



## Ranking the Top 3 Canadian Banks to Buy for 2019 and Beyond

### Description

Canada's bank stocks are must-owns for any portfolio. They are simply wonderful businesses with just enough differences to make each one unique.

But that doesn't mean each of Canada's bank stocks is a buy today. Investors need to be patient and acquire their shares at opportune times. Waiting for a good buying opportunity can turn a solid investment into a great one, while buying at 52-week highs can turn a nice investment thesis into a mediocre result.

So even though I'm a big fan of all of Canada's banks as long-term investments, I'm not in favor of buying them all immediately. Here are my top three banks to buy today, ranked from third to first.

### CIBC

It took years of not listening to analysts, but **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) finally did the right thing last year and acquired assets in the United States. It initially offered US\$3.8 billion for Private Bancorp before having to up the bid twice to get it done at US\$5 billion. I'm confident this works out in the long run, even if short-term results might be a little tepid.

Meanwhile, Canadian results continue to be solid. Recent quarterly earnings were up 7%, and impaired loans remained at a manageable level. The company's CET1 ratio improved to 11.4%, which indicates a rock solid balance sheet. The company's U.S.-based wealth management and commercial banking division also posted steady results.

Shares currently trade hands at \$110.97, while the company posted full-year earnings of \$11.65 per share. Adjusted earnings were even better, checking in at \$12.20 per share. This puts shares comfortably under 10x earnings, which is quite cheap. Oh, and the stock offers the most attractive dividend of the Big Five banks, paying out 4.7%.

### TD Bank

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) shares aren't quite as cheap as CIBC's, but it's widely

considered to have a better portfolio.

TD's real prize is its U.S. assets. It was the first Canadian bank to make a major splash down south, and the company has carefully grown those operations over the last two decades. Approximately 35% of current retail banking profits come from operations in the United States, and the brand is a fixture in the northeastern part of the country.

The company's stock has long been one of the most expensive in the sector, at least from a price-to-earnings perspective. Shares currently trade hands at 12.2x trailing earnings, which is a little more expensive than the likes of CIBC. Its 3.7% dividend is also a little lower than the rest of its peers, too. But that's the price investors must pay for a stock that has outperformed its peers over the long-term.

### **Bank of Nova Scotia**

I'm a big fan of **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) shares here because the company offers TD-like growth potential while trading at a CIBC-like price.

Let's start with the growth potential. Scotiabank has been aggressively expanding in Latin America with a presence in nations such as Mexico, Colombia, Peru, and Chile. These nations offer higher interest margins and better growth potential than both Canada and the United States, especially as the population gets richer.

Every few years or so, everything with exposure to emerging markets gets hit, and Scotiabank shares are feeling this pain today. Eventually the market will love the company's exposure to these markets again, and shares will rally.

Meanwhile, the stock sits at a bargain price. It trades at just barely over 10x earnings, and the bottom line is projected to grow nicely over the next year. It pays a 4.5% dividend too, with exceptional dividend growth history behind it.

### **Foolish takeaway**

I'm a big believer in waiting for a good buying point. Patiently buying at the right time can turn a good investment into a great one. Now is the time to load up on these Canadian bank stocks, especially Scotiabank.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:TD (The Toronto-Dominion Bank)

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