

Capital Markets Strategy

Essential insights for the C-Suite



Dissonance

Divergence Across Global Markets in Q1 2025

APR 2025

The Weight of Policy Uncertainty



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

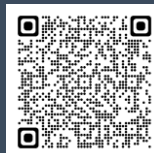


Angela Sun

Analyst
Capital Markets Strategist
New York, NY

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

AUTHORS



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Global Market Divergence in Q1 2025

- 1** Dissonance in Deal Activity
- 2** USD Credit Market Resilience
- 3** US Rates Tighten on Growth Concerns
- 4** Global Equities Outperformed US
- 5** Unexpected US Dollar Weakening
- 6** Global Commodity Markets Outperformed

A close-up, low-angle shot of a laptop keyboard and screen. A semi-transparent world map is overlaid on the screen, with a hand pointing at it. The background is dark and blurred, showing a desk lamp and other office equipment.

1

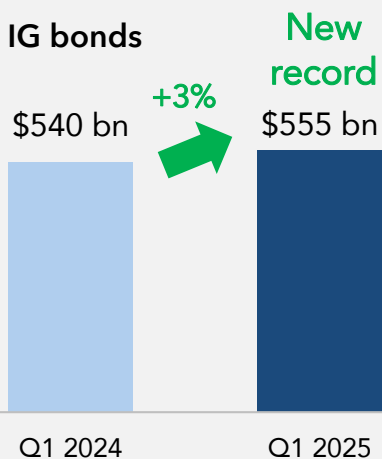
Dissonance in Deal Activity

Dissonance in Deal Activity

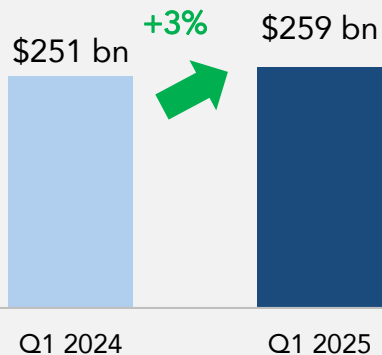


IG Issuance

USD IG bonds

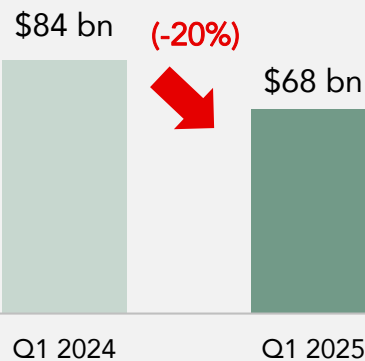


USD IG loans

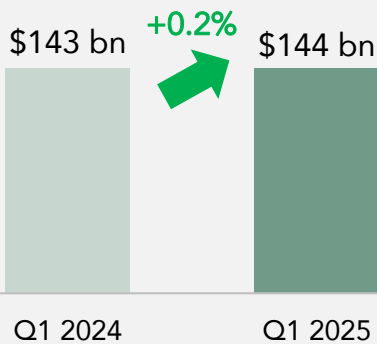


HY Issuance

USD HY bonds

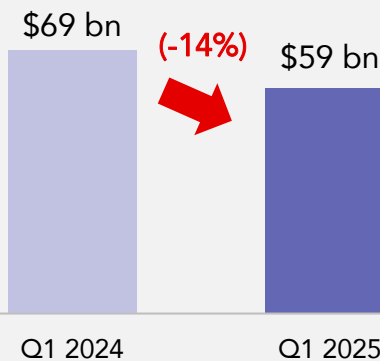


USD leveraged loans

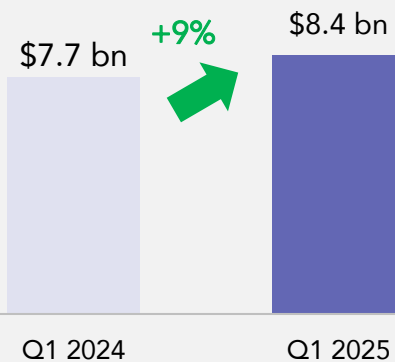


Equity Issuance

USD ECM issuance



USD IPO issuance

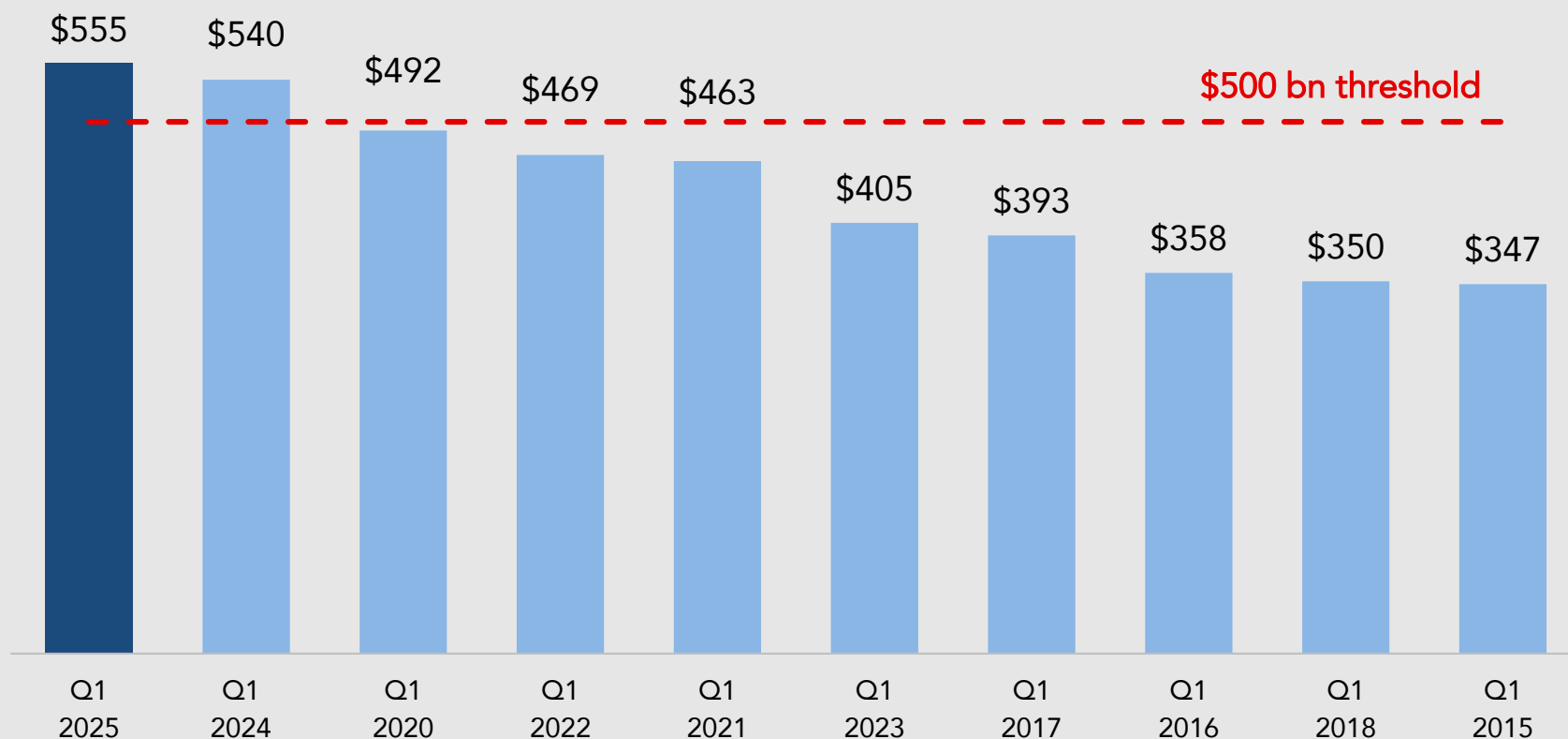


Source: (1-6) IG and HY bond data is CFR. Data as of March 31, 2025. IG loan is LSEG. Data as of March 31, 2025. Lev Loan is LCD. Data through March 27, 2025. Equity issuance is Dealogic. Excludes SPACs, closed-end funds and deals less than \$50mn. Data as of March 31, 2025.

