JPMorgan cuts ECB rate projection, forecasts recession this year

CE Noticias Financieras English

July 29, 2022 Friday

Length: 327 words

Body

The European Central Bank would raise interest rates by only an additional 50 basis points this year because the eurozone would fall into a recession in the fourth quarter, according to JPMorgan Chase & Co.

Economists led by Greg Fuzesi forecast rate hikes of 25 basis points in September and October. They no longer expect a similar increase in December.
"An anticipated 50 basis point hike in September is also possible, but we suspect that growth uncertainty will already generate some caution for the September meeting and lead to a pause after the October meeting," they said.
The eurozone economy would contract in the first quarter of 2023 due to the output implications of inflation and concerns about Russian energy supplies.

Goldman Sachs Group Inc. this week also predicted a recession in the eurozone, although analysts said it would start this quarter.
For Germany, Europe's largest economy, hope of avoiding a recession is diminishing by the day, while the country is more dependent than most on Russian natural gas.

Goldman Sachs sees eurozone recession in the second half of the year

The eurozone is probably already contracting, according to **Goldman Sachs Group Inc**.
The recession will last through the end of the year, economists led by Jari Stehn said, projecting a contraction of 0.1% in the third quarter and 0.2% in the fourth quarter. Growth would return in 2023, they said.
Reasons for the downturn include disruptions in Russian energy supplies, the end of the post-pandemic upturn in services, weaker global momentum and political turbulence in Italy that could delay the disbursement of aid from the European Union.
"Looking at countries, we have Germany and Italy in clear recession in the second half, while Spain and France continue to grow," the economists said. "Risks to our forecast are skewed toward a sharper recession in the event of an even more severe disruption to gas flows, a renewed period of sovereign stress or a U.S. recession."

Load-Date: September 7, 2022

Goldman 'impressed' with Fed's anti-inflation actions

CE Noticias Financieras English

July 20, 2022 Wednesday

Length: 240 words

Body

The Federal Reserve is taking the right steps to combat rising inflation, **Goldman Sachs Group Inc**. president John Waldron said, marking a shift from questions he raised previously this year about the central bank's monetary policy.

"We're seeing the Fed move quite aggressively and, in my view, quite appropriately to control what is significant inflation building up in the economy, clearly trying to anticipate a lot of the hikes to try to deal with inflation," Waldron said in an interview with Bloomberg Television on Tuesday.

"We at **Goldman Sachs** are impressed with what they're doing, and we expect them to continue to be aggressive in fighting inflation, and I'd say so far so good," he added.
The comments come after Waldron said in January that the Fed's independence has been damaged in recent years and that it has lost credibility in the markets.
In a virtual meeting with the New Jersey state investment council, he questioned the Fed's strength to act as an "independent monetary policy engine that is doing what it thinks is right and not what is expedient."
Since then, the Fed has raised interest rates three times, beginning in March.
Fed Chairman Jerome Powell and his colleagues are trying to control an inflation rate that is well above their 2% target. In June, the Fed raised the interest rate by 75 basis points, the largest increase since 1994, raising the target range for the federal funds rate to between 1.5% and 1.75%.

Load-Date: August 17, 2022

Wall Street closes lower on Apple and bank declines

CE Noticias Financieras English

July 18, 2022 Monday

Length: 310 words

Body

By Echo Wang
Jul 18 (Reuters) - Wall Street stocks closed lower on Monday as banking stocks erased early gains and Appl shares fell following a report that the company plans to slow hiring and spending next year.

* Shares of Bank of America Corp, **Goldman Sachs Group Inc** and the S&P financial sector; weakened at the close, after starting the session higher following quarterly results from BofA and **Goldman**.
* Apple shares reversed course and declined following the publication of a Bloomberg article stating that the company plans to slow hiring and spending next year in some units, to cope with a possible recession.

* **Goldman Sachs** advanced by reporting a smaller-than-expected 48% drop in second-quarter profit, helped by strength in its fixed-income operations.
* Fears of a 1 percentage point interest rate hike by the end of July eased after comments from Federal Reserve officials last week, who said monetary policymakers could stick to a 75 basis point hike.
* "It's really hard to keep the upward momentum going," said Ross Mayfield, investment strategy analyst at Baird. "And that's a bit of a bear market story."
* Based on preliminary data, the S&P;500 lost 32.43 points, or 0.84%, to 3,830.73 units, while the Nasdaq fell 95.54 points, or 0.83%, to 11,356.88. The Dow Jones Industrial Average was down 215.12 points, or 0.69%, to 31,073.14 units.
* The results of the big technology companies next week will be closely watched, after their shares suffered immense selling pressure for much of this year.

