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What to watch

Big bank earnings could prove telling

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Some of the USA's biggest banks report earnings this week, a look-see at the health of the banks after last week's big stock market sell-off that sliced nearly 5% off the diversified banks, which was a far bigger sell-off than the 0.7% drop suffered by the broad Standard & Poor's 500-stock index.

On Wednesday, JPMorgan Chase and Wells Fargo report. The following day it is Bank of America and Citigroup's turn. Goldman Sachs is the bank to watch Friday.

The earnings announcements come at a pivotal time for banks, given their recent underperformance and the elevated volatility of the broader U.S. stock market, says Gary Kaltbaum, president of money-management firm Kaltbaum Capital Management.

"The (banks and other financials) are not acting well coming into the week," he says. Indeed, recent down days have come on high trading volume, while up days — or bounces — have come on low-volume days. Price support for many names, he argues, is being "tested" and some have already broken down, he says.

Currently, the overall financial sector is expected to grow fourth-quarter earnings 0.5%, which is well below the 10.4% forecast back on Oct. 1, according to Thomson Reuters I/B/E/S. Since the start of October, financials have recorded the highest dollar-level decrease in earnings, falling $7.7 billion, the earnings tracker says.

Stay tuned: "Watch the banks," says Kaltbaum.