A WORD FROM J.P. MORGAN
Our views on venture

"J.P. Morgan is proud to serve some of the most disruptive and innovative companies of our time. Whether companies need expertise in payments, capital raising, liquidity solutions, or strategic advisory, we are uniquely positioned to support the venture ecosystem globally. We can deliver deep industry insights and leverage the breadth of our platform to support companies from inception through IPO and beyond."

Andrew Kresse, Co-Head
Innovation Economy

The IPO markets appear to be back on the road to recovery

Although overall IPO activity is tracking behind optimistic expectations coming into the year, this is mainly due to macro-and-policy-uncertainty-induced market volatility, which has since retreated. David Bauer, co-head of Equity Capital Markets, notes that more recently there have been numerous green shoots, which is expected to provide a much-improved backdrop for tech issuance through the rest of the year. The recent market rally post-Liberation Day, robust investor liquidity, and consistent IPO performance have created the most attractive issuance conditions in several years.

One notable feature of recent deals is the increased level of mutual fund participation. In most cases, books have been multiple times oversubscribed with mutual fund cornerstones on the front cover of the prospectus at launch. An encouraging sign of the breadth of investor interest is the variety of tech subsectors that have come to market—including software, fintech, defense tech, and advertising.

Whereas the bulk of IPO activity was previously focused on larger assets, there is now a greater level of interest for sub-$5 billion market cap issuers as investors look for differentiated opportunities across the spectrum. From a valuation perspective, IPO discounts in the 30% area for these companies were wider than historic averages and below the last private round, reflecting the current market realities and cost of liquidity. Sustained performance should improve pricing over time and create opportunity for a broader range of candidates. Robust follow-on activity is evidence of high levels of market liquidity.

Some issuers previously focused on 2026 IPOs are bringing forward preparation plans to create optionality for a Q4 2025 pricing. In previous years, conducive IPO windows have come about both pre- and post-Thanksgiving, and in light of recent activity, we expect issuers to opportunistically utilize these windows. Additionally, investor interest in private company opportunities pre-IPO is very high, further supporting the near-term setup.

Tech sector M&A also on the upswing

According to Vineet Seth, head of technology M&A, similar to the IPO market, M&A activity within the technology sector is also accelerating, particularly in software. Venture capital, growth equity, and private equity firms have held portfolio assets longer than usual, supporting a solid pipeline of potential M&A as these private businesses are brought to market over the coming months and quarters. We are observing this trend in our mandate activity and the requests for proposals we receive.

There is also substantial pent-up demand among public companies, as many strategics have been sidelined for the past few years by regulations. While antitrust regulations have not noticeably relaxed in recent months, we expect review periods to become more efficient over time, which should support M&A. Additionally, interest in corporate clarity, often driven by activist investors, is likely to result in more carveouts and spin-offs.

Underscoring the strengthening backdrop for technology M&A, the sector has accounted for 30% of volumes year to date, up from 22% in 2024 and 18% in 2023, though still below the peak of 34% in 2022.

Ginger Chambless
Head of Research, Commercial Banking

Ginger Chambless is a Managing Director and Head of Research for JPMorgan Chase Commercial Banking. In this role, she produces curated thought leadership content for commercial banking clients and internal teams. Her content focuses on economic and market insights, industry trends, and the capital markets.

Additional contributors:
Pamela Aldsworth
Head of Venture Capital Coverage
Andy Kelly
Managing Director, Venture Capital Coverage

After a turbulent few weeks post-Liberation Day, previously prevailing themes in venture are back

While trade and tariff policy uncertainty remains an overhang, the stronger-than-expected first quarter earnings season, recovery in equity markets, and resilience of AI have gone a long way to restore sentiment across the venture ecosystem. The market correction and volatility in April was significant but relatively orderly and short-lived. As the waters have calmed, equity issuance volumes have begun to improve and M&A activity involving startups has resumed the positive pace set earlier in the year.

In an environment where headline risk remains elevated, staying nimble and prepared for a wide range of economic and market scenarios is as important as ever. The tone from VCs remains measured, with the latest wave of market turbulence taken in stride. Many are cautious and waiting for improved macro clarity and proof points on successful headline IPOs. Founders that stay focused on the fundamentals, disciplined growth, and preserve optionality should fare well in the long run.

As the breadth of tariff headlines have receded, the focus on AI has come back to the forefront in private and public markets alike. Startups in the AI sector have captured over half of the venture investment dollars YTD, serving as the primary driver of improved median valuation metrics. Despite concerns earlier in the year, we learned throughout first quarter earnings that AI-related capital expenditure and research & development are not showing signs of slowing as hyperscalers continue to ramp their foundational models and hardware.

Enterprise adoption of AI is also accelerating as capabilities improve across a multitude of domains and costs decline exponentially at both the hardware and inference levels. Although AI adoption has yet to cause sweeping labor market disruptions, signs of structural changes are emerging in areas where generative AI may easily replace entry-level tasks. According to the RAMP AI Index, which measures the adoption rate of AI intelligence products and services among American businesses, 40% of businesses now pay for AI tools— nearly double 2024's share.[1] The information technology, finance, and insurance sectors show the highest rates of paid AI subscriptions, with business cases ranging from agentic voice models outperforming sales teams, to telecoms consolidating platforms using AI tools.

Despite the growth and positive sentiment around the sector, a central tension remains between the significant investment in AI infrastructure and monetization, keeping pressure on the ecosystem to prove long-term returns.

The macroeconomic outlook has been tempered by tariffs and general policy uncertainty

Underlying trends in the economy through the first half of the year have been better than feared considering sharp drops in business and consumer sentiment caused by the evolving tariff policies. With most major trading partners engaged in ongoing negotiations and the recent federal court ruling challenging the legality of certain tariffs, it is hard to say when the dust will finally settle on this topic.

There is a general sense of relief that a worst-case scenario trade war will be avoided. However, higher baseline tariffs and lingering policy uncertainty have led us to temper our economic growth expectations and raise our forecasts for both inflation and unemployment. Recession risks are higher than when we started the year, but it is currently not our expectation that one will occur. Prolonged or re-escalating trade tensions could present additional drags on economic activity and growth.

The set of dynamics affecting the economy complicates the Federal Open Market Committee's path forward for policy rates. We expect they will maintain a data-dependent approach in decision making and likely stay on the sidelines until later this year. We have one 25-basis-point cut in our forecast for 2025, followed by three additional cuts in early 2026.

The tax and spending bill that is making its way through Congress carries important implications for the fiscal outlook, and by extension, Treasury yields and interest rates. Incremental borrowing needs are coming at a time of already record high debt and deficits. While we view the recent Moody's downgrade of the US sovereign debt rating as largely symbolic and backward looking, there is heightened focus on Treasury auctions for any emerging signs that demand for US assets is waning. A stable- to lower-interest-rate environment is typically beneficial for the macro environment, investor sentiment, and valuations.

1: "Ramp AI Index," Ramp, April 2025.