Hybrid theory Nissan bets third-generation e-Power technology will lead to breakthrough for its car sales in America PAGE 10

Companies & Markets

JPMorgan and Citi upbeat on robustness of US consumers

- Economy still strong despite tariffs
- Trump tumult a boon to Wall Street

JOSHUA FRANKLIN AND AKILA QUINIO — NEW YORK

JPMorgan Chase and Citigroup struck an upbeat tone on the strength of US consumers, underscoring how the world's biggest economy has remained resilient despite the effects of Donald Trump's tariffs.

The duo of Wall Street banks said that there were signs that Americans' financial footing was solid even as they contend with persistently elevated prices, high interest rates and broader economic uncertainty.

"The strength of the US economy, driven by the American entrepreneur and a healthy consumer has certainly been exceeding expectations of late," said Jane Fraser, Citi's chief executive.

> Clients 'have been able to manage through what's happened so far pretty effectively'

Fraser still cautioned that Citi was not "dropping our guard as we begin the second half of the year", noting that "we expect to see goods prices to start ticking up over the summer as tariffs take effect, and we have seen pauses in [capital spending] and hiring amongst our client base".

Jeremy Barnum, JPMorgan's chief financial officer, echoed that sentiment, noting that the biggest US bank by assets continued "to struggle to see signs of weakness" in US consumer credit.

Wells Fargo CFO Michael Santomassimo similarly said that clients "have been able to manage through what's happened so far pretty effectively".

The broadly sanguine outlook comes after a volatile few months for markets. Trump's April 2 announcement of sweeping tariffs on trading partners ignited a steep sell-off in US stocks and prompted worries over the potential for a recession. Measures of consumer sentiment also darkened markedly.

Markets have steadied since then, with the S&P 500 reaching a record high. Still, a report yesterday on consumer prices showed tariffs were beginning to push inflation higher.

The tumult prompted by Trump's policies has generally been a boon to banks' Wall Street divisions, which have taken advantage of vigorous activity in markets including stocks, bonds, currencies and commodities. Fraser noted that "volatility is going to, I suspect, be a feature not a bug of the new world order and we will benefit from that".

Citi's trading revenues jumped 16 per cent in the second quarter from the same period in 2024 to $5.9bn, while JPMorgan's rose 15 per cent to $8.9bn.

The same market tumult had stunted investment banking but JPMorgan chief Jamie Dimon said the business had "gained momentum as market sentiment improved".

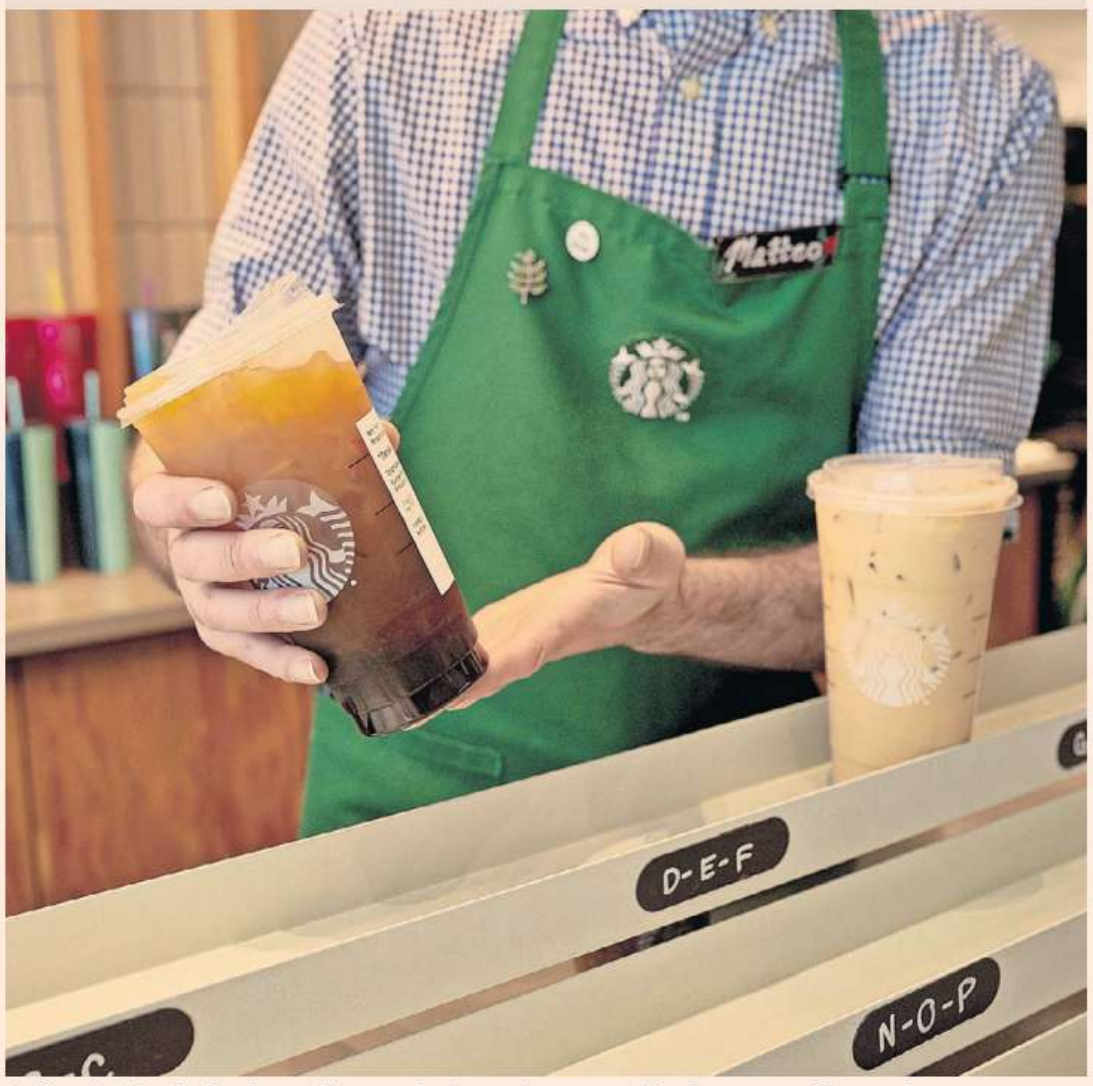
Citi CFO Mark Mason said investment banking activity had recovered to where it was at the start of the quarter, before deals were put on hold in the wake of tariff announcements in early April.

