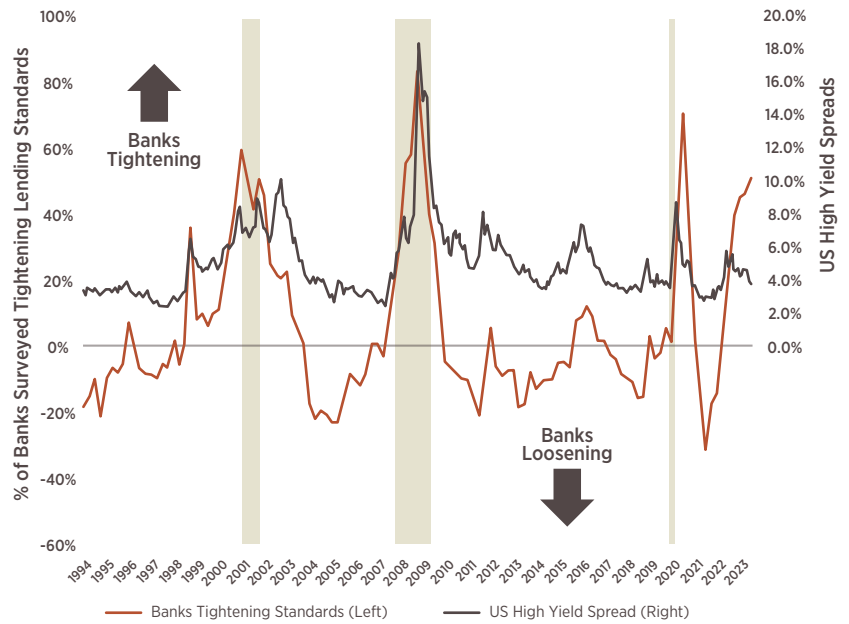


### Chart of the Month

Being in the dog days of summer, it can be nice to visualize something cool and refreshing – like a watermelon! We can use the science experiment of wrapping a watermelon with rubber bands as an illustration to understand what is taking place in lending markets. What effectively happens is that as you continue to add rubber bands around the watermelon, they eventually squeeze it tight enough to the point where the watermelon explodes!

In this chart, the watermelon is represented by US High Yield Spreads, which is how much investors are being paid above a risk-free asset (Treasuries) to accept the risks that come with owning lower quality debt. The rubber bands are represented by bank lending standards. Shown here graphically as the percentage of surveyed banks that are tightening their standards, or put another way, putting more guardrails around who they lend to and on what terms given the uncertainty in the macroeconomic environment. Historically, as banks have been less willing to lend, investors also demanded a higher risk premium to own lower quality (junk) debt. However, despite the continued addition of “rubber bands” (banks tightening their lending), the squeeze has not yet been felt by the “watermelon” (HY Spreads) in 2023. Some technical support is keeping the HY Spread low for now, but we continue to watch it closely as the effects of the Federal Reserve’s rapid increase in rates will continue to trickle through different parts of the market.

#### Bank Lending vs. High Yield Spreads



Source: Bloomberg; Senior Loan Officer Opinion Survey (Federal Reserve); Bloomberg US Corp. HY Index  
Data as of 7/31/2023



### How to Decide Whether to Keep or Sell Your Business

A helpful guide for business owners

As a business owner, you will likely face a difficult decision: whether to keep or sell your company. Having a plan ahead of time can help you maximize the value of your business, whether through a sale or as a continued source of income for you and your family. But easier said than done. We know from serving other business owners that this decision often involves answering complex questions and dealing with strong emotions.

**Is your business a financial asset, or more, to you and your family?** Most business owners care deeply about their company and employees. But for some, the value of their business runs even deeper than taking care of their company’s stakeholders financially. It is part of their family’s history and identity, something they would like to pass down to their children or other beneficiaries. If that is the case, you should adopt strategies for being able to keep your business in the family. If not, you will want to adopt a different set of strategies for readying your company for a sale.

**Is someone willing and able to inherit your business?** If you determine that you would rather pass your business down to your children or other beneficiaries, you should carefully consider whether suitable successors exist. Is the next generation interested in running your business? Have you talked to them overtly about this possibility? Are they capable? Do you believe they will have the right motivations and skills to continue your hard work and vision? This is often one of the most difficult pieces of succession planning for business owners to address. But not proactively doing so can create much more difficult situations — such as family conflict and declining business value, down the road.

While these questions can serve as a guide, they likely won’t make the decisions easy. For help, including valuing your business and quantifying your future personal cashflow needs, please reach out to us. We can help you model your options and learn from experiences of other business owners who have also faced this difficult crossroad.

	Source: Bloomberg 2023	July	YTD	2022	Benchmark
<b>Stocks</b>	United States	3.2%	20.6%	-18.1%	S&P 500
	Intl Developed	3.2%	15.3%	-14.5%	MSCI EAFE
	Emerging Markets	6.2%	11.4%	-20.1%	MSCI Emerging Markets
<b>Bonds</b>	US Investment Grade	-0.1%	2.0%	-13.0%	Barclays US Aggregate
	US Municipals	0.6%	3.7%	-9.5%	Barclays Municipal Bond 15y
	Intl Investment Grade	1.3%	2.1%	-18.7%	Barclays Global Aggregate xUSD
	Global High Yield	2.0%	7.3%	-12.7%	Barclays Global High Yield
	Emerging Markets \$	1.2%	4.5%	-15.3%	Barclays Emerging Markets USD Aggregate
<b>Other</b>	Commodities	6.3%	-2.0%	16.1%	Bloomberg Commodity
	Gold	2.4%	7.7%	-0.3%	Gold New York Spot (\$/oz)
	Oil	15.8%	1.9%	6.7%	Crude Oil WTI/Global Spot NYMEX

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