



Evaluating Royal Bank of Canada Ahead of Q4 Results

Description

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) stock rose 0.41% on November 22 to close at \$101.33. Shares have climbed 11.5% in 2017 and 16% year over year. With the bank set to release its fourth-quarter results on November 29, let's look at how it has progressed so far in 2017.

2017 at a glance

Like the other major Canadian banks, Royal Bank stock experienced solid gains in the opening months of 2017 before a number of events converged to put downward pressure on Canadian markets. The spring saw the Canadian housing market tested as alternative lender **Home Capital Group Inc.** nearly collapsed, and the Ontario government introduced new regulations that ushered in a steep correction. In spite of this, Canada continued to report strong economic growth, and the Bank of Canada elected to raise interest rates for the first time on July 12.

The market remained skittish as housing prices dropped, and investors waited to see how Canadians would react to a rate hike with households facing record debt. However, a flurry of good news in late August sparked a rally that has lasted into late November. Canadian GDP experienced 4.5% growth in the second quarter — the fastest growth in over a decade.

Late August also saw the major Canadian banks report earnings. Royal Bank posted its third-quarter earnings on August 23. The bank saw big gains in wealth management as well as its investor and treasury services sectors, reporting an increase in net income of 25% and 13%, respectively.

Royal Bank stock began its rebound in early September. In an October article, I [covered its prospects](#) of breaching the \$100 mark. Midway through October, Royal Bank stock has risen above the \$100 mark.

How will Royal Bank cap off the year?

The Swiss-based Financial Stability Board recently added Royal Bank to the list of 30 of the most systematically important banks in the world. Royal Bank was designated as a category one bank — institutions that are expected to hold an additional 1% of capital on hand. The designation illustrates

the deepening ties to the global market Royal Bank is enjoying.

Royal Bank has also been at the forefront in technological advancement relative to its Canadian competitors, as I [discussed here](#). The bank recently announced that it would launch its own robo-advisory service and push its own ETFs on the platform.

Royal Bank also joined global tech companies in setting up an artificial intelligence research lab in Montreal designed to better predict market activity by monitoring social media chatter worldwide. In an increasingly disjointed and multipolar geopolitical environment, this is an admirable and forward-thinking strategy.

Perhaps most interestingly, the bank is also experimenting with blockchain for payments between its U.S. and Canadian banks. Blockchain is a decentralized network; the technology enables the use of cryptocurrencies like Bitcoin and Ethereum. The meteoric rise of Bitcoin in 2017 has given large financial institutions the impetus to further explore this technology, which could result in faster processing along with many other advantages.

Royal Bank stock also offers a dividend of \$0.91 per share with a 3.6% dividend yield. When it releases its fourth-quarter earnings, Royal Bank will look to close the books on a landmark year that has seen its stock hit triple digits. Even after its recent rally, this is a strong long-term buy.

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