



Macro Pulse for January 12, 2026

- The “low hire, low fire” labor market persists with the U.S. economy adding 50k jobs in December, slightly below estimates. The unemployment rate fell modestly. While we are constructive on the corporate profitability outlook in 2026 and expect those profits to prevent systemic layoffs, hiring is slow enough to justify Fed easing. We expect 1-2 further rate cuts for 2026.
- The impacts of U.S. intervention in Venezuela continue to unfold, in part with President Trump’s request for a 50% increase in the defense budget. We view commodity exposure as one way to hedge the inflationary impacts of geopolitical risk, preferring industrial metals to direct energy commodities in light of the upside risk to oil supply.

Cue the comeback: setting the stage for 2026 dealmaking resurgence

After a historic surge in global dealmaking in 2021, activity slowed sharply as global central banks embarked on the most aggressive rate-hiking cycle in decades. Higher rates and tighter financial conditions set in throughout 2022, triggering a broad pullback in dealmaking as IPO issuance and M&A activity slowed meaningfully.

Nowhere was the slowdown more pronounced than in private equity. As credit conditions tightened, exits slowed sharply, reducing distributions to Limited Partners (LPs) and constraining their ability to reinvest. Fundraising became more challenged, effectively stalling the private equity “flywheel” of exits, fundraising, and new deals. For sponsors / fund managers, the move from rising valuations to higher borrowing costs made assets harder to sell, portfolio hold times longer, and credit conditions tighter.

Against this backdrop, 2025 marked a clear inflection point. Despite uncertainty around tariffs, economic activity proved to be robust and, as the Fed resumed its easing cycle, financial conditions improved – reopening the IPO window and lifting M&A activity. By the end of the third quarter, IPO volumes were up 20% over 2024 levels and M&A activity was running above its historic 2021 levels.

M&A activity rose in 2025, and is likely to continue to accelerate in 2026

Source: New York Life Investments Global Market Strategy, Bloomberg, January 2026.

We believe growth, liquidity, and pent-up demand will extend dealmaking momentum into 2026

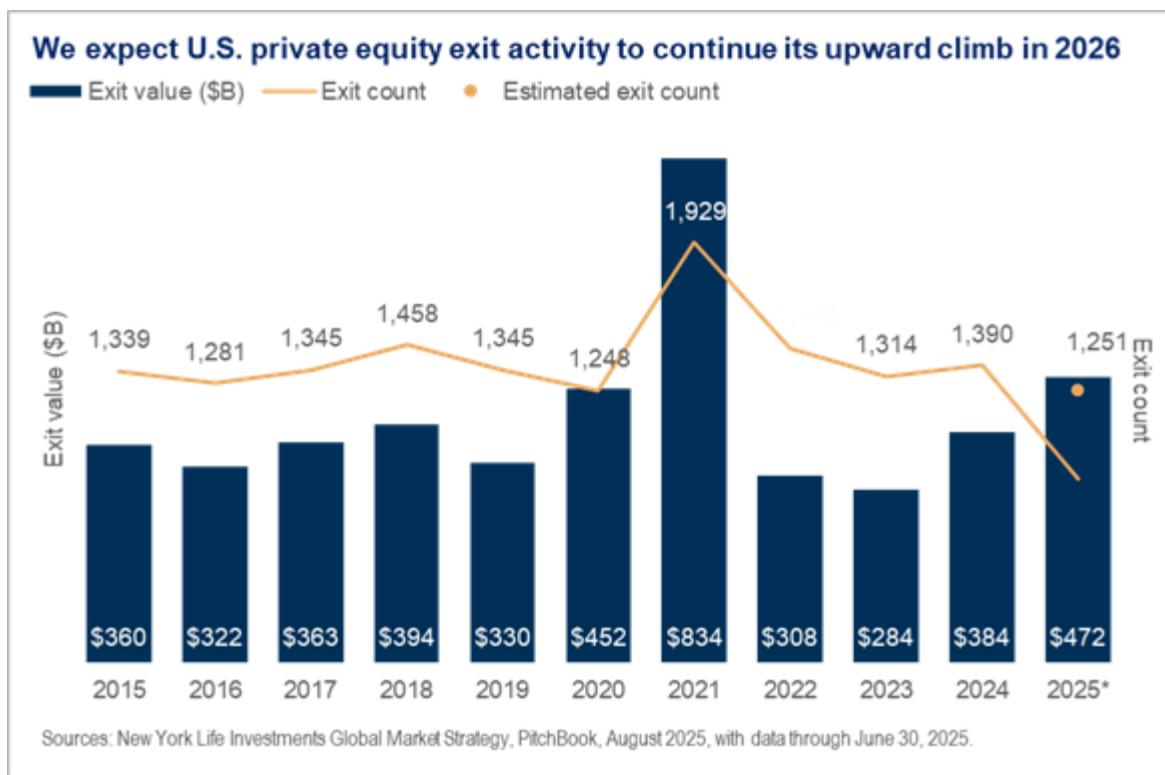
The forces that reignited dealmaking in 2025 appear set to accelerate into 2026. Several dynamics underpin this constructive outlook:

