

# Investment Opportunities: MUFG vs. Toyota Motor

## Business Models and Financial Performance

### Introduction:

MUFG: NO.1 Market Value

Income ↑ 28.79%

Net Profit ↓ \$8.66 billion

Toyota: NO.1 Top Saler worldwide

Income ↑ 18.4%

Net Profit ↓ \$19.70 billion

### Revenue Generation: Financial Services vs. Automotive Sales

MUFG	Toyota Motor
<ul style="list-style-type: none"><li>• Digital service business</li><li>• Global Commercial Banking</li><li>• Digital service business</li><li>• Retail and Commercial Banking</li><li>• Global Market</li><li>• Wealth Management</li></ul>	<ul style="list-style-type: none"><li>• Vehicle Sales<ul style="list-style-type: none"><li>- Vehicle, Parts and Accessories</li></ul></li><li>• Financial Services<ul style="list-style-type: none"><li>- Leasing</li></ul></li></ul>

### Profitability:

✓ **MUFG**: Stable Financial Status, Positive Signal, Potential Growth

✗ **Toyota**: Limited profit growth, Strong Competiton, Declining Demand

# Interest Rates & Market Expectations

## the Potential Impact of Interest Rate Changes and Investment Landscape

### Dividend Yield: Banking vs. Manufacturing

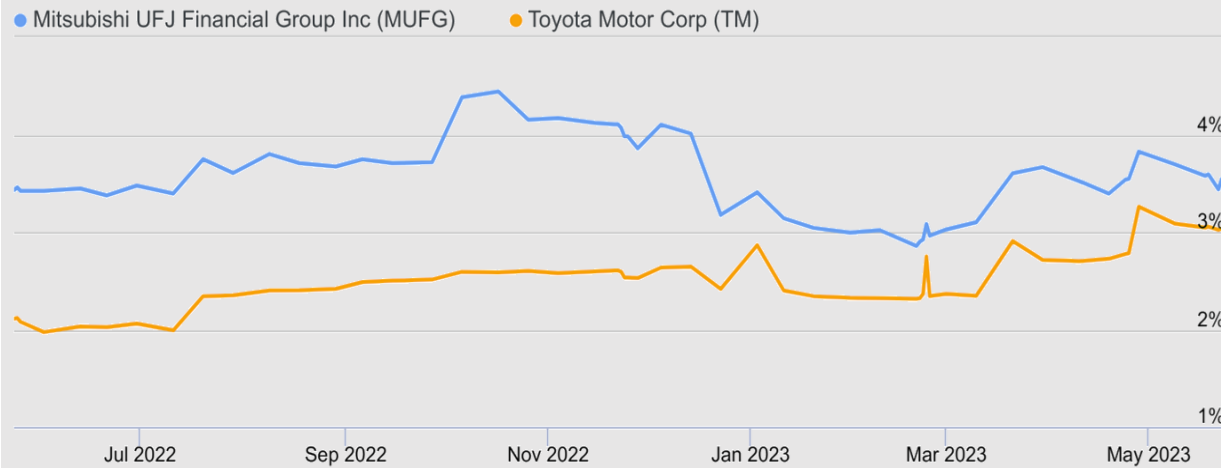


Fig. 1: MUFG's dividend yields are steadily at high levels

**Stable returns in banking, especially in primary markets.  
Potential for higher returns due to dividends.  
Manufacturing faces risks of replacement and competition.**

### Industry Competition and Future Outlook

**Toyota's challenges: Rising competition comes from new energy vehicles.**

**The future of banking: Diversified financial services and potential for growth.**

### Effects of Inflation and Interest Rate Changes

**The impact of high inflation in the U.S.**

**Potential for interest rate hikes if inflation eases.**

Fig. 2: Monthly 12-month inflation rate in the United States from April 2020 to April 2023



**Considering potential interest rate changes and the companies' performance, MUFG seems to have favorable prospects due to expected increases in interest income and dividends.**

# Why does the relative difference in interest rates between countries affect FX markets?

Interest Rate



Currency in FX markets  
Supply and Demand



Exchange Rate



## USDJPY: What is Fed's next move?

Differentiation Showed in Fed Speak

hold rate unchanged:

*Fed Chair Powell 'open to a wait and see approach'*  
*Fed President Bostic, Daly and Barkin*

keep rate raised:

*Fed President Logan, Mester and Bullard*  
*'Fed may still need to raise 50 bps this year'*

Mixed Data Recently

Initial Jobless Claims for the week:

*264K prior (May 6) vs. 255K consensus*  
*dropped to 242K (May 13)*

Retail Sales for the week:

*increased 0.4% MoM in April vs. 0.8% consensus*

Pay attention to **Core PCE** released on **Friday**

**US Interest Rate Unchanged**

\* US won't default - raise debt ceiling - increase risk of bank crisis – can't let rate be raised to also contribute to bank crisis

# What are some other factors that have impact on USDJPY spot?

## The method applied to calculate the gain/loss for the trade

### National

1. Central Bank & Government  
Japanese Interest rates  
Monetary policy: QQE  
foreign exchange reserve
2. National Economics  
GDP, CPI, unemployment rate

### International

1. Political, geopolitical factors
2. Global economic  
major events - risk appetite
3. Global market:  
carry trade dynamics  
net exports

### Strategy & Calculation

✓ long USDJPY spot

buy USDJPY & put options

net profit = gain/loss

gain =  $\text{Max}(\text{Strike} - S, F - S)$

loss = premium



# Potential Impact of Upcoming BOJ

How our trade will be affected by upcoming BOJ

