TFSA Investors: Should You Buy These 2 Regional Bank Stocks Today?

Description

The **S&P/TSX Composite Index** rose 92 points on January 18. The TSX has increased 6.8% in January so far. This represents the best start to the year for the index since 1980. Cannabis stocks have played a role in the rebound, but financial stocks have been the primary source of strength. The **iShares S&P/TSX Capped Financials ETF** has climbed 7.2% in the month so far.

It has been an encouraging start to the year for Canadian investors, but the TSX looking broadly overbought as we approach the final two trading weeks of January. TFSA investors may still be looking how to spend that extra $6,000 contribution. Should you consider regional bank stocks today? Let's dive in.

Canadian Western Bank (TSX:CWB)

Canadian Western Bank is an Edmonton-based regional bank that primarily services western Canada. Shares have climbed 11.4% in 2019 as of close on January 18. The stock is still down 28.4% year over year.

Back in early December I'd recommended Canadian Western as a buy as its stock was setting off oversold signals. This was an opportunity for investors to add a stock that had achieved over two decades of dividend growth at a discount. Shares would hit 52-week lows in late December, but the stock has bounced back nicely.

Investors hunting for stocks to buy today should approach Canadian Western with caution. As of close on January 18, the stock had an RSI of 64, which is just outside of overbought territory. Canadian Western capped off a strong fiscal 2018 in its December Q4 report, but weakness in the oil patch is a concern. The bank has a strong Alberta footprint.

Investors chasing income may still be tempted to add Canadian Western for its impressive history of dividend growth. Currently the stock offers a quarterly dividend of $0.26 per share, representing a 3.5% yield.

Laurentian Bank (TSX:LB)

Laurentian Bank is a Montreal-based bank that operates mainly in the Province of Quebec. Shares of Laurentian have climbed 14.5% in 2019 as of close on January 18. Laurentian suffered steep declines in 2018 after it was forced to undergo a review for a mortgage underwriting issue that was revealed in late 2017.

In mid-December, I'd suggested Laurentian Bank as a viable option for investors in part due to its exposure to Quebec. At the time Laurentian stock had also fallen into oversold territory. It would also reach 52-week lows in Christmas Eve trading.

Laurentian Bank climbed into overbought territory in trading last week, but ended the week with an RSI of 65 – just below the threshold. Even still, Laurentian is a risky buy in late January. Although I like the stock as a long-term hold, investors may be better suited to wait for a pullback rather than jump in right now.

This stock is also an enticing option for those seeking income. Laurentian last paid out a quarterly dividend of $0.64 per share, representing a 5.8% yield.

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