1. **Economic growth is likely to be solid – or even accelerate.** Economic and earnings growth remain some of the most reliable drivers of M&A activity. Today's macroeconomic backdrop of robust growth, supported by policy and AI capex, aligns squarely with that pattern. Earnings growth has and will likely continue to support equity markets and risk appetite globally, providing confidence to corporates and sponsors looking to pursue IPOs or acquisitions.

Improved deal flow in the U.S. could help accelerate the private markets flywheel globally. Europe, which is later in its economic cycle, could stand to benefit from greater investor sentiment, valuation discovery, and ultimately deal flow across the region.

2. **We expect financial conditions to stay easy.** Financial conditions loosened materially as interest rates declined in 2025. Looking ahead, we expect the Fed to continue to ease in 2026, cutting rates another 1-2 times. As policy rates approach their terminal level, uncertainty around the interest rate outlook should fade, bringing buyers and sellers into closer alignment on forward rate assumptions – further supporting valuation discovery and deal execution. *Downside risks to the labor market, upside risks to inflation, and threats to Fed independence all represent risks to a more certain interest rate outlook – see our latest [January Macro Pulse](#) for full details.*

3. **Lighter regulatory touch supports deal execution and liquidity.** Strategic M&A slowed in recent years amid regulatory uncertainty, which had dampened confidence in deal execution. As regulatory headwinds ease, execution risk declines. In the financial sector, lower bank capital requirements could further support M&A by increasing balance sheet flexibility and credit availability. The largest U.S. banks alone hold an estimated \$200 billion in excess capital on their balance sheets, providing a meaningful source of liquidity to support dealmaking in 2026.
4. **Pent-up demand points to strong deal pipeline.** After years of delayed private equity exits and an anemic IPO market, pent-up demand remains a powerful driver of 2026 deal flow. Depressed exit activity has left private equity firms holding portfolio companies for longer than in prior cycles. As valuation gaps decline, the pressure to monetize assets and return capital will mount. The IPO market tells a similar story. Successful IPOs tend to be self-reinforcing, and the visible pipeline for 2026 – including several high-profile technology and finance companies – suggests that momentum will continue to build.



What this means for investors

Public equity has performed well in recent years, despite higher rates and inflation, driven largely by the AI boom. Against this backdrop, improving deal flow provides a pathway for private assets to catch up, supporting value creation across the private markets ecosystem – private equity, private credit, real estate, and real assets.



INVESTMENTS

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In **private equity**, a broader recovery in deal activity should support improved cash flow back to investors and enable reinvestment. In short, 2026 may mark the year the private equity “flywheel” of exits, fundraising, and reinvestment begins turning again.

In **private credit**, the opportunity set continues to broaden as deal activity accelerates. As a core component of the capital stack, private credit benefits directly from higher transaction volumes and greater financing needs.

All in all, 2026 is shaping up to be a standout year for dealmaking. With economic growth, easy financial conditions, and pent-up demand converging, the stage is set for a durable resurgence that should create opportunities across public and private markets.

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