2 Dominant Bank Stocks to Hold During a Recession

Description

Whether the economy remains stable or undergoes a recession, investors are always looking for reliable sources of income. The importance of having trusted income generation streams becomes even more critical during uncertain economic times.

Are you also seeking a means of securing income to see you through what can be a major recession? Let's have a look at Canadian banks.

Canadian bank stocks are one of the best options you can consider for times like these. Canadian banks have an excellent reputation for paying shareholders dividends. The companies are also among the most reliable sources of income regardless of economic conditions.

Royal Bank of Canada (TSX:RY)(NYSE:RY) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are two banks that pay high dividends. Both of these banks also have substantial capitalization, which will only grow in the coming years.

Royal Bank of Canada

Royal Bank of Canada is one of the largest banks in the country, with a market capitalization of more than $153.67 billion. Shares of the Royal Bank of Canada are trading at $107.16 at the time of writing, up 14.46% from its year to date price.

RBC's shares have a forward dividend yield at a juicy 3.92%. These are all numbers in favour of the bank, leading up to a recession.

In times of recession, you need a company that can provide you with reliable dividend payouts. A bank like RBC has the kind of potential to ensure robust performance moving forward.

RBC's research institute, called Borealis Artificial Intelligence, is collaborating with academic institutions to discover state-of-the-art AI programs for future applications.

The announcement of Mila, a top AI research institute, partnering with Borealis Artificial Intelligence, spells good news for RBC as a bank working towards a sustainable future.

Through the partnership, the bank's research institute will raise more awareness for climate change and its effects — a far more imminent problem than an economic recession.

Toronto-Dominion Bank

Toronto-Dominion has been one of Canada's best-performing banks among the Big Five for a long time now. TD outperformed most of the other banks and even the TSX over the past five years.

The $135.31 billion market capitalization bank has quite a few factors to thank for its impressive performance.

A majority part of TD's success is due to the expansion of operations for the bank south of Canada's border. The retail banking business for Toronto Dominion is increasing in a time where most of the largest banks in Canada are focusing on the domestic markets. TD's presence in the U.S. is helping the bank grow faster in the neighbouring country than at home.

The most recent quarter saw TD's business for retail banking in the U.S. grow by 13%, compared to a 3% growth in domestic markets. The 3% growth is generally typical for Canadian retail banking markets, which provides TD an advantage over other banks. All of these are promising signs for TD as a buy-and-hold stock for recession.

Additionally, a juicy 4% yield with an average annual increase of 10% makes TD a long-term stock to consider.

Foolish takeaway

If you're unsure where to keep your money through the next recession, you should know that banking stocks historically weather the storm well during rough economic patches.

Investing in high-yield dividend-paying stocks like RBC and BNS might give your portfolio the boost it needs to secure your financial future through a recession.

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Date
2025/09/08
Date Created
2019/10/23
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