

Bankers Aren't Letting the Iran War Get in the Way of a Deal

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By [Paul J. Davies](#)

Paul J. Davies is a Bloomberg Opinion columnist covering banking and finance. Previously, he was a reporter for the Wall Street Journal and the Financial Times.

By the time Goldman Sachs reports earnings in a couple of weeks, the easy moneymaking environment of the first quarter may feel like a distant memory.

Photographer: Michael Nagle/Bloomberg

Takeaways by Bloomberg AIHide

- Financial markets have been relatively unaffected by the US and Israel's war against Iran, with investment banking experiencing a boom in the first quarter.
- Despite warning signs, including persistently high energy prices and concerns about rising defaults, dealmaking and fundraising activities have posted healthy numbers, with takeovers, mergers, and debt sales performing well.
- Bankers and clients are acting quickly to complete deals, but troubles are brewing beneath the surface, with some firms missing earnings forecasts due to losses on lending to nonbank finance firms.

Financial markets have been relatively unaffected by the costly and senseless war the US and Israel are waging against Iran. But what's really surprising is the ongoing boom in investment banking. Dealmaking and fundraising activities that are usually most sensitive to worsening sentiment and increased volatility are about to close a strong first quarter — but there are plenty of warning signs that things could come to a grinding halt.

Persistently high energy prices, if the White House fails to find a quick route out of the Middle East, would weigh on many economies already facing slowing growth and softening labor markets. That would add to concerns about rising

defaults in private credit and the disruptive threat of artificial intelligence, which have been causing wild swings in the fortunes of some companies and fund managers.

And yet takeovers, mergers, new stock listings and debt sales for private equity deals have all posted extremely healthy first-quarter numbers, according to data compiled by Bloomberg. Bankers and their clients are acting quickly to get deals done while they can: They learned last year that an impulsive and unpredictable President Donald Trump is capable of deflating animal spirits in a flash.

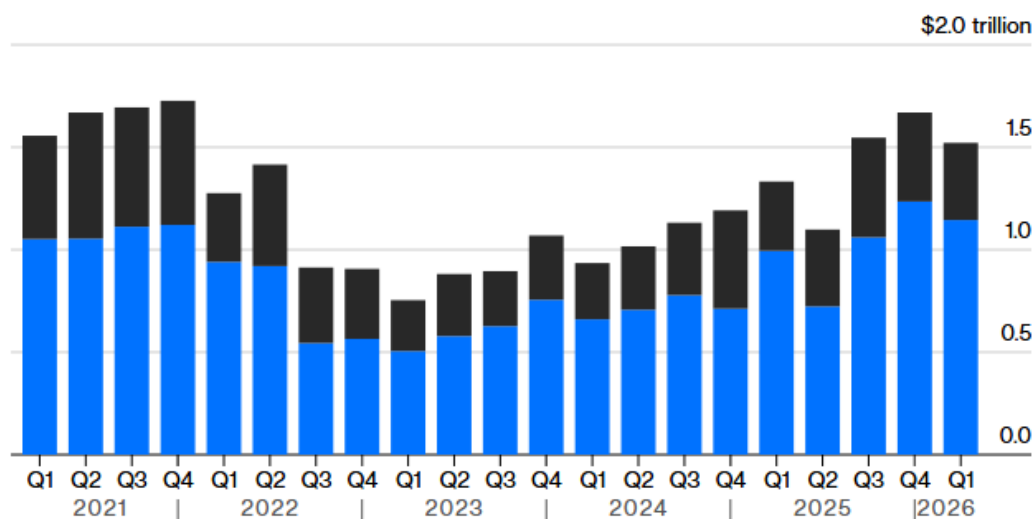
Jefferies Financial Group Inc. last week reported [record fees](#) from dealmaking and trading in the quarter ended Feb. 28, with its executives talking up the robust activity they anticipate for the rest of the year, assuming a relatively quick and clear end to the fighting in the Middle East. But in a sign of the troubles brewing beneath the surface, the firm missed earnings forecasts because of losses on lending to nonbank finance firms, such as First Brands Group LLC.

