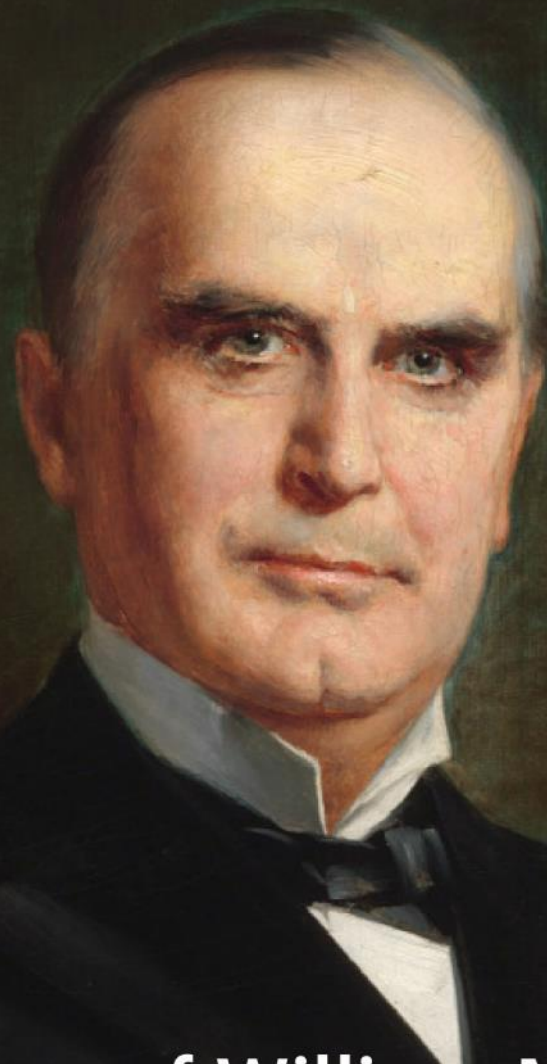


Capital Markets Strategy

Essential inCights for the C-Suite



The Long Shadow of William McKinley

A New & More Expansive Acceleration in Trade War 2.0

APR 2025



"I am a tariff man, standing
on a tariff platform."

William McKinley, 25th President of the US (1843-1901)

"President McKinley made our country very rich
through tariffs and through talent. He was a
natural businessman and gave Teddy Roosevelt
the money for many of the great things he did,
including the Panama Canal."

President Donald J. Trump in his 2nd inaugural address (Jan 20, 2025)

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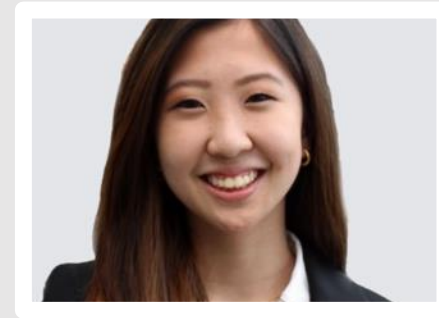
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website and access past reports,
policy notes and more.

Contents

Trade War 2.0 is Different

- 1.** Stepping Back in Time
- 2.** Liberation Day is Just Another Day
- 3.** Sooner This Time
- 4.** More Universal This Time
- 5.** More Expansive Reciprocal Tool
- 6.** Incremental Sector-Based Tariffs
- 7.** Tariffs to Fund Tax Cuts
- 8.** Tax Wars Merging With Trade Wars
- 9.** Counterparts Ready This Time
- 10.** Markets More Sensitive This Time

Assessing the Impact

- 11.** The Weight of Policy Uncertainty
- 12.** Sector & Market Divergence
- 13.** C-Suite Caution
- 14.** Soft Data Turning, Hard Data Resilient
- 15.** Rates at a Crossroads
- 16.** Corporate Credit Resilience
- 17.** Counterintuitive Dollar Weakness
- 18.** Precious Metals Outperforming
- 19.** Impact by US State & Country
- 20.** Ambitions of a Mar-a-Lago Accord

Stepping Back in Time

1

Back to the 19th Century

"The McKinley Tariff was framed for the people...as a defense to their industries, as protection to the labor of their hands, as a safeguard to the happy homes of the American workingmen, and as a security to their education, their wages, and their investments...It will bring to this country a prosperity unparalleled in our own history and unrivalled in the history of the world."

*Congressman William McKinley (R-OH) in 1890,
prior to his election as Governor of Ohio (1892),
and as 25th President of the United States (1896)*

Highest Tariffs Since Late 19th Century

130 Year High

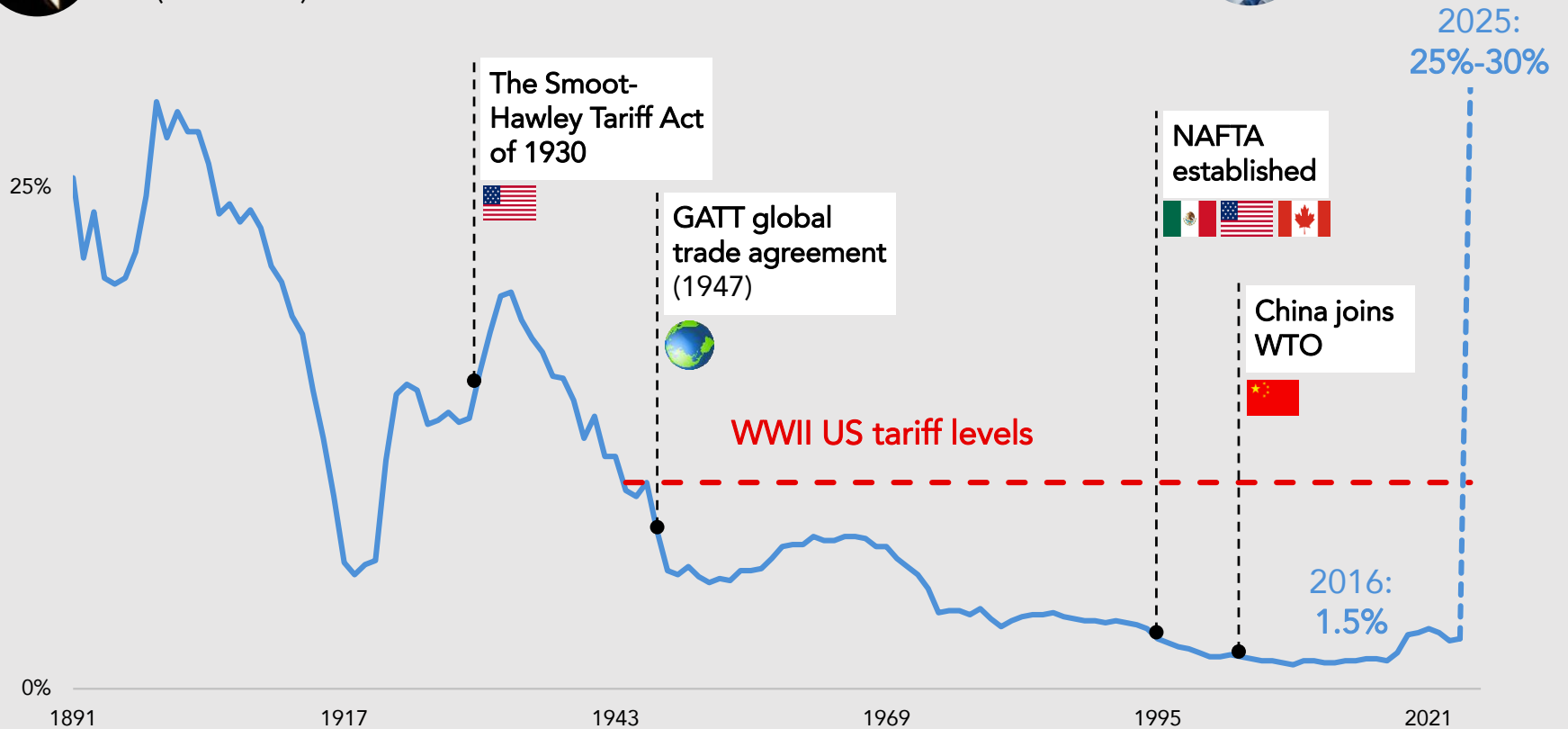
Average tariff rate on all imports



William McKinley
Presidency
(1897-1901)



Donald Trump
Presidency

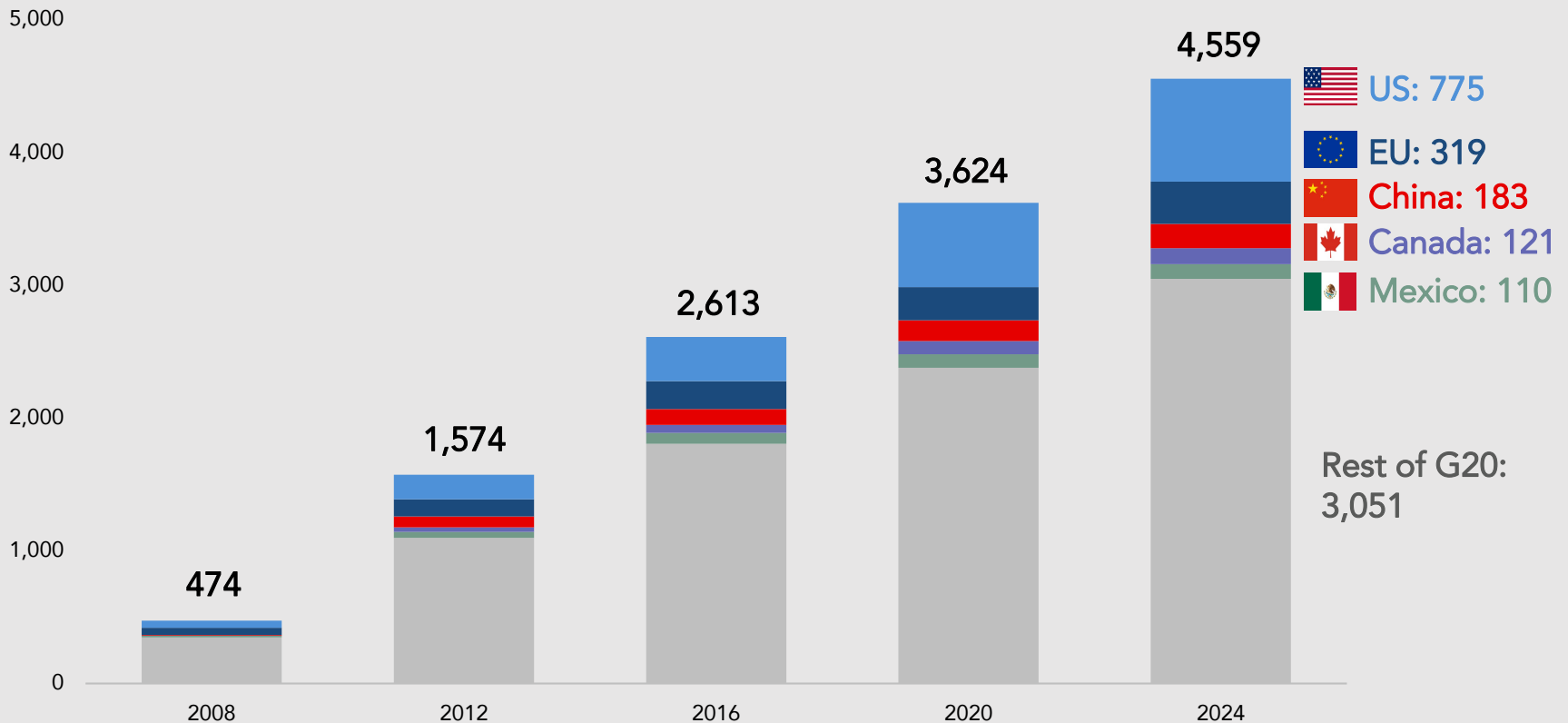


Source: (1) US International Trade Commission, "US Imports for Consumption, Duties Collected, and Ratio of Duties to Value." Table 1. US Census Bureau. The Tax Foundation, "Trump Tariffs: Tracking the Economic Impact of the Trump Trade War." 2025 rate is an estimate.

Global Protectionism Rising Since 2008 GFC

A rising cascade of protectionist measures have swept across the global economy over the last decade, precipitating the highest level of trade barriers since the period between the Smoot-Harley Tariff Act of 1930 and WWII. According to Global Trade Alert, there were 4,650 import restrictions across the G20 as of March 2025, including both tariff and non-tariff barriers (i.e., quotas, antidumping duties, etc.).

of import controls in place



Source: (1) WSJ. Global Trade Alert. Data through December 31, 2024. Includes tariffs, antidumping duties, import quotas, and other restrictions.

**Liberation Day is
Just Another Day**

2

Liberation Day is Just Another Day, in a New Economic Paradigm

Liberation Day was a significant day, but just another day in a new economic paradigm that is still in its early stages.



— **Frequency:** New tariff announcements every 3 days between Inauguration and Liberation Day (10 weeks)



— **Timing:** Immediate implementation



— **Pervasive:** Less “Art of the Deal” escalate to de-escalate



— **Philosophical:** More of an economic philosophy



— **Tactical:** More tactical than strategic, but direction of travel is clear



— **Low visibility:** Modification authority to tactically increase or decrease



— **Not just about trade:** Multi-layered tariff tools with different objectives

- Universal, reciprocal, sector, secondary and policy-based tariffs





— **Permanence:** Many of the tariffs are here to stay

Trump's Liberation Day Happens Every 3 Days



Announced / threatened tariff actions

	JAN 20	President Trump issues "America First Trade Policy" Executive Order requiring a review of global trade imbalances and US tariff recommendations by Apr 1
	APR 1	President Trump's trade advisory team (USTR, Treasury, Commerce, Homeland Security) provides review and recommendations from Jan 20 "America First Trade Policy" Executive Order
	APR 2	Liberation Day: President Trump announces more expansive wave of tariff escalation

of days since prior tariff escalation












	JAN 21	1 DAY	President Trump threatens 25% tariffs on Canada and Mexico
	JAN 22	1 DAY	President Trump threatens new tariffs on Russia
	JAN 23	1 DAY	President Trump threatens tariffs on Europe
	JAN 27	4 DAYS	President Trump threatens tariffs on computer chips and pharma
	JAN 27	4 DAYS	President Trump threatens 25% tariffs on Colombia to accept deportation flights
	JAN 28	1 DAY	President Trump threatens BRICS nations with a 100% tariffs if they move away from the USD as reserve currency
	FEB 1	4 DAYS	President Trump announces 10% tariffs on China

Trump's Liberation Day Happens Every 3 Days



Announced / threatened tariff actions

of days since
prior tariff escalation








	FEB 1	4 DAYS	President Trump announces 25% tariffs on Canada and Mexico
	FEB 3	2 DAYS	President Trump threatens 25% tariffs on the EU
	FEB 4	1 DAY	President Trump suspends de minimis , a type of duty-free treatment
	FEB 10	6 DAYS	President Trump announces 25% tariffs on steel and aluminum
	FEB 13	3 DAYS	President Trump announces a policy of reciprocal tariffs on countries that tax US imports
	FEB 14	1 DAY	President Trump threatens 25% tariffs on auto
	FEB 18	4 DAYS	President Trump threatens 25%+ tariffs on autos , semiconductors and pharma
	FEB 21	3 DAYS	President Trump mandates investigations and threatens tariffs against countries with digital service taxes (DSTs)
	FEB 25	4 DAYS	President Trump orders new investigation on tariffs on copper
	FEB 27	2 DAYS	President Trump announces additional 10% tariff on China
	MAR 1	2 DAYS	President Trump order new investigation on tariffs on timber and lumber

Trump's Liberation Day Happens Every 3 Days



Announced / threatened tariff actions

of days since
prior tariff escalation

	MAR 4	3 DAYS	President Trump threatens 25% tariffs on copper and lumber
	MAR 4	3 DAYS	President Trump threatens reciprocal tariffs on April 2 on any trading partner that charges tariffs or imposes other trade barriers on US products
	MAR 7	3 DAYS	President Trump threatens Russia with tariffs over the war with Ukraine
	MAR 11	4 DAYS	President Trump threatens 50% tariffs on steel and aluminum
	MAR 13	2 DAYS	President Trump threatens 200% tariffs on wine and spirits from the EU
	MAR 24	11 DAYS	President Trump announces 25% tariff on goods from any country that buys oil or gas from Venezuela
	MAR 26	2 DAYS	President Trump announces 25% tariffs on autos
	Apr 2	7 DAYS	Liberation Day: President Trump announces more expansive wave of tariff escalation

3.1 DAYS Average # of days between tariff threats and escalations

3.0 DAYS Median # of days between tariff threats and escalations

Sooner This Time

3

Immediate Implementation This Time

By relying heavily on the 1977 IEEPA provisions in Trade War 2.0, President Trump can:

- Avoid the one year review and investigation periods
- Utilize modification authority to increase or decrease tariffs as needed
- Implement tariffs immediately

9-12 month investigation periods
required by US trade law
provisions utilized in 2018-19

Section 301,
Trade Act of 1974

Section 232,
Trade Expansion Act of 1962

Section 201,
Trade Act of 1974

No investigation period required
in expected trade law
provisions used in 2025

Section 203, International Emergency
Economic Powers Act of 1977 (IEEPA)

Section 338,
Tariff Act of 1930










Section 122,
Trade Act of 1974

Source: (1) Bloomberg, "A Roadmap Through Trump's Tariff Realities and Trade War Drama" (Shawn Donnan & Anna Wong). Bloomberg Economics.

Rapid Tariff Implementation Dates



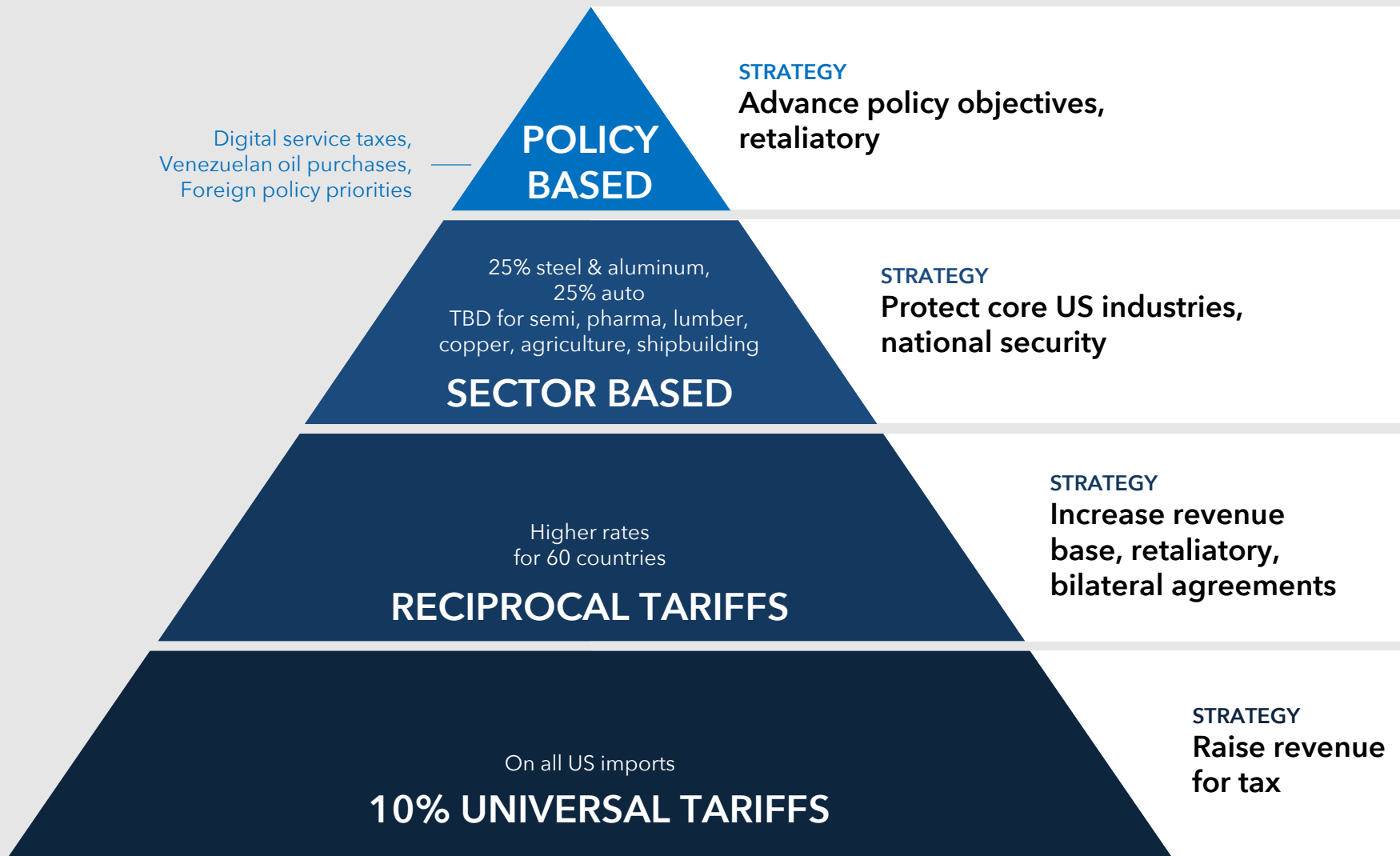
Tariff implementation dates in Trade War 2.0 (2025)

	FEB 4	10% tariffs on China implemented
	MAR 4	Additional 10% tariffs of China implemented
	MAR 4	25% tariffs on Mexico and Canada implemented (delayed 30 days for USMCA compliant products)
	MAR 12	25% tariffs on steel and aluminum imports implemented
	APR 2	Effective date for delayed Canada & Mexico auto and USMCA tariffs
	APR 3	25% tariffs on cars and light trucks go into effect
	APR 5	10% universal tariffs on ALL countries go into effect
	APR 9	Country-specific reciprocal tariffs go into effect
	MAY 2	25% tariffs on car engines, transmissions, and electrical components go into effect

**More Universal
This Time**

4

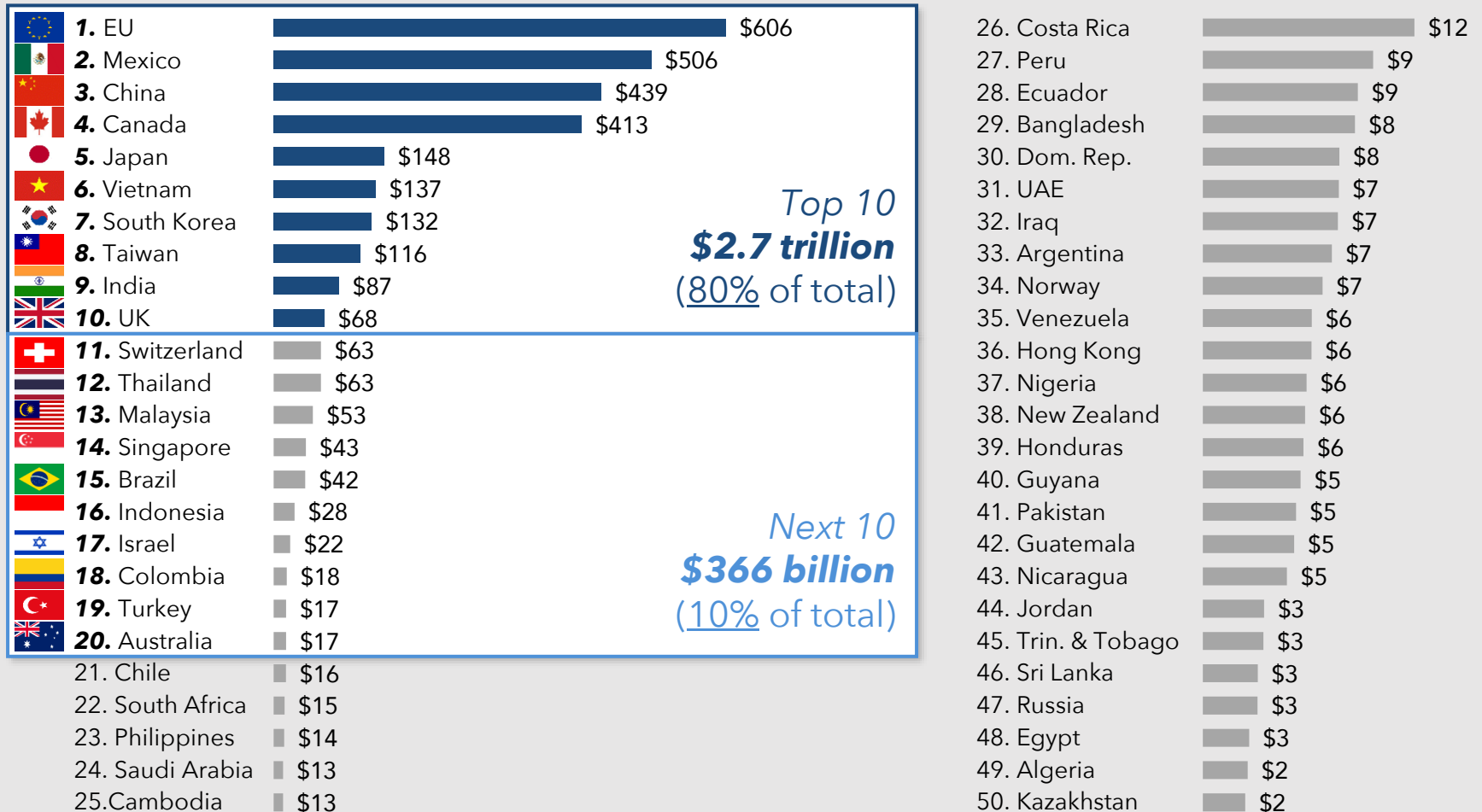
Multi-Layered Approach With Varying Objectives



10% Universal Tariffs on All US Imports



Top 50 sources of US goods imports, USD bn



Source: (1) US Census Bureau. Data is 2024.

Fewer Exemptions and Carveouts This Time



Unlike the tariffs in 2018-19, there are very few carveouts and exemptions in the Trade War 2.0 tariffs of 2025. By virtue of using IEEPA legal provisions, the President has also eliminated the long investigation and review periods of his first term, during which companies could provide comments and apply for product exemptions.

Limited Exemptions Announced on Liberation Day



Universal & Reciprocal tariffs:

Exemptions **limited** to products subject to current or forthcoming sector tariffs

- Steel & aluminum
- Auto & auto parts
- Copper, lumber
- Pharma, semiconductors
- Energy & minerals not available in US
- Bullion
- 50 USC 1702 (b) (i.e., humanitarian)



Canada & Mexico:

- **While IEEPA fentanyl tariffs remain:**
Exempt from reciprocal tariffs
- **If IEEPA fentanyl tariffs terminated:**
12% reciprocal tariffs



De Minimis Exemption:

- **Eliminated** on China origin goods (< \$800)
- Used widely by Chinese e-commerce sellers

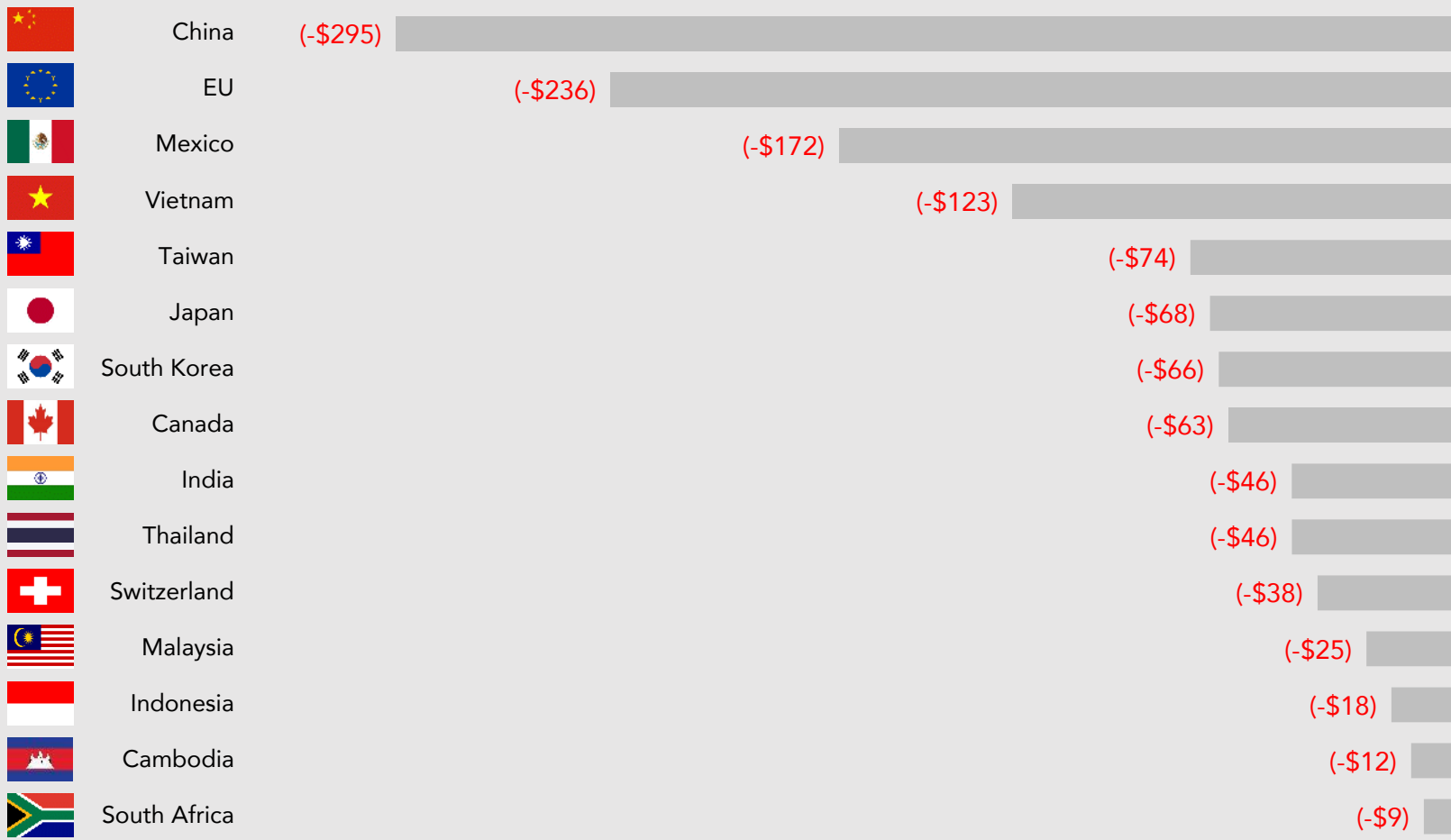
More Expansive Reciprocal Tool

A dark, semi-transparent portrait of a man in a suit and bow tie, serving as a background for the slide.

