Top TSX Financial Stocks for June 2020

Description

We asked our freelance writers for their top stock picks from the financial sector for June 2020. Here's what they chose:

Ryan Vanzo: goeasy Ltd

My top financial stock for May is **goeasy Ltd** (TSX:GSY). Shares have fallen by 50% since February, but for patient investors, this looks like a compelling entry point.

goeasy is a financial services company that specializes in small loans, typically ranging between a few hundred and a few thousand dollars. Larger banks have ignored this segment of the market, giving goeasy a long runway for growth.

Since 2012, shares have increased by nearly 500%. And that's *after* the recent pullback. Near-term economic headwinds will slow growth, but it's clear that goeasy is onto something special. More than 95% of borrowers come away with a positive view of the company.

If you're willing to look past this year's volatility, goeasy looks like an ideal buy-and-hold opportunity.

Fool contributor Ryan Vanzo has no position in the companies mentioned.

Ambrose O'Callaghan: goeasy

Make that two votes for goeasy! Here's what Ambrose O'Callaghan has to say:

My top financial stock pick for May is goeasy Ltd. Shares of goeasy had dropped 25% in 2020 at the time of this writing. The company offers high-interest loans to subprime borrowers through easyfinancial, while its easyhome segment sells furniture and other durable goods on a rent-to-own basis.

In the first quarter of 2020, goeasy saw its loan portfolio rise 33% year-over-year to $1.17 billion. It achieved total same-store revenue growth of 19.6% and diluted earnings per share increased 20% to

$1.41. goeasy also bumped up its quarterly dividend to $0.45 per share. This represents a solid 3.5% yield. Shares last possessed a favourable price-to-earnings ratio of 11. goeasy is well positioned for growth, especially in an environment rife with new financial challenges for Canadians. This is an explosive financial stock worth trusting in the long term.

Fool contributor Ambrose O'Callaghan has no position in any stocks mentioned.

Joey Frenette: Bank of Montreal

My top financial pick for June is **Bank of Montreal** (TSX:BMO)(NYSE:BMO). The battered Canadian bank led the downward charge amid the coronavirus crisis thanks in part to its slightly higher share of oil and gas (O&G) loans.

With oil prices recently imploding on the coronavirus-induced demand shock, BMO seems like the Big Six bank to take a raincheck on. But if you're like me and think that energy-related impaired loans won't be as bad as feared, BMO may prove to be the best bank for your buck at today's levels with shares trading at just 0.9 times book.

BMO stock sports a bountiful 6.5% yield. As a Dividend King that's paid dividends to shareholders for over 190 years, the payout ought to be viewed as more than safe, even in the middle of this unprecedented crisis.

Fool contributor Joey Frenette owns shares of Bank of Montreal.

Christopher Liew: Manulife Financial

As the largest insurance company in Canada, **Manulife Financial Corporation** (TSX:MFC)(NYSE:MFC) is a strong brand around the world. This $31.32 billion company offers wealth management and insurance solutions to clients in Canada and the U.S. and has made inroads into Asia.

The company has been around since 1887 and has transformed from a life insurer to a diversified financial services group. The main growth drivers of Manulife are its wealth management business, behavioural insurance products, and the group insurance segment in Canada. All these segments are expected to see rapid recovery from the current bear market.

The Asian market is also seen to deliver high growth in the new few decades, and Manulife sees it as a key to its success in the future.

Like most of the TSX stock market, Manulife took a beating during March 2020, but has recovered slightly in April. Manulife could be poised for growth as the markets awaken from its slumber.

Fool contributor Christopher Liew has no position in any stock mentioned.

Mat Litalien: Equitable Group Inc.

In the midst of the pandemic, Financials have struggled. In particular, alternate lenders such as **Equitable Group Inc.** (TSX:EQB) have been punished. However, EQ Bank is proving to be a viable alternative to the Big Banks, and the 48% drop year to date is overdone.

On the bright side, those who missed out on EQ Bank in 2019 are being presented with another buying opportunity. EQ Bank is trading at only 5.6 times forward earnings and below book value (0.67). It is also a Canadian Dividend Aristocrat. Over the course of its 10-year dividend growth streak, it has an impressive dividend growth rate in the low-to-mid teens.

Fool contributor Mat Litalien has no position in Equitable Group.

Andrew Gudgeon: Equitable Group Inc.

Andrew Gudgeon agrees with Mat, naming Equitable Group his top idea as well. Here's what he had to say:

Equitable Group is my top financial pick for June. It manages over $33 billion in assets and offers a diverse suite of residential lending, commercial lending, and savings solutions.

