



3 Reasons Royal Bank of Canada (TSX:RY) Is My Top Bank Stock Hold Right Now

Description

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) stock has climbed 0.4% over the past month as of close on September 21. This represents modest movement a little over a month removed from its third-quarter earnings release. This should not be discouraging for investors at this time, as Canadian banks have been forced to fight through headwinds in what has turned into a choppy September on the TSX.

Today, I want to explore three reasons why Royal Bank remains my top stock to hold in the fall and beyond. This is the case even in the event of a breakdown in trade talks between the United States and Canada.

Rock-solid third-quarter earnings

Royal Bank released its third-quarter results on August 22. Late last month, I'd compared Royal Bank with [another top bank stock](#).

Royal Bank reported net income of \$3.1 billion in the second quarter, which was a record. It also posted 14% year-over-year growth in diluted earnings per share of \$2.10. The bank achieved 8% year-over-year growth in its Personal and Commercial Banking segment, where it received a boost from lending and deposit activity. As was the case with its peers, Royal Bank has also benefited from improved margins on higher interest rates.

The bank also announced an increase in its quarterly dividend of \$0.98 per share, representing a 3.5% dividend yield.

Royal Bank is weathering stormy housing conditions

The state of the Canadian housing market has been a [lingering source of anxiety](#) for investors and policy makers alike. Fortunately, banks have managed to find the sweet spot in 2018 where volumes remain at solid levels while also margins improve due to the rate-tightening environment. However, banks have warned that mortgage loan growth will continue to slow in the final months of 2018 and perhaps beyond.

Royal Bank was the stand out among its peers in the third quarter when it came to its performance in the housing sector. Its mortgage portfolio reported growth of 6% over the prior year to \$262 billion. +90-day delinquencies were flat quarter over quarter and down from 0.20% in Q3 2017. The net interest margin also rose to 2.74% compared to 2.61% in Q3 2017.

Go with the heavyweight in uncertain times

In late 2017, the Swiss-based Financial Stability Board named Royal Bank as one of the world's 30 most systemically important banks. Royal Bank made it as a "category one" bank, which holds at least 1% of capital on hand. The bank boasted that this designation illustrated the scale of its global operations.

This may be of interest to investors who are concerned about how Canadian financial institutions may react to ongoing trade talks. As of now, it appears that Canada and the United States may be unable to make a deal before the October 1st deadline. This could lead to an escalation in trade tensions and turbulence in the broader market and economy. For this reason, and the others listed above, Royal Bank is a favourable hold as we move into October.

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