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PROPRIETARY RESEARCH MAY 2026

Mid-Market Macro & *Geopolitical* Report

An analysis of macro economics and geopolitical conditions affecting
US mid-market private companies with revenues between **$50M - $500M** - covering valuations, capital supply, and practical transaction guidance.

COVERAGE PERIOD	MARKET SEGMENT	CLASSIFICATION
Through 22 May 2026	**US Mid-Market Private**	**Confidetial**

$3.7T
PE DRY POWDER

5 COHORTS
VALUATION ANALYSIS

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Executive Summary

The macroeconomic picture for US mid-market private companies in May 2026 is dominated by a single shock: the US and Israel armed conflict with Iran that began on 28 February 2026 and the related closure of the Strait of Hormuz. WTI crude is up roughly 50 percent from pre-conflict levels, averaging $108 per barrel in April 2026 against approximately $65 in the preceding December. The 10-year Treasury yield closed at 4.59 percent on 21 May 2026 after touching a 16-month high of 4.70 percent, with breakeven inflation expectations rising in tandem. Gold reached approximately $4,750 per ounce in early May, a record level.

The Federal Reserve held the target funds rate at 3.50 percent to 3.75 percent at the 28 to 29 April Federal Open Market Committee meeting in an 8 to 4 vote, the most dissents recorded since October 1992. Chair Jerome Powell’s term ended on 15 May 2026. Kevin Warsh was sworn in as Chair on 22 May 2026.

Beneath the energy shock, the US labor market has been materially weaker than the headline data suggested through 2025. The Bureau of Labor Statistics published a preliminary Current Employment Statistics benchmark revision of negative 911,000 jobs (negative 0.6 percent) for March 2025 total nonfarm employment. Real gross domestic product printed at an annual rate of 2.0 percent in the first quarter of 2026, an acceleration from 0.5 percent in the fourth quarter of 2025, but the rebound was concentrated in federal compensation reversing the late-2025 shutdown drag together with Iran-related defense outlays. Underlying private demand remained soft.

The implication for mid-market valuations is a two-tier market. Capital-light, domestic-services businesses with pricing power are holding multiples. Capital-intensive importers and exposed manufacturers are seeing visible compression. Against that operating backdrop, capital supply remains the strongest counterweight: global private equity dry powder stood at approximately $3.7 trillion at the start of 2026 per Preqin, and US private capital dry powder reached a record level of approximately $1.1 trillion at year-end 2025 per PitchBook.

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The macroeconomic environment facing US mid-market companies in May 2026 is defined by a single dominant shock - the Iran conflict and Strait of Hormuz closure - overlaid on persistent inflation and a paused Federal Reserve. This report maps the resulting valuation divergence across five distinct business cohorts and provides practical guidance for sellers, buyers, and owners navigating the current transaction environment.

Key indicators (change versus prior reporting period)

Indicator	Latest reading	Prior period	Change	Read for mid-market
CPI, year on year (April 2026)	3.80%	3.3% (March 2026)	+0.5pp	Energy passthrough from the Iran conflict is now the dominant driver. Pricing-power businesses retain margin; those without it compress.
Core CPI, year on year (April 2026)	3.00%	3.0% (March 2026)	flat	Underlying inflation remains stuck above the 2 percent target. Cuts unlikely while services inflation holds at 3 percent.
Core PCE, year on year (March 2026)	3.20%	2.9% (Feb 2026)	+0.3pp	The Federal Reserve’s preferred gauge is moving in the wrong direction, reducing the case for additional 2026 cuts.
Federal Funds, target range upper bound	3.75%	3.75% (March 2026)	no change	8 to 4 dissents at the 29 April FOMC. Prediction markets price an 89 percent probability of hold in June.
10-Year Treasury yield (21 May 2026)	4.59%	~4.25% (March 2026)	+34bp	Higher discount rates pressure DCF valuations for all duration-sensitive assets.
30-Year mortgage rate (April 2026 average)	6.85%	6.70% (March 2026)	+15bp	Housing-linked services such as HVAC, remodel, and materials distribution face soft demand.
BBB corporate yield (April 2026)	6.25%	6.10% (March 2026)	+15bp	Sponsor-backed debt cost is rising. New leveraged buyout multiples are compressing by roughly 0.5x EBITDA at the margin.
Nonfarm payrolls month on month (April 2026)	115,000	+185,000 (March 2026)	-70,000	Decelerating but resilient. The 2025 print was substantially weaker than initially published (-911,000 benchmark revision).
Unemployment rate (April 2026)	4.30%	4.30%	flat	Low-hire and low-fire equilibrium. Wage pressure muted: average hourly earnings +3.6 percent year on year.
Real GDP, Q1 2026 (annualized)	2.00%	+0.5% (Q4 2025)	+1.5pp	Rebound is flattered by reversal of the late-2025 shutdown drag and Iran-related defense outlays.
WTI crude (April 2026 average)	$108	$102 (March 2026)	$6	Largest input-cost shock since 2022. Importers, logistics, plastics, and agricultural inputs are compressing.
Gold (early May 2026)	~$4,750	~$4,500 (March 2026)	$250	Record territory. Reflects geopolitical risk plus de-dollarization flows. Not directly P&L-relevant for most mid-market companies but signals capital flight from USD risk assets.
ICE DXY (April 2026 average)	99.1	100.2 (March 2026)	-1.1	Dollar softening modestly. Helps US exporters; offsets some of the import cost burden.
Global PE dry powder	~$3.7 trillion	~$3.75 trillion (year-end 2025)	↓ modest	Record level. Continues to support a strong bid for high-quality mid-market assets, selectively.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Federal Reserve, US Treasury, Freddie Mac PMMS, ICE BofA, EIA, LBMA, ICE US Dollar Index, Preqin, PitchBook. See citations through and the bibliography. Units as stated; year-on-year and month-on-month conventions follow each publishing agency.

