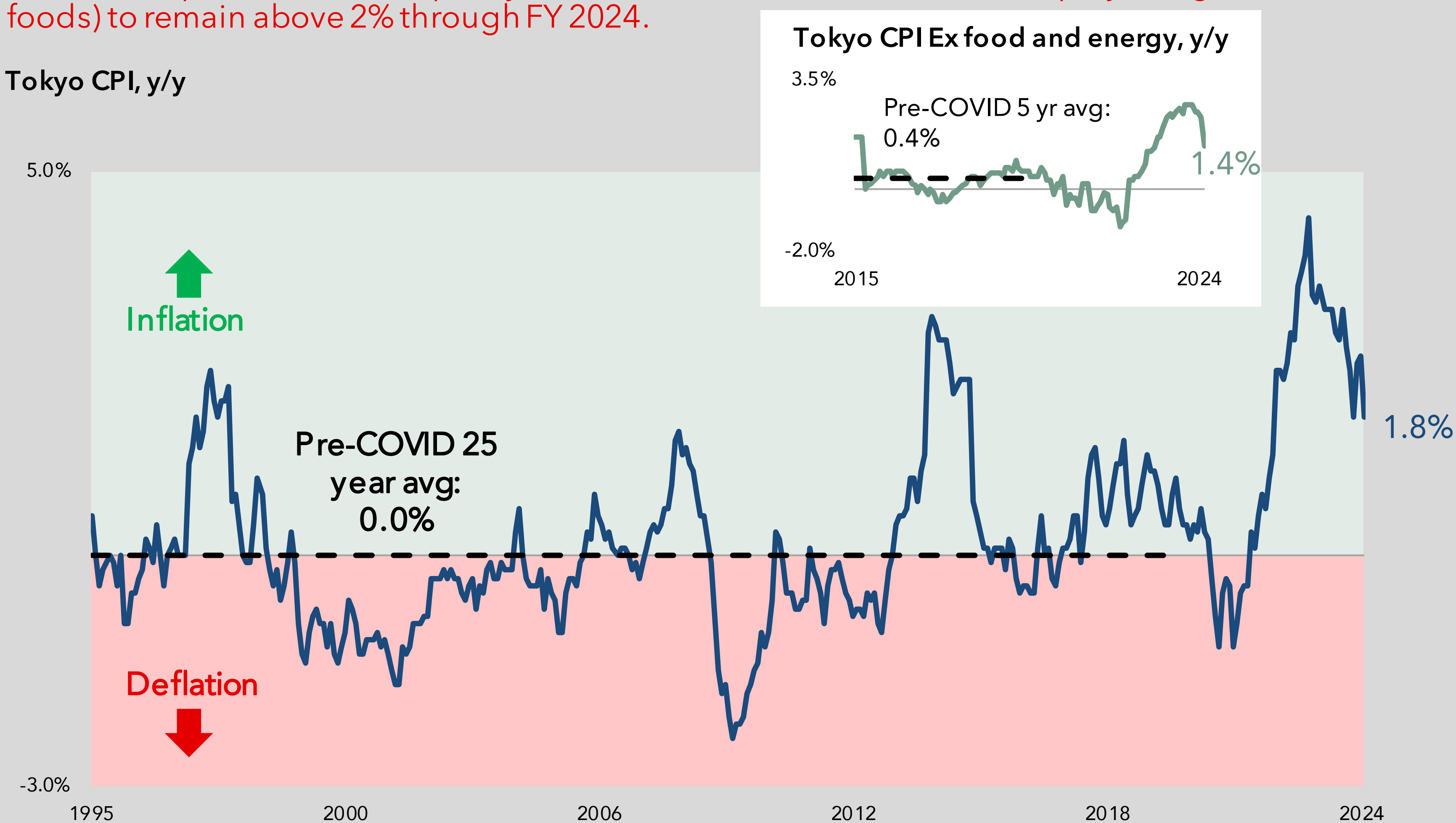
Average Rengo pay deal



Source: (1) Federal Reserve Bank of Atlanta. Bureau of Labor Statistics. Data calculated as 12-month moving average of the median percent change in hourly wage growth. Data as of April 24, 2024. Bloomberg, "Japan's Blowout Wage Result May Spur BOJ March Rate Increase." Japanese Trade Union Confederation, known as Rengo. 2024 figure is based on fourth tally.

Japan Emerging from Decades of Deflation

Japan's economy has begun to emerge from nearly three decades of deflation; which in turn, has facilitated a path toward BOJ policy normalization. Near term, the BOJ is projecting CPI (ex-fresh foods) to remain above 2% through FY 2024.



Source: (1-2) Bloomberg. Data as of May 6, 2024.

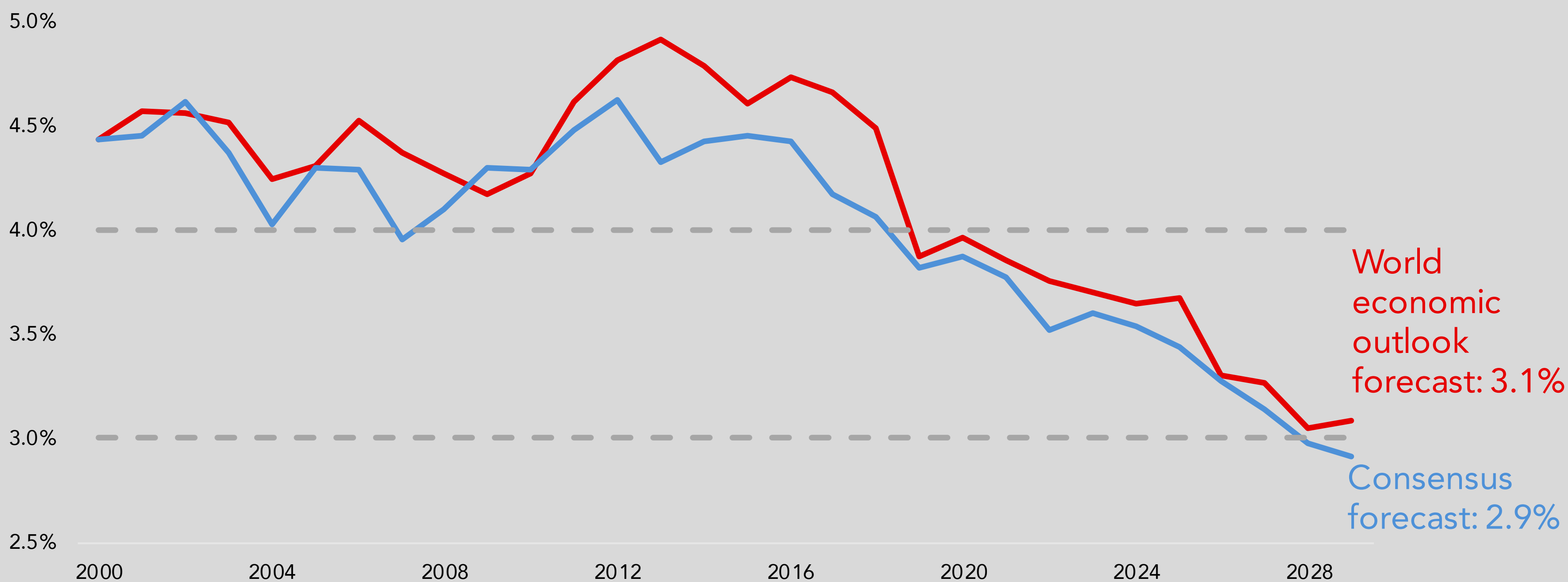
THE GLOBAL ECONOMY

3 Rolling Recessions to Rolling Recoveries

New Era of Global Growth is Slower

According to the IMF, the global economy is projected to grow 3.2% in 2024 and 2025, well below its historical (2000-2019) average closer to 4%, reflecting the combined impact of tighter monetary and fiscal policy. The medium term outlook, however, is more concerning. Fiver-year-ahead forecasts for the global economy have been dropping sharply and are expected to fall below 3%. Primary contributors to downward revision are widespread and reflect a broad range of secular forces including slower EM growth, less accommodative advanced economy policy, aging demographics, elevated debt and de-globalization.

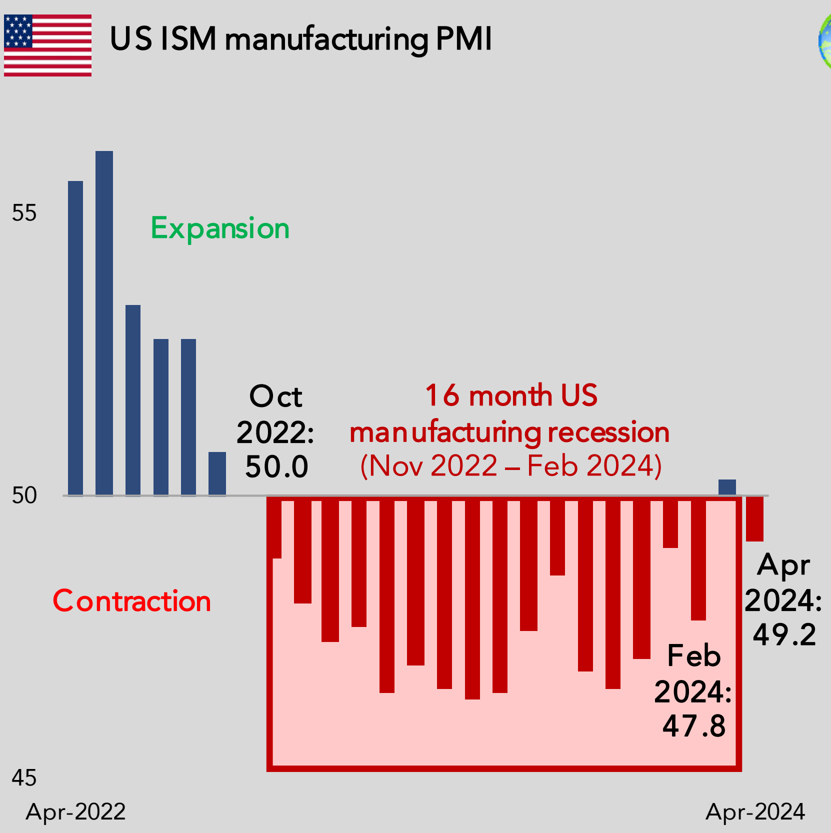
Five year ahead Real GDP growth projections, world growth

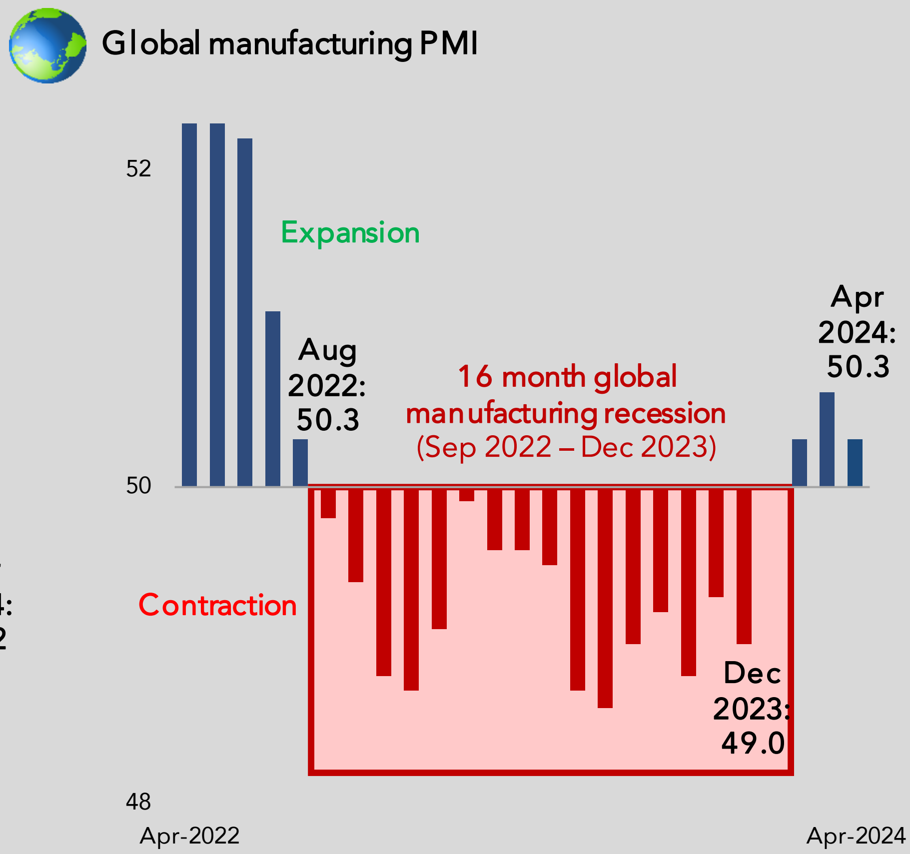


Source: (1) IMF World Economic Outlook, April 2024. Consensus estimates and IMF staff calculations. Global real GDP growth projections are calculated using GDP in purchasing power parity in international dollar weights. The years on the horizontal axis refer to the year for which a forecast is made, using the April WEO from five years earlier. For example, the 2029 forecast is based on the April 2024 WEO, and so on.

Global Manufacturing Recovery

The March US ISM manufacturing report jumped sharply from 47.8 to 50.3, though fell back again in April. Importantly, the move above 50 demonstrates a transition from contraction to expansion territory, following a 16 month manufacturing recession. Although April's contraction was disappointing, the improvement in US manufacturing appears to be part of a multi-month trend underway globally that is likely to be slow, gradual and non-linear in its progression.



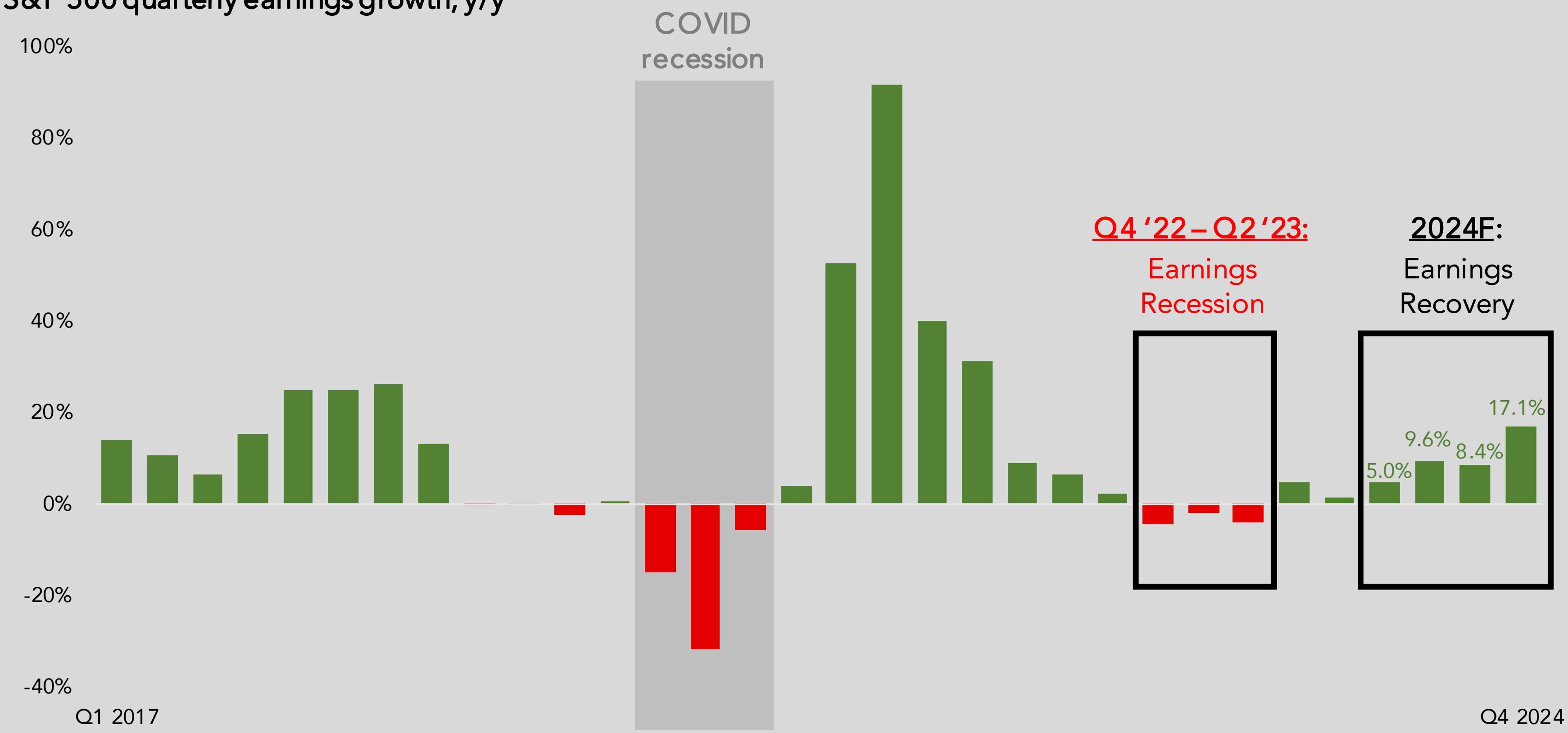


Source: (1-2) Bloomberg. Data as of May 8, 2024.

S&P 500 Earnings Recovery in 2024

Historically, corporate earnings and valuations move higher in advance of the trough in GDP. Notably, the S&P 500 earnings cycle bottomed in 2023, and the number and magnitude of Q1 2024 earnings surprises have exceeded 10-year averages. The operating environment will nonetheless be a challenge, given: (i) geopolitical contagion to energy prices, maritime transport and supply chains; (ii) elevated funding costs; (iii) expiry of R&D and investment tax code provisions; (iv) sticky wage growth; and (v) US election uncertainty.

S&P 500 quarterly earnings growth, y/y

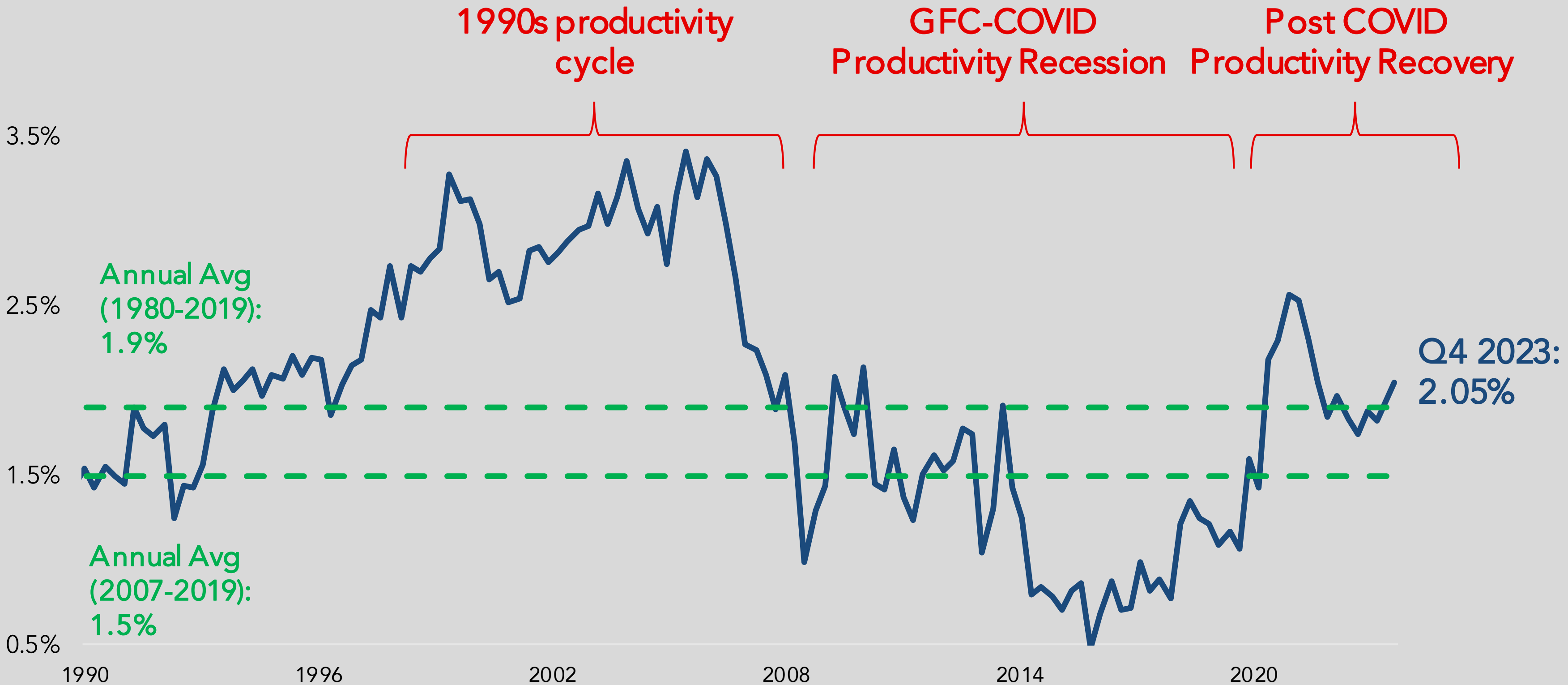


Source: (1) FactSet, Earnings Insight Report (May 3, 2024). For Q1 2024, 80% of S&P 500 companies reported actual results. FactSet forecast. KKR ("Glass Half Full: Outlook for 2024". Henry McVey).

Post-COVID Productivity Recovery

The US economy has not had a sustained acceleration in productivity since the late 1990s. Following a transitory surge during COVID due to a temporary increase in unemployment, US productivity growth is poised to remain above its multi-decade 1.5% average on a multi-year basis. While an element of productivity growth is cyclical and therefore tied to growth, we believe that an acceleration in capital investment, innovation and productivity is emerging as a sustainable mega-theme in the post-COVID period.

Non-financial corporate productivity 5 year average, q/q



Source: (1) Bureau of Labor Statistics. Data as of May 6, 2024.

THE GLOBAL ECONOMY

4 Unexpected “Soft Landing”

Why is a "Soft Landing" Unexpected?

History suggests that "hard landing" risk is high. Looking back at the 12 Fed tightening cycles in the post-WWII era, the Fed only avoided a "hard landing" on three occasions (mid-1960s, 1983, and 1994).

US rate cycles and recession periods

Tightening Cycle	Total bps hiked	Peak inflation rate	Hard or soft landing?
1954 - 1957	227 bps	3.7%	Hard
1958 – 1960	305 bps	3.6%	Hard
1964 – 1966	**210 bps**	**3.8%**	**Soft**
1968 – 1969	500 bps	6.2%	Hard
1972 – 1974	850 bps	12.3%	Hard
1977 – 1980	1,040 bps	14.8%	Hard
1980 – 1981	790 bps	11.0%	Hard
1983 – 1984	**250 bp**	**4.8%**	**Soft**
1988 – 1989	300 bps	5.2%	Hard
1994 – 1995	**300 bps**	**3.0%**	**Soft**
1999 – 2000	175 bps	3.8%	Hard
2004 – 2006	425 bps	4.7%	Hard
2022 – 2024	**525 bps**	**9.1%**	**Soft?**

Source: (1) Oxford Economics, "What History Tells us About Rate Hikes and Recession Risk" (May 9, 2022). 2017-2018 tightening cycle not included because interrupted by exogenous COVID shock.

“This Time is Different”

The US economy has been far more resilient to this accelerated Fed tightening cycle due to: (i) impact of COVID-era imbalances on US consumer; (ii) a US economy that is structurally less rate sensitive than 30 years ago; and (iii) more diversified markets and range-bound energy prices despite elevated geopolitical risk.

#1: COVID Era Imbalances

- **$10 trn** of US COVID fiscal stimulus
- **$3 trn** of “excess” COVID era US consumer savings
- **3.9%** US unemployment rate near multi-decade lows

#2: Less Rate Sensitive US Economy

- **80%** of US GDP is services
- **95%** of US home mortgages are fixed rate
- **40%** of all US mortgages originated or refinanced in 2020-21
- **95-99%** of US IG & HY market is fixed rate

#3: Range Bound Energy Prices Despite Elevated Risk

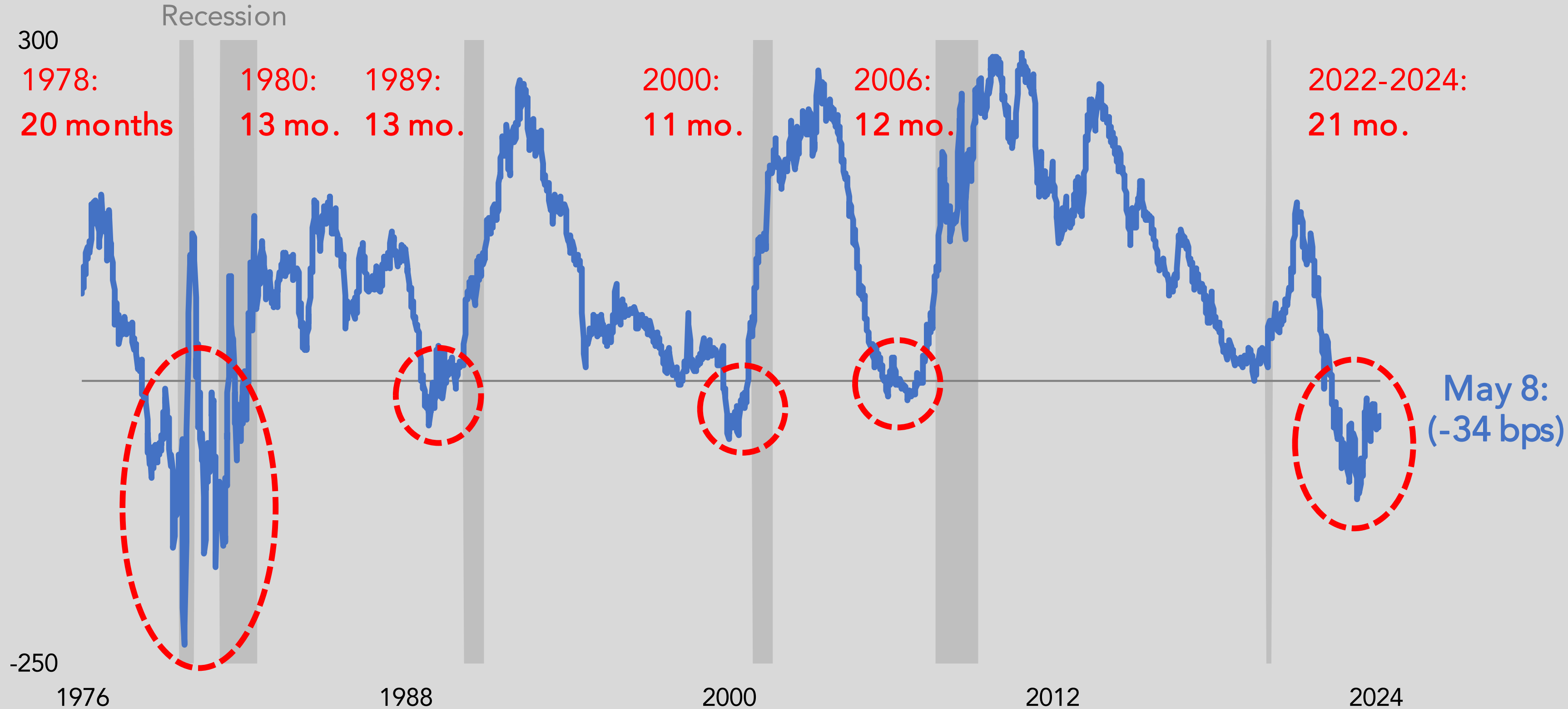
- Brent & WTI trading in **low $80s** per barrel
- EU & US nat gas prices down sharply since Russia-Ukraine

Source: (1) Bloomberg. Data as of May 1, 2024.

