3 Undervalued Bank Stocks Yielding up to 6.2%

Description

Canadian banking stocks are reeling under pressure and have been hit hard amid the COVID-19 pandemic. While tech stocks have outperformed the market in 2020 and continue to touch record highs, it seems like bank stocks are stuck in limbo due to rising unemployment rates and the concerns over higher defaults.

Even the broader indexes such as the Dow Jones and S&P 500 have recovered from the unprecedented sell-off witnessed in March 2020. However, Canada's banking giants are yet to budge from the stock market implosion of early 2020.

If you are bullish on the Canadian economy, beaten-down bank stocks are worth considering, given their low valuation and high dividend yields. We'll look at three such companies that you can consider right now

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest bank and is trading at a price of $57.68, which is 25% below its 52-week high. The pullback has meant BNS stock has a forward yield of a tasty 6.2%.

Further, BNS stock is trading at a forward price-to-sales multiple of 2.2 and a price-to-earnings multiple of 11.3. Analysts expect the company's earnings to grow by 20% in the next fiscal year, making it a top bet right now.

Bank of Nova Scotia has a huge domestic presence and has survived multiple recessions. It is a Dividend Aristocrat, which means the company has increased dividend payments every year for the last five consecutive years.

Analysts tracking BNS stock have a 12-month average target price of $62.31, which is 9% higher than the current trading price. This implies total gains of 15% after accounting for dividend yields.

TD Bank has a 5% dividend yield

Canada's second-largest bank **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is the next stock on this list. With a market cap of $115 billion, TD stock has a forward price-to-sales multiple of 2.7 and a forward price-to-earnings multiple of 13.3. Its earnings growth for 2021 is forecast at 19.7% after a 29% decline in 2020.

TD stock is trading 18% below its 52-week high and has a forward yield of 5%. It is also one of the top 10 banks in the United States and continues to benefit from its expansion into wealth and commercial management businesses that drive top-line growth.

Due to an increase in provisions for credit losses, TD's earnings were down 50% in its most recent quarter. However, there is also a chance that these credit losses might not materialize, which will narrow earnings loss in the upcoming quarters.

Laurentian Bank

Another undervalued stock on the TSX is **Laurentian Bank** (TSX:LB). This mid-cap stock has a forward price-to-sales multiple of 1.3 and a price-to-earnings multiple of 14.4. LB stock is trading at $28.11, which is 40% below its 52-week high. This means the stock has a forward yield of 5.7%.

Laurentian Bank has been one of the worst-performing stocks on the TSX and just witnessed a rough quarter. It slashed payouts by 40%, which was the first time a major Canadian bank cut dividends in over 25 years.

While investing in LB stock carries certain risks, there is also a chance for generating outsized returns on a market rebound.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:LB (Laurentian Bank of Canada)
5. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/23
Date Created
2020/08/17
Author
araghunath