

# Capital Markets Strategy

Essential insights for the C-Suite



## Uncertainty Derails Trump Trade

MAR 2025



**"MAGA doesn't stand for Make M&A Great Again, but I think that...we will see a pickup in corporate activity."**

US Treasury Secretary, Scott Bessent, on CNBC on Friday, March 7



# Global Corporate & Investment Bank

## Capital Markets Strategy Team



**Tom Joyce**

Managing Director  
Capital Markets Strategist  
New York, NY

Tom.Joyce@mufgsecurities.com  
(212) 405-7472



**Stephanie Kendal**

Vice President  
Capital Markets Strategist  
New York, NY

Stephanie.Kendal@mufgsecurities.com  
(212) 405-7443



**Angela Sun**

Analyst  
Capital Markets Strategist  
New York, NY

Angela.Sun@mufgsecurities.com  
(212) 405-6952

# AUTHORS



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# The Weight of Policy Uncertainty

As post-Inauguration policy uncertainty has risen more than anticipated, the so-called “Trump trade” has unwound, giving way to US equity market underperformance, lower UST yields, a softer US Dollar and declining oil prices.



**Record pace of Executive Orders**



**Disorderly DOGE layoffs**



**Government austerity measures**



**Mixed signals on M&A deregulation**



**Tariff & trade policy escalation**



**Unstable geopolitical backdrop**



**Softer US economic data**

# Key Questions for "Risk-off" 2025 Markets

- 1 Will the recent paradigm shift in market sentiment from inflation to growth concerns continue on its current course?
- 2 At what point will equities become oversold, bonds over-bought?
- 3 Do tariff-induced market selloffs push Congress toward fiscal expansion that is larger and sooner than currently anticipated?
- 4 Will risk-off markets respond more adversely to a March 14<sup>th</sup> US Government shutdown scenario than prior such episodes?
- 5 Does the strike price for a Trump / Bessent / Powell policy "put" move notably lower from here?

# US Equities in Correction Territory



## Nasdaq 100



## S&P 500

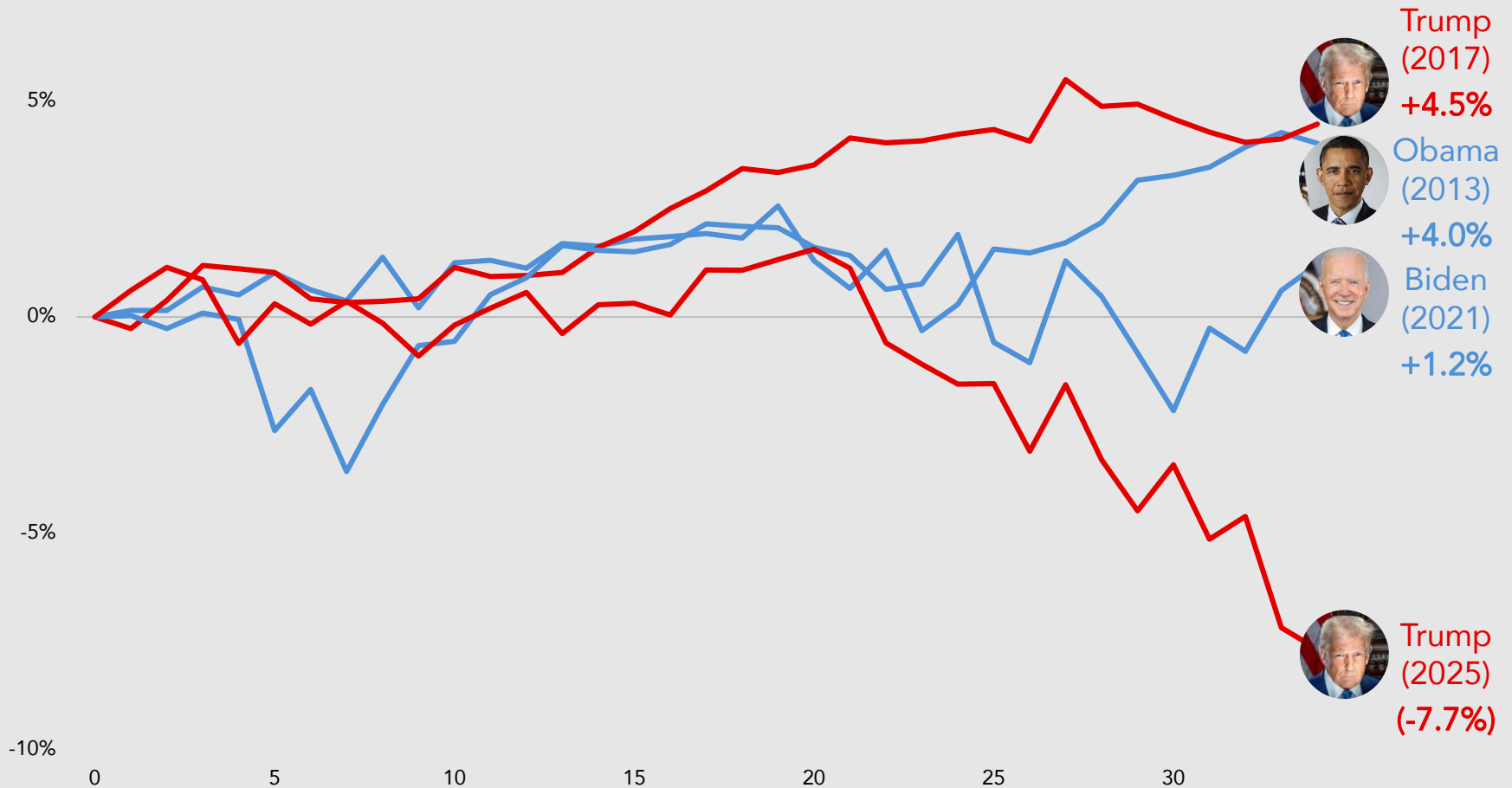


Source: (1-2) Bloomberg. Data as of March 11, 2025.

# US Stocks Trailing Trump's First Term



S&P 500 performance in first 35 trading days, by President



Source: (1) Bloomberg. Data as of March 11, 2025.

# Bank Sector Gives Back Post-Election Gains



S&P Regional Bank KRE ETF

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)

