



Dividend Investors: Buy Zones for the Big 5 Canadian Banks

Description

With the dramatic dips that have been happening in the market in the last week, investors might be at a loss on when they should buy shares. Now, let's think about why you would own shares in the Canadian banks in the first place.

I consider them quality businesses that will continue to pay dividends in good and bad times. I understand well that the market goes up and down. So, if I'm able to buy these shares at high yields, then I just need to focus on the buying.

The question is, what price (or what yield) is a good entry point for these banks?

Setting buy zones

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) seldom reaches a 4.3% yield. That implies a price of \$71.62 with a quarterly dividend of \$0.77 per share. In the dramatic dip on Monday, the shares actually got close to \$68 per share, or a yield of 4.5%.

With Royal Bank of Canada's quarterly results coming out on August 26, it's likely it will be increasing its dividend, pushing the annual payout higher. So, for the long-term investor, buying shares under \$72 would be a pretty good deal to get a solid yield around 4.3% to start.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) seldom reaches a 4% yield. That implies a price of \$51 with a quarterly dividend of \$0.51 per share. In the dramatic dip on Monday, the shares actually got under \$48 per share, or a yield of close to 4.3%. So, for the long-term investors, starting to buy shares between \$48-51 would be a pretty good deal to get a solid yield of 4-4.3% to start.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) seldom reaches a 4.5% yield. That implies a price of \$60.44 with a quarterly dividend of \$0.68 per share. In the dramatic dip on Monday, the shares actually went under \$53 per share, or a yield of over 5.1%.

With Bank of Nova Scotia's quarterly results coming out on Friday, it's likely it will be increasing its dividend, pushing the annual payout higher. Tuesday's closing price of under \$57 already yields close

to 4.8%. If I forecast that the bank increases dividends by \$0.02 per share like the hike in April, that would be a quarterly dividend of \$0.70 per share, implying a 4.9% yield at \$57 per share. So, for the long-term investor, buying shares at \$57 or lower would be a pretty good deal to get a solid yield of 4.8% to start, and probably higher by Friday.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) seldom reaches a 5% yield. That implies a price of \$65.60 with a quarterly dividend of \$0.82 per share. In the dramatic dip on Monday, the shares dropped to around \$64 per share at one point, or a yield of 5.1%.

So, for the long-term investor, starting to buy shares at \$65.60 or lower would be a pretty good deal to get a solid yield of 5% to start.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) seldom reaches a 5% yield historically. That implies a price of \$87.2 with a quarterly dividend of \$1.09 per share.

In the dramatic dip on Monday, the shares dropped below \$83.50 per share at one point, or a yield of 5.2%. So, for the long-term investor, starting to buy shares at \$87.2 or lower would be a pretty good deal to get a solid yield of 5% to start.

In conclusion

These buy zones are good places to start buying into quality banks. However, the stock market is unpredictable, so investors should be mentally prepared to average into positions at lower prices.

It's hard to choose only one bank to buy right now. However, Royal Bank and Toronto-Dominion have S&P credit ratings of AA-, higher than the other banks. Toronto-Dominion and Bank of Nova Scotia have, on average, increased revenue at a rate of over 10% per year for the past five years. That's why I hold all three.

However, investors can choose to be more concentrated by buying just one bank and adding to it. On the other hand, no one will stop you if you decide to go with all five. It's up to you how you manage your dividend portfolio. Do what best works for you.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. TSX:BMO (Bank Of Montreal)
7. TSX:BNS (Bank Of Nova Scotia)
8. TSX:CM (Canadian Imperial Bank of Commerce)

9. TSX:RY (Royal Bank of Canada)
10. TSX:TD (The Toronto-Dominion Bank)

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