Market Rally: Can You Bank on This Stock?

Description

With the recent market rally, stocks are starting to trade slightly higher. So, some investors have started to dip their toes back into the waters.

Now, with so much uncertainty in the global economy, we could, of course, see the markets dip low again. Some investors aren't yet convinced it's time to get back in.

At the end of the day, no one can perfectly predict a peak or trough. Instead, you can trade in this market rally (or a market crash, for that matter) using a long-term approach.

That is, you can scout out blue-chip dividend stocks that are trading at attractive valuations. By investing in these stocks, you can lock in a solid dividend for the long run.

Today, we'll take a look at one such stock that's well positioned to deliver results in the long term.

RBC

Royal Bank of Canada (TSX:RY)(NYSE:RY) is one of the major Canadian banks and, in fact, the largest one by market cap.

It offers a diverse range of services to both individual and commercial customers across North America. It meets the banking needs of its customers through its premier online and mobile banking as well as in-branch support.

Recently, the bank has pledged money and efforts towards green initiatives, including a green bond in an attempt to do their part to help the climate.

On February 21, this stock was trading at $109.21. At its lowest point in the market crash, it reached $72.25 on March 23.

With the recent market rally, the stock is now trading at $82.91. At that price, the yield now stands at

5.21% as well.

For the past five years, RBC's average yield has been 3.82%. So, the yield on offer is currently much larger in comparison.

Plus, the current P/E ratio of 9.2 is far below the trailing annual figures that generally bounce between 11 and 12.

So, it appears RBC is currently offering a great value proposition to investors. You can pay less for earnings than usual, while also earning far more from the dividend than usual.

However, it's fair to say there are headwinds on the horizon for the Canadian banks, including RBC.

Interest rates are currently very low, meaning there's pressure on margins. Plus, mortgage deferrals could put a kink in the usual cash flow for RBC.

However, RBC has access to liquidity support from the government and has proved time and time again through crashes and recessions that it can maintain its dividend.

Over a long enough investment horizon, RBC is a solid pick to generate outsized total returns with limited risk.

Market rally strategy

This recent market rally shouldn't drastically alter one's investment strategy. The focus should still remain on long-term value and total returns.

As such, RBC is a great choice for investors looking to lock in a solid dividend yield that they can bank on during tough times.

With a low P/E ratio, RBC also has great upside in its share price for investors. You can get the best of both worlds by picking up RBC to hold for the long term.

Through market crash or market rally, always try to stay the course, and always try to stay Foolish. If you're searching for a blue-chip stock at a solid valuation, give RBC a look.

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