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Goldman Sachs, Morgan Stanley ride deals to score big 3Q earnings beats

Shares of US investment bank Goldman Sachs Group Inc (NYSE:GS) climbed before the opening bell Tuesday after it posted third-quarter earnings that handily beat Wall Street expectations on the back of strong deal making and lower taxes.

Shares in Goldman Sachs climbed 1.2% to \$218 in premarket trade.

For the quarter ended June 2018, Goldman Sachs reported earnings of \$6.28 per share on revenue of \$8.6 billion. That was well above the expectations of analysts who predicted earnings of \$5.42 per share on revenue of \$8.4 billion. Revenue grew 3.8% on a year-over-year basis.

Investment-banking revenue shot up 10% from a year earlier to \$1.98 billion in revenue, exceeding the \$1.8 billion estimate, on better-than-expected results in mergers advisory and capital markets underwriting. The business benefited from strong demand for initial public offerings. It's been a bonanza for investment banks like Goldman Sachs and Morgan Stanley (NYSE:MS) as more than 180 companies raised over \$50 billion in IPOs in the US in the first three quarters, putting 2018 on track to be the busiest year for new issuance by both measures since 2014, according to Dealogic.

The bank's trading division produced \$3.1 billion in revenue, just shy of analysts' \$3.16 billion estimate, driven by underperformance in the fixed-income business.

The quarterly results are the last of Lloyd Blankfein's tenure, which began in 2006 and ended October 1 when David Solomon took over as Goldman's new boss.

READ: Goldman Sachs's Marcus account proves popular with UK savers
Solomon's main challenge is to make good on a plan to boost revenue by \$5 billion by deepening its banking client base and pushing into retail products like personal loans.

Meanwhile, rival Morgan Stanley also reported third quarter earnings that topped analysts' expectations on both the top and bottom lines on strong investment banking results.

For the quarter ended June 2018, the bank posted earnings of \$1.17 per share on revenue of \$12.6 billion. The consensus earnings estimate was \$1 per share on revenue of \$9.5 billion. Revenue grew 16.8% on a year-over-year basis.

The bank said the improved results were boosted by higher IPO revenues and convertible offerings as well as better loan and bond fees. Morgan Stanley's investment banking division, which includes deal advisory and stock and bond issuance, generated \$1.5 billion in revenue compared with the \$1.3 billion estimate, from Thomson Reuters. That puts

Price: US\$44.5

Market Cap: US\$73825.5M

1 Year Share Price Graph



Share Information

Code: MS

Listing: NYSE

52 week	High	Low
	\$51.52	\$36.75

Sector: Financial Services

Website: www.morganstanley.com

Company Synopsis:

Morgan Stanley is a financial holding company. Through its subsidiaries and affiliates, the Company operates as a global financial services company that provides its products and services to a diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

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investment banking revenue up more than 15% year over year.

"Despite the seasonal summer slowdown in the third quarter, we reported solid revenue and earnings growth demonstrating the stability of the franchise," said Morgan Stanley CEO James Gorman.

Shares of Morgan Stanley shot up 2.3% to \$44.50

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-- (Updates with Goldman results, Morgan Stanley CEO quotes) --

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