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US banks

US banks slide over Trump policy delay fears

S&P 500, Dow and Nasdaq drop as Treasury yield curve flattens



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YESTERDAY by: **Adam Samson** and **Mamta Badkar** in New York

[US banks \(https://www.ft.com/topics/themes/US_banks\)](https://www.ft.com/topics/themes/US_banks) recorded their steepest slide since the wake of the June Brexit vote as the Treasury yield curve flattened and investors remained concerned that [Donald Trump \(https://www.ft.com/donald-trump\)](https://www.ft.com/donald-trump)'s policy initiatives might take longer to pass than previously thought.

The S&P 500 banks index dropped 3.9 per cent, marking its steepest fall since June 27, according to Bloomberg data.

America's largest lenders were under pressure as [Bank of America](http://markets.ft.com/data/equities/tearsheet/summary?s=us:BAC) (<http://markets.ft.com/data/equities/tearsheet/summary?s=us:BAC>) lost 5.8 per cent to \$23.02, [Wells Fargo](http://markets.ft.com/data/equities/tearsheet/summary?s=us:WFC) (<http://markets.ft.com/data/equities/tearsheet/summary?s=us:WFC>) dropped 3.1 per cent to \$55.85 and JPMorgan Chase fell 2.9 per cent to \$87.39. Investment bank Goldman Sachs declined 3.8 per cent to \$233, while rival [Morgan Stanley](http://markets.ft.com/data/equities/tearsheet/summary?s=us:MS) (<http://markets.ft.com/data/equities/tearsheet/summary?s=us:MS>) sold off 4.3 per cent to \$42.66.

Tuesday's selling came as "bonds continue to rally, which is a headwind for banks," said Ian Winer, head of equities at Wedbush, the investment bank.

Treasury yields, which move in the opposite direction to prices, were down broadly on Tuesday. However, longer-duration notes saw bigger declines in yield, causing the difference in five and two-year Treasuries to flatten to 68.3 basis points — the lowest level this month, according to Bloomberg data.

A flatter yield curve is seen as negative to lenders, since they borrow on short-term markets and lend for longer periods. The curve had widened to as much as 83.8bp in December amid expectations Mr Trump's fiscal policies would boost economic growth and inflation.

S&P 500 Banks index



Mr Winer added that a lack of clarity regarding [government policy \(http://next.ft.com/content/b93789b7-b06f-32ef-b822-ded1dbef404d\)](http://next.ft.com/content/b93789b7-b06f-32ef-b822-ded1dbef404d) was also causing nervousness among investors.

“Given the uncertainty around [the] healthcare bill, the market is concerned other policy goals may take longer,” he said, pointing to a loosening of regulations on the financial sector as something that could be delayed.

The S&P 500 also posted its steepest fall of the year, dropping 1.2 per cent to 2,344. The Dow Jones Industrial Average also fell 1.1 per cent to 20,668 and the Nasdaq Composite slumped 1.8 per cent to 5,793.8.

Elsewhere, US department stores witnessed a renewed sell-off, with shares in [Kohl’s \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:KSS\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:KSS) sliding 2.4 per cent to \$37.64, [JC Penney \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:JCP\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:JCP) down 3.8 per cent to \$5.63, [Macy’s \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:M\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:M) declining 3.2 per

cent to \$28.42 and Nordstrom (<http://markets.ft.com/data/equities/tearsheet/summary?s=us:JWN>) down 1.8 per cent to \$41.81.

The fall came as analysts at Credit Suisse downgraded retail, consumer durables and apparel to “market weight” from “overweight”. They argue that a “significant portion” of risk from the border adjustment tax seen in the Trump administration’s corporate tax reform proposal is priced in, but it is “perhaps not fully baked in just yet”.

Moreover, they note that, in most cases, key indicators are not back to 2008-09 lows yet.

Declining mall traffic, the rise of online shopping, competition from off-price retailers such as TJX Cos, which buy designer names at a discount and offer them to consumers at low prices, and strength in the US dollar have all combined to weigh on department store sales. The S&P 500 department store sector has fallen more than 21 per cent this year.

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