Longest 2s-10s Yield Curve Inversion Since the 1970s

Markets have (hawkishly) repriced expectations for 2024 Fed rate cuts vis-a-vis expectations in January. Due in large part to this delay in the policy easing timeline, the 2s-10s yield curve inversion, which began in July 2022, has become the longest inversion period for the UST curve since the 1970s.

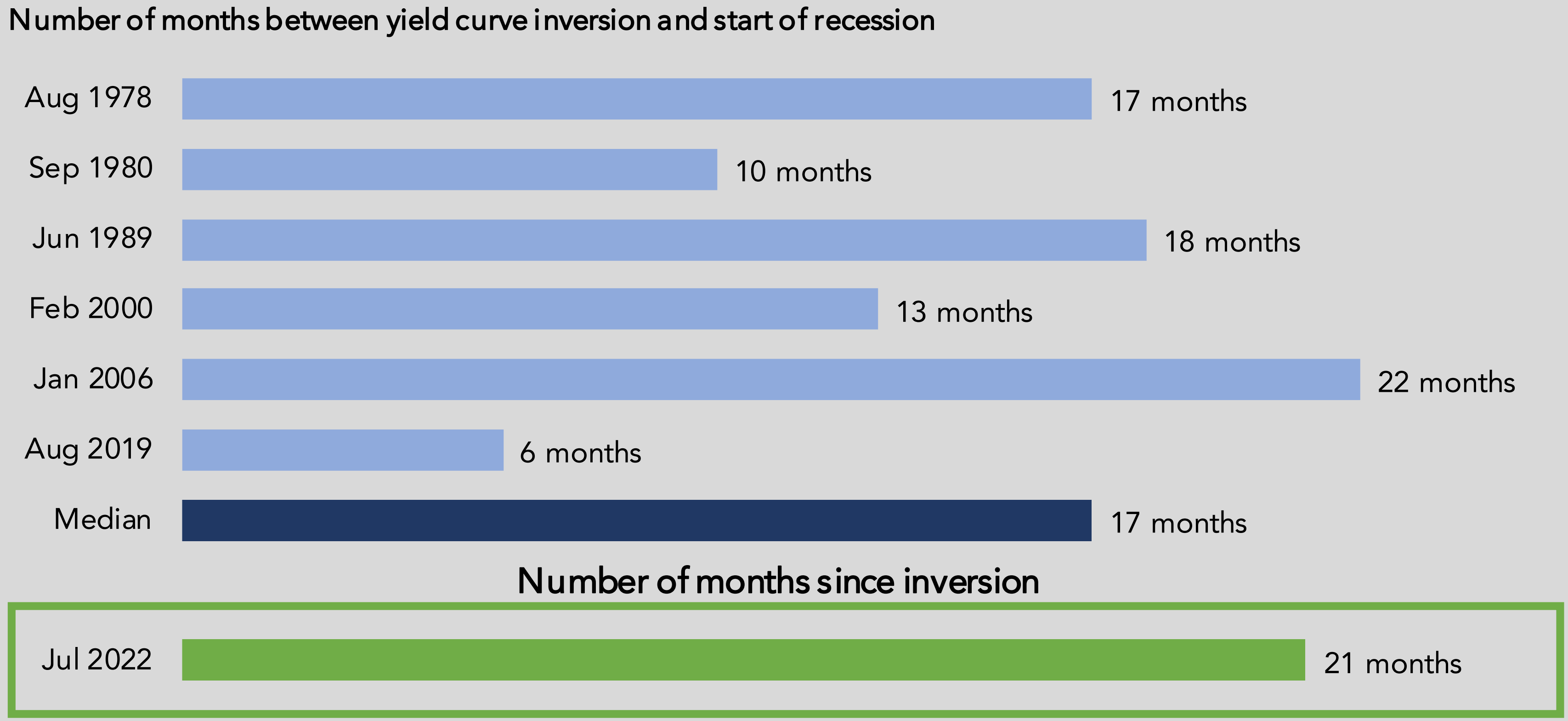
Incidents of 2s10s UST yield curve inversion since 1976



Source: (1) Bloomberg. Data as of May 8, 2024.

Less Reliable Recession Signal In Current Cycle

Historically, inversion of the UST yield curve has been among the more accurate signals, with reasonably few false positives, of US recession timing. On average, US recessions have followed approximately 12-18 months after initial inversion. Due to a range of largely unanticipated factors - less rate sensitive US economy, post COVID imbalances (i.e., excess stimulus and savings, tight labor markets) and range-bound energy prices - the current inversion period has well exceeded historic timelines for US recession timing following the moment of initial yield curve inversion.

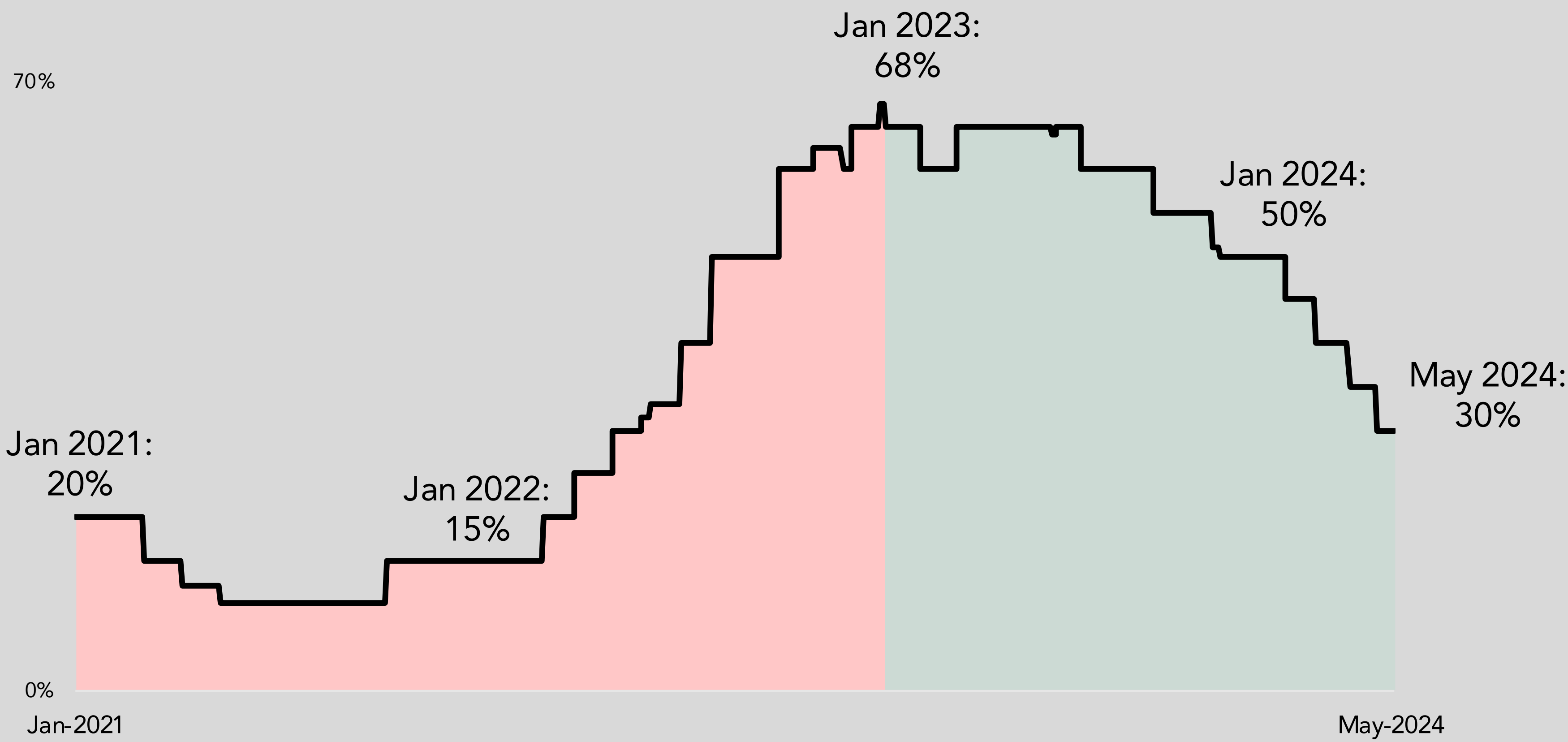


Source: (1) Bloomberg. Data as of May 6, 2024.

Consensus View of US Recession Risk Declining

Based on Bloomberg surveys of approximately 60 economists, expectations of 12 month US recession risk have continued to move lower and lower over the last 18 months.

Probability of US recession in the next 12 months



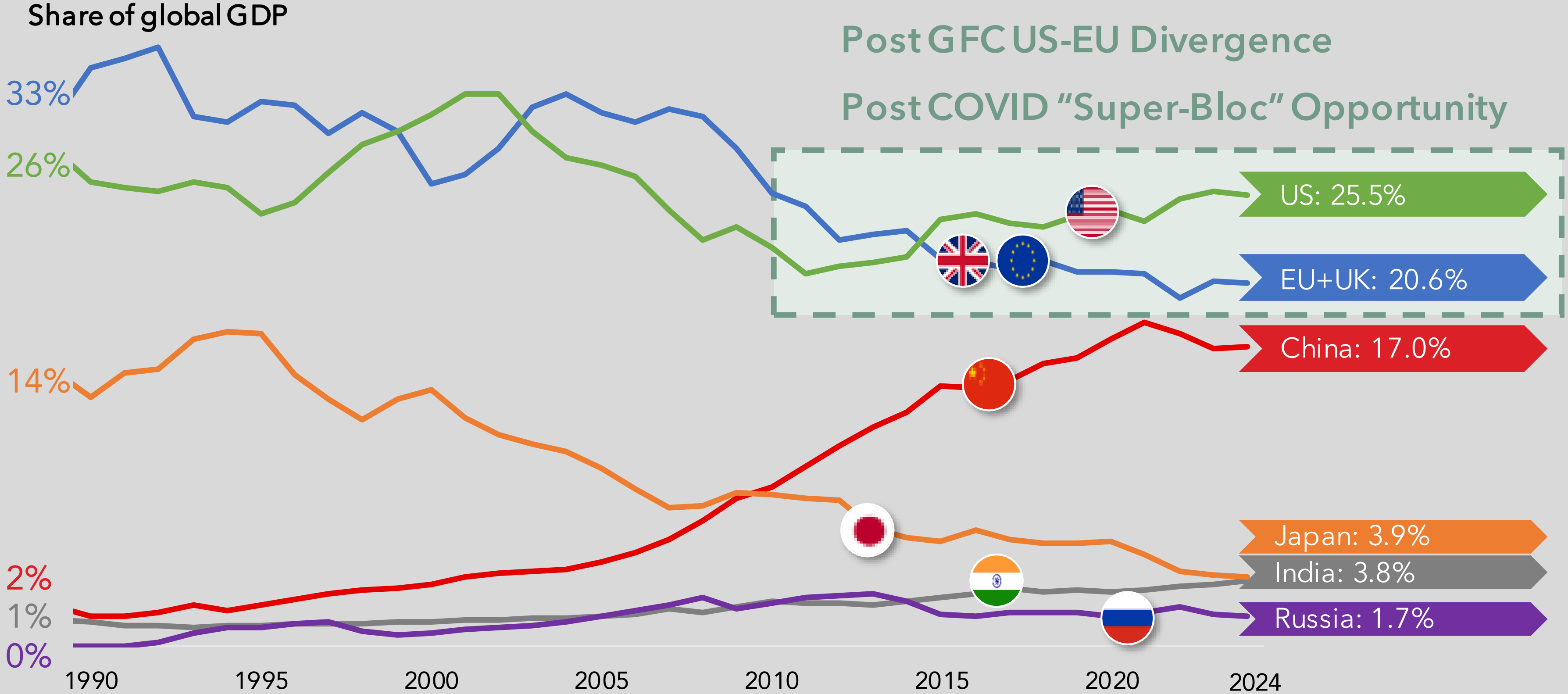
Source: (1) Bloomberg. Data as of May 6, 2024. Bloomberg consensus based on 60 contributors surveyed.

THE GLOBAL ECONOMY

5 Reshuffle in Global Economic Leadership

Reshuffle in Global Economic Leadership

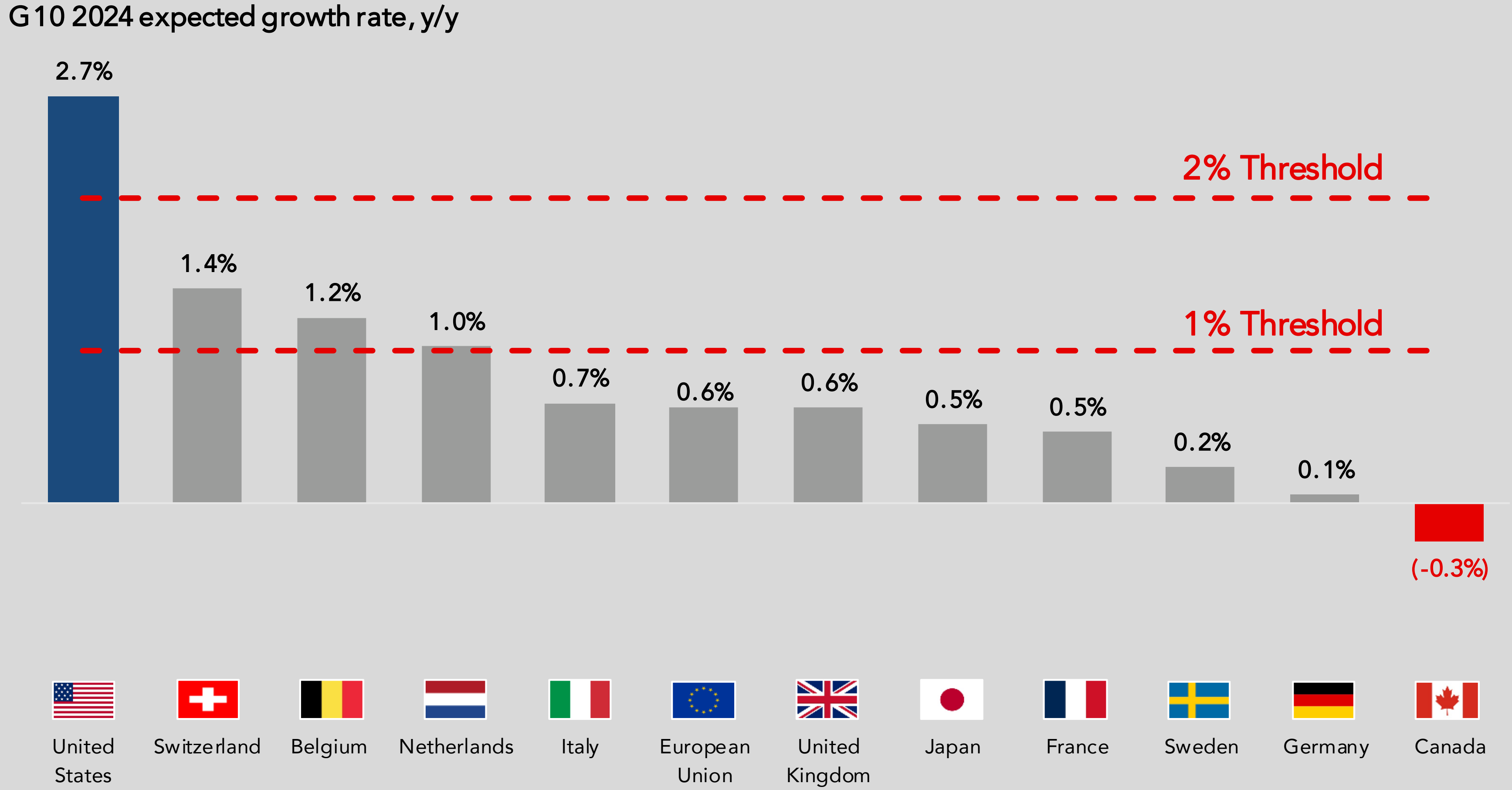
The US economy has diverged from Europe in relative growth and size since the 2008 global financial crisis (GFC) as a result of: (i) larger relative fiscal and monetary stimulus; (ii) less direct exposure to Russia-Ukraine war; (iii) less rate sensitive US economy; and (iv) easier financial conditions in more capital markets-based US economy; and (v) broad-based acceleration across US energy and tech sectors in particular. Looking ahead, as global trade realigns amidst elevated geopolitical tension, the sheer size of the US and EU/UK economies in aggregate offer an attractive "super-bloc" opportunity of increased cooperation and trade-capital flows.



Source: (1) IMF. Data as of April 2024. GDP values are nominal. 2024 GDP is an estimate.

US Outperforming G10 Peers

With expected 2024 GDP growth at 2.7%, the United States is the only G7 economy projected to grow above 1% and the only G10 economy expected to grow above 2% in 2024. The US, in fact, is growing above its long term potential growth estimate.

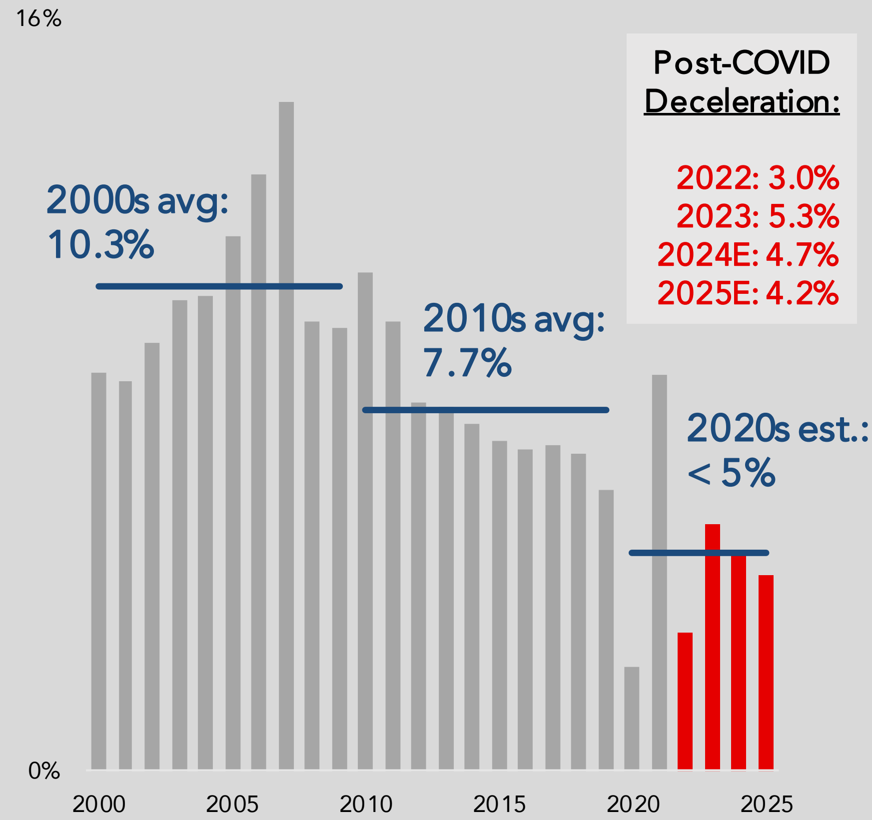


Source: Oxford Economics. Data as of May 6, 2024.

New Normal for China Growth < 5%

After four decades of super-charged growth well above advanced economy rates, the new normal for post-COVID China growth in the decade ahead will likely fall below 5%. In fact, the IMF is forecasting China growth < 4% in coming years, less than half the rate of recent decades. By virtue of being more structural than cyclical, China's slowdown is likely to be multi-year in duration.

China real GDP growth, y/y



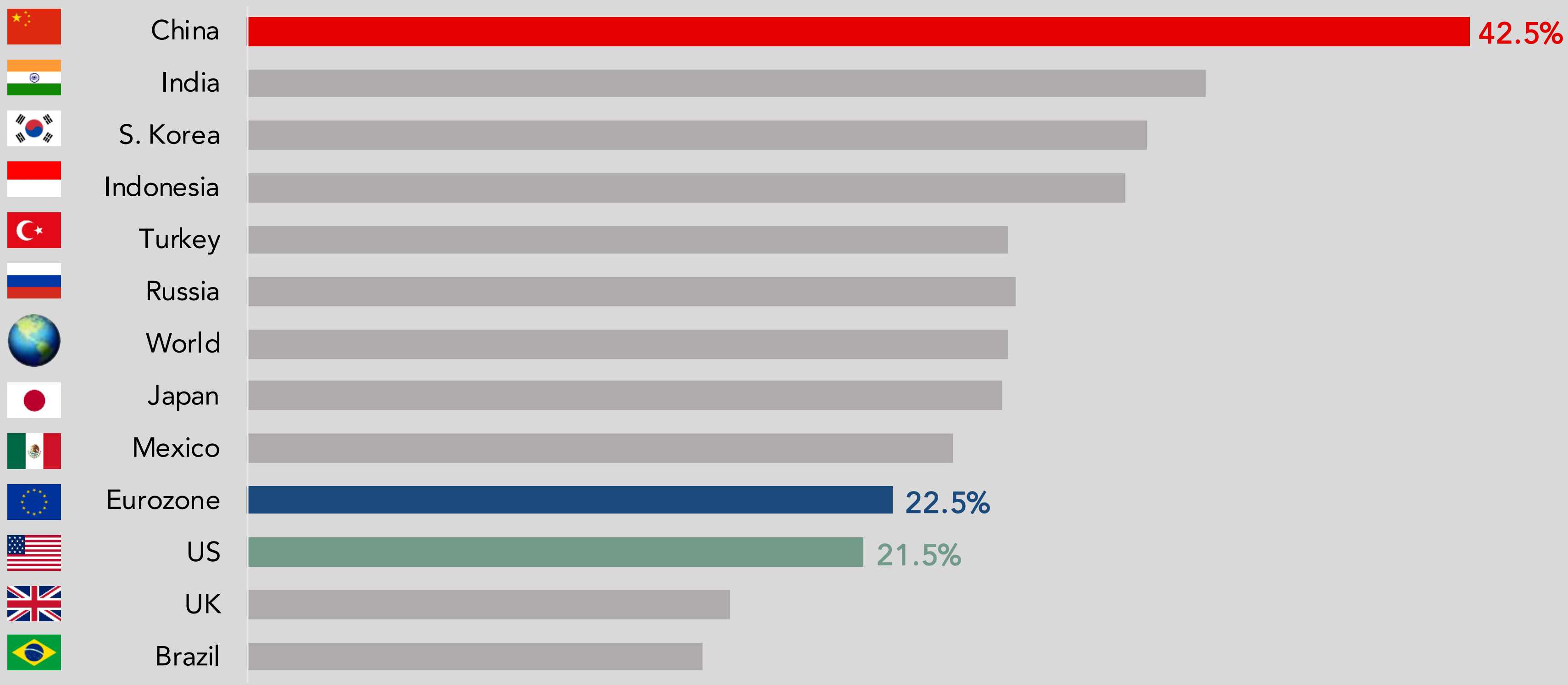
Key Challenge	Primary Driver: More Structural	Primary Driver: More Cyclical
1. Tepid Consumer	●	●
2. Weak External Demand		●
3. Policy Restraint	●	●
4. State Sector Pivot	●	
5. Demographic Headwinds	●	
6. Declining Productivity	●	●
7. Rising Debt Levels	●	
8. Property Sector Leverage	●	
9. Concentrated Banking System	●	
10. "Higher Friction" Geopolitics	●	

Source: (1) Oxford Economics. Data as of May 6, 2024.

Doubling Down Instead of Rebalancing

Facing a multi-year structural slowdown, against a backdrop of ideological policy and higher friction geopolitics, President Xi has been reticent to rebalance China's economy toward more consumer-driven growth. Instead, President Xi has made a pragmatic pivot back toward the multi-decade model of investment and export driven growth, raising concerns among global peers about anti-competitive trade practices. Today, China accounts for about 1/3 of global production but less than 10% of global demand – a notable mismatch.

