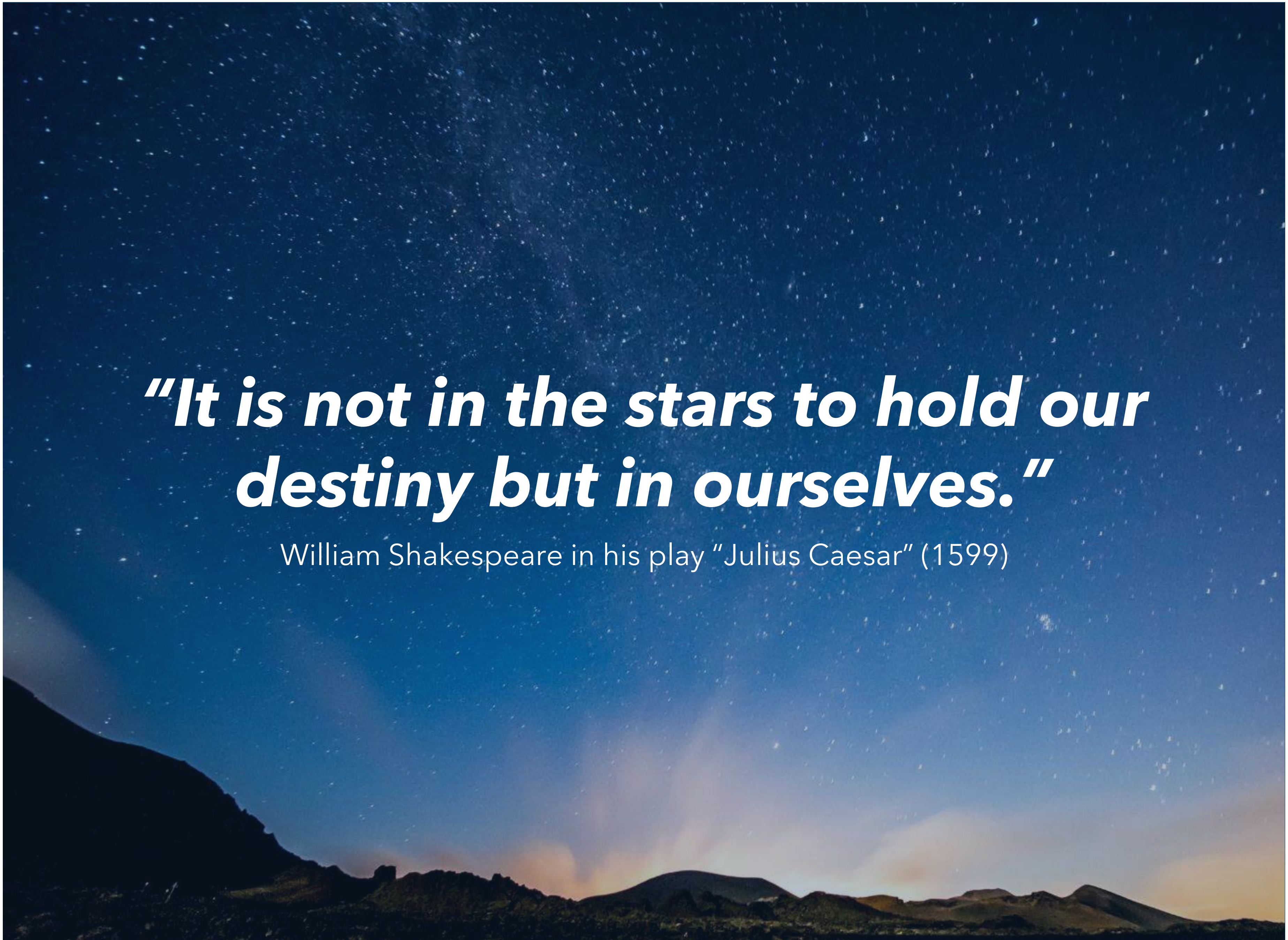
Capital Markets Strategy
Essential insights for the C-Suite

MUFG

2025 Global Bond Market Outlook

Key Themes for the Year Ahead

DEC 2024


“It is not in the stars to hold our destiny but in ourselves.”
William Shakespeare in his play “Julius Caesar” (1599)

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1 | Economic & Market Backdrop

Resurgent Risk-on Sentiment in 2024

Annual relative total returns, USD markets

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
S&P 500 13.7%	Munis 3.6%	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 26.7%**
Munis 9.8%	Mortgages 1.5%	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 10.8%**
High Grade 7.5%	S&P 500 1.4%	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 9.1%**
EM Sov 7.0%	EM Sov 1.4%	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 8.7%**
Mortgages 6.1%	US Gov't 0.8%	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 3.9%**
US Gov't 6.0%	Loans 0.1%	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 2.1%**
High Yield 2.5%	High Grade (-0.6%)	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 1.7%**
Loans 1.8%	High Yield (-4.6%)	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 1.3%**

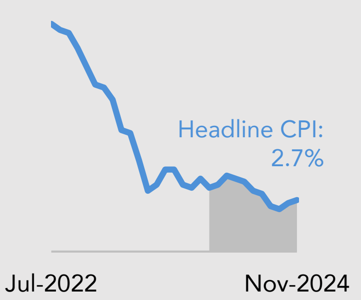
Source: (1) CreditSights. Bloomberg. Data as of December 18, 2024. BAML, S&P LSTA. Bloomberg EM Sov is USD EM Sovereign BBB & lower index.

2024: Creating the Backdrop for 2025

The significant political and market events of 2024 have created much of the backdrop that will shape the year ahead.

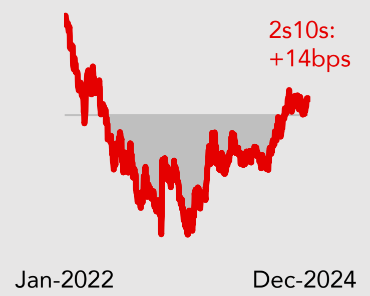
Steady disinflation progress

US inflation, y/y



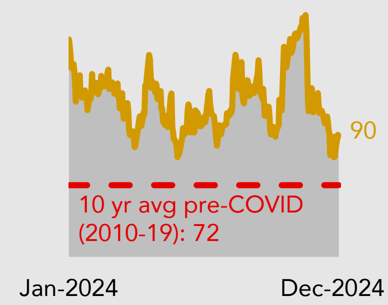
Yield curve dis-inversion

2s10s UST yield curve



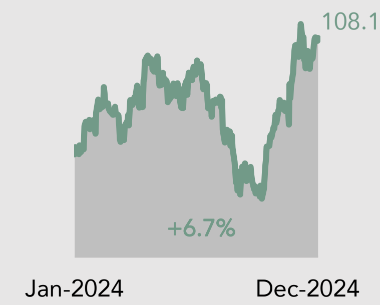
Elevated US rate volatility

MOVE index



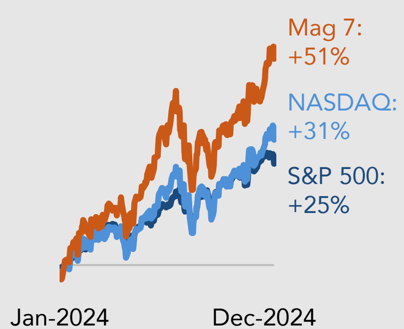
US Dollar strength

USD index



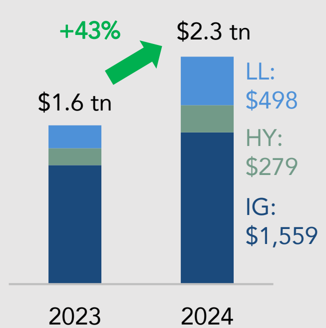
New highs for US equities

2024 performance



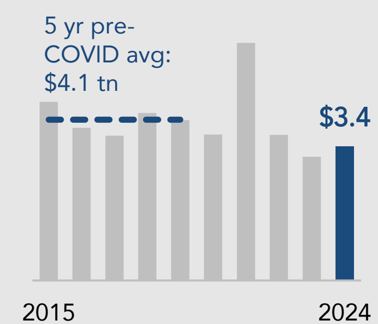
Robust USD bond issuance

Annual issuance, USD bn



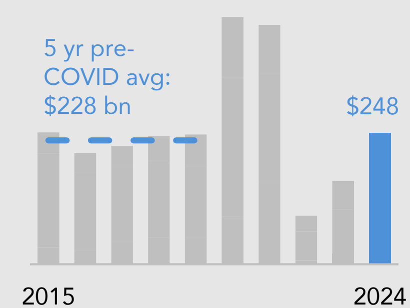
Global M&A recovery

Global M&A volumes, USD tn



Equity issuance normalizes

US equity issuance, USD bn



Source: (1-8) Bloomberg. CreditSights. Dealogic. CFR. MUFG Capital Markets. Data as of December 18, 2024.

Key Themes for Markets in 2025

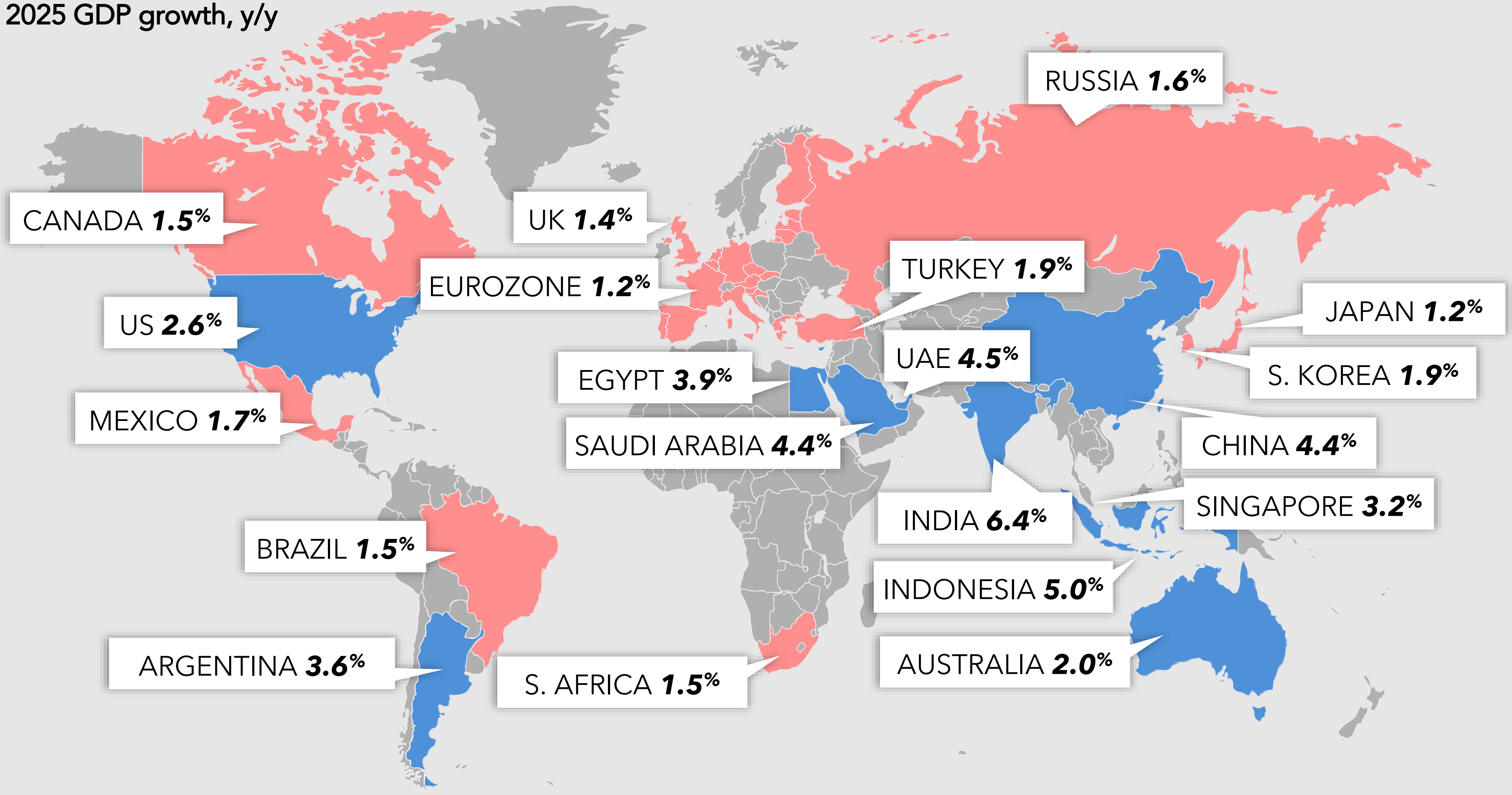
2025 Global Market Themes
1. "Higher friction" geopolitics; de-globalization
2. Elevated corporate activity (capex, buybacks, M&A, financing)
3. Market sensitivity to fiscal expansion
4. Elevated tariff & trade war risk
5. Synchronized global monetary easing cycle
6. More shallow Fed easing path
7. Global growth below trend (China, Europe); US above trend (animal spirits, productivity)
8. Resilient USD credit markets
9. Neutral-to-bearish energy prices
10. US Dollar strength

2025 USD Credit Market Themes
1. Goldilocks macro backdrop for credit (economy, earnings, Fed)
2. Elevated rate volatility (fiscal, trade)
3. Yield-driven technical demand for corporate credit (duration + risk)
4. Balance sheet strengthening (earnings, margins, leverage, coverage)
5. HY default cycle past peak; trending lower
6. Moderately bearish credit spreads (from multi-decade tights)
7. Robust 2025 new issue volumes across credit spectrum (IG, HY, loans)
8. Manageable 2025 maturity walls
9. Rising M&A driven financing (animal spirits, deregulation, tax)
10. Industry-differentiation on exposure to Trump tariffs & trade policy

Subdued Global Economy in 2025

As evident in softer commodity prices, global economic growth has generally been below trend going into 2025, and is highly vulnerable to trade policy escalation. While China and Europe have been notably underperforming among large advanced economies, growth in the US and India has been quite resilient.

2025 GDP growth, y/y



Source: (1) Oxford Economics. Data as of December 17, 2024.

Re-accelerating US Economy

Above-trend US growth may re-accelerate from here

Robust US macro backdrop

- Expansionary services sector (80% of GDP)
- Resilient US consumer
- GDP growth above long-term trend
- Productivity well above peer group
- Favorable financial market conditions

Resilient US consumer

- Unemployment below historic avg
- Initial jobless claims at 6 month lows
- Wage growth > CPI
- Balance sheet appreciation (stocks, home prices)
- Strong retail sales & durable goods

Easier financial conditions

- Equities at record highs
- Credit spreads at multi-decade tights
- Strong capital flows into debt markets
- Resurgent new issue volumes
- Personal savings rate revised higher

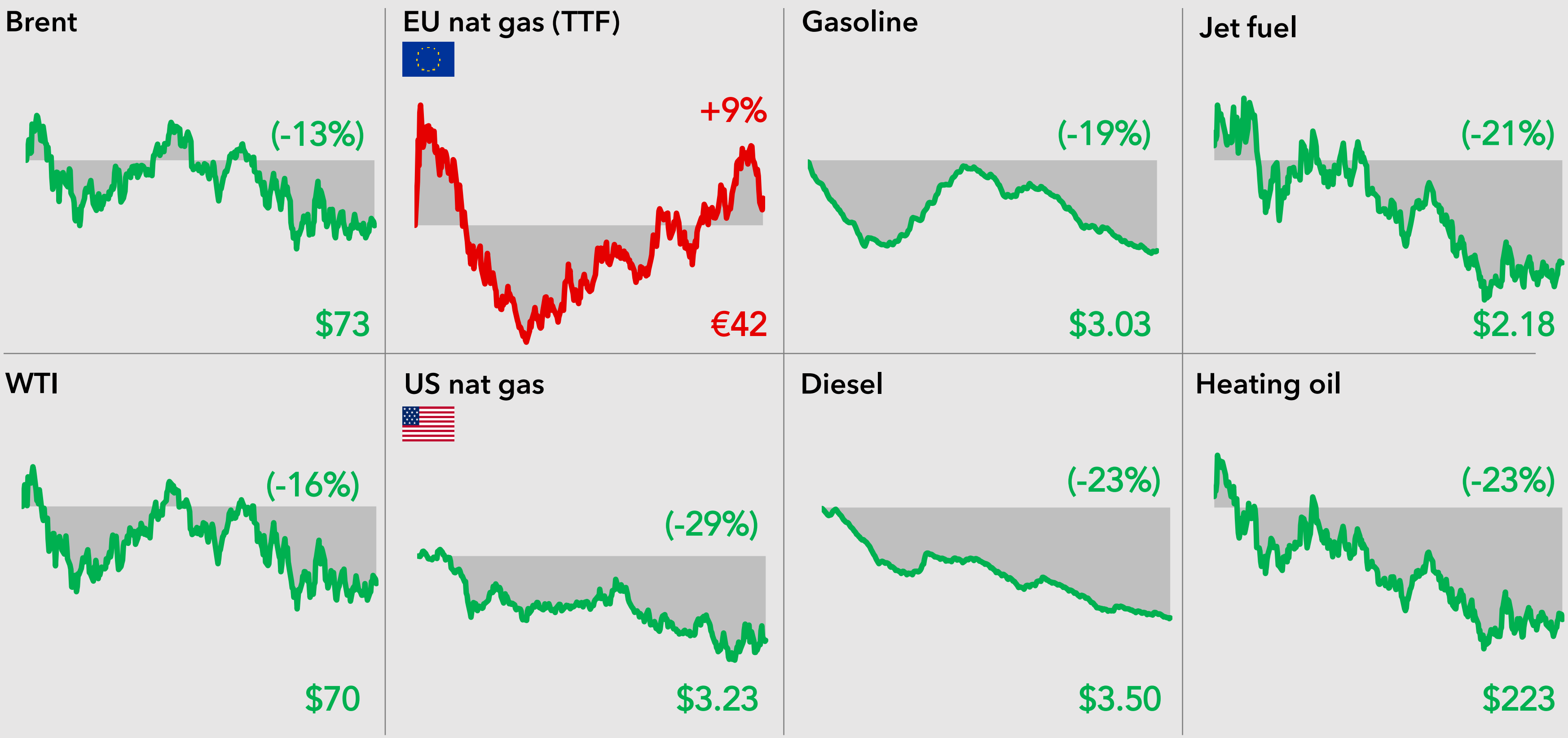
Trump-trade acceleration

- Fiscal expansion
- More competitive tax regime
- Deregulation tailwinds
- Financial market "animal spirits"
- M&A and capex reinvigorated
- Tech sector super-cycle (AI, data centers, CHIPS act)

Modest Geopolitical Risk Premium in Energy Prices

Somewhat counterintuitively, energy prices have declined since the Israel-Gaza crisis began due to increased US production and expectations of softer global demand. While the geopolitical risk premium in oil prices ebbed and flowed in 2024, it did so only marginally. MUFG expects this push-and-pull between geopolitical risk and oil price fundamentals to remain a critical theme in 2025 energy markets.

Energy prices since Israel-Gaza on October 7, 2023



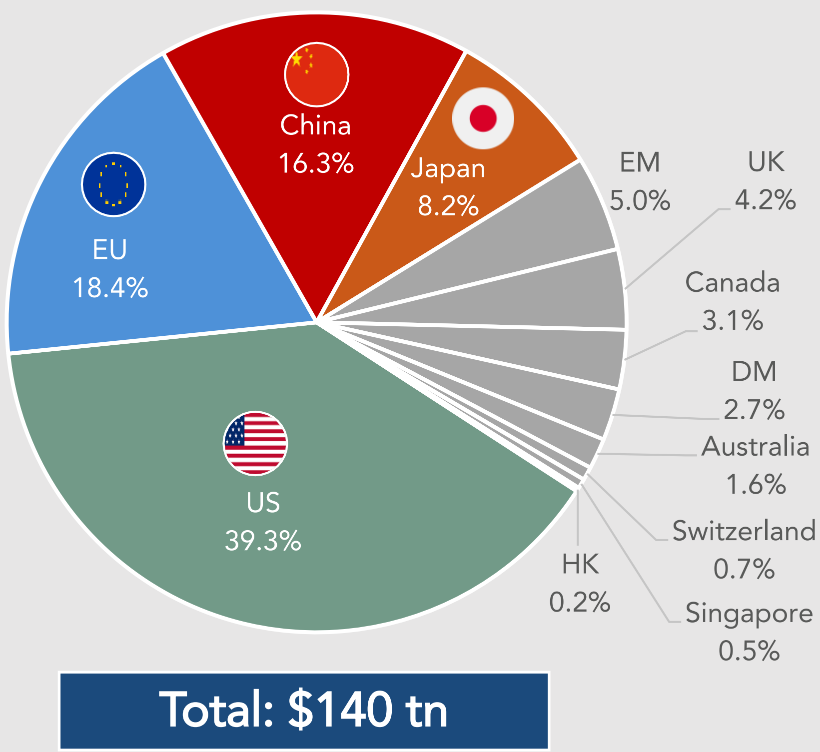
Source: (1-8) Bloomberg. Data through December 17, 2024. Euro and US natural gas axis is from (-50%) to 50%. All other graphs are from (-40%) to 20%.

Large, Liquid Global Capital Markets

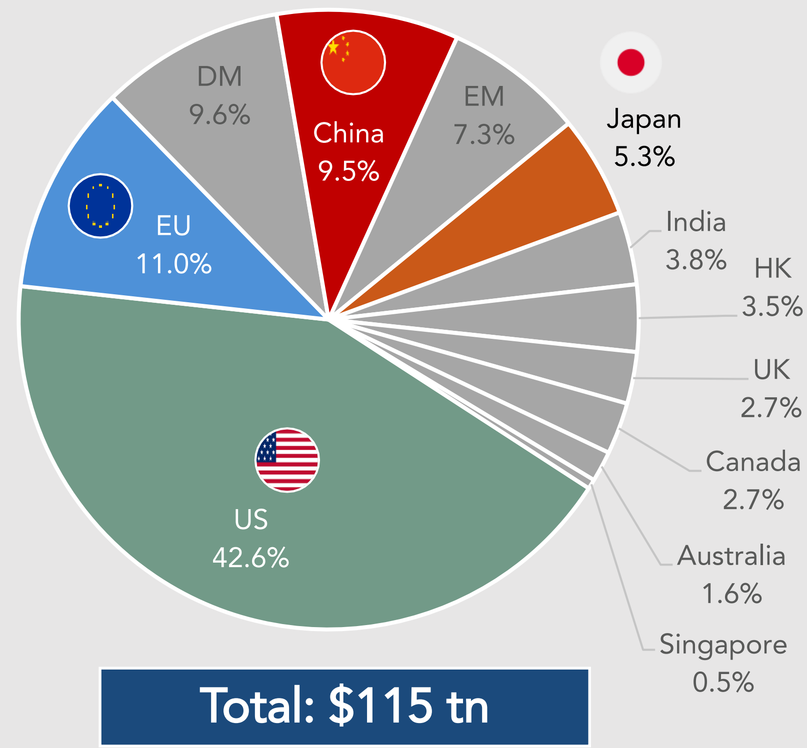
The US fixed income markets account for approximately 40% of the more than $140 trillion in debt securities outstanding globally, which is over 2x the next largest market, the EU. Bond markets in the US, EU, China and Japan represent over 80% of total global fixed income securities outstanding.

The US equity markets also represent approximately 40% of the $115 trillion in total global equity market capitalization, which is 4x the next largest market, EU. Equity markets in the US, China, EU and Japan represent over 65% of global equity market cap.

Global fixed income securities outstanding



Global equity market cap



Source: (1-2) SIFMA Research (2024 Capital Markets Fact Book, July 2024). Data is full year 2023.

Summary Conclusions for 2025

Global Economy in 2025	
Global GDP growth	↓
Global inflation	↓
US GDP growth	↓ ↑
US inflation	↓ ↑
US unemployment	↑
China GDP growth	↓
Japan GDP growth	↓
EU GDP growth	↓
India GDP growth	↓
Global trade volumes	↓

Earnings & Deal Activity in 2025	
S&P 500 earnings	↑
Global M&A volumes	↑
USD IG issuance	↓
USD HY issuance	↑
Equity & IPO volumes	↑

Global Markets in 2025	
UST rates	↓
IG credit spreads	↑
HY credit spreads	↑
US Dollar	↑ ↓
Oil prices	↓

2 | Trump 2.0 Policy Expectations

Credit Market Impact of Trump 2.0 Policy Agenda

President-elect Trump's major policy proposals – fiscal expansion via tax cuts, tighter immigration policy and tariffs – would have varying impact on different industries across the credit spectrum. Timing and scale of implementation will be important considerations.

Trump tax & tariff policy proposals, impact across sectors

	Decrease corporate tax rate to 15-20%	End AMT for large corporates	Reinstate corp. provisions incl. bonus dep. / R&D expensing	Increased tariffs (10-20% all imports / 60%+ for China)
Banking/Financial Services	Positive	Positive	Positive	Negative
Insurance	Positive	Neutral	Neutral	Neutral
Automotive	Positive	Neutral	Positive	Positive
Basic Industry	Positive	Positive	Positive	Neutral
Capital Goods	Positive	Positive	Very Positive	Positive
Consumer Goods	Positive	Neutral	Neutral	Negative
Energy	Positive	Neutral	Positive	Negative
Healthcare	Positive	Positive	Positive	Negative
Leisure	Positive	Neutral	Neutral	Negative
Media	Neutral	Neutral	Neutral	Neutral
Real Estate	Neutral	Neutral	Neutral	Negative
Retail	Positive	Neutral	Neutral	Very Negative
Technology	Positive	Positive	Positive	Negative
Telecommunications	Positive	Neutral	Positive	Neutral
Transportation	Positive	Positive	Positive	Negative
Utilities	Neutral	Neutral	Neutral	Negative

Source: CreditSights, "US IG & Leveraged Finance 2025 Preview: Everything is Awesome!" (Winnie Cisar, Zachary Griffiths). Data as of September 26, 2024.

Market Impact of Trump 2.0 Policy Agenda

Generally speaking, President-elect Trump's policy proposals are inflationary, depending on size and timing of implementation. Fiscal expansion, tariffs and tighter immigration are likely to put upward pressure on rate volatility, yields and the US Dollar. While trade wars are likely to exert downward pressure on commodities on the demand side, pro-growth energy sector deregulation is also bearish for energy prices, albeit from the supply side.

	DIRECTIONAL IMPACT ON:					
	Rate Volatility	UST Yields	Credit Spreads	US Dollar	Equities	Energy Prices
Fiscal Expansion / Tax Cuts	↑	↑	↓	↑	↑	
Tariffs & Trade Wars	↑	↑	↑	↑	↓	↓
Pro-Growth Deregulation	↓		↓		↑	↓
Tighter Immigration Policy	↑	↑				

Congress, Not the White House, Drives Tax

Importantly, the US Senate and House of Representatives, not the White House, will set the parameters on US debt and deficits, as well as tax policy. More specific to tax, the details of the 2017 TCJA tax extensions in 2025 will originate in the US House of Representatives' Ways & Means Committee, working collaboratively with the US Senate Finance Committee. As part of this process, Congress will be the decider on incremental deficit appetite.

Notable Considerations in US Tax Policy

Expiring TCJA Provisions:

- Expected to be fully restored
- Duration of extension (i.e., 4-5 years?) will likely be a function of deficit impact

Legislative Path: FY 2025 Budget Reconciliation

- Requires only 50 votes in US Senate (vs. 60 for most legislation)
- Bipartisan support therefore not required

Deficit Appetite: Will become evident with passage of FY 2025 budget in Q1 2025 (as early as Jan.)

- FY 2025 deficit could be as large as \$2-\$2.5 trillion (largest in history for a single year)

Deficit Impact: Given late 2025 timing, incremental deficit impact will be largely FY 2026

Expected Timing:

- **Jan 3, 2025:** New Congress sworn in
- **Q1 2025:** Passage of FY 2025 budget fast-tracked to late Jan or Feb (to unlock reconciliation authority for tax)
- **Dec 2025:** Likely timing for passage of tax bill
- **Jan 1, 2026:** Expiring tax rates reset higher if not extended

Source: Tax Foundation. Veda Partners (Henrietta Treyz). PwC. Deloitte. EY. Tax Policy Center. Congressional Research Service.

Trade War 2.0 Will Be Different

The White House has significant legal authority, without Congressional oversight, to rapidly AND substantively escalate US trade policy against allies and adversaries alike. As compared to the 2018-19 trade war, we believe this time will be bigger, faster and more universal in scope.

Expectations for Trade War 2.0

***More philosophical than tactical*:**
Not necessarily escalate to de-escalate. More pervasive. Episodic. Longer duration.

***Sooner this time*:**
Extensive "Day 1" agenda. Prior trade war took 3 years to peak (2019).

***Things can move quickly*:**
Architect (Greer – USTR) and architecture (US trade law) in place. Phase 1 remedies.

***Bigger this time*:**
Higher tariff rates. Larger scale and scope.

***More universal this time*:**
More countries. More product categories.

***More existential approach to China*:**
Even more hawkish. Appeal of phase 1 deal. Higher rates. More expansive.

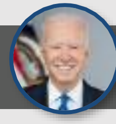
***China ready this time*:**
Formidable policy toolkit and countermeasures "ready to go."

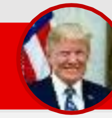
***Range of retaliatory measures*:**
Range of possibilities, not just tariffs (digital taxes, entity lists, critical minerals).

***Ambiguity as an incentive*:** By maximizing policy uncertainty, seeking to incentivize domestic US investment by foreign and US companies alike.

More "Deal Friendly" M&A Anti-Trust Reg Regime

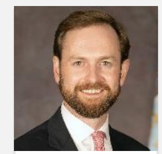
US M&A is subject to a complicated lattice of review by broad-based and industry specific regulators. Under the Hart-Scott-Rodino Act of 1974, the US Federal Trade Commission (FTC) and Department of Justice (DoJ) may review proposed transactions that impact US commerce or reduce competition. In addition, the Committee on Foreign Investment in the US (CFIUS) has responsibility for reviewing transactions that involve foreign investments or acquisitions with national security implications.





