



3 Bank Stocks Selling at Steep Discounts

Description

The stock market has been crushed so far in 2016. The S&P/TSX Composite Index down over 6.5%, and even though Canadian banks are some of the most financially stable corporations in the world, they too have been under pressure.

However, as long-term investors, we must shrug off this weakness in the market and see it for what it truly is—a prime opportunity to buy the stocks of great companies at steep discounts. With this in mind, let's take a look at three of my top stock picks in the banking industry today.

1. Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is the largest bank in Canada with approximately \$1.1 trillion in total assets, and its stock has fallen about 7.5% year-to-date.

At today's levels, its stock trades at just 10.4 fiscal 2016's estimated earnings per share of \$4.83 and only 9.7 times fiscal 2017's estimated earnings per share of \$5.15, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 12.7. It also trades at a mere 1.48 times its book value per share of \$33.81, which is very inexpensive compared with its five-year average market-to-book value of 1.77.

In addition, the company pays a quarterly dividend of \$0.51 per share, or \$2.04 per share annually, which gives its stock a 4.1% yield. Investors must also note that it has raised its annual dividend payment for five consecutive years, and it is currently on pace for 2016 to mark the sixth consecutive year with an increase.

2. Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is the fourth-largest bank in Canada with approximately \$641.9 billion in total assets, and its stock has fallen over 8% year-to-date.

At today's levels, its stock trades at just 10 times fiscal 2016's estimated earnings per share of \$7.18 and only 9.4 times fiscal 2017's estimated earnings per share of \$7.61, both of which are inexpensive

compared with its five-year average price-to-earnings multiple of 11.4. It also trades at a mere 1.27 times its book value per share of \$56.31, which is very inexpensive compared with its five-year average market-to-book value of 1.54.

Additionally, the company pays a quarterly dividend of \$0.84 per share, or \$3.36 per share annually, which gives its stock a 4.7% yield. It is also very important to note that it has raised its annual dividend payment for three consecutive years, and it is currently on pace for 2016 to mark the fourth consecutive year with an increase.

3. Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) is the fifth-largest bank in Canada with approximately \$463.3 billion in total assets, and its stock has fallen over 6% year-to-date.

At today's levels, its stock trades at just 8.9 times fiscal 2016's estimated earnings per share of \$9.64 and only 8.6 times fiscal 2017's estimated earnings per share of \$9.97, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.3. It also trades at a mere 1.67 times its book value per share of \$51.25, which is very inexpensive compared with its five-year average market-to-book value of 2.15.

In addition, the company pays a quarterly dividend of \$1.15 per share, or \$4.60 per share annually, which gives its stock a 5.4% yield. Investors must also note that it has raised its annual dividend payment for five consecutive years, and it is currently on pace for 2016 to mark the sixth consecutive year with an increase.

Which of these big banks belongs in your portfolio?

Toronto-Dominion Bank, Bank of Montreal, and Canadian Imperial Bank of Commerce are three of the most attractive long-term investment options in the banking industry today. All Foolish investors should take a closer look and strongly consider using the weakness in the market to begin scaling in to positions in one of them.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:TD (The Toronto-Dominion Bank)

Category

1. Bank Stocks

- 2. Dividend Stocks
- 3. Investing

Date

2025/09/13

Date Created

2016/01/26

Author

jsolitro

default watermark

default watermark