



A new chair, and a rate that won't move

The Federal Reserve held its benchmark rate at 3.50%–3.75% again this month — the fourth consecutive hold — and for the first time, the decision carried the signature of a new Chair. Kevin Warsh, who took office in May, had been read in some quarters as a signal that cuts would come faster. His first meetings delivered the opposite message: patience, and a pointed unwillingness to declare victory on inflation.

That is worth sitting with, because the entire deal market has spent two years waiting for the cost of money to fall back to something like the pre-2022 world. This month was another reminder that it isn't going to — at least not soon, and not simply because of who chairs the Fed.

The Warsh Fed's first word: patience

Start with why the Fed is stuck. Inflation has proven stubborn, hovering near 3% — comfortably above the 2% target — and this spring it got a fresh push from energy. The brief conflict involving Iran sent oil sharply higher before a provisional peace pulled it back, but the episode reminded everyone how quickly an external shock can reignite prices. Layer that on top of the tariff-driven cost pressure that has run through the economy since 2025, and a central bank has every reason to keep its powder dry. The Fed's own projections now point to perhaps a single cut across all of 2026.

For those who hoped a leadership change would rewrite the script, the lesson is an old one: the Chair matters less than the data. A Fed confronting 3% inflation and a still-functioning labor market will be cautious regardless of who holds the gavel. Markets spent the winter trading on guesses about what a new Chair would mean for the rate path; the ones who instead built their assumptions to work across a *range* of outcomes have been far less whipsawed. "Higher for longer" has stopped being a forecast and become simply the environment.

The middle market at mid-year

Against that backdrop, the deal market is recovering — slowly, and unevenly. The first-quarter figures, now fully in, showed closed middle-market volume up 12.5% from the prior quarter, the best sequential gain in more than a year, with disclosed value up roughly 27% year-over-year. But the strength is lopsided. The upper end of the middle market — transactions in the \$250-to-\$500-million range — saw volume surge more than 45% year-over-year, while the smaller, core deals stayed constrained. Most advisors still expect the genuine broad reopening to arrive in the second half of the year.

And the headline national numbers continue to flatter reality. Global deal *value* is running near its strongest since 2021 — but, as PwC has documented, that is almost entirely megadeals; strip out transactions above \$5 billion and value is actually down about 4%, on falling volumes. Underneath the AI-and-infrastructure euphoria sits a middle market that closed roughly 1,289 U.S. deals in all of 2025, essentially flat against 2024 and still only about half the 2021 peak. Meanwhile private-equity dry powder sits north of \$1 trillion, near record highs, and nearly three-quarters of advisors expect activity to rise this year. We are climbing out of a deep trough with a great deal of impatient capital at our backs — a combination that is bullish for volume and dangerous for discipline.

The cost of waiting

There is a quieter dynamic beneath the data that matters more to us than any single figure: the psychology of the seller who is waiting. A great many owners have spent the last two years holding off — waiting for rates to fall, for valuations to recover, for the "right" moment to sell the business they have spent a career building. That instinct is human, and it is also expensive. Every year an owner waits is a year older, a year of concentration risk in a single illiquid asset, and a year in which the market, a key customer, or their own health can change the math entirely. The demographic clock, which we take up in next month's flagship, only sharpens the point.

For the owner of a \$10-million-EBITDA manufacturer weighing whether this is finally the year, the mid-year noise — the Fed's tone, the oil spike, the megadeal headlines — is largely beside the point. What matters is whether a disciplined buyer will pay a fair price and be a good steward of what they built. And here the barbell is quietly good news: because the capital and attention are pooled at the extremes, the middle stays calmer than the trillion dollars of dry powder would suggest, and a patient buyer can have a real conversation, at a real price, without a twelve-party auction bidding it into the stratosphere.

SIDEBAR · SIGNALS

A new hand on the tiller

Kevin Warsh's arrival as Fed Chair this spring deserves a moment, because leadership transitions at the Fed are rare and consequential — and because markets so often misread them. Warsh, who served at the Fed through the 2008 crisis and spent the following years as a vocal critic of prolonged easy money, was cast by some as a hawk who would hold rates high and by others as an eventual dove. His first meetings suggest the truth is more prosaic: he inherited an institution boxed in by its own data, and he is behaving accordingly.

The lesson for anyone underwriting deals is to be humble about personnel-driven forecasts. A change at the top of the Fed makes for dramatic headlines and poor planning assumptions. Rates are set by inflation, employment, and growth far more than by the temperament of one official — and a business bought on the assumption that a new Chair would deliver cheap money on schedule would be a business bought on a guess. The Fed's chair changes; the discipline of not staking your entry price on a single macro bet should not.

THE WORTH LENS

A rate that won't move is not a problem for us to solve; it's a filter. It clears out the buyers who needed cheap debt to make their numbers work, and it rewards the ones who never did. Our returns have never depended on the next cut — they depend on buying a good business directly from its owner, at a price disciplined enough to survive a bad year, and then holding it long enough that the cost of money, whatever it does next, stops mattering. In a market waiting on a Fed that won't be hurried, patience isn't a virtue we're forced into. It's the whole strategy.

We'll be back next month. As always, if you advise accredited clients, or you're an owner thinking about what comes next, we're glad to talk.

— *The team at Worth Investment Group*

This note is for informational purposes only and reflects the views of Worth Investment Group as of June 2026. It is not investment, legal, or tax advice, and it is not an offer to sell or a solicitation of an offer to buy any security. Any securities offering is made only to verified accredited investors under Rule 506(c) pursuant to definitive offering documents. Past performance is not indicative of future results; private investments are speculative and illiquid. References to legislative, regulatory, and market developments (including matters concerning retirement plans, 401(k)/403(b) rules, and collective investment trusts) are provided for general educational context only, are drawn from public sources believed reliable but not independently verified, and do not describe or offer any Worth product for any retirement plan. Securities offered through WealthForge Securities, LLC, Member FINRA/SIPC. WealthForge and Worth are not affiliated.