

## MERGERS & ACQUISITIONS

### Fed Leadership Change Soothes Anxiety for Mid-Market Borrowers

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Mid-market deals are sensitive to interest rates – which is why the long-running feud between President Donald Trump and Federal Reserve Chair Jerome

Powell over the benchmark rate has left a lasting imprint.

For private equity firms, lenders and corporate buyers, that tension translated into higher risk premiums and a more cautious approach to dealmaking. **Kevin Warsh's** appointment as Powell's successor has begun to change that calculus.



The leadership change, due in May, is raising expectations of a more stable relationship between the administration and the Federal Reserve — and offering dealmakers a clearer framework for planning in the months ahead.

“Yes, concerns have eased,” says **Mike Bego**, managing partner at **Kline Hill Partners**. He described the announcement as a “net positive” for capital markets and a chance to put the Trump-Powell feud in the rearview mirror.

As for Trump’s push to aggressively cut interest rates, Bego says Warsh might resist the pressure.

“Warsh is an inflation hawk,” he says. “As such, he would tend to avoid excessively low interest rates if they might increase inflation risk. He has the additional goal of quantitative tightening that has been shown to increase rates.”

### **Impact on Future Dealmaking**

In practical terms, this suggests that nominal rates might not fall as quickly or as far as markets would like if the Fed pursues both tighter financial conditions and balance sheet reduction in tandem.

Bego highlights one of the core legacies of massive quantitative easing: cheaper debt that fueled both housing booms and corporate borrowing cycles.

“To me, the biggest change from Warsh’s appointment would be if he is successful in his goal of shrinking the federally held debt that was built in the three cycles of quantitative easing that distorted debt markets,” he says. “It peaked in April 2022, after the third cycle, at \$9 trillion.”

In an era where many buyers are already wrestling with tight spreads and cautious lenders, a recalibration of rate expectations toward higher levels would directly compress exit multiples and stretch financing models.

[Axial’s analysis](#) of dealmaking data between 2022 and 2025 highlights a clear link between exit multiples in the lower-middle-market and interest rates.

For dealmakers in this middle-segment of the market, Warsh’s ascendancy offers some predictability.

He may not flip a policy dial overnight, but his emphasis on monetary discipline, combined with a balanced view on rates versus balance sheet policy, sets the tone for cautious optimism among dealmakers, lenders and private credit investors navigating 2026’s complex financing terrain.

“I would take a balanced view on the impact he may have on interest rates,” Bego sums up.