ECB Preview: Resilient economy, unchanged policy

12 December 2025

HENRY COOK
Senior Europe Economist

Economic Research Office (London)

T: +44 (0)20 7577 1591
E: henry.cook@uk.mufg.jp

www.mufgresearch.com/macro

MUFG BANK, LTD.
A member of MUFG, a global financial group

- The ECB is set to reiterate the familiar 'good place' narrative at next week's meeting, leaving rates and guidance unchanged. The recent market repricing towards the possibility of a rate cut next year will increase attention on the updated projections, wider communication and Q&A. While the official data-dependent stance is set to be preserved, President Lagarde may hint that an extended hold is likely.
- We expect the ECB will raise its growth projections after a recent upside GDP surprise and survey indications of continued momentum into 2026. The resilient economy is likely to be a key theme. The core inflation numbers will likely be revised higher as well, but we expect that this will be offset in the headline projections by softer energy and food numbers. Base effects and the delayed implementation of the EU's expanded emissions trading system point to an extended period of undershooting inflation from next year.
- Despite that, the ECB is content with its current policy setting, as well as market pricing for stable rates next year. The bar for any policy adjustment at upcoming meetings is clearly very high. But we still see a cut as more likely than a hike next year. To our minds, inflation risks remain tilted to the downside – stronger EUR, softer energy pricing and trade diversion could all push inflation down to rates which would test the ECB's apparent tolerance for sub-target inflation.

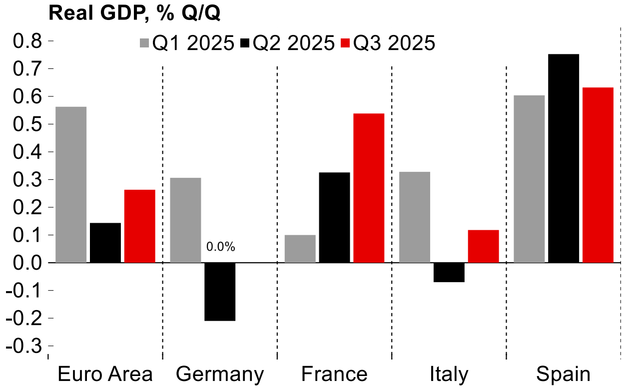
The resilient macro backdrop supports the ECB's current policy stance

ECB officials are likely to reiterate the familiar 'good place' mantra at next week's meeting, leaving rates and core guidance unchanged. While the data-dependent and meeting-by-meeting approach is set to remain, we expect President Lagarde will give further hints that policy is likely to remain on hold for an extended period. Headline inflation has hovered within 0.2pp of target since March and that has given the ECB understandable confidence in its current policy setting.

That said, we certainly expect a more interesting meeting than the uneventful affair last time out (our take here) after market participants have increasingly priced in the possibility of a hike in H2 next year. Against that backdrop, attention will be focused on the tone of the communication, the Q&A and the updated projections.

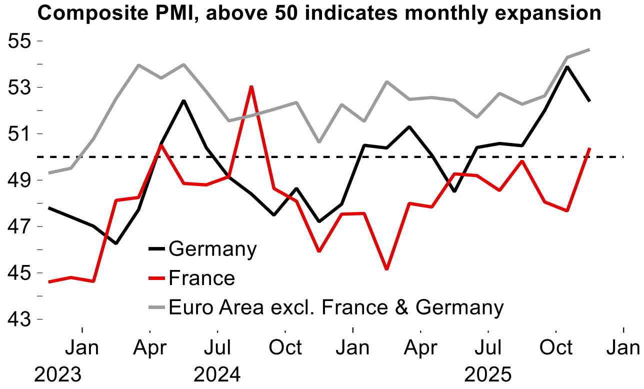
The trigger for the market repricing has been firmer macro data which has prompted various officials such as Simkus to suggest that inflation risks have become more balanced and there's no need to adjust policy rates. Executive Board member Schnabel, typically hawkish but influential, went further by saying she is "comfortable" with expectations that the next move could be a hike.

