



July 17, 2025

## Morning Briefing

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### On Banking, Trucking & AI Financial Analysis

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Check out the accompanying [chart collection](#).

**Executive Summary:** The big banks reported strong earnings, but most of their stocks have struggled to keep up—perhaps because the good news is already priced in. Restructurings in recent years at Citigroup and Wells Fargo may give both banks new room to grow, Jackie reports ...Meanwhile, the freight slump rolls on: J.B. Hunt's Q2 margins were squeezed by rising costs, and now the trucker faces demand uncertainty as Trump's tariffs reshape supply chains. ...Disruptive Technologies examines AI programs that perform financial analysis. Wall Street's wizards should take note.

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**Financials: Profit-Taking On Good News.** Some of the nation's largest banks reported earnings this week, and in general, they reported moderate loan growth and steady credit quality. Many bank shares sold off, nonetheless, because they already reflected a hearty amount of good news.

The stock price indexes of the S&P 500 Diversified Banks industry and the Investment Banking and Brokerage industry have risen 13.8% and 18.4% respectively ytd through Tuesday's close, outpacing the S&P 500's 6.2% gain and the S&P 500 Financials sector's 6.9% increase ([Fig. 1](#)).

Banks enter the second half of the year with excess capital thanks to strong earnings and looser regulatory requirements. There's speculation that the Trump administration may prevent the adoption of Basel III, with its increased capital requirements. If Basel III isn't adopted, banks will have additional flexibility to expand their loan books, increase their dividends, and/or repurchase their shares.

Citigroup and Wells Fargo appear to have some advantages going forward. Citigroup should benefit as severance expenses from its ongoing restructuring are expected to begin falling in the second half of the year. Meanwhile, Wells Fargo was given the green light to

grow its loan portfolio for the first time in seven years by regulators. Both banks could provide stiffer competition to JPMorgan and Bank of America.

Here's a look at some of the highlights from the Citigroup and Wells Fargo earnings and conference calls.

*(1) Citi boosts revenue and controls costs.* CEO Jane Fraser's turnaround plans for Citigroup are bearing fruit. The bank's Q2 revenues grew 8% y/y to \$21.7 billion and net income jumped 25.0% to \$4.0 billion. The bank's outstanding loans grew by 5% y/y, deposits by 6% y/y, and net interest income by 12% y/y, according to Citi's [press release](#).

Citigroup benefited from its exposure to the bond and stock markets. Its total markets revenue rose 16% y/y in Q2, supported by revenue growth in fixed income (20%) and equities (more than 35% after excluding the impact of last year's Visa exchange offer). M&A revenue jumped 52% and equity capital markets revenue rose 25%.

Starting in the second half and continuing through next year, the bank is expected to benefit as severance expenses related to Fraser's restructuring trend downward. Citigroup has been operating under a 2020 Office of the Comptroller of the Currency (OCC) order that directed the bank to fix problems in its risk management, data, governance, and internal controls areas and required the bank to obtain the OCC's approval before making any significant acquisitions. The bank's expenses should also begin to fall as it meets the OCC's requirements.

The bank guided investors to expect \$84 billion of revenue in 2025, at the high end of the \$83.1 billion to \$84.1 billion range it gave in its Q1's earnings presentation. Investors sent the bank's shares up 3.7% to \$90.72 on Tuesday.

*(2) Citi's on the crypto bandwagon.* Citi has expanded into digital assets, like stablecoins. "We are laser-focused on innovations which enable clients to access real-time, 24/7 payments clearing and settlement across borders and across currencies. Citi Token Services, our leading digital asset solution, is now live in four major markets with more to come and has processed billions of dollars of transactions since its launch," said Fraser on the [conference call](#). Launched in September 2023, Citi Token Services operates in the US, UK, Singapore, and Hong Kong.

