



## ANALYST QUICK NOTES

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**JP Morgan Chase & Co. (NYSE: JPM: BUY)**

**Target Price: \$72**

**Stephen Biggar**

**7/14/2016**

### Initial thoughts on JPM's 2Q EPS

- Q2 adjusted EPS of \$1.55 beat consensus of \$1.43 and our more optimistic \$1.52.
  - Revenue growth of 2.4% we believe was reasonable given the macroeconomic backdrop:
    - A 10% drop in investment banking fees (mostly from lower equity underwriting activity) was in line with our expectations. The capital markets environment improved in 2Q vs. 1Q, but not to the more robust levels of 2015. JPM retained #1 position in global investment banking.
    - Transaction revenues grew 5% on a better environment for trading. Likely to again be a bright spot in 3Q on favorable equity markets and portfolio repositioning.
  - A 5% decline in AUM, to \$1.7 trillion, is a bit worrisome. Cross-read from BlackRock's favorable AUM growth suggests JPM had market share loss in asset management.
  - Loss provision climbed to \$1.4 billion, and well ahead of \$1.2 billion of net charge-offs, which we view as a healthy reserve build and adding to earnings quality.
    - Management reiterated guidance for \$4.75 billion of net charge-offs in 2016.
  - Broadly speaking, results showcased broad strength of JPM's franchise in a still challenging global capital markets environment.
  - We view favorable JPM's recently approved capital return plan, including a \$10.6 billion buyback (up from 2015's \$6.4 billion).
  - We expect 2Q conference call to address planning and potential costs related to Brexit.
  - JPM shares up 2.4% in pre-market trading.
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