DOW JONES

THE WALL STREET JOURNAL.

Lenders Tighten Approval Standards

By AnnaMaria Andriotis and Peter Rudegeair
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Banks and financial-**technology** firms are starting to toughen approval standards for new loans to consumers and small businesses.

Large U.S. lenders including JPMorgan Chase & Co., Bank of America Corp., Capital One Financial Corp. and Santander Consumer USA Holdings Inc. are among the companies reviewing and revising certain lending criteria, according to people familiar with the matter. Planned moves include approving fewer consumers with lower credit scores, asking for more income documentation and placing lower spending limits on new credit cards.

American Express Co. has scaled back financing offers to small businesses, according to people familiar with the matter. **Fintech** lenders Square Inc. and On Deck Capital Inc. said this week they would do the same.

About half a dozen lenders that have found borrowers through Fundera Inc., an online marketplace for small-business loans, have paused new extensions of credit, said Fundera CEO Jared Hecht. "Lenders have zero idea how to assess risk in this environment," Mr. Hecht said. "There is no model that can predict today if I lend $1, will I get paid back?"

Lenders are concerned that rising unemployment and a potential recession will send loan defaults soaring. The moves suggest at best a pause and at worst an end to six-plus years of a bull run in credit, where financial firms have been eager to lend and underwriting standards for credit cards, auto loans and personal loans have been relatively loose.

Lenders are scrutinizing applications for credit cards and personal loans in particular because consumers often turn to them when they are in a bind. They are usually unsecured, which means lenders have little recourse if a borrower defaults, and they can be the first loans people stop paying when money is tight.

Many lenders said they would work with existing borrowers who ask for help. Some lenders are increasing card spending limits or delaying due dates on loans.

But lenders are reluctant to take on additional risk from new customers.

"Even people who applied [for credit] in the last two weeks are more vulnerable [now] than when they applied," said Brian Riley, director of credit advisory services at Mercator Advisory Group.

Loan solicitations by email have dropped for credit cards and personal loans, according to market-research firm Competiscan. AmEx, Bank of America and JPMorgan have sent almost no card solicitations in more than a week.

The changes could be most painful for low-wage workers such as wait staff and hotel employees uncertain when their next paycheck will arrive. Some lenders say they have noticed consumers applying for credit at several financial institutions at around the same time, a sign consumers are reaching for credit lifelines while they can still get them.

To make matters worse, many Americans were overstretched before the pandemic, tapping credit cards, auto loans and student loans as costs soared over the past decade but incomes largely failed to keep pace.

LendingClub Corp., an online lender that is one of the largest providers of personal loans, said last week it would approve fewer loans from first-time applicants, require more verification of income and employment status, and reduce approval rates to "higher-risk borrower populations."

"Like many other businesses during this period, we are focused on retaining our best customers," the company said in a regulatory filing this month.

Small-business lenders also are getting stingier with credit. On Deck recently stopped making new loans to movie theaters, hotels and nightclubs. It also made other changes to "significantly tighten underwriting standards," the company said in a regulatory filing last week.

On Deck informed LD3 Inc., an auto-transport business in Berthoud, Colo., last week, that its $35,000 line of credit with a 24.9% annual percentage rate had been suspended, said co-owner Debbie Coyle. LD3 had drawn on that line intermittently since 2017, letting On Deck recoup what it was owed from LD3's checking account every week, and had paid off all outstanding balances by early February.

On Deck asked LD3 on March 20 to submit three months of bank statements and a screenshot of its business transactions over the previous few weeks if it wanted On Deck to consider reopening the credit line, according to emails reviewed by The Wall Street Journal. On Deck told LD3 it had chosen to "mitigate risk exposure" to businesses that had little or no activity on their credit lines in the previous 30 days.

"The thing that's frustrating to me is the lack of support of small businesses that are hurting right now," said Ms. Coyle, 55 years old. "The whole point of having a credit line is to be able to use it when you need it."

Ms. Coyle hasn't submitted the extra documents to On Deck and said LD3 is weighing other options. Until the effects of the coronavirus on its business were clearer and the company had a better idea how the federal government would be aiding small businesses, LD3 didn't want to explore additional loans or lenders.