Geopolitical and policy developments

Iran conflict (since 28 February 2026): US and Israeli coordinated strikes on Iranian nuclear and military infrastructure began on 28 February 2026. Tehran responded by closing the Strait of Hormuz to commercial shipping; Washington implemented a counter-blockade of Iranian ports. As of 22 May 2026, three supertankers had transited Hormuz with full cargoes and President Trump publicly indicated that the United States was in the final stages of negotiations. WTI fell back below $100 per barrel from a March peak above $112.

Resolution scenarios are highly bimodal. A deal pulls oil back toward $80 per barrel; failure pushes prices toward the $120 to $200 range cited by Citi and Wood Mackenzie scenario analyses. Saudi Aramco chief executive Amin Nasser has warned that the oil market will not normalize until 2027 even if Hormuz reopens promptly. The framing for mid-market planning should be: prepare for two distinct macro environments and hedge optionality where feasible.

Federal Reserve leadership transition: Chair Jerome Powell's term as Federal Reserve Chair ended on 15 May 2026. Kevin Warsh was sworn in as Chair on 22 May 2026. The 8 to 4 dissent at the 29 April FOMC reflects internal division over the appropriateness of further cuts given inflation re-acceleration. Governor Stephen Miran continues to advocate cuts. Prediction markets price an 89 percent probability of a June hold.

Tariffs: The 2025 tariff structure remains in place. The average effective tariff rate on US imports is materially higher than 2024 and continues to feed into goods CPI. Mid-market importers with imported content above 30 percent are, on bizval estimates calibrated to client portfolio data, sitting on cumulative 2024 to 2026 margin compression of 4 to 9 EBITDA points. Sellers in this category should normalize EBITDA explicitly rather than rely on trailing twelve-month numbers.

2025 US government shutdown: A late-2025 lapse in appropriations disrupted federal statistical agency operations. BLS CPI, BEA international trade, and BEA personal income data for October and November 2025 were not published. The Q4 2025 real GDP print of +0.5 percent annualized reflected the drag; Q1 2026's +2.0 percent print reflected, in material part, the reversal of that drag together with Iran-related defense outlays.

CES benchmark revision: BLS published a preliminary Current Employment Statistics benchmark revision of negative 911,000 jobs (negative 0.6 percent) for March 2025 total nonfarm employment, and negative 880,000 for private employment. The 2025 US labor market was therefore meaningfully weaker than was published in real time. Buyers will discount 2025 revenue and EBITDA growth that was supported by overstated payroll strength, and sellers should expect that adjustment in diligence.

Artificial intelligence capital expenditure cycle: Anthropic launched Claude Cowork on 12 January 2026, triggering a drawdown of approximately $1 trillion in enterprise SaaS market capitalization within weeks. OpenAI closed a $122 billion financing round on 31 March 2026; xAI closed $20 billion in January. The implication for mid-market software businesses is bifurcation. AI-native and AI-augmented offerings are seeing demand pull. Legacy SaaS books are facing churn and multiple compression. Diligence focus has shifted to the question of an identifiable artificial intelligence moat.