FTC

Lina Khan
Chair of the Federal Trade Commission



Andrew Ferguson
Chair of Federal Trade Commission

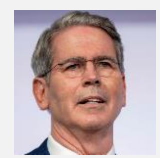
DoJ

Jonathan Kanter
Assistant Attorney General for DoJ Antitrust Division

Gail Slater
Assistant Attorney General for DoJ Antitrust Division

Department of Treasury

Janet Yellen
Secretary of the Treasury & Chairperson of CFIUS



Scott Bessent
Secretary of the Treasury

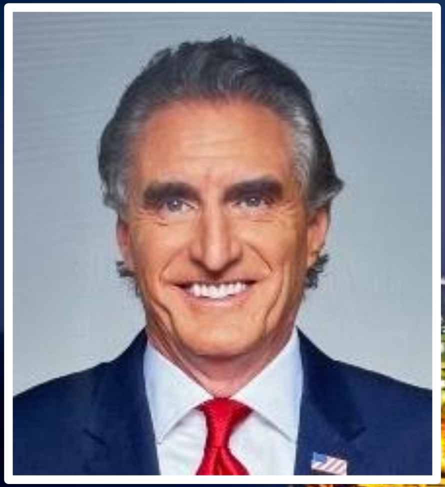
The Committee on Foreign Investment in the United States (CFIUS)

Housed in US Department of Treasury with members from Justice, Homeland Security, Commerce, Defense, State, Energy, USTR, Science & Technology

Jurisdiction has been expanded by Congressional act to encompass technology and transactions involving sensitive personal information

US Energy Sector Deregulation

President-elect Trump has selected Liberty Energy CEO, Christopher Wright, a strong advocate of fossil fuels, to lead the Department of Energy. Energy Secretary Wright will also oversee U.S. nuclear energy infrastructure and could lead the scaling of U.S. nuclear energy across key sectors. In addition, Trump announced on Nov 15 that North Dakota Gov Doug Burgum, his choice to Head the Interior Department, will also lead a newly created "National Energy Council." The new advisory group will cross executive branch agencies involved in energy permitting, production, generation, distribution, regulation and transportation. Recognizing the link between energy and national security, Burgum will also have a seat on the National Security Council.



Doug Burgum

North Dakota Governor

Secretary of the Interior
Head of National Energy Council
Member of National Security Council

Christopher Wright

CEO of Liberty Energy

Secretary of Energy

Limited Opportunity to Reshape the Fed

In his first term, President Trump was able to fill five vacancies on the seven-person Fed Board of Governors within his first year in office. Currently, there are no vacancies and very few term expiries over the next four years. While Powell's Fed Chair term expires in 2026, his term on the Fed Board of Governors theoretically continues through 2028. Michael Barr's term as Vice Chair for Supervision expires in July 2026.

Highlighted rows indicate specific roles expiring in next four years.

Fed Official		***Current term ends***
	***Adriana Kugler***	**As Governor – January 2026**
	***Jerome Powell***	**As Chair – May 2026**
		As Governor – January 2028
	***Michael Barr***	**As Vice Chair for Supervision – July 2026**
		As Governor – January 2032
	***Philip Jefferson***	**As Vice Chair – September 2027**
		As Governor – January 2036

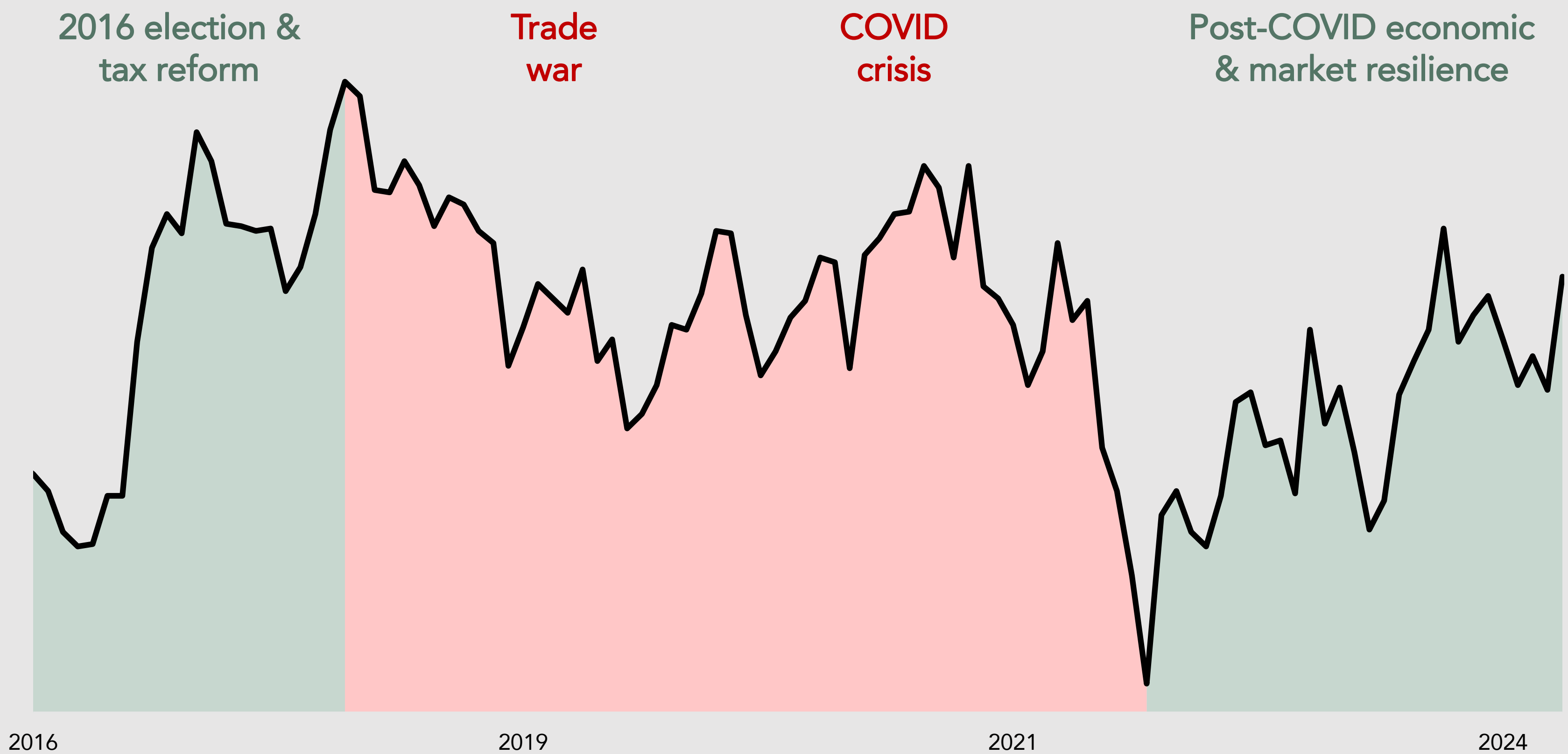
Source: (1) Federal Reserve. Bloomberg, "Trump's Victory Casts a Shadow Over the Federal Reserve" (November 6, 2024).

3 | Heighted Corporate Activity

Improved CEO Confidence in the US

Resilient economic data, an S&P 500 earnings recovery, policy easing and robust cash-rich balance sheets have all contributed to improved CEO confidence in the post-COVID period. In the US, deregulation and tax policy have sparked "animal spirits" in the C-suite, while the prospect of trade wars raises uncertainty.

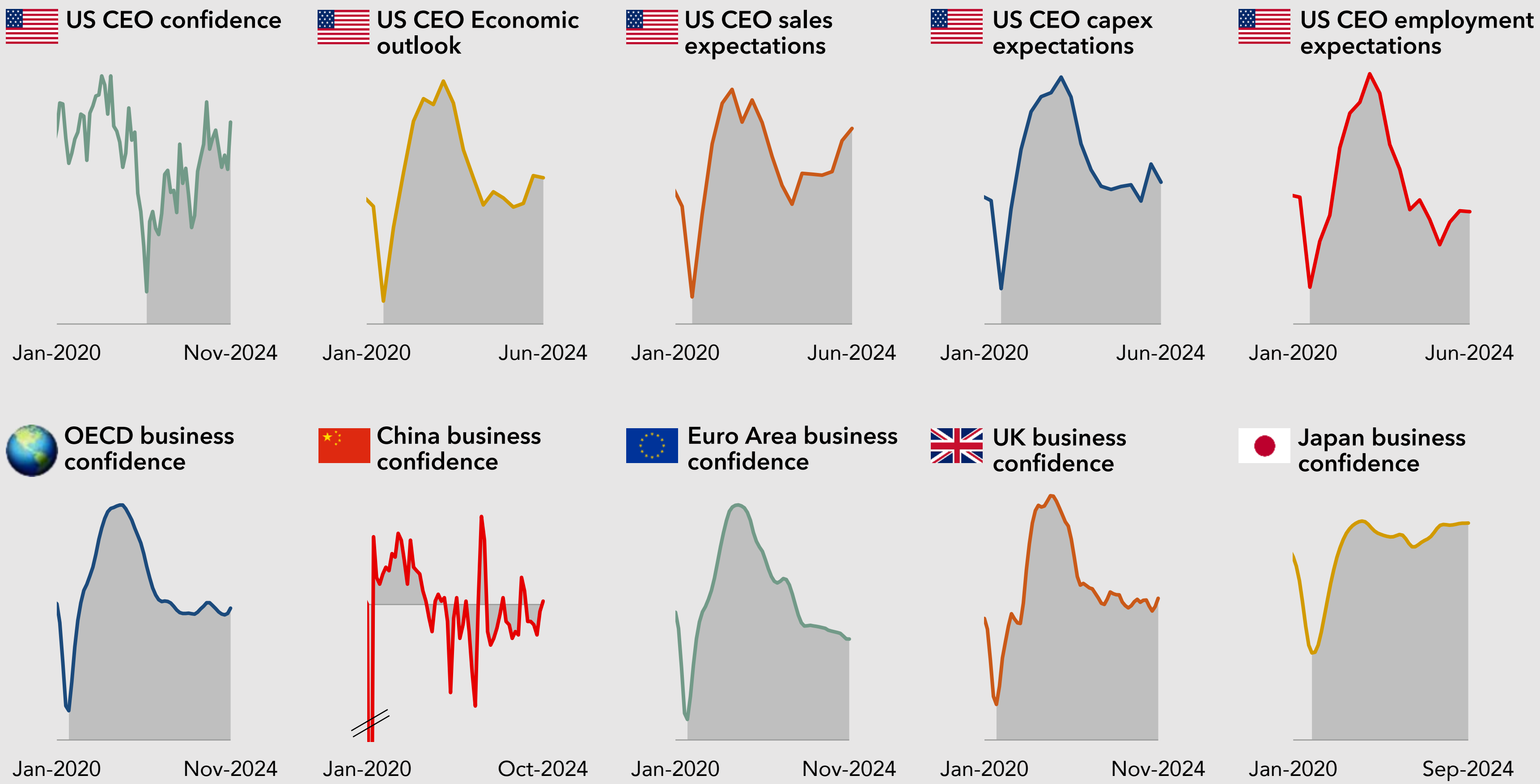
CEO confidence index



Source: (1) Bloomberg. Data as of December 17, 2024. CEO Confidence Index measures confidence in economy 1 year from now based on monthly survey of US-based CEO's.

Mixed Scorecard for Global Business Confidence

Generally speaking, business confidence in the US and Japan has outpaced comparable metrics in China and Europe.

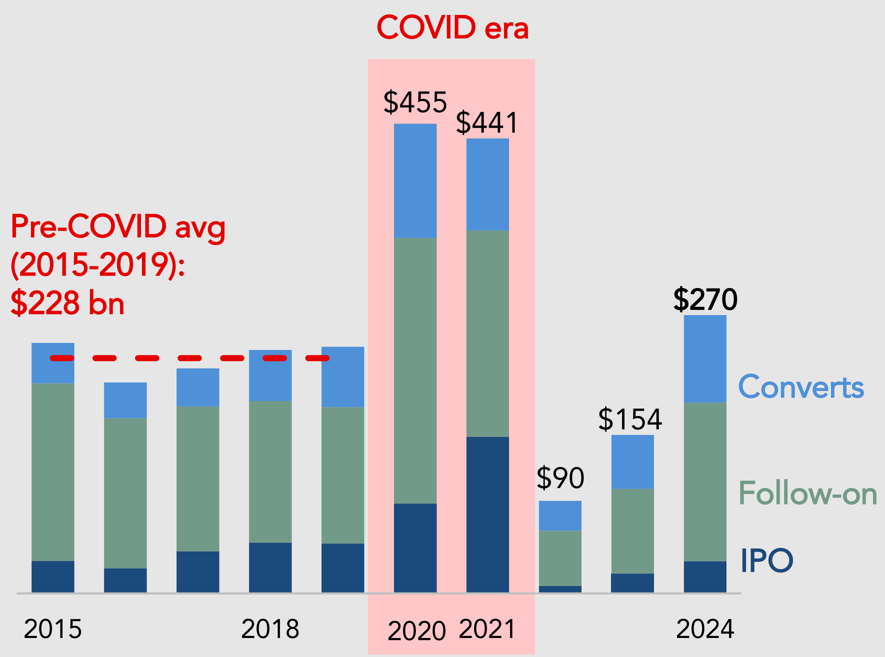


Source: (1) Bloomberg. (2-5) Business Roundtable CEO Economic Outlook Index. Data through Q2 2024. (6-10) OECD. All data as of December 17, 2024. China index is business tendency manufacturing confidence.

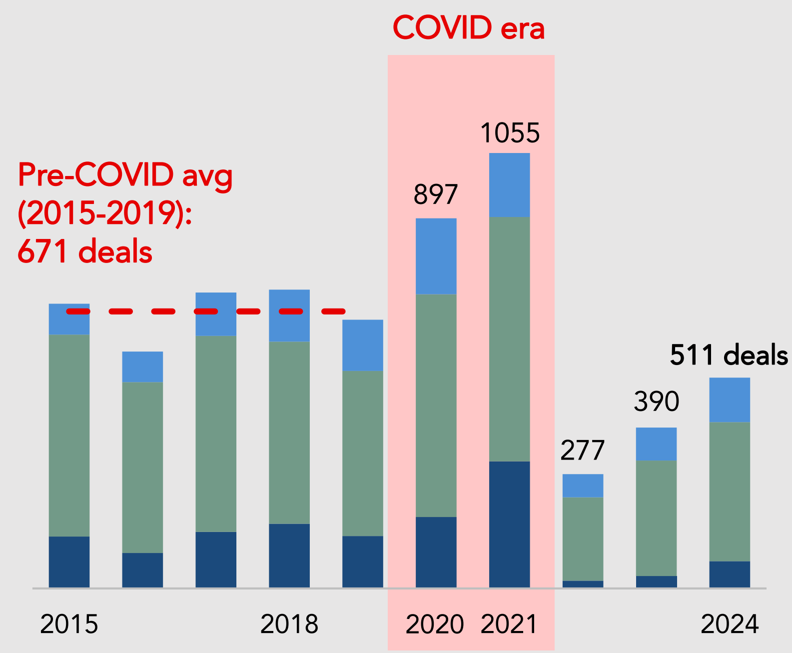
Equity Issuance Should Continue to Rebound in 2025

Equity new issue volumes rebounded to "pre-COVID" levels in 2024 on strong corporate earnings, policy easing and subdued VIX volatility. Discerning investors remain focused on high-quality companies with strong track records and steady growth. Although tech, healthcare and financials dominated activity, the market began to broaden across both industry sectors and use of proceeds as we moved closer to 2025.

Annual US equity market issuance volumes, USD bn



Annual US equity market issuance, # of deals



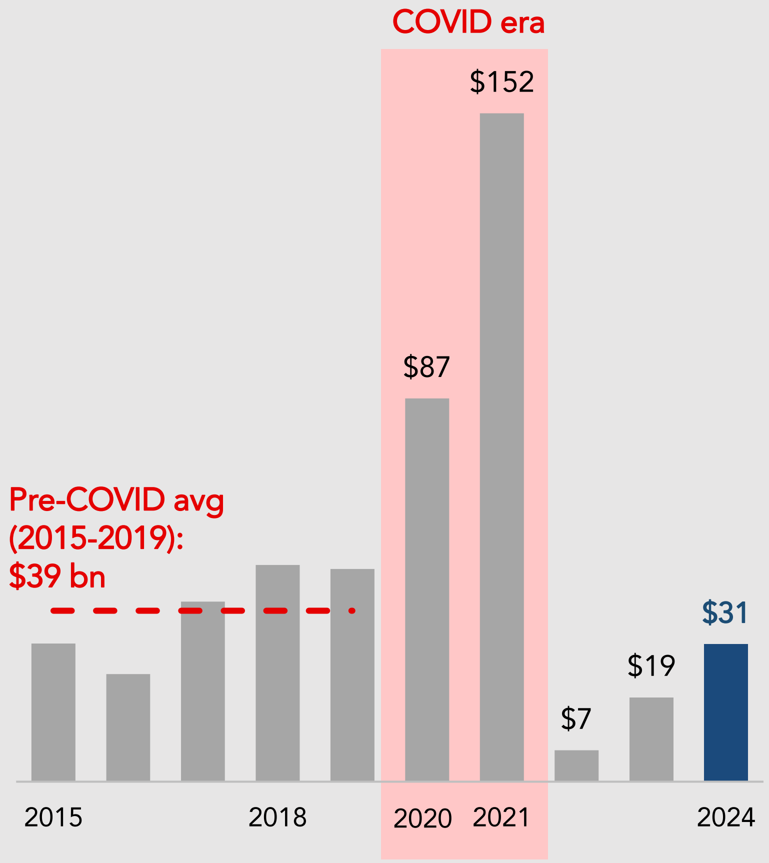
Catalysts for 2025: Fed policy easing; above trend growth; disinflation progress; deregulation; technology's acceleration (AI, data centers); robust convertible issuance; ample "dry powder"; and removal of election-related uncertainty.

Source: (1) MUFG ECM. Dealogic. Bloomberg. Data as of December 18, 2024.

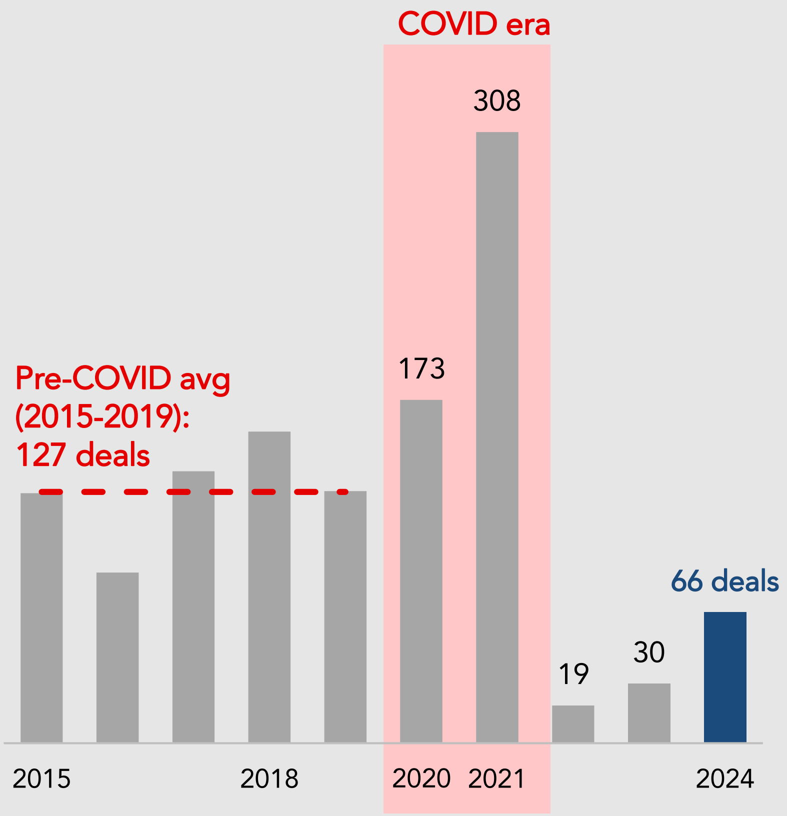
IPO Market Poised to Recover in 2025

The IPO market favored large-scale, profitable companies with stable growth in 2024. Macro factors will help drive continued momentum in 2025 IPO issuance, with a number of marquee IPOs expected in the year ahead. A favorable macro backdrop for issuers will also facilitate pent up buyside demand.

Annual US IPO issuance volumes, USD bn



Annual US IPO issuance, # of deals

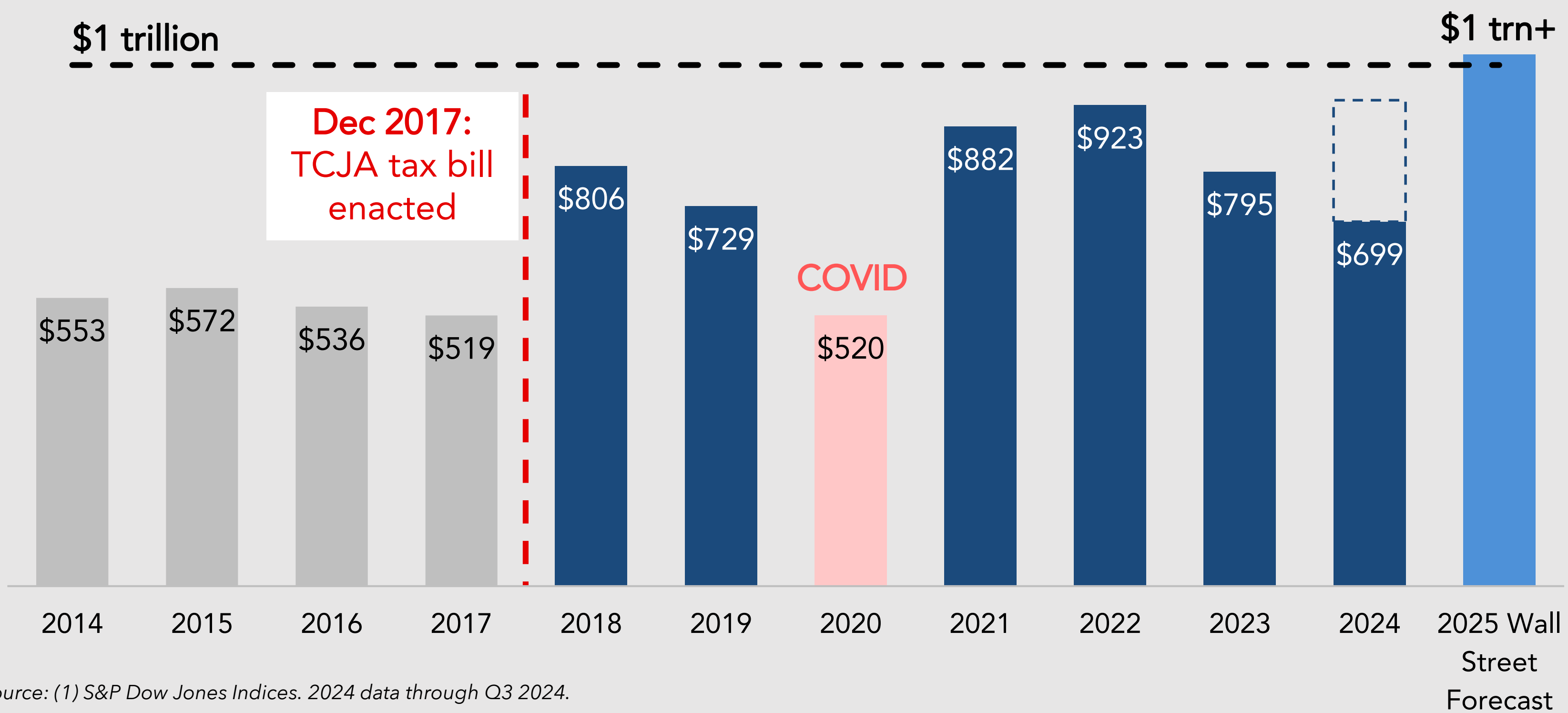


Source: (1) MUFG ECM. Dealogic. Bloomberg. Data as of December 18, 2024.

Stock Buybacks Likely to Exceed $1 Trillion

Generally speaking, markets notably underestimated both the S&P 500 earnings growth and the volume of stock buyback activity that followed the passage of the TCJA tax bill into law in December 2017. Wall Street is expecting buyback activity to surpass $1 trillion for the first time in 2025, driven by strong earnings growth, looser financial conditions and the restoration and extension of many expired (or expiring) TCJA tax provisions by mid-year 2025. To date, the 1% excise tax on buybacks has been a manageable expense and has not substantively impacted overall activity.

S&P 500 buybacks, USD bn

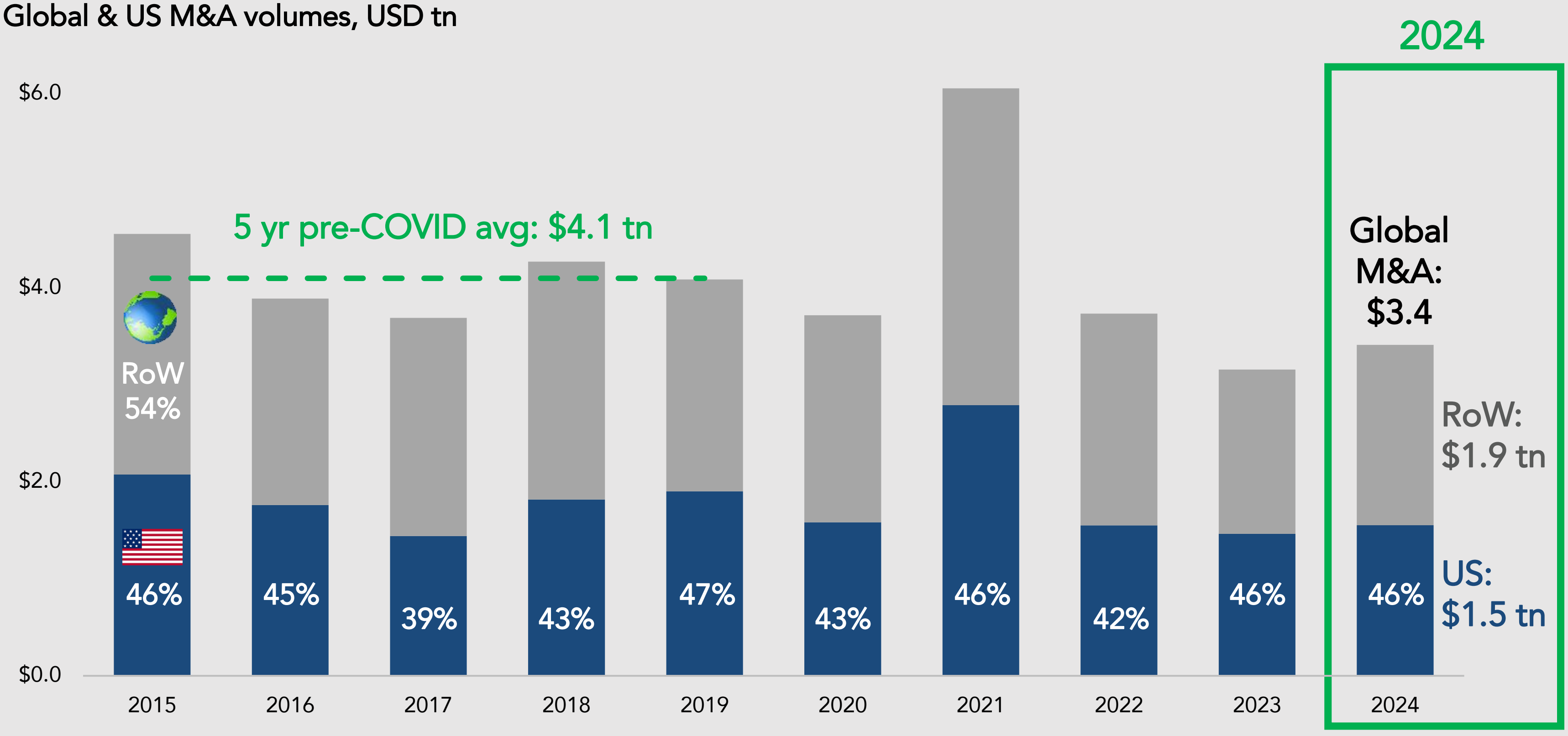


Source: (1) S&P Dow Jones Indices. 2024 data through Q3 2024.

Acceleration in M&A Deal Activity in 2025

Following three straight years of sub-trend volumes, we believe that M&A is poised to rebound in 2025, most notably in the US which has historically accounted for nearly 50% of global volumes. Notably, deregulation will be at the center of Trump's policy priorities, driving higher US M&A volumes in particular through: (1) more pro-business deal oversight among key anti-trust regulators (FTC, DOJ); (2) more rapid deal reviews; (3) awaking "animal spirits" in the market; and (4) pent-up demand on cautious deal approval environment previously.

Global & US M&A volumes, USD tn

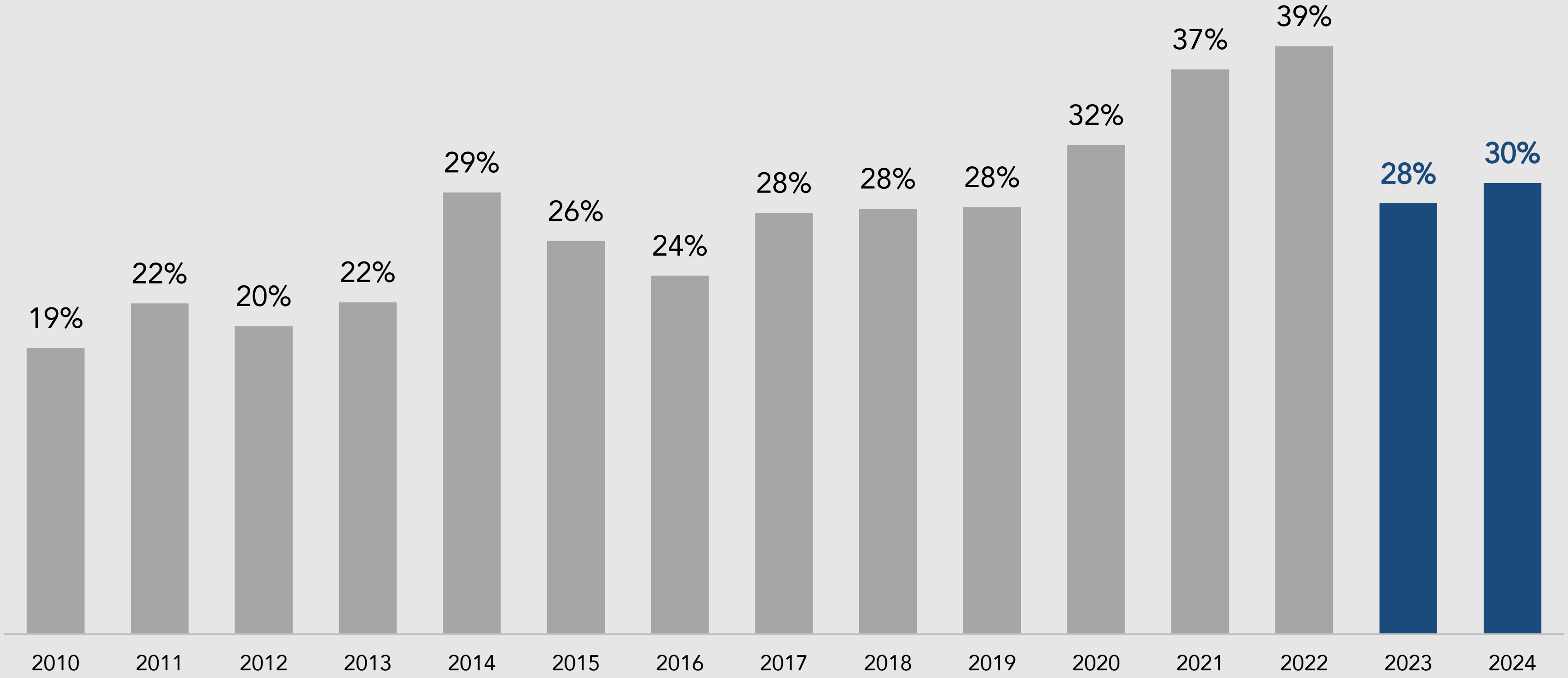


Source: (1) Cortex. Dealogic. 2024 YTD data is through December 16, 2024. Data as of December 17, 2024. Include rank eligible M&A deals. Region is based on target.

