



Strong Economic News Should Spark Interest for Royal Bank of Canada and Toronto-Dominion Bank Stock

Description

On Friday, it was announced that Canada added 45,000 jobs in June. The unemployment rate also dropped to 6.5% in a report that beat analysts' expectations. The Canadian dollar shot up to a 10-month high, closing at \$77.61. The news also virtually guaranteed that the Bank of Canada would move forward with its planned rate hike as soon as this Wednesday.

The Toronto Stock Exchange saw a marked decrease, at one point dropping below 15,000 before having a slight rebound. At the end of the trading day Friday, the TSX settled at 15,027.16, down 0.34%. On Monday, the exchange rebounded up 0.52% to close at \$15105.28.

Canada's two largest banks, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), experienced shifts in opposite directions Monday. Royal Bank saw a decline of 0.20% to close at \$94.90 on the day. TD gained 0.29% and closed at \$65.31.

With the recent strong economic and jobs reports, and the Bank of Canada set to make its interest rate move, are these two goliaths in position to gain from the news?

Royal Bank of Canada

Royal Bank moved to raise rates on its two-year, three-year, and five-year fixed term mortgages 20 basis points in anticipation of the rate decision expected to come this week.

It last reported \$246 billion worth of mortgages on the books, and almost half, \$104 billion, are loans in Ontario. RBC has 48% of its mortgages insured; 0.22% of its residential mortgages are over 90 days past due, down a basis point from the previous quarter.

The bank reported strong earnings in May of \$2.8 billion in the second quarter of 2017, up 9% from the previous year. RBC stock is up 4.64% in 2017 and 27% year over year. It boasts a dividend of \$0.87 per share and a P/E ratio of 12.94.

Toronto-Dominion Bank

TD Bank stock has declined 1.66% in 2017, but is up 21% year over year. The stock has battled year-to-date lows since a CBC report in early March, which was the catalyst for its worst trading day since the Financial Crisis in 2009.

The bank's residential mortgage portfolio was reported at \$188 billion. TD Bank has 51% of its mortgages insured, down from 55% in Q2 in 2016.

TD stock sits at \$65.12 with a dividend of \$0.60 per share. TD Bank is unique with its strong presence in the U.S. Tightening of interest rates south of the border could give the bank more insight into how it will respond to similar conditions in Canada.

Both institutions are in a fantastic position to see a further increase in profits as they now move to greenlight a rise in residential mortgage rates. A renewed optimism in Canada's overall economic health should also bode well for the performance of these two in the second half of 2017.

CATEGORY

1. Bank Stocks
2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
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