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FINANCE

JPMorgan Profit Jumps on Strong Trading Quarter

New York-based bank's revenue increased 9%, driven in part by pickup in investment banking unit



JPMorgan Chase reported quarterly results Tuesday. PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL

By David Benoit

Updated Jan. 14, 2020 9:52 am ET

JPMorgan Chase & Co. said Tuesday that fourth-quarter profit jumped 21%, boosted by a surge in its investment bank and continued consumer strength.

The nation's largest bank reported a profit of \$8.52 billion, or \$2.57 a share. Analysts polled by FactSet had expected earnings of \$2.35 a share. A year earlier, the bank reported a profit of \$7.07 billion, or \$1.98 per share.

Revenue rose 9% to \$28.33 billion from \$26.11 billion a year ago, topping analysts' expectations for \$27.87 billion.

Growth was strong in JPMorgan's corporate and investment bank, with revenue rising 31% to \$9.47 billion. That was partly because of an easy comparison: Year-ago results were hampered by dismal trading across the industry, particularly in bonds, when market turmoil dried up volume.

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how to deal with continually low rates. The Federal Reserve cut its benchmark rate again in October, its third cut last year, and JPMorgan's lending margins fell. Lower rates tend to reduce what banks can charge for loans, though they can also fuel demand for loans and lower a bank's deposit costs.

JPMorgan's net interest income, the amount it makes from lending minus the interest it pays out, slipped 1% to \$14.17 billion. That was the first year-over-year decline since the third quarter

of 2015, just before the Fed began a series of nine rate increases.

For the full year, revenue rose 6% to \$115.63 billion and profit rose 12% to \$36.43 billion.

JPMorgan shares soared throughout 2019 to all-time highs, up more than 40% for the year. Despite the increased cost, the bank continued buying back stock in 2019, helping lift its per-share earnings.

Shares rose 1.8% to \$139.65 in morning trading Tuesday.

With rates expected to stay low in the new year, the bank will face questions about keeping returns high and whether to trim expenses, which have been growing. Chief Executive James Dimon has pledged to continue investing, especially in technology, even if the economy sours. Total expenses rose 4% to \$16.34 billion in the quarter and 3% for the full year.

Return on tangible common equity, a key measure of profitability, was 17% in the fourth quarter, compared with 14% a year ago. It was 19% for the full year versus 17% for 2018.

In the consumer bank, revenue rose 3% to \$14.04 billion and profit rose 5% to \$4.23 billion.

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JPMorgan CEO James Dimon says he'll continue investing in technology, even if the economy slows. PHOTO: JEENAH MOON/REUTERS

JPMorgan executives have said the U.S. consumer has remained strong, even as some big corporate clients have slowed borrowing.

The volume of credit-card loans rose 8% in the fourth quarter, and customers spent \$204.2 billion on JPMorgan's Chase cards, 10% more than the prior year. Still, income from the cards business dropped 1%.

Mortgage originations doubled but JPMorgan's mortgages and home lending balances both fell as the bank has cut back on such loans blaming strict capital requirements.

The bank set aside \$1.2 billion for consumer credit losses, down 10%, showing the bank still has little fear of trouble.

In the corporate and investment bank, profit rose 48% to \$2.93 billion, with the trading business improving from a weak year-ago quarter.

Revenue from fixed-income trading, the hardest-hit part of markets in December 2018, rose 86% to \$3.45 billion, though that is less than each of the first three quarters in 2019.

Equities trading rose 15% compared with 2018 but was also down from prior quarters.

Revenue from the banking side rose 1%, with banking fees up and treasury services down.

The asset management operations earned \$785 million in profit, up 30%, on increased fees and lower costs. The commercial bank's profit dropped 9%, to \$938 million, the only business line to post a worse quarter than the prior year.

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