Fraser noted that only about 6% of all stablecoin transactions are used in payments, in part because the transaction cost to move from cash to stablecoins back to cash is 7%. Citi can execute that transaction at a much lower cost. In addition, Fraser said the bank may expand

into other crypto areas, including reserve management for stablecoin operators, issuing a Citi stablecoin, tokenized deposits, and custodial solutions for crypto assets.

(3) *Wells set free from the asset cap.* Last month, the Federal Reserve officially set Wells Fargo free from the cap that had restricted the bank's asset growth since 2018 in the wake of several scandals. Over the past seven years, the bank's management has changed, it has improved its governance and risk management and simplified its business mix. It reduced its headcount for 20 consecutive quarters, resulting in a 23% decline from five years ago.

Under the cap, the bank had turned away deposits from corporate clients and used excess capital to shrink its outstanding shares by 23% since 2019. With the cap lifted, the bank can grow deposits, increase its outstanding loans, and boost its business in the corporate and investment bank.

Wells' Q1 revenue rose 1% y/y to \$20.8 billion and net income jumped 12% to \$5.5 billion. Loans in its residential mortgage and commercial real estate areas continue to decline.

(4) *Wells' NII forecast disappoints.* The company's shares declined 5.5% on Tuesday to \$78.86 due to disappointment over the bank's forecast for flat net interest income (NII) in 2025 compared to the levels achieved last year. That's less than the 1% to 3% growth the bank previously predicted in April. In Q2, Wells' NII decreased 2% y/y due to the impact of lower interest rates on its floating-rate assets and deposit mix changes. Going forward, it explained that total NII might be lower than expected due to lower NII in its Markets business, but the dip could be largely offset by higher-than-expected fees in that area. Scharf noted that the bank was focused on maximizing returns and earnings, rather than maximizing NII.

Another surprise was the 1% y/y decline in its markets' revenue. The company explained that it faced tough comparisons due to a \$122 million gain that benefited equities in Q2 2024. Additionally, revenue from wealth and investment management increased by only 1% from last year. The company noted that the majority of the assets in that segment are priced at the beginning of the quarter, so Q3 results will reflect the stock market's recent rally.

(5) *Economic commentary.* Despite a strong earnings report, Citi's Fraser did have a few cautious comments. "We expect to see goods prices to start picking up over the summer, as tariffs take effect, and we have seen pauses in capex and hiring amongst our client base. All of that said, the strength of the US economy, driven by the American entrepreneur and a healthy consumer, has certainly been exceeding expectations of late."

Wells Fargo's CEO Charles Schar noted that "Consumers and businesses remain strong as unemployment remains low, and inflation remains in check." The CEOs he has spoken with are optimistic about the Trump administration's work to level the trade playing field. "Many have found ways to avoid passing the 10% tariffs on to their customers. At the same time, they are preparing for the downside and are not growing inventories or hiring aggressively and developing contingency plans if the downside scenario occurs."

**Industrials: Trucking Earnings Still Heading Downhill.** The two-year slump in trucking has yet to hit the brakes. J.B. Hunt Transport Services reported revenue excluding fuel surcharges that was up 1.2% to \$2.6 billion, but earnings slumped 5.4% to \$128.6 million due to rising expenses in many areas.

Increases in drivers' wages, casualty and group medical claims, and equipment-related costs dragged down J.B. Hunt's results. Salaries, wages, and employee benefits rose 1.7% and insurance and claims jumped 15.9% to \$84.8 million, according to the trucker's earnings [press release](#). The company has reduced its headcount through attrition and launched an initiative last quarter to cut costs to improve margins. It plans to have employees use artificial intelligence to complete tasks more efficiently, thereby lowering costs.

The trucking industry has been under pressure since the pandemic ended, as consumers shifted from purchasing goods to buying services and experiences. Just as a recovery in the trucking industry appeared imminent, Trump's Tariff Turmoil struck, affecting JB Hunt's customers and increasing uncertainty about demand for trucking.

