

Capital Markets Strategy

Essential insights for the C-Suite



Milestones in Global Markets

July 2024 Global Market Review

JUL 2024

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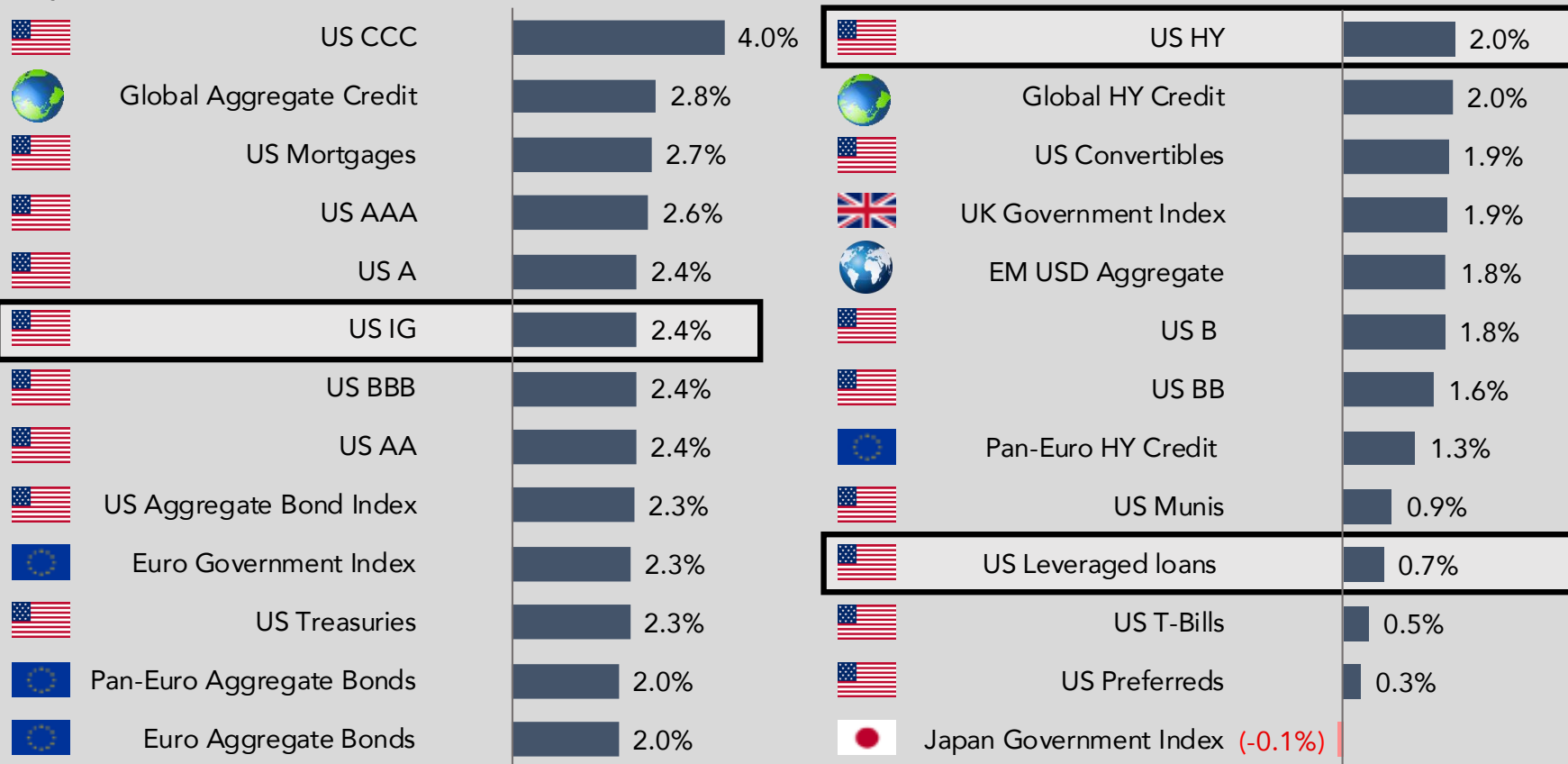


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Positive July Returns in Credit

USD CCC credit outperformed in July, though returns were positive across most global credit markets. After a challenging start to the year, CCC credit defaults may be “past peak”, spurring investor confidence. Investors continued to put money into USD credit with positive July fund flows for both IG and HY funds. Japanese government debt sold off late in the month after the BOJ’s rate hike.

