



## 3 Top Canadian Bank Stocks to Buy for 2020

### Description

The **TSX** is well known for its mix of utilities, financials, and natural resources, with some of the best value dividend stocks to be found among the country's banks.

However, with bank stocks investors have to contend with a mix of defensive qualities and cyclical risk, as banks tend to track the market quite closely, often having betas that reflect market weight volatility.

This means that your bank stocks are no more or less subject to risk than the TSX Index and that investors are exposed to recessionary risk, credit risk — and the possibility of a housing market bubble.

However, there are some strong plays among Canada's top lenders worthy of a buy-and-hold portfolio based on passive income.

### The best of Bay Street

**Canadian Imperial Bank of Commerce** is focused primarily on domestic market, making it a strong play for investors eschewing international risk.

With a 5.32% dividend yield and soothing market ratios, CIBC may be on the lowest rung of the Big Five, but it's the richest in terms of passive income and overall value for money.

There was a surprising amount of growth in Canadian banking last year. For instance, 2019 saw share price appreciation of around 6% for CIBC.

In contrast, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) pays a 4% dividend yield and its share price grew by 8.7% in the last 12 months.

**TD Ameritrade's** merger with **Charles Schwab** had a mixed effect on the markets, however. Some investors were less than impressed when the TD Bank online brokerage arm followed Schwab into the zero commissions zone.

The move hurt all three stocks involved. The subsequent M&A news didn't automatically win many fans, either, though it is undeniably a [game changer in the brokerage space](#).

## The “Sixth Beate” of Canadian bank stocks

**National Bank of Canada** ([TSX:NA](#)) is the runner-up of domestic banks, the sixth bank of the Big Six. It could gain traction in the 2020s, though, if international overexposure leads to loss of market share among its larger competitors.

Stockholders with broad financial horizons might therefore want to consider buying a stake in National Bank of Canada at its current valuation and holding for the long term.

National Bank of Canada pays a roughly 4% yield. Focused mainly on Quebec and Toronto, the country's sixth-largest lender could find a home in a portfolio insulated against international risk.

A buy for investors bullish on the Canadian economy but bearish on the U.S., National Bank of Canada is close to a pure play on economic growth and stability in the country's most populous urban centres.

## The bottom line

The best bank stock for exposure to the U.S. economy, a financial juggernaut that proved the recessionistas wrong in the final quarter of 2019, has to be TD Bank.

While other Canadian banks have their own steady sources of stateside revenue, TD Bank is arguably the market leader, and with a few [reasons to believe](#) that the American economy is doing better than 2019' headlines would have you believe, the Big Five favourite is a solid buy.

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1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:NA (National Bank of Canada)
3. TSX:TD (The Toronto-Dominion Bank)

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