

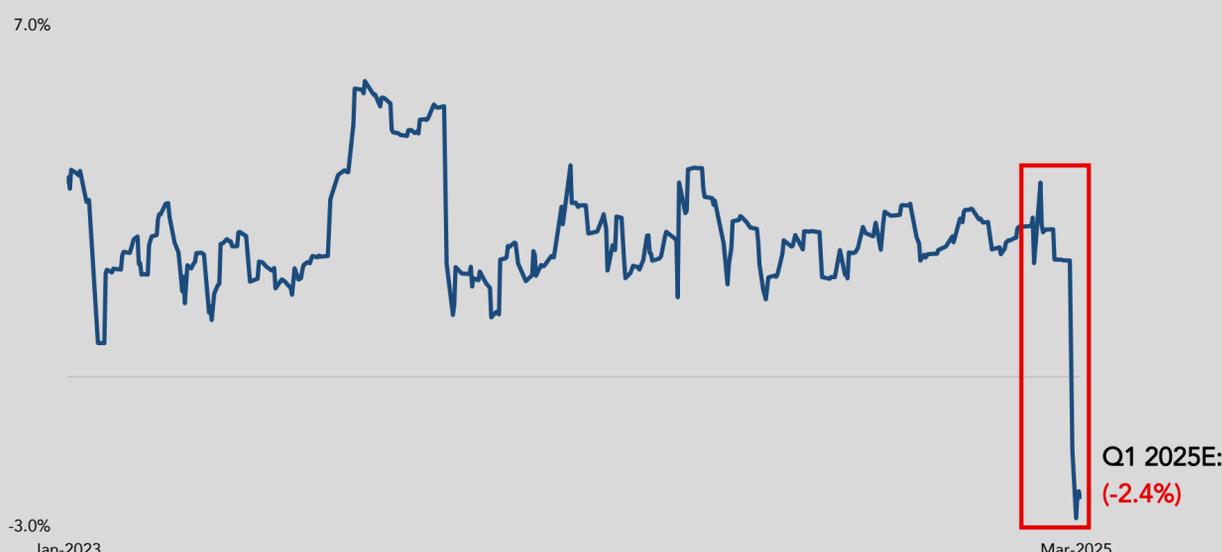
Chart of the Day



Softer US Economic Data

Seemingly unthinkable in January, the market has shifted its focus from US inflation to growth concerns. While US recession is by no means a baseline scenario, markets have begun to price in a higher probability of recession as “soft” data metrics (i.e., survey data) have begun to diverge from the “hard” data, which is still generally resilient. While not an “official” Fed forecast, the widely referenced Atlanta Fed GDPNow economic model, revised frequently (11 revisions in February alone), is forecasting a sizable (-2.4%) US GDP contraction in Q1 2025. As recently as January, the model had been forecasting +4% growth in Q1 2025. Though an outlier vis-a-vis other Fed models (Dallas, NY), the Atlanta Fed model has historically been considered among the most reliable of Fed models.

