



2 Top Bank Stocks Set to Release Earnings: Which Is the Better Buy?

Description

Canada's top banks released a mixed bag of first-quarter earnings to start fiscal 2019. Turbulent market conditions to close out the 2018 calendar year were a drag on Capital Markets segments at the Big Six banks. That, combined with a pricey TSX and slowing Canadian growth, was [enough to raise concerns](#). Investors have recently found out that Canada's economy shrunk 0.1% in the month of February. On the other hand, stock market conditions have significantly improved.

The top banks are set to release second-quarter earnings in the month of May. Today we are going to take a snapshot of the top two Canadian banks by market cap. Which is the better buy before earnings season? Let's dive in.

Royal Bank ([TSX:RY](#))([NYSE:RY](#))

Royal Bank is the largest financial institution in Canada, and one of the largest in the world. Shares of Royal Bank have climbed 13.8% in 2019 as of close on May 2. The stock is up 8.8% year over year.

Royal Bank was one of the banks cited by Steve Eisman of *The Big Short* fame after he recently expanded on his [Canadian bank short call](#) in April. This may come as some surprise, as Royal Bank had one of the strongest quarters of its peers in Q1 2019. Net income rose 5% year-over-year to \$3.17 billion and diluted earnings per share rose 7% to \$2.15. Net income in its Capital Market segment dropped 13% from the prior year to \$95 million.

Royal Bank will announce its second-quarter results before markets open on May 23. The stock is trading at the high-end of its 52-week range and hit an all-time high of \$107.91 in late April trading. The stock had an RSI of 60 as of close on May 2, which puts it just outside of technically overbought territory.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

TD Bank is the second-largest financial institution in Canada. However, it has the largest US footprint

out of the Big Six banks. TD stock has climbed 12.1% in 2019 so far. Shares are up 4.5% from the prior year.

In the first quarter, TD Bank saw adjusted net income come in mostly flat at \$2.95 billion compared to \$2.94 billion in the prior year. Net income in U.S. Retail banking rose 30% from the prior year to \$1.24 billion on the back of loan and deposit volume growth and improved margins. TD hiked its dividend by \$0.07 per share to a quarterly payment of \$0.74 per share, which represents a 3.8% yield.

TD Bank will release its second-quarter results in the afternoon of May 23. In addition to improved market conditions, TD also has reason to celebrate, as U.S. growth is still robust. The country's growth smashed through expectations, posting a 3.2% annualized growth in the first quarter of 2019. Economists had expected 2.1% growth in Q1 2019.

TD Bank stock has failed to reach its previous 2018 highs, but the stock is still trading at the higher end of its 52-week range. Shares also had an RSI of 60 as of close on May 2.

Which is the better buy today?

This is a tough comparison given the razor-thin difference even in RSI and P/E ratios, but I like TD Bank to benefit from a combination of superior stock market conditions and better-than-expected U.S. growth ahead of its next earnings report. The stock also offers a slightly better dividend yield.

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