Private Equity M&A Poised to Rebound in 2025

For the first time ever, global private equity volumes lost market share in 2023 to strategic M&A activity from both a deal value and deal count perspective. With higher interest rates and more limited exit opportunities (softer IPO market), PE activity remains a missing link in a broader M&A recovery. Looking ahead, a break in the "exit logjam", allowing for meaningful distributions to LPs coupled with record PE dry powder should set the stage for a more sustained move higher in M&A activity.

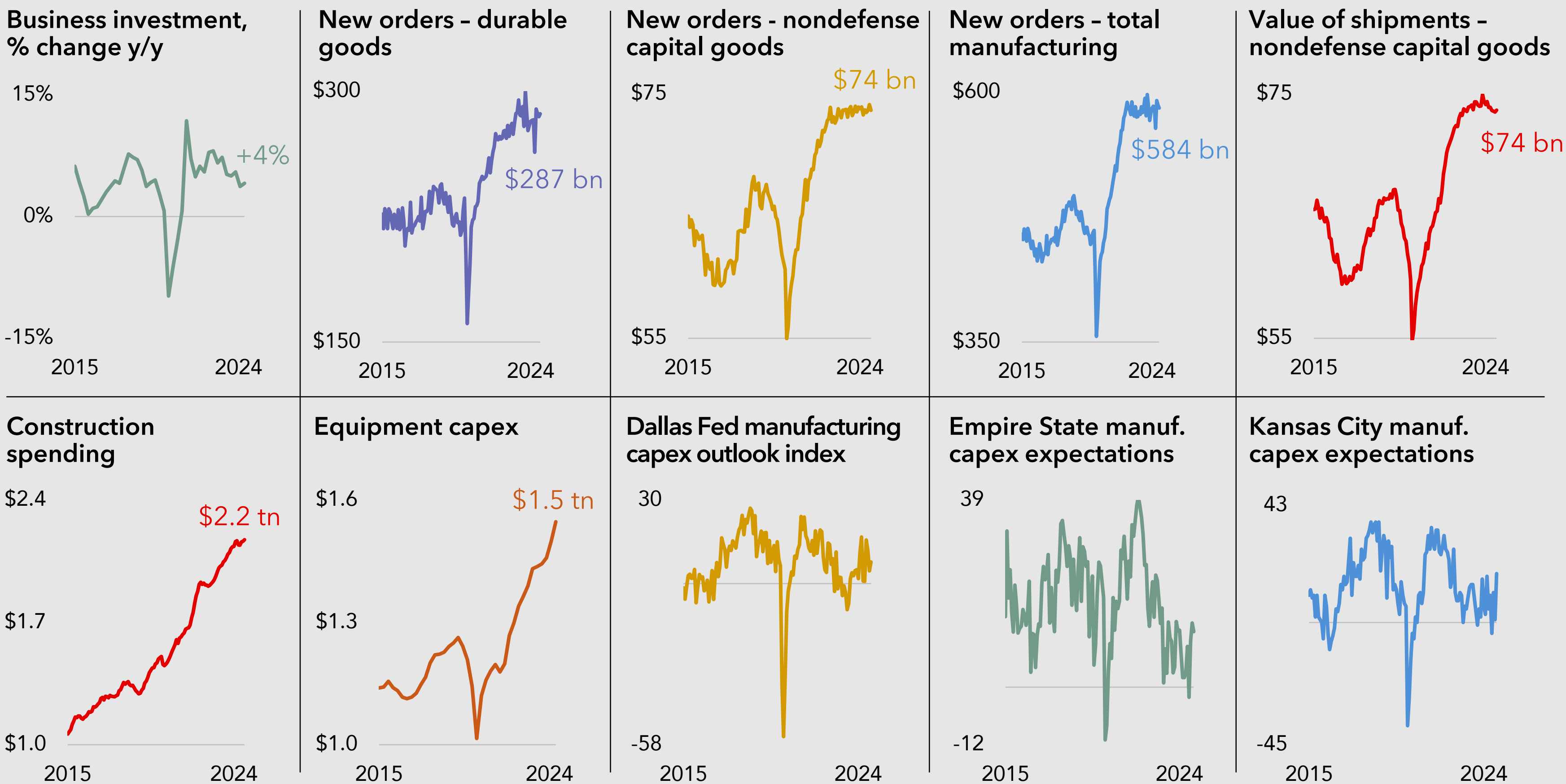
Sponsor-backed share of global M&A volumes



Source: (1) Cortex. Dealogic. 2024 YTD data is through December 16, 2024. Data as of December 17, 2024. Includes rank eligible, M&A deals.

Reinvigorated Corporate CapEx Cycle in 2025

We expect an acceleration in the US corporate capex cycle in the year ahead following the implementation of several policy initiatives, including: (1) deregulation; (2) restoration of expired 2017 TCJA tax incentives for R&D and fixed investment; and (3) pro-growth tech policy positions across AI and other digital technologies.



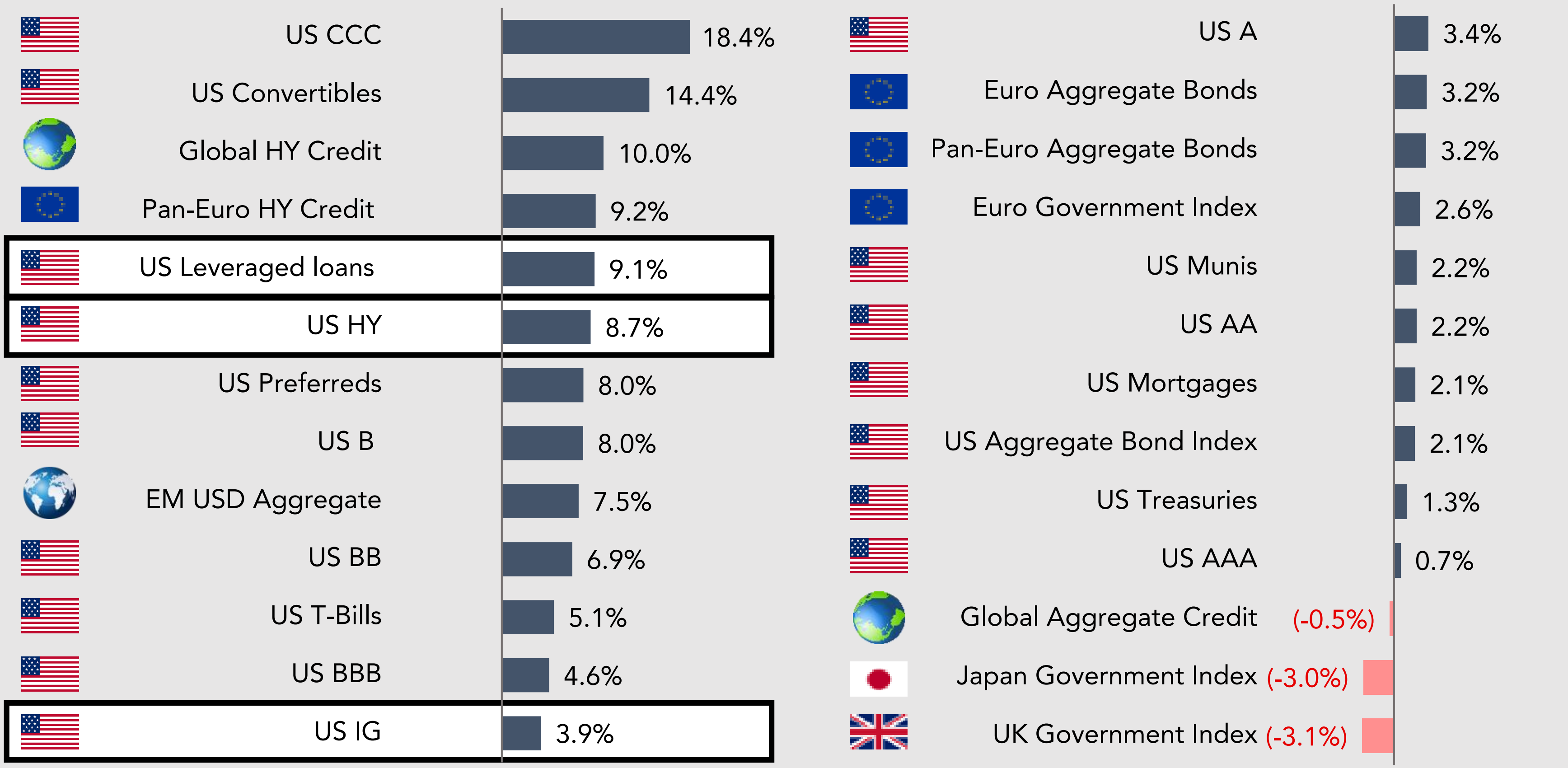
Source: (1-10) FRED. Business investment is real gross private domestic , fixed, nonresidential investment. Data as of December 17, 2024. Nondefense capital goods new orders & shipments is ex-aircrafts. Empire State and Kansas City Manufacturing Survey is 6 month ahead expectations for capital expenditures.

4 | Extraordinary Bond Market Technicals

Attractive Returns for Global Bond Investors in 2024

Declining inflation, policy easing, resilient economic data and constructive fundamentals all combined to create a "goldilocks" backdrop for credit in 2024. Investors enjoyed price appreciation and positive returns in credit throughout 2024 as UST yields moved lower and spreads remained tight. Investor risk appetite returned to the market as well as CCC corporate credit outperformed broader credit markets.

2024 credit market total returns

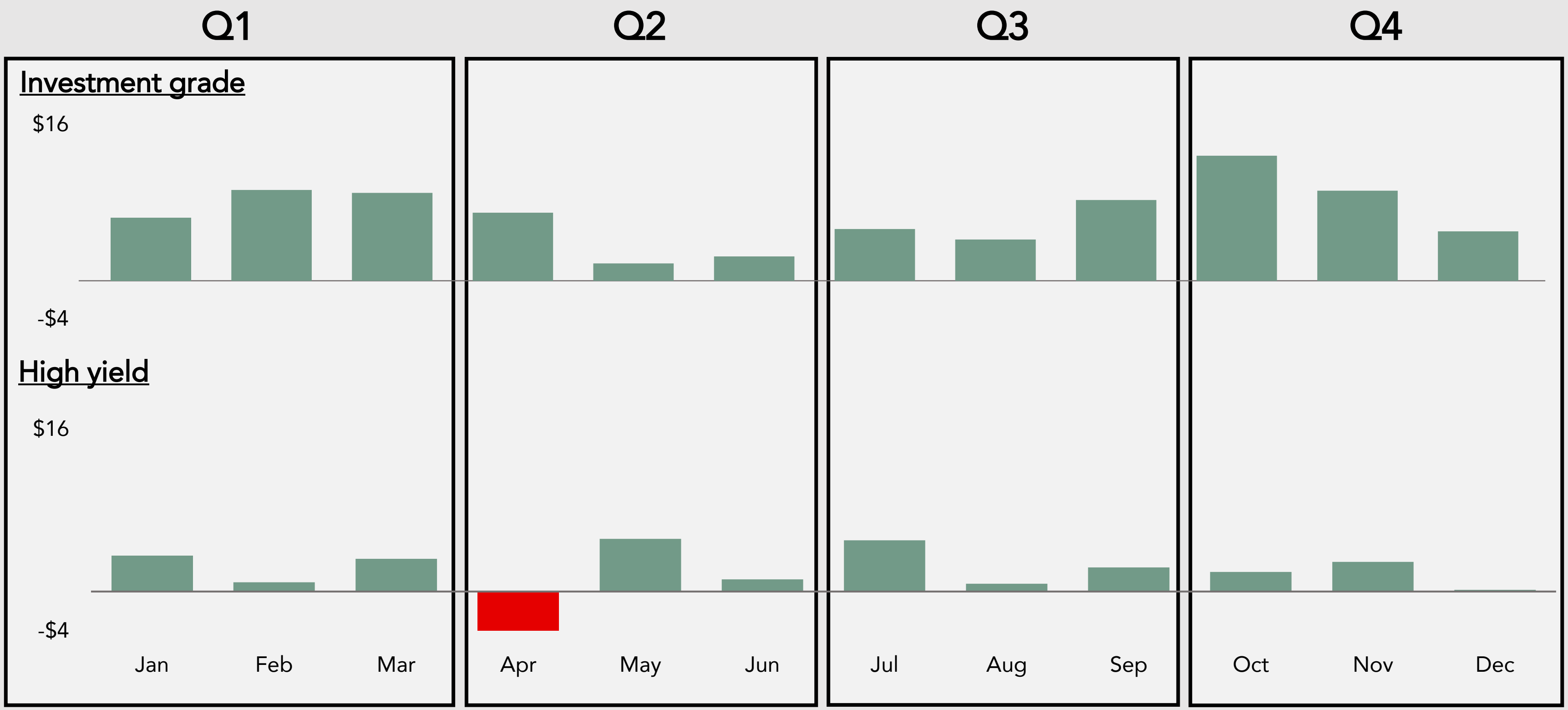


Source: (1) Bloomberg. Data as of December 18, 2024.

Record IG Bond Flows in 2024 > $80 Billion

USD IG bond flows were the highest on record in 2024, exceeding $80 billion in aggregate. With the exception of the more pronounced period of rate volatility in April, HY bond flows were also robust. Fueled by resilient economic fundamentals and a Fed policy transition underway, investors increased allocations to strong, yield-producing corporate balance sheets globally. As the Fed continues policy easing and corporate balance sheets strengthen, we expect the steady pace of bond flows to continue in 2025.

US monthly fund flows, USD bn

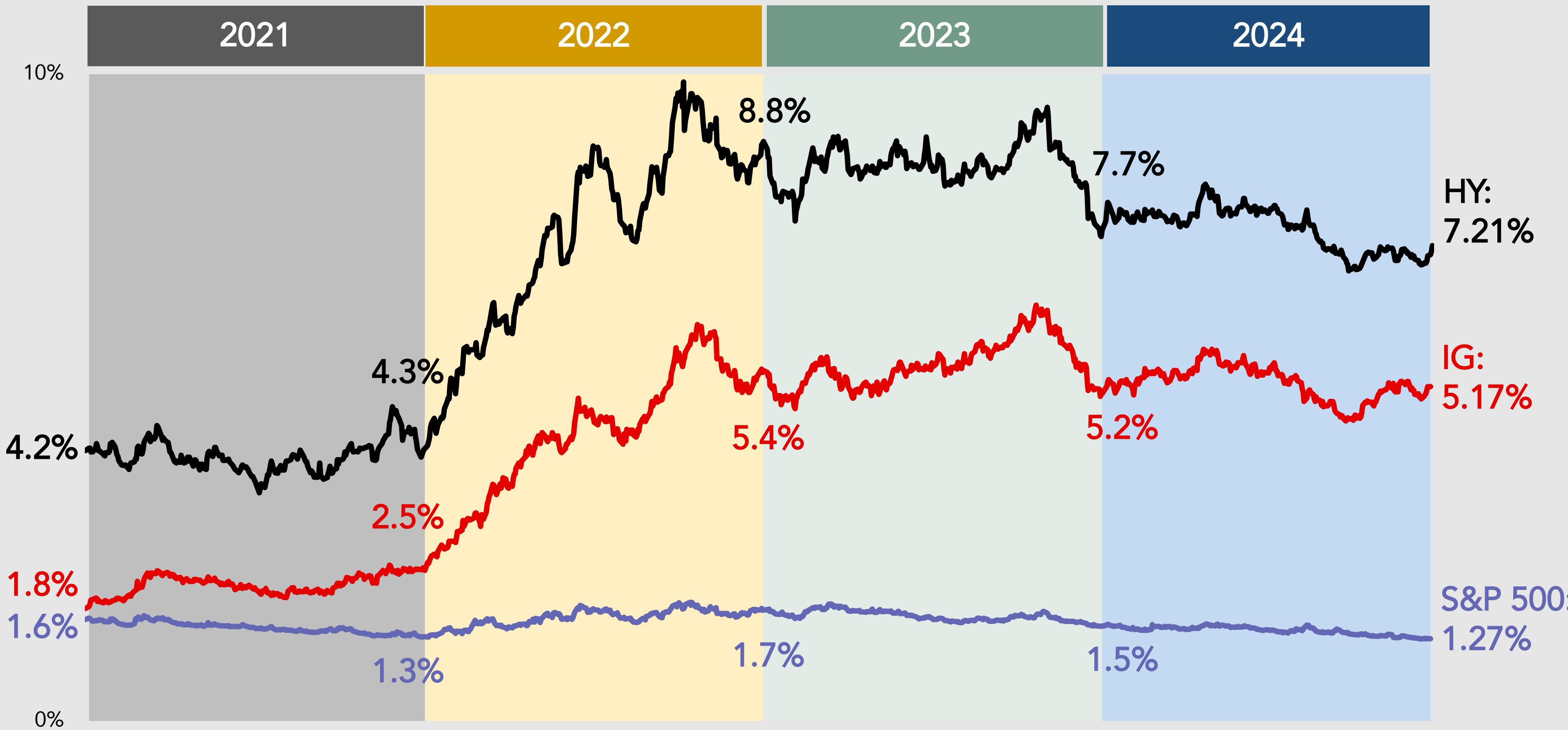


Source: (1-2) IFR. Data through December 11, 2024. Monthly data is calculated by week ended fund flow date.

Yields Driving Extraordinary Technical Demand in 2025

Corporate bond yields above 5% today remain meaningfully more attractive than the 5 year average below 3.5%, and stand well above the current dividend yield for stocks. As the Fed continues its pivot toward policy easing, look for yield-seeking investors to increase their appetite for duration and risk in 2025.

USD IG & HY index yield to worst and S&P 500 dividend yield



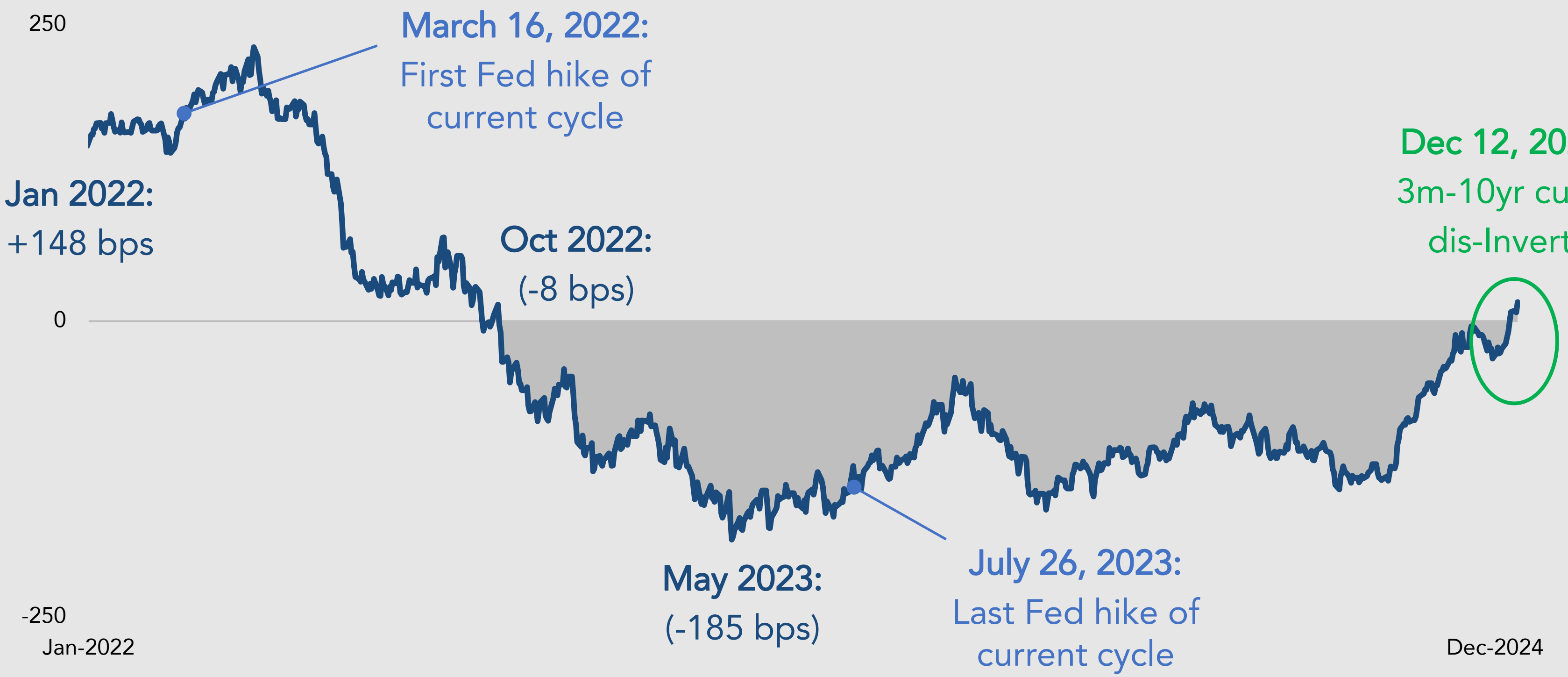
Source: (1) Bloomberg. Data through December 17, 2024.

UST Curve Dis-Inversion Increases Demand for Longer Term Debt

Following the longest period of inversion on record (over 2 years), the 2s-10s yield curve finally dis-inverted in September 2024. However, the dis-inversion of the 3m-10yr curve, which finally occurred on December 12, is more meaningful for markets. For investors, 3m-10yr dis-inversion reduces the chances of an abrupt withdrawal of leverage from the system, and increases demand for longer term Treasury and credit securities.

The 3m-10 year UST yield curve finally dis-inverted on Dec 12, 2024

3m-10yr UST yield curve

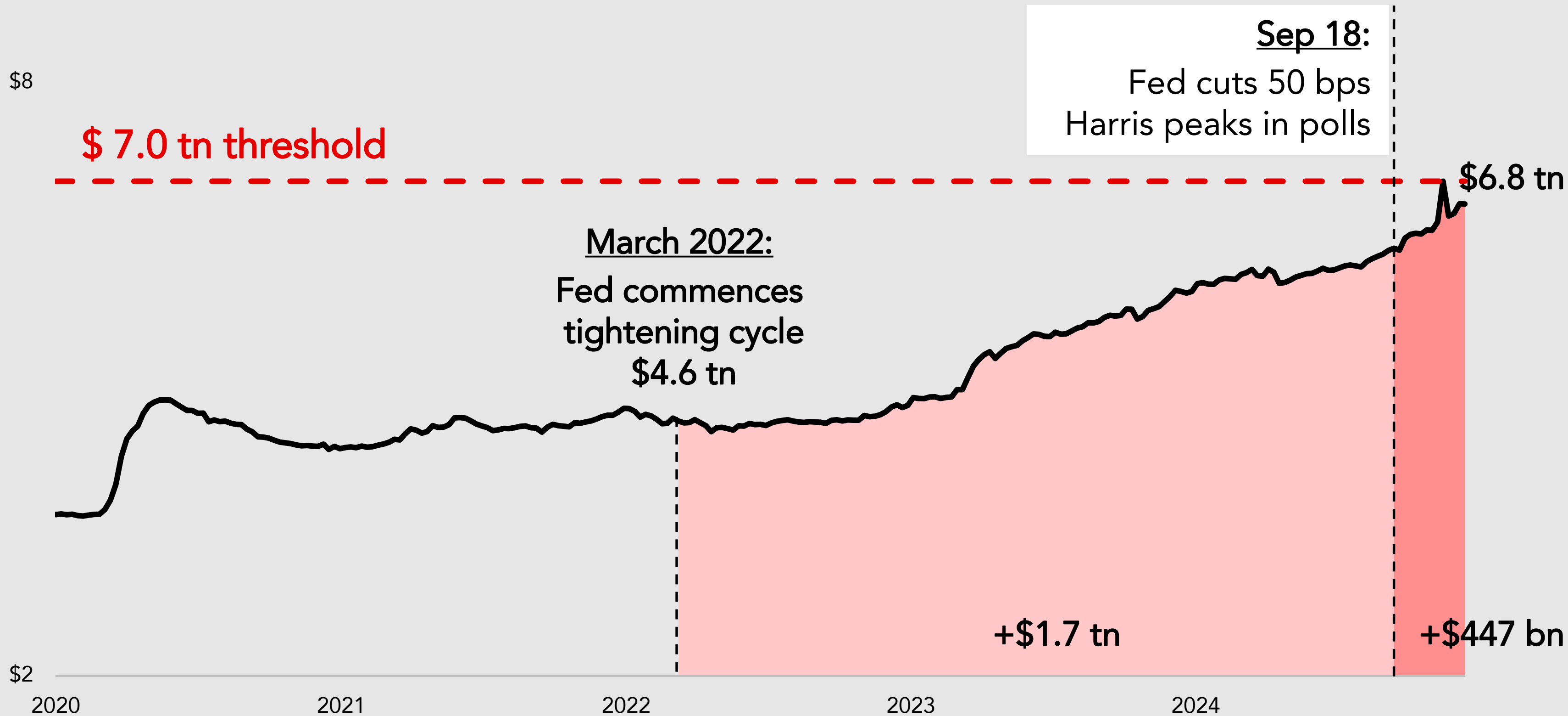


Source: (1) Bloomberg. Data as of December 18, 2024.

MMF Outflows Could be Powerful Technical Tailwind

For the first time on record, USD money market fund (MMF) balances rose above the $7 trillion threshold. Since President-elect Trump gained momentum in the polls in late September, over $400 billion has flowed into MMFs, even as the Fed has pivoted toward policy easing. As evident historically in Fed easing cycles, even modest MMF outflows can provide a very substantive technical tailwind for corporate bond inflows.

US money market funds total assets, USD tn



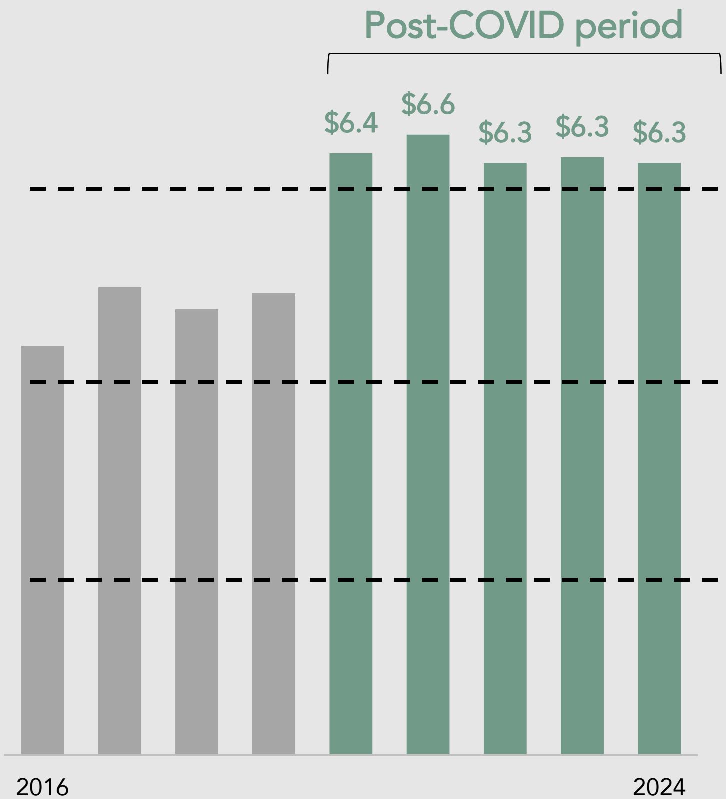
Source: (1) Bloomberg. Data as of December 17, 2024.

5 | Balance Sheet Strengthening

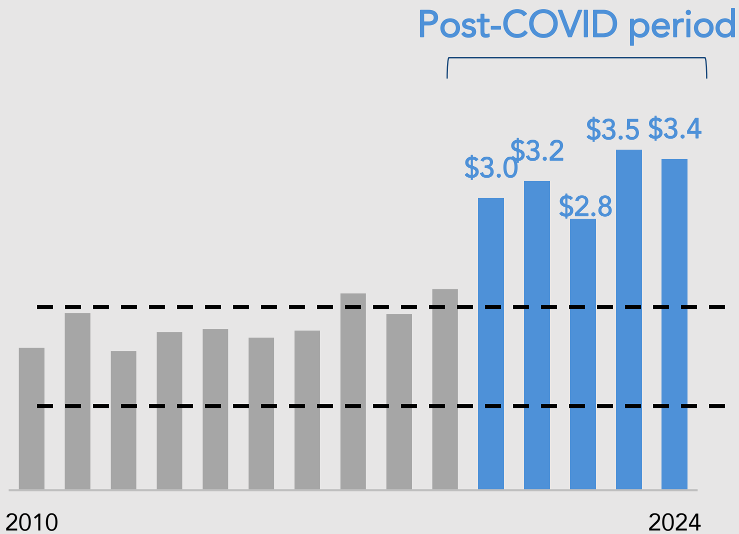
Fortified Cash-Rich Corporate Balance Sheets

Record profits and robust capital markets issuance allowed investment grade corporates to build record cash balances and reduce leverage. While leverage levels are starting to move higher, corporate cash balances remain elevated.

