

Business

# US banks see mixed profits, little trade war hit so far

## JP Morgan sees unpredictable outcomes from trade frictions

**NEW YORK:** Clients of giant US banks are increasingly nervous about growing trade tensions, but are not yet significantly curtailing business activity due to the uncertainty, banks said Friday after reporting mixed earnings. JPMorgan Chase chief executive Jamie Dimon cautioned that "There are unpredictable outcomes when you start skirmishes like this with multiple countries." "It's a worry," he told reporters in a conference call, but "I don't know if I'd use the word 'major' yet."

Citigroup chief financial officer John Gerspach agreed with his counterparts that the concerns are not yet driving business decisions. "When you get into this kind of rhetoric, it does impact sentiment," he said. "It's going to slow down decision making in some cases, but that hasn't translated yet into anything we've seen." The comments came as the two major US banks reported earnings that easily topped analyst expectations, in contrast to slumping Wells Fargo which badly underperformed forecasts.

The banks are among the first major companies to report results in what is expected to be a strong second-quarter earnings season thanks to US tax cuts and a humming American economy. However, a series of trade battles launched by

US President Donald Trump against key trading partners, including China and the European Union, have clouded the overall business outlook. Another worry particular to bank stocks is whether the benefits from higher Federal Reserve interest rates are ebbing. Higher interest rates boost bank profits by allowing them to charge more for loans. However, as rates continue to rise, banks also must pay more to depositors. A note from S&P Global credit analyst Brendan Browne this week warned that the gains for banks from higher interest rates "are likely to diminish, because we expect deposit rates to rise more materially over the next year."

Banks will need to sweeten the incentives for depositors to compete with improved rates for certificates of deposit and money market mutual funds, Browne said in an interview.

JPMorgan, the biggest US bank by assets, reported an 18.3 percent surge in net income compared to the year-ago period to \$8.3 billion. Revenues came in at \$28.4 billion, up 6.5 percent. Highlights included increases in net interest income following two Fed rate hikes this year, and a rise in overall loans compared with the year-ago period, a sign of strengthening economic conditions.

### More regional trade?

Citigroup profits jumped 16 percent in the second quarter to \$4.5 billion due to overall loan growth and lower tax payments. Both main divisions, global consumer banking and institutional client services, had higher profits.

Revenues came in at \$18.5 billion, up two percent. Gerspach said Citigroup has seen an uptick in activity within Asia that could pick up further if the US-China clash worsens. "If it does emerge that there is some slowdown in trade between China and the US, what we are seeing is that there is growth in trade flows elsewhere in the world," he said. "In particular, we're seeing a lot of growth in trade flows just in the Asia corridor."

Citigroup has hired additional staff for China desks in India and South Korea, Gerspach said. The big laggard was Wells Fargo, which still has not completely found its footing following a fake accounts scandal that surfaced in 2016, prompting numerous fines, government probes and lawsuits. Net income fell 11.4 percent to \$5.2 billion, and there was a drop in overall deposits and loans.

On the positive side, the company notched an increase in net interest income, indicating it also benefited from higher interest rates. Wells Fargo has replaced key executives, revamped



TIPTON, IA: Corn and soybeans grow on a farm near Tipton, Iowa. Farmers in Iowa and the rest of the country, who are already faced with decade-low profits, are bracing for the impact a trade war with China may have on their bottom line going forward. — AFP

some pay incentive policies to improve governance, and spent on marketing to emphasize these improvements. "During the second quarter we continued to transform Wells Fargo into a better, stronger company for our customers,

team members, communities and shareholders," said Wells Fargo chief executive Tim Sloan. Shares of JPMorgan finished down 0.5 percent, while Citigroup dropped 2.2 percent and Wells Fargo 1.2 percent. — AFP

## Warba Bank announces 5 winners of 'Al-Sunbula' draw

**KUWAIT:** Warba Bank, Kuwait's best investment bank and corporate consultancy firm, organized in presence of a representative from the Ministry of Commerce and Industry and employees of the Bank, the 24th weekly draw for Al-Sunbula Account.

The lucky 5 winners who received KD 1,000 each are: Saud Abdullah Saud Al-Mutairi, Helail Sanat Helail Al-Harbi, Mohammad Arbeed Jluwi Al-Arbeed, Ali Ahmad Ali Abu Dames and Meshal Ebdah Hazzaa Al-Mutairi.

Al-Sunbula Account is the perfect choice for all those who wish to save money and achieve steady incomes while simultaneously have the opportunity to win cash prizes throughout the year.

Due to the high traffic towards this account, for its offerings of unparalleled opportunities, Warba Bank has worked on enhancing the Al-Sunbula account to grant customers more benefits. Such enhancements include increasing the number of winners and the frequency of the draws. Now, on every Thursday the bank draws 5 weekly winners of KD 1,000 each.

