



Wall Street titans Goldman Sachs and Morgan Stanley report lower earnings, JetBlue and Spirit Airlines merger blocked, and Wall Street in sell-off mode.

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The U.S. and European stock markets began the week lower as Goldman Sachs and Morgan Stanley, the last two U.S. Top six banks, reported their lowest earnings in the past four years. PNC Financial, one of the super regional banks, also reported lower net earnings.

In economic news, we highlight the inflation fight in other parts of the world. First is Canada's CPI, which rose 9.67% to 3.40% CPI in December, in line with consensus estimates, and Germany's CPI 15.65% to 3.70%, compared to 3.20% last month.

Today, the proposed \$3.8 billion merger between JetBlue Airways and Spirit Airlines was blocked by U.S. District Court Judge William Young, who, responding to the U.S. Justice Department suit to stop the merger, wrote in his decision, **"The elimination of Spirit would harm cost-conscious travelers who rely on Spirit's low fares"**.

The \$3.8 Billion Deal would have made JetBlue the fifth largest airline in the nation, and according to its management, it would help them better grow and compete against larger rivals like Delta and United.

The critical question is, will Frontier Airlines pursue a Spirit Airlines deal again?

We now discuss the Corporate Earnings Parade, which continued today with Wall Street titans Morgan Stanley, Goldman Sachs, and Super Regional powerhouse PNC Financial. The results were mixed, with Goldman Sachs exceeding consensus earnings estimates supported by strong Asset & Wealth Management performance. Meanwhile, Morgan Stanley missed consensus EPS estimates, mainly due to the impact of one-time \$249 million regulatory charges. Lastly, Super Regional PNC Financial also reported earnings below expectations, with a \$665 million regulatory charge and workforce-reduction expenses contributing to missing earnings estimates. As we review the PNC earnings, had its bid to take over the First Republic been accepted, it would have been transformative for the Bank, so reading the tea leaves, we think PNC will be looking for a transformative deal.

Corporate Earnings Parade:

- **Goldman Sachs (GS):** reported 4Q23 revenues of \$11.32 billion, down 4%, and Net Income of \$2.008 billion, down 2%. GS reached earnings per share of \$5.48, surpassing the \$4.27 estimate with a stock price objective of \$400.97. GS reported an FDIC special assessment fee of \$529 million. GS reported full-year net revenues of \$46.25 billion and net Income of \$8.516 billion.

- **Morgan Stanley (MS):** reported 4Q23 revenues of \$12.9 billion, down 1.15%, and Net Income of \$1.517 billion, down 32.15%. Morgan Stanley reached earnings per share of \$0.85, missing the \$1.09 estimate with a stock price objective of \$96.47. MS was impacted by the FDIC special assessment charge of \$286 million and a \$249 million legal charge related to a specific matter, a total of \$535 million in charges. MS reported full-year net revenues of \$54.1 billion and net Income of \$9.1 billion.
- **PNC Financial Services Group Inc (PNC):** reported 4Q23 revenues of \$5.361 billion, up 2%, and Net Income of \$883 million, down 43.75%. PNC reached earnings per share of \$1.85, missing the \$2.706 estimate with a stock price objective of \$160.15. PNC earnings were impacted by the FDIC special assessment charge of \$515 million and a \$150 million workforce reduction charge of \$665 million. PNC reported full-year net revenues of \$21.4 billion and net Income of \$5.647 billion.

Key Economic Data:

- **U.S. Retail Gas Price:** fell to \$3.197, down from 3.213 last week, down 0.50%.
- **Canada Consumer Price Index YoY:** rose to 3.40%, compared to 3.12% last month.
- **Canada Inflation Rate:** rose to 3.40%, compared to 3.12% last month.
- **Germany Consumer Price Index YoY:** rose to 3.70%, compared to 3.20% last month.
- **China Real GDP QoQ:** rose to 1.30%, compared to 0.80% last quarter.