Global cash and short-term investments on companies' balance sheets, USD tn



US corporate cash balances, USD tn



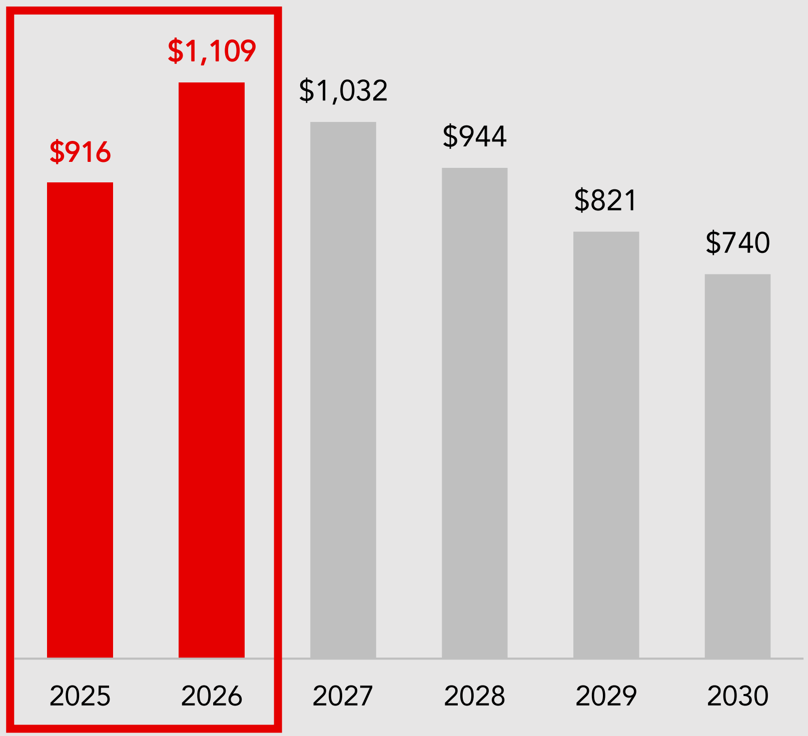
Source: (1) S&P Global Market Intelligence, S&P Global Ratings. Data through Q3 2024. Refers to nonfinancial corporates rated by S&P Global Ratings globally. (2) Federal Reserve. US corporate cash balance is nonfinancial corporate business foreign deposits, checkable deposits and currency, time and savings deposits, and money market funds. 2024 data through Q2.

HY & Lev Loan Maturity Walls Pushed Further Out

For investment grade, formidable but still manageable maturity walls will be the primary driver of issuance in 2025, followed by deal activity, capex, share buybacks and other financing needs. By comparison, the maturity walls in high yield and leveraged loan markets are largely pre-funded, which should facilitate declining default rates and a constructive fundamental backdrop for issuance.

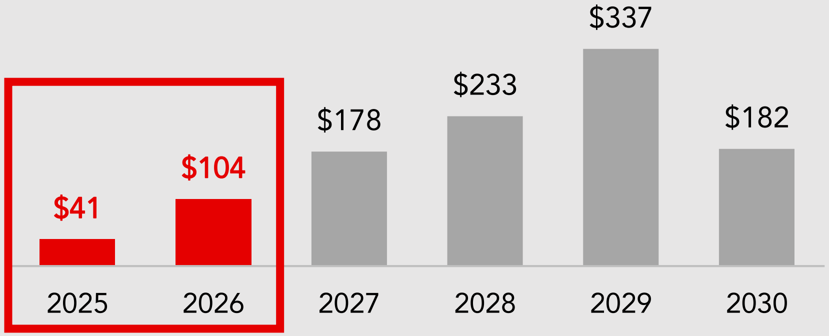
2025-26 IG maturity wall will drive issuance

IG maturity profile, USD bn

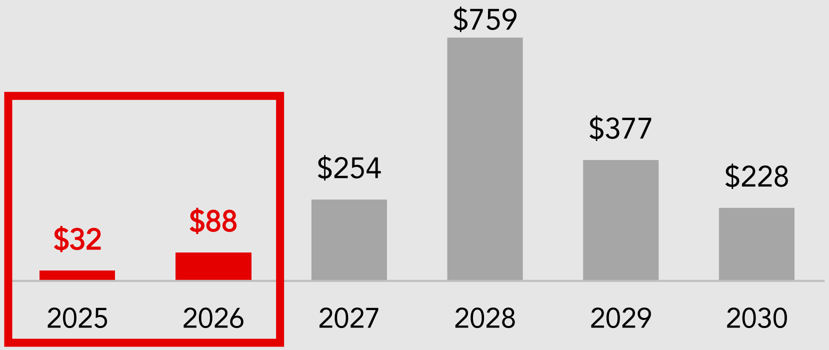


2025-26 HY & lev loan maturity walls largely pre-funded

HY maturity profile, USD bn



Leveraged loan maturity profile, USD bn

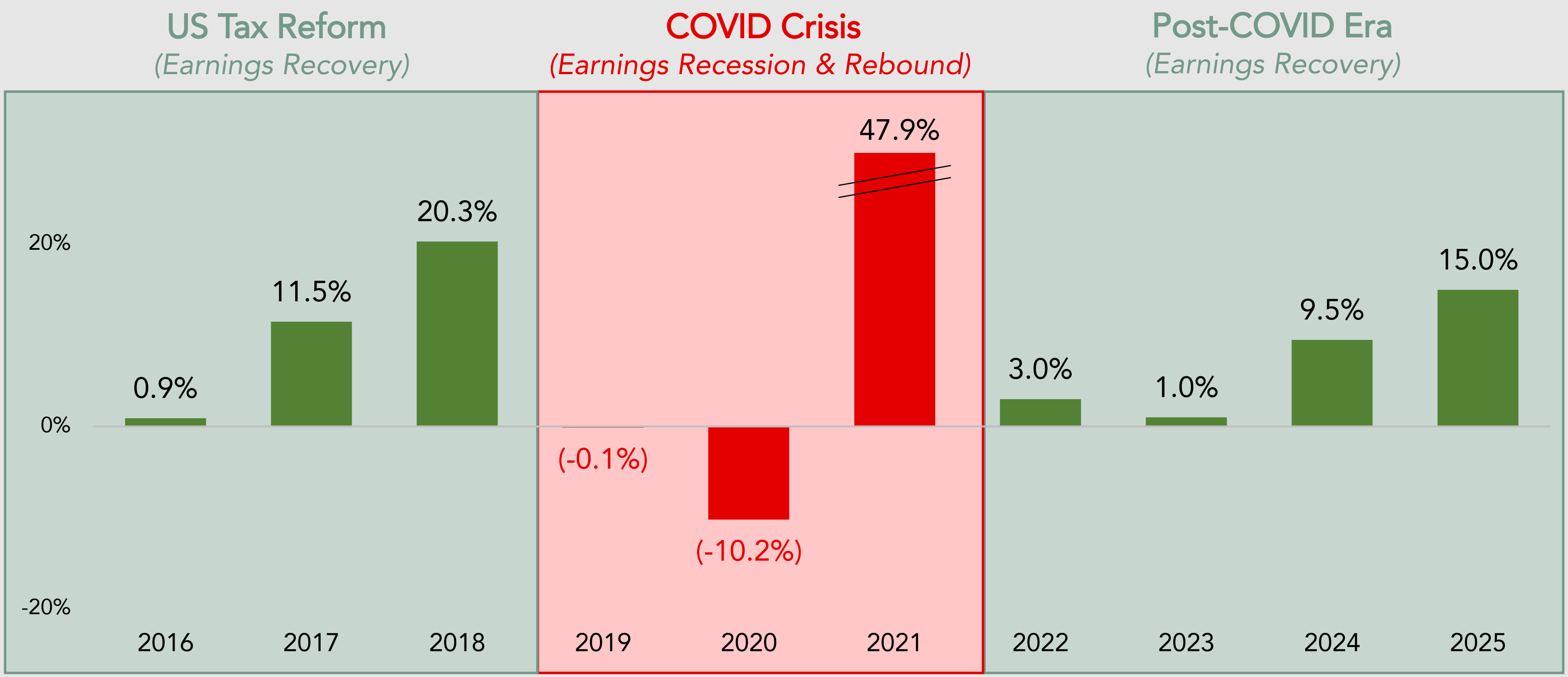


Source: (1-3) Bloomberg. Data as of December 4, 2024.

Corporate Earnings Expected to Accelerate in 2025

Generally speaking, the market vastly underestimated the positive boost to corporate earnings that followed the deregulation and fiscal expansion (tax cuts) in 2017-18, and the same may be true again. Looking to 2025, corporate revenue should track nominal GDP growth while range-bound rates may facilitate the P/E multiple expansion that could accompany a reawakening of the "animal spirits" among both corporates and investors. Modest margin expansion is also likely in a pro-growth policy environment. The scale of potential "incremental" tax cuts remains to be seen but would provide additional upward momentum.

S&P 500 annual earnings growth, y/y

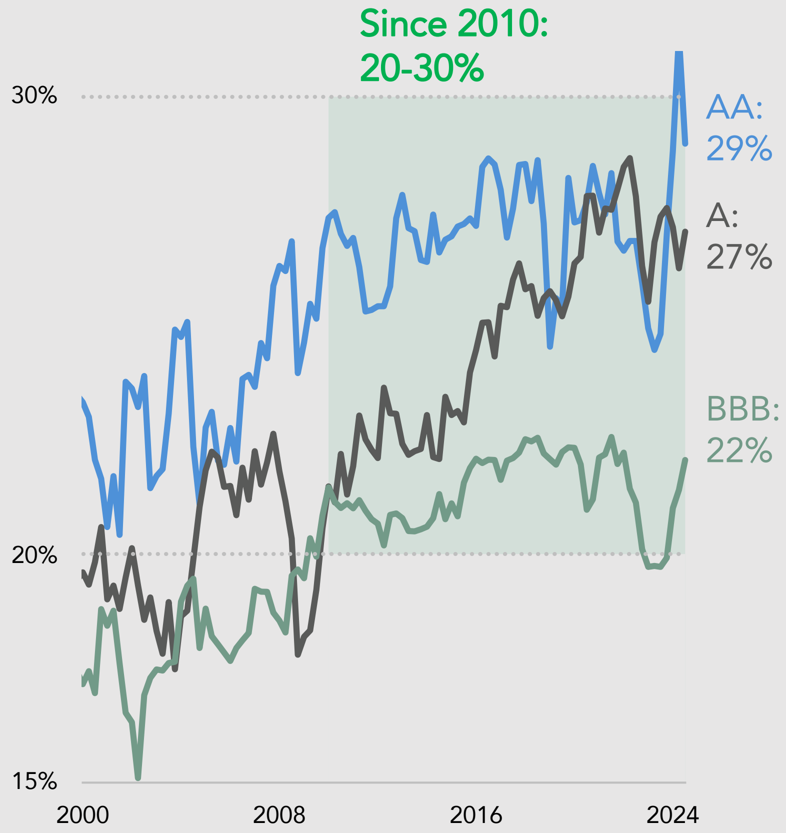


Source: (1) FactSet, Earnings Insight Report (December 13, 2024).

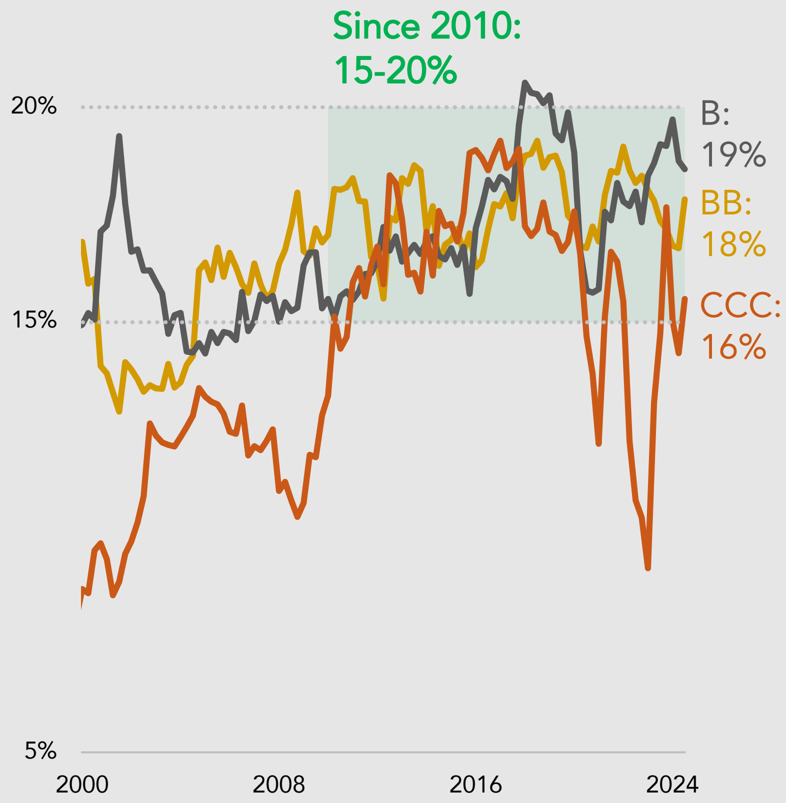
EBITDA Margins Strong, Despite Inflation

The combination of pro-growth economic policy, tax cut extensions, Fed policy easing and steady disinflation bode well for corporate profits in 2025. The prospect of new tax cuts on top of existing extensions offer incremental upside to margins in the year ahead.

USD IG EBITDA margins, by rating



USD HY EBITDA margins, by rating

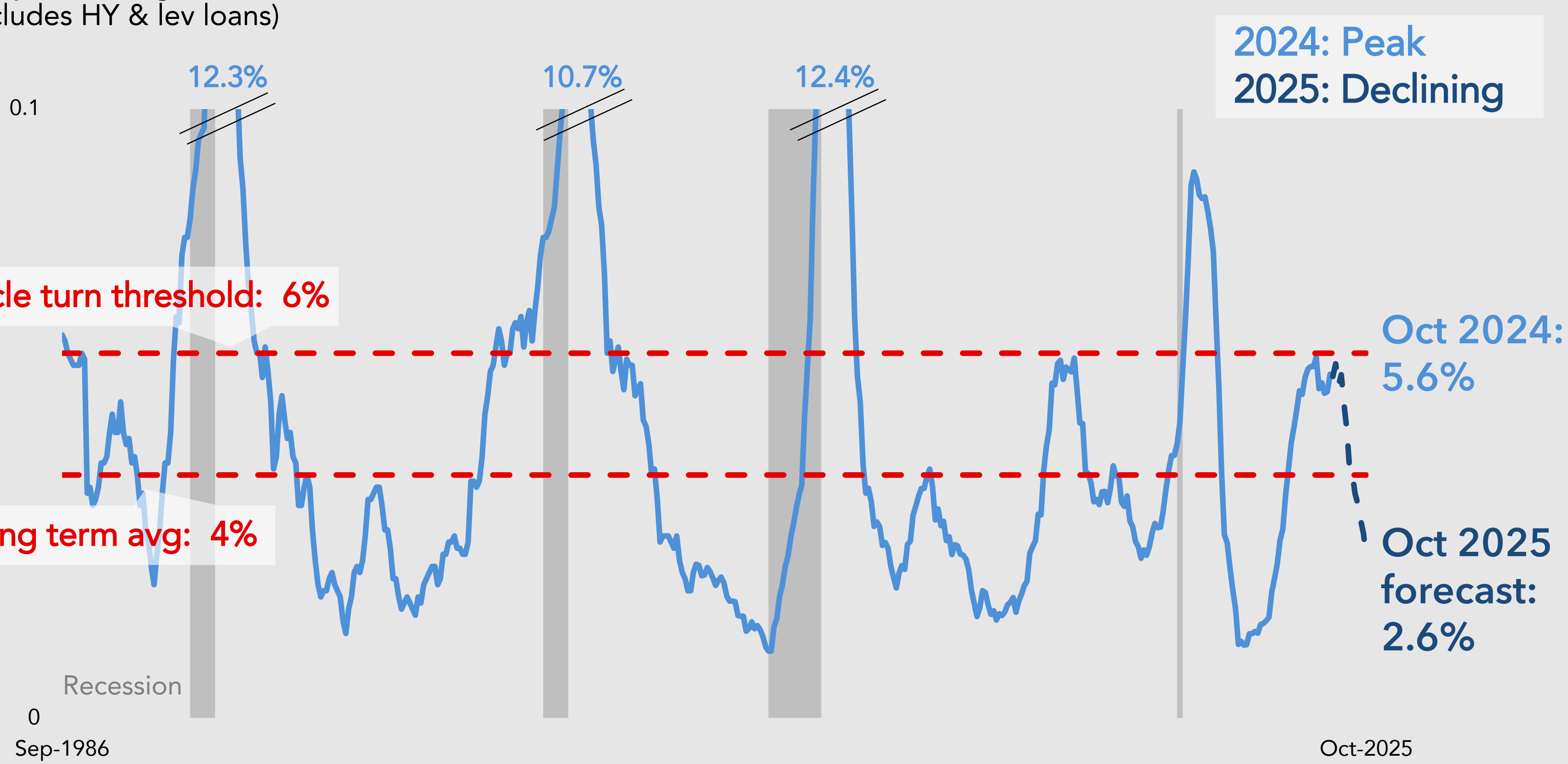


Source: (1-2) CreditSights, "US IG & Leveraged Finance 2025 Outlook: It's Complicated". Data through Q3 2024.

Default Cycle Improving into 2025

Having approached the 6% threshold in 2024, corporate credit defaults have passed their peaks in the current cycle and are expected to decline sharply in 2025 on the back of a favorable macro backdrop for corporates, as well as Fed policy easing. Significant trade war escalation and unexpected economic shocks pose risks to the optimism; however, corporate balance sheet strength and a robust earnings recovery should provide positive tailwinds for credit in 2025.

US speculative grade default rate
(includes HY & lev loans)

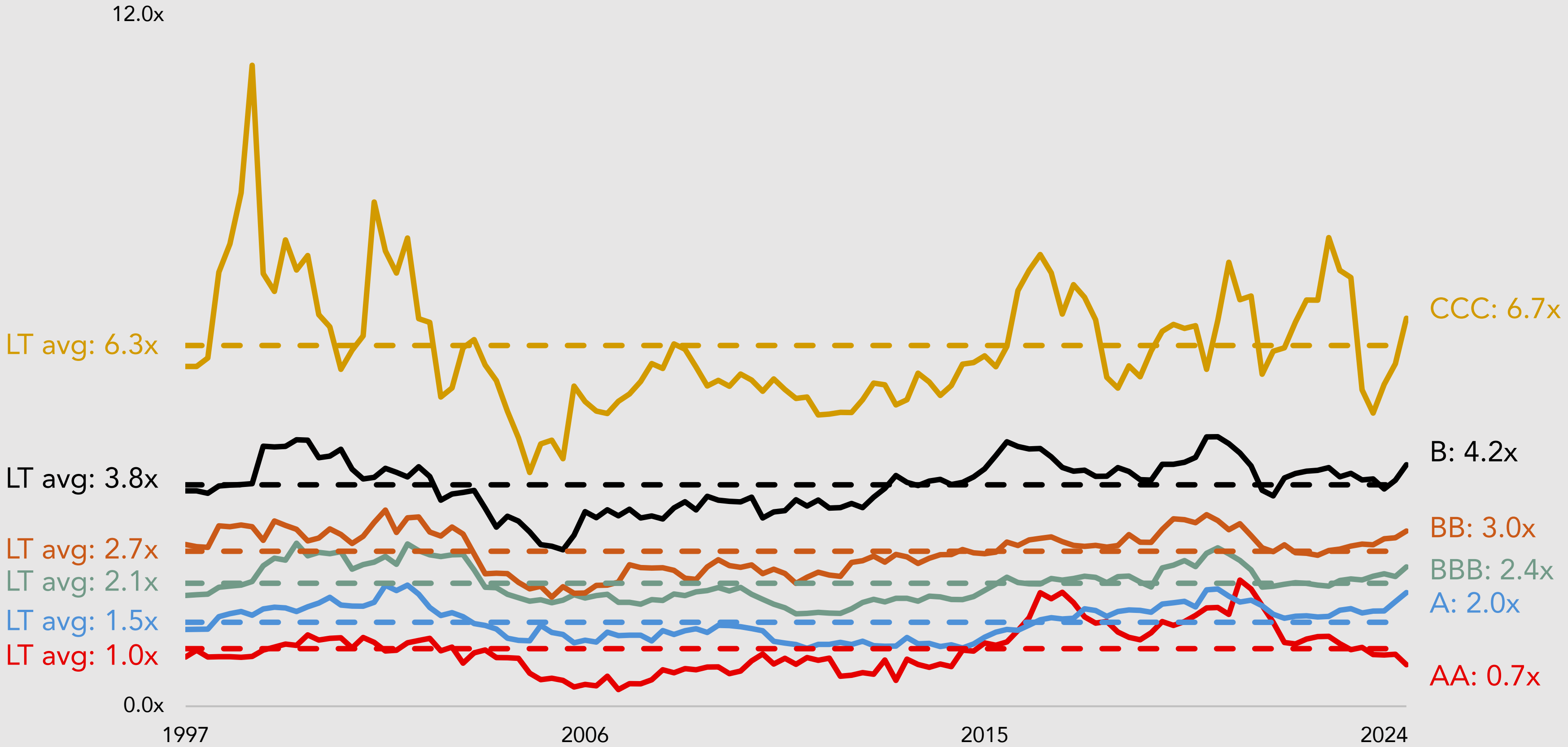


Source: (1) Moody's, "Default Trends – Global Oct 2024 Default Report." Default rate is trailing 12 months US speculative grade default rate.

Leverage Near Long Term Averages

Corporate balance sheets in the multi-trillion USD bond markets have remained strong by historic standards, with variance starting to emerge by sector. Look for leverage to move modestly higher throughout 2025.

USD net leverage by rating

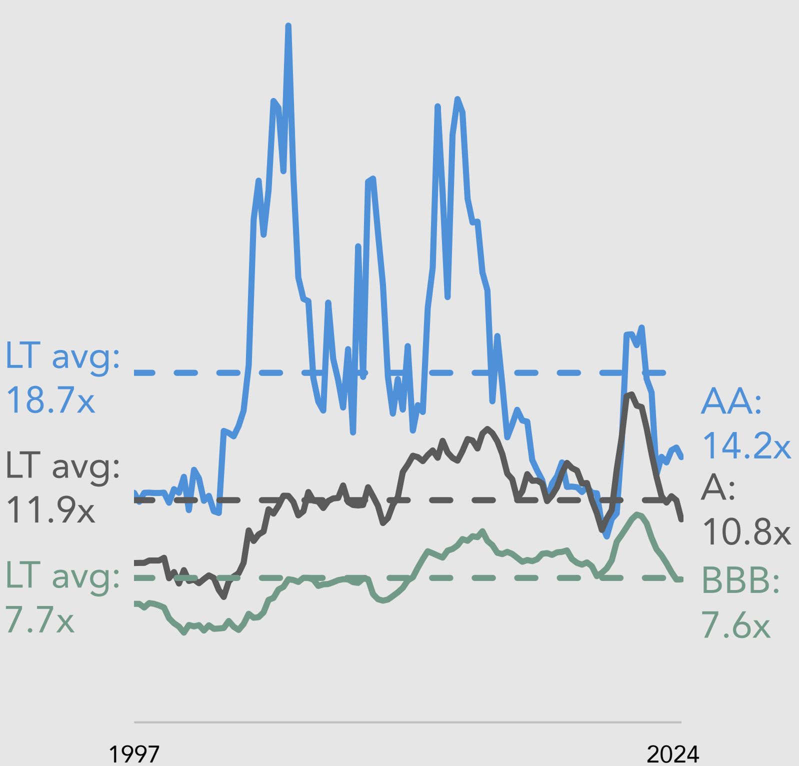


Source: (1) CreditSights, "US IG & Leveraged Finance 2025 Outlook: It's Complicated". Data through Q3 2024.

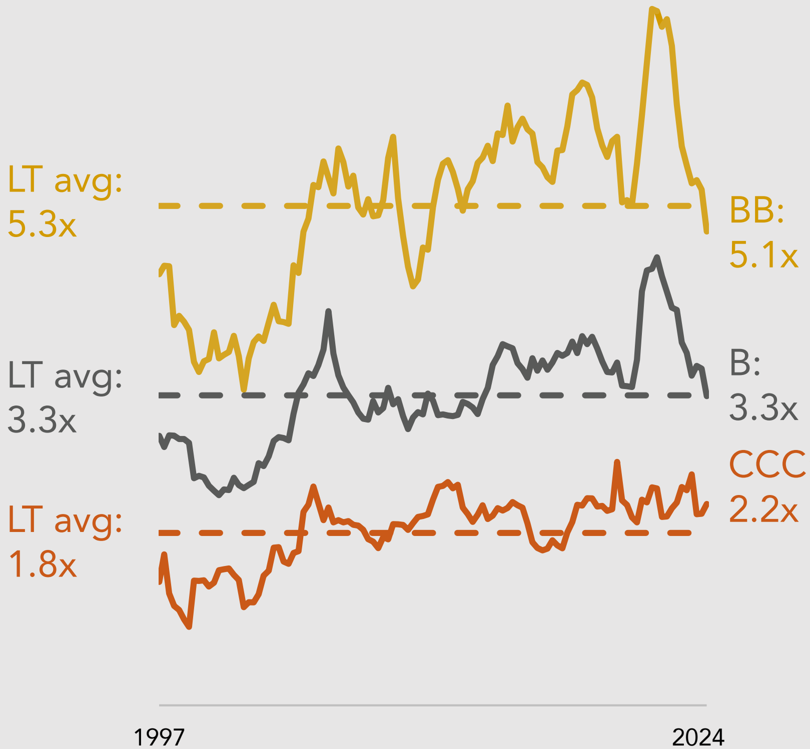
Interest Coverage Ratios Near Long Term Averages

Globalization, higher profit margins and low interest rates drove a 40 year cyclical uptrend in corporate interest coverage ratios. As rates rose during the global tightening cycle of 2022-2023, coverage ratios migrated closer to LT averages. Looking ahead, coverage ratios could decline modestly on structurally higher inflation and interest rates.

USD IG interest coverage ratio, by rating



USD HY interest coverage ratio, by rating



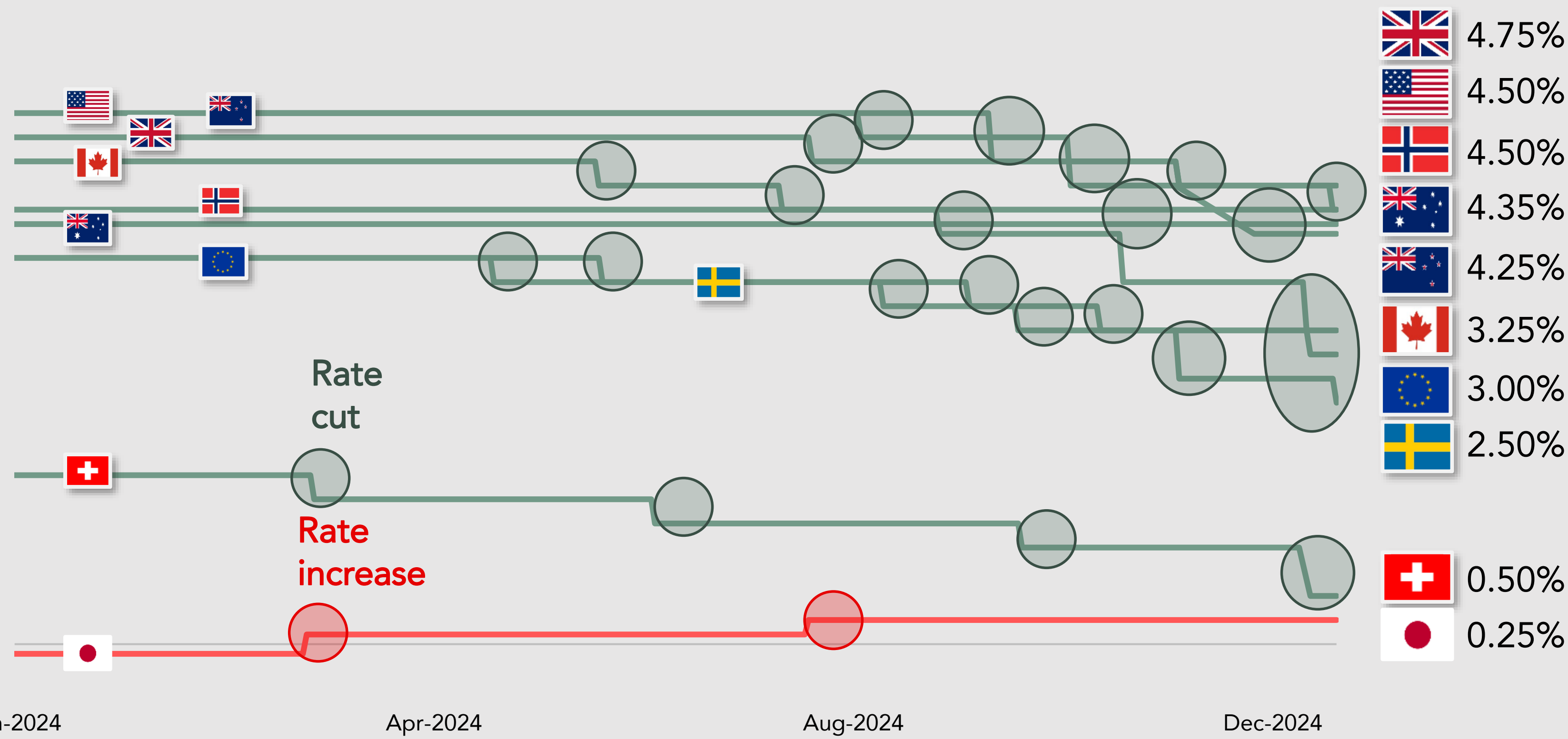
Source: (1-2) CreditSights, "US IG & Leveraged Finance 2025 Outlook: It's Complicated". Data through Q3 2024.

6 | Policy Dependent Rates Markets

Synchronized Global CB Easing in 2025

7 of the G10 central banks reduced their policy rates in 2024, including 100 bps of rate cuts from the Fed in the last three meetings of the year. Looking at the roadmap for managing the trade wars of 2018-19, we expect global central banks to engage in synchronized policy easing in 2025 to depreciate currencies in order to offset the exogenous growth shocks of tariffs. Even prior to the forthcoming trade policy escalation, global growth has been subdued (China, Europe, EM) following the high inflation and policy tightening in the post-COVID era.