July credit market total returns

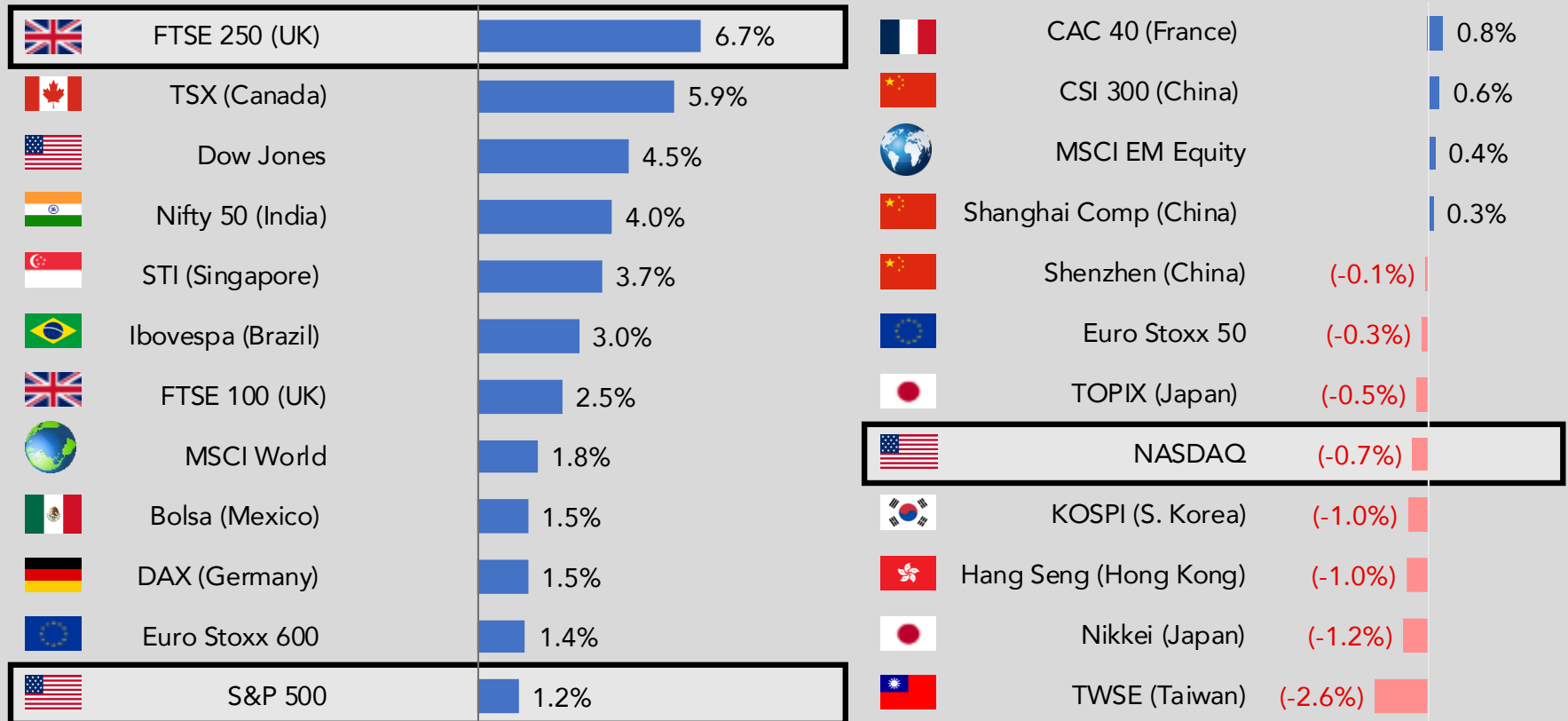


Source: (1) Bloomberg. Data as of July 31, 2024.

Global Equity Markets Resilient in July

The S&P 500 started the month on a strong foot, once again, with its 36th record close of the year. However, sell-offs from the so called "Magnificent 7" later in the month caused the S&P 500 to end its 356 consecutive trading-day run without a 2% single day correction (the longest stretch since 2007). Stronger economic data in the UK, however, led the FTSE 250 to outperform global peers.

