# Morgan Stanley Trading Executive Provides Grim Picture for Wall Street

Head of trading, Edward Pick, points to ‘choppy’ follow-on from reasonable start to year

By **JUSTIN BAER**

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[Morgan Stanley](http://quotes.wsj.com/MS)’s top trading executive warned that the first quarter was [shaping up to be another tough one for Wall Street](http://www.wsj.com/articles/morgan-stanley-hit-hardest-in-bank-selloff-1454977409), as volatile markets take a toll on investors’ desire to buy and sell with banks.

That view is particularly significant because the first quarter is often the strongest period for banks’ trading businesses.

“The year started out OK, but it’s been a lot choppier since then,” said Edward Pick, Morgan Stanley’s head of trading, during a discussion at the Credit Suisse Financial Services conference Tuesday. Trading revenue, he added, so far this year has looked more like the weaker second half of the year “rather [than] the healthy first quarter we saw last year.”

Against that backdrop, executives sought to make the case that investors’ fears in the sector have been overblown. [Bank stocks have gotten clobbered so far this year](http://www.wsj.com/articles/global-stocks-mostly-steady-as-commodities-prices-rise-1454923578) as fears grow about the global economy, stock-market volatility and plunging crude-oil prices.

“We know what the three culprits are,” Mr. Pick said. “One is China in its adolescence, two is the relentless decline of crude [oil] and its effect on the credit complex and sovereigns. And then three is…the Fed, fear of Fed self-doubt.”

Morgan Stanley’s shares, which have been hit hard recently, had a reprieve Tuesday, rising 1.2% and bucking the downward trend for most big-bank stocks.

Goldman Sachs Chairman and CEO [Lloyd Blankfein](http://topics.wsj.com/person/B/Lloyd-Blankfein/384), speaking at the same conference, noted that he isn’t worried about trading with other banks, despite rising concerns on the outlook for the sector. A wave of new rules imposed on big banks since the 2008 crisis have forced them to stockpile capital. “By and large, we haven’t been that worried about the big global banks,” he said.

Other executives agree the gloom and doom have gotten out of hand. “We came back after Christmas and …the sky is falling,” said Kelly King, chairman and CEO at regional bank[BB&T](http://quotes.wsj.com/BBT) Corp. “I see no basis for that…Certainly there are macro issues to be concerned about, but fundamentally, the U.S. economy is pretty solid.”

John Shrewsberry, finance chief at Wells Fargo, said Tuesday that investors will soon look to see how banks do on their annual capital stress test with the Federal Reserve. As for the macroeconomic outlook, Mr. Shrewsberry says that even if banks have a bad earnings stretch, the share price moves of late “could be an overreaction.”

Morgan Stanley and other banks reported strong gains in trading revenue in early 2015 only to lose steam following a tumultuous August. Mr. Pick, an equities executive who was elevated to lead the firm’s fixed-income business in October, reiterated the firm’s plans to shed more assets from the debt-trading arm’s balance sheet—while gearing up for the moment when markets stabilize.

Wall Street’s fixed-income trading businesses, he said, “remain existentially relevant” even if they bring in 40% less revenue than they had six years ago.