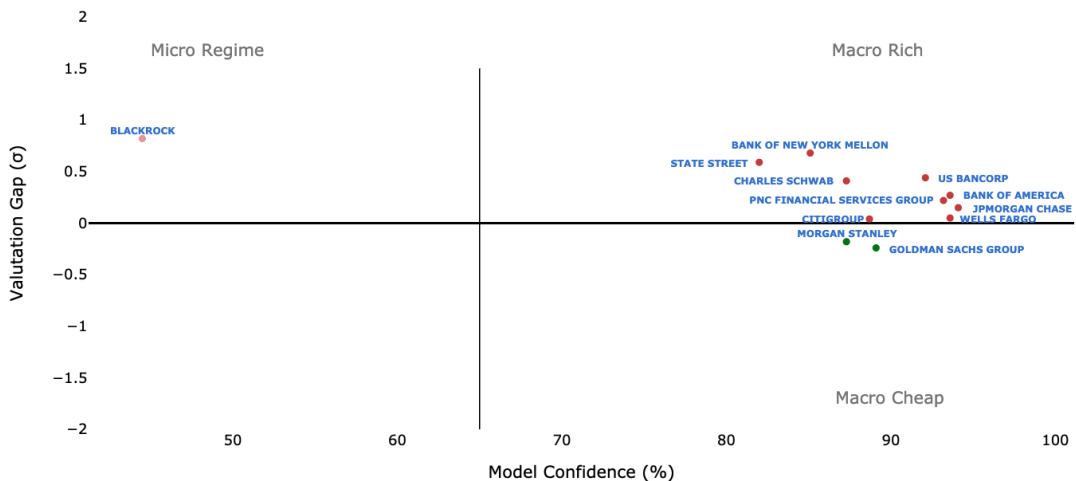




US Financials

- Financials kick off US earnings season with several blue chip names reporting this week.
- All bar one of **those reporting this week are in strong macro regimes**. Only [Blackrock](#) is below our model confidence threshold & a function of micro, idiosyncratic drivers.
- Otherwise, macro matters for US financials. Moreover, they are largely moving in line with macro fundamentals. Most of this week's reporters are close to model fair value.



- At the margin, [Goldman Sachs](#) & [Morgan Stanley](#) offer a slight valuation edge, trading just below macro model value. At the other end of the range, [Bank of NY Mellon](#) & [State Street](#) are both around 5% rich to model.
- The macro profile is similar across the sector. **Tight credit spreads** remains the number one driver. Reflation is captured via **a positive sensitivity to both inflation expectations & energy prices**. **Rising US real yields are a tailwind not a headwind**.
- In every case macro model value is flat-lining; consolidating after a 5month uptrend. The move in these factors will be critical in deciding the next move for financials.

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