"Our customer base is diverse, both in terms of size and industry, and each customer continuously adjusts their supply chains to meet their unique needs. Recent examples are some customers have pulled freight forward, some continue to execute demand-driven strategies, and others are making changes to their country of origin and manufacturing plans," said Spencer Frazier, evp of sales & marketing. "This added complexity, lack of accurate forecasts, and potential for volatility is why our peak season surcharge programs are starting earlier this year."

Here's a look at some of the trends in the trucking industry:

*(1) Less stuff being shipped.* The amount of goods being shipped soared in the years prior to the pandemic and has been declining ever since its peak in 2019 ([Fig. 2](#)). In May, the index was down 0.8% y/y ([Fig. 3](#)). Even the recent surge in business inventories over the past two years has not led to an increase in the ATA index ([Fig. 4](#)).

(2) *The trucking industry slims down.* The trucking industry has responded to the past three tough years by reducing its workforce. Payroll employment in truck transportation fell to 1.5 million people in June, down from a peak of 1.6 million in January 2023 ([Fig. 5](#)). That's quite a turnabout from the boom times when trucking companies couldn't find enough people to put into the driver's seat. Likewise, average hourly earnings for truckers soared to 11.8% y/y at the peak in May 2022, and those increases have since fallen to a more modest 3.7% in May ([Fig. 6](#)).

(3) *Prices soften.* The price for trucking services has also bounced around based on demand. Trucking prices rose by a shocking 45.2% y/y in June 2021 when demand was greatest. As demand for trucking softened, prices started to decline in November 2022, falling most dramatically by -13.4% in February 2023. Recently, prices have begun to increase y/y, rising 2.1% in June ([Fig. 7](#)).

**Disruptive Technologies: AI Goes to Business School.** Companies have developed artificial intelligence (AI) programs that make financial analysis fast and easy—assuming the data used is accurate. Earlier this week Anthropic introduced its AI program Claude's financial analysis tool. It follows in the footsteps of Perplexity Labs, which can cook up all sorts of research reports, including those on financial matters. While there are certainly many financial analysis tools on the market, let's take a look at what these two advanced programs proclaim they can do:

(1) *Claude crunches numbers.* Claude boasts that its [Financial Analysis Solution](#) can perform many of the tasks conducted by analysts, including due diligence, market research, competitive benchmarking, portfolio deep dives, financial modeling with audit trails, and generating institutional-quality investment memos and pitch decks. Among the examples of Claude's work was a price performance chart that showed Velocity's stock price movement, with key events noted on the chart.

Claude has real-time access to financial information through data providers including Box, FactSet, Morningstar, PitchBook, Databricks, S&P Global, and Snowflake. The information it provides is verified across multiple sources to reduce errors, and every claim is linked to the source of the information. Claude Financial Analysis Solution also gives customers access to AI programs developed by leading consultants, like Deloitte's 10X Analyst and PwC's Regulatory Pathfinder.

Claude's Financial Analysis Solution isn't just for portfolio managers and investment bankers. In a testimonial on Claude's website, AIG CEO Peter Zaffino said the firm was using the service to give "underwriters the tools to make better decisions at an accelerated pace, ultimately driving our ability to serve more clients with greater insight."

(2) *Perplexity makes finance less confusing.* Introduced in May, Perplexity Labs enables Pro subscribers to quickly compile financial research projects, providing both a narrative as well as charts and graphics. The company says it can create reports, spreadsheets, dashboards, and simple web apps.

The company [publishes](#) interesting case studies to help consumers envision how Perplexity Labs can be used. Among those that caught our eye, the program was asked to retrieve Berkshire Hathaway's Q1 Securities and Exchange Commission filing, generate a pie chart of its stock holdings, and create a table with the company's buy or sell decisions with an explanation. In another example, the owner of a small coffee shop asked Perplexity to analyze its accounting data over the past year, identify trends, and advise on how to triple revenue over the next year. These programs may even out the playing field between armchair investors and the Wall Street pros.

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