US banks

Wall Street traders poised to bail out bankers in first-quarter results

Market volatility expected to drive bumper quarter in trading while depressing M&A and IPO revenues

Wall Street's expectations for healthy US economic growth and a rebound in dealmaking activity have been upended © Michael Nagle/Bloomberg

Joshua Franklin in New York

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Wall Street traders are expected to report their best quarter in more than a decade after market ructions during the Trump administration's early months helped salvage an underwhelming performance by investment bankers.

In first-quarter earnings later this month, Goldman Sachs, JPMorgan Chase, Morgan Stanley, Bank of America and Citigroup are collectively expected to report about $34.5bn in revenues from equities and fixed income trading. That is up 10 per cent from a year earlier and the highest since at least the start of 2014, according to data from Bloomberg and Visible Alpha.

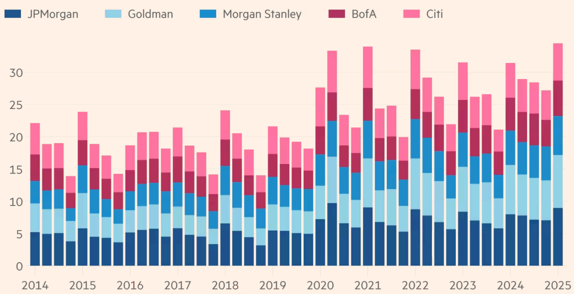
Trading activity surged before President Donald Trump's announcement last week of aggressive tariffs, which triggered a massive sell-off in US stocks.

Choppy markets — the first quarter was the worst for US stocks in almost three years — have boosted traders but hampered corporate mergers and new stock market listings despite investment bankers telling shareholders for almost two years that the industry has been on the cusp of a recovery.

"Market volatility is good for sales and trading. It's bad for investment banking," said Saul Martinez, a banking analyst at HSBC.

Wall Street banks set for best trading quarter in more than a decade

Trading revenues in $bn



Q1 2025 based on forecast from Bloomberg
Sources: Company statements, Visible Alpha, Bloomberg

Trading businesses at large investment banks have evolved since the 2008 financial crisis by moving away from proprietary trading, where a bank takes risks with its own capital, and towards facilitating and financing trades for other investors.

The first quarter is typically a strong one for trading, with banks benefiting from money managers starting the year with new positions. But even with the bumper revenues in the first three months of 2025, there are concerns that the longer the current economic uncertainty continues, the more likely it is that clients may eventually stay on the sidelines.

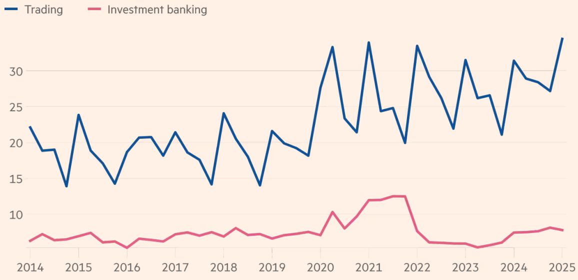
Martinez said: "There's a lot of volatility, people trading around events and movements. That helps. But if bad volatility leads to risk-off [from investors], that's not good for trading down the line."

The risk of a prolonged period of market uncertainty has deepened since Trump's tariff announcements last week.

The protectionist move has heavily dented Wall Street's expectations for healthy US economic growth this year and a rebound in dealmaking activity. The uncertainty has meant executives and investors have been progressively less upbeat about activity in investment banking for 2025.

Earnings gap between trading and investment banking widens

Revenues in $bn



Revenues are aggretate totals for JPMorgan, Goldman Sachs, Morgan Stanley, Bank of America and Citigroup; Q1 2025 based on forecast from Bloomberg
Sources: Company statements, FT calculations, Visible Alpha, Bloomberg

In the first quarter, total revenue from investment banking at the five banks is expected to rise 3 per cent to about $7.65bn. But much of that revenue will come from fees relating to mergers that had already been announced, while the number of new deals unveiled since the start of January is the lowest in more than a decade.

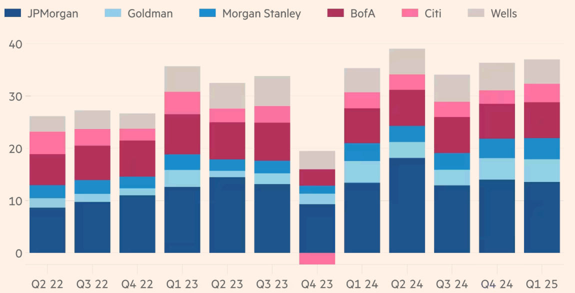
"Who knows how long that persists. But I do think it will certainly be enough to impact the earnings of the investment banks this year," said Chris Kotowski, managing director of research at Oppenheimer.

Morgan Stanley analysts on Monday pushed back the expected recovery of investment banking to normal levels of activity by two years to 2028 because of the enormous market volatility.

JPMorgan, Morgan Stanley and Wells Fargo kick off earnings on April 11, followed by Goldman on April 14 and Bank of America and Citi the following day.

Profits at large US banks set to rise year on year in first quarter

Net income in $bn



Q1 2025 based on forecast from Bloomberg
Sources: Company statements, Bloomberg

Collective profits at the six banks — the largest in the US by assets — are expected to rise about 5 per cent year on year, according to estimates compiled by Bloomberg.

Investors will also be watching for any uptick in losses in banks' lending businesses. Unpaid credit card debt has been on the rise following a burst of borrowing during and immediately after the coronavirus pandemic, when US consumers were flush with government stimulus funds.

"Most of the losses these days for the big banks certainly are credit card losses," Kotowski said. "The credit card loan portfolio grew at an 18 per cent clip in the fall of 2022. Whenever you grow that fast, there's going to be an echo of losses that come in after that."

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