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An MRI of the Top U.S. Banks

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A Deep Review of the Top Six U.S. Banks

"Despite some severe interruptions, our country's economic progress has been breathtaking. Our unwavering conclusion: Never bet against America," These words by the Oracle of Omaha Warren Buffet will live forever. This statement was part of Berkshire Hathaway's annual report stockholders letter written by Mr. Buffet that has become coveted and highly anticipated. Most investors seek Mr. Buffet's wisdom on the broader markets and investing.

In the current market cycle of out-of-control inflation, rising rates, decreasing housing market metrics, and the possibility of a U.S. recession, there is no better way to examine the upcoming trends than analyze the Top U.S. banks by evaluating how each of them performed in the fourth quarter of 2022 and the whole year and how they position their business for 2023 and beyond. With the mantra Never Bet Against America, we decided to embark on an analytical review of the Top U.S. & Puerto Rico Public Bank holding companies.

We begin our analysis by examining the top 6 U.S. Bank holding companies, part of the Birling Capital U.S. Bank Index. The Birling U.S. Bank Index is a market value-weighted index composed of the top (7) Bank holding companies headquartered and/or with their principal place of business in the United States. All companies trade on NYSE, AMEX, or NASDAQ national stock markets.

This report examines how each bank holding companies' stock has fared during 2022 **from 1/01/22 to 12/31/22** and compared to the Dow Jones, S&P 500, Nasdaq and how they have managed against the Birling Capital U.S. Bank Stock Index.

The returns of these four main indices for 2022 was as follows:

1. Dow Jones Industrial Average **-8.78%**
2. S&P 500 **-19.44%**
3. Nasdaq Composite **-33.10%**

4. Birling Capital U.S. Bank Index -17.24%

The **Birling U.S. Bank Index had a return of -17.24% for 2022**, and when pegged against the other indexes, the Birling U.S. Bank index beats all with exception of the Dow Jones Industrial Average. Let see how each of the constituents' companies in the Birling U.S. Bank Index has performed individually and against the major indexes.

1. **Goldman Sachs Group (GS)**, Achieved a total return of -10.24% that beats the S&P, Nasdaq & Birling U.S. Bank Index handsomely, while lagging the Dow Jones. The Stock price on 12/31/22 was \$343.38, falling \$39.17 during 2022. The Bank reported its fourth quarter 2022 earnings with revenues of \$10.59 billion, down 16%, and net income of \$1.33 billion, which missed estimates. For the full year 2022, it reached revenues of \$47.57 billion, down 20%, and a net income of \$11.26 billion. The stock closed on 1/20/23 at \$341.84, impacted by the results. The Current stock price target is \$393.74
2. **Morgan Stanley (MS)**, Achieved a total return of -13.39% that beats the S&P, Nasdaq & Birling U.S. Bank Index handsomely but lags the Dow Jones. The Stock price on 12/31/22 was \$85.02, falling \$13.14 during 2022. The Bank reported its fourth quarter 2022 earnings with revenues of \$ 12.7 billion, down 12.4%, and net income of \$2.36 billion, which beat estimates. For the full year 2022, it reached revenues of \$53.66 billion, down 10.20%, and a net income of \$11.029 billion, down 26.63%. The stock closed on 1/20/23 at \$96.24 and benefited from the results. The Current stock price target is \$100.46.
3. **Wells Fargo & Co (WFC)**, Achieved a total return of -13.94% that beats the S&P, Nasdaq & Birling U.S. Bank Index handsomely but lags the Dow Jones. The Stock price on 12/31/22 was \$41.29, falling \$6.69 during 2022. The Bank reported its fourth quarter 2022 earnings with revenues of \$ 19.6 billion, down 5.73%, and net income of \$2.864 billion, down 50.19%, missing estimates. For the full year 2022, it reached revenues of \$73.78 billion, down 6.0%, and a net income of \$13.182 billion, down 38.82%. The stock closed on 1/20/23 at \$43.92. The Current stock price target is \$52.80.
4. **JP Morgan Chase & Co. (JPM)**, Achieved a total return of -15.31% that beats the S&P, Nasdaq & Birling U.S. Bank Index handsomely but lags the Dow Jones. The Stock price on 12/31/22 was \$1341.10, falling \$24.25 during 2022. The Bank reported its fourth quarter 2022 earnings with revenues of \$ 34.54 billion, up 18%, and net income of \$11.08 billion, up 6%, which beat estimates. For the full year 2022, it reached revenues of \$128.69 billion, up 6%, and a net income of \$37.67 billion, down 22%. The stock closed on 1/20/23 at \$135.08 and benefited from the results. The Current stock price target is \$156.44.
5. **Citigroup Inc. (C)**, Achieved a total return of -25.10%, that beat the Nasdaq and lagged the Dow Jones, S&P & Birling U.S. Bank Index. The Stock price on 12/31/22 was \$45.23, falling \$15.16 during 2022. The Bank reported its fourth quarter 2022 earnings with revenues of \$ 18.0 billion, up 6%, and net income of \$2.51 billion, down 28%, beating estimates. For the full year 2022, it reached revenues of \$75.33 billion, up 5%, and a net income of \$14.84 billion, down 32%. The stock closed on 1/20/23 at \$51.09 and benefited from the results. The Current stock price target is \$56.45.
6. **Bank of America Corporation (BAC)**, Achieved a total return of -25.56%, that beat the Nasdaq, and lagged the Dow Jones, S&P & Birling U.S. Bank Index. The Stock price on