70



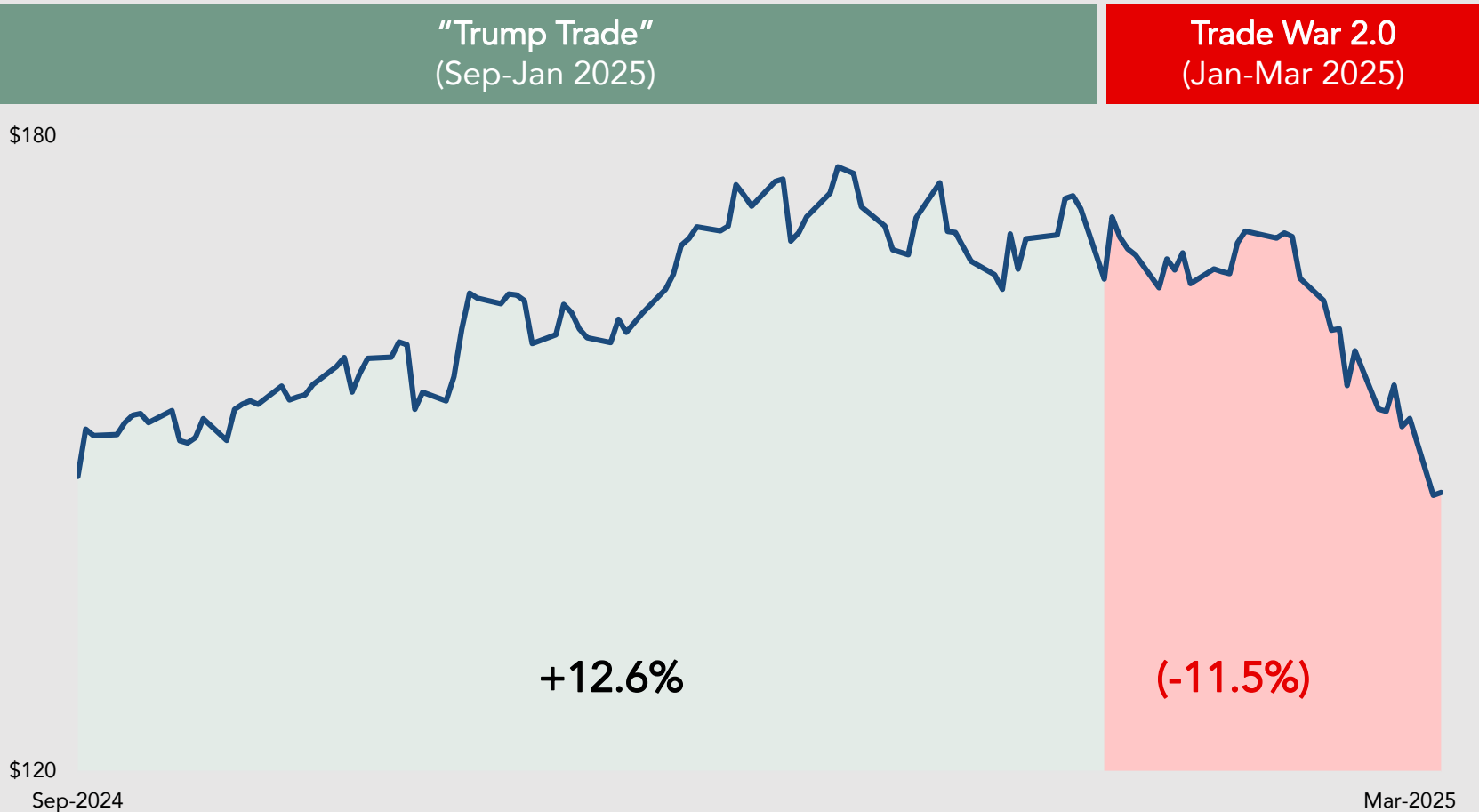
Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.