5

Primary Targets of Reciprocal Tariffs

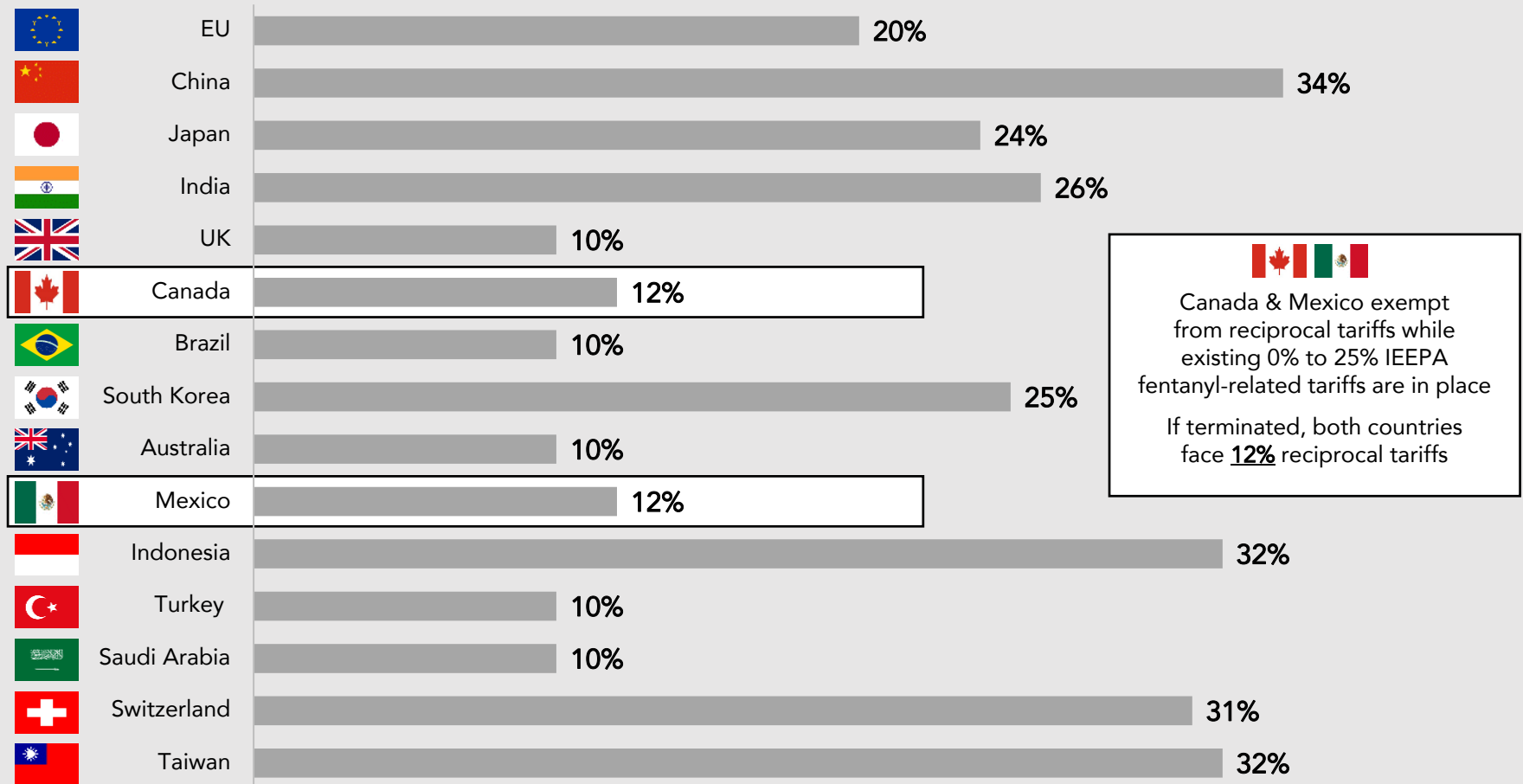
15 largest US goods trade deficits by country, USD bn



Source: (1) US Census Bureau. Data is 2024.





























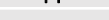
Reciprocal Tariffs: 15 Largest Economies















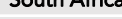















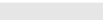
Reciprocal tariff rate for 15 largest economies by GDP (ex-US)



Source: (1) GDP data is 2025 IMF numbers. Russia not included in reciprocal tariff announcement due to sanctions policy.

Reciprocal Tariffs: The 60 “Worst Offenders”

Region / country	Tariffs charged to US	US reciprocal tariffs
Europe		
 Serbia	74%	37%
 Lichtenstein	73%	37%
 Bosnia & Herzegovina	70%	35%
 North Macedonia	65%	33%
 Switzerland	61%	31%
 Moldova	61%	31%
 European Union	39%	20%
 Norway	30%	15%
APAC		
 Cambodia	97%	49%
 Laos	95%	48%
 Vietnam	90%	46%
 Sri Lanka	88%	44%
 Myanmar (Burma)	88%	44%
 Bangladesh	74%	37%
 Thailand	72%	36%
 China	67%	34%
 Taiwan	64%	32%
 Indonesia	64%	32%
 Fiji	63%	32%
 Nauru	59%	30%
 Norfolk Island	58%	29%
 Kazakhstan	54%	27%
 India	52%	26%
 South Korea	50%	25%
 Brunei	47%	24%
 Japan	46%	24%
 Malaysia	47%	24%
 Vanuatu	44%	22%
 Philippines	34%	17%

Region / country	Tariffs charged to US	US reciprocal tariffs
Americas		
 Saint Pierre & Miquelon	99%	50%
 Falkland Islands	82%	41%
 Guyana	76%	38%
 Nicaragua	36%	18%
 Venezuela	29%	15%
MENA		
 Lesotho	99%	50%
 Madagascar	93%	47%
 Syria	81%	41%
 Mauritius	80%	40%
 Iraq	78%	39%
 Botswana	74%	37%
 Reunion	73%	37%
 Angola	63%	32%
 Libya	61%	31%
 South Africa	60%	30%
 Algeria	59%	30%
 Pakistan	58%	29%
 Tunisia	55%	28%
 Côte d'Ivoire	41%	21%
 Namibia	42%	21%
 Jordan	40%	20%
 Zimbabwe	35%	18%
 Israel	33%	17%
 Malawi	34%	17%
 Zambia	33%	17%
 Mozambique	31%	16%
 Nigeria	27%	14%
 Chad	26%	13%
 Equatorial Guinea	25%	13%
 Cameroon	22%	11%
 DR Congo	22%	11%

Source: (1) The White House. Tariffs charged to the US include currency manipulation and trade barriers.

Non-Tariff Barriers Factored into Reciprocal Tariffs

Selected examples of non-tariff barriers



Quotas



Subsidies



Value-added taxes



Currency depreciation



Licenses



Other restrictions (i.e., technical rules, licensing obligations)

The Math Behind Reciprocal Tariffs

Politically, reciprocal tariffs have been a compelling argument insofar as they aim to “charge countries” for the differential in their combined tariff and non-tariff barriers. Practically, however, reciprocals are too complex to calculate. Given that the United States trades with 200 countries across 13,000 product categories, that would theoretically require USTR staff with 200 employees to calculate and implement 2.6 million different tariff rates. Instead, the USTR has detailed its reciprocal tariff formula which aims to provide a proxy for the role of tariff and non-tariff barriers in persistent trade deficits.



Illustrative example of the USTR’s reciprocal tariff formula for China

1	Trade Imbalance Proxy:	$\frac{\text{China's US Trade Surplus} (\$295 \text{ bn})}{\text{China's Total US Exports} (\$438 \text{ bn})}$	= 68%
2	“Discount”:	$\frac{68\%}{2}$	= 35% Reciprocal tariff

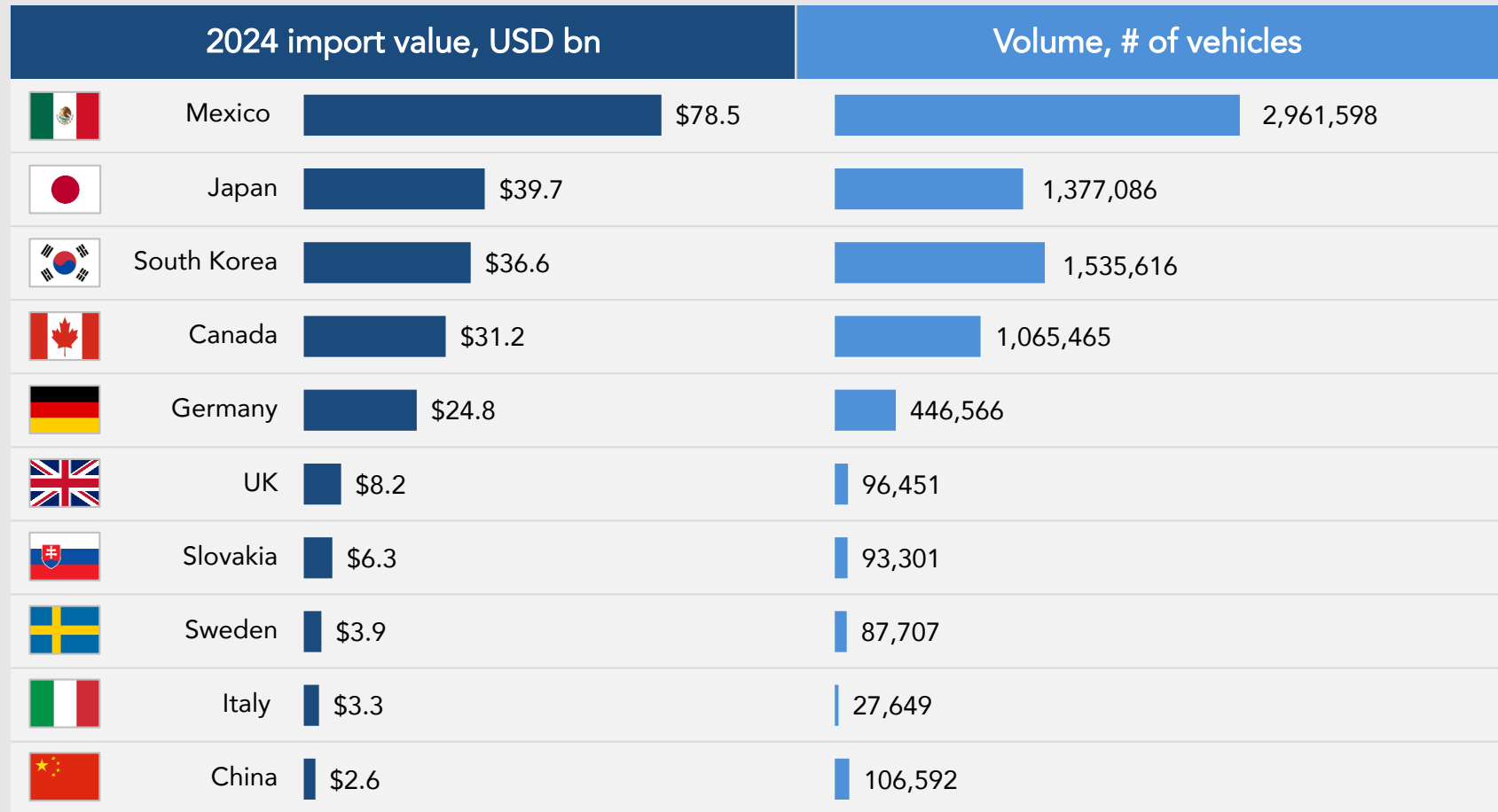
Source: (1) White House. USTR.

Incremental Sector-Based Tariffs

6

Countries More Vulnerable to US Auto Tariffs

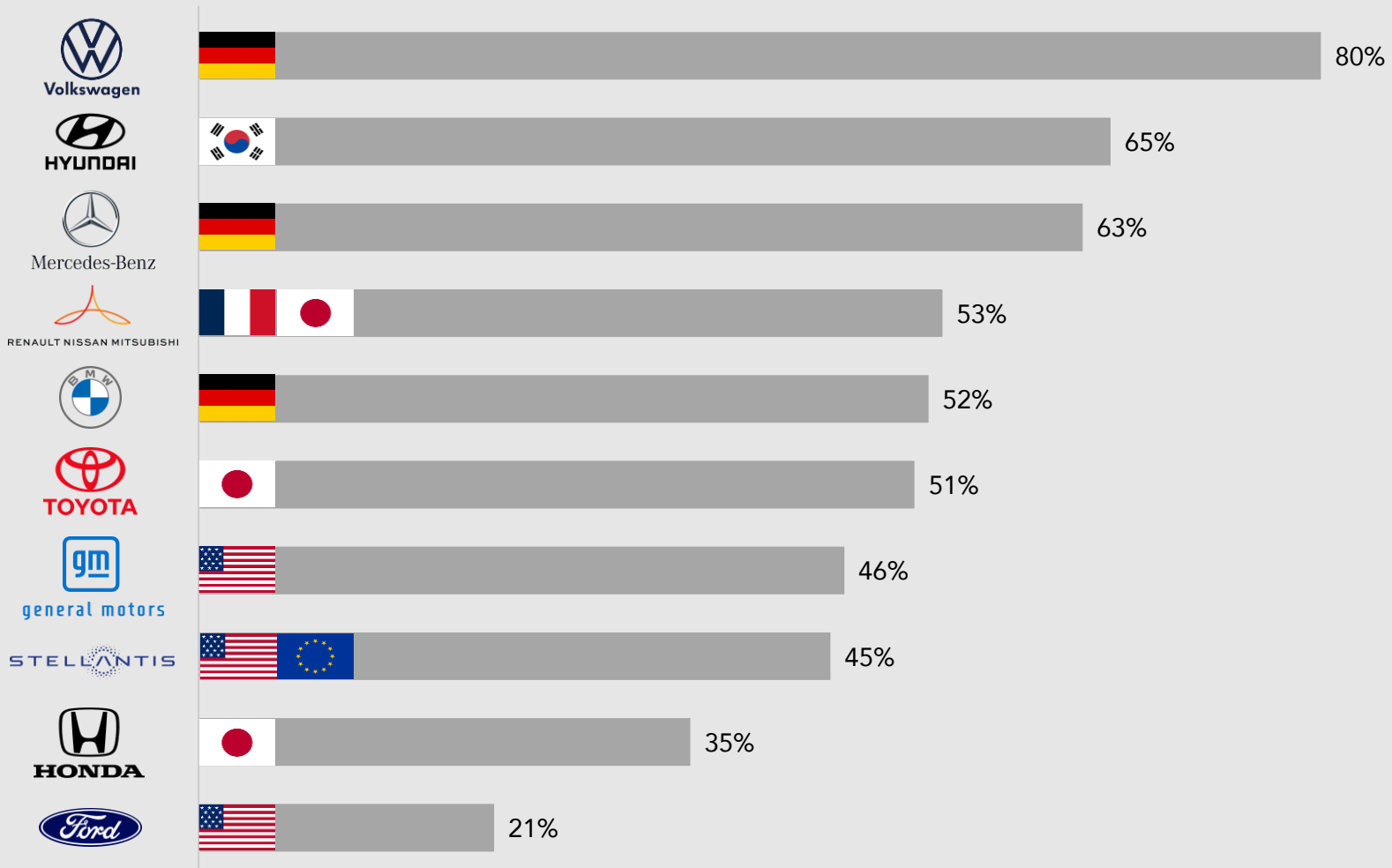
US auto imports, by country



Source: (1) International Trade Administration. Bloomberg.

Companies More Vulnerable to US Auto Tariffs

Imports as a share of US vehicle sales, by automaker



Source: (1) Bloomberg Government. Global Data. Stellantis is multinational company, formed from the merger of Fiat Chrysler and French PSA group.

Tariffs to Fund Tax Cuts

Funding \$10 Trillion of Proposed Tax Cuts

Extending the 2017 tax cuts: **\$4.6 trillion**

Over 10 years

Additional tax provisions: **\$4.7 trillion**

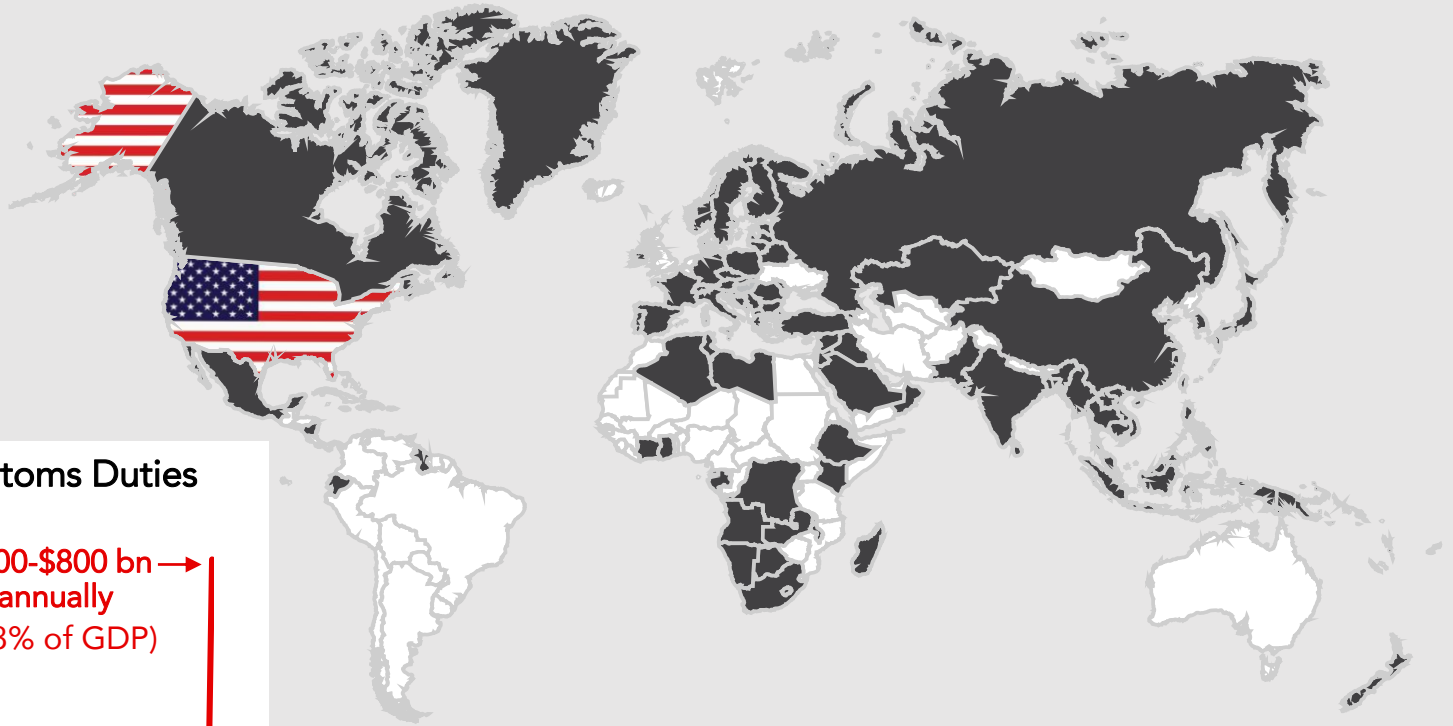
Over 10 years

Individual tax brackets: \$3.3 trillion	Higher estate & gift tax exemptions: \$167 bn	Reduce corporate statutory rate from 21% to 15%: \$900 bn	Double the SALT cap (\$10k to \$20k): \$175 Eliminate taxes on Social Security: \$1.9 trillion
	Investment treatment: \$378 bn		
	Corporate tax provisions: \$172 bn	Eliminate taxes on tips: \$175 bn	
	Increased interest expense: \$605 bn	Extend the Child Tax Care credit : \$1.5 trillion	

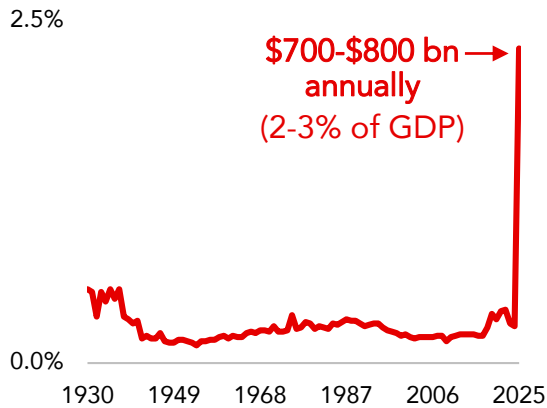
Source: (1) Veda Partners (Treyz). CBO, "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenue" (May 2024).

Universal & Reciprocal Tariffs Create Revenue

■ The US had trade deficits with more than 100 countries



Annual US Customs Duties









Source: (1-2) Capital Economics, "Trump Reciprocal Tariff Blow Bigger Than we Expected" (April 2, 2025). BEA. Census Bureau. Sidley Austin LLP. World Integrate Trade Solution. Full year data as of 2022.

How to Fund Trillions of Tax Cuts?

The Senate Finance and House Ways & Means Committees will pursue several paths to fund nearly \$10 trillion (measured over 10 years) of new tax cuts and tax cut extensions that meet the “Byrd Rule” requirements of the Senate’s “budget reconciliation” process (50 votes required). Our base case view is that a larger-than-anticipated tax package is quite possible, and could result in the largest single year US fiscal expansion on record (i.e., \$2-3 trillion).

Selected pay-forwards to fund tax cuts and tax cut extensions

-  Reduce overall size of tax package (well below \$10 trillion)
-  Reduce time period of extensions (from 10 to 4-5 years)
-  Significant cuts to government spending (i.e., Medicaid)
-  Raise selected tax rates (i.e., carried interest)
-  Eliminate selected tax incentives (i.e., energy tax credits)
-  Congressional legislation to raise tariffs or remove China’s MFN status



Change Senate rules to circumvent Parliamentarian and current CBO / JCT scoring rules:

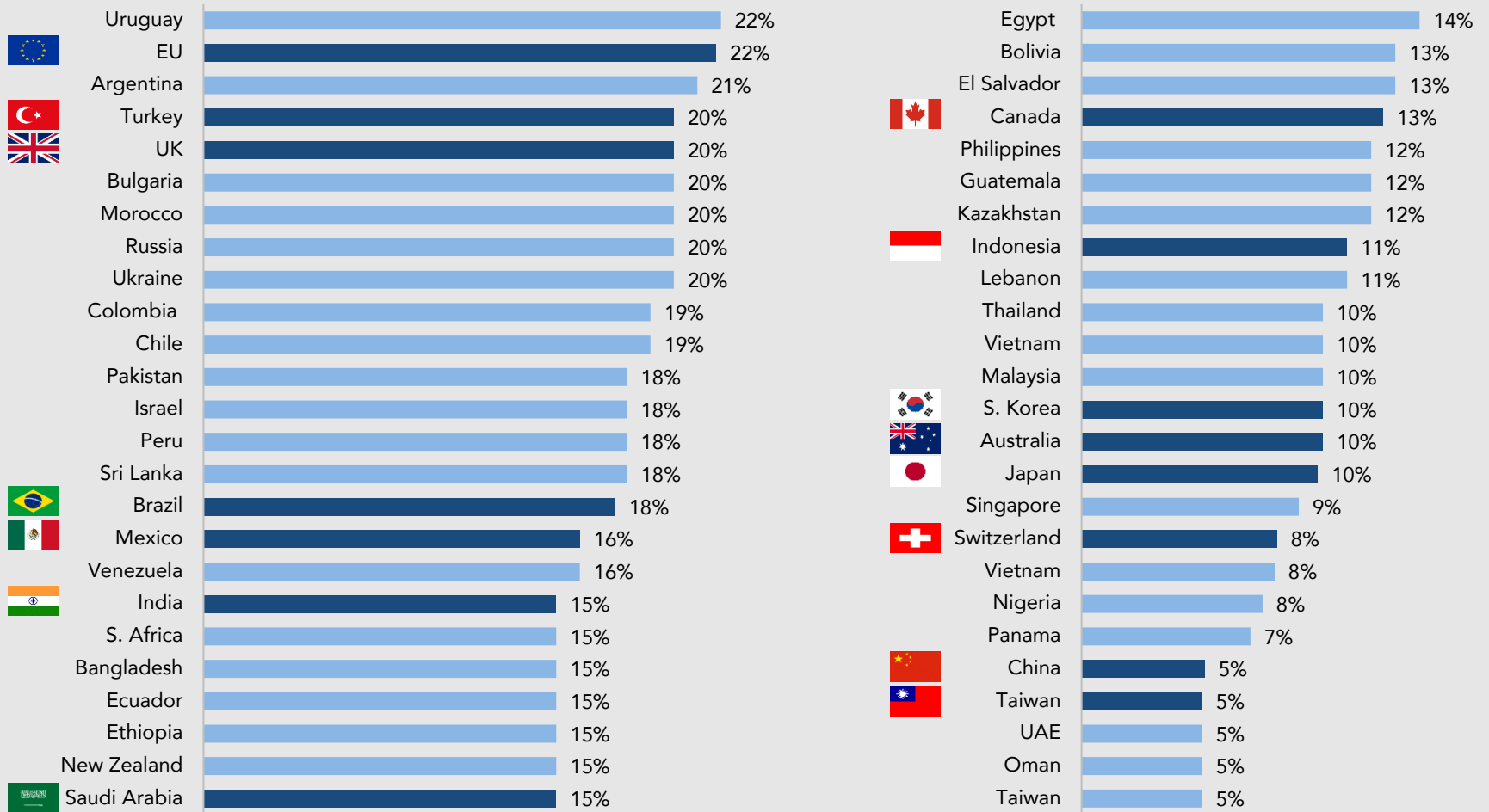
- Change rules to treat \$4.6 trillion of US tax extensions as “current policy baseline” (effectively, excludes \$4.6 trillion from deficit calculations)
- **Change rules to permit inclusion of tariff revenue (currently not permitted unless tariffs passed by an Act of Congress)**

A dark, semi-transparent portrait of a man in a suit and bow tie, likely a historical figure, serves as the background for the slide. The man has a serious expression and is looking slightly to the right of the camera.

Tax Wars Merging With Trade Wars

President Trump Views VATs as Export Subsidies

VAT rate by country



Source: (1) Capital Economics. Bloomberg, "Trump Widens Trade Fight to Include Global Taxes and Regulation." China figure is CE estimate. Canada VAT figure includes provincial sales tax. Global VAT Compliance. EU is average. Flags for 15 largest economies ex-Russia and individual EU member states.

Trump Views DSTs as Discriminatory

Over 40 countries globally have either enacted or are actively pursuing Digital Service Taxes (DSTs). President Trump has required the USTR, Treasury and Commerce departments to undertake a comprehensive review of these countries by April 1 and provide recommendations for reciprocal US policy action.

