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U.S. Investment Banking Faces Longest Downturn in Over a Decade as Trading Revenues Dominate

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U.S. investment banking divisions are on track to deliver one of their weakest performances in over a decade, with fee income from dealmaking and equity issuance falling to near-historic lows. While major Wall Street firms have leaned on trading revenue to offset the downturn, analysts caution that a sustained recovery in core banking activity remains unlikely in the near term.

For the fourteenth consecutive quarter, investment banking revenue is expected to account for less than 25% of total earnings at leading U.S. banks, including JPMorgan Chase & Co., Goldman Sachs Group Inc., Morgan Stanley, Citigroup Inc., and Bank of America Corp. According to Financial Times estimates, the combined investment banking haul for Q2 2025 will be roughly \$7.5 billion, down 10% from the same period last year. Meanwhile, trading desks are forecast to generate over \$31 billion, emphasizing the stark contrast between the two business segments.

Banking analysts attribute the slump to a mix of tighter credit conditions, geopolitical volatility, and persistently high Federal Reserve (Fed) interest rates. Oppenheimer & Co. analyst Chris Kotowski told the *Financial Times* that the current environment reflects “a new normal” of subdued corporate confidence and caution among chief financial officers.

While equity markets have shown signs of life in recent months, mergers and acquisitions (M&A) remain sluggish. Company executives appear unwilling to pursue large-scale transactions amid uncertain macroeconomic signals, slowing regulatory approvals, and fluctuating asset valuations. Public listings, or initial public offerings (IPOs), are also below pre-pandemic averages.

Not all is bleak. Trading divisions have outperformed expectations, capitalizing on bond and currency market volatility. HSBC banking analyst Saul Martinez noted, “The first half of the quarter was rough, but there’s more optimism about the outlook,” suggesting that some capital-raising activity could pick up by year’s end.

Nonetheless, the drop in traditional banking revenue is prompting firms to reevaluate headcount and deal pipelines. With no imminent rate cuts from the Fed and continued political uncertainty heading into the 2024 election, banks may need to brace for a longer recovery cycle.

For conservative-leaning observers, the situation underscores the risks of overreliance on cyclical earnings and regulatory red tape. Until the economy delivers more clarity and the government steers clear of overreach, investment banking will likely remain in the shadows of its more agile trading counterpart.