

ENCARGO 4. *Investment Banking*

ESPECIFICACIONES DEL ENCARGO DE TRADUCCIÓN.

Función prevista para el texto meta: informar sobre la situación actual de los bancos de inversión en EEUU.

Receptores: público con nivel cultural medio-alto e interesados en asuntos económicos (lectores de la publicación NEWSWEEK).

Coordenadas situacionales: Coordinadas por defecto; no hay especificaciones *particulares*.

Medio de transmisión del TM: el texto será publicado en la revista *Gaceta de los negocios*, concretamente en la sección dedicada a economía.

Razón o motivo por el que se realiza la traducción: la edición digital de la revista *Gaceta de los negocios* (<http://negocios.com/>) albergará varios artículos sobre la economía mundial y más concretamente sobre la situación de los bancos de inversión en el mundo.

TAREA: Traducir el TO al español teniendo en cuenta las especificaciones del encargo de traducción.

Investment banking

The big squeeze

Why the industry's best days may be behind it

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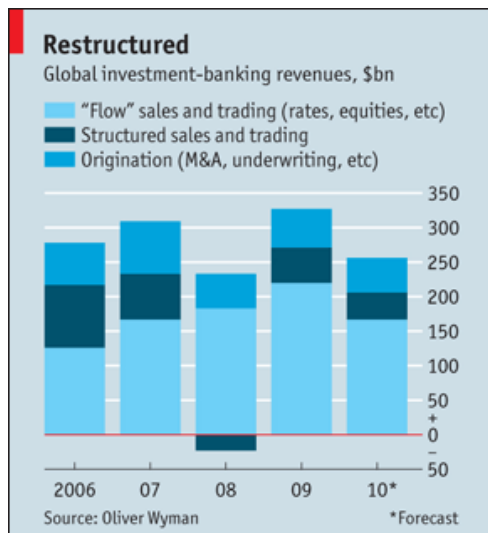


EVEN by its own notoriously cyclical standards, investment banking has been on a stomach-churning ride in the past five years. After an apparently golden age, with quarter after quarter of record profits, came the bursting of the debt bubble, a deluge of red ink and bail-outs; then, last year, firms bounced back obscenely quickly thanks to record trading profits. Now they are being squeezed once more, and this time the slump may last.

American banking giants' third-quarter results, starting with JPMorgan Chase on October 13th, will show that trading revenues fell by perhaps 20-30% from the previous quarter. With nervy investors sitting on their hands, client activity was "painfully slow across the board", according to Jefferies, a middle-sized bank.

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Things are not much better in origination businesses. Several trends that buoyed underwriting last year, such as banks' rush to raise capital and the boom in bond issuance as companies refinanced at low rates, have fizzled. Merger-advisory business has picked up but not by enough to compensate. As one Wall Streeter puts it: "If we extrapolated our third-quarter returns, we'd shoot ourselves." Overall, 2010 will be a year to forget (see chart).



The ugly results will make for difficult decisions on bonuses as the year draws to a close. Firms won't want to lose their "talent": witness Goldman Sachs's unusual mid year payout of restricted shares for partners affected by Britain's bonus tax. But they face growing pressure to cut costs, and 40-50% of their revenues still flow to employees. Chopping people often comes more easily to banks than cutting pay. Bank of America is sacking up to 5% of its capital-markets unit. Others will follow—in a reversal of a hiring spree earlier this year—unless markets improve markedly in the fourth quarter. Meredith Whitney, an analyst with a reputation for prescience, thinks up to 80,000 jobs could go on Wall Street in the next two years.

Capital-markets activity tends to be closely linked with overall economic growth. When output picks up, so will investment banking, argue optimists. But this time could be different because market and regulatory pressures have "substantially weakened" the economics of the business, says Shubh Saumya of the Boston Consulting Group. There is less leverage to supercharge returns. Some previously money-spinning activities are shadows of their former selves. Revenues from selling and trading structured products are almost two-thirds lower than in 2006. New regulations and accounting rules have made securitisation less appealing.

The biggest impact will come from the Basel 3 capital requirements, which could be finalised at next month's G20 summit in Seoul. Higher charges, especially for trading, could cause global wholesale banks' risk-weighted assets to balloon by one-fifth on average, reckons Huw van Steenis of Morgan Stanley.

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This will force some to reassess their exposure to racy stuff. Even JPMorgan Chase, which boasts of its “fortress” balance-sheet, has said it will cut some investment-banking exposures to counter the effects of Basel 3. In future, numerous trading businesses will no longer be able to beat their cost of capital, says Brad Hintz of Alliance Bernstein, though some of these may still be run as loss-leaders. Firms are seeking out less capital-intensive opportunities in areas like equities and advisory work.

Adding to the pressure on the industry’s trading culture is America’s Volcker rule, which restricts banks’ “proprietary” trading, or punting with their own capital in markets. JPMorgan Chase is shifting 45 prop traders into its asset-management arm, where they can continue to place bets, but only for clients. Morgan Stanley is looking at a possible spin-off of PDT, its quantitative-trading arm, one hope being that the bank can still make some money from the independent entity if it borrows. Senior folk at Goldman’s mighty Principal Strategies group are reportedly in talks with Avenue Capital and other non-banks (...)

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