3 Compelling Reasons to Buy RBC (TSX:RY) Stock Right Now

Description

The banking sector leads the Canadian stock exchange, with four out of the Big Six banks listed among the 10 largest Canadian companies by market cap. The reason for this is that the Canadian banking system is considered one of the soundest in the world. The two largest Canadian banks are considered among the 15 safest banks in the world.

The Big Six are an impressive combo of powerful and stable giants. And leading the pack is **Royal Bank of Canada** (TSX:RY)(NYSE:RY). With a market cap of $154.14 billion, the bank is not only the largest by market cap in the sector but on the stock exchange as well. It lives up to its name as “Royal Bank.”

There are several reasons to buy RBC, but the three most significant are the bank’s strong fundamentals, dividend history, and growth.

Strong fundamentals

RBC stands on solid footing. The bank is not merely the market leader because of its magnitude, but it also has other fundamental factors backing up its position. In terms of financial health and balance sheet, the bank is one of the strongest in the sector. A stability indicator of the bank is its nearly perfect beta of 0.99. And with a CET1 ratio of 11.9%, RBC stands in a much better position to weather the looming recession.

The bank has a lot of exposure to the housing market, but that doesn’t mean that it’s too heavily invested in the industry to be toppled if the property bubble bursts. The bank is diversifying its operations overseas as well as within the country. One key pillar of the bank’s stability might simply be that it is too big to fail.

Dividend history

If you are a value investor focused on good businesses, you will appreciate RBC for more than its fundamental strength and growth. Its dividend history of consecutively increasing payouts for almost a decade and juicy yield of 3.95% are sure ways to build your wealth. RBC has increased its payouts even through the roughest quarters.

The dividend-payout ratio has been averaging around 46% for the past five years. With the bank's dividend history, investors don't need to worry about any slashes in the dividends.

Growth

RBC isn't just at the top. Its growth suggests that it might stay at the top for a very long time. The bank has grown its market value by more than 31% in the past five years, which is second only to **Toronto-Dominion**. RBC has also increased its quarterly earnings by 5.2%. The bank is focusing on expanding its already dominant international reach. This will help with faster future growth and shielding from local property crises.

Foolish takeaway

At the time of writing, RBC is trading at around $108 per share. With a P/E ratio just around the average of the Big Six, the bank seems fairly valued. RBC provides an excellent combination of reliability, growth, and consistent payouts. For investors looking for stocks that have the potential of increasing capital gains while steadily building wealth with dividends and re-investments, RBC makes a compelling case for itself.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/09/07
Date Created
2019/11/16
Author
adamothman