Why Royal Bank of Canada's (TSX:RY) Stock Price Fell 4% in August

Description

Despite being up 15% year to date, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) shares fell a little more than 4% in August in what was a challenging market for the financial sector, as markets struggled to grapple with the prospect of lower interest rates.

Yet the future continues to look promising for Canada's largest financial institution, trading at a very reasonable valuation currently, including a trailing 4.1% annual dividend yield.

RY's earnings in the second quarter featured strong growth in the bank's personal and commercial banking segment, which delivered 10% earnings growth over the year-ago period on the back of strong growth in loan volumes, despite a slower Canadian market for lending products.

But where Royal Bank has traditionally separated itself from the rest of its Canadian banking peers is in the strength of its wealth management division, which continued to deliver strong results in the second quarter.

Net incomes from wealth management solutions were 11% higher in the second quarter from a year ago, largely driven by higher assets under management and strong sales of new clients.

That growth in wealth management sales and earnings, however, was offset slightly by higher expenses directed towards investments in technology and costs in support of ongoing business development activities, which should, in theory, pay the bank and its shareholders dividends in future periods (both figuratively and literally).

Time to buy?

But despite that August's sell-off could be viewed as a potential buying opportunity, I personally am not completely convinced that now is the right time to be going all-in on an investment in RY stock.

RY is coming off a strong second quarter for its wealth management business, true, but one might expect that trend to moderate somewhat or revert to the mean in the coming quarters as we approach the back half of the year.

It’s a scenario that could become all that much more likely if global markets were to suffer an extended slowdown, the result of an exhausted sentiment towards ongoing trade negotiations that have led to a largely general uncertainty about what might be coming next for the economy.

Meanwhile, for those who RY stock constitutes an important and meaningful long-term holding within their investment portfolios, now may be as good a time as any to continue to average-in on their investments and, in the process, work to bring their average cost bases down and their effective dividend yields up.

However, diligent readers ought to also be aware of the other opportunities that are present in the market as well.

For example, stocks from the technology sector, like **Lightspeed POS** and **Shopify** continue to outperform.

Not to mention that there continue to be plenty of great dividend-growth stocks out there trading at meaningful discounts and more than enough high-yield stocks fully capable of providing meaningful tangible income streams to both passive investors and retirees alike.

Royal Bank’s long-term potential and promise as a rewarding investment hasn’t changed, that much can’t be argued, but unfortunately, there just isn’t enough meat on this bone right now for me to take a big bite.

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