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# Banking Sector Optimism: Q2 Earnings Season Begins with Positive Outlook

The second quarter (Q2) earnings season is set to begin, with the banking sector taking center stage. Concerns about a banking crisis have eased following stress tests conducted by the Federal Reserve (Fed). Major players in the industry, including Citigroup, JPMorgan Chase, and Wells Fargo, are expected to report positive results.

The banking industry faced challenges in the first half of the year, primarily due to fears of a widespread banking crisis triggered by the collapse of Silicon Valley Bank. However, the overall outlook has become more optimistic, with profit forecasts

predicting a healthy year-on-year growth of 3.8% and a robust 11.9% increase in revenue. This positive trend can be attributed to the Federal Reserve's timely intervention, injecting approximately \$400 billion in additional liquidity.

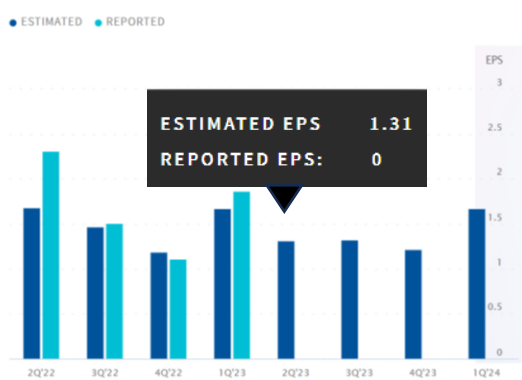
Additionally, the big banks have successfully passed the Fed's stress tests, which assess their balance sheets by subjecting them to hypothetical severe economic downturn scenarios. Despite the positive outlook, it is important to carefully evaluate each of the three banks reporting earnings today to gain a deeper understanding of the current situation.

### Citigroup

<b>Citigroup, Inc. Common Stock (C)</b>	<b>C Analyst Ratings</b> Buy	<b>\$47.59</b> +0.21 (+0.44%) 52W High: \$47.59 x 54.3 52W Low: \$35.52 x 39.6 Jul 13, 2023 1:00 PM EST
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Citigroup, despite passing the stress tests, will need to increase its Stress Capital Buffer from 4% to 4.3%. This decision has not been well received, and CEO Jane Fraser has expressed the intention to engage in a dialogue with the Federal Reserve regarding this matter. Forecasts for Citigroup's earnings per share (EPS) have declined in the past month, with estimates dropping from \$1.66 to \$1.41, accompanied by 8 downward revisions and 3 upward revisions. The stock's technical situation is currently undergoing a consolidation phase, forming a triangle pattern. The upcoming earnings report on Friday could potentially act as a catalyst for a breakout, depending on how the results compare to the current forecasts. A bullish scenario seems more likely considering the fair value estimate at \$58-\$59.

#### Earnings Per Share

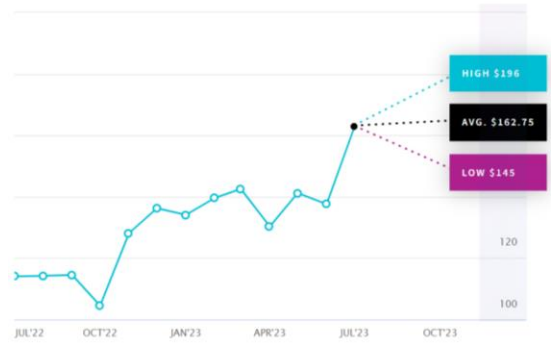
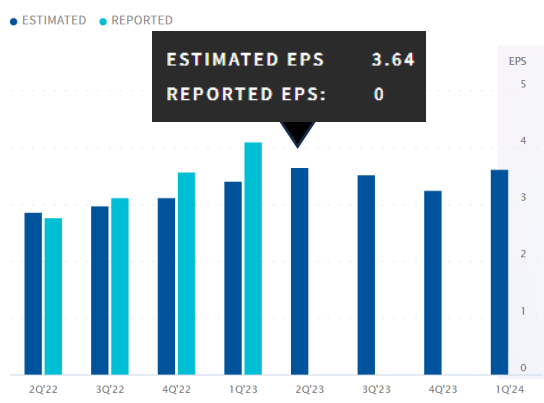


