



3 Canadian Bank Stocks to Buy Ahead of Q3 Earnings

Description

The steady economic growth, higher deposit base, an uptick in credit demand, lower provisions, and reserve release indicate that Canadian banks could deliver solid earnings growth in Q3.

However, investors should note that the revenues of these banks could remain muted or increase marginally, reflecting lower interest rates.

Nevertheless, I am bullish on the banking sector and expect **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), and **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)) to capitalize on the improving operating environment and deliver solid earnings.

Besides, these banks have paid dividends for a very long period and offer healthy yields at current levels.

Bank of Montreal

Bank of Montreal will announce its Q3 results on Aug. 24. Analysts expect Bank of Montreal to post earnings of \$2.92 per share on revenues of \$6.39 billion. The estimate represents a year-over-year increase of 58% in EPS and 6.5% in growth in revenues.

During the previous quarter's conference call, the bank's management stated that they remain cautiously optimistic and expect low credit losses in 2021, which could significantly boost its earnings. Furthermore, reserve releases will likely increase its profitability.

I believe Bank of Montreal's diversified revenues, higher loan and deposit volumes, operating leverage, and lower provisions augur well for future growth. Meanwhile, I expect its strong earnings to support higher dividend payments. It paid dividends for 192 years and offers a yield of 3.3% at current price levels.

Thanks to its strong financial performances in the last three quarters, its stock has appreciated about 71% in one year. Meanwhile, it trades at a P/B (price-to-book value) multiple of 1.6, which is well within reach and indicates further [upside in its price](#).

Toronto-Dominion

Toronto-Dominion Bank is scheduled to announce its Q3 financial numbers on Aug. 26. Analysts expect the bank to post revenues of \$9.8 billion in Q3, down 8.1% year over year. Despite lower revenues, its EPS could jump 52.8% year over year, reflecting the release of provisions and lower costs.

I expect the momentum in its wealth, insurance, and wholesale businesses to sustain and support its overall revenues and earnings. Furthermore, its diversified business model, recovering economy, higher consumer and business confidence, and improved efficiency will likely provide a solid base for growth.

Thanks to its high-quality earnings base, Toronto-Dominion will likely enhance its shareholders' returns through dividend hikes. The bank paid dividends for 164 years and has increased it by 11% annually since 1996. Currently, it offers a safe yield of 3.7%.

Scotiabank

Scotiabank will announce its Q3 results on Aug. 24. Analysts expect the bank to post adjusted earnings of \$1.91 a share, reflecting year-over-year growth of about 84%.

Notably, Scotiabank's Q3 earnings could get a significant boost from the reserve releases due to the improved macroeconomic outlook and better credit quality. While its earnings could surge, analysts expect Q3 revenues to remain flat or increase marginally.

I expect Scotiabank to benefit from its presence in high-growth banking markets. Furthermore, strength in its digital banking and lower expenses are likely to support its financials and, in turn, its stock. Scotiabank has been [paying dividends](#) for a very long period and yields about 4.5% at current price levels. Also, it is trading at a lower valuation multiple than peers, implying further upside to its stock.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)

5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. snahata

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

Date

2025/08/26

Date Created

2021/08/20

Author

snahata

default watermark

default watermark