# Sharp Tech Sector Sell-Off



Magnificent 7 US tech stocks

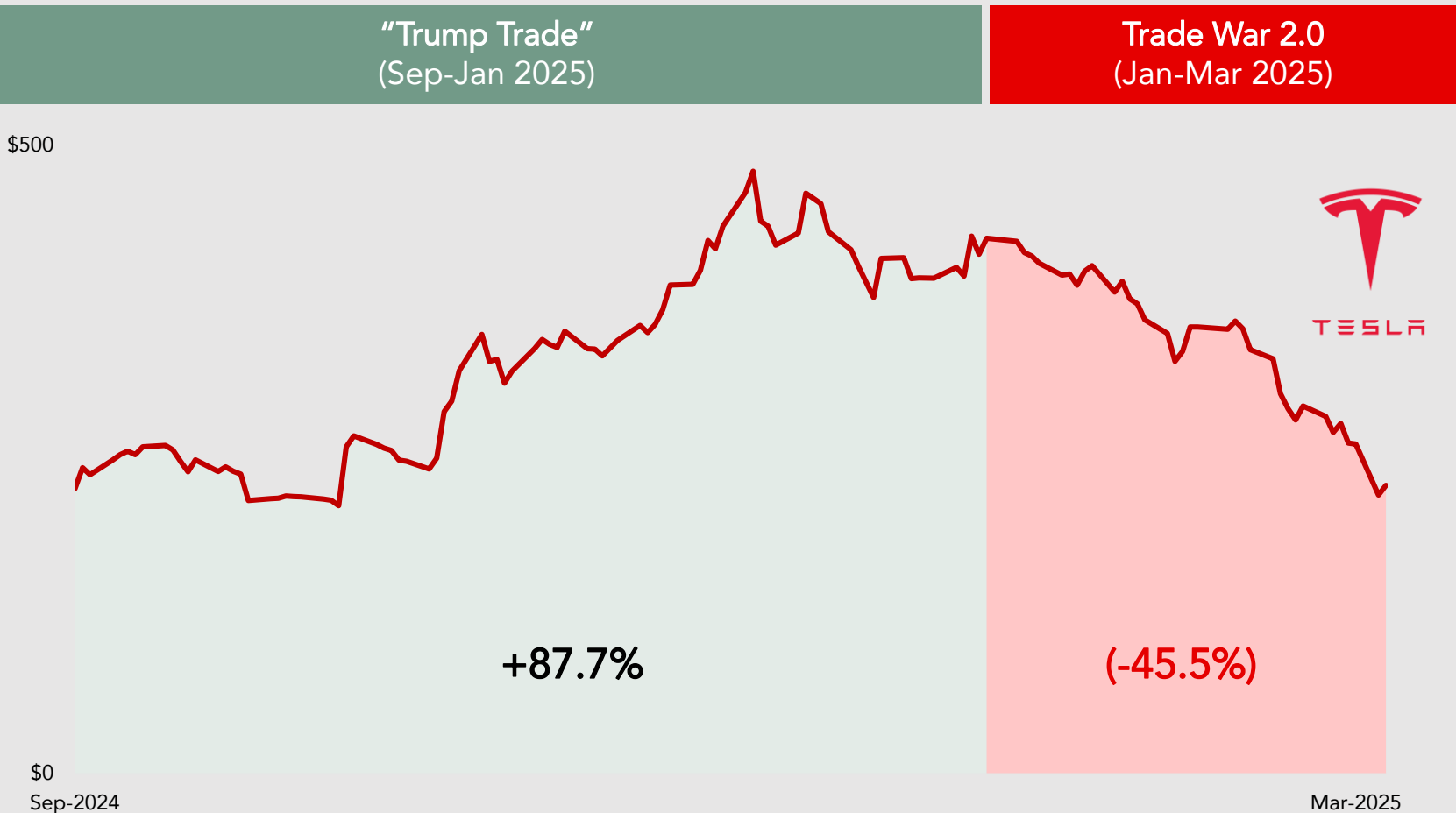


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

# Tesla's Stock Down Over 45%



Tesla

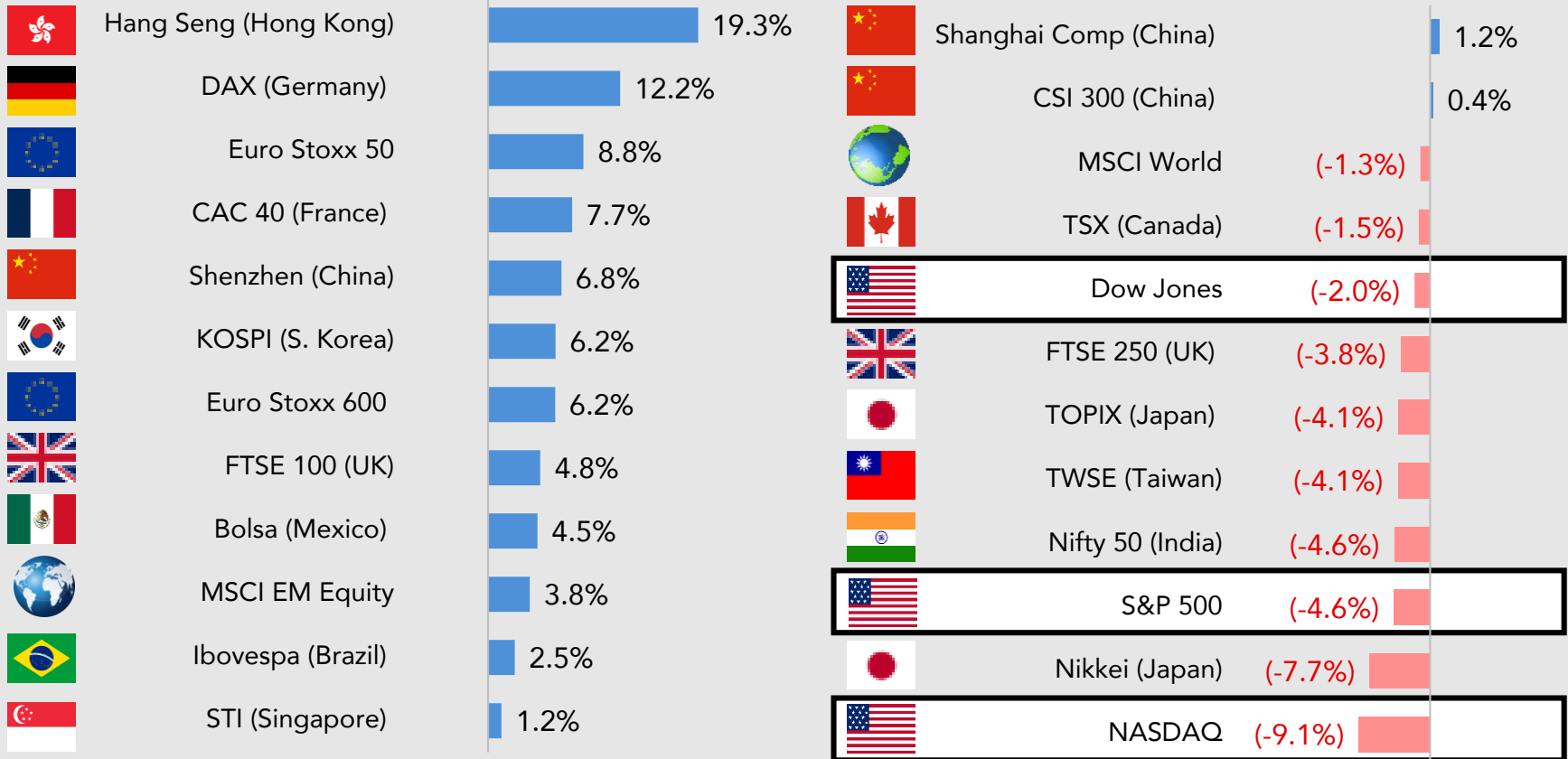


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

# Global Equity Market Returns Outpacing US



Regional equity market performance since January 1, 2025



Source: (1) Bloomberg. Data as of March 11, 2025. Equity market performance is total returns.

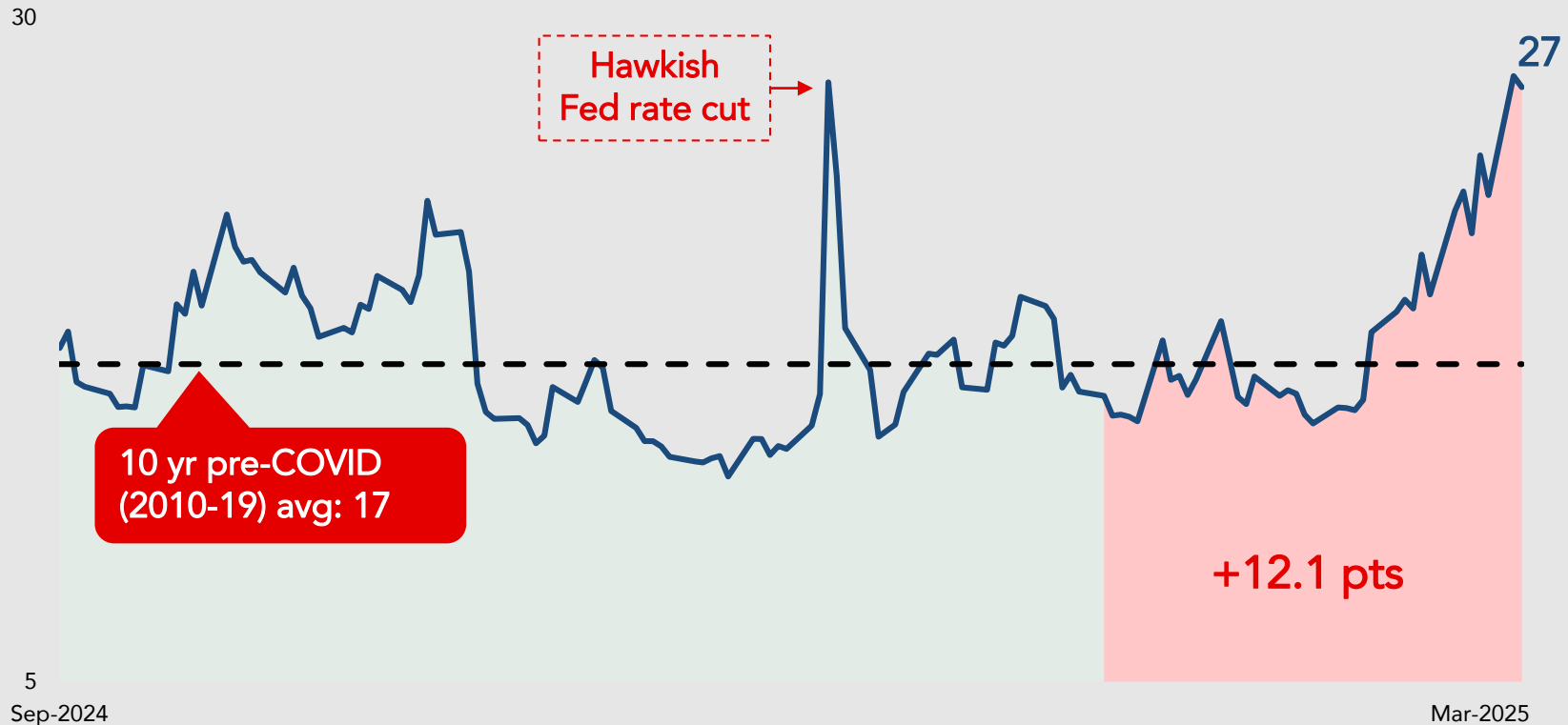
# Equity Volatility Spikes Well Above LT Average



Equity volatility (VIX)

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)



Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

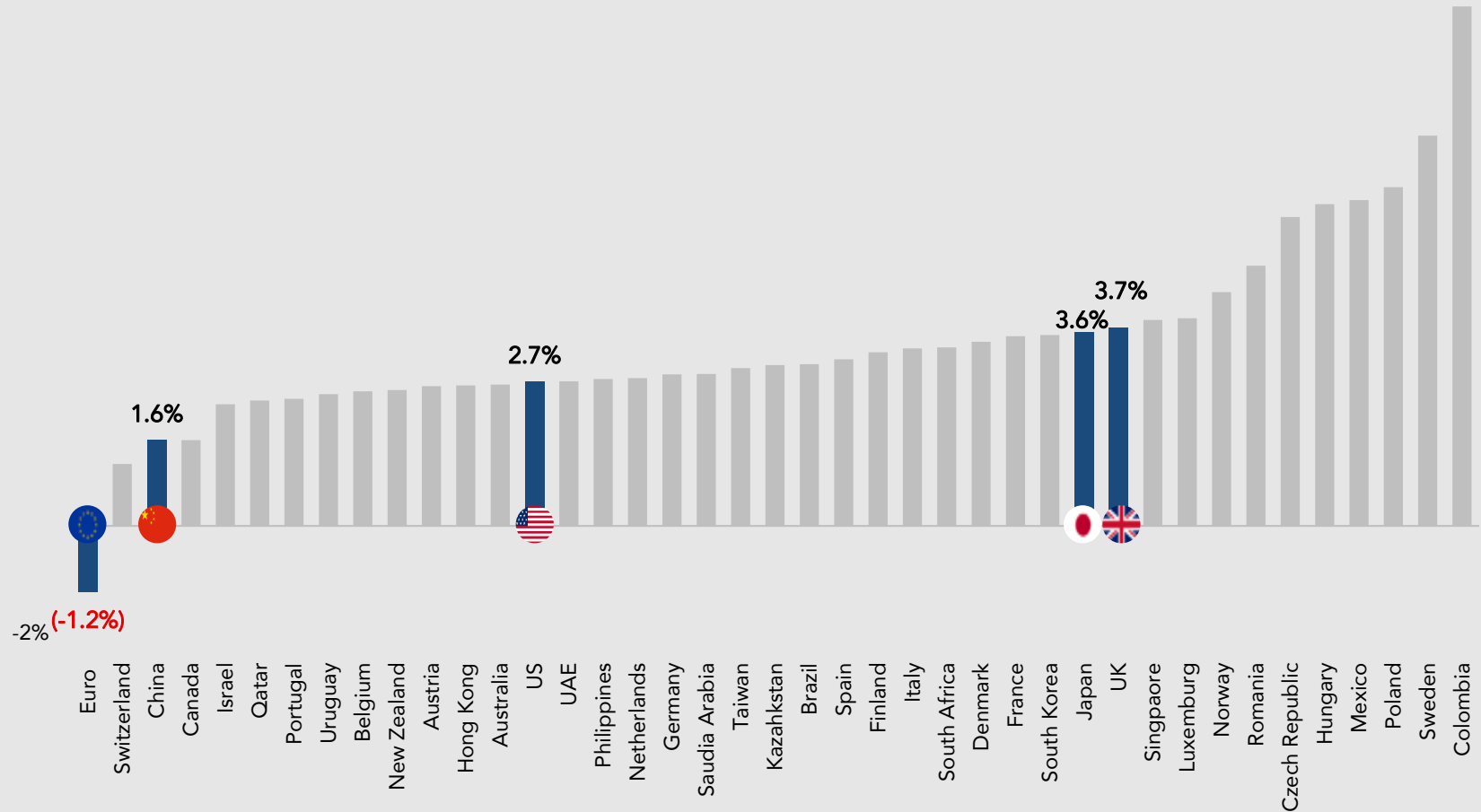


# Global Bond Market Returns Outpacing US



Total returns, YTD

10%



Source: (1) Bloomberg. Data as of March 11, 2025. MUFG Research, "The Bullet - Asia".

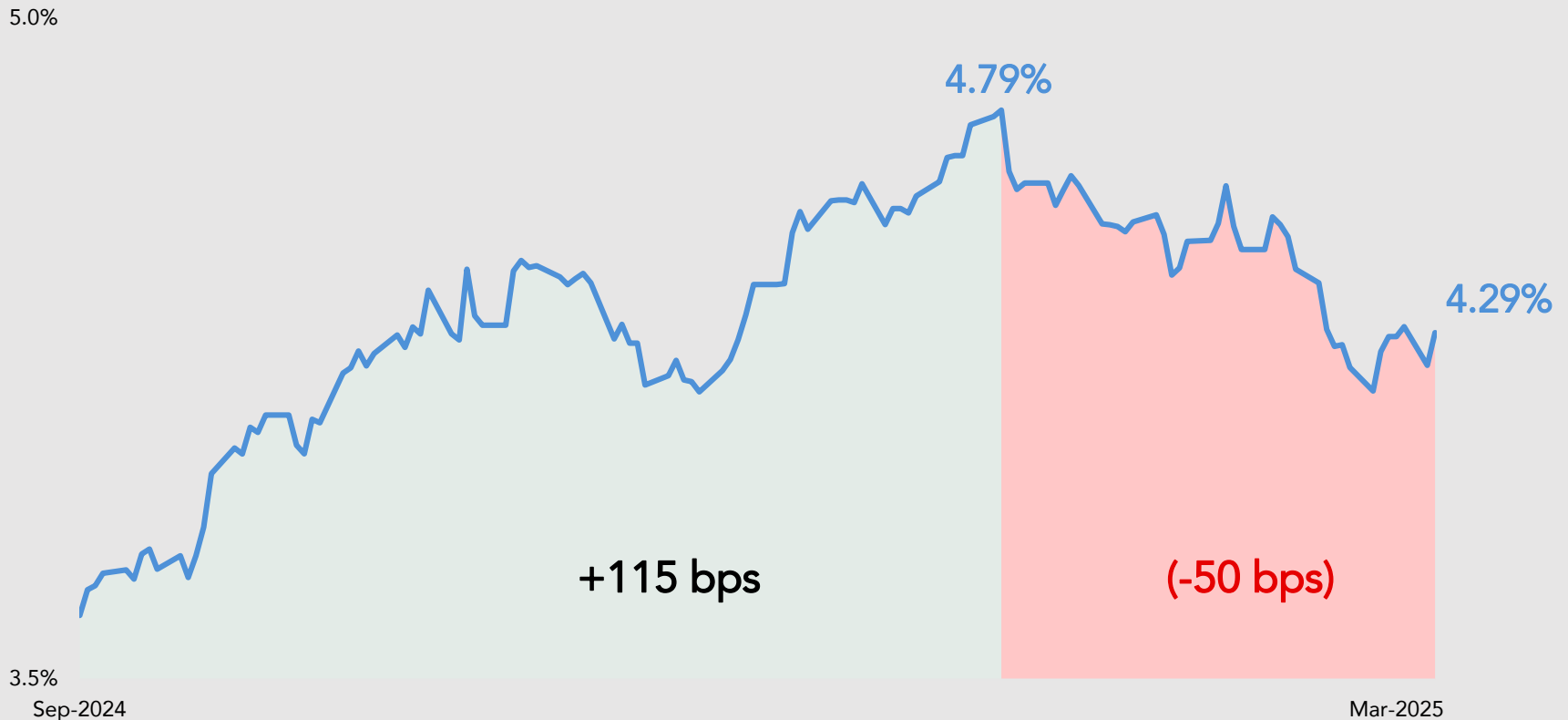
# UST Yields Drop on Growth Concerns



10 year UST

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)

