



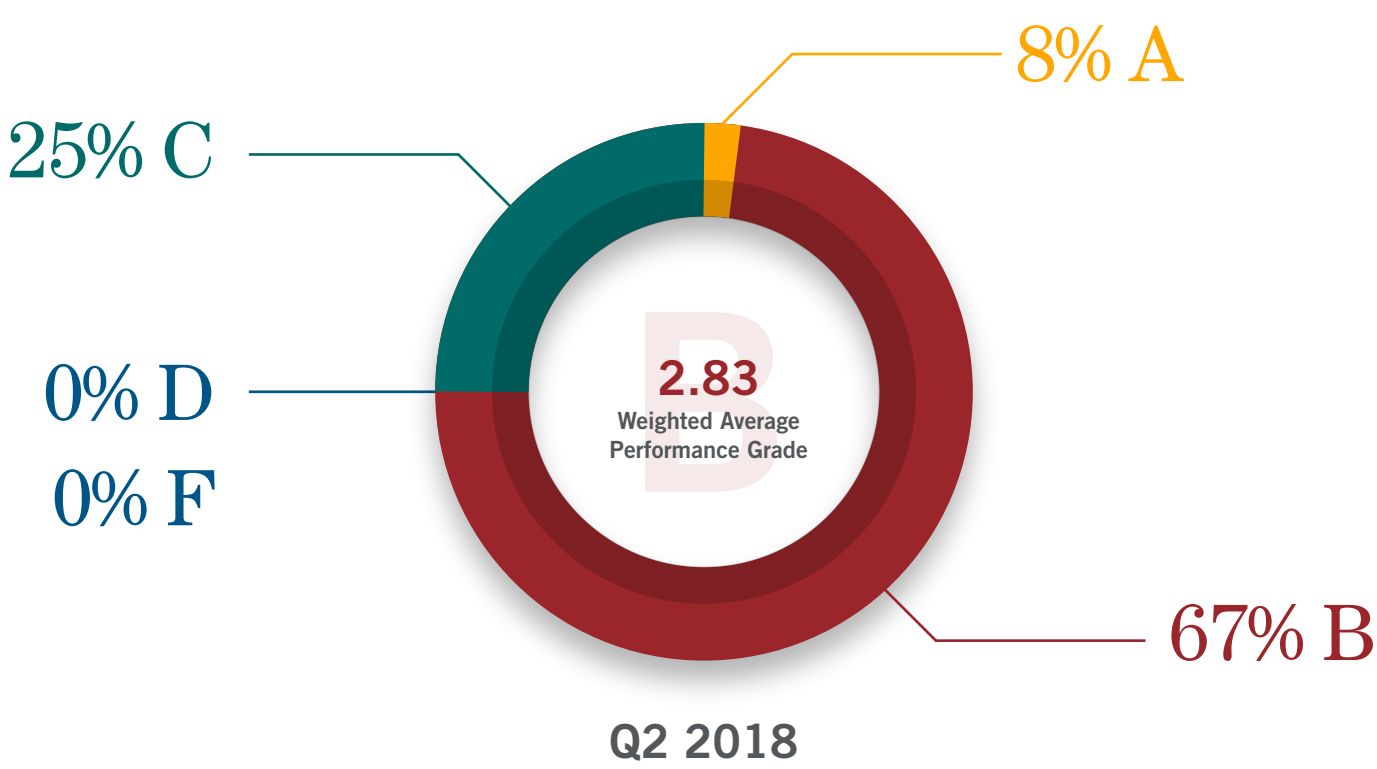
Lending Climate

IN AMERICA

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

Top 5 Takeaways from the Second Quarter 2018

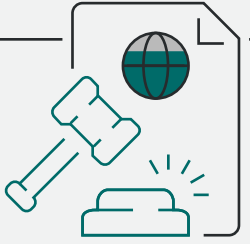
1 Near-Term U.S. Economy Performance Grade



At 2.83, the anticipated performance of the U.S. economy for the next six months achieved a record high in this survey's 20 year history. Although this is still considered a GPA of "B", these results indicate a positive outlook for the U.S. economy.

