

FUND FINANCE FRIDAY

Capacity for Growth? Earnings Season Gets Underway Next Week

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Bank earnings season kicks off in less than a week when three banks, all active fund finance lenders, report on July 14. Revenue growth has become more difficult to come by with mortgage originations slowing into rising rates, investment banking fees likely meaningfully lower, and asset management income also down due to declines in equity and fixed income prices.

Together, this may make for a bread-and-butter quarter where old-fashioned loan growth and higher net interest margins from rising interest rates power net interest income growth. To this point, Fed data through late June show 19 consecutive weeks of loan growth at banks, a rare growth streak. Within the various lending categories, C&I has consistently grown the fastest in 2022, and that trend has accelerated in recent weeks.

We look forward to listening in on a few calls. There's plenty of room for interesting management discussion, particularly around deposit stickiness and the credit loss allowance trajectory. Closer to home, we hope to gain more clarity on a popular point of discussion in the fund finance market of late: balance sheet availability for further loan growth in the rest of the year. Our internal data showed a meaningful acceleration in originations through quarter end. Finally, if Q1 was any indicator, we expect to hear more explicit mentions of fund finance from management teams, reinforcing the growing significance of the product to earnings.