Over 40 countries have adopted DSTs

Legislation enacted:

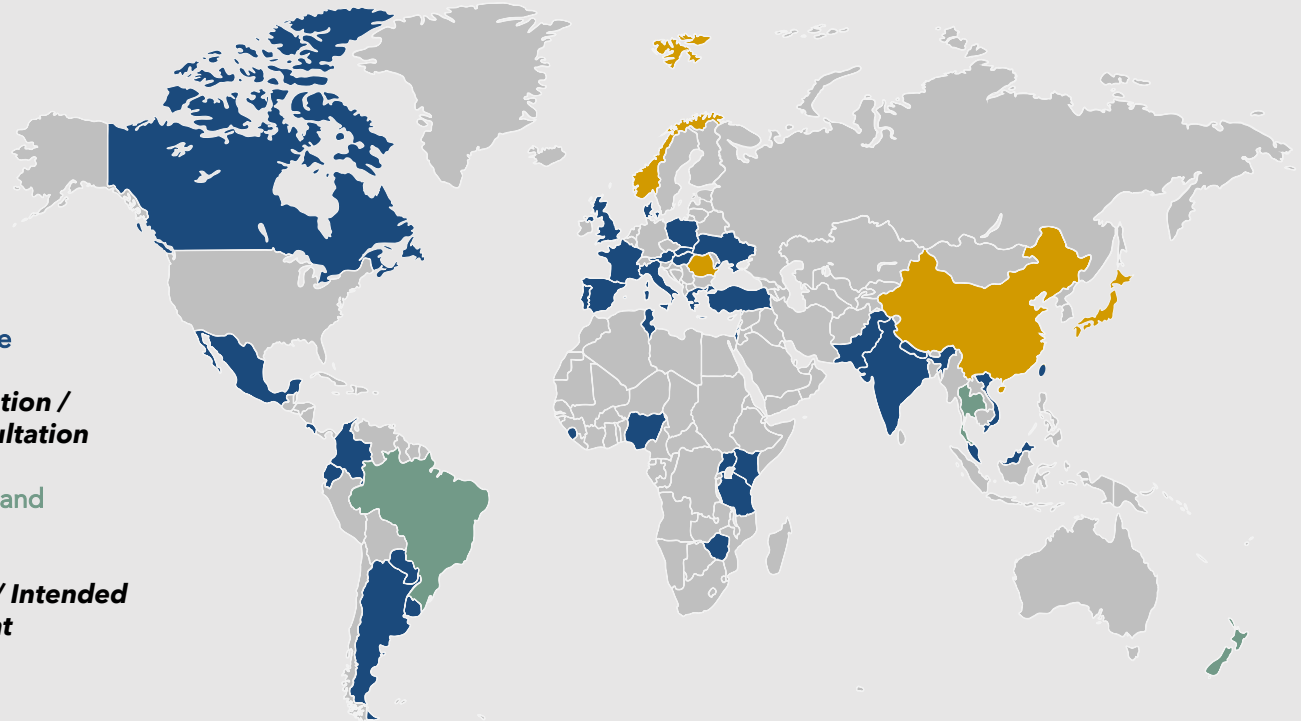
1. Argentina
2. Austria
3. Canada
4. Colombia
5. Costa Rica
6. Denmark
7. Ecuador
8. France
9. Greece
10. Hungary
11. India
12. Israel
13. Italy
14. Kenya
15. Malaysia
16. Mexico
17. Nepal
18. Nigeria
19. Pakistan
20. Paraguay
21. Poland
22. Portugal
23. Sierra Leone
24. Slovakia
25. Spain
26. Taiwan
27. Tanzania
28. Tunisia
29. Turkey
30. Ukraine
31. UK
32. Uganda
33. Uruguay
34. Vietnam
35. Zimbabwe

Draft Legislation / Public Consultation

36. Brazil
37. New Zealand
38. Thailand

Announced / Intended to Implement

39. China
40. Japan
41. Norway
42. Romania



■ 35 Legislation Enacted

■ 3 Draft Legislation/Public Consultation

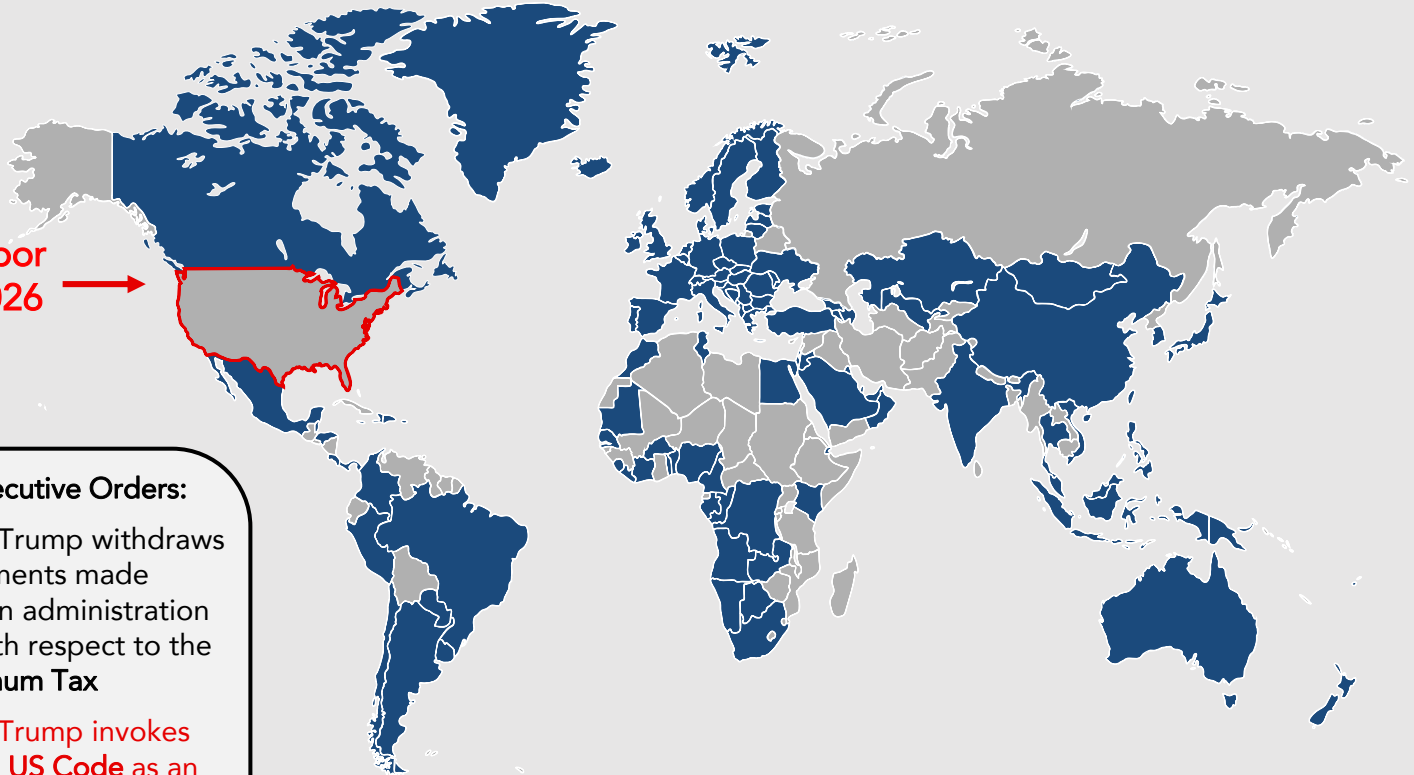
■ 4 Announced/Intention to Implement

Source: KPMG, "Taxation of the Digitized Economy – Developments Summary" Data as of January 30, 2025.

Trump Views Global Minimum Tax as Discriminatory

Countries committed to the OECD Pillar 2 15% Global Minimum Tax Agreement

US Safe Harbor
Expires in 2026 →



Relevant Trump Executive Orders:

- **Jan 20:** President Trump withdraws from any commitments made between the Biden administration and the OECD with respect to the 15% Global Minimum Tax
- **Jan 20:** President Trump invokes **Section 891 of the US Code** as an option for protection from **discriminatory and extraterritorial tax measures**

Source: (1) OECD. "Members of the OECD/G20 Inclusive Framework on BEPS that have approved the July 2023 Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy as of May 28, 2024. Including Canada who signed in September 2024.

Counterparts Ready This Time

9

Trade Counterparts Ready This Time



Supporting domestic economy with fiscal stimulus



Currency depreciation to offset tariffs



Reducing ownership of US treasuries and equities



Targeted export controls (rare earth and strategic minerals)



WTO dispute consultations and complaints



Targeting US corporate leaders (antitrust investigations, entity lists, anti-coercion mechanisms)



Targeted tariffs on red-state industry sectors (agriculture, whiskey & spirits)



Targeted tariffs on US industry leaders (high tech, digital services)



Geostrategic realignment away from the US



Redirecting trade away from the US

Market measures

Corporate measures

Trade measures

Geostrategic measures

Rules Based System Critical for Attracting FDI

A coercive trade war may not be the most effective way to attract significant capital outlays and long-term foreign direct investment (FDI) into the US industrial and manufacturing sectors.

Key Criteria for Attracting Foreign Direct Investment (FDI)

- 1** *Rule of law*
- 2** *Policy stability*
- 3** *Reliable commercial dispute mechanisms*
(transparent, effective, efficient)



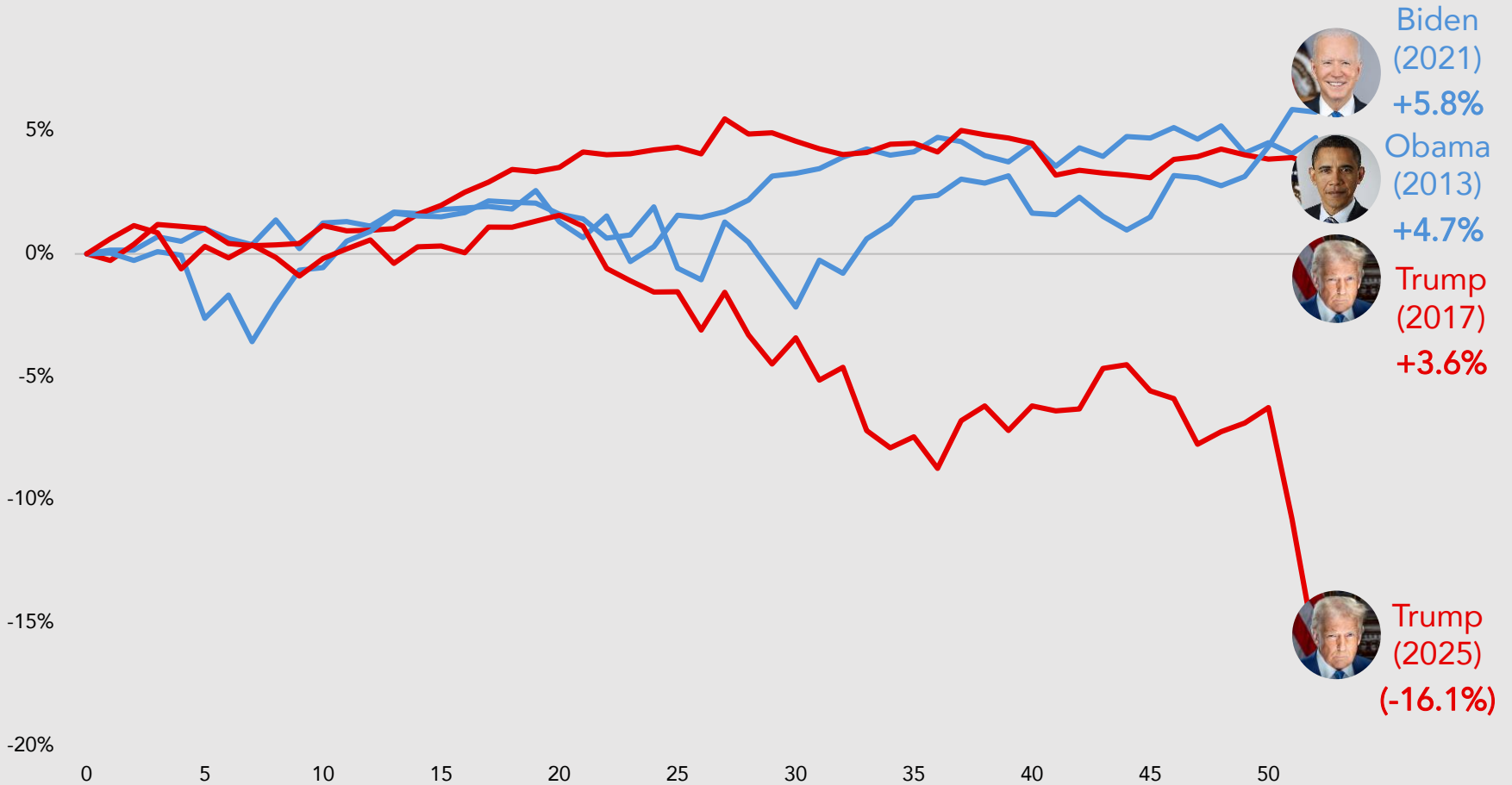


**Markets More
Sensitive This Time**

10

Markets More Sensitive This Time

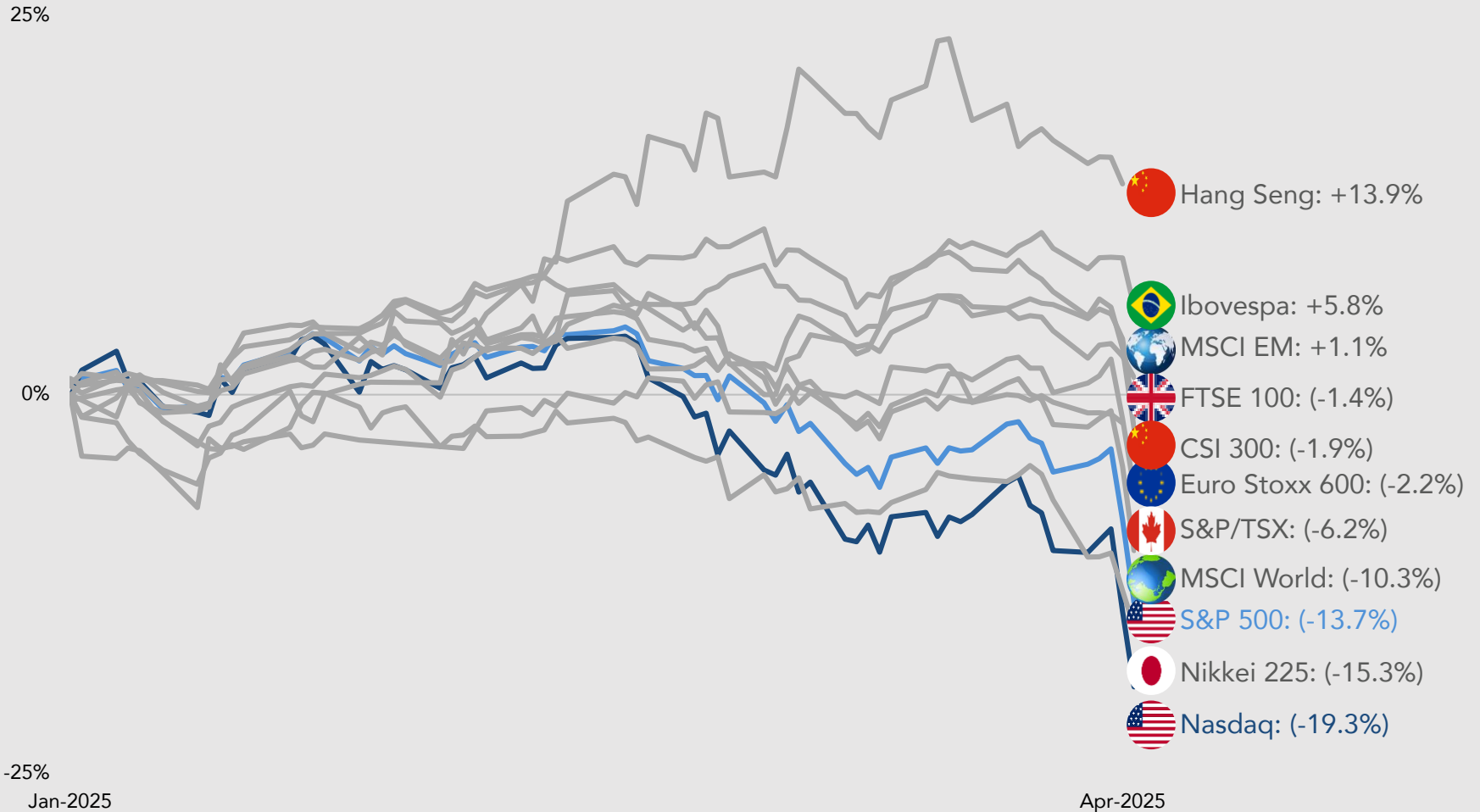
S&P 500 performance in first 52 trading days, by President



Source: (1) Bloomberg. Data as of April 4, 2025.

US Equities Trailing Most Global Benchmarks YTD

Global equity market performance in 2025 YTD

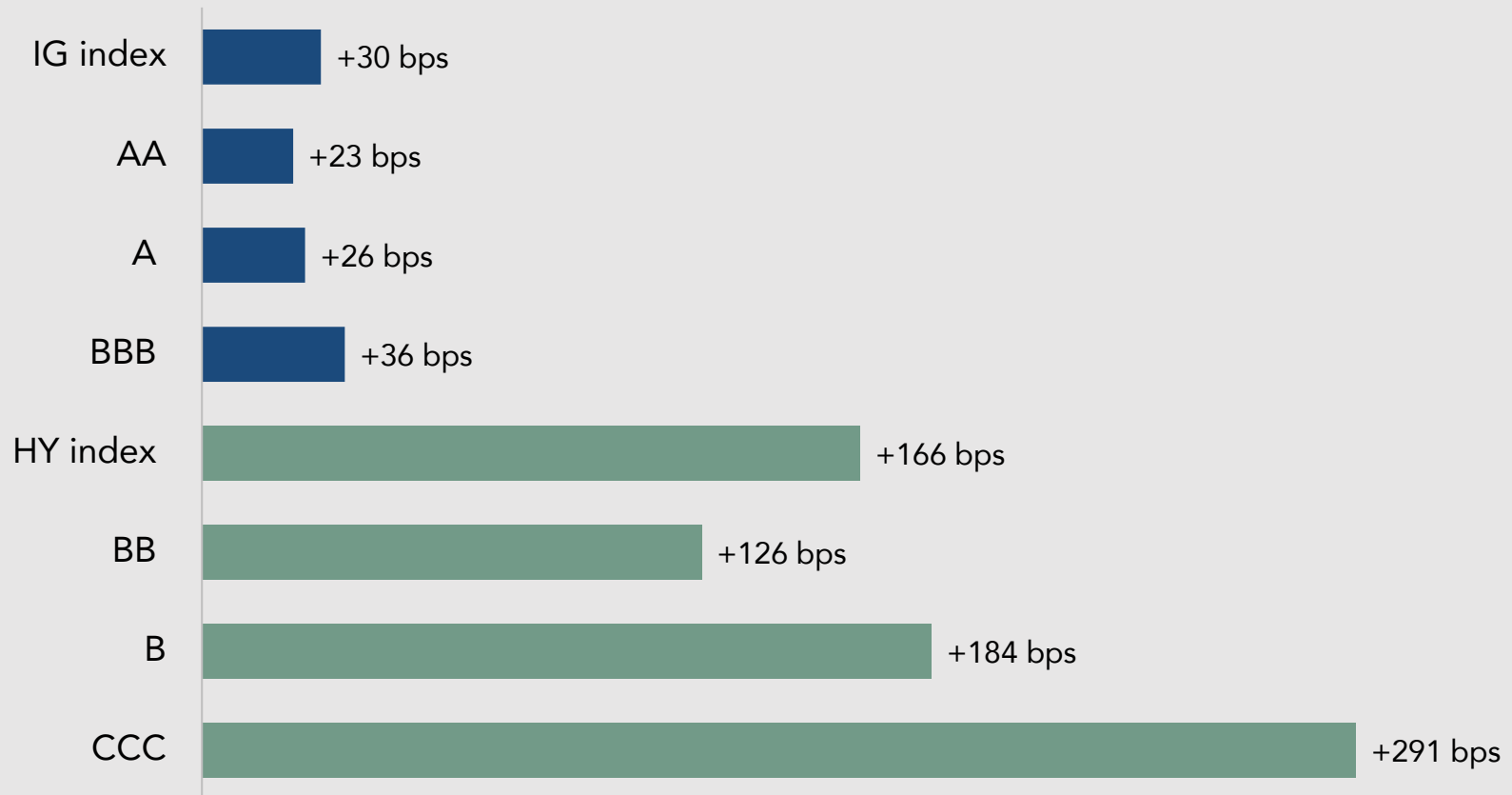


Source: (1) Bloomberg. Data as of April 4, 2025. Graph shows price return, not total return.

USD Credit Spreads Since Trade War 2.0 Inception

Previously trading at multi-decade tights, 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)



Source: (1) Bloomberg. Data as of April 4, 2025.

The Weight of Policy Uncertainty

11

The Weight of Policy Uncertainty

Tariff & trade
policy escalation



Record pace of
Executive Orders

Market Divergence in Q1 2025

Unstable
geopolitical
backdrop



Disorderly
DOGE layoffs

Record IG issuance pace
Sharp declines in HY issuance
Cautious US M&A activity
Rate tightening, spread widening
US equities underperforming
Global commodities outperforming

Softer US
economic data



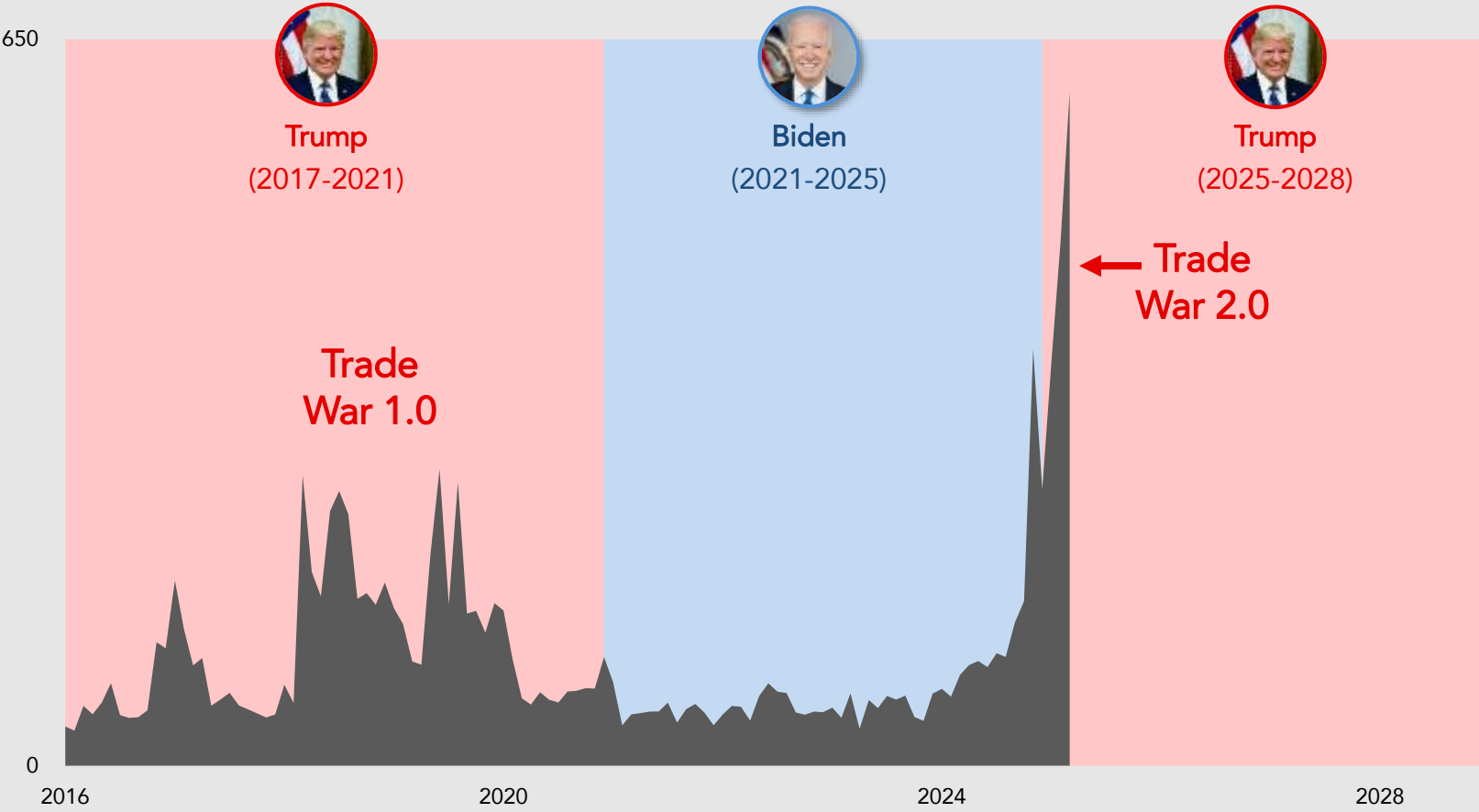
Government
austerity measures



Mixed signals on
M&A deregulation

Trade Policy Uncertainty Hits New Record High

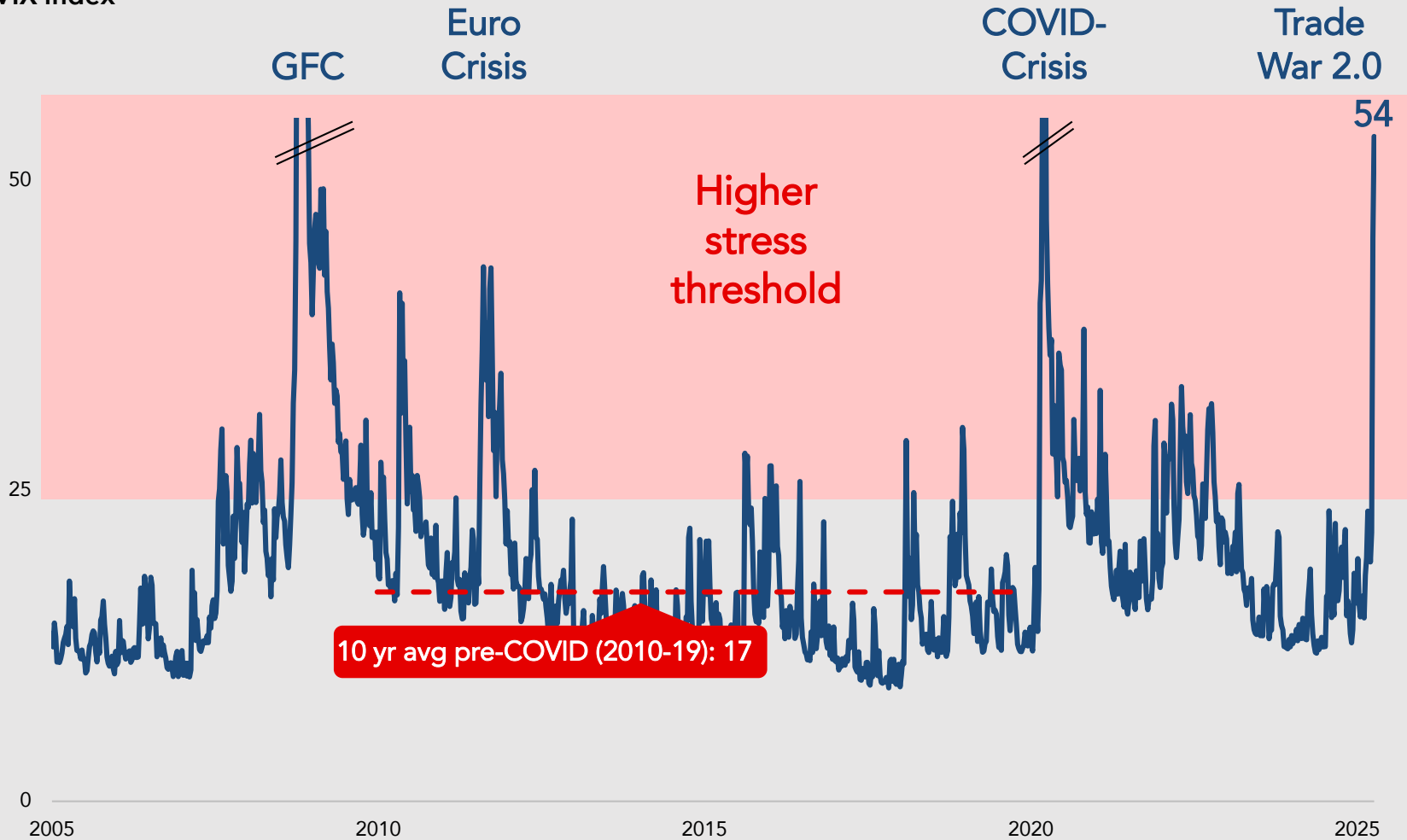
Tariff Policy Uncertainty Index



Source: (1) Bloomberg. Data as of April 3, 2025.

Equity Volatility Well Above Long Term Average

VIX index













Source: (1) Bloomberg. Data as of April 7, 2025. 2008 peak is 81. 2020 COVID peak is 82.

