



## Quebec Is Booming: Should You Buy National Bank of Canada or Bank of Montreal?

### Description

Bank earnings season is now behind us, and as we enter the final few months of 2017, there are a number of developments that investors have to wrestle with. The S&P/TSX Index was powered in late August by a plethora of earnings beats from the banks, but it has since given up gains and is hovering around the 15,000 mark after the Bank of Canada hiked interest rates a second time.

Canada has boasted some of the strongest GDP growth and jobs number seen in the post-2000 era. In spite of this, consumer debt and housing market worries in Ontario have attracted most of the attention. One of the unsung stories in Canada has been the remarkable economic gains achieved in Quebec, which achieved 2% growth in 2016 — the fastest rate seen in the province since 2010.

Let's take a look at two top Canadian banks that call Quebec home.

### National Bank of Canada

**National Bank of Canada** ([TSX:NA](#)) is the smallest of the Big Six banks in Canada, but the largest bank in Quebec. Well over half of its business is generated in Quebec, and it has made a commitment to becoming a top three investment bank in Canada. National Bank released its third-quarter results on August 30. National Bank reported an 8% increase in net income to \$518 million from \$478 million posted in Q3 2016.

Wealth Management and Personal and Commercial segments both showed excellent growth. Wealth Management posted net income that increased 31% from the third quarter of 2016 and Personal and Commercial was up 21% from the same period.

National Bank retained its dividend offering of \$0.58 per share, representing a dividend yield of 4%. CEO Louis Vachon was enthusiastic in the bank's conference call, but he stressed that the institution was still in the middle of a transformation.

### Bank of Montreal

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is the fourth-largest bank in Canada and has significant holdings in the United States. BMO posted its third-quarter results on August 29. The bank saw an 11% increase in profit from the previous year, as it reported \$1.4 billion in net income. BMO chose to keep its dividend at \$0.90 per share, representing a yield of 3.9%. In spite of the positive results, this impacted the stock negatively, and it dropped 2% the same day.

BMO also experienced strong growth in its Wealth Management division, increasing 32% for the quarter. Income from core banking operations was up 9%.

### Which should you buy?

Shares of BMO and National Bank have been moving in opposite directions for the last few months. National Bank stock is up 5.1% over a three-month period as of September 12, bucking the trend of most Canadian financial institutions that have experienced summer declines.

BMO stock has fallen 2.3% over the same period. Although I like both of these stocks, BMO has been oversold during this period, and it should be targeted in the last months of 2017.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:NA (National Bank of Canada)

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