Just like last year, bankers were expecting a strong start to 2026. Pent-up demand from executives to do deals and high-flying stock markets helped make last year the second-biggest for M&A volumes in history. For bankers and traders, these buoyant conditions delivered the highest bonus pool in Wall Street history at [nearly \\$50 billion](#), according to data from the New York State Comptroller. And that was despite the farce of last April's so-called Liberation Day, when Trump slapped punitive trade tariffs on every nation and rocky island in the world only to walk them back almost entirely several days later.

Global Dealmaking Is Having a Huge First Quarter

Total volume of announced deals

■ North America ■ Rest of the world



Note: Data up to March 26 for first quarter 2026
Source: Bloomberg

This year got off to a strong start in the face of growing concern about the impact that rapidly improving AI would have on many businesses, especially software makers, and still wasn't derailed when Trump joined Israel in bombing Iran at the end of February. There have been some wobbles, but most deals and fundraisings that were underway have got done.

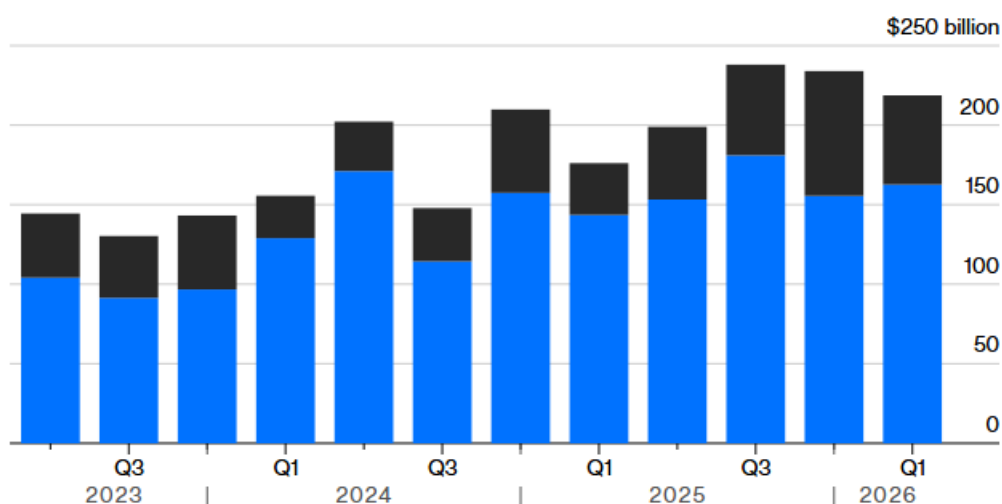
Leveraged finance deals — the riskier, non-investment grade debt used to back buyouts — are typically among the first transactions to hit the buffers when investors get wary. So far this year, activity has been healthy if not spectacular in the US and Europe. A handful of deals have been canned in Europe as bond and loan prices got whipsawed, mainly by those fears about software companies, but for now these failures remain rare and some big deals have been very popular.

JPMorgan Chase & Co., for instance, has been running the mega-financing for the \$55 billion buyout of Electronic Arts Inc., backed by Silver Lake Management, a Saudi Arabian sovereign wealth fund and a fund run by Trump's son-in-law, Jared Kushner. This month's accompanying \$15 billion debt sale has seen its split between junk bonds and leveraged loans in different currencies shift several times as credit fears and volatility ricocheted between different markets. Ultimately, it had still pulled in [\\$45 billion of demand](#) when it closed last week.

