



## 3 Top Canadian Banks for Your RRSP Shopping List

### Description

2018 was seen as a lost year for Canada's big banks amidst growing concerns over the [flattening yield curve](#) and the economic slowdown that was more evident in the fourth quarter. While the macro environment is less than stellar for the big banks, most of Canada's Big Six names are still down considerably from their highs.

Although I'd consider the banks as rather untimely buys after the big January relief rally, I think longer-term investors itching to put their TFSA funds to work and are keen on picking up a bank are still getting a fair value at these levels, even with a slowing economy in play.

Fellow Fool contributor [Nelson Smith](#) recently revealed his list of top three bank stocks for the year in **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)), and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). Nelson also noted that he used to be one the "silly investors" that have avoided the Canadian banks because of the single source of failure that many mainstream short-sellers have warned investors about: Canada's brittle 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," said Smith. "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 are secured by reasonable price-to-value ratios."

With such concerns mostly baked into the shares of most of the big banks, investors who need dividends can still rely on the big banks. And although Nelson's top three list is robust, I'd replace Bank of Montreal, which is experiencing a slowing of pace, with **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), a better-managed bank that posted better Q4 2018 results.

BMO isn't a weak bank by any means, but given TD Bank's superior risk management structure and the more promising year-ahead growth outlook, the slight premium to TD Bank shares over BMO, I believe, is too small given the near-term trajectories of each bank. So, for that reason, TD Bank is my number three pick for 2019 and beyond.

Scotiabank, one of Smith's favourites, is my number two bank pick, primarily because the stock is ridiculously cheap, expectations have been lowered significantly, and emerging markets (Scotiabank has a big presence in Latin America) could see some relief as we head into the latter part of 2019. Add Scotiabank's above-average 4.6% yield into the equation, and Scotiabank seems like a timely purchase at this juncture.

Last, but definitely not least, we have CIBC, the perennially cheap bank stock that most investors love to hate. Yes, it's most exposed to Canada's ugly housing market, and it may not be the most geographically diversified bank on the planet, but given the price you're paying (9.5 times trailing earnings), the fundamental improvements made by management, and the U.S. growth foundation that's now in place, I think CIBC is severely undervalued, even with dire macro expectations.

The bar is low, and I'm liking CIBC's training regimen. So, don't be surprised if CIBC pole-vaults over expectations over the next year and beyond.

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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. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:BMO (Bank Of Montreal)
6. TSX:BNS (Bank Of Nova Scotia)
7. TSX:CM (Canadian Imperial Bank of Commerce)
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