Sector & Market Divergence

12

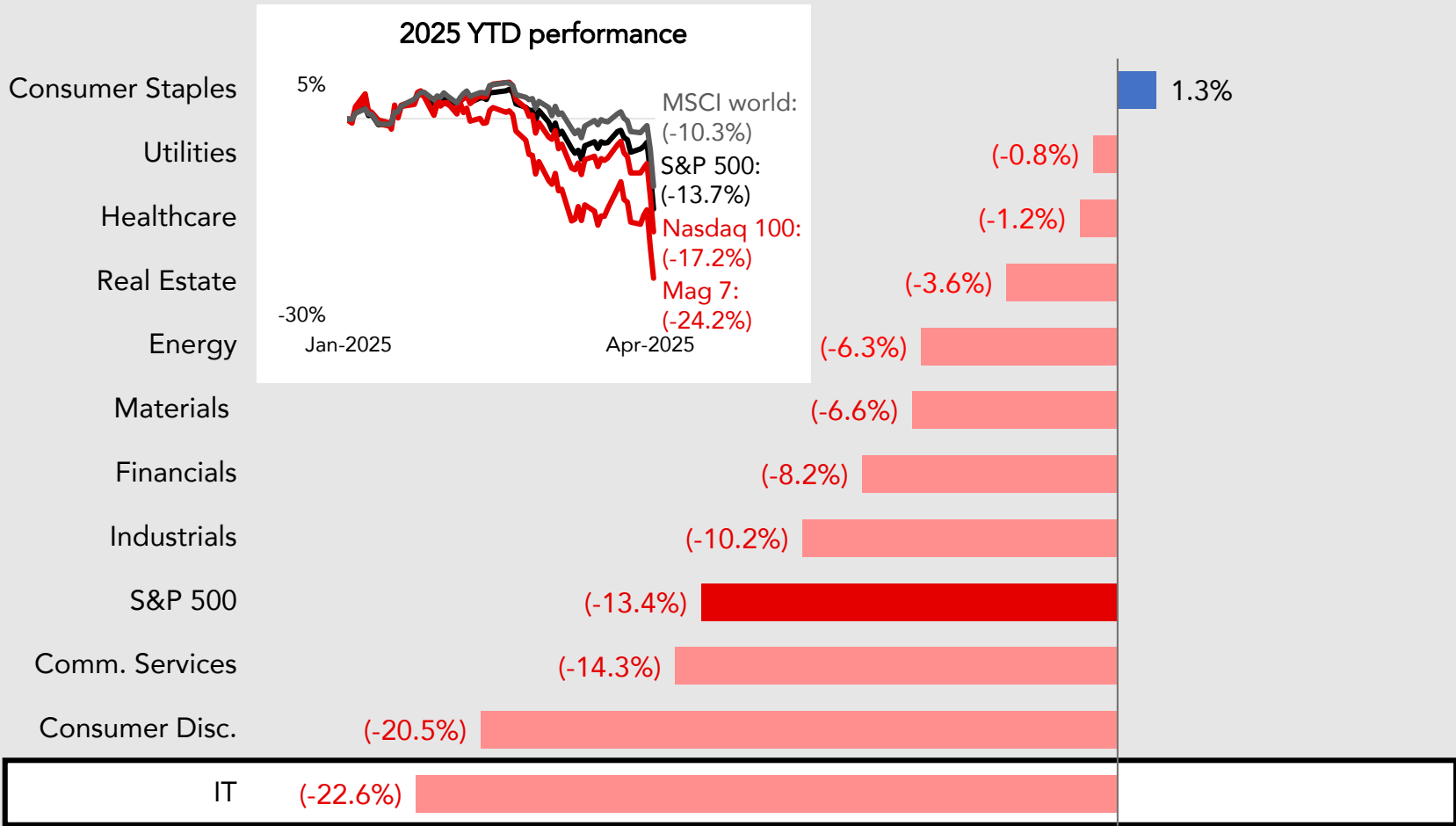
Sector & Market Divergence



 <p>MANUFACTURING Auto, chemicals, aerospace</p>	<p>SERVICES </p> <p>Software, cybersecurity, large cap financials</p>
 <p>CYCLICALS Consumer discretionary, industrials, construction</p>	<p>DEFENSIVE </p> <p>Consumer staples, healthcare, pharma, utilities</p>
 <p>GLOBAL MNCs Auto, manufacturing, large-cap tech, chemicals</p>	<p>DOMESTIC-FOCUSED COMPANIES </p> <p>Regional banks, utilities, housing</p>
 <p>HIGH US RECIPROCAL TARIFFS China, Asia, Europe</p>	<p>LOWER US RECIPROCAL TARIFFS </p> <p>Canada, Mexico</p>
 <p>RISK ASSETS Equities, HY, EMFX</p>	<p>"SAFER" HAVENS </p> <p>USTs, Yen, IG credit, commodities Alternative assets (private credit, infrastructure)</p>

Worst Period for Tech Stocks Since 2022

S&P 500 industry sector performance since Jan 1 (total return)

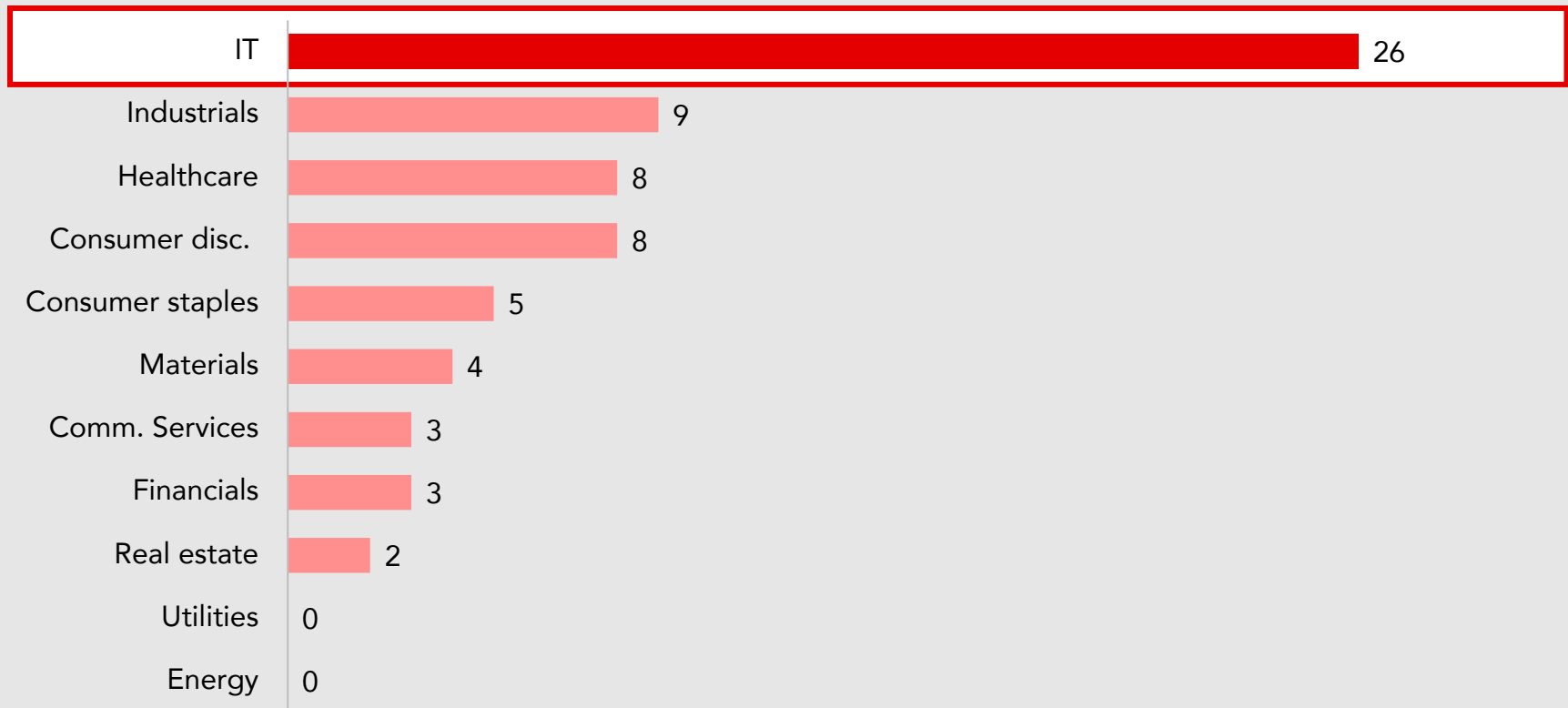


Source: (1) Bloomberg. Data as of April 4, 2025. Industry sector performance is total returns. Line chart is price return.

Companies Issuing Negative EPS Guidance

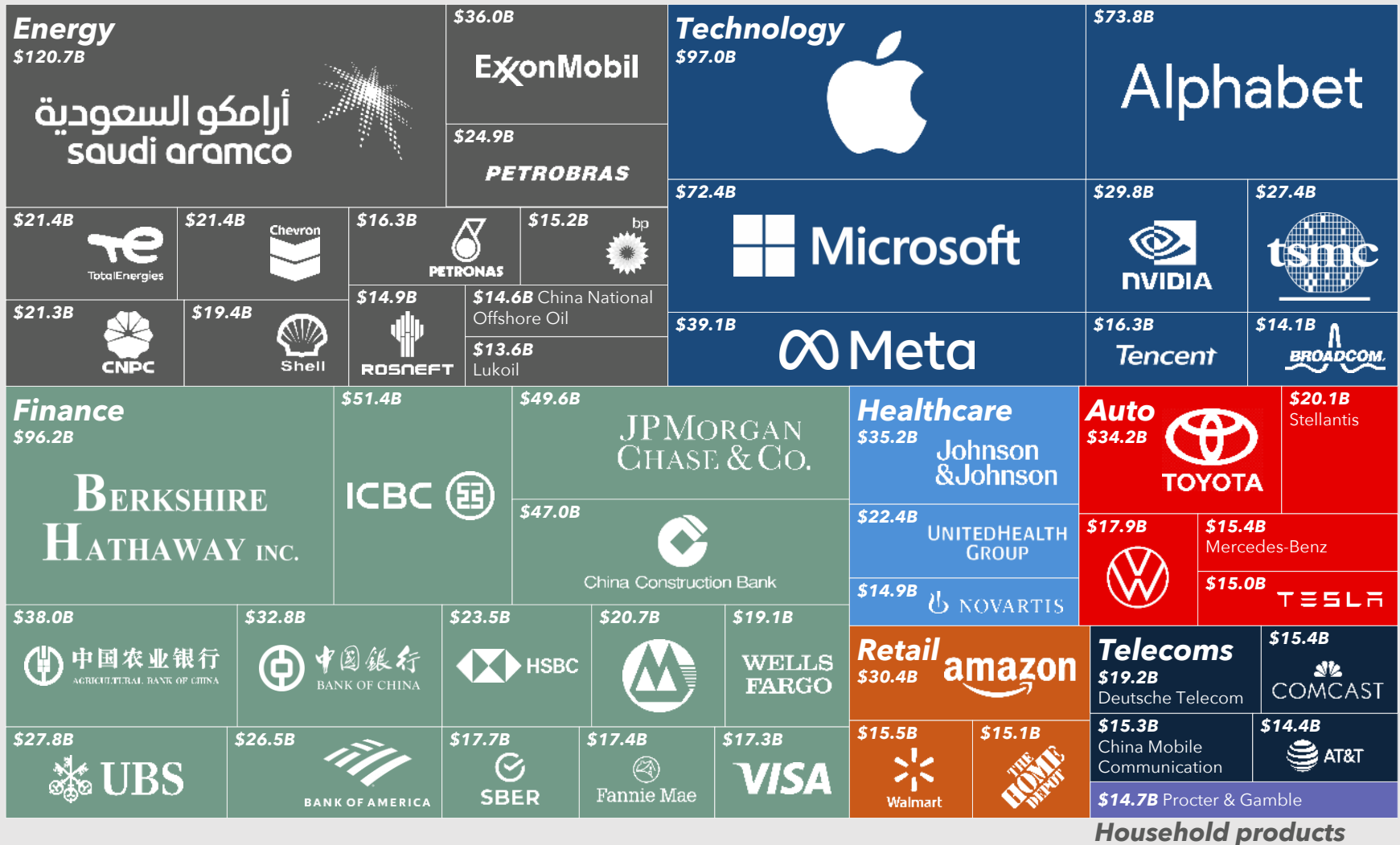
The number of S&P 500 companies issuing negative EPS guidance is above both the 5-year and 10-year averages of 57 and 62, respectively. Industries and sectors more exposed to tariff and trade war risk have seen an increased pace of negative EPS guidance announcements with the information technology sector seeing the most.

Number of S&P 500 companies with negative EPS guidance by sector



Source: (1) FactSet Earnings Insight (March 28, 2025).

The World's 50 Most Profitable Companies (2024)



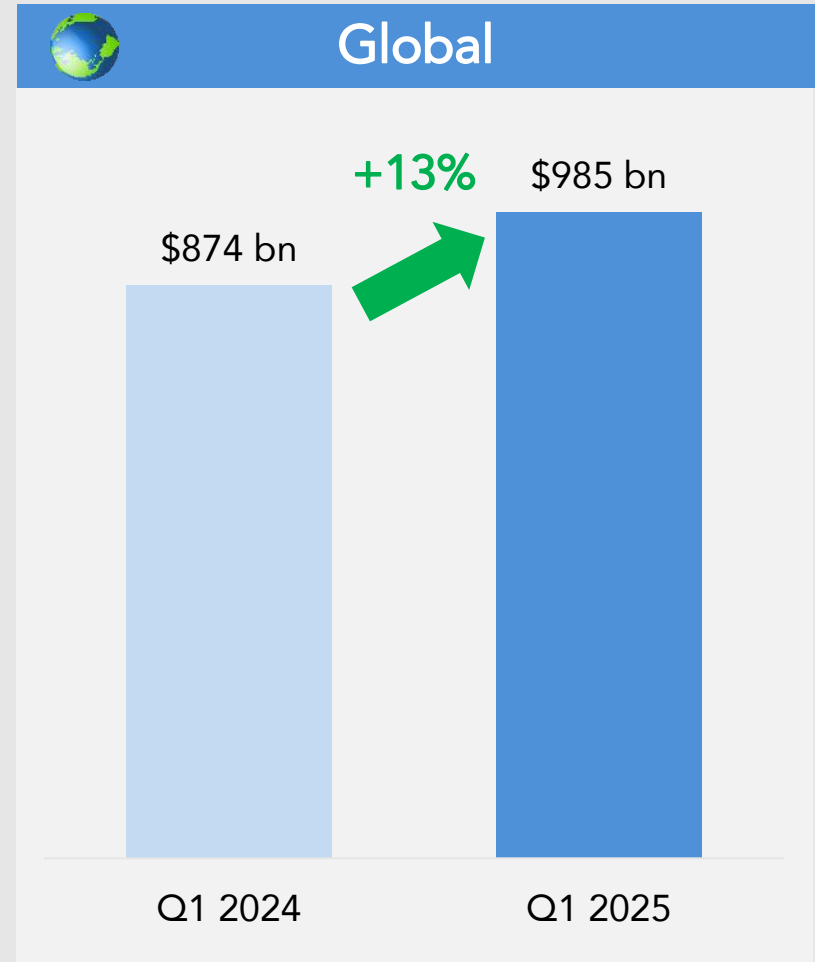
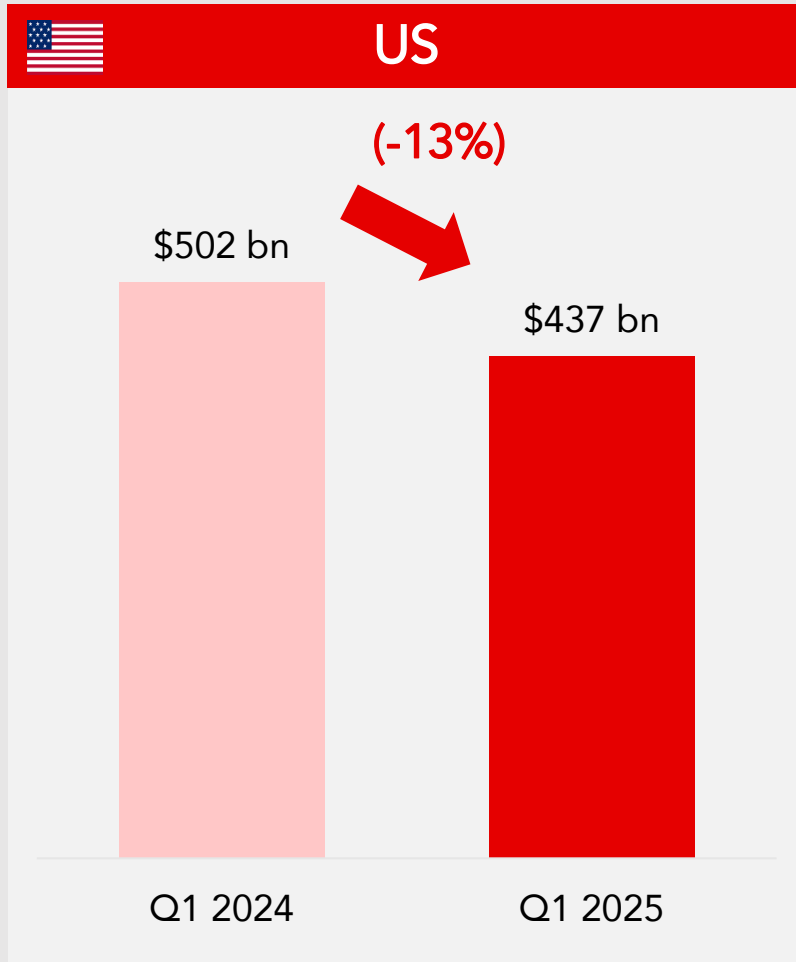
C-Suite Caution

13

US M&A Deal Activity Disappoints in 2025



M&A volumes in Q1 2025 vs. Q1 2024



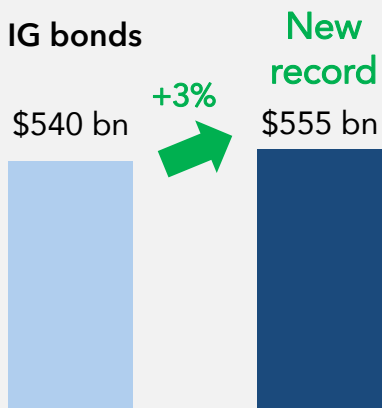
Source: (1-2) Dealogic. Cortex. Data through Mar 31, 2025, accessed on April 1, 2025. US is by target region.

Dissonance in Deal Activity



IG Issuance

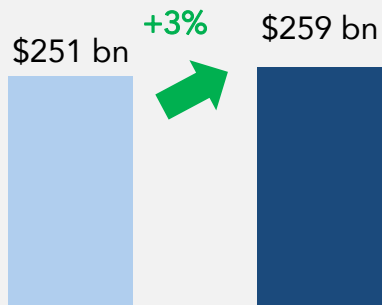
USD IG bonds



Q1 2024

Q1 2025

USD IG loans

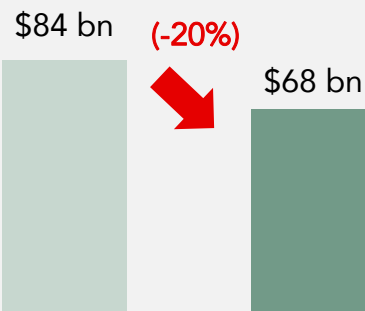


Q1 2024

Q1 2025

HY Issuance

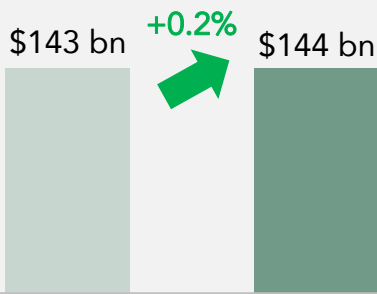
USD HY bonds



Q1 2024

Q1 2025

USD leveraged loans

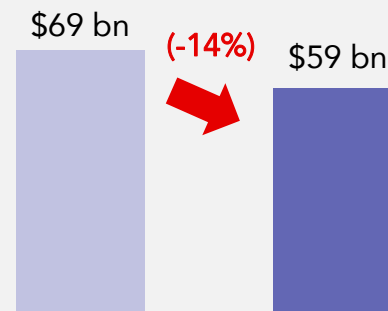


Q1 2024

Q1 2025

Equity Issuance

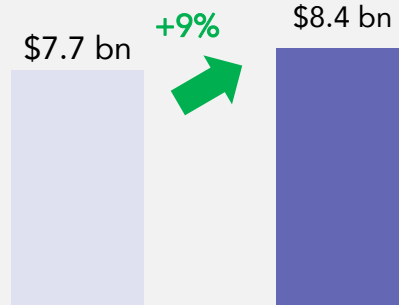
USD ECM issuance



Q1 2024

Q1 2025

USD IPO issuance



Q1 2024

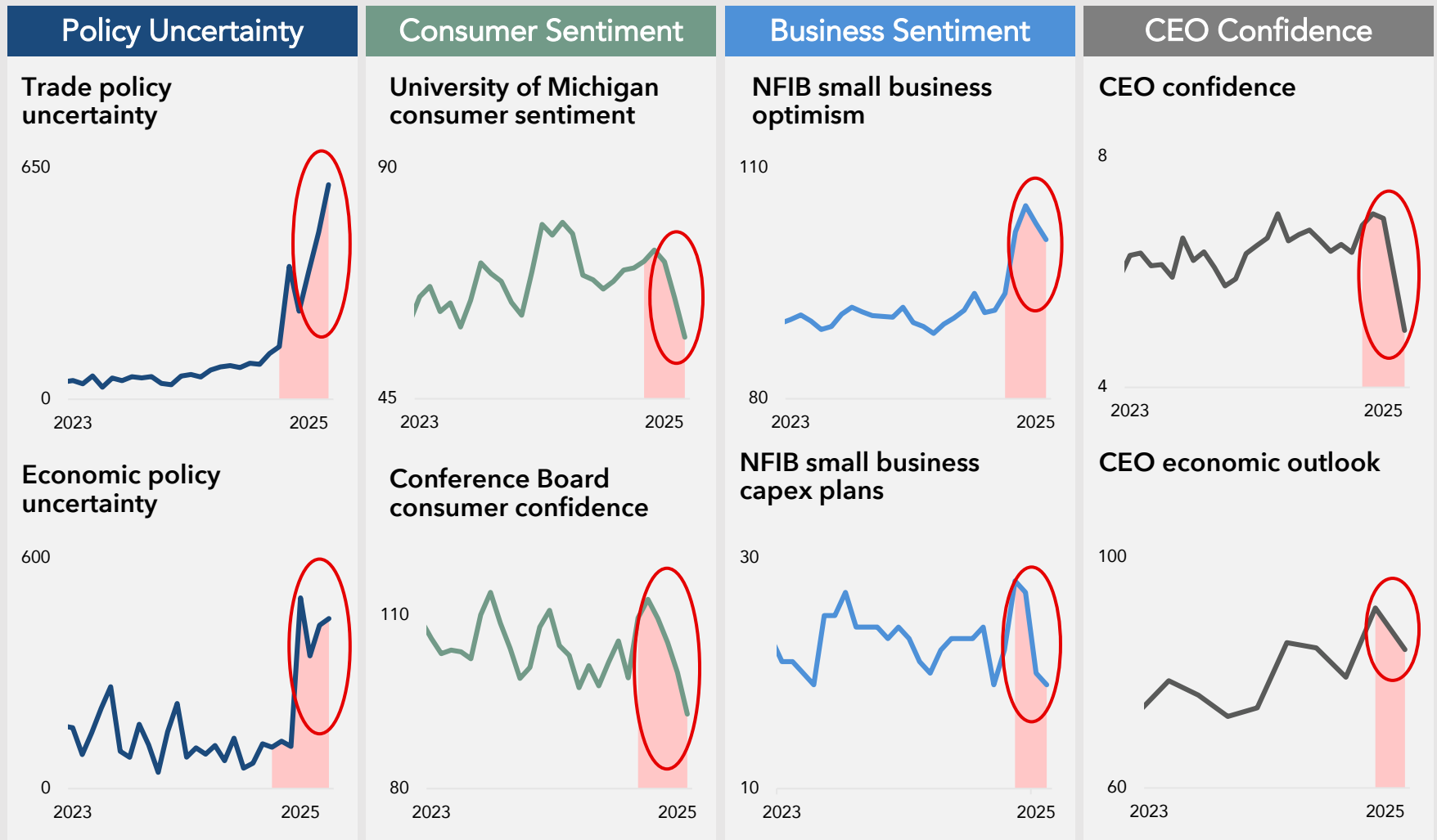
Q1 2025

Source: (1-6) IG and HY bond data is CFR. Data as of March 31, 2025. IG loan is LSEG. Data as of March 31, 2025. Lev Loan is LCD. Data through March 27, 2025. Equity issuance is Dealogic. Excludes SPACs, closed-end funds and deals less than \$50mn. Data as of March 31, 2025.

**Soft Data Turing,
Hard Data Resilient**

14

The "Soft Data" is Turning Rapidly

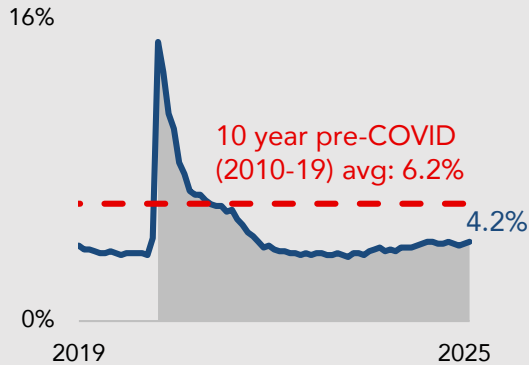


Source: (1-8) Bloomberg. Data as of April 3, 2025. CEO confidence is Chief Executive Magazine. CEO economic outlook is US Business Roundtable.

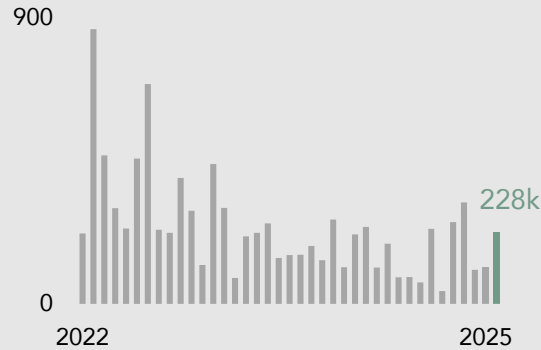
The Hard Data is Still Fairly Resilient



US unemployment still well below long term averages



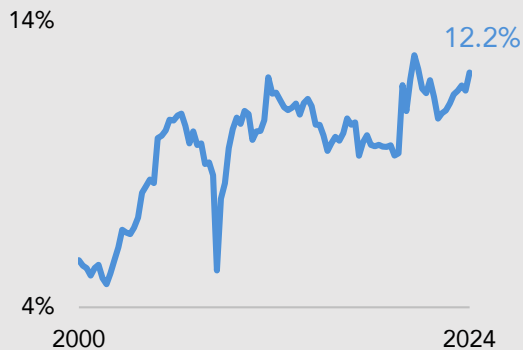
US job growth exceeds expectations in March NFP report



US manufacturing output rose by the most in year



Corporate profit margins remain strong



Strong pace of housing starts point to resilient market



Steady durable goods orders, due in part to trade war front-loading



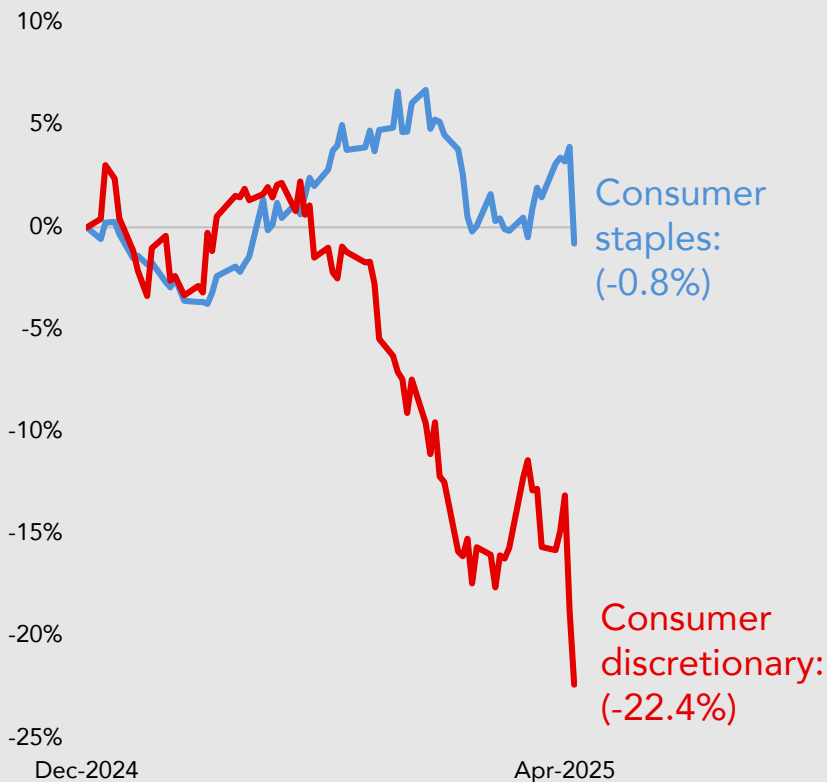
Source: (1-6) Bloomberg. Data as of April 4, 2025. Oxford Economics. FRED BEA. Corporate profits are as percent of GDP.