G10 Central Banks policy rates (2024)

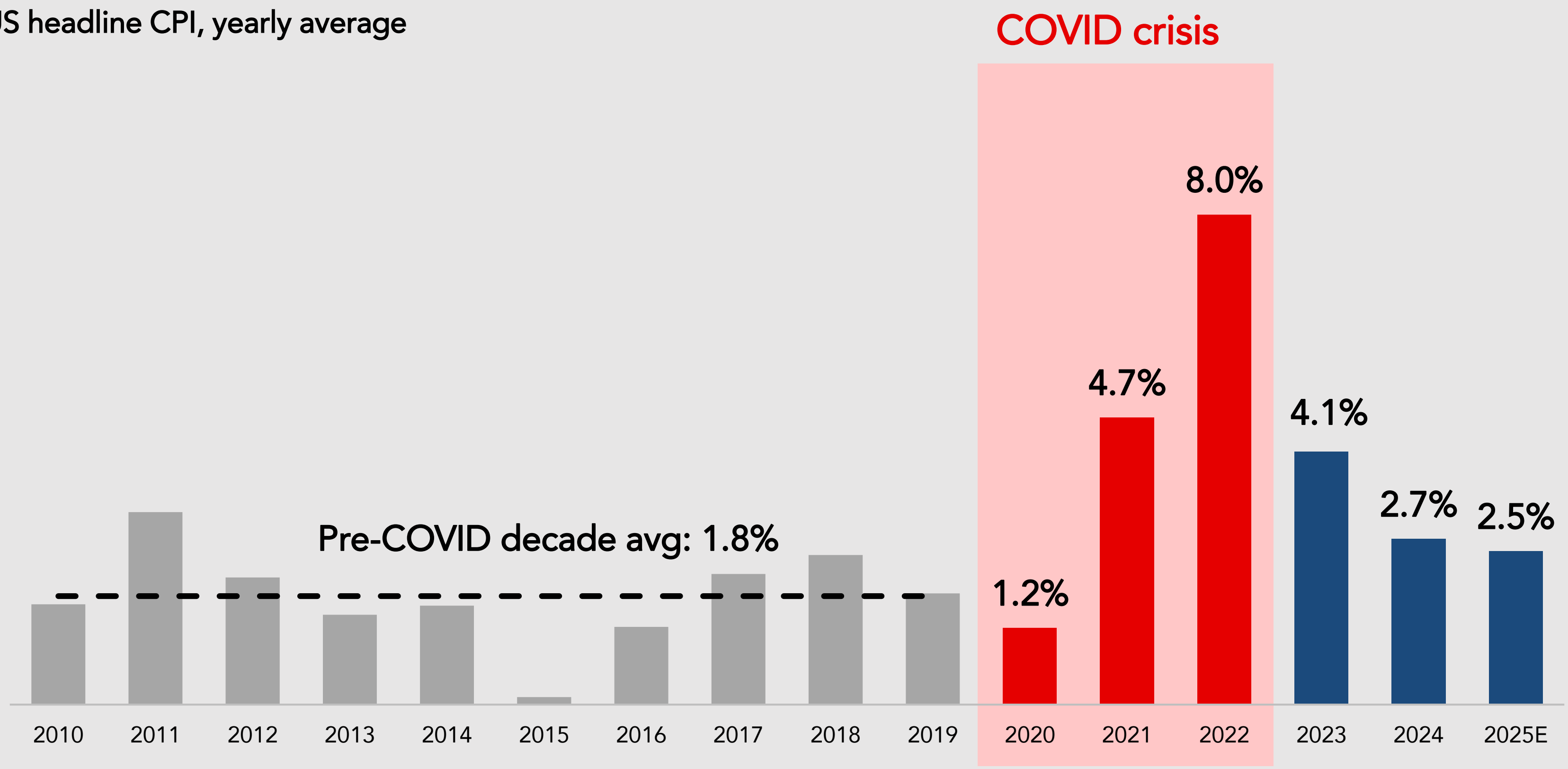


Source: (1) Bloomberg. Data as of December 18, 2024. ECB is the deposit rate. US Fed Funds rate is upper bound.

US Inflation Normalizing Above Trend

While fiscal expansion and tariffs are inflationary in theory, it is worth noting that US inflation remained below the Fed's 2% target during the massive tax cut stimulus and trade escalations of 2017-19. Nonetheless, the macro backdrop for Trump 2.0 has changed considerably in the post-COVID era, and the "last mile" of disinflation may be an arduous and slow path. As long as the trade escalation does not prove too disruptive, look for services to supplant goods and energy as the new engine for disinflation in 2025.

US headline CPI, yearly average

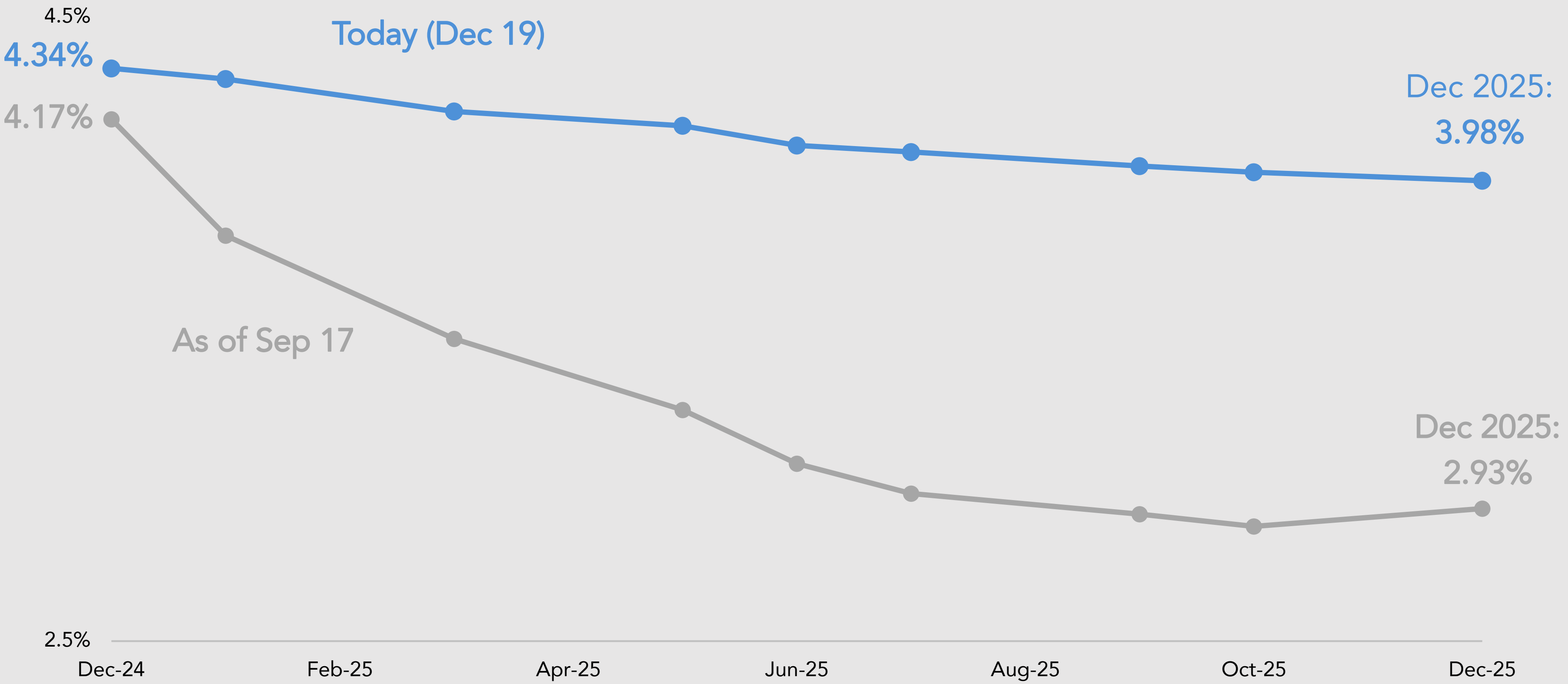


Source: (1) Bloomberg. Data as of December 17, 2024. Annual inflation is IMF yearly average. 2024 is November headline CPI y/y. 2025 is Bloomberg consensus.

More Shallow Fed Easing Path

As early as late September, markets began to aggressively reprice a more shallow Fed policy easing path for 2025 given the more inflationary attributes of a Trump 2.0 policy agenda (immigration, trade, fiscal). At the December meeting, the Fed also downgraded forecasts for policy easing in 2025 to just two rate cuts, less than prior forecasts of four cuts, though still more than current market expectations for 2025 of 1-2 cuts.

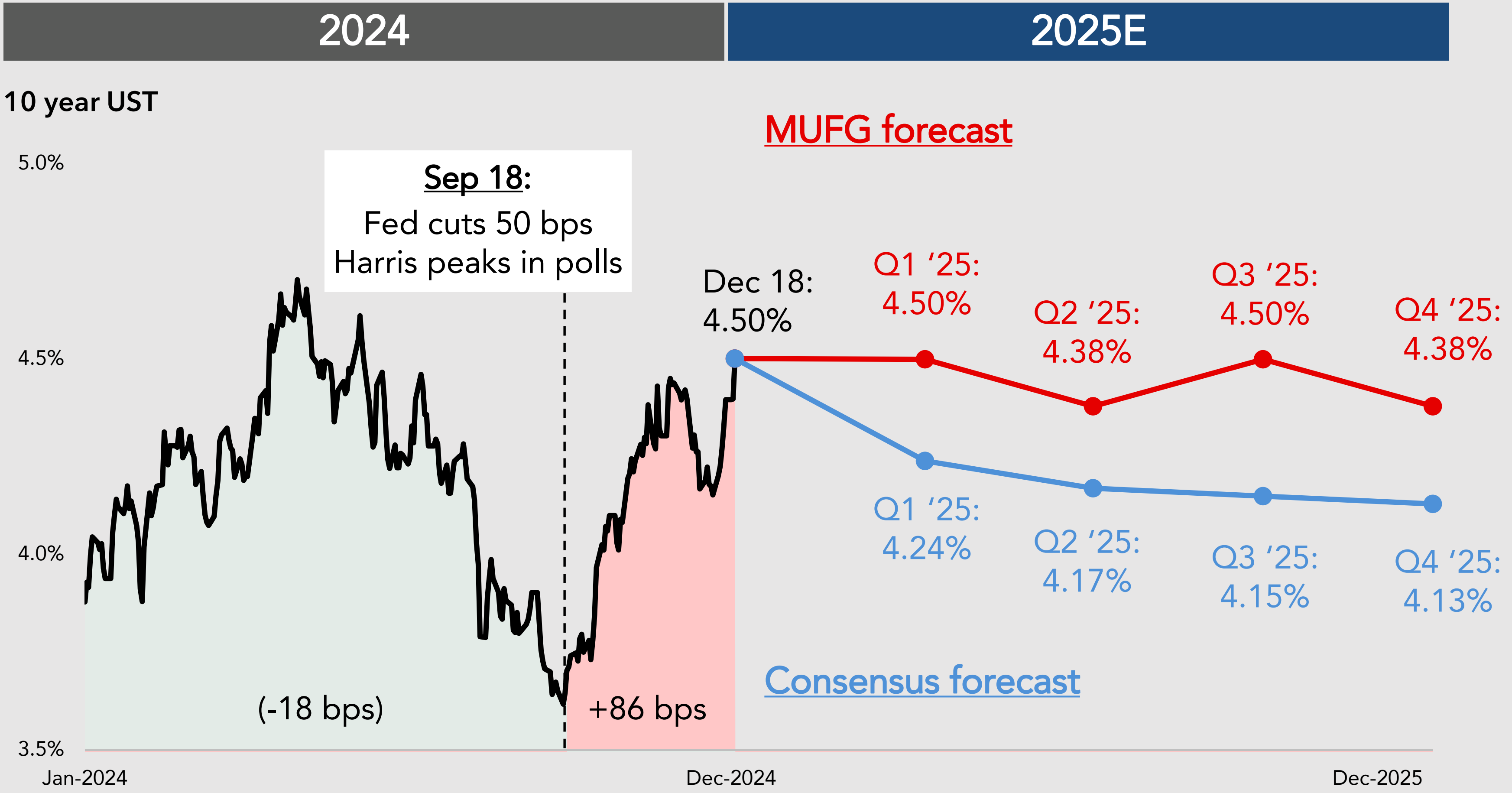
Marked implied Fed Funds rate (Sep 17 vs. today)



Source: (1) Bloomberg. Data as of December 19, 2024.

US Yield Curve Steepening

MUFG's Macro & US Rates Strategist George Goncalves maintains an above consensus outlook for UST yields in 2025, albeit only slightly higher than current levels. The Trump 2.0 policy prescription is likely to be unpredictable, though pro growth and marginally inflationary in the base case scenario.

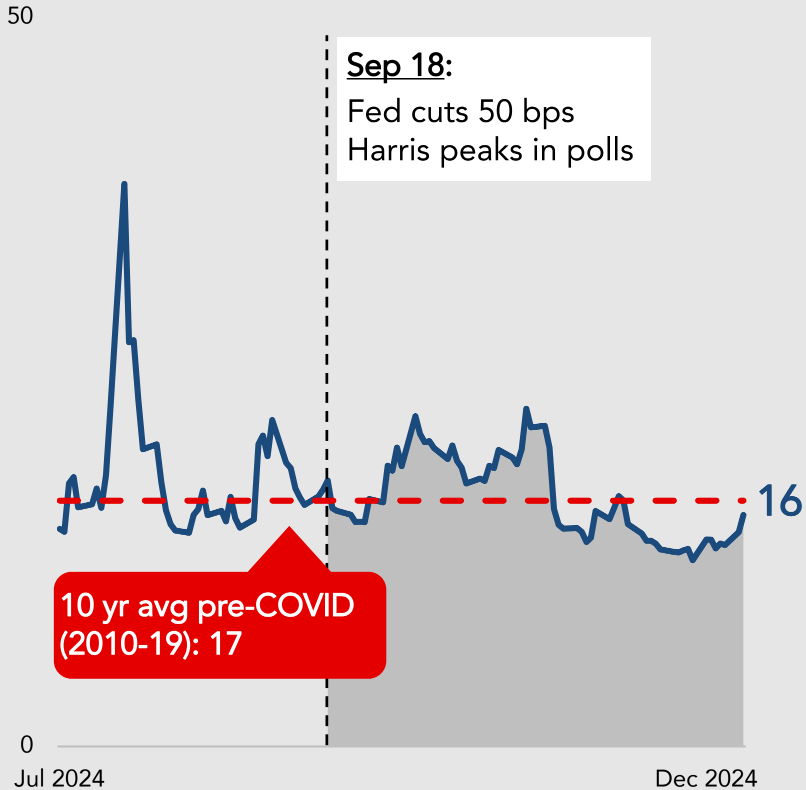


Source: (1) Bloomberg. Data as of December 18, 2024. MUFG (George Goncalves).

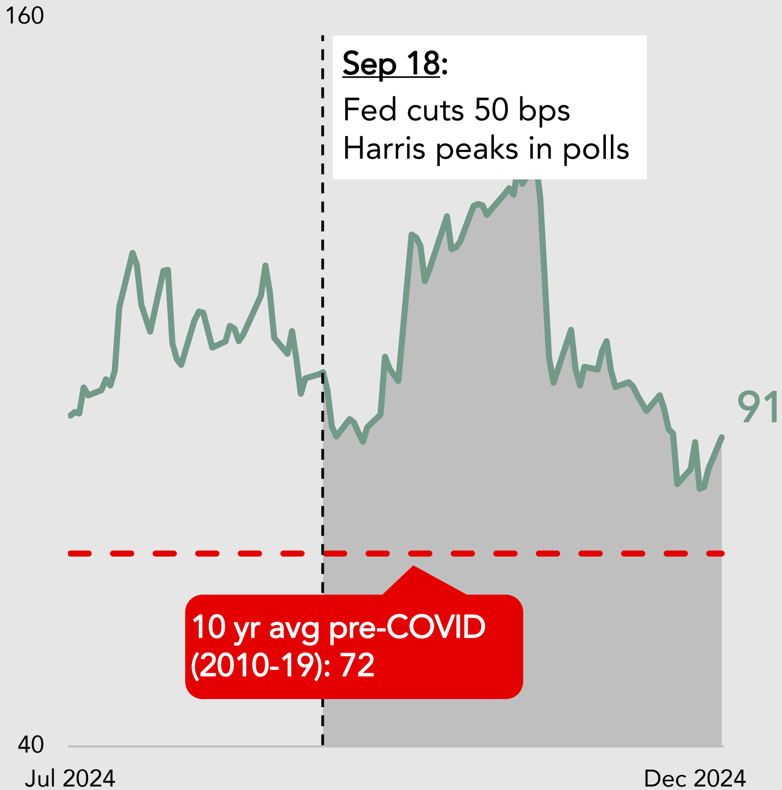
Elevated Rate Volatility on Policy Uncertainty

Add volatility divergence to the growing list of "Trump trades" which include a stronger Dollar, higher rates, bank stocks, US equities and crypto-currencies. With the 2017-18 playbook in mind (tax cuts, higher S&P 500 earnings and stock buybacks), rising US stocks have driven equity volatility (VIX) lower. At the same time, rate volatility has remained elevated as a "Republican sweep" increases the scale of multi-trillion US fiscal expansion, and related inflation / rate-path uncertainty.

Equity volatility (VIX) since July 21



Rate volatility (MOVE) since July 21

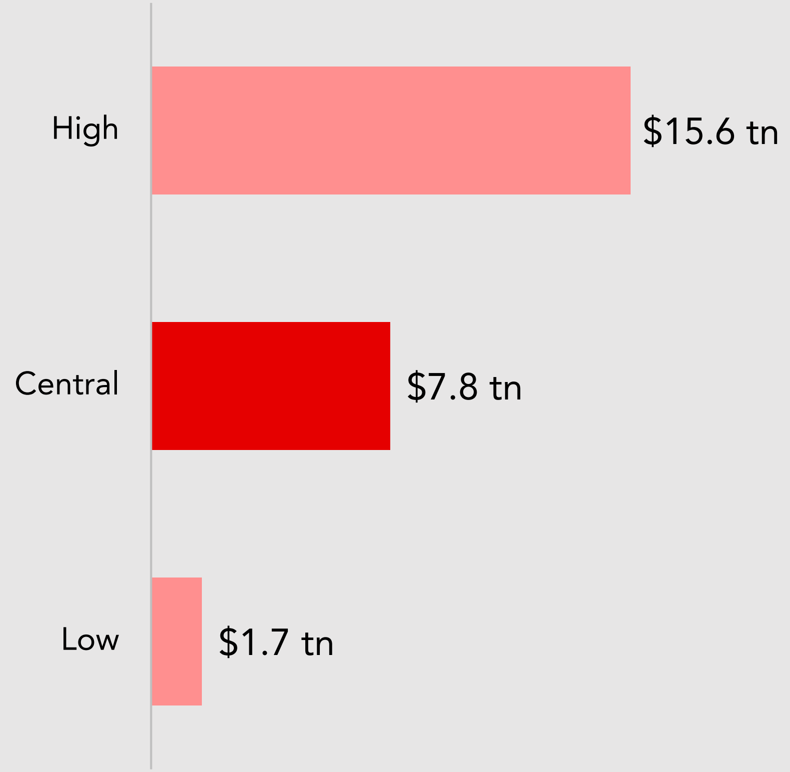


Source: (1-2) Bloomberg. Data as of December 17, 2024.

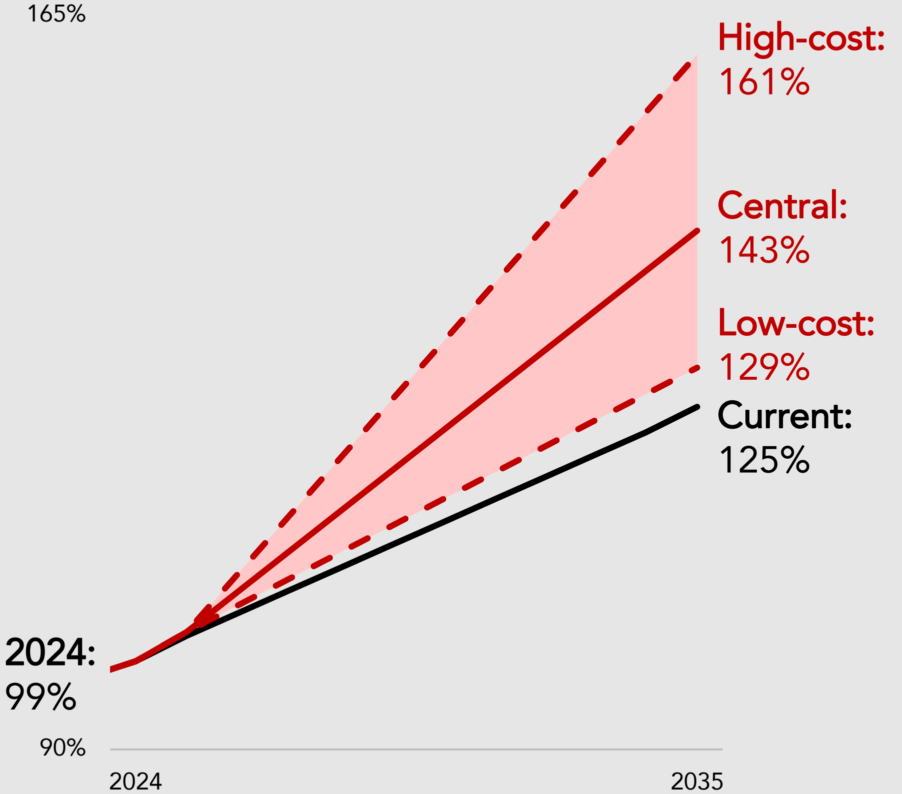
US Congress Deficit Appetite May Become Evident in January

Importantly, the US Congress and not the White House will set the parameters on US debt and deficits, as well as tax policy. With the next Congress being sworn in on January 3rd, we may get our first view into the deficit appetite of the next US Congress when they release their FY 2025 budget, potentially as early as January 2025.

Fiscal impact of Trump campaign plans, USD (2026-2035)



Debt under Trump's policies, % of GDP

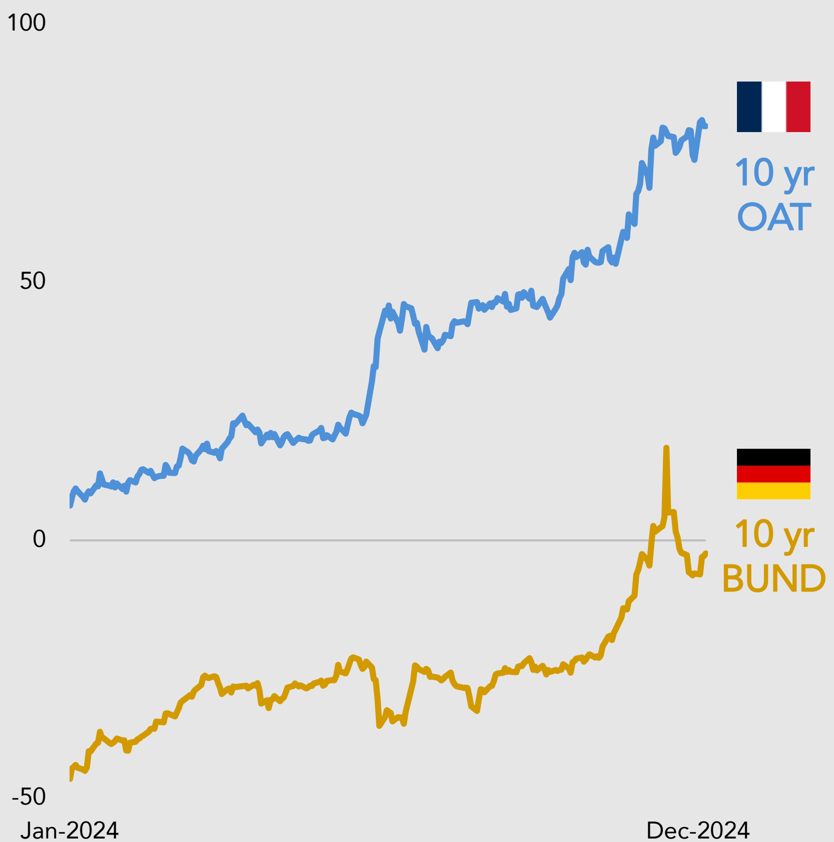


Source: (1-2) Committee for a Responsible Federal Budget, "The Fiscal Impact of the Harris and Trump Campaign Plans" (October 28, 2024).

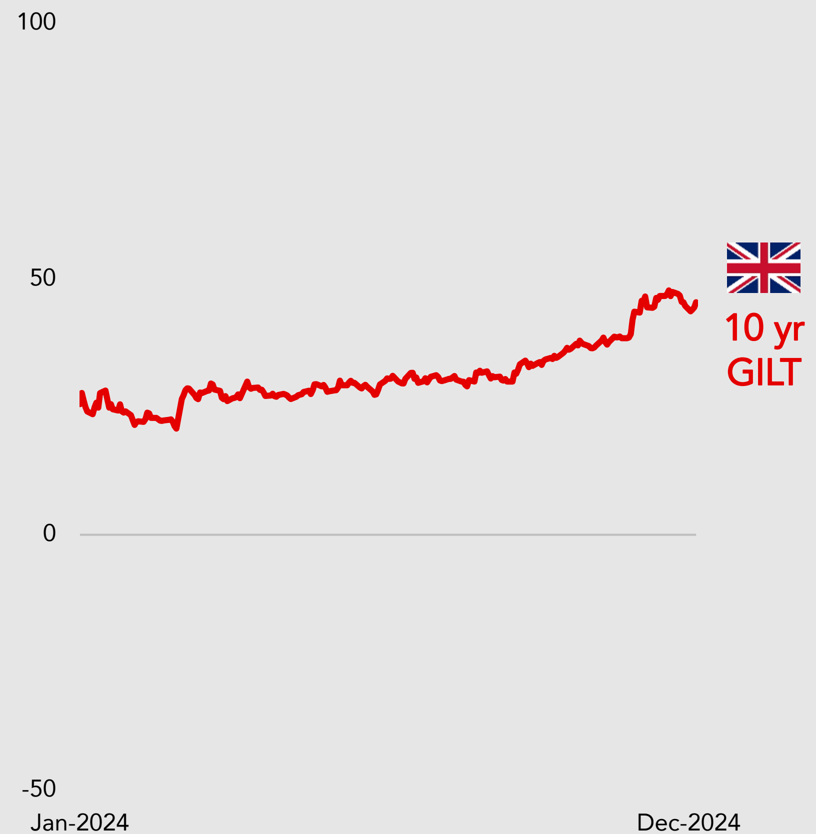
European Bond Markets Sensitive to Fiscal Policy

The widening of government bonds vs. swaps has been a source of upward pressure on i-spreads for corporate credit. European government finances are likely to stay in focus in 2025, with government / swap differentials continuing to be a technical driver of corporate EUR i-spreads.

10 year BUND & 10 year OAT vs. EUR swaps, bps



10 year GILT vs. GBP swaps, bps



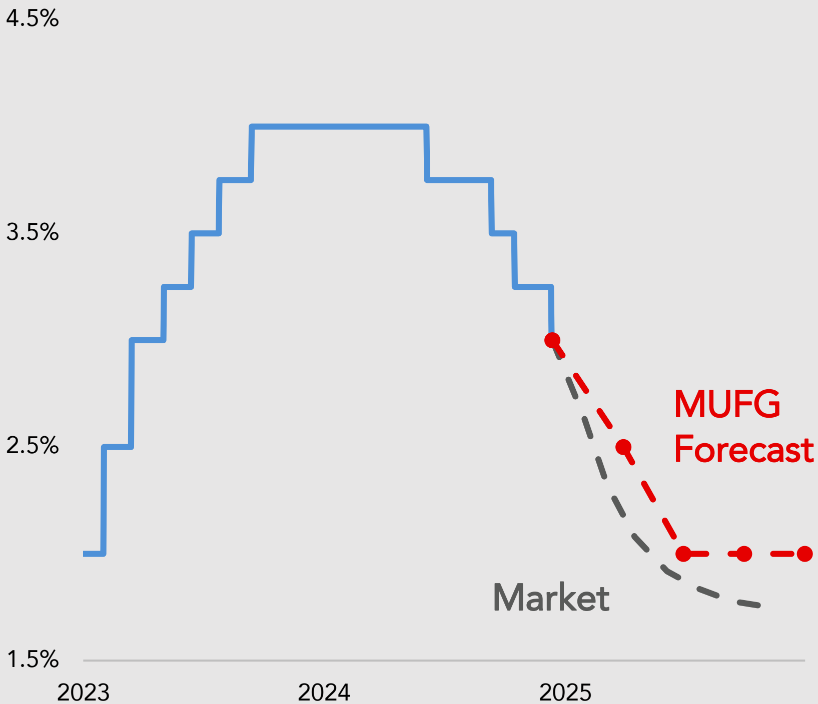
Source: (1-2) MUFG. Bloomberg.

ECB & BOE Policy Rates Moving Lower in 2025

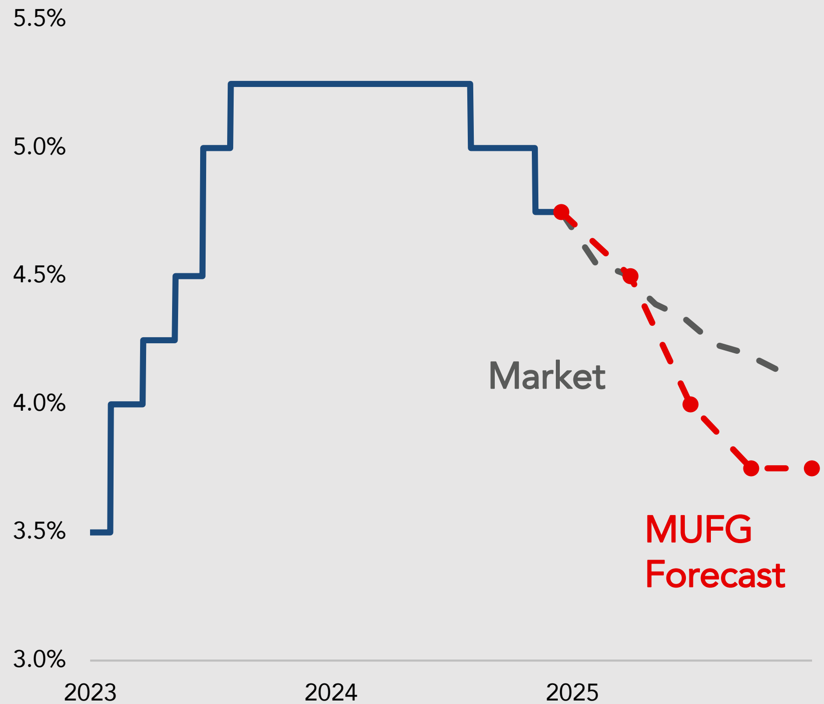
The prospect of a trade war with the US increases downside risks for the Eurozone economy and supports easing of monetary policy, but the near term impact of tariffs is likely to be inflationary. Inflation risks point to a rate cut path that is less aggressive than market pricing.

The BoE is expected to maintain a measured pace of rate cuts given the boost to both growth and inflation from Budget. The first rate cut in February will leave UK policy more restrictive for longer posing downside risks to growth.

