Morgan Stanley, JPMorgan fail to meet analyst expectations as inflation takes its toll on the banking sector

M
organ Stanley and JPMorgan results failed to meet analyst expectations as inflation and looming interest rate rises take their toll on the banking sector.

Profits at Morgan Stanley dropped 30% in the second quarter of 2022 as investment banking revenue sunk 55% to $1.07 billion, while advisory revenue fell 9.9% to £598 million and debt underwriting revenue dropped 49% to $326 million.

The revenue falls were partially offset by stronger performance in its fixed income arm, which saw sales up 49% to $2.5 billion.

Shares fell 1% in the opening minutes of trading in New York.

Meanwhile shares in investment bank JPMorgan dropped 3.9% in early trading after the company posted earnings that fell short of market predictions.

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The firm reported investment banking revenue of $1.35 billion, over $500 million lower than expectations, while equities trading revenue of $3.08 billion surpassed predictions.

JP Morgan boss Jamie Dimon warned the global economic outlook appeared bleak in the wake of ongoing war in Ukraine and tightening monetary policy.

“Geopolitical tension, high inflation, waning consumer confidence, the uncertainty about how high rates have to go and the never-before-seen quantitative tightening and their effects on global liquidity, combined with the war in Ukraine and its harmful effect on global energy and food prices are very likely to have negative consequences on the global economy sometime down the road,” he said.

JPMorgan’s peers Citigroup and Bank of America each fell 1% on the news.