* Among other stocks, Boeing Co jumped after Delta Air Lines **Inc** said it would buy 100 MAX 10 jets worth about $13.5 billion at list prices and had options to buy another 30. (Reporting by Echo Wang in New York; additional reporting by Shreyashi Sanyal, Bansari Mayur Kamdar and Sruthi Shankar in Bengaluru Edited in Spanish by Javier López de Lérida)

Load-Date: August 17, 2022

BofA and Goldman Sachs report second quarter profit declines

CE Noticias Financieras English

July 18, 2022 Monday

Length: 552 words

Body

Bank of America Corp (BofA) and Goldman Sachs reported a drop in earnings in the second quarter of the year, at the close of the big banks' results and in line with those of competitors JPMorgan Chase & Co and Morgan Stanley, both also with weak investment banking revenues.

Wall Street investment bankers, who were overwhelmed by the amount of business last year, have seen activity fall in the first half of 2022 against a backdrop of capital market volatility, geopolitical tension and risk aversion in global markets.

BofA posted a nearly 34% drop in second-quarter profit, hurt by a plunge in investment banking revenue as activity was a fraction of last year's record levels.

Profit attributable to common shareholders fell to $5.93 billion, or 73 cents per share, in the quarter ended June 30, down from $8.96 billion, or $1.03 per share, a year earlier.

With IPOs frozen and companies slowing deals, Bank of America's investment banking fees fell 47% to $1.1 billion in the quarter. Revenue for the quarter, net of interest expense, rose 6% to $22.7 billion.

The U.S. Federal Reserve has been raising interest rates rapidly, in line with its commitment to control the highest inflation in decades. While recession risks persist, the move has so far not translated into higher profits for banks, which tend to thrive in a high interest rate environment.

Bank of America's net interest income, a metric that measures the difference between interest earned on loans and the amount paid on deposits, rose 22%, or $2.2 billion, to $12.4 billion.

Because of the composition of its balance sheet, BofA is the most sensitive among large U.S. banks to changes in interest rates.

"Our U.S. consumer customers continued to be resilient, with deposit balances and spending levels remaining strong," said CEO Brian Moynihan.

The bank's combined credit and debit card spending rose 11% to $220.5 billion from the immediately preceding quarter. The figure was also up 10% year-on-year.

Bank of America shares, which have fallen nearly 28% year-to-date, were flat in premarket trading.

Goldman Sachs

Goldman Sachs Group Inc. reported a 48% drop in second-quarter profit, which was cushioned by strength in its fixed-income operations as investors revised their bets amid sharp market swings.

Revenues from the global markets unit, which houses **Goldman**'s trading desks, rose 32% to $6.47 billion, with fixed income, commodities and trading revenues up 55% and equities up 11%.

The unit helped the bank offset a decline in the investment banking business due to a drop in underwriting activity and M&A transactions, amid risk aversion in global markets.

Goldman's investment banking revenues fell 41% to $2.14 billion in the quarter. Revenues from equity and debt underwriting declined, as did those from stock price advisory and mergers and acquisitions.

The bank's net income fell 23% to $11.86 billion in the second quarter, and profit almost halved to $2.8 billion, or $7.73 per share.
Runaway inflation and rising borrowing costs to combat it have shaken global financial markets, forcing companies to curb their appetite for mergers while slowing their efforts to raise cash through equity or debt offerings.

Asset management was another weak spot for **Goldman**, with net income of $1.08 billion, down 79% from the second quarter of 2021.

Load-Date: August 17, 2022

Mexican startup Clara seeks to expand to Peru and Chile; receives Goldman loan

CE Noticias Financieras English

August 8, 2022 Monday

Length: 359 words

Body

Mexican startup Clara - which lends to companies and helps manage their expenses - is working to expand into Peru and Chile with the backing of a US$150 million credit line extended by **Goldman Sachs Group Inc**. This makes it the latest Latin American fintech to receive support from the New York-based banking giant.

The financing, which starts at US$50 million with the option to increase to US$150 million, will help the Mexican unicorn boost its lending operations, accelerate its expansion in Latin America and invest in its technology, Clara CEO and co-founder Gerry Giacoman said in an interview with Bloomberg News.
"This new line of credit will allow us to double our presence in Mexico, while allocating resources to our regional expansion and new product development," Giacoman said.

