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WHY 2021 IS A GREAT YEAR TO BE A BANKER

The one-year anniversary of Covid-19 is a reminder of many things, not the least of which is how quickly things can change. As I wrote in January ([Gaining Certainty After an Uncertain Year](#)), the markets last year were, “A Tale of Two Cities,” in that companies and entire sectors were forced to scramble in the immediate aftermath of the pandemic, only for the tide to turn as Q4 came on the horizon and the business climate started to heat up.

Q1 was a spectacular quarter, both from an economic and M&A perspective. Axios recently reported that “global announced M&A hit \$1.3 trillion, the largest Q1 figure ever and the second-largest quarter ever.” From an economic lens, this is largely due in part to an incredibly accommodating Fed, aggressive stimulus, low interest rates, a successful vaccine roll-out across the U.S. and corporate and PE balance sheets rich with investment capital. As if these conditions were not enough, the SPAC boom is the “kerosene on the fire” helping to fuel what will be a continued robust M&A market.

We’re hearing it is like the Roaring 20s or the 1950s right now. With the S&P 500 up over 10% year-to-date, the CBO is also forecasting that GDP will grow at an average annual rate of 1.7%, significantly up from its last estimate of 1.0% in July 2020, and potentially to 2.6% by 2030.

Yet, while we are light years away from where we were a year ago, we all know how the 1920s ended. While halts in momentum should always be in the back of our minds, at this point it would be hard to derail this locomotive. Markets are up and that means M&A activity is well positioned. The real question is how long will it continue?

With money flooding the market, it does raise questions about inflation. In a recent Bank of America Fund Manager Survey, the number one “tail risk” was no longer Covid-19 related, but rather, inflation that could cause the most damage. If bonds go up, then stocks will be less valuable. While we are not seeing signs within the Consumer Price Index just yet, asset values everywhere are going up. Take raw materials for example— the [price of lumber](#) is up a staggering 188% since the beginning of the pandemic. Additionally, the [shortage of shipping](#)

[containers](#) has caused shipping prices to increase by 300% and if anyone is trying to buy a house, we all know what’s going on in that market. From my perspective, inflation is not coming... it is already here, and it will be interesting to see over the next 6-12 months how the Fed reacts.

The market is booming and it’s an exciting time to be a banker. We are enjoying the success of these market conditions, both in terms of growth across industries as well as performance. In fact, PJ SOLOMON is projected to do 80% of 2020’s full-year revenue, just in the first half

of this year. I do not see that momentum quitting anytime soon.

All and all, the excitement is evident across the board. While firms are enjoying this success, the question remains as to what is over the horizon. Yet, for now, the markets are awash in liquidity and it is as busy of a time as I can recall, all of which makes this April a complete 180 from the last one.

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