The week in review

• CPI/Core CPI rose 0.6%/1.2% y/y
• Jobless claims at 1,300K
• Retail sales up 7.5% m/m
• Housing starts at 1.186M

The week ahead

• Flash Markit mfg./srvs. PMI
• New/existing home sales

Thought of the week

Last week, second-quarter earnings results for Wall Street’s banks provided investors with some clarity on how financial companies are managing through the pandemic. While at the sector level earnings for financials are still expected to fall roughly -57% in 2Q20 relative to a year ago, earnings releases suggests banks with more diversified revenue streams are performing better than expected. As shown in this week’s chart, the diversified banks generated half of their revenue in the second quarter through fee-based channels like banking and trading services, all of which improved noticeably as market volatility boosted trading activity and robust corporate borrowing boosted underwriting revenue. On the other hand, smaller regional banks generated most of their revenue from traditional lending, making their earnings much more sensitive to the low interest rate environment. It should also be noted that while many banks reported large increases in loan loss provisions - an expense set aside for uncollected loans and loan payments - in order to weather the expected increase in defaults caused by the pandemic, they are well capitalized and therefore able to bolster these positions. Going forward, the key question is whether missed payments will be forgiven or if the loans will be extended. Even so, the prospect of additional fiscal stimulus and monetary support suggests the loan loss build seen over the past two quarters should prove to be sufficient.

Please see important disclosure on next page.
Thought of the Week:
Thought of the Week: Source: FactSet, J.P. Morgan Asset Management. Diversified banks include J.P. Morgan, Wells Fargo, U.S. Bancorp, Bank of America and Citigroup. Regional banks include First Republic, Citizens Financial, Regions Financial, PNC Financial and Truist Financial. Consumer fees are income generated from lending and deposit, card services and mortgage fees. Banking services are investment banking fees and principal transactions. Invest. mgmt. fees include asset management and brokerage services. Other fees include realized gains on trading securities. Bank earnings are reported through July 18, 2020.

Past performance does not guarantee future results.

Past performance does not guarantee future results.

Options and opinions expressed constitute our judgment and are subject to change without notice, as are statements of market trend, condition, sometimes rapidly or unpredictably. International investing involves a greater degree of risk and increased volatility. There is no guarantee that a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values). Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values). Russell Mid Cap Index (The Russell MidCap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values). Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

Market Insights
Weekly Market Recap

Russell 1000 Growth Index

For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.