# Technology

## US banks' earnings: readthroughs for Indian IT

- **Major US banks—J.P. Morgan, Wells Fargo, Goldman Sachs, Citibank, Morgan Stanley, et al.—reported better-than-estimated results, driven by robust trading revenue. However, heightened caution around macroeconomic conditions was palpable, with all banks emphasizing risks from recessionary pressures and evolving tariff policies. The technology spend outlook, though, remained intact for now—tech spending remains a strategic priority across the board, aligning with the current commentary from TCS that the US banks are stable.**
- **As argued in our report dated 4th Apr'25 (Liberation Day and Indian IT: Breaking point or turning point?), we believe verticals such as Retail & Consumer, Manufacturing, Hi-Tech & Software, etc., could see delayed or deferred tech spending at least for the next quarter (1QFY26E) as clients absorb the uncertainty. We believe consensus estimates are at risk of being cut by 7-10% over FY26/FY27E. So far, however, it looks like the BFSI sector is still a good hiding place and may well offer some shelter to India's IT services. Key commentaries from the banks that have reported so far are presented below:**

### J.P. Morgan Chase

**On macro and demand trends:**

Management remains cautious amid a complex macro environment shaped by persistent inflation, geopolitical tensions, and shifting monetary policy. Clients are actively engaged, but the firm sees uneven sentiment and potential pressure on economic activity depending on policy outcomes.

**Technology spending outlook:**

Technology spending is set to grow in 2025, driven by investments in new products, digital platforms, and modernization efforts. **Expense guidance for 2025 remains at USD95b**, which reflects growth across compensation, marketing, and technology. Technology-related initiatives are seen as long-term enablers and are unlikely to be scaled back unless materially affected by the broader environment.

### Morgan Stanley

**On macro and demand trends:**

Strategic client engagement continues despite delays in M&A and IPO activities, with a "pause, not delete" outlook driven by unpredictable but potentially transitory headwinds. Despite this, management commented that barring a severe risk-off scenario, trade and geopolitical uncertainties will be gradually absorbed by the markets. **The firm expects capital raising, management, and allocation to continue, as corporates and investors remain focused on their strategic priorities in trade, energy, and technology**.

**Technology spending outlook:**

Technology spending remains a long-term priority, with continued investment in automation, AI, and platform modernization. AI is being leveraged to enhance productivity, improve client engagement, and support decision-making across institutional and wealth management platforms. **Focus areas include enhancing electronic trading, scaling self-directed and advisor-led platforms, and expanding digital tools that support financial advisors and clients.**

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## Wells Fargo

**On macro and demand trends:**

Clients are generally in a strong financial position, with consumers showing resilience and commercial loan demand stabilizing modestly. However, sentiment is cautious, and activity remains sensitive to policy developments.

**Technology spending outlook:**

Focus areas in technology investment include digital enhancements to customer onboarding and experience across mobile and branch channels, automation of internal processes, and expansion of digital capabilities in wealth and commercial banking. **The management reaffirmed its full-year 2025 expense outlook of USD54.2b, which includes ongoing technology investments.**

## Goldman Sachs

**On macro and demand trends:**

Management highlighted a shift to a more uncertain macroeconomic backdrop, with the US growth forecasts revised down meaningfully and recession risks mounting. Clients across corporate and institutional channels remain active but are exercising greater caution amid policy uncertainty, trade tensions, and slower global growth.

**Technology spending outlook:**

The firm is actively rolling out a multi-year efficiency and transformation program, outlined in its January strategic update, aimed at unlocking productivity and scaling operations. **This includes optimizing the pyramid structure, reducing non-compensation expenses, and reallocating resources toward high-impact technology initiatives**. They are leveraging AI solutions to scale and transform engineering capabilities as well as to simplify and modernize the technology stack.

## Citibank

**On macro and demand trends:**

Management remains cautious amid a deteriorating macroeconomic outlook. Prolonged policy and geopolitical uncertainty, potential tax changes, and ongoing trade realignments are weighing on confidence and causing delays in capital investment and strategic activity.

