



Investors: It's Time to Back Up the Truck on Canada's Bank Stocks

Description

Although we all know the time to take long-term positions in great stocks is during times of overall market weakness, many investors don't take advantage of the opportunity.

Ofentimes, the problem is trying to be too perfect. We want to catch the bottom. Nobody wants to buy a stock only to see it fall another 10%, but that's exactly what happens in a declining market. Even the most disciplined investor still feels a little queasy when they witness their wealth evaporating in real time.

The true long-term investor has a massive edge if they can just tune out this noise.

This situation is unfolding in the banking sector right now. Approximately a month ago, in early December, Canada's largest bank stocks were hitting fresh 52-week lows. I, like many investors, took the opportunity to load up on what I viewed as underpriced shares.

And then shares promptly fell another 5-10%, depending on the bank. Whoops.

There's two ways an investor can look at this. They can get nervous, convinced the market knows something they don't. Or they can shrug it off knowing the market has crazy swings all the time. Better yet, they can buy a few more shares. After all, Canada's largest banks have been outstanding investments over the years.

The point is this: our bank stocks are a fantastic buy right now. Here are three you should be looking to add to your portfolio today.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) continues to be [my favourite bank stock today](#). I just love the long-term potential in its Latin America expansion.

Latin America is appealing for a few different reasons. Economic growth in the region overall is sound,

albeit with a few hiccups. Higher interest rates lead to better net interest margins, an advantage that appears to be safe for a while longer. And many people are moving from the lower to middle class, which means they'll need banking services for the first time.

Despite this growth potential, Bank of Nova Scotia shares trade at a bargain-basement price. The current P/E ratio is just under 10, with the forward P/E ratio sitting at just over nine. Shares also have a 4.9% dividend yield, which is close to the highest yield offered by the stock in the last five years.

Bank of Montreal

I've also been taking advantage of the short-term weakness in **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) to build a long-term position.

Bank of Nova Scotia was the outlier by turning to Latin America for its growth. BMO, like the rest of its peers, is expanding in the United States. Its Harris Bank subsidiary is active in the Midwest, Arizona, and Florida, and has become one of the largest banks in the region. U.S. earnings represent about 25% of the total bottom line, with plans to grow that to 33% in the next five years.

Like Bank of Nova Scotia, BMO trades at an attractive forward price-to-earnings multiple of just 9.3. The dividend isn't quite as nice, but the yield is still 4.2%.

TD Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) isn't as cheap as BMO or Bank of Nova Scotia. Shares trade hands at more than 11 times trailing earnings and the dividend yield is only 3.8%. Simply put, it's not quite as good of a value as its peers.

Still, there's a lot to like, qualities many investors feel justify the higher price. TD has been the better growth story over the last five years, expanding operations to the point where it's now neck and neck with the Canadian leader, **Royal Bank**. Its U.S. operations are also doing well. TD is now the sixth-largest bank in North America and is the largest foreign-owned bank in the nation.

It's easy to see why investors are bullish about that. And if they buy today, investors can get that exposure in their portfolio while paying less than 10 times forward earnings.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)

2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2019/01/04

Author

nelsonpsmith

default watermark

default watermark