Overall, Citi's profits jumped almost 25 per cent as the bank posted revenue growth across its main divisions including trading, investment banking and wealth management. Return on tangible common equity rose to 8.7 per cent from 7.2 per cent in the same quarter in 2024. Citi's shares jumped 3 per cent, reaching the highest level since 2008.

JPMorgan's net income fell to $15bn in the second quarter, down 17 per cent. Last year it benefited from a roughly $8bn one-off gain from its stake in Visa. Its shares were little changed during afternoon trading yesterday.

Lex page 24

Reverse order Starbucks requires corporate staff to be back in the office four days a week



Coffee grind: Starbucks plans to hire more baristas to improve staff performance and boost sales — Gabby Jones/Bloomberg

GREGORY MEYER — NEW YORK

Starbucks will require corporate staff to be in the office at least four days a week and is offering cash to employees who decide to quit instead, as executives bank on in-person work to improve the company's flagging performance.

The world's largest coffee house chain on Monday increased the number of days employees are required to work in the office from three to four.

The mandate from chief executive Brian Niccol shows some US companies are retreating from remote work policies adopted in the pandemic. Amazon — like Starbucks, based in Seattle — has ordered staff into the office five days a week.

Niccol said in a message to employees: "We know we're asking a lot of every partner as we work to turn the business around. And we understand that the updated in-office culture may not work for everyone." He added: "To support those who decide to 'opt out', we're offering a one-time voluntary exit programme with a cash payment for partners who make this choice."

All Starbucks corporate managers with direct reports will also be required to work from the Seattle or Canadian headquarters in Toronto within 12 months, the company said.

The majority of Starbucks' more than 350,000 employees work in its coffee houses. Executives plan to hire more baristas to improve customer service and reverse a slide in sales. Fewer than 20,000 are employed in corporate support, as well as in store development, roasting, manufacturing, warehousing and distribution, according to its annual report.

Starbucks in February cut 1,100 office jobs and eliminated hundreds of unfilled positions. Company leaders with the status of vice-president or higher who were working remotely were required to work from the Seattle or Toronto offices. Monday's announcement applied that requirement to all corporate managers.

Niccol joined Starbucks last year from Newport Beach, California-based Chipotle Mexican Grill, with a goal of turning around the coffee chain's business. His employment agreement promised him a "small remote office" in Newport Beach and said he would not be required to relocate to Seattle. Starbucks said Niccol has an office and a house in Seattle.

Niccol wrote: "We are re-establishing our in-office culture because we do our best work when we're together. We share ideas more effectively, creatively solve hard problems, and move much faster. Being in-person also helps us build and strengthen our culture. As we work to turn the business around, all these things matter more than ever."

BlackRock's inflows shrink after big client pulls $52bn

ERIC PLATT — NEW YORK

BlackRock's inflows fell to their lowest level in more than a year during the second quarter as a large client in Asia pulled tens of billions of dollars from the world's largest asset manager.

The New York-based group said it drew in $68bn across the investment funds that it manages in the three months to the end of June, more than a fifth below the $87bn Wall Street had predicted.

It was the smallest quarterly addition since the start of 2024. BlackRock's shares were down 5 per cent in early afternoon trading yesterday.

BlackRock attributed the lower than expected inflows to a large institutional client in Asia, which it said withdrew $52bn in lower-fee index investments, primarily in fixed-income products.

Analysts at Jefferies also attributed the "weakness" in quarterly inflows to redemptions from the active multi-asset and equity investment portfolios, which reported withdrawals of $7.2bn and $4.6bn respectively.

