Should You Buy the Dip in These 2 Bank Stocks?

Description

Top Canadian banks released first-quarter earnings in late February and early March. It was a mixed bag for Canada's top financial institutions. Market volatility in the waning weeks of 2018 played a role in negatively impacting earnings, but slowing growth in the broader economy is a creeping concern.

Are regional bank stocks a better option right now? Today, we are going to look at two stocks that boast strong footprints in opposite sides of the country.

Canadian Western Bank (TSX:CWB)

Canadian Western Bank is an Edmonton-based regional bank. It boasts a strong footprint in Western Canada. Shares of Canadian Western have surged 13.5% over the past three months as of close on March 14. In December, I'd recommended investors scoop up the stock, as it was trading at a solid discount.

The bank released its first-quarter results on March 1. Total revenue rose 10% year over year to $212.4 million and net income increased 7% to $66.5 million. Canadian Western reported 10% loan growth and expansion in every province. Its branch-raised deposits experienced 3% growth from the prior year. Canadian Western stock fell immediately following the release, in the face of a relatively strong report.

Shares were hovering around overbought territory for much of January and February. Now the stock boasts an RSI of 47 and is trading at the middle of its 52-week range. Shares are still down 15.4% year over year as of this writing.

Canadian Western hiked its quarterly dividend by 4% from Q4 2018 to $0.27 per share. This represents a 3.6% yield. The bank has achieved dividend growth for 27 consecutive years.

Laurentian Bank (TSX:LB)

Laurentian is a Quebec-based regional bank. Shares have climbed 8.2% in 2019 as of close on March 14. However, the stock dipped sharply after the release of its first-quarter results.

Laurentian posted adjusted net income of $44.7 million, which was down 29% from the prior year. Like some of its larger peers, Laurentian's earnings took a hit due to the poor performance of its Capital Markets segment. Total revenue for the quarter dropped 9% from the prior year to $242.3 million.

Although market volatility played a part in its Q1 2019 disappointment, Laurentian struggled in other areas as well. Net interest income decreased by 3% to $172.6 million primarily due to lower loan volumes and higher funding costs. Provisions for credit losses was down year over year but still stood at a solid 0.12%.

Laurentian stock was also in overbought territory before its first-quarter earnings release. As of close on March 14, its RSI was 41, which puts it closer to oversold territory. The stock is now trading at the lower end of its 52-week range. The bank last paid out a quarterly dividend of $0.65 per share, which represents an attractive 6.2% yield. Laurentian has achieved dividend growth for 11 consecutive years.

Should you buy these stocks today?

As I'd mentioned at the beginning of this article, it is a dicey time for investors to pile into bank stocks. Canadian Western and Laurentian are no different, even if they are posting more favourable technicals as of this writing.

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