



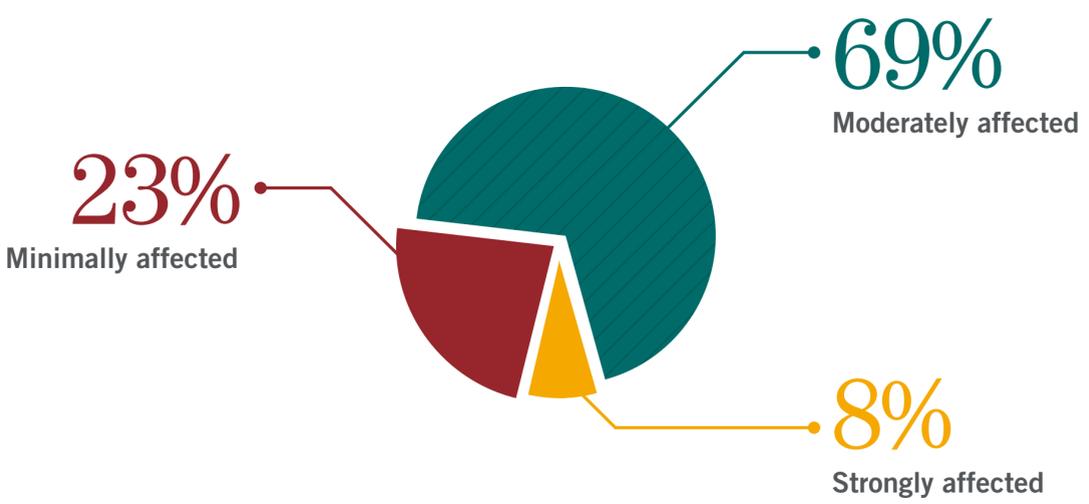
Lending Climate

IN AMERICA

For more than 20 years, Phoenix Management Services has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions to **identify the latest economic issues, business drivers, and credit trends impacting lending in America.**

Top 5 Takeaways from the Third Quarter 2019

1 Predicted Impact of Trade Wars on Borrowers



The majority of lenders agree that borrowers will be moderately affected in the next 6-12 months by the current trade war with China, leading to a slight increase in borrower costs and a modest impact on liquidity.

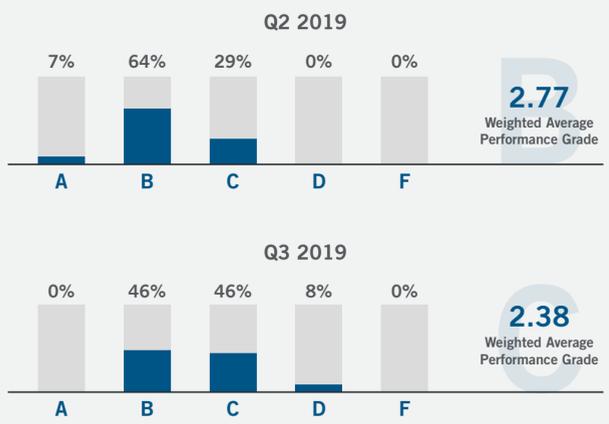
2 Economic Outlook



In August 2019, 164,000 new jobs were added, and unemployment reached 3.7%, a near 50 year-low. **As long as hiring remains steady and the unemployment rate stays low, the majority of lenders believe consumer behavior will serve as a strong foundation for the economy**

3 U.S. Economy Near-Term Performance Grade

After a brief recovery in Q2 2019, the expected U.S. economy performance grade for the next six months **dropped to a "C" level in Q3 2019**, hitting an all-time low for 2019.

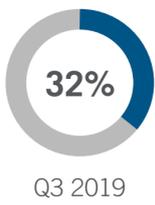


4 Top 3 Factors Projected to Impact the Near-Term Economy

Stability of the Stock Market



Constrained Liquidity in Capital Markets



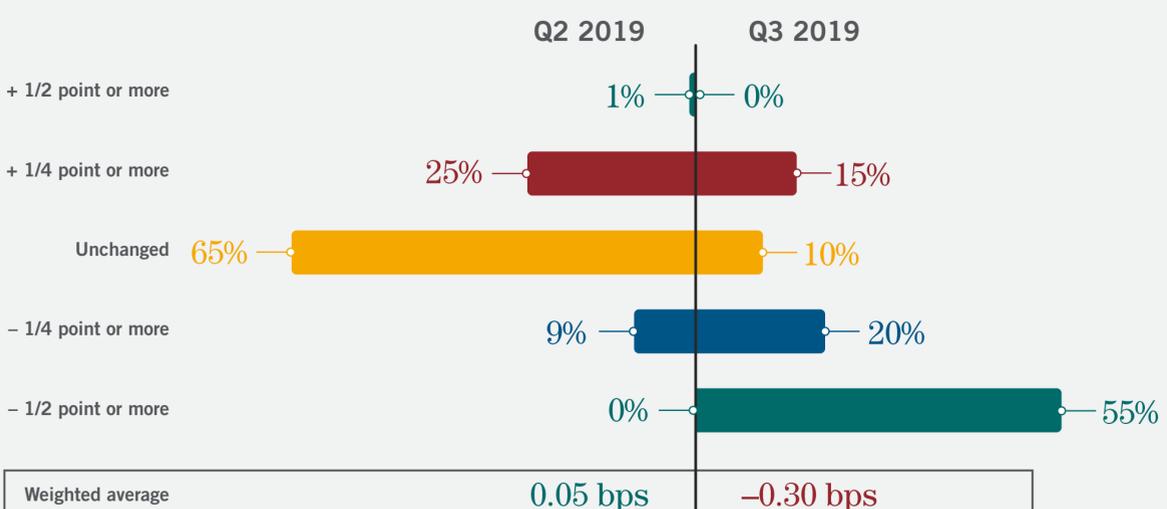
Other



Stock market stability was chosen by the most lenders as the factor with the strongest potential to affect the economy, followed by constrained liquidity in capital markets and "other." Of those that selected "Other," **over half specified that trade wars would impact the economy.**

5 Predictions for Interest Rates

Lenders predict that interest rates will fall by a weighted average of -0.30 basis points in Q3 2019.



While in Q2 2019, 91% of respondents forecasted that the Fed would maintain or raise interest rates, **75% of respondents in Q3 2019 predicted an interest rate downturn by -1/4 bps or more.**

After a brief resurgence in Q2 2019, economic confidence dwindled in Q3 2019, with forecasts for the near-term economy reaching a low for the year. Despite this, lenders believe **consumer confidence will be a driving factor for maintaining the economy's positive performance, with low unemployment and a surplus of jobs highlighted as key factors.**

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For over 30 years, Phoenix has provided smarter, operationally focused solutions for middle market companies in transition. Phoenix Management Services® provides turnaround, crisis and interim management, specialized advisory and operational implementation services for both distressed and growth oriented companies. Phoenix Transaction Advisory Services® provides quality of earnings, management/organizational review, business integration, sell-side business preparation and other transaction related support. Phoenix Capital Resources® provides seamless investment banking solutions including M&A advisory, complex restructurings and capital placements. Phoenix Capital Resources is a U.S. registered broker-dealer and member of FINRA and SIPC. Proven. Results. For additional information visit our website or email marketing@phoenixmanagement.com.



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