On Deck said it placed a "temporary hold" on LD3's credit line "in accordance with our disaster management procedures." "By submitting updated financial information, this hold can be removed, and we have discussed this with the customer who indicated they have no need for additional credit at this time," it said.

Square Capital, the lending arm of the payments processor run by Jack Dorsey, made loan offers to some small-business customers earlier this month but then didn't fund them when customers tried to activate them in recent days.

A Square Capital spokeswoman said loan offers are expiring sooner in light of more recent data the lender gleans from processing customers' payments.

At AmEx, many salespeople tasked with calling small businesses to offer cards have been told to stand down, according to people familiar with the matter. The company also has reduced its number of loan offers to small businesses.

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JPMorgan Probed on Treasurys --- Government expands campaign against spoofing beyond derivatives

By Dave Michaels
628 words
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J
B1
English

WASHINGTON -- Authorities are investigating whether traders at JPMorgan Chase & Co. manipulated the market for Treasury securities and futures contracts, according to regulatory disclosures and people familiar with the matter.

The investigation shows that federal prosecutors and regulators continue to expand a campaign against an illicit practice known as spoofing, which has mainly focused on wily trading in derivatives. A move to scrutinize whether similar practices have affected the $17 trillion market for Treasury securities would open a new, and potentially more complicated, front in the war on spoofing.

The bank disclosed in a Feb. 25 regulatory filing that it is dealing with "related requests concerning similar trading-practices issues in markets for other financial instruments, such as U.S. Treasurys." According to people familiar with the matter, the investigation also is probing the bank's trading in futures. It couldn't be learned which time period authorities are focusing their investigation on.

The Justice Department's Fraud Section and regulators at the Commodity Futures Trading Commission are involved, the people said. A spokeswoman for JPMorgan declined to comment. A spokesman for the Justice Department declined to comment.

Regulators and other authorities cracked down on spoofing after Congress specifically outlawed the feinting strategy in 2010. Citigroup Inc. paid $25 million in 2017 to settle regulatory claims that five traders spoofed Treasury futures. The same year, the Bank of Tokyo-Mitsubishi UFJ, Ltd. paid $600,000 to resolve CFTC claims over similar misconduct.

Prosecutors' record against individual traders is mixed, however. The Justice Department has prevailed in one trial that alleged spoofing violations, but lost two others.

Spoofers typically send large orders to futures exchanges intended to change the appearance of supply and demand. If prices move in response, the spoofers may succeed at their goal -- getting a smaller order filled. They then cancel the larger order as quickly as possible. The 2010 law forbade the practice of sending misleading orders that traders don't intend to have executed.

Prosecutors and regulators have relied on detecting such trading patterns in data they obtain from futures-exchange owner CME Group Inc. Trading in Treasury securities has similarly moved to electronic venues -- one owned by CME -- although trading remains more dispersed than in futures, said James Angel, a finance professor at Georgetown University.

Unlike futures, which the CFTC oversees, no single regulator monitors trading in Treasury securities, which is considered the world's deepest and most-liquid bond market. Almost 75% of the $623 billion in average daily volume in February was traded electronically, according to Greenwich Associates research.

A move to examine trading practices in Treasury securities would be a big step in a market that has historically had little transparency, said Kevin McPartland, head of market structure and **technology** research at Greenwich.

"The CFTC has oversight of the futures market, full stop," Mr. McPartland said, "whereas the government has always taken a light touch to the markets for trading its own debt."

The CFTC's spoofing law doesn't apply to trading in Treasury securities, which is covered by different antifraud laws enforced by the Justice Department and Securities and Exchange Commission. While the CFTC has brought enforcement cases against banks over spoofing in Treasury futures, only the DOJ and SEC can police the trading of Treasury bonds, bills and notes.

Some traders say it is likely harder to manipulate secondary-market prices in U.S. Treasurys, because order sizes on the electronic networks, which serve banks and the largest proprietary trading firms, are larger than in stocks and futures.

"It is going to be a lot harder for the government to catch spoofers in the cash Treasury market than in the futures market," Mr. Angel said.

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THE WALL STREET JOURNAL.

Amid a Rout, Bull Market Turns 11 Years Old

By Akane Otani
1,041 words
9 March 2020
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J
B1
English

Few saw it coming when the stock market bottomed out 11 years ago.

