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MUFG aims to double returns in LatAm – exec

Japanese bank's head of corporate and investment banking for region is bullish on Mexico, expects lull in bond issuance after October yield spike

by Thierry Ogier
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MUFG, one of Japan's biggest financial groups, plans to make its Latin American business much more profitable in the next three years, aided by an imminent rebound in investment in Mexico, a company executive told *LatinFinance*.

“My goal is to double our return within three years by 2026, with operations that are better structured, larger companies and more fees,” Juliane Yung, MUFG's head of global corporate and investment banking for Latin America, said in an interview.

“This has been a very good year for our operations in Latin America, namely Brazil, Mexico and Colombia,” she said.

Yung is particularly optimistic about prospects for Mexico, where private investment has been sluggish since President Andrés Manuel López Obrador took office in late 2018 and championed a state-led economic model.

Some analysts say financial markets are pricing in a more **business-friendly** administration after the June 2024 presidential election. Yung, too, is becoming “much more bullish” on Mexico, she said.

“We already see global players considering coming back to market and pricing an enhanced political environment investing again after all the headwinds in recent years,” she said. “I am looking forward to Mexico's growth and nearshoring opportunities for private players.”

Yung said that she is “quite confident” that Brazil is “on the right path.” The country is “a very important market in Latin America, she said, despite the uncertainty that emerged in recent weeks after President Luiz Inácio Lula da Silva cast doubt on his government’s commitment to fiscal discipline at a time when congress is debating tax reform.”

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BOND HIATUS

The Japanese bank has worked on transactions with several large Brazilian issuers this year, including iron ore miner Vale, state-run oil and gas company Petrobras, aircraft manufacturer Embraer and meatpacker Minerva.

However, MUFG is bracing for a lull in issuance after October’s spike in bond yields.

“There is going to be a certain pause. There may be a window opening in the next two months, but it will not be as strong as what we have had between June and September,” Yung said.

Some companies are expected to delay issuance until prices are more attractive, while others will likely press ahead and “pay a bit more because they need funding,” she said.

Yung, who was appointed to her current position in August after serving as head of corporate and investment banking in Brazil, is set on boosting profitability.

“We have a great incentive to put low spreads behind us. Returns are more important to us than sales volume or clients base,” she said. “We have to put behind us the traditional market vision according to which a Japanese bank is a bank of balance sheet. It is a vision that bothers me a lot,” she said.

She said the bank’s pipeline is spread over several sectors but has a “strategic concentration” on digital infrastructure and renewable energy.

The lender has set an ambitious target for returns from Latin America even as the pace of economic growth is set to remain modest next year. MUFG’s forecast for the region’s GDP is “low-level pre-pandemic growth” of 2% in 2024 amid a “difficult market environment and continued political uncertainties,” Yung said.

