# Taking Stock - Q3 Earnings Season

The third quarter earnings season commenced in earnest this week, after a few select reports from the previous week. This week's announcements were primarily dominated by the financial sector, featuring major banking players such as Morgan Stanley, Goldman Sachs, and Bank of America among the key earnings releases. Elsewhere, Netflix, Johnson and Johnson and Abbot were the other key releases.

Focusing on the financial results, Morgan Stanley and Goldman Sachs were the standout performers, with actual revenues for Q3 coming in 7.5% ahead of expectations. Morgan Stanley reported a profits increase of 32%, reaching $3.19 billion compared to $2.4 billion last year, while revenues climbed to $15.4 billion from $13.3 billion. The company also saw total client assets under management top $7.5tn, due to a buoyant equity market and positive net asset inflows. Meanwhile, Goldman Sachs saw new revenues rise by 7% to $12.7bn, while quarterly profits rise by 45% to $3bn, while assets under management surpassed $3tn for the first time. Goldman's equity trading business also had its best quarter in three years, with revenues from equity trading topping $3.5bn, which is 18% higher than last year. Both banks are poised to further benefit from lower interest rates, as highlighted during their earnings calls. Additionally, Charles Schwab reported a 5% revenue increase, with profits rising by 25%, prompting the company to raise its revenue forecast for the remainder of 2024.

In the healthcare sector, United Health, Johnson and Johnson and Abbot were the major releases in this sector. United Health slightly exceeded earnings expectations by 1.7%, reporting over $100 billion in revenue; however, it paid out 85% of medical premiums for medical costs, known as the medical care ratio, which was above the anticipated 84.4%. This sent shares down almost 10% after the earnings were released. Johnson & Johnson also beat earnings, due to an increase in sales of its cancer and antipsychotic drugs. Abbott increased full year earnings guidance after beating Q3 forecasts, attributing the success to both its MedTech and Pharma divisions. On the downside, luxury goods giant LVMH missed revenues by 7%, due to a fall in sales and signs of weak demand in China, the most important market for luxury goods sellers. ASML, while beating earnings forecasts, provided a lower sales outlook for the upcoming year, resulting in a more than 20% decline in its shares.