12/31/22 was \$33.12, falling \$11.37 during 2022. The Bank reported its fourth quarter 2022 earnings with revenues of \$ 24.5 billion, up 10.85%, and net income of \$7.1 billion, up 1.42%, beating estimates. For the full year 2022, it reached revenues of \$95.0 billion, up 6.62%, and a net income of \$27.5 billion, down 14%. The stock closed on 1/20/23 at \$33.85 and benefited from the results. The Current stock price target is \$40.71.

As a Group, the Birling Capital U.S. Bank Stock Index companies achieved these results:

- 2022 Total Revenues: \$474.03 billion
- 2022 Total Net Income: \$115.44 billion
- 2022 Total market capitalization: \$1,210.16 trillion, a \$329.82 billion or 21.41% decrease during 2022.

Had any investor invested \$60,000 or \$10,000 in each of these stocks on January 1, 2022, these would have been the results:

Company	Total Value	Total Gain/Loss
1. Goldman Sachs	\$ 8,976.00	(\$1,024.00)
2. Morgan Stanley	\$ 8,661.00	(\$1,339.00)
3. Wells Fargo & Co	\$ 8,469.00	(\$1,394.00)
4. JPMorgan Chase	\$ 8,606.00	(\$1,531.00)
5. Citigroup Inc.	\$ 7,490.00	(\$2,521.00)
6. Bank of America	\$ 7,444.00	(\$2,556.00)
Total Portfolio Value	\$49,646.00	(\$10,365.00)



The Birling U.S. Bank Index 2022 Returns for : Goldman Sachs, Morgan Stanley, Wells Fargo, JP Morgan Chase, Citi, Bank of America



The Final Word: The U.S. Banking Sector primed to face 2023

Our review demonstrates how the top 6 U.S. banks' have successfully navigated through one of the most challenging inflationary and interest rate increases cycles since the 1980s. The broader results have been quite spectacular, even though the stock prices did not reflect the solid year the top 6 banks had in 2022; the expectations for 2023 are mixed, already some banks have begun laying off thousands of employees, and bonuses are being cut in some banks by as much as 40%.

The U.S. Bank sector outlook for 2023 is worsening when compared to 2022. The operating environment in Total asset quality, funding, and liquidity will deteriorate compared to 2022. Should the forecast of a mild recession in the U.S. in the second quarter of 2023 materialize, the outlook could worsen. Despite the outlook, these six banks have such a diversity of asset/deposit mix, interest rate sensitivity, and deposit betas, with a combination of operations in Wealth Management, Investment Banking, Capital Markets, Trading, and other operations that add lift during this current period of uncertainty.

Even with the diverse set of macroeconomic weaknesses that have developed since 2022 and has continued in 2023, the U.S. risk-based capitalization profile and levels are more robust than in any other period in history.

While 2023 is only 22 days and 11 hours old, already some of the banks have begun the year with some lofty stock increases; let us see the YTD returns:

1. Morgan Stanley has a YTD return of **13.20%**
2. Citigroup has a YTD return of **12.96%**
3. Wells Fargo has a YTD return of **6.37%**
4. Bank of America has a YTD return of **2.30%**
5. JP Morgan Chase has a YTD return of **0.73%**
6. Goldman Sachs has a YTD return of **-0.45%**

Meanwhile, the Birling U.S. Bank Index has a 2023 YTD return of 6.57%, and We shall see what the road ahead brings our way.

Francisco Rodríguez-Castro
President & CEO



The Birling U.S. Bank Index 2023. YTD Returns



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