Atlanta Fed GDPNow forecast



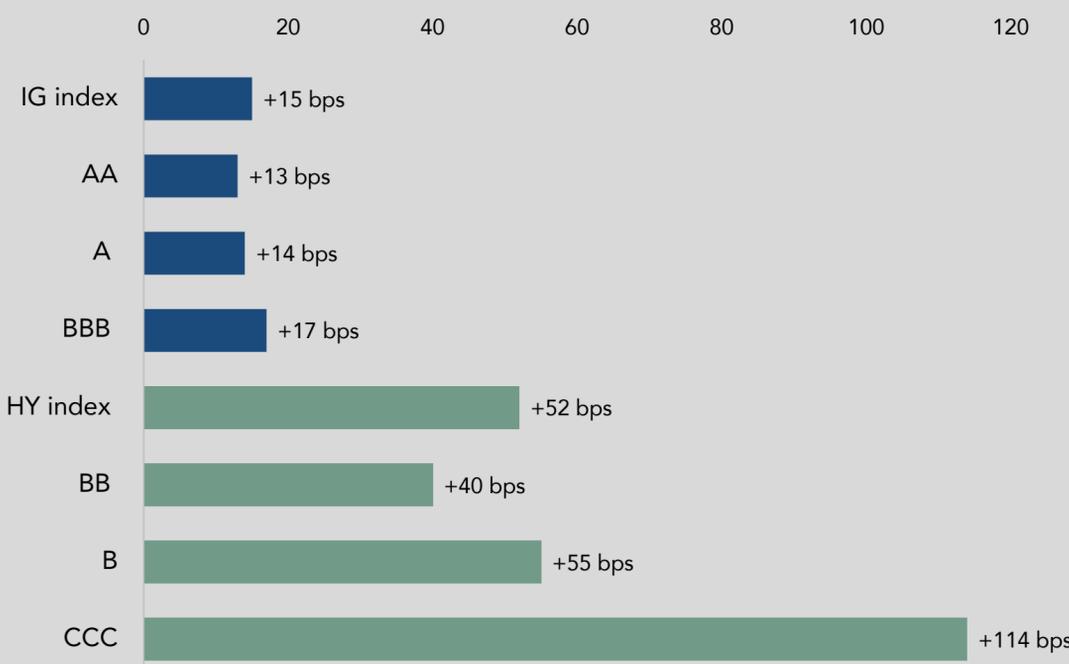
Recent softening in US economic data

- Tepid consumer confidence
- Personal spending declines
- Rising jobless claims
- Lower ISM manufacturing & employment data
- Declining homebuilder sentiment
- Weaker housing starts
- Sticky inflation metrics
- More fragile investor sentiment

USD Credit Spreads Since Trade War 2.0 Inception

Previously trading at multi-decade tight, HY credit spreads are also signaling growth concerns, having widened considerably since Trade War 2.0 began on Feb 1, 2025.

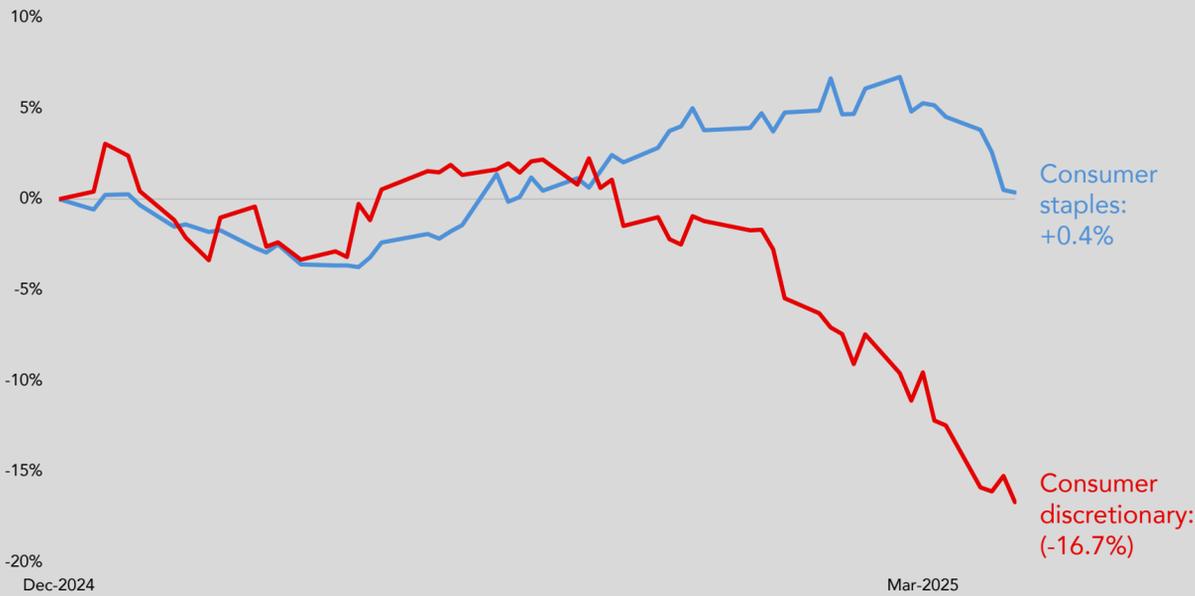
USD credit spread performance (since Feb 1, 2025)



More Cautious US Consumer

In equity markets, where recession concerns have also risen, defensive sectors such as consumer staples have diverged sharply from the more cyclical consumer discretionary stocks.

S&P 500 consumer staples index vs. consumer discretionary index since December 2024



Source: (1-3) Bloomberg. Data as of March 13, 2025.

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“Macro stability isn’t everything, but without it, you have nothing.”