Goldman has extended lines of credit to several startups in the region this year, defying industry-wide expectations that money for unicorns is running out. The bank provided US$160 million in support to Mexico's Konfio, lent US$233 million to MercadoLibre last month and, earlier this year, was involved in the US$650 million credit line to Nubank.

Partnering with **Goldman Sachs** is a solid step for Clara as it looks to continue to grow, Giacoman said. "It was interesting for us to select **Goldman** as the partner on this occasion, because it is a partner that can grow with Clara for a long time as our client portfolio continues to grow, as we grow to other countries, because they are a global bank that also has operations throughout Latin America," he said.
Clara reached unicorn status, or a US$1 billion valuation, in December, just seven months after its first round of funding. The startup operates in both Mexico and Brazil and recently expanded into Colombia. It says it works with more than 5,000 companies and aims to double that number by the end of the year.
Clara also reported that it hired Andre Henrique Santoro of RappiBank as chief risk officer and former American Express vice president Tina Reich as an advisor.
Clara plans to explore additional financing, both through investment rounds and debt, but not in the immediate future, Giacoman said.

Load-Date: September 7, 2022

Banks flood U.S. market with bonds that many did not expect

CE Noticias Financieras English

July 21, 2022 Thursday

Length: 384 words

Body

Wall Street banks were supposed to be done for the year with much of their debt placements. This week, however, they sold another $27.5 billion in bonds.

About $10 billion came from a sale by Bank of America Corp. on Tuesday. On Monday, JPMorgan Chase & Co., Wells Fargo & Co. and Morgan Stanley together sold another $17.5 billion. And **Goldman Sachs Group Inc**, which hasn't announced a bid, could add even more to the total.

The sales are much larger than many expected: JPMorgan strategists were forecasting between $14 billion and $16 billion from the big banks. But companies are looking to tap the market before the Federal Reserve tightens monetary policy further and it becomes even more expensive to borrow money, according to David Knutson, head of U.S. fixed-income product management at Schroders Plc.
On top of that, regulations following the global financial crisis have made banks anxious to keep their liquidity levels high, particularly now, Knutson added.
Meanwhile, investors are looking to buy stocks that have outperformed the broader market. U.S. corporate bonds from financial issuers have fallen 11.8% in 2022, compared with a 13.7% decline for the overall investment-grade market.
Banks are typically some of the biggest sellers of corporate bonds, but have been particularly strong issuers this year. Financial firms have sold about $427.7 billion of such instruments in 2022, representing 55% of total issuance, according to data compiled by Bloomberg News. At this point last year, that figure was approaching US$ 395 billion, or about one-third of total sales.

For the rest of 2022, bank issuance will depend largely on balance sheet trends, particularly loan growth and deposit attrition, said Baylor Lancaster-Samuel, vice president of fixed income at Amerant Investments **Inc**. But they will likely remain big issuers, she asserted.

Goldman Sachs suggested it will start shrinking its balance sheet, but will probably continue to issue debt in the coming days, according to Bloomberg Intelligence credit analyst Arnold Kakuda. The firm was the most active issuer among the largest banks and among the most active in the first half of 2022, he added.
"Volatility may persist, which may be incentivizing banks to boost issuance before they raise borrowing costs further," Kakuda explained.

Load-Date: August 17, 2022

Use of personal devices to cost Morgan Stanley US$ 200 million

CE Noticias Financieras English

July 17, 2022 Sunday

Length: 254 words

Body

Morgan Stanley said it expects to pay a US$200 million fine related to a wide-ranging U.S. investigation into the use of unapproved personal devices.

The amount is based on the company's discussions with the U.S. Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), which have been investigating the matter on Wall Street.

Financial firms are required to scrupulously monitor communications related to their business. That system, which has been challenged by the proliferation of mobile messaging apps, came under even more pressure with remote work shortly after the onset of the COVID-19 pandemic. Entities have investigated banks such as JPMorgan Chase & Co, Citigroup **Inc**. and **Goldman Sachs Group Inc**.

Morgan Stanley disclosed the expense figure in its second-quarter earnings statement, saying the $200 million was "related to a specific regulatory matter regarding the use of unapproved personal devices and the firm's record-keeping requirements." Total noninterest expense was $9.71 billion, above the $9.53 billion expected by analysts.

In December, the SEC and CFTC levied $200 million in fines against JPMorgan, saying that even the bank's CEOs and other senior supervisors had evaded regulatory scrutiny by using services such as WhatsApp or personal email addresses for work-related communication.

In February, Citigroup said in a filing that it was cooperating with the SEC as the regulator investigated "communications sent through unapproved electronic messaging channels."