### JPMorgan

<b>JP Morgan Chase &amp; Co. Common Stock (JPM)</b>	<b>JPM Analyst Ratings</b> Strong Buy	<b>\$148.9599</b> +0.7099 (+0.48%) 52W High: \$148.96 x 172 52W Low: \$102.30 x 115 Jul 13, 2023 1:00 PM EST
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JPMorgan Chase is in a more favorable position in terms of predictions leading up to the Q2 results compared to Citigroup. There has been a trend of upward revisions dominating the forecasts following the April earnings, indicating an increasing positive sentiment and improved expectations for JPMorgan Chase's performance. The market is currently anticipating earnings per share of \$3.80 and revenue of \$38.849 billion. Recent quarters have shown a positive trajectory in both earnings per share and revenue, along with positive market reactions. Similar positive market response is expected this time if the upcoming results exceed the forecasts.

#### Earnings Per Share

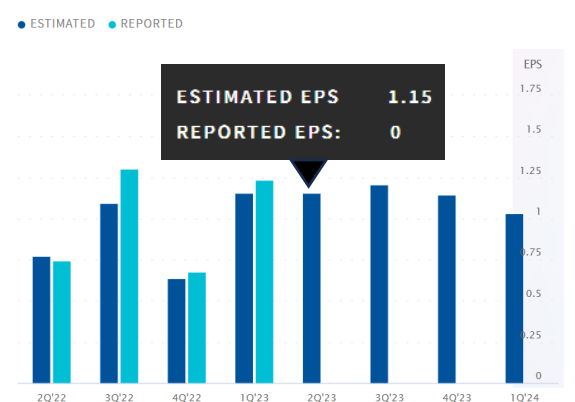


### Wells Fargo

<b>Wells Fargo &amp; Company Common Stock (WFC)</b>	<b>WFC Analyst Ratings</b> Strong Buy	<b>\$43.306</b> +0.046 (+0.10%) 52W High: \$43.31 x 70 52W Low: \$33.32 x 36.5 Jul 13, 2023 1:00 PM EST
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Wells Fargo exhibits the highest potential for upward movement among the three stocks analyzed, with a fair value upside of 31.8%. This suggests significant room for the stock's value to increase based on the fair value estimate. If the forecasts prove accurate, it could lead to a breakout to new highs for the year. However, there might be resistance near the price range of \$48-\$49 before reaching those highs. On the other hand, a bearish scenario could occur if there is a breakout below the local upward trend line and the stock price falls below \$40 per share, indicating a shift in market sentiment and a potential reversal of the upward trend. The market forecasts for Wells Fargo's earnings per share and revenue are \$1.14 and \$20.068 billion, respectively.

#### Earnings Per Share



#### WFC Intrinsic Value - Key Valuation Metrics

Market Cap (mil)	162521	Market risk premium	0.017
Beta	0.95	Cost of Equity	0.086
Outstanding shares (mil)	3752	Cost of Debt	0.03
EV (mil)	38794	WACC	0.039

WFC Intrinsic Value - Valuation Summary			
	Range	Selected	Upside
Peter Lynch Fair Value	93.17 - 93.17	93.17	133.98%
P/E Multiples	31.6 - 41.27	35.61	-17.09%
Dividend Discount Model - Stable	29.47 - 37.91	33.71	1.00%
Dividend Discount Model - Multi Stages	47.18 - 72.1	37.03	31.90%

#### WFC Intrinsic Value - Peers Comparison

	Range	Selected	Upside
Bank of America Corp	58.8 - 38.8	58.8	100.00%
Royal Bank of Canada	82.41 - 82.41	82.41	-31.00%
Toronto-Dominion Bank	81.08 - 81.08	81.08	-3.00%
Commonwealth Bank of Australia	30.3 - 30.3	30.3	-69.00%
Citigroup Inc	198.93 - 198.93	198.93	319.00%
Bank of Montreal	246.76 - 246.76	246.76	100.00%
Bank of Nova Scotia	44.23 - 44.23	44.23	-30.70%
U.S. Bancorp	19.32 - 19.32	19.32	-41.00%
Canadian Imperial Bank of Commerce	53.72 - 53.72	53.72	-3.00%

It is important to note that this article is for informational purposes only and does not provide investment advice or recommendations. Investing in assets carries risks, and individuals should make their own investment decisions based on their own evaluation of the risks involved.