BUY ALERT: These Bank Stocks Have Gotten So Cheap, it's Unreal!

Description

During the ongoing stock market crash, bank stocks are among the equities that have been hit the hardest. Faced with possible defaults on oil and gas loans, and on mortgages in areas affected by COVID-19, they're facing more headwinds than ever before. In light of this, it's not surprising that they would trend downward.

However, the negative sentiment hasn't been entirely justified. Canada's big banks were already cheap before the market crash began and are now veritable bargain-basement deals. Their earnings are likely to slow down in the next quarter or two, but not enough to justify prices less than 10 times earnings. As a result, bank stocks can now be considered solid contrarian bets, perfectly poised to bounce back after the stock market crash inevitably passes. The following are three of the best ones you can buy right now.

TD Bank

Toronto-Dominion Bank has been the best-performing Big Six bank over the last decade. Thanks to its fast-growing U.S. retail business, it has consistently beaten the market. Its most recent year wasn't as good as past ones, with earnings down 4% in the fourth quarter. However, Q1 saw the company bounce back to life, with earnings up 24% on a reported basis. Without a doubt, TD Bank is facing headwinds from weak oil and coronavirus. It could see increased defaults on oil and gas loans and may be forced to suspend mortgage payments in North America if the pandemic reaches levels similar to what we're seeing in Italy. However, it's sure to bounce back when the current crisis is over, and is a bargain right now, trading at just 8.3 times earnings.

Royal Bank of Canada

Royal Bank of Canada is Canada's largest bank, and one of its best bank stocks. Currently trading at 9.3 times earnings, it's not as cheap as TD, but still cheaper than it was a month ago. Most of Royal Bank's commercial banking revenue is domestic, but it has a large wealth management business in the

United States. This wealth management business has driven significant growth over the years. In the most recent quarter, that trend reversed, with personal and commercial banking driving most of the gains while wealth management faltered. Like TD, Royal Bank is vulnerable to defaults on oil and gas loans but is less exposed to them than banks that lack foreign operations.

Bank of Montreal

Bank of Montreal is one of Canada's most consistent dividend stocks, with a dividend track record going back to 1829. Like the other two stocks on this list, BMO has considerable operations in the U.S., including wealth management and investment banking. Foreign operations have always been important for Canadian banks. With the Big Six having saturated the domestic market, there's not a lot of room for them to grow in Canada. Now, however, it's even more important. With domestic banks being vulnerable to oil and gas loan defaults, foreign operations will be their ace in the hole. BMO, like TD and Royal Bank, is well positioned in this regard.

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Date
2025/09/19
Date Created
2020/03/17
Author
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