

# Mergers, Acquisitions, & the Markets

*There's been a drop in activity. What's next?*

Provided by DSA Financial Group

There hasn't been much merger and acquisition activity through 2020. This diminished activity comes despite low interest rates, which may help companies manage the cost of borrowing for a purchase. Some of this makes sense, in light of the COVID-19 pandemic leading to widespread economic uncertainty.

Through August, mergers and acquisitions came to a relative halt, with activity falling to an 18-year low.<sup>1,2,3</sup>

Will it pick up next year? It's difficult to see companies not taking advantage of this fact sooner, rather than later. Some companies have used the low-rate environment of the past several months to "bolster their balance sheet" to put them in a stronger financial position for the years ahead. How do they do it? In some instances, by paying down certain debt and issuing new debt at more favorable rates.

Other companies may be more cautious. With an election just around the corner, there may be a desire to wait and see the results, including policies enacted after the inauguration. Once companies have a better understanding of where the "new normal" has landed, the C-Suite may look at the various choices they have with growth in mind.

Merger and acquisition activity can cause a lot of enthusiasm in the markets. An unexpected buyout may cause investors to reevaluate an entire portion of the financial landscape. When a company sells an asset, a surprise buyer may cause investors to reconsider certain assumptions about an industry.

A change may be coming in a few months, but it's important to remember that your overall financial strategy reflects your time horizon, risk tolerance, and goals.

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### **Citations**

1. Forbes.com, April 17, 2020
2. IMAA-Institute.org, September 2020
3. Investopedia.com, August 12, 2020