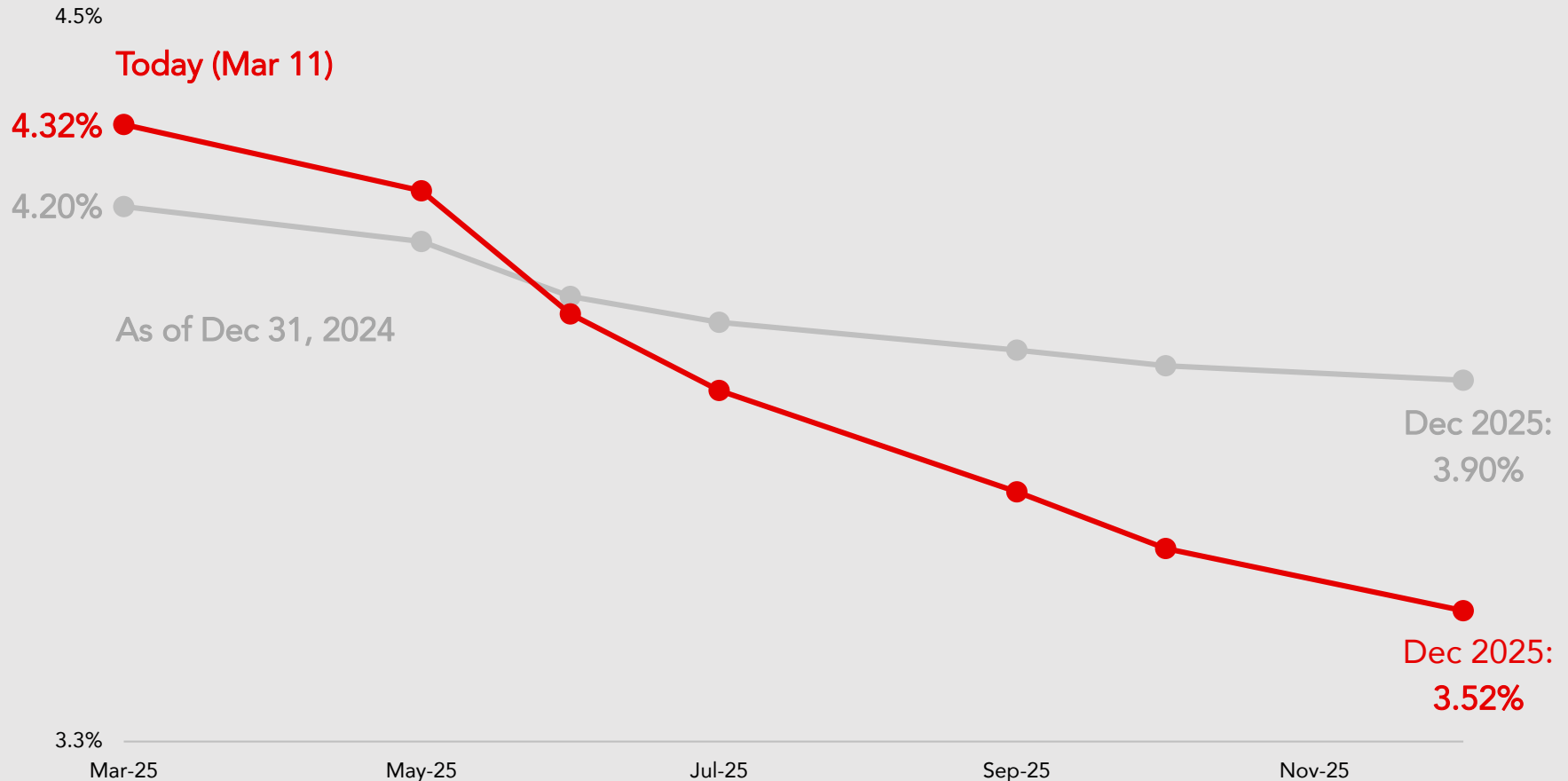


Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 14, 2025. Trade War 2.0 is Jan 14, 2025 - March 11, 2025.

# Fed Funds Futures Increasingly Worried About Growth Over Inflation



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



Source: (1) Bloomberg. Data as of March 11, 2025.

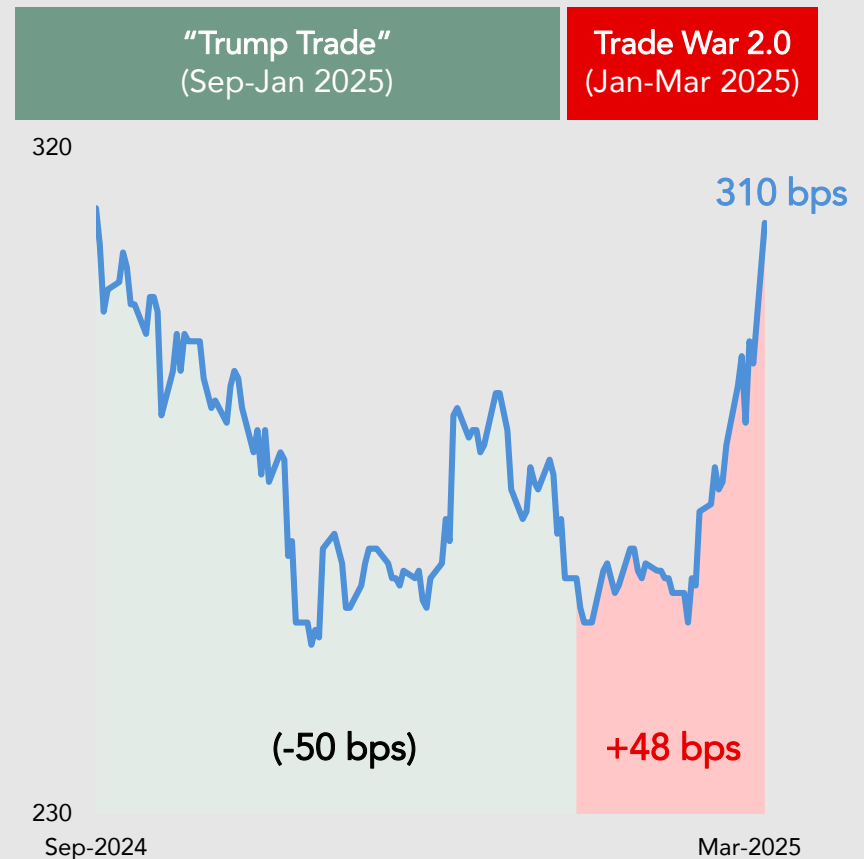
# USD Credit Spreads Widen From Multi-Decade Tights



## USD IG OAS



## USD HY OAS



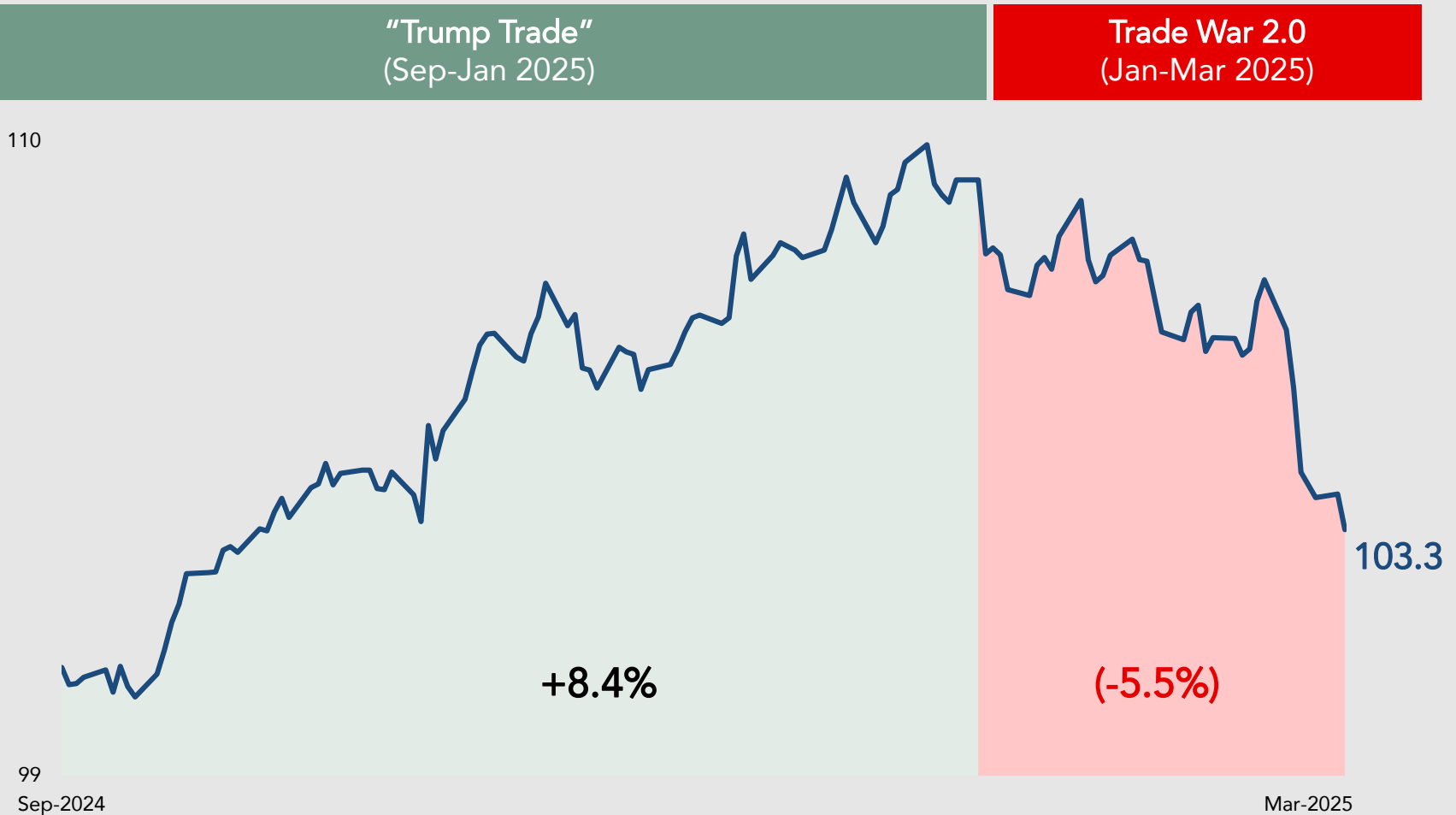
Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.



