



It Is Not the Right Time to Buy National Bank of Canada

Description

National Bank of Canada ([TSX:NA](#)) has plenty going for it that makes the stock worth keeping for now, but don't invest more in the stock anytime soon.

The nation's central bank reported its quarterly earnings earlier this month, revealing fourth-quarter earnings of \$1.24 per share on an adjusted basis. The figure beat the average outlook of \$1.21 per share that analysts were hoping for. Revenue came in at \$1.57 billion, which was a 12% pop year over year. Net income at the company's personal and commercial division was 7.1% higher at \$196 million. Its management unit experienced a 20% surge.

Despite the earnings beat, National Bank of Canada was plagued with some negative news in its report, revealing an 11.5% dip in its overall net income (78 cents per share). Certain charges put a damper on the bank, including a \$96 million restructuring charge as well as a \$32 million asset-impairment charge. Provision for credit losses were also steeper, falling from \$57 million to \$59 million.

National Bank of Canada announced a quarterly dividend offering on the same day, amounting to 56 cents per share. Investors as of December 28 will receive the payout on February 1. The figure marks a \$2.24 annualized dividend as well as a 4.03% dividend yield, marking a healthy return for those with a stake in National Bank of Canada.

On a positive note, the company has determined a new way of conducting its mortgages business in the coming years that will help cut costs. National Bank of Canada will no longer sell mortgages through brokers, meaning that the company will deal directly with its customers. The move is wise as there is no need to spend on commissions for brokers, who make more per mortgage than bank employees do.

The decision could turn some people away due to loss of the knowledge that brokers bring with them, but National Bank of Canada is hoping this will not be the case as a more personalized relationship could be built. The company could then offer more services that would boost annual revenues, including investments and other loans.

The future could be especially bright for banks and consumers alike as requesting and processing a

mortgage could be done online in the coming decade. "E-mortgage" could become the new method of determining rates for your situation. You will even be able to connect with bank employees online if these plans prove to be successful.

However, there is still reason to be wary with National Bank of Canada as Canadians are experiencing a rise in household-related debts that they can't afford. The situation is threatening to hit the country's economy hard, potentially causing consumers to default on their loans. Such a situation would have negative repercussions on banks in the short term.

Looking ahead, seven analysts covering National Bank of Canada rate it a "hold," while four rate it a "buy." A \$51.22 price target rounds up what's ahead for the company, while fiscal 2016 earnings are expected to be \$4.20 per share. It is not the time to invest in this stock due to the unstable situation of the country's economy as well as the transitional period that mortgages are experiencing at the moment.

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