



Info Sabius



Sujet: Les titres bancaires sont nettement sous-évalués.

29 mars 2004

Source : Financial Post et VMD, 24 mars 2004

TRADING DESK

FPOST
24-3-2004

Bank stocks cheapest since '98, analyst says

BY SCOTT ADAMS

Canadian bank stocks are cheaper than at any point since 1998, according to one measurement.

When the bank index dividend yield ratio to the long-term government of Canada bond yield is below 45%, then bank stocks are usually expensive. When the bank dividend yield to long government bonds ratio is above 55%, then banks are considered inexpensive.

Michael Goldberg, analyst at Desjardins Securities, takes this one step further, believing it is better to look at the bank dividend yield to long-term corporate bonds. When the ratio is 55% in this measurement, bank stocks are expensive, and when it is above 70%, bank stocks are inexpensive.

"For the first time since 1998, the valuation of the bank index relative to long corporate bonds has pierced the important threshold of 70% relative yield," Mr. Goldberg said in a research note yesterday.

Royal Bank of Canada takes up 25% of the bank index and its recent troubles with its United States mortgage business have helped drive the index ratio above 70%. Royal Bank's ratio is 80% currently, a point it hasn't been at since the late 1980s.

"Compare this with 53% in late 2002. At that time, most investors could see no blemishes on Royal. But price itself can represent risk and we felt the stock was priced to perfection," Mr. Goldberg said.

"Now, it seems the pendulum has swung to the opposite extreme."