



Q3 Stock Earnings Preview: National Bank (TSX:NA)

Description

In several recent articles, I'd discussed the upcoming bank earnings season. I have [covered some of the top banks](#), but today I want to focus on the smallest of Canada's financial giants.

National Bank (TSX:NA) is the smallest of the Big Six but boasts a significant footprint in its home province of Québec. This will be an important focus as we look ahead to its third-quarter earnings release. Shares of National Bank had climbed 11.5% in 2019 as of close on August 19. However, the stock had also plunged 3.3% over the past month.

The bank released its second-quarter results on May 30. In the first six months of 2019, National Bank reported net income of \$1.11 billion, which was up 1% from the prior year. Diluted earnings per share increased 4% year over year to \$3.01.

In Q2 2019, the bank posted earnings growth in its Personal and Commercial segment, Wealth Management segment, and U.S. Specialty Finance and International segment. National Bank's Financial Markets segment reported a 16% year-over-year decline due to lower revenues from the global market revenue category.

To top off the second quarter, National Bank announced a 4.6% increase to its quarterly dividend payout. It now offers a quarterly dividend of \$0.68 per share, which represents a 4.4% yield at the time of this writing.

National Bank has pushed to strengthen its Québec footprint after mixed success in its forays into other provinces. The timing could not have been better, as Québec's economy has emerged as one of the biggest success stories in the latter half of this decade. It was set to slow with the broader economy when the year began but has [continued to impress](#) even in the face of headwinds.

Recent data from Statistics Canada revealed that only Québec had shown an increase in employment in July. Québec's unemployment rate in July stood at 4.9%, which remains the lowest in the database, which was run from 1976. The overall rate in Canada stood at 5.7%.

Québec's housing market remains one of the most attractive in the country. The two major

metropolitan cities, Montreal and Québec City, are consistently ranked as the most balanced in the country according to the Canadian Mortgage and Housing Corporation. This is good news for lenders like National Bank.

Should you buy National Bank ahead of earnings?

National Bank is set to release its third-quarter earnings on August 28. The stock had a price-to-earnings ratio of 10.1 as of close on August 19. This is a favourable level in comparison to its top peers. Shares had an RSI of 33 at the time of this writing. This puts National Bank close to technically oversold territory a little more than a week out from its earnings release.

Québec's economic miracle has been a huge surprise, and National Bank is well positioned to benefit going forward. I love the value the stock offers ahead of its next earnings release.

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