Investment as % of GDP (2023)

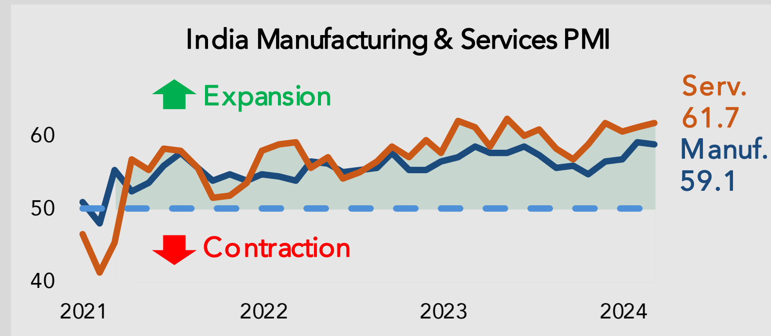


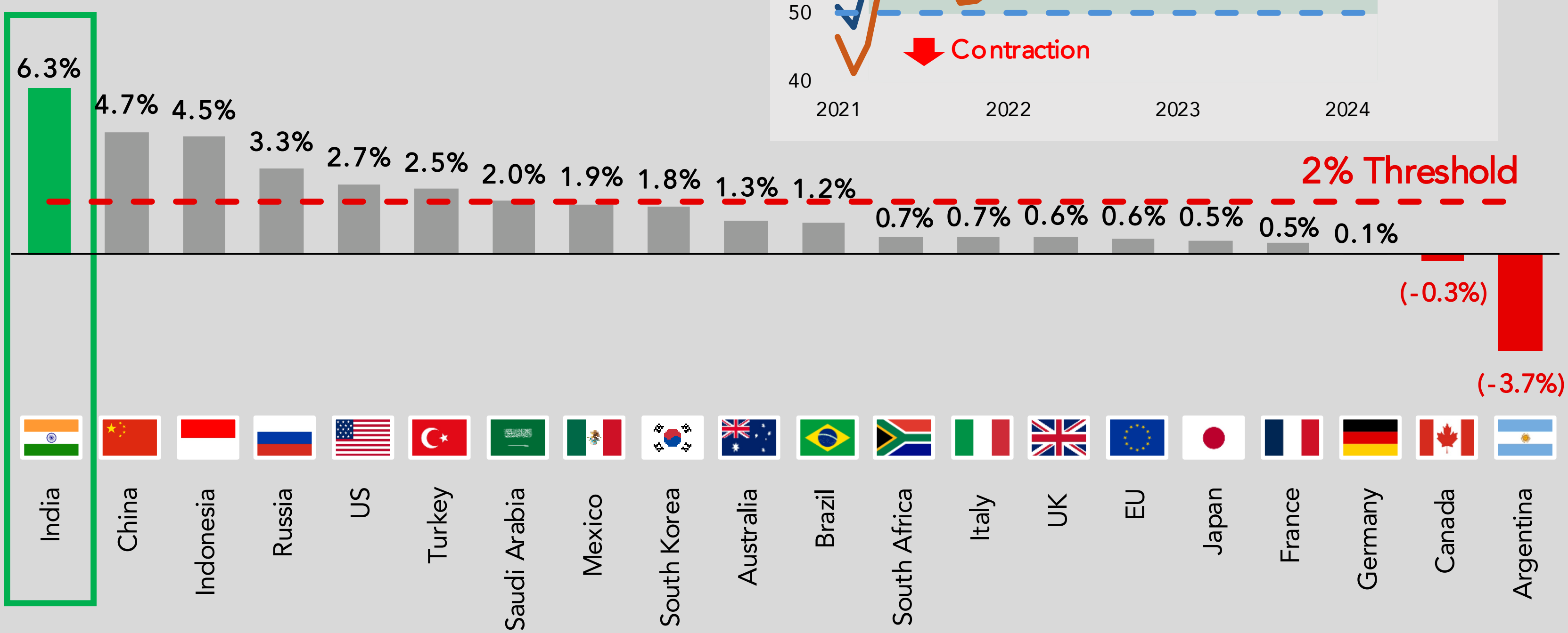
Source: (1) IMF. Bloomberg. Data as of May 6, 2024.

India: Fastest Growing G20 Economy

Initially established in 1999, the G20 accounts for approximately 80% of global GDP. In a reshuffling of global growth leadership, India is expected in 2024 to repeat its post-pandemic position, ahead of China, as the world's fastest growing G20 economy. Although experiencing some moderation in April, India's services and manufacturing PMI growth nonetheless remained near its highest levels in 14 years, and well above the levels of large economies globally.

G20 2024 expected growth rate, y/y





Source: (1) Oxford Economics. Data as of May 6, 2024. (2) Bloomberg. Data as of May 6, 2024.

The World's Largest Democracy Goes to the Polls

The world's largest democracy is in the midst of the largest (968 million eligible voters, 10% of the global population) and most expensive ($14.4 bn) election globally. More than 2,600 political parties are registered for what will be India's 18th Lok Sabha (Parliamentary) elections since achieving independence in 1947. Due to its vast geography, India's election is spread over six weeks (44 days) in seven phases. Voting will continue through June 1st and results will be announced on June 4th.

Notable data on India's 2024 election

2,600
registered political parties in the election

27
political parties in opposition coalition vs. current PM Modi's BJP-led coalition

272
seats needed to form a government

543
seats up for election in Lok Sabha

15mn
polling agency workers for 2024 election

2mn
security personnel deployed in 2019 election

15.2k ft
elevation of India's highest polling booth (highest in the world)

2km
maximum allowable distance from polling station to registered voters

5
years in term for Lok Sabha (lower house of Parliament)

18th
Democratic election in India since Independence

June 4
final election results announced

7
# of phases in the 2024 election process

5.5mn
voting machines utilized

44
days to complete 2024 election (2nd longest in India's history)

1mn
polling places

150mn
additional eligible voters in 2024 vs. 2019

48%
eligible voters who are women

218k
registered voters who are centenarians

18mn
first time voters in their teens

1.4bn
total population (world's most populous country)

968mn
eligible voters (10% of global population)

197mn
voters in their twenties

67%
voter turnout in 2019 election

$8.7bn
amount spent in 2019 election by candidates and parties (world's most expensive election at the time)

$14.4bn
expected cost of 2024 election (1.2 tn rupees)

352
current majority of Prime Minister Modi's BJP-led coalition

Source: (1) Bloomberg, "The World's Largest Election Is a One-Man Show: Balance of Power" (Nishant Dahiya), "India Election By The Numbers" (Kevin Cordoba-Llanos). CNBC, "India kicks off the world's largest elections this week. Here's what you need to know". The Guardian, "Six weeks, 969 million voters, 2,600 parties: India's mammoth election explained".

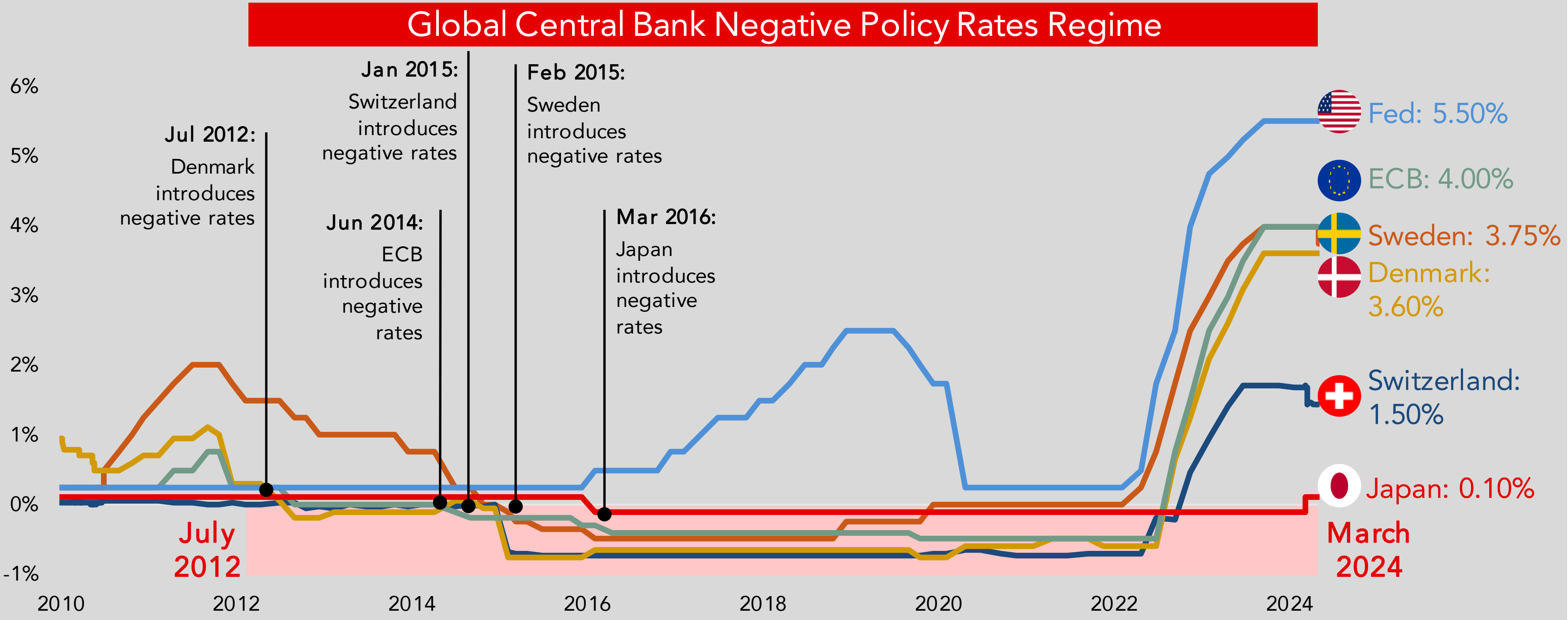
POLICY & POLITICS

6 End of an Era

The End of Negative Interest Rate Policy (NIRP)

The grand experiment of negative interest rate policy (NIRP) began in 2012 when Denmark became the first central bank to go negative in July of that year. Sweden was the first to exit NIRP in December 2019, though kept policy rates at 0% (ZIRP) until April 2022. It took a full decade for other G10 central banks to abandon the NIRP policy regime, led by the ECB in July 2023, Denmark and Switzerland in September 2023, and finally Japan in March 2024. Notably, the historic BOJ policy shift was multi-faceted in: (i) raising their policy rate band to 0%-0.1%; (ii) ending yield curve control (YCC), and (iii) announcing an end to ETF & REIT purchases, a gradual reduction in corporate bond purchases and a continuation of JGB buying (with tapering intent in future).

Central bank policy rates

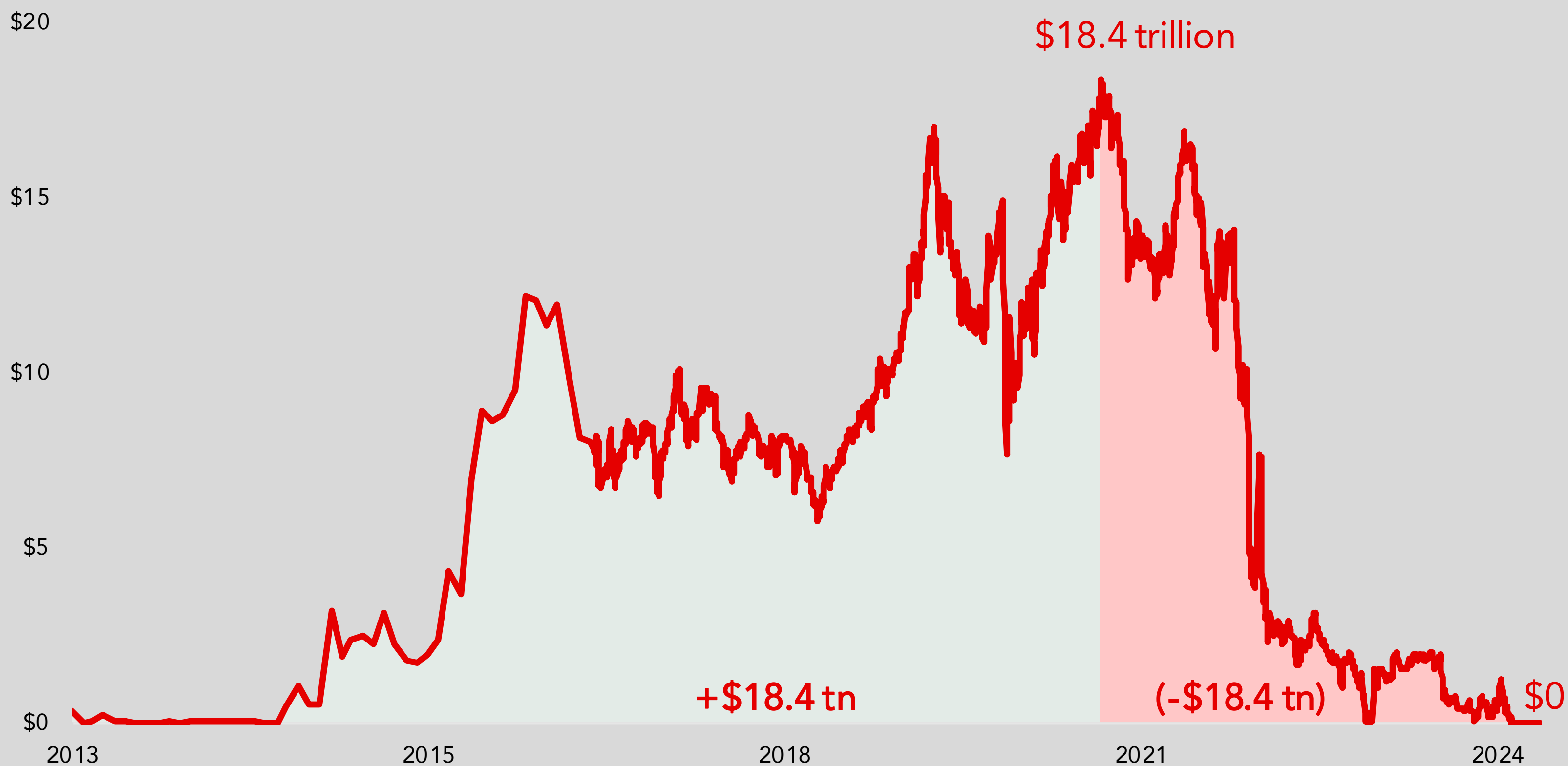


Source: (1) Bloomberg. Data as of May 8, 2024. US is Fed Funds upper bound. ECB is deposit facility. Denmark is interest rate on certificates of deposit. Japan is unsecured overnight call rate upper bound. Switzerland is the overnight repo rate. Sweden is the repo rate.

Global Negative Rate Experiment Over (For Now)

Global negative yielding debt peaked around $18 trillion during the peak US-China trade wars and COVID crisis period, but has since declined to zero as global central banks pivot to a new era of global policy normalization.

Global aggregate negative yielding debt, market value, USD tn

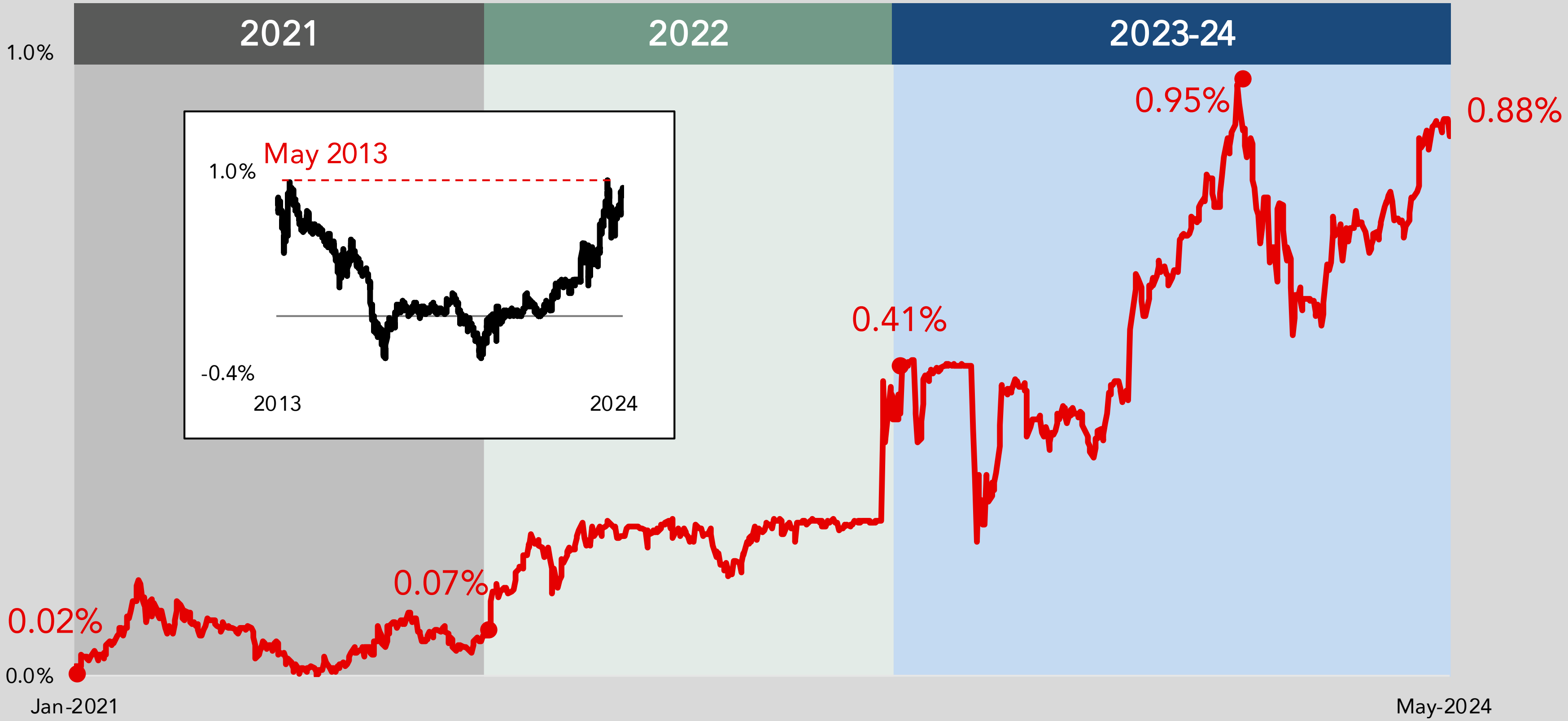


Source: (1) Bloomberg. Data as of May 6, 2024.

JGB Yields on Path to Normalization

After a decade of policy suppression, Japanese Gov't Bond (JGB) yields began to normalize in 2022 with post-COVID inflation, and then again in 2023 as the BOJ incrementally expanded the permissible trading range of its YCC framework. Following the historic policy pivot in March, look for yields to move higher from here as: (i) the BOJ raises policy rates further (MUFG view: July and Q4); and (ii) the BOJ pivots toward a tapering of its JGB purchase program.

10 year JGB bond yield



Source: (1) Bloomberg. Data as of May 8, 2024.

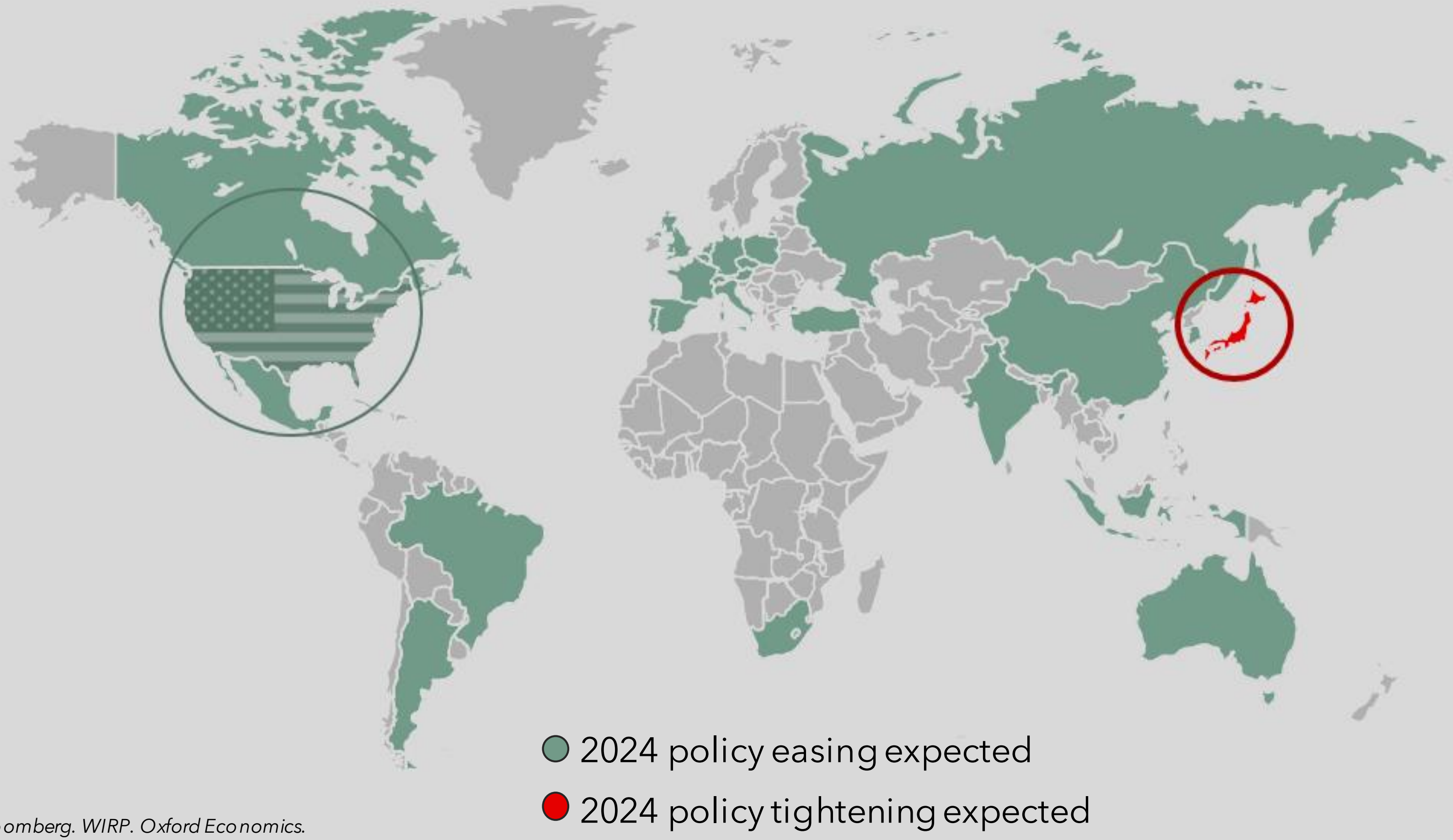
POLICY & POLITICS

7 The Pivot to Policy Easing

The Pivot to Global Policy Easing

While the Fed is likely to participate in the synchronized G20 policy easing of 2024, we believe that they are "in no hurry" given resilient US economic data, tight labor markets, and relatively "easy" financial market conditions (equities, credit spreads, energy markets). With US real rates currently in fairly restrictive territory, look for the Fed's policy position to pivot toward easing in the 2H of the year.

Monetary policy expectations for G20 economies in 2024

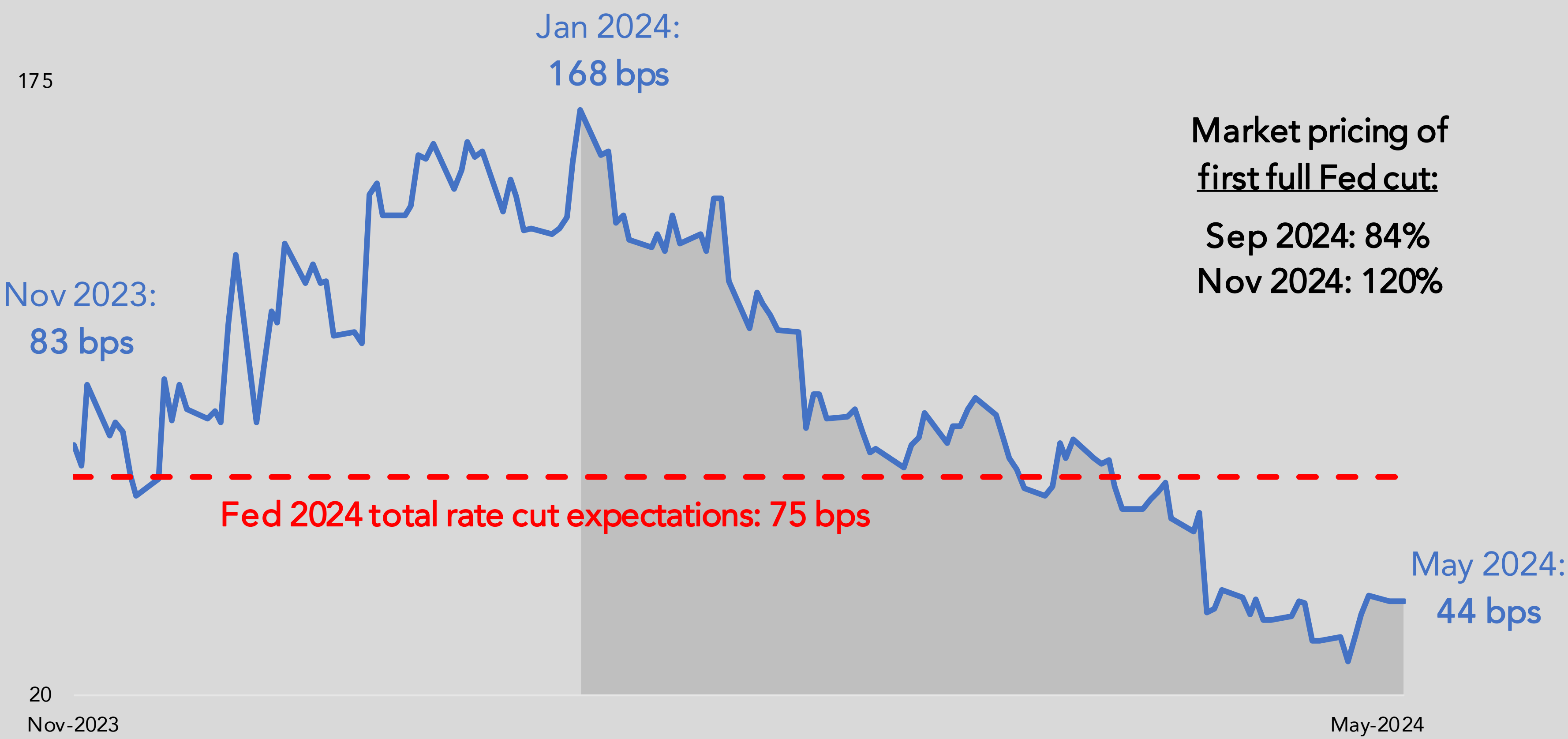


(1) Bloomberg. WIRP. Oxford Economics.