July regional equity market performance

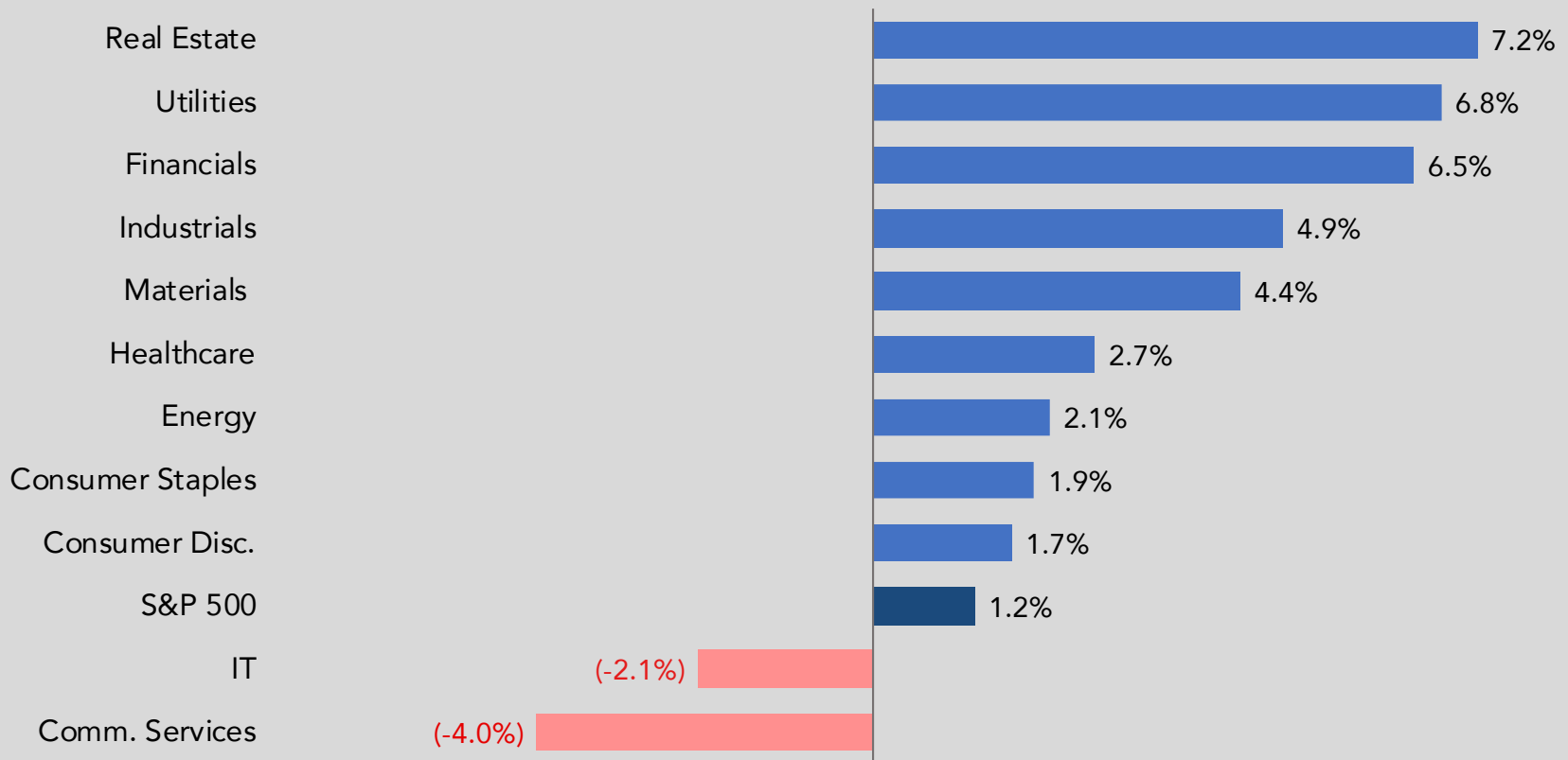


Source: (1) Bloomberg. Data as of July 31, 2024. Total returns.

Tech & Telecom Reverse Gains in July

IT and Communication Services were the strongest performing S&P 500 sectors in 1H 2024, up 28% and 27%, respectively. In July, those sectors were the worst performing and weighed heavily on broader index performance. Nvidia, the world's largest company by market cap, had large bouts of volatility, suffering four of the eight largest single-day market cap losses on record. In the last day of the month, however, the stock rallied 13%, adding a record \$329 bn in value.

July S&P 500 industry sector performance

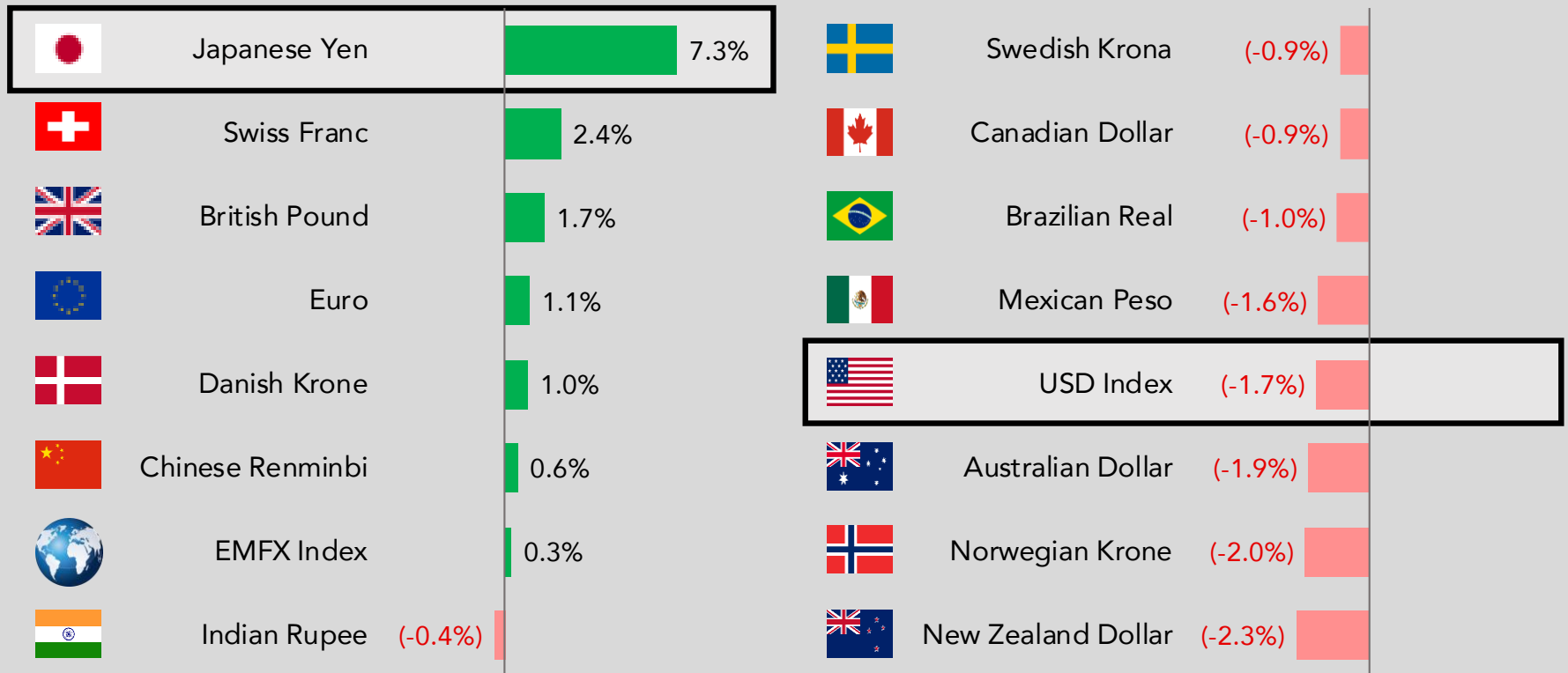


Source: (1) Bloomberg. Data as of July 31, 2024.

