

Franklin Place Capital

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Capital Markets

Tariffs dominated headlines throughout the second quarter. Steel & aluminum tariffs in addition to various other trade disputes with China continued to grab headlines. Global markets struggled during the quarter with the MSCI Emerging markets index declining 8.0% and the MSCI EAFE losing more than 1.2%. U.S. markets however remained mostly resilient during the quarter as the S&P 500 notched a 3.4% gain, a 2.6% YTD gain.

The Federal Reserve raised the federal funds rate for a second time this year in June to 2.00%, and continues to justify the rhetoric of hiking rates an additional two times in 2018. Fed funds futures indicate more than a 50% probability of a fourth rate hike in 2018.

Energy prices rallied significantly during the quarter as supply concerns lingered over the Iran deal and other major producers. Russia & Saudi Arabia also agreed to raise production less than initially expected.

The 10-year Treasury yield backed down from its multiyear high of roughly 3.1% further squeezing the yield curve closer to a 2-year 10-year inversion. The current spread sits at roughly 30 basis points. Yield curve inversions have preceded the past nine recessions with a lag of 6 – 24 months.

M&A Highlights

M&A activity continued to be robust as global deal activity surpassed \$2.5 trillion year-to-date, a record high. U.S. markets contributed roughly \$1 trillion highlighted by megadeals such as Time Warner, Disney and Comcast's bid for Fox. Overall, M&A markets continue to favor sellers as both strategic and financial buyers remain armed with cash and hungry for quality assets.

IPO Mania

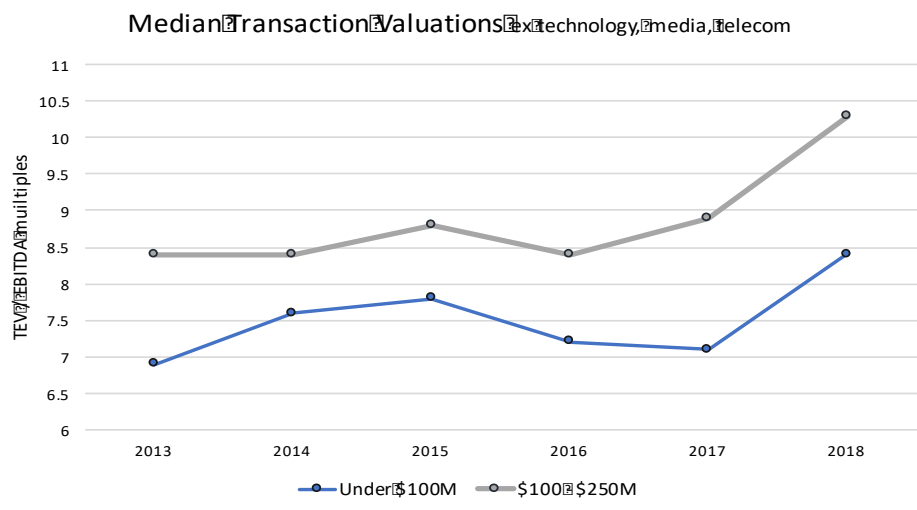
Highlighted by pharma & technology, there were 66 IPOs during the second quarter raising more than \$16 billion, marking Q2 as the most active quarter since 2014.

Cash Glut

The excess cash theme continued to keep valuations elevated as funds and corporations alike continue to hold record amounts of cash on their balance sheets.

Transaction Valuations

Median EBITDA multiples accelerated into 2018 driven by strong earnings, lower transaction volume, and a scarcity of quality assets.



Source: PitchBook, Capital IQ

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