Market More Hawkish Than The Fed

In early January, market implied rate cut expectations for 2024 were more than double the Fed's forecast of 75 bps. Following strong US economic data and multiple "hotter-than-expected" inflation reports, market expectations have become more hawkish, pricing in less than 50 bps of rate cuts in 2024, with the first full Fed rate cut not priced until Q4, after the US election.

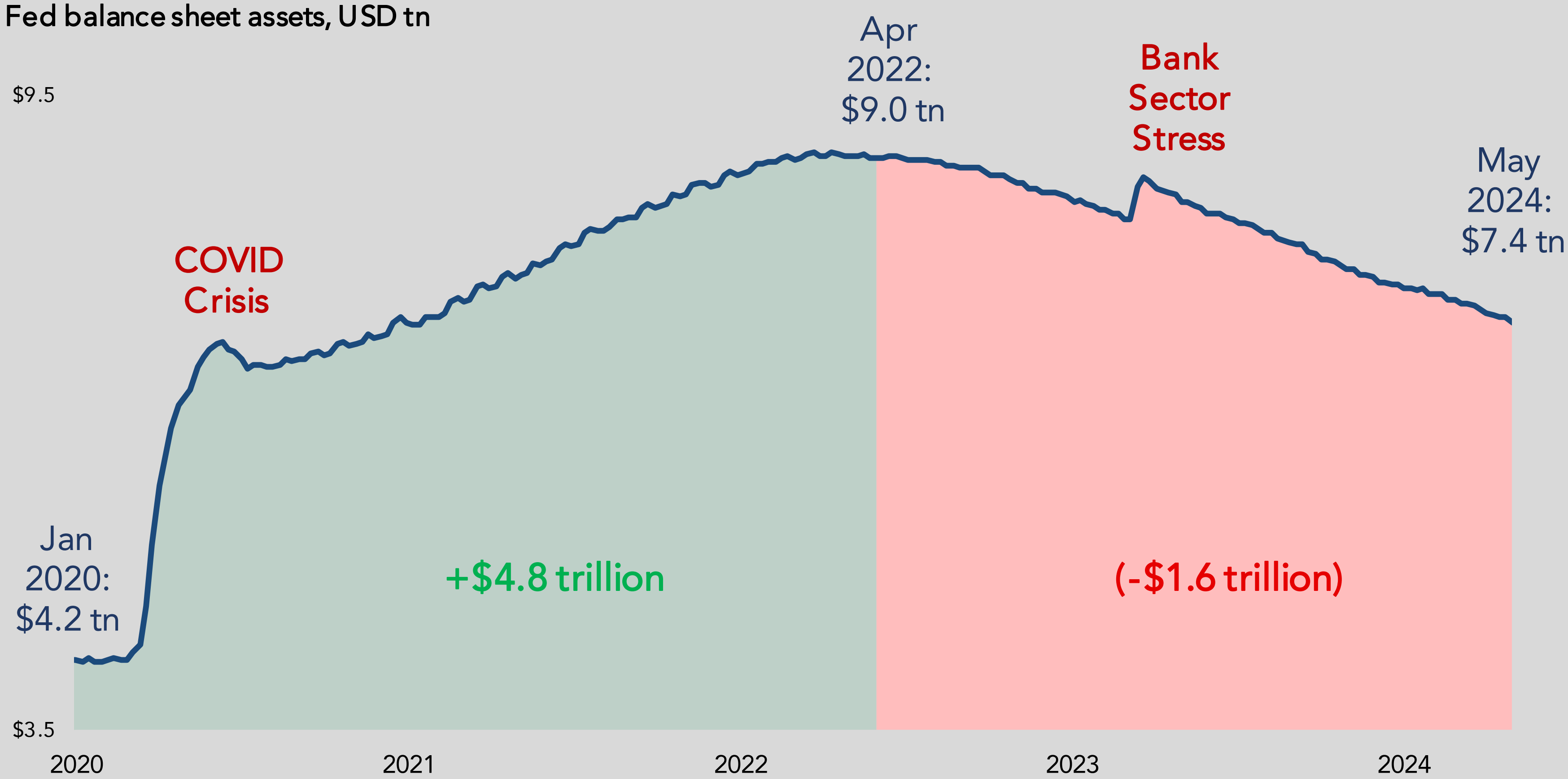
Market implied total 2024 Fed rate cut expectations, bps



Source: (1) Bloomberg. Data as of May 8, 2024.

Tapering the Pace of QT in June

At the May FOMC meeting, the Fed announced its plans for slowing the monthly pace of QT from $95 billion per month ($60 bn USTs, $35 bn MBS) to $60 bn per month ($25 bn USTs, and MBS left unchanged at $35 bn), starting in June.



Source: (1) Federal Reserve Board. Bloomberg. Data as of May 6, 2024.

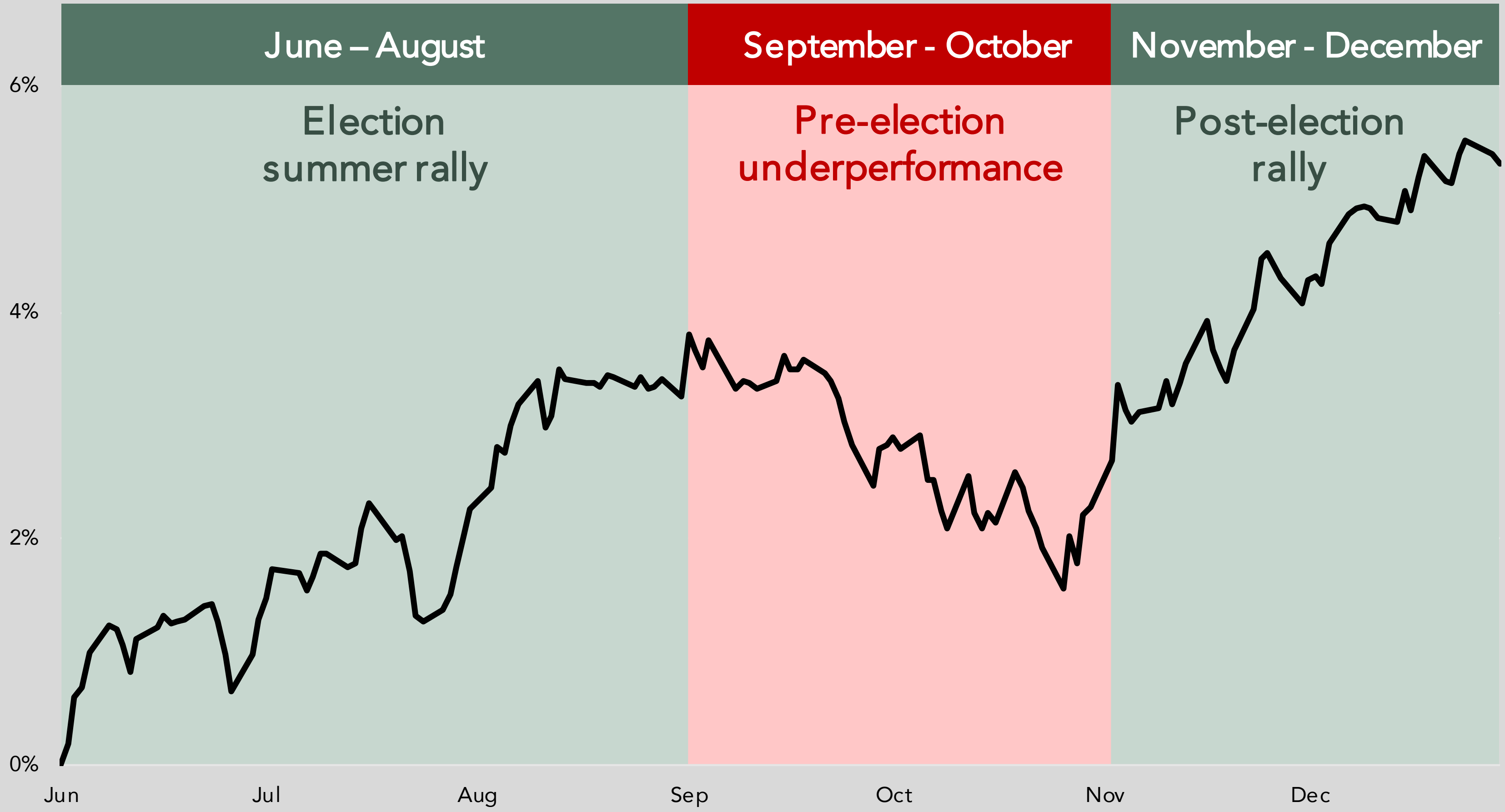
POLICY & POLITICS

8 Markets & the US Election

Equity Markets in US Election Years

Historically, markets have tended to underperform during the period of pre-election uncertainty, with the post election rallies on higher certainty often beginning in the days immediately preceding the actual election (regardless of political party gaining or losing control).

Average S&P 500 performance during election years since 1952

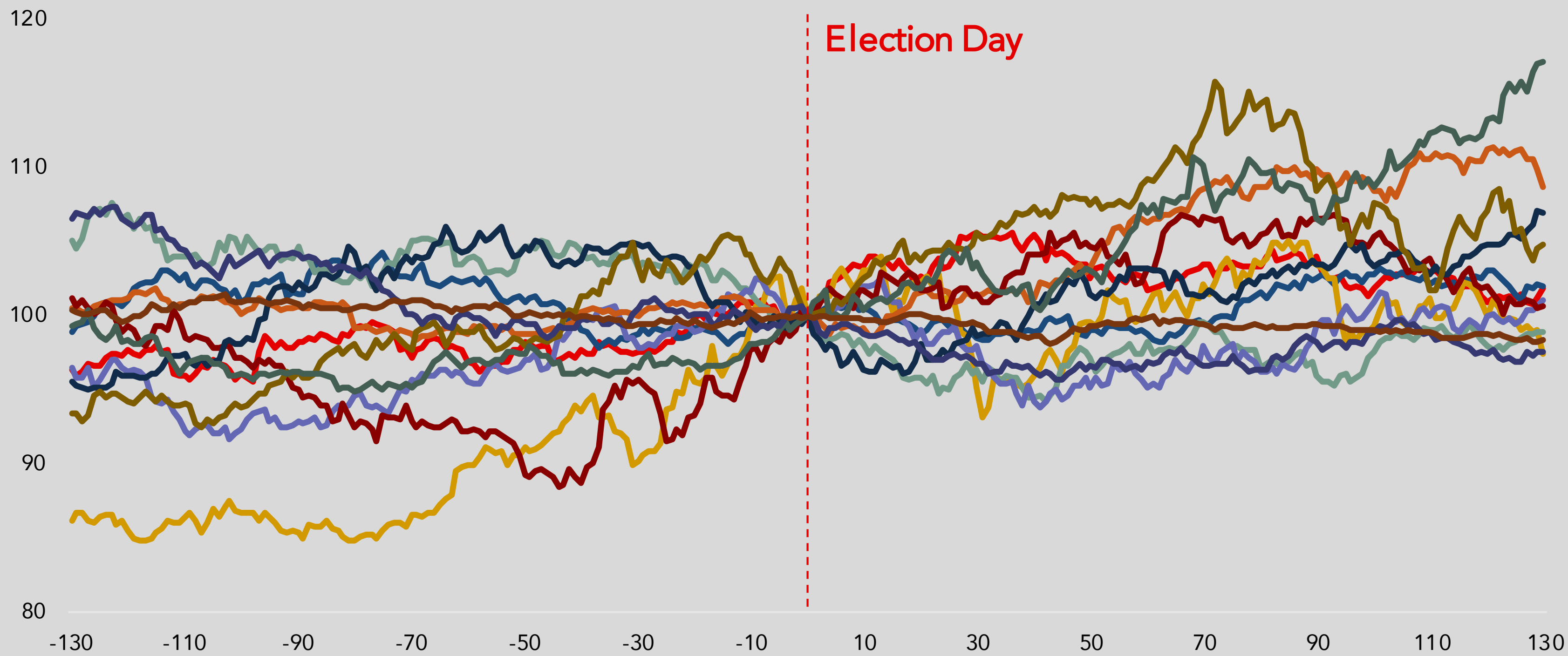


Source: (1) Bloomberg. S&P 500 performance for presidential election years starting in June from 1952 – 2020.

The US Dollar Pre & Post Elections

MUFG's Global Head of FX Strategy, Derek Halpenny, notes that the US Dollar has demonstrated a bias for strength in both the six months before AND after US Presidential elections. Importantly, there are numerous variables, many more important than the election, driving the US Dollar in each cycle. To this end, the economy and Fed policy certainly matter more. However, it may also be the case that the months before and after a Presidential election are generally accompanied by periods of greater fiscal impulse than non-election years.

USD performance 6 months prior & 6 months after US presidential elections going back to 1976



Source: (1) MUFG Global Markets Research (Derek Halpenny). Data shows performance for presidential elections from 1976 – 2020. Each line represents performance of the dollar 6 months before and after the election (12 elections).

The US Election & Federal Reserve Independence

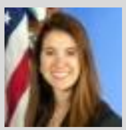
Barring a wave of resignations, it will be difficult for the next US President to reshape the Federal Reserve Board. Jerome Powell's terms as Fed Chair and on the Board of Governors expire in 2026 and 2028, respectively. Though not required by the Federal Reserve Act, Fed Chairs have historically resigned when their terms as Chair expire. Aside from Powell and Kugler, most other Fed Governors are serving terms that expire beyond the next Presidential term. Further, while the President and Senate select the Board of Governors, they do not pick the 12 regional Fed bank Presidents. The FOMC is typically governed by five regional Fed Presidents and the Board of Governors. Further election-related politicization of the Fed also risks rekindling discussions of auditing the Fed.

Year of expiring Fed Governor terms

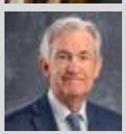
2025

None

2026



Adriana Kugler
Fed Governor

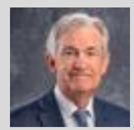


Jerome Powell*
Fed Chair

2027

None

2028

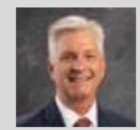


Jerome Powell***
Fed Governor

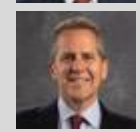
2029

None

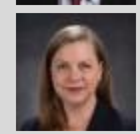
2030 or later



Christopher Waller**
Fed Governor

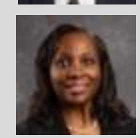


Michael Barr**
Vice Chair for Supervision



Michelle Bowman
Fed Governor

Philip Jefferson**
Vice Chair



Lisa Cook
Fed Governor

* *Term as Fed Chair*
** *Filling unexpired term, therefore can be reappointed*
*** *Term as Fed Governor*

Source: Oxford Economics, "Can politics and the Fed mix or is it oil and water?".

POLICY & POLITICS

9 Economic Policy Converging With National Security

Whole of Government Approach to China

The US has adopted a "whole of government approach" on China policy, a rare arena of general agreement among Democrats and Republicans. Notably, US-China policy is emanating from a broad range of institutions with comparatively high and low China expertise, as well as from those with relatively more and less active dialogue with China counterparts and US allies.

Selected branches and agencies of the US government driving China policy

CFIUS

Committee on Foreign Investment in the United States

US Committee for the Assessment of Foreign Participation in the US Telecommunications Services Sector

NIH National Institutes of Health

National Science & Technology Council

Source: White House. National Archives. "US Strategic Approach to the People's Republic of China". Council on Foreign Relations "Timeline: US-China Relations"

Trade War Begins on Day 1 of Trump 2.0

The US President has a myriad of tools to unilaterally address imbalances in the global trading system. President Trump spent the first year of his first term on US tax reform, not pivoting toward trade policy escalation until 2018. the S&P 500 grew 19% in 2017, while contracting 6% in 2018. If President Trump is re-elected in 2024, look for a trade war to begin on day one of his second term.

US trade toolkit utilized in 2018 – 2019 trade war

US Trade Expansion Act of 1962, Section 232

Auto Tariffs

US Trade Act of 1974, Section 301 / International Emergency Economic Powers Act of 1977 (tariffs)

China's Trade Practices

US Trade Expansion Act of 1962, Section 232

Steel & Aluminum Tariffs

International Emergency Economic Powers Act of 1977 (tariffs)

Immigration from Mexico

US Trade Act of 1974, Section 201

Solar Panels & Washing Machines Tariffs

US Trade Promotion Authority

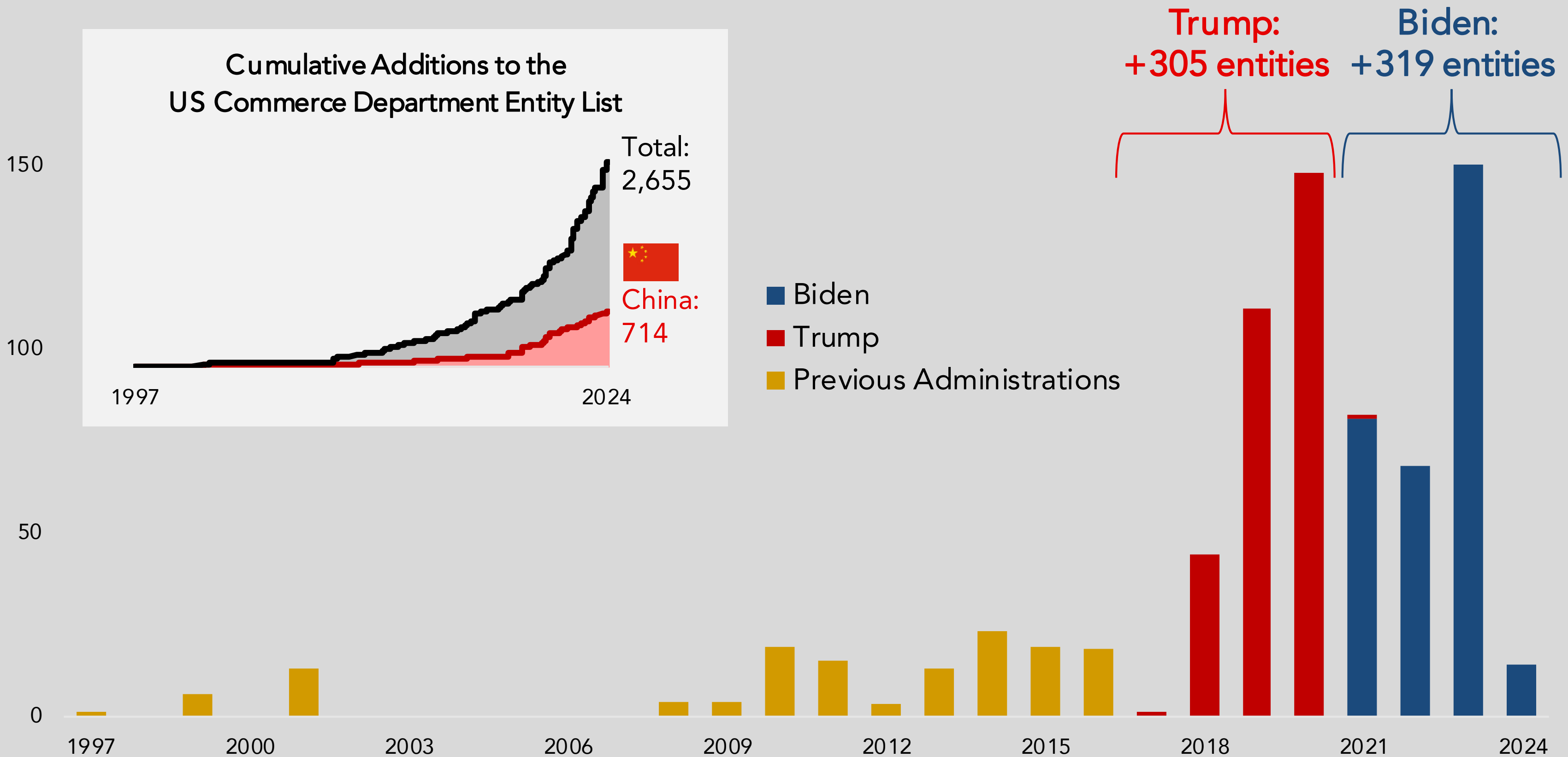
NAFTA Renegotiation

Source: (1) Peterson Institute for International Economies ("Trumps Trade War Timeline: An Up to Date Guide", Bown, Kolb)

Export & Licensing Restrictions

President Biden has added a record 319 Chinese entities to the Commerce Department's "Entity List", restricting US companies from supplying them with specified items without export licenses. Today, the number of Chinese entities on the list is more than 5.5x the level it was prior to the start of the Trump administration.

Chinese entities added to US Commerce Department Entity List, by administration

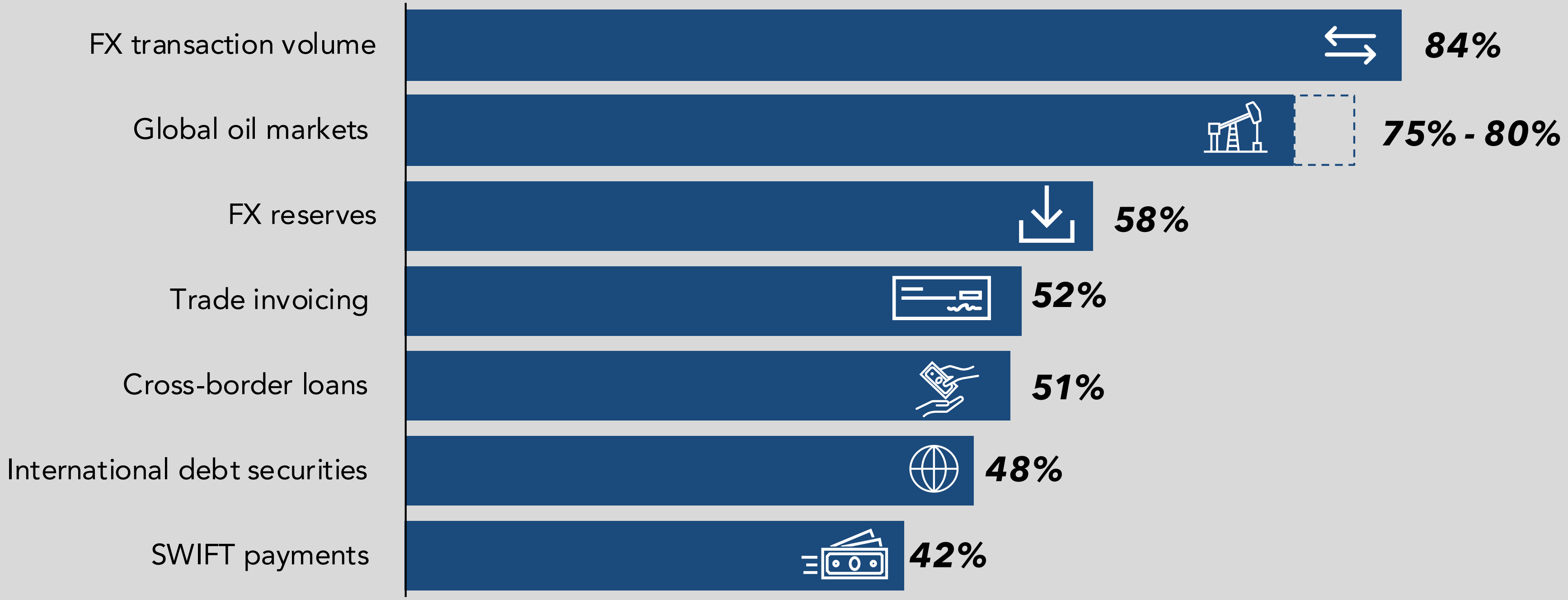


Source: (1-2) Bloomberg Government. Department of Commerce. President Trump added 306 entities to the entity list, however, one was subsequently removed in 2020. Includes entities and sub-entities but removes duplicate entities. Entities added to the list multiple times are included from their first effective date. Excludes entities with no specified effective date. China figures include Hong Kong. Undated entries excluded. Data as of April 30, 2024.

Leveraging Dollar Dominance

More than 50 years after President Nixon closed the door on Bretton Woods, the US dollar continues to play a dominant role in the global financial system. While Dollar dominance will substantively continue in the absence of alternatives, continued "weaponization" of the Dollar as an instrument of national security policy may accelerate the pace of multi-currency settlement and fragmentation.

