



Earnings Alert! 5 Top TSX Stocks to Watch This Week

Description

The broader market rally seems to be fading away as the **S&P/TSX Composite Index** fell by 0.4% last week after [posting solid gains](#) in a previous couple of weeks. The index is expected to witness high volatility in the coming days as many big Canadian companies — especially large banks — are set to release their latest quarterly earnings this week.

These earnings events might give investors an opportunity to buy their favorite stocks cheap. That's why you may want to add these bank stocks to your watch list and adjust your investment portfolio according to their recent fundamental trends.

Top TSX stocks to watch this week

The latest Canadian bank earnings season will begin with the **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) releasing their first quarter of 2021 results on Tuesday. Both the banks have been reporting a YoY (year-over-year) decline in their earnings for the last three quarters. Analysts expect their first-quarter earnings to fall on a YoY basis as well.

Bank of Nova Scotia is expected to report earnings of \$1.57 per share in Q1 2021 — down 14.3% from a year ago. Increased provision for credit losses in the Canadian banking segment due to the pandemic has affected its earnings in recent quarters. This factor could continue to hurt its earnings in the first half of this year as well.

Similarly, Bank of Montreal's first-quarter earnings are estimated to be around \$2.15 per share — down 10.7% YoY. The COVID-19 has badly hit its personal and commercial banking operations in the U.S. and Canada. On the positive side, its wealth management and capital markets segment earnings have surged during the pandemic phase.

The most attractive bank stock today

On Wednesday, **the National Bank of Canada** ([TSX:NA](#)) will report its Q1 results. Its earnings trend has been far better than the Bank of Nova Scotia and Bank of Montreal. Last year, its global wealth management and capital markets earnings saw a big surge. As a result, the bank's total adjusted earnings fell by only 5% in fiscal 2020.

During the same period, Bank of Montreal and Bank of Nova Scotia registered massive 18% and 25% drop in their net earnings, respectively. Despite its better than expected earnings in the last six consecutive quarters, its stock hasn't seen much appreciation lately. It rose by only 0.6% last year.

In Q1 of fiscal 2021, the National Bank of Canada's earnings growth trend is likely to turn positive. Analysts expect a minor 1% rise in its first-quarter earnings. That's why I find its stock to be most attractive in the Canadian banking sector right now.

Other bank earnings

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) will announce their latest quarterly results on Thursday. According to analysts' consensus estimates, their YoY earnings growth trend could worsen further. TD Bank's Q1 adjusted earnings are expected to be at \$1.49 per share — down 10.4% from a year ago.

This decline rate would be much worse than a 0.6% YoY increase in its earnings in the previous quarter. In its Q4 earnings conference call, TD Bank's management didn't give any clear guidance due to pandemic-related uncertainties and [warned investors](#) of uneven recovery.

Similarly, CIBC's first-quarter earnings are expected to fall by 13.4% YoY to \$2.81 per share. In the previous quarter, its earnings declined by 1.8%. In December, the bank's management suggested that it expects an increase in impaired losses in the coming quarters and also anticipates additional negative credit risk migration across the portfolio.

Foolish takeaway

The shares of all the five banks mentioned in this article ended the year 2020 on a mixed note within plus or minus 6% range. Based on their recent financials, the National Bank of Canada to be the best bank stock on which to bet. In Q1, it could continue to beat analysts' estimates for the seventh quarter in a row.

But if you're willing to invest in other sectors than banking, then you should rather buy some cheap high-growth stocks in 2021. Such growth stocks could give you far better returns than bank stocks, in my opinion.

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4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:BMO (Bank Of Montreal)
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