Implications for mid-market business valuations

The current macroeconomic mix is unusually unkind to broad-brush valuation models. The standard rule that rate cuts produce multiple expansion is broken here: the rate cycle is paused on sticky inflation, while the underlying earnings power of many mid-market companies is being squeezed by an energy shock. Five distinct cohorts are visible.

Cohort	Profile	Multiple change (vs January 2026)	Direction	Why
A	Domestic-only services; low capital intensity; pricing power (specialty distribution, healthcare services, professional services, regulated industries)	+0.5x EBITDA	↑	Pass through input costs. Limited tariff and oil exposure. Buyers value resilience at a premium in the current environment. Best 2022 to 2026 cohort overall.
B	Domestic industrials and manufacturers; modest import content; regional supply chains	Flat to -0.5x	→	Mixed. Softer dollar helps export sub-segments; higher freight and energy costs offset. Working capital strain from elevated SOFR (~3.75 percent) plus 6.25 percent BBB yields.
C	Importers, contract manufacturers, distribution with imported content above 30 percent	-1.0x to -1.5x	↓	Triple squeeze: tariffs since 2025, oil and freight since February 2026, and sticky financing costs. Some businesses are at risk of covenant breach. Buyers haircut headline EBITDA and add a tariff normalization reserve.
D	Export-oriented capital goods (machinery, auto parts, aerospace suppliers)	-0.5x to -1.0x	↓	Strong-dollar period from 2022 to mid-2025 left order books depleted. Modest USD weakening helps but tariff retaliation risk caps upside. Many are price-takers in fragmented global markets.
E	Mid-market SaaS, tech-enabled services, data infrastructure (artificial intelligence adjacent)	+1.0x to +2.0x OR -2.0x to -4.0x	↑ ↓	Bifurcation is extreme post the Claude Cowork launch. AI-native or AI-augmented offerings command a strong bid. Legacy SaaS without an artificial intelligence story is compressing.

Source: bizval analysis based on transaction data from Q1 2026 publicly available PitchBook and KPMG reports, cross-referenced with primary CPI, rates, and employment [5] data. Multiple change ranges reflect indicative impact for typical mid-market transactions; specific transactions vary materially based on quality of earnings, customer concentration, and capital structure. Forecast horizon: through year-end 2026.

Private equity capital supply and deal activity

Global private equity dry powder stood at approximately $3.7 trillion at the start of 2026 per Preqin (PE only); Bain & Company put the figure at $3.9 trillion when including all private capital strategies. US private capital dry powder hit a record approximately $1.1 trillion at year-end 2025 per PitchBook. The first quarter of 2026 was the busiest first quarter on record for global deal count, with 5,100 transactions worth $481.6 billion. Trailing twelve-month fundraising slid to $373 billion, the lowest level since the first quarter of 2017.

The structural picture is one of asymmetric pressure. General partners are deploying faster than limited partners are committing; dry powder is moderating off the 2023 peak; and capital concentration in mega-funds (above $1 billion fund size) continues to intensify. PitchBook notes that approximately 50 percent of dry powder currently sits in vehicles between two and five years old, close to the prior quarter's record of 54.4 percent. The deployment requirement is therefore real and rising.

Metric	Latest (Q1 2026)	Q4 2025	Change	Significance for mid-market
Global PE dry powder	~$3.7 trillion	~$3.75 trillion	↓ modest	Deployment pressure is real. Mid-market assets benefit from a sustained PE bid, although valuation rigour is rising on the buy side.
US PE dry powder	~$700 billion (buyout) / ~$1.1 trillion (all)	~$720 billion / ~$1.1 trillion	↓ modest	The US specifically saw record deployment in Q4 2025; H1 2026 trajectory is similarly elevated.
Q1 2026 global PE deals	5,100 transactions, $481.6 billion	Q4 2025: ~6,200 / ~$585 billion	↓ normalization	QoQ decline reflects normalization from an exceptionally strong Q4 rather than weakness. Mid-market deals are still clearing.
TTM PE fundraising	$373 billion, 549 funds	$421 billion, 656 funds	↓ 11%	Lowest level since Q1 2017. Limited partner appetite is genuinely cooling, which supports current general partner urgency to deploy.
Mega-deals (above $1 billion)	22 transactions in Q1 2026	~similar	→	OpenAI ($122 billion), xAI ($20 billion), and the Kimberly-Clark / Kenvue ($48.7 billion) merger lead the cohort. The flight to scale benefits sellers of scarce, high-quality platforms.
Mid-market ($50 million to $500 million) bid	Active	Active	→	Mega-fund deployment pressure is pushing larger sponsors down-market. Competition for high-quality mid-market assets is increasing.

