These 2 Stocks Survived the Last 156 Years of Stock Market Crashes

Description

The economic prospects during and after the present market crash are chilling. Two World Wars, the dot.com bubble, and the collapse of Lehman Brothers all caused a global recession.

However, the coronavirus outbreak is spawning a deep recession not seen before. In Canada and elsewhere, two economic shocks, COVID-19 and the oil price war, are the reasons for the financial panic.

The plunging oil prices can be arrested if the warring parties can agree to cut production. But COVID-19 is deadlier, as governments are ill-prepared to handle and find solutions to the outbreak.

Recession survivors

In a downturn of this magnitude, many companies are in survival mode, and some might not be able to recover. In the distant and recent memory, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Toronto Dominion Bank** (TSX:TD)(TSX:TD) were able to thrive after every recession.

Both companies have been the source of wealth of many income investors. The average dividend history is 156 years. TD has been maintaining the payouts since 1857, while RBC's record dates back to 1870.

Canada's top two banking giants have been through high-pressure exercises before which are recessions. TD and RBC have successfully navigated all that came the banks' way. Both banks displayed flexibility and readiness to adjust to market conditions.

In the 2008 financial crisis, the sub-prime mortgage brought the house of cards down in the U.S. RBC and TD did not engage in predatory lending. American banks were extending loans to people who did not have income stability. The clients couldn't afford to pay more than the interest of the mortgage.

The lending rules in Canada were stricter and conservative, although RBC and TD were bracing for an impact. Fortunately, mortgage clients did not bail because they could afford to pay the loans. None of the Big Five banks requested a bailout from the central bank. RBC and TD made less profit, but averted great potential losses,

RBC roared back gradually after its net income dropped by 15% and return on equity (ROE) fell below 12% in Q4 2008. In the next five years, however, RBC's net income and ROE grew by 50% and 39.3%, respectively.

The RBC stock is nearing its 52-week low of $72. At the current price of $82.08, the dividend yield is 5.26%. Also, RBC's CEO Dave McKay issued a memo that despite the stressful and uncertain times, there will be no job losses in 2020 as a result of the COVID-19 outbreak.

TD survived the 2008 financial crisis because it did not blow the bank over. The second-largest bank in Canada did not do any subprime lending. It stood tall and was the only company to report revenue and income growth during the meltdown.

The subprime loans in Canada were only 3% whereas at the peak, 25% of total U.S. loans were subprime. TD sacrificed short term to ensure its balance sheet remained healthy. As of this writing, the price is down to $55.79 or a year-to-date loss of 22.68%. The dividend yield is 5.67%.

A different challenge

Canadian banks, including RBC and TD, will not emerge unscathed. While the fallout is more extensive, investors are still counting on both to survive the coronavirus-induced recession.

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cliew