



2 Banks I'm Banking on for a TFSA

Description

One man's trash is another man's treasure. Or, in investment terms, one investor's irrational sale is another investor's bargain-basement buy.

When it comes to the TSX index, there's plenty of value, but the greatest value proposition, believe it or not, may be right under your nose. Of course, I speak of the [Canadian banks](#), some of which were flirting with bear market territory late last year.

This year, the environment is no better. But some banks have exhibited more resilience in the first half, commanding higher multiples for the peace of mind offered to investors who've been rattled by short-seller commentary in recent months. Indeed, the valuation metric spread has increased of late. In this piece, we'll look at two banking stocks that I believe are the best banks for your buck.

In no particular order, consider the following bargains for your TFSA fund today.

Toronto-Dominion Bank

Starting off the list, we have Canada's most premier bank, Canada's second-largest bank and Canada's most American bank. **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) has exhibited tremendous resilience in 2019 thus far, showing everybody that it's a king among men in the Canadian banking scene.

Despite the outperformance relative to its peers, especially in the second quarter, TD Bank has struggled to return to its all-time high. Indeed, bank investors appear to be throwing out the baby with the bathwater when it comes to TD Bank because, with an aura of short-sellers in the air, it's tough to be bullish on any bank, no matter how resilient.

As one of the banks that I believe Steve Eisman has excluded from his list of 10 vulnerable Canadian banks for the next phase of the credit cycle, I think the stable, growthy, and incredibly well-managed bank ought to be on the radars of investors as the broader sector takes a dip.

TD Bank may not be the cheapest bank stock based on traditional valuation metrics, but you're still getting a fairly sizable discount relative to the firm's historical average. So, if you're looking for the most wonderful bank at a fair price, TD Bank is the horse to bet on.

Canadian Western Bank

Here's a smaller, regional Canadian bank that's been hurting well before most of the Big Six names you know and love. As you no doubt have already guessed, **Canadian Western Bank** ([TSX:CWB](#)) is a play on western Canadian banking, with a considerable amount of its revenues derived from the struggling province of Alberta.

Ever since the 2014 collapse in oil prices, Canadian Western Bank has been treading water. Although it's easy to turn the page on the bank due to its unfavourable markets of operation, I'd urge investors to consider the stock's valuation and the upside potential to be had in the event of a recovery in the Albertan market.

I'd argue that Canadian Western Bank is a "safer" way to bet on the state of Alberta's oil patch, seeing as the bank serves customers that are heavily sensitive to the resource sector. As Alberta rebounds, so too will Canadian Western Bank, and with new UCP premier Jason Kenney looking to stimulate the provincial economy, I'd look to Canadian Western Bank as a potential beneficiary as a bit of weight is taken off the shoulders of all those resource-intensive firms.

To add even more icing on the cake, Canadian Western Bank has a ridiculously conservative payout ratio of 35-36% over the past year. The dividend yield of 3.8% may not be the most bountiful in the world, but if you're bullish on the trajectory of Alberta moving forward, there are massive capital gains and dividend hikes in store. And if Alberta's economy continues hovering around in limbo, you'll still get paid a dividend until better times come to be.

For just nine times next year's expected earnings, I'd say that's [a deal and a half](#).

Foolish takeaway

There you have it. TD Bank and Canadian Western Bank are a solid value at this juncture. Buy TD Bank if you're looking for a wonderful business at a fair price and Canadian Western Bank if you're looking for a fair business at a wonderful price.

Stay hungry. Stay Foolish.

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1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:CWB (Canadian Western Bank)
3. TSX:TD (The Toronto-Dominion Bank)

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