

(BN) BofA and Goldman Crush Earnings, Lifting Bank Sector Stocks  
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(Bloomberg) -- Bank of America Corp. and Goldman Sachs

Group Inc.'s shares are jumping in early Wednesday trading after both surprised with earnings per share and revenue beats. Taxes at both fell, too, while BofA's results signaled the U.S.

economy and consumer were still strong. Other large banks and regional banks are also rallying.

BofA stock soared 6.1 percent, while Goldman rose 5.5 percent, both to the highest intraday since December 4. The KBW bank index gained 1.4 percent to its highest since December 7, with BofA the largest gainer, and the S&P 500 financials index rose 1.2 percent, with BofA and Goldman leading.

BofA's net interest margin was particularly strong, lending grew, and CFO Paul Donofrio voiced optimism about the health of the U.S. economy, saying there's "nothing in our business to suggest that a slowdown is imminent."

Earnings per share beat on higher fees and lower taxes, Morgan Stanley analyst Betsy Graseck wrote in a note, with the bank's net interest margin beat showcasing that BofA's "asset sensitivity is coming through." Trading fees and investment banking topped her estimates as well, and she sees BofA generating "strong positive operating leverage, even in a weak revenue environment" -- which isn't priced into its stock.

Goldman's fourth-quarter net revenue, investment banking revenue and equities sales and trading revenue all topped estimates. The bank's release highlighted the highest net revenues in financial advisory since 2007.

Goldman's results weren't all positive, though, as FICC and equities sales and trading revenue missed, its investment banking transaction backlog dropped from the end of the third quarter while questions about 1MDB will likely hang over the bank.

JMP's Devin Ryan said in a note that "relief" for Goldman's shares is "warranted following disproportionate pressure over the past year." He also sees Goldman's slide deck presentation with more detail around the quarter as likely to be "much appreciated by investors and viewed as a sign that the firm is moving toward a greater level of transparency." He's listening for color on 1MDB on the call, which started at 9:30am, though he's "not expecting much." CEO David Solomon has so far said, "We apologize to the Malaysian people."

\* GS, BAC results likely offer more confirmation that the "recession concerns that pressured the group late last year are not evident in results or outlooks," which is what Baird analyst David George said after JPMorgan, Wells Fargo reports on Tuesday

\* Other bank shares with gains include: Morgan Stanley, up 2.6 percent and reports Thursday; Comerica up after earnings also beat; SVB Financial, First Republic and KeyCorp

\* BlackRock gained 5.1%; BLK reported record \$81b of iShares inflows in 4Q, though EPS missed and fees fell; Morgan Stanley analyst Michael Cyprys advised buying on weakness given stabilizing fee rate and 3% net new money

\* PNC fell 2.5%; with a stake in BLK, PNC also reported EPS that trailed estimates

To contact the reporter on this story:

Felice Maranz in New York at [fmaranz@bloomberg.net](mailto:fmaranz@bloomberg.net)

To contact the editors responsible for this story:

Catherine Larkin at [clarkin4@bloomberg.net](mailto:clarkin4@bloomberg.net)

Brad Olesen