

The State of the Markets

Vital Signs

2nd Quarter 2024

Key Takeaways

Economy

- **Consumer sentiment signals cautious optimism.** Consumer sentiment declined in Q2 2024 to end-of 2023 levels due to inflation, savings depletion, and labor market worries. Consumers are maintaining essential spending, but reducing discretionary expenses.
- **Inflation slightly high, but below expectations.** In 2Q 2024, U.S. consumer prices rose by 1% (a 3.0% increase over the past year), mainly from increases in rents, education, and medical services. However, the lower-than-expected reading suggests a more favorable economic outlook.
- **Jobs growth remains strong.** Q2 2024 saw a slight rise in unemployment to 4.1% from 3.8%, continuing a year-long trend due to economic slowdown and labor force shifts. However, the job market remains robust with rates still historically low.

Capital Markets

- **Equity markets posted a strong performance.** The S&P 500 Index grew 3.9% in 2Q 2024, a 14.5% annual increase. The strong performance was boosted by tech and AI, amid positive inflation forecasts and expected Federal rate cuts.
- **Treasury yield curve remains inverted.** The 10-year Treasury yield climbed to 4.3% in Q2 2024, up from 3.8% last year, indicating shifts in investor sentiment amid inflation concerns and evolving fiscal policy.
- **Venture investing increased** in Q2 2024, venture capital investments rose to \$56.9B mainly driven by AI deals and a robust crypto market. Despite this, fundraising remains challenging for most startups due to cautious investors.

M&A Activity

- **Middle Market M&A volume rebounded** by 13% in Q2 2024, with a 12% yearly increase in corporate M&A, signaling market recovery and optimism driven by easing inflation and private equity.
- **EBITDA multiples for Middle Market M&A rose** from 7.3x to 7.5x in Q2 2024, reflecting a resilient economy and potential rate cuts, yet remain cautious below the 2023 peak of 7.6x.

Indicator	Latest Available Data (eop)	Change			
		Average Last 5 Years	YoY	YTD	QoQ
Consumer Sentiment	69.1 May				
Inflation (CPI)	3.0% Jun				
Unemployment	4.1% Jun				
S&P 500	5,415 Jun				
10-yr. T-Bond Rates	4.3% Jun				
VC - Investments (\$bn)	56.9 2Q24				
VC - Exits (\$bn)	30.6 2Q24				
VC - Fundraising (\$bn)	28.1 2Q24				
U.S. M&A (\$bn)	147.1 Jun				
M&A EBITDA Multiples	7.5x 2Q24				

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