



2 Terrific Bank Stocks to Buy and Forget About for 20 Years

Description

Canada's top bank stocks have struggled over the last year, putting up slightly negative total returns on average.

Investors are nervous about the [Canadian housing market](#). Top banks have already reported tepid mortgage growth numbers so far in 2019, resulting in minimal earnings growth from Canadian operations.

We're likely to see higher numbers of loans written off going forward too, as a steadily rising housing market has a way of covering up other financial sins.

Some investors might look at these struggles and see a sector that should be avoided for a couple of years, but I see the opposite. The time to get into the banking sector is today. These banks will inevitably recover. When they do, shares will move nicely higher.

Here are two banks I'm currently buying for my portfolio — long-term positions that I hope to have 20 years from now.

Bank of Nova Scotia

I recently averaged down on my **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) shares, and with that move officially made Canada's third-biggest bank stock my largest position.

Scotiabank shares have languished at the \$70 mark for months now. It seems every time the stock gets a little momentum, some bad news hits and shares fall back down to that support level. I used to lament this move; now I embrace the buying opportunity.

The stock is being hit because investors aren't in love with either part of Scotiabank's business. The company has reported lackluster Canadian results thus far in 2019, driven by higher-than-expected loan loss provisions and lower non-interest income.

The insurance and wealth management parts of the Canadian business are doing better, but the latter could falter if we see weaker stock markets going forward.

Investors are also worried about Latin American markets in general, despite the company posting terrific growth numbers from the region.

In its most recent quarter, Scotiabank delivered a 14% earnings increase from its international operations, buoyed by strong results from Peru, Chile, and Colombia.

Much of this growth has been driven by acquisitions, and there's still plenty of potential for more acquisitions.

Investors are getting all this for under 10 times projected 2019 earnings along with a dividend that's flirting with a 5% yield.

Canadian Imperial Bank of Commerce

The other Canadian bank I'm buying for my portfolio today is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). CIBC shares have absolutely cratered over the last year, falling some 15%. It's easily the worst performer among the big bank stocks during that time.

Although CIBC's results haven't been so bad thus far in 2019, analysts aren't happy with what they see going forward. Results from Canadian banking are expected to be soft for the rest of the year, and other divisions can't be counted on to make up the slack.

For instance, the capital markets part of CIBC has posted solid results thus far in 2019, but weaker stock markets over the second half would also hit that part of the business.

The good news is the company's U.S. expansion is going pretty well, with earnings from the country up 14% compared to last year. The bad news is these earnings were only \$163 million over the first two quarters of 2019, versus Canadian personal and commercial banking earnings coming in at more than \$500 million over the same period.

CIBC's U.S. exposure is just too small, at least when compared to its peers.

I'm content knowing that CIBC shares have the best price-to-earnings ratio in the whole Canadian banking sector, with the company trading just 8.5 times projected 2019 earnings of \$12.20 per share at writing.

The stock pays a succulent 5.4% dividend while investors wait for the market to like the stock again.

The bottom line

Sometimes, investors make our craft a little too complicated. We scour the darkest corners of the market to find bargains, almost acting as though more obscure stocks somehow get us bonus points.

Meanwhile, great companies like Scotiabank and CIBC are just sitting there, trading at nice bargains.

Don't over-complicate things. Just buy these two bank stocks and relax. You'll thank me 20 years from now.

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2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BNS (Bank Of Nova Scotia)
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Date

2025/07/04

Date Created

2019/08/01

Author

nelsonpsmith

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