More Cautious US Consumer

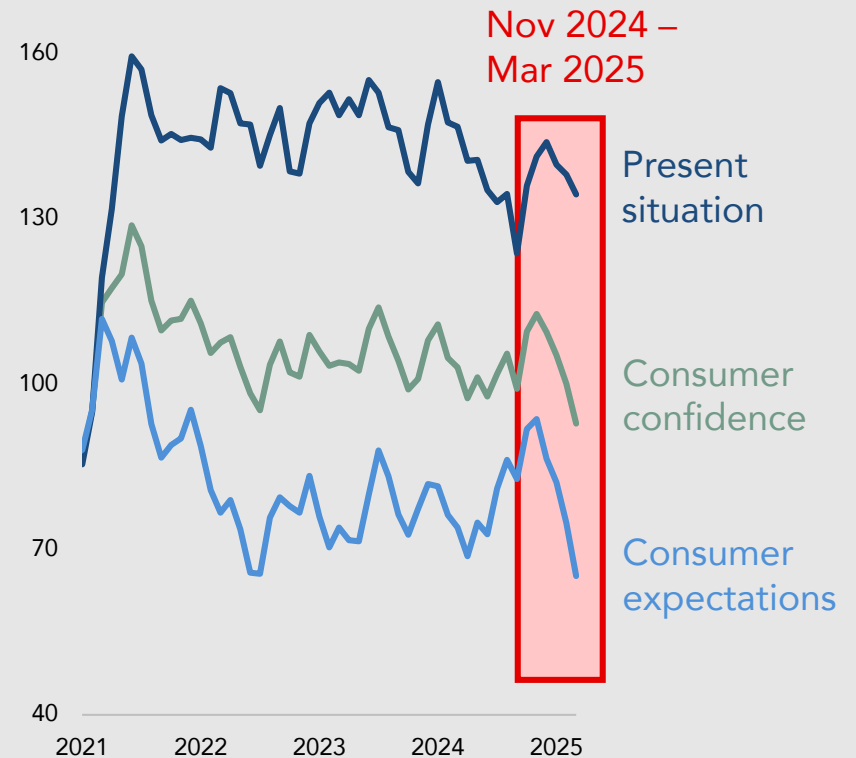


In equity markets, where recession concerns have also risen, defensive sectors such as consumer staples have diverged sharply from the more cyclical consumer discretionary stocks. The Conference Board's measure of US consumer confidence dropped sharply (again) in March, the lowest reading in the post-COVID period since January 2021. Notably, the "Expectations" Index in March recorded its lowest reading in 12 years.

S&P 500 index performance since December 2024



Conference Board US consumer confidence

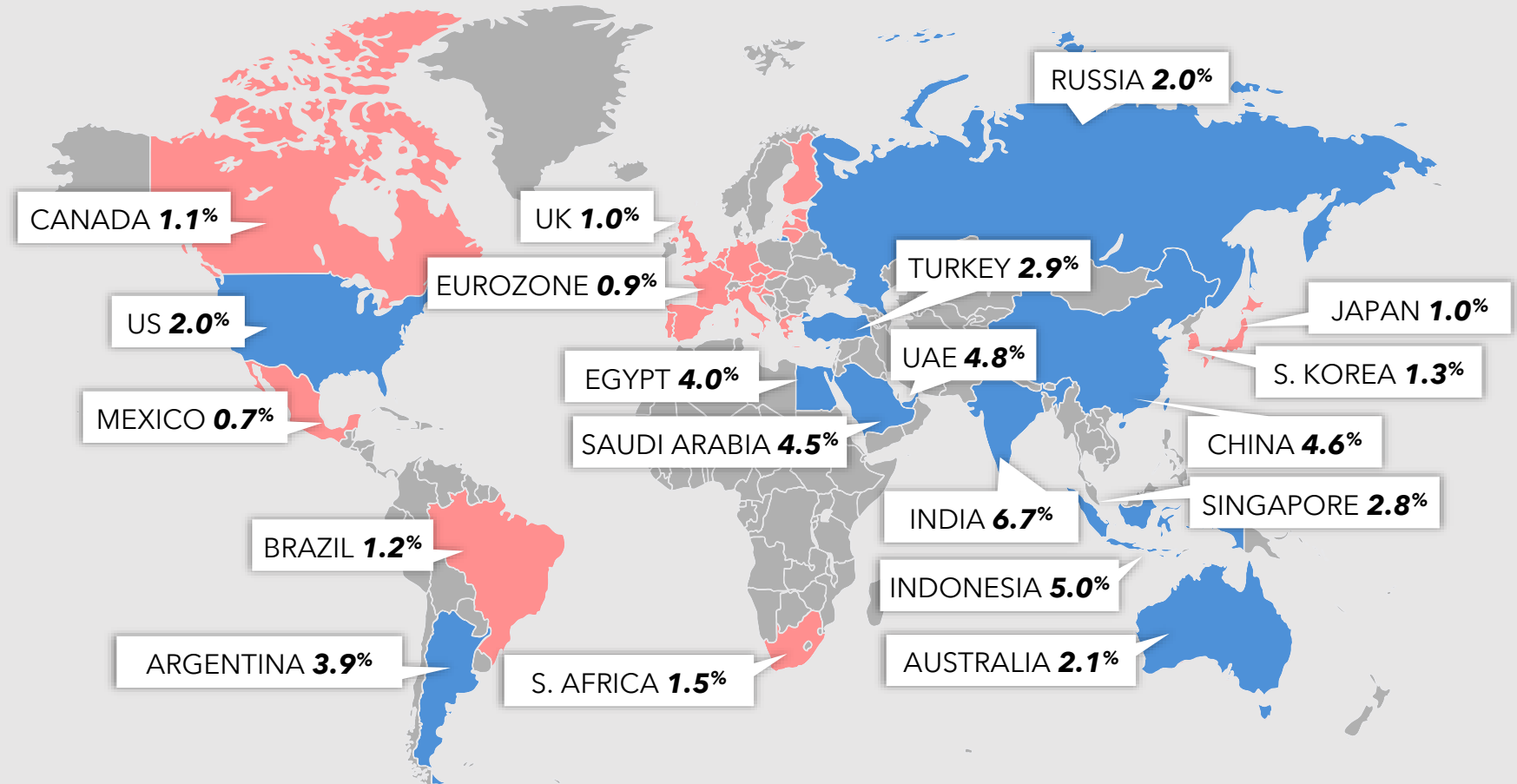


Source: (1-2) Bloomberg. Data as of April 4, 2025. Bloomberg. Oxford Economics, "US: Confidence takes a big hit from falling stocks and tariffs threats".

Global Growth Will Decline Sharply from Here

2025 GDP growth, y/y

GLOBAL GROWTH: 2.6%



Source: (1) Oxford Economics. Data as of April 3, 2025.

0% – 1.9% 2% +

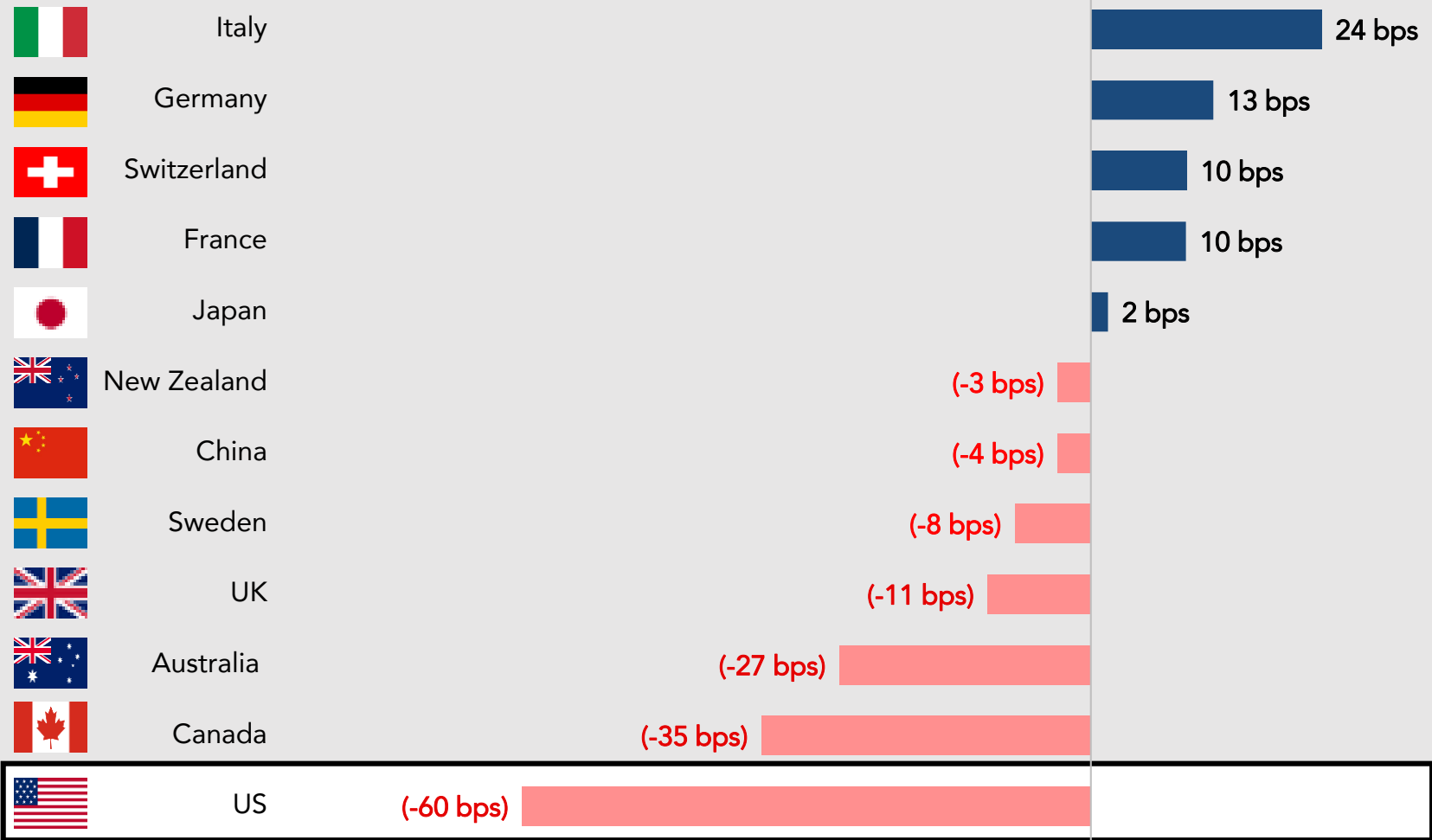
Rates at a Crossroads



15

Divergent Global Bond Yields in 2025 YTD

Change in global 10 year yields in 2025 YTD



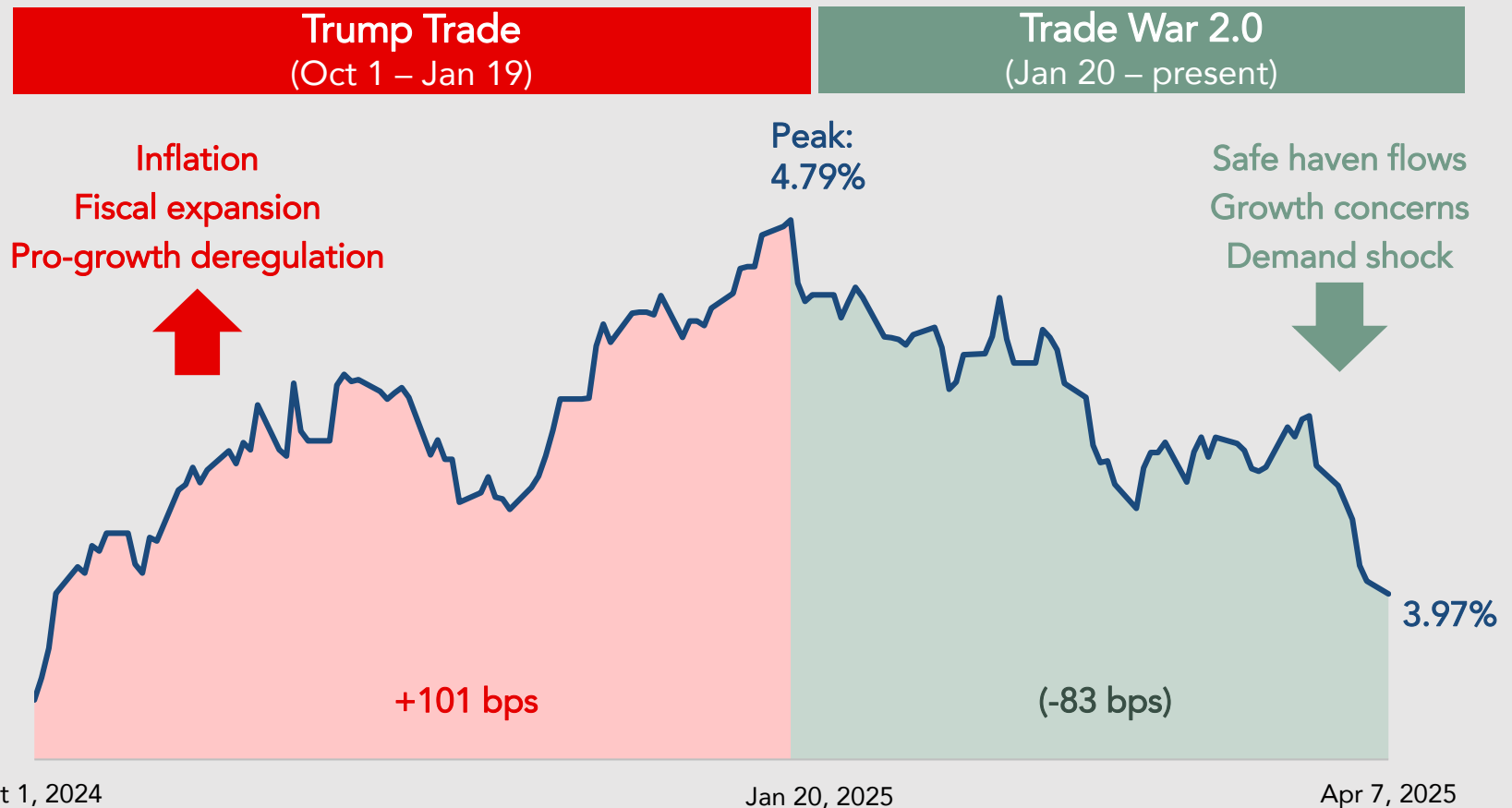
Source: (1) Bloomberg. Data as of April 7, 2025.

The Tail is Not Wagging the Dog



The tail is not wagging the dog on President Trump's tariff and trade policy escalation. Lower 10 yr UST yields are not a primary driver of US trade strategy as many have suggested, but rather, an ancillary side effect driven by safe haven flows and growth concerns.

10 year UST yields since Oct 1, 2024

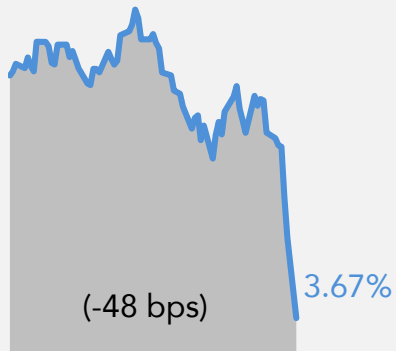


Source: (1) Bloomberg. Data as of April 7, 2025.

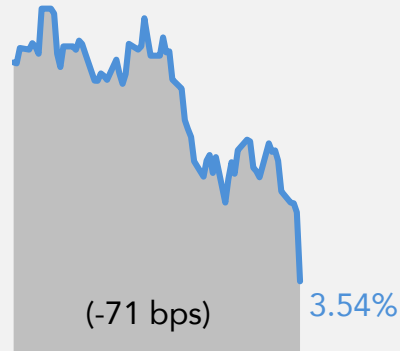
Markets Pricing Growth & Inflation Risk

Tighter benchmark UST yields
in 2025 YTD

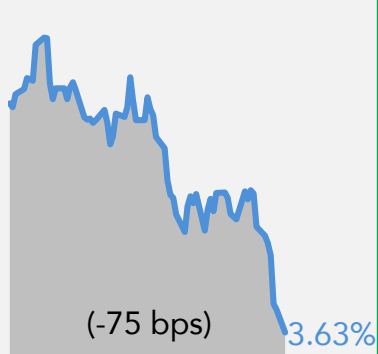
1 year UST



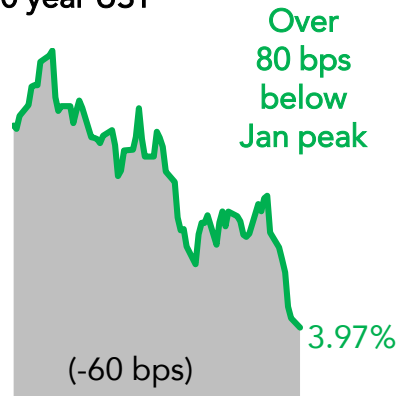
2 year UST



5 year UST

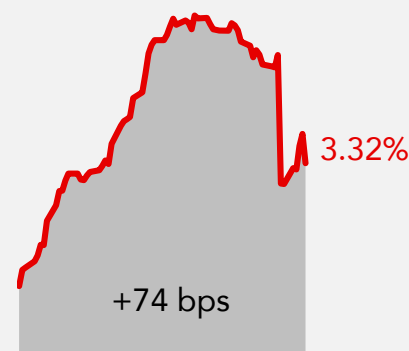


10 year UST

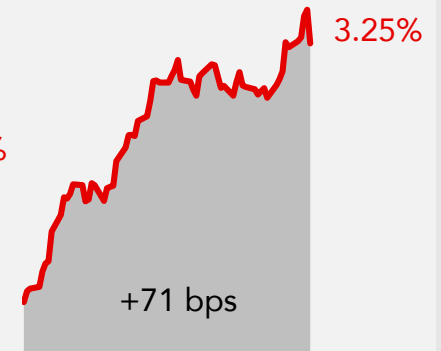


Higher inflation breakevens
in 2025 YTD

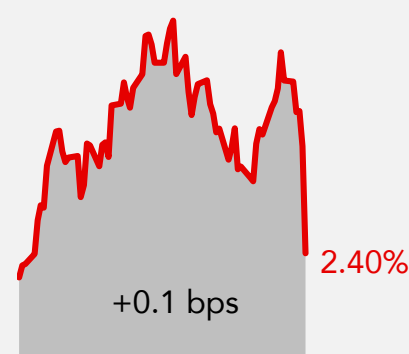
1 year US breakeven



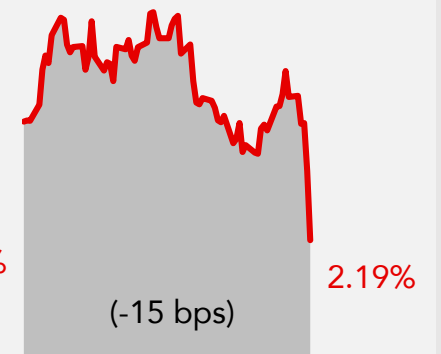
2 year US breakeven



5 year US breakeven



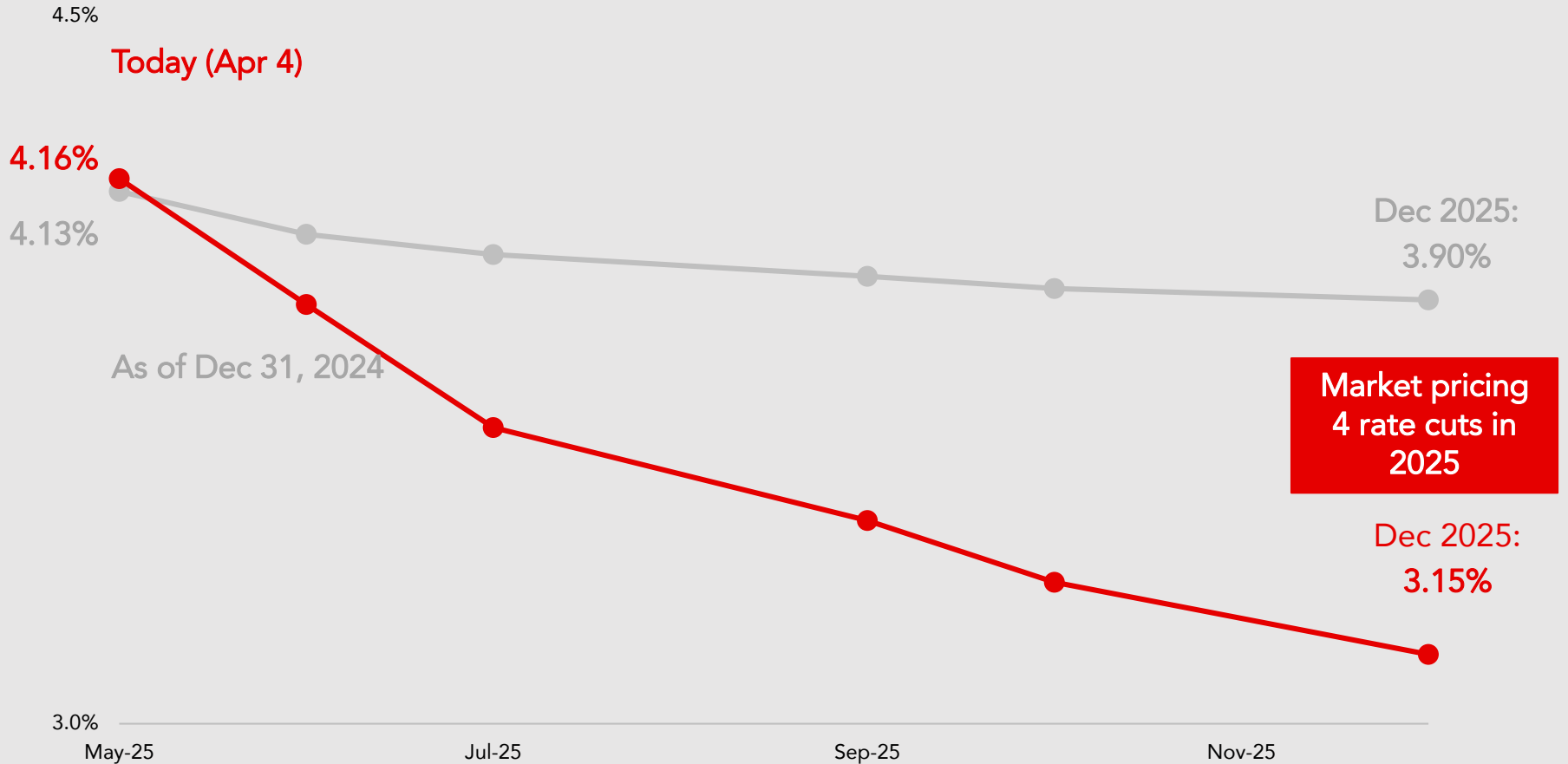
10 year US breakeven



Source: (1-8) Bloomberg. Data as of April 7, 2025.

Fed Funds Futures Pricing More 2025 Policy Easing

Marked implied Fed Funds rate (Dec 31, 2024 vs. today)



Source: (1) Bloomberg. Data as of April 7, 2025.

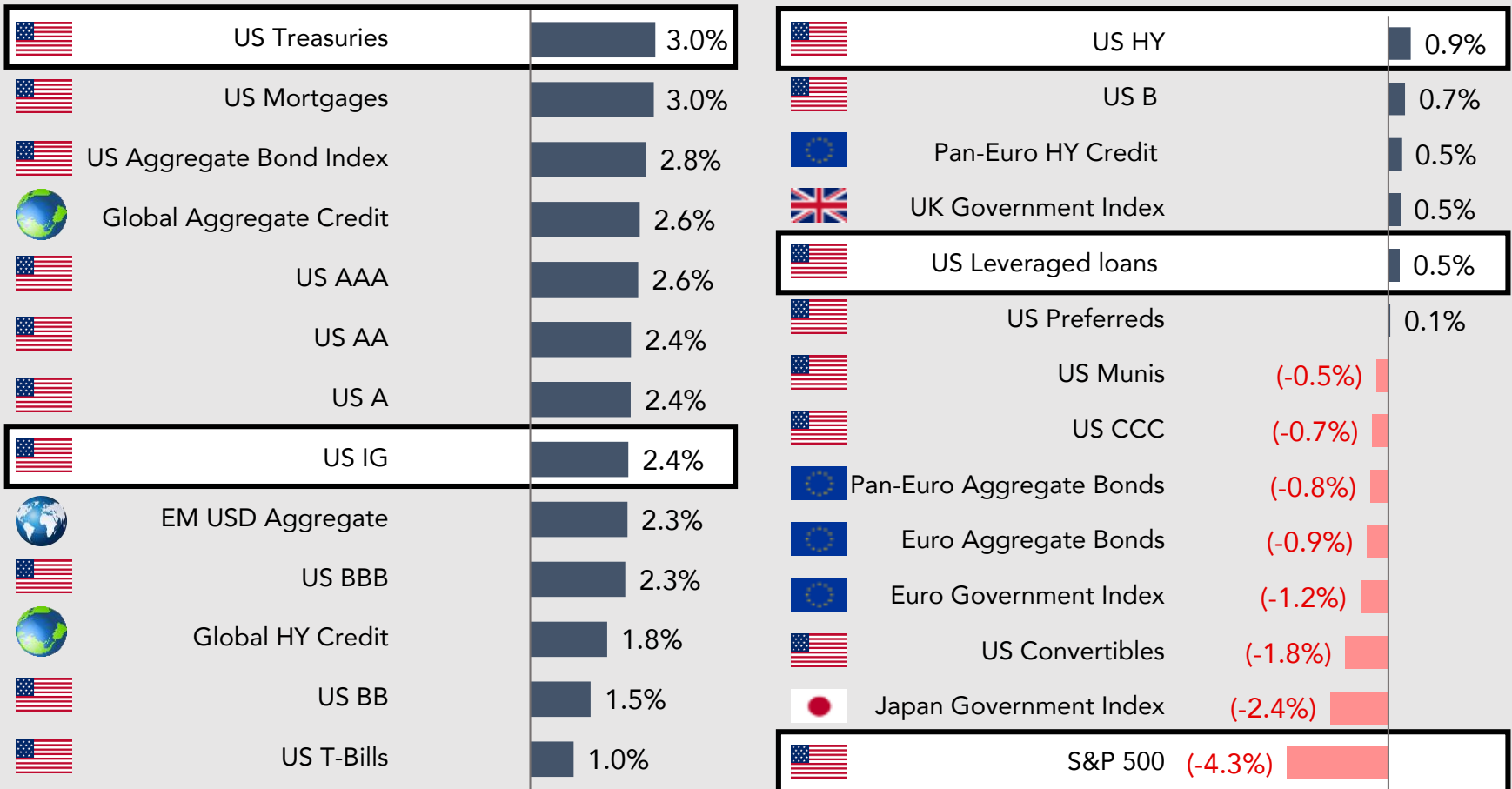
Corporate Credit Resilience

A faint, dark portrait of a man in a suit and bow tie, positioned on the right side of the slide. The man has a serious expression and is looking slightly to the left of the camera.

