Are These Top Canadian Bank Stocks Buys Today?

Description

Profit is everything in the pandemic markets. TSX investors eyed the current earnings season with a mixture of momentum expectations and trepidation over losses. They've been served with both. Tech names broke out during this round of earnings, with names like **Shopify** and **Kinaxis** galloping ahead with massive beats. Bank stocks, however, have been far less fortunate during 2020's second quarter.

Canadian bank stocks are a value opportunity

All Big Five banks have taken heavy losses year on year. Both **RBC** and **BMO** reported net income losses of 54% for the quarter ending April 30 compared with the same period last year. Canadian moneylenders are knuckling down for a run of ugly quarters. Loan-loss provisions loomed large this week, as the financial world got real about 2020's outlook.

Scotiabank boss Brian Porter said Tuesday, "This is not a garden-variety recession … We've never been through this before." Porter urged caution, adding, "This is not a one-quarter or two-quarter event. The banking sector will be picking up broken egg shells for a number of quarters here." Investors, in other words, should be prepared for a rough ride.

However, there are a few reasons why at least a couple of the Big Five banks should still take a reasonably big space in your TSX stock portfolio.

Value, passive income, and defensiveness

First of all, names like Scotiabank command a respectable amount of clout in countries outside Canada. This particular name is a strong play for access to growth in the Pacific Alliance. This bloc of Latin American countries adds a significant revenue stream to Scotiabank's coffers and bolsters the thesis for holding for long-term passive income. Its profit pain, down 40%, is lower than **TD Bank's**.

TD Bank suffered a woeful halving of its profits in the second quarter compared with last year. Compare and contrast with Scotiabank's earnings beat, regardless of the latter bank's profit wipeout from loan provisioning. **CIBC** fell even further, losing 71% as it scrambled to protect itself from loan losses. But TD Bank is Canada's only globally significant bank, and it's a buy for its sheer defensive size if nothing else.

Shares in the Big Five surged midweek, but have begun to drop off. TD Bank's share price has proven resilient so far, down a point and a half. CIBC was similarly stolid. RBC was down 1.6% Friday, while CIBC fell 1.3%. Meanwhile, Scotiabank was down 3% as of Friday, making it a clear buy for value and growth. The latter bank's 6.3% yield is an attractive prospect. Investors should keep an eye on these prices and be prepared to pick up a few knocked-down shares in their favourite names.

In terms of dividends, CIBC's 6.5% yield is still the richest in the space. However, while there is no hint of it just yet, investors should nevertheless be prepared for the possibility that Canadian banks may reduce dividends. In summary, this is the time to slowly build positions in the Big Five with a view to holding for the long term, no matter the state of the market.

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