# US Dollar Weakening on Growth Concerns



US Dollar index performance



Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 11, 2025.

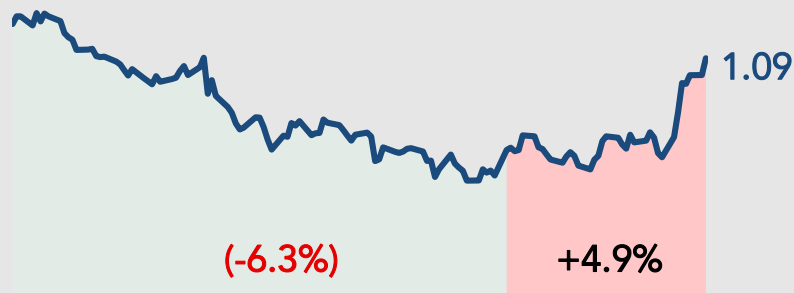
# US Dollar Weakening on Growth Concerns



Euro vs. USD

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)



Sep-2024

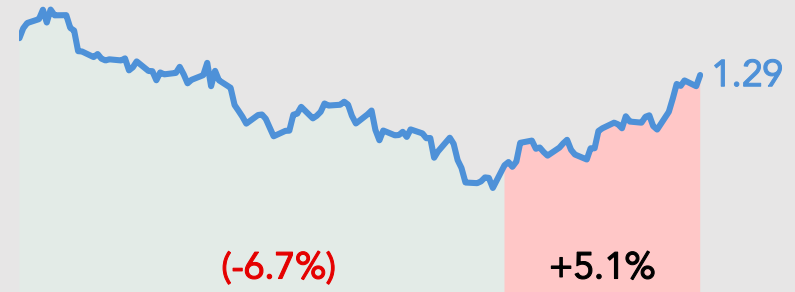
Mar-2025



GBP vs. USD

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)



Sep-2024

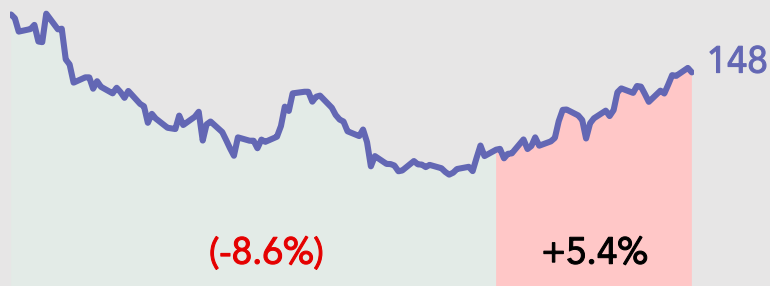
Mar-2025



Yen vs. USD

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)



Sep-2024

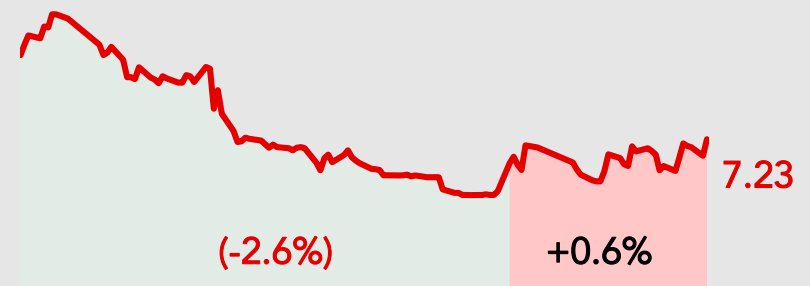
Mar-2025



CNY vs. USD

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)



Sep-2024

Mar-2025

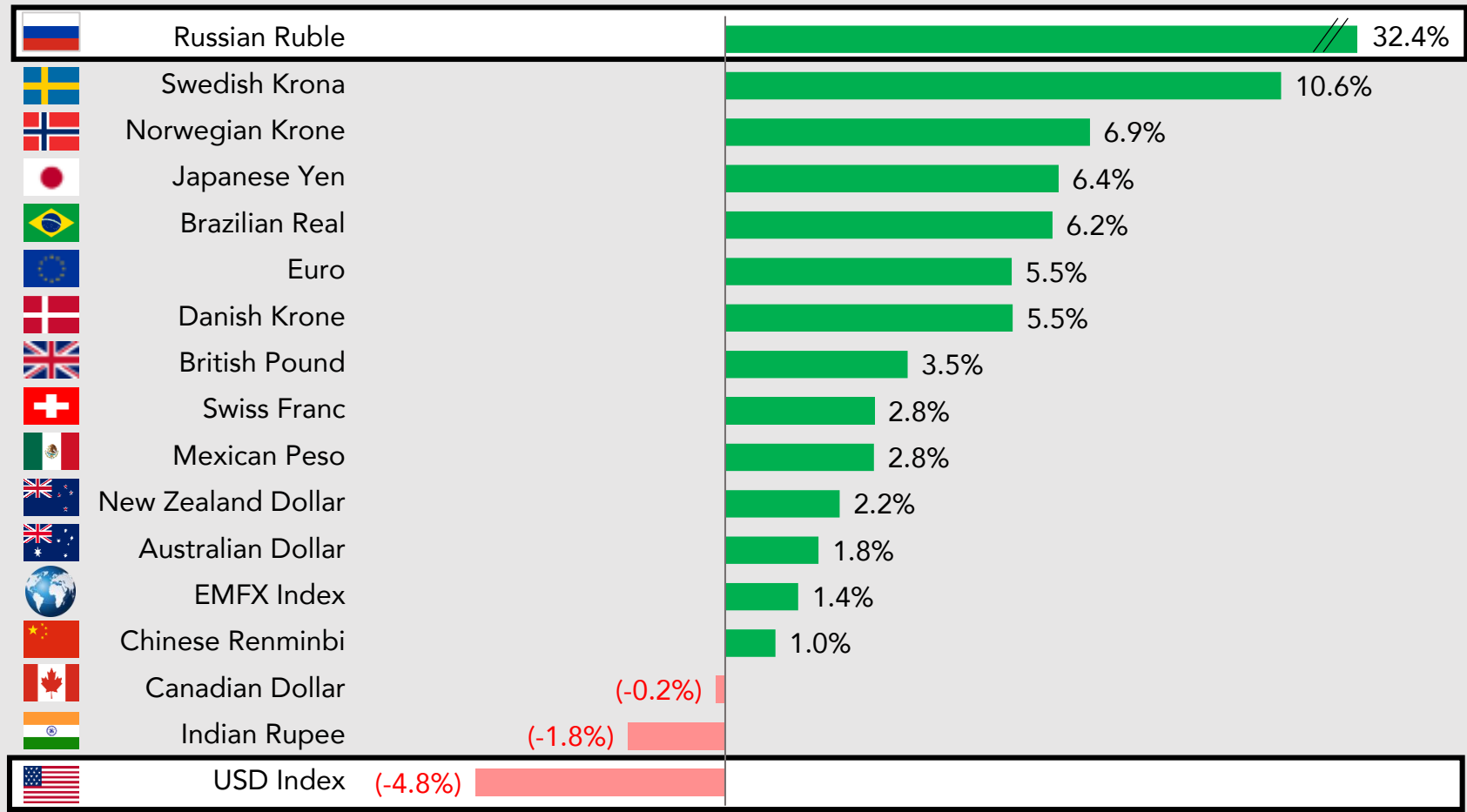
Source: (1-4) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - Mar 11, 2025. All currencies graphed vs. USD.

