4 Top Canadian Bank Stocks for Dividend Investors

Description

Should Canadians be buying bank stocks right now, and if so, which ones? Banks are cyclical by nature, after all. And with a potential economic depression on the way, there may be too much risk for not enough reward in the financials sector. Today, let's take a brief look at some of the best of the country's major moneylenders.

Weighing growth versus stability in Canadian bank stocks

Bank of Nova Scotia, better known to investors and customers as Scotiabank, is one of the hardest-hitting stocks in the Big Five. This name has been strongly resilient during the market crash. One of the main reasons for this resilience is that Scotiabank is nicely diversified across geographical regions. Of particular note in this capacity is Scotiabank's exposure to growth potential in the Pacific Alliance trade bloc.

Bank of Montreal, also know as BMO, offers a 6.2% dividend yield. However, investors should be looking beyond yield right now, unless their financial horizons are especially narrow. BMO is a solid choice for a retirement investor and would help to round out an RRSP. Long-term investors, such as millennials padding out a TFSA, may want to pack a bit more growth potential in with their dividend stocks, though.

The generic market leader versus the outsider play

Toronto-Dominion Bank is one of North America's most strategically significant banks and a major player on the world stage. TD Bank has seen steep growth as a result of its expansion deeper into the U.S. financial markets.

This could now be stalling, as our closest neighbour undergoes not only a major financial correction, but also something of a political reckoning. Growth investors may prefer to buy Scotiabank, while the low-risk buyer may favour a more Canada-centric pick.

Consider **Laurentian Bank**. This is a heavily Quebec-focused option and a strong pick beyond the small world of the Big Five. One of the healthiest bank stocks on the TSX, this schedule one lender also packs a meaty 8.9% dividend yield.

Laurentian Bank shares are exceptionally good value for money, with a P/B ratio of around half its book price. The stock is a buy for any investor looking at names like Tangerine or President's Choice Bank.

Packing a couple of Canadian banks in a stock portfolio for the long term is a solid play. This is because banks are essential to the economy. Their dividends are largely seen as secure and are defensive so long as the economy itself holds up.

Value needs to be balanced against risk, though. Falling interest rates, deteriorating mortgage quality, and growing personal debt remain serious near-term threats.

The bottom line

Bank investors gauging the best names have opportunities to build and trim in the current market. This method will allow an investor to build a position at decreasing cost. Weaker names can be trimmed on rallies, while better-performing moneylenders can be built on weakness. It also allows an investor to reduce the capital risk inherent in backing up the truck on any one name.

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