

## Trade Tensions Shouldn't Scare You Away From These 3 Bank Stocks

### Description

The decision by the Trump administration to [impose steel](#) and aluminum tariffs on Canada and other key allies rattled members of the G-7. Canada has been lobbying White House officials to exempt Canada even after the announcement, and there do appear to be some supporters of that policy shift in Trump's inner circle. Chief economic advisor Larry Kudlow described the trade dispute as a "family quarrel" and seemed optimistic that the spat "can be worked out."

Kudlow also gave insight into Trump's thinking, which is unlikely to comfort those hoping for a return to the status quo. According to Kudlow Trump views multilateralism as an obsolete system, one that "has been broken in the last 20-years plus."

Canada and its sympathizers in the Trump administration have attempted to emphasize the integrated nature of both economies, and the surplus the U.S. has enjoyed. Today I want to focus on three Canadian bank stocks with a sizeable footprint south of the border. Investors should not let this trade dispute, which is still in its early stages, drive them away from these profit machines.

#### Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

TD Bank stock has climbed 2.4% in 2018 as of close on June 6, and shares are up 17.5% year over year. Representatives from TD Bank reportedly met with foreign affairs minister Chrystia Freeland back in early 2017 to discuss U.S.-Canada trade relations. TD Bank was likely chosen specifically because it boasts the largest U.S. footprint of any of the Big Six Canadian banks.

TD Bank offered an attractive [entry point](#) in mid-April, but that does not mean the stock isn't a good buy today. In the second quarter, its U.S. Retail banking segment posted adjusted net income of \$1.05 billion, representing a 16% increase from the prior year. Earnings were boosted by fantastic growth in deposit and loan volumes and the lower corporate income tax rate thanks to the *U.S. Tax Cuts and Jobs Act*.

#### Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#))

Royal Bank stock has dropped 3.3% in 2018 so far, but is up 6.9% year over year. In the second quarter, Royal Bank reported net income of \$3.06 billion, representing a 9% jump from Q2 2017 and diluted earnings per share increased 11% to \$2.06. Its Wealth Management segment saw profit rise 25% from Q2 2017 due to higher interest rates, increased volume growth, and the benefits of U.S. tax reform.

#### Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#))

Bank of Montreal has seen its stock rise 4.7% over the last three months as of close on June 6. The bank released its second-quarter results on May 30. Net income rose 13% year-over-year to \$1.24 billion and BMO increased its dividend 7% to \$0.96 per share, representing a 3.6% dividend yield.

The U.S. Personal and Commercial banking segment saw profits surge 46% year-over-year to \$348 million. Echoing a similar trend among the three banks, BMO saw U.S. earnings powered by strong revenue growth and the benefit from U.S. tax reform.

## CATEGORY

1. Bank Stocks
2. Investing

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
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