Highest Q1 USD IG Bond Issuance on Record

All time largest Q1 USD IG issuance, bn

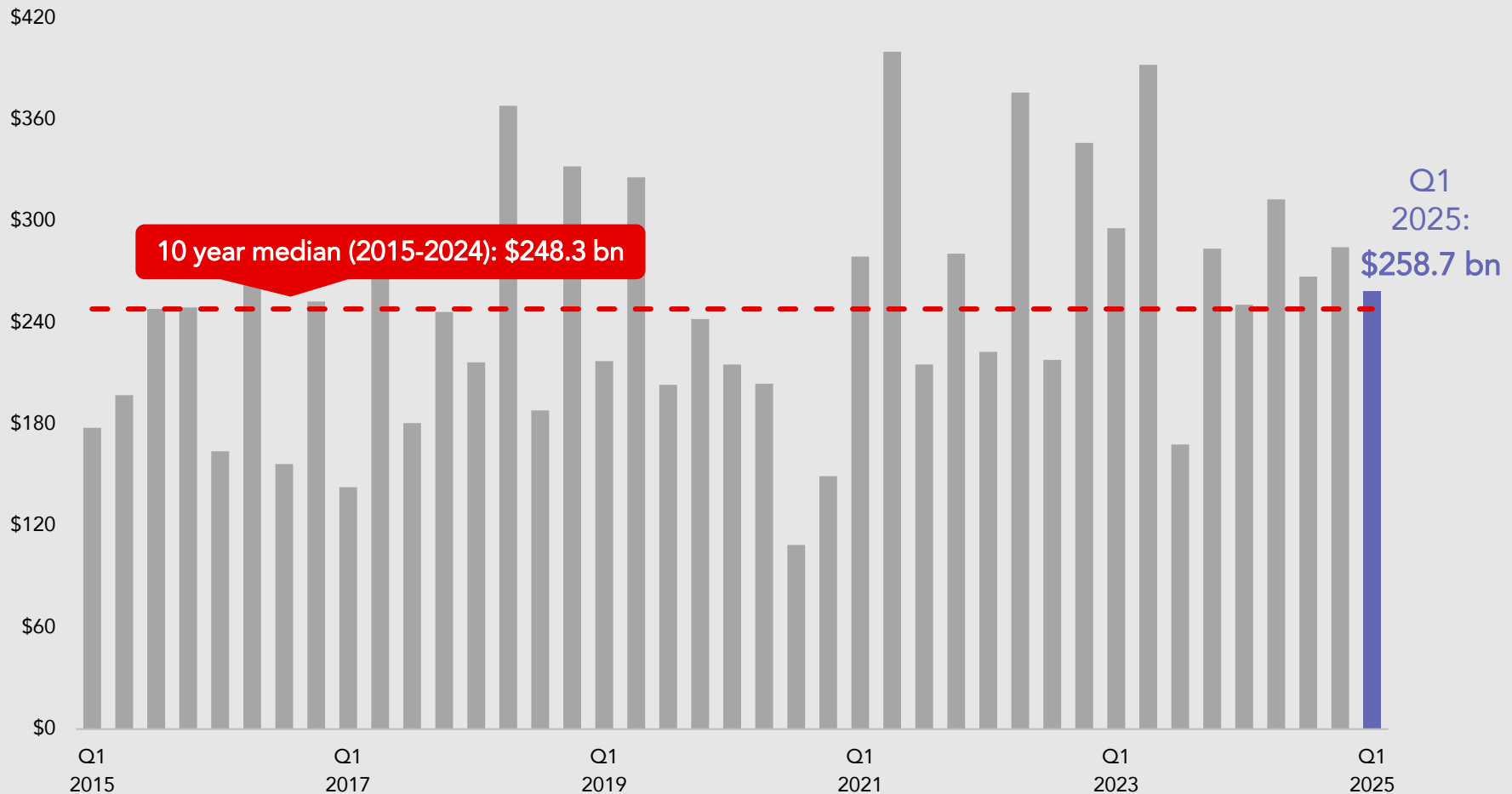
Largest Q1
on record



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

Higher IG Loan Issuance Driven by Refinancings

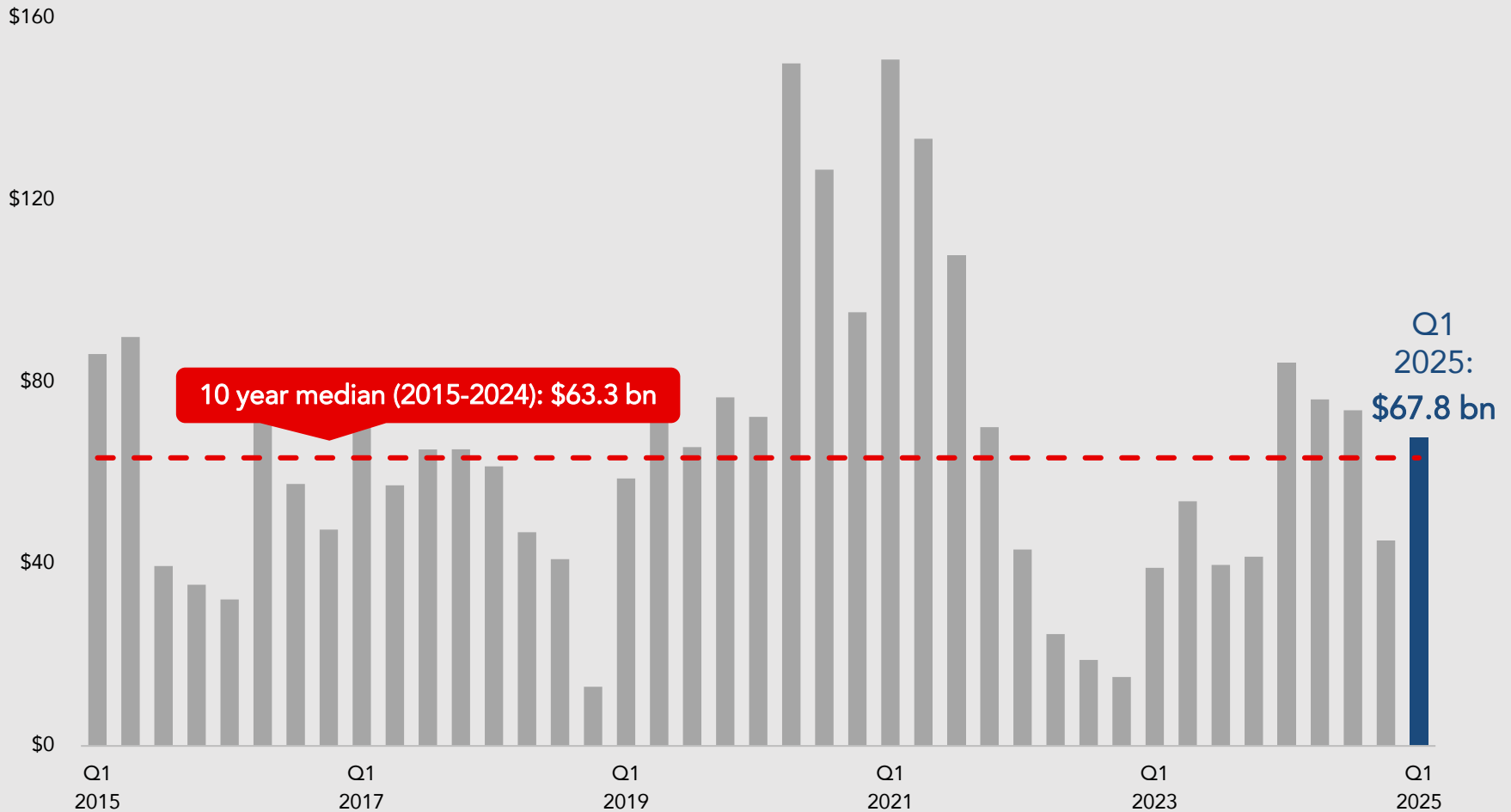
USD IG loan issuance, bn



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

USD HY Volumes Above 10 Year Median

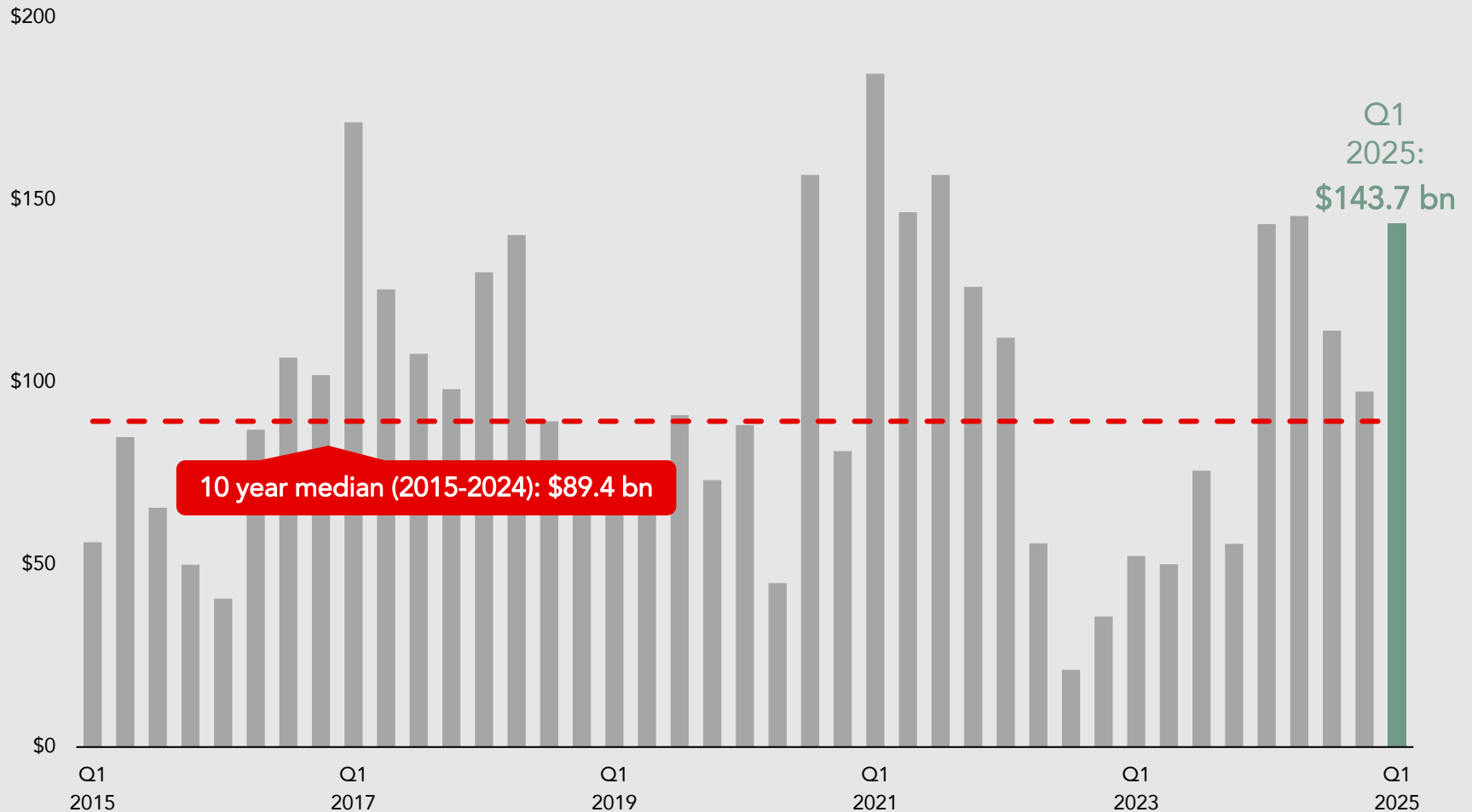
USD high yield quarterly volume, bn



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

USD Lev Loan Volumes Also Above 10 Year Median

USD leveraged loan quarterly volume, bn

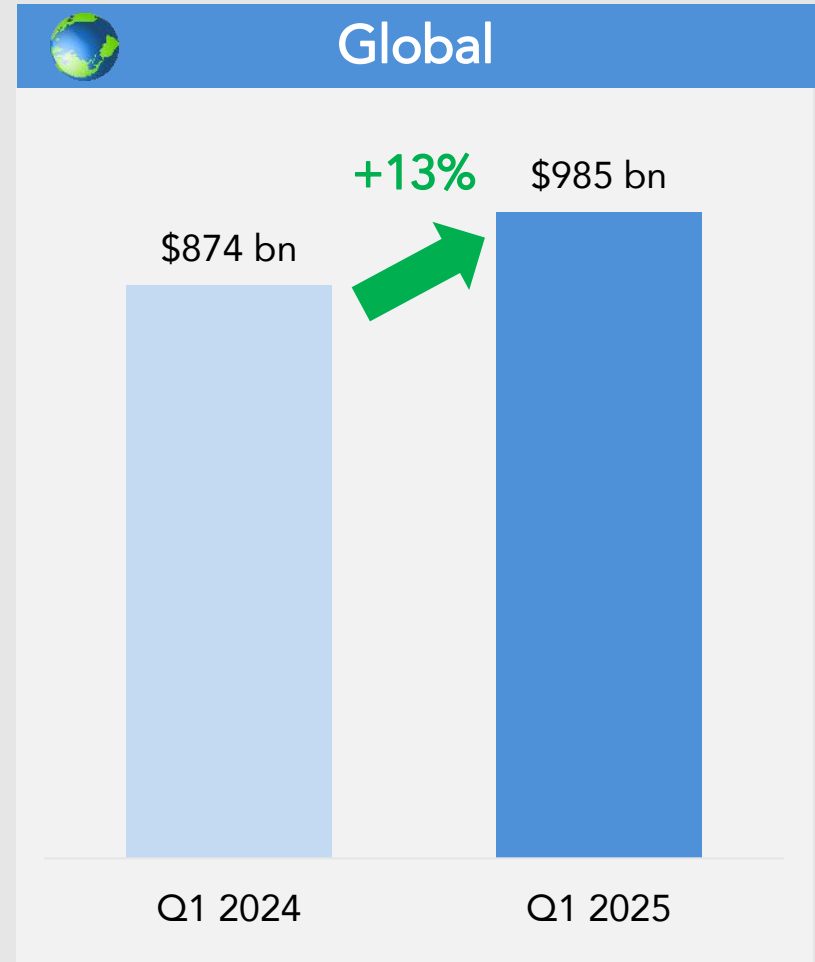
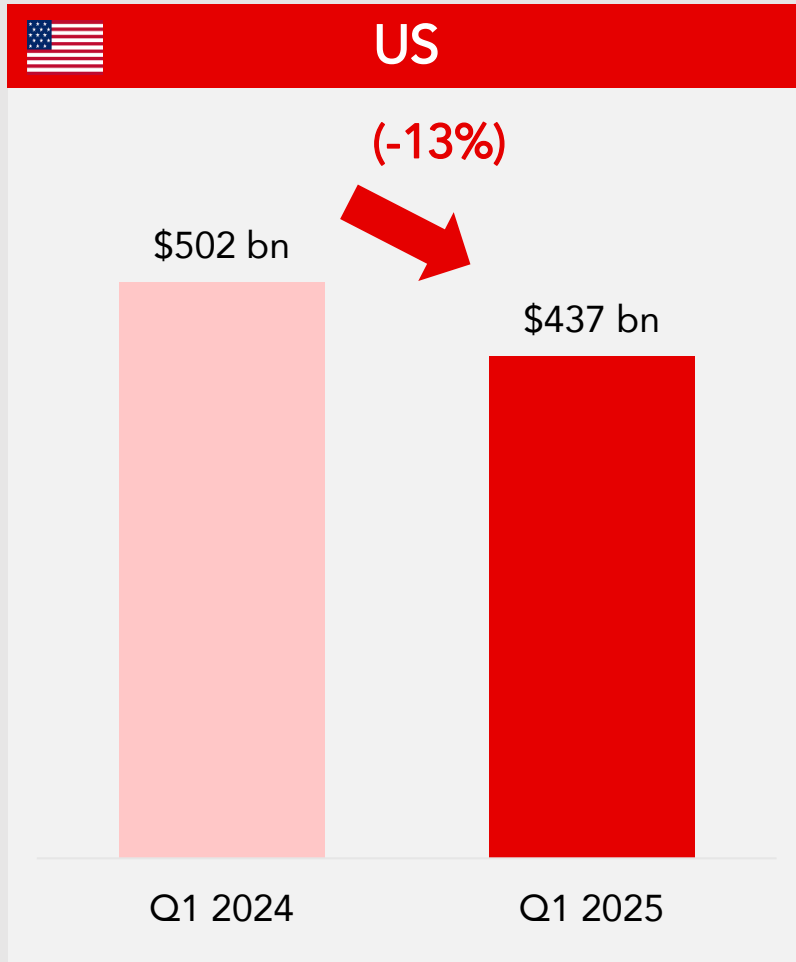


Source: (1) Pitchbook. LCD. Data through March 31, 2025. Volumes exclude extensions and repricings.

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.