Late July Yen Resurgence

The Yen rose over 7% in July, after touching a 38-year low vs. the USD earlier in the month. The Bank of Japan's interest rate hike and announced plans to cut bond purchases drove Yen strengthening through the 150 threshold for the first time since March of this year. After a strong 1H, the US Dollar declined nearly (-2%) as markets expect the Fed to start its easing cycle at the next FOMC meeting in September.

July currencies performance vs. USD

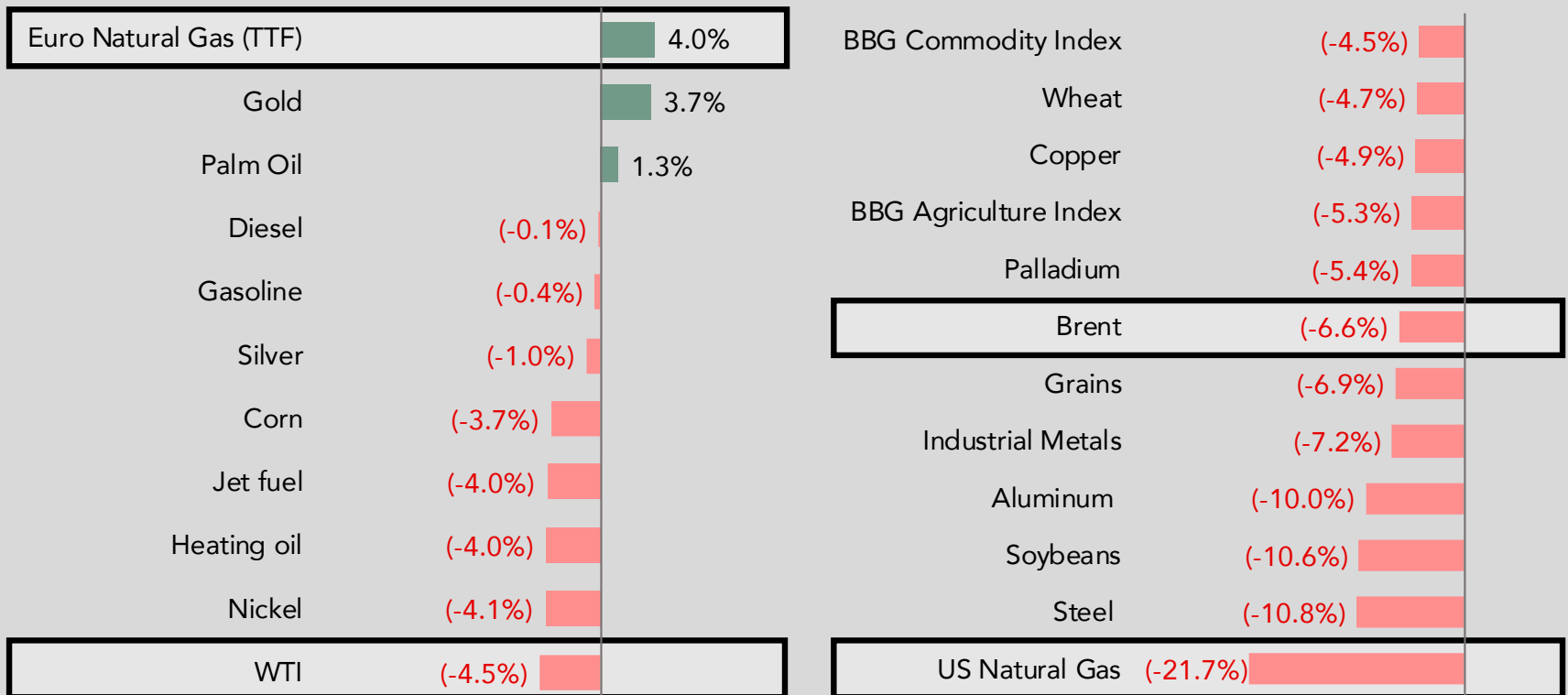


Source: (1) Bloomberg. Data as of July 31, 2024.

Oil & Gas Weaker in July

Commodities are now the worst performing cross-asset class in 2024, driven in part by slowing global growth, dovish central bank expectations and rising policy uncertainty ahead of the US election. WTI and Brent were down (-4.5%) and (-6.6%), respectively, as WTI briefly broke below the \$75 threshold. Euro natural gas prices rose in July mainly due to heightened geopolitical risk and supply concerns, though inventory reserves should help keep prices in-check.

