



## Should You Pick Up Royal Bank (TSX:RY) Before Q1 Earnings?

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) stock was up 0.24% in late-morning trading on January 29. Shares have climbed 6.3% in 2019 so far. The stock is still down 6% year over year.

Royal Bank is expected to release its first-quarter results in late February. Although Royal Bank shares ended 2018 in the red, the bank had a strong year across the board. Now, with economic headwinds building in Canada and in the global economy, Royal Bank will face new challenges.

**Goldman Sachs** has projected that earnings growth will significantly deteriorate in 2019 after record profits for top companies in 2018. This came on the heels of the U.S. Tax Cuts and Jobs Act, which slashed the corporate tax rate by 14%. On Wednesday, Goldman Sachs reported its fourth-quarter results last week and saw revenues in its fixed income, currency, and commodities trading business drop 18% year over year. **Citigroup** and **JPMorgan** also saw their respective fixed-income trading businesses suffer comparable double-digit declines.

Back in September, I'd [discussed](#) why Royal Bank was my top bank stock to hold in the waning months of 2018. Royal Bank would reach all-time highs in late September but then succumbed to major volatility as the global stock market rout hit full gear. The sharp plunge in late December presented an attractive buying opportunity for investors who were willing to jump in during major volatility.

The decline in earnings growth in the U.S., and not just in fixed-income trading businesses, is reason for concern going forward. Royal Bank has increased its exposure to the U.S. in its bond-trading business, but it remains behind some of its peers when it comes to proportional U.S. exposure.

**Toronto-Dominion Bank**, for example, reported over \$1 billion in net income in Q4 in both its Canadian and U.S. Personal and Commercial Banking segments.

The Canadian economy has also reached a challenging period. The Bank of Canada adjusted its growth projections downward to 1.7% as the crisis for the oil patch has weighed on growth. A geopolitical conflict between Canada and China, which has intensified into 2019, looks like it could lead to [prolonged dispute](#) between Canada and its second-largest trading partner.

So, is Royal Bank worth picking up before its first-quarter earnings release? The stock had an RSI of 67 as of mid-afternoon trading on January 29. This puts it just outside of overbought territory. The TSX has performed extremely well in the opening month of 2019, but after severe volatility in December, investors should exercise caution. Slower growth in North America will take its toll on major financial institutions, and investors should not anticipate January's performance to reflect in the rest of the year.

Royal Bank is still an attractive long-term hold, but investors should wait for more attractive pricing before pulling the trigger early this year.

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