



3 Bank Stocks to Bet on in the 2nd Half of 2018

Description

The S&P/TSX Composite Index rose 65 points on July 19. Energy stocks led the way, while financials were largely flat — the big banks in particular. From August to December 2017 the big banks roiled off impressive gains that saw each post all-time highs. In some respects, 2018 has been a repeat of 2017 into the early summer as the big banks have reported good earnings, but this has yet to be reflected in the performance of many of the top institutions.

No one knows if we will witness a repeat of the late 2017 run, and there are certainly [headwinds](#) that could frustrate such a rally. However, the big banks remain robust profit machines and each of the three we will go over today also offer solid dividends. There are still good reasons to hold each in your portfolio as third-quarter earnings loom.

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

Royal Bank stock has dropped 1.22% in 2018 as of close on July 19. Shares are still up 6.8% year over year. The stock reached an all-time high of \$108.52 in late January before succumbing to a global sell-off that hit the TSX hard. Still, there are many positives to glean from its first- and second-quarter results.

In its most recent second-quarter report, Royal Bank reported that Personal and Commercial Banking profit rose 7% year over year to \$1.46 billion. Earnings were bolstered by higher interest rates, even as the bank has warned that mortgage loan growth may weaken in the second half. The Bank of Canada hiked the benchmark interest rate to 1.5% on July 11, and this should improve margins for all three of the banks we will cover today.

Royal Bank stock offers a quarterly dividend of \$0.94 per share, representing a 3.5% dividend yield.

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

Back in June, I'd discussed why BMO was still a buy for me, even with its stock hovering around [all-time highs](#). Shares are up 1.3% over the past month, and the stock has climbed 3% in 2018 so far. Coming into this year, BMO was undervalued compared to its counterparts.

In the second quarter, BMO saw adjusted profit rise 13% year over year to \$1.46 billion, and adjusted earnings per share climbed 15% to \$2.20. The bank also hiked its quarterly dividend by 7% to \$0.96 per share, representing a 3.5% dividend yield.

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

TD Bank stock has climbed 3.6% in 2018, and shares are up 17% year over year. The bank chalked up a record year in 2017 and has room to grow going forward due to a number of factors. Its large U.S. footprint should entice investors after tax reform lowered the corporate tax rate south of the border to 21%. TD Bank has also reported a boost to its earnings from high interest rates, which has managed to mitigate the slower growth from tightening and new mortgage regulations.

TD Bank also offers a quarterly dividend of \$0.67 per share, representing a 3.3% dividend yield.

CATEGORY

1. Bank Stocks
2. Investing

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1. Editor's Choice

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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