USD share of global markets



Source: (1) BIS, "The Global Foreign Exchange Market in a Higher-Volatility Environment" (December 2022). G Gopinath, "The international price system", NBER Working Papers, no 2164, 2015; IMF; Bloomberg; CPB World Trade Monitor; SWIFT; BIS debt securities statistics; BIS locational banking statistics; BIS Triennial Central Bank Survey. Foreign Affairs ("Great Powers Don't Default: The Dangers of Debt Ceiling Brinkmanship" by Matt Pottinger and Daleep Singh)

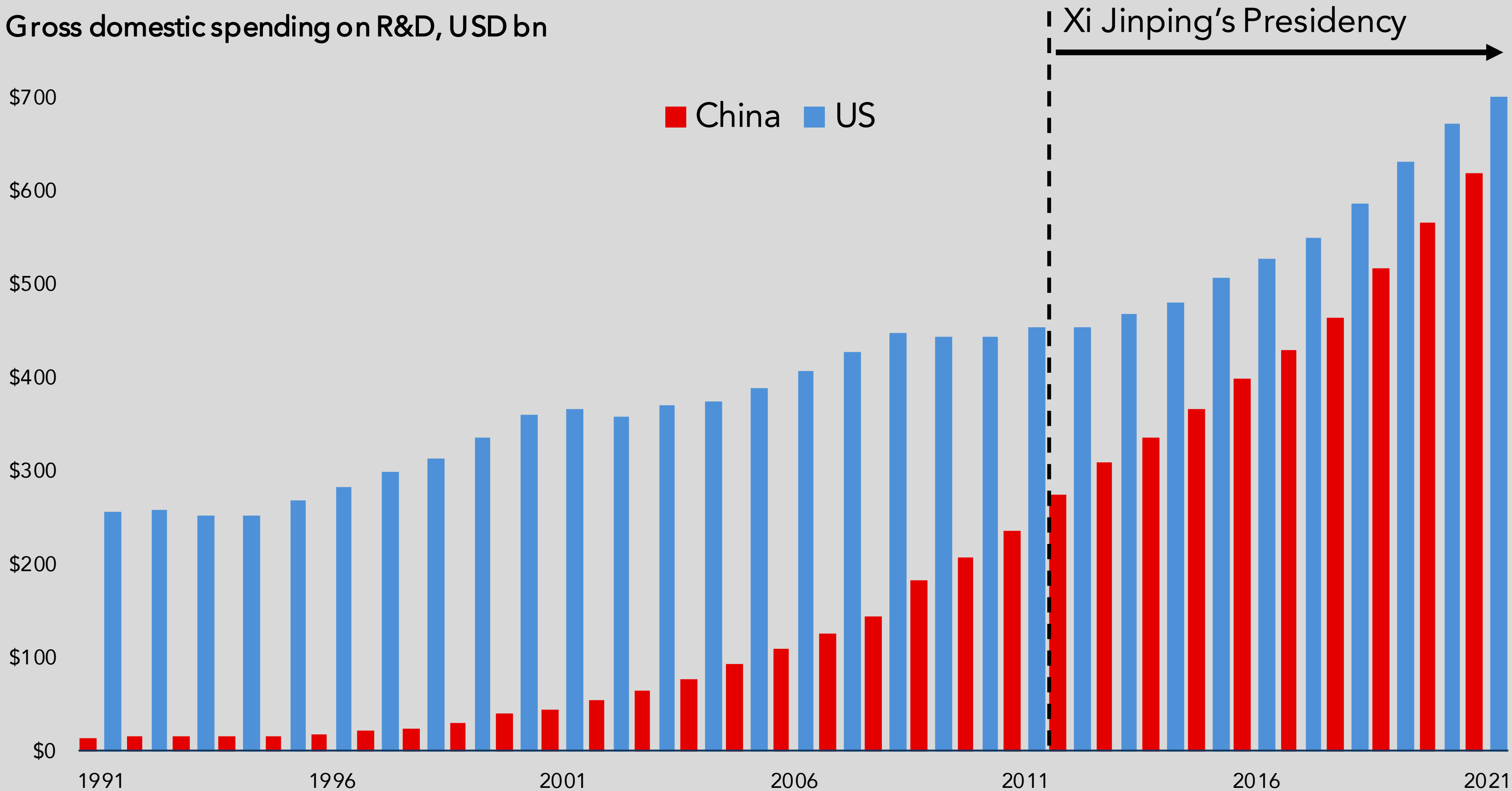
POLICY & POLITICS

10 Technology at Epicenter of Decoupling

The World's Two Most Formidable Technology Powers

As noted by Nigel Inkster at the IIS, technology is at the heart of a contest between the United States and China for global dominance which is likely to shape the global geopolitical landscape in the first half of the 21st Century. Against the backdrop of increasingly restrictive US tech policy, China is moving rapidly, and is highly vulnerable, in trying to close its technology deficits – most notably in software and high-performance semiconductors.

Gross domestic spending on R&D, USD bn



Source: (1) OECD. Bloomberg Government. Latest data available as of January 2024 is YE 2021.

Global Government Chip Incentives

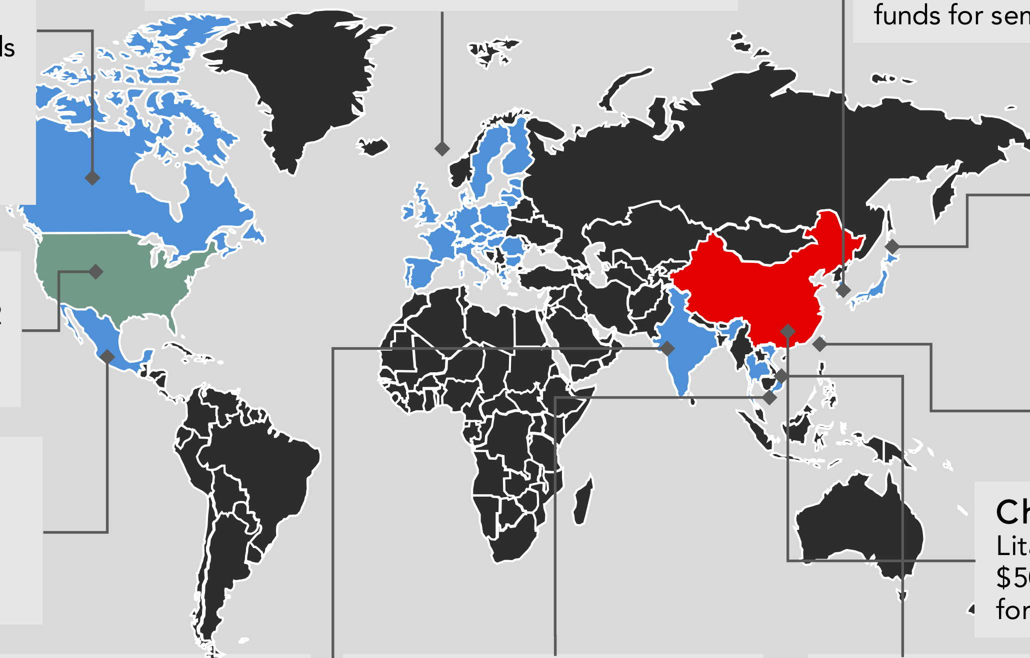
While the US and China have been making great strides in strengthening their semiconductor supply chains, the rest of the world is also working to improve their positions, rolling out their own government incentives for semiconductor investment.

Canada:
2022 semiconductor incentive package for investments in chip design, manufacturing and associated critical materials as well as educational partnerships between universities and design / manufacturing companies

European Union:
2023 EU Chips Act, including €43 bn ($47 bn) targeted support for EU's semiconductor sector

South Korea:
"K-Semi Belt" investment initiative in 2021; "K-Chips Act" tax incentives in 2023; $5 bn of MTIE "super-project" funds for semi R&D.

Japan:
$7bn of 2021 chip funding; $3bn in 2022 for government-led advanced semi JV; $3bn of 2023 funding; $8bn research JV proposal with the US.



United States:
$280bn CHIPS Act in 2022 (R&D and manufacturing; subsidies & tax incentives)

Mexico:
2022 federal government semiconductor incentive package to attract ATP investment

Taiwan:
"Taiwan Chips Act" tax incentives passed in 2023

China:
Litany of tax incentives and $50bn + state investment fund for microchips ("Big Fund")

India:
Revamped $10bn semiconductor incentive package in 2022

Thailand:
2021 preferential tax policy for new semiconductor investment

Vietnam:
Semiconductor-specific incentives, including 0% corporate income tax for chips firms

Source: (1) Semiconductor Industry Association (SIA), "2022 State of the US Semiconductor Industry."

$400 Bn Investment in New Semiconductor Capacity

The CHIPS Act has spurred heightened investment in US semiconductor capacity. Over $400 bn of new or expanded semiconductor projects are currently in process across the US. The announced projects touch on every part of the semiconductor value chain.

Source: (1) Semiconductor Industry Association. WSJ, "Chips are the New Oil and America is Spending Billions to Safeguard Its Supply" (January 1, 2024). $417 bn only includes projects with announced dollar value of expansion or new project.

Chip Policy as National Security Policy

In a speech in September 2022, US National Security Advisor, Jake Sullivan highlighted that US policy on protecting technology was an essential part of national security policy. In his remarks, he highlighted the importance of investing in science and technology domestically while working with allies to utilize export controls to protect technological advancement.

“Advancements in science and technology are poised to define the geopolitical landscape of the 21st century.”

“Advancements in computing hardware, algorithmic design, and large-scale datasets are leading to new discoveries in virtually every scientific field. They are new sources of economic growth. They are also driving advanced military modernization efforts.”

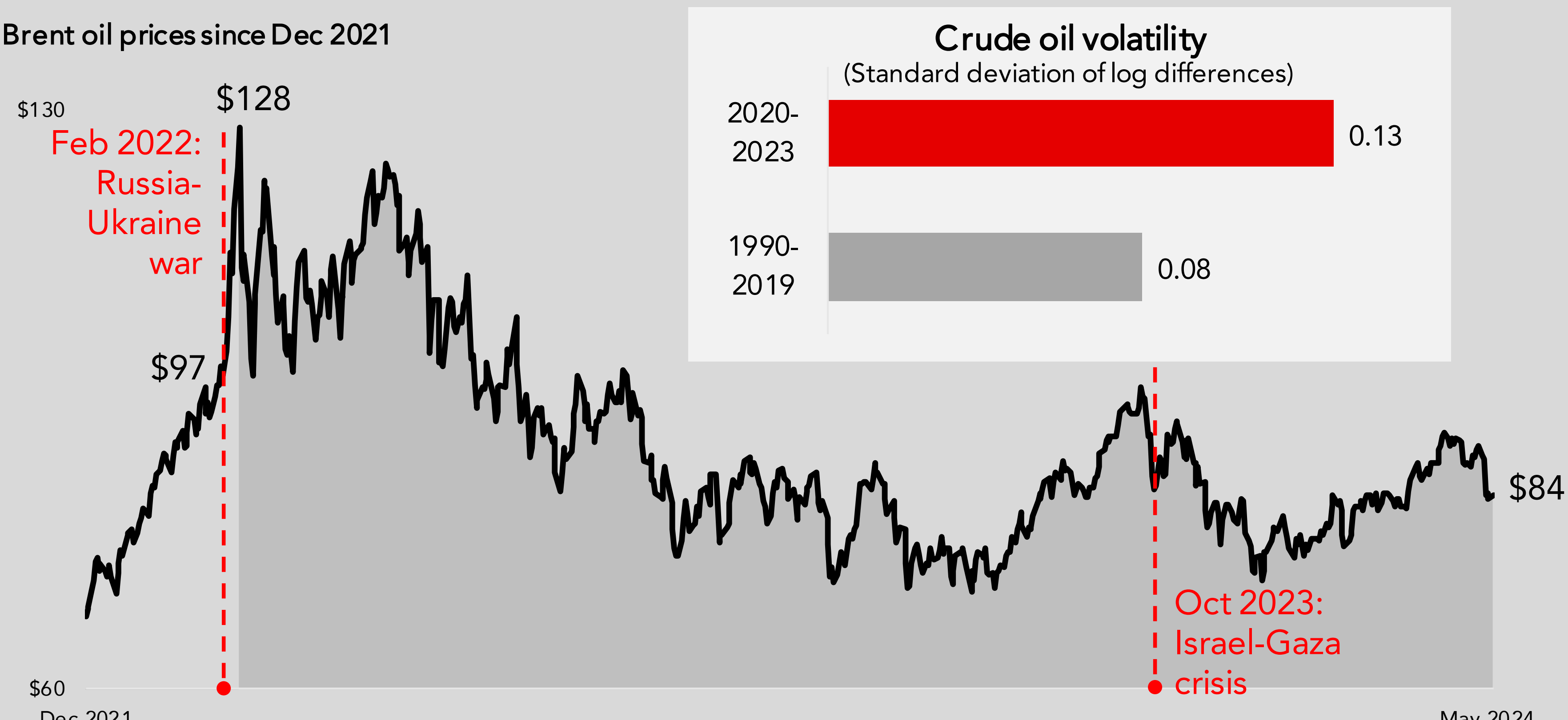
“Technology export controls can be more than just a preventative tool. If implemented in a way that is robust, durable, and comprehensive, they can be a new strategic asset in the U.S. and allied toolkit to impose costs on adversaries, and even over time degrade their battlefield capabilities.”

Global Markets

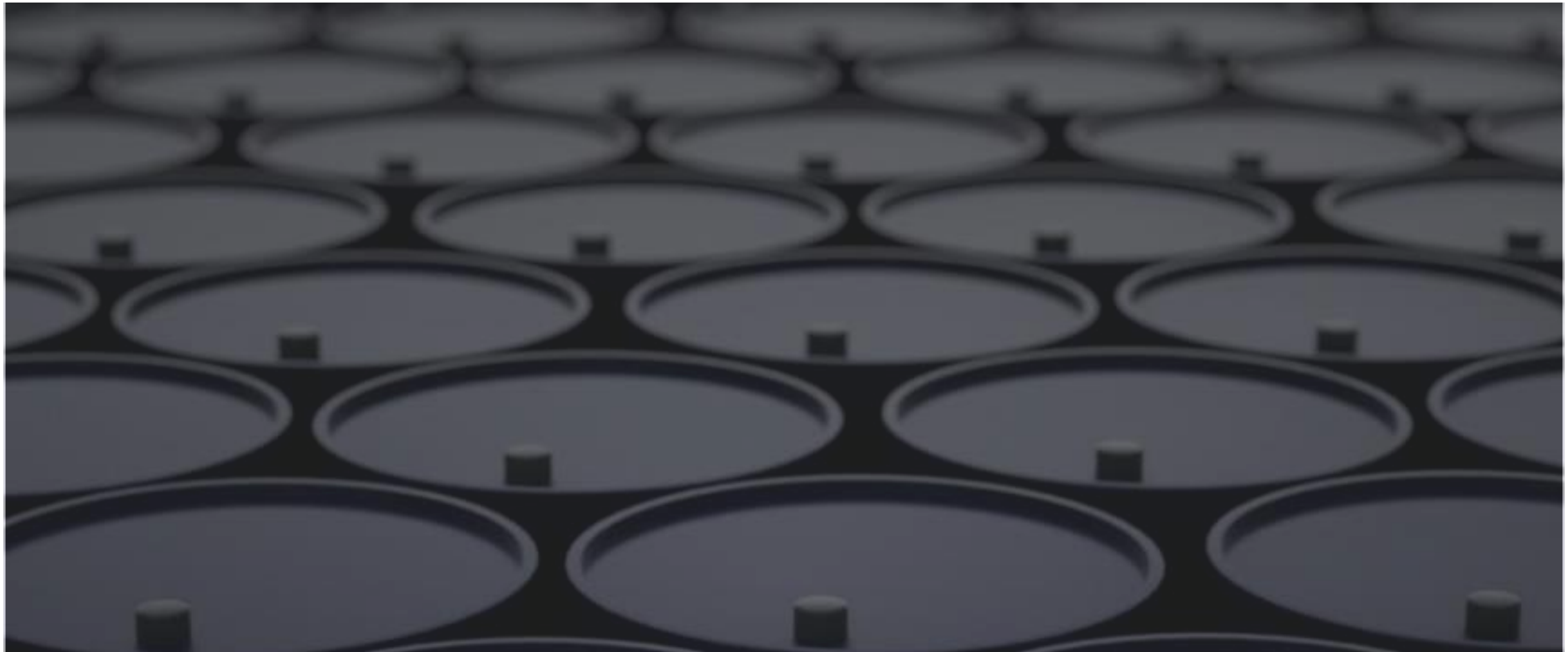
11 Sizing the Geopolitical Risk Premium

More Volatile Global Oil Markets

Oil markets remain the primary transmission mechanism from rising geopolitical risk to the global economy. Since late 2022, the geopolitical risk premium in global energy markets has been fairly contained, though episodically evident (volatile). However, against the backdrop of structurally tight global oil markets, a late cycle economy and a Fed pivoting toward policy easing, a more decipherable $5-10 per barrel of rising geopolitical risk premium crept into Brent in late April (some of which has receded).



Source: (1) Bloomberg. Data as of May 8, 2024. (2) IMF World Economic Outlook, April 2024. IMF Primary Commodity Price System and IMF staff calculations. Volatility is the standard deviation of log differences in monthly prices over the respective periods. Crude oil refers to the IMF average petroleum spot price.



“The largest upside risk to oil prices would be geopolitical impediments to the capacity or willingness of OPEC+ to deploy its ample ~6.5 million barrels per day of spare capacity.”

Ehsan Khoman, Head of Commodities Research (April 18, 2024)

Assessing the Impact of an Iran-Israel Escalation

While additional direct Iran-Israel escalation is not a baseline scenario, Bloomberg Economics has modeled the impact on oil prices, equity market volatility and the global economy for a range of escalation scenarios related to the Israel-Gaza crisis. Notably, in the event of a "direct war" between Iran and Israel, Bloomberg is forecasting oil prices > $150 per barrel, VIX > 30 and a global recession.

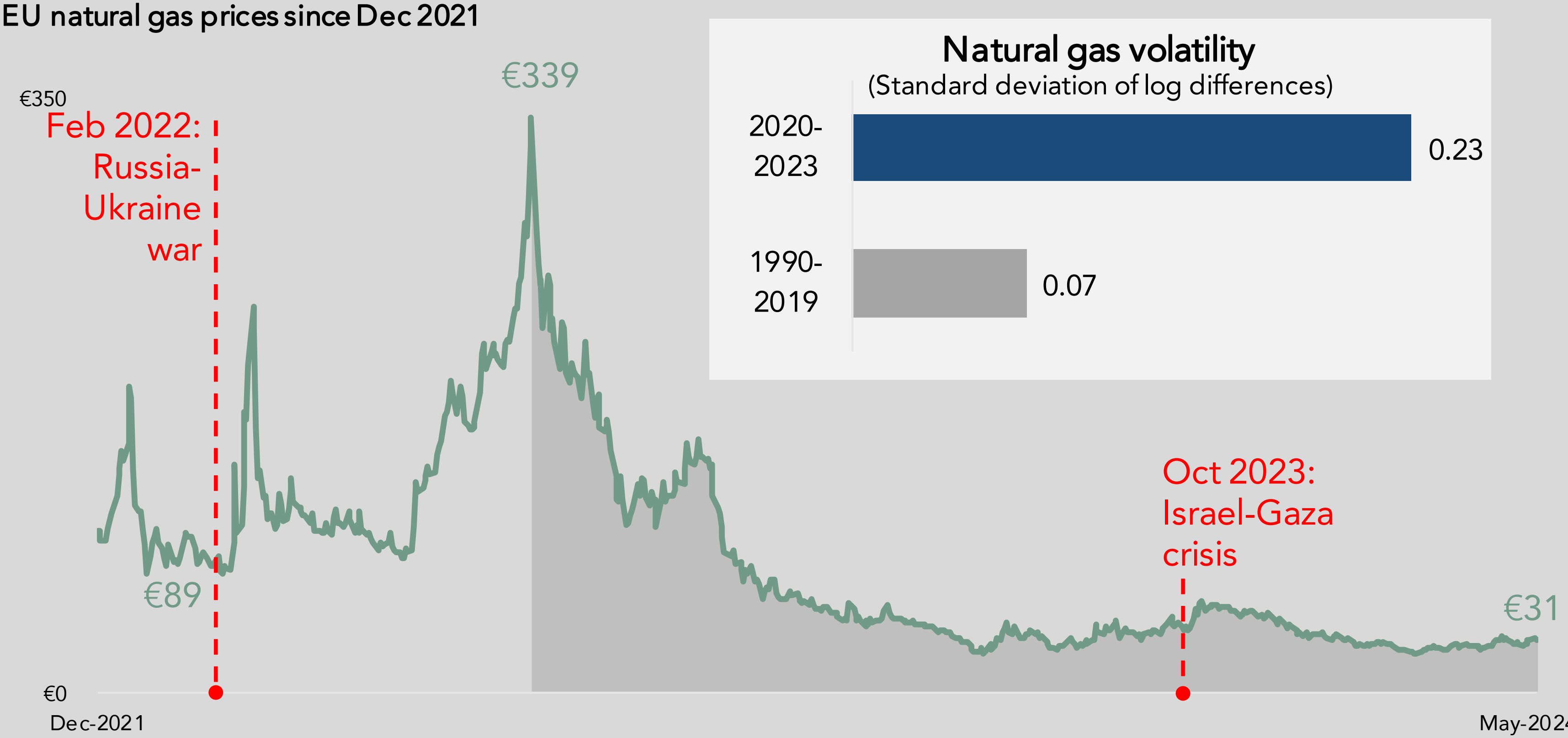
Scenario	Description	Global Markets	Global Economy
Contained war	Gaza ground invasion; limited regional contagion	**Oil Markets:** +$4 **VIX:** No impact	**GDP:** (-0.1) ppts **Inflation:** +0.1 ppts
Proxy war	Multi-front war: Gaza, West Bank, Lebanon, Syria	**Oil Markets:** +$8 (high $90s) **VIX:** +8 pts (20-25)	**GDP:** (-0.3) ppts **Inflation:** +0.2 ppts
Direct war	Iran and Israel escalate into "direct war"	**Oil Markets:** +$64 (> $150) **VIX:** +16 pts (> 30)	**GDP:** (-1.0) ppts **Inflation:** +1.2 ppts

Global Recession Scenario

More Volatile Natural Gas Markets

Following a post invasion surge in EU gas prices in the summer of 2022, the rapid decline in EU nat gas prices proved critical to the performance of Europe's economy over the last two years, as well as its energy security architecture. The speed of Europe's pivot was impressive, and was aided by: (i) rapid domestic installation of LNG terminals; (ii) resurgent US production and LNG exports; (iii) China's COVID lockdown and subsequent economic under-performance; (iv) disciplined EU domestic consumption restrictions; (v) a sluggish manufacturing sector; and (vi) warmer winter temperatures.

EU natural gas prices since Dec 2021

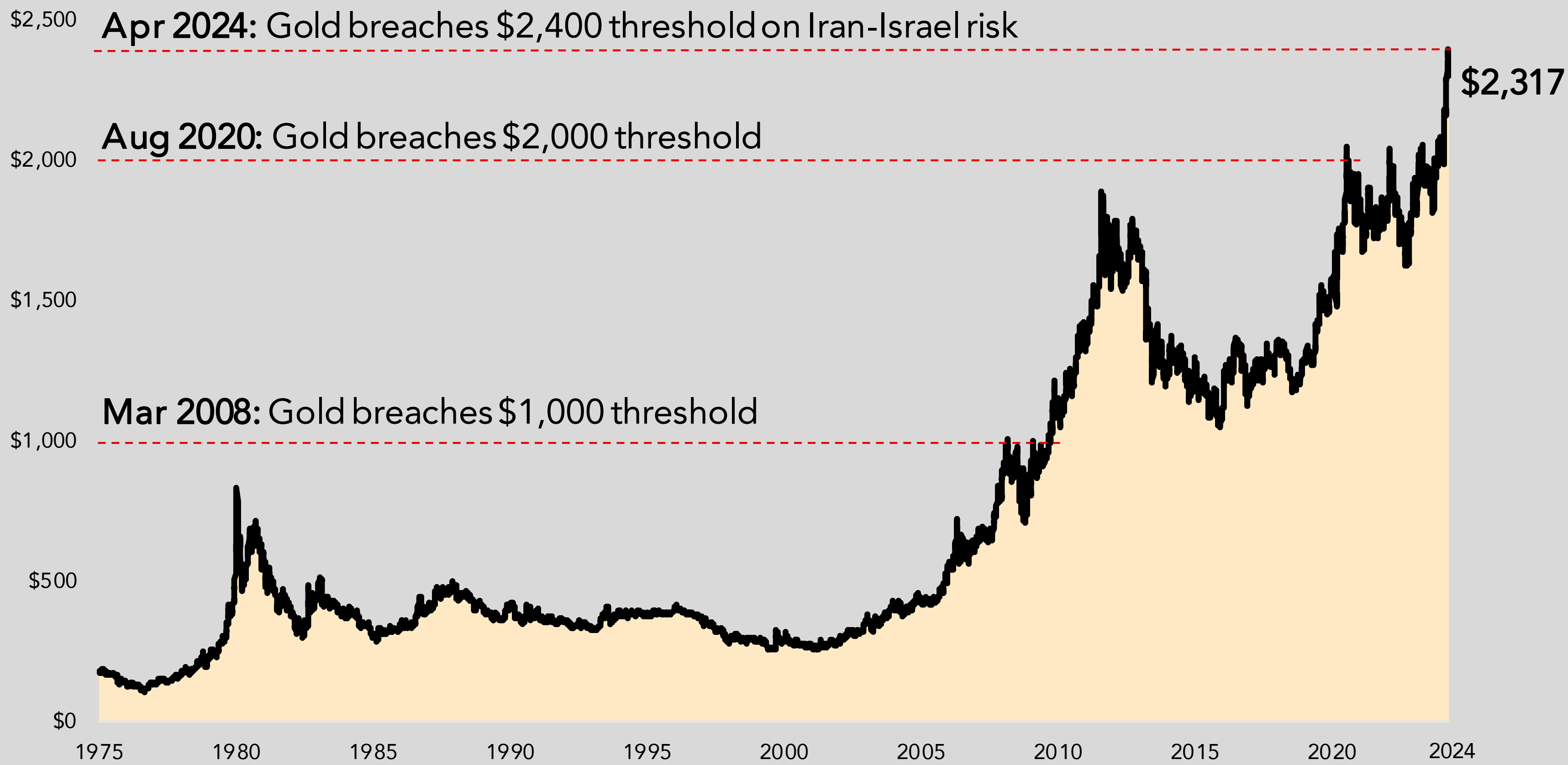


Source: (1) Bloomberg. Data as of May 8, 2024. (2) IMF World Economic Outlook, April 2024. IMF Primary Commodity Price System and IMF staff calculations. Volatility is the standard deviation of log differences in monthly prices over the respective periods. Natural gas prices are price indices.