July commodities performance



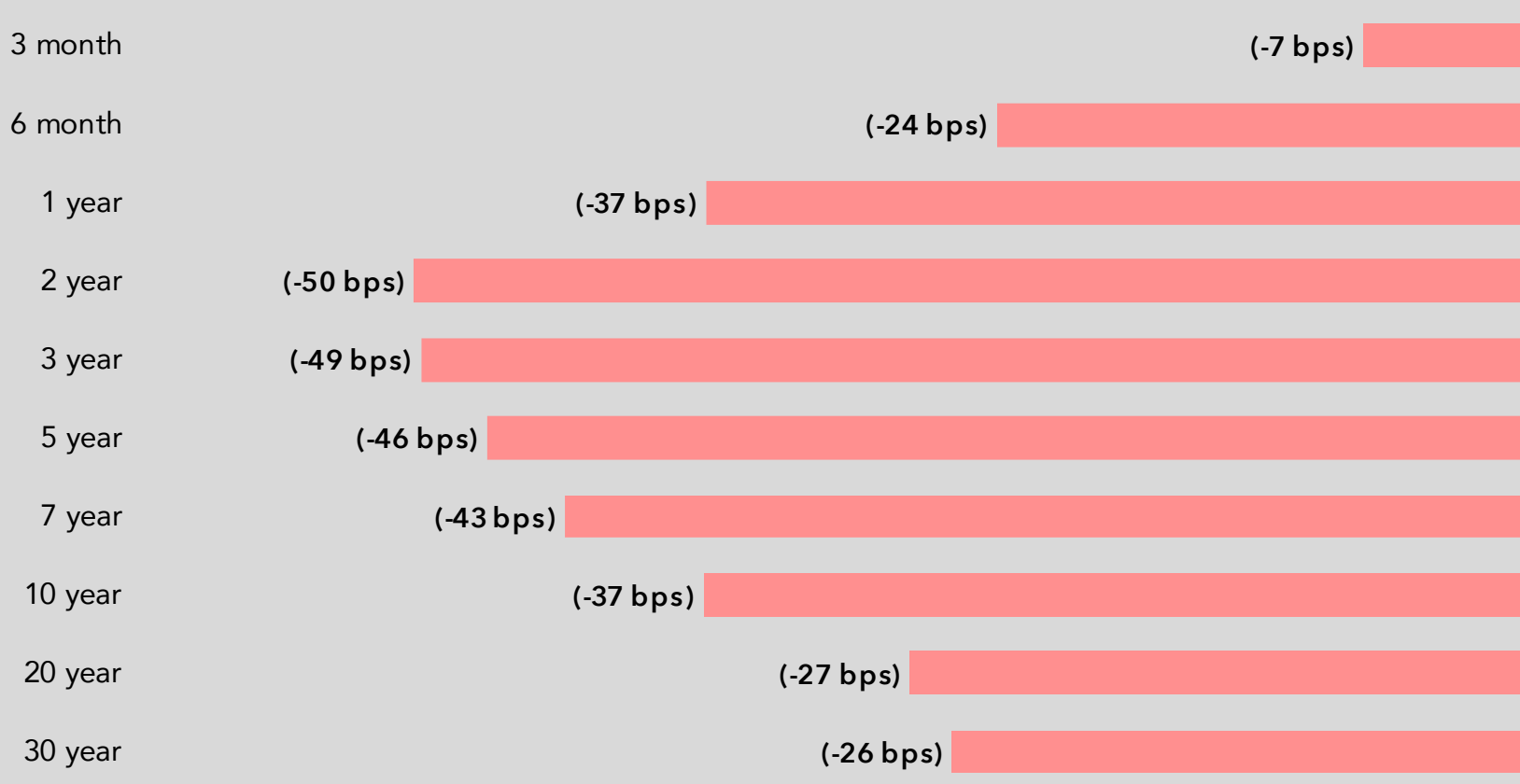
Source: (1) Bloomberg. Data as of July 31, 2024. MUFG Commodities Weekly (Ehsan Khoman). All values are price change. Commodities Index and Agriculture Index are total return.

UST Yields Lower Across the Curve in July



In July, yields moved lower across the curve, continuing the trend of Q2 2024. The Fed meeting on the final day of July cemented market expectations that the Fed would transition to easing in September and reset expectations for rates in the balance of the year.