Equity Raising and New Listings Had a Good Start Too

Global volumes for all equity capital markets deals

■ All other equity and equity-linked ■ IPOs



Note: Data are up to March 26 for first quarter 2026
Source: Bloomberg

M&A volumes and share sales, meanwhile, have had a blistering start to the year. Globally, announced M&A for the first quarter is the strongest for that period since 2021, according to Bloomberg data. Dealmaking in North America has

seen \$1.14 trillion of mergers and acquisitions announced this quarter, the third-strongest three-month period in the past decade. Equity and equity-linked sales globally have also had their best first quarter since 2021; initial public offerings have posted the strongest first quarter since 2022. But the longer the war with Iran continues — and the longer the Strait of Hormuz stays closed — the rockier the outlook will become for economies around the world, with financial markets likely to buckle further.

In about two weeks, Goldman Sachs Group Inc. will kick off the earnings season for the big US banks. By then, the easy moneymaking of the first three months might already feel like a very distant memory.

Private Equity's Brutal Side Deals Leave Lenders Grasping in the Dark

Many creditors end up settling for scraps when PE-backed companies restructure their debt.

By [Reshmi Basu](#) and [Luca Casiraghi](#)

March 30, 2026 at 12:05 AM GMT+3

It's a familiar saga in today's [credit markets](#): A debt-saddled company restructures and some of its lenders band together to defend their rights.

But when Vibrantz Technologies — a paint-additives maker [owned](#) by a private equity firm — overhauled its borrowings earlier this year, its smaller creditors were offered a choice: Agree not to speak to your fellow lenders and challenge the transaction before it closes, or face the prospect of steeper losses. Some had little time to decide.

Several individual lenders took the deal with the American Securities-backed company, according to people familiar with the matter who asked not to be identified discussing confidential information.

To even glimpse the debt restructuring terms, these creditors first had to sign these separate pacts. Vibrantz's strategy — which also involved cutting different deals with other creditor groups — effectively precluded the collective negotiating that's been used as a defense ahead of recent major restructurings.

“When a company starts down the path of liability management, it is often determined that lenders will not be treated the same,” said Steven Purdy, co-head of global credit at TCW Group, who spoke generally about the market. “Once you've crossed that Rubicon, everything becomes a negotiation.”

Brutal Bargains

Such can be the brutal bargains in today's risky-debt markets, where private equity owners and advisors are employing tactics that are unprecedented. This strategy of striking individual side deals with lenders is the latest byproduct of years of historically low interest rates that left debt investors so [hungry for yield](#) they traded away otherwise available legal protections to get it. It runs counter to the norm where creditors are expected to negotiate in a united front and be offered equal treatment.

Now buyout firms — grappling with [flagging returns](#) — are exploiting these loose lending agreements. In some cases, the playbook goes like this: The borrower secures a slim majority for its restructuring plan from its largest lenders, who decide to rewrite the rules in a way that vaults them to the front of the repayment line. The remaining creditors are left with little else.

In Vibrantz's case, the largest creditors including GoldenTree Asset Management, Monarch Alternative Capital and Oak Hill Advisors walked away with the biggest chunks of highest-ranking debt, the people familiar with the matter said.

Representatives for Vibrantz, Oak Hill and Monarch declined to comment. Representatives for American Securities and GoldenTree didn't respond to requests for comment.

'Limited Visibility'

By making side deals, borrowers have the upper hand in negotiating terms, plus they may be spared the legal costs of a contested debt overhaul. But for lenders, the decision whether to sign is more complicated, given the "very limited visibility" into what their peers are getting, according to [Shai Schmidt](#), a partner in law firm Cadwalader's financial restructuring practice.

Shai Schmidt *Courtesy of Shai Schmidt*

"We've certainly seen a proliferation of side deals negotiated between borrowers and individual lenders," he said. But by agreeing, lenders forfeit their participation in an alternative lender group, which has a "very good track record of increasing such lenders' leverage in negotiations with borrowers," he said.

The side deal trend has accelerated over the past year as elevated interest rates forced a reckoning at companies suddenly unable to service their debt.

Booming LMEs

The broader debt restructuring maneuvers that side deals are sometimes part of are called [liability management exercises](#), a benign label for strategies designed to alleviate financial distress. They've boomed in the US because they allow sponsors to reshape a firm's capital structure out of court, avoiding the public scrutiny of competitors and customers.