2

USD Credit Market Resilience

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

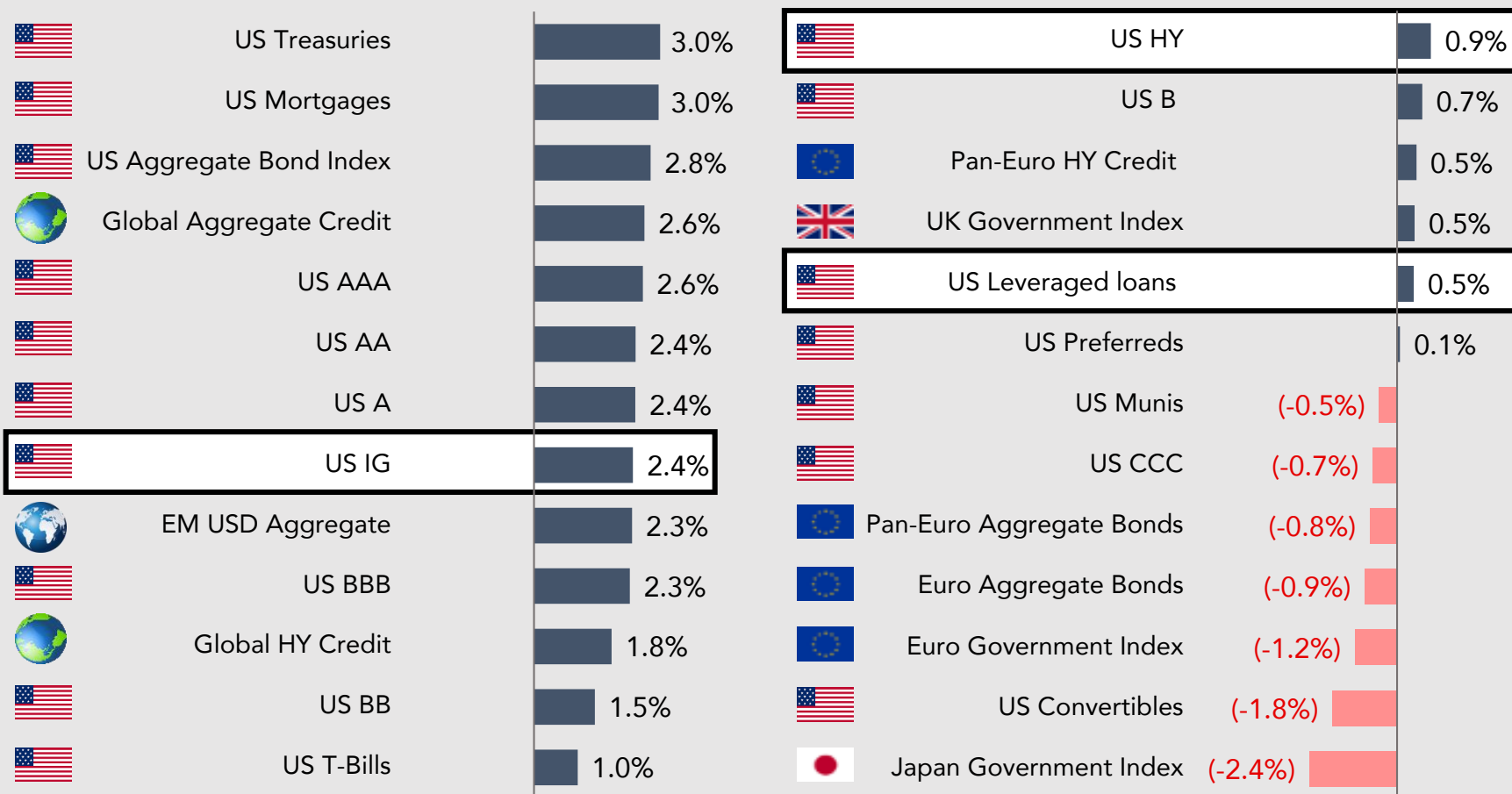
Annual & Q1 relative total returns, USD markets

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 2025
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 25.0%	Mortgages 3.0%
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 9.7%	US Gov't 2.9%
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 9.2%	High Grade 2.4%
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 8.2%	EM Sov 1.8%
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 2.8%	High Yield 0.9%
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 1.4%	Loans 0.5%
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 1.1%	Munis (-0.2%)
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 0.6%	S&P 500 (-4.3%)

Source: (1) CreditSights. Bloomberg. Data as of March 31, 2025. BAML, S&P LSTA. Bloomberg EM Sov is USD EM Sovereign BBB & lower index.

USD Credit Markets Resilient in Q1 2025

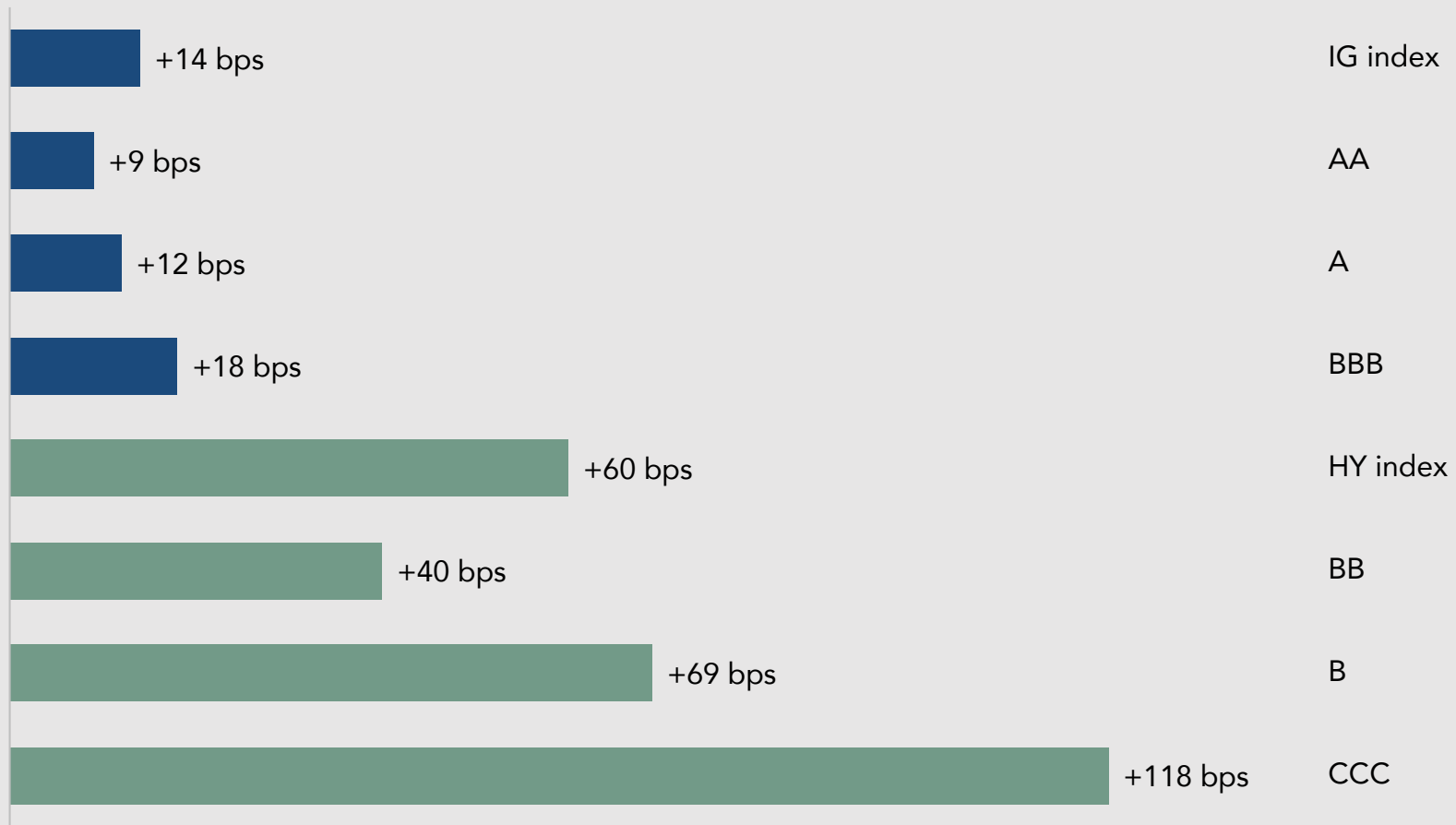
Credit market total returns in Q1 2025



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

USD Credit Spreads Widening on Trade War Risk in Q1 2025

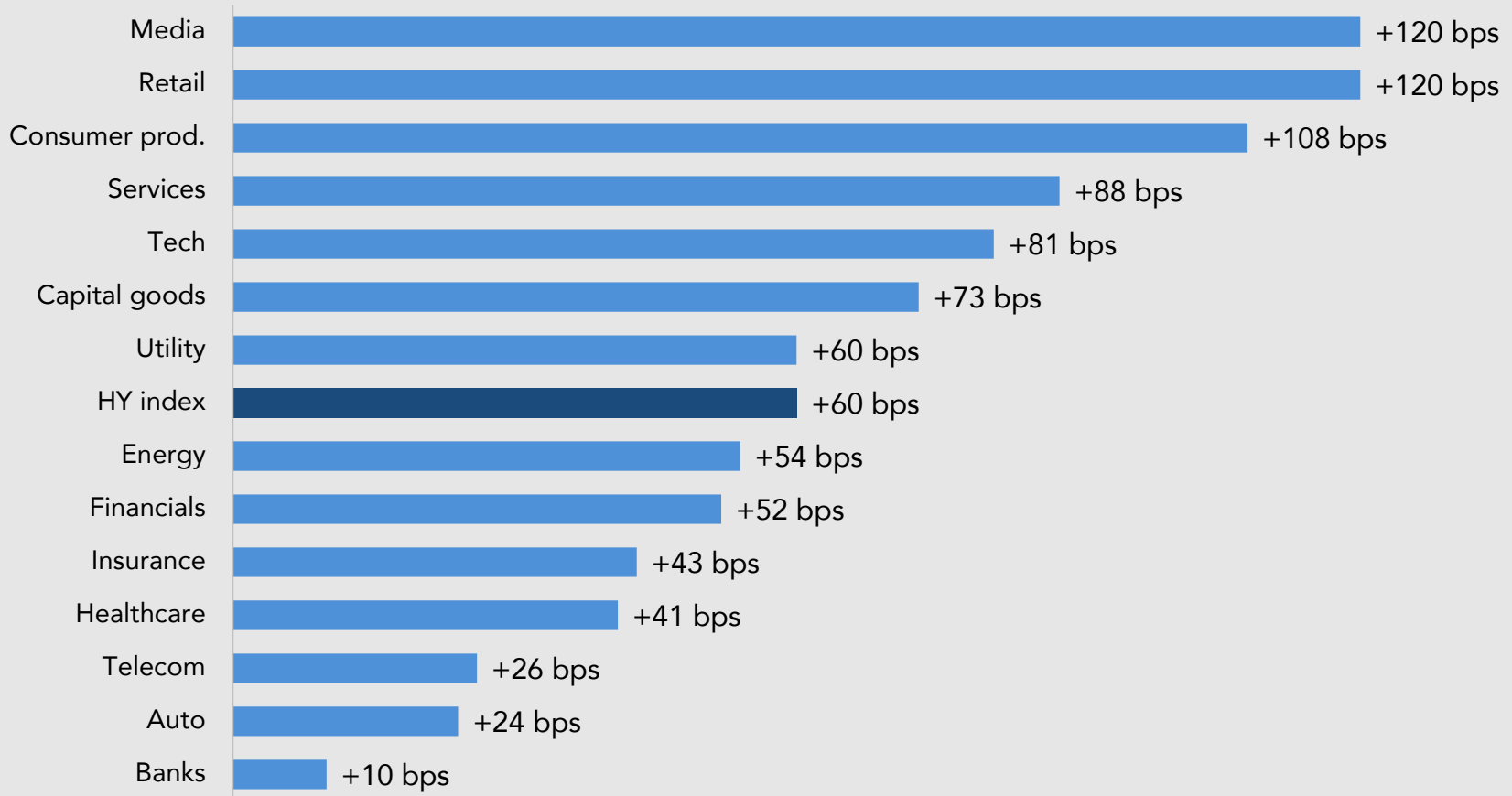
USD credit spreads in Q1 2025



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

Credit Spread Widening Varied by Sector

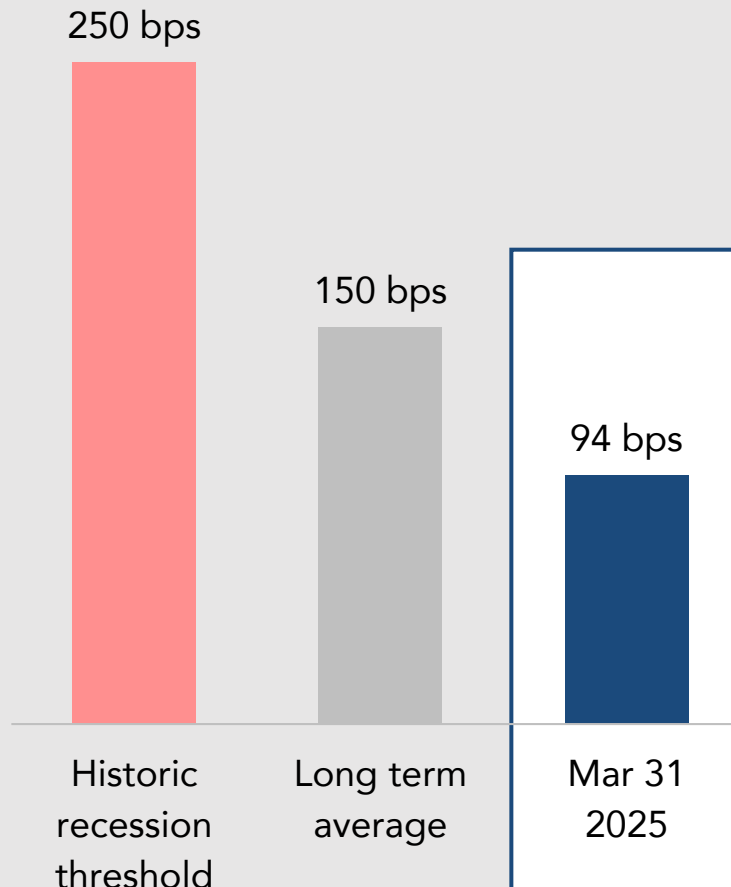
Change in HY spreads by sector in Q1 2025



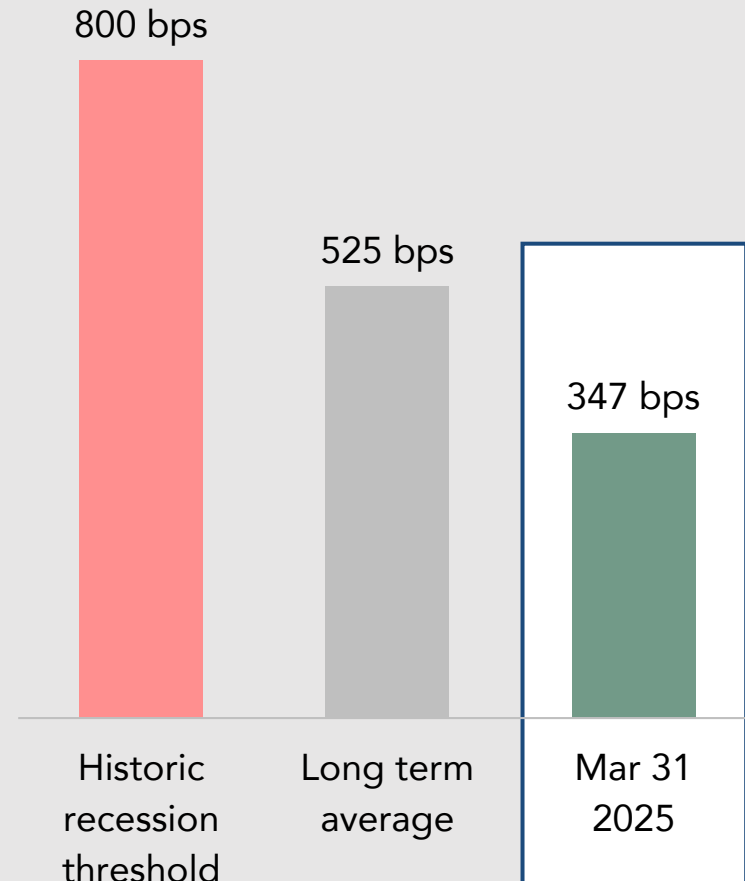
Source: (1) IFR. Data through March 28, 2025. HY index is Bloomberg US Corporate HY Average OAS. Sector indices are ICE BofA.

