3 Canadian Bank Stocks That Offer a Slice of U.S. Banking Profits

Description

It's a rough time for the Canadian economy–but surprisingly, some Canadian banks are doing a-OK.

Despite slowing mortgage growth, declining credit quality and 0.4% GDP growth, banks like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are still growing as much as 9% year over year. The secret to their success lies south of the border. While Canadian economic growth is tepid, the U.S. is still growing at 3.1% year over year, and Canadian banks that operate in the U.S. have been capturing a slice of the growth.

While Canada continues to make up the lion's share of Canadian banks' revenue, the U.S. is becoming an increasingly vital component–to the point that some of the banks' U.S. retail operations may soon outstrip their domestic ones.

If you want to invest in Canadian banks in 2019, you'll do best by buying banks that have some U.S. exposure. With that in mind, here are three Canadian banks that give you a slice of U.S. banking profits.

Toronto-Dominion Bank

TD Bank is by far the most American of Canadian banks, with about 30% of its revenue coming from the U.S.

The bank has a major base of operations on America's east coast, with a notable presence in New York. As the eighth largest retail bank in the U.S., TD still has a lot of room to grow–especially on the West Coast, where it's still a small player.

TD's U.S. retail business grew at 29% year over year in its most recent quarter, while its **TD Ameritrade** investment grew earnings at 93%. This was more than enough to offset TD's weak Canadian banking growth, giving the company an overall 9% earnings growth rate.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) has fallen on some hard times. Since September of last year, its stock has fallen 18%, failing to recover from the late 2019 **TSX** correction. As a result, it's now one of the cheapest and highest-yielding Canadian banks, with a whopping 5.4% yield.

CIBC's low price is largely justified, with the company posting 2% year-over-year earnings growth in its most recent quarter. However, the bank does have a U.S. Commercial Banking and Wealth Management division that's growing at 18%.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is the second most American Canadian bank after TD, with its U.S. P&C earnings making up about 25% of its total earnings. BMO's level of U.S. exposure is similar to TD's; however, growing at 17% year over year, its U.S. operations aren't as frothy. Nevertheless, BMO was one of the strongest Canadian banks in Q2, posting 20% earnings growth (4% on an adjusted basis).

Foolish takeaway

The Canadian economy may be crawling along at the moment, but that doesn't mean that Canada's biggest financial institutions aren't good investments. If you buy Canadian banks with adequate U.S. exposure, you may find your investments rising much faster than the broader economy. Just remember to keep an eye on those PCLs.

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2. NYSE:CM (Canadian Imperial Bank of Commerce)
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