Warren Buffett told CNBC in March 2009 that the U.S. economy had "fallen off a cliff." State offices were flooded by people filing for unemployment benefits and analysts warned the selling could last longer.

Against all odds, stocks turned higher the next day. And they have kept climbing to records with relatively few prolonged interruptions -- that is, up until just a few weeks ago.

If investors started the year fairly confident that the run would continue for at least another 12 months, many are rethinking their calls now. The emergence of the novel coronavirus has disrupted everyday life from China to Italy; sent Treasury yields tumbling to record lows; and thrown a wrench in Wall Street's attempts to forecast how the rest of the year will unfold.

"2020 will be the year of the virus," said David Kelly, chief global strategist at J.P. Morgan Asset Management.

Mr. Kelly added that he had observed mayhem while shopping at warehouse retail chain Costco Wholesale Corp. "We're not seeing [the epidemic's] effects on the economy yet, but we could. And in fact, we probably will," he said.

Making matters worse: Much of the selling in the past couple of weeks appears to have been driven by high-frequency traders and algorithmic strategies, which have exacerbated stock swings just after the stock market's open and before the market's close, said Michael Drummey, head of trading at Mizuho Americas LLC. "The real buyers are standing down just to wait and see what happens," Mr. Drummey said.

So far, the ensuing rout hasn't been as bad as prior downturns. At its lowest point this year, the S&P 500 was down 13% from its mid-February high -- still several percentage points away from tipping into what would qualify as a bear market.

In 2011 and 2018, for example, stocks came within a whisker of entering bear-market territory, which is defined as a 20% drop from the market's recent high.

The 2011 downdraft occurred amid a downgrade of the U.S. sovereign-credit rating and a fight between the administration and Congress over the country's debt limit. In late 2018, stocks cratered as fears grew about the impact of the U.S.-China trade war and interest-rate increases by the Federal Reserve.

Today, investors are grappling with entirely different problems. They are worried about the likelihood that global economic growth cools as a result of the coronavirus epidemic.

And markets are pricing in an increasingly grim picture. Shares of companies that rely on consumers going about their everyday activities have tumbled: JPMorgan Chase & Co. is down 22% for the year; United Airlines Holdings Inc. fell 41% and Kohl's Corp. shed 32%.

Much of investors' trepidation stems from one indisputable fact: No one knows how bad the epidemic will get.

Forecasts are as varied as one could imagine. Under one scenario, Goldman Sachs Group Inc. sees economic growth slowing sharply in the first half of the year, then rebounding in the following quarters.

But in another -- in which the epidemic evolves into a more disruptive pandemic -- Goldman believes the U.S. economy could fall into recession and the bull run in stocks could end.

Index provider MSCI Inc. built a model to predict how much more stocks could fall if reduced spending due to coronavirus shaves 2 percentage points off global growth in the short term. Under such a scenario, the company believes U.S. stocks could fall as much as 22% from their Feb. 19 high.

However it all unfolds, it appears that Wall Street agrees on one thing. The epidemic has displaced prior threats like stretched valuations, a run-up in growth stocks and a bitter trade feud between the U.S. and China as the No. 1 threat to the bull market.

"This is something different. It affects the way people go about their lives and I think that's what's causing angst in the broader economy and feeding into markets," said Bill Callahan, investment strategist at Schroders PLC.

If there is an upside to the selling, it is that parts of the markets that had looked expensive are now trading at more modest valuations.

Technology stocks, long the leaders of the bull market, had run up so quickly the past few years that some investors worried they were vulnerable to a violent reversal that could take down the broader market. But now many dominant companies are only up modestly for the year, with Microsoft Corp. up 2.5% and Amazon.com Inc. up 2.8%. In some ways, the pullback appears to have brought valuations back to levels that seem more realistic given the current economic environment.

Not all investors have viewed recent declines as necessarily the start of a more painful downturn.

"If you look at this bull market over the past decade plus, there've been so many market spasms, and the typical pattern is that the market goes through a mini-correction and then comes out on the other side," said Dave Donabedian, chief investment officer at CIBC Private Wealth Management.

