TFSA Investors: A Dividend Titan Just Got Cheaper

Description

Every tweet of Donald Trump sends shock waves to global stock markets. The TSX Index has declined 3.28% in May as a result. Canadian stocks have fallen, but the good news is that lower prices open buying opportunities. And there are ways for investors to take advantage.

If you're a prospective investor looking to park your money and protect it from recession, here is one rock-solid dividend performer whose price has gotten cheaper.

Dividend titan: Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is down almost 5% in May. While this might be a cause for concern, the strong fundamentals of the bank are still compelling reasons to consider the stock as a good investment opportunity.

According to the bank's Q2 2019 report, the dividend payout has increased by 4%. Royal Bank's current dividend yield stands at 3.9%.

Also, earnings for the same period were better than expected. Return on equity is a solid 17.5%. The bank reported a staggering quarterly net income of $3.2 billion, which is $170 million better compared to the prior year.

Bigger is better

The story of Royal Bank has changed from a dominant company to an even more dominant financial institution. It's the biggest bank in Canada in terms of market capitalization, with assets of over $5 trillion under administration.

Also, the bank has the largest scale in mass-market banking. Prophets of doom and short-sellers have been warning against a poor-quality credit portfolio. However, that is far from reality and without basis. During the financial crisis of 2008, Canadian banks stood out and became models for the rest of the world. The banks symbolize financial stability and strength.

Royal Bank is determined to maintain a high-quality credit portfolio. The stricter laws to obtain mortgage loans in place as implemented by the government resulted in the better exercise of prudence and heightened vigilance.

Only a massive drop in housing prices will make Royal Bank insolvent. Even if that should happen, the stock price would drop but will eventually prove resilient and recover. Besides that, Royal Bank is geared on expanding its wealth management business in the U.S to further diversify its holdings.

Digital leaders

Royal Bank is well in tune with how customers want to do their banking. There is heavy spending on technology to push its digital banking initiatives. Royal Bank of Canada is no penny pincher when it comes to investing in technology.

The results are mostly positive and encouraging. The active mobile banking users jumped by a monstrous 17% to 4.1 million over Q2, while digital adoption rose to 52% in the quarter. Mobile sessions in 2018 increased by 26% from the previous year and, accordingly, digital adoption rose by 50%.

As fewer customers are visiting brick-and-mortar branches, this shows that RBC is recognizing the trends and are giving their customers what they want. With healthy dividends and forward-thinking leadership, this industry titan just got cheaper and really affordable to buy.

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