Source: Preqin 2026 Global Private Equity Report; PitchBook Q4 2025 US PE Breakdown via Cherry Bekaert; KPMG / PitchBook Q1 2026 Pulse of Private Equity; PitchBook Global Private Market Funds Dry Powder Dashboard. Q1 2026 figures are preliminary as of the report data cut-off (22 May 2026). Bracket-level segment estimates calibrated to publicly disclosed aggregates; precise bracket data is subscription-gated. Forecast periods are not implied in this table.

Bottom line for bizval mandates
The macroeconomic backdrop (Iran conflict, sticky inflation, paused Federal Reserve) places pressure on valuations broadly. The capital supply side is the strongest counterweight. Quality mid-market assets, especially in domestic services with pricing power and AI-leveraged business models, continue to clear at firm multiples because the buyer universe is structurally crowded.

The mismatch is largest at the $100 million to $500 million revenue band, where mega-fund deployment pressure is most intense on bizval observation across active mandates. Sellers of those assets in 2026 have a window. Sellers of Cohort C importers should normalize EBITDA aggressively rather than wait.

Practical recommendations

The recommendations in this section reflect bizval analytical judgement applied to the data cited in sections 2 through 5. They are professional guidance, not predictions, and should not be construed as investment advice.

For sellers
Lead with normalized EBITDA: strip out 2024 to 2026 tariff and oil pass-through volatility and demonstrate the bridge to a steady-state margin. Be prepared for buyers to apply a macro reserve add-back rather than capitalize current EBITDA at face value. Sellers waiting for valuation recovery should be aware that the 2025 backdrop that produced peak multiples is unlikely to repeat in 2026.

For buyers
Underwrite oil within a $90 base, $60 downside, and $120 upside scenario set through year-end 2026, anchored to the bimodal range cited in section 3.1. Diligence imported content explicitly; anything above the 30 percent threshold discussed in section 3.3 [1] should carry a tariff reserve. Sponsor-backed deals should pencil financing at the upper end of the BBB range plus 250 to 350bp on bizval observation, anticipating tighter covenants and shorter cure periods.

For executive teams not transacting
Stress-test covenants against the prevailing BBB yield (6.25 percent in April 2026 per citation [7] above) plus a 200bp spread for any new credit facilities. Build 60 days of additional working capital buffer for any sustained Hormuz disruption. Reshoring projects launched in 2024 and 2025 are well-timed. Greenfield CapEx beyond that should wait for clarity on the Iran conflict.

For bizval advisory work
The dispersion across cohorts means that a single EV / EBITDA multiple per industry materially over-simplifies in the current environment. Cohort-specific multiples and an explicit macroeconomic overlay are warranted across all live mandates. Cohort assignment should be tested during quality-of-earnings work, not relied upon from industry classification codes alone.

What to watch into June 2026

- April 2026 PCE release (28 May 2026, per BEA release calendar. A core PCE print above 3.5 percent year on year would substantially reduce the June hold probability of 89 percent currently priced in prediction markets.
- May 2026 employment situation report (6 June 2026, per BLS release calendar. A sub-50,000 nonfarm payrolls print combined with a rising unemployment rate would shift the rate-cut narrative materially.
- Iran conflict resolution and Strait of Hormuz status. Binary risk event. Watch tanker transit counts and the public posture of Supreme Leader Mojtaba Khamenei.
- FOMC meeting on 17 to 18 June 2026. Will the dissents flip to cuts? Powell's last meeting as Chair if no successor confirmed sooner; the identity of any successor will likely be known by then.
- Q1 2026 GDP second estimate (28 May 2026, per BEA release calendar). Composition matters more than the headline; watch for downward revision to consumption.
- Federal Reserve Chair successor announcement. Likely to set the tone for H2 2026. A more dovish appointee would compress long-end yields, which would be supportive for valuations.

Footnotes and citations

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