Gold Sets New Record on Middle East Tension

Gold has continued its sharp rise in 2024, breaching the $2,400 threshold for the first time on Friday, April 12th, the eve of Iran's direct missile response on Israel. While numerous factors have contributed to the sharp rise in gold prices (central bank purchases, China's consumer), there is nonetheless a sizeable geopolitical risk premium in gold's recent surge.

Gold price per ounce



Source: (1) Bloomberg. Data as of May 8, 2024. Peak gold price intraday on April 12, 2024.

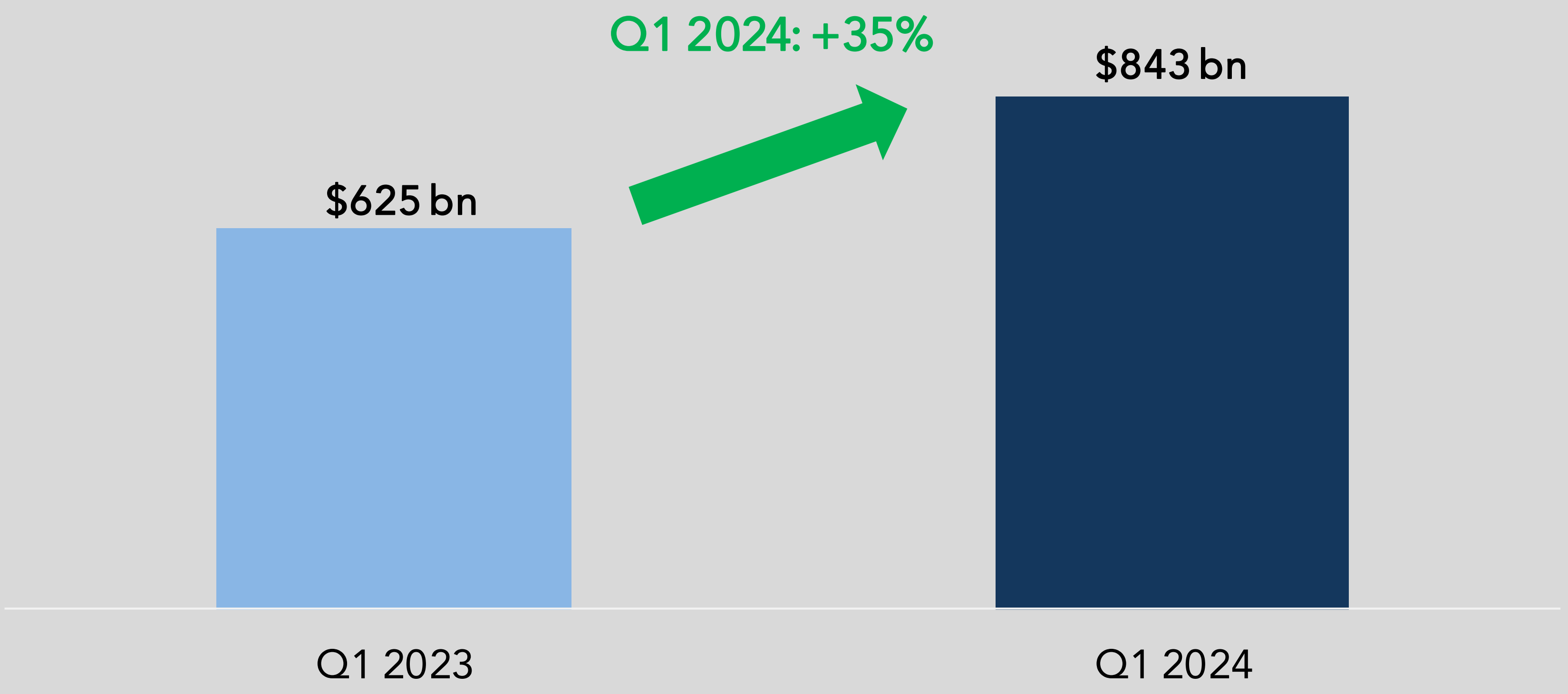
GLOBAL MARKETS

12 Global M&A Recovery

Global M&A Rebounds in Q1 2024

Global M&A bounced back in Q1 2024 after disappointing 2023 volumes. Restored C-suite confidence ("soft landing"), stronger earnings, easier financial conditions (strong equities, tight credit spreads) and a resurgence of mega-deals fueled the rebound in deal activity. The number of mega-deals > $10 billion surged to 14, compared to just five during the first quarter one year ago. The overall number of transactions globally, however, declined markedly.

Q1 2023 & 2024 global M&A volumes, USD

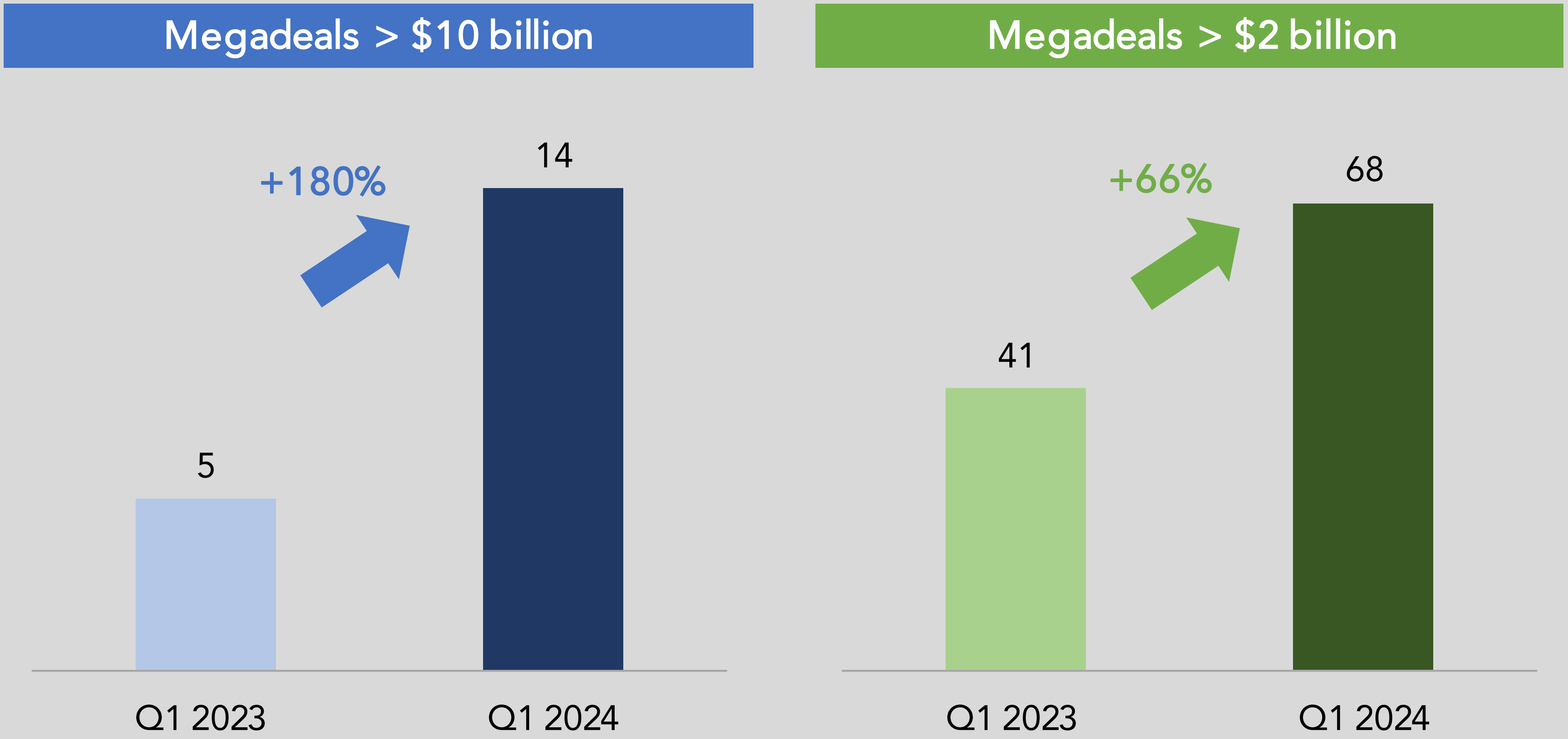


Source: (1) Dealogic. M&A volumes includes eligible deals, excluding carveouts. Data through March 31, 2024.

Significant Increase in Megadeals

Though the number of transactions declined in Q1 y/y, global M&A deal volumes rose sharply during the quarter on the significant increase in mega-deals. Globally, the number of mega-deals > $10 billion nearly tripled from 5 to 14 in Q1 2024 versus one year ago. Deals valued above $2 bn grew 66% in Q1 2024 y/y, and accounted for 60% of total global deal volume.

Global M&A, number of megadeals



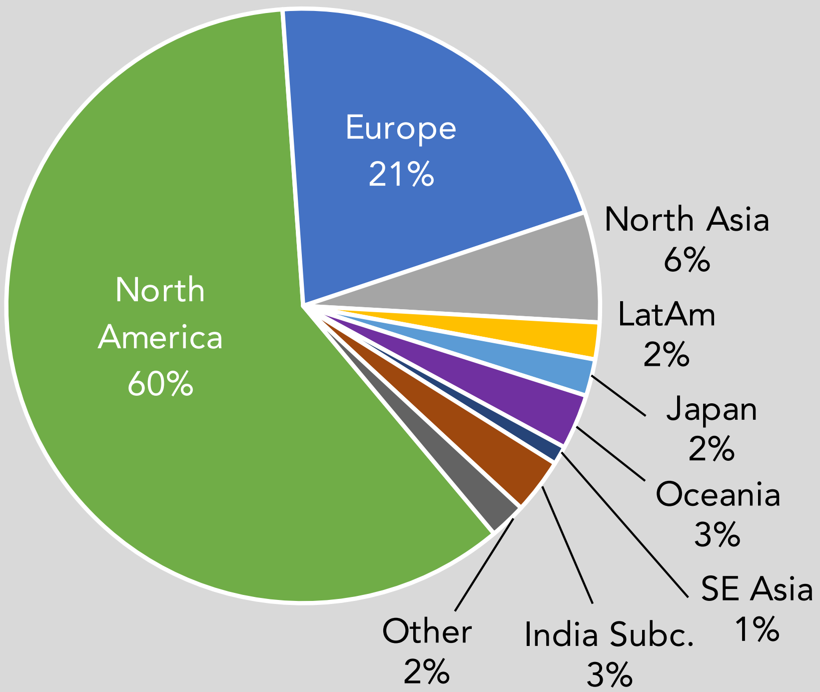
Source: (1) Mergermarket, "M&A Highlights 1Q24: Cautious Optimism." Data as of March 27, 2024.

Breaking Down Q1 Deal Activity

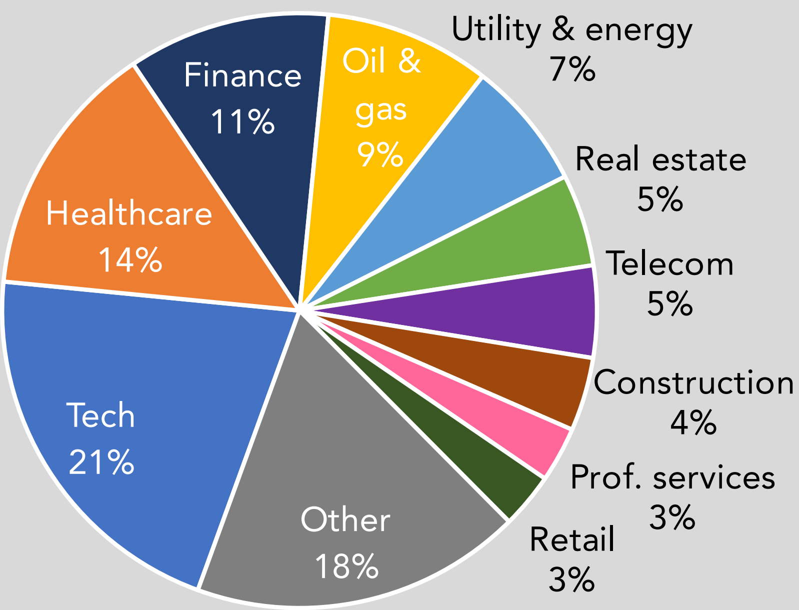
M&A activity in North America accounted for more than 60% of total deal volumes in Q1 2024. European deal activity was the 2nd largest regional category at 21%, though posted the highest growth in activity among regions. Technology, healthcare and finance led all sectors in deal volume globally, though the energy sector accounted for a disproportionately large part of global mega-deal activity in Q1 2024 – accounting for three of the 10 largest deals in the quarter.

Global Q1 2024 M&A

North America led regional activity



Tech led industry activity



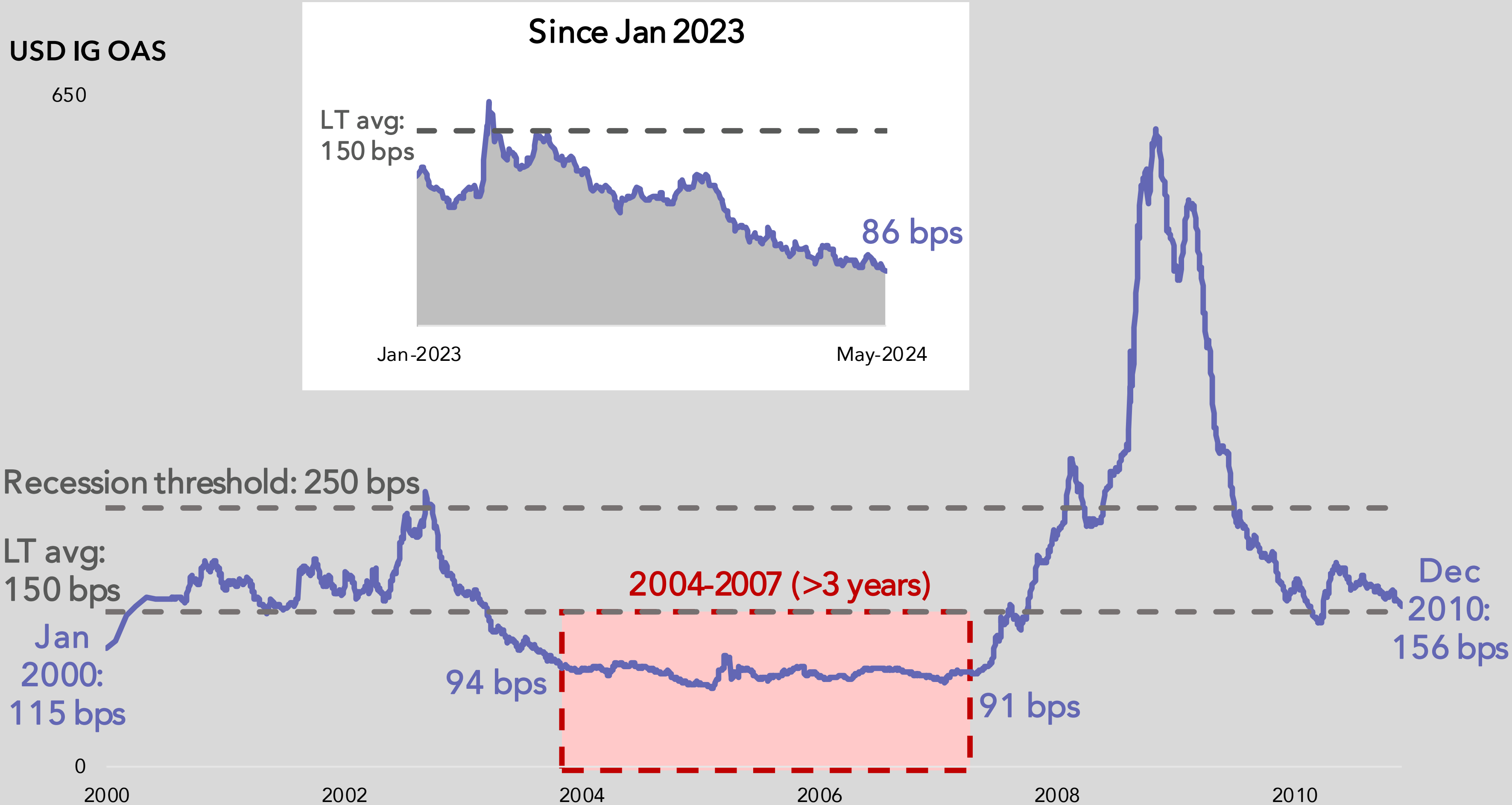
Source: (1-2) Mergermarket, "M&A Highlights 1Q24: Cautious Optimism." Data as of March 27, 2024.

GLOBAL MARKETS

13 Robust Demand for USD Credit

Spreads Could Stay Low for Longer

In the period from 2004 - 2007, USD IG corporate credit spreads traded between 80-100 bps for more than three years, well below both their LT average of 150 bps and historic recession threshold of 250 bps.



Source: (1) Bloomberg. Data as of May 8, 2024.

Spreads Could Stay Low for Longer

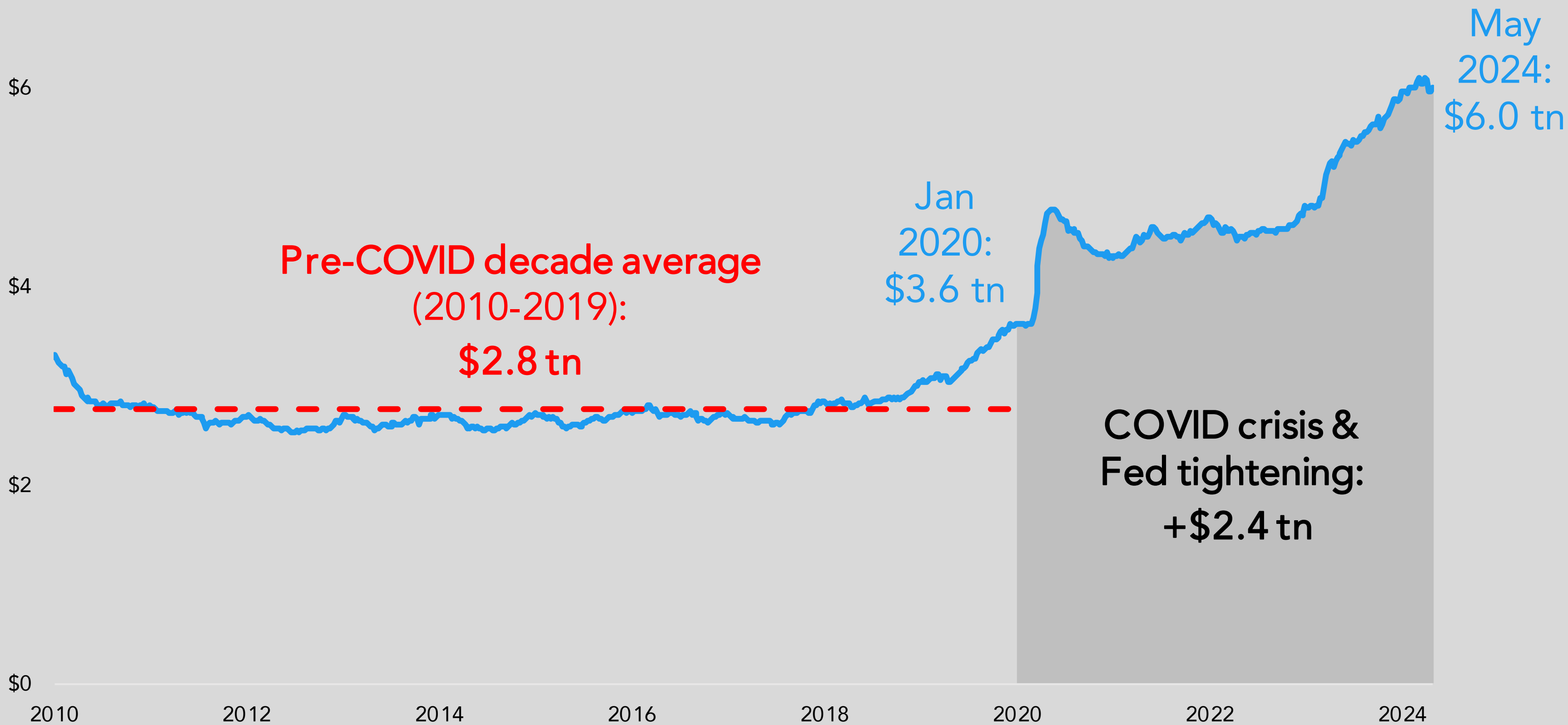
In the period from 2004 - 2007, USD HY corporate credit spreads traded between 250-350 bps for more than three years, well below both their LT average of 525 bps and historic recession threshold of 800 bps.

Source: (1) Bloomberg. Data as of May 8, 2024.

MMF Outflows to Provide Additional Support for Spreads

Unlike stocks, which have moved higher in "anticipation" of Fed rate cuts, Money Market Fund (MMF) outflows are likely to wait until the "actual" Fed rate cuts occur. Once the Fed begins to cut rates and slow the pace of QT in 2H 2023, we expect some substantive portion of MMF outflows to flow into USD corporate credit, providing additional support for tighter spreads.

US money market funds total assets, USD tn

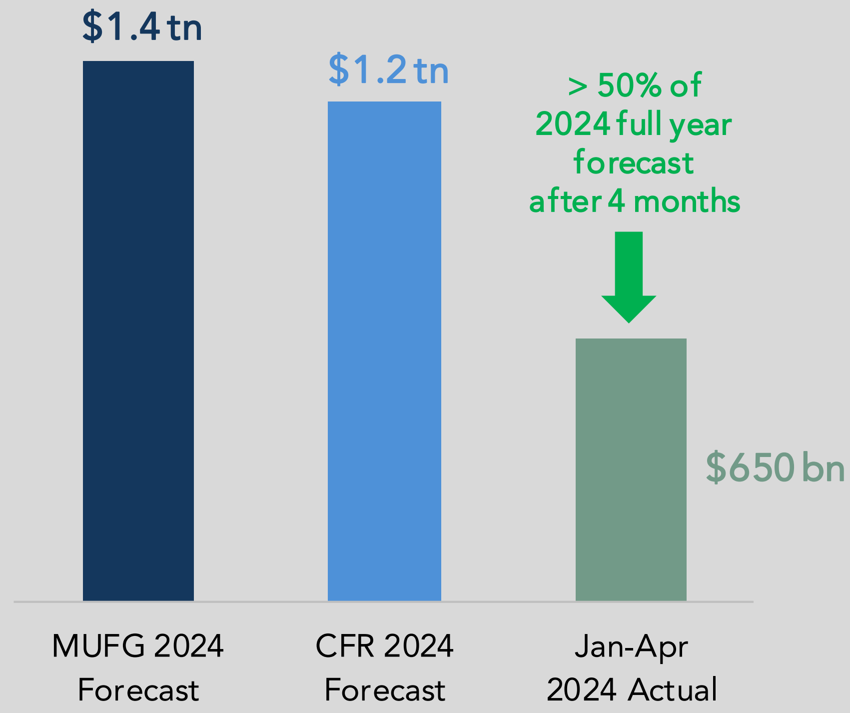


Source: (1) Bloomberg. Data as of May 6, 2024.

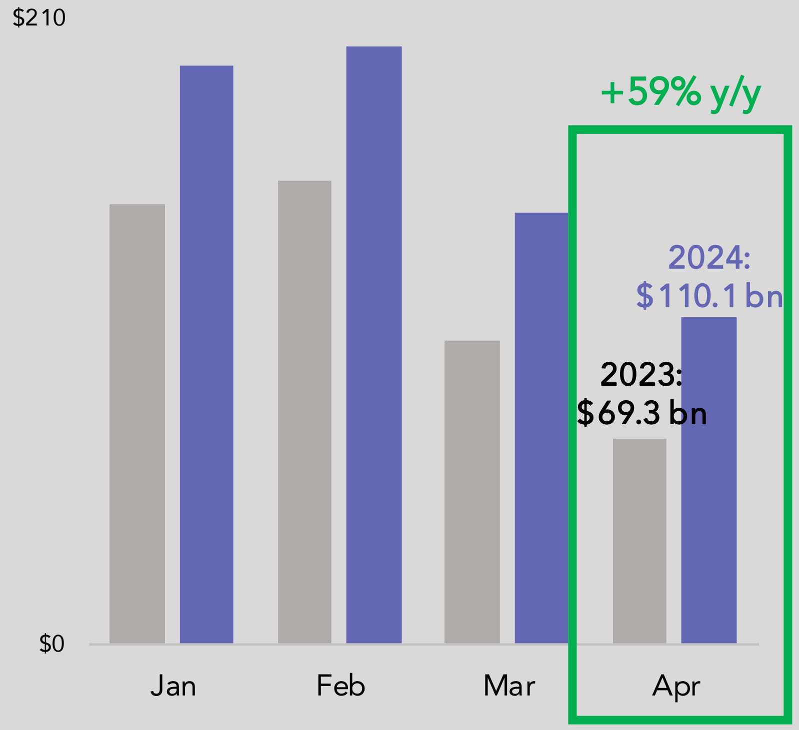
IG Issuance Surpasses "Halfway Point" of 2024 Forecasts

At $110 bn, USD IG issuance exceeded expectations in April and pushed year-to-date volumes to $650 bn. Volumes in just the first four months (1/3) of the year surpassed the halfway point of consensus estimates for the full year 2024. Despite exceeding expectations, April volumes slowed from the record-breaking Q1 period. Corporate volumes, in particular, fell below trend during the bank-issuance heavy month.