Q3 GDP growth showed broad resilience to US tariffs…



Source: National statistics agencies, Macrobond, MUFG Bank Economic Research Office

…and surveys indicate a degree of momentum into 2026



Source: S&P Global, Macrobond, MUFG Bank Economic Research Office

This reflects an improving macro backdrop. The global economy is entering 2026 on a firmer footing than anticipated earlier this year, supported by both policy measures and resilient private sector dynamics (see here). It has also been a relatively calmer period in terms of geopolitical and tariff developments.

In the euro area, the unemployment rate remains close to historical lows. Q3 GDP growth was revised up from 0.2 to 0.3% Q/Q, above the ECB's September projection (0.0%). Recent survey data suggests that a similar rate of expansion could be maintained in Q4 and Lagarde indicated this week that the ECB's growth projections could be raised. With better momentum into 2026, the ECB's latest number (1.0%) does look low – our current forecast is for 1.2%.

On prices, headline euro area HICP surprised slightly on the upside at 2.2% Y/Y in the flash estimate for November. The services rate edged up to 3.5%, although it was possibly bolstered by volatile travel components. Growth in compensation per employee, the ECB's preferred measure of wage growth, remained unchanged at 4.0% Y/Y in Q3, well above the September projection for 3.2%.

We still see risks being tilted towards further easing

The ECB's updated projections are likely to show a greater degree of inflation persistence in the core following these releases. Lower energy pricing and easing food inflation point to minimal changes in the headline numbers, however, which are still set to fall markedly next year on the back of energy base effects.

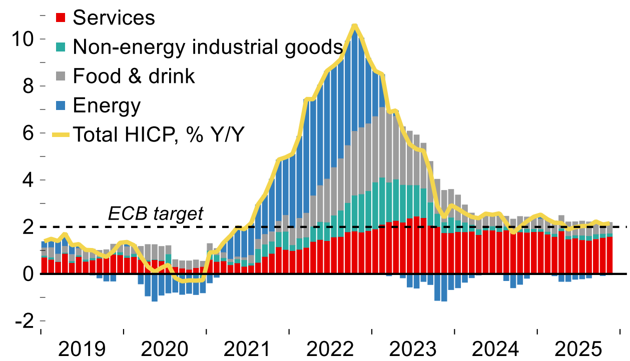
The ECB is currently projecting sub-2% inflation rates throughout 2026. The projection horizon will be extended to 2028 next week. With the implementation of the EU's ETS2 delayed by a year, there will not be the previously expected boost from energy in 2027, which is set to prompt a mechanical revision downwards to projected inflation that year. As a result, the ECB could present a set of projections showing an extended period of undershooting inflation, before a return to target in 2028.

That would be a communication challenge. We expect policymakers will hint at a degree of tolerance to sub-2% inflation and could point to the ongoing persistence in underlying services inflation, alongside resilient growth figures ahead of the expected German fiscal boost next year. With policy rates at 2%, the mid-point of the ECB's estimate of 'neutral', officials will feel that they are well-placed to respond to risks on either side of the mandate.

We have less conviction in our call for further ECB easing after recent comments, but our view remains that a cut is more likely than a hike next year. We continue to see risks to the inflation outlook as tilted to the downside. The ECB's wage tracker points to a rapid easing in pay pressures which would ease concerns around sticky services inflation. The disinflation process could be further bolstered by a range of factors: e.g. 1) further EUR strength, 2) weaker-than-expected energy pricing and 3) dumping of goods from China. A combination of these could result in a more substantial undershoot. If inflation rates were to fall to ~1.5%, say, for several months that would test the ECB and could prompt a calibration lower.

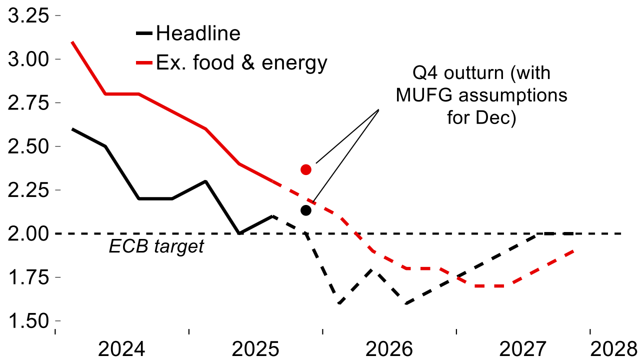
For now, policymakers are clearly content with how well anchored market expectations are around the current policy rate and we expect to see further comments to reinforce this stance next week.

