



National Bank of Canada Stock Could Outpace Big Six Peers

Description

Many corrections kicked off in the month of September, and while it seems foolish (lower-case “f”) to be a net buyer of stocks ahead of a big month that could see the return of considerable trading volumes, I’d argue that there are already many freshly-corrected stocks that aren’t guaranteed to correct even if the markets collectively rollover before the holiday season arrives.

National Bank of Canada: A first-mover that’s soaring

National Bank of Canada ([TSX:NA](#)) is taking off, leaving its peers in the basket of Big Six Canadian banks behind. The number six of the Big Six looks like a serious contender these days. And it may very well lead its bigger brothers over the Roaring 20s.

Recently, the relatively small \$33.5 billion bank dropped a bombshell by announcing it had slashed trading commissions on its platform to zero. The move follows in the footsteps of trends going on south of the border. And for many self-guided Canadian traders, it’s about time commission at zero came to a bank brokerage.

I think National Bank’s move could cause a massive inflow of Big Five customers, especially those who are younger and not as tied down as their Baby Boomer counterparts. Millennials don’t have nearly as much wealth as their parents, and many lack the burden of a mortgage. That means National Bank’s peers are going to need to up their game by matching National Bank’s zero commissions or risk losing a bit of share.

Top peer **TD Bank** recently noted that it has no plans to slash commissions on its WebBroker platform to zero yet. That said, it will evaluate the impact and likely react accordingly. In any case, National Bank looks to be bringing the fight to its peers, and that’s a good sign for the stock, which is in full-on rally mode right now.

At 12.2 times earnings, National Bank is a buy. I think analysts are [discounting](#) the business that National could win over from its move to slash trading commissions to zero. For now, National Bank is the first and only bank to scrap commissions. In due time, I think its peers will end up following suit, as

they could stand to risk more by standing pat.

Should you buy National Bank of Canada over its peers?

It's been [a heck of a run](#) for National Bank stock, which is now up nearly 40% year to date. How much longer can the banking underdog continue to outperform its peers? I'd argue for much longer. National Bank is a first mover, and I'd argue it's taken the role of a disruptor. As the bank becomes less regional with time, I'd look for the name to keep raising the bar, not just for itself but for the industry.

At the time of writing, shares of the National Bank of Canada trade at 2.2 times book value, 3.8 times sales, and 12.2 times trailing earnings. Not at all a high price to pay for a banking underdog that's taken the role of first-mover in an industry that's ripe for disruption.

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Author

joefrenette

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