



2 Top Bank Stocks to Buy Right Now

Description

The financial sector has been another harsh victim of the pandemic-driven crash. Many institutions, including the Big Five, suffered the loss of valuation that none of the banks have recovered from yet. While it is bad news for many investors that had portfolios either built around the Big Five or included sizable stakes in the banks and were banking on capital growth, it's good news for dividend investors.

Thanks to their low valuations, almost all the banks offer better yields than they did in years. So, if you are thinking about adding some of the heavyweights of TSX's financial sector, two banks that should be on your radar are **Toronto-Dominion** ([TSX:TD](#))([NYSE:TD](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)).

The fifth-largest bank

CIBC is the smallest of the Big Five, with a market cap of \$41.7 billion, debt of \$184 billion, and about \$268 billion in cash. Like others in the sector, the bank is currently suffering from a drastic loss of income. The quarter-to-quarter loss of net income is about 68%. There are many factors at play here, most notably (as per bank's quarterly report) amortization and impairment of acquisition-related intangible assets, along with loss of goodwill.

As of April 2020, the bank has \$759 billion worth of assets under management. That's over \$100 billion more than it was in 2019. The bank also managed to increase the size of its deposits, but the solvency ratio, the CET1 fell by 0.3%. Three out of four major credit bureaus have given the bank a stable outlook rating, though Fitch has marked CIBC's outlook as unstable.

These numbers and facts are just a grim reminder of how hard the economy has been hit, and banks, as premier financial institutions of the country, have absorbed a fair chunk of the blow. But two reasons to consider CIBC are its current dividends and its pre-pandemic slow growth. CIBC wasn't a rapidly growing stock, even before the crash, but it did increase its returns in the past five years, albeit at a snail's pace.

A much better reason to bag this [bank is the yield](#) it's offering, 6.2%. This aristocrat has increased its

payouts by 23% in the past five years.

The second-largest bank

Toronto-Dominion is another heavyweight in the banking sector as well as the TSX. With a market cap of \$110 billion, it's currently the third-largest stock currently trading on the exchange. It's also the fifth-largest bank in North America, with an extensive U.S. presence. TD is perhaps the most U.S.-focused bank of the bunch, with 40% of its premium retail earnings coming from across the border, comparable to 55% from Canada.

TD's quarter-on-quarter net income loss is lower than CIBC's, but it's still quite sizable, but its CET1 ratio fell a full 1% from what it was last year. Still, TD is in better shape than many others in the sector. As a stock, it offers both decent growth prospects as well as a juicy dividend yield. The bank's five-year CAGR is 7.28%, and the dividend yield is about 5.2%. But TD is a bit [more generous with](#) increasing its payouts and has beefed up its payouts by 55% in the past five years.

Foolish takeaway

Canadian banks outperformed many of the global banks in the last recession. They are rock solid, and as another recession approaches, these banks can help solidify your portfolio. Even if you can't get a lot of capital growth from these banks, their dividends likely to continue growing.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CM (Canadian Imperial Bank of Commerce)
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