Rates at neutral and inflation hovering around target – the ECB has good reason to sound content



Source: Eurostat, Macrobond, MUFG Bank Economic Research Office

We expect the updated projections will continue to show an undershoot next year, despite recent upside surprises



Source: ECB, Macrobond, MUFG Bank Economic Research Office

CERTIFICATION

The author(s) mentioned on the cover of this report hereby certify(ies) (or, where multiple authors are responsible, individually certify with respect to each security that the author covers in this report) that the views expressed in this report accurately reflect their personal views about the subject company(ies) and its (their) securities, and also certify(ies) that they have not been, are not, and will not be receiving direct or indirect compensation in exchange for expressing any specific recommendation(s) or view(s) in this report.

DISCLAIMERS

This report has been prepared by the Global Markets Research, US Rates and Credit Strategy desks within MUFG Bank, Ltd. ("MUBK") and MUFG Securities EMEA plc ("MUS(EMEA)") and may be distributed to you either by MUBK, MUS(EMEA) or by another subsidiary of the Mitsubishi UFJ Financial Group ("MUFG").

Legal entities and branches

The securities related businesses within MUFG (together referred to in this presentation as "MUFG Securities") are: (1) MUFG Securities EMEA plc ("MUS(EMEA)") which is authorised in the United Kingdom by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA (FS Registration Number 124512). MUS(EMEA) has a branch office that is registered at Level 3, East Wing, The Gate, Dubai International Financial Centre, PO Box 506894, Dubai, UAE ("Dubai Branch"). The Dubai Branch is authorised to operate in the Dubai International Financial Centre ("DIFC") as a Non-DIFC Entity (Commercial License Number CL1656) and is regulated by the Dubai Financial Services Authority (Reference Number F002623); (2) MUFG Securities (Europe) N.V. ("MUS(EU)" which is authorized and regulated in the Netherlands by the Dutch Authority for the Financial Markets (AFM) and also regulated by De Nederlandsche Bank (DNB). MUS(EU) Paris Branch is regulated in France by the Autorité de contrôle prudentiel et de résolution (ACPR) and the Autorité des marchés financiers (AMF); (3) MUFG Securities Americas Inc. ("MUSA") which is registered in the United States with the Securities and Exchange Commission ("SEC") and regulated by the Financial Industry Regulatory Authority ("FINRA") (SEC# 8-43026; CRD# 19685); (4) MUFG Securities (Canada), Ltd. ("MUS(CAN)") is an investment dealer registered in Canada with the Ontario Securities Commission ("OSC") and in each province and territory of Canada, a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), and a member of the Canadian Investor Protection Fund ("CIPF"). Customers' accounts are protected by CIPF within the specified limits; (5) MUFG Securities Asia Limited ("MUS(ASIA)") which is incorporated in Hong Kong, licensed under the Hong Kong Securities and Futures Ordinance and regulated by the Hong Kong Securities and Futures Commission (Central Entity Number AAA889). MUS(ASIA) is registered as a foreign company under the Corporations Act 2001 of Australia (ARBN 169 329 453); and (6) MUFG Securities Asia Limited, Singapore Branch ("MUS(ASIA Singapore)") has a capital markets services licence under the Securities and Futures Act in Singapore. In respect of the financial services provided to wholesale clients in Australia, MUS(ASIA), MUS(EMEA) and MUSA are each exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 of Australia under the Australian Securities and Investments Commission Class Order Exemption CO 03/1099, CO 03/1103, CO 03/1100, and CO 03/1102, respectively. Each of MUS(ASIA), MUS(EMEA), MUSA, are regulated under the laws of Hong Kong, the United Kingdom and the United States respectively, which differ from Australian laws.