**Technology spending outlook:**

Technology investment continues to be centered on **transformation and client experience**. The firm is advancing **infrastructure modernization, retiring legacy systems, and embedding automation to reduce manual touchpoints**. Generative AI is being integrated into operations, including the pilot of "Agent Assist" for credit card servicing in US Personal Banking. For the full year 2025, **Citibank maintained its** expense outlook**, guiding to total expenses slightly below USD53.4b**, reflecting ongoing cost discipline while continuing to fund strategic initiatives and transformation efforts.

## Bank of America

**On macro and demand trends:**

Management acknowledges macro uncertainty, including potential policy shifts and tariffs, which could impact economic activity. The Bank of America’s research team does not currently expect a recession in 2025 but has revised GDP growth forecasts downward and expects no rate cuts.

**Technology spending outlook:**

Technology investment remains a priority, especially in digital channels and AI. The Bank of America highlighted ongoing investments in digital engagement tools such as Erica (with over 2.7b interactions) and CashPro for commercial clients. **Expense growth (up ~3% YoY) was partly driven by higher technology** and marketing spending. The bank is also leveraging AI and machine learning to optimize commercial client acquisition and engagement strategies.

## PNC Financial Services

**On macro and demand trends:**

Management flagged heightened uncertainty stemming from proposed tariffs and their potential macroeconomic implications, which could raise recession risks. Credit quality remains strong, though reserves have increased slightly to reflect downside risks, including tariff exposure.

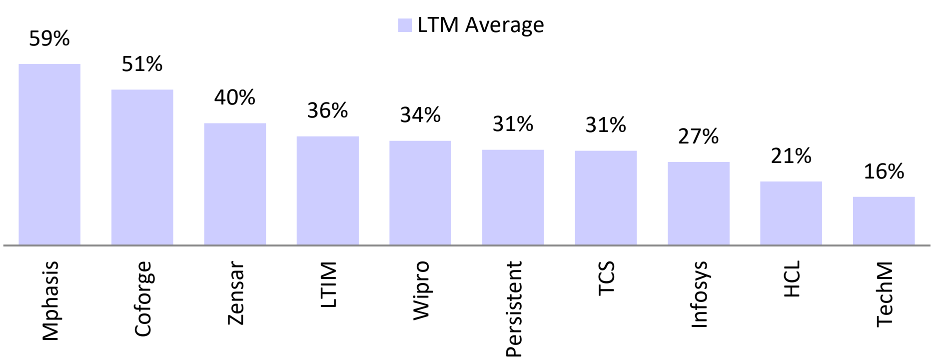
**Technology spending outlook:**

Technology remains a key investment area. Non-interest expenses rose modestly (2% YoY), reflecting continued investment in technology and marketing. **PNC reiterated its commitment to its continuous improvement program, targeting USD350m in 2025 savings to help fund business and tech initiatives. The bank emphasized efficiency without compromising on strategic technology priorities**.

## BFSI: Spending intact, for now

- In 1QFY25, major US banks— J.P. Morgan, Wells Fargo, Goldman Sachs, Citibank, Morgan Stanley, et al.—maintained their tech budgets, reinforcing a steady commitment to digital investments despite broader macroeconomic concerns (refer to Exhibit 2). This sustained spending has been mirrored by Tier-I and Tier-II Indian IT players, with BFSI revenue delivering a healthy growth momentum (refer to Exhibit 3).
- TCS, in its recent commentary, reaffirmed a resilient demand environment across the BFSI landscape—barring some softness in insurance—driven by ongoing priorities like tech modernization, cost optimization, vendor consolidation, and compliance-driven transformation.

**Exhibit 1: Indian IT companies' exposure to the BFSI vertical**

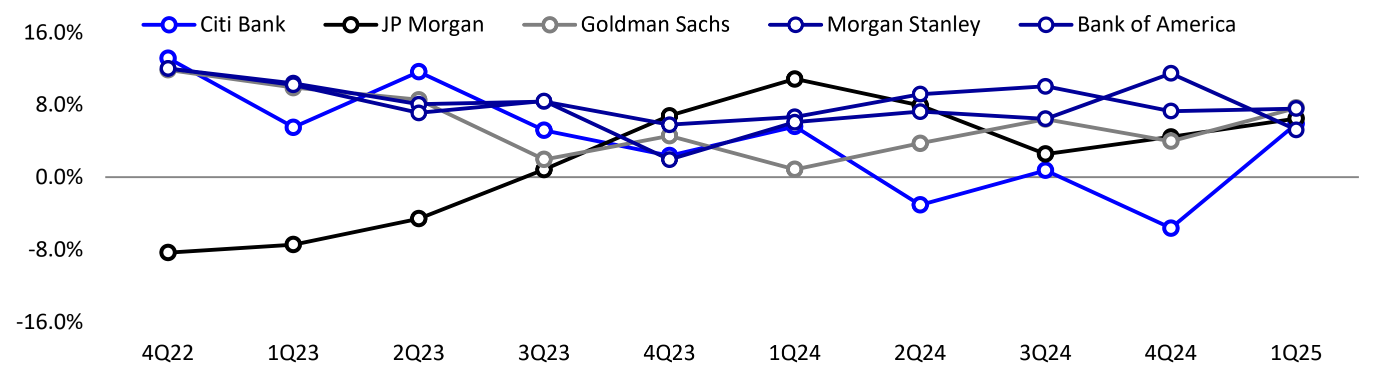



Source: Company, MOFSL

## TECHM and COFORGE remain our top picks

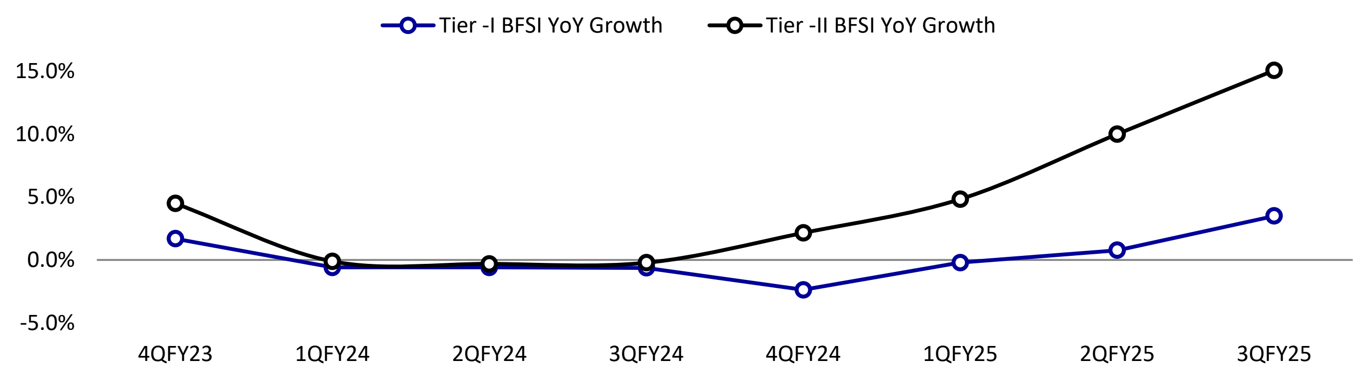
- We prioritize correct positioning over predictability in the current environment, favoring bottom-up transformation and margin-driven stories over top-down discretionary names.
- Among Tier-I players, we prefer **TECHM**, driven by early signs of transformation under new leadership and **improving execution in BFSI**. Margin expectations are now more reasonable, and niche offerings are resonating well. We believe TechM's transformation remains relatively decoupled from discretionary spending. With further scope for telecom recovery and operational efficiency, we see room for sustained margin improvement going forward. **We continue to like HCLT for its all-weather portfolio and believe TCS offers a fair risk-reward balance.**
- Among Tier-II players, our top pick is **COFORGE**. **The company's strong offerings in BFS and insurance should enable it to participate in a demand recovery**, and a strong TCV also indicates a robust near-term growth outlook. We believe COFORGE's organic business is in great shape, and early cross-selling initiatives between COFORGE and Cigniti indicate that COFORGE could engineer a growth turnaround at Cigniti earlier than expected.

**Exhibit 2: Major five US banks' technology spending growth YoY**




Source: Company, MOFSL

**Exhibit 3: The US BFSI to be a safe harbor for Indian IT companies in this uncertain time**




Source: MOFSL, Company; Tier-I includes TCS, INFO, WPRO, HCLT, TECHM and LTIM whereas Tier II includes MPHL, COFRGE, PSYS and ZENT.

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