



ALERT! 2 Top Bank Stocks Just Set Off a Buy Signal

Description

The S&P/TSX Composite Index has climbed to an all-time high in 2019. On some level, this may come as a surprise after a brutal conclusion to the previous year. Canadian bank stocks have led the way, posting record profits and benefiting from a solid rebound in the housing sector.

Today, I want to look at the [two top banks](#) by market cap on the TSX. Both have taken a hit after the final batch of earnings were released for Canada's top financial institutions. Fortunately, both have also fired off an enticing buy signal. Let's dive in.

Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is the second-largest bank in Canada, but it is always threatening for the top spot, as it has achieved impressive growth over the past decade. It is a powerhouse domestically, but its most attractive feature is its huge footprint in the United States. TD Bank is one of the top banks south of the border, and growth in the U.S. has [powered its earnings](#) in recent years.

Shares of TD Bank have dropped 4.4% over the past week as of early afternoon trading on December 10. Adjusted net income fell to \$2.94 billion in the fourth quarter compared to \$3.04 billion in the prior year. TD Bank continued to churn out positive gains in its U.S. Retail segment as adjusted profit rose 7% year over year to \$1.19 billion. However, adjusted income in Canadian Retail only rose \$4 million from the prior year, while Wholesale Banking took a hit and fell \$126 million from Q4 2018.

TD Bank stock possesses a price-to-earnings ratio of 11.6 and a price-to-book value of 1.6 at the time of this writing. This is about average for its industry peers. However, the stock had a Relative Strength Index (RSI) of 26 as of early afternoon trading on December 10. This puts TD into technically oversold territory.

Royal Bank

The largest bank in the country is still **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)). Its stock has dropped 3.3% over the past week. In late 2017, Royal Bank was deemed “too big to fail” by the Swiss-based Financial Stability Board. It also had a disappointing fourth quarter, but this is a stock to trust for the long haul.

Royal Bank achieved record earnings of \$12.9 billion for the full year in 2019, but it slipped in the fourth quarter. This was mainly due to lower earnings in Investor & Treasury Services. A challenging market environment contributed to a year-over-year decline in earnings in its Capital Markets segment as well.

Net income in its Personal and Commercial Banking segment increased 5% from the prior year to \$1.61 billion. Earnings have been driven by loan and deposit growth, and Royal Bank has emerged as a leader in mortgage lending. Canada’s housing market has bounced back nicely in 2019, and Royal Bank is well positioned to benefit from this continued rebound as we move into the next decade.

Shares of Royal Bank had an RSI of 24 at the time of this writing. This puts the stock of Canada’s top bank well into technically oversold territory. I’m looking to pull the trigger on both of these bank stocks in early December.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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