



Revealed: 3 Top Bank Stock Picks for 2019

Description

I used to be one of those silly investors who avoided Canada's largest bank stocks because I was concerned about the overall housing market.

Even if the average price of a house in Canada takes a tumble in 2019 — [which could easily happen](#) — I'm convinced that such an event won't impact Canada's banks in a major way. Yes, there's no doubt they've made some questionable loans, and those mortgages could end up losing money. But the vast majority of debt issued by these banks is secured by reasonable price-to-value ratios.

I'd even argue that much of this downside is already priced in. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is a great example. Shares are down more than 13% in the last year despite fundamentals actually improving.

I'm buying bank stocks aggressively for the first time in years. I think you should be, too. Here are my top three picks in the sector for the rest of 2019.

Bank of Nova Scotia

Not only is Bank of Nova Scotia my top bank stock pick of 2019, but I'd rank it as my number two overall pick. My [top pick is Brookfield Property Partners](#).

I love the company's international expansion — a move that's already paid off in spades. The company generated a profit of \$8.7 billion in 2018, with approximately \$2.8 billion coming from international banking operations. This division grew profits by 16% on a year-over-year basis versus an 8% jump in the bottom line for the Canadian division.

The year 2019's international growth could be even more impressive. Scotiabank was busy acquiring assets in the region last year, including a credit card issuer in Colombia, and banks in Chile, Peru, and the Dominican Republic. All these deals should add to the bottom line in 2019.

Investors are getting this growth potential at a fantastic price. Shares trade hands at 10.5 times trailing

earnings and 9.6 times expected forward earnings. Any time you can get a premier bank for under 10 times earnings, you should go for it. Oh, and its shares yield an impressive 4.7% as well.

CIBC

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) has long been viewed as the weakest player of the five largest Canadian banks due to its smaller size and Canadian focus.

The company has taken steps to silence those critics by acquiring Chicago-based Private Bancorp. The only problem is that many analysts felt CIBC overpaid for the bank, especially when it was forced to raise the price. Private Bancorp also won't have a big impact on the bottom line until 2020 at the earliest.

But CIBC is doing a lot right, too. Its emphasis on asset management is paying off nicely. The Canadian operations should continue performing well. And yield-focused investors have to like the dividend, which is currently just over 5%.

And to top it all off, CIBC also has the lowest P/E ratio of its peers. It trades at just 9.1 times trailing earnings and a jaw-dropping 8.4 times forward earnings. It's incredibly cheap today.

BMO

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) was actually the first Canadian bank to expand into the United States. It acquired Harris Bank of Chicago way back in 1984.

Harris Bank's growth hasn't lit the world on fire since, but the company has expanded to become one of the largest banks in the Midwest. These U.S. operations currently make up 28% of total earnings, with the goal to grow that share up to 33% in a few years.

Technology is a big part of BMO's focus going forward. It plans to grow the bottom line by converting more customers into using primarily digital transactions, especially in the United States. It can then easily target these people with loan offers, special mortgage rates, and other perks. It has also used technology to make acquiring new customers easier, including having a credit card application system that can be completed entirely on a mobile phone.

Like the other two banks profiled, BMO trades at a very reasonable valuation. It trades at 11.3 times trailing earnings and 9.6 times forward earnings. The dividend yield is solid too, checking in at 4.1%.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)

4. TSX:BMO (Bank Of Montreal)
5. TSX:BNS (Bank Of Nova Scotia)
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Author

nelsonpsmith

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