USD Spreads Still Below Long Term Averages

USD IG OAS



USD HY OAS



Source: (1-2) Bloomberg. Data as of March 31, 2025.

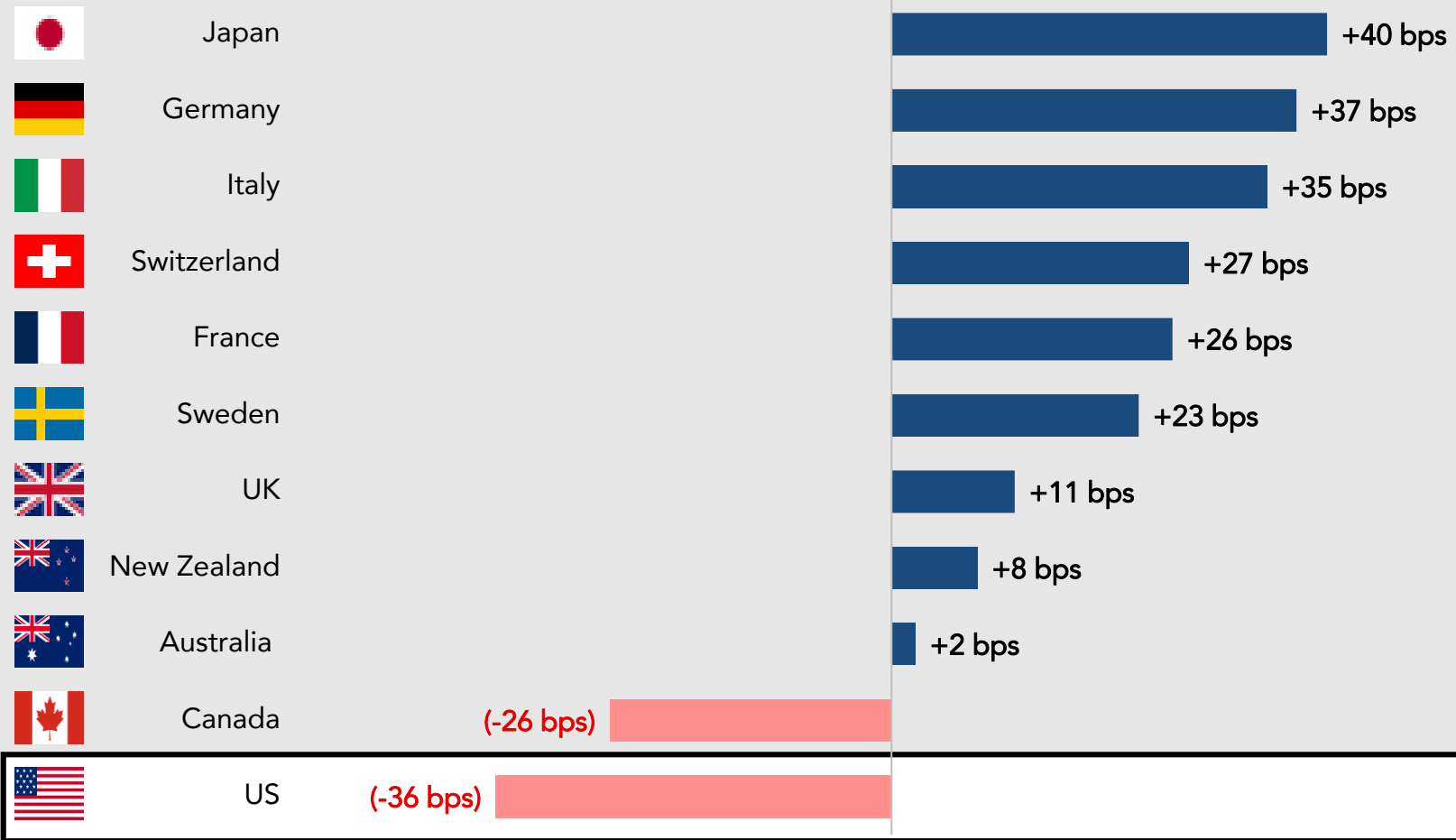
3

US Rates Tighten on Growth Concerns



Divergent Global Bond Yields in Q1 2025

Change in global 10 year yields in Q1 2025

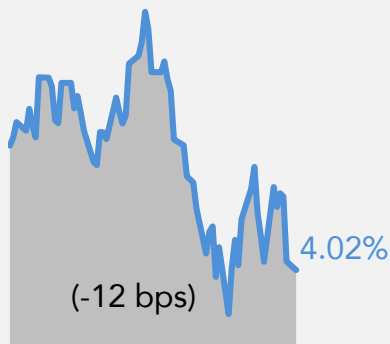


Source: (1) Bloomberg. Data as of March 31, 2025.

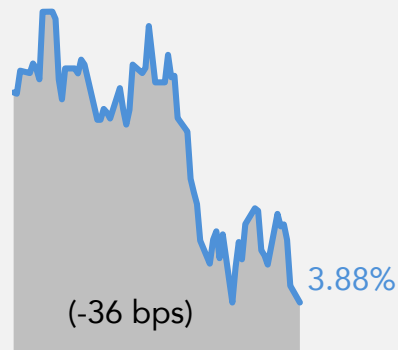
Benchmark Treasury Yields Tighter, Despite Higher Inflation Breakevens

