



Should You Buy Royal Bank of Canada (TSX:RY) or Toronto-Dominion Bank (TSX:TD) Stock Right Now?

Description

The rally in the Canadian equity market to start 2019 caught many people off guard, and investors who missed the surge are wondering if this is a good time to buy some of Canada's top companies, including the banks.

Let's take a look at **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) and **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) to see if one deserves to be on your [buy list](#).

Royal Bank

Royal Bank currently holds the title as Canada's largest company by market capitalization. The bank is a giant in the financial industry with solid operations across a spectrum of segments, including personal and commercial banking, wealth management, capital markets, insurance and treasury and investor services.

The bank generated fiscal 2018 earnings of about \$12.4 billion and anticipates ongoing earnings-per-share growth of 7-10% over the next few years.

Royal Bank moved back into the U.S. market in a big way in 2015 when it spent US\$5 billion to buy City National, a California-based private and commercial bank. The move has given the bank a platform to expand its presence in the segment and contributes to the numbers in the wealth management group. Royal Bank previously exited the personal and commercial banking arena in the United States in 2012, selling its operations located in the southeastern United States for US\$3.6 billion.

Royal Bank pays a quarterly dividend of \$1.02 per share. The bank raised the payout by \$0.04 earlier this year. The new distribution provides a yield of 3.85%. The stock has traded between \$90 and \$108 per share over the past year. The current price of \$106 puts the price-to-earnings (P/E) multiple at 12.9 times trailing 12-month earnings.

TD

TD also generated average monthly adjusted income of better than \$1 billion through fiscal 2018. The bank is often cited by analysts as being the safest pick among the big Canadian banks due to its heavy focus on retail banking operations.

TD has been building a U.S. presence for nearly 15 years and, after billions of dollars of investments in acquisitions, has established itself as a top-10 bank in the United States. The American division actually operates more branches than the Canadian business, although Canada still makes more money.

The U.S. operations account for more than 30% of total net income, which is significant enough to provide a solid hedge against any potential downturn in Canada.

TD has a strong track record of dividend growth, and that should continue in step with expected earnings increases that are pretty much the same as the guidance provided by Royal Bank. TD's dividend currently provides a [yield](#) of 3.9%.

The stock has traded between \$66 and \$80 over the past year. At the time of writing, investors are paying \$75.50 per share. This represents a P/E multiple of 12.6 times.

Is one a better bet?

Royal Bank and TD were both attractively priced back in late December, but the rally to the current level has wiped out most of the discount. In fact, the stocks might be a bit expensive right now given some of the potential risks in the broader market.

That said, these companies should still be viewed as solid buy-and-hold picks. If you decide to only buy one, I would probably go with TD as the first choice today.

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2. NYSE:TD (The Toronto-Dominion Bank)
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