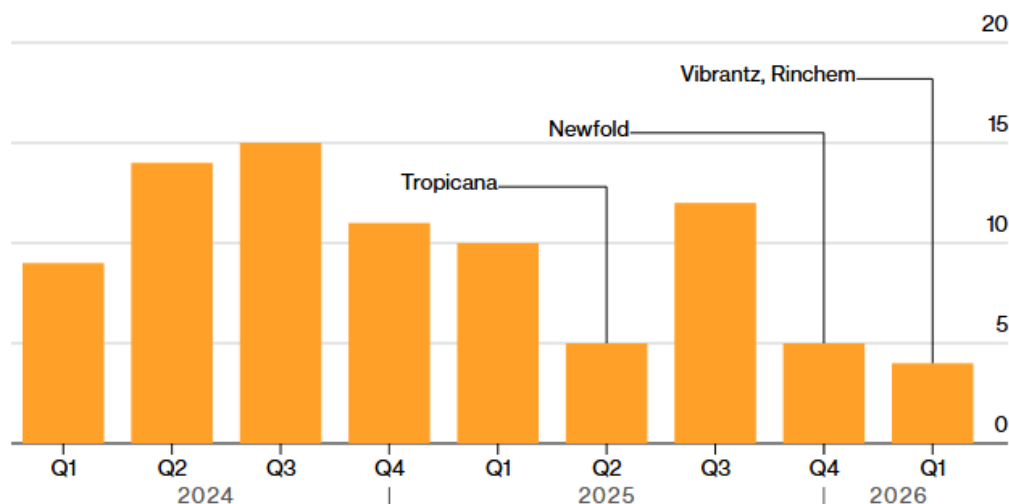
Activity peaked in 2024, with almost 50 such transactions globally, according to data compiled by Bloomberg. Some more recent LMEs have clamped down on collective bargaining, increasingly exploiting loopholes left open in credit agreements during the decade of cheap money.

"People have paid for these documents, and they got increased yield for allowing this flexibility," said Barak Klein, managing director and co-head of the US capital structure advisory at Moelis & Co. "Ultimately, it makes sense for the issuers to use that flexibility — it's working within the terms everyone agreed to."

Whatever the iteration, they share a common thread: The erosion of creditor rights, and the long-standing principle that all lenders in a class must be treated equally. The logic follows that it's easier to strike a deal with creditors separately than getting consensus from a bigger group, before the LME's official launch.

LME Deals Peaked in 2024

■ LME transactions completed



Note: LME deals for companies with more than \$250 million of debt
Source: Bloomberg

When Rinchem, a [struggling](#) chemical logistics and services company, agreed to [acquire](#) Dupré Logistics earlier this year, the Stonepeak Partners-[backed](#) company secured a debt [deal](#) by asking some of its lenders to strike side agreements, according to people familiar with the matter.

Last year, Clearlake Capital and Siris Capital-backed Newfold Digital, a web services provider [grappling](#) with declining revenue and a looming debt wall, secured a critical restructuring by negotiating a series of individual [deals](#), the people said, asking not to be identified discussing confidential information.

In general, many NDAs bar lenders from comparing terms and temporarily freeze their ability to sue, said the people.

Then there was Tropicana Brands Group, which sought to [overhaul](#) its borrowings last year as it confronted extreme weather and evolving [tastes](#). The firm backed by PAI Partners struck numerous separate pacts to push its deal through, including one with Oaktree Capital Management, the people said.

Representatives for Stonepeak, Clearlake, Siris and Oaktree declined to comment. Representatives for Rinchem, Newfold, Tropicana and PAI didn't respond to requests for comment.

