3 Top Canadian Bank Stocks That Are No-Brainer Buys

Description

The Canadian banking sector has always enjoyed stability, which is uncommon in banking sectors across the globe. This is one of the reasons that the banks have historically being generous with dividend payouts and increasing them for nearly a decade. If you want safe stocks that you can rely on for decades to come, consider buying Canadian bank stocks.

Laurentian Bank (TSX:LB), **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **National Bank of Canada** (TSX:NA) are three Canadian banks that should be on your radar right now.

A small and simple bank

The Big Six Canadian Banks shine too brightly for investors to notice other smaller banks, which is why the small regional bank, Laurentian, is usually overlooked. But given the bank's current dividend yield, dividend history, and the current undervalued share price, that's a mistake.

Laurentian has one of the highest dividend yields in the country's banking sector, a tasty 5.7%. The bank has been increasing its dividend payouts for the last 11 years. At the time of writing, Laurentian is trading at $46.36 per share a writing, which is its monthly high.

However, if we look at the price-to-book ratio of 0.85 and a trailing price-to-earnings ratio of 11.56, which is just around the average for the sector, the stock seems a bit undervalued.

The market value of the bank is up 10.5% from the same time last year. And a very stable beta of 1.02 suggests that the bank will be following the sustainable banking sector. Laurentian also has a positive cash flow of $1.79 billion, unlike four out of the Big Six.

High yield underperformer

Canadian Imperial Bank of Commerce (CIBC) has always been considered the most underperforming bank of the Big Six. That's hardly surprising given its market value growth of about 10% in the last five years.

This slow growth is mostly attributed to the bank's local focus and dependence on the shaky housing market. But the bank's stellar dividend history and stability through the last recession make it a sustainable investment.

The current dividend yield is a juicy 5%. CIBC has increased its dividends for eight consecutive years. The current market value of CIBC is a monthly high of $114.56 per share at writing.

The company has a trailing price-to-earnings ratio of 10.04, which is well below the sector average. The price-to-book ratio of 1.46 also indicates that it's a good time to grab this Dividend Aristocrat.

Smallest of the Big Six

With a market cap of $23.22 billion, the National Bank of Canada is the smallest bank of the Big Six, though the small bank packs quite the punch.

In terms of profitability, the bank outperformed the Big Six with a profit margin of 31.66% and an operating margin of 40.21%. At 15.6%, the return-on-equity is also considerable. It's second only to the leader of the pack: **Royal Bank of Canada**.

The price-per-share of $69.45 is at the yearly high. With a trailing price-to-earnings ratio of 11.22 and a price-to-book ratio of 1.92, the bank is trading near its fair value. The PEG ratio of 1.85 is also the lowest of the Big Six. The current dividend yield is a decent 3.92%.

Foolish takeaway

If you're a value investor, you can hardly go wrong with adding Canadian banks in your portfolio. You'll get a powerful combination of good dividends, capital growth, and stability. It will not only help you build your wealth, but will also allow you to maintain a steady stream of passive income.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:NA (National 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
2025/08/21
Date Created
2019/11/22
Author
adamothman