MUFG Bank Ltd ("MUBK"), is a limited liability stock company incorporated in Japan and registered in the Tokyo Legal Affairs Bureau (company no. 0100-01-008846). MUBK's head office is at 1-4-5 Marunouchi, Chiyoda-Ku, Tokyo, Japan. MUBK's London branch is at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN, and is registered as a UK establishment in the UK register of companies (registered no. BR002013). The principal office of MUBK's Canada branch (MUFG Bank, Ltd., Canada Branch) is located at 200 Bay Street, Suite 1800, Toronto, Ontario, M5J 2J1, Canada. MUFG Bank's Canada branch is an authorized foreign bank branch permitted to carry on business in Canada pursuant to the Bank Act (Canada); Deposits with MUFG Bank Canada are not insured by the Canada Deposit Insurance Corporation. MUBK is authorised and regulated by the Japanese Financial Services Agency. MUBK's London branch is authorised by the UK Prudential Regulation Authority ("PRA") and subject to regulation by the UK Financial Conduct Authority ("FCA") and limited regulation by the PRA. MUBK's Hong Kong branch is authorised as a bank by the Hong Kong Monetary Authority under the Banking Ordinance of Hong Kong and is registered with the Securities and Futures Commission of Hong Kong to carry out Type 1 and Type 4 regulated activities under the Securities and Futures Ordinance of Hong Kong. MUBK's Singapore branch is licensed as a bank by the Monetary Authority of Singapore under the Banking Act of Singapore, an exempted capital markets service entity and an exempt financial adviser under the Securities and Futures Act and Financial Advisers Act of Singapore respectively. MUBK is registered as a foreign company under the Corporations Act 2001 of Australia (ARBN 103 418 882) and is authorised by the Australian Prudential Regulation Authority to carry on banking business in Australia under the Banking Act 1959 of Australia. MUBK's Auckland Branch is authorised by the Reserve Bank of New Zealand to carry on banking business in New Zealand under the Banking (Prudential Supervision) Act 1989 of New Zealand.

General disclosures

This report is for information purposes only and should not be construed as investment research as defined by MIFID 2 or a solicitation of any offer to buy or sell any security, commodity, futures contract or related derivative (hereafter "instrument") or to participate in any trading strategy. This report does not constitute a personal recommendation and does not take into account the individual financial circumstances, needs or objectives of the recipients. Recipients should therefore seek their own financial, legal, tax or other advice before deciding to invest in any of the instruments mentioned in this report.

Certain information contained in this report has been obtained or derived from third party sources and such information is believed to be correct and reliable but has not been independently verified. MUBK and MUFG Securities do not make any guarantee, representation, warranty or undertaking, express or implied, as to the fairness, accuracy, reliability, completeness, adequacy or appropriateness of any information or comments contained in this report. Furthermore the information may not be current due to, among other things, changes in the financial markets or economic environment. MUBK and MUFG Securities has no obligation to update any such information contained in this report.

The information contained in this report may contain forward-looking information ("FLI"). FLI is information regarding possible events, conditions, or results of operations that is based on assumptions about future economic conditions and courses of action and may be presented as either a forecast or a projection. This report is not intended to forecast or predict future events. Past performance is not a guarantee or indication of future results. Upon receipt of this report, each recipient acknowledges and agrees that any FLI included herein should not be considered material. Recipients should consult their own legal and financial advisers for additional information. Any prices provided herein (other than those identified as being historical) are indicative only and do not represent firm quotes as to either price or size.

This report is proprietary to MUBK and MUFG Securities and may not be quoted, circulated or otherwise referred to without our prior written consent. Notwithstanding this, MUBK and MUFG Securities shall not be liable in any manner whatsoever for any consequences or loss (including but not limited to any direct, indirect or consequential loss, loss of profits and damages) arising from any reliance on or usage of this report and accepts no legal responsibility to any investor who directly or indirectly receives this material.

MUBK covers banking business and is responsible for the publication of related research reports. MUFG Securities covers the securities business and is responsible for the publication of securities related research reports. References to "MUBK" shall be interpreted as a reference only for all matters related to bank products and references to "MUFG Securities" shall be interpreted as a reference only for all matters related to securities products.

