



These Canadian Bank Stocks Are Tumbling Today, But Should You Buy?

Description

Bullishness in Canadian bank stocks is essentially bullishness in the TSX index itself. That's why when news came that financials were trading lower on Tuesday, a shiver of fear went through the investment world. Unfortunately, share prices in some of Canada's biggest banks are still falling today, so let's see what stockholders should read into it, and whether dividend investors should be changing their positions.

Bank of Montreal

A bank with a fair amount of exposure to the U.S. economy, an investor's sentiment with regards to this Big Six mega-stock should take that market into account when figuring out how deep to go with [BMO](#) ([TSX:BMO](#))([NYSE:BMO](#)). However, down 3.69% in the last five days and falling, BMO's tumbling share price is helping weigh down Canadian financials. The next couple of days will be critical for BMO, with investor sentiment ready to turn on a dime.

Growth is expected for every stage of the next 18 months, with positive earnings for each quarter and a positive end to this fiscal year as well as the next. However, the average analyst rating for BMO stock is between a hold and a moderate buy, though this may well change depending on the state of market in the next few days.

Bank of Nova Scotia

It's not a secret that [Scotiabank](#) ([TSX:BNS](#))([NYSE:BNS](#)) is fairly exposed to the housing market — indeed, this stock is usually a clear buy for real estate bulls for that reason. However, having failed to meet analysts' estimates for second-quarter profits on Tuesday, investors who take a dim view on the Canadian housing market might be rethinking their positions.

A slow start of the year on the domestic housing front seems to be the cause for the missed estimates, with a poor forecast for mortgage growth later in the year weighing on Scotiabank's outlook. The third profit miss in a row ate into Scotiabank's bottom line, detracting from gains in international banking,

and brought about in part by increased provisions made for bad loans.

The general consensus at the moment is that Scotiabank is a “hold,” which is a bit of a shock during these uncertain times. Indeed, the TSX index is looking rather topsy turvy at the moment, what with gold down, oil settled at a lower price, and financial stocks down, all during a period of increasing bearishness in the markets.

Down 2.28% over the last five days at the time of writing, Scotiabank is temporarily out of favour; however, with positive earnings growth rates expected for the next quarter, as well as a decent end to the fiscal year, Scotiabank wish-listers may want to pick this stock up while it's down.

The bottom line

The fact that a sudden lack of faith in bank stocks has hit just as gold bearishness is rearing its ugly head suggests that the rest of the year could indeed see some unexpected volatility. Meanwhile, despite missed expectations, owners of either stock listed above may want to sweat it out, given their generally positive outlooks over the coming months, while newcomers have some attractive value opportunities to ponder.

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