



National Bank of Canada: The Smallest of the Big 6 Is Still a Smart Buy

Description

Shares of **National Bank of Canada** ([TSX:NA](#)) have declined 1.41% in 2017 but have experienced one-year gains of 27.34% in the midst of a transformation.

In early 2017, National Bank declared its goal to become a top three investment bank in Canada. The latest earnings report has surpassed expectations, bolstered by strength in retail and wealth management. National Bank reported \$1.30 adjusted earnings per share, a 12% increase from a year ago, beating analyst expectations. National Bank also increased its dividend on its common shares from \$0.56 to \$0.58 per share for the quarter ending July 31, 2017.

Last month, National Bank tightened its mortgage rules in response to the frothy housing market in Vancouver and the Greater Toronto Area. The bank has tucked away \$52 million in bad loan security for this period. It stored over \$300 million in 2016 in response to instability in energy and international markets.

Shares experienced an impressive upswing from early November and into March of 2017, hitting an all-time high of \$59.12. Uneasiness in Canada's hot housing market combined with worries over consumer debt and an energy sector still battling low oil prices have caused a dip in the share price. As of Friday's close, National Bank settled in at \$53.76 per share.

National Bank of Canada is unique among the Big Six Canadian banks in its weighting in Quebec. Commercial and personal operations in the province mark up to 80% compared to its thin presence in other provinces in contrast to its competitors. In some ways, this has allowed National Bank to fly under the radar for investors who may be more inclined to focus their attention on the larger caps of the Big Six, such as **Royal Bank of Canada** and **Toronto Dominion Bank**.

Those who have kept National Bank on their watch lists have noticed that beyond the bank's commitment to become a top investment bank in Canada, it has made significant investments in its retail operations Canada-wide.

Strong performances in wealth management and financial services, up 31% and 23%, respectively, from a year ago demonstrate that these moves are breeding success. The bank has also looked to

push forward in its digital progression and announced a partnership with **BMC Software Inc.** to make further improvements to its financial services technology.

Should you buy National Bank shares?

A pullback and new regulations in housing combined with worries over consumer debt loads have stymied the rapid gains experienced for Canadian bank shares, National Bank included, since the beginning of this year. However, impressive job growth and economic data combined with the purchase of troubled lender **Home Capital Group** by **Berkshire Hathaway Inc.** should work to lift investor sentiment.

National Bank continues to boast strong earnings and a bargain share price and is one of Canada's strongest financial institutions.

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