ECB deposit rate



BoE policy rate

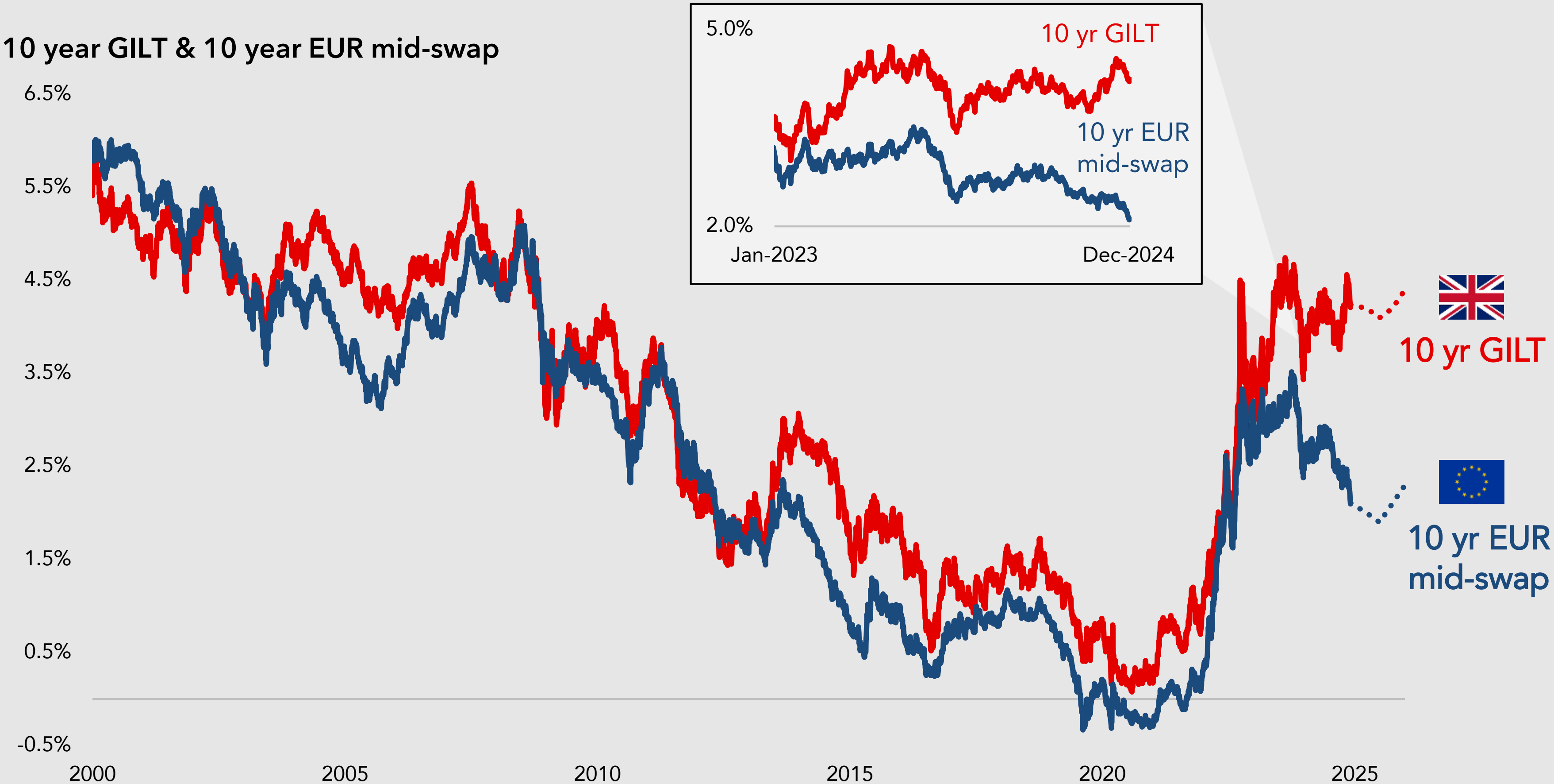


Source: (1-2) MUFG. Bloomberg. Data as of December 17, 2024. Market is futures implied rate. MUFG forecast.

EUR & UK 10 Year Yields in 2025

Longer term EUR rates diverged further from the UK (and US) in Q4 2024. In 2025, we expect higher US Treasury yields to put upward pressure on EUR and GBP yields. For the UK, Gilt supply will also limit prospects for a Gilt rally given the £142bn increase in borrowing from the October budget and a further £100bn annual reduction in Asset Purchase Facility.

10 year GILT & 10 year EUR mid-swap



Source: (1) MUFG Capital Markets EMEA. Bloomberg.

2025 Eurozone & UK Rates Outlook

We expect Eurozone growth to remain subdued through 2025 with a near term focus on the impact of likely Trump tariffs, and a somewhat weaker outlook than the UK. The UK is likely a lesser target for tariffs given the smaller goods trade surplus. The October 2024 UK Budget is expected to increase both growth and inflation by around 0.5% over next 12-18 months. Further easing in 2025 will lead to the normalization of yield curves in both EUR and GBP. Longer rates are likely to rise moderately as central bank rate cuts pause in the 2H.

2025 Eurozone forecasts

	2025
CPI Forecast	2.0%
Growth Forecast	0.9%

	Q1 25	Q2 25	Q3 25	Q4 25
Deposit Rate	2.50%	2.00%	2.00%	2.00%
2 Yr Swap	1.80%	1.60%	1.70%	1.80%
10 Yr Swap	2.00%	1.90%	2.10%	2.30%

2025 UK forecasts

	2025
CPI Forecast	2.3%
Growth Forecast	1.6%

	Q1 25	Q2 25	Q3 25	Q4 25
Deposit Rate	4.50%	4.00%	3.75%	3.75%
2 Yr Gilt	3.90%	3.60%	3.50%	3.60%
10 Yr Gilt	4.20%	4.10%	4.20%	4.40%

Source: MUFG. Bloomberg. CPI forecast is Bloomberg consensus. Deposit rate/policy rate is MUFG forecast.

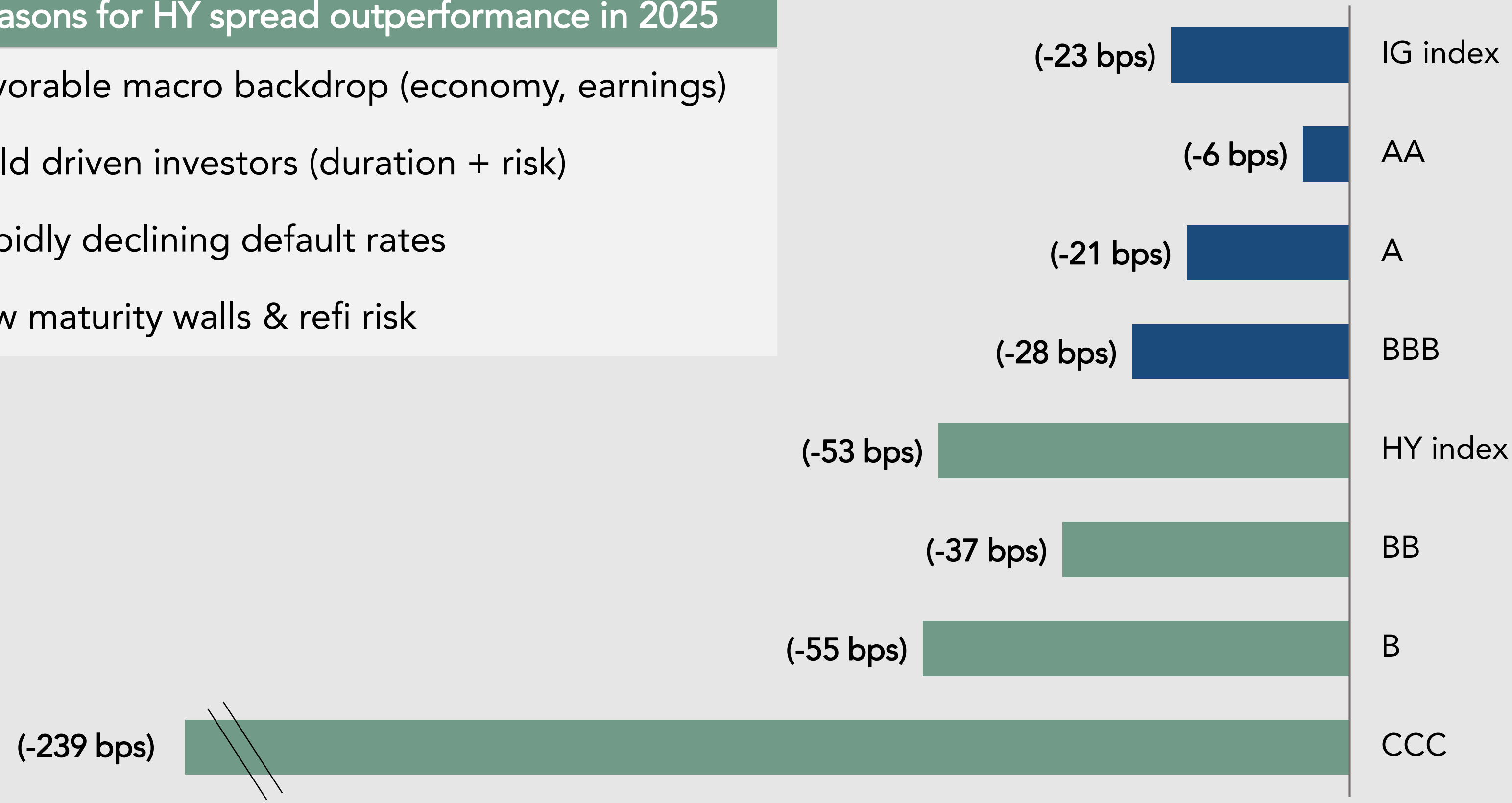
7 | Constructive Outlook for Credit Spreads

USD Credit Spreads Not Pricing Recession

Even as rates rallied lower and geo-political risk increased, credit spreads continued their grind tighter in 2024. While market technicals remain strong, credit fundamentals have improved as evidenced by declining default rates since April, declining ratings downgrade ratios, and improved interest coverage ratios as earnings recover and rates decline.

USD credit spreads in 2024

Reasons for HY spread outperformance in 2025
• Favorable macro backdrop (economy, earnings)
• Yield driven investors (duration + risk)
• Rapidly declining default rates
• Low maturity walls & refi risk

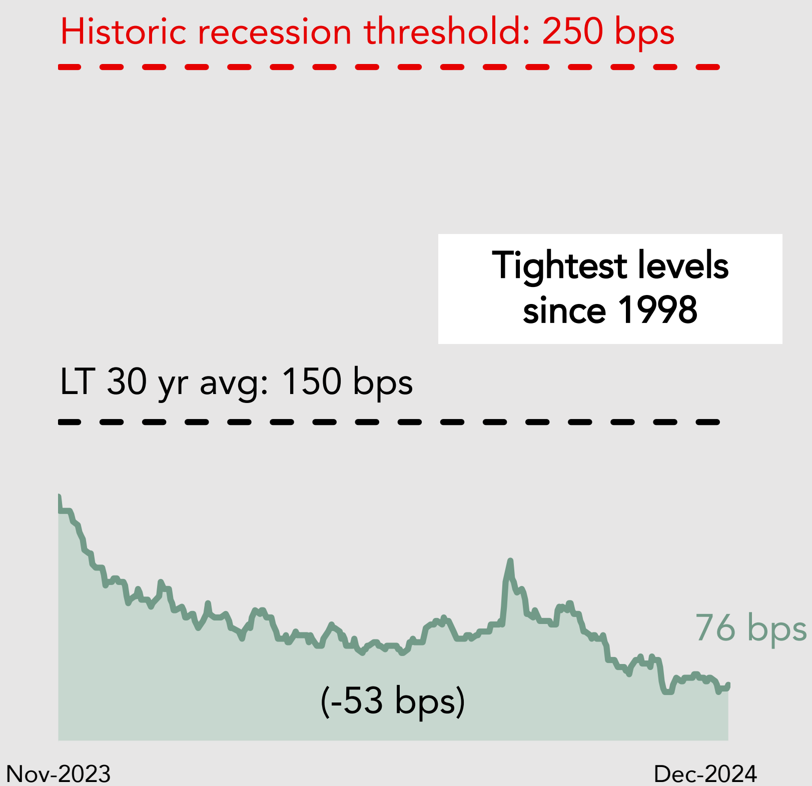


Source: (1) Bloomberg. Data as of December 18, 2024.

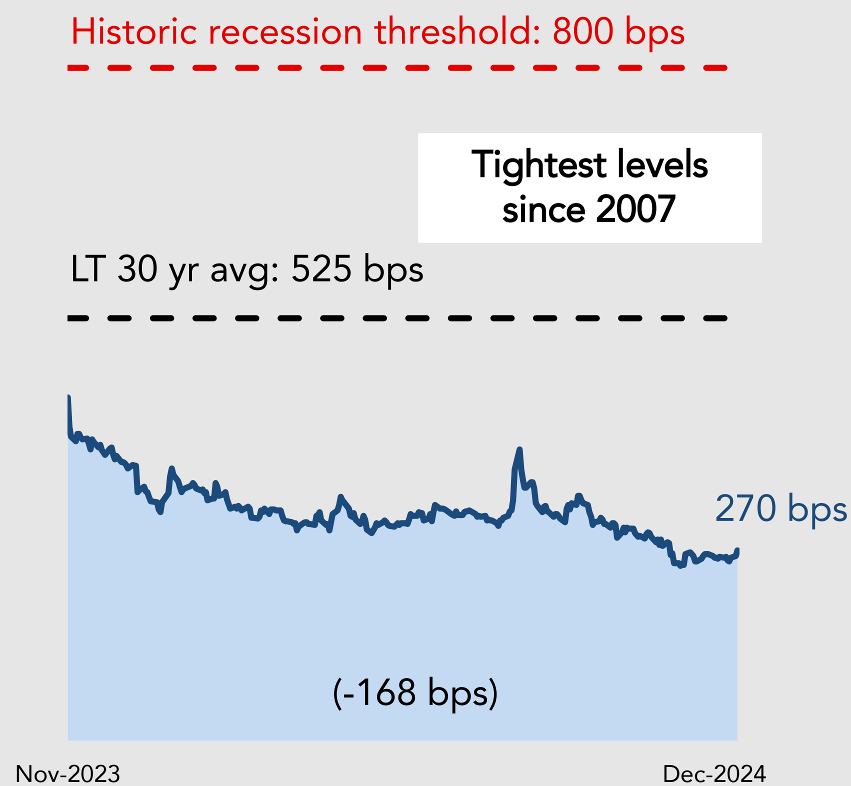
Extraordinary Demand for USD Credit

USD IG and HY credit spreads traded to multi-decade tights in 2024, well below both long term averages and recession thresholds. We expect modest widening of spreads from currently tight levels on policy uncertainty in 2024, though a favorable macro backdrop, robust investor demand for credit and strengthening corporate balance sheets should keep spreads tight by historic standards in 2025.

USD IG OAS



USD HY OAS

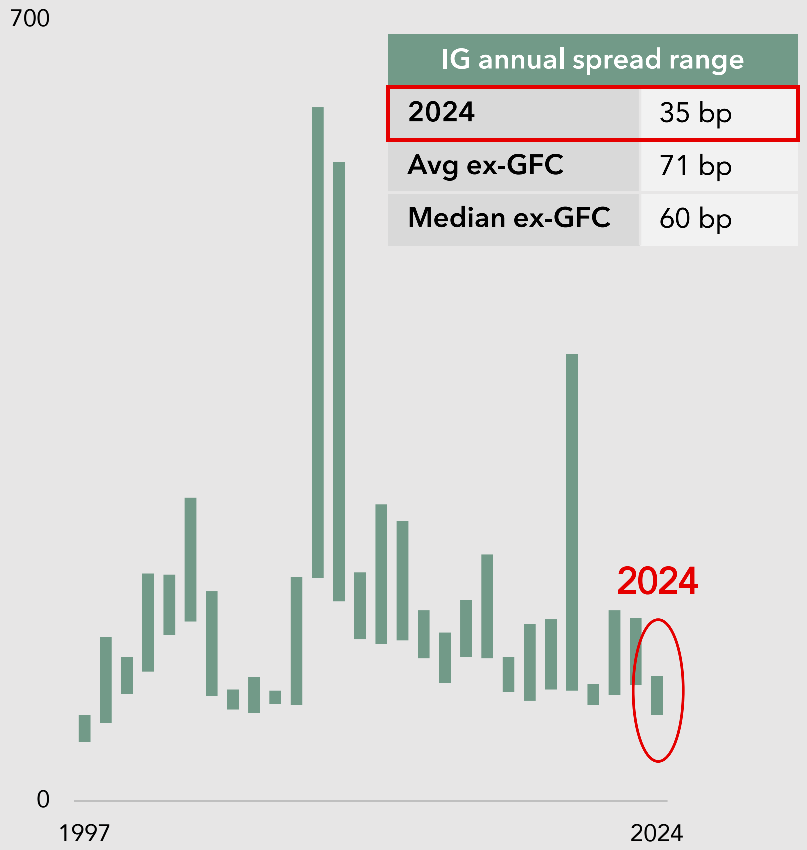


Source: (1-2) Bloomberg. Data as of December 17, 2024. 30 year average is 1994-2023.

Range-Bound Credit Spreads in Post-COVID Era

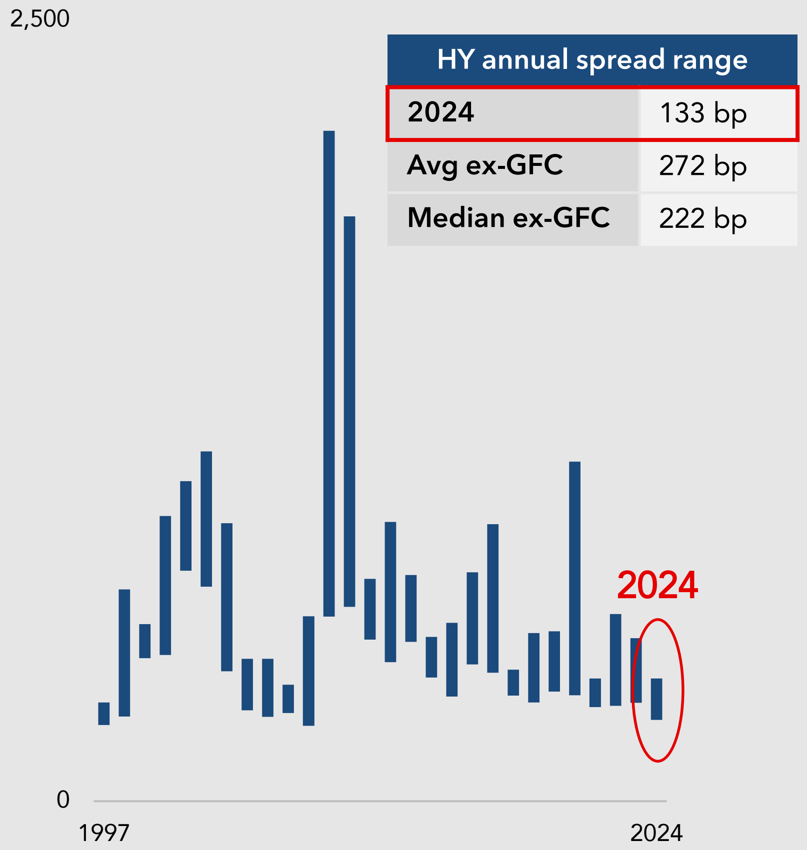
Against a backdrop of geopolitical and US election uncertainty, the extraordinarily tight trading range of USD credit spreads in 2024 were as impressive as the low levels themselves. As Fed policy easing progresses, and corporate balance sheets and profitability remain strong, we expect credit spread ranges to widen in 2025, though still tight by historical standards.

USD IG annual spread ranges, bps



IG annual spread range	
2024	35 bp
Avg ex-GFC	71 bp
Median ex-GFC	60 bp

USD HY annual spread ranges, bps



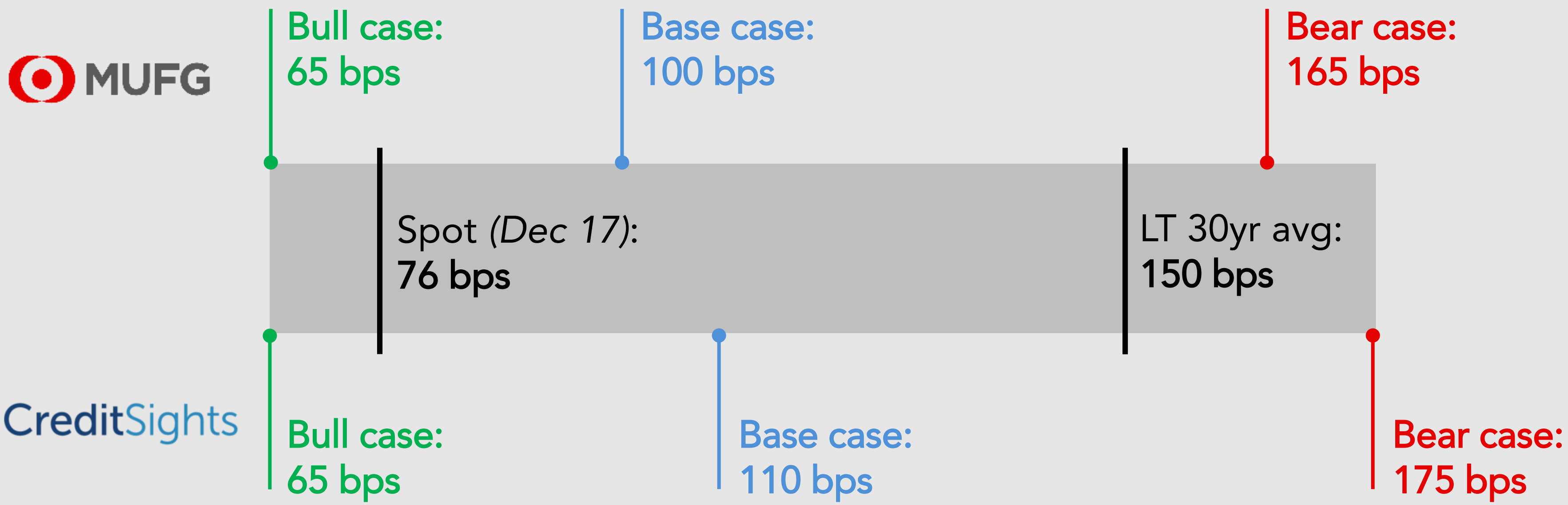
HY annual spread range	
2024	133 bp
Avg ex-GFC	272 bp
Median ex-GFC	222 bp

Source: (1-2) CreditSights, "US IG & Leveraged Finance 2025 Outlook: It's Complicated". FactSet. ICE Data Indices.

Modest Widening in USD IG Spreads in 2025

While MUFG's base case scenario for USD IG and HY spreads point to modest widening in 2024, our outlook for corporate credit spreads remains very constructive by the standards of USD credit markets historically.

2025 investment grade credit spreads forecast

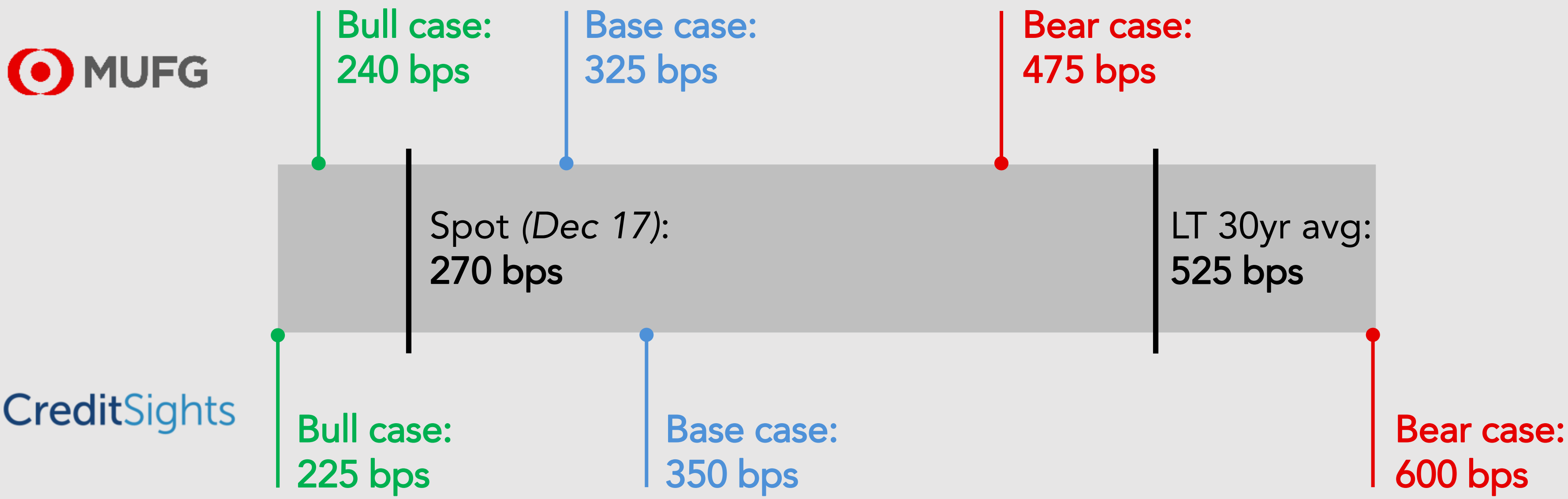


Source: (1) CreditSights, "US IG & Leveraged Finance 2025 Outlook: It's Complicated". Bloomberg. Data as of December 17, 2024. MUFG (George Goncalves). 30 year avg is 1994-2023.

Modest Widening in USD HY Spreads in 2025

While MUFG's base case scenario for USD IG and HY spreads point to modest widening in 2024, our outlook for corporate credit spreads remains very constructive by the standards of USD credit markets historically. USD high yield credit may continue to outperform other US fixed income markets in 2025 given rising investor appetite for yield (duration + risk), rapidly declining default rates, and notably low maturity walls and refi risk.

2025 high yield credit spreads forecast

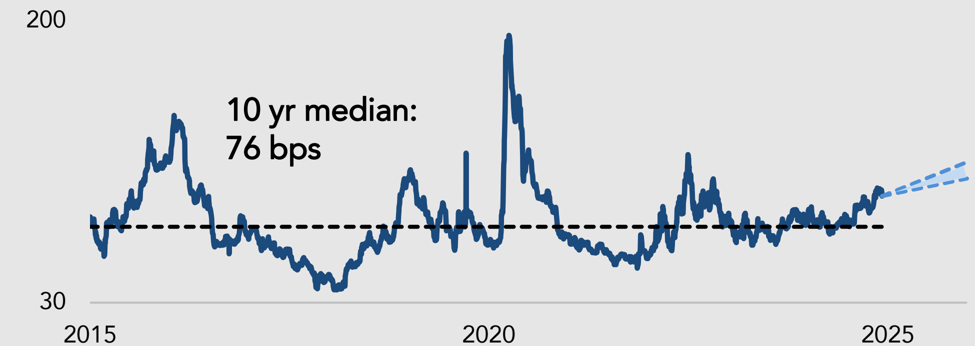


Source: (1) CreditSights, "US IG & Leveraged Finance 2025 Outlook: It's Complicated". Bloomberg. Data as of December 17, 2024. MUFG (George Goncalves). 30 year avg is 1994-2023.

EUR & UK Spreads Remain Vulnerable to Modest Widening

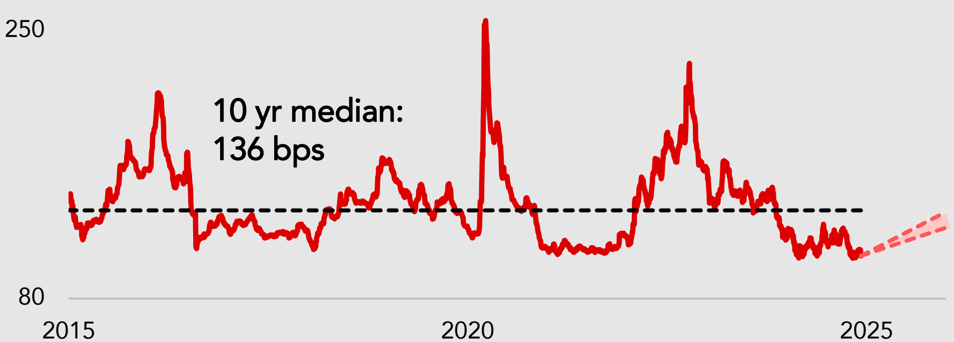
The limited trading range for term rates and a positive yield curve will be supportive for credit. Expect upward pressure on spreads from anticipated pick-up in supply and sluggish economic growth. For the UK in particular, historically tight credit spreads at end of 2024 are vulnerable to investor resistance.

iBoxx € non-financials - swap spread, bps



	Min	Median	Max
10 Yr History	38	76	192
2024	71	81	99
YE 2025 MUFG Forecast	105-115		

iBoxx £ non-financials - UKT spread, bps



	Min	Median	Max
10 Yr History	106	136	256
2024	106	115	127
YE 2025 MUFG Forecast	125-135		

Source: MUFG. Bloomberg. S&P Markit.

8 | USD IG Funding Markets

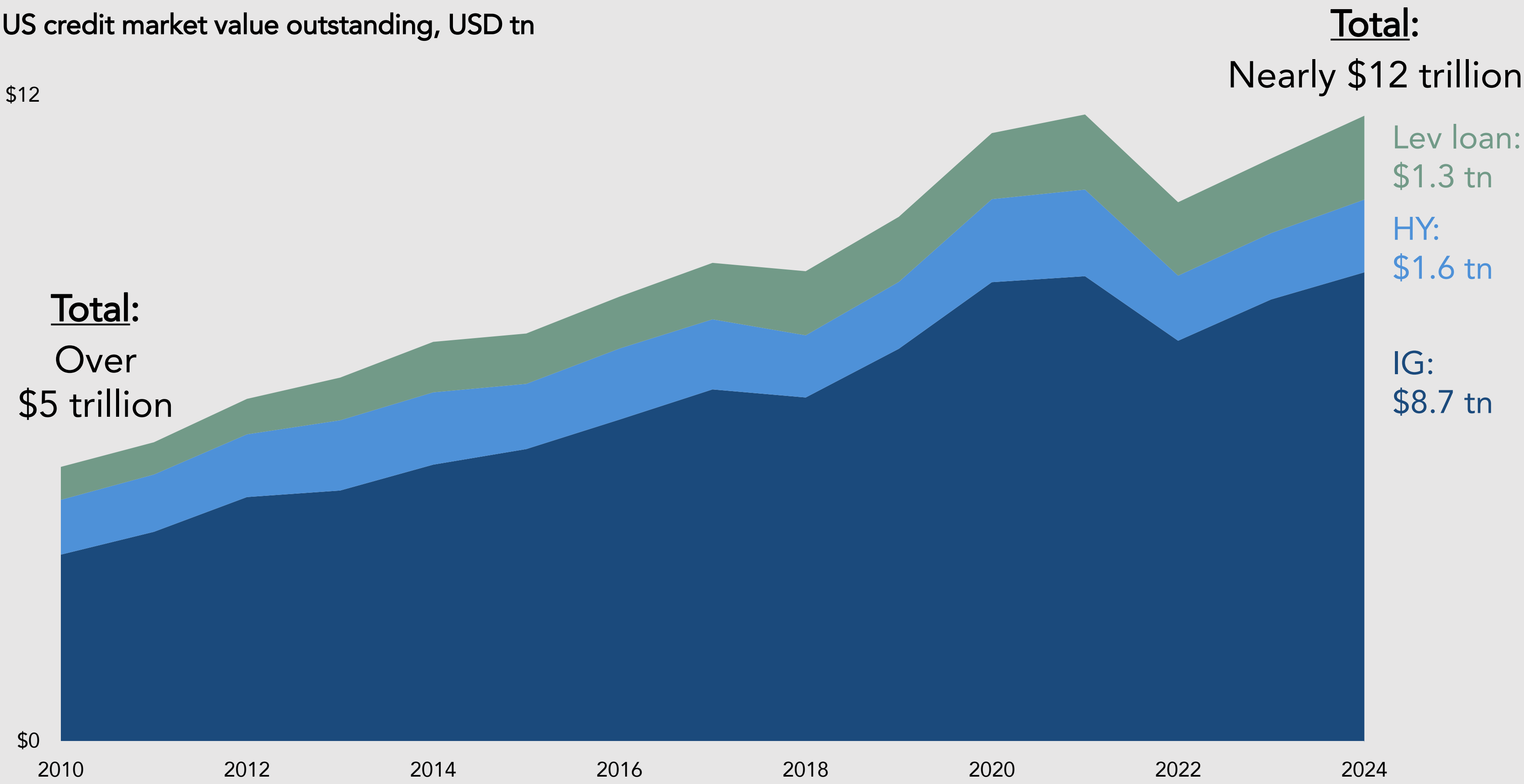
Key Drivers for 2025 IG Issuance Outlook

1. **Favorable macro backdrop** (economy, rates, spreads)
2. **Fund 2025 maturities ($916 bn);** pre-fund portion of 2026 ($1,109 bn)
3. **“Animal spirits” reawakening in markets** (deregulation, tax policy)
4. **M&A cycle recovery** (especially in the US)
5. **Historic stock buyback year expected** (> $1 trillion)
6. **Reinvigorated CapEx & R&D cycle** (tax policy, AI, tech spend)

Deep, Liquid USD Funding Markets

US Dollar corporate credit markets, the largest in the world, have more than doubled in size since the Global Financial Crisis. We expect robust issuance in 2025 to fund maturities, M&A, capex and buybacks.