MUBK and/or its directors, officers and employees, from time to time, may have interest and/or underwriting commitment in the relevant securities mentioned herein or related instruments and/or may have a position or holding in such securities or related instruments as a result of engaging in such transactions. Furthermore, MUBK may have, or have had a relationship with or may provide or have provided corporate finance or other services to any company mentioned herein.

Country and region specific disclosures

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or is located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to any law, regulation or rule. Each entity and branch within MUFG is subject to distinct regulatory requirements and certain products and services discussed in this document may not be available in all jurisdictions or to all client types.

In this regard, please note the following in relation to the jurisdictions in which MUBK and MUFG Securities has a local presence:

United Kingdom / European Economic Area (EEA): This report is intended for distribution to a "professional client" or "eligible counterparty" as those terms are defined in the rules of the FCA and PRA. In other EEA countries, this report is intended only for persons regarded as professional investors (or equivalent) in their home jurisdiction.

United States of America: This report, when distributed by MUSA, is intended for Institutional Investors ("Institutional Accounts" as defined by FINRA Rule 4512(c)). When distributed by a non-US affiliate of MUSA, this report is intended for distribution solely to "major U.S. institutional investors" or "U.S. institutional investors" pursuant to Rule 15a-6 under the U.S. Securities Exchange Act of 1934, as amended. Securities referenced in this report may have been underwritten by MUSA and/or its affiliates. Nothing in this report should be considered an offer or solicitation of an offer to buy or sell securities or any other financial product or a commitment of any kind with respect to any transaction.

IRS Circular 230 Disclosure: MUFG Securities does not provide tax advice. Accordingly, any discussion of U.S. tax matters included herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone not affiliated with MUSA of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

Hong Kong: This report is only intended for distribution to a "professional investor" as that term is defined in the Securities and Futures Ordinance and should not be passed onto any other person. All enquiries from recipients of this report in Hong Kong must be directed to your usual sales contact in Hong Kong.

Singapore: This report is only intended for distribution to an "institutional investor", "accredited investor" or "expert investor" as those terms are defined under regulation 2 of the Financial Advisers Regulation. It is solely for the use of such investors and shall not be distributed, forwarded, passed on or disseminated to any other person. Investors should note that, as a result of exemptions that apply when this report is distributed to "accredited investors" and "expert investors", MUBK's Singapore branch and MUS(ASIA) Singapore is exempt from complying with certain requirements under the Financial Advisers Act, including section 34 of the Financial Advisers Act (which requires a financial adviser to disclose all material information on certain investment products), section 36 (which requires a financial adviser to have a reasonable basis for making recommendations on investments) and section 45 (which requires a financial adviser to disclose any interests that it holds in securities that it recommends). Please contact your respective financial advisor in Singapore in relation to any matters arising from this report.

Canada: When distributed in Canada, this report is distributed by MUS(EMEA) or MUSA. MUS(EMEA) operates under an International Dealer Exemption from registration with the securities regulators in Alberta, British Columbia, Manitoba, Ontario and Québec. MUSA operates under an International Dealer Exemption from registration with the securities regulators in all Canadian Provinces and Territories. When distributed by MUS(EMEA) or MUSA, this report is only intended for a "permitted client" as that term is defined under the National Instrument 31-103 in Canada and is not intended for re-distribution to any other person. When distributed by MUS(CAN), this report is only intended for an "institutional client" as that term in defined under the IIROC dealer member rules and is not intended for re-distribution to any other person. The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Under no circumstance is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient.

Japan: This Note, when distributed by MUFG Securities affiliates located outside of Japan, is intended for distribution in accordance with Article 58-2 of the Financial Instruments Exchange Act 1948 ("FIEA") i) to a "Financial Instruments Business Operator" engaged in "Securities-Related Business" as defined in the FIEA or ii) to the government, the Bank of Japan, a qualified financial institution defined in Article 209 of the Cabinet Office Ordinance Concerning Financial Instruments Business, Etc., or an Investment Manager.

When distributed by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("MUMSS"), this Note is intended for distribution to a "Professional Investor (tokutei-toushika)" as defined in the FIEA.

United Arab Emirates: This report is only intended for distribution to a "Professional Client" or "Market Counterparty" as those terms are defined under the rules of the Dubai Financial Services Authority and only a person meeting the criteria for these terms should act upon this report.

