



VICTORY PARTNERS

MIDDLE MARKET INSIGHT

What Business Owners Need To Know

94.8 CENTS

SELLERS OF NEWLY ISSUED DEBT WERE RECEIVING 94.8 CENTS ON A DOLLAR AGAINST 99.2 FROM JAN'2022

20%

LBO ACTIVITY HAS FALLEN SHARPLY, DOWN NEARLY 20% COMPARED TO 2021

\$1.0281

WEAKEST LEVEL FOR EURO SINCE DECEMBER 2002

0.9%

EURO FELL AS MUCH AS 0.9% AGAINST THE SWISS FRANC

4%

ANALYSTS EXPECT S&P500 TO REPORT 4% HIGHER PROFITS IN Q2 COMPARED TO 2021

1%

ESTIMATE FOR US GDP GROWTH IN THE SECOND QUARTER, DOWN FROM 2.5%

Banks' Buyout Losses Risk Deals

- "Lenders are finding they need to sell debt at a deeper discount than anticipated," said Byung Choi, a partner at Ropes & Gray LLP who helps private-equity firms arrange deal financing.
- As a result, LBO activity has fallen sharply. About \$138 billion worth of the deals have been struck by private-equity firms in the U.S. so far this year, down nearly 20% compared with the same period in 2021, according to data provider Dealogic.
- To get deals done, buyout firms are increasingly turning to private-credit providers such as Blue Owl Capital Inc. and Golub Capital rather than banks. These firms don't have to syndicate debt and can provide capital from investment vehicles established to do so. Though usually more expensive than syndicated-leveraged-loan options, private credit generally offers more certainty and stability in pricing.

Euro Has Fallen To A 20-year Low Against The USD

- The euro slid to a 20-year low against the US dollar as traders bet that the European Central Bank will go slower on raising interest rates as the economy risks being tipped into a recession.
- The common currency fell as much as 1.4% to \$1.0281, its weakest level since December 2002. The losses came as money markets continued to trimmed ECB tightening bets as growth outlook for the region darkens, with traders now eyeing the prospect of gas shortages as Russia cuts back on supplies.
- The losses Tuesday were compounded by poor liquidity and selling in euro-Swiss franc, according to three Europe-based traders. The euro fell as much as 0.9% against the Swiss franc to 0.99251, the lowest level since 2015.

Corporate Profit Outlook Remains Recession-free

- Companies start reporting their second-quarter results next week. At least for now, analysts aren't even expecting the start of an earnings recession, which is when corporate profits fall for at least two consecutive quarters, according to a recent report from FactSet Research.
- Analysts lowered their earnings expectations during the quarter, but only slightly. Economists, on the other hand, have been racing to lower their expectations in the past few months.
- Last week, JPMorgan Chase's top economists more than halved their estimate for U.S. G.D.P. growth in the second quarter, to just 1 percent, down from 2.5 percent. Combine that with labor shortages and inflation both driving up costs, and you would expect analysts to be a lot more pessimistic. For now, most of them appear to believe that companies will be able to absorb higher costs by raising prices.

Sources: www.bloomberg.com | www.nytimes.com | www.wsj.com