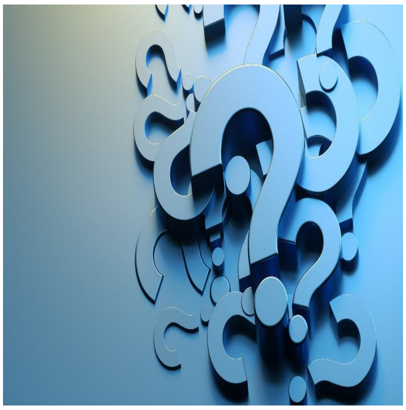

Market Crash: Is this Bank Stock a Buy?

Description

Stock markets have been on the decline as of late. Growing concerns over the spread of COVID-19 have contributed greatly to the market crash. With businesses closing and people staying put, there's a high probability that an economic recession is ahead.

In times like this, it's natural for some investors to panic and sell some — or all — of their positions. However, the Foolish investor understands that a bear market is simply a time when quality stocks are on sale. We've seen that time and time again, over a long-term horizon, quality stocks recover from a market crash.

However, that's not to say that all stocks recover from a crash. There are certainly businesses that will be in turmoil and flirting with bankruptcy due to the outbreak. It's therefore vital for investors to identify quality blue-chip stocks with the ability to weather the market crash and continue to grow in the future.

Today, we'll be looking at one such Canadian stock that can be had for a discount.

Buy RBC in a market crash?

Royal Bank of Canada (TSX:RY)(NYSE:RY) is one of the nation's most trusted and stable banks, and Canada's largest bank by market cap. It offers financial services worldwide that include chequing and savings accounts, credit cards, loans, and investment products.

It also operates wealth management and investment banking divisions, and offers various types of insurance to customers.

Fundamentally, RBC's business is sound. It last reported earnings in January, beating earnings estimates by 6.1%. As well, it currently operates with a 29% profit margin and a return-on-equity of 16.04%, the highest mark among Canadian banks.

Beyond the finer details, RBC is simply thought of by many as the premier Canadian bank and has extremely strong footing in Canada. As it provides many essential services, its overall stability through a market crash and beyond should be ironclad.

The forward dividend yield for RBC currently stands at 5.5%. As a top tier blue-chip dividend growth stock, locking in a 5.5% yield with RBC should be more than palatable for investors.

Although most investors know that past performance isn't always a great indicator of future performance, it can still be informative to look at how RBC did in the last market crash.

The stock traded as low as $30.41 in January of 2009, meaning the current price of $83.60 represents a 175% gain since then.

It also held its dividend constant through the crisis, and then resumed increasing it as the stock recovered. It's important to remember that at this time, many stocks slashed dividends or even stopped them outright.

Although the financial crisis was a trying time, especially for banks, RBC was able to withstand the pressures and has continued to grow since rebounding out of that market crash.

The bottom line

A market crash can be a profitable time for those prepared to invest in discounted quality stocks, as given enough time, quality stocks tend to recover and continue to perform well down the line.

RBC's stock offers great value at current prices, and is one to keep an eye on as there could be even further market downside (read: discount) in the near-term.

If, like me, you're convinced that RBC isn't going anywhere, then these deflated prices offer an attractive buying opportunity.

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