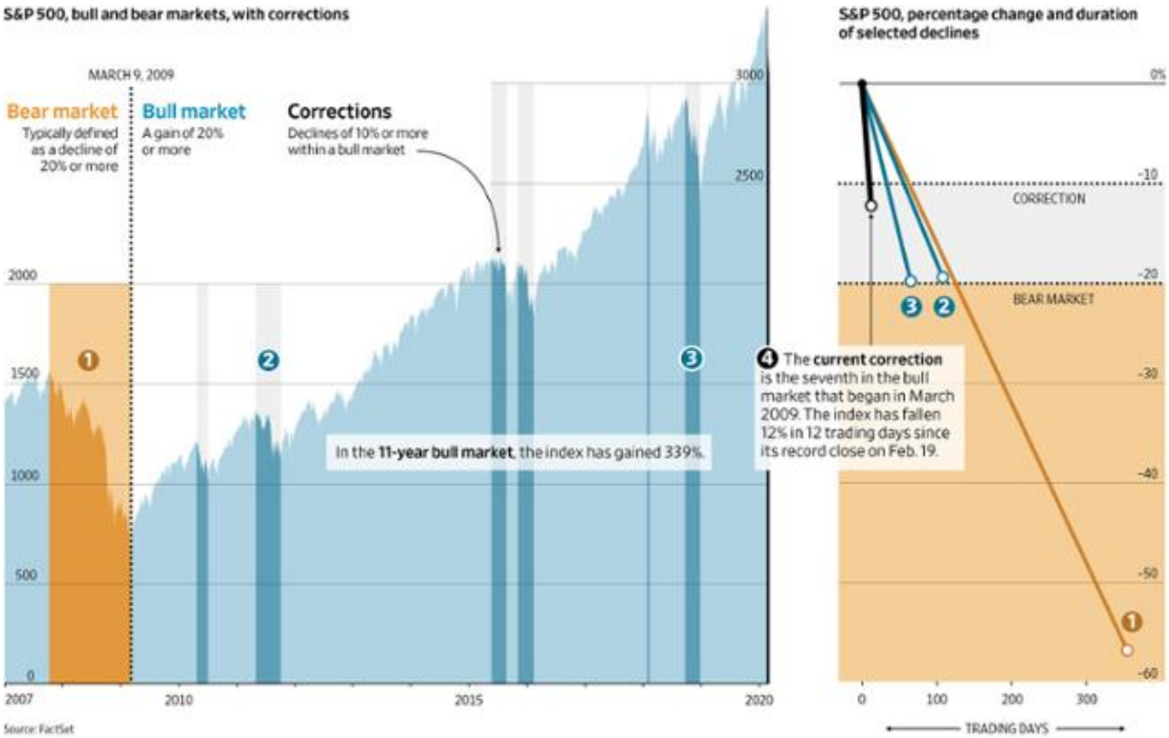
Still, that hasn't stopped nervousness from rippling across the investing world, affecting everyone from seasoned traders to individual investors rushing to log into their brokerage accounts.

"I'm a little tired," joked R.J. Grant, director of equity trading at KBW Inc. He noted the irony of working a job in which punishing bouts of selling are actually a boon for business. "I haven't opened my personal account," Mr. Grant said.

Financial-planning company Edelman Financial Engines LLC, which counts more than a million 401(k) investors among its clients, said its call center staffed by financial advisers got four times the number of usual phone calls on Feb. 28.

Even those who believe the market will rebound are reluctant to predict when the worst of the selling will be over.

"One negative headline can send the market into a tailspin, but there's no one positive headline that can give us the all clear," said Mizuho's Mr. Drummey.



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THE WALL STREET JOURNAL.

Technology
Speedy Computer Gives Honeywell A Quantum Leap

By Sara Castellanos
433 words
4 March 2020
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B4
English

Industrial conglomerate Honeywell International Inc. said it plans to introduce an early-stage quantum computer for commercial experiments within about three months, with JPMorgan Chase & Co. as the first public user.

A Honeywell executive said the machine is set to be the world's most powerful quantum computer by one measure, as it vies for a leading position in the nascent **quantum-computing** market against **technology** giants such as International Business Machines Corp., Alphabet Inc.'s Google and Microsoft Corp.