Load-Date: August 17, 2022

Falling Latin American currencies threaten further rate hikes

CE Noticias Financieras English

July 16, 2022 Saturday

Length: 257 words

Body

Latin America's central banks may be forced to extend rate hike cycles in an effort to prop up battered currencies that threaten financial stability, analysts at **Goldman Sachs Group Inc**. said Friday in a report.

The region's currencies, particularly the Chilean and Colombian pesos, "remain vulnerable to intensifying recession fears, deteriorating economic activity in China (and a subsequent further commodity slump) or a more hawkish Fed," Alberto Ramos, **Goldman**'s chief Latin America economist, and colleagues wrote in a research note to investors.

"Central banks will be under pressure to extend rate hike cycles that are already long and deep, moving the monetary stance deeper into contractionary territory even as growth prospects deteriorate."

Both Colombia's and Chile's currencies hit record lows this month, with Latin American currencies accounting for five of the eight worst-performing emerging market currencies tracked by Bloomberg.

In recent weeks, currencies have been hit hard by massive commodity sell-offs, while the dollar remains strong and recession fears are rising, the note said.

In addition to tighter interest rates, central banks may be "justified" in intervening in currency markets, as Chile has done with a $25 billion injection, the note said.

The drop "adds additional strength to an already very hot and challenging inflation backdrop, insofar as a significant and very rapid weakening of the currency will soon feed through to domestic prices and trigger a further unwinding of inflation expectations," they wrote.

Load-Date: August 16, 2022

China's growth slows; GDP target out of reach

CE Noticias Financieras English

July 15, 2022 Friday

Length: 232 words

Body

(Bloomberg) -- China's economy grew at the slowest pace since the coronavirus outbreak first hit the country two years ago, making Beijing's growth target for the year increasingly unattainable as economists further cut their forecasts.

The 0.4% expansion in gross domestic product reported for the three months through June-when dozens of cities, including Shanghai and Changchun, imposed shutdowns-was the second-weakest on record. **Goldman Sachs Group Inc**. quickly cut its full-year growth forecast to 3.3%, saying the figures suggest the covid shutdowns during the last quarter took a bigger-than-expected toll on the economy.

The slowdown means Beijing will miss its GDP target of around 5.5% by a wide margin this year, the first time that is likely to happen. The government did not set a target for 2020, during the first wave of the coronavirus outbreak, and only fell just short of it in 1998, by 0.2 percentage points.

China's outlook remains highly uncertain as the president, Xi Jinping, remains committed to his zero covid approach to eradicating contagions. The emergence of the BA.5 subvariant in several cities raises the threat of further blockades. The number of confirmed covid cases on Friday reached the highest level since May.

Original Note:

China Growth Slows Sharply, Putting GDP Target Out of Reach (3)

More stories like this are available on bloomberg.com

Load-Date: August 16, 2022

Goldman lowers estimate for emerging sovereign debt sales

CE Noticias Financieras English

July 23, 2022 Saturday

Length: 297 words

Body

Goldman Sachs Group Inc. cut its estimate for dollar-denominated sovereign bond sales in emerging markets this year by 23% as volatile financial markets drive up borrowing costs.

Total debt issuance is forecast at around US$85 billion by 2022, which contrasts with an earlier estimate of around US$110 billion, according to a note by Teresa Alves, a strategist at **Goldman** in London, published on Monday. The figure would be the lowest since 2015, and 38% below the five-year average, the note said.
Governments and companies around the world are scaling back debt sales as interest-rate hikes by major central banks and the war in Ukraine raise borrowing costs.
Inflation is also deteriorating conditions for borrowers, who have seen the average yield on emerging market dollar debt rise more than 300 basis points to 7.45% since the beginning of the year.
"Increased market volatility and rising yields have made it more difficult for sovereigns to access capital markets," Alves wrote. "Market access remains difficult for high-yield issuers, while in investment grade, high oil prices have led to little issuance from the Gulf Cooperation Council."
Latin America is likely to be the largest regional issuer this year, followed by Asia and the GCC region, "although we see downside risks to our forecast for GCC issuance in light of high oil prices," the strategist wrote.

Goldman also cut its high-yield sovereign debt issuance projection to US$35 billion in 2022, down from the previous estimate of US$50 billion. This new target would be a similar level to 2015, according to the note.
Meanwhile, bond sales from investment-grade countries are now forecast at US$50 billion, down from US$60 billion previously, as high oil prices reduce demand for financing for Middle Eastern countries.

Load-Date: August 17, 2022