What Happened to Canada's Bank Stocks Last Week?

Description

After a report about aggressive sales practice, which aired a matter of weeks ago, some of Canada's biggest banks have seen a decline in share prices as a result. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) felt the most pain; its shares declined from over $70 to close at $66 the next day.

In the days following, Toronto-Dominion Bank shares have traded sideways from closing at $66 per share on March 10 to this past Friday.

Although shares declined on the news, they have yet to bounce back to their previous levels, signaling that shares were likely overvalued to begin, or that investors are leery of the fallout which could follow later.

Just last week, the Financial Consumer Agency of Canada announced it was looking into sales practices across the industry. The report is expected sometime after April.

Let's look at the shares of Canada's other major banks following this news. Investors have witnessed shares of **Royal Bank of Canada** (TSX:RY)(NYSE:RY) move down slightly, along with all other major banks. Currently, Royal Bank of Canada is the biggest Canadian bank by market capitalization.

Shares of smaller **National Bank of Canada** (TSX:NA) have barely moved either way, and the same goes for shares of **Canadian Western Bank** (TSX:CWB).

As many investors have observed over the last decade or so, there seems to be a calamity every few years with one of Canada's banks. In certain circumstances, a buying opportunity is afoot with investors willing to take the risk, reaping large rewards once the company turns the corner.

In the current market, shares of Canada's largest banks may not be trading at bargain prices, even after the recent pullback. Toronto-Dominion Bank currently offers investors a dividend yield slightly more than 3.5%; investors will most likely not receive much more than that for the foreseeable future. At a trailing price-to-earnings ratio of almost 14 times, this mature industry is, by historical standards, by no means cheap.

Investors looking for a place to hide from increasing interest rates may find better security in Canada’s insurance companies which, due to the large amount of premiums taken in, are in a prime position to take advantage of higher interest rates should rates increase.

Investors are not required to purchase stock at any one time; the window to make a purchase is always open. At current yields, investors passing on Canada’s biggest banks are giving up no more than a dividend yield of 4%. Although cash will not offer any return, there is no risk of losing capital should new restriction be put on Canada’s most important companies.

To boot, the next market pullback could be around the corner; you just never know.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CWB (Canadian Western Bank)
4. TSX:NA (National Bank of Canada)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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Author
ryangoldsman