Tighter benchmark UST yields
in Q1 2025

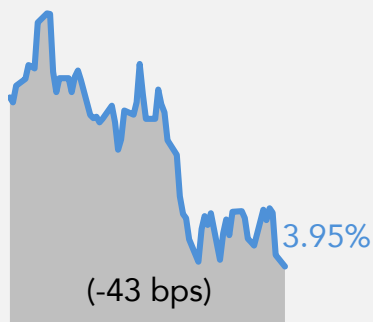
1 year UST



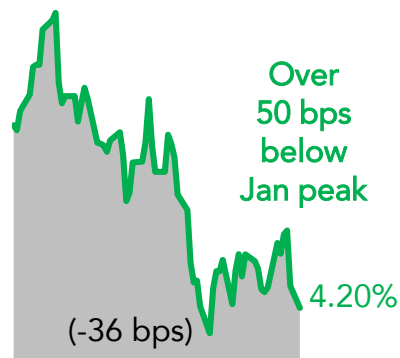
2 year UST



5 year UST

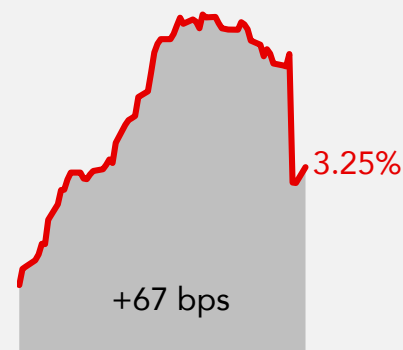


10 year UST

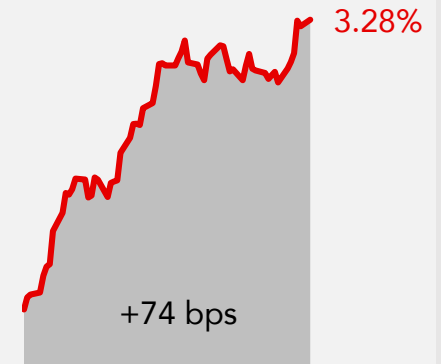


Higher inflation breakevens
in Q1 2025

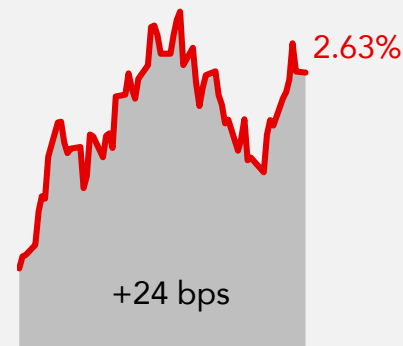
1 year US breakeven



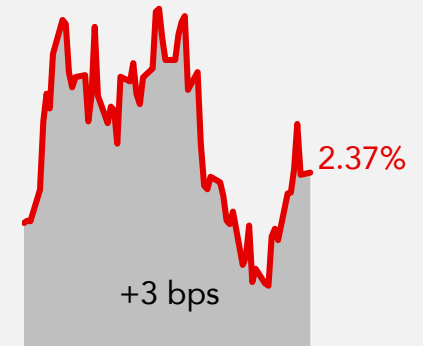
2 year US breakeven



5 year US breakeven



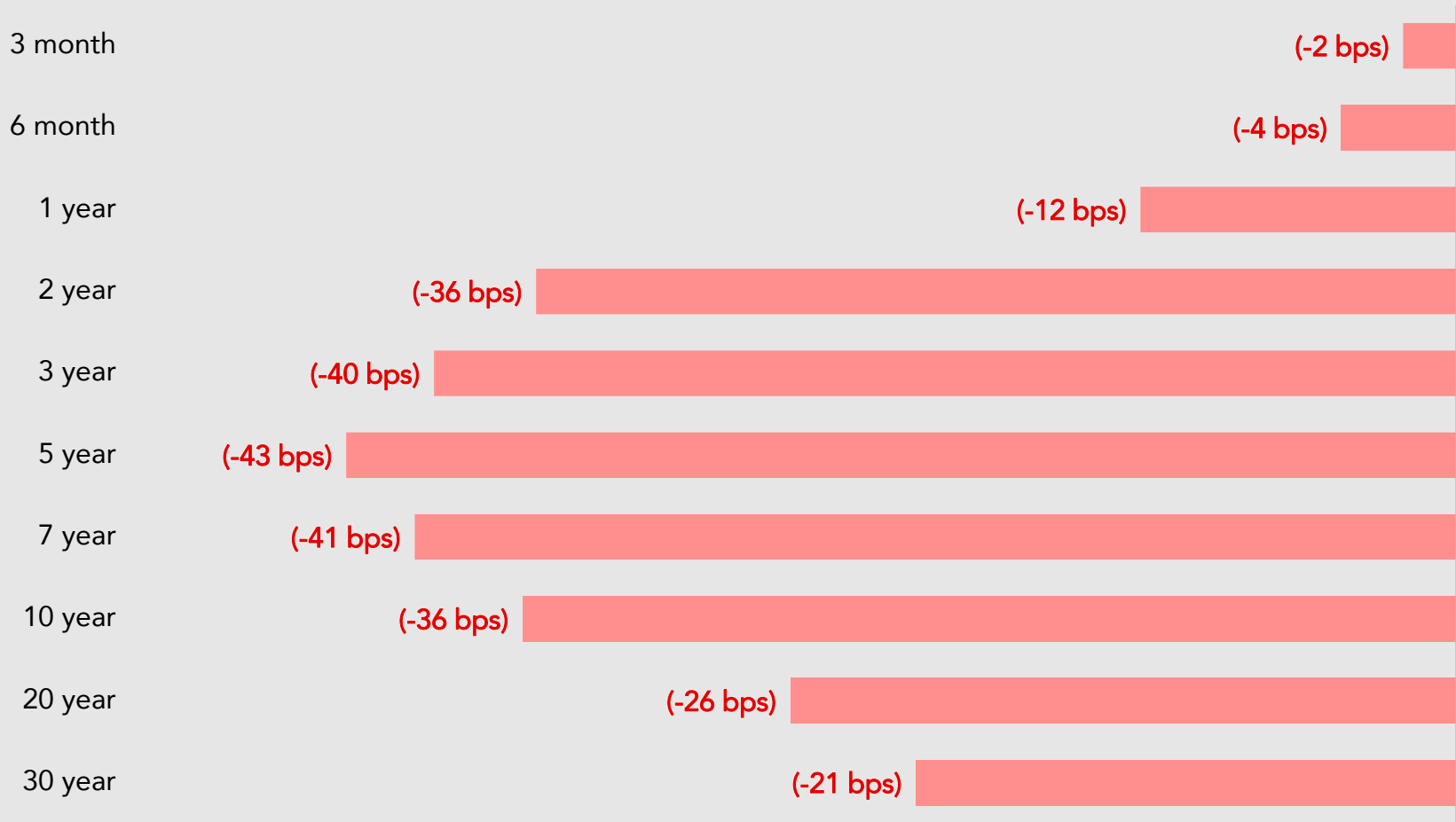
10 year US breakeven



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

UST Yields Tighter in Q1 2025

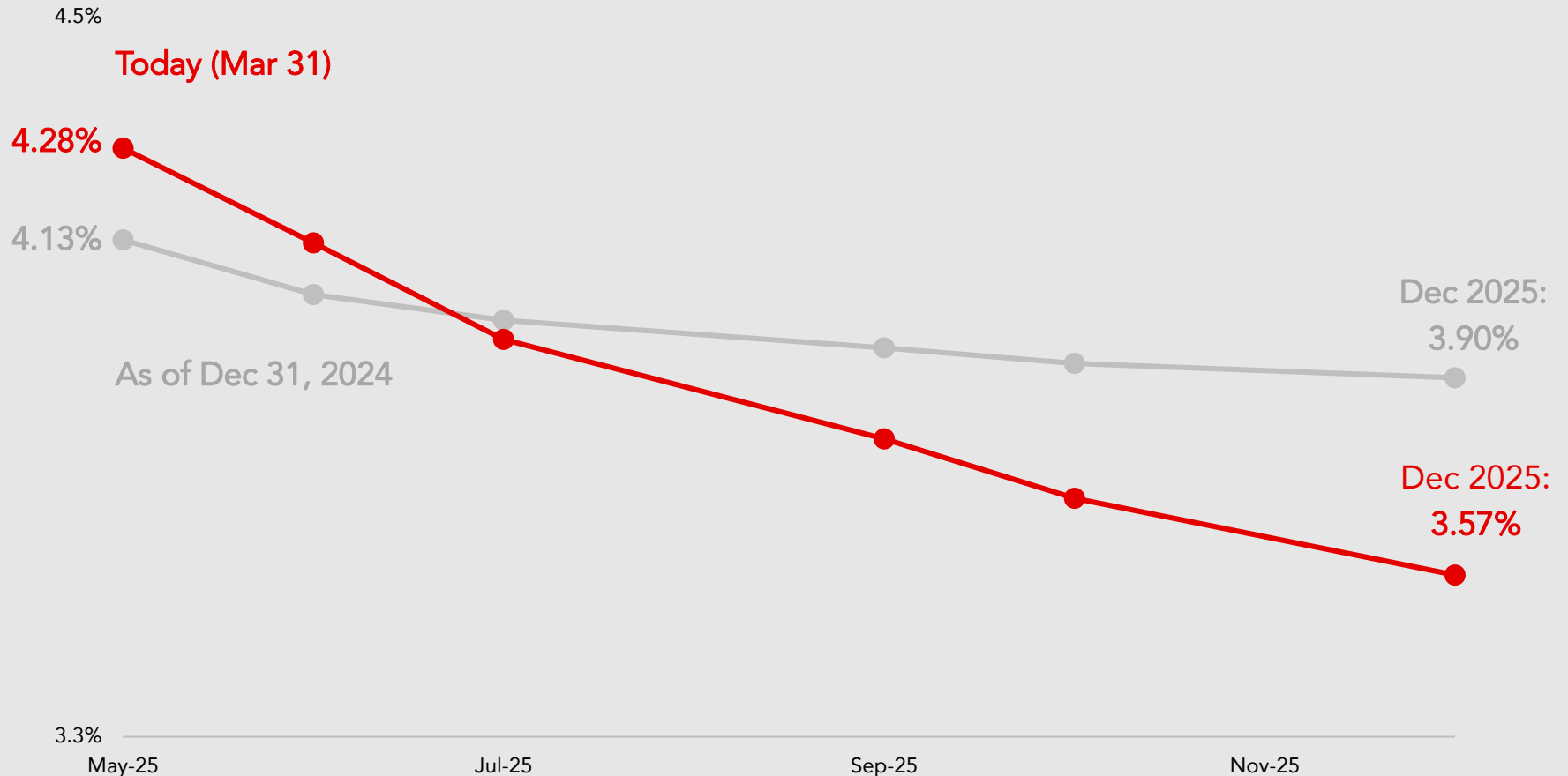
Change in UST rates in Q1 2025



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

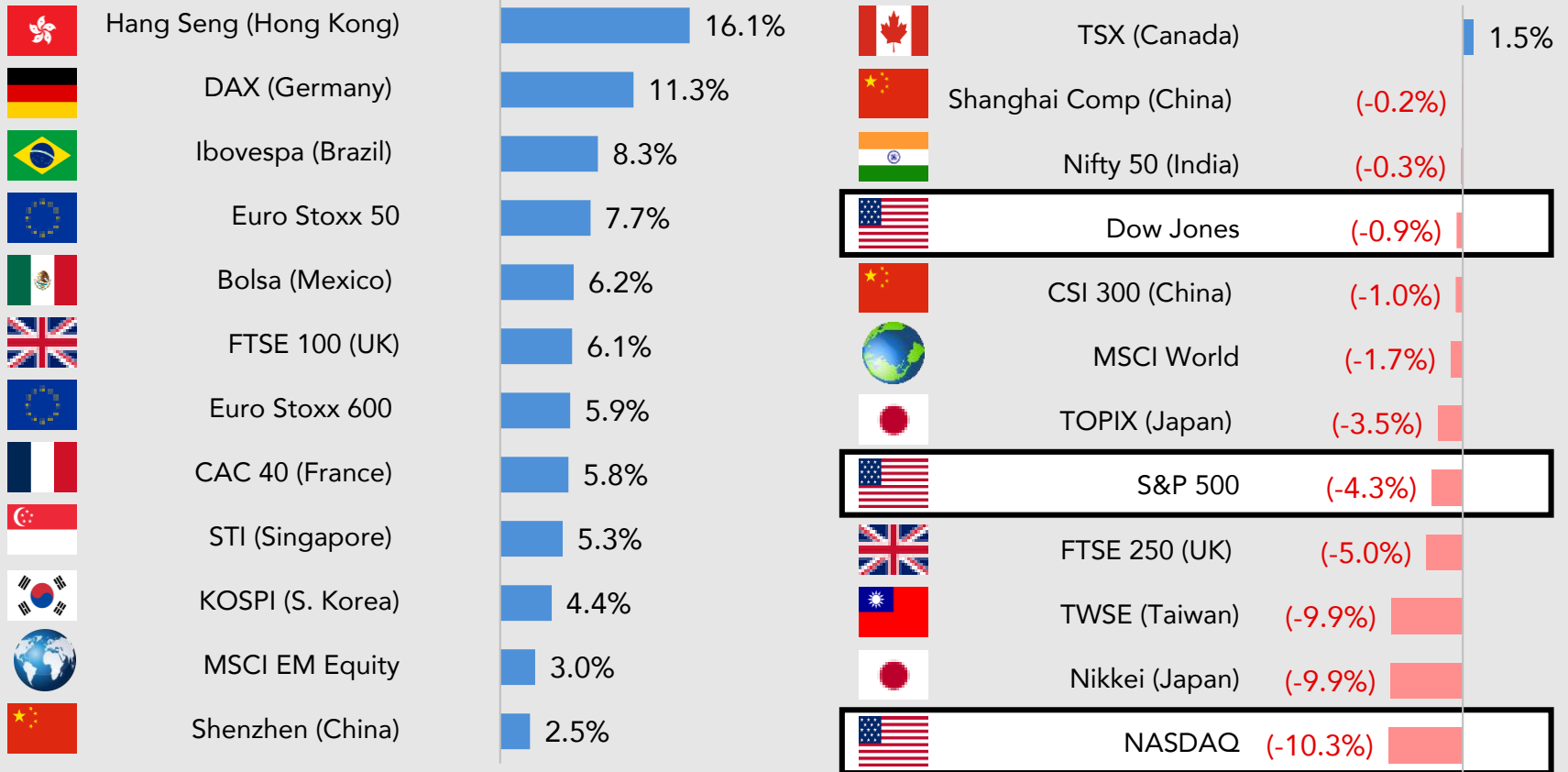
4

**Global Equities
Outperformed
US**



Global Equities Outperformed US in Q1 2025

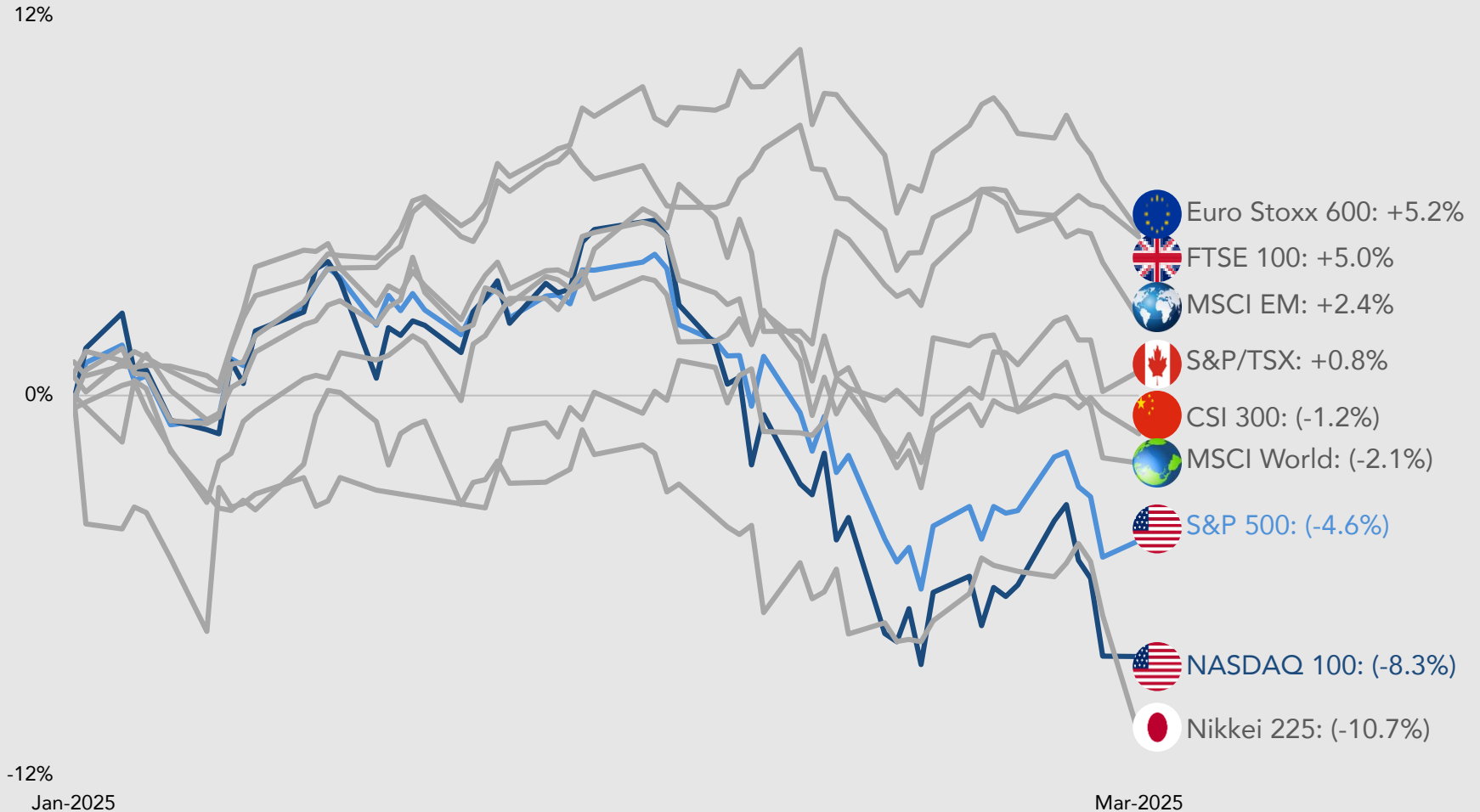
Regional equity market performance in Q1 2025 (total return)



Source: (1) Bloomberg. Data as of March 31, 2025. Equity market performance is total returns.