Eurozone Summary:

- **Stoxx 600** closed at 472.75, down 1.44 points or 0.30%.
- **FTSE 100** closed at 7,558.34, down 38.57 points or 0.48%.
- **Dax Index** closed at 16,571.68, down 50.54 points or 0.30%.

Wall Street Summary:

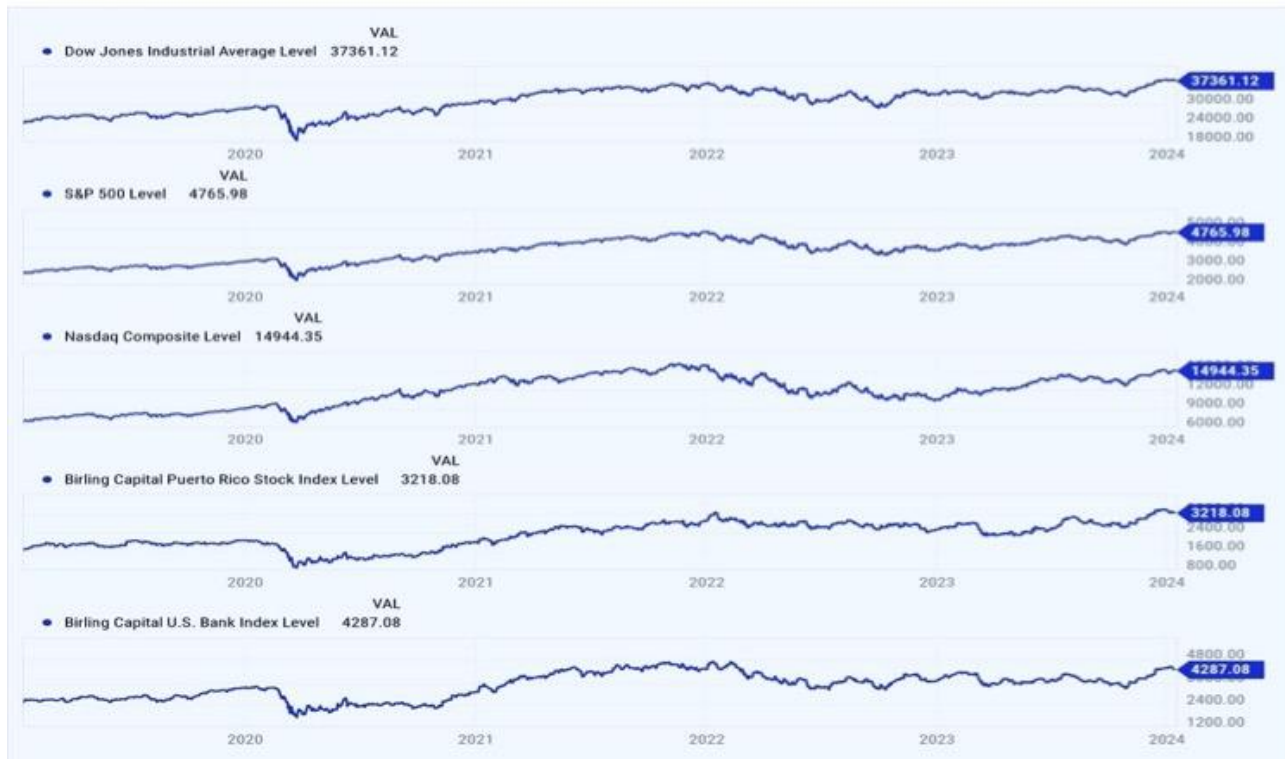
- **Dow Jones Industrial Average** closed at 37,361.12, down 231.86 points or 0.62%
- **S&P 500** closed at 4,765.98, down 17.85 points or 0.37%.
- **Nasdaq Composite** closed at 14,944.35, down 28.41 points or 0.19%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,218.08, down 12.32 points or 0.38%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,287.08, down 39.58 points or 0.91%.
- **U.S. Treasury 10-year note** closed at 4.07%.
- **U.S. Treasury 2-year note** closed at 4.22%.



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