2 Anticipated Change in U.S. Trade Policy

76%

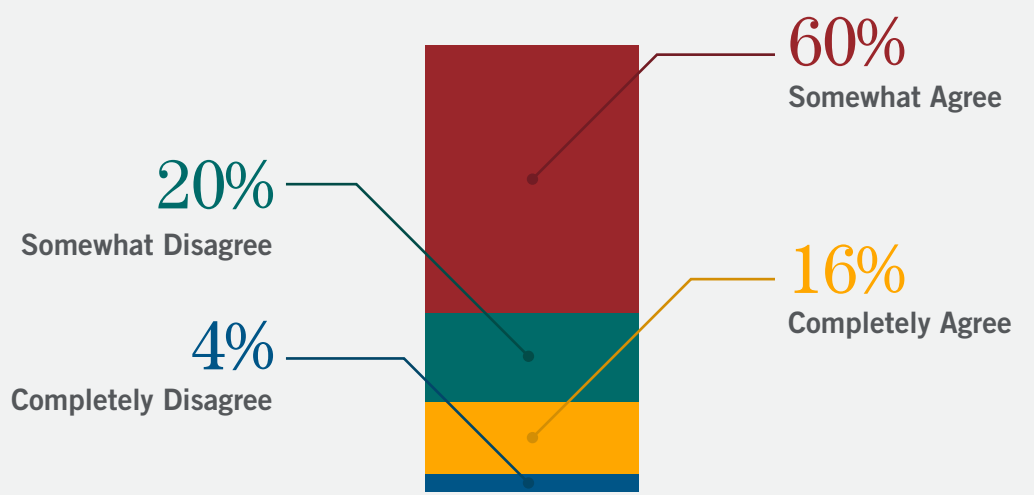


of lenders anticipate **legislation will be passed in the next 12 months** that will materially change U.S. trade policy.

Although the majority of lenders expect changes in U.S. trade policy, **they were split on how the economy would be impacted: 24% expect a positive impact, 24% expect a negative impact, and 28% expect no impact.**

3 Treasury Yield Curve's Reflection of an Impending Recession

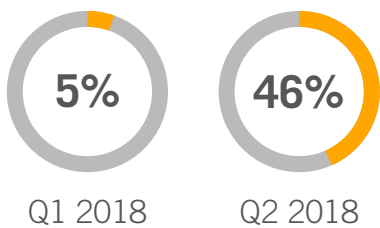
Do you agree that, given recent economic growth, market participants should worry less about the implication the Treasury yield curve's slope has for the economy?



Historically, a flat or inverted Treasury yield curve precedes a recession; however, the majority of participants expect that, given the current economic climate, **the flattening of the yield curve is not an accurate predictor of a recession.**

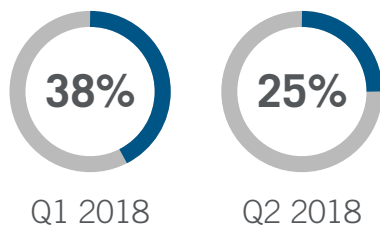
4 Factors Affecting Near-Term Economy

Unstable Energy Prices



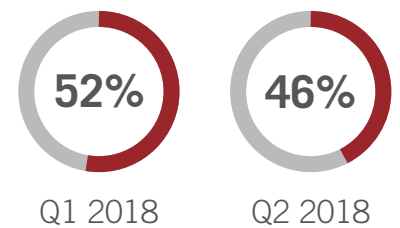
At 46%, the anticipated impact of unstable energy prices on the near-term economy had a **notable increase of over 40% from Q1 2018.**

