



3 Bank Stocks to Buy or Sell After Q4 Earnings

Description

Canadian banks have unveiled fourth-quarter and full-fiscal-year earnings, and the results were impressive in 2017. The six largest Canadian banking institutions set aside over \$14 billion in variable compensation this year — the highest since 2014. Canadian bank stocks surged from late August to November as third-quarter earnings and a resurgent Canadian economy appeared to boost investor sentiment.

However, there are headwinds emerging in 2018 that may give investors pause as many bank stocks hover near all-time highs. In late November, I'd [discussed the OECD report](#) on the troubling debt load for Canadian households and how tightening credit conditions could put more strain on a plunging housing market.

Stress on Canadian housing in light of new OSFI mortgage rules and the [possible scuttling of NAFTA](#) are just two developments that could rattle markets in the first half of 2018. Let's look at four Canadian bank stocks to hold on to or take profits from as we look forward to the new year.

Buy: Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) stock has climbed 11% in 2017 as of close on December 5. The bank released its fourth-quarter results on November 29. It posted net income of \$2.8 billion, which represented a 12% increase from Q4 2016. The full-year net income jumped 11% to \$11.4 billion, and every business segment experienced double-digit growth. RBC was recently added to a global list of 30 of the most systemically important banks by the Swiss-based Financial Stability Board. The stock also offers a 3.6% dividend yield.

Sell: Bank of Montreal

Shares of **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) have increased 3.6% in 2017. BMO has failed to reach the all-time high of \$104.15 it posted in March 2017. The bank released its fourth-quarter results on December 5.

BMO posted net income of \$1.22 billion, or \$1.22 per share, which represented a 9% decrease from

the \$1.35 billion, or \$2.02 per share, it posted in Q4 2016. Earnings per share took a hit due to reinsurance claims in the United States in the aftermath of the devastating hurricanes that hit in late August and early September. Every business line experienced a decline except for personal and commercial banking, which posted 6% growth.

BMO hiked its dividend to \$0.93 per share.

Buy: National Bank of Canada

National Bank of Canada ([TSX:NA](#)) stock is up 16.2% in 2017. The bank released its fourth-quarter results on December 1. National Bank reported net income of \$525 million compared to \$307 million in Q4 2016 — up 71%. Net income for the full fiscal year was \$2 billion compared to \$1.2 billion in 2016, representing a 61% increase. The bank saw improvements in all business segments, but the most impressive growth was in U.S. Specialty Finance and International, which boasted net income of \$55 million, a 162% increase from \$21 million in Q4 2016.

National Bank also boosted its dividend to \$0.60 per share. The bank is heavily weighted in an improving Quebec, which also boast a more stable housing market compared to the overheating in major metropolitan areas in Ontario and in Vancouver.

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