16

US Credit Returns Positive, Equity Returns Negative, for First Quarterly Period Since COVID

Credit market & S&P 500 total returns in Q1 2025

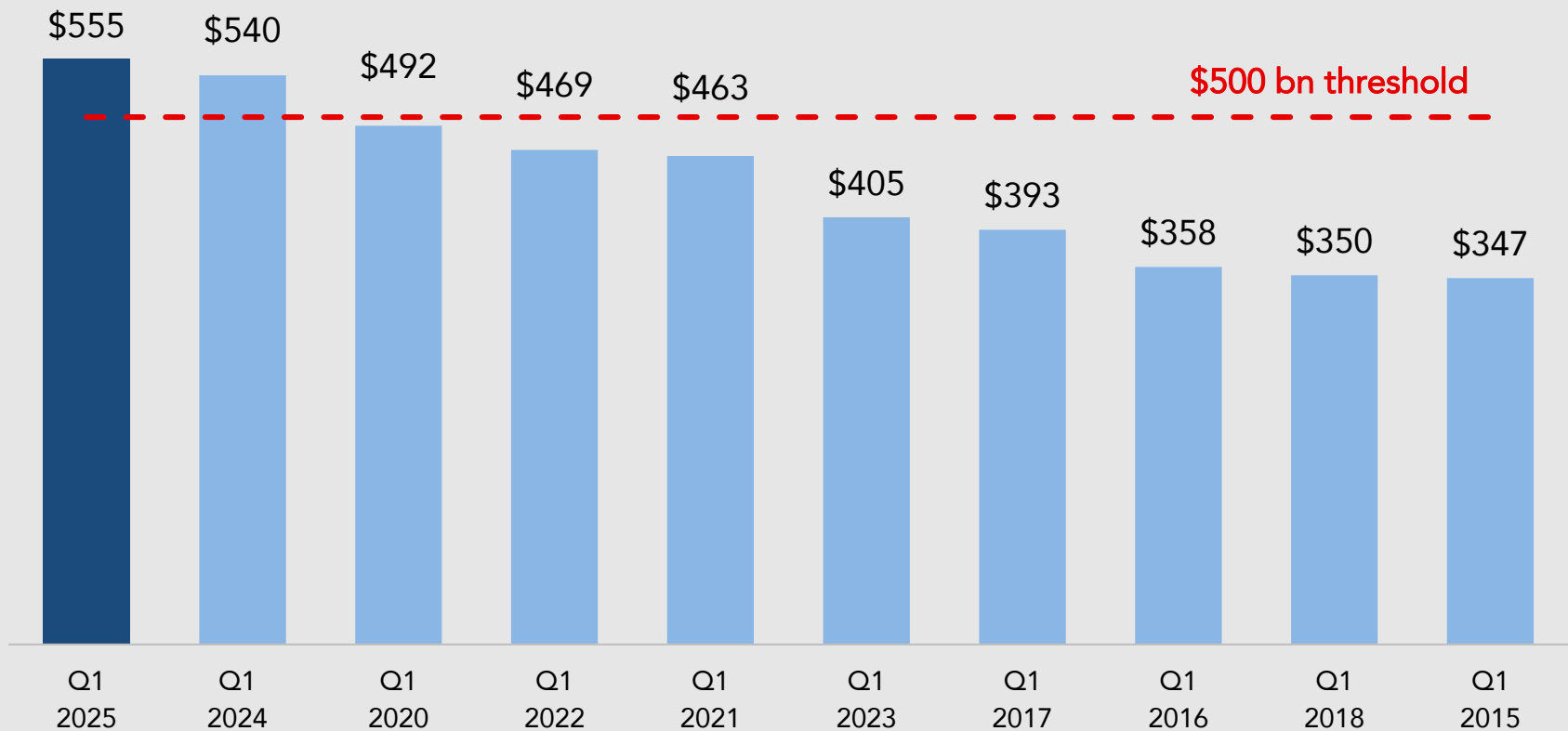


Source: (1) Bloomberg. Data as of March 31, 2025.

Highest Q1 USD IG Bond Issuance on Record

All time largest Q1 USD IG issuance, bn

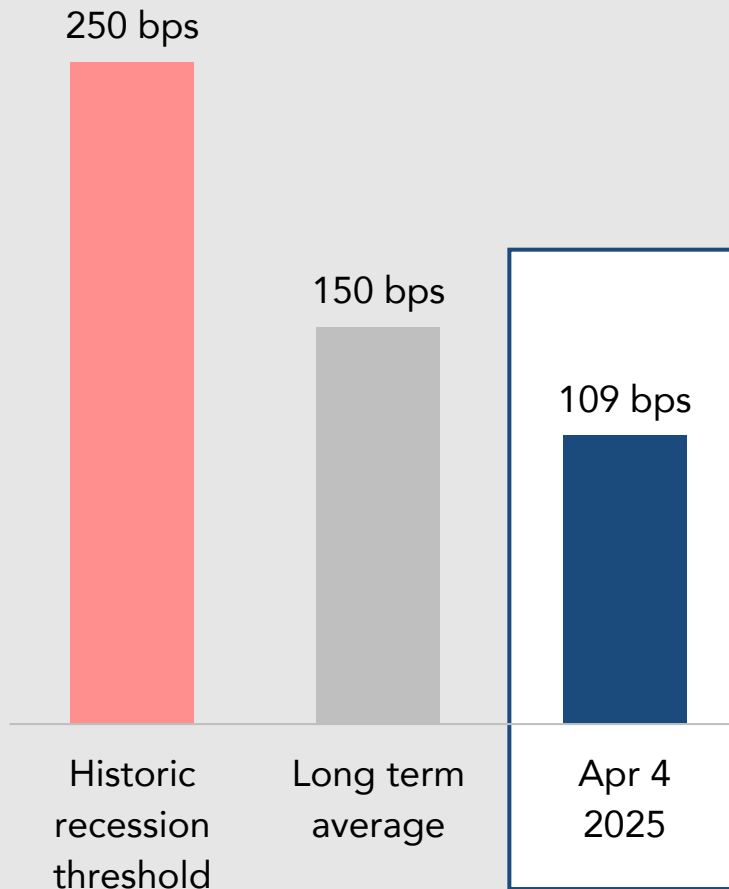
Largest Q1
on record



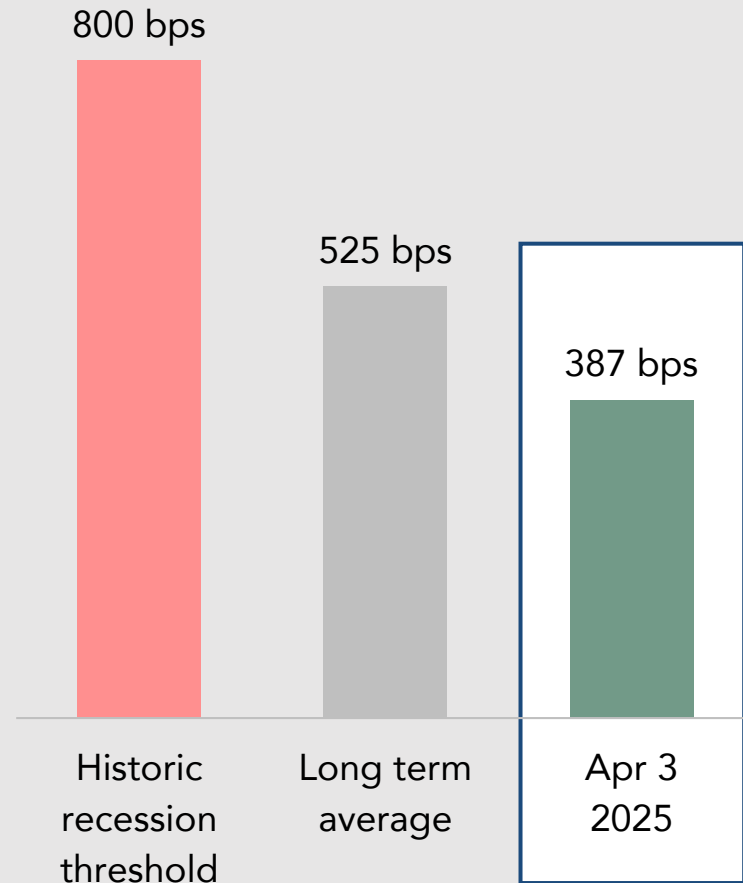
Source: (1) CFR. Data as of March 31, 2025.

USD Spreads Still Below Long Term Averages

USD IG OAS



USD HY OAS



Source: (1-2) Bloomberg. Data as of April 4, 2025.

Counterintuitive Dollar Weakness

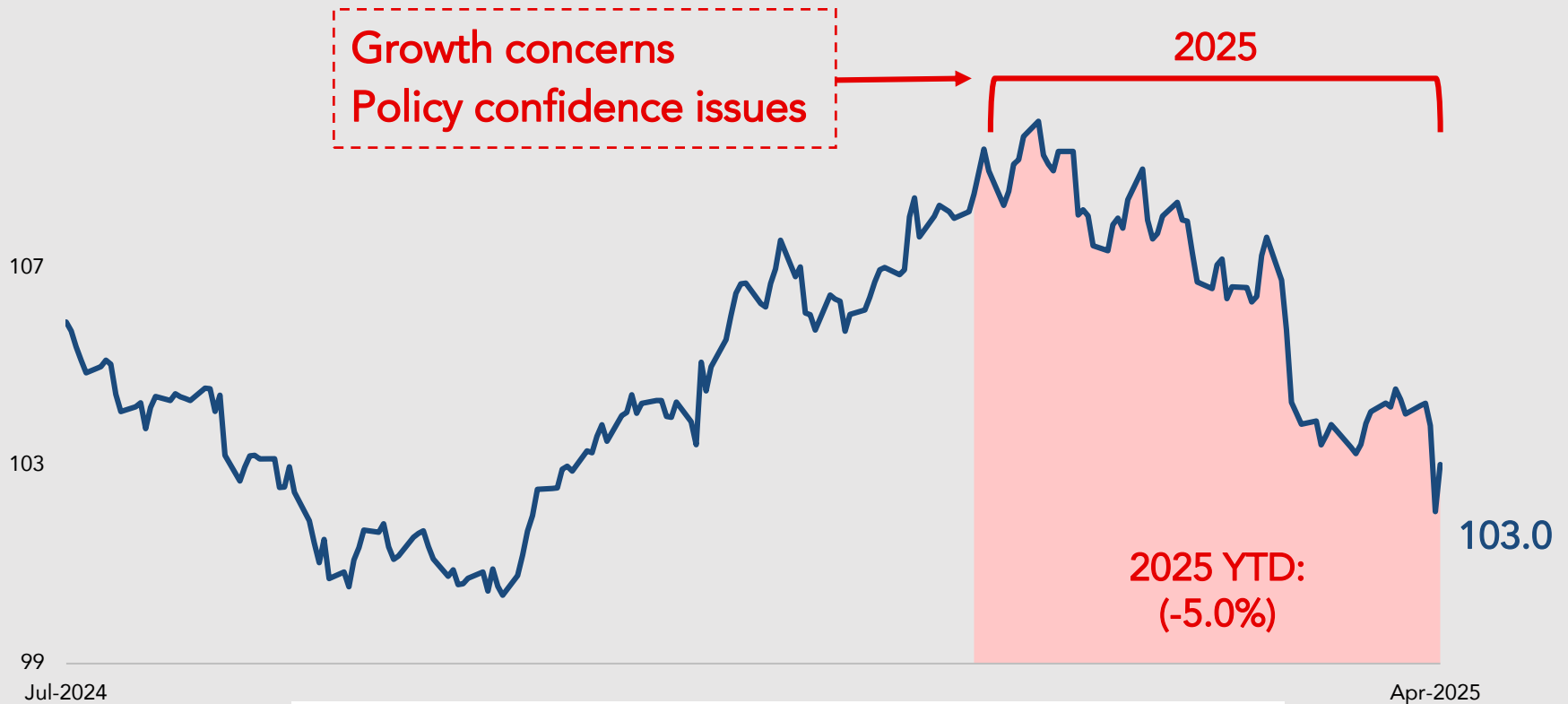
A faint, dark portrait of a man in a suit and bow tie, likely a historical figure, is visible in the background of the slide.

17

Sharpest Q1 Decline for USD Since 2017



US Dollar index performance

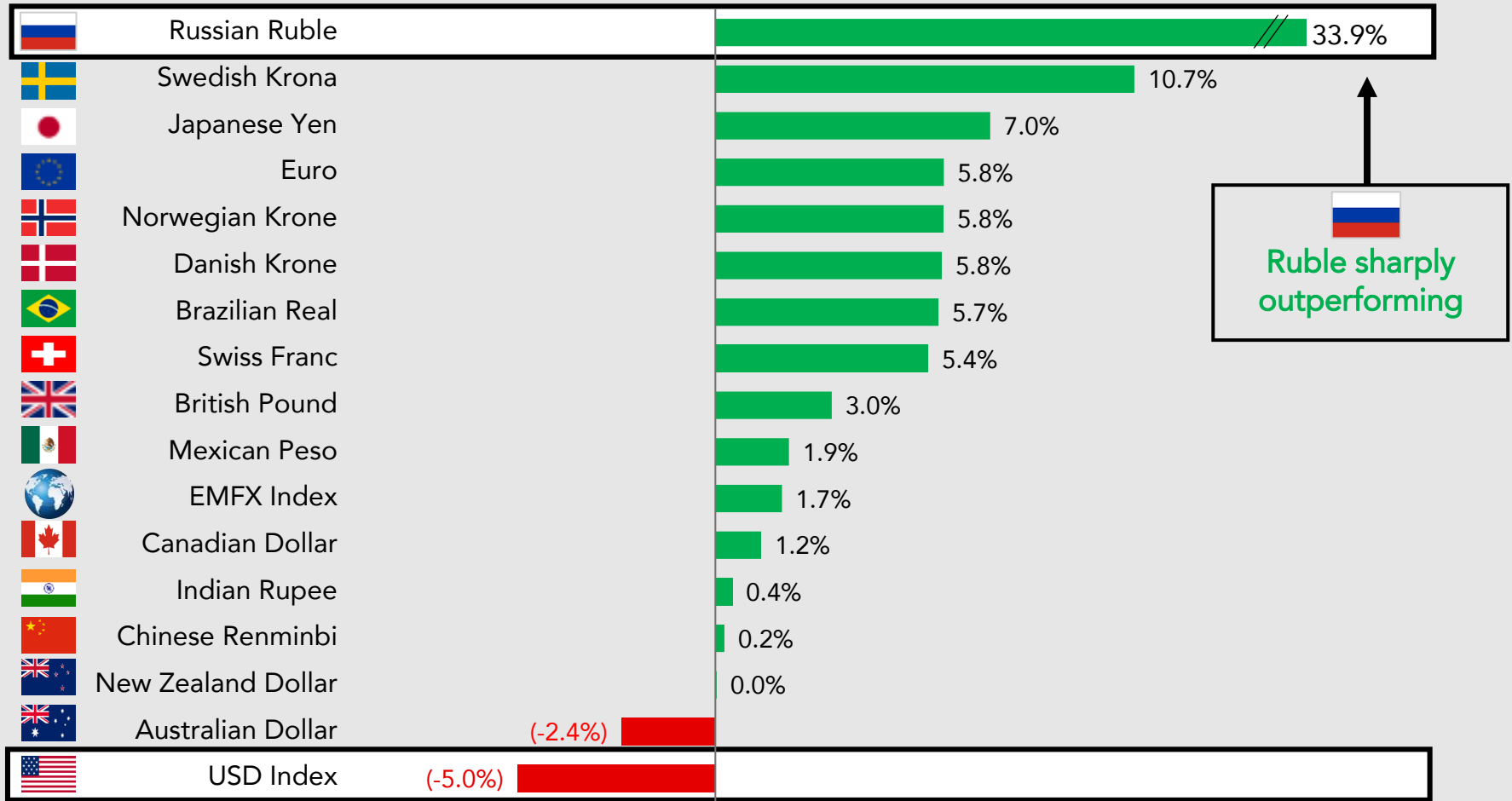


The US Dollar on "Liberation Day" had its largest single day decline since 2022

Source: (1) Bloomberg. Data as of April 4, 2025.

Unexpected US Dollar Weakness in 2025 YTD

Currency performance vs. USD in 2025 YTD

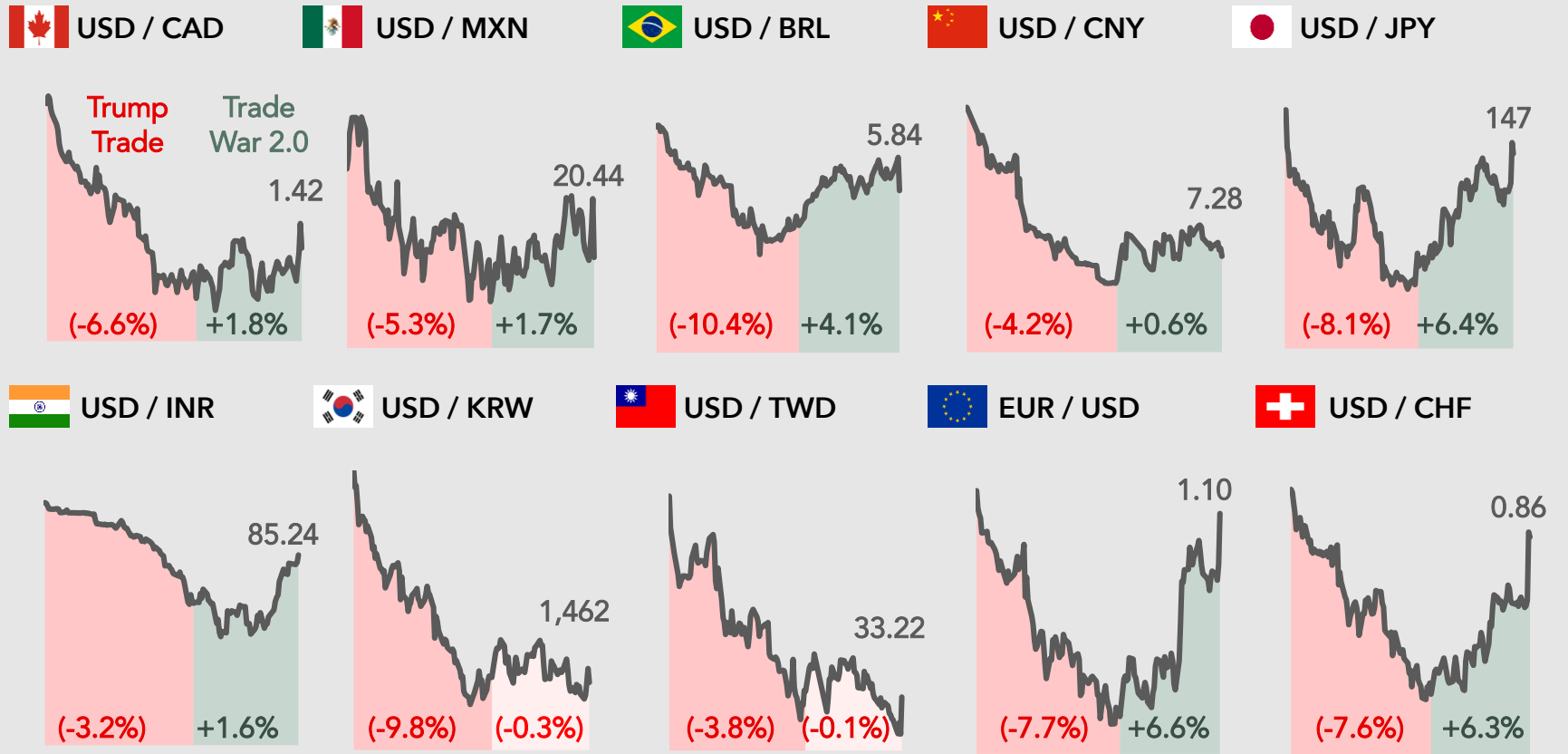


Source: (1) Bloomberg. Data as of April 4, 2025.

Unexpected US Dollar Weakness in 2025 YTD

Currency performance vs. US Dollar in Trump Trade (Oct 1 –Jan 19) and Trade War 2.0 (Jan 20 – present)

Large Trade-Based Economies



Source: (1-10) Bloomberg. Data as of April 4, 2025. All currencies graphed vs. USD to show depreciation. Trump trade is Oct 1, 2024 - January 19, 2025. Trade War 2.0 is Jan 20, 2025 through present.

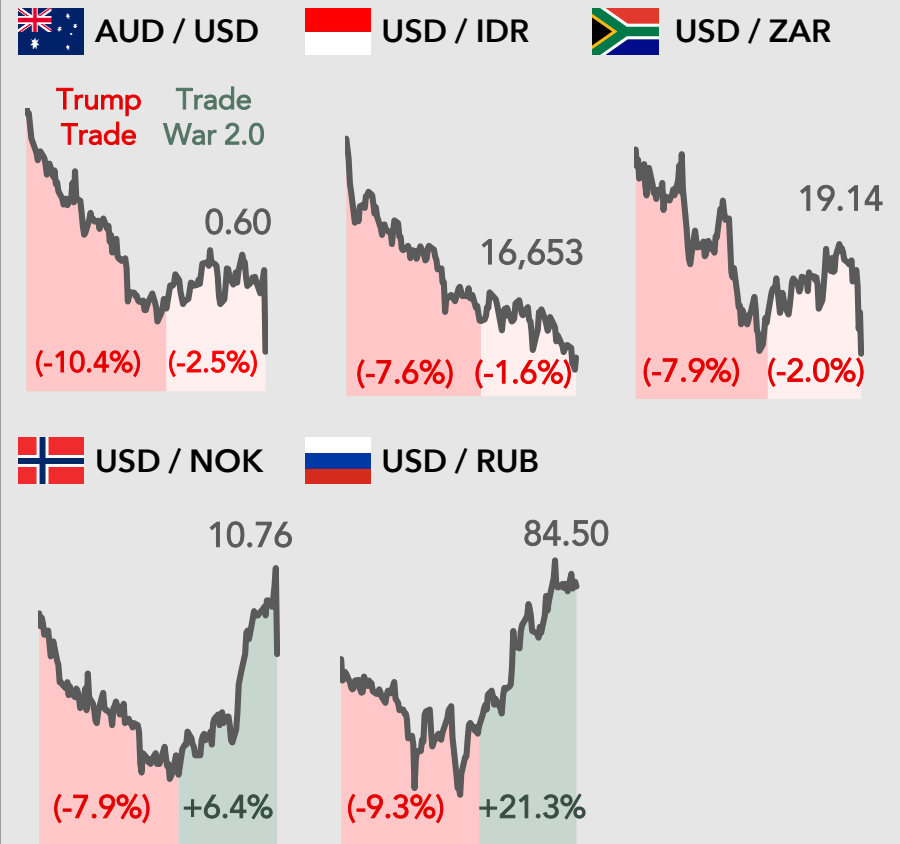
Unexpected US Dollar Weakness in 2025 YTD

Currency performance vs. US Dollar in Trump Trade (Oct 1 –Jan 19) and Trade War 2.0 (Jan 20 – present)

Large Exporters of Steel & Aluminum to the US



Major Commodity-Linked Currencies



Source: (1-11) Bloomberg. Data as of April 4, 2025. All currencies graphed vs. USD to show depreciation.

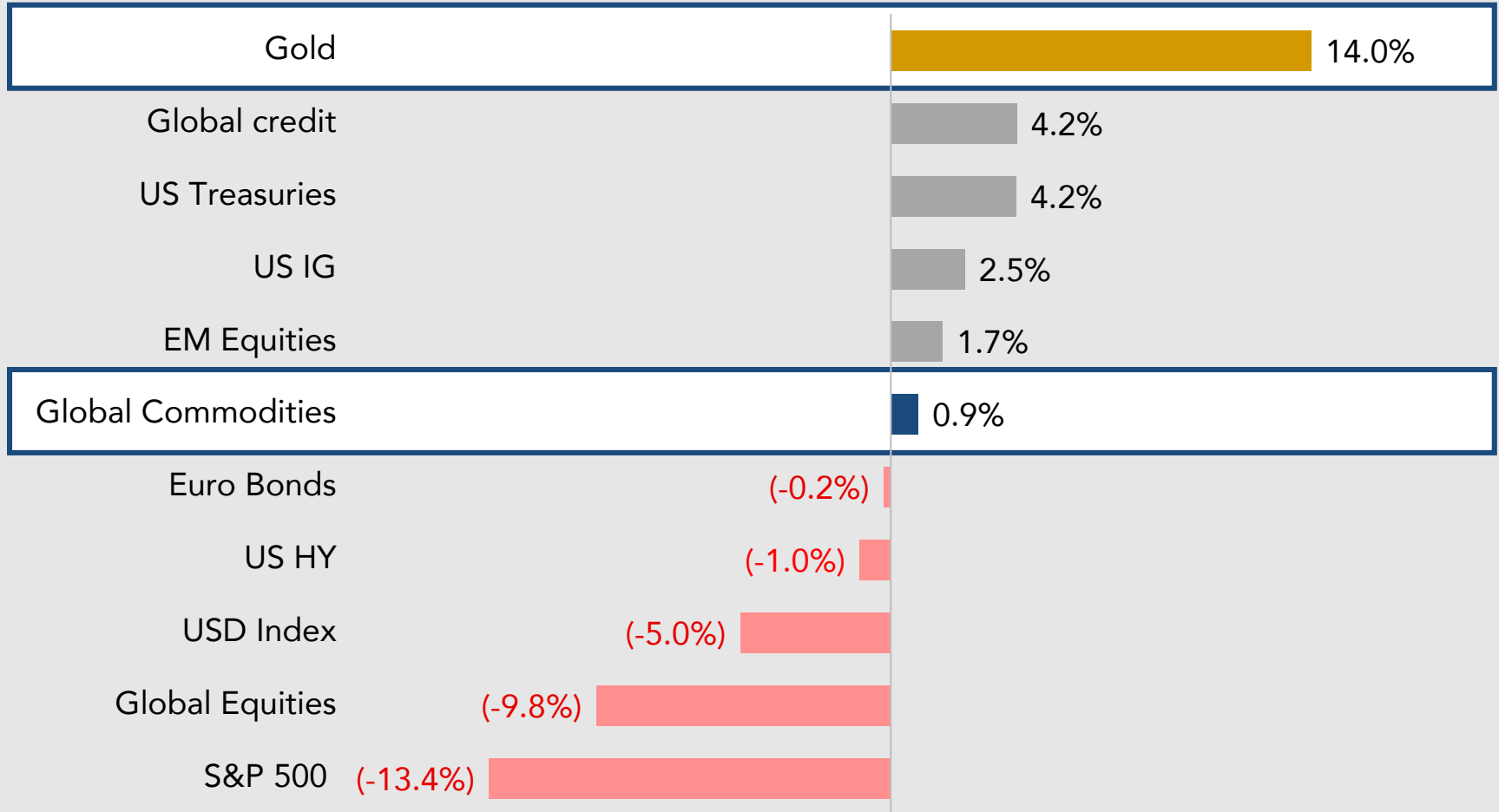
Precious Metals Outperforming

A dark, semi-transparent portrait of a man in a tuxedo, looking directly at the camera. The image is positioned on the right side of the slide, behind the text.

18

Precious Metals Outperforming

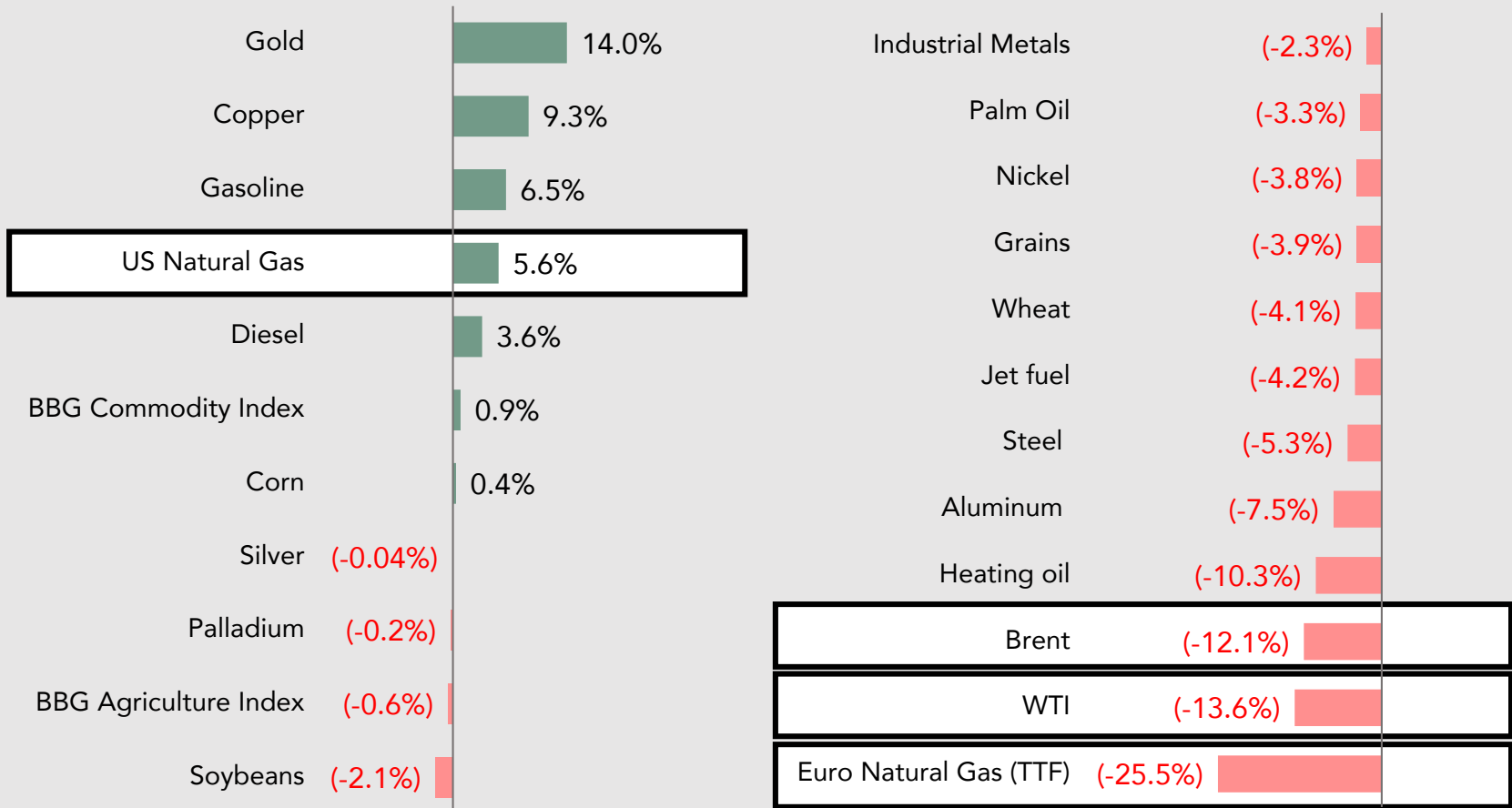
2025 YTD total returns



Source: (1) Bloomberg. Data as of April 4, 2025.