2024 USD IG issuance forecasts



2023 vs. 2024 USD IG issuance, bn

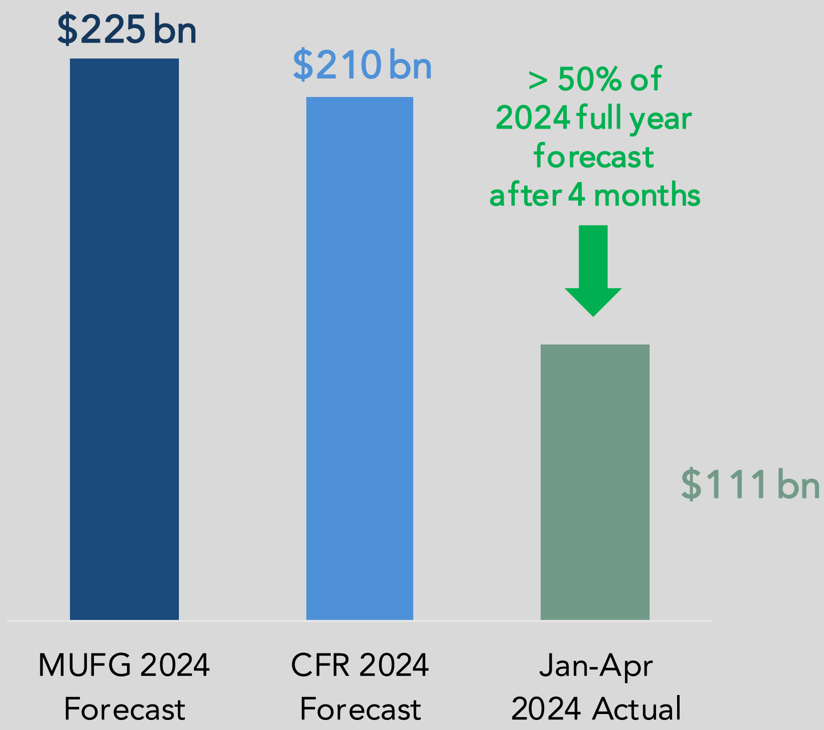


Source: (1-2) CFR. CFR forecast is consensus average. Data as of April 30, 2024.

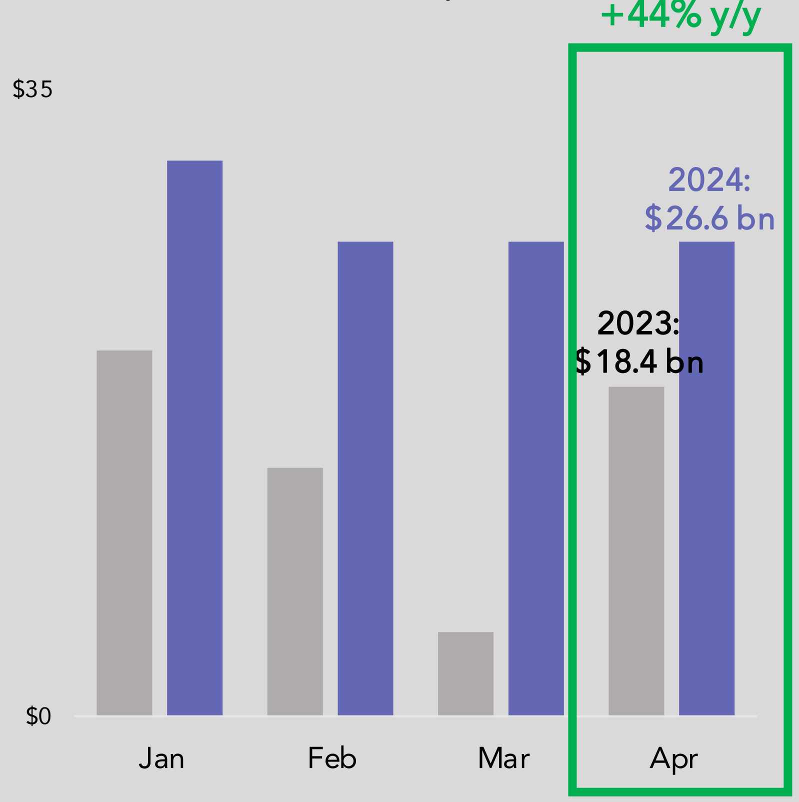
HY Also Surpasses "Halfway Point" of 2024 Forecasts

April 2024 high yield issuance was in-line with consensus estimates for the month of $20 – 35 bn. Final issuance volume of $26.6 bn brought year-to-date issuance to nearly $111 bn. Similar to the trend in investment grade markets, the high yield market surpassed the halfway point of consensus full-year forecasts with just 1/3 of the year complete.

2024 USD HY issuance forecasts



2023 vs. 2024 USD HY issuance, bn



Source: (1-2) CFR. CFR forecast is consensus average. Data as of April 30, 2024.

GLOBAL MARKETS

14 Rates Matter for Risk Assets

10 Notable US Rate Themes in 2024

1. **5 and 10 year US inflation breakevens have been rising YTD**
   (sticky services inflation, higher energy prices)

2. **Expectations for neutral US rates have risen**
   (Fed has increased target from 2.5% to 2.6%)

3. **Markets have consistently mis-priced both the magnitude of current cycle tightening, and expectations for easing**
   (rapid 2024 pivot from "too dovish" to "hawkish")

4. **Spot and forward real rates suggest that current Fed policy has become too restrictive**

5. **The current UST yield curve inversion has been the longest in 50 years**
   (and a less reliable signal of US recession risk than prior cycles)

10 Notable US Rate Themes in 2024

6 Historically, policymakers rarely wait for recessions to arrive before cutting policy rates

7 Sticky services and wage inflation will likely slow the pace of initial rate cuts and policy normalization (compared to prior cycles)

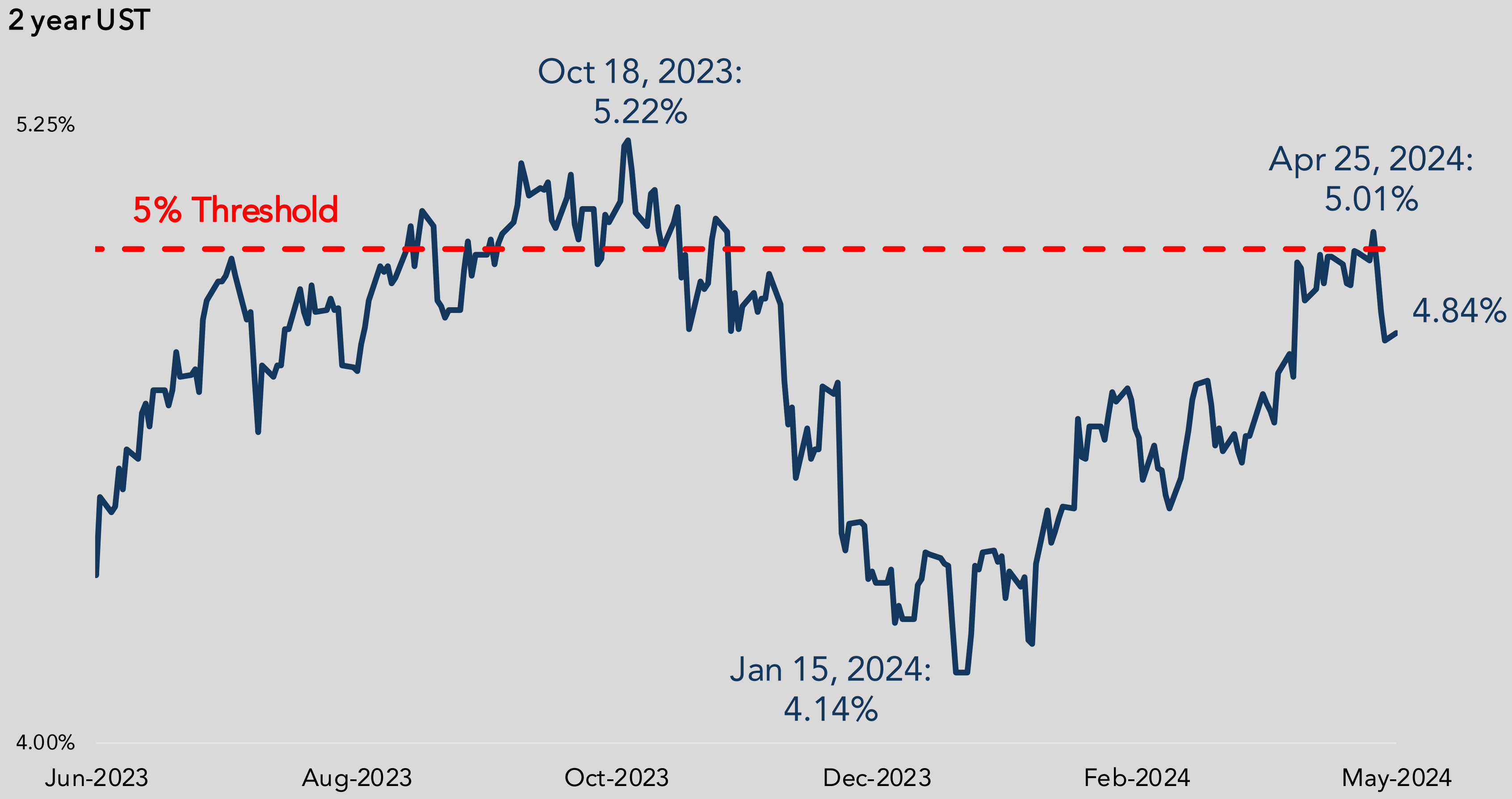
8 Resurgent April bond yields posed significant challenges for risk assets globally
(stocks, bonds, FX)

9 MUFG is cyclically bullish UST yields into year-end, from currently restrictive levels
(forecasting cyclical lows in Q4)

10 Nonetheless, the path for Fed policy easing and US rates remains highly uncertain in 2024 and beyond
(policy divergence with other CBs also uncertain)

Higher Bond Yields Pose Challenges for Risk Assets

2 Yr UST yields jumped back above 5% on April 25 for the first time in six months. Rising term premiums, strong US economic data and delayed market expectations on Fed rates cuts (pushed back to November) have pushed yields markedly higher over the last few months. Risk assets, in turn, come under increased pressure (i.e., equities, HY, EMFX) when rates remain elevated.

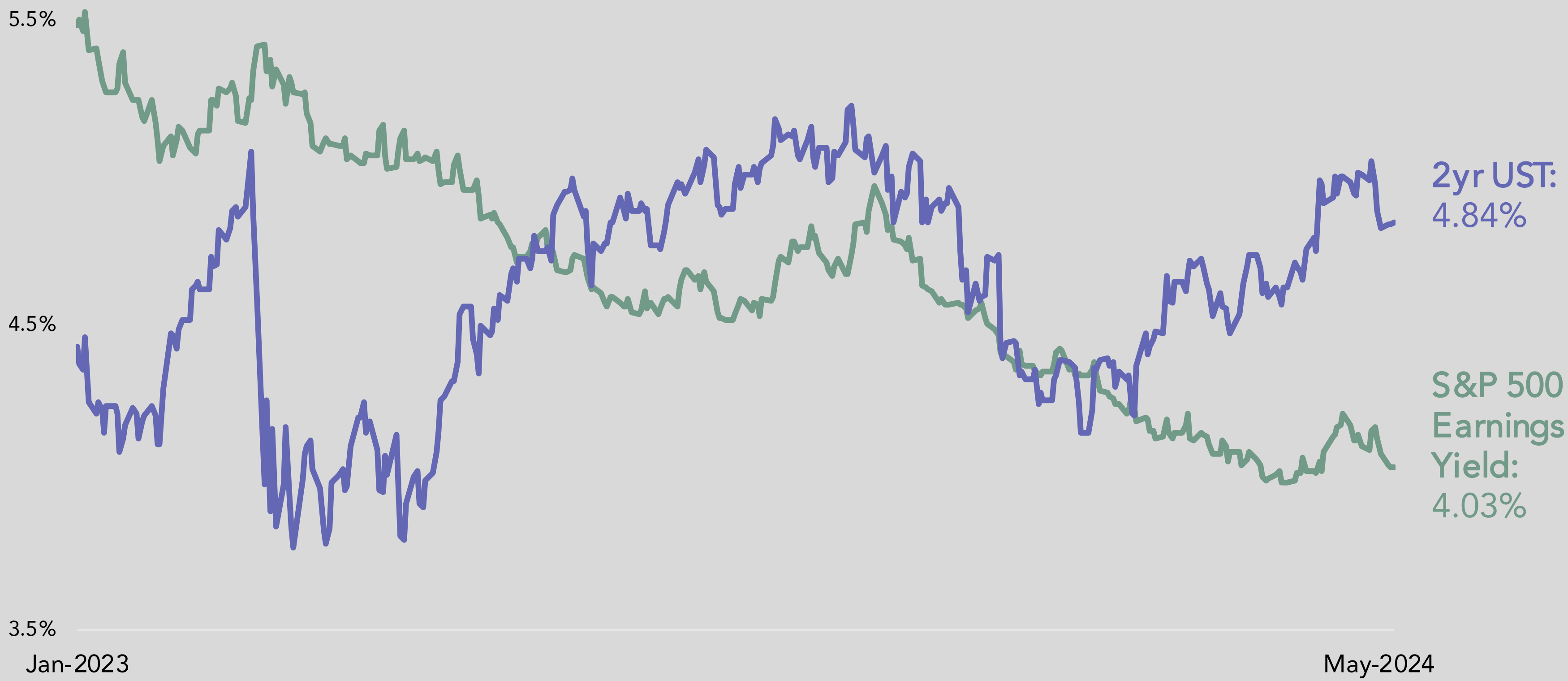


Source: (1) Bloomberg. Data as of May 8, 2024.

UST Yields Impact Tech & Equity Valuations

Elevated UST yields pose valuation challenges for numerous asset classes globally. At current levels, UST yields offer investors an attractive risk-free rate at higher yields. As the differential between UST and S&P 500 earnings yields widen, stocks become more vulnerable to market corrections. The S&P 500 declined over 5% from its record high on March 28 to its recent low on April 19, though has recovered since.

2 year UST vs. S&P 500 earnings yield

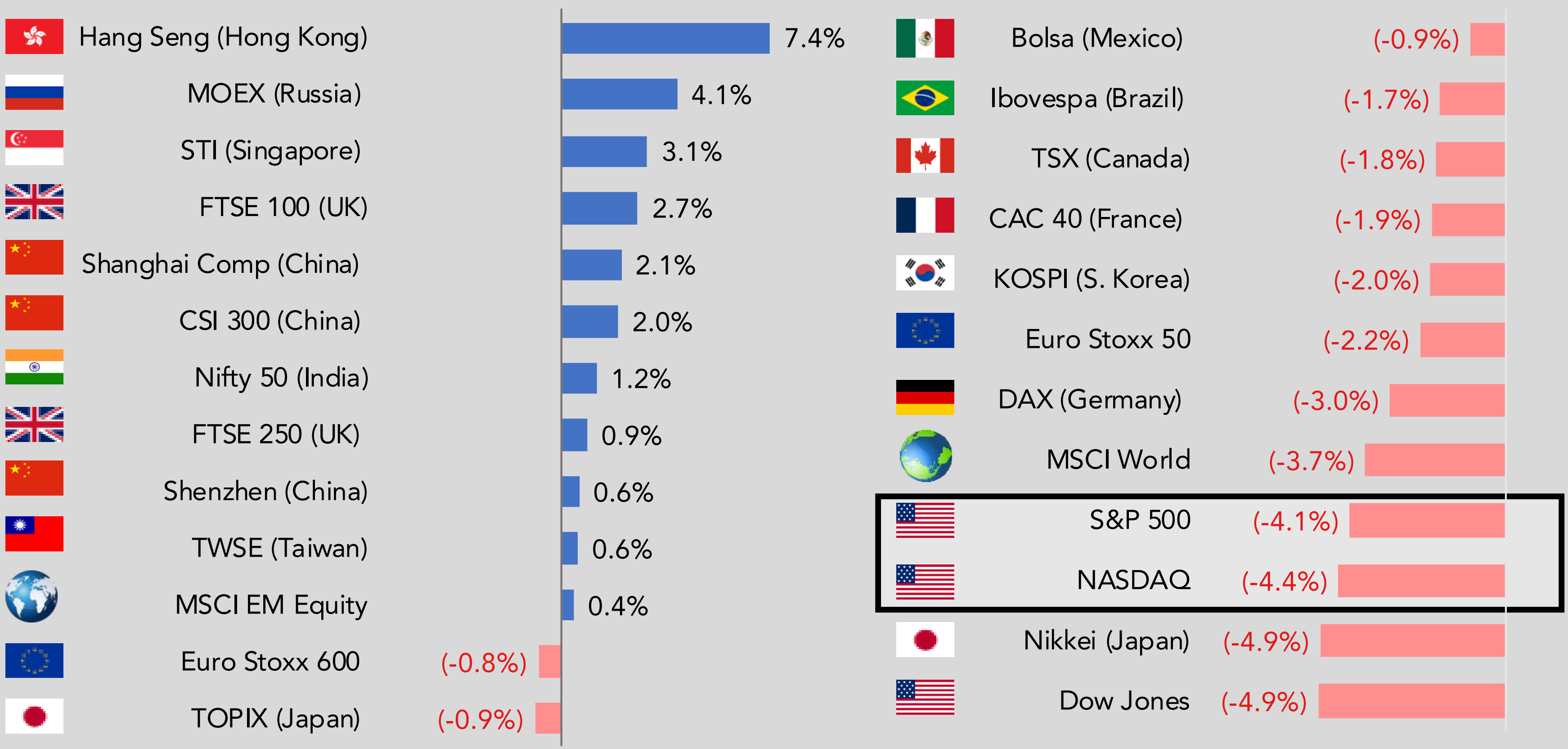


Source: (1) Bloomberg. Data as of May 8, 2024.

April: Worst Month for US Equities Since September

After underperforming in Q1, Chinese equities bounced back in April while US equities suffered their worst month since September 2023, as the repricing of Fed rate cuts drove risk-off sentiment in the month.

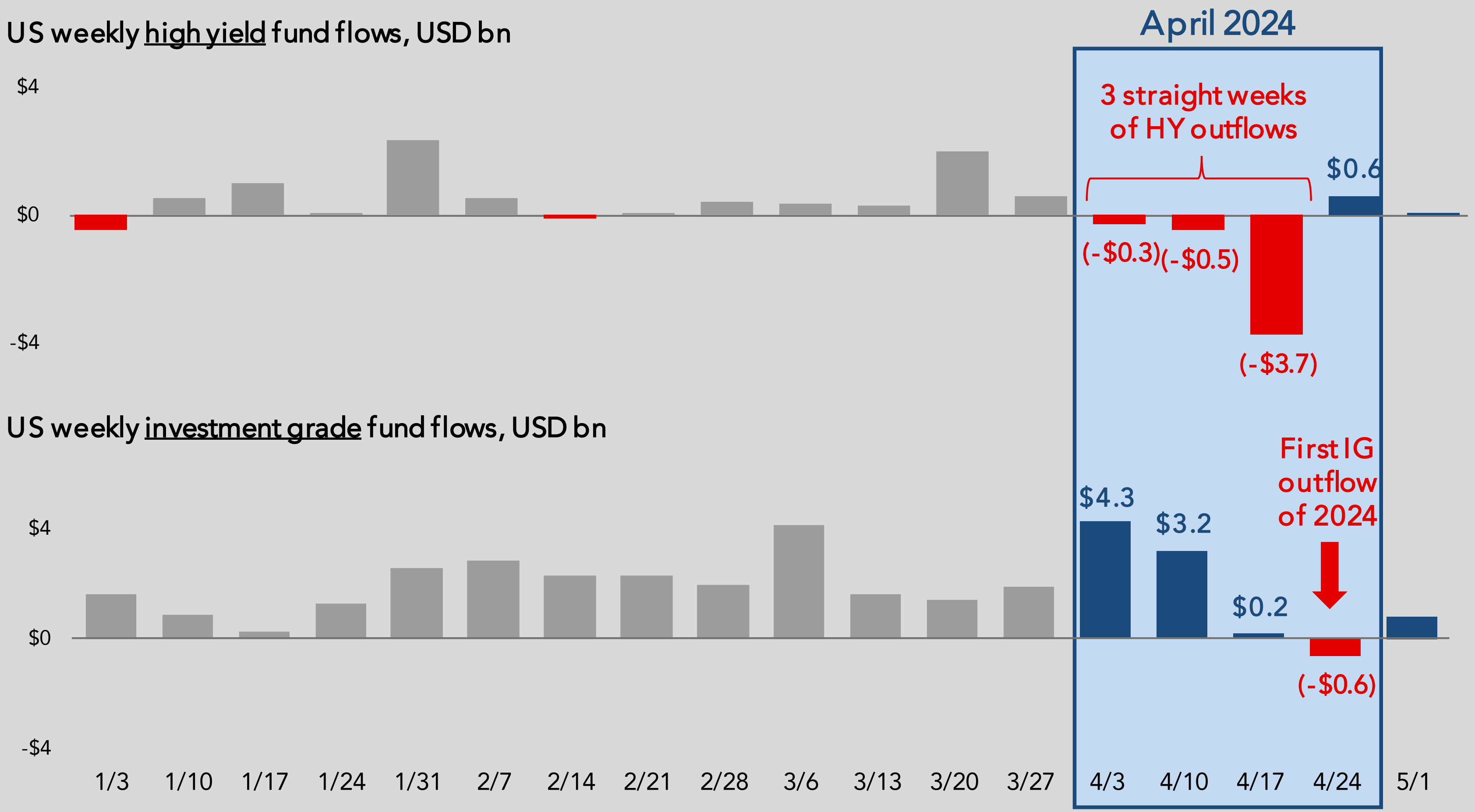
April regional equity market performance



Source: (1) Bloomberg. Data as of April 30, 2024.

Bond Outflows Commence in April

The USD HY bond market experienced outflows in three of four weeks in April as the market repriced the timing and pace of 2024 Fed rate cuts. At the end of the month, USD IG funds posted their first bond outflows of the year. Against this backdrop, investors became more concerned about credit and duration risk.

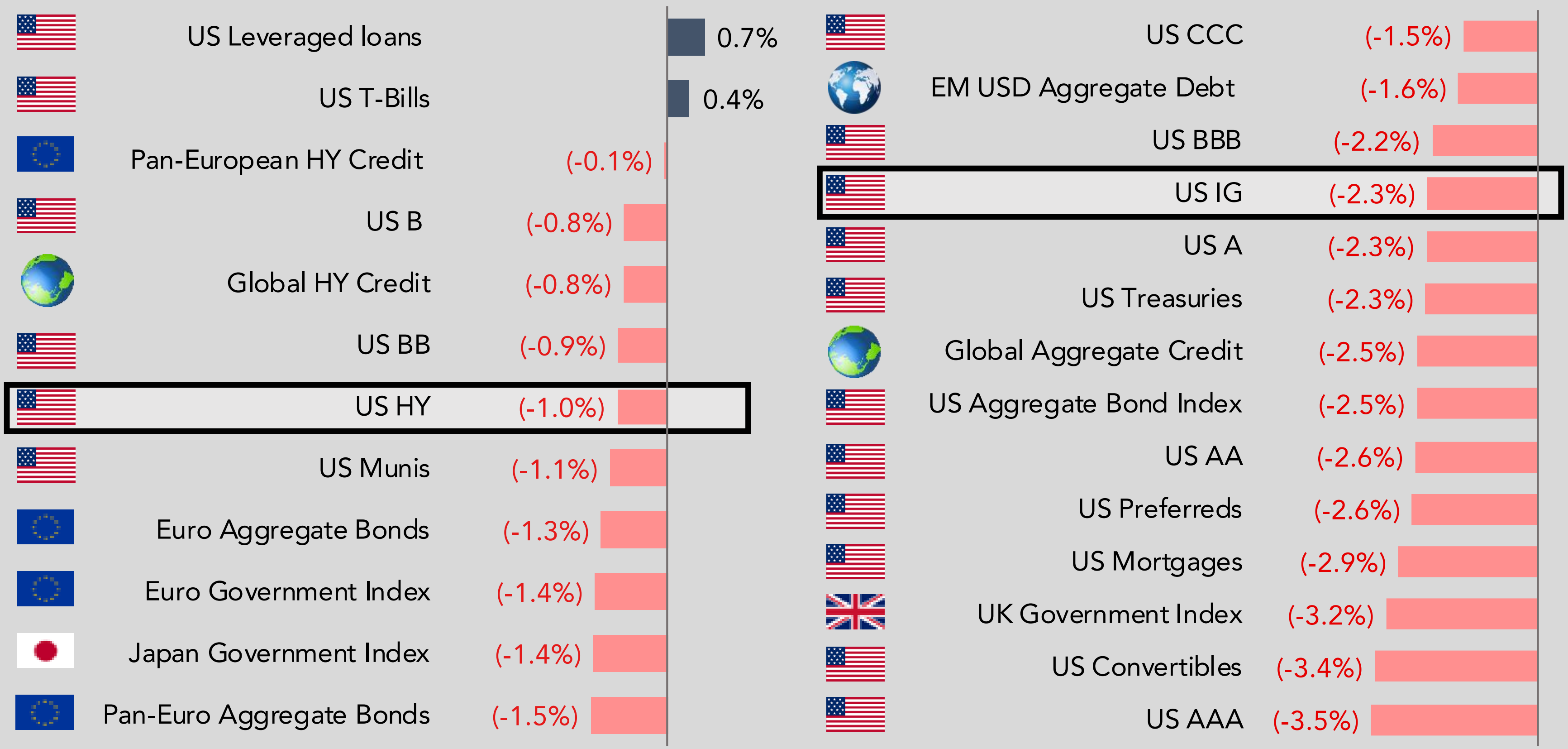


Source: (1) IFR. Data as of May 6, 2024.

April: Credit Returns Broadly Negative

The largely floating-rate leverage loan market outperformed in April, in what was otherwise a notable month of underperformance across global credit markets. Back in January, the Fed was expected to be the first major central bank to cut rates with markets pricing 5-6 rate cuts on the year. US economic data has since delayed and decreased expectations for Fed easing, triggering a rapid repricing across global credit markets.

