



## 3 Bank Stocks to Watch in May

### Description

The end of May will have some big news from Canada's Big Six Banks, but with second-quarter results coming from some of the country's biggest, investors should be keeping their ears wide open.

That's because while these banks have been hitting some record numbers after last year's slump, they have started to come down ever so slightly from those highs.

So, could a recession be in the future? Are investors bracing for bad news? Or is there an opportunity to buy these stocks before the next jump?

### Royal Bank

**Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) has long been touted as a strong bank due to its expansion both across North America and into the wealth and commercial management segments. These areas have been delivering strong numbers for the bank on top of its already [strong balance sheet](#), which would help it quickly escape any possible recession.

With its earnings date coming up on May 23, analysts are looking for red flags of a slump for this bank, with growth and earnings showing some shrinking under poor market conditions. In the next 12 months, analysts are predicting the stock to continue a slump down to \$100 per share or a rise all the way up to \$130 per share depending on how the markets perform.

### Toronto-Dominion

**TD Bank** ([TSX:TD](#))([NYSE:TD](#)) is similar to Royal Bank in that it also receives a lot of business from the U.S. and has been [expanding into the market](#) at a rapid rate. However, while the growth is great, its returns on equity just aren't as great as what the bank is getting in Canada. This should change as the U.S. segment grows, but that could be a while if the markets dip further and could really hurt TD since 43% of its recent earnings came from this segment.

Another problem that could happen if the markets dip is the heavy investment in credit cards recently made by TD. These were quite recent, and an economic downturn could make it that much harder for TD to pay its debts. Though once they're paid, these partnerships could really start to pay off.

It's not that this stock, or bank, is going anywhere. TD has positioned itself as the major discount-brokerage firm, and this area is set up for further growth, as investors look for more low-cost options. Over the next 12 months, analysts expect the stock to either stay around where it is now at \$73.50 per share or grow to \$90 per share. Its second-quarter earnings will be released May 23.

## Bank of Montreal

**BMO** ([TSX:BMO](#))([NYSE:BMO](#)) is quite different from the first two banks, as it derives 70% of its revenue from Canada and almost all the rest from the U.S. This leaves the company open to a huge growth opportunity as it expands its operations in the Midwest.

But where BMO really shines is its money management, as the second-largest asset manager among the top Canadian banks and second-largest ETF provider. Another positive is that BMO has the lowest exposure of the Big Six to residential mortgage loans should a housing crisis occur.

Finally, BMO didn't have the relatively rocky earnings results on its last report, and analysts believe that should continue for this stock. Over the next 12 months analysts see it rising between \$105 and \$120 per share, making its current price at writing of \$102.95 a pretty good deal. Its earnings results will be reported May 29.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:RY (Royal Bank of Canada)
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alegatewolfe

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