Ranking Canada’s Top Banking Stocks for 2020 (Part 1)

Description

In 2019, Canada’s Big Banks delivered mixed results amid an uncertain economic backdrop. Dividends continued to rise and remain some of the best income stocks on the planet.

However, for the first time in years, they have begun to miss estimates and cracks are beginning to show. With this in mind, here are Canada’s Big Six banks ranked for 2020.

#6 – Canadian Imperial Bank of Commerce

Unfortunately, it doesn’t appear that **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) is ready to be challenged for Canada’s top bank anytime soon.

It’s once again the worst-performing bank of the year, with gains of a paltry 6.06% in 2019 — a trend that’s lasted over the past two- and five-year periods. Most of its peers have more than doubled CIBC’s paltry 2.01% five-year average annual returns.

Apart from having the highest yield, there isn’t much to get excited about. It has the largest exposure to the Canadian economy, and although it has made moves to diversify, it’s still heavily dependent on domestic banking. As a result, it has the lowest expected growth rate at 2.65% annually over the next five years.

Analysts are bearish on the stock, with only 6 of 14 rating the company a “buy” and several which rank it as a “sell.” Analysts have a one-year price target of $112.43, which implies a mere 2.6% upside. Not surprisingly, this is in line with expectations for low, single-digit earnings growth.

#5 – Bank of Montreal

In my opinion, the number the number 3, 4 and 5 rankings are interchangeable. However, as **Bank of Montreal** (TSX:BMO)(NYSE:BMO) has the second-lowest growth rates among the Big Banks (4.19%), it slots in at number five on the list.

For BMO, the year 2019 was decidedly average. The bank came up light in the first half of the year, and then ended the second half on a decent note, as it was one of only two of the Big Six to meet or beat fourth-quarter estimates.

It has a middle-of-the-pack yield and dividend growth rate. Furthermore, it has produced averaged returns in 2019 and has been the third-best bank over the past two- and five-year periods. It isn't the worst performing bank, nor is it the worst; it's simply a middle-of-the-pack bank.

Analysts appear to agree with this assessment, as 11 of the 14 analysts covering the company rate it a "hold." At an average one-year price target of $1.04 per share, investors are looking at 4.21% upside.

#4 – Royal Bank of Canada

Premium valuations deserve premium results, and it's for this reason that **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is ranked in the bottom half.

Make no mistake: Royal Bank of Canada is still one of the premier banks in North America. However, recent performance has been less than ideal.

The bank is riding a mini, two-quarter streak in which it's missed earnings estimates — the first such instance in more than five years.

RBC is also reeling from comments made by RBC President and CEO David McKay, who described the upcoming year as "a challenging one." Despite this, RBC has the third-highest anticipated average annual five-year earnings growth rate (5.05%).

Does it deserve to be ranked higher? It might if it reverses course, but for now, RBC remains in the penalty box.

Analysts believe there is a little more upside to Royal Bank (6.5%), yet they remain decidedly mixed. There are seven "buys," nine "holds" and two "sells" on the stock.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BMO (Bank Of Montreal)

5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:RY (Royal Bank of Canada)

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