



Why Now Is the Time to Invest in Canada's Banks

Description

One of the most lucrative investments you can make is to invest in one of Canada's big banks. Performance of the banks over the past few years has been stellar, leading to above-average growth and a series of dividend hikes that have put banks south of the border to shame.

Additionally, a weak market, plunging oil process, low interest rates and a faltering loonie have all taken their toll on the economy over the past few years, but, for the most part, banks have steamrolled on, recording higher profits and record revenues.

So why is now the time to invest in Canada's big banks? Here are a few reasons.

A split could be coming

All of those record-breaking earnings reports and dividend hikes over the past few years have pushed the stock prices of banks up — in some cases way up to over \$100 a share. A stock split is a way for the banks to bring share prices down, which in turn attracts additional investors both big and small.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) was trading near the \$70 level back in 1997 when the stock was last split. Two decades later, the stock is now trading at over \$110, having surged over 200%. That growth isn't even factoring in the 4.38% yield that CIBC currently offers every quarter. A 2:1 split for CIBC will result in that price dropping to below \$60, which will attract a flurry of investment activity.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is another example. BMO last split in 2001, when the stock was trading at \$80. Bank of Montreal is now trading just shy of \$100, so a split could send the stock down to \$50.

The important thing to remember here is that a split isn't a free share. Your shares will still carry the same value they did before, but you will now own double the number of shares at half the price each.

The period after a split is historically seen as a great time to invest. **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) did a 2:1 stock split as recently as 2014, and the stock has soared nearly 40% since that

time with a healthy annual increase in the dividend thrown in to the mix as well. The current 3.26% yield is the icing on the cake for long-term investors.

Some pundits will be quick to note that the opportune time to buy a stock is after a split, and, in many cases, this is true, as it can help push the price up. In the case of the banks, however, they are already increasing, so waiting on the sidelines for a split to come may result in losing out on any increase the stock may register from now until any split happens.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is a prime example of this. The stock currently trades at just under \$80 and offers a quarterly dividend with a juicy yield of 3.74%. If the stock were to split, that \$80 share would result in two \$40 shares today. In the past six months, Bank of Nova Scotia is up by 19%.

Banks are great investments

Last year was one of the oddest years on record. Because of the wild fluctuations of the loonie, the Brexit, the first gold rally in years, and President Trump, the entire market shook last year and is likely to do so this year, too.

Surprisingly, the financial sector in Canada wasn't as jittery as many had expected. While there were concerns with a slowdown in Alberta's economy and Vancouver and Toronto's real estate markets, the banks weathered those storms too.

In fact, they continued to break records and steadily rose to the levels we are now seeing.

In my opinion, an investment in the big banks is a great opportunity over the long term for investors. Regardless of whether or not the stocks will split this year, the banks offer great dividends and strong growth prospects that are more sheltered from external factors than many other investments.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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:TD (The Toronto-Dominion Bank)
5. TSX:BMO (Bank Of Montreal)
6. TSX:BNS (Bank Of Nova Scotia)
7. TSX:CM (Canadian Imperial Bank of Commerce)
8. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/09/13

Date Created

2017/02/08

Author

dafxentiou

default watermark

default watermark