Change in UST rates in July 2024

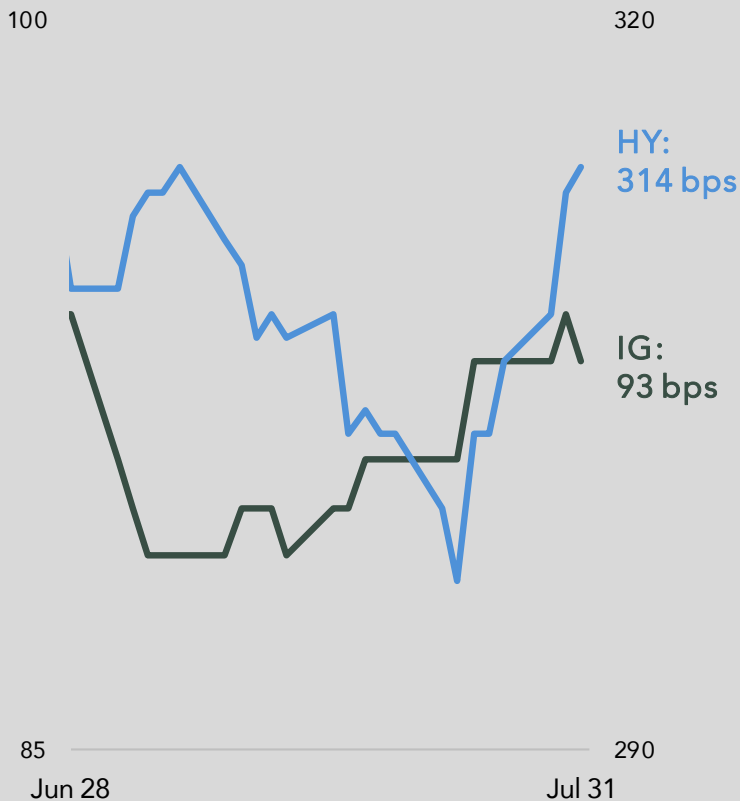


Source: (1) Bloomberg. Data as of July 31, 2024.

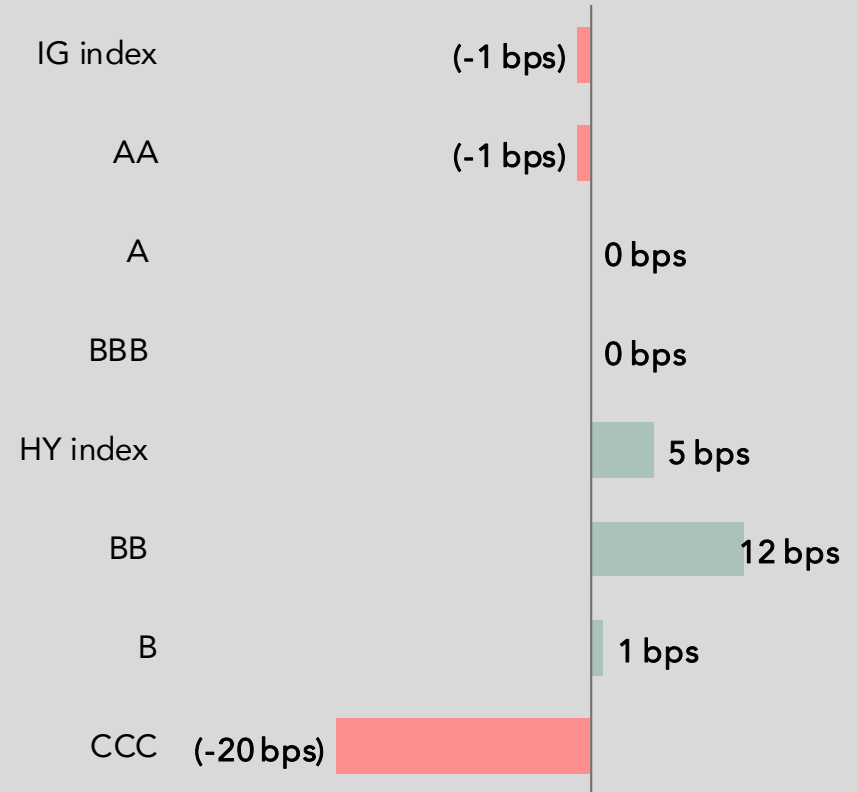
Credit Spreads Mostly Flat in July

Credit spreads were flat across most of the rating spectrum in July, after tightening for much of the first half of the year. In the CCC segment, however, spreadstightened in July. After a challenging start to the year, USD CCC default rates appear to have moved past peak and are now at their lowest level since last July.

