



Bear Market: 3 Top Bank Stocks That Are on Sale

Description

The S&P/TSX Composite Index plunged 12% on March 12, marking the worst single-day drop since 1940. Suffice it to say, investor anxieties are high. Governments are taking decisive action to contain the outbreak of COVID-19. Ontario announced that public schools will remain closed at least two weeks after the end of March break. Major sports leagues have suspended seasons, and offices in the public and private sphere are encouraging employees to work from home if they can.

Behaving in a bear market

We are officially in a [bear market](#), and the speed with which we entered it has been staggering. Markets are pricing in the inevitable contraction we will see as several sectors grind to a halt. Capital Economics recently forecast that the United States's economy could contract by 4% in the second quarter. Canada may take a bigger hit when we consider its reliance on oil and financials.

At the Fool, we take a long-term outlook, and this is the strategy we recommend to our readers. This pullback is jarring, and the COVID-19 outbreak should be treated with the utmost seriousness. The 2007-2008 financial crisis was catastrophic in the near term, but investors who recognized the cyclical nature of the markets were able to take advantage of high-quality stocks that were trading at incredible discounts.

With that in mind, I want to look at three bank stocks that are in the bargain bin today. Canadian bank stocks have proven their historical reliability. The equities below boast flawless balance sheets, [tasty dividends](#), and solid growth potential as profit machines. It is worth noting that economic turbulence, which would surely impact earnings, may result in dividend downgrades.

Foolish readers should keep their head and pick their spots in this historical moment.

Three bank stocks I love right now

Royal Bank is the largest Canadian bank on the TSX. Shares of Royal Bank plunged 10.5% on March

12. The stock has now fallen 27% over the past month. This has wiped out over three years of gains. Royal Bank is one of the most systemically important financial institutions on the planet. It possessed assets of \$1.49 trillion at the end of 2019.

The stock now has a favourable price-to-earnings (P/E) ratio of 8.7 and a price-to-book (P/B) value of 1.4. Shares had an RSI of 17 at the time of this writing, putting Royal Bank well into technically oversold territory. Royal Bank last paid out a quarterly dividend of \$1.05 per share, which represents a strong 5.5% yield.

Canadian Imperial Bank of Commerce stock plummeted 17% on March 12. The stock has now dropped 35% over the past month. CIBC stock now has what looks like an attractive P/E ratio of 6.3 and a P/B value of 0.8. Its shares are also in oversold territory with an RSI of 13. CIBC is a top-end dividend payer, and its Q1 results suggested that it was on the comeback trail. Choppy conditions may hurt earnings in the near term, but I still like CIBC going forward.

Scotiabank ([TSX:BNS](#))([NYSE:BNS](#)), often referred to as “The International Bank,” is one of the more interesting prospects among its peers. Latin American economies are deeply intertwined and often reliant on China, which was the first nation to wrestle with this destructive coronavirus strain. However, officials appear to have achieved some measure of control as daily deaths, and cases have significantly dropped. China’s growth will be impacted, but it may also be one of the first nations that will be able to return to business as usual.

Shares of Scotia fell 13% on March 12. The stock has dropped 30% month over month. Scotia reported drop in year-over-year Q1 profit. It last paid out a quarterly dividend of \$0.90 per share, which represents a hefty 7.1% yield. The stock boasts a P/E ratio of 7.4, a P/B value of 0.9, and its shares are deep in oversold territory with an RSI of 9.8.

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