S&P Trailed Most Global Benchmarks in Q1 2025

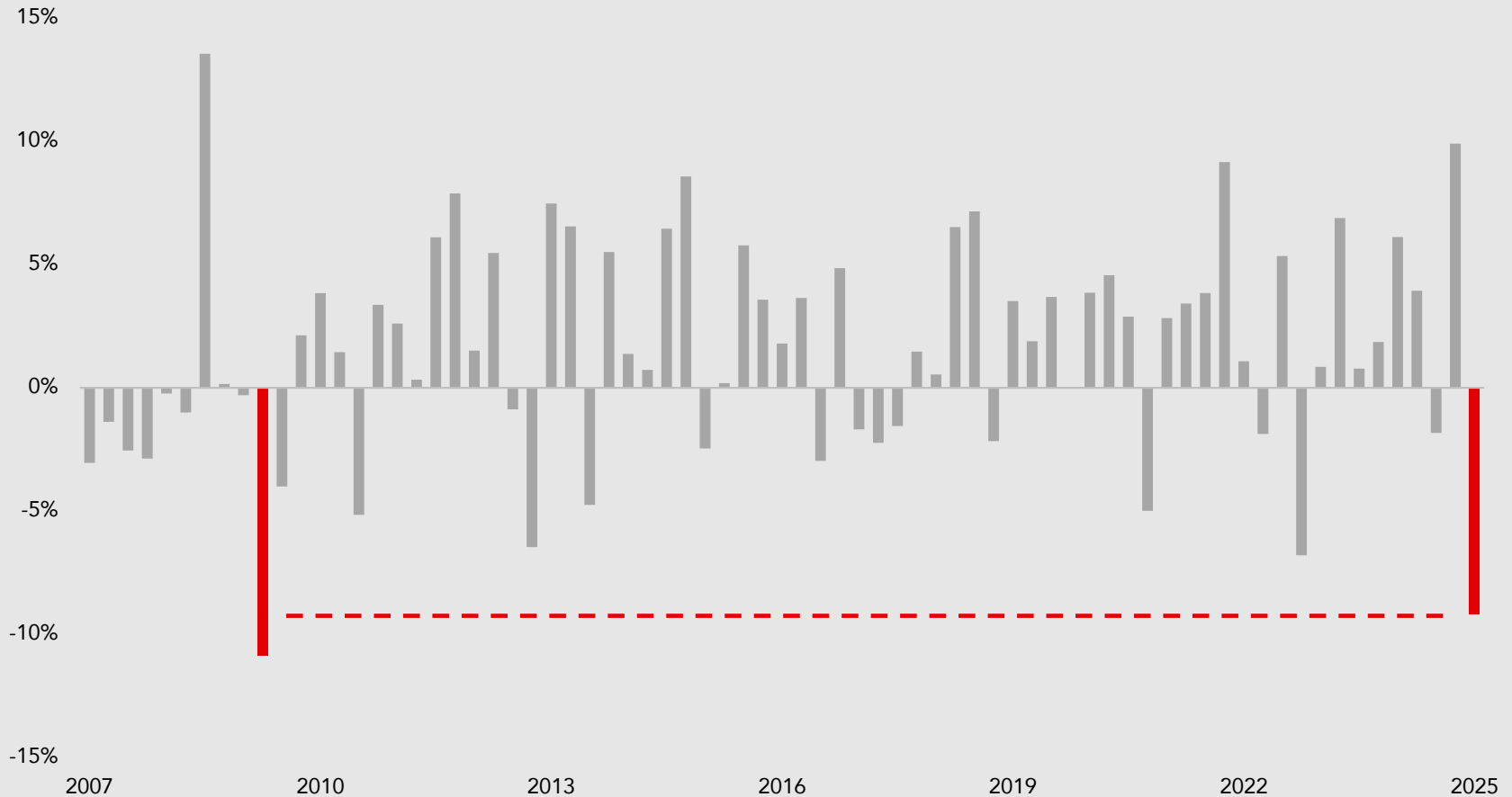
Global equity market performance in Q1 2025



Source: (1) Bloomberg. Data as of March 31, 2025. Graph shows price return, not total return.

S&P Trailed Global Stocks in Q1 2025 by Largest Margin Since 2009

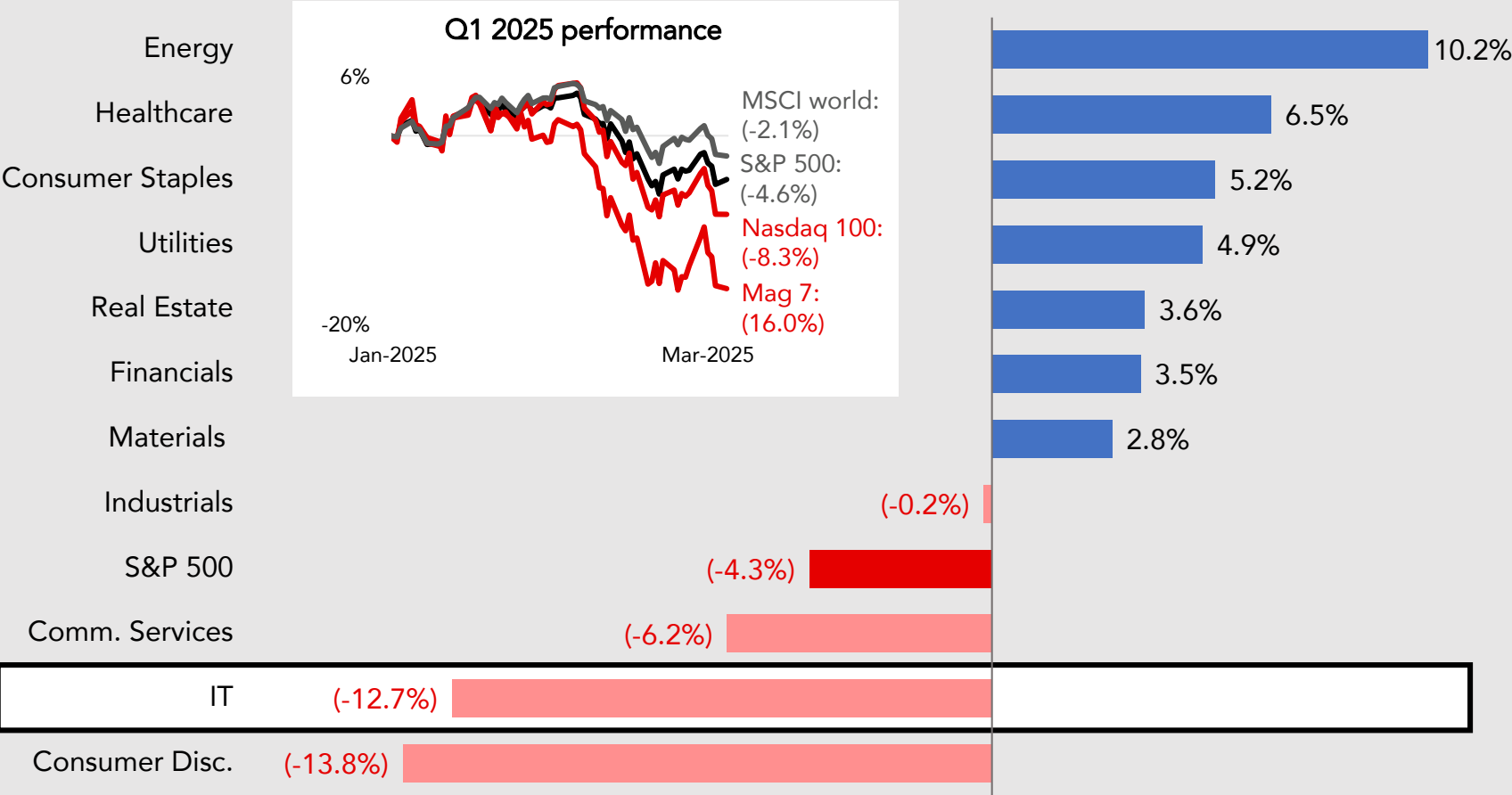
S&P 500 index – MSCI all country world (ex-US) index



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

Worst Quarter for Tech Stocks Since 2022

S&P 500 industry sector performance in Q1 2025 (total return)



Source: (1) Bloomberg. Data as of March 31, 2025. Industry sector performance is total returns. Line chart is price return.

Equity Volatility Well Above Long Term Average

VIX index

45

22

10 yr avg pre-COVID (2010-19): 17

0

Jul 2024

Mar 2025

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

A close-up, low-angle shot of a laptop screen. The screen displays a world map with glowing points of light. A hand is visible on the right side, pointing at the map. The background is dark and blurred, showing a keyboard and some light sources.

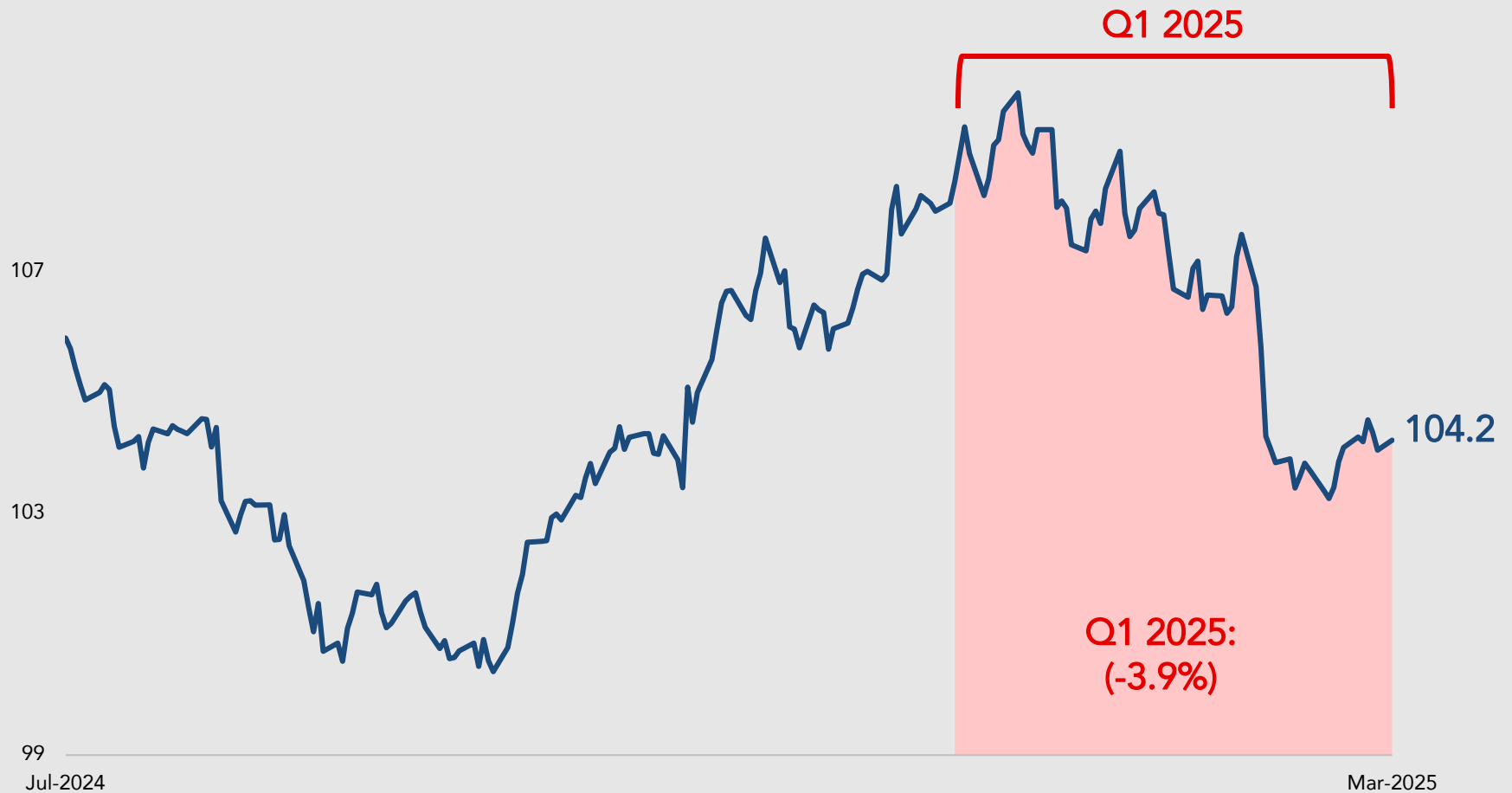
5

Unexpected US Dollar Weakening

Sharpest Q1 Decline for USD Since 2017



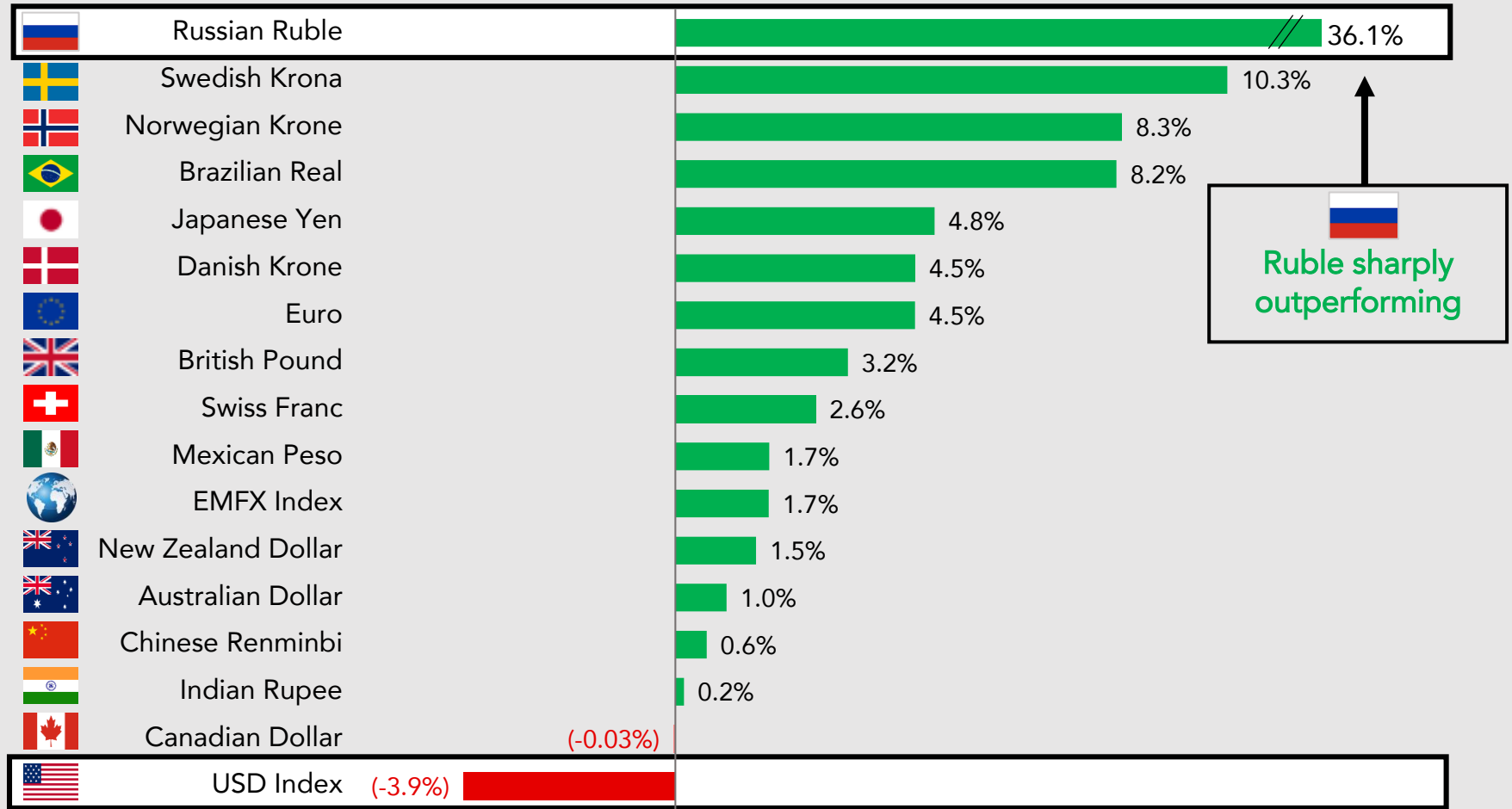
US Dollar index performance since January 2023