Tony Uttley, president of Honeywell Quantum Solutions, said the **technology** will be used by companies interested in significantly speeding up calculations and developing new materials and new trading strategies for financial services. The **technology** could also speed up calculations that involve **machine learning**, for use by industries such as aerospace and oil and gas. Honeywell already develops **technology** for those sectors.

"We believe that **quantum computing** is going to profoundly impact a number of industries," Mr. Uttley said.

Honeywell also has recently made undisclosed investments in **quantum-computing** software companies Cambridge **Quantum Computing** Ltd., based in the U.K., and Boston-based Zapata Computing Inc., Mr. Uttley said.

By harnessing the properties of quantum physics, quantum computers have the potential to sort through a vast number of possibilities nearly instantaneously and come up with a probable solution. While traditional computers store information as either zeros or ones, quantum computers use quantum bits, or qubits, which represent and store information as both zeros and ones simultaneously. No commercial-grade quantum computer has been built yet.

By 2023, a fifth of organizations, including businesses and governments, are expected to budget for **quantum-computing** projects, up from less than 1% in 2018, according to research and advisory firm Gartner Inc.

Mr. Uttley said Honeywell expects its machine to be "the world's most powerful quantum computer," based on an expected quantum volume of at least 64. The computer's current quantum volume is 16. IBM in January said its quantum computer had a quantum volume of 32.

Marco Pistoia, managing director and global **technology** head of applied research and engineering at JPMorgan Chase, said he expects to use **quantum computing** to speed up computing-intensive calculations. Such calculations include Monte Carlo simulations, which are commonly used to calculate the theoretical value of an option.

Quantum computing could also be used in portfolio optimization.

JPMorgan could also use the **technology** to detect fraud, because quantum computers can potentially take into account vastly more data points than traditional computers, including a mix of fraudulent and nonfraudulent data.

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Banks Plan Backup Office Sites as Pandemic Prep

By Rachel Louise Ensign, Liz Hoffman and Justin Baer
852 words
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B9
English

U.S. banks are preparing for a worsening coronavirus outbreak by laying plans to move staffers to back-office sites, limiting contact with clients who have been abroad and curbing employee travel.

Morgan Stanley, whose New York City stock-trading floor is the country's busiest, is preparing a backup site in suburban Westchester County. JPMorgan Chase & Co. has nixed all nonessential international trips. Goldman Sachs Group Inc. is canceling some conferences and evaluating powering up a parallel trading floor in Greenwich, Conn.

Not since the Sept. 11, 2001, terrorist attacks have Wall Street banks faced a logistical challenge like the one potentially posed by a coronavirus outbreak in the U.S. Sustained quarantines and widespread business closures would hit credit-card and corporate-lending businesses. Further interest-rate cuts, which the Federal Reserve may use to shore up the economy, would crimp profits.

"If planes are not flying in and out of China, if hotels are not being filled -- which they're not at the moment -- and if the supply chains are being impacted which I suspect they are, there's going to be some impact," Visa Inc. Chief Executive Officer Alfred Kelly said last month.

While **technology** has made it possible for many to work from home, the multiple screens and compliance systems installed on Wall Street trading floors can't be easily replicated on a laptop. And investment banking is still a face-to-face business, drummed up by weeks on the road.

Financial firms have drawn up elaborate contingency plans in recent years that they hope will allow them to keep operating smoothly. Just a few weeks ago, Bank of New York Mellon Corp. ran a drill temporarily shutting down its downtown Manhattan headquarters, an executive said.

Despite the market meltdown, trading floors at many banks remain calm. One salesperson said increased activity meant it was a bit noisier than usual, but nothing compared with the 2010 flash crash or the weeks leading up to the 2008 collapse of Lehman Brothers.

Banks and brokers have opened backup facilities throughout the world in recent years. Many are required by their regulators to plan and test for various scenarios, said Glenn Schorr, an analyst with Evercore ISI. Significant improvements in computing power and telecommunications networks also have made working remotely a possibility for many more employees.

One key obstacle for firms will be how they contend with rules on recording phone calls and other communications related to specific transactions when traders aren't working from their usual desk, one bank executive said. Industry officials are urging regulators to consider relaxing these surveillance rules in the event that employees are forced to work from home, this executive said.