Equitable Group Inc has consistently outperformed traditional banks in Canada over the past 10 years. Over these 10 years, the group has increased the dividend 21 times, grew on average earnings per share by 14% yearly, and achieved an average return-on-investment of 16.9% annually. It is hard to find other financial stocks beating these metrics, and through analysing previous performance, I believe Equitable Group will continue to outperform in the future.

Fool contributor Andrew Gudgeon has no position in the companies mentioned.

David Jagielski: Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is my top financial stock to buy in June. It's smaller than some of its peers and with its share price down more than 20% so far this year, there's lot of room for the stock to rally. At a price-to-earnings multiple of around eight, it's a cheap buy and CIBC also provides investors with one of the better dividend yields you can find among the big banks. Currently it's yielding around 7.1%.

Even if the stock has a disappointing earnings performance and drops in price, that'll only make it an even more attractive buy. Over the long term, CIBC is a solid investment and a temporary dip in price only increases the potential upside that the stock will have in the coming years.

Fool contributor David Jagielski has no position in any of the stocks mentioned.

Kyle Walton: Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is my top Canadian financial stock for this month. This has to do primarily with its significant U.S. exposure as well as its stellar dividend record and low exposure to the retail and energy sectors.

TD is currently yielding over 5.5% and has been the Canadian bank with the strongest dividend growth over the past decade. TD's dividend presents an attractive present yield, as well as future dividend growth prospects. Additionally, TD is still off approximately 28% from its 52-week high, and this leaves plenty of upside on the table for investors with a medium to long term investment horizon.

Fool contributor Kyle Walton has no position in the companies mentioned.

Amy Legate-Wolfe: Toronto-Dominion Bank

Amy Legate-Wolfe also selected TD Bank as her top pick from the financial sector. Here's what she had to say:

Toronto Dominion Bank is the perfect opportunity right now for investors looking for a long-term hold. This stock hasn't dropped this much since the last market crash. During that time, Canadian banks performed as some of the best in the world. Within a year, TD Bank and others rebounded to pre-crash prices.

TD Bank is already on the way to those prices yet again, but still has a long way to go. The bank currently has a price-to-earnings ratio of 8.3x. While this is lower than it's been the last year, it's much higher than most of the other Big Six Banks. With the housing crisis upon us, investors still have time to get in on bargain basement prices. Plus, there's a nice 5.72% dividend yield to consider, which TD Bank has increased almost 60% over the last five years. With its recent expansion into the United States, investors should continue to see this dividend rise even after this economic downturn.

Fool contributor Amy Legate-Wolfe owns shares of Toronto Dominion Bank.

Nicholas Dobroruka: Toronto-Dominion Bank

Make that three votes for TD Bank. Here's what Nicholas Dobroruka has to say:

My top financial stock for June is Toronto-Dominion Bank. While the rest of the Canadian market has been rebounding very well over the past month, TD Bank is still trading at a significant discount.

The U.S. is responsible for driving roughly 25% of the bank's net income. The American expansion has been mostly on the east coast to date, leaving plenty of growth still to come from the west coast.

At today's stock price, the dividend yield is a whopping 5.5%. The bank is also a Dividend Aristocrat, as it's been paying out dividends to shareholders for more than 150 years.

Down 22% year to date, the potential growth and impressive dividend yield are two reasons why Canadians should be buying this bank stock today.

Fool contributor Nicholas Dobroruka has no position in any of the stocks mentioned.

Jared Seguin: Toronto-Dominion Bank

But wait, there's four (see what I did there?)! Here's why Jared Seguin *also* likes TD Bank.

Toronto-Dominion Bank is my top Canadian financial stock for June. While Canadian banks are facing headwinds in the near term, TD is well-positioned to persevere and is offering solid value for the long run.

The fact it's less exposed to the oil and gas sector than nearly all of the other banks while also being less exposed to the domestic housing market than CIBC makes it an attractive pick for investors.

TD's strength lies in its solid footing in the U.S. and its ever-reliable dividend yield. As of writing, the stock is yielding 5.62%.

For investors looking to lock in a massive yield without making a big bet on any particular sector of the economy, TD is a great choice.

Fool contributor Jared Seguin has no position in any of the stocks mentioned.

Andrew Button: Toronto-Dominion Bank

And then there were five. Here's what Andrew Button has to say in TD Bank's fifth selection:

Toronto-Dominion Bank has been one of Canada's best-performing banks over the past decade. Its U.S. retail business saw a huge surge in the 2010s, becoming a major player in East Coast markets like New York City. This helped send TD's stock price higher.

