



## Royal Bank of Canada (TSX:RY): A Top Canadian Stock to Buy Now

### Description

Investing in financial stocks hasn't been a popular trade during the past decade. Both big and small investors lost their shirts in 2008 Financial Crisis, triggered by the collapse of some of the largest banks in North America.

But if you look north of the border, the situation was entirely different. [Canada's top banks](#) proved to be much stronger as they weathered the financial storm on their own and emerged unscathed from the crisis that vanished many American banks.

During the past decade, Canadian banks have been a trusted source for earning steadily growing income. They are among the best dividend stocks in North America, benefiting from their balance sheet strength and their careful lending practices.

If you're looking to add a top Canadian banking stock in your portfolio, the nation's largest lender, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) should be on top of your buying list. Here are two factors that distinguish RBC stock from other large lenders in North America.

### Earnings momentum

Royal Bank, or RBC has a very diversified presence in the market with holding a leading market share in capital markets, wealth management, and insurance sectors. It is Canada's largest bank with more than \$1.2 trillion in total assets.

It also has a strong presence in the U.S. after its acquisition of City National Bank in 2015. With a large branch network and its dominant position in North America, [Royal Bank is in a great position](#) to perform better and continue paying dividends to investors in both favourable and tough operating environments.

The lender's first-quarter earnings released in late February demonstrates that strength. In that period, Royal Bank faced the challenging market conditions as income from its trading division declined due to a sharp correction in markets in late December. Still, Royal Bank was able to hike its dividend.

Analysts, on average expect 9% growth in revenue for the quarter that ended in April to \$10.96 billion. Profit per share should rise to \$2.19 from \$2.1 a year ago.

## Robust dividend growth

RBC is one of the best dividends payers in Canada. After the company's recent dividend hikes, it's now on track for the ninth consecutive year in which it has raised its annual dividend payment.

And this hefty dividend payout isn't compromising the bank's growth potential because it has a very manageable dividend-payout ratio of 40-50% of its net income.

Some analysts believe that RBC stock has become expensive after a 12% rally this year, but I don't see the lender is losing its earnings momentum. Its valuations are still compelling.

RBC currently trades at 12.35 times of its 2019 estimated EPS and only 10.9 times of its fiscal 2020's estimated EPS. These multiples are cheaper than the bank's historical average.

So, if you're a buy-and-hold investor, seeking to add a solid Canadian income stock, then RBC is the top name you should consider.

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

### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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