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THE WALL STREET JOURNAL.

Goldman Scores Lift From Revival in Deals

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737 words
16 July 2024
The Wall Street Journal
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English

Goldman Sachs posted a 21% increase in investment-banking revenue in the second quarter from a year ago, joining a slew of other big banks with double-digit gains as dealmaking on Wall Street accelerated.

JPMorgan Chase, Citigroup and Wells Fargo reported last week jumps in investment-banking revenue. More favorable economic conditions and booming markets gave corporate executives the confidence to pursue mergers, refinance debt and issue stock.

"From what we're seeing, we are in the early innings of a capital markets and M&A recovery," Goldman Chief Executive David Solomon said on a call with analysts on Monday.

Goldman's overall profit increased 150% from a year ago, when the bank took losses from its consumer-lending exit, to $3.04 billion.

The stock market, which touched records in June, helped the banks' trading desks and gave a lift to their asset- and wealth-management businesses, which handle investment funds and oversee accounts for institutions and wealthy individuals.

Goldman has refocused on its Wall Street operations after deciding to exit from consumer lending and reported a 27% revenue jump in its asset- and wealth-management business. Both JPMorgan and Wells Fargo posted 6% revenue increases in their asset- and wealth-management businesses, while Citi's wealth-unit revenue was up 2%. All four banks reported higher trading revenue.

A more stable outlook for interest rates is giving bankers renewed hope that dealmaking is emerging from a two-year drought.

Still, they remain hyper-aware that an economic setback or political upheaval could derail activity at any moment.

Global M&A volumes, while up about 8% in the second quarter from a year ago, are still below those of the deal boom coming out of the pandemic. Global M&A volume was about $800 billion in the second quarter, compared with $1.2 trillion and $1.5 trillion in the second quarters of 2022 and 2021, respectively, according to Dealogic.

The largest deal so far this year was Capital One's $35 billion agreement to buy Discover Financial, and a string of deals in the oil patch have kept bankers busy.

In a sign of companies' increasing appetite for deals, Google is in talks to purchase **cybersecurity** startup Wiz for around $23 billion, in what would be its largest acquisition ever, The Wall Street Journal reported on Sunday.

Also helping is the fact that private-equity firms that have been on the sidelines are starting to unload their investments, Solomon said, a trend he expects to continue.

JPMorgan, Citigroup and Wells Fargo reported increases in investment-banking revenue of 46%, 60% and 38%, respectively, in the second quarter from a year earlier.

Goldman's investment-banking revenue increased 21%, though it was down from the bank's first quarter this year, as were Citi's and Wells Fargo's. This marks the second consecutive quarter of year-over-year growth in Goldman's investment-banking fees following two years of mostly declines. Solomon said the firm's investment-banking backlog increased significantly.

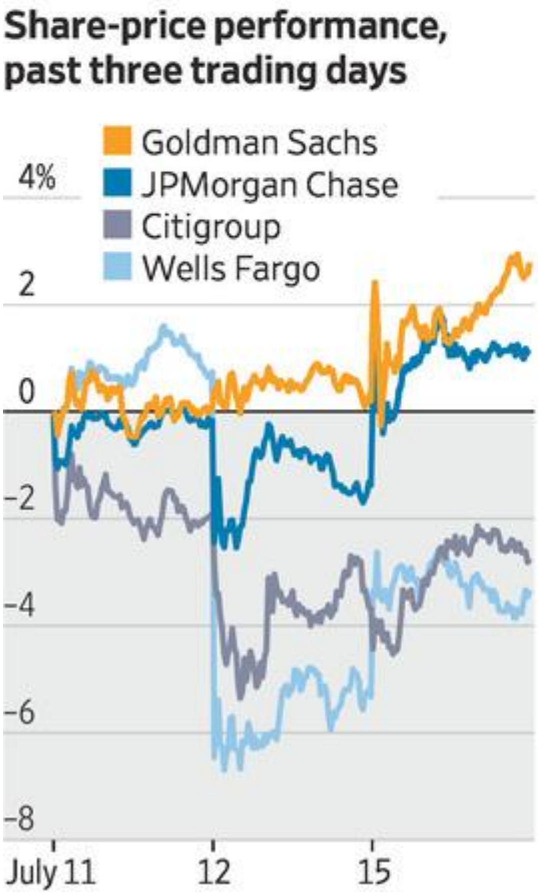
Still, JPMorgan finance chief Jeremy Barnum said Friday that part of the bank's jump in M&A fees was from some deals getting concluded earlier than expected. He cautioned against viewing the quarter's trend as an overall market dynamic. "We remain cautiously optimistic about the pipeline, although many of the same headwinds are still in effect," Barnum said.

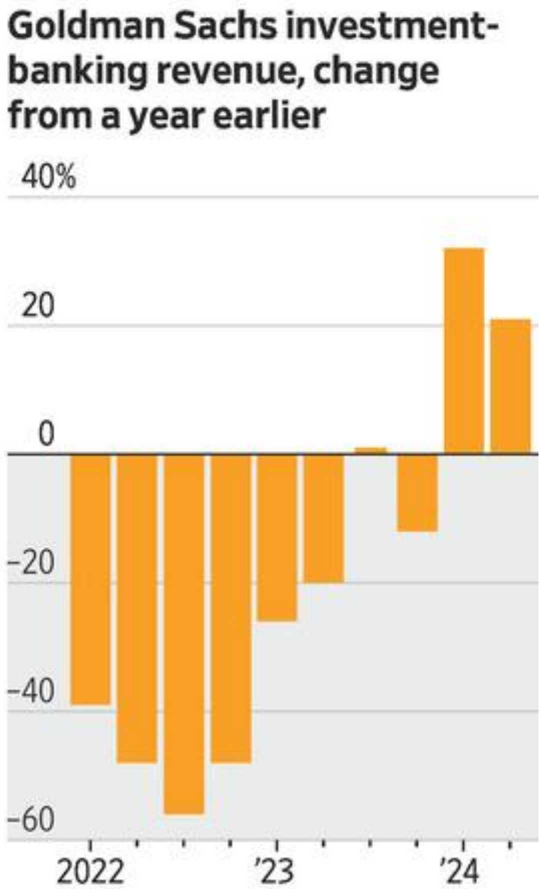
Meanwhile, trading revenue at Goldman totaled $6.35 billion, up 12%, helped by lending to institutional clients. Goldman has been pushing into this type of lending, which offers more predictable revenue. The company views this as a way to get a bigger share of clients' overall business and create a stickier relationship with them.

Goldman's results Monday showed how crucial its asset- and wealth-management business is to the firm's overall profit and revenue. Management and other fees from asset and wealth management hit a record for the firm in the second quarter, increasing 8% from a year earlier to $2.54 billion.

As part of its yearslong overhaul of this division, Goldman has been focused on generating a steady stream of fees off managing client investments and money. Goldman wants those fees to help offset lulls in investment banking and trading.

Goldman shares closed up 2.6% Monday. They've risen roughly 27% so far this year.





Sources: FactSet (performance); the company (investment-banking revenue)

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