First Brands, Saks

The strategy is not confined to the private equity world. When bankrupt First Brands Group sought to raise emergency financing, it offered lenders a so-called “[roll up](#)” piece as a sweetener to participate in the deal. This maneuver converted their existing holdings into a super-senior bankruptcy loan, propelling them to the front of the repayment line. The company offered separate side deals to remaining creditors to eventually get 100% support for the transaction at the time of its Chapter 11 filing, according to people familiar with the matter who asked not to be identified discussing private information.

Struggling under burdensome debt, Saks Global Enterprises secured a [\\$600 million](#) facility last year through a complex [restructuring](#) that reordered its creditor hierarchy. To ensure the deal’s success, the now bankrupt retailer inked one deal with a majority group of lenders, another with a minority group and then at least one side arrangement with Benefit Street Partners, according to some of the people.

Saks Global Enterprises secured \$600 million in financing from existing bondholders in 2025. *Photographer: Angela Weiss/AFP/Getty Images*

Generally, lenders are “better off participating than seeing a transaction, as a result of loose documentation, going to a third party or some subset of the capital structure,” said Brendan Hayes, a senior managing director at Guggenheim Securities.

A representative for Benefit Street declined to comment. Representatives for First Brands and Saks didn’t respond to requests for comment.

Creditor Groups

In the Vibrantz [debt overhaul](#), the company took three different approaches. It struck a deal with majority lenders including GoldenTree, Monarch and Oak Hill, agreed an arrangement with a minority lender group, and reached out to individual lenders for separate transactions under NDAs, according to people familiar with the matter.

With this strategy, which is becoming more commonplace, the company was able to officially launch its deal with around 90% of support. Since those who didn’t participate risked being stripped of all their lender protections and being relegated to the lowest priority of repayment, Vibrantz was then able to get approval from almost all of its lenders.

The largest lenders agreed to the creation of a new subsidiary which was then used to raise a fresh \$350 million loan that they helped provide. This new debt had so-called first-out status, ensuring that if Vibrantz were to falter, the big

lenders would be repaid before a single cent reached the next group, the people said.

The majority lenders were also allowed to roll up their existing debt into this new senior loan at higher levels — meaning they put themselves in the best position for loan recoveries, according to the people. The minority group got less favorable terms.

It's hard to know what kinds of deals individual lenders struck, but some were allowed to exchange their existing holdings for second-out and third-out positions in that super-priority paper, the people said.

About 10% of investors didn't strike those side deals and were excluded from restructuring negotiations. They ended up saddled with the biggest losses, according to the people.

Lower Recoveries

The liability management maneuvers often fail to protect long-term value. According to a Fitch Ratings report, companies that undertook LMEs between 2016 and the first half of 2025 before filing for bankruptcy experienced recoveries for their first-lien debt of about 39%. That compares with recoveries of roughly 68% for companies that had not undertaken LMEs before Chapter 11.

And according to a [paper](#) by Harvard Law School professor [Mark Roe](#) and research fellow [Vasile Rotaru](#), “a majority of the coercively restructured firms end up filing for bankruptcy anyway.”

“LMEs rarely clean up distressed balance sheets and stabilize shaky capital stacks,” they wrote in the report published this year. With Del Monte Foods, the company undertook a debt [restructuring](#) where certain lenders received better terms than others — resulting in a creditor lawsuit. The company ultimately settled with the disgruntled lenders but blamed the [litigation costs](#) for its subsequent bankruptcy filing.

“The market has seen a number of LMEs that come back for a subsequent LME which often turns into a restructuring,” said Alex Raskin, a managing director in Houlihan Lokey's financial restructuring group.

In some recent deals he worked on, he's required private equity owners to pre-agree “to turn over the keys to lenders in as smooth and cost-effective manner as possible if there's a round two workout.”

Beyond the brawls and side deals, distressed debt remains a lucrative trade. But it is increasingly one defined by positioning: Investors who can move quickly to align with the borrower and help steer the restructuring can extract the biggest

gains. Meanwhile, those left in minority positions — often smaller funds or non-distressed investors — are finding themselves with less influence and thinner recoveries.