However, the lower than expected inflows overall were mitigated by a market rally and currency swings that helped propel BlackRock's assets under management to a record $12.5tn.

The firm's strongest inflows were across its bond ETFs, which counted just under $44bn of additions in the period.

BlackRock's crypto and digital asset ETFs also reported $14bn of inflows as investors push bitcoin and other cryptocurrencies to record highs.

Overall, BlackRock's revenues jumped 13 per cent to $5.4bn and net income rose 7 per cent from a year prior to $1.6bn, in line with expectations.

BlackRock is partway through a shift as chief executive Larry Fink pushes it into the private investment industry, going toe to toe with behemoths including Blackstone and KKR.

The company agreed nearly $30bn of takeover deals last year as part of that drive, including the buyouts of infrastructure investor Global Infrastructure Partners, private credit investment firm HPS Investment Partners and data provider Preqin.

BlackRock's chief financial officer Martin Small estimated that the acquisition of HPS, which closed earlier this month, would add $450mn to BlackRock's revenues in the third quarter.

The combination with HPS added $165bn to BlackRock's assets under management.

M&A bankers find dealmaking tougher under Trump than Biden

BUSINESS INSIGHT
WASHINGTON

James Fontanella-Khan

A year ago, when the presidential race between Donald Trump and Kamala Harris was heating up, a veteran mergers and acquisitions adviser told me that if the Republican candidate won, many on Wall Street would eventually long "for the return of Lina Khan".

The top rainmaker was flagging his concerns that Trump's antitrust policies would make it even harder to get deals approved than under Joe Biden's progressive head of the Federal Trade Commission, the US competition watchdog.

Twelve months on, many M&A bankers argue that this has turned out to be the case. They say deal approvals have become more politically charged than under Khan, who was accused by bankers and lawyers in her time in office of using M&A approval procedures to influence public policy on matters beyond preserving competition.

Since Trump's return to power, dealmaking has collapsed in the US, partly because of policy upheaval in areas such as tariffs but also because of the uncertainty and politicisation of getting transactions approved. Roughly 10,900 deals were announced in the three months to June 30, according to LSEG data. That was the lowest quarterly total since early 2015, excluding the pandemic-affected second quarter of 2022.

Dealmakers say merger reviews, rather than being based on pure market analysis, have increasingly started to reflect partisan agendas on issues ranging from "America First" nationalism to the eradication of diversity, equity and inclusion policies. "I have been working on multiple deals where I have people inside the White House telling me what I can and can't do," said a top dealmaker involved in transactions unrelated to the government. "It's a level of intrusion I have never experienced before."

Few dealmakers will criticise the administration on the record for fear of retribution. But Nippon Steel's acquisition of US Steel is an example cited by transaction experts. During his 2024 campaign, Trump denounced the Japanese company's acquisition of US Steel as a threat to American manufacturing. Yet, upon resuming office, he approved the deal after forcing a "golden share" structure on the buyer — essentially giving the government veto rights over strategic decisions.

> 'I have been working on multiple deals where I have people inside the White House telling me what I can and can't do'

Advisers warn this sets a precedent: future foreign takeovers may hinge on political bargaining just as much as a ruling on competitive effects. And non-traditional factors are coming into play in M&A approvals. "Transacting parties need to be prepared for regulatory scrutiny, even if the risk is considered low. In the current global environment, politics or other exogenous factors can easily come into play, often in unexpected ways," corporate law firm Wachtell said in a memo about deals and politics.

A senior PR adviser who has navigated sensitive transactions adds: "CEOs are struggling to make sense of what the government wants . . . Most are waiting on the sidelines for greater clarity. Those who need to do a deal are seeking help to sell it in a way that will be well received by the administration."

Dealmakers have told me this sometimes means taking a cautious stance on issues unrelated to a transaction, such as diversity, equity and inclusion matters. "Many companies still want to remain committed to DEI, but they are asking for our advice to scrub all references to DEI so they won't be targeted by the FTC or other regulators," says one consultant to chief executives on deals. One rainmaker on Wall Street adds: "The system is becoming totally political and in some cases personal."

Current policymakers argue politicisation of M&A approvals did not begin with Trump's second term. They say Khan and former Department of Justice antitrust division head Jonathan Kanter pursued a progressive agenda under Biden in challenging tech megamergers and private equity deals. But the once-narrow remit of competition policy has widened further. The FTC, for example, held a workshop on July 9 on whether consumers had been exposed to false or unsupported claims about "gender-affirming care" for minors and potential harms consumers may be experiencing.

By treating such matters as antitrust concerns, regulators signal that deals are subject to considerations far beyond price and market share. Corporate counsel caution that this risks eroding the impartiality that underpins US merger policy. "We're seeing a chilling effect," says one dealmaker. "Clients hesitate to launch cross-border transactions because they fear hidden political hurdles — golden shares, ideological carve-outs or cultural mandates."

jfk@ft.com