Officials at the Securities Industry and Financial Markets Association, an industry trade group, have raised the surveillance issue in discussions with the Securities and Exchange Commission, along with other potential challenges Wall Street would face during a wide-scale evacuation of U.S. trading floors.

"We are providing information to them for them to consider," said Kenneth Bentsen, Sifma's president and CEO. "We haven't made a formal request."

In some ways, the job of girding against pandemic has gotten simpler. The advent of electronic exchanges, trading algorithms and other technological advances on the markets have steadily shrunk the number of employees on trading floors on Wall Street and elsewhere. And many who remain are in roles that can be performed adequately in remote locations.

With the addition of software engineers, compliance staff and other in-demand positions, the securities industry's total New York City workforce rose to 180,300 last year from 165,900 in 2003, according to the

New York State Department of Labor. But the number of employees classified by the department as brokers -- or those who serve as intermediaries between buyers and sellers -- has dropped to 53,300 from 73,000 in the same period.

The 12 biggest global investment banks employed 26% fewer equity traders, salespeople and analysts at the end of 2019 than they did in 2010, according to industry-data firm Coalition Ltd. Front-office staff on bond-trading desks have tumbled 42% over the same period, according to Coalition.

That said, the task of limiting health risks is far-reaching. Like other large companies, lenders are limiting employee exposure to countries where the virus has taken hold. Morgan Stanley's upcoming annual Hong Kong summit will be virtual, while Citigroup Inc. and Bank of America Corp. have restricted employee travel to Asia and Italy.

Goldman's private bankers are canceling meetings with clients who have been to virus hot spots, according to clients. Registered attendees of several upcoming Goldman conferences received emails asking them to stay home if they recently visited virus-affected regions.

A sign at the front desk of the bank's downtown Manhattan headquarters asks visitors who have recently returned from mainland China -- or been in contact with someone who has -- to reschedule.

Julia-Ambra Verlaine and David Benoit contributed to this article.

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Technology

FMR to Spin Out Data Startup --- Fidelity parent hopes to accelerate use of its platform for sharing account information

By Justin Baer
635 words
21 February 2020
The Wall Street Journal
J
B4
English

Fidelity Investments' parent company is spinning out its software startup that gives consumers more control over how their bank-account information is shared with tax, budget and other online financial applications.

FMR LLC founded the startup, a wholly owned unit of the firm called Akoya, two years ago. But in a bid to help jump-start the use of Akoya's platform, FMR sold stakes in the company to a dozen other financial firms. Among those new investors are many of the banks FMR hopes will be Akoya customers, including JPMorgan Chase & Co., Bank of America Corp. and Wells Fargo & Co. Financial terms weren't disclosed.

Akoya expects its platform to go live with customers other than Fidelity later this year, the company said. It sits between the financial-services firms that manage consumers' accounts and the many apps that aggregate information to help clients manage their personal finances.

Akoya lets customers choose which apps can access data from their bank, mutual-fund and brokerage accounts and how much information those apps can grab. When a customer links a new app to their bank or brokerage account, instead of giving it their username and password they are sent a dashboard that governs access through their financial firm.

Customers can later use that dashboard to limit or revoke apps' access to their account data.

The platform aims to put an end to "screen scraping," the process where the app company's software obtains the customer's sign-in information, logs in as that individual and extracts their data. Many banks have grown uncomfortable with this approach, in which apps essentially impersonate their customers, said Peter Wannemacher, principal analyst at Forrester Research Inc.

Akoya executives say financial firms will pay for the platform so they don't have to build one themselves or negotiate data-sharing agreements with each of the apps its clients want to use.

"It's a two-sided network," said Stuart Rubinstein, Akoya's chief executive.

To be effective, though, Akoya needs many participants to plug into its network.

By separating from FMR, Akoya seeks to address any discomfort other institutions might have with a platform housed inside a fellow financial-services heavyweight. Fidelity has more than 30 million customers and $8.3 trillion in assets under administration. By bringing in many of the biggest banks as investors, Akoya believes it has locked up enough users on one side of the network to lure app developers on the other.

"When we envisioned building a utility, we realized we might need to spin it out," Mr. Rubinstein said.

Akoya's success will hinge on whether it emerges as a primary network for sharing financial data, Mr. Wannemacher said. Other early-stage startups are pursuing a similar idea, he said, and some banks may offer similar services themselves.

