

Could These Banks Be Headed for Stock Splits?

Description

Could any of Canada's Big Five Banks be headed for a stock split? And if they do, does it matter to you as an investor? Let's start with why the banks might be interested in a split.

The banks tend to split when their stock prices near the \$100-per-share mark. Why? Doing so makes their stocks more attractive for investors. The banks don't want their stocks to appear too expensive, because some investors might shy away.

The most recent bank to split its stock was **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) in 2014. It currently trades at about \$71, lowest among the big banks. This stock likely won't be splitting anytime soon.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) last had a stock split in 2004, but its share price currently trades around \$79. That price doesn't put it near the \$100-split threshold, so it doesn't look like this one will be up for a split for a while yet either.

Which banks might be up for a split?

There are three banks that could be headed for a split based on their current trading prices. First up is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). It currently trades around the \$97 mark, pretty close to that \$100 threshold. RBC's last stock split was in 2006 when the stock was at \$98 per share.

Next up is **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). This stock currently trades around \$95. Its last stock split was in 2001, when the stock was only at \$80 per share.

Finally, we have **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). This stock currently has the highest trading price in the \$110 range. CIBC's last stock split was in 1997, when the stock traded around \$70 per share.

None of these companies have talked about a stock split. There are no guarantees that anything will happen, but all of these stocks have split multiple times in the past, and they are currently in the right price range for a split.

What would a stock split mean for shareholders?

A split won't boost your overall holdings. You would simply end up with twice as many shares for the same value, assuming the stocks do a two-for-one split. Splits usually signal confidence in the stock from management. Splits for banks also tend to create a bit of a rally for the stocks. In the past, prices have often increased for a period of time right after a split, but again, there are no guarantees. BMO mistimed its last split in 2001 to coincide with a general market decline and credit troubles for the banks in particular.

It will be interesting to see which, if any, of the banks announce a stock split in the upcoming months.

CATEGORY

1. Bank Stocks
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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)
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Date

2025/07/21

Date Created

2017/10/05

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