



3 Banking Stock Picks for July

Description

Canada's banks have long been known for their stability and resiliency. When several U.S. banks went bankrupt in 2009, Canada's banking sector ultimately escaped unscathed.

Due to their resilient business models, these stocks can often afford to pay dividends as high as 5%.

We narrowed the entire banking sector down to your top three options today. Every stock listed below delivers an impressive dividend and has a proven history of surviving even the toughest bear markets.

Biggest of the big

With a \$140 billion market cap, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is one of the largest banks in the world. That hasn't stopped it from trading at a rock-bottom valuation.

Shares are priced at just 11 times forward earnings and sport a 3.9% dividend.

Does TD Bank deserve this discounted valuation? No—at least judging by its history of success.

In 1995, shares traded at just \$2.50 apiece. Today, they're above \$75, representing a total return of more than 3,000%.

The only time the bank has struggled has been during massive recessions. That said, nearly no bank can avoid pressure during a market-wide downturn.

During the 2008 and 2009 financial crisis, shares dropped by as much as 50%. But within six months, shares fully recovered.

Over the last few days, the bank passed the Federal Reserve's stress test. The Fed also approved its capital plan with no objections.

Sure, this banking stock might get hit if a global recession hits, but it's proven capable of withstanding

even the worst bear markets.

Create permanent income

At \$87 billion, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) isn't as big as TD Bank, but it still packs a punch.

Shares are cheap, too. The stock trades at 10 times forward earnings while delivering a 4.9% dividend yield.

If you want to create a permanent income stream, this is the stock to choose.

Over the past five years, Bank of Nova Scotia has grown its dividend by nearly 8% per year. Its payout ratio remains around 50%, so it's in no danger of being cut.

The bank has also performed well in the face of major headwinds.

During the 2008 and 2009 crisis, shares dropped as much as 70%. As happened with TD Bank, the stock fully recovered within six months.

Outside the box

At \$10 billion, few investors or analysts spend much time looking at **National Bank of Canada** ([TSX:NA](#)). That's a mistake.

National Bank stock is the cheapest on this list, trading at just under 10 times forward earnings at writing. Its dividend yield is respectable at 4.4%, but notably, its payout ratio is just 40%, making it one of the most reliable in the sector.

EPS grew to \$1.51 last quarter, up from \$1.44 the year before.

With rising success, it appears that executives are fed up with being the underdog. On May 30, management boosted the quarterly dividend by 5% to \$0.68 per share. It also revealed that it will buy back up to 6 million of its own shares.

The market is ignoring this long-term winner, but you shouldn't.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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:NA (National Bank of Canada)

5. TSX:TD (The Toronto-Dominion Bank)

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