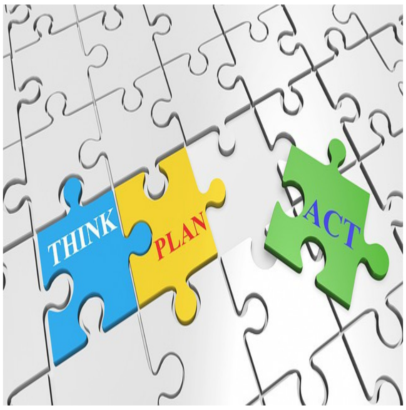

Which Canadian Bank Is the Better Buy in a Slowing Canadian Market?

Description

Last week, there was a news headline talking about how many Canadians are on the brink of insolvency in a tide that is rising and approaching an inflection point. The report highlighted the fact that almost half of Canadians are $200 or less away from not being able to meet their monthly obligations.

Although the benchmark interest rate has stalled at 1.75%, it is a pretty widely held belief that it needs to go higher over time.

So, where does that leave Canadians who are on the brink?

Well, it leaves them with some hard choices — choices that I think more Canadians will be making as a result of rising interest rates, slowing economic growth, weaker housing and real estate prices, and an increasingly volatile stock market — and the first obvious choice that will be made is to cut "unnecessary" and "extravagant" spending, thereby decreasing loan and mortgage balances.

All Canadian banks will be affected by this through higher delinquencies and lower borrowing but some will fare better than others.

Let's take a look.

National Bank of Canada (TSX:NA)

With almost 60% of its revenue coming from Quebec, National Bank has less diversity of its revenue and earnings. And while the bank's plans to expand its wealth management division in central, western and Atlantic Canada will change this, it is still an issue today.

This leaves National Bank more vulnerable to the insolvency risk that many Canadians are facing.

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

Just over half of TD Bank's outstanding loans are Canadian personal loans, which is made up of mortgages, credit card loans, and other consumer loans. It has 45% of its revenue coming from Canadian operations, with the remainder coming from the U.S.

While there is the potential for a slowdown in Canada, TD Bank is well positioned for this. It's probably one of the best positioned, in fact, due to its significant deposit volume and banking presence.

In the last 10 years, TD Bank has increased its dividend by a compound annual growth rate of 9.4%, the highest among its peer group. The latest 12% dividend increase and the once-a-year dividend increase policy is a testament to the bank's strength.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

As the most diversified bank, Bank of Nova Scotia stands to benefit from its increasing wealth management exposure and its large international presence, which has higher growth rates.

While the bank's presence in emerging markets can make some investors nervous, I think that it is this very quality that makes it a good bet going forward.

The Canadian market can be expected to see a slow down, so banks with a bigger exposure to markets outside Canada are exposed to higher growth rates.

Currently trading below $75, or almost 10% lower versus one year ago, this may be a good time to pick up some shares in this geographically diversified Canadian bank.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:NA (National Bank of Canada)
5. 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

Date
2025/09/29
Date Created
2019/02/03
Author
karenjennifer