



5 Reasons Why Royal Bank of Canada (TSX:RY) Is Your Top TSX Bank Stock Right Now

Description

There's a good chance that almost every Canadian investor could benefit from holding one of the Big Five Canadian Banks in their RRSP, TFSA, or non-registered investment accounts.

Canada's banking sector not only plays a vital role in the sustainable functioning of our country's economy but also happens to be tightly protected by regulators and governments, unlike our neighbours south of the border.

Foolish investors want to know that they're in the right stocks at the right times.

Here's why I believe **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is your best bet among Canada's leading financial institutions in today's markets.

First is the company's strong base of fee-generating income sources. Following a sharp rise in benchmark interest rates through the back half of 2017 and into 2018, yields have begun to come down as of late.

As a response to the heightened volatility that markets experienced in the fourth quarter, investors began directing more money into bonds and fixed-income investments as a precautionary measure.

But because bond prices and interest rates tend to move in opposite directions, demand for fixed-income assets has put increased downward pressure on interest rates. Earlier this month, the Bank of Canada announced that it planned to keep its key interest rate target unchanged in light of concerns for its outlook on the Canadian and global economies.

And while the announcement of lower interest rates won't come as welcome news for any of Canada's financial institutions, Royal Bank's strong base of fee-based businesses, including its wealth management products, which charge a fee based on assets under management, will help it to offset any potential weakness in rates relative to the rest of its peer group.

Meanwhile, another advantage that Royal Bank has going for it right now is a more geographically

diversified business exposure compared to certain other of the Canadian banking peer group.

For example, over the past decade, **Toronto-Dominion Bank** has developed a fairly strong business along the U.S. eastern seaboard and **Bank of Nova Scotia** has a fairly strong book of business across the central and Latin America markets, while Royal Bank has made significant investments in its European and Asian wealth management business in recent years.

Exposure to the larger European and Asian markets should help Royal Bank offset the threat of any potential weakness that could be coming its way from its North American markets.

The other advantage that Royal Bank has going for it is a strong markets division. A bank's markets division essentially acts to service the needs of active market participants, including financial institutions, pension plans, and sometimes even different arms of the government. When markets see a spike in volatility, these institutions tend to ramp up the level of their activity to protect against the threat of losses.

In cases like this, Royal Bank's markets division would actually expect to see an uptick in business.

In light of all of these different strengths that Royal Bank has going in its favour, perhaps it shouldn't be all that surprising to see RY stock outperforming its peers in recent weeks.

Stocks that trade above their 200-day moving averages are generally viewed to be in bull markets, and in this respect, **Bank of Montreal** is the [only other member](#) of the Big Five to join RY stock to trade above its 200-day moving average.

And lastly, there is the distinct size advantage that Royal Bank holds over the rest of its competition.

Royal Bank isn't just the largest bank among the Canadian financial institutions; it's also the largest publicly traded company anywhere in the Canadian market.

Royal Bank's sheer size and the economies of scale it's able to generate as a result only serve to help support my position that RY stock is your best bet among the Canadian [bank stocks trading on the TSX Index](#) today.

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