In the COVID-19 era, TD's U.S. presence may be its ace in the hole once again. Currently, Canadian banks are exposed to a number of issues like deteriorating consumer credit quality and shaky oil & gas loans. All Canadian banks are affected by these issues, but TD is less proportionately exposed to them, because of its U.S. presence. That's not to say that U.S. financials are in amazing shape; they're also suffering from COVID-19 fallout. But TD's presence in two major markets limits its exposure to the issues facing either one.

Fool contributor Andrew Button owns shares in The Toronto-Dominion Bank.

Cindy Dye: Toronto-Dominion Bank

Well, it looks like TD Bank is running away with the title of Top Pick for the month. Here's what Cindy Dye has to say:

Since the crisis began, shares in Toronto-Dominion Bank have fallen over 25%. At this price, TD is an attractive pick for long-term investors, especially with its current dividend yield of 5.5%.

With over 30% of its revenue coming from the U.S., TD has the largest American presence of all of the Canadian banks. Yet, TD has plenty of room to expand its footprint, particularly on the West Coast.

As the stock market continues to rebound, TD Bank should be able to return to pre-crash prices. During the last economic downturn, Canadian banks fared as some of the best in the world.

Although its stock price may remain volatile in 2020, TD is a great investment given its current price, solid dividend yield, and potential long-term growth.

Fool contributor Cindy Dye does not own shares of Toronto-Dominion Bank.

Robin Brown: Brookfield Asset Management

Considering the short-term economic concerns surrounding Canadian banks, my preferred financial pick is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). Brookfield is a global leader in alternative asset (infrastructure, real estate, utilities, private equity) management and investment.

With interest rates at historical lows, Brookfield will continue to see a massive flow of investment capital from yield-seeking institutions. Brookfield already has $60 billion ready to deploy. The economic crisis should open up some great opportunities for Brookfield to acquire assets at distressed prices.

Overall, Brookfield has global scale, a great management team, lots of liquidity, and is trading at a historical bargain. This is a must-own financial stock for every Canadian investor.

Fool contributor Robin Brown owns shares of Brookfield Asset Management.

Karen Thomas: Intact Financial Corporation

A quality financial stock like **Intact Financial Corporation** (TSX:IFC) is just what we need in these uncertain times. As the largest provider of property and casualty insurance in Canada, Intact benefits from its relatively defensive industry as well as its leading position. Its size and scale have worked to the company's advantage, bringing leading returns and efficiencies. With this, Intact has a clear competitive advantage that is driving superior results and stock price performance.

The company's latest quarter came in ahead of expectations. Unlike the bank stocks, Intact is minimally affected by the pandemic, although the company is providing some premium relief. Intact has an excellent long-term track record of outperformance and smart acquisitions. Currently yielding 2.5%, this is my top financial stock pick today.

Fool contributor Karen Thomas has no position in the companies mentioned.

Stephanie Bedard-Chateauneuf: Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY), Canada's largest bank by market capitalization, is my top Canadian bank stock for June.

Like other bank stocks, RBC has been hit hard by the pandemic, but has been the most resilient.

RBC had a strong first quarter, with both revenue and profit growth in the double-digits. Its top and bottom lines with be hit in the coming months, but RBC has the resources to weather the storm and is a good long-term buy.

The stock P/E of 9.3 is much lower than its five-year average P/E of 12.2. RBC has a dividend yield of more than 5%.

Fool contributor Stephanie Bedard-Chateauneuf has no position in any stock mentioned.

Matt Smith: Royal Bank of Canada

Matt Smith also selected RBC. Here's what he has to say:

The coronavirus pandemic is expected to sharply impact bank earnings threatening their dividends. That shouldn't deter you with many including Royal Bank of Canada trading at attractive valuations. Canada's largest lender lost 19% since the start of 2020, trading at 10-times earnings and 1.5 times book value.

Royal Bank is Canada's second most profitable bank, reporting a fiscal first quarter 2020 return on equity of 17.6%. The lender's diversified earnings, with less than half generated by commercial banking and the remainder from capital markets, wealth management and insurance, will shield Royal Bank from the economic downturn.

Royal Bank is well-capitalized, finishing the recent quarter with a CET1 ratio of 12%. The quality of Royal Bank's loan portfolio strengthens its financial position, with a low gross impaired loan ratio of 0.45%.

