

Equity Research

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Flash Comment — February 25, 2021

Large-Cap Banks

J.P. Morgan Chase & Co. (JPM)

JPM: Stronger for Longer Capital Markets

Our Call

Yesterday, we increased our price target for JPM and today the CFO's upbeat presentation reinforced our confidence. First, capital markets are stronger for longer in 1Q21, including meaningfully higher trading YTD and much higher IB (both YoY and equities leading). Second, credit is trending better than expected, which supports the possibility of additional reserve releases. Credit card volumes, while still depressed from greater than expected paydowns, are showing early green shoots and should improve later this year. As it relates to costs, JPM reiterated that costs are impacted by a step-up in extra investments (\$1.5bn non-tech; \$0.9bn tech) and revenue-driven comp. The main negative is that its GSIB bucket is now likely 4% (vs. 3.5%) but this does not matter in our earnings model given the degree of capital already on their balance sheet and cautious near-term loan growth outlook.

J.P. Morgan Chase & Co. (JPM)/Overweight

Price as of 02/25/2021: \$154.51

FY 2021 EPS: \$9.65

FY 2022 EPS: \$11.05

Shares Out.: 3,051,506,436

Market Cap: \$471,488 MM

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Investment Thesis

JPM

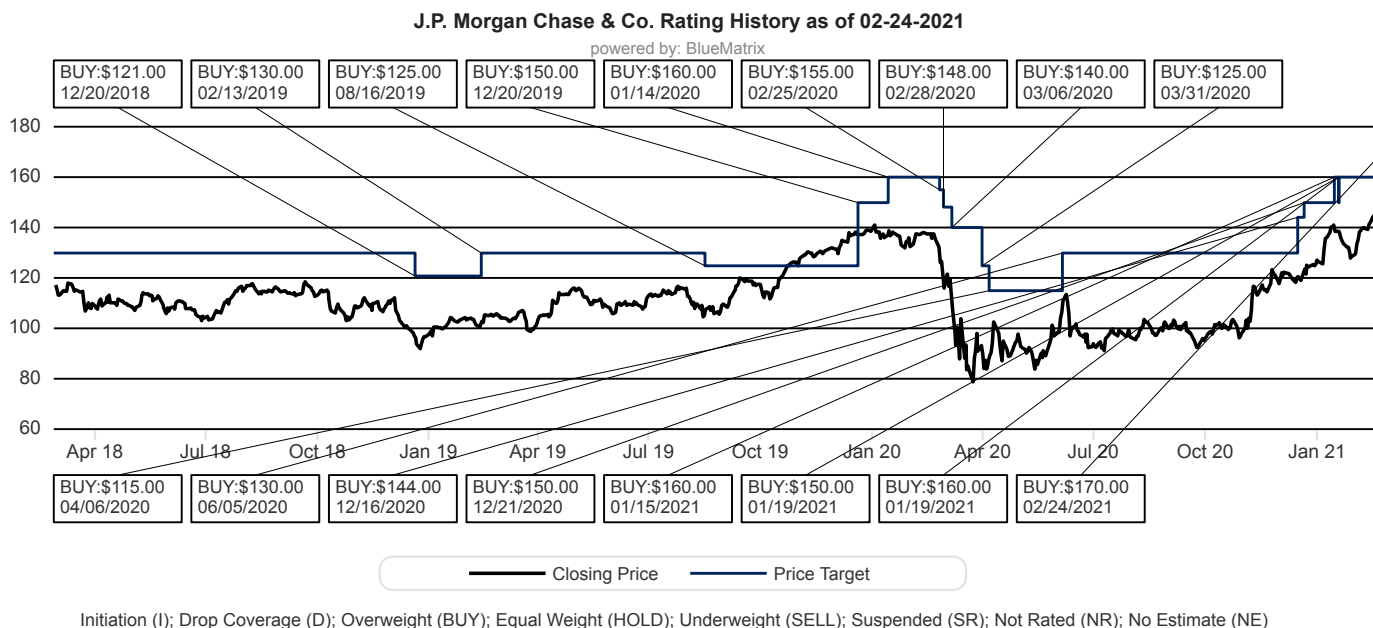
JPMorgan Chase (rated Overweight) has excelled at both offense and defense over the past decade in which it has been gaining market share in all major business lines while optimizing its businesses, showing consistent earnings relative to other global banks and creating a fortress balance sheet (as defined by its CEO). During this period of covid, playing defense has carried more importance, but greater offense is expected to play a role as JPM continues to invest long-term. We expect JPMorgan's ROTCE to trend higher from a low of est. 12% in 2020 to est. 17% in 2023.

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JPM:

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As of February 24, 2021

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