Akoya executives said their discussions with banks and other financial firms led them to Clearing House Payments Co., whose network settles trillions of dollars in electronic payments. Clearing House, which had been developing its own data-management platform, signed on as an investor along with 11 of its member banks.

In addition to JPMorgan, Bank of America and Wells Fargo, Capital One Financial Corp., Citigroup Inc., Huntington Bancshares, KeyCorp, PNC Financial Services Group Inc., TD Bank NA, Truist Financial Corp. and U.S. Bancorp have also invested. FMR kept a stake for itself.

Mr. Rubinstein declined to say how much each bank put into the startup, or what those investments meant for Akoya's valuation.

The company hasn't yet started to bring in revenue, and so far only Fidelity has plugged into the Akoya platform.

Based in Boston, Akoya has fewer than 50 employees.

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THE WALL STREET JOURNAL.

JPMorgan's Hot Stock Puts Buybacks in Doubt

By David Benoit
922 words
3 February 2020
The Wall Street Journal
J
B1
English

James Dimon is facing a Warren Buffett-like problem: a lot of cash and an expensive stock.

Over the past three years, Mr. Dimon's JPMorgan Chase & Co. has spent most of its profit on share repurchases. That has been a boon for shareholders, since buybacks typically increase a company's stock price.

The issue is that JPMorgan shares, trading as they are at records, are getting more expensive.

Analysts and investors are starting to ask if that means repurchases will slow.

Chief Financial Officer Jennifer Piepszak said on a conference call last month that the bank would "look at alternatives" to buybacks if the stock continued to rise. "It's a high-class problem," she said.

That high-class problem is concerning for some.

Banks' margins and profits are expected to slip this year as interest rates stay low. Slower buybacks could add to the pressure on returns and, therefore, the stock.

"That puts them in a bind," said D.A. Davidson & Co. analyst David Konrad. "There are a couple headwinds, and one of them is the expectation the buyback starts to decline."

In a buyback, a company uses its cash to buy its own existing shares, reducing its share count. That means a company's per-share earnings can rise even if profits don't.

Buybacks can be a self-fulfilling prophecy for the stock price. Since each remaining share gets a bigger piece of the profit and value, that can drive investors to bid up the shares.

Buybacks return profits to shareholders but reward investors in the long term only if shares keep rising.

There is a tradition of executives proving overly confident about future prospects and spending billions to buy stocks that then go south.

Big banks, including JPMorgan, Citigroup Inc. and Bank of America Corp., had big buybacks in the years just before the financial crisis.

Citigroup and Bank of America haven't yet recovered those prices.

JPMorgan has, and it has also been posting record profits Its recent buyback spree has been a good deal.

The $59.5 billion of shares JPMorgan repurchased in the past three years would now be valued at about $75 billion.

As buybacks have surged across corporate America, they have spurred criticism that companies are failing to think long term and care only about stock prices.

Democratic presidential candidates, including Elizabeth Warren and Bernie Sanders, have discussed whether to restrict how much stock U.S. companies can buy back, arguing that the money would be better spent on employee wages instead.

Mr. Dimon said he prioritizes investments in the bank first, then dividends and then buybacks.

He said he would repurchase stock only when it was a good value for the company compared with other potential returns.

The bank has increased spending in recent years above competitors, with big bets on **technology**, new branches and expansions overseas, but is nearing a ceiling and is expected to keep spending near current levels.

JPMorgan has also increased its dividend 10 times in the past nine years.

But banks have to hold extra capital if they decide to pay dividends, and shareholders have to pay taxes on them.

What's left is buybacks. Investors and analysts regularly seek updates on where Mr. Dimon's ceiling is for them. It has been creeping upward along with the bank's stock and profitability.

He said in 2012 the math started making less sense when the stock traded above 1.35 times tangible book value, a measure of the worth of a company's assets.

In 2017, he said it still made sense to repurchase around 2 times tangible book. In 2018 he said he wouldn't do it at 3 times tangible book, though, calling it "crazy."

JPMorgan's tangible book value is $60.98 a share and the stock has been trading near $140 this year, about 2.3 times the metric. (The stock has slipped recently.)

A year like the stock had in 2019, when it gained more than 40%, would likely put it past 3 times.

