Why Royal Bank of Canada (TSX:RY) Is a No-Brainer Buy

Description

Royal Bank of Canada (TSX:RY)(NYSE:RY) is incontestably a must-own stock in any investment portfolio. Never mind if the bank didn't perform true to form based on its recently posted fiscal third-quarter earnings report.

As of the quarter ended July 31, 2019, RBC's revenue rose by 4.82% to $3.26 billion from a year earlier. But what soured the report is the 6.4% profit decline in the capital markets segment and the 24% income drop in the investor and treasury services unit.

RBC missed analysts' estimates, but one quarterly earnings report can't dismiss the stock's viability as a good investment prospect. You shouldn't feel discouraged if you're planning to invest in RBC. I will cite three reasons why RBC is my bank stock of choice, if not my preferred stock on the TSX.

The largest company

I won't beat around the bush. I would be comfortable investing in the largest company of the TSX Index by market capitalization. I also favour RBC because it is Canada's largest lender.

This $139.97 billion bank has built a strong position in the personal and commercial banking sector, which contributes nearly 50% of its total revenue. The other segments, like capital markets, insurance, and wealth management, are also revenue contributors.

Some segments are undergoing a slump because of trade tensions and rising geopolitical risk. However, when it's back to normal conditions and the Canadian economy strengthens, RBC's excellent geographic diversification will come into play.

You can expect the markets in Canada, U.S., and other international business segments to go full throttle.

Blue-chip stock

By definition, a blue-chip stock is the stock of a large, well-established, and financially sound company that has operated for many years. RBC fits the description. The bank is financially very stable, can endure market crashes or economic slowdown, and pays dividends regularly.

RBC is in the major league after having established its value over the long term. Therefore, I would insist on investing my money in a company with a history of strong earnings and sustainable dividends. If you want stability and long-term portfolio growth, RBC is the logical choice.

Safe dividends

I won't take the risk of investing in a company that will struggle financially then implement a dividend cut. I don't see that happening with RBC. What I see is an uninterrupted payment of an annual dividend yield of 4% or higher in the coming years.

RBC has paid dividends for decades, and for the last five years, the dividend growth is 9.02%. I don't see significant capital gains. But I can still grow my principal by reinvesting the dividends I will receive.

Invest smart

Let's face reality. You're investing in the stock market to make money. But you want to earn and protect your investment at the same time. If you're a regular investor, don't fall into the temptation of high-risk investments with the promise of outrageous returns.

The only way to feel safe and be worry-free is to invest smart. RBC is for the smart investor, and the stock is a high-grade investment.

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