



US Economy

The first estimate of second quarter GDP was +1.5%, lower than both the +2.1% estimate and the +2.1% registered in the first quarter. Higher imports, lower inventories, and lower government spending were the primary causes of the miss. More encouraging was the +3.9% increase in final sales to domestic purchasers which included solid growth in both consumer spending and capex investment.

Monetary Policy

The Federal Open Market Committee (FOMC) kept its benchmark interest rate steady at 3.50-3.75%. Three dissents favored a 0.25% increase, underscoring a hawkish tilt amid stubborn inflation. The statement was little changed from June. Federal Reserve Chair Kevin Warsh's press conference leaned more on process than policy signals and he reaffirmed the 2% target. He praised the economy's impressive resilience and said the labor market appears fine.

Bond Markets

After the Fed announcement and press conference, the 10-year Treasury yield rose through 4.70% with a notable bear steepening of the yield curve at the long end. Market participants at the long end may be expressing disappointment that the Warsh Fed has yet to follow through with the inflation fighting measures that match the verbiage. Bond markets aren't necessarily doubting the credibility of the Fed. Rather, given the removal of information, they want a little more compensation for the uncertainty introduced.

Equity Markets

Earnings overshadowed macro data and geopolitical developments in driving US equities higher. With roughly 90% of the S&P 500 stocks having reported Q2 earnings, the growth rate of sales and EPS has greatly surpassed expectations. Management guidance on the accompanying earnings calls has led to positive revisions to Q3 and Q4 quarter forecasts. This current bull market has been largely earnings driven as opposed to valuation driven with current multiples reasonable considering the interest rate and earnings growth environments.

LBO Market Commentary

In August, U.S. leveraged buyout activity extends its tentative reacceleration as sponsors re-engage on quality assets following sustained larger-cap sponsor M&A activity in July, driven by steady deal flow even as AI-related software reassessment weighs on credit quality. The Fed's hawkish tone under Chair Warsh sustains uncertainty around H2 2026 borrowing costs ahead of September, keeping sponsors disciplined on leverage. Competition for high-quality buyout targets remains firm, particularly in resilient sectors such as energy, infrastructure, and healthcare, but lenders are capitalizing on the lender-friendly reset, with direct-lending spreads widening, and underwriting standards facing heightened scrutiny.

LBO Market Data was provided by Refinitiv LPC

Forecast Provided by Cerity Partners

	Current		2025	2026 est.
Fed Funds Rate	3.63%	World GDP Growth Rate	3.25%	3.00%
US 10-Year Treasury Yield	4.71%	US GDP Growth Rate	2.25%	2.20%
S&P 500 Index	7,490			
HY Fixed Income Spread**	295 bps			

*Source: Factset

**High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10-Year Treasury Bond.

Rate Environment

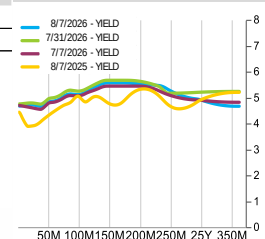
Treasury Statistics/Rates

	Current	YTD %
US Treasury 2yr	4.27%	0.79%
US Treasury 5yr	4.42%	0.70%
US Treasury 10yr	4.71%	0.54%
US Treasury 30yr	5.25%	0.41%
SOFR - 3 Month	3.76%	0.11%
SOFR - 6 Month	3.90%	0.33%
SOFR - 12 Month	4.07%	0.65%

Historical

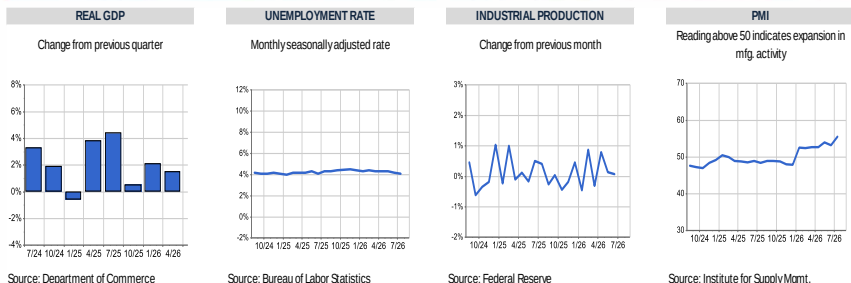
	52-Wk HI	52-Wk LO
US Treasury 2yr	4.35%	3.39%
US Treasury 5yr	4.46%	3.52%
US Treasury 10yr	4.71%	3.95%
US Treasury 30yr	5.25%	4.54%
SOFR - 3 Month	4.33%	3.63%
SOFR - 6 Month	4.27%	3.56%
SOFR - 12 Month	4.08%	3.40%

SOFR Curve



Treasury Statistics and SOFR Curve provided by Factset

Key Economic Data

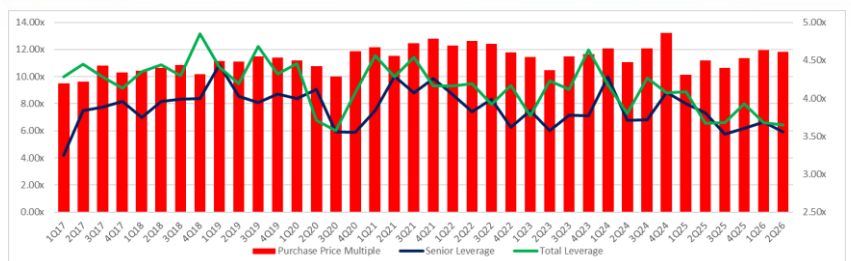


Equity Market Performance

Index	Current	% Change			52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
DOW	52,485	4.04%	10.17%	20.91%	44,130.98	44,130.98	21.16	19.44	0.00%
S&P 500	7,490	0.41%	10.14%	19.56%	6,339.39	6,339.39	22.94	19.71	1.07%
NASDAQ	25,374	-4.00%	12.38%	22.58%	21,122.45	21,122.45	28.62	22.16	0.00%
R2000	2,931	2.37%	18.85%	34.18%	2,211.65	2,211.65	34.46	24.98	0.00%
VIX (S&P)	16	-4.25%	6.96%	-4.37%	16.72	16.72	N/A	N/A	N/A

*Source: Factset

LBO Market Performance



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