USD IG and HY credit spreads in July 2024



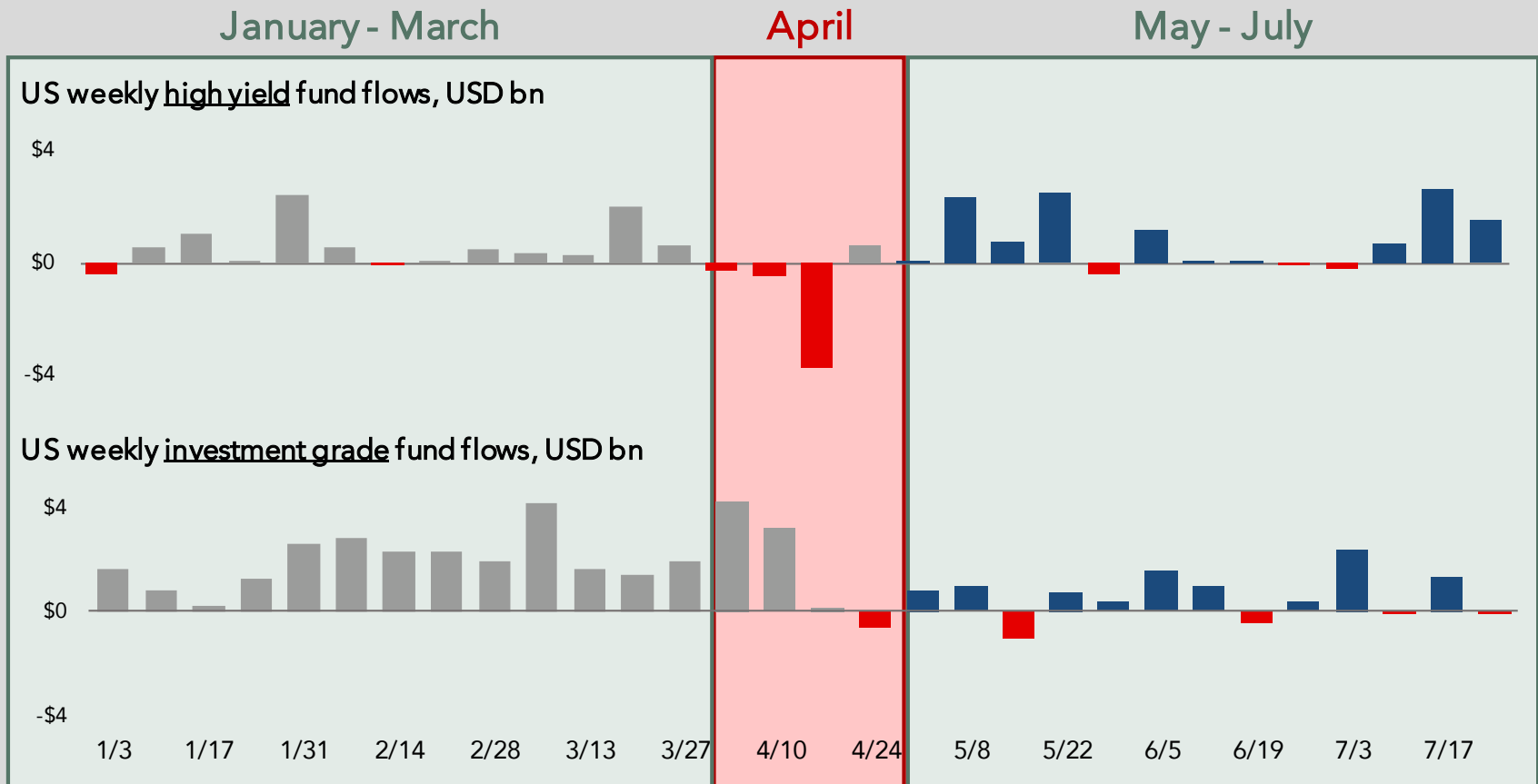
USD credit spreads in July 2024



Source: (1-2) Bloomberg. Data as of July 31, 2024.

Resurgent USD Bond Flows in July

Flows were positive into both investment grade and high yield funds in July. As we move closer to a Fed policy transition and economic fundamentals remain resilient, investors continue to allocate capital to strong, yield-producing corporate balance sheets globally.

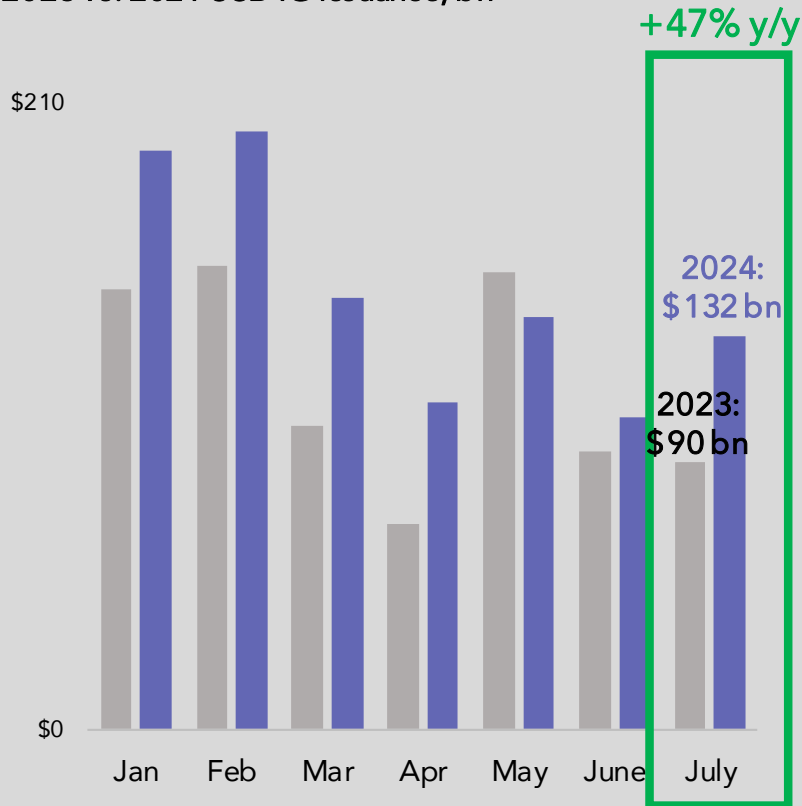


Source: (1) IFR. Data as of July 29, 2024.

Record 7 Months of USD IG Issuance

At \$132 bn, 2024 set a new all-time high for July USD investment grade issuance. After a record breaking January and February, 2024 issuance surpassed the \$1 trillion mark in just 206 days, the fastest pace on record (ex 2020).

