4 Too-Big-to-Fail Banking Stocks for Financial Stability

Description

Four of the six largest banks in Canada go head to head for a place in your low-risk portfolio today. Which popular TSX index banker pays the biggest dividend yield? Which is the most attractively valued based on its market variables? Let's take a brief look at some of the data available for a few of the best financials stocks to buy for defensiveness paired with reliable passive income.

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

A dividend yield of 4.55% and 6.4% expected annual growth in earnings make Scotiabank one of the frontrunners of the Big Six. However, if there could be a motto for Scotiabank's stats, it would be "everything in moderation." Up 0.2% in the last five days, it's the polar opposite of a momentum stock. Even by TSX index standards, Scotiabank is tame: Nothing says "tedium" like a one-year past earnings growth of 6.2% following on from a five-year average past earnings growth of 5.5%.

But dull is good when it comes to long-term investment, and with an attractive valuation, it's a tempting buy, from a P/E of 10.8 times earnings to a P/B of 1.5 times book, which is precisely in line with the market. Scotiabank's share price is also below its future cash flow value, though, at 11%, it's by no great margin.

National Bank of Canada (TSX:NA)

The TSX index hasn't seen a lot of movement in banking stocks of late, with National Bank of Canada being no different with a gain of 0.84% in the last five days. Its one-year past earnings growth of 10.1% beat Scotiabank's, as does its five-year average growth of 7.5%. With a flawless balance sheet and more inside buying than selling in the last few months, the nation's sixth-biggest banker looks like a strong buy.

With neither a P/E of 10.3 times earnings nor a P/B of 1.8 times book straying too far from the Big Six party line, a dividend yield of 4.18% paired with a 3.9% expected annual growth in earnings offer slightly less passive income to casual investors than Scotiabank.

Bank of Montreal (TSX:BMO)(NYSE:BMO)

Valuation looks good for this TSX index banking superstar, with a P/E of 12 times earnings and P/B of 1.5 times book showing near-market and market-weight valuation, respectively. A dividend yield of 4.08% is on offer, backed up with a 7.4% expected annual growth in earnings, representing higher-than-average growth for a Canadian banking stock.

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

Up 0.86% in the last five days, CIBC is ostensibly the favourite Big Six stock at the moment of the four listed here, though by no big margin. A one-year past earnings growth of 11.4% and a half-decade average of 10.8% beat the competition, while CIBC's sufficient allowance for bad loans nudges it ahead of BMO in terms of buyability for a low-risk portfolio; CIBC's dividend yield is also higher at 4.81%, though its 4% expected annual growth in earnings is lower.

The bottom line

Trading at a 22% discount against the future cash flow price, CIBC is the best-valued stock of the four in terms of price to income, with a low P/E of 9.7 times earnings, while its P/B of 1.5 times book is market weight. While any big-name bank on the TSX index is a solid play for defensive dividends, CIBC and Scotiabank are definitely strong buys, while National Bank of Canada is a sturdy pick for risk-averse investors.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. Editor's Choice

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)
6. TSX:CM (Canadian Imperial Bank of Commerce)

7. TSX:NA (National Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/27
Date Created
2019/02/22
Author
vhetherington