U.S. Budget Deficit



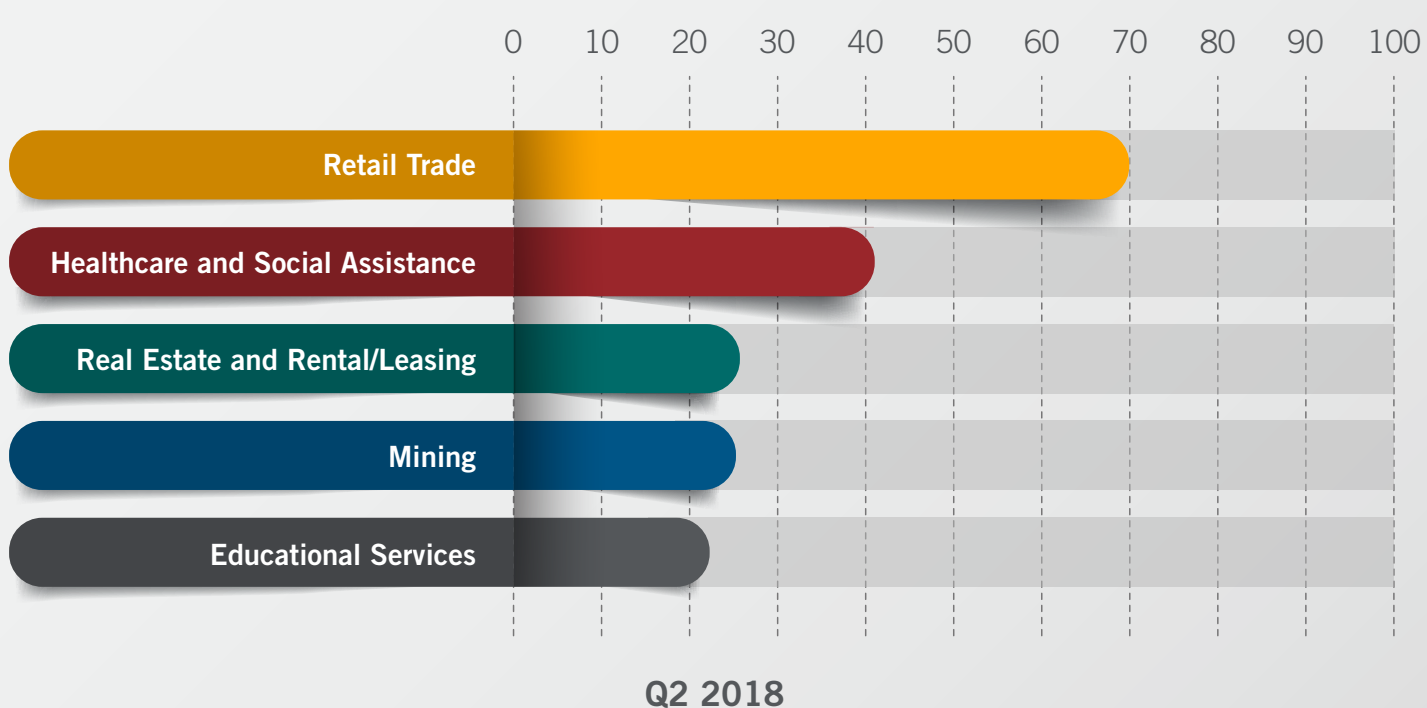
Lenders' concern over the U.S. budget deficit's impact on the **near-term economy decreased by 13% in Q2 2018.**

Stability of Stock Market



The anticipated effect of the stock market's stability on the near-term economy **decreased by 6% between Q1 2018 and Q2 2018.**

5 Industries Expected to Experience the Greatest Volatility



By and large, the retail trade industry is anticipated to achieve the highest levels of volatility. This result is consistent with historic trends, where retail trade tends to rank higher than other industries.

Overall, the Q2 2018 survey indicted a positive outlook for the economy, and achieved a record high for the survey's 20+ year history for the anticipated near-term GPA of the U.S. economy.

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ABOUT PHOENIX

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, self-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.®
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