Australia: This Note is only intended for distribution to persons in Australia who are sophisticated or professional investors for the purposes of section 708 of the Corporations Act 2001, and are wholesale clients for the purposes of section 761G of the Corporations Act 2001. This Note is not intended to be distributed or passed on, directly or indirectly, to any other class of persons in Australia. This Note is for informational purposes only, it does not make any recommendations and should not be relied upon for any investment purposes. For information on how we collect, use, store and secure personal information, please review our Privacy Policy.

MUBK and MUFG Securities have established policies and procedures to identify and manage conflicts of interest to uphold the values of integrity, responsibility, accountability and trust, and to treat clients fairly. MUBK and MUFG Securities have put in place the following arrangements to prevent conflicts of interest: information barriers to prevent the unnecessary exchange or misuse of confidential information; segregated deal teams to manage competing interests in a transaction; defined procedures for dealing with conflicts of interest, including procedures on crossing information barriers; reasonable steps by Compliance to ensure that information barrier arrangements remain effective and are effectively monitored.

New Zealand: This Note is only intended for distribution to persons in New Zealand who are wholesale clients as defined in clause 4 of Schedule 5 of the Financial Markets Conduct Act 2013, or are wholesale investors as defined in clauses 3(2) and 3, and clauses 36(b) of Schedule 1 of the Financial Markets Conduct Act 2013. This Note is not intended to be distributed or passed on, directly or indirectly, to any other class of persons in New Zealand. For information on how we collect, use, store and secure personal information, please review our Privacy Policy.

Other jurisdictions:

MUFG Securities also relies on local registrations or regulatory exemptions in order to undertake certain securities business in other countries. In Thailand, MUS(EMEA) has a derivatives dealer registration with the Securities and Exchange Commission, Thailand. In Canada, MUS(EMEA) and MUSA each operate under an international dealer exemption registered with the securities regulators. MUS(EMEA) operates under the exemption in Alberta, Quebec, Ontario, British Columbia and Manitoba. MUSA operates under the exemption in all Canadian Provinces and Territories.

Investment recommendation

MUBK and MUSE(EMEA) prepare and disseminate a range of commentary to their clients ("General Sales and Trading Communications") prepared by sales, trading, capital markets or other non-Research functions, including but not limited to runs, axes, pricing indications, short term views and macro commentary which are for information purposes only and should not be construed as an investment recommendation to buy or sell any financial instrument or to participate in any trading strategy. These are not intended for dissemination to the public. In addition, sales and trading personnel also produce and disseminate strategy pieces, sales notes, trading and market commentary ("Sales and Trading Commentaries") which may be defined as investment recommendations under the Market Abuse Regulation. Investment Recommendations are marketing communications. General Sales and Trading Communications and Sales and Trading Commentaries do not contain a personal recommendation and do not take into account the individual financial circumstances, needs or objectives of the recipients. Recipients should therefore seek their own financial, legal, tax or other advice before deciding to invest in any of the instruments mentioned in such documents.

This Material and the contents therein are not intended for recipients outside of the United Kingdom ("UK") or the European Union ("EU").

Certain information contained in our General Sales and Trading Communications and Sales and Trading Commentaries has been obtained or derived from third party sources and while such information is believed to be correct and reliable it has not been independently verified. MUBK and MUS(EMEA) do not make any guarantee, representation, warranty or undertaking, express or implied, as to the fairness, accuracy, reliability, completeness, adequacy or appropriateness of any information or comments contained in these documents. Furthermore the information may not be current due to, among other things, changes in the financial markets or economic environment. MUBK and

MUS(EMEA) do not, and have no obligation to update any such information contained in is Sales and Trading Commentaries. Any prices or quotations contained herein are indicative only, do not represent firm quotes as to either price or size and should not be used for valuation purposes.