Considering that 34% of Royal Bank's Canadian residential mortgages are insured and the portfolio has a conservative loan to valuation ratio of 53%, it will be spared the worst of the fallout. While waiting for Royal Bank's stock to recover you will be rewarded by its regular 5% dividend That appears sustainable, even in the current difficult economic environment, with an exceptionally low payout ratio of 56%.

Fool contributor Matt Smith has no position in any stocks mentioned.

Kay Ng: Royal Bank of Canada

Make that three votes for RBC! Here's what Kay Ng had to say about Canada's largest bank:

If there's only one financial stock to own for the long haul, Royal Bank of Canada (TSX:RY)(NYSE:RY) is an great choice.

Other than generating half of its earnings from personal and commercial banking, it also generates substantial earnings from capital markets and wealth management.

Thanks to its top-notch quality and diversified business, the leading bank is expected to be least impacted by COVID-19 versus the Big Six Canadian banks.

RY stock is a Canadian Dividend Aristocrat with nine consecutive years of dividend growth.

At $83 and change per share, the bank trades at a discount of more than 20% from its normalized levels. Additionally, it offers a safe yield of over 5.1%. RBC stock's dividend is secured by a payout ratio of about 50%.

Fool contributor Kay Ng owns shares of Royal Bank.

Vineet Kulkarni: Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS), the third largest bank in Canada, differentiates itself from peer top banks on several fronts. It is currently trading at a discounted valuation and offers a superior dividend yield compared to peer banks.

Almost all Canadian banks are expected to suffer in the next few quarters, driven by the pandemic. However, Scotia Bank's unique footprint in the Americas and high-quality credit portfolio will likely enable faster recovery post-crisis.

Bank of Nova Scotia has been paying dividends for the last 187 consecutive years. It has seen several recessions and has only emerged stronger after each one. Even if quarterly earnings push Scotia Bank stock lower in the near future, it could be a lucrative opportunity for long-term investors.

Fool contributor Vineet Kulkarni does not have any positions in the stocks mentioned.

Aditya Raghunath: Laurentian Bank of Canada

Laurentian Bank of Canada (TSX:LB) is the seventh-largest bank in Canada and it has a dominant presence in Quebec. With a market cap of $1.25 billion, Laurentian stock has taken a pounding in recent months, losing close to 40% of its value.

Laurentian Bank shares are trading at a 10-year low. The recent pullback has meant the stock has a forward yield of a tasty 9.2%. While investors might be worried if the company can continue to pay dividends, Laurentian has increased payouts for 12 consecutive years.

The current macro situation remains uncertain, but with the Canadian economy reopening, there is a good chance that unemployment rates might decline in the coming months, making bank stocks a good bet right now.

Fool contributor Aditya Raghunath has no position in any stocks mentioned.

Vishesh Raisinghani: TMX Group Ltd

It's become abundantly clear that the stock market isn't the "real" economy. While Canada faces a gruesome recession, the stock market has been on a tear upward. That's why my top pick for June is the **TMX Group Ltd** (TSX:X).

The TMX Group literally owns the stock market. It's subsidiaries include the TSX Venture Exchange, the TSX Stock Exchange, the TSX Alpha Exchange and Montréal Exchange. It's a business model that economists would describe as a natural monopoly. I would describe it as a license to print money.

The group earns income from listing fees when new companies come to the market and from trading fees on stocks that change hands. With the boom in venture investing and the rise of zero-fee trading platforms, volumes have surged which has catapulted TMX. However, the company is also diversifying into cryptocurrency trading and data intelligence services to cement its market position for the foreseeable future.

Fool contributor Vishesh Raisinghani has no position in any of the stocks mentioned.

CATEGORY

1. Bank Stocks

2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BN (Brookfield Corporation)
3. NYSE:BNS (The Bank of Nova Scotia)
4. NYSE:CM (Canadian Imperial Bank of Commerce)
5. NYSE:MFC (Manulife Financial Corporation)
6. NYSE:RY (Royal Bank of Canada)
7. NYSE:TD (The Toronto-Dominion Bank)
8. TSX:BMO (Bank Of Montreal)
9. TSX:BN (Brookfield)
10. TSX:BNS (Bank Of Nova Scotia)
11. TSX:CM (Canadian Imperial Bank of Commerce)
12. TSX:EQB (EQB)
13. TSX:GSY (goeasy Ltd.)
14. TSX:IFC (Intact Financial Corporation)
15. TSX:LB (Laurentian Bank of Canada)
16. TSX:MFC (Manulife Financial Corporation)
17. TSX:RY (Royal Bank of Canada)
18. TSX:TD (The Toronto-Dominion Bank)
19. TSX:X (TMX Group)

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