



This Is the Top Performer of the Big 6 Canadian Banks in 2021

Description

Canadian bank stocks have generated market-beating returns for investors since the bear market of 2020. Investors were worried about rising default rates as Canada's unemployment figures surged higher to over 12% in May 2020. But the federal government stepped in to support individuals and businesses that were impacted by COVID-19 and spent billions of dollars in benefit programs.

Further, a low-interest-rate environment allowed cheap access to debt capital that accelerated Canada's economic recovery. The reopening of several global economies as well as the fast rollout of vaccination programs in Canada and other developed countries has ensured that banks continue to outpace the TSX in 2021 as well.

Among the six largest Canadian banks, **National Bank of Canada** ([TSX:NA](#)) has been the best performer year to date, as the stock has gained close to 37% in 2021. Comparatively, shares of **Royal Bank of Canada**, **Bank of Montreal**, **Bank of Nova Scotia**, **Toronto-Dominion Bank**, and **Canadian Imperial Bank of Commerce** are up 27%, 36%, 17.9%, 19.2%, and 37%, respectively, in the first nine months of 2021.

Let's see if NA stock can continue its spectacular run in the last quarter of CY 2021.

National Bank of Canada reports strong quarterly results

In the fiscal third quarter of fiscal 2021 that ended in July, National Bank's net income stood at \$839 million, compared to \$602 million in the prior-year period. Its adjusted earnings per share rose from \$1.66 to \$2.36 as well and were 10.8% higher compared to Bay Street estimates.

The growth was driven by revenue increases across multiple business segments as well as lower provisions from credit losses on the back of an improved macroeconomic outlook compared to the same period in 2020. NA's income before provisions for credit losses and taxes stood at \$1.03 billion in Q3, up 16% year over year compared to \$894 million in the year-ago quarter.

What's next for investors?

National Bank of Canada stock has returned 328% to investors in dividend-adjusted returns since the end of September 2011. Comparatively, the TSX has gained just 145% in this period. Despite these market-thumping gains, NA stock is trading at an attractive price-to-sales multiple of less than four and a price-to-earnings ratio of less than 12.

Comparatively, Bay Street forecasts the company to [grow its earnings](#) at an annual rate of 14.6% in the next five years. We can see that the National Bank of Canada is reasonably valued, especially if we account for its [dividend yield](#) of 3%.

Due to its sizeable presence in Canada and robust balance sheet, NA stock has managed to increase dividends per share from \$0.56 in December 2016 to \$0.71 per share in September 2021. The Bank of Canada had prohibited banks to increase dividends amid the pandemic. But an improving economic outlook and strong liquidity positions of NA and its peers should lead to the relaxation of dividend restrictions soon.

National Bank of Canada is firing on all cylinders. It's a stock that's trading at a reasonable valuation, and the company is poised for earnings expansion in 2021 and beyond, making it a top bet for your portfolio right now.

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