US credit market value outstanding, USD tn

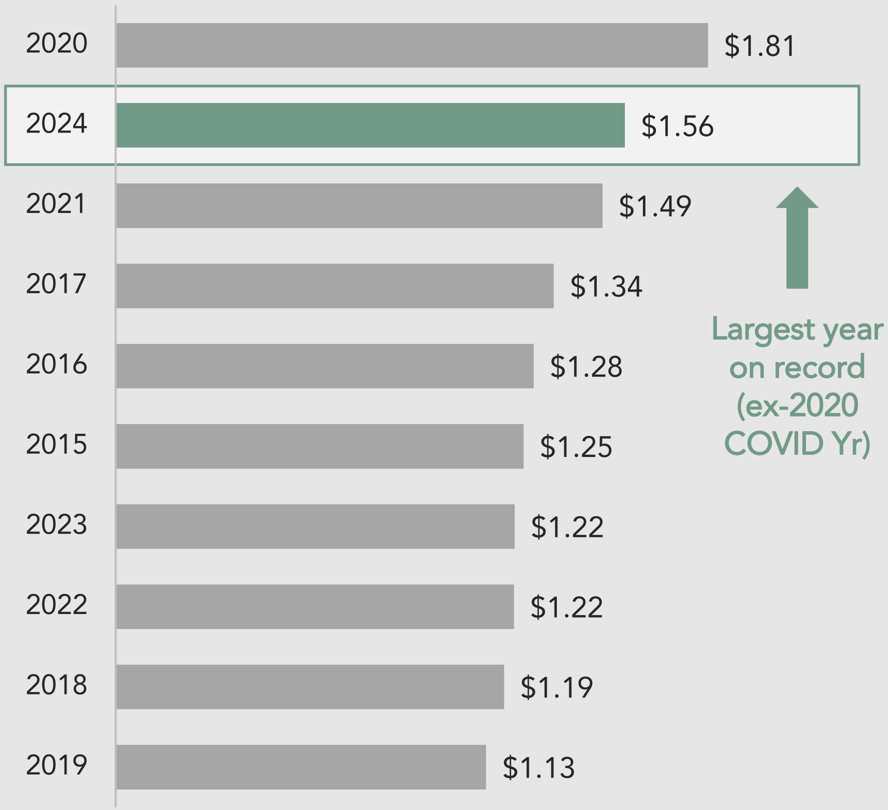


Source: (1) CreditSights. FactSet. ICE Data Indices. LLC. LFI. CFR. IG and HY data as of December 10, 2024. Leveraged loan as of end of Q3 2024.

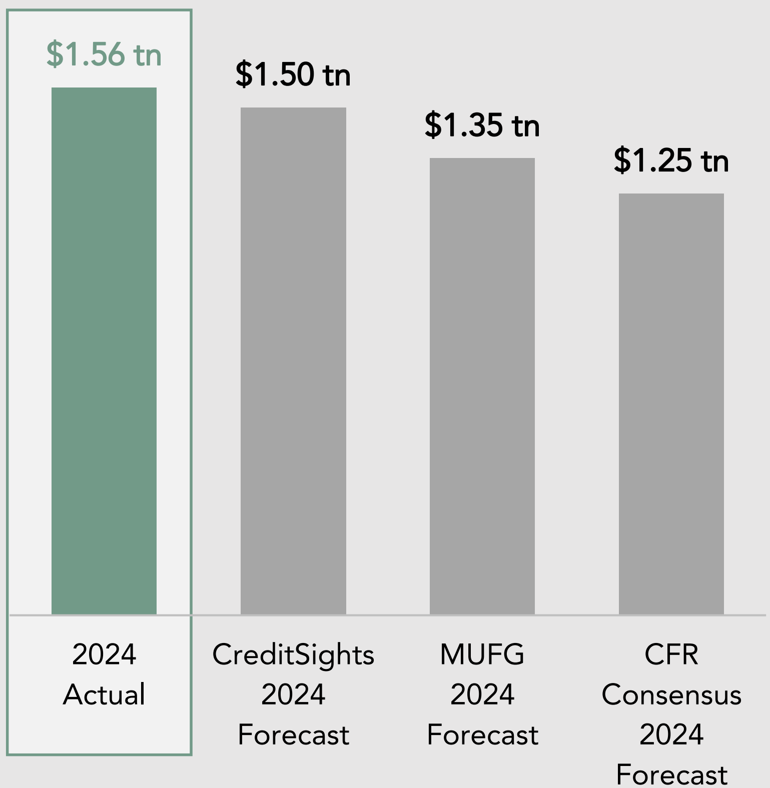
2024 IG Issuance Exceeded Ambitious Forecasts

USD IG bond issuance in 2024 has surpassed $1.5 trillion, the largest year on record (ex-2020 COVID year), and higher than MUFG's above consensus forecast for the year.

Largest ever annual USD IG issuance, tn



2024 USD IG issuance forecasts



Source: (1-2) CFR. CFR forecast is consensus average. CreditSights. CS forecast is gross supply. Data as of December 17, 2024.

Notable Milestones for 2024 USD IG Issuance

At more than $1.5 trillion, 2024 was a year of notable milestones for IG issuance including numerous single day records, monthly records, quarterly records, 2H record and full year record (ex-2020 COVID year). The year also included the most rapid time period to surpass the $1 trillion issuance threshold (206 days) and the first year with nine consecutive months with $100 bn+ issuance.

Largest January on record ($195 bn)	Largest February on record ($200 bn)	Largest combined Jan-Feb on record ($395 bn)	Largest quarter on record (Q1 2024: $540 bn) *Ex-2020 COVID Yr
Largest Q1 on record (Q1 2024: $540 bn)	First Q1 above $500 bn ever (Q1 2024)	Fastest year to reach $1 tn (206 days) *Ex-2020 COVID Yr	Largest September on record ($185 bn)
Largest 2-day post Labor Day on record by volume ($76 bn)	First year with 9 consecutive months of $100bn+ issuance	Largest Labor Day holiday week by deal count (61 deals)	Largest Labor Day holiday week by volume ($85 bn) *Ex-2020 COVID Yr
Largest Q3 on record (Q3 2024: $425 bn)	2nd Largest 1H on record ($893 bn)	Largest 2H on record ($666 bn)	Largest year on record ($1.56 tn) *Ex-2020 COVID Yr

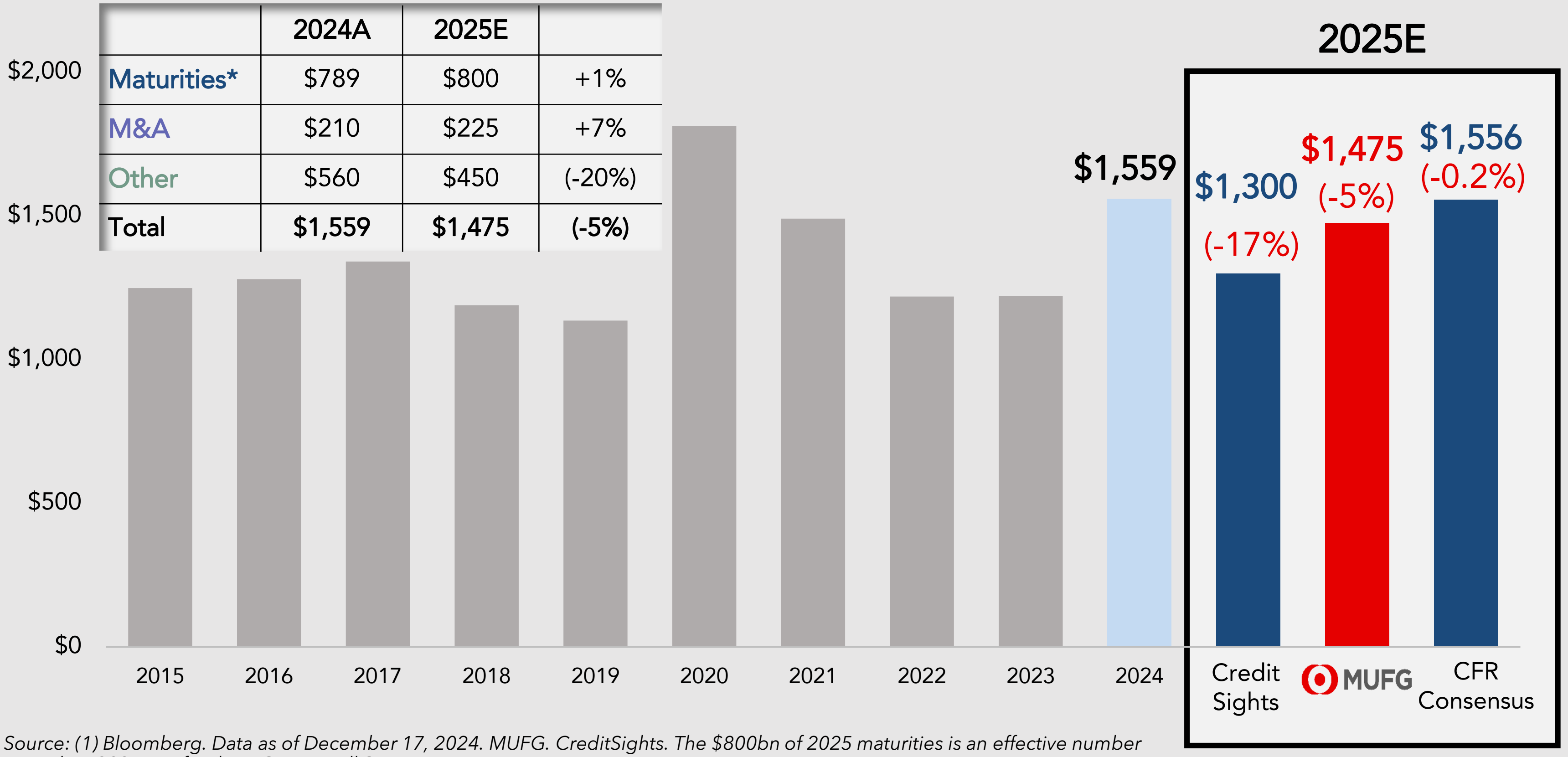
Source: (1) CFR. Data as of December 17, 2024.

2025 IG Issuance Should Decrease 5%

MUFG expects a modest 5% decrease in 2025 IG issuance compared to 2024, the highest issuance volume year (ex-COVID 2020) on record. Similar to last year, maturities will be a primary driver of new issue volumes. Demand for debt financing in 2025 will also be fueled by increased corporate activity around CapEx, R&D spending, a record stock buyback year and a substantive increase in M&A deal activity.

Investment grade issuance, USD bn

	2024A	2025E	
Maturities*	$789	$800	+1%
M&A	$210	$225	+7%
Other	$560	$450	(-20%)
Total	**$1,559**	**$1,475**	**(-5%)**

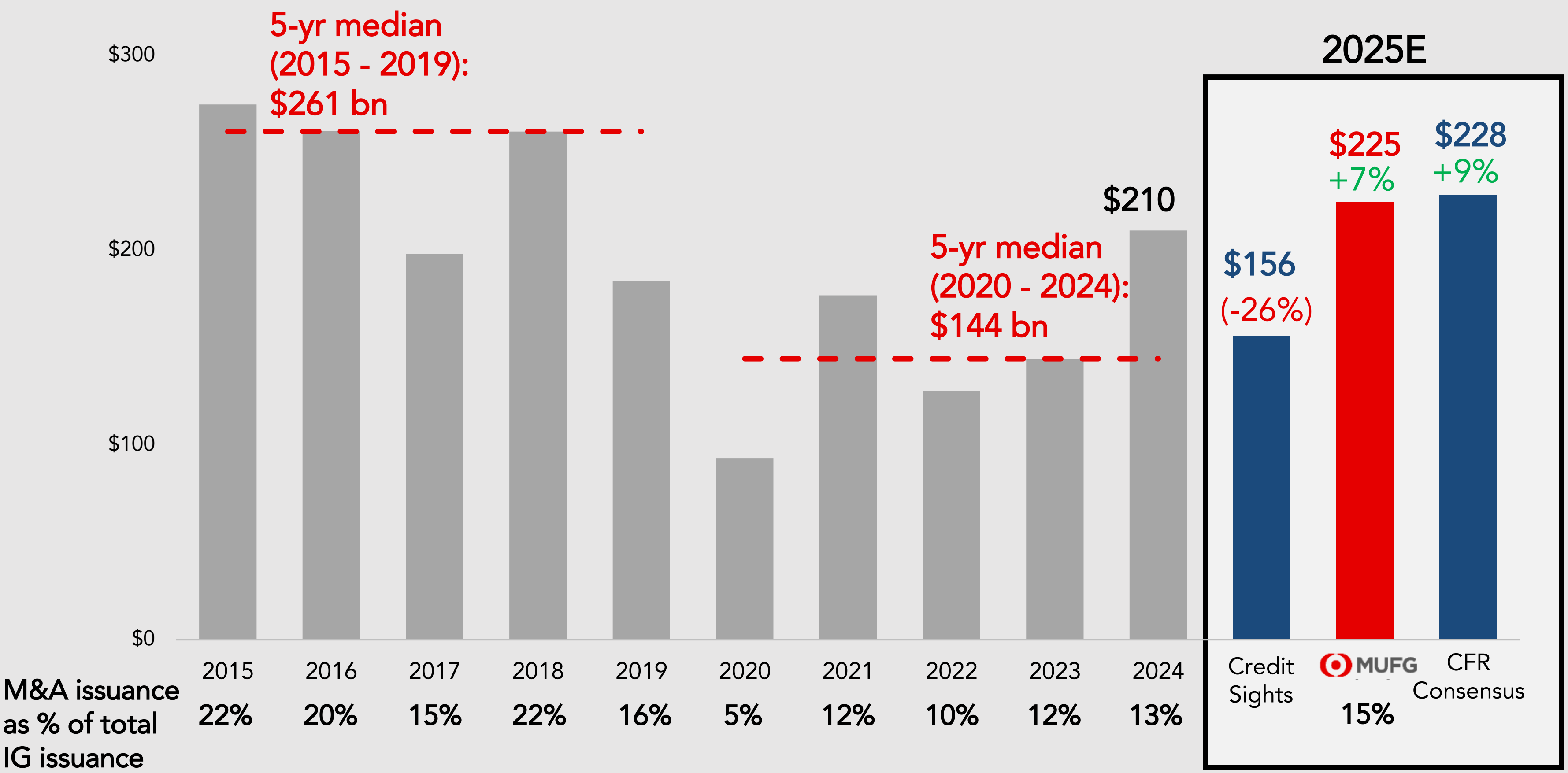


Source: (1) Bloomberg. Data as of December 17, 2024. MUFG. CreditSights. The $800bn of 2025 maturities is an effective number given late 2024 pre-funding. CFR is Wall Street consensus.

2025 IG M&A Financing Expectations

MUFG maintains an above-consensus view for M&A deal and financing volumes in 2025, particularly US deal flow. Deregulation, a vastly more accommodative deal approval architecture and risk-on markets may precipitate more pent-up deal demand than markets are currently anticipating.

Investment grade M&A issuance, USD bn



Source: (1) Bloomberg. CreditSights. Data as of December 17, 2024. 2025 MUFG M&A percentage based on MUFG forecasts. CFR is Wall Street consensus.

Higher IG Loan Volumes in 2025

Banks were highly focused on the quality of client relationships and returns in 2024, which drove higher syndicate volatility without adversely impacting demand for targeted raises. New bank participation quickly filled gaps from exiting banks. Looking ahead to 2025, we expect an improved regulatory and deal environment to provide tailwinds for higher IG loan volumes.

Monthly USD IG loan issuance, bn

Source: (1) LSEG. 2023 and 2024 data is YTD through November 30.

9 | USD HY & Lev Loan Funding Markets

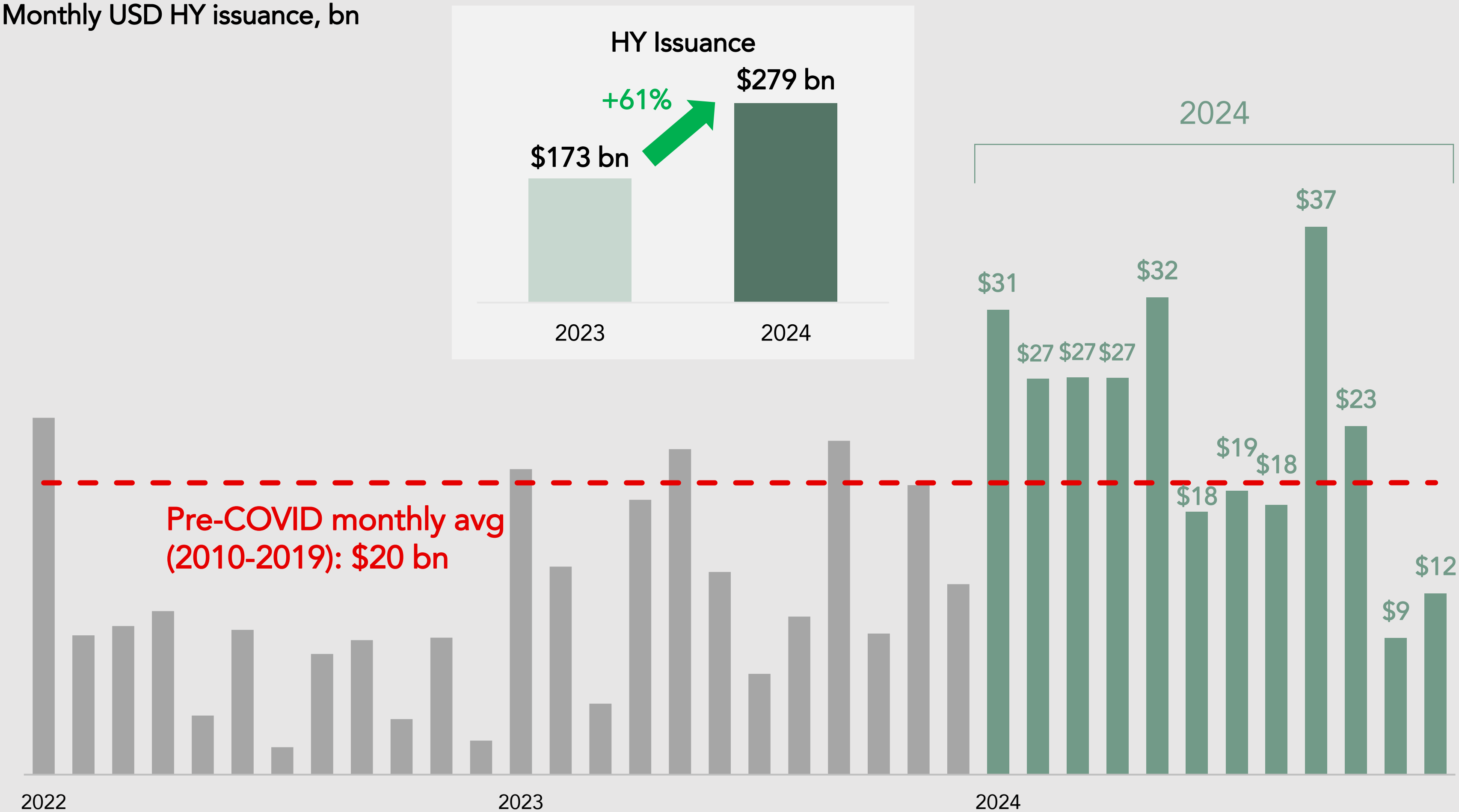
Key Drivers for 2025 HY & Lev Loan Issuance Outlook

1. **Favorable macro backdrop** (economy, rates, spreads)
2. **Private equity / LBO resurgence** (pent-up demand, increased deal activity, more expansive exit opportunities)
3. **"Animal spirits" reawakening in markets** (deregulation, tax policy)
4. **M&A cycle recovery** (especially in the US)
5. **Opportunistic financings** (refi, dividends, buybacks)
6. **Reinvigorated CapEx & R&D cycle** (tax policy, AI, tech spend)

2024 HY Issuance Above Post-COVID Pace

2024 USD HY issuance surpassed 2023's full year issuance volume and well exceeded MUFG's estimate for full year 2024 issuance.

Monthly USD HY issuance, bn

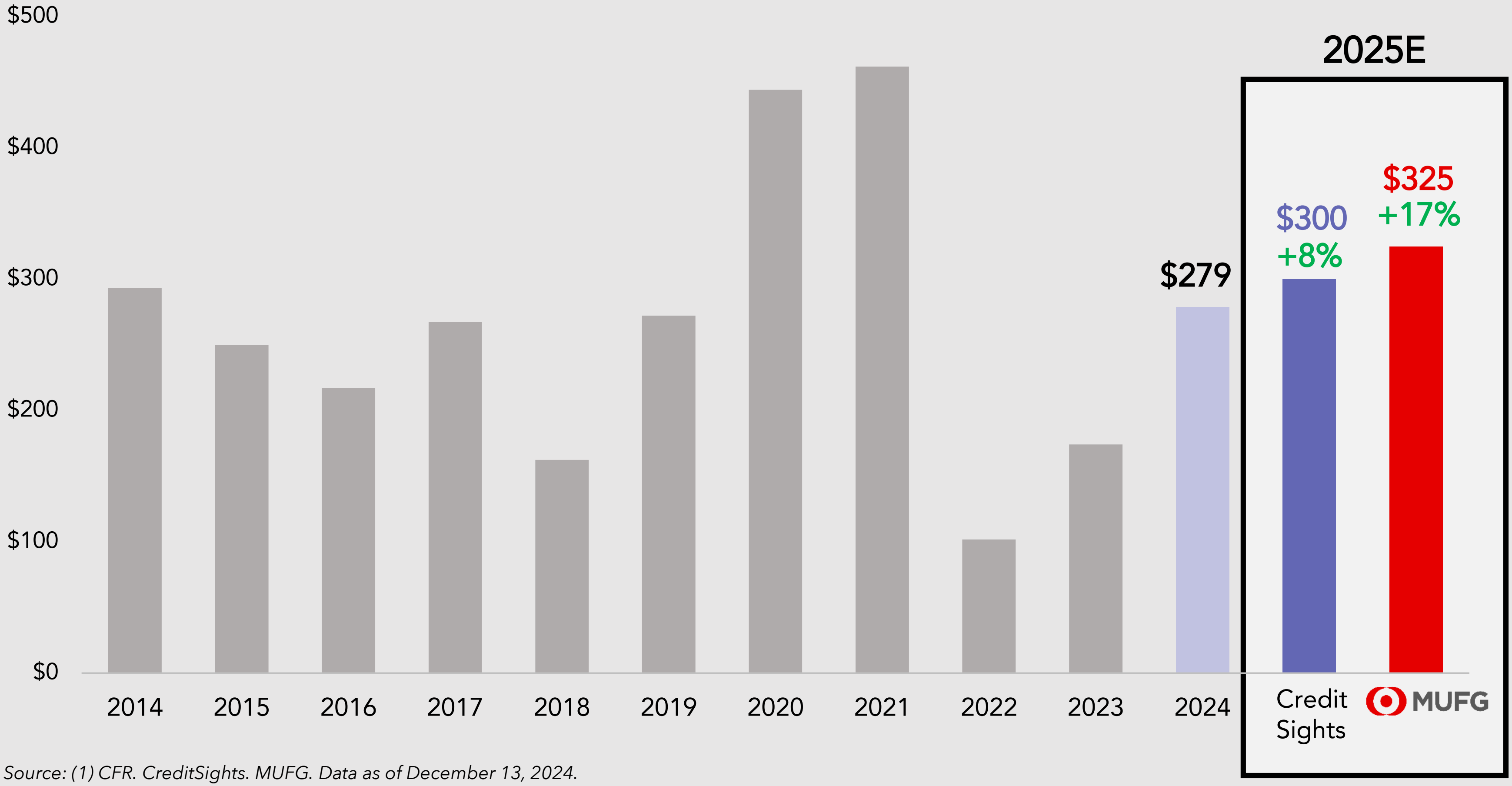


Source: (1-2) CFR. Data as of December 17, 2024.

2025 HY Issuance Should Increase 15% - 20%

MUFG expects HY and leveraged loan issuance to continue its recovery with higher issuance in 2025 on the tailwinds of a favorable macro backdrop (economy, rates, spreads), a resurgence in pent-up demand for LBO and sponsor activity, higher M&A activity and a general reawakening of the "animal spirits" in deal activity on the back of deregulation and tax policy.

High yield issuance, USD bn



Source: (1) CFR. CreditSights. MUFG. Data as of December 13, 2024.

High Yield Life to Maturity at Multi-Decade Low

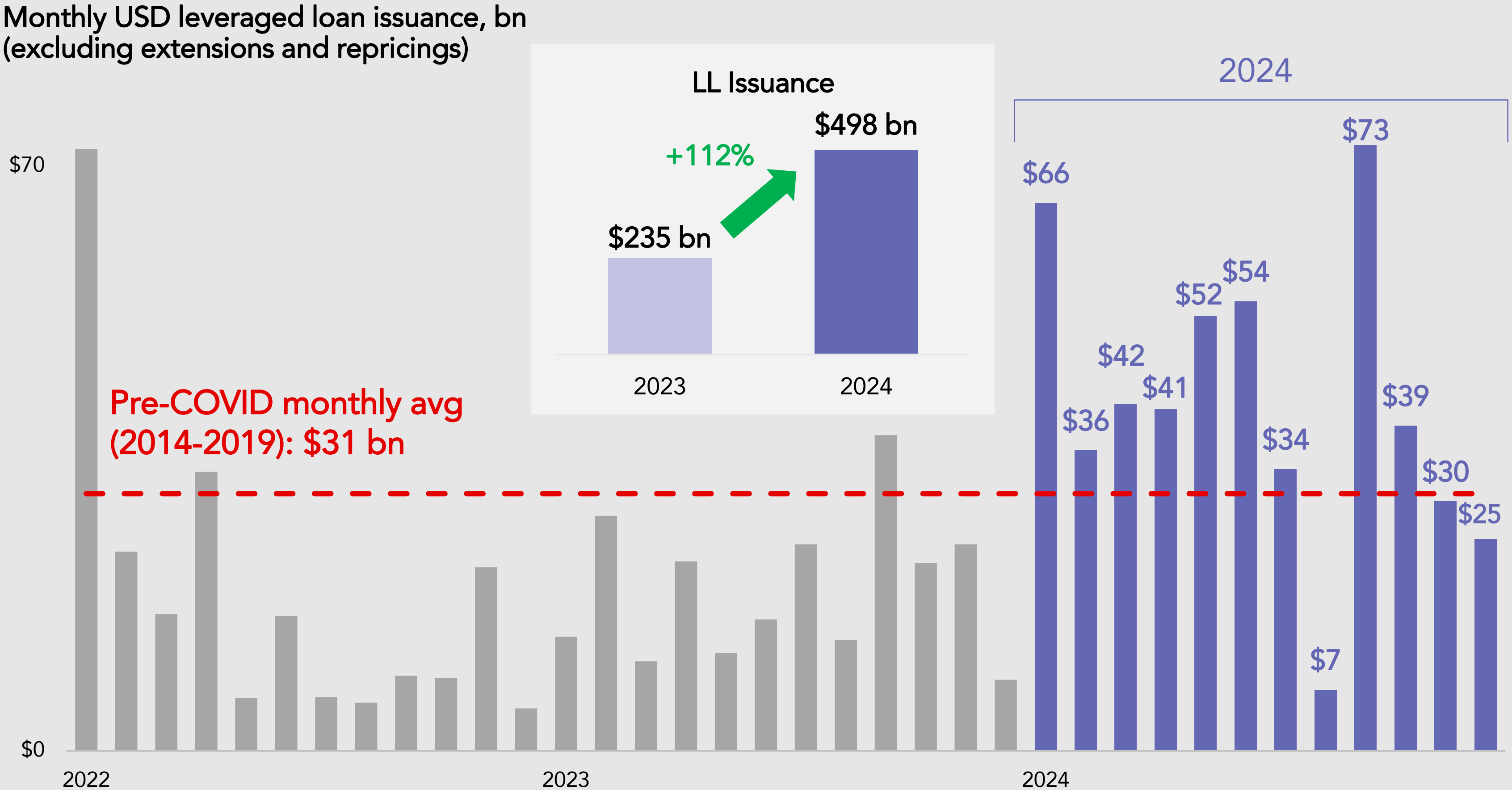
Over the last two years, the average duration on high yield bonds has dropped precipitously. Today, the “life to maturity” for the USD high yield index is at multi-decade lows of 4.8 years.

High yield index life to maturity, years

Source: (1) Bloomberg. Data as of December 17, 2024.