In addition, the bank continues its monthly draws held on the first Thursday of every month, with cash prizes of KD 30,000 divided amongst 4 winners: two winners of KD 10,000 each, and two winners of KD 5,000.

The new development of Al-Sunbula account raised the total number of winners to 24, and the total amount of prizes to KD 50K instead of KD 30K.

As for the chances for winning, each customer is eligible to enter the draw against every KD 10. It is noteworthy, that Warba Bank has recently launched the Al-Sunbula Fixed Deposit, which provides depositors



with high returns reaching up to 3 percent, as well as monthly profit opportunities in Al-Sunbula Account draws.

Furthermore, Warba Bank has launched its latest Customer Onboarding solution, in line with its ambitious five-year strategy that enables non-Warba Bank customers to request opening the Sunbula account in an easy electronic manner through the Bank's website without having to visit any of the Bank's branches, by following five simple steps that might take up to five minutes. New customers will be able to request opening the account at anytime, anywhere, and the bank will receive, process and pass the new application for approval through the new and unique automated system used to implement this service.

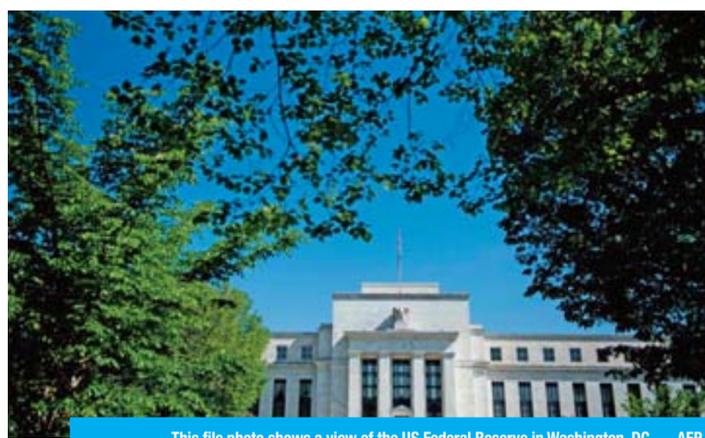
The staff will then contact the client to determine the appropriate time to visit in order to obtain the required signatures, verify the customer's identity, deliver his/her debit card, and activate the account.

## US Fed sees tax cuts boosting spending, offsetting oil rise

**WASHINGTON:** The US tax cuts will boost business and consumer spending this year, offsetting the hit to individual wallets from rising fuel prices, the Federal Reserve said Friday. The increase in oil prices also should attract more investment to the sector, which will boost growth, according to the Fed. In its semi-annual report to Congress, the Fed was upbeat about the US economy and saw few concerns about inflation but noted the risk to the global economy from "an intensification of trade tensions." US central bankers have for months flagged the rising concerns among businesses nationwide over the aggressive trade policies pursued by President Donald Trump. They have cautioned that such policies could pose a risk to US growth.

### Less of a drag

Despite the rapid increase in oil prices over the past year, the Fed said the impact on economic growth was less than it once was. "Although higher oil prices are likely to restrain



This file photo shows a view of the US Federal Reserve in Washington, DC. — AFP

household consumption in the United States, what is expected to be a strong second-quarter US earnings season, although reports on Friday from three of the biggest Wall Street banks failed to enthruse. "In spite of the disappointment from the financials, which have been and continue to be a laggard ... there's still relative strength," said Michael James,

managing director of equity trading at

Wedbush Securities in Los Angeles. Earnings "expectations are certainly elevated from where they were a month ago, but if companies do deliver in general, the market as a whole will continue to move higher," he said. Citigroup Inc slid 2.2 percent, the most among financials, after its revenue fell short of estimates due to lower debt underwriting. Wells Fargo & Co dipped 1.2 percent after its profit fell more than expected as lending slowed and costs rose. JPMorgan Chase & Co shares were down 0.5 percent although the bank's profit beat estimates. The financial index fell 0.5 percent. — Reuters

## S&P 500 at 5-month high, but banks weigh after results

**NEW YORK:** US stocks rose slightly on Friday, putting the S&P 500 at its highest closing level in more than five months, as gains in industrials and other areas offset a drop in financials after results from three of the big banks mostly disappointed.

The industrial sector gained 0.6 percent, with Boeing Co, Caterpillar Inc and 3M Co all rose in the absence of any trade rhetoric

overnight. Investors were optimistic ahead of what is expected to be a strong second-quarter US earnings season, although reports on Friday from three of the biggest Wall Street banks failed to enthruse. "In spite of the disappointment from the financials, which have been and continue to be a laggard ... there's still relative strength," said Michael James,

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