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

Unexpected US Dollar Weakness in Q1 2025

Currency performance vs. USD in Q1 2025

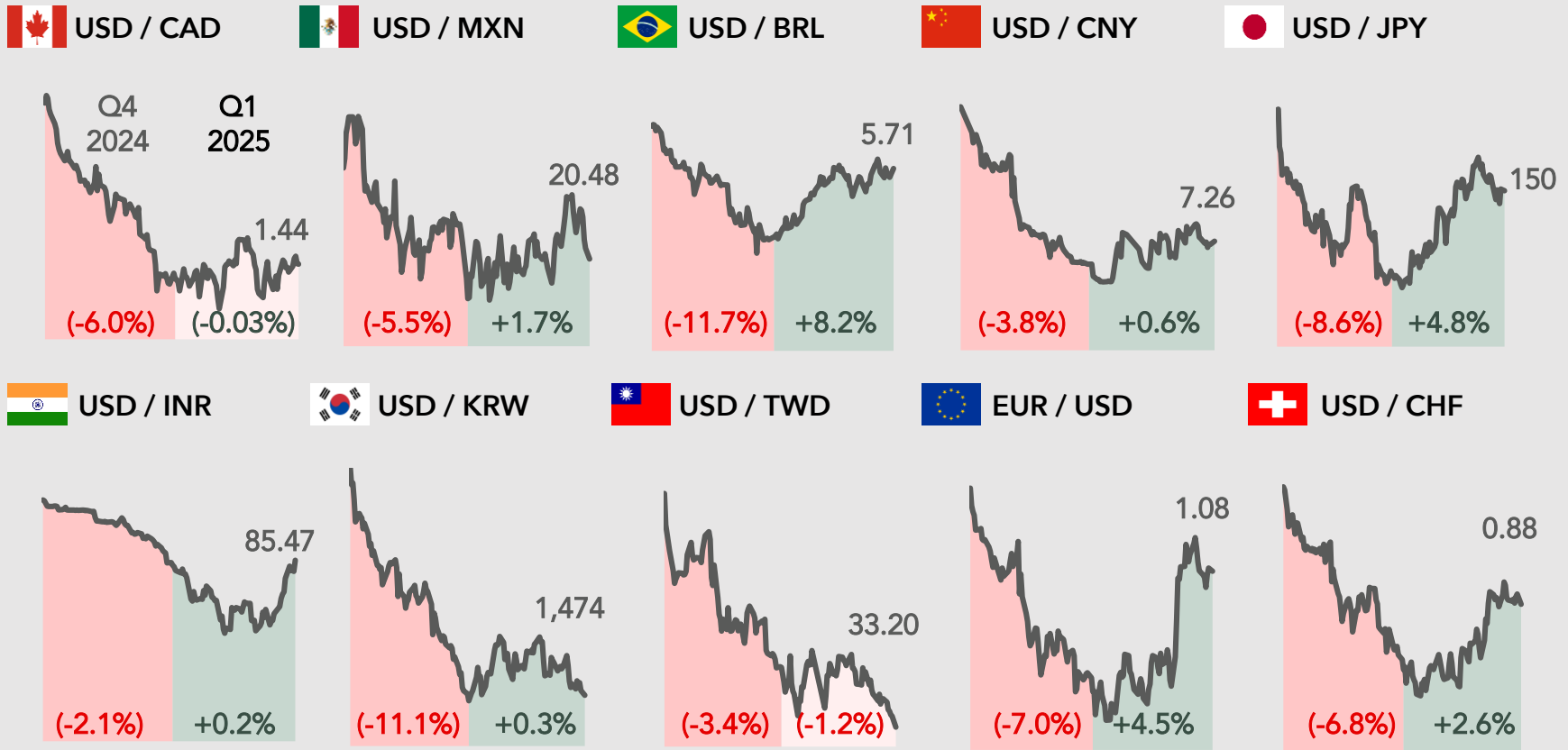


Source: (1) Bloomberg. Data as of March 31, 2025.

Unexpected US Dollar Weakness in Q1 2025

Currency performance vs. US Dollar in Q4 2024 vs. Q1 2025

Large Trade-Based Economies



Source: (1-10) Bloomberg. Data as of March 31, 2025. All currencies graphed vs. USD to show depreciation.

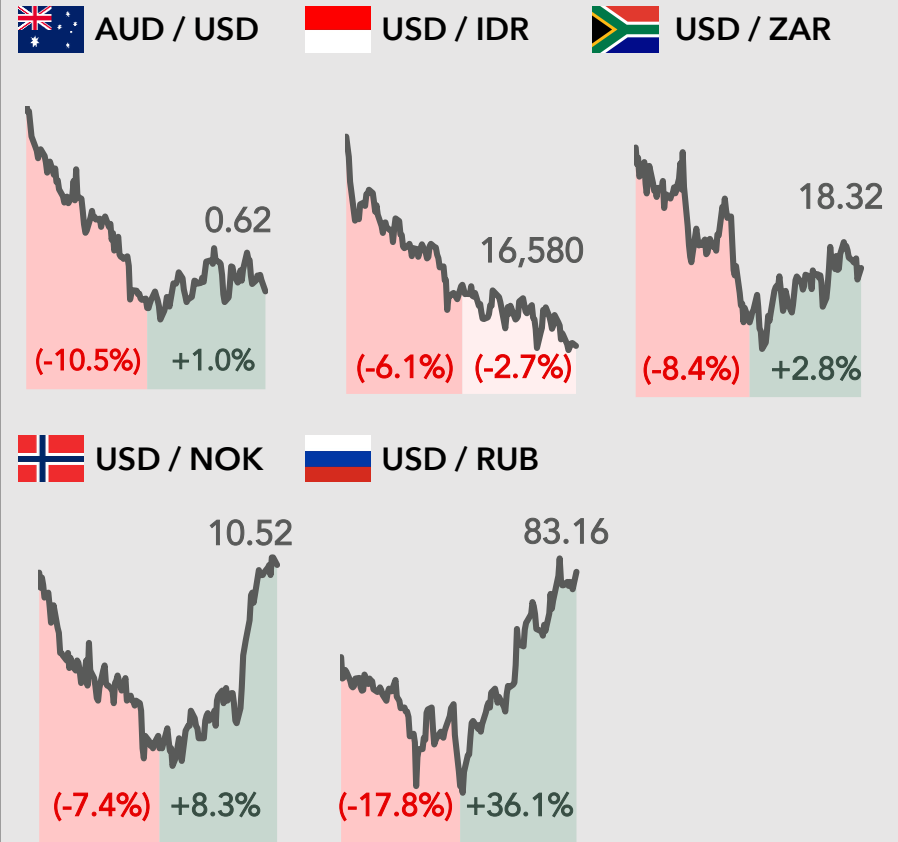
Unexpected US Dollar Weakness in Q1 2025

Currency performance vs. US Dollar in Q4 2024 vs. Q1 2025

Large Exporters of Steel & Aluminum to the US



Major Commodity-Linked Currencies



Source: (1-11) Bloomberg. Data as of March 31, 2025. All currencies graphed vs. USD to show depreciation.