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# US Dollar Lower vs. Major Currency Pairs



Currency performance vs. USD since January 1, 2025



Source: (1) Bloomberg. Data as of March 11, 2025.

# Bitcoin's Post-Election Surge Receding

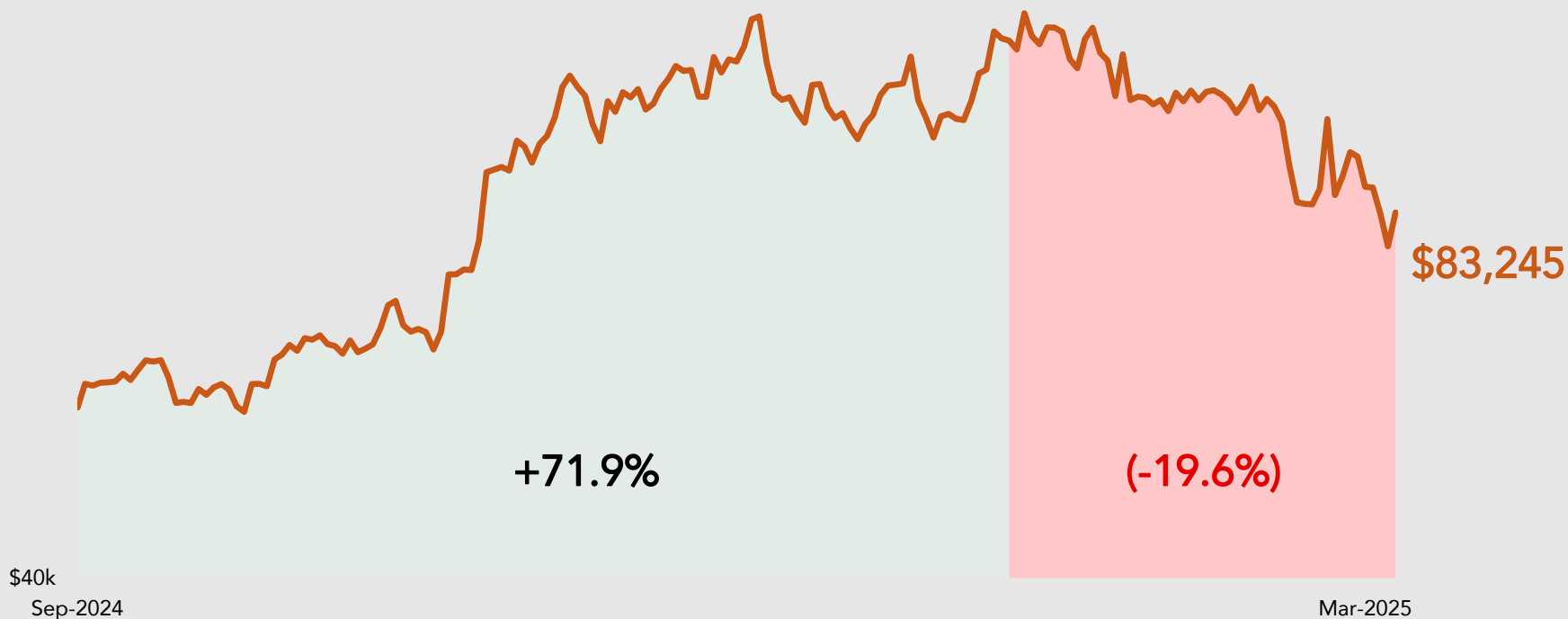


Bitcoin

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)

\$115k



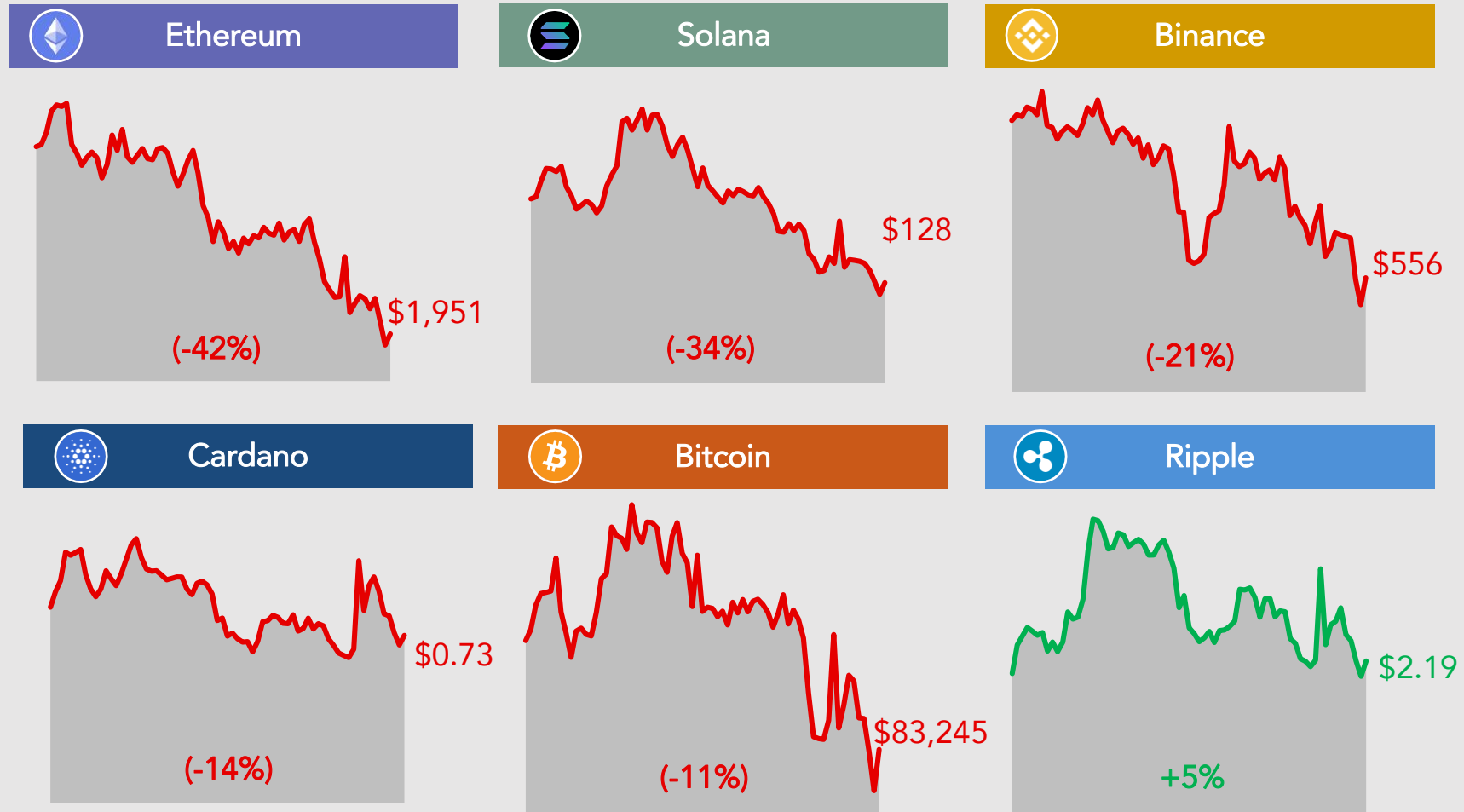
Source: (1) Bloomberg. Data as of March 11, 2025.



# Cryptocurrencies Lagging High Expectations



Cryptocurrency performance since January 1, 2025



Source: (1-6) Bloomberg. Data as of March 11, 2025.

