



US markets made modest gains in the third quarter despite ongoing growth concerns and continued uncertainty regarding US-China trade. The Federal Reserve continued their interest rate reversal cutting the benchmark rate 25 basis points in both July and September. The Fed most recently cut rates again in October to a range of 1.50%-1.75%. During this time however, sovereign yields seemingly bottomed with the U.S. 10-year yield now reversing back towards 2.0% after having reached lows close to 1.45% in September.

Third-quarter corporate earnings for the S&P 500 are slated to see a 2-3% decline compared to 2018's third quarter. Profit growth for emerging markets was also negative for the quarter.

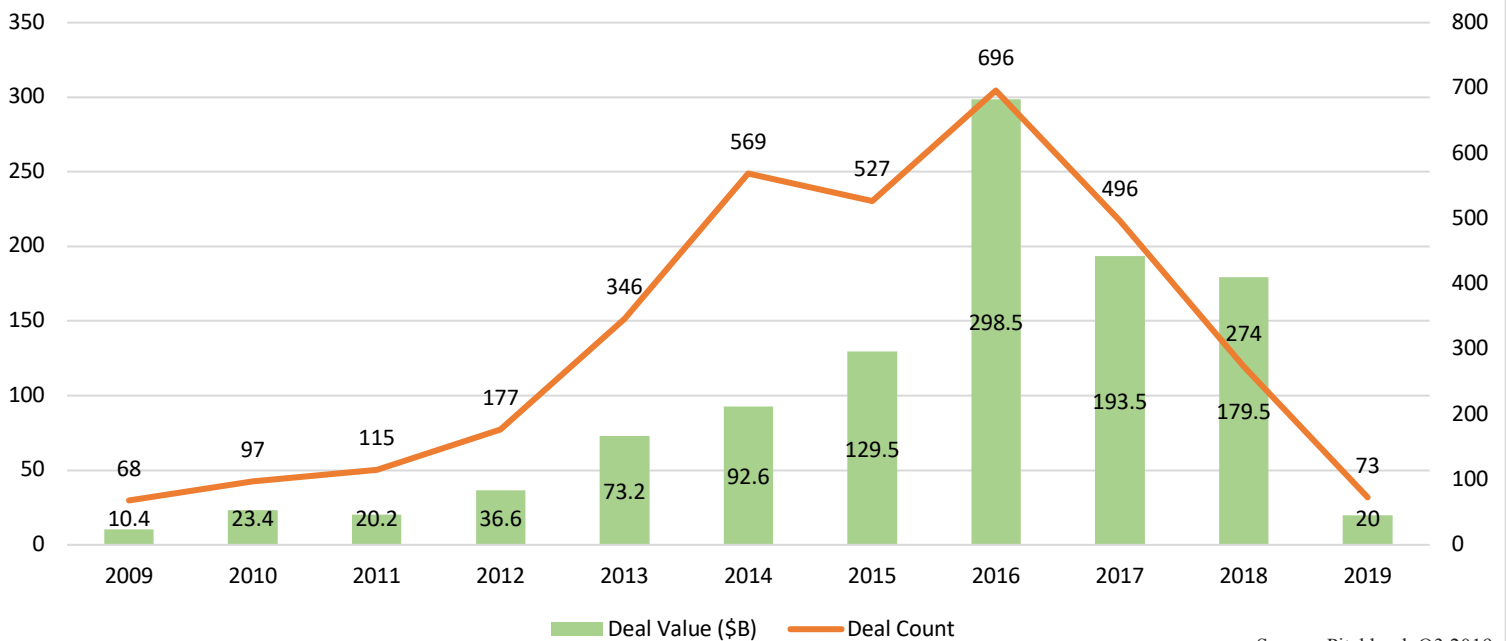
Equity valuations remain elevated. The S&P 500 forward 12 month P/E ratio sits at 17.2 as compared to a 16.6 five year and 14.9 ten year average.

North American M&A remained robust through Q3 2019 supported by a jump in the median transaction size. However global M&A deal value and total deal volume slumped by more than 30% year over year. M&A activity by Chinese buyers dropped materially with only 73 reported transactions through Q3 as compared to nearly 700 total deals in 2016. This reflects a near 90% decline in Chinese overseas M&A since 2016. The Committee on Foreign Investment in the U.S. (CFIUS) has also inhibited M&A activity by expanding the list of blacklisted Chinese companies.

M&A within the banking and financial services marketplace continued to outpace recent quarters as regulatory rollbacks have paved the way for regional and national banks to pursue a myriad of M&A activity. The 2018 regulatory-rollbacks and modification to the consumer protection act raised threshold requirements for small banks, reduced reporting requirements, and granted community banks exemption from the Volcker rule in terms of prop trading and having relationships with hedge funds and PE firms.

Financial Services	Financial service(s) companies continue their M&A spree with more than a 1000 transactions expected in the banking, insurance, and specialty finance space by year end 2019.
Manufacturing ISM	Manufacturing contracted in during Q3, with an ISM reading of 48.3 in October. Comments consisted of "softening demand" and "trade cost pressure remains a headwind."
Cold Feet IPOs	Unfavorable reactions to recent unprofitable IPOs has resulted in investment groups and executives, alike, looking for alternative options for liquidity.

Chinese Acquirers - North American M&A Activity



Source: Pitchbook Q3 2019