US banks

Wall St's top bankers sell own groups' shares as Trump rally reverses

Sales by insiders at big US lenders suggests former optimism about economy and policy is fading

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YESTERDAY by: Ben McLannahan in New York

Wall Street analysts have been urging investors all year to buy stocks in the big US banks. But Wall Street itself is not listening.

Executives and board members at the top six US banks have been consistent sellers of their own banks' shares this year, according to an Financial Times analysis of disclosures tracked by Bloomberg.

Insiders at the big six banks by assets — JPMorgan Chase, Bank of America, Wells Fargo, Citigroup, Goldman Sachs and Morgan Stanley — have in total sold a net 9.32m shares on the open market since the turn of the year. Even excluding Warren Buffett's big dumping of shares in Wells in April, to avoid tripping over rules capping ownership by a non-bank, sales by insiders outnumber purchases by about 14 to one.

That is an unusually long streak of net sales, across each of the big six. Last year, for example, insiders at JPMorgan, Citigroup and Bank of America bought more shares than they sold.

Some observers said the sales could have been driven by disenchantment with the economic programme of Donald Trump, the US president, who rode to power partly on a promise of higher interest rates, lower taxes and lighter regulation. That rhetoric helped propel bank stocks sharply higher in the weeks after the election last November.

But a series of setbacks on the policy front have since cast doubt on those objectives, bringing bank stocks back down. On Friday, the KBW Banks index — a grouping of two dozen of the biggest Wall Street and regional banks — was just 3 per cent higher so far this year.

Bank stocks have become "a barometer" for the success or failure of the Trump administration's policies, said Robert Smalley, credit analyst at UBS in New York.

Credit risk is ricocheting back as a legitimate concern after years of hibernation

DAVID HENDLER, FOUNDER OF VIOLA RISK ADVISORS

Buying and selling of shares by bank insiders can have a powerful signalling effect. Last year Jamie Dimon, chairman and chief executive of JPMorgan, seemed to call an end to a mini-rout in bank stocks when he bought half a million shares in his own bank in mid-February.

But there have been no similar demonstrations of faith by senior insiders this year, suggesting they fear that the big gains under Mr Trump have come to an end. Insiders at Goldman and Morgan Stanley have made no open-market purchases this year, according to the Bloomberg data.

David Hendler, founder and principal at Viola Risk Advisors, said recent share sales by executives at the big retail banks, in particular, could be smart, as some consumer portfolios are showing signs of strain. Credit cards delinquencies are rising, while car loans have been looking fragile for a while.

"Credit risk is ricocheting back as a legitimate concern after years of hibernation," he said, adding that investment banking divisions were doing little to take up the slack.

Goldman, for example, has had sluggish performances from its core bond-trading unit for two quarters in a row.

"There's not a lot of get-up-and-go in earnings, the macro backdrop is not as conducive — so why not take some chips off the table?" Mr Hendler said.