April credit market total returns

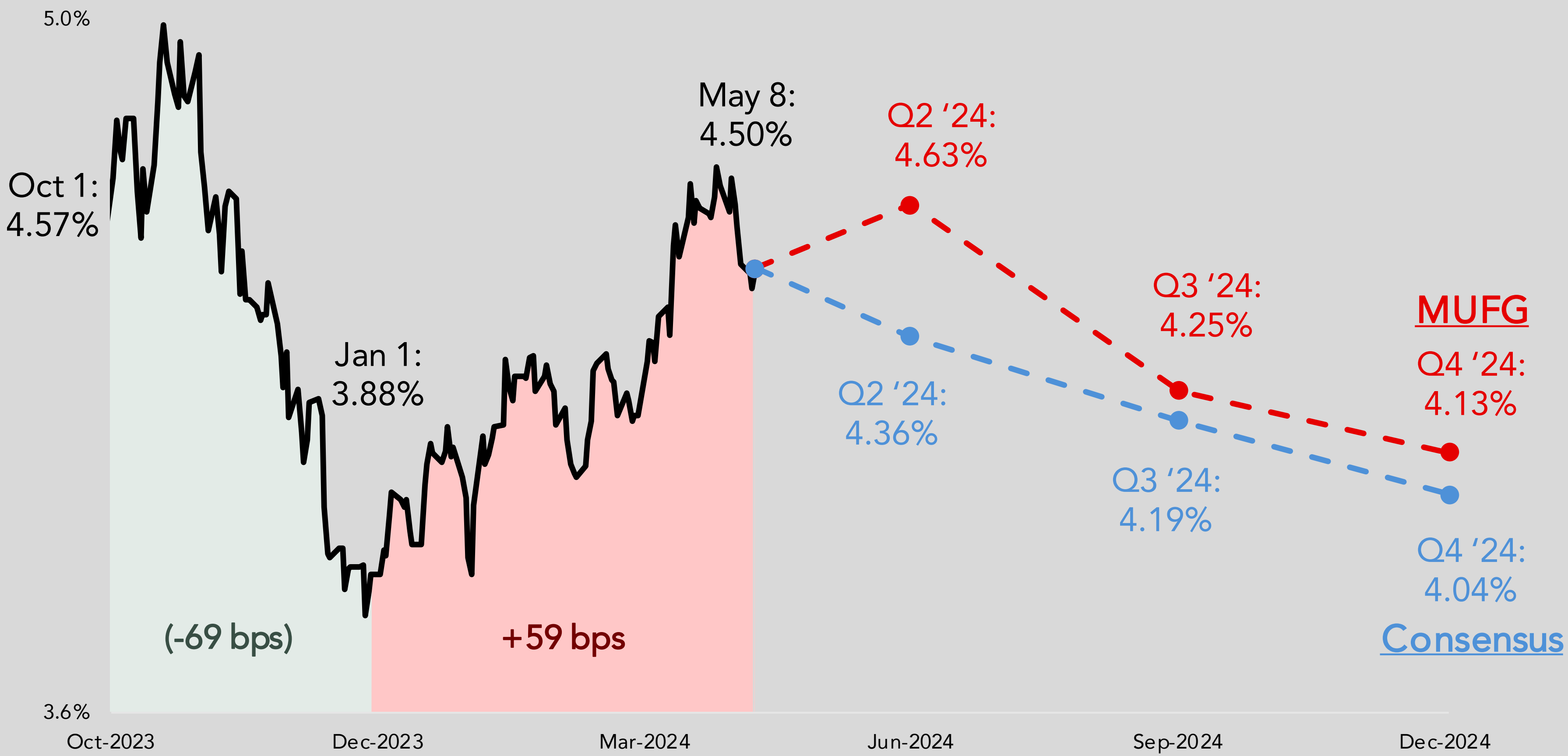


Source: (1) Bloomberg. Data as of April 30, 2024.

Cyclically Bullish UST Yields into Year-End

MUFG's US Rates Strategist, George Goncalves is forecasting 10 year UST yields to resume their Q4 2023 rally and reach new cyclical lows by year-end as the Fed is forced to ease policy rates from currently restrictive levels.

10 year UST



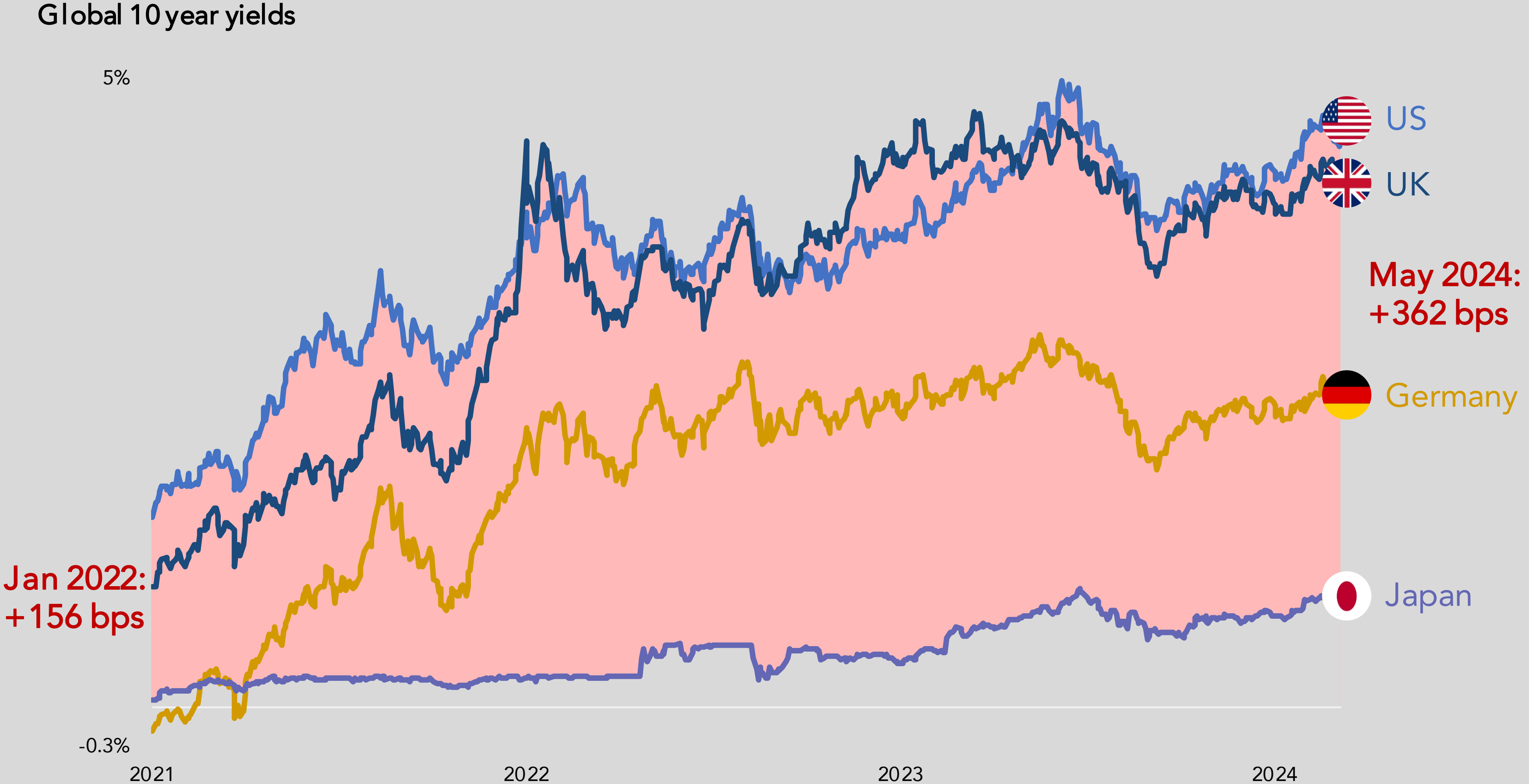
Source: (1) Bloomberg. Data as of May 8, 2024.

GLOBAL MARKETS

15 Persistent Dollar Strength

Rate Differentials Driving USD Strength

Resilient US economic data has driven a persistent repricing of Fed easing expectations in 2024, and a related widening in rate differentials, that has underpinned more US Dollar strength than anticipated earlier in the year.

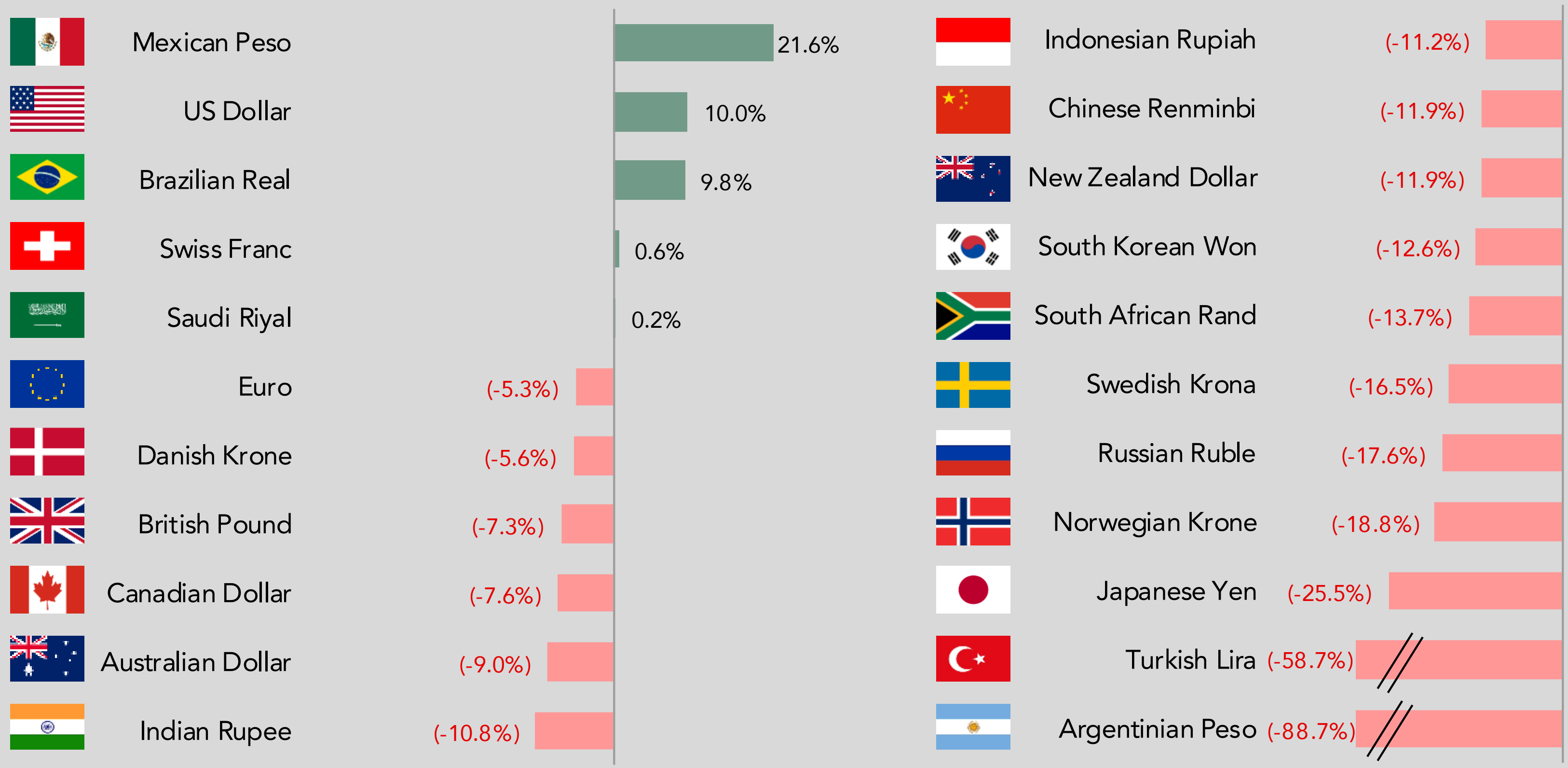


Source: (1) Bloomberg. Data as of May 8, 2024.

Persistent USD Strength During Tightening Cycle

Persistent US Dollar strength in the current tightening cycle has been underpinned by: (i) the historic pace of Fed tightening, which has been more accelerated than most advanced economy central banks; and (ii) the greater resilience of the US economy vis-à-vis peers to the accelerated tightening (due to both the size of our stimulus, but also structural dynamics in a comparatively less rate sensitive US economy).

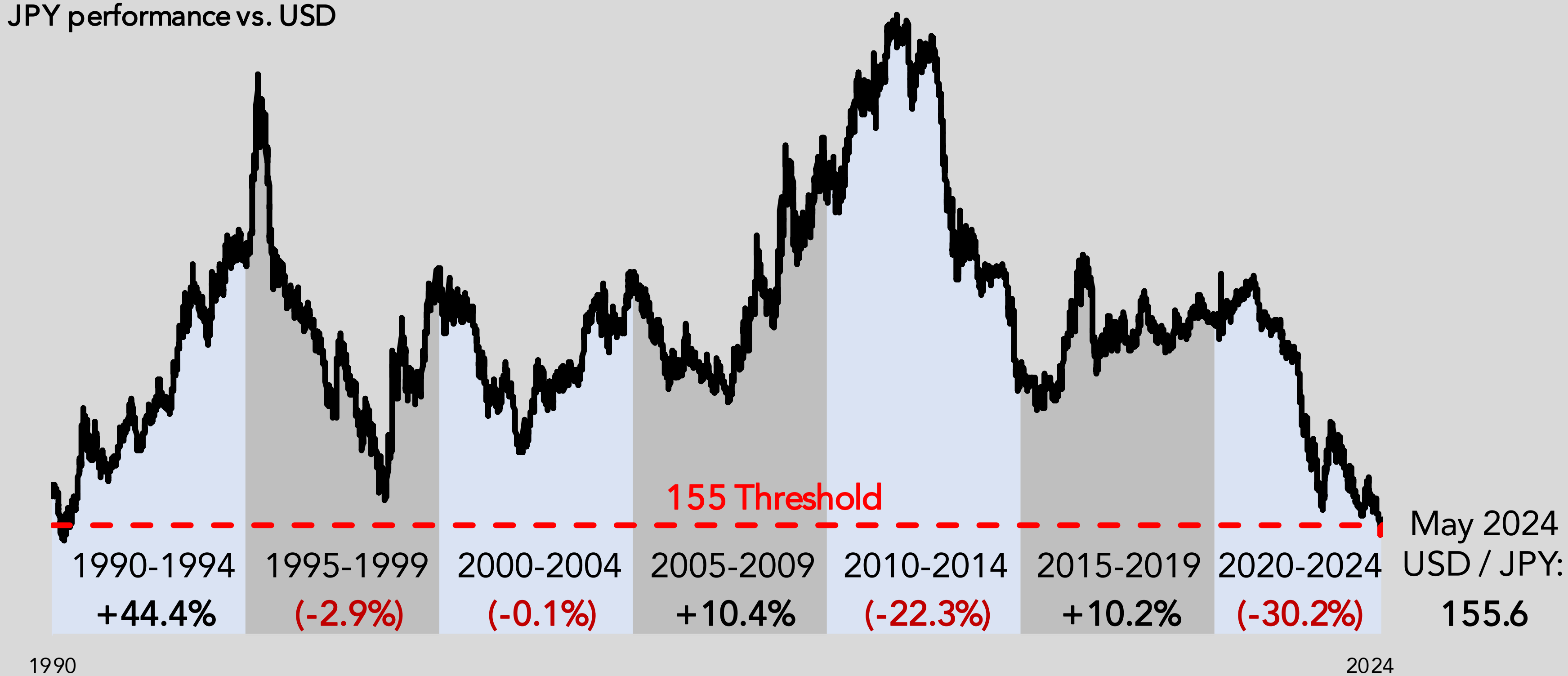
Global FX vs. USD since Jan 2022



Source: (1) Bloomberg. Data as of May 6, 2024.

USD Yen at Weakest Level in 34 Years

The BOJ's historic policy pivot since March has been "too dovish" for the resilience of US economic data, as evidenced by the Yen weakening nearly 9 big figures in April. By month-end, USD/Yen had traded through 160, its weakest level in 34 years (1990), likely triggering MoF intervention (though not officially confirmed). As noted by MUFG's Derek Halpenny, the size of intervention will not become apparent until May 31st, with further intervention likely needed to buy time for the US economy to slow. In a trilateral statement in mid-April, the US, Japan and South Korea jointly stated that they would closely monitor FX markets, including any rapid depreciation in Yen or Won.



Source: (1) Bloomberg. Data as of May 8, 2024. Currency graph is JPY vs. USD.

Appendix

2024 Global Economic Forecasts

The global economy is expected to grow at about 2.1% in 2024, well below its long term 3.5% average, with the US the only G7 economy projected to grow above 1% in the year ahead.

GDP growth forecasts, y/y

Region / country	2023	2024E	
North America			
US	2.5%	2.7%	↑
Mexico	3.2%	1.9%	↓
Canada	1.1%	(-0.3%)	↓
Eurozone	0.5%	0.6%	
Spain	2.5%	2.2%	↓
Netherlands	0.2%	1.0%	↑
Italy	1.0%	0.7%	↓
France	0.9%	0.5%	↓
Germany	(-0.1%)	0.1%	↑
Finland	(-1.0%)	0.0%	↑
Ireland	(-3.3%)	(-1.6%)	↑
Other Europe			
Russia	3.7%	3.3%	↓
Poland	0.1%	2.9%	↑
Denmark	1.9%	2.5%	↑
Türkiye	4.5%	2.5%	↓
Switzerland	0.8%	1.4%	↑
Norway	0.8%	1.3%	↑
Czech Republic	(-0.2%)	1.3%	↑
UK	0.1%	0.6%	↑
Sweden	0.0%	0.2%	↑

Region / country	2023	2024E	
APAC	4.4%	3.8%	
India	7.7%	6.3%	↓
China	5.3%	4.7%	↓
Indonesia	5.1%	4.5%	↓
Singapore	1.1%	2.0%	↑
South Korea	1.3%	1.8%	↑
Australia	2.1%	1.3%	↓
New Zealand	0.6%	1.0%	↑
Japan	1.9%	0.5%	↓
LatAm	1.9%	0.9%	
Chile	0.3%	3.3%	↑
Brazil	2.9%	1.2%	↓
Colombia	0.6%	1.0%	↑
Argentina	(-1.6%)	(-3.7%)	↓
MENA	1.9%	2.3%	
UAE	3.3%	3.9%	↑
Sub-Saharan Africa	3.2%	3.2%	↑
Egypt	2.9%	2.8%	↓
Qatar	1.1%	2.2%	↑
Saudi Arabia	(-0.8%)	2.0%	↑
Kuwait	(-2.9%)	2.1%	↑
Oman	1.3%	1.6%	↑
South Africa	0.6%	0.7%	↑

Source: (1) Oxford Economics. Data as of May 6, 2024.

Global Currency Forecasts

Currency pair	Spot (May 8)	Q2 2024	Q3 2024	Q4 2024	Q1 2025
EUR / USD	**1.07**	**1.08**	**1.10**	**1.12**	**1.12**
GBP / USD	**1.25**	**1.26**	**1.28**	**1.30**	**1.29**
USD / JPY	**156**	**154**	**152**	**150**	**148**
USD / CNY	7.22	7.24	7.22	7.18	7.15
AUD / USD	0.66	0.66	0.68	0.70	0.69
NZD / USD	0.60	0.60	0.61	0.63	0.63
USD / CAD	1.37	1.38	1.36	1.34	1.32
USD / NOK	10.91	11.02	10.64	10.27	10.18
USD / SEK	10.91	10.93	10.64	10.36	10.27
USD / CHF	0.91	0.92	0.92	0.89	0.91
USD / MXN	16.90	17.30	17.40	17.50	17.60
USD / BRL	5.09	5.13	5.10	4.95	4.95

Source: (1) MUFG FX May 2024 Monthly Outlook. (Derek Halpenny). Bloomberg.

MUFG Global Rates Forecasts

	Spot (May 8)	Q2 2024 MUFG	Q2 2024 Consensus	Q3 2024 MUFG	Q3 2024 Consensus	Q4 2024 MUFG	Q4 2024 Consensus	Q1 2025 MUFG	Q1 2025 Consensus
Fed Funds	5.50%	5.50%	5.45%	5.25%	5.20%	4.50%	4.90%	4.00%	4.60%
2 yr UST	4.84%	4.75%	4.62%	4.38%	4.35%	4.13%	4.06%	4.00%	3.88%
5 yr UST	4.50%	4.63%	4.37%	4.25%	4.17%	4.13%	3.98%	4.00%	3.88%
10 yr UST	4.50%	**4.63%**	**4.36%**	**4.25%**	**4.19%**	**4.13%**	**4.04%**	**4.00%**	**3.99%**
30 yr UST	4.64%	4.75%	4.55%	4.38%	4.40%	4.25%	4.27%	4.13%	4.21%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of May 8, 2024. Fed funds is upper bound.

MUFG Commodities Forecasts

	Spot (May 8)	Q2 2024		Q3 2024		Q4 2024		Q1 2025	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	**$79**	$81	$81	$83	$81	$88	$80	$90	$79
Brent	**$84**	$86	$85	$88	$84	$93	$85	$95	$83
US Nat Gas	**$2.18**	$1.90	$2.10	$2.10	$2.50	$2.60	$2.98	$2.90	$3.50
Euro Nat Gas	**€31**	€25	€26	€23	€27	€30	€32	€31	€34

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of May 8, 2024.

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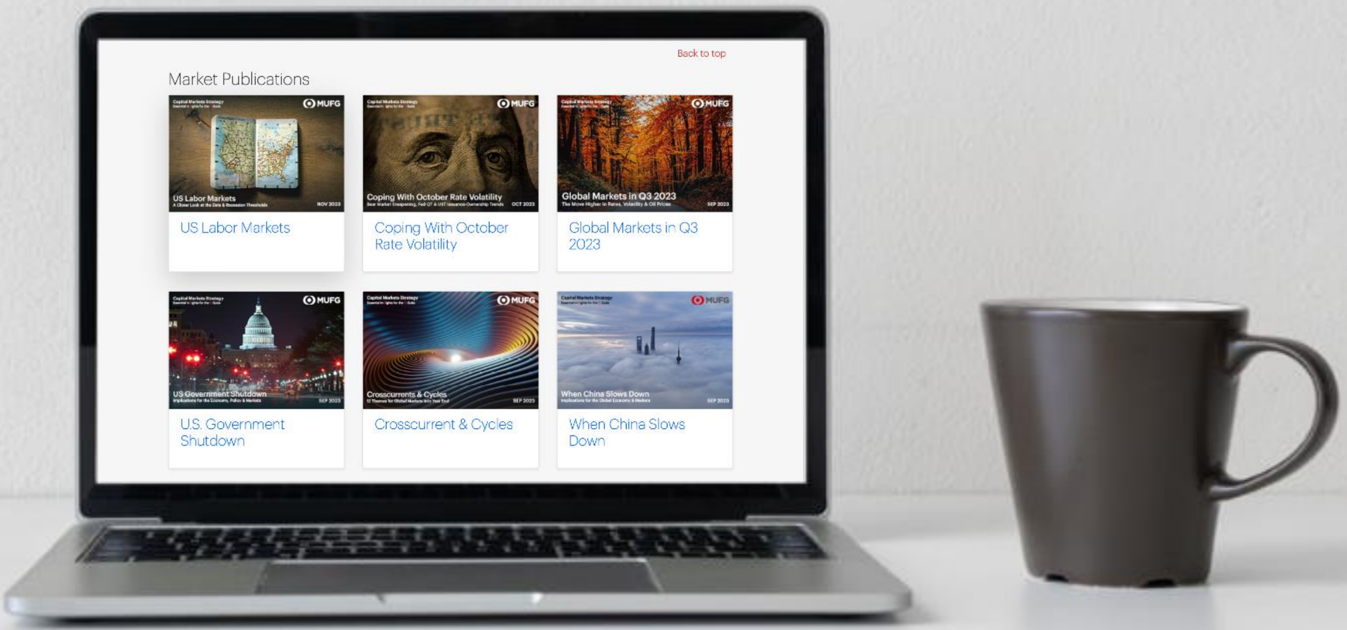

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Role

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 nearly 30 years of Investment Banking experience in New York, London, Hong Kong, and San Francisco. Over the last 15 years, 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 serves on the Board of Trustees of the New Canaan Library as well as the Holy Cross College President's Council.

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Role

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Experience

Hailey has a decade of Wall Street experience, including three years as a Consumer Sector Specialist in Equity Sales and seven years as a Capital Markets Strategist. Hailey is also a member of MUFG's Inclusion & Diversity Council and has devoted years to participating in and developing Wall Street recruiting programs.

Education

Hailey graduated with honors from the University of Michigan's Ross School of Business with a BBA and a minor in International Studies.

Personal

In March 2020, Crain's New York Business Magazine named Hailey one of the "Rising Stars in Banking and Finance".

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Experience

Stephanie has spent over six 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 actively 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.

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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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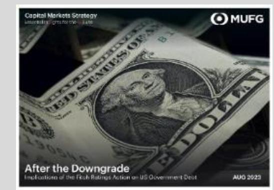

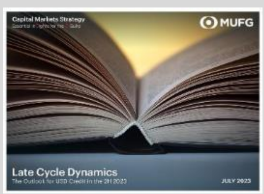

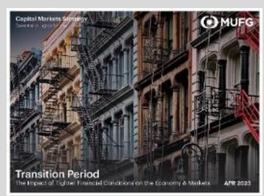

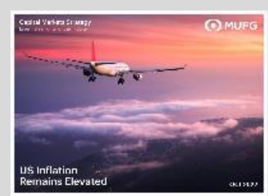

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