General Sales and Trading Communications and Sales and Trading Commentaries are not intended to forecast or predict future events. Past performance is not a guarantee or indication of future results. Sales and Trading Commentaries are produced by non-Research functions, including sales and trading do not constitute investment research and are not prepared under conditions designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research. MUBK and MUS(EMEA) may make markets, provide liquidity, have (or may in the future enter into) principal or proprietary positions (long or short) in and effect transactions in the financial instruments or trading strategies mentioned or described in our General Sales and Trading Communications and Sales and Trading Commentaries and may also perform or seek to perform investment banking, brokerage, or other services for those companies including entering into transactions with them. In general, our Sales and Trading Commentaries are short term views in response to market movements and news.

The sales and trading staff who produce investment recommendations have received compensation based upon various factors, including individual performance competitive factors, firm revenues, sales and trading revenues and overall investment banking revenues.

Our General Sales and Trading Communications and Sales and Trading Commentaries are proprietary to MUBK and MUS(EMEA) and may not be quoted, circulated or otherwise referred to without our prior written consent. Notwithstanding this, MUBK and MUS(EMEA)shall not be liable in any manner whatsoever for any consequences or loss (including but not limited to any direct, indirect or consequential loss, loss of profits and damages) arising from any reliance on or usage of this report and accepts no legal responsibility to any investor who directly or indirectly receives this material.

This material has been prepared in accordance with MUBK's and MUS(EMEA)'s organisational and administrative arrangements for managing conflicts of interest. Such arrangements include policies which set out guidelines relating to (but not limited to) restrictions on access to information, personal dealing and inducements.

Any instruments referred to in this material may not be eligible for sale in all jurisdictions or to all categories of investors. This material is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or is located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to any law, regulation or rule. Certain products which may be mentioned in this material, including derivative products, give rise to substantial risk, including currency and volatility risk, and are not suitable for all investors.

This material, is only intended for distribution to a "professional client" or "eligible counterparty" (as defined in UK FCA and PRA rules) or their equivalent(s) within the EU and should not be passed onto any other person.

This material and all claims arising in connection with it are governed by, and to be construed in accordance with, English law.

Disclosures for the website concerning Investment Recommendations:

MUSE and MUFG Bank may own a net long or short position exceeding the threshold of 0,5 % of the total issued share capital of the issuer.

Entities mentioned in our Sales and Trading Commentaries may have interest in excess of 5% of the total issued share capital of Mitsubishi UFJ Financial Group. Information relating to Major Shareholders is available on MUFG; Stock Information | Mitsubishi UFJ Financial Group

MUSE and MUFG Bank may be market maker or liquidity provider in the financial instruments of the issuer and may have been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer.

MUSE and MUFG Bank are not party to an agreement with the issuer relating to the production of the recommendation, nor disclose their recommendations to issuers, so that the investment recommendation cannot be influenced by the issuer.

A description of the effective internal organisational and administrative arrangements and of any information barrier it has set up for the prevention and avoidance of conflicts of interest with respect to the recommendations is available on MUFG; Policy for Conflicts of Interest Management | Mitsubishi UFJ Financial Group

MUSE and MUFG Bank are part of the MUFG Group however owing to the organisation of the Group, employees involved in the production of Sales and Trading Commentaries do not know and are not expected to know what is done by other entities of the Group.

Our Credit Strategy recommendations incorporate valuations (relative value) and the author's fundamental view on the security. The fundamental credit view of an issuer may be based on the company's underlying credit trends, overall creditworthiness and our opinion on whether the issuer will be able to service its debt obligations when they become due and payable. We may review, among other things, the company's cash flow capacity and trends and standard credit ratios, such as gross and net leverage, interest coverage and liquidity ratios. We may also review profitability, capitalization and asset quality, among other variables, when assessing financials. We also take into account management strategy, financial policy and the overall competitive landscape in relevant industries insofar as these may impact credit quality. We may also assess market technical aspects such as the likely future supply of bonds or fund flows into the broader asset class. Unless we specify a different recommendation for the company's individual securities, an issuer recommendation applies to all of the bonds at the same level of the issuer's capital structure. The investment recommendations remain valid only at the point of publication, as they are not updated to take account of changes in the financial markets or new news about the issuer or instruments.

Definitions

Positive:

Credit: We expect the credit spread to tighten, on an interest rate hedged basis

Neutral:

Credit: We expect the credit spread to remain stable, on an interest rate hedged basis