2 Oversold Bank Stocks That Are Hot Buys Right Now!

Description

After a disappointing earnings season for bank stocks, it could be prime time for investors to start buying up some deals in the financial sector.

Two stocks that look particularly attractive today are **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

Both banks are coming off disappointing quarterly results that saw RBC and TD miss analyst expectations. Investors are sensitive about a looming recession and news that the banks aren't performing as well as expected may only heighten those fears.

Why investors shouldn't worry

If you're a long-term investor, there's little reason to worry. RBC and TD are safe bets to continue pumping out profits and they will bounce back in due time.

There will always be short-term fluctuations, but bank stocks are generally regarded as very safe investments for a reason: they grow along with the economy. As long as the economy is strong, bank stocks will perform well.

At the end of the day, TD still posted a stellar profit of more than $2.8 billion for the quarter. Per-share earnings falling by 3% is a nominal amount and shouldn't get investors panicked about the company's results or its long-term future.

Trading at just 12 times its earnings and only 1.6 times book value, TD is valued at a very attractive price that could help generate some strong capital gains for investors. Its 4% dividend yield will only climb higher as its share price continues to sink.

TD's share price has struggled so much that early in December, the stock went into oversold territory, falling below a **Relative Strength Index** (RSI) of 30 for the first time since August when the stock was trading below $73.

RSI is a gauge of a stock's momentum; the more that losses outweigh the stock's gains, the lower it falls. For TD, becoming oversold is not common for the stock, which is why it can make for an attractive buying opportunity.

RBC is in a very similar boat to TD as it too has followed a similar pattern. However, the stock was still in oversold territory at the end of last week, while TD had already emerged out of it.

Like TD, RBC failed to meet expectations for earnings during the past quarter, as it was weighed down partly by a higher provision for credit losses.

However, its adjusted diluted cash earnings per share of $2.22 came in just $0.06 short of the $2.28 that analysts were expecting.

While it's still a miss, the results aren't bad enough to justify a significant sell-off. RBC is another good value buy, also currently valued at 12 times earnings. Its price-to-book multiple is a touch higher than TD at around 1.9 but that's still relatively low.

What should investors do?

Given the negativity in the markets recently, especially surrounding financial stocks, investors may want to continue to wait out these declines, as both RBC and TD could be headed down further in the weeks to come.

January may be the optimal time to start buying stocks again and by then both of these stocks could have more appealing price tags attached to them. However, you don't want to wait too long, as it'll only be a matter of time before these top two bank stocks will recover.

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1. Bank Stocks
2. Dividend Stocks
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2. NYSE:TD (The Toronto-Dominion Bank)
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Author
djagielski