2024 Lev Loan Issuance Above Post-COVID Pace

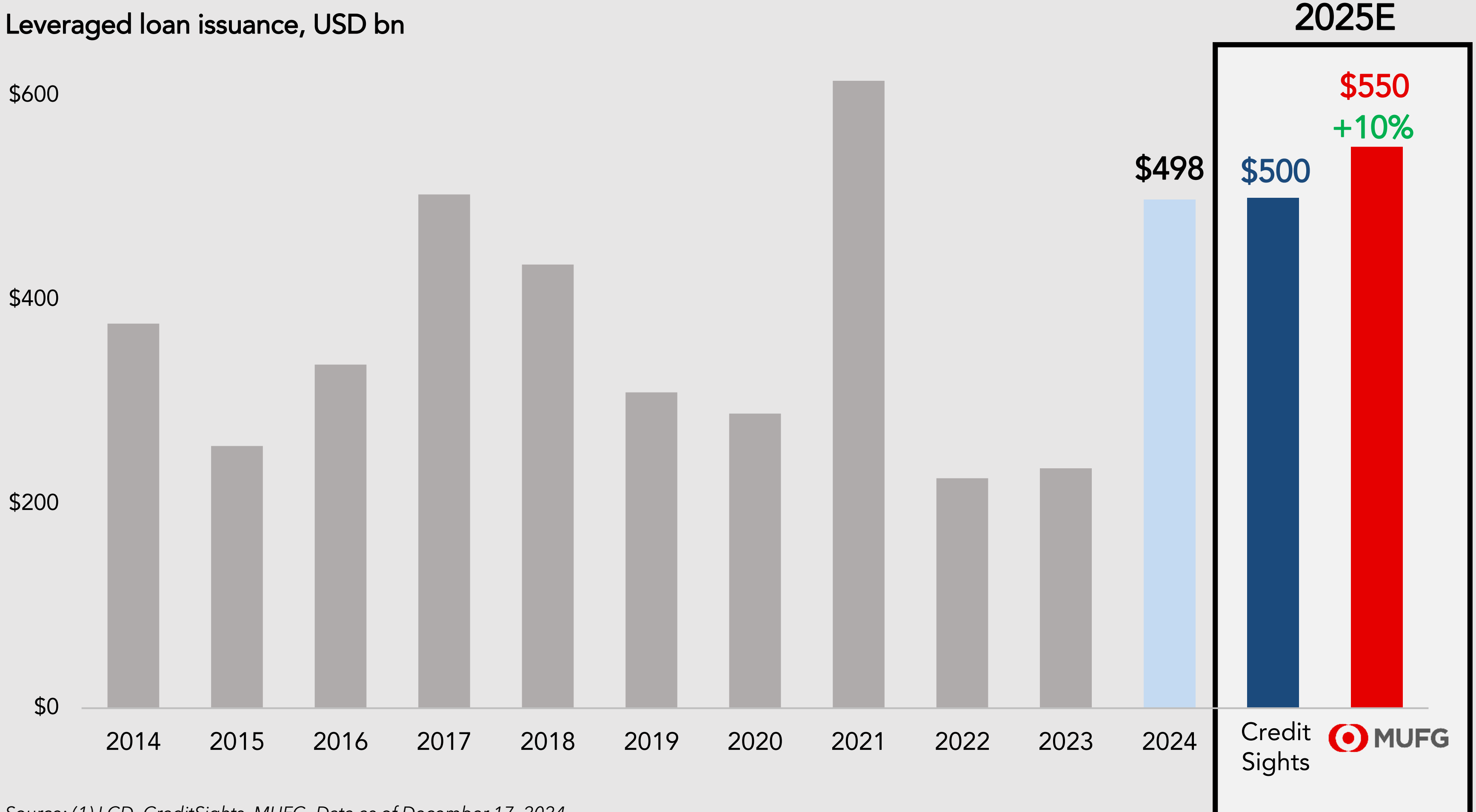
Leveraged loan issuance (excluding extensions and repricings) outpaced its pre-COVID average in nearly every month of 2024 driving full year new issuance to $498 bn, surpassing CreditSights' full-year forecast of $350 bn. In addition to robust net new issuance, opportunistic refinancing activity has also driven total issuance volume higher this year, accounting for roughly 50% of 2024 activity.



Source: (1) LCD. Data through December 17, 2024. Leveraged loan issuance repricings, refinancings, extensions, and non-refinancing issuance. Extensions and repricings reflect deals done via an amendment process.

2025 Leveraged Loan Issuance Should Increase 10%

MUFG expects HY and leveraged loan issuance to continue its recovery with higher issuance in 2025 on the tailwinds of a favorable macro backdrop (economy, rates, spreads), a resurgence in pent-up demand for LBO and sponsor activity, higher M&A activity and a general reawakening of the "animal spirits" in deal activity on the back of deregulation and tax policy.

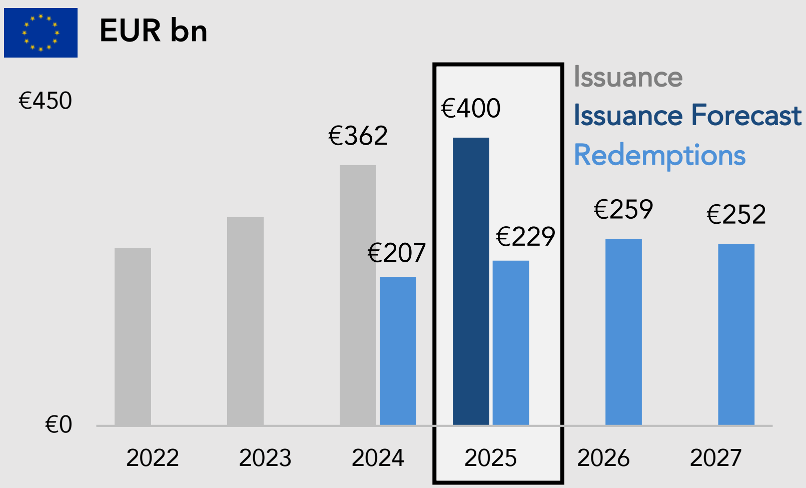


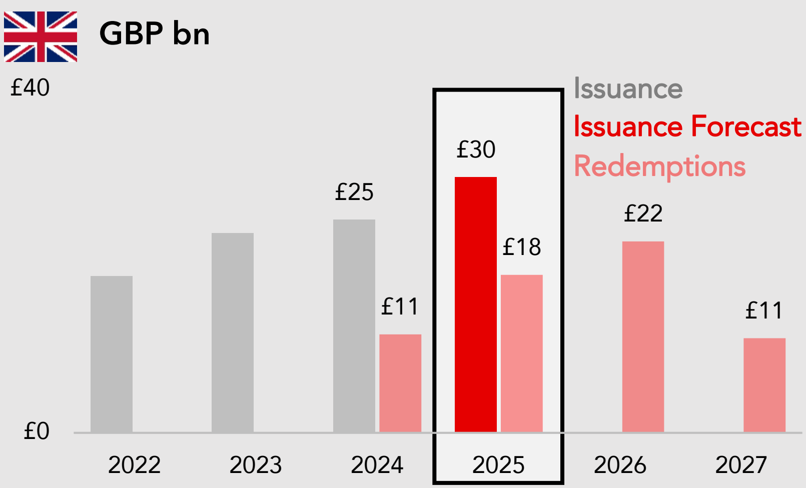
Source: (1) LCD. CreditSights. MUFG. Data as of December 17, 2024.

10 | EUR & GBP Funding Markets

2025 EUR & GBP Corporate Issuance Outlook

Higher volumes in 2025





2025 Considerations

- Significant rise in EUR / GBP maturities over 2025 and 2026
- Expected pick-up in M&A activity to contribute to larger funding needs
- Divergence of EUR and USD yields to incentivize increase of Reverse Yankee transactions
- Increasing CapEx needs for Utilities on the back of changing energy landscape and infrastructure renewal
- Increased investment need for Auto sector transitioning to EVs

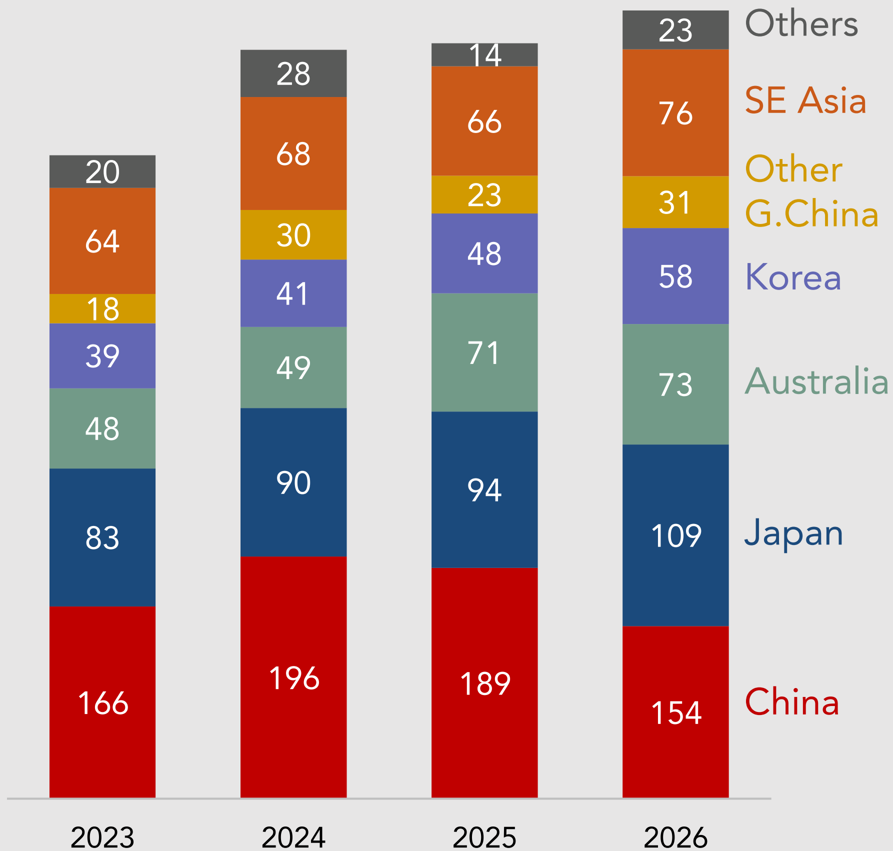
Source: (1-2) MUFG. Bloomberg. Dealogic. 2025 issuance

11 | Asia-Pacific Funding Markets

Upcoming Significant APAC Bond Redemptions in 2025-2026

We expect APAC issuers to face higher refinancing pressures in the next two years from increasing bond redemptions, especially in higher-rated countries like Korea, Japan, Australia and Singapore.

APAC yearly redemption by region, USD bn

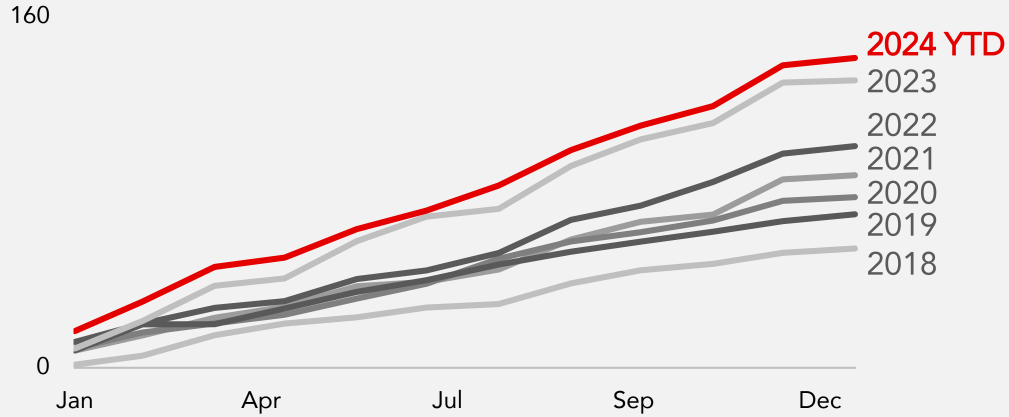


Region	2025 vs.2024	2026 vs. 2025
China	(-3%)	(-19%)
Other G. China	(-24%)	+37%
Japan	+5%	+16%
Australia	+46%	+2%
Korea	+18%	+20%
SE Asia	(-3%)	+16%
Singapore	+15%	+21%
Malaysia	+47%	+72%
Philippines	(-1%)	+19%
India / Others	(-51%)	+68%
Total	+1%	+4%

Source: Dealogic. Data as of December 8, 2024. Excludes short-term, money market, ABS, MBS and all domestic market issuances.

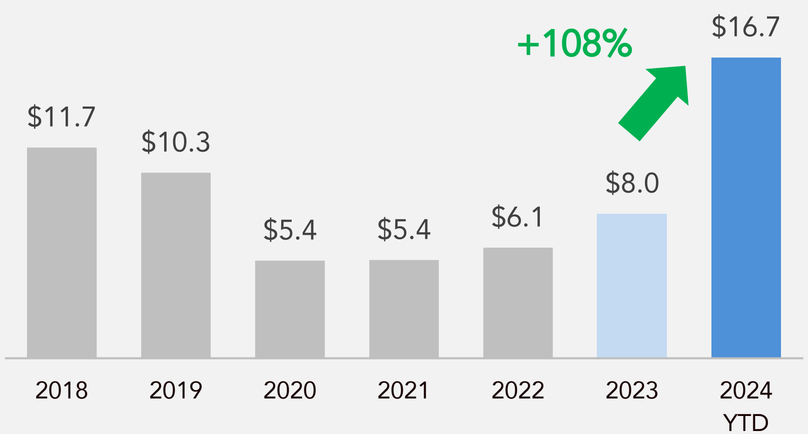
A$ Market as an Increasingly Reliable Source of Funding

Total corporate and fixed income issuance, A$ bn



- The A$MTN market saw a record year in 2024 (A$141.32 bn), driven by increased market liquidity and a larger number of issuers (both locally and offshore) considering the market as a reliable source of funding and looking to establish curves
- MUFG expects this trend to continue into 2025, as liquidity in the market continues to grow

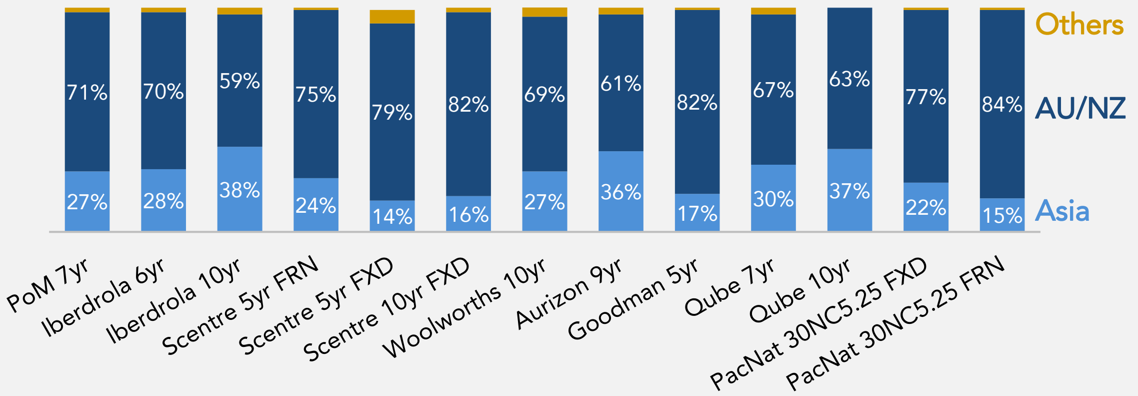
Kangaroo corporate and fixed income issuance, A$ bn



- 2024 saw the largest amount of Kangaroo issuance (corporate and FI) on record, and up +108% from 2023.
- Offshore issuers are increasingly viewing the A$ market as a reliable source of funding that can complement their core capital markets (typically the US$ and EUR markets)

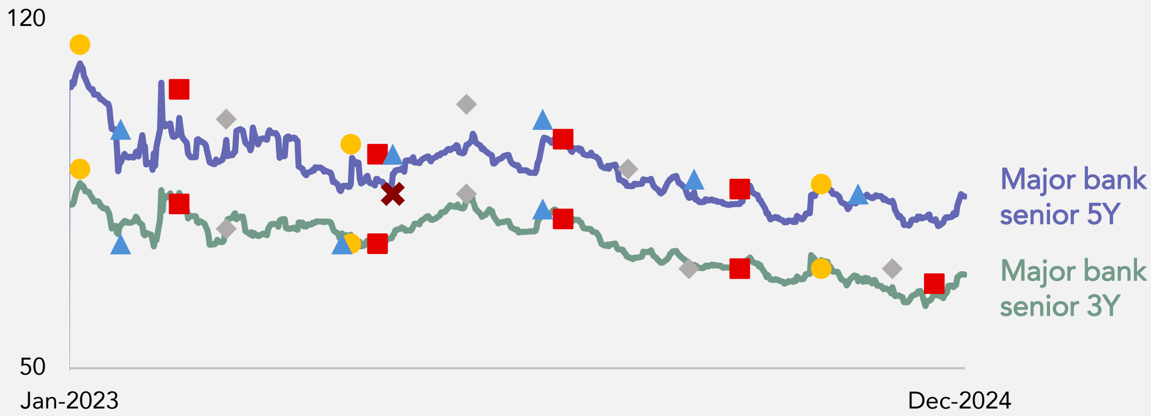
A$ Market as an Increasingly Reliable Source of Funding

Asian participation in selection transactions



Increased liquidity in the market has been driven by both an increase in the number of Australian domestic investors and, importantly, an increase in the number of Asian investors who are not considering the market (noting a dearth in the US$ Reg S supply).

A$ major bank spreads reach a two year low



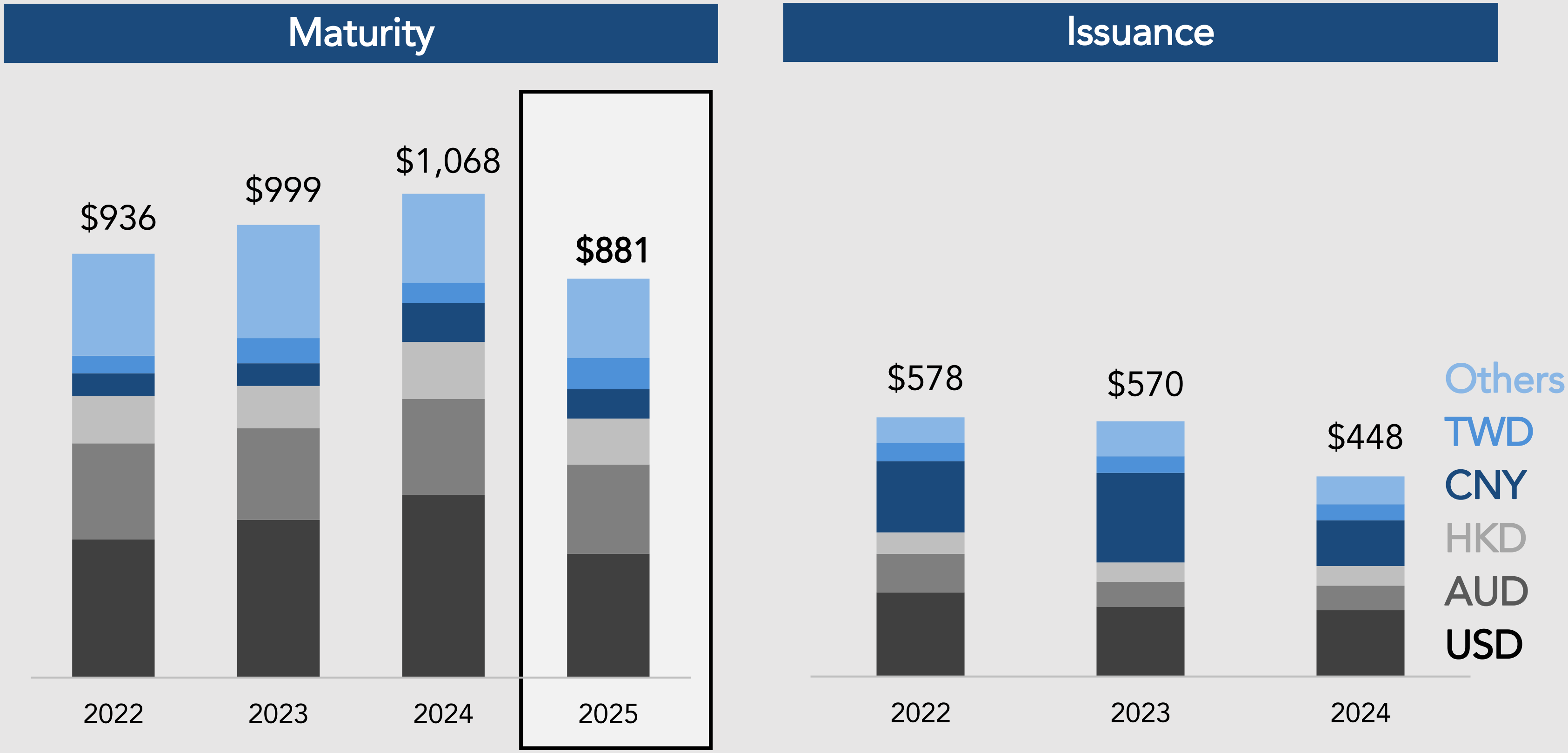
Spreads reached over two year lows, driven by increased demand and liquidity for A$ fixed income product. Issuers are expected to quickly take advantage of the attractive spread environment in 1H25.

Source: MUFG DCM Asia. Points on bank spreads graph are individual bank pricings.

Significant Asia Bank Liquidity Remains Untapped

Only 53% of matured syndicated loans in APAC (ex-Japan) were refinanced in the same market in 2024. Banks are navigating challenges posed by Basel III regulations and are increasingly focused on credit risk, geopolitical risk, and returns. As a result, a significant amount of liquidity remains untapped, and banks are eager to secure new assets. We expect issuers to leverage this excess bank liquidity to further support their rising refinancing needs.

APAC (ex-Japan) syndicated loan, USD bn



Source: (1-2) LSEF Loan Connector. MUFG. Data includes syndicated loans only (bilateral not included), >150 mil (USD eqv.)

Appendix:
2025 MUFG Forecasts

2025 Global Economic Forecasts

The global economy is expected to grow at about 2.7% in 2024, well below its long term 3.5% average, with the US one of the only advanced economies to grow above 2% in the year ahead.

GDP growth forecasts, y/y

Region / country	2024E	2025E	
North America			
US	**2.8%**	2.6%	↓
Mexico	**1.5%**	1.7%	↑
Canada	**1.2%**	1.5%	↑
Eurozone	**0.8%**	1.2%	
Spain	**3.1%**	2.4%	↓
France	**1.1%**	0.8%	↓
Netherlands	**0.9%**	1.3%	↑
Italy	**0.5%**	0.8%	↑
Germany	(-0.2%)	0.5%	↑
Ireland	(-0.2%)	4.0%	↑
Finland	(-0.3%)	1.4%	↑
Other Europe			
Russia	**3.8%**	1.6%	↓
Denmark	**2.8%**	2.1%	↓
Türkiye	**2.7%**	1.9%	↓
Norway	**2.4%**	0.8%	↓
Poland	**2.3%**	3.3%	↑
Switzerland	**1.3%**	1.0%	↓
Czech Republic	**0.9%**	2.5%	↑
UK	**0.9%**	1.4%	↑
Sweden	**0.6%**	2.4%	↑

Region / country	2024E	2025E	
APAC	**3.9%**	3.9%	
India	**6.4%**	6.4%	↑
Indonesia	**5.1%**	5.0%	↓
China	**4.8%**	4.4%	↓
Singapore	**3.6%**	3.3%	↓
South Korea	**2.2%**	1.9%	↓
Australia	**1.0%**	2.0%	↑
New Zealand	**0.6%**	2.0%	↑
Japan	(-0.2%)	1.2%	↑
LatAm	**1.8%**	2.2%	
Brazil	**3.2%**	1.5%	↓
Chile	**2.2%**	2.3%	↑
Colombia	**1.8%**	2.1%	↑
Argentina	(-3.1%)	3.6%	↑
MENA	**1.7%**	3.3%	
UAE	**3.7%**	4.5%	↑
Sub-Saharan Africa	**3.4%**	3.6%	↑
Egypt	**2.7%**	3.9%	↑
Qatar	**1.9%**	2.7%	↑
Oman	**1.5%**	2.2%	↑
Saudi Arabia	**1.4%**	4.4%	↑
South Africa	**0.7%**	1.5%	↑
Kuwait	(-2.0%)	2.6%	↑

Source: (1) Oxford Economics. Data as of December 17, 2024.

2025 Global Currency Forecasts

Currency pair	Spot (Dec 18)	Q1 2025	Q2 2025	Q3 2025	Q4 2025
EUR / USD	**1.04**	**1.02**	**1.05**	**1.06**	**1.08**
GBP / USD	**1.26**	**1.24**	**1.28**	**1.29**	**1.30**
USD / JPY	**155**	**154**	**152**	**150**	**148**
USD / CNY	7.29	7.40	7.50	7.50	7.40
AUD / USD	0.62	0.64	0.63	0.65	0.66
NZD / USD	0.57	0.58	0.58	0.59	0.60
USD / CAD	1.44	1.44	1.41	1.39	1.37
USD / NOK	11.37	11.77	11.62	11.42	11.02
USD / SEK	11.11	11.57	11.52	11.32	10.93
USD / CHF	0.90	0.90	0.88	0.88	0.87
USD / MXN	20.37	22.00	21.50	21.00	20.50
USD / BRL	6.29	6.10	6.20	6.30	6.40

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

2025 MUFG Global Rates Forecasts

	Spot (Dec 18)	Q1 2025		Q2 2025		Q3 2025		Q4 2025	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.25%	4.25%	4.00%	4.05%	3.75%	3.85%	3.75%	3.75%
2 yr UST	4.35%	4.13%	4.01%	4.00%	3.86%	3.88%	3.76%	3.75%	3.68%
5 yr UST	4.39%	4.38%	4.06%	4.13%	3.95%	4.25%	3.92%	4.00%	3.88%
10 yr UST	4.50%	**4.50%**	**4.24%**	**4.38%**	**4.17%**	**4.50%**	**4.15%**	**4.38%**	**4.13%**
30 yr UST	4.66%	4.75%	4.42%	4.63%	4.36%	4.75%	4.35%	4.63%	4.34%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of December 18, 2024. Fed funds is upper bound.

2025 MUFG Commodities Forecasts

	Spot (Dec 18)	Q1 2025		Q2 2025		Q3 2025		Q4 2025	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	**$70**	$68	$70	$64	$72	$69	$72	$72	$70
Brent	**$73**	$73	$75	$69	$75	$74	$74	$77	$73
US Nat Gas	**$3.41**	$3.20	$3.00	$2.90	$3.00	$2.70	$3.20	$2.90	$3.40
Euro Nat Gas	**€41**	€52	€42	€38	€37	€33	€35	€29	€35

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of December 18, 2024.

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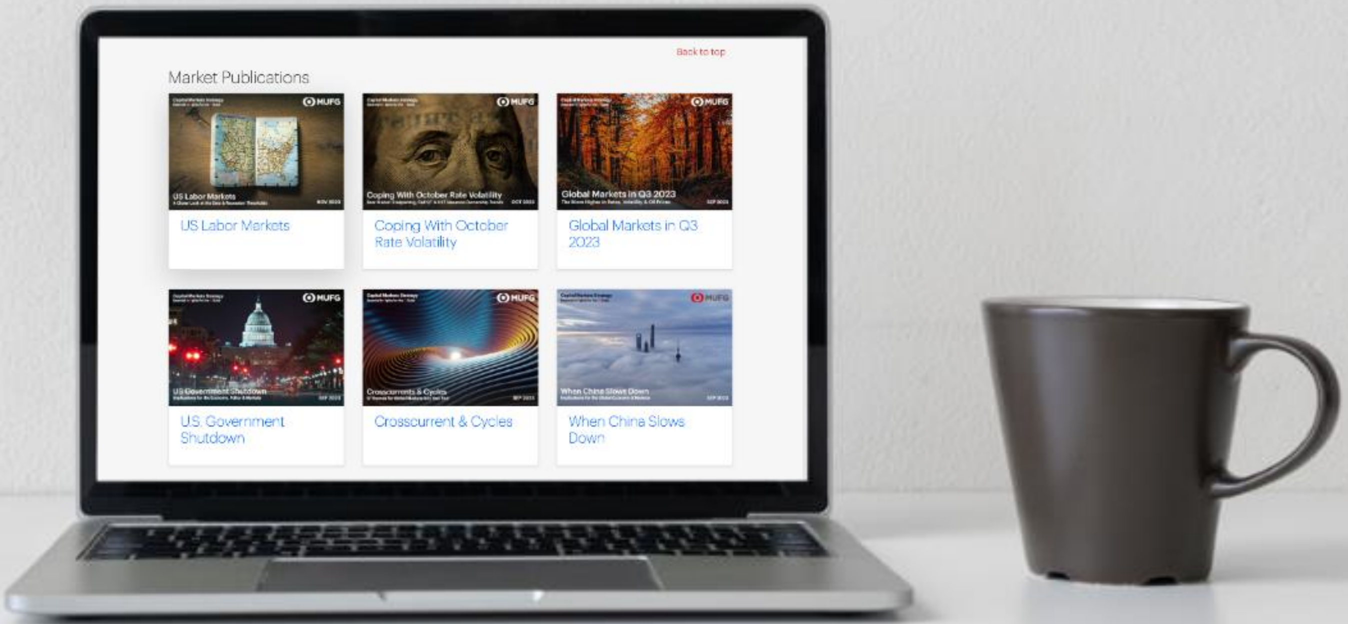

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Role

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 over 30 years of Investment Banking experience in New York, London, Hong Kong, and San Francisco. Tom created and built the Capital Markets Strategy role, advising corporate C-Suite executives (Boards, CEOs, CFOs, and Treasurers) on the pervasive macro forces driving markets. Tom also presents at dozens of corporate events each year including Board meetings, CEO ExCo sessions, CFO and Treasury off-sites, corporate leadership events and conferences.

Education

Tom's educational background includes a year of study at Oxford University from 1991 - 1992, a Bachelor of Arts in Political Science from Holy Cross College in 1993, and a MBA from Kellogg Business School, Northwestern University in 2000.

Personal

Tom resides in New Canaan, CT with his wife and four sons, where he previously served on the Board of Trustees of the New Canaan Library. Tom also serves on the President's Council of Holy Cross College.

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Role

Stephanie Kendal is a Vice President in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Stephanie has spent over seven years as a Capital Markets Strategist. She is an active member of the University of Michigan recruiting team and is focused on the diversity recruiting effort at MUFG. Stephanie is also a part of MUFG's DEI, Culture & Philanthropy (DCP) Council.

Education

Stephanie graduated with honors from the University of Michigan's Ross School of Business with a BBA .

Personal

Stephanie is involved in NYC's iMentor program, mentoring high school students with their journey to college graduation. She also volunteers at Experience Camps, a free summer camp program for grieving children, as the associate program director.

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Role

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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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