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Stock Spotlight

Apr 24, 2017

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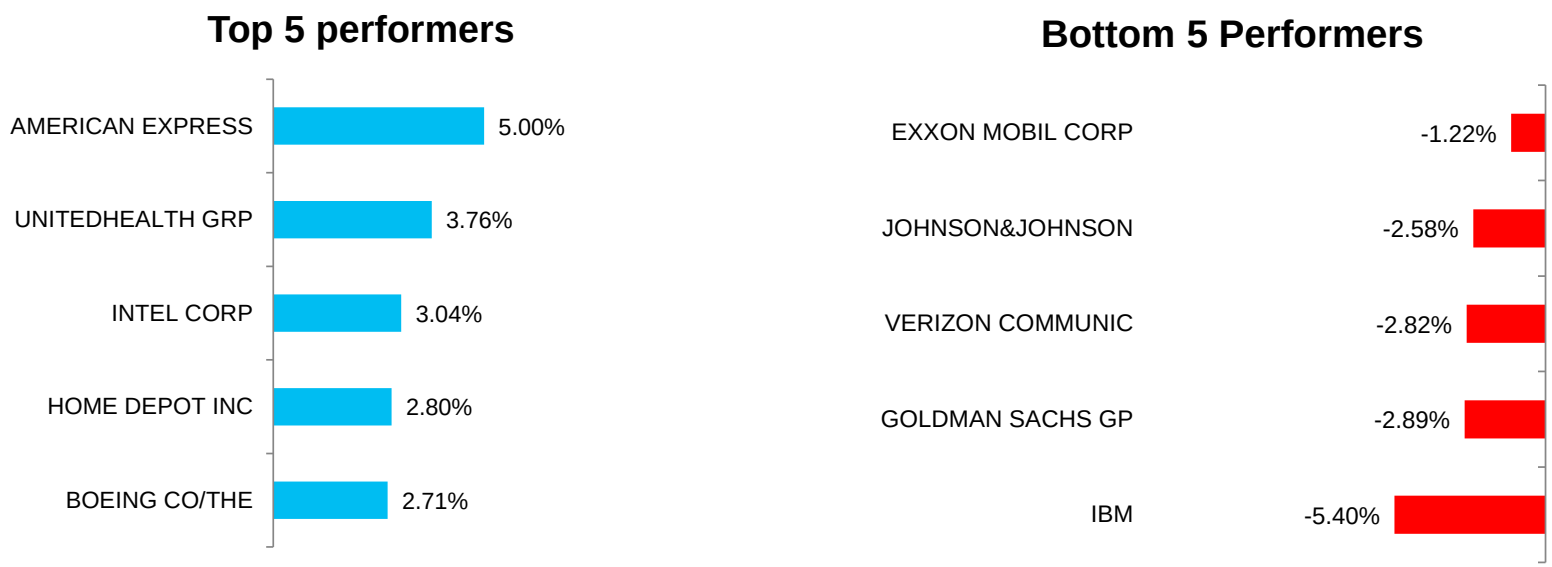
Weekly US stocks Recap & Leaders/Laggards

US earnings season

Chart: Weekly DJI Performance



Source: Bloomberg L.P., as of Apr 14, 2017

❖ Earnings announcements remains the key driver for stock perfromance

- IBM reported quarterly earnings that beat expectations as the cloud business soared. EPS at $2.38 a share vs. $2.35 a share expected by Thomson Reuters. However, IBM stock tumbles as year-over-year revenue declines for 20th consecutive quarter.
- American Express Co posted a better-than-expected first-quarter profit, helped in part by higher spending by card members, and the company's shares rose 2.3% in trading after the bell.

Please note and carefully read the Important Disclosure on the last part

US Banks

Prefer banks with large retail deposit bases

- **Higher Securities yields boost Q1 results**
  - In Q1, Securities yields beat our expectations by ~15 bps, which we attribute to higher MBS pass thru yields.
  - As we look forward to 2Q, NIM performance, we would expect less sequential quarter benefit in 2Q vs 1Q as pressure on the 10-year (down 16bps since quarter-end) which may swing securities yields the other way in 2Q.
- **Prefer banks with large retail deposit bases**
  - Banks with the highest commercial mix may see more deposit cost pressure while we would highlight those banks with large retail deposit bases as bigger beneficiaries in both 1Q as well as we move through the year.
- **Improving credit quality**
  - Credit quality remains quite good, but provisions came in better than our forecasts partly helped by Oil & Gas portfolios reserve release.
  - The banks that reported so far indicated reserves came down related to energy portfolios and we would expect that trend could continue - more beneficial for banks with larger energy portfolios.

Chart: Major US Banks' results vs consensus

Company	vs consensus
JP Morgan	Beat
Wells Fargo	Miss
Citigroup	Beat
Goldman Sachs	Miss
Morgan Stanley	Beat

Source: Bloomberg L.P., as of Apr 21, 2017

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