



## Warning: This Canadian Bank Looks Like “Dead Money”

### Description

**Laurentian Bank** ([TSX:LB](#)) was a stock I was pounding the table on during the 2018 Christmas Eve meltdown.

The stock sported a yield that was north of the 7% mark, the highest it had ever been, and given the ridiculously low valuations, I thought the stock was cheap even given the fact that investors would be holding onto a bit of baggage from Laurentian’s “mini-mortgage crisis”.

Just two months later, the stock soared 25% from its bottom, and the 7% went bye, bye. The stock had run too far, too fast, and I urged investors to take their profits off the table before a potentially disastrous earnings report would cause shareholders to surrender their January-February gains.

Indeed, this is what happened as Laurentian stock plunged on what can only be described as an abysmal earnings report. The case for investing in Laurentian vanished as the price was propped up. The regional bank itself wasn’t nearly as impressive as were the valuations that the stock was sporting back in the late-December depths.

Today, Laurentian stock is up a more modest 9% from its December lows, but given the weakness observed in the latest quarter, I wouldn’t advise touching shares with a barge pole, as I do believe shares could touchdown with the December lows by summertime. To see the colossal miss, check out my [prior piece](#) examining Laurentian’s rough quarter that saw expenses surge.

Fellow Fool [Kay Ng](#) called Laurentian the Canadian bank to ignore in a previous piece dated March 9, highlighting the fact that the bank was “an underperformer.” When compared to Laurentian’s much better peers, I’d take that a step further by calling Laurentian a perennial underperformer given the years of missed opportunities and the excruciatingly volatile times unique to Laurentian’s business.

Kay also noted that Laurentian’s dividend, the main attraction to the stock, seemed safe, and didn’t rule out a potential rebound in shares if management found a way to improve its loan book. Given Laurentian’s prolonged track record of underperformance, however, I’m not at all confident that Laurentian has what it takes to pull it off.

As for income investors who are still keen on the stock, I'd encourage staying on the sidelines, at least for now. Laurentian is ridiculously volatile, and it deserves to trade at a [permanent discount](#) to its peer group, so investors should insist on a yield of at least 7.5% if they're to endure what could be a rocky road ahead.

Stay hungry. Stay Foolish.

## CATEGORY

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## TICKERS GLOBAL

1. TSX:LB (Laurentian Bank of Canada)

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