Banking on Safety: Frightened Investors Should Hide in Stocks Like These!

Description

Banks are among the safest of places to hide your money – in case you didn't know that already – and if there's one thing the TSX index does really well, it's banking stocks. Stacking shares in the Big Six is one of the first things that newcomers to the biggest Canadian stock market do when they start filling up personal investment portfolios, TFSAs, and RRSPs.

Below you will find three of the best TSX index financial stocks, including two of the sturdiest of the Big Six banks, as well as one outsider that's been doing the rounds on the undersold stocks lists for some time now. While adding all three could leave you overexposed to Canadian banking, stacking shares in a couple of these kinds of stocks can give your investment portfolio the sort of ready-made backbone it needs to survive the economic vagaries of the 2019 markets.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

A favourite of Canadian investors, CIBC enjoyed a one-year past earnings growth of 11.4% versus an 8.9% industry average. Overall, the track record for this stock has been fairly standard: a five-year average past earnings growth of 10.8% exceeds a 7.9% Canadian banking average. Perhaps it's no surprise, then, that inside buying data shows that more shares were bought than sold in the last three months by investors in the know.

Nicely valued dividend stocks are one of the mainstays of the TSX index; today CIBC has a low P/E of 9.1 times earnings, good P/B of 1.4 times book, displaying decent valuation, and pays a dividend yield of 5.12% accordingly. If you like some growth with your passive income, you'll be pleased to know that CIBC is looking at a 4.3% expected annual growth in earnings over the next one to three years.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

One of the biggest banks in the country, this is also one of the most stable stocks on the TSX index. A one-year past earnings growth of 8.3% matches the standard point-for-point, though it lags its own five-year average past earnings growth of 10.3%.

Value is indicated by a P/E of 11.4 times earnings and P/B of 1.7 times book, both of which are higher than CIBC's ratios, while a correspondingly lower dividend yield of 3.9% makes the former stock look like a better buy for both value and dividends. TD Bank's 8.3% expected annual growth in earnings is more favourable, however, though it does fall below the threshold of significant growth.

Laurentian Bank of Canada (TSX:LB)

Changing hands at a 15% discount off the future cash flow value, Laurentian Bank of Canada is one of the strongest buys on the TSX at the moment, with a clean balance sheet and low multiples. Inside buying has been consistent and high over the last year, and its one-year past earnings growth of 11.2% beats the industry average of 8.9. This is a bit of a slowdown after a five-year average past earnings growth of 14.4%, but the latter figure still beats Canadian banks in general for that period.

The bottom line

Laurentian Bank of Canada is still one of the most attractively valued banking stocks on the TSX index, with a P/E of 8.6 times earnings and P/B of 0.8 times book. Its dividend yield of 5.9% is made all the more appealing by some expected annual growth in earnings (to the tune of 4.3%), and adds to the buy signal this stock gets alongside the same for its fellow bankers above.

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4. TSX:LB (Laurentian Bank of Canada)
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vhetherington