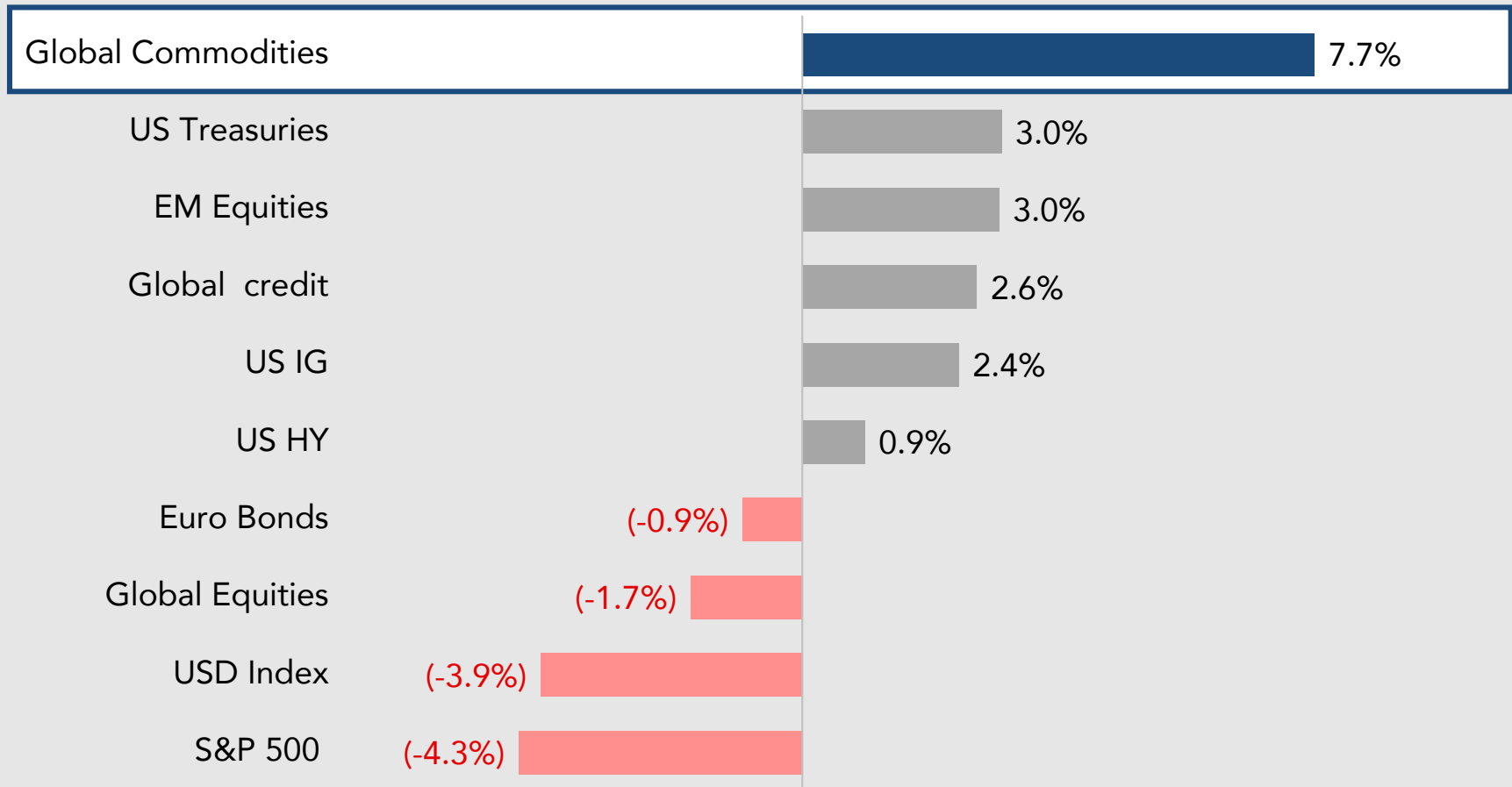


6

**Global
Commodity
Markets
Outperformed**

Global Commodities Outperformed Major Asset Classes in Q1 2025

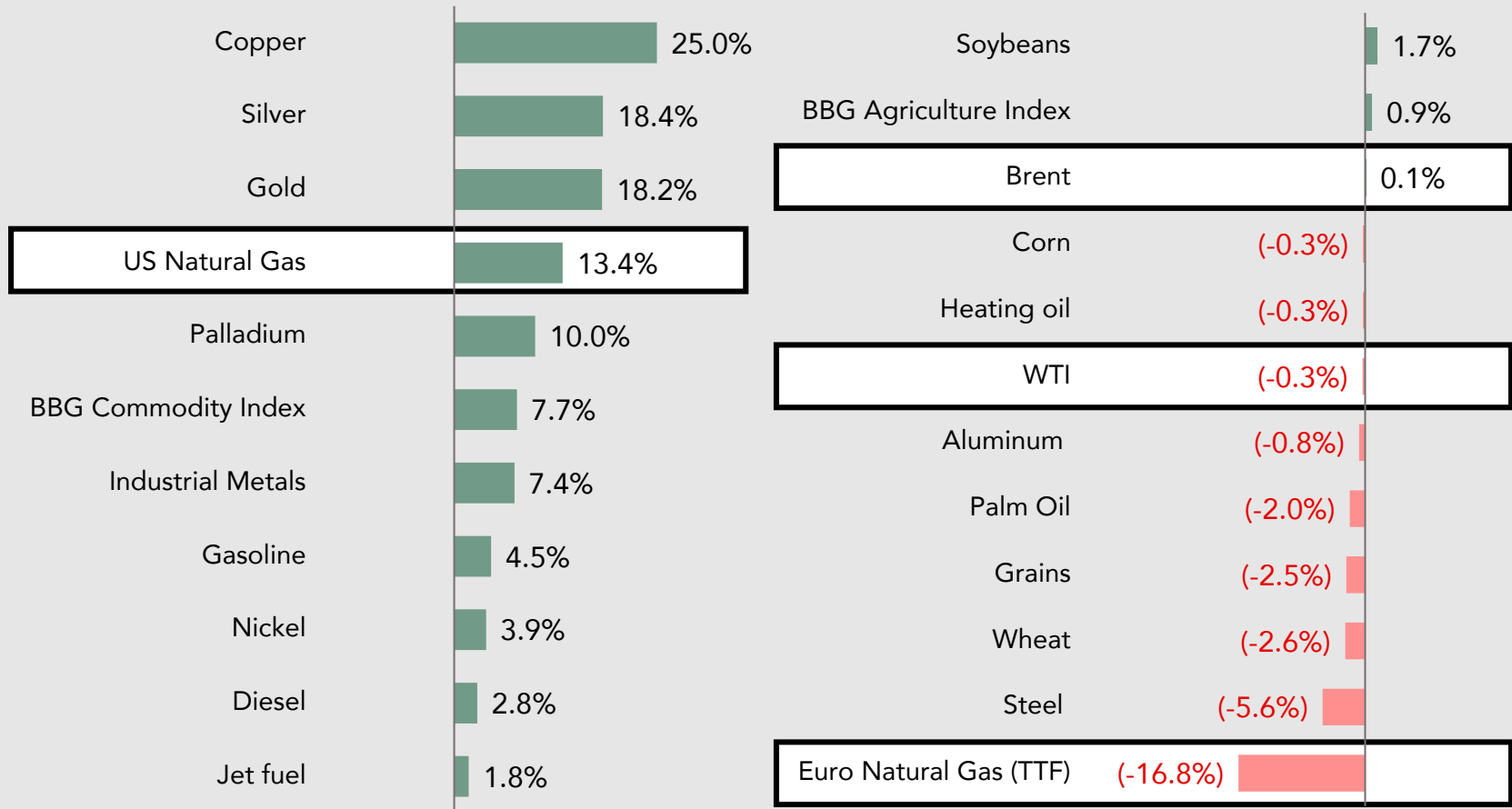
Q1 2025 total returns



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

Copper Outperformed on Tariff Risk in Q1 2025

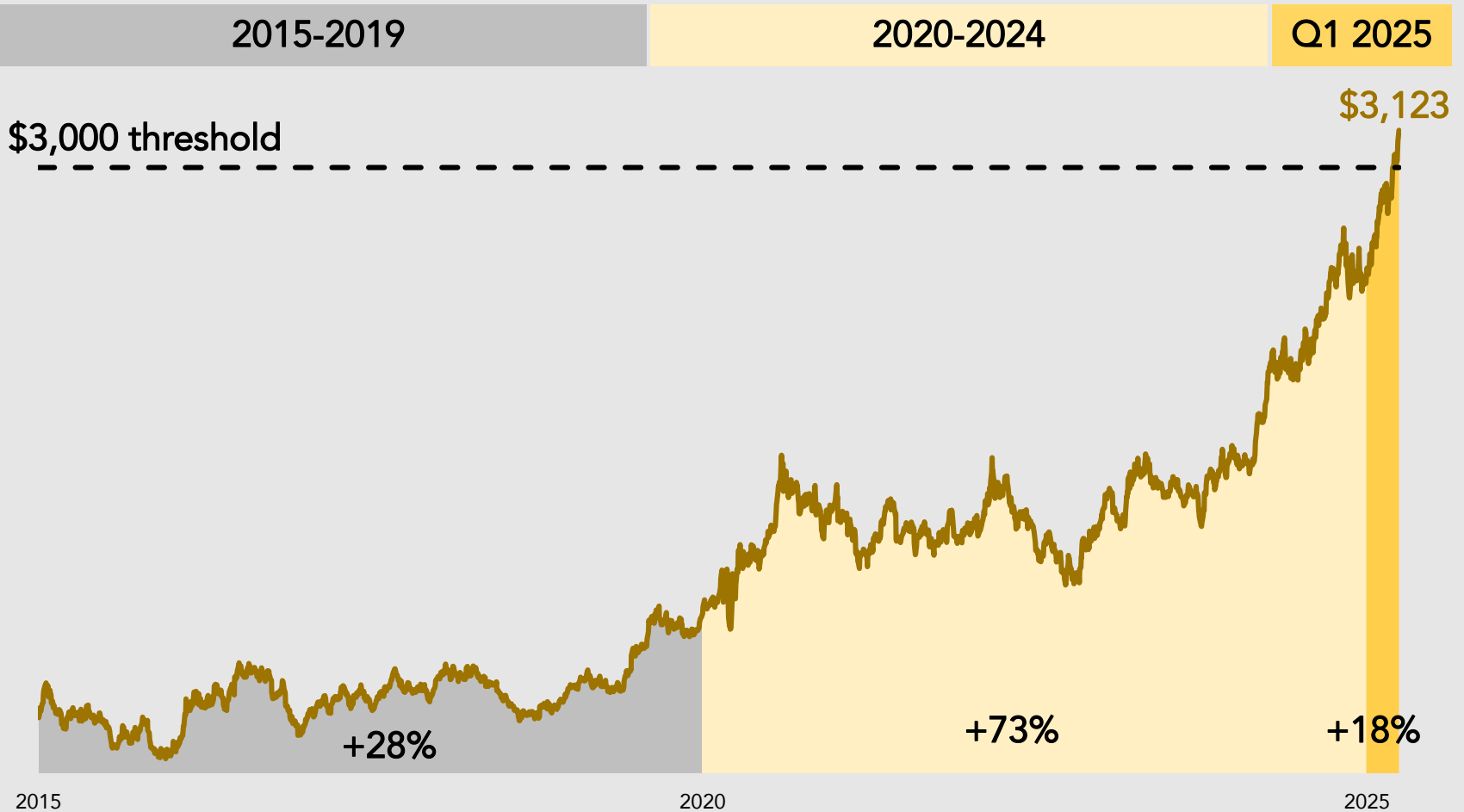
Commodity market performance in Q1 2025



Source: (1) Bloomberg. Data as of March 31, 2025. Commodities Index and Agriculture Index are total return.

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

Gold since 2015



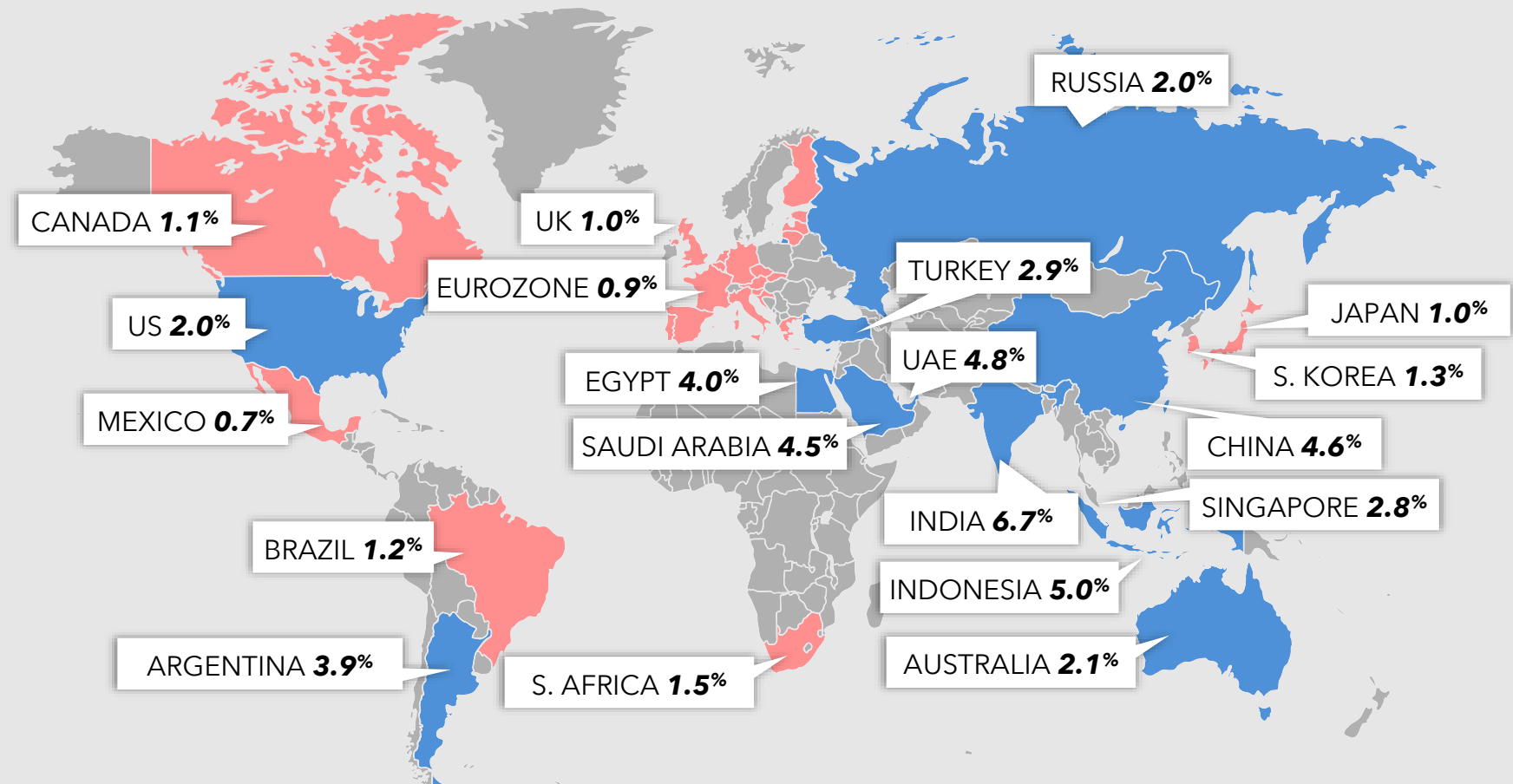
Source: (1) Bloomberg. Data as of March 31, 2025.

Appendix

A close-up, low-angle shot of a laptop keyboard and screen. A semi-transparent world map is overlaid on the screen, with a hand pointing at it. The background is dark and blurred, showing other screens and lights.

Subdued Global Economy in 2025

2025 GDP growth, y/y















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

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 1, 2025.

2025 Global Currency Forecasts

Currency pair	Spot (Apr 1)	Q2 2025	Q3 2025	Q4 2025	Q1 2026
EUR / USD	1.08	1.06	1.08	1.10	1.14
GBP / USD	1.29	1.29	1.29	1.32	1.36
USD / JPY	149	152	150	148	146
USD / CNY	7.27	7.40	7.40	7.35	7.30
AUD / USD	0.63	0.61	0.63	0.65	0.66
NZD / USD	0.57	0.56	0.57	0.58	0.60
USD / CAD	1.43	1.48	1.47	1.42	1.38
USD / NOK	10.46	10.94	10.65	10.36	9.83
USD / SEK	10.14	10.47	10.37	10.00	9.47
USD / CHF	0.88	0.89	0.86	0.85	0.83
USD / MXN	20.38	20.75	21.00	20.75	20.50
USD / BRL	5.68	5.85	5.90	6.00	6.05
USD / CLP	946	965	980	990	1,000

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

2025 MUFG Global Rates Forecasts

	Spot (Apr 1)	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	3.85%	4.00%	4.01%	4.13%	3.91%	3.88%	3.82%	3.75%	3.78%
5 yr UST	3.90%	4.13%	4.10%	4.25%	4.07%	4.13%	4.03%	4.00%	4.00%
10 yr UST	4.15%	4.25%	4.33%	4.38%	4.31%	4.25%	4.29%	4.13%	4.26%
30 yr UST	4.51%	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 March 31, 2025. Fed funds is upper bound.

2025 MUFG Commodities Forecasts

		Q2 2025		Q3 2025		Q4 2025		Q1 2026	
	Spot (Apr 1)	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus	MUFG	Consensus
WTI	\$71	\$64	\$69	\$69	\$69	\$72	\$69	N/A	\$68
Brent	\$75	\$69	\$73	\$74	\$73	\$77	\$72	N/A	\$72
US Nat Gas	\$3.99	\$2.90	\$3.50	\$2.70	\$3.50	\$2.90	\$3.70	N/A	\$3.75
Euro Nat Gas	€42	€38	€43	€33	€40	€29	€42	N/A	€40

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



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