JPMorgan has paid out $87 billion in buybacks and dividends over the past three years -- 98% of its profit, roughly in line with rivals.

Most of that has been through stock repurchases.

The buybacks have juiced per-share earnings.

The bank earned $10.72 a share in 2019. If the share count had stayed flat from the end of 2016, all else being equal, that would have been $9.49.

Investors say they still support repurchases for the same reasons executives have defended them: JPMorgan's profitability is high and buybacks seem better than other options.

By several metrics, JPMorgan and banks broadly remain cheap compared with other stocks.

"They aren't compromising on any investments," said Kush Goel, a senior research analyst at investor Neuberger Berman. "I'm not sure it feels too rich to buy back stock at this level."

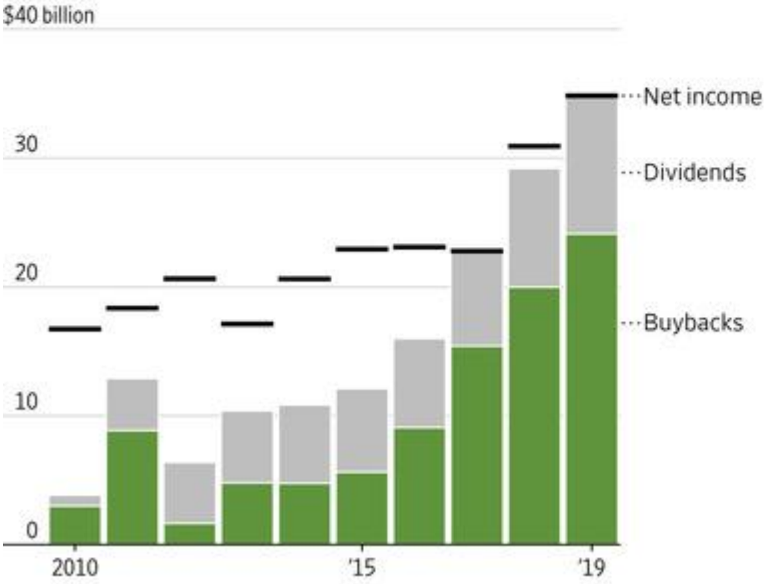
Mr. Buffett, who has been buying JPMorgan shares, appears to agree.

There is no more famous example of a company struggling with how to spend billions of dollars than Mr. Buffett's Berkshire Hathaway Inc., which has failed to find big deals in recent years, lagged behind its historical returns and come under once-inconceivable pressure for not buying back more of its stock.

Mr. Buffett has said the same value that Mr. Dimon described as "crazy" to repurchase shares would be a bargain.

The bank is worth "way more," he told CNBC last year.

JPMorgan annual buybacks and dividends



Note: Net income applicable to common equity
Source: the company

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THE WALL STREET JOURNAL.

EXCHANGE --- Markets News: Lawmakers Asks FTC To Probe Data Firm

By Ryan Tracy
241 words
18 January 2020
The Wall Street Journal
J
B11
English

WASHINGTON -- Financial-data firm Yodlee might be selling consumers' personal financial data without proper consent, three lawmakers said in a Friday letter calling on the Federal Trade Commission to investigate the matter.

The letter opened a new area of potential risk for the company, which is one of many firms that make money by selling information about consumers. Yodlee, a unit of Envestnet Inc., primarily sells software that aggregates data from consumers' financial accounts so that they can easily view their financial activity in one place.

It says the technology is used by popular mobile-phone apps such as Personal Capital and by 15 of the 20 largest U.S. banks, including JPMorgan Chase & Co., reaching more than 25 million users globally.

In a statement, the company said it complies with "law and regulations and in accordance with leading industry practices for data security and privacy."

Personal Capital said it doesn't permit Yodlee "to sell our customer data in any form even if it is anonymized." JPMorgan declined to comment.

The letter from Sen. Ron Wyden (D., Ore.), Sen. Sherrod Brown (D., Ohio) and Rep. Anna Eshoo (D., Calif.) asked the FTC to investigate whether the company's practices constitute unfair, deceptive or abusive behavior. If the commission determined that was the case, the firm could face financial penalties or other sanctions. The FTC declined to comment.

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