J. Screwed

Some LMEs have spawned their own legal terms. In 2016, preppy clothing retailer J.Crew close reading of debt documents let it transfer valuable intellectual property out of creditors' reach and use it to obtain fresh debt. The technique became known as a “trap door” or “drop-down” maneuver. Or, more simply, getting “[J. Screwed](#).”

In mid-2020, mattress maker Serta Simmons worked with a select group of lenders to secure more than \$1 billion in super-priority debt. The creditors left out were relegated to the back, and the market value of their debt went into freefall.

Creditors have fought back, mobilizing among themselves with lawyers against the maneuvers in so-called cooperation pacts. But these too have become vulnerable. Late last year, Optimum Communications, the US unit of billionaire Patrick Drahi's telecom empire, sued a group of its own lenders alleging that their cooperation agreement was an “[illegal cartel](#).” The lenders are seeking to dismiss the lawsuit.

Borrowers are now trying to preempt these pacts entirely. When Summit Behavioral Healthcare sought to restructure its debt via an LME last year, the firm required lenders to [sign NDAs](#) that prevented them from forming cooperation pacts, Bloomberg previously reported. In a debt [restructuring](#) for Better Health Group, lenders who signed NDAs to evaluate the proposed deal also agreed to a standstill, making it harder for them to organize and potentially litigate, Bloomberg has reported.

Representatives for Summit and Better Health didn't respond to requests for comment.

“Sponsor behavior is getting even more aggressive in a market where lenders for the last few years have leaned in and played the game,” said [Scott Greenberg](#), a partner at law firm Gibson Dunn & Crutcher. “The weaponization of NDAs and other ways to prevent lenders from talking to one another seems to be pushing the limits and inconsistent with the collective action provisions in credit docs that require lenders to coordinate.”

What We Do in the Shadows: Will Private Credit Take Down the Economy?

On *Everybody's Business*, we find out if a trillion-dollar business is too big to fail

By [Stacey Vanek Smith](#) and [Max Chafkin](#)

March 27, 2026 at 11:00 AM GMT+2

Takeaways by Bloomberg AIHide

- Private credit is a mysterious, mammoth lending industry worth \$1.8 trillion dollars, deeply intertwined with the software business, small banks, and could take down the US economy.
- The private credit market used to be called “shadow banking” and came of age after the 2008 financial crisis, with private lenders filling demand from risky borrowers who couldn’t get traditional bank loans.
- The industry began causing concerns last year, with many of its biggest borrowers being software companies facing an existential threat from the rise of AI, and private credit investors demanding their money back.

What is worth \$1.8 trillion dollars, is deeply intertwined with the software business, small banks, and cockroaches, is veiled in mystery, and could take down the US economy? Private credit! The mysterious, mammoth lending industry — which is now bigger than the entire junk bond market — has been the cause of major concern since late last year, when it began showing signs of distress. JPMorgan Chase & Co. CEO Jamie Dimon added to the panic in October, comparing the failure of subprime auto lender Tricolor Holdings to seeing a cockroach: “When you see one cockroach, there's probably more.”

This week, on [Everybody's Business](#) from [Bloomberg Businessweek](#), Stacey Vanek Smith and Max Chafkin are joined by *Odd Lots* Co-host Tracy Alloway to talk private credit. Alloway points out that the private credit market used to be called “shadow banking” and came of age after the banking regulations and lending standards put in place after the 2008 financial crisis. Private lenders cropped up to fill demand from risky borrowers, who couldn’t get traditional bank loans. They promised investors some protections in additions to much higher returns.

Business boomed until last year, when the industry began causing concerns. As it turned out, many of private credit’s biggest borrowers are software companies, who now face an existential threat from the rise of AI. Private credit investors have started demanding their money back, putting lenders in a tricky position. Some have started selling off assets to get cash into investors’ hands. So does Tracy Alloway think we are doomed? You’ll just have to listen to find out!