TFSA Investors: 3 Blue-Chip Bank Stocks That Are on the Verge of Being Oversold

Description

Investing in bank stocks is an easy way for an average investor to outperform the market. A growing dividend makes the investments very appealing to hold for the long term. We saw many U.S. banks fail during the financial crisis of 2008, but Canadian bank stocks offer much more stability.

Currently, there are three big bank stocks on the TSX that are on the verge of being oversold — and that could mean great buys today.

When determining whether a stock is oversold, I normally look at its **Relative Strength Index** (RSI). RSI looks at a stock's gains and losses over the past 14 trading days, and if the losses are heavily outweighing the gains, the RSI number gets smaller. Once it falls under 30, it is considered to be oversold, signalling that it may be due for a reversal.

While a low RSI is not a guarantee that we'll see a stock recover, bank stocks by and large will continue to do well as long as the economy remains strong.

Below are three stocks you'll want to keep a close eye on, as their share prices are approaching oversold status.

Royal Bank of Canada (TSX:RY)(NYSE:RY) has seen its share price drop 5% to start 2018, although its returns in the past 12 months have been flat. However, over the past five years, the stock has risen 60%, and with a dividend of 3.6%, it can be a great source of recurring income. The company recently hiked its payouts, and in five years dividends have grown by nearly 50%, for a compounded annual growth rate (CAGR) of 8.3%.

While the stock is nowhere near its 52-week low, it's approaching oversold with an RSI of under 40 as of the end of trading on Tuesday, which is up from where it was last week.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has also struggled in 2018, with its stock price declining 4% so far this year. However, if you held the stock for the past year, you would have earned 7% even after this recent setback. The bank is well diversified, and is expected to get the biggest benefit from U.S. tax reform among the big banks in Canada.

TD's RSI level was just over 31 as of the end of Tuesday as it approaches oversold status. This is hardly a usual spot for one of Canada's Big Banks, and it's not an opportunity you should ignore.

The stock pays investors a dividend of 3.5%, and it's risen more than 65% in the past five years, averaging a CAGR of 10.6%.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) made a big acquisition last year to expand its presence south of the border, which will give the stock a lot of room to grow in the coming years. However, year-to-date the share price is down 9%, but it’s declined just 3% in the past year.

CIBC’s stock is at an RSI of 35, dipping into oversold territory earlier this month as it struggles to find momentum. The stock pays its shareholders a dividend of 4.6%. CIBC has also grown its payouts over the years, with the dividend rising more than 38% over the past five years for an average CAGR of 6.7%.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/28
Date Created
2018/04/12
Author
djagielski