ALERT: Royal Bank of Canada (TSX:RBC) Stock Is on Sale This Boxing Day!

**Description**

**Royal Bank of Canada** (TSX:RY)(NYSE:RY) is one of Canada's oldest and most respected banks. With an illustrious 155-year history, it has stood the test of time. Over the years, RBC has rewarded investors with slow and steady but unambiguously positive returns. Now, with RBC posting some of the highest growth metrics among the big six banks, it may be poised for a solid year in 2020.



At present, Royal Bank shares are very cheap, trading at just 12 times earnings as of this writing. This combined with the bank's moderately solid growth may make the stock a buy. Before exploring that possibility, let's look at why it has gotten so cheap in the first place.

## Why shares are so cheap

The main reason why Royal Bank shares are so cheap is because of future expectations. The bank and its peers in the big six already dominate banking in Canada, meaning there's relatively little room for growth. Customers tend to stay with their bank of choice for the long term, so there are few options for banks to drive significant revenue growth apart from issuing more or bigger loans. With housing affordability at an all-time low, that's unlikely to happen, so RBC's revenue growth is likely to remain fairly tepid.

One option that other Canadian banks have been pursuing is expanding into foreign countries. **TD** has done well with its U.S. retail business, and **Scotiabank** has been in Latin America and Asia since the 80s. RBC itself doesn't have much of a presence outside of Canada, so its growth is likely to remain fairly restrained.

## Solid dividend potential

Despite the fact that RBC's growth potential is limited, it does have one thing going for it:

*Dividends.*

RBC's dividend yield at current prices is around 4%, and the payout tends to increase modestly each year. Over the past five years, Royal Bank has averaged a 7.3% dividend increase per year, which is fairly solid. With $100,000 invested in RY, you could generate $4,000 in income each year, and that payout could increase over time.

## Foolish takeaway

Canadian banks haven't been the most popular stocks in 2019, deservedly so to a certain extent. Thanks to a deteriorating consumer credit market and an overheating housing market in big cities, the banks haven't got many growth options at the moment. However, there are no truly catastrophic dangers on the horizon, so Canada's banks should chug along at a steady though not rapid pace.

Among Canadian banks, Royal Bank was one of the best performers this year, increasing diluted earnings per share by 5% compared to the year before (despite a miss in Q4). If this continues into next year then the stock may become a safe haven for investors seeking to limit their exposure to the risk factors plaguing other banks. Either way, it's a solid income play with a mighty yield.

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