



The 3 Canadian Banks I'd Buy Today

Description

These days, there's a lot of negativity surrounding Canadian banks. The oil rout is threatening the Canadian economy. The real estate market could suffer too. Meanwhile the government is lowering interest rates. As a result, the banks are facing a very challenging environment, one that will likely see lower loan growth, higher defaults, and tightening margins.

Investors are well aware of these facts. To illustrate, **Bank of America's** number two trade for 2015 is to sell the Canadian banks while buying American banks. Investors have responded in kind, betting against Canadian banks like **Royal Bank of Canada** and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)).

But this might be the perfect time to start a position. After all, with investor sentiment so negative, some of the banks are trading at very reasonable prices. On that note, below are the top three banks I would buy today.

1. The Bank of Nova Scotia

The past year hasn't been fun for shareholders of **The Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), Canada's most international bank. The bank struggled in certain markets, most notably in the Caribbean, and posted numbers that mostly disappointed investors. As a result, its share price lagged peers throughout the year.

But that's created a great opportunity. The bank's shares trade at less than 11 times earnings, a very small number for a company with a big presence in emerging markets. It's hard to find a better deal than that in any industry.

2. TD

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) has long been a favourite in the investment community, and for good reason. The company has an excellent corporate culture, one that emphasizes risk management and top-notch customer service. Better yet, it has a fantastic track record of creating value for shareholders.

TD is also very well-positioned to navigate today's tough environment. The bank has a strong presence in the United States (with even more branches there than in Canada), an excellent geography to be in right now. It is also less exposed to the oil sector than its peers.

One knock on TD has always been price; the bank tends to trade at a premium. But today, you can get the shares for only about 13 times earnings.

3. Canadian Imperial Bank of Commerce

There are certainly some concerns surrounding CIBC. For one, it doesn't exactly have a spotless track record. Secondly, the company has made an all-in bet on Canada. And finally, there was some drama at the executive ranks last year.

But beneath it all, CIBC has turned itself into a very solid bank, with strong risk controls, higher capital ratios, and a more profitable business model. And the bank once again trades very cheaply, currently at just 12 times earnings. For that reason, the company's dividend yields well above 4%.

CATEGORY

1. Bank Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BNS (Bank Of Nova Scotia)
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