Here Are 2 Very Different Banks, Both Compelling Investment Options

Description

Canada's banks, particularly the big banks, have been consistently mentioned as some of the best long-term investments on the market. There's a good reason for that designation, as the banks offer superb growth and income-generating capabilities that are hard to match. Two banks that have attracted plenty of attention recently are **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **National Bank of Canada** (TSX:NA), but which of these two is the better investment at the moment?

Is bigger really better?

At first glance, TD is the bank that every other bank wants to be. TD has managed to stitch together a large network of branches in the U.S. market that now stretches from Maine to Florida, which is now larger than the branch network in Canada. That larger network was instrumental in the bank reporting an adjusted net income of $1,263 million in the most recent quarter, which was a 29% improvement over the same period last year. TD's growing reliance on the U.S. market also provides an attractive hedge against concerns over potential slowdowns in the Canadian market.

That's not to say the Canadian segment didn't realize growth, as the segment saw a 2% improvement in the most recent quarter to post adjusted net income of $1,877 million. Overall, the bank earned $1.70 per diluted share in the most recent quarter, surpassing the $1.54 earned in the same quarter.

TD's dividend is one of the main reasons why investors continue to flock to the stock. TD currently provides a quarterly payout that amounts to a decent 3.81% yield, which is decent, but not the highest yield among its peers. That dividend has also seen generous annual upticks over the years, with the most recent hike to $0.74 taking effect earlier this year.

TD currently trades at just over $76 with a P/E of 12.38.

This is no ordinary underdog

Montreal-based National is the sixth-largest bank in Canada. Most of National's business stems from its home province of Quebec, but National does have a smaller, yet growing international presence through its U.S. Specialty Finance and International division. In the most recent quarter, that international arm realized a healthy 14% year-over-year improvement, surpassing National's domestic business, which saw a still-impressive 9% gain. Some of those international assets include stakes in banks located in Cambodia, Mongolia, and Mauritius.

One of the most attractive elements of National is the company's quarterly dividend, which currently provides an appetizing 4.35% yield. This not only provides a higher yield than many of the big banks but also continues to see strong growth thanks to a series of bi-annual hikes that stems back nearly a decade. Adding to that appeal is the fact that National Bank has maintained a respectable payout ratio of just 42% over the trailing 12-month period.

Turning to the growth side of the argument, National has seen its stock price surge over 30% during the past five-year period, but in the more immediate term, the bank is showing gains of over 13% year to date. When you factor in that National has also engaged in share buybacks over the past few years, including a 3% buyback so far this year, it becomes hard not to take notice of the emerging opportunity.

National currently trades shy of $64 with a P/E of 10.50.

Which bank is the better investment?

Both TD and National make compelling investment cases, and there's no reason a well-balanced portfolio couldn't include both. TD's strong presence in the U.S. market is hard to ignore, however, and for that reason, TD is likely the better of the two banks to invest in at the moment.

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dafxentiou