

# US bank earnings Can strong profits revive confidence

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## Key points:

- US banks kick off Q3 earnings on 13–14 October, with expectations for healthy profits despite the recent selloff in bank shares.
- Trading activity, interest income and credit quality will be the three key areas to watch.
- Earnings beats could help sentiment recover, but rising bond yields and cautious management guidance remain risks.

## Why these earnings matter

US banks kick off the third-quarter earnings season this week, with JPMorgan Chase, Goldman Sachs, Citigroup and Wells Fargo reporting on 13 October, followed by Bank of America and Morgan Stanley on 14 October.

The timing is important. Bank stocks have come under pressure as rising Treasury yields have raised concerns about borrowing costs, loan demand and potential credit losses. The KBW Bank Index has fallen around 13% since August, even as analysts continue to expect healthy earnings growth.

This creates an interesting setup for investors: profits may still be strong, but expectations for the outlook have become more cautious. The question is whether earnings can restore confidence or whether banks will signal tougher conditions ahead.

### 1. Interest income: Are higher rates still helping?

Banks can benefit from higher interest rates when they earn more from loans. But the advantage becomes smaller if they also have to pay more to attract deposits. Watch net interest income, deposit costs and loan growth to see which banks are managing this balance best.

### 2. Trading and investment banking: Is the momentum sustainable?

Market volatility has supported trading desks, while investment banking has benefited from dealmaking activity. Investors will want to know whether these businesses can maintain their momentum, particularly as higher borrowing costs threaten to slow mergers, acquisitions and IPOs.

### 3. Credit quality: Are borrowers starting to struggle?

Banks provide a useful window into the health of the economy. Credit card delinquencies, commercial real estate exposure and provisions for potential loan losses will be worth watching. A resilient consumer could support sentiment, while signs of rising defaults could undermine otherwise strong results.

## **What could this mean for investors?**

Bullish scenario: Strong earnings, stable credit quality and reassuring guidance could suggest the recent selloff has been excessive, potentially drawing investors back into banks with resilient earnings and attractive valuations.

Bearish scenario: Higher deposit costs, weaker loan growth or rising credit provisions could reinforce concerns that profitability is approaching a peak.

## **The bigger picture**

Investors should look beyond headline earnings beats. The more important question is whether banks can sustain profitability if bond yields remain elevated and economic growth slows. Banks with diversified revenue streams, strong balance sheets and disciplined costs may be better positioned to navigate that uncertainty.

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Source: <https://www.home.saxo/content/articles/equities/us-bank-earnings-can-strong-profits-revive-confidence-13102026>