Love High Yields? 3 Bank Stocks to Buy Right Now if You Have $1,000

Description

The low interest rate environment and fear of default due to the weak economic outlook and higher jobless claims may keep you away from buying bank stocks. But their high yields and low valuations make them an attractive investment option.

Investors should note that the top Canadian banks are well capitalized and continue to grow their asset base, which is likely to help them in navigating the short-term challenges. The provisions for credit losses could decelerate sequentially as the economic activities rise.

Overall, I have a bullish outlook on Canadian bank stocks in the long term, as they could witness a sharp recovery as the economy revives. Meanwhile, investors can benefit from the high dividend yields along the way. So, if you have $1,000 to invest, here are three top bank stocks that offer high yields and attractive valuations and that can rebound strongly.

Bank of Nova Scotia

With a year-to-date decline of 23.5% and a forward dividend yield of 6.4%, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is the top bank stock to buy right now. The bank's exposure to the diversified and high-quality growth markets positions it well to grow earnings and dividends in the long run.

Bank of Nova Scotia gets more than 80% of the earnings from personal and commercial banking and wealth business, which is very stable. Moreover, the bank continues to grow its loans and deposits and is expanding its market share in the core markets.

Investors should note that Bank of Nova Scotia's earnings have grown at a compound annual growth rate (CAGR) of 8% from 2009 to 2019. Meanwhile, its dividends have increased at a CAGR of 6% during the same period.

Investors could benefit from capital appreciation and Bank of Nova Scotia's high yields in the long term.

Bank of Montreal

Shares of **Bank of Montreal** (TSX:BMO)(NYSE:BMO) are down about 19.3% year to date. Higher provisions and low interest rates took a toll on its stock. However, the decline in its stock has driven its yields higher. Bank of Montreal currently offers a high yield of 5.2%, which is safe.

The bank's diversified business portfolio, continued growth in assets, and strong capital ratios should help in navigating the crisis. The sharp decline in its stock presents a good entry point for long-term investors.

Bank of Montreal's digital channel should continue to drive new customer additions. Meanwhile, growth in its personal and commercial banking segment is likely to improve with the increase in economic activities.

Toronto-Dominion Bank

Toronto-Dominion Bank's (TSX:TD)(NYSE:TD) dividends have grown at a higher rate than most of its peers over the past several years. The bank has increased its dividends by 10% annually in the last 20 years and is currently offering an attractive yield of 4.9%.

The stellar growth in Toronto-Dominion Bank's dividends reflects its ability to drive loans and deposits and, in turn, its earnings.

The bank's retail focus deposit base, improving efficiency, and ability to drive interest-bearing assets should cushion its payouts in the near term. Meanwhile, the bank is likely to perform well in the long term on sustained volume growth, strong wealth, and insurance businesses.

Bottom line

From an investment standpoint, these three bank stocks look like attractive long-term plays with their high yields and ability to bounce back strongly.

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:TD (The Toronto-Dominion Bank)

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