

Last year, TD reported US\$285 million in net income in its first quarter from its investment in Schwab. TD says adjusted net income should work out to about US\$230 million, for about a 30 per cent drop from last year's US\$328 million. Canaccord Genuity Group Inc. analyst Matthew Lee says the Schwab results came in slightly higher than expected, but that the financial firm's outlook for the year disappointed. Lee said key takeaways for the year from U.S. bank earnings in recent days are net income pressure, improved capital markets and continued credit challenges on commercial real estate loans, some of which translate into Canadian trends as well. "In terms of cross-border read-throughs, we expect the Canadian banks to see similar trends in capital markets and loan growth but do not necessarily expect to see the same level of net interest margin pressure as mortgage renewals help to offset increasing deposit costs." Lee said Bank of Montreal and Royal Bank of Commerce should benefit the most from improvements in U.S. capital markets, while TD will be most affected by softer net interest income in the country.