Gold Leading Other Commodity Subsegments

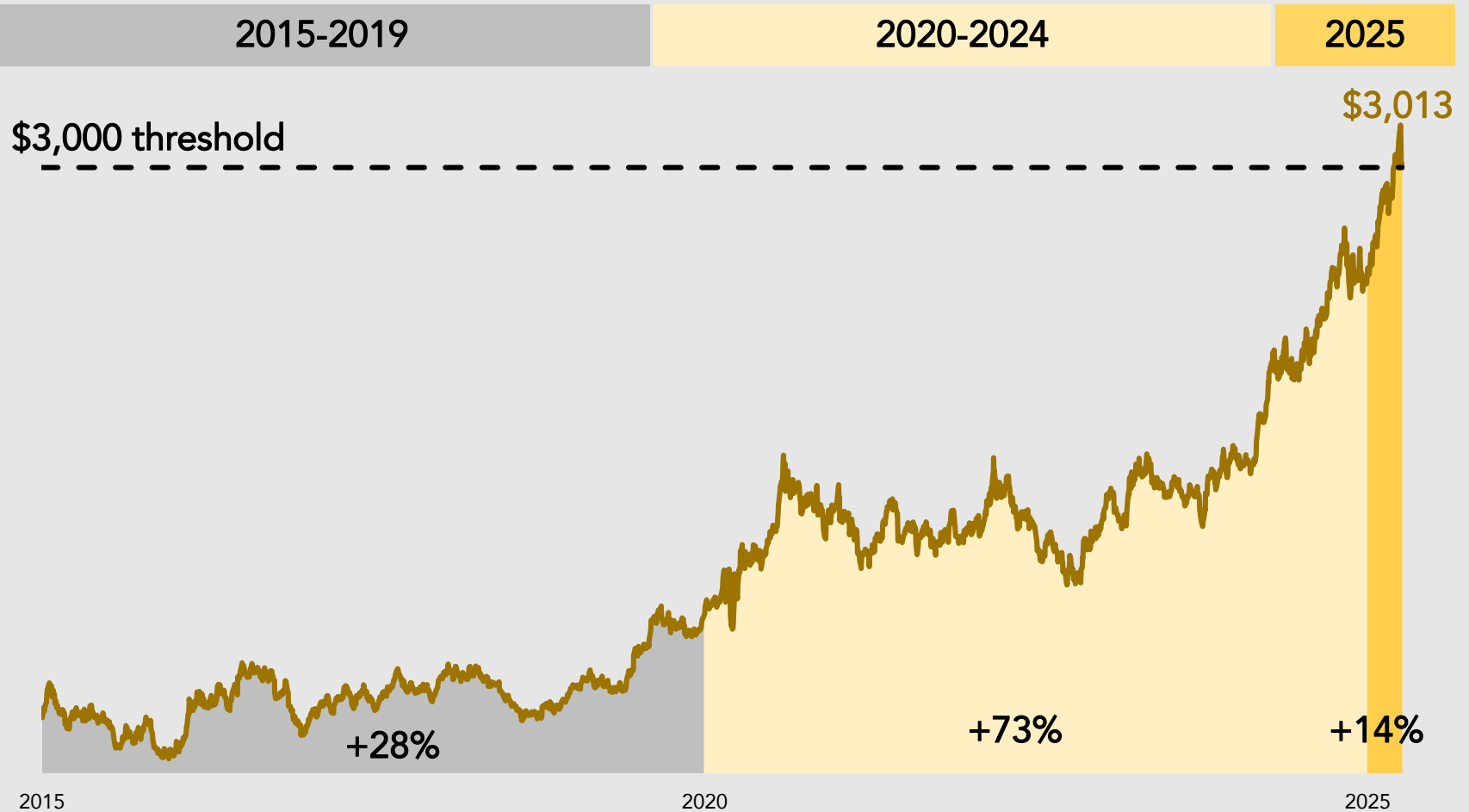
Commodity market performance in 2025 YTD



Source: (1) Bloomberg. Data as of April 4, 2025. Commodities Index and Agriculture Index are total return.

Gold Has Largest Quarterly Gain Since 2011, Reaching New Record High

Gold since 2015

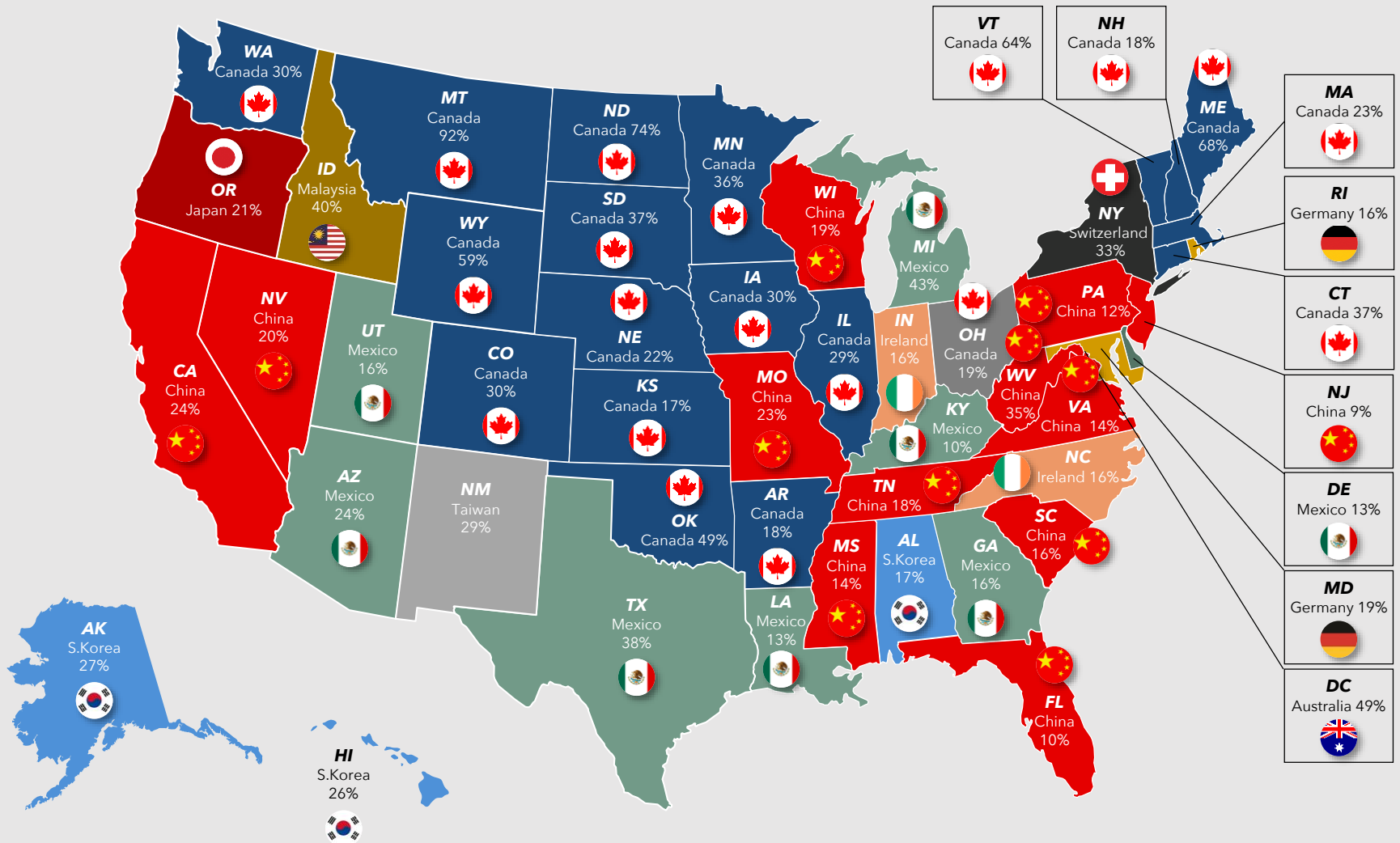


Source: (1) Bloomberg. Data as of April 4, 2025.

Impact by US State & Country

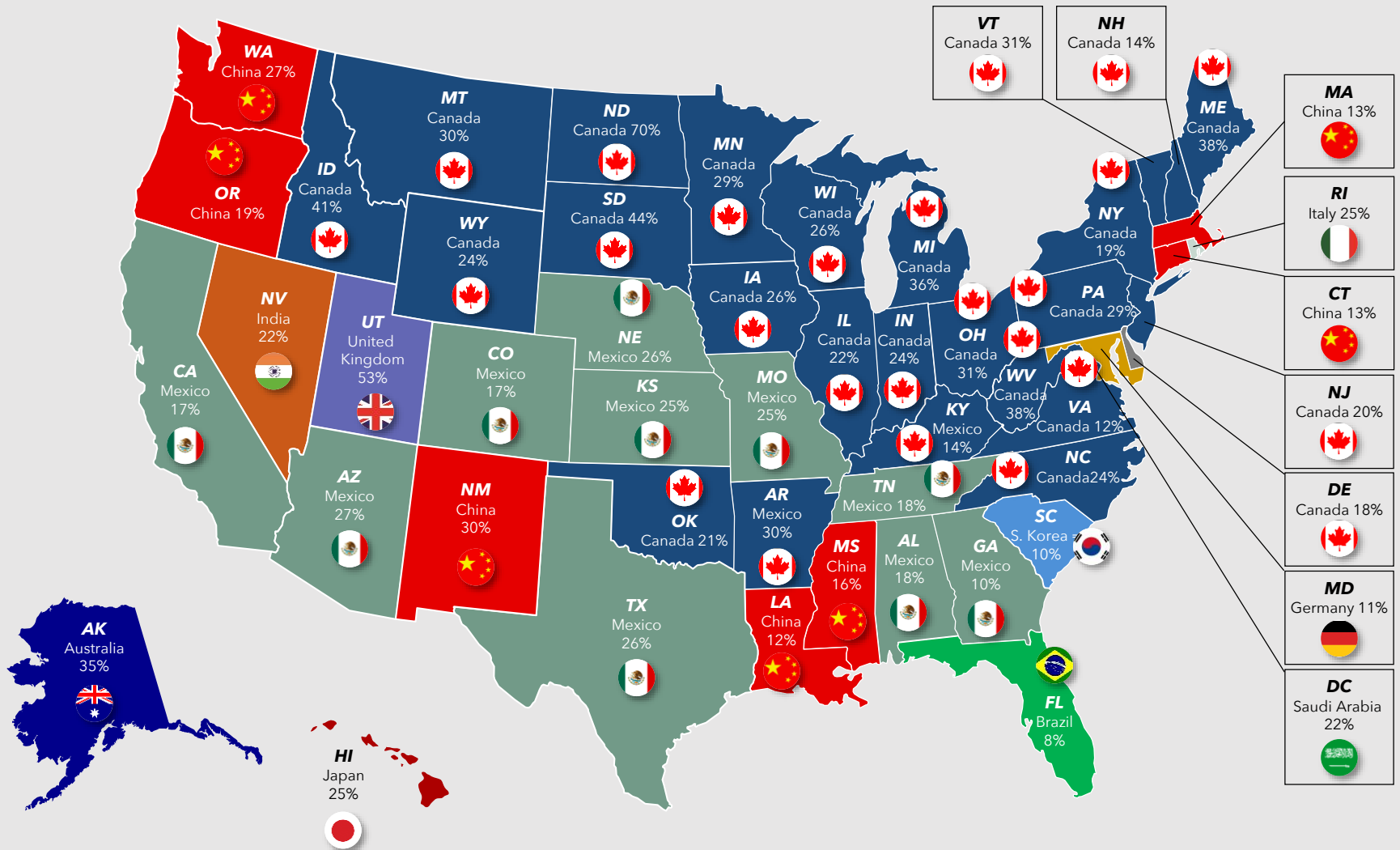
19

Top Import Trading Partner for Each US State



Source: US Census Bureau. Data shows import partner by state of destination.

Top Export Trading Partner for Each US State

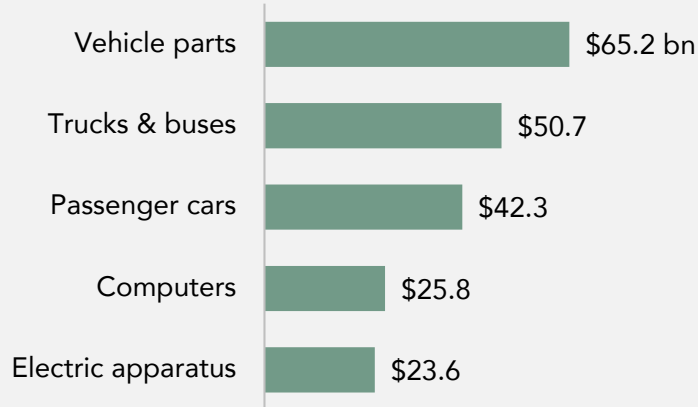


Source: US Census Bureau. Data shows export partner by origin of movement.

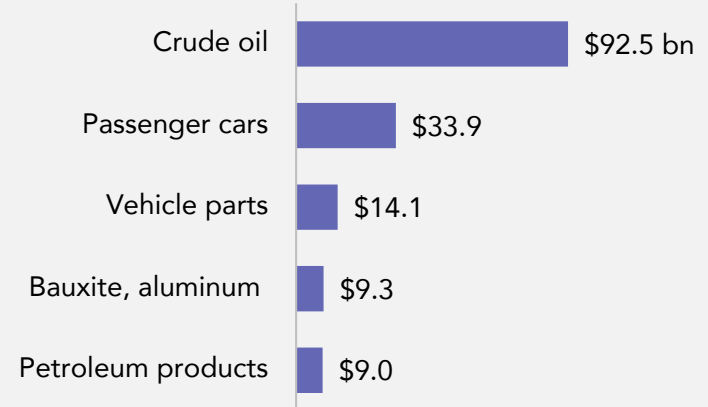
Top 5 US Imports With Major Trading Partners



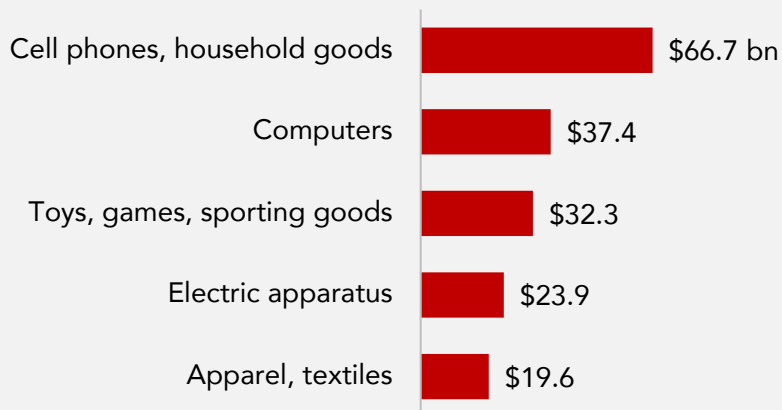
Mexico



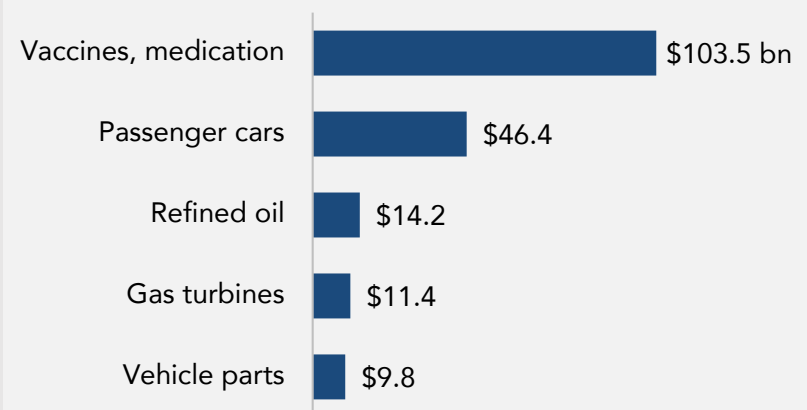
Canada



China



EU

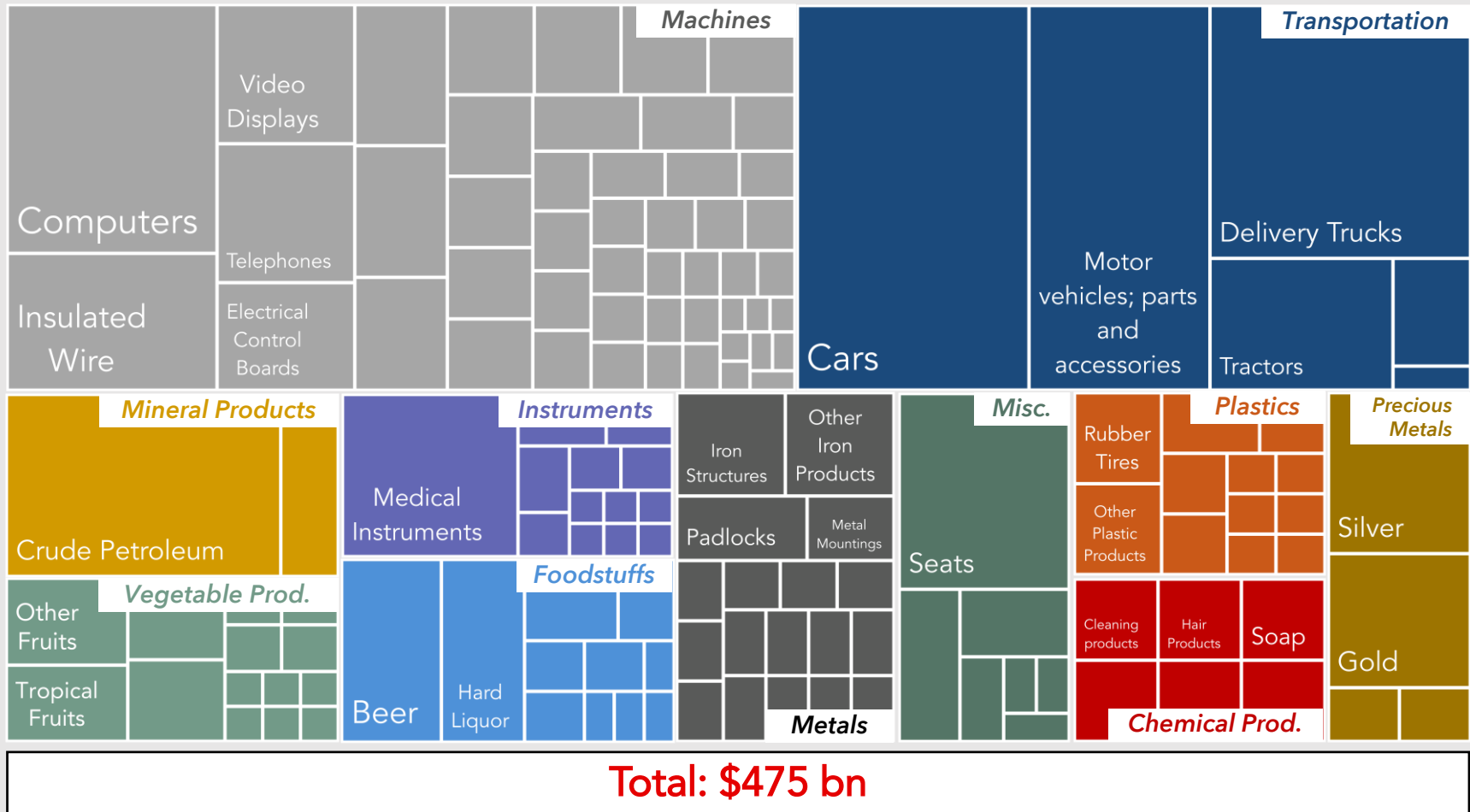


Source: (1-4) US Census. Data as of 2023. Trucks and buses includes special-purpose vehicles. US goods returned and reimports are excluded. Apparel/textile total is nonwool or cotton. Vaccines and medications are combined.

Breakdown of US Imports from Mexico



Share of imports from Mexico

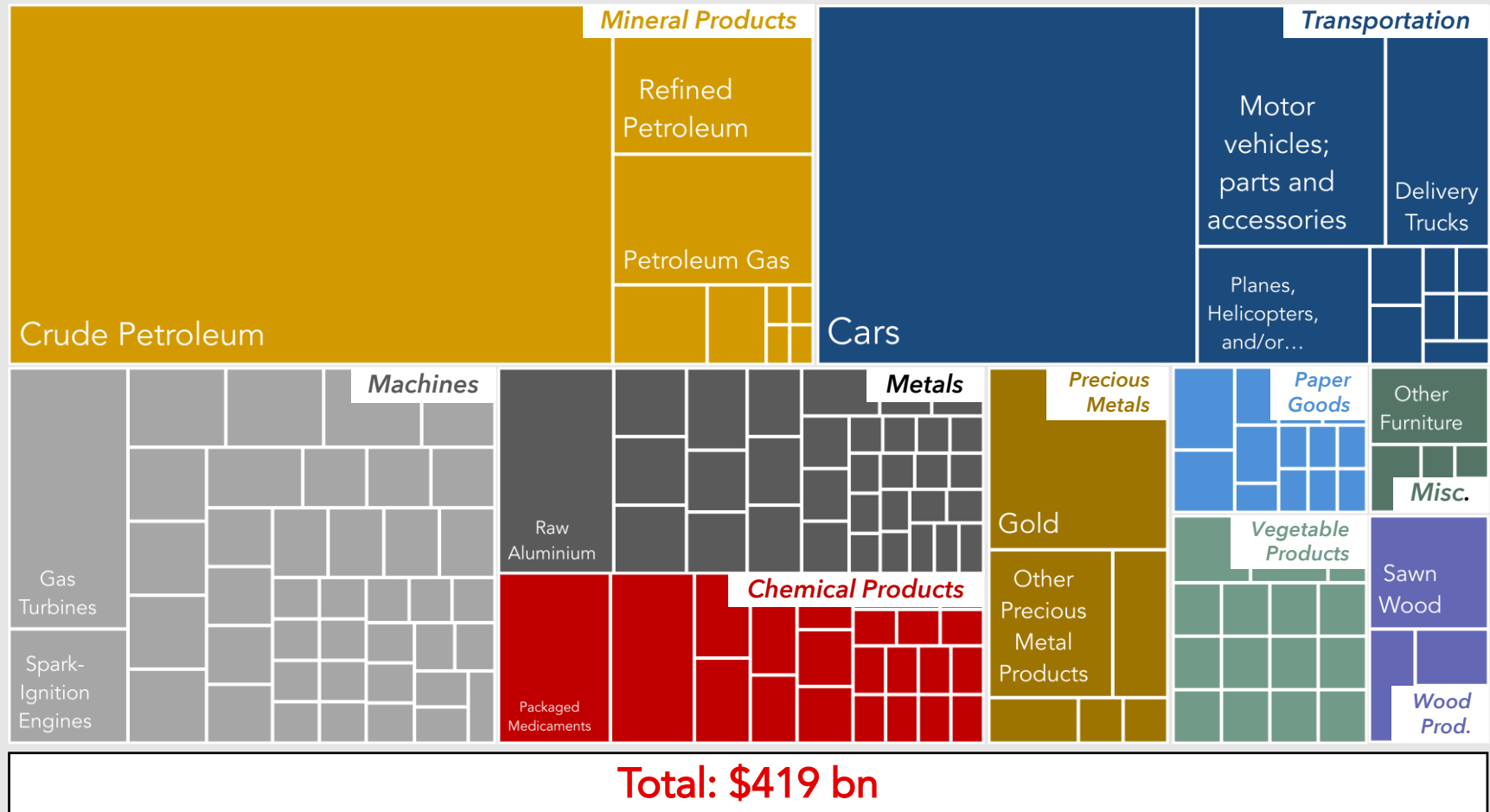


Source: (1) Financial Times, "How to deal with Donald Trump's tariff threats". US Census Bureau. Data for 2023.

Breakdown of US Imports from Canada



Share of imports from Canada

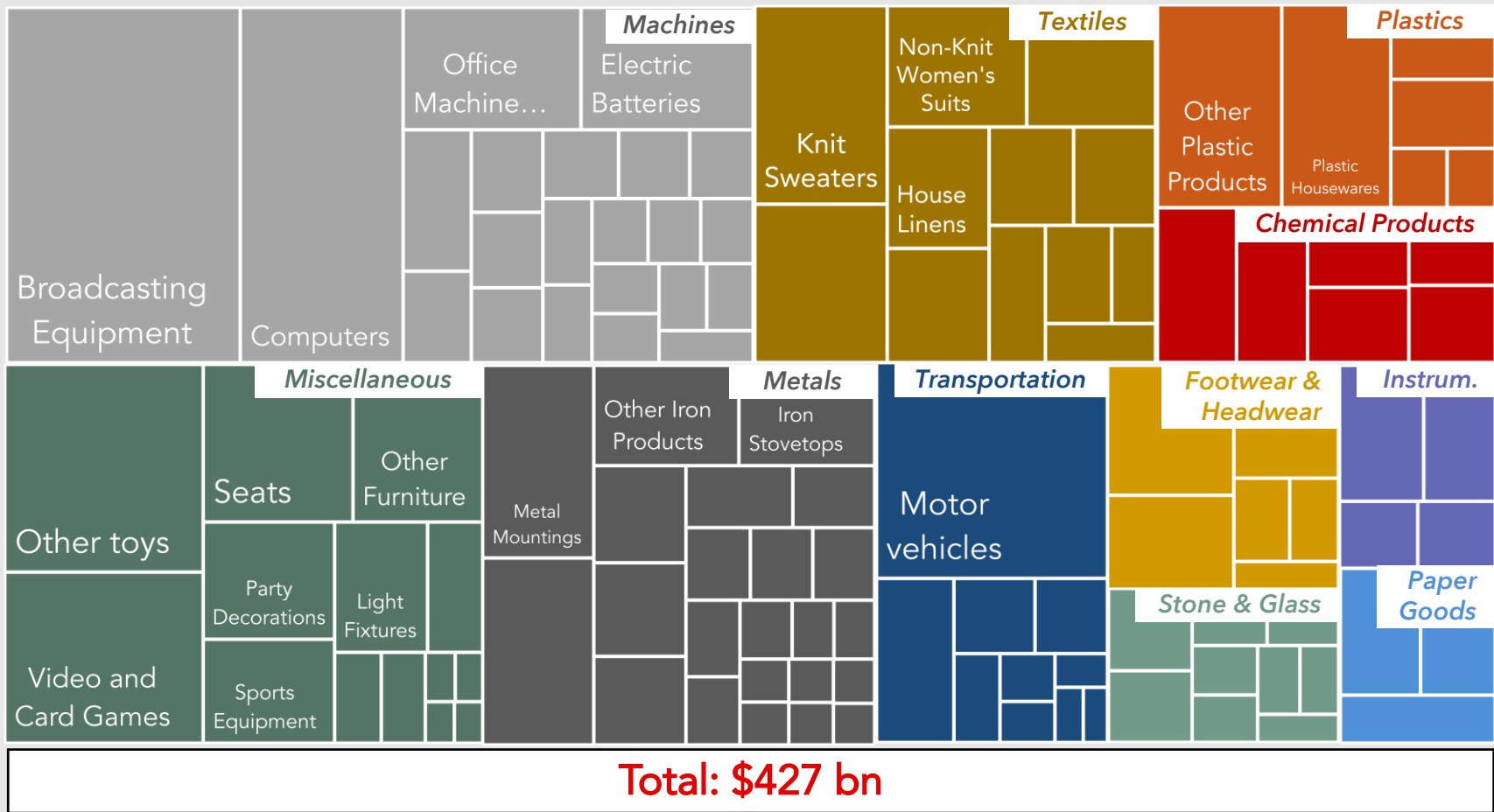


Source: (1) Financial Times, "How to deal with Donald Trump's tariff threats". US Census Bureau. Data for 2023.

