

Banking collapses: there may be trouble ahead

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According [to the FT](#) the trading revenue of most investment banks collapsed in the first quarter of this year:

As the FT notes:

Trading revenues are especially important to the European groups because they make up about three-quarters of their "investment bank" revenue. The category also includes fees charged to clients for advice on stock market listings, debt raising and mergers and acquisitions.

What this collapse - reflecting the decline in asset prices and the fall in appetite for risk - records is crisis in a major industry. Now I am not mourning it: this is a largely parasitical, rentier activity that does not add value to the economy, [but costs it dear](#). But, and the point is important, such a scale of collapse brings risks. These banks are 'too big to fail'. Only one noted here is British, but be sure there are knock on effects. And banks are already, in my opinion, under-capitalised. We are at risk of being in bail out territory because this collapse must lead to losses.

Those watching the steel industry should take note. That adds value, but we know where the government's heart lies. There may be trouble ahead.