Here’s Why TD Bank (TSX:TD) Stock Is a Safer Play Than Scotiabank (TSX:BNS)

Description

With investors fearing that a major black swan event could precipitate a recession, perhaps more so than policymakers, bank stocks are likely to be viewed in a negative light this summer thanks to their poor performance on the TSX index last week. Banks may also be increasingly seen as less progressive than some other asset classes due to their backing of oil over a growing interest in green energy.

default watermark

However, since domestic banking stocks make up so much of what makes the TSX index so distinct among other markets, their inclusion in a portfolio is still recommended by portfolio managers and other financial consultants. Canadian financials often make up a high proportion of TFSA and RRSP fillers, so let’s take a look at which banking stock still deserves your investment.

Bank of Nova Scotia

Scotiabank’s (TSX:BNS)(NYSE:BNS) earnings miss puts it at a disadvantage at the moment, with its second-quarter report failing to meet analyst expectations last week. Down 2.89% in the run-up to the weekend, Scotiabank was firmly out of favour with investors. At $68.56 a share and falling at close of play Friday, Scotiabank was in dangerous territory as it neared its 52-week low of $66.36.

A 36-month beta of 0.9 compared to other Canadian banks would suggest that this is a less-volatile stock to buy and hold, though that certainly didn’t seem to be the case last week. While it should be noted that the TSX index is under a unique type of pressure at the moment, shareholders could have perhaps expected greater stability from a Big Five banker.

An average analyst rating gives this stock a hold signal; however, for investors still bullish on banks, the data isn’t all bad. From a P/E of 10.4 times earnings to a P/B of 1.3 times book, Scotiabank is at least fairly valued, while a dividend yield of 4.88% and estimated earnings growth rate by the end of 2020 of 7.31% are acceptable.

Toronto-Dominion Bank

Exposure to the U.S. market may be a turn off for the strictly risk-averse investor, though **TD Bank** (TSX:TD)(NYSE:TD) has the stronger balance sheet of the two stocks here, with sufficient coverage for bad loans. Perhaps ironically, it was arguably in part due to provisions made for bad loans that Scotiabank missed its earnings expectations last week.

TD Bank leads the Big Five at the moment as arguably the only Bay Street financials stock worthy of a place in a low-risk, long-range dividend portfolio right now. Scotiabank's exposure to the domestic housing market could be a potential worry for investors bearish on the economy; this vulnerability, plus TD Bank's more satisfactory performance and outlook, make the latter stock a safer play at the moment.

The bottom line

While TD Bank's exposure to the U.S. markets may be a turn-off for buyers dubious about our southern neighbour's economy, an average analyst rating puts this stock as a moderate buy. However, while its higher tolerance for bad loans and solid growth outlook make for a safer play, investors need to ask themselves how bullish they are on Canadian banks at the moment.

default watermark

CATEGORY

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

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TD (The Toronto-Dominion Bank)

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
2025/08/23
Date Created
2019/06/03
Author
vhetherington

default watermark

default watermark