Breakdown of US Imports from China



Share of imports from China

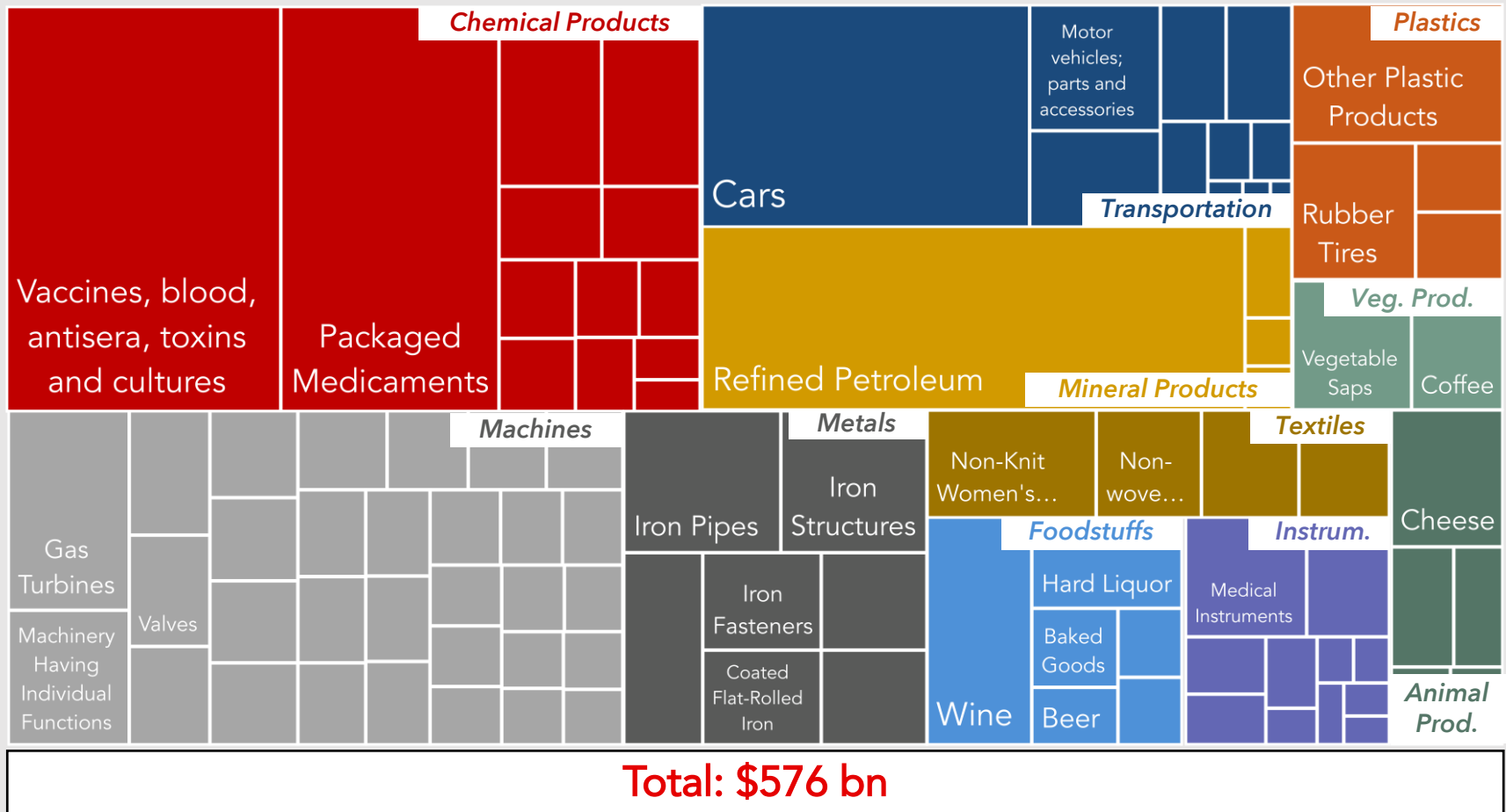


Source: (1) OEC. Data as of 2023.


Breakdown of US Imports from EU



Share of imports from EU



Source: (1) OEC. Data as of 2023.

A dark, semi-transparent portrait of a man in a tuxedo, looking directly at the camera. The image is the background for the text.

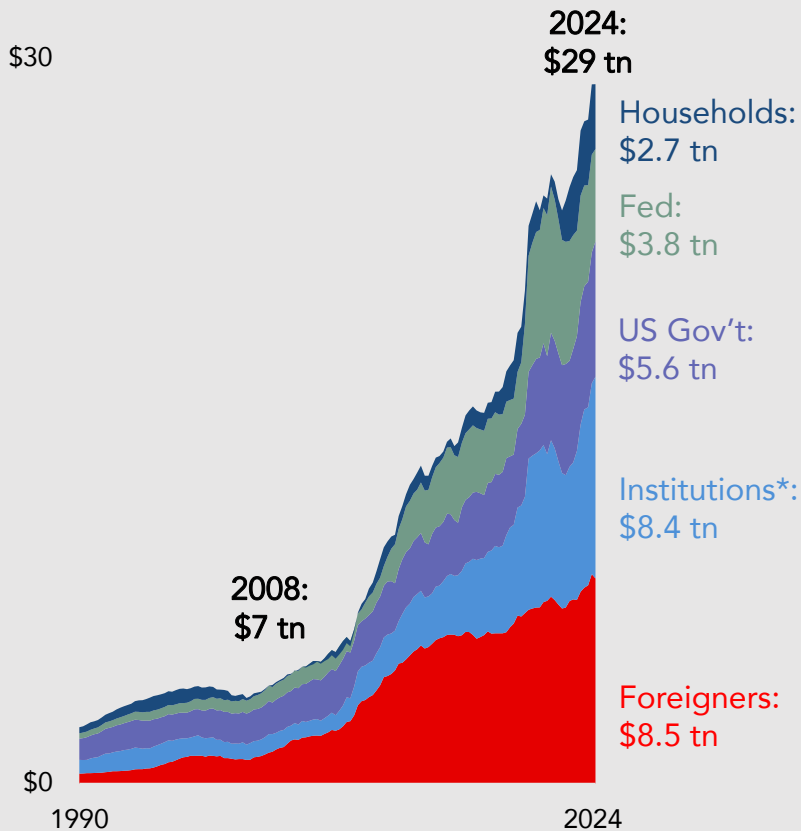
Ambitions of a Mar-a-Lago Accord

20

Unsustainable US Imbalances

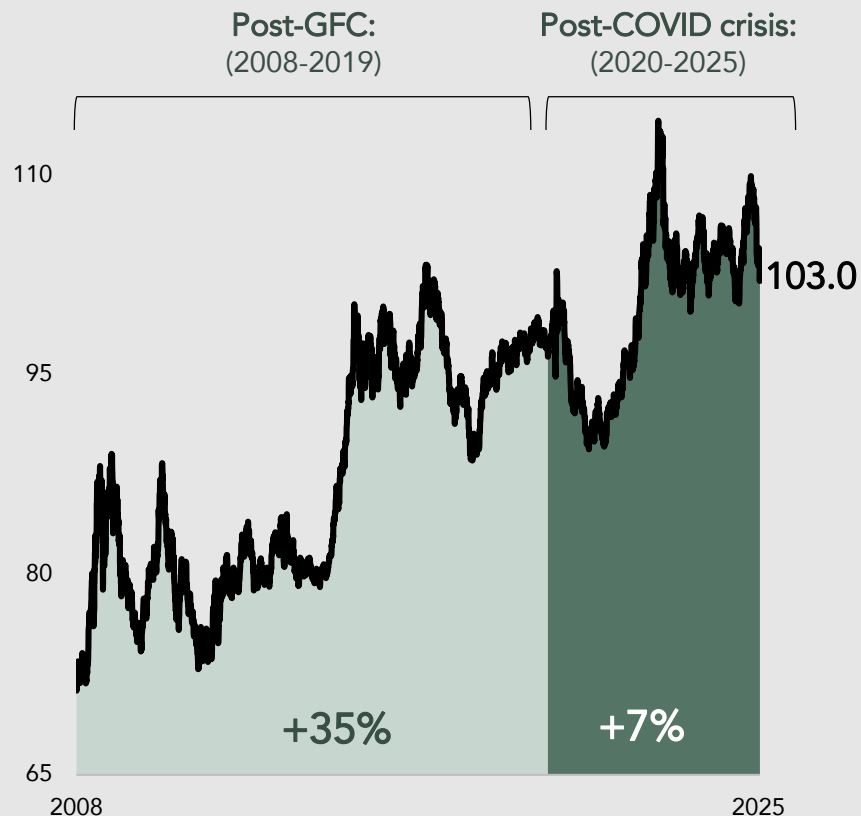
**UST Market Has
Quadrupled Since 2008**

Holder of US Treasury securities, USD tn



**USD Index has Strengthened
Over 45% Since 2008**

USD index



*Institutional ownership includes banks, mutual, closed-end & ETF funds, pensions, insurance, ABS issuers & broker-dealers

Source: (1) Federal Reserve. Data through Q4 2024. Financial Accounts of the United States, L.210 Treasury Securities. Gov't includes Federal, State & local governments, retirement funds and gov't sponsored enterprises. Total represents total marketable US Treasury debt. (2) Bloomberg. Data as of April 4, 2025.

Key Benefits of a Mar-a-Lago Accord

Similar to its approach to geopolitics and trade, the Trump Administration has transformative ambitions to restructure the global financial system. Derived in part from ideas in a Nov 2024 paper by Stephen Miran, the Head of Trump's Council of Economic Advisors (CEA), a Mar-a-Lago Accord would aim to: (1) restructure US debt obligations; (2) weaken the US dollar; (3) restore the strength of the US manufacturing sector and (4) rebalance long-standing US trade deficits.



Benefits to the United States

- Swap US debt obligations for zero coupon, long-dated bonds
- Weaken US Dollar
- Reduce US trade deficits
- Strengthen / expand US manufacturing sector



Benefits to Other Countries

- "Coordinated" vs "coercive" global rebalancing
- Sharp reduction in US tariffs
- Access to US economy & consumer
- American security architecture

Headwinds to a Mar-a-Lago Agreement

A Mar-a-Lago accord to ease US debt burdens would require massive global financial cooperation. Notably, most USTs are owned by the private sector. In the public sector, the benefits of a Mar-a-Lago accord are not likely to be sufficiently strong, nor the “trust” sufficiently high, to reach an agreement. China, in particular, will be weary of Japan’s economic path following the 1985 Plaza Accord.

Headwinds to Mar-a-Lago Accord

Relationship Headwinds



- Incentives for Japan, China & Europe much less today than 1985
- Discord in current “trade war” climate
- Japan’s disinflationary precedent following 1985 Plaza Accord

Geo-strategic Headwinds



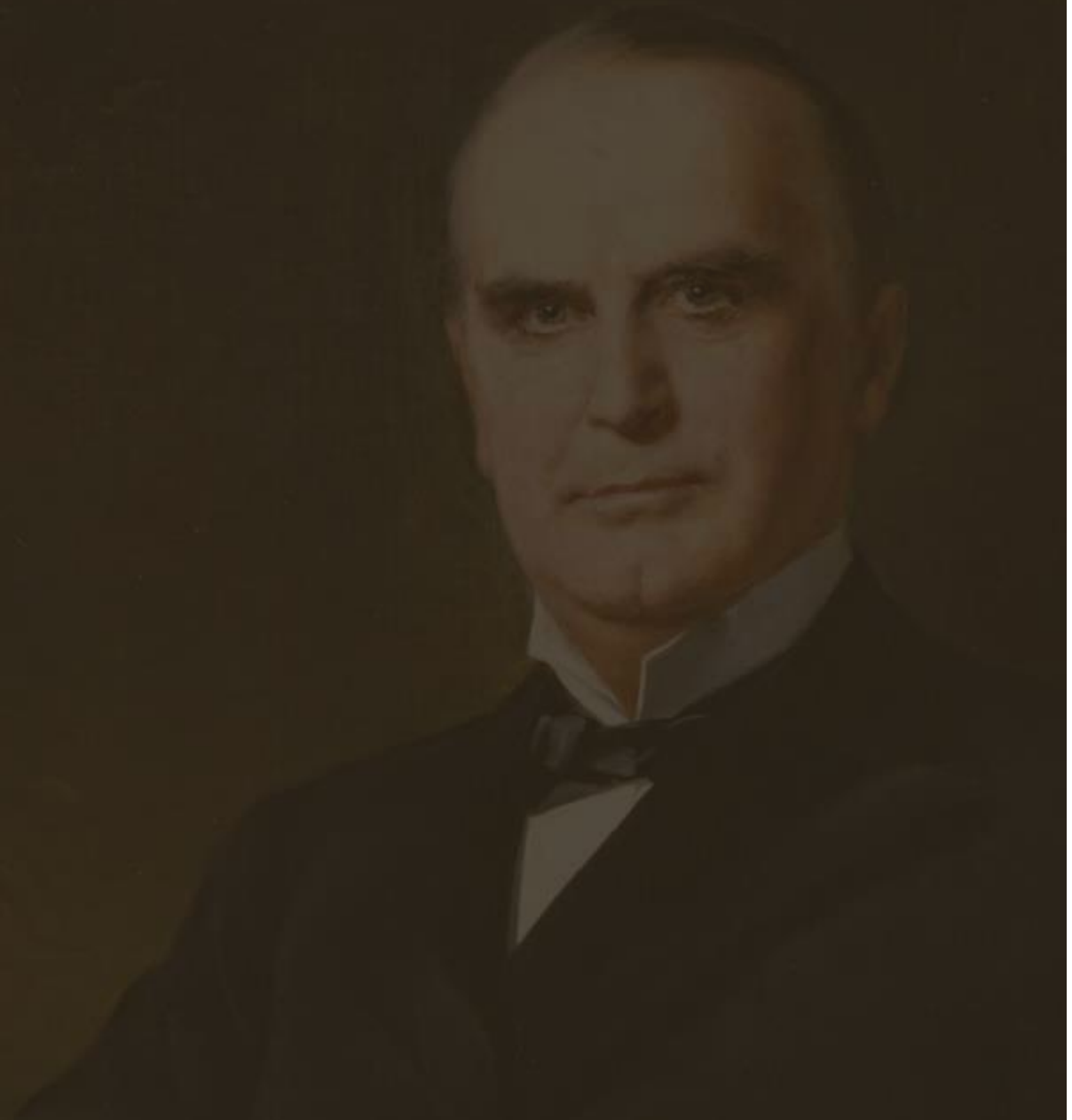
- Limited “trust” in US security architecture commitments
- Defense umbrella not relevant to China

Economic & Market Headwinds



- Execution risks could undermine global financial stability
- Most USTs are owned by the private sector
- Long-dated, zero coupon bonds not compelling
- Sustained & outsized US Dollar depreciation (> 20%) is difficult
- Linkage between US dollar & trade deficits have weakened
- US Sovereign Wealth Fund (SWF) viability given high structural deficits

Summary Conclusions



Where are We Going from Here?

GLOBAL TRADE

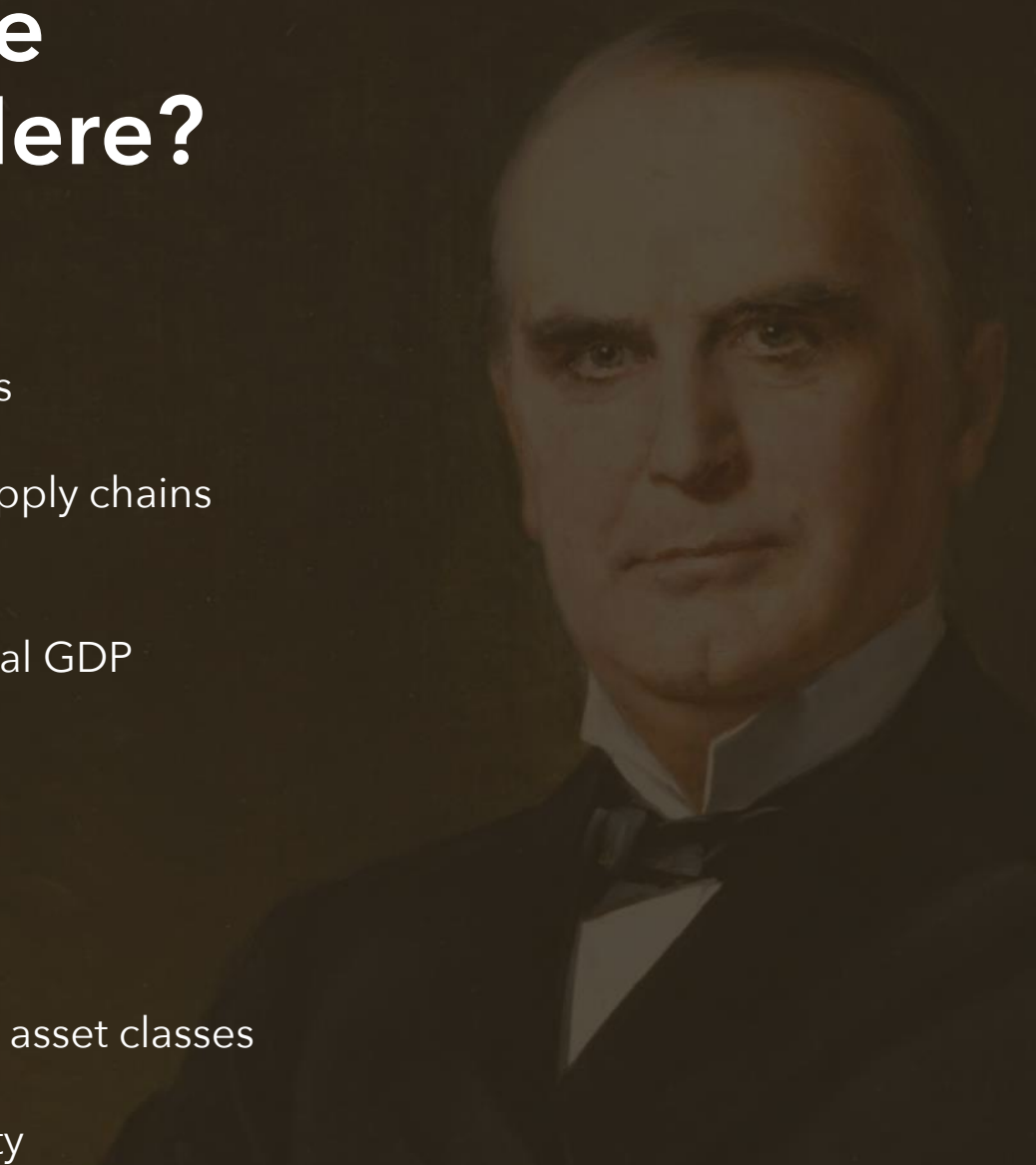
- Measured policy retaliation
- Limited bilateral agreements
- Fragmented trade blocks
- Higher cost, restructured supply chains

GLOBAL ECONOMY

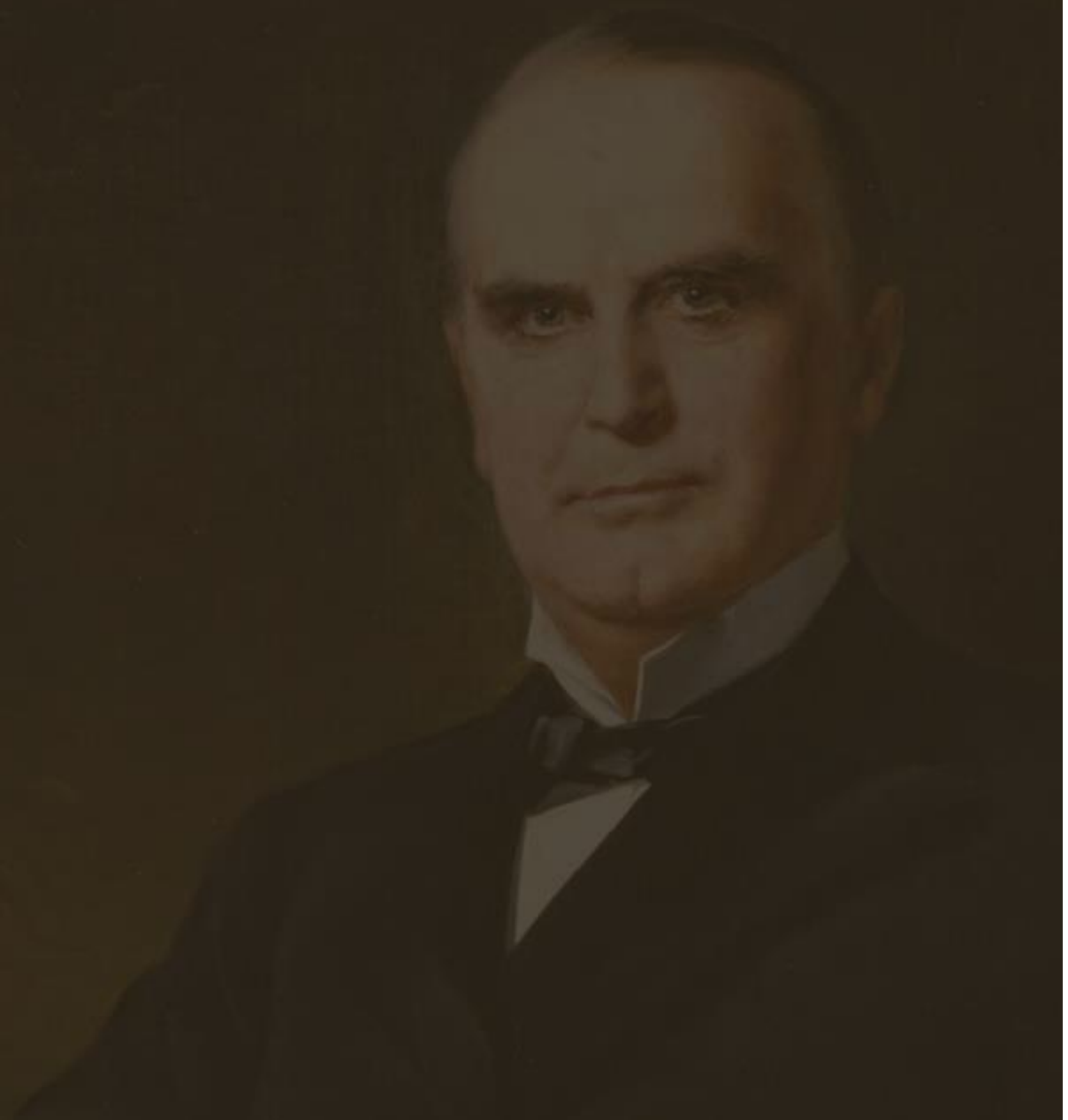
- Downward revisions to global GDP
- Higher recession risk
- Calibrated fiscal expansion
- Decoupling

GLOBAL MARKETS

- Higher volatility
- Greater dispersion between asset classes
- Risk assets under pressure
- Deterioration in credit quality



Appendix



2025 Global Economic Forecasts

The global economy is expected to grow at about 2.6% in 2025, well below its long term 3.5% average

GDP growth forecasts, y/y

Region / country	2024E	2025E	
North America			
US	2.8%	2.0%	↓
Canada	1.5%	1.1%	↓
Mexico	1.2%	0.7%	↓
Eurozone			
Ireland	1.2%	3.1%	↑
Spain	3.3%	2.6%	↓
Netherlands	0.9%	1.3%	↑
Finland	(-0.2%)	0.9%	↑
France	1.1%	0.6%	↓
Italy	0.5%	0.4%	↓
Germany	(-0.2%)	0.0%	↑
Other Europe			
Poland	2.8%	3.5%	↑
Denmark	3.6%	3.3%	↓
Türkiye	3.2%	2.9%	↓
Czech Republic	1.0%	2.3%	↑
Sweden	0.9%	2.3%	↑
Russia	3.9%	2.0%	↓
UK	0.9%	1.0%	↑
Switzerland	1.3%	0.8%	↓
Norway	2.1%	(-0.3%)	↓

Region / country	2024E	2025E	
APAC			
India	6.7%	6.7%	↑
Indonesia	5.0%	5.0%	↓
China	5.0%	4.6%	↓
Singapore	4.4%	2.8%	↓
Australia	1.0%	2.1%	↑
South Korea	2.1%	1.3%	↓
New Zealand	(-0.3%)	1.2%	↑
Japan	0.1%	1.0%	↑
LatAm			
Argentina	(-2.0%)	3.9%	↑
Chile	2.3%	2.4%	↑
Colombia	1.7%	2.0%	↑
Brazil	2.9%	1.2%	↓
MENA			
UAE	3.8%	4.8%	↑
Saudi Arabia	1.4%	4.5%	↑
Egypt	2.9%	4.0%	↑
Sub-Saharan Africa	3.6%	3.8%	↑
Kuwait	(-3.4%)	3.1%	↑
Oman	1.5%	2.2%	↑
Qatar	1.9%	2.1%	↑
South Africa	0.6%	1.5%	↑

Source: (1) Oxford Economics. Data as of April 7, 2025.

2025 Global Currency Forecasts

Currency pair	Spot (Apr 7)	Q2 2025	Q3 2025	Q4 2025	Q1 2026
EUR / USD	1.10	1.06	1.08	1.10	1.14
GBP / USD	1.29	1.29	1.29	1.32	1.36
USD / JPY	146	152	150	148	146
USD / CNY	7.31	7.40	7.40	7.35	7.30
AUD / USD	0.60	0.61	0.63	0.65	0.66
NZD / USD	0.56	0.56	0.57	0.58	0.60
USD / CAD	1.43	1.48	1.47	1.42	1.38
USD / NOK	10.89	10.94	10.65	10.36	9.83
USD / SEK	10.11	10.47	10.37	10.00	9.47
USD / CHF	0.85	0.89	0.86	0.85	0.83
USD / MXN	20.79	20.75	21.00	20.75	20.50
USD / BRL	5.84	5.85	5.90	6.00	6.05
USD / CLP	979	965	980	990	1,000

Source: (1) MUFG Annual Foreign Exchange Outlook - April 2025. (Derek Halpenny). Bloomberg.

2025 MUFG Global Rates Forecasts

	Spot (Apr 7)	Q2 2025		Q3 2025		Q4 2025		Q1 2026	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.25%	4.40%	4.25%	4.20%	4.00%	4.05%	3.75%	3.90%
2 yr UST	3.50%	4.00%	4.01%	4.13%	3.91%	3.88%	3.82%	3.75%	3.78%
5 yr UST	3.59%	4.13%	4.10%	4.25%	4.07%	4.13%	4.03%	4.00%	4.00%
10 yr UST	3.92%	4.25%	4.33%	4.38%	4.31%	4.25%	4.29%	4.13%	4.26%
30 yr UST	4.39%	4.50%	4.57%	4.63%	4.54%	4.63%	4.52%	4.50%	4.55%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of April 7, 2025. Fed funds is upper bound.

2025 MUFG Commodities Forecasts

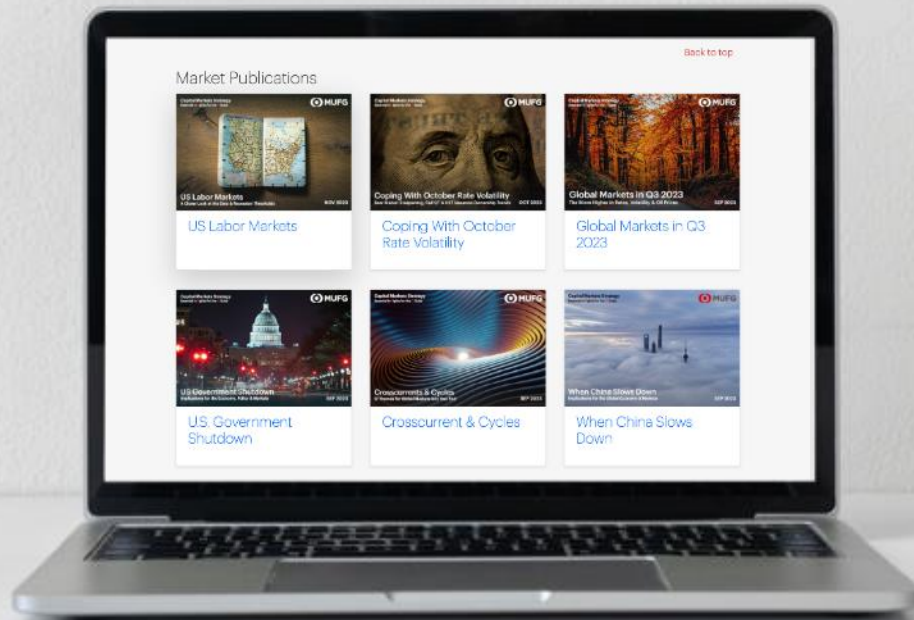
	Spot (Apr 7)	Q2 2025		Q3 2025		Q4 2025		Q1 2026	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	\$60	\$64	\$69	\$69	\$69	\$72	\$69	N/A	\$68
Brent	\$63	\$69	\$73	\$74	\$73	\$77	\$72	N/A	\$72
US Nat Gas	\$3.74	\$2.90	\$3.50	\$2.70	\$3.50	\$2.90	\$3.70	N/A	\$3.75
Euro Nat Gas	€35	€38	€43	€33	€40	€29	€42	N/A	€40

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of April 7, 2025.



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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.

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Experience

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