



Royal Bank Stock (TSX:RY) Remains a King Among Men

Description

In the Canadian financials sector, picking and choosing one financial institution to represent Canada's banking sector is a difficult task given the unique profiles of each of Canada's largest six banks. Topping my list for conservative long-term investors looking for Canadian and international banking exposure is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) for a number of reasons.

Royal Bank is perhaps one of the most evenly diversified banks traded on the TSX, with excellent geographical and sector-specific diversification. The company is not over-invested in one specific area, and continues to provide long-term investors with steady and predictable returns over time. The size of Royal Bank's portfolio provides investors with an increased level of safety relative to its peers, and with Royal Bank recently cracking the list of systemically-important global banks, investor interest from around the world is likely to provide a floor beneath the company's valuation – a valuation buoyed by strong fundamentals.

Of note, Royal Banks' leading wealth management business and growing insurance and investor services business provides investors with a variety of revenue streams, which stand to insulate Royal Bank from potential down markets in the near to medium-term. As a global bank, Royal Bank's global footprint is another key driver I see coming into play in a bear market scenario as investors flee to safety.

On the growth side of the equation, Royal Bank has done a good job of investing heavily into security, IT and AI, positioning the company for long-term growth in a world in which security will be paramount and investors will continue to transition to a banking model in which going into a branch becomes a very rare event.

Royal Bank has consistently provided investors with perhaps the steadiest long-term return of the Big Six in recent decades. In addition to significant capital appreciation over time, the company's dividend yield of 3.8% is one of the best among its peers, except for peer **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). A long-term dividend growth rate of 7% is expected to continue, and many analysts are actually pointing to the potential for double-digit returns in the medium term.

An [interesting comparison](#) of Royal Bank and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) by fellow Fool contributor Karen Thomas very nicely lays out the risk/reward situation with respect to Royal Bank and CIBC in this current environment. I would reference this article for a deeper understanding of why Royal Bank trades at such a premium to CIBC – it's all about risk, people!

Bottom line

For investors looking to gain Canadian exposure, I would encourage diving deeper into Royal Bank's financials to see if this company is a portfolio fit. For those looking for [U.S. exposure](#), I would recommend looking at **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) due to the company's impressive retail footprint in the U.S. market, providing TD Bank one of the best growth profiles among the big Canadian banks.

In my eyes, RBC (Canada/international) and TD (USA) provide much better long-term upside than CIBC and are worth the premium both banks currently trade at.

CIBC is cheap, but for a reason.

Stay Foolish, my friends.

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