# Oil Prices Down on Demand Shock Concerns

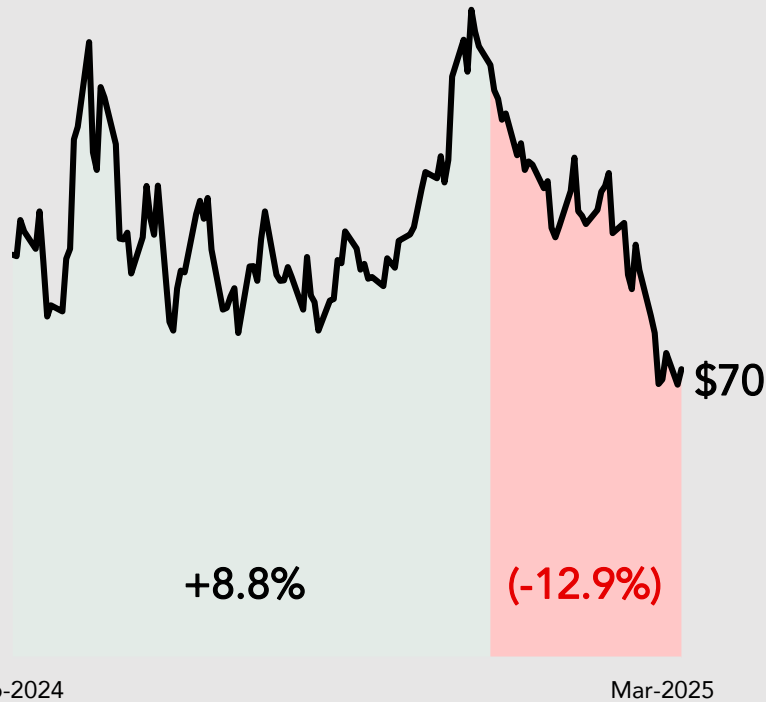


Brent

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)

\$85

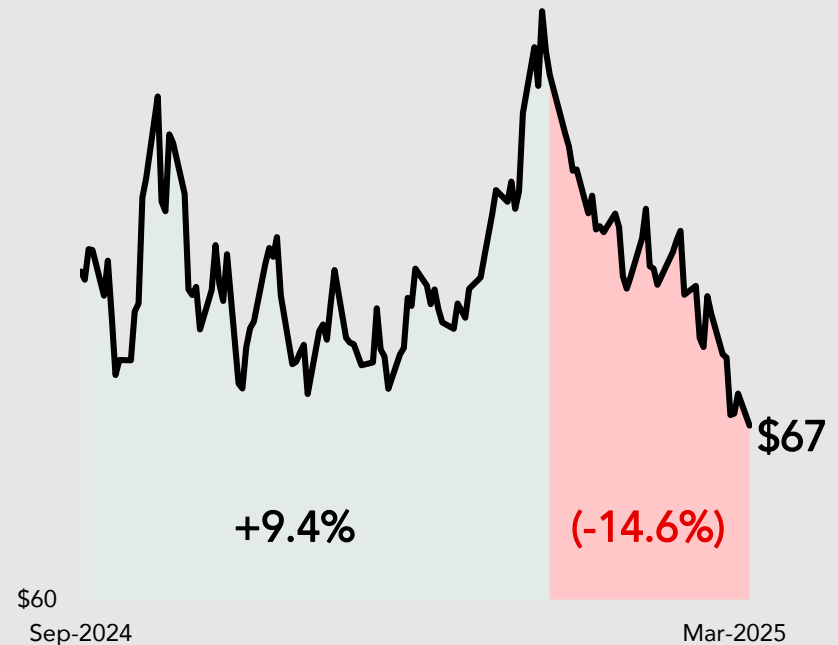


WTI

"Trump Trade"  
(Sep-Jan 2025)

Trade War 2.0  
(Jan-Mar 2025)

\$85









Source: (1) Bloomberg. Data as of March 11, 2025. Trump trade is Sep 18, 2024 - Jan 20, 2025. Trade War 2.0 is Jan 20, 2025 - March 10, 2025.







# 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, with the US one of the only advanced economies to grow 2% in the year ahead.

GDP growth forecasts, y/y

Region / country	2024E	2025E	
<b>North America</b>			
 US	2.8%	2.0%	↓
 Canada	1.5%	1.1%	↓
 Mexico	1.2%	0.7%	↓
<b>Eurozone</b>			
 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%	↑
<b>Other Europe</b>			
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	
<b>APAC</b>			
 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%	1.6%	↓
New Zealand	(-0.3%)	1.2%	↑
 Japan	0.1%	1.0%	↑
<b>LatAm</b>			
Argentina	(-2.0%)	3.9%	↑
Chile	2.3%	2.4%	↑
Colombia	1.7%	2.0%	↑
 Brazil	2.9%	1.2%	↓
<b>MENA</b>			
UAE	3.8%	4.8%	↑
Saudi Arabia	1.4%	4.4%	↑
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 March 11, 2025.



# 2025 Global Currency Forecasts

Currency pair	Spot (Mar 11)	Q1 2025	Q2 2025	Q3 2025	Q4 2025
EUR / USD	1.09	1.02	1.02	1.05	1.08
GBP / USD	1.29	1.24	1.24	1.27	1.30
USD / JPY	148	152	152	150	148
USD / CNY	7.23	7.40	7.50	7.50	7.40
AUD / USD	0.63	0.61	0.60	0.62	0.64
NZD / USD	0.57	0.55	0.54	0.56	0.58
USD / CAD	1.45	1.46	1.47	1.45	1.42
USD / NOK	10.68	11.57	11.77	11.43	10.93
USD / SEK	10.02	11.08	11.28	10.95	10.56
USD / CHF	0.88	0.91	0.90	0.89	0.87
USD / MXN	20.34	20.75	21.00	20.75	20.50
USD / BRL	5.82	5.95	6.05	6.15	6.25

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

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Denotes peak USD strength

# 2025 MUFG Global Rates Forecasts

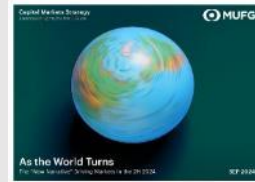
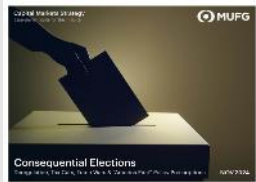
	Spot (Mar 11)	Q1 2025		Q2 2025		Q3 2025		Q4 2025	
		MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
Fed Funds	4.50%	4.50%	4.50%	4.25%	4.35%	4.25%	4.20%	4.00%	4.10%
2 yr UST	3.94%	4.25%	4.19%	4.00%	4.09%	4.25%	4.00%	4.00%	3.91%
5 yr UST	4.04%	4.38%	4.31%	4.13%	4.23%	4.38%	4.19%	4.25%	4.13%
10 yr UST	4.29%	4.50%	4.49%	4.25%	4.44%	4.50%	4.41%	4.50%	4.38%
30 yr UST	4.61%	4.75%	4.67%	4.50%	4.63%	4.75%	4.60%	4.75%	4.58%

Source: (1) MUFG Global Macro Research (George Goncalves). Bloomberg. Data as of March 11, 2025. Fed funds is upper bound.

# 2025 MUFG Commodities Forecasts

		Q1 2025		Q2 2025		Q3 2025		Q4 2025	
	Spot (Mar 11)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	\$66	\$68	\$72	\$64	\$71	\$69	\$70	\$72	\$69
Brent	\$70	\$73	\$75	\$69	\$74	\$74	\$74	\$77	\$72
US Nat Gas	\$4.45	\$3.20	\$3.28	\$2.90	\$3.18	\$2.70	\$3.48	\$2.90	\$3.59
Euro Nat Gas	€43	€52	€50	€38	€45	€33	€42	€29	€42

Source: (1) MUFG Commodities Research (Ehsan Khoman). Bloomberg. Data as of March 11, 2025.



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