



## Should Royal Bank of Canada (TSX:RY) Stock Be on Your TFSA Buy List Today?

### Description

Canada's largest company by market capitalization is a profit machine.

Let's take a look at **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) to see if it deserves to be in your [TFSA portfolio](#) today.

### Earnings

Royal Bank generated fiscal 2018 profits of \$12.4 billion and is on track to beat that amount this year despite a challenging environment for the sector.

The bank's success lies in its balanced revenue stream, with strong commercial and retail banking operations. The company also has wealth management and capital markets groups, as well as insurance and investor and treasury services operations.

Investment in digital platforms is paying off as more clients are interacting with the bank through its mobile and online services.

### Growth

A US\$5 billion investment in City National in late 2015 was timed well. The private and commercial bank provides Royal Bank with a solid base to expand its presence in the sector.

Tax cuts and a stronger U.S. dollar have helped the business boost overall results in the wealth management group.

Royal Bank is targeting earnings-per-share growth of 7-10% over the medium term. This should support steady annual dividend increases in that range. The current payout provides a [yield](#) of 4%.

## Risks

The stock trades at \$100 at writing, which is still more than 10% above the 12-month bottom we saw last December. The 2019 high is close to \$108.

Additional downside could be on the way in the near term, especially if the broader market corrects sharply due to Brexit fears or additional tariff announcements between the U.S. and China.

A global recession could hit Canada hard, and any rise in unemployment in the country would increase the risk of a rise in mortgage defaults.

Royal Bank has a large mortgage portfolio, so highly leveraged households that rely on two incomes to pay the bills might find it difficult to cover the loans if one person in the home becomes unemployed.

## Should you buy?

Risks are present, but buy-and-hold investors should be comfortable owning the stock today. The bank has survived every major economic disaster in the past 100 years — a trend that should continue.

Ideally, I would prefer to see the stock get back down to \$90 before stepping in, but waiting for the share price to get that low could result in missed dividends and potential upside on a surprise market turnaround.

At 12 times earnings, the shares appear reasonably priced right now, and you get paid well to wait for better days in the event the stock price dips. Any further pullback should be viewed as a long-term buying opportunity.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

**Date**

2025/08/25

**Date Created**

2019/08/13

**Author**

aswalker

default watermark

default watermark