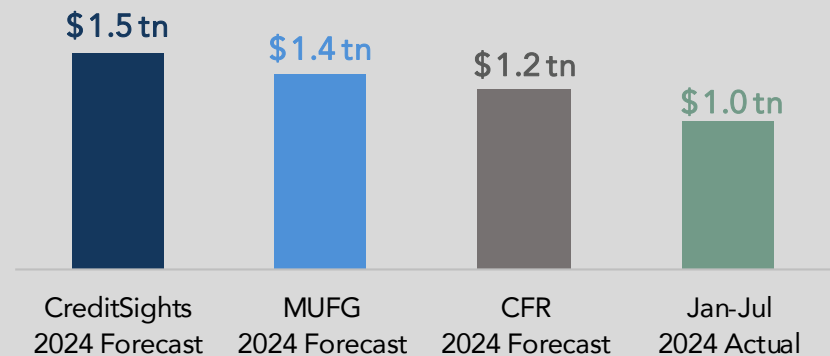
2023 vs. 2024 USD IG issuance, bn



July USD IG issuance forecasts



2024 USD IG issuance forecasts

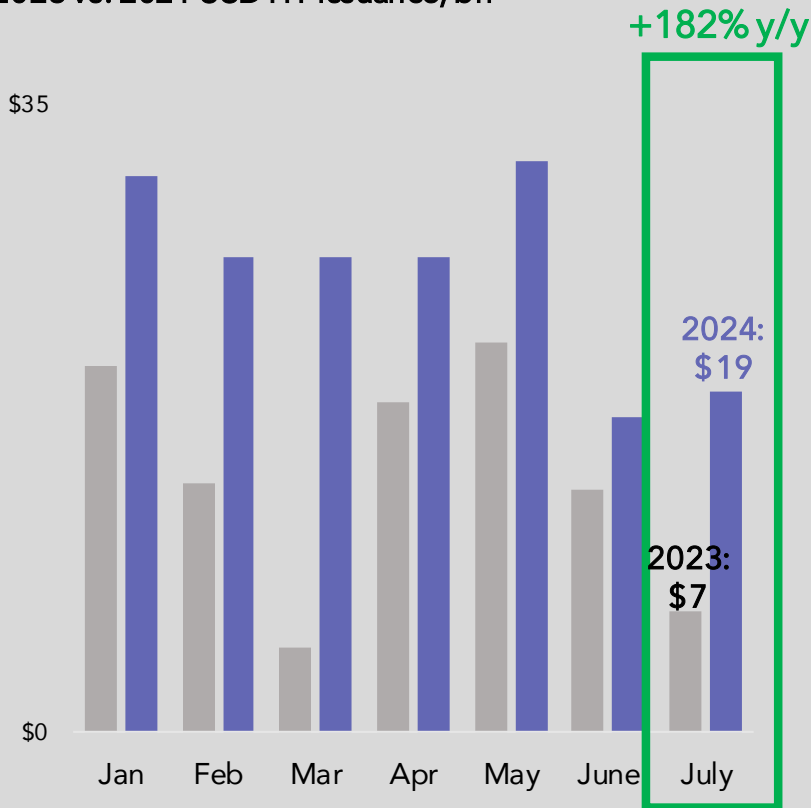


Source: (1-3) CFR. CFR forecast is consensus average. CreditSights. CS forecast is gross supply. Data as of July 31, 2024.

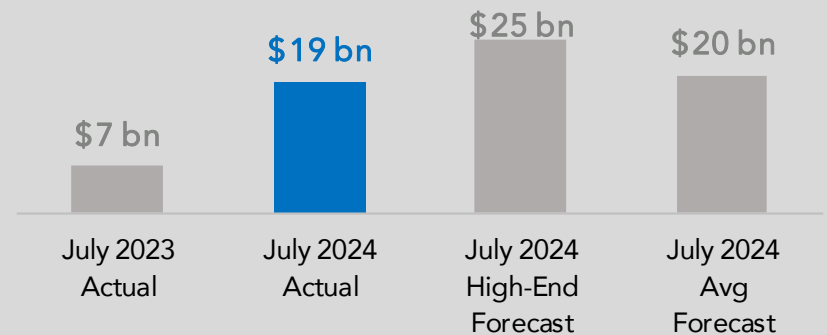
July USD HY Issuance +182% Year-Over-Year

Just seven months into the year, 2024 USD HY issuance has surpassed 2023's full year issuance volume. Year-to-date issuance of \$179 bn is just \$46 bn short of MUFGs estimate for full year issuance.

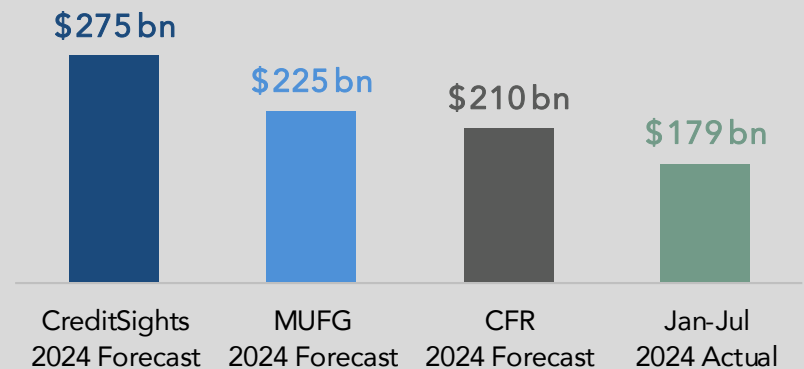
2023 vs. 2024 USD HY issuance, bn



July USD HY issuance forecasts



2024 USD HY issuance forecasts



Source: (1-3) CFR. CFR forecast is consensus average. May high-end forecast uses wide end of ranges. CreditSights. CS forecast is gross supply. Data as of July 31, 2024.

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