



## It's Earnings Time for the Banks This Week: Here's What to Expect

### Description

Now that the Thanksgiving weekend has come and gone in the U.S., markets are clearly focused on the holiday season and the end of the year retail boom that kicks off with Black Friday and Cyber Monday.

Another season that kicks off is earnings time for the big banks. This week banks will report earnings for the fourth quarter. Let's take a look at what we can expect and what this means for the market.

### Reporting period—and what to expect

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) will start the week off by reporting earnings on Tuesday. **National Bank of Canada** ([TSX:NA](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) will report on Wednesday, and **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) will close the week by reporting on Thursday.

During the last quarter the banks reported a higher number of loans that were unlikely to be repaid in full for companies in the oil and gas sector. Given that oil prices remain low, this is one area that analysts will keep on seeing.

Banks will likely make moves to rein in costs, with defaults on the consumer loan side being of particular concern, but these moves will not likely be reflected in the results for this quarter.

There have been a considerable amount of job losses, particularly in the oil and gas industry over the past few months. Those job losses often result in workers being unable to meet their debt obligations—be it credit cards, loans or mortgages. Once those payments dry up, the bottom lines of the banks will be impacted.

Given the weak economy and still very low interest rates, this leaves banks with few options apart from fiscal tightening.

## Restructuring charges are coming

All of the banks have mentioned at some point during the last quarter that restructuring charges will be coming.

CIBC noted in October that a restructuring charge of up to a \$200 million would be noted in the fourth quarter. National bank booked a smaller \$64 million restructuring charge and also announced plans to cut 2.3% of staff—400 jobs. TD Bank is also expecting a restructuring charge of \$228 million after tax.

Several of the banks have also reported a decrease in the number of employees over the same quarter last year, reflecting a change in the traditional brick and mortar bank locations to more online and phone-focused banking options.

Banks are typically seen as being core parts of a diversified portfolio. While this week's earnings may not be the record-breaking quarter that investors always want, it will in no way be all negative, and the banks are still sound investments for any portfolio.

## CATEGORY

1. Bank Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. TSX:BMO (Bank Of Montreal)
7. TSX:BNS (Bank Of Nova Scotia)
8. TSX:CM (Canadian Imperial Bank of Commerce)
9. TSX:NA (National Bank of Canada)
10. TSX:RY (Royal Bank of Canada)
11. TSX:TD (The Toronto-Dominion Bank)

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