



\$82 Billion Rescue Package: Hope Is Around the Corner

Description

Hope is around the corner following the announcement of Prime Minister Justin Trudeau that the Canadian government will roll out a fiscal package worth \$82 billion. The amount is equivalent to 3% of the country's economy, which is wrestling with the [impact of COVID-19](#).

Of the amount, \$55 billion is for temporary tax deferrals for both households and businesses. The \$27 billion is direct support for individuals and companies. Finance Minister Bill Morneau mentioned last week a \$10 billion credit facility to lend money to businesses under stress due to the virus fallout.

First phase

According to Trudeau, the immediate focus is to make sure that people who don't have sufficient income or revenue can meet the financial challenge. There should be money for groceries, rent, and monetary support for their families through this difficult time.

Likewise, since things are changing rapidly, Morneau said the latest financial measure is just the first phase. He assures that the government is ready to pump in more for as long as necessary.

The governments of Canada and the U.S. also agreed to close the borders to each other to non-essential traffic. In addition to the significant stimulus package, there will be a \$10 billion emergency care program.

The fund is for workers who are staying home but don't have access to paid sick leave. There's also a 10% wage subsidy to eligible small businesses for the next 90 days.

Formidable investment

The level of panic in the market has reached epic proportions. Even those with blue-chip stocks such as **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) are feeling the pressure. The largest bank in Canada remains a viable investment, because it belongs to the most [resilient banking sector](#) in the world.

This \$113.92 billion banking giant has the capital strength and financial flexibility to appropriately respond to COVID-19. The bank has committed \$2 million as initial support to vulnerable communities and at-risk populations in Canada. Because of the evolving situation, Royal Bank is joining the fight against the virus.

The global charitable partners include The World Health Organization's (WHO) Covid-19 Solidarity Response, Food Banks Canada, and Feeding America. Another timely move is to work with customers (personal and small businesses) to provide flexible solutions to overcome financial dislocation.

Among the relief it will offer, along with the other big banks, is a six-month deferral of mortgage payments and other credit products. Royal Bank of Canada and the rest of its industry stood tall during the 2008 financial crisis. Not one bank from the banking sector requested a bailout from the country's central bank.

Eventual recovery

As of this writing, RBC is trading at \$80 per share and is down 31.37% year to date. Last year, this bank stock posted a 14.8% gain. At present, the dividend yield is 5.68%, while the payout ratio is 46%. Under normal conditions, analysts see the price to climb to between \$108 and \$119 in the next 12 months.

Sadly, the stock market is sinking over the uncertainty of the economy and the massive disruption of supply chains around the world. But with the key strengths of RBC, the stock should recover quickly when the health crisis eventually ends.

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