Forecast vs Actual Earnings Q3

Source: Seaspray Private

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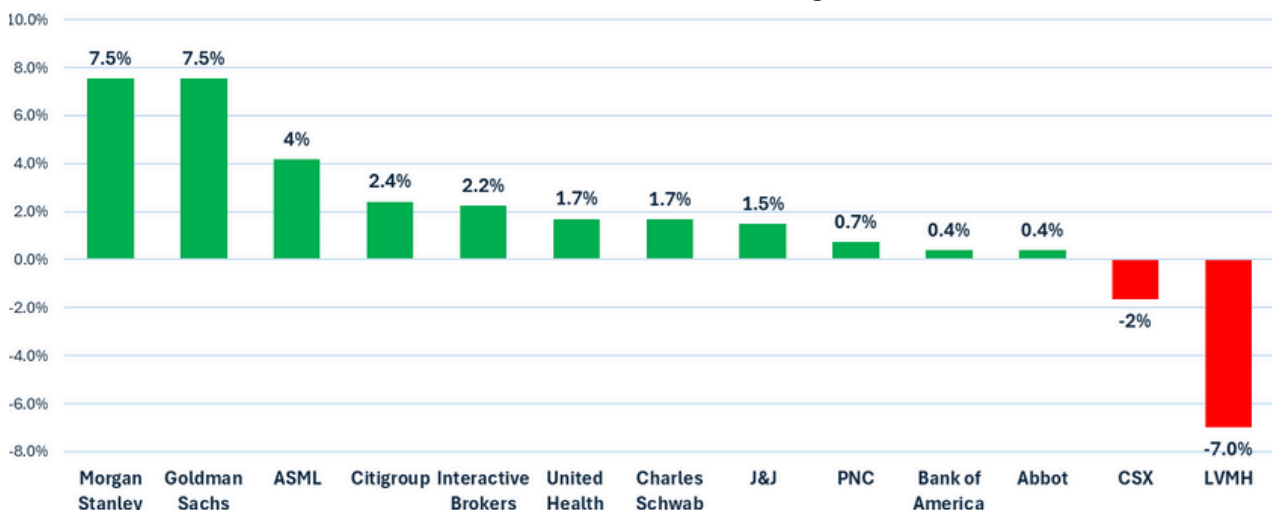
Below we can see the weekly performance of the companies mentioned earlier. After positive earnings, Morgan Stanley, Charles Schwab and Goldman Sachs lead the gains, with Morgan Stanley up over 7%, while Charles Schwab gained over 6%. Conversely, LVMH shares dropped nearly 6% amid weak earnings and negative sentiment regarding the Chinese market. Similarly, United Health shares fell over 4.5% due to a rise in the medical care ratio, despite both top-line and bottom-line figures surpassing expectations.
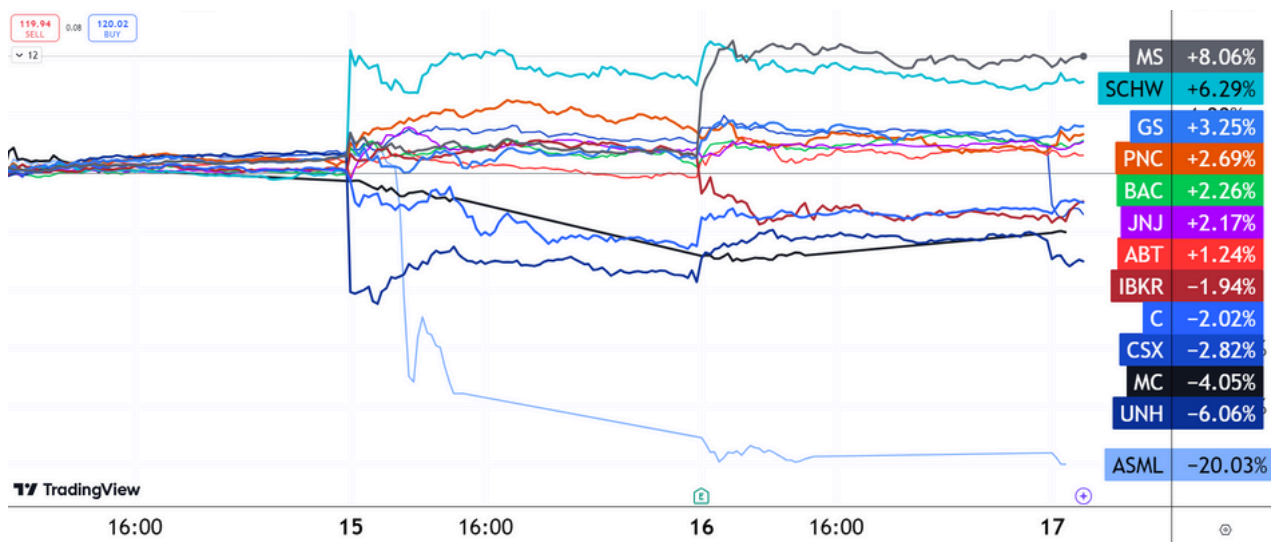
Source: Seaspray Private

Company	Line Colour	Weekly Perfomance
Morgan Stanley	—	+8.06%
Charles Schwab	—	+6.29%
Goldman Sachs	—	+3.25%
PNC	—	+2.69%
Bank of America	—	+2.26%
Johnson & Johnson	—	+2.17%
Abbott	—	+1.24%
Interactive Brokers	—	-1.94%
Citi Group	—	-2.02%
CSX	—	-2.82%
LVMH	—	-4.05%
United Health	—	-6.06%
ASML	—	-20.03%