# JPMorgan Chase & Co.
# (NYSE: JPM)
## Sector: Financials

JPMorgan Chase & Co.

| Target Price | Current Price | 52 Week High | 52 Week Low | P/E | Market Cap. | Dividend Yield | Beta |
|---|---|---|---|---|---|---|---|
| $125.87 | $109.09 | $119.33 | $81.64 | 15.34 | $365.0B | 2.04% | 1.17 |

**Business Description**

J.P. Morgan Chase & Co. (JPM) provides global financial services and retail banking and is based in New York, New York. JPMorgan is the largest bank holding company in the U.S. and the sixth largest in the world with $2.5 trillion in assets. Operations are divided into four major segments including Consumer & Community Banking, Corporate & Investment Bank, Commercial Banking and Asset & Wealth Management. Approximately half of the money JPM makes is through interest income while Consumer & Community banking make up 45% of revenue. Services include but are not limited to investment banking, treasury and security services, asset management, private banking, card member services, commercial banking and home finance.

**Investment Thesis**

We believe J.P Morgan Chase & Co. presents a strong buying opportunity under the current macroeconomic environment. They currently possess a strong liquidity position, which will provide significant protection if an industry downturn were to occur. Jamie Dimon, CEO of JPM, has proved to be an outstanding leader by maintaining an excellent balance sheet and a profitable business throughout the financial crisis until present-day. JPM has returned significant value to shareholders through dividends and their share repurchase program, paying out 94% of their net income to shareholders in the most recent year. JPM fits our investment prospectus well and will continue to be one of the world's top-performing financial institutions for years to come.

**Industry Trends**

The overall global economy has seen strong and steady growth over the past few years, which has led to a robust IPO market in 2017. We expect this trend to be maintained in 2018 along with strong growth in bank deposits across the firm's business segments. With interest rates expected to continue rising, JPM will benefit by receiving higher net interest income and revenue from the spread between deposit payouts and loan income. Consumer confidence, along with individual and business spending, are forecast to climb over the next five years while commercial banking revenue will increase by 2.2% into 2022. Robust GDP growth and economic expansion will drive JPM income over the next few years.

**Competitive Analysis**

JPMorgan is approximately in line with competitors in terms of its Common Equity Tier 1 (CET1) ratio of 12.1%. The Company also competes favorably in terms of ATM coverage with approximately 19,000 ATMs in the United States, beating major competitors Bank of America and Wells Fargo. JPMorgan also retains #1 position on the top of the CIB league table, above Goldman Sachs and Morgan Stanley.

**5-Year Stock Performance**

**Valuation Assumptions**

Cost of Equity: 9.0% | Dividend Growth Rate: 6.5% | Terminal Year: 2022

**Growth Analysis**

Strong growth in deposits across the firm's business major business segments, including 10.5% in Corporate & Investment Banking as well as 6.7% in Commercial & Community Banking, are indicators of continued strength in performance. U.S. credit card purchases are up 10% by total transaction amount providing a tailwind for the credit card segment as well as a positive signal for consumer sentiment. The IPO market was strong in 2017, bolstering investment banking and capital markets operations and is expected to continue into 2018. Finally, growth in loans across the Commercial Banking segment rounds off evidence of solid performance in most major business segments.

**Risks**

JPMorgan is extremely sensitive to macroeconomic trends, such as interest rates, market volatility, and the yield curve. A flattening yield curve threatens JPMorgan's profitability as it compresses their net interest margin, which makes up approximately half of their revenue. The global climate can have a large impact on their business if foreign markets pursue protectionist policies, erect tariffs, and ignite a trade war. Although 80% of their revenue comes from within the U.S., less trade between countries will hinder the overall economy. The U.S. banking system has been heavily regulated since the 2008 Financial Crisis and tightening of regulation in regards to capital requirements could encumber the growth of the company. Also, the value given to shareholders through dividends or share repurchases is restricted by the government depending on the bank's results of stress tests.

**Report Prepared By:**

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Sources: Bloomberg, JPM SEC Filings, Yahoo! Finance