

Do These Canadian Bank Stocks Have Anything Left in the Tank for 2017?

Description

The S&P/TSX Index closed above 16,000 points on November 10, maintaining its position above the mark in November so far. The index has risen 6.4% over a three-month period, and I discussed in a [previous article](#) how the performance of Canadian banks has been a key factor in powering the index.

In the article, I'd also debated whether or not it was time for investors to take profits in Canadian banks. **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), which boasts the second-largest market cap on the TSX, has jumped 13.9% over the same three-month period that the TSX has boomed. The stock reached an all-time high of \$73.69 in the first days of November and has sustained some marginal losses week over week as of close on November 10 — closing at \$72.70.

TD Bank put an authoritative end to bank earnings season with impressive third-quarter results released on August 31. Net income increased 17% to \$2.76 billion compared to \$2.35 billion in Q3 2016. Results were strong in the U.S. and Canadian retail banking sectors, both up 14% for the quarter. TD Bank is set to have its fourth-quarter earnings conference call on November 30.

Shares of TD Bank have climbed 9.8% in 2017 and 21% year over year. The stock offers a dividend of \$0.60 per share with a 3.3% dividend yield.

Shares of **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) dipped below the \$100 mark on November 10, dropping by 0.84% to \$99.84. The stock hit an all-time high of \$102.15 in late October and has since given back some gains. The stock has increased 9.8% in 2017 and 21% year over year.

Royal Bank kicked off earnings season with a good August 23rd report. Net income adjusted for an after-tax gain in 2016 was up 5%. It wealth management business was up \$98 million to \$486 million, representing a 25% gain from Q3 2016. It retail banking sector also jumped 6% from the previous year. The bank hiked its dividend by 5% to \$0.91 per share — a 3.65% dividend yield.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) stock dropped 0.76% on November 10, closing at \$97.86. On November 8, investors discovered that the federal government is alleging that BMO took part in a five-year tax-avoidance scheme through foreign shell companies. The Canada Revenue Agency has accused BMO of inflating its losses to the tune of \$288 million in 2010 to avoid millions in tax.

In the third quarter, BMO reported a profit of \$1.4 billion, which represented an 11% increase from Q3 2016. However, it held its dividend at \$0.90 per share, giving investors some pause and hurting the stock as trading opened after earnings were released. The stock has climbed 1.3% in 2017 and 16% year over year.

Can the banks challenge all-time highs before the year ends?

The Statistics Canada report on August GDP that showed a 0.1% contraction should not be cause for major anxiety among investors. In it, 12 out of 20 segments experienced growth, including finance and

insurance.

I pinpointed the stocks above in an [article on U.S. tax reform](#) and how the new legislation could boost bank stocks with high U.S. exposure. TD Bank, with the largest U.S. footprint out of any Canadian bank, continues to be my favourite target among the three mentioned in this article.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
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