



VICTORY PARTNERS

MIDDLE MARKET INSIGHT | What Business Owners Need To Know

2ND HALF

INFLATION PRESSURE,
FED HAWKISHNESS TO
COOL

JP Morgan Strategists See Equity Stress Easing In Second Half

- According to JPMorgan Chase & Co., Federal Reserve rate hikes will likely ease in the second half of the year, slackening the selloff of US stocks amid red-hot inflation data.
- “If the Fed were to start delivering on expectations, rather than surprising on the upside, that could go a long way in stabilizing market sentiment,” according to one strategist with the firm.
- Additionally, the firm advocates direct exposure to China, as it remains overweight on emerging markets as compared to developed markets. Regarding developed markets, investors should stay neutral on US equities and overweight on UK and Euro-Zone stocks.

CHINA EXPOSURE

STRATEGISTS
RECOMMEND DIRECT
CHINA EXPOSURE, UK,
MINERS

Revlon Bankruptcy Complicated By Citi’s \$900MM Error

- Citibank’s data entry mistake in 2020 leads to infighting amongst creditors of the indebted US cosmetics group.
- According to company leaders, the bankruptcy filing was not precipitated by a lack of demand for its beauty products, but rather by supply chain hiccups, labor disruptions, and the inflation spike, which left it short of cash and working capital.
- The uncertain status of \$500MM in loans makes negotiations over a major tranche of debt impossible. “What’s tricky with the Revlon bankruptcy is that you have to figure out not only how to split the pie – which is the typical issue – but also how big the pie is and who actually owns the slices,” according to Elisabeth de Fontenay, Professor of Law at Duke University.

2020

DATA ENTRY MISTAKE
BY CITI LEADS TO
DIFFICULTY IN
IDENTIFYING
CREDITORS

\$1B

EY PLANNING TO INVEST
IN PE FOR NEXT FOUR
YEARS

EY Bets On PE Growth By Expanding Offerings

- Ernst & Young has initiated an expansion of its private equity offerings by appointing a new lead and investing \$1 billion in the asset class. The firm will target acquisitions, service enhancements, and new hires over the next four years as part of this expansion.
- Rising interest rates and declining valuations in public markets could bleed over into EY’s private deals as well. Since these deals are not marked-to-market, however, it could take some time for the impact to be fully realized.
- According to EY data, deal volume has already decelerated. The monthly IVCA-EY PE/VC showed that PE/VC investments in April 2022 declined by 27% year over year.

27%

YEAR-OVER-YEAR DECLINE
OF PE/VC INVESTMENTS IN
APRIL 2022

Sources: www.bloomberg.com | www.ft.com | www.themiddlemarket.com