

The KBW Nasdaq Bank™ Index in 2025: Resilient Fundamentals, Reinforcing Strong Technicals

September 2025

Sanjana Prabhakar, *Index Research Senior Specialist*
Sara Marshall, *Senior Index Research Strategist*

The U.S. banking sector in 2025 sits at the intersection of shifting regulation, resilient fundamentals, and strengthening technical signals. While headlines focus on capital requirements, stress tests, and rate policy, the bigger picture is one of recalibration: banks are adjusting balance sheets, deploying new technologies such as artificial intelligence, digital banking platforms, and enhanced cybersecurity systems¹, and positioning for growth. To capture both the structural backdrop and the price-driven outlook, this piece combines a fundamental review and a technical update on the KBW Nasdaq Bank Index (BKX™), which tracks 24 of the largest U.S. money centers, regionals, and thrifts. Together, these lenses provide a more complete view of how the sector is evolving — and where opportunities may lie.

Fundamental Review

2025 has been marked by a degree of uncertainty as investors navigate a changing regulatory environment surrounding capital requirements (Basel 3 Endgame, GSIB surcharge, SLR) and evolving stress tests (averaging results, delaying capital buffer, improving transparency)². Even so, sentiment remains cautiously optimistic as key banking metrics trend positively. Loan growth has improved alongside continued economic expansion, recent rate cuts, and easing capital requirements. Earnings in the first two quarters of 2025 were mixed but generally positive, with some pressure on net interest income. Still, banks have benefited from positive operating leverage driven by efficiency efforts, technology adoption, and stable asset quality³.

Despite macroeconomic and geopolitical headwinds, the industry is recalibrating by deploying AI across organizations and optimizing capital for new regulatory standards⁴. Against this backdrop, BKX provides a lens into the sector's performance. Over a 10-year period ending August 2025, the index has generated cumulative total returns of 177.0%, outperforming all but three sectors including Technology, Industrials and

¹ <https://www.mckinsey.com/industries/financial-services/our-insights/extracting-value-from-ai-in-banking-rewiring-the-enterprise>

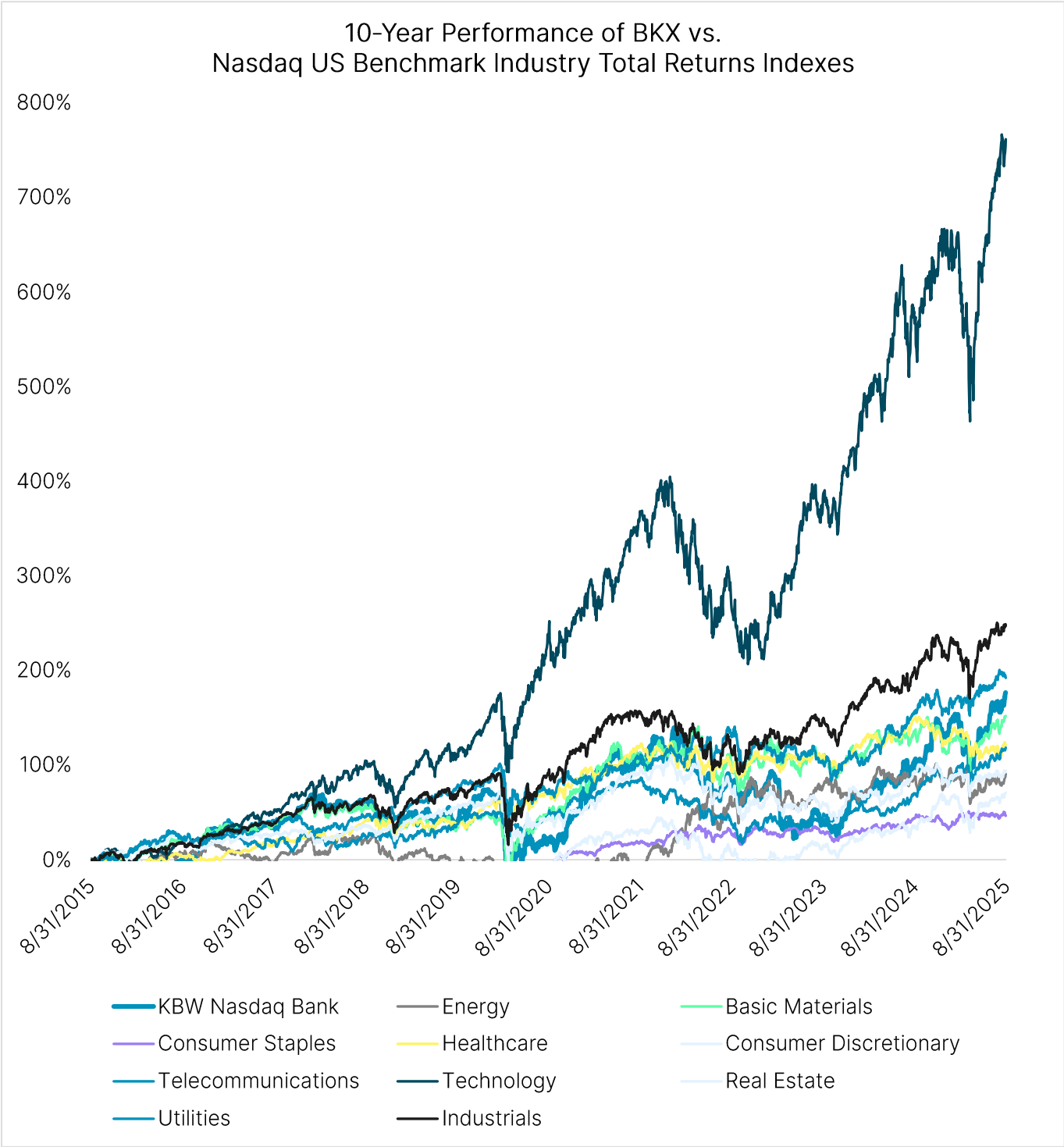
² <https://www.pwc.com/us/en/industries/financial-services/library/our-take/06-27-2025.html>

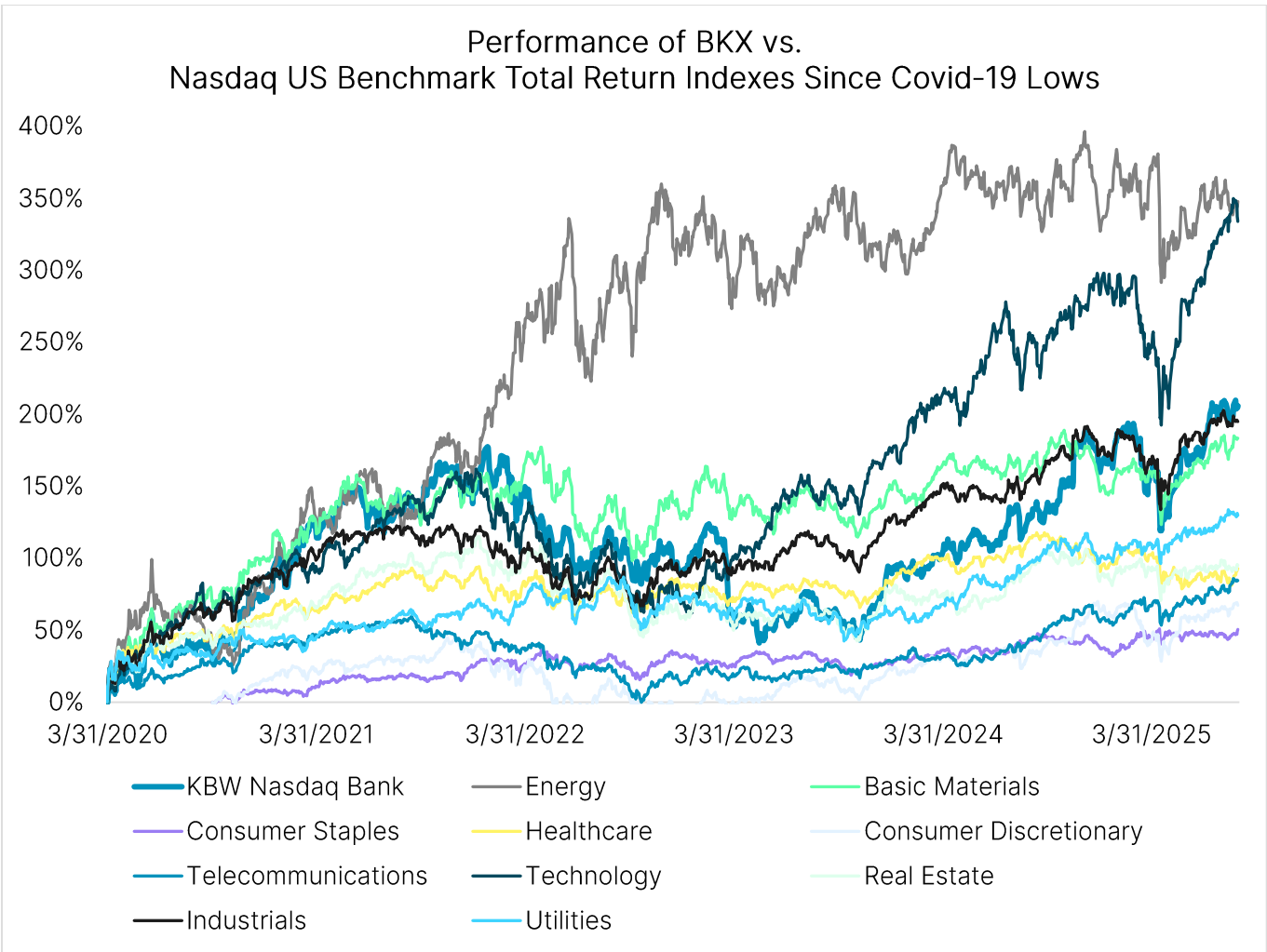
³ <https://www.fdic.gov/news/press-releases/2025/fdic-insured-institutions-reported-return-assets-113-percent-and-net>

⁴ https://www.ey.com/en_us/alliances/scaling-ai-in-regulated-industries

Utilities. Resiliency has also been clear since the pandemic: from the Covid-19 lows on March 23, 2020, BKX delivered total returns of 220.5%, outperforming several key sectors. The digital transformation that was already underway pre-crisis only accelerated afterward, helping sustain momentum.

Performance of BKX versus Nasdaq US Benchmark Industry Total Return Indexes





Source: Bloomberg

At the company level, fundamentals remain broadly encouraging. Major constituents such as Bank of America, Goldman Sachs, Citigroup, Morgan Stanley, and Wells Fargo have shown improvement across profitability, credit, and efficiency ratios — pointing to strong financial health and sustainable returns. Still, there has been some disconnect in 2025: companies with weaker full-year revenue and margin growth have outperformed those with stronger growth, suggesting that investor sentiment has room to catch up as fundamentals are repriced.

Table 1: Bank fundamental matrix

Matrix	JP Morgan Chase			Bank of America Corporation			Goldman Sachs Group, Inc			Citigroup Inc.		
	2024 A	2025 E	2026 E	2024 A	2025 E	2026 E	2024 A	2025 E	2026 E	2024 A	2025 E	2026 E
Growth	12.3	8.2	4.4	4.2	14.4	16.3	77.3	14.7	14.0	47.1	27.5	30.0
Valuation	12.1	15.3	14.4	13.7	13.5	11.6	14.1	15.9	13.9	11.8	12.6	9.7
Profitability	20.0	19.2	18.7	12.9	13.5	14.6	13.5	14.4	15.5	7.0	8.4	10.0
Credit	16.8	16.9	17.5	11.9	11.3	11.0	16.9	16.8	16.4	11.6	10.8	10.6
Efficiency	51.7	53.2	53.6	65.6	63.8	61.7	63.1	62.3	61.2	66.5	63.2	60.6

Matrix	Morgan Stanley			Wells Fargo			PNC Financial Services			U.S. Bancorp		
	2024 A	2025 E	2026 E	2024 A	2025 E	2026 E	2024 A	2025 E	2026 E	2024 A	2025 E	2026 E
Growth	53.5	11.3	8.7	11.2	12.7	10.8	7.4	13.0	12.6	15.9	15.5	9.2
Valuation	15.8	16.7	15.4	13.1	13.2	11.9	14.1	13.2	11.7	12.6	11.1	10.2
Profitability	18.8	19.0	19.4	13.4	13.7	14.4	15.8	15.4	15.6	17.2	16.9	16.5
Credit	17.8	17.1	16.8	12.6	11.1	11.1	11.9	12.3	12.2	12.2	12.6	12.8
Efficiency	71.0	70.5	70.0	66.0	65.3	63.8	62.4	59.6	58.0	62.3	59.5	58.3

Source: Factset

Note: Fundamental metrics are provided for the eight largest banks by balance sheet.

Boxes shaded in yellow indicate improvement in metrics, boxes shaded in blue indicate decline in metrics and boxes shaded in green indicate metrics have not changed.

Matrix	Factor	Definition
Growth	EPS	Earnings Per Share
Valuation	P/E	Price/EPS
Profitability	ROTE	Return on Tangible Equity
Credit	Tier 1	Tier 1 Risk Based Capital Ratio
Efficiency	Efficiency Ratio	Operating Expense/Revenue

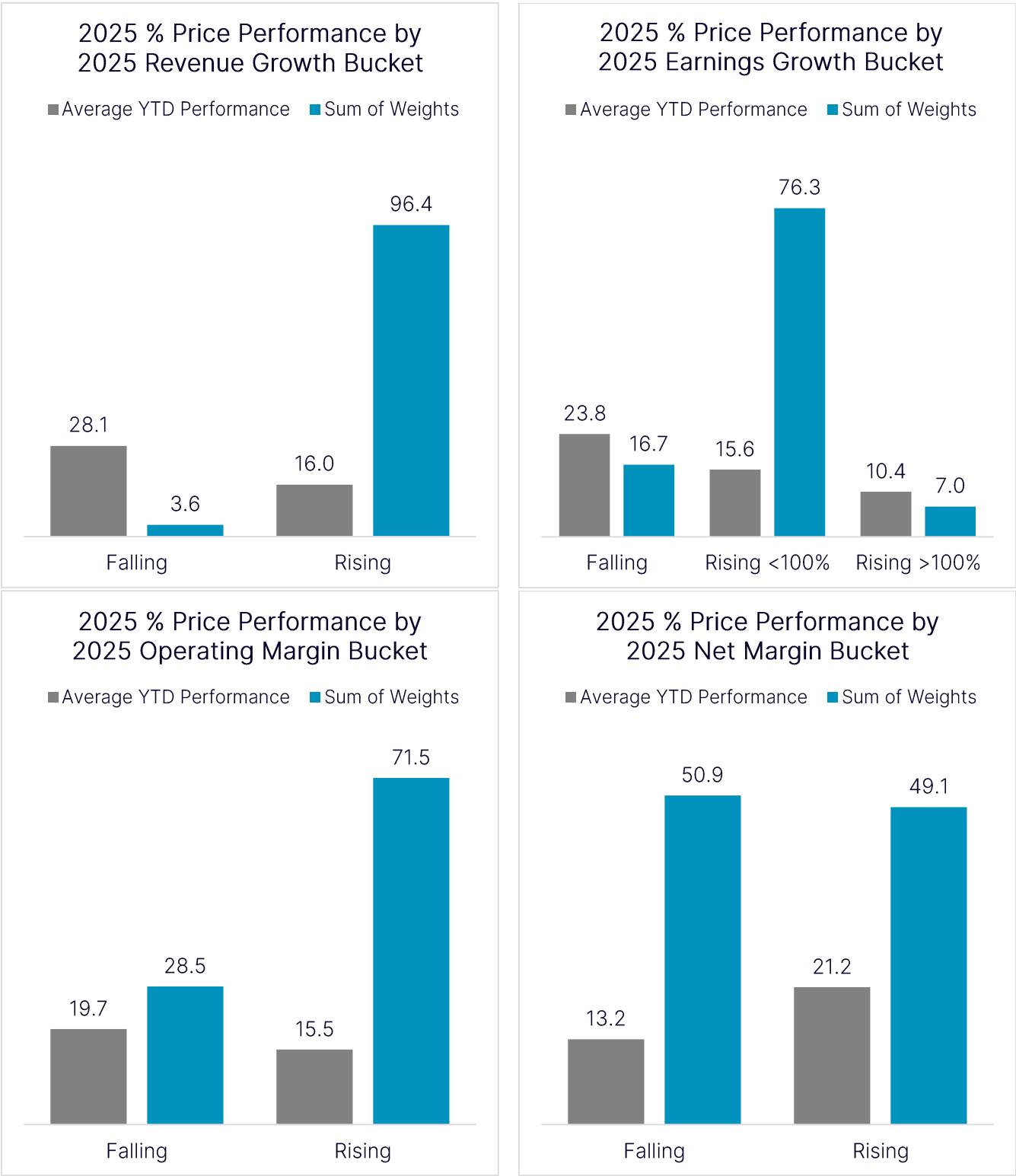
Source: FactSet

Key fundamental drivers include:

- **Anticipation of rate cuts:** Lower rates are expected to stimulate loan demand across mortgages, business lending, and consumer credit⁵.
- **Deregulation:** A lighter regulatory touch under Trump 2.0 is expected to lower compliance costs and improve profitability⁶.
- **Sector rotation:** With valuations elevated in technology, at least some investors are rotating toward undervalued opportunities in financials.
- **IPO & M&A activity:** Deal-making rebounded in 2025, with IPO activity expected to follow⁷.
- **Stress tests:** The June 2025 results showed large banks well-positioned to absorb significant losses, reinforcing resilience⁸.
- **Steep yield curve:** Rising long-term yields are expected to support net interest income⁹.

Valuation has barely budged on a P/E basis so far in 2025 despite strong performance, and remains attractive relative to the broader market. Year-to-date, BKX is up 18.3%, outpacing the Nasdaq-100 Mega™ Index (NDXMEGA™) return of 11.9%. With technology valuations stretched, investors may find banks' lower multiples and steadier profile compelling.

⁵ <https://www.ssga.com/us/en/institutional/insights/mind-on-the-market-22-august-2025>⁶ <https://www.ssga.com/us/en/institutional/insights/mind-on-the-market-22-august-2025>⁷ <https://www.morganstanley.com/insights/articles/ipo-outlook-2025>⁸ <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250627b.htm>⁹ <https://www.reuters.com/business/finance/what-does-steep-us-yield-curve-mean-banks-economy-2025-09-04/>

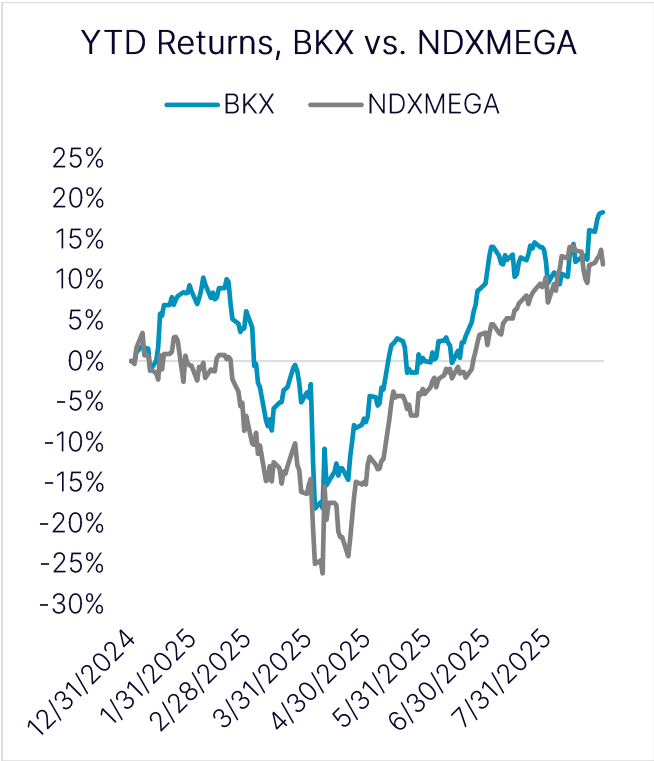
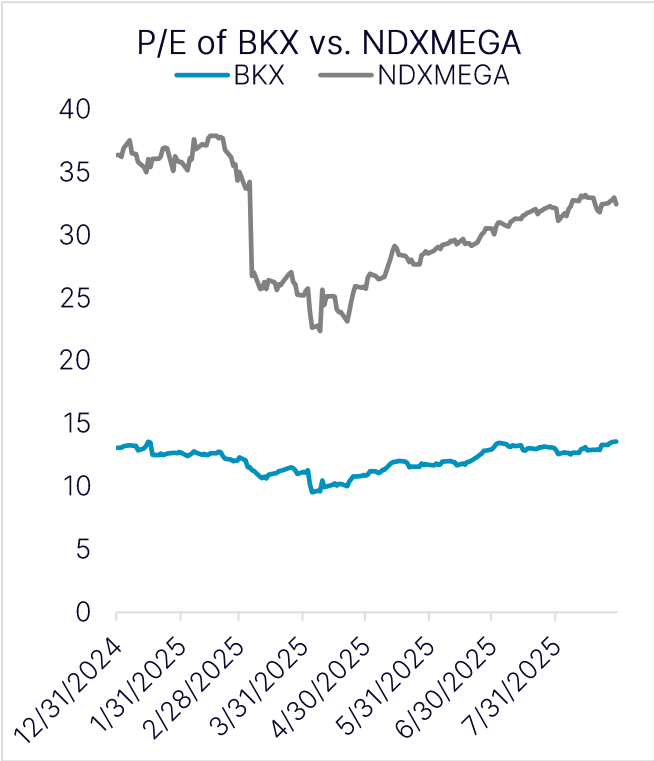
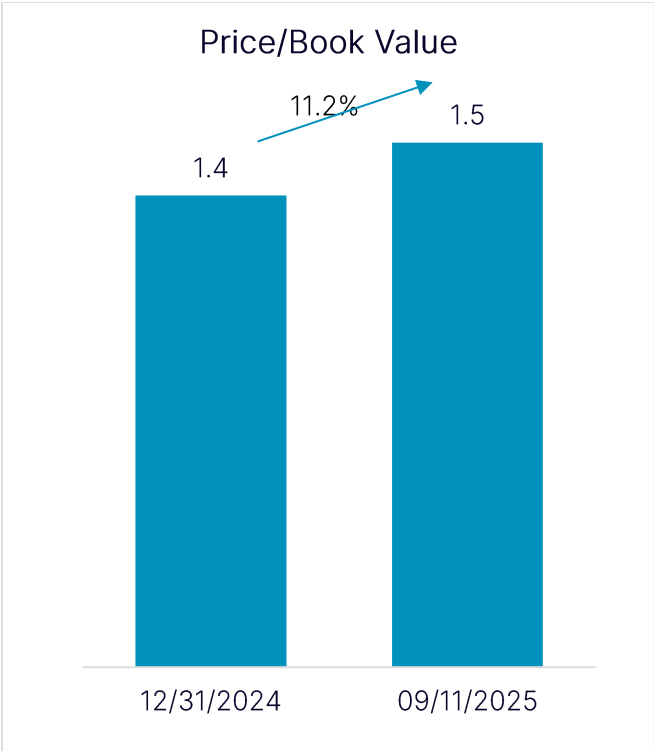
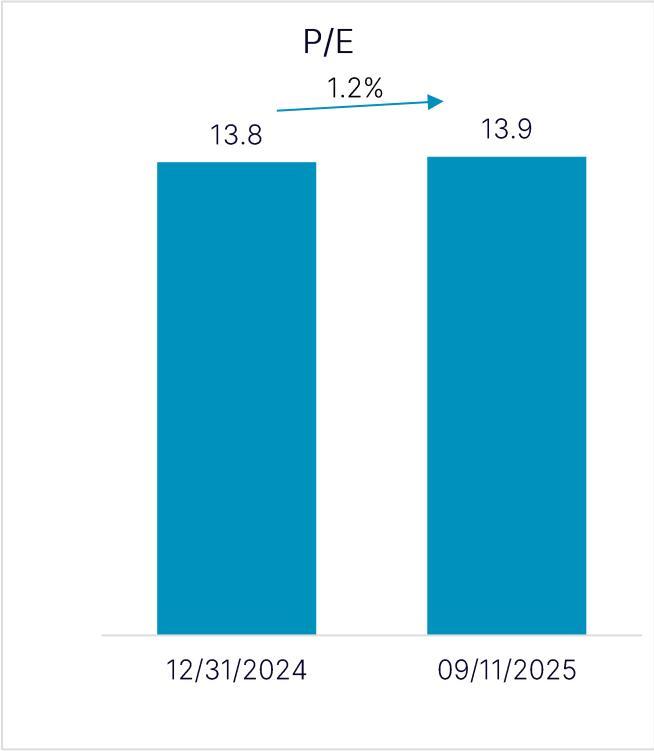


Source: Bloomberg

While the fundamental narrative highlights a cautiously optimistic backdrop — supported by loan growth, efficiency gains, regulatory recalibration, and resilient earnings — the technicals provide confirmation that

investor demand is aligning with these trends. Price action often anticipates fundamentals, and BKX’s technical profile suggests the market is already recognizing the sector’s relative strength.

Valuation

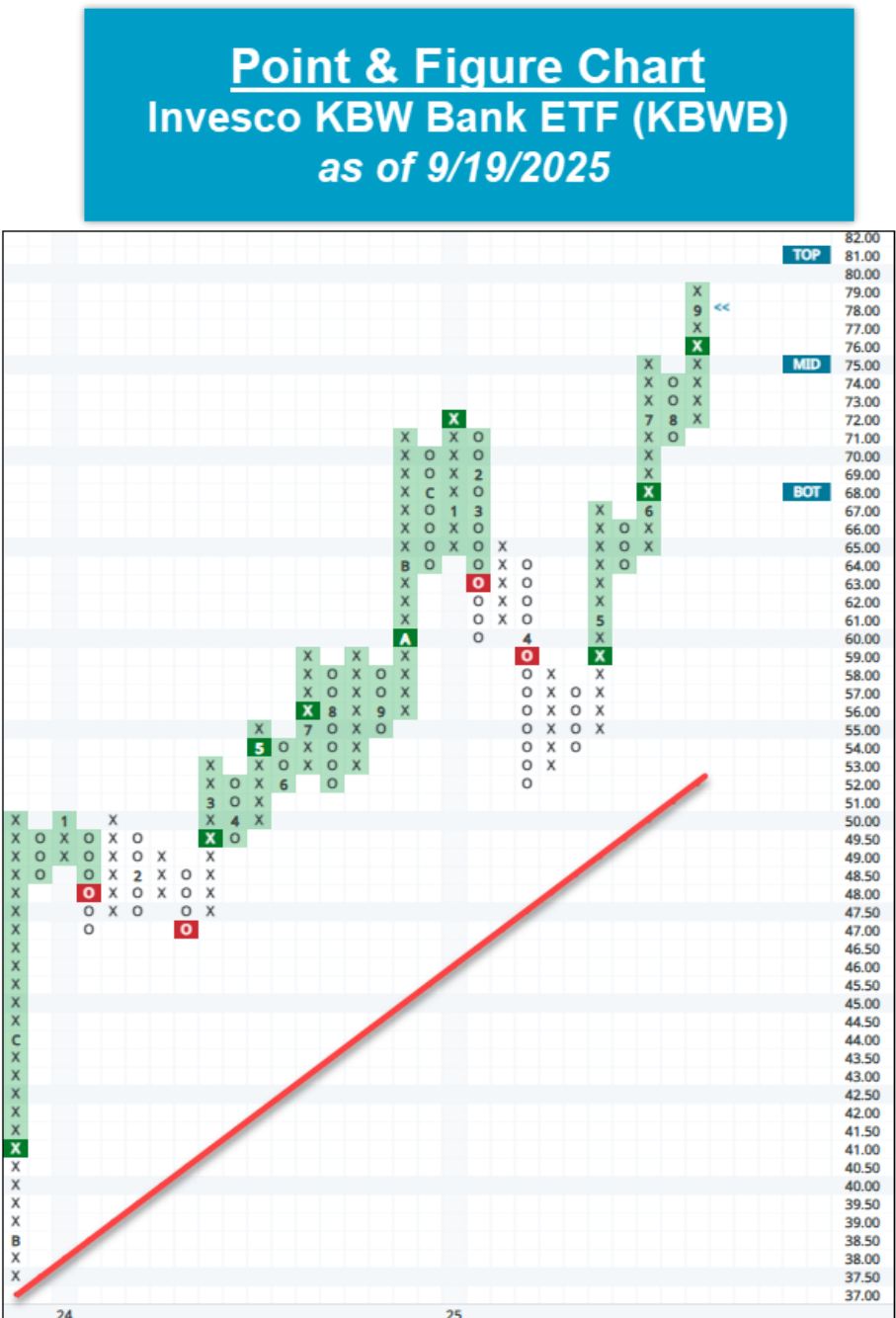


Source: Bloomberg

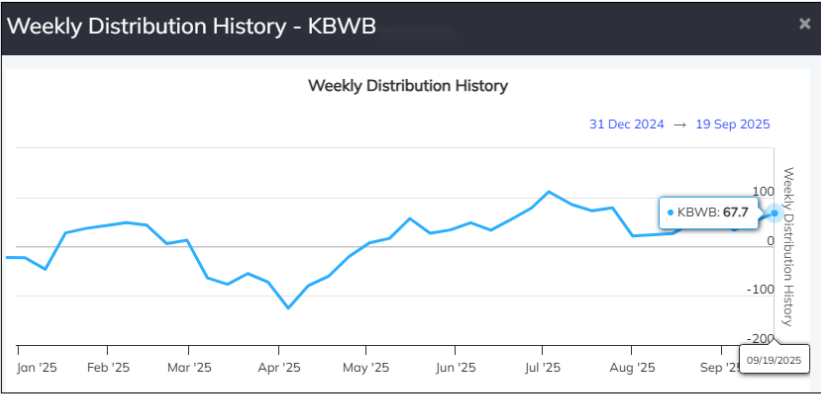
Technical Review

The KBW Nasdaq Bank Index's strength is confirmed by its improving technical profile on the Nasdaq Dorsey Wright platform, which centers on Point & Figure charting and relative strength analysis.

On September 17, the Invesco KBW Bank ETF (KBWB), which tracks BKX, hit a new all-time high at \$79. Its Point & Figure chart remains on three consecutive buy signals, underscoring that demand is firmly in control. At current levels, the ETF is about 67% overbought on its 10-week trading band — a normal reading and far healthier than the extreme 111% overbought levels seen in early July.



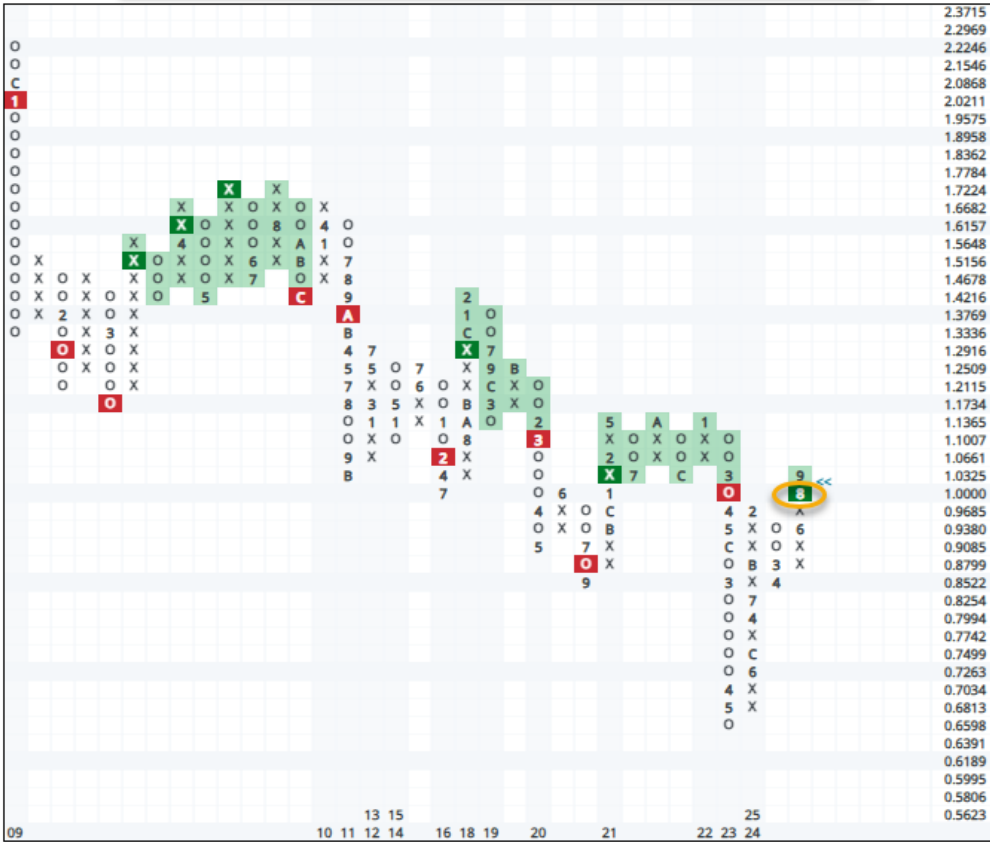
Source: Nasdaq Dorsey Wright



Source: Nasdaq Dorsey Wright

Momentum has also broadened. In late August, KBWB regained a relative strength buy signal versus the S&P 500 Equal Weighted Index (SPW) for the first time since March 2022, highlighting that banks are now outperforming the broader market on both a near- and long-term basis.

Relative Strength Chart
Invesco KBW Bank ETF (KBWB) vs.
S&P 500 Equal Weighted Index (SPW)
as of 9/19/2025



Source: Nasdaq Dorsey Wright

Finally, the Nasdaq Dorsey Wright Fund Score — a 0–6 scale that blends trend and relative strength — places KBWB at 5.87 as of September 19, near the maximum rating and up nearly four points over the last six months. The Fund Score evaluates whether a fund is in a strong long-term uptrend and whether it is outperforming peers. Scores above 4 are considered exceptionally strong, so this sharp improvement highlights that banks have shifted from a middling technical position earlier in the year to one of the strongest outlooks across ETFs today.

Fund Score Analysis Breakdown - KBWB - 5.87

The analysis is divided into 3 main parts, each accounting for approximately one third of the fund score. NDW weightings are proprietary.

Trend Analysis

- ✔ Positive Trend Line
- ✔ Point & Figure Buy Signal
- ✔ Point & Figure Buy Signal Long Term Scale
- ✔ 50 Moving Average above the 200 Day Moving Average
- ✔ NAV Above the 40 Week Moving Average
- ✔ NAV Above the 30 Week Moving Average
- ✔ NAV Above the 10 Week Moving Average
- ✔ Positive Monthly Momentum

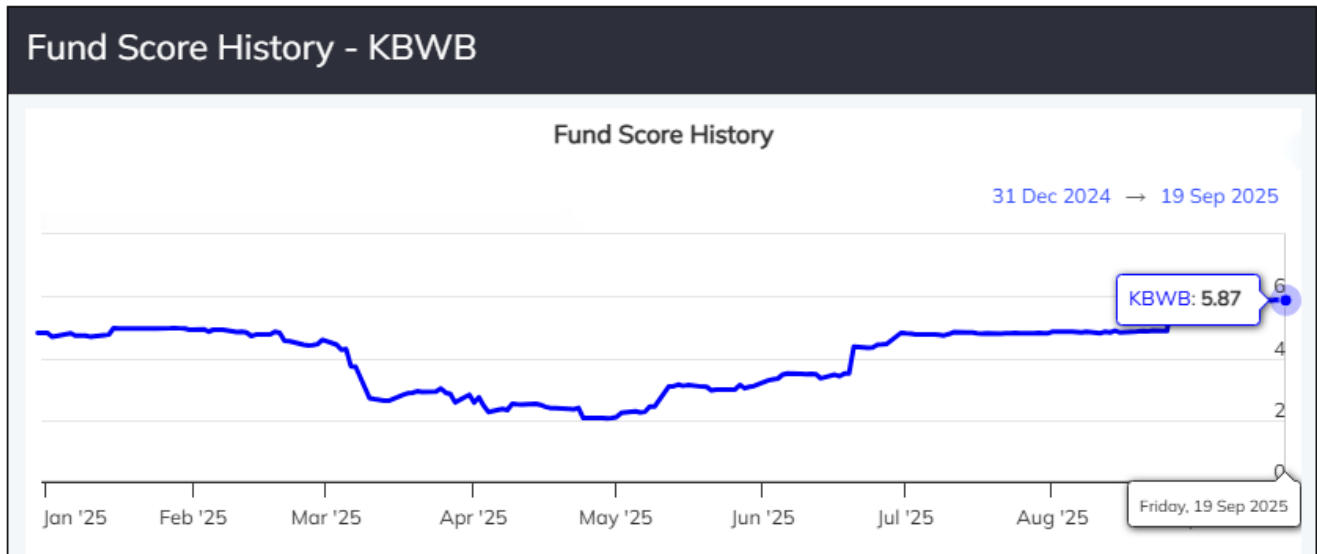
Relative Strength Analysis

- ✔ Positive Relative Strength Signal Against the Major Market - (S&P 500 EWI)
- ✔ Relative Strength in a column of X's against the Major Market - (S&P 500 EWI)
- ✔ Percentile Rank Against All Mutual Funds for 1 Year
- ✔ Percentile Rank Against Asset Type(Equity/Fixed) for 1 Year
- ✔ Percentile Rank Against All Mutual Funds for last 90 Days
- ✔ Percentile Rank Against Asset Type(Equity/Fixed) for last 90 Days
- ✖ Percentile Rank Talley of all NDW Percentile Rank Peer data.

Relative To Peer Analysis

- ✔ Percentile Rank Against Sector-Financial-Banksfor 1 Year
- ✔ Percentile Rank Against US Large Cap Valuefor 1 Year
- ✔ Percentile Rank Against Sector-Financial-Banksfor last 90 Days
- ✔ Percentile Rank Against US Large Cap Valuefor last 90 Days

Source: Nasdaq Dorsey Wright



Source: Nasdaq Dorsey Wright

Together, these signals show that the banking sector’s price action is not only improving but also confirming leadership potential versus the broader market.

Conclusion

Taken together, the KBW Nasdaq Bank Index reflects a sector that has both solid underpinnings and strong momentum. On the fundamental side, banks are benefiting from a supportive macro backdrop, efficiency initiatives, and easing regulation, even as they navigate valuation shifts and macro uncertainty. On the technical side, the BKX and its ETF proxy (KBWB) are not only in defined uptrends but also displaying relative strength against the broader market — with fund scores near peak levels.

For investors, this dual perspective reinforces that the banking sector is more than just a defensive play. It is a space where fundamentals and technicals are converging, suggesting the potential for continued resilience and performance as 2025 unfolds.

Nasdaq®, KBW Nasdaq Bank™, BKX™, NDXMEGA™, and Nasdaq-100 Mega™ are registered and unregistered trademarks of Nasdaq, Inc. The information contained above is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. Neither Nasdaq, Inc. nor any of its affiliates makes any recommendation to buy or sell any security or any representation about the financial condition of any company. Statements regarding Nasdaq-listed companies or Nasdaq proprietary indexes are not guarantees of future performance. Actual results may differ materially from those expressed or implied. Past performance is not indicative of future results. Investors should undertake their own due diligence and carefully evaluate companies before investing. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**

© 2025. Nasdaq, Inc. All Rights Reserved.