DATA DISPATCH

Bank stocks slide as analysts predict tailwinds in 2026

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Market Intelligence

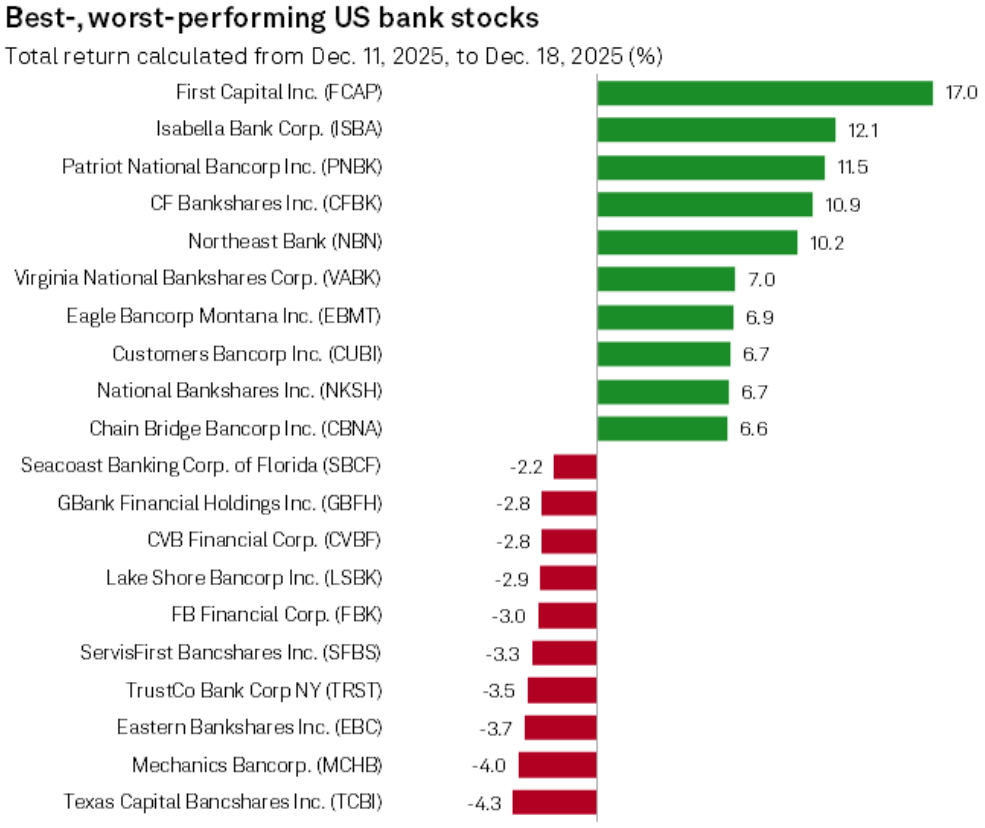
Note: The weekly bank stock movement feature will not publish on Dec. 26, 2025, or Jan. 2, 2026. It will appear next on Friday, Jan. 9, 2026.

US bank stocks fell slightly, roughly in line with broader markets, but equity analysts remained bullish on the sector as it headed into 2026.

The KBW Nasdaq Bank index fell 1.3% from the market's close on Dec. 11 to the close on Dec. 18, while the S&P 500 fell 1.8%. Even as bank industry stocks declined, equity analysts maintained positive outlooks on the sector and recommended some stocks to target in 2026.

Jefferies analyst David Chiaverini wrote in a Dec. 19 report that he expects fourth-quarter bank earnings to show continued pre-provision net revenue growth, positive net interest margin trends, solid loan and deposit growth and stable or improving credit quality.

"Looking ahead, we believe banks are positioned for another strong year in 2026, supported by expectations for stable economic growth ... incremental rate cuts, and a steepening yield curve," Chiaverini wrote.



Data compiled Dec. 19, 2025.

Includes public banks that have a primary listing on major US exchanges with a market capitalization greater than $100 million as of Dec. 18, 2025.

Source: S&P Global Market Intelligence.

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In a Dec. 16 note, JPMorgan analyst Anthony Elian wrote that several tailwinds, such as likely additional Federal Reserve interest rate cuts, continued loan growth, persistent bank M&A and potential deregulation, should provide regional banks in particular with solid upside potential in the new year. In another supportive factor, the industry has largely absorbed one-off credit events that drove market volatility in recent months, he added.

"These factors should provide a supportive backdrop for regional bank stocks," Elian wrote. "This environment is expected to contribute to improved [net interest

margins], [net interest income], earnings, and overall profitability metrics through next year."

Even so, any hindrance or reversal of those trends could put pressure on bank stock performance in 2026, Elian wrote. The worst-case scenario, he said, would involve the Fed pausing rate cuts or even raising rates, accompanied by a pause in loan growth and a reemergence of additional credit events. So far, however, credit events appear limited to a few regional banks and the vast majority of the industry is not experiencing or expecting credit quality issues, he added.

Chiaverini's top regional bank picks include Citizens Financial Group Inc. and Fifth Third Bancorp, while his top midcap picks are Axos Financial Inc., Western Alliance Bancorp., East West Bancorp Inc., Valley National Bancorp and Flagstar Bank NA.

Elian's top picks for 2026 included Valley National Bancorp, Pinnacle Financial Partners Inc. and Banc of California Inc. The analyst also rated SouthState Bank Corp., Western Alliance, First Citizens BancShares Inc. and Webster Financial Corp. at "overweight."

"[Valley National Bancorp.] and [Banc of California] sit among the top of our list of Overweight-rated names with each well-positioned to meaningfully lower funding costs in the current falling rate environment," Elian wrote.

Best performers

Although bank stocks declined overall, a majority of banks in the analysis posted positive returns for the week. First Capital Inc. was the top-performing bank of the week with a total return of 17%, while Isabella Bank Corp. was the second-best performer with a total return of 12.1% and Patriot National Bancorp Inc. rounded out the top three performers with a total return of 11.5%, according to an S&P Global Market Intelligence analysis.

Worst performers

Texas Capital Bancshares Inc. was the worst-performing bank of the week with a total return of negative 4.3%, while Mechanics Bancorp. was